

# Minutes of Meeting

June 18, 2020



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<b>Adjourn</b>	

**BOARD OF TRUSTEES' MEETING**



**THURSDAY, JUNE 18, 2020**

**9:00 a.m.**

**via Webinar**

**1913 William Street  
Jefferson City, Missouri**

**TRUSTEES PRESENT:** Mr. William “Bill” Seibert, Chair  
Mr. Todd Tyler, Vice Chair  
Senator Mike Bernskoetter  
Mr. Robert Brinkmann  
Mr. John Briscoe  
Sgt. Matthew Broniec  
Ms. Sue W. Cox  
Mr. Patrick McKenna  
Colonel Eric Olson  
Mr. Gregg Smith  
Representative Sara Walsh

**TRUSTEES ABSENT:** None

**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. Lois Wankum, Senior Executive Assistant

**GUESTS/PRESENTERS:** Mr. Kevin Leonard, NEPC  
Mr. Will Forde, NEPC  
Mr. Ken Alberts, GRS  
Ms. Heidi Barry, GRS  
Mr. Jamal Adora, GRS  
Mr. Stephen Hastings, Cheiron  
Mr. Mike Noble, Cheiron  
Mr. Tom Litz, Thompson Coburn

A regularly scheduled meeting of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) was held on Thursday, June 18, 2020, via webinar from the System's office located at 1913 William Street in Jefferson City, Missouri. The meeting was called to order by Mr. Bill Seibert pursuant to Section 104.180 of the Missouri Revised Statutes, as amended.

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## OPEN MEETING

### APPROVAL OF MINUTES

Sgt. Broniec made a motion to approve the minutes of the meeting held on April 24, 2020. Ms. Cox seconded the motion. The following roll call vote was taken:

Mr. William “Bill” Seibert, Aye  
Mr. Todd Tyler, Aye  
Senator Mike Bernskoetter, Aye  
Mr. Robert Brinkmann (absent during vote)  
Mr. John Briscoe, Nay  
Sergeant Matthew Broniec, Aye  
Ms. Sue W. Cox, Aye  
Mr. Patrick McKenna, Aye  
Colonel Eric Olson, Aye  
Mr. Gregg Smith, Aye  
Representative Sara Walsh (absent during vote)

The motion carried with 8 votes in favor and 1 against. The Chair and Executive Director were authorized and directed to sign and certify said minutes and to file same in the office of the Executive Director.

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### BUDGET COMMITTEE REPORT

~ by Mr. Bill Seibert, Budget Committee Chair

#### o **FY 2021 Budget**

Mr. Seibert reported the Budget Committee met with MPERS’ staff, on May 21, 2020, to review the proposed budget.

Mr. Simon and Ms. Even presented the proposed FY 2021 budget to the Committee. Mr. Simon had previously provided Committee members with a comprehensive picture of the System’s expenses and income to provide a better overall understanding of all of the financial transactions that take place at MPERS. A chart comparing actual expenses for FY 2019 and projected expenses for FY 2021 was provided along with a chart that compared actual income received in FY 2019 and projected income for FY 2021.

The Committee reviewed the budget summary and details for each category in the administrative and investment budgets. The summary included increases and decreases in each budget category and explanations for the changes were provided. The proposed budget was consistent with board-approved policies.

Overall, the budget proposal reflected a 2.57% increase over last year. This increase was primarily attributable to the contract extension for the CIO, and given that this is done only periodically (and in this case, five years ago), if removed from the budget, the FY 2021 budget would essentially be flat compared to last year’s budget.

Sgt. Broniec made a motion to accept the Budget Committee’s recommendation to approve the FY 2021 budget as presented. Senator Bernskoetter seconded the motion. The following roll call vote was taken:

Mr. William “Bill” Seibert, Aye  
Mr. Todd Tyler, Aye  
Senator Mike Bernskoetter, Aye  
Mr. Robert Brinkmann, Aye  
Mr. John Briscoe, Nay  
Sergeant Matthew Broniec, Aye  
Ms. Sue W. Cox, Aye  
Mr. Patrick McKenna, Nay  
Colonel Eric Olson, Aye  
Mr. Gregg Smith, Aye  
Representative Sara Walsh, Aye

The motion carried with 9 votes in favor and 2 against. Before the vote, Mr. McKenna requested his reasons for voting against the proposed budget be stated in the minutes and are listed below:

1. He objects to the exclusion of management fees in this budget and/no boundary setting of hose fees.
2. He objects to the continued use of a 60/40 comparison because the risk profile of the two asset allocations are not similar.
3. He objects to the new CIO contract which he objected to at the time the contract was approved by the board.
4. He objects to any costs that have any relation or could be used to execute leverage on the portfolio.

o **Review Travel Expenses for Executive Director & Trustees (FY 2020)**

Per the board policy, the Travel Expense Report was also provided.

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**INVESTMENT COMMITTEE REPORT**

*~ by Sgt. Matt Broniec, Investment Committee Chair*

Sgt. Broniec, Investment Committee Chair, provided a brief recap of the Committee meeting held on June 9, 2020. Sgt. Broniec stated the Committee discussed the utilization of derivatives within the investment policy and requested additional detail for reporting that will be reviewed and considered at upcoming meetings.

