



## Board Meeting Summary 1:00 pm on September 29, 2016

### MPERS Update

**Value of Assets**  
*(as of 6/30/2016)*  
**\$1.96 billion**

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

### Board of Trustees

**Colonel J. Bret Johnson**  
*Board Chair*  
Superintendent of MSHP  
Ex-Officio Member

**Sue Cox**  
*Board Vice-Chair*  
MoDOT Retiree  
Representative

**John Briscoe**  
Highways & Transportation  
Commissioner

**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

**Bill Seibert**  
MSHP Retiree  
Representative

**Major Kemp Shoun**  
MSHP Employee  
Representative

**Gregg Smith**  
Highways & Transportation  
Commissioner

**Todd Tyler**  
MoDOT Employee  
Representative

### Investment Committee Report

*Presenter: Mike Pace (Investment Committee Chair)*

The Investment Committee had an open discussion regarding MPERS' liquidity profile, given that the portfolio has a relatively high exposure to illiquid assets. Liquid assets are those that are either cash, or readily convertible to cash, within a few days. Stocks and bonds are typically priced to sell on a daily or frequent basis for cash. Illiquid assets are not normally priced to sell on a daily basis and are contractually locked up for longer periods of time (some for many years) and consequently not available for conversion to cash. If cash is needed from illiquid assets, the assets would be sold at reduced prices. This discussion included the current liquidity, or cash status, of the fund; why MPERS maintains that status; how that status could be changed in the future; and what anticipated outcomes any changes could have on the fund. Liquidity is important as we must have sufficient cash, or assets redeemable for cash, to pay benefits each month. In summary, the Board recognized the importance of liquidity, but felt comfortable with the cash status of the System today. Staff monitors liquidity on a daily basis and MPERS' asset consultant completes an annual liquidity study to be sure exposure remains within acceptable limits.

### Investment Performance

*Presenters: Larry Krummen (MPERS) and Kevin Leonard & Will Forde (NEPC)*

As of June 30, 2016, MPERS' fund value was \$1.96 billion. For fiscal year 2016, MPERS' investment return was 1.00%, which was slightly more than double the average return of other similarly sized pension plans. Over longer periods of time, MPERS continues to produce reasonable returns taking less risk on average than other pension plans.

### Annual Actuarial Valuation

*Presenters: Ken Alberts and Heidi Barry (Gabriel Roeder Smith & Company)*

The annual actuarial valuation is designed to measure the overall financial condition of the retirement system. During FY2016, the funding status of MPERS increased from 52.9% to **55.5%**. The funded status represents the level of assets available to pay the benefits that have been earned. MPERS status is showing progress; however, it is still well below the overall funding objective of 100%. The actuary affirmed that MPERS has 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 FY2018 will remain at 58% of payroll. During a period when investment returns were low, one would normally expect contributions rates to increase and the funded status to drop. This was not the case for this period due to the Board's decision a few years ago to adopt the contribution rate stabilization reserve fund. This reserve fund served to further accelerate the funding of MPERS and offer protection when investment returns are lower than anticipated. The contribution rate is comprised of the factors noted below.

FY 2018 Employer Contribution Rates Expressed as a % of Active Payroll for Total Benefits	
	Combined Rate (System Total)
Normal Cost	11.72%
Unfunded Liability	44.55%
Expenses	<u>1.20%</u>
Subtotal	57.47%
Disability Insurance	0.53%
<b>Total</b>	<b>58.00%</b>

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

**For more information about MPERS go to: [www.mpers.org](http://www.mpers.org)**

### **Audit Committee Report**

*Presenter: Scott Simon (MPERS)*

The audit committee reported that they met with MPERS' external auditor, Williams Keepers. The purpose of the meeting was to get the committee more engaged in the audit process and to develop a direct connection between the committee and the auditor, minimizing staff involvement and promoting greater transparency for the committee regarding staff's ability to support a sound audit experience.

### **Director's Comments**

*Presenters: Scott Simon (MPERS) & Greg Beck (MPERS)*

Greg Beck updated the Board on MPERS' plan to facilitate an enterprise risk management program (ERM). Such a program is intended to assist MPERS in continuing on its path to providing benefits and investing in an efficient and low-risk operational environment.

The November Board Educational Workshop and Board Meeting will be held on November 17<sup>th</sup> at Meadow Lake Acres Country Club in New Bloomfield, Missouri.

### **2016 Board Meeting Dates**

Thursday, November 17