

FEBRUARY 17, 2023 MEETING MINUTES

BOARD OF TRUSTEES

MODOT AND PATROL EMPLOYEES' RETIREMENT SYSTEM

MPERS' Office Building
1913 William St.
Jefferson City, MO 65109

TRUSTEES PRESENT: Colonel Eric Olson, Chair
Mr. Todd Tyler, Vice Chair
Senator Mike Bernskoetter
Mr. W. Dustin Boatwright
Ms. Sue Cox
Mr. Terry Ecker
Representative Barry Hovis
Mr. Patrick McKenna
Trooper Matt Morice
Mr. Bill Seibert
Mr. Gregg Smith

STAFF PRESENT: Mr. Scott Simon, Executive Director
Ms. Greta Bassett-Seymour, Assistant Executive Director &
General Counsel
Mr. Larry Krummen, Chief Investment Officer
Ms. Jennifer Even, Chief Financial Officer
Ms. Barbara Graessle, Board Secretary

GUEST/PRESENTERS: Ms. Heidi Barry, GRS
Mr. Jamal Adora, GRS
Mr. Ken Alberts, GRS
Mr. Kevin Leonard, NEPC
Mr. John Berendzen, PBA Architecture

A regularly scheduled meeting of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) was held on Friday, February 17, 2023, from the System's office located at 1913 William Street in Jefferson City, Missouri. The meeting was called to order by Col. Eric Olson pursuant to section 104.108 of the Missouri Revised Statutes, as amended.

OPEN MEETING

APPROVAL OF MINUTES

Mr. Tyler made a motion to approve the minutes of the meeting held on November 17, 2022. Mr. Boatwright seconded the motion. Mr. Smith abstained from voting as he was not at the meeting. By unanimous vote of all Trustees present, motion carried.

The Chair and Executive Director were authorized and directed to sign and certify the minutes and to file in the office of the Executive Director.

ELECTION OF CHAIR

Ms. Sue Cox and Trooper Matt Morice were nominated for Chair. A motion was made by Mr. Todd Tyler to cease nominations; Mr. Bill Seibert seconded the motion, and the motion carried.

In accordance with section 104.170 RSMo., Ms. Sue Cox was elected as Chair of the Board for a one-year term.

ELECTION OF VICE CHAIR

Trooper Morice was nominated for Vice Chair. A motion was made by Mr. Tyler to cease nominations; Rep. Hovis seconded the motion, and the motion carried.

In accordance with section 104.170 RSMo., Trooper Matt Morice was elected as Vice Chair of the Board for a one-year term.

COMMITTEE APPOINTMENTS

Committee appointments will be forthcoming. If a member has a committee preference, the member should advise Ms. Cox or Mr. Simon.

LEGISLATION

Presenter: Mr. Scott Simon, Executive Director

Mr. Simon highlighted the following MPERS-related proposals offered during this general session:

- SB 20 and HB 923 would stagger the terms of the four elected trustees.
- SB 407 and HB 1185 (in conjunction with MOSERS) represent the cleanup bill. The bill is intended to clean up typos, clarify unclear provisions, update cross-references, etc.
- HB 89 would add the rule of 80 retirement eligibility to the 2011 Tier. The rule of 90 is the present eligibility criteria. This change would result in a material cost to the plan. Increased costs to the plan are prohibited by 105. 684 until the plan is at least 80%

funded, which is acknowledged by the proposal. There are concerns with this proposal that will be communicated with the sponsor.

- HB 769 would reinforce the obligations of the investment fiduciary to discharge duties in the best economic interests of plan beneficiaries. It stipulates the same requirements for casting proxy votes for held shares of common stock. This proposal was drafted by the key pension plans in Jefferson City at the request of the sponsor.
- SB 436 would modify the provisions for fiduciary duty for related pension plan parties that would likely discourage money managers from taking trust assets for investment purposes thus limiting the investment return expectations and increasing costs for the plan.

FIVE-YEAR EXPERIENCE STUDY

Presenters: Ms. Heidi Barry Mr. Jamal Adora, and Mr. Ken Alberts, MPERS' actuary (GRS) and Mr. Scott Simon, Executive Director

As required by state statute, an actuarial study of the System's actual five-year experience was completed by GRS and presented to the Board. The period studied was July 1, 2017 to June 30, 2022.

After considerable discussion, the Board was most interested in making the current temporary funding policy permanent but delayed taking formal action to that end until the June meeting in order to allow more time for consideration. Mr. Tyler made a motion to accept the demographic assumptions proposed by the actuary, Mr. Boatwright seconded the motion, and the motion carried.

