



Board Meeting Summary

June 17, 2021

9:00 a.m. (held via webinar)

| Value of Assets | Funded Status |
|------------------------|------------------------|
| \$2.79 billion | 60.6% |
| <i>As of 3/31/2021</i> | <i>As of 6/30/2020</i> |

Approval of February 26, 2021 Meeting Minutes

The Board approved the minutes of the February 26, 2021 meeting. These minutes, as well as those from prior meetings, can be found on MPERS' [website](#). Minutes from the current meeting will be posted after they are adopted at the Board's next regular meeting.

Trustee Code of Conduct and Conflict of Interest

In compliance with the Board's Governance Policies, trustees are required to review and affirm their fiduciary responsibilities annually. Following the meeting, the board will receive an electronic copy of the policy and affirm this oath for Fiscal Year 2022.

Review of Economic Assumptions

Presenter: Ken Alberts, Heidi Barry & Jamal Adora, Actuaries (GRS)

Representatives from MPERS' actuary, GRS, presented a condensed report illustrating several alternatives if the Board wished to reduce the assumed rate of return from 7.0%. After discussion, the Board voted to lower the assumed rate of return to 6.5% and maintain the minimum employer contribution rate at 58%. According to GRS's report, this will provide some retained savings in the contribution rate stabilization reserve fund and maintain the funded status at, or close to, its current level, depending on the valuation results, which will be completed for the September board meeting. In general, lowering the assumed rate of return has become necessary for public pension plans across the country as projected return expectations continue to drop.

Governance Committee Report

Presenter: Sue Cox, Governance Committee Chair

The Governance Committee met on April 30, 2021, and reviewed and approved several changes to various committee charters and voted to recommend those changes to the Board. In addition, the Committee approved and recommended changes to the Executive Director Evaluation Process and Criteria policy and the Executive Director Performance Evaluation Form. The Board approved the recommended changes to all policies presented. In sum, the changes were a result of the governance project conducted by Funston Advisory Services, LLC, and represent improvements to the Board's line of sight as an oversight board.

New Board Rule

Presenters: Sue Cox, Governance Committee Chair, and Greta Bassett-Seymour, Asst. Exec. Director & General Counsel (MPERS)

The Board approved Board Rule 1-15, which formalizes the IRS requirements for bona fide separation of service after retirement. In sum, the IRS requires that those who are retiring do not have a prearrangement with the employer (or another state agency) to return to work after retirement and that the separation after retirement lasts at least 30 days. This does not prevent retirees from returning to work; however, it does put limits on the timing and the way in which it happens. Retirees will have to affirm on the retirement application that there has been no prearrangement for reemployment for the retirement process to proceed. Board Rule 1-15 will be posted for public comment on MPERS website for 30 days from June 17, 2021.

Budget Committee Report

Presenters: Col. Eric Olson, Budget Committee Chair, Scott Simon, Executive Director (MPERS), and Jennifer Even, Chief Financial Officer (MPERS)

On an annual basis, the Budget Committee reviews staff's proposed operating budget for the upcoming fiscal year. At a meeting of the Budget Committee on May 19, 2021, the Committee voted to recommend the proposed operating budget to the full Board. The Board voted to approve the proposed operating budget as presented. The budget is a slight reduction from last year's budget, with a decrease of 0.66%.

Audit Committee Report

Presenters: Todd Tyler, Audit Committee Chair, Scott Simon, Executive Director (MPERS), and Jennifer Even, Chief Financial Officer (MPERS)

At the meeting of the Audit Committee on April 30, 2021, the Committee voted to recommend changes to the Audit Committee Charter that would provide for annual ad hoc audit work by MPERS' external auditor in order to provide verification and validation of the vital signs (explanation to follow below) and other reported measures. The Board approved the change and the new audit plan is expected to be implemented in the upcoming fiscal year.

MPERS' Business Plan - FYs 2022, 2023, and 2024

Presenter: Scott Simon, Executive Director (MPERS)

Each year, the Board reviews the business plan objectives for the upcoming year. The Board approved staff's proposed Business Plan for Fiscal Year 2022.