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**RESULTS OF ACTUARIAL AUDIT**

*– by Mr. Steven Hastings & Mr. Mike Noble of Cheiron*

Mr. Steven Hastings, FSA, EA, FCA, MAA and Mr. Michael Noble FSA, EA, FAC, MAA, both of Cheiron, delivered the results of the actuarial audit to the Board. Cheiron replicated the June 30, 2019 Actuarial Valuation Report and the Five-Year Experience Study July 1, 2012 through June 30, 2017, that was performed by GRS Consulting. The audit duplicates the actuarial valuation, verifies the demographic and census data used by the actuary, reviews the accounting disclosures prepared by GRS, and reviews the actuarial methods and assumptions underlying those valuations.

Cheiron’s keys findings are as follows:

- The results reported by GRS can be relied upon.
- The communication of the actuarial valuation results is complete and reasonable.
- The actuarial methods and assumptions are reasonable and generally comply with Actuarial Standards of Practice (ASOPs).
- The fees paid by MPERS to the current actuary appear to be reasonable based on the level of services received and are typical of the industry.
- The funding methods adopted by the Board of Trustees are appropriately funding the obligations of the System:
  - Permanent Policy amortization is appropriate
  - Temporary Policy accelerates the funding of liability for retired members
  - Contribution stabilization fund has potential to provide reduced volatility as the System gets closer to the end of closed amortization periods
- The signing actuaries certified that they meet the Qualification Standards of the American Academy of Actuaries to render an actuarial opinion.
- The Governmental Accounting Standards Board (GASB) reportedly prepared by GRS is in compliance, as applicable, with GASB Statements Nos. 67 and 68.

The auditing actuaries commended the Board for the aggressive funding policies and contribution rate stabilization reserve fund that have been in place for some time and address the funding challenges of the past. Other items to consider can be found in Cheiron’s report dated June 2020.

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**GRS’s RESPONSE TO RESULTS OF ACTUARIAL AUDIT**

*~ Ms. Heidi Barry and Mr. Ken Alberts of GRS Consulting*

Mr. Ken Alberts provided a preliminary response to the actuarial audit and will provide a formal written response to the report’s recommendations within the next couple of months.

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## **REVIEW OF ACTUARIAL ECONOMIC ASSUMPTIONS**

~ Ms. Heidi Barry and Mr. Ken Alberts of GRS Consulting

The Actuarial Standard's of Practice and Best Practices require the economic assumptions applicable to MPERS be reviewed annually by the actuary to assess the reasonableness for consideration in the upcoming valuation. Mr. Alberts indicated the current assumptions continue to be reasonable; however, he did suggest that current trends would likely make it necessary to consider changes in the assumptions for next year. Mr. Simon suggested Mr. Alberts illustrate some projections using different assumptions for review and consideration by the Board of Trustees in advance of the next valuation. These illustrations could help the Board decide if any immediate changes were appropriate and even consider accelerating the next experience study (if necessary), which is scheduled in two years.

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## **GOVERNANCE COMMITTEE REPORT**

~ by Sue Cox, Governance Committee Chair

### **Governance Consultant**

Ms. Sue Cox, Governance Committee Chair, stated the Governance Committee met on June 8, 2020, to consider the use of a governance consultant and review cost estimates and credentials for the Board's consideration. The Committee asked staff to conduct a supplemental review to determine where specific proposals were and were not comparable, given the broad range of cost estimates. The cost to utilize a governance consultant was placed in the FY 2021 budget for approval.

### **Board Governance Policies:**

The Governance Committee also met on April 22, 2020, and proposed changes to the following policies:

- Trustee Code of Conduct and Conflicts of Interest – The change requires trustees to sign the acknowledgement annually.
- Strategic Planning Policy – The change reverses several deletions from June 2019 board-approved modifications.

### **Board Rules:**

- **Board Rule 1-12 Required Minimum Distributions** – In December 2019, Congress passed the SECURE Act. Specific for our purposes, the age at which individuals are required to take certain distributions from various retirement accounts changed from 70½ to 72. The change to this board rule reflects the change in the law (Internal Revenue Code).

Ms. Cox made a motion to approve the revisions to the governance policies and the board rule. Mr. Tyler seconded the motion. The following roll call vote was taken:

- Mr. William “Bill” Seibert, Aye
- Mr. Todd Tyler, Aye
- Senator Mike Bernskoetter, Aye
- Mr. Robert Brinkmann, Aye
- Mr. John Briscoe, Nay
- Sergeant Matthew Broniec, Aye
- Ms. Sue W. Cox, Aye
- Mr. Patrick McKenna, Nay
- Colonel Eric Olson, Aye
- Mr. Gregg Smith, Aye
- Representative Sara Walsh, Aye

The motion carried with 9 votes in favor and 2 against.

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**MPERS’ BUSINESS PLAN – FYs 2021, 2022, and 2023**

*~ by Mr. Scott Simon, MPERS Executive Director*

MPERS’ Business Plan for Fiscal Years 2021, 2022 and 2023 was presented to the Board. Mr. Simon indicated there were six items that were not completed due to the COVID-19 pandemic (sudden and unplanned remote work environment) and are shown as carryover from FY 2020.

Ms. Cox made a motion to approve MPERS’ Business Plan for Fiscal Years 2020, 2021 and 2022. Colonel Olson seconded the motion. The following roll call vote was taken:

- Mr. William “Bill” Seibert, Aye
- Mr. Todd Tyler, Aye
- Senator Mike Bernskoetter, Aye
- Mr. Robert Brinