



## Board Meeting Summary 1:00 pm on September 27, 2018

**Value of Assets**  
*(as of 6/30/18)*  
**\$2.32 billion**

**Funded Status**  
*(as of 6/30/18)*  
**57.1%**

### Departure of Trustees Colonel Sandy Karsten and Rep. Shawn Rhoads

The Board recognized the service of two trustees: Colonel Sandy Karsten who left the Highway Patrol after being named director of the Department of Public Safety and Rep. Shawn Rhoads who resigned his position as state representative. This post will remain vacant until the Speaker of the House appoints a new trustee to our Board. Lt. Col. Eric Olson is the Acting Superintendent of the Missouri State Highway Patrol and will take Director Karsten's position on the Board until a new Superintendent is appointed by the Governor.

### Annual Actuarial Valuation

*Presenter: Ms. Heidi Berry & Mr. Ken Alberts (Gabriel Roeder Smith & Co.)*

The annual actuarial valuation is designed to measure the overall financial condition of the retirement system. During fiscal year 2018, MPERS' funded status remained steady at 57.1 percent. The funded status has continued to increase steadily from its lowest point six years ago when it was 42.2 percent, and would have increased again this year had the Board not recently adopted new economic assumptions. The funded status represents the level of assets available to pay the benefits that have been earned. MPERS' status continues to show progress; however, it is still well below the overall funding objective of 100-percent funded status. The actuary commended the Board for having the appropriate funding policies in place to achieve that objective.

The annual valuation also provides the basis for determining employer contribution rates for the next fiscal year, which must be certified by the Board to the employers (MoDOT and MSHP) by October 1. The contribution rate, as approved by the Board, for fiscal year 2020 will remain at 58 percent of payroll. The contribution rate is comprised of the factors noted below.

<b>FY 2020 Employer Contribution Rates Expressed as a Percent of Active Payroll for Total Benefits</b>	
	<b>Combined Rate (System Total)</b>
Normal Cost	10.55%
Unfunded Liability	45.66%
Expenses	1.26%
Disability	0.53%
<b>Total</b>	<b>58.00%</b>

The normal cost is the basic cost of benefits for our members. This contrasts with the unfunded liability, which is the "catch-up" payment for those benefits that were not adequately funded by either contributions or investment returns in the past.

### Investment Performance

*Presenters: Larry Krummen, Chief Investment Officer (MPERS) and Kevin Leonard & Will Forde (NEPC)*

As of June 30, 2018, MPERS' fund value was \$2.32 billion. MPERS' fiscal year 2018 return (July 1, 2017 through June 30, 2018) was 9.43 percent, assisted by the performance of the alternatives portfolio. Off to a good start, MPERS' portfolio generated a 1.5 percent return for the first quarter of the new fiscal year (from July 1<sup>st</sup> to September 18<sup>th</sup>).

### Investment Committee Report

*Presenter: Mike Pace (Investment Committee Chair)*

Several topics were discussed during the Investment Committee meeting earlier in the day. Staff gave detailed information about management fees as they relate to the asset allocation and the reporting of those fees. As they are reported in the comprehensive annual financial report, management fees are 1.28 percent of total assets under management, including those fees associated with fund of funds.

### 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

**Patrick McKenna**

Director of MoDOT  
Ex-Officio Member

**Lt. Col. Eric Olson**

Acting Superintendent  
of MSHP  
Ex-Officio Member

**Michael Pace**

Highways & Transportation  
Commissioner

**Senator Dave Schatz**

Appointed by the President  
Pro Tem of the Senate

**Gregg Smith**

Highways & Transportation  
Commissioner

**Todd Tyler**

MoDOT Active  
Representative

**Vacant**

Appointed by the  
Speaker of the House

Representatives from NEPC, the Board's investment consultant, explained a concept called beta grouping and described how MPERS' asset allocation could be reorganized into a better framework for aligning the portfolio's exposure with the portfolio's investment objectives. More information about this new framework will be presented at the November board meeting.

Staff confirmed that MPERS is in compliance with the System's anti-terrorism policy.

### **Director's Comments**

*Presenter: Scott Simon, Executive Director (MPERS)*

The November Board Educational Workshop and Board Meeting will be held on November 29<sup>th</sup> at Meadow Lake Acres Country Club in New Bloomfield, Missouri.

### **Remaining 2018 Board Meeting Date**

Thursday, November 29, 2018