Rep. Hovis left the meeting at 11:35 p.m.

GOVERNANCE COMMITTEE REPORT

Presenter: Ms. Sue Cox, Governance Committee Chair

Ms. Cox reported the Governance Committee met on December 14, 2022. The Governance Committee reviewed the procedures for the election process because of low voter participation at the last election. The Committee asked staff to investigate other means for voting in an effort to increase participation.

The Committee discussed the current *Board Self-Evaluation Policy* and agreed no changes needed to be made at this time but recognized the need for Board participation for the evaluation process to be successful.

The Committee decided to add one longer-term investment performance metric to the vital signs and will bring that before the Board for approval in June.

FACILITIES RENOVATION

Presenters: Mr. Scott Simon, Executive Director, and Mr. John Berendzen, PBA Architecture

Mr. Simon presented to the Board the financial implications of renovating MPERS' current building and the possibility of purchasing another building rather than renovating.

Mr. Berendzen presented to the Board the proposed architectural and design changes to MPERS' current building.

Mr. Simon asked the Board for more time to review all options, stating further that he would report back to the Board at the June meeting any further progress. The Board agreed to this request.

INVESTMENT COMMITTEE REPORT

Presenter: Col. Eric Olson, Investment Committee Chair

The Investment Committee met on January 27, 2023. The Committee received short presentations on compliance matters, including the semi-annual fixed income report and the annual proxy voting report. NEPC presented the annual investment outlook and key market themes for 2023. No asset allocation changes were recommended to investment policy.

INVESTMENT REPORTS

Presenters: Mr. Larry Krummen, Chief Investment Officer, and Mr. Kevin Leonard, NEPC

- CIO Report

Calendar year 2022 was a challenging year for the financial markets as inflationary pressure and higher interest rates brought fears of a future economic recession. Global equities lost over 18% in value over the year while traditional fixed income (normally a diversifier for equities) also lost over 13% in value (a traditional 60/40 mix was down 16.4% for the year). MPERS' portfolio performed extremely well considering the environment, limiting losses to approximately 2% for the year and outperforming the policy benchmark by 8.65%. MPERS' overall return profile continues to rank in the top 1% of the peer universe across all measurement periods. The portfolio has been very successful in limiting losses in down markets while keeping up with markets during the good times. Fiscal year to date (July 1, 2022 to February 7, 2023) MPERS' investment return was 6.7%.

- NEPC Performance Report

Mr. Leonard provided an update to the Board on MPERS' investment performance as of December 31, 2022.

DIRECTOR'S COMMENTS

Mr. Simon reported the recent new investment hire is doing well. Another new hire is expected

to start at the end of March. Mr. Simon also celebrated Board Secretary Lois Wankum's upcoming retirement after almost 25 years of service for MPERS and over 36 years of state service in total. Barbara Graessle will take over as the board secretary.

TRUSTEE'S COMMENTS

Ms. Cox thanked Col. Olson for serving as Chair for the past two years and Mr. Tyler for serving the past four years as Vice Chair.

VOTE TO CLOSE MEETING

The Board voted to close the February 17, 2023 meeting, citing sections 610.021(3) and (13), RSMo., to discuss administrative matters regarding particular employees.

Mr. McKenna was not present for the closed session.

Upon a motion made by Mr. Smith and seconded by Mr. Boatwright to convene in closed session, the following roll call vote was taken:

Senator Bernskoetter, Aye
Mr. Boatwright, Aye
Ms. Cox, Aye
Mr. Ecker, Aye
Trooper Morice, Aye
Colonel Olson, Aye
Mr. Seibert, Aye
Mr. Smith, Aye
Mr. Tyler, Aye

ADJOURN

Following a motion to return to open session, a motion to adjourn was made by Mr. Smith and seconded by Mr. Boatwright. By unanimous vote all Trustees present, the meeting of the Board of Trustees was adjourned.

CERTIFICATION

We, Sue W. Cox, Board Chair, and Scott Simon, Executive Director, Board of Trustees, MoDOT & Patrol Employees' Retirement System, hereby certify that the foregoing are full, true, and complete minutes of the meeting of the Board held on February 17, 2023 in Jefferson City, Missouri, as approved by said Board at its meeting held June 22, 2023.

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on June 22, 2023.

Sue W. Cox

Chair

Scott Simon

Executive Director