Vital Signs

Presenter: Scott Simon, Executive Director (MPERS)

At recent meetings, each board committee reviewed the vital signs which were most closely related to the board's oversight role. The Board approved the staff's proposed list of those "signs" that would indicate whether MPERS was performing as expected. This list will be updated as necessary based on the individual vital signs and will show progress according to a green/yellow/red dashboard. Green signifies that everything is performing as expected and as it should, yellow signifies that the Board should proceed with caution and review the sign for possible attention, and red signifies that there are issues to be addressed on a more immediate basis. Certainly there are many other signs or indicators of performance, and those will continue to be monitored by staff and brought to the Board's attention when necessary. The vital signs, however, are intended to be the focus of the Board so that the trustees do not get bogged down in those items that should not concern an oversight board. The vital signs are a result of the governance project from last calendar year; a recommendation of Funston

Legislative Update

Presenters: Scott Simon, Executive Director (MPERS) & Mike Winter, Legislative Consultant

Several bills were filed in 2021 that would have had an impact on MPERS, but unfortunately, those did not pass during the 2021 session. House Bill 701 was MPERS' and MOSERS' cleanup bill and Senate Bill 618 and House Bill 1418 were intended to stagger the terms for MPERS' Board of Trustees elected members. There is a plan to refile these bills during the next legislative session.

Investment Performance

Presenters: Larry Krummen, Chief Investment Officer (MPERS), and Kevin Leonard (NEPC)

The first quarter of 2021 provided an excellent start to the new calendar year, as MPERS' investment portfolio delivered a 5.1% return for the period. The 5.1% return outperformed MPERS' policy benchmark of 2.7%, and ranked in the top 5% of the public fund peer universe for the period. MPERS' long-term return remains excellent across most performance metrics. MPERS' 10-year return is just under 9.0%, ranks in the top 22% of the public fund universe, and has a risk profile (as measured by the volatility of returns) in the bottom 1% of the peer universe. Fiscal Year 2021 is shaping up to be a banner year for the portfolio. The estimated return for the year stands at 28%, and the fund balance is at an all-time high of \$2.95 billion.

Investment Committee Report

Presenter: Sgt. Matt Broniec, Investment Committee Chair

At a meeting of the Investment Committee on April, 20, 2021, the Committee reviewed a request for proposal for investment consultant services, which is scheduled to be distributed after July 1, 2021. He also noted that upon an interview of NEPC, the Board's investment consultant, Kevin Leonard confirmed that the services provided to MPERS' Board are as independent advisors to the Board. The Committee also reviewed drafts of several new investment policies that will be revisited at a future Investment Committee meeting in July.

Director's Comments

Presenter: Scott Simon, Executive Director (MPERS)

- The annual MAPERS' conference is scheduled for July 14 and 15, and will be held virtually again this year.
 - The closing for the real estate purchase recently discussed by the Board will be later this month. Staff continues to conduct due diligence regarding future plans for the property.
 - The investment consultant RFP will be sent out on July 1.
 - Of the 72 recommendations made by Funston Advisory Services during the governance project in late 2020, 42 are completed, 22 are in progress, and 8 have not yet been started. According to the projected plan, the staff and Board are ahead of schedule.
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2021 Board Meeting Dates

- Thursday, September 23, 2021
 - Thursday, November 18, 2021
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Board of Trustees

Col. Eric Olson
Board Chair

Todd Tyler
Board Vice Chair

Senator Mike Bernskoetter
Appointed by the President

Superintendent of MSHP
Ex-Officio Member

W. Dustin Boatwright
Highways & Transportation
Commissioner

Sue Cox
MoDOT Retiree Representative

Bill Seibert
MSHP Retiree Representative

MoDOT Active Representative

Robert Brinkmann
Highways & Transportation
Commissioner

Representative Barry Hovis
Appointed by the
Speaker of the House

Gregg Smith
Highways & Transportation
Commissioner

Pro Tem of the Senate

Lt. Matt Broniec
MSHP Active Representative

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Director of MoDOT
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