



Board Meeting Summary

September 21, 2023
12:30 p.m.

Value of Assets	Funded Status
\$3.27 billion	69%
<i>As of 6/30/2023</i>	<i>As of 6/30/2023</i>

Approval of Board Meeting Minutes

The Board approved the minutes of the June 22, 2023 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.

Annual Actuarial Valuation

Presenters: Heidi Barry, Jamal Adora, and Ken Alberts (GRS)

Representatives from MPERS' actuary, GRS, presented the annual actuarial valuation. The annual actuarial valuation is designed to measure the overall financial condition of the retirement system. During Fiscal Year 2023, MPERS' funded status increased to 69% from 66.3%. This is the highest funded status in MPERS' history. The funded status represents the level of assets available to pay the benefits that have been earned by our members.

A major hurdle was overcome during this past fiscal year; the retiree unfunded liability was completely funded. The retiree liabilities are the benefits earned by those members already receiving a benefit from MPERS and those are now fully funded for the first time in System history. MPERS' funded status shows significant progress over the last decade; however, it is still below the overall funding objective of 100%. The actuary commended the Board for having the appropriate funding policies in place to achieve that objective and for the significant progress made so far.

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 2025 will be 52.008% of payroll for the non-uniformed group (MoDOT and the non-uniformed portion of the Highway Patrol) and 58.49% for the uniformed group. This will be the first time since FY 2015 that the non-uniformed rate has fallen below 58%. The contribution rate is comprised of the factors noted below.

FY 25 Employer Contribution Rates Expressed as a Percent of Active Payroll for Total Benefits		
	Non-Uniformed Employees	Uniformed Patrol
Normal Cost	8.260%	17.080%
Expenses	1.340%	1.340%
Unfunded Liability	41.933%	39.596%
Disability Insurance	0.475%	0.475%
Total	52.008%	58.491%

The Board certified the contribution rates for Fiscal Year 2025 in accordance with statutory requirements.

Vital Signs

Presenters: Scott Simon, Executive Director (MPERS)

Mr. Simon reported to the Board that all vital signs of the System, except for one were “green,” or without concern. The only exception was the total investment return versus peer average – 8.9% v. 9.1%. The score fell into the yellow category – within 50 basis points below the median. The vital signs are intended to provide a better line of sight for MPERS’ oversight Board and be a quick reference to see how things are functioning within the organization.

Investment Committee Report

Presenter: Matthew Morice, Investment Committee Chair

At a meeting of the Investment Committee on September 21, 2023, the Board’s investment consultant, NEPC, presented on a number of important topics, including detailed information about MPERS’ investment performance for the last fiscal year, current liquidity analysis (i.e., whether the fund has adequate liquid assets to pay expenses and benefits), private markets pacing plan (which ties to liquidity and projected commitments to private market asset classes in the coming years), the semi-annual internal fixed income review, and a management fee analysis (fees are appropriate based on the approved asset allocation). All the Investment Committee topics are required by policy to be reported annually or semi-annually.

Investment Performance

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

MPERS’ portfolio ended the year with an 8.88% return. That return outperformed MPERS’ policy benchmark of 6.4% yet underperformed the median public fund return of 9.1%. With global equities up 16.5% for the year, it was a year where simpler was better. The more equity exposure, the better the performance. We are pleased to report that MPERS now has 20-year net-of-fees return to report on a going-forward basis. MPERS’ 20-year return of 8.3% ranks in the 1st percentile of the public fund universe and has outperformed the policy benchmark return of 7.5% over the same period. Perhaps more important is the fact that MPERS’ policy benchmark (the return you expect to earn investing passively across the targeted asset allocation) ranks in the top 15% of the public fund universe. The two key takeaways from this are 1) MPERS’ asset allocation has served the System very well and 2) the staff has done an excellent job of delivering excess return over and above a very difficult benchmark.

MPERS’ other long-term returns look equally strong, as the three-, five-, and ten-year returns all rank in the top 1% of the public fund peer universe. The risk-adjusted returns (measured by a system’s Sharpe ratio) also rank in the top 1% of the peer rankings.

Director's Comments

Presenter: Scott Simon, Executive Director(MPERS)

MPERS' Fiscal Year 2022 annual comprehensive financial report received the GFOA Certificate of Achievement for Excellence in Reporting. MPERS has received this award every year since 2005. This is confirmation of the quality and high level of financial reporting being done by MPERS' financial professionals.

In June of 2022, the Board approved a five-year strategic plan. At this time, much progress has been made, including addressing issues with succession planning across the organization, hiring additional investment staff, hiring an HR Officer, improvement in our cyber security policies, and seeking alternatives to our current office space to address the needs of the organization and the future of MPERS more adequately.

Many thanks to Senator Bernskoetter and Representative Hovis for their assistance during the last legislative session in getting MPERS legislation to the finish line. After five years of effort MPERS' cleanup bill was passed and in addition, the bill staggering the terms of MPERS' elected trustees. This was one of the most successful and productive sessions in memory, as far as the System is concerned.

2023 Board Meeting Dates

- Thursday, November 16

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