



## Board Meeting Summary 1:00 pm on June 22, 2017

Value of Assets  
(as of 3/31/17)  
**\$2.11 billion**

Funded Status  
(as of 6/30/16)  
**55.5%**

### Board of Trustees

**Sue Cox**

Board Chair  
MoDOT Retiree  
Representative

**Bill Seibert**

Board Vice-Chair  
MSHP Retiree  
Representative

**John Briscoe**

Highways & Transportation  
Commissioner

**Sgt. Matt Broniec**

MSHP Active  
Representative

**Col. Sandy Karsten**

Superintendent  
of MSHP  
Ex-Officio Member

**Patrick McKenna**

Director of MoDOT  
Ex-Officio Member

**Michael Pace**

Highways & Transportation  
Commissioner

**Rep. Shawn Rhoads**

Appointed by the  
Speaker of the House

**Senator Dave Schatz**

Appointed by the President  
Pro Tem of the Senate

**Gregg Smith**

Highways & Transportation  
Commissioner

**Todd Tyler**

MoDOT Active  
Representative

### Retirement of Major Kemp Shoun and Introduction of New Trustee

The Board recognized the service of former Trustee Major Kemp Shoun, who retired May 1<sup>st</sup>. Following the recent special election to replace Major Shoun, the Board certified the election results and Sergeant Matt Broniec joined the Board as the MSHP elected active representative.

### Investment Performance

*Presenter: Larry Krummen, Chief Investment Officer & Kevin Leonard, NEPC*

As of March 31, 2017, MPERS' fund value was \$2.11 billion. MPERS' fiscal year-to-date return (July 1, 2016 through June 13, 2017), was an estimated 10.6%. MPERS' portfolio generated a healthy 3.2% return in the 1<sup>st</sup> quarter of 2017, led by the equity markets which continue to build momentum since the presidential election last year. The Investment Committee met prior to the full board meeting.

### Budget Committee Report

*Presenter: Sue Cox, Budget Committee Chair*

The Budget Committee recommended and the Board approved the FY18 budget. If it were not for the actuarial experience study (required every five years), the allocation for document retention software, and the addition of new part-time assistant chief financial officer, budgeted expenditures would have been essentially the same as last year. With those items included, the approved total budget proposal increased by 4.36% over last year. Staff also illustrated a "cost per member" review comparing MPERS' expenditures to several other smaller retirement systems, which showed MPERS operating at a low cost.

### New Board Rules Adopted

*Presenter: Scott Simon, Executive Director and Greta Bassett-Seymour, General Counsel*

Following the issuance of our recent Internal Revenue Service (IRS) determination letter (confirming our qualified status as a governmental plan), the Board was required to adopt a number of Board Rules in order to satisfy the Internal Revenue Code in both form and function. For the sake of clarity, MPERS was doing everything administratively required by these new board rules. Now we are simply getting those processes formalized in writing to remain compliant in the eyes of the IRS. The Board adopted the proposed rules and they will be posted on our website for comment for 30 days.

### Legislative Update

*Presenter: Scott Simon, Executive Director*

Senate Bill 62 (SB 62) was an omnibus bill that passed in the last days of the regular session, and is still subject to the governor's signature. The bill included three provisions relevant to MPERS; pension forfeiture cleanup, a change in the 2011 Tier vesting, and a pension buyout option for vested-former members.

The pension forfeiture cleanup of Section 105.669, RSMo., now requires our employers to give notice to MPERS when an individual is terminated from employment in connection with a listed felony committed in the course of his/her employment. It further requires the employer to provide MPERS with any relevant information that may assist MPERS in implementing the statute. (This same legislation was also passed in SB 34.)

The pension buyout amendment (to be adopted at the discretion of the Board) would allow **vested, former members of the Closed and Year 2000 plans** to elect to receive a lump sum buyout instead of a monthly benefit at retirement age. The buyout provision also gives discretion to the Board for a number of details, including whether or not to implement the buyout amendment at all and if implemented, at what percentage to pay out lump sum benefits.

Lastly, the bill decreased the vesting requirement in the 2011 Tier from ten years to five years. For those 2011 Tier members who are employed on or after January 1, 2018, vesting will be five years instead of ten. Anyone in the 2011 Tier terminating employment prior to January 1, 2018, will not be eligible for this change. There are also a few other changes to benefits that will apply only to 2011 Tier vested members terminating employment prior to retirement. These changes do not affect any employees active at the time of retirement.

### **Buyout**

*Presenter: Scott Simon, Executive Director*

The Board voted to offer the pension buyout option to our Closed Plan and Year 2000 Plan members, *subject to the governor's approval*. The complete rule governing the Board's decision must be offered for comment on our website for 30 days, then will be available with our other Board Rules after that date.

Highlights of the pension buyout are as follows:

- Vested former members who will not be eligible for retirement prior to January 1, 2018, are eligible to participate, **with some exceptions**.
- Eligible members who elect the buyout will receive 50% of the *present value* of the deferred annuity as calculated by the actuary.
- The present value will be determined as of October 1, 2017, for all eligible members.
- Eligible members will receive an estimate comparing the amount of the estimated buyout payment with the projected monthly benefit payment payable on the date of eligibility for normal retirement.
- Eligible members must make the election by November 30, 2017 (application and required documentation must be postmarked or received by the system by close of business November 30, 2017).
- Payments will be made between January 1 and May 31, 2018, to members who elect the buyout.
- The system will make reasonable efforts to locate vested former members who have not maintained a current address, but all members are subject to the limited window ending November 30, 2017, even if they were not located timely.

### **Other Items**

The Board approved MPERS' proposed Business Plan for the upcoming three fiscal years. The plan was described as aggressive but necessary to continue the evolution of our system and to continue to provide outstanding customer service to our members.

The consent agenda items were also approved.

### **Remaining 2017 Board Meeting Dates**

Thursday, September 28, 2017

Thursday, November 16, 2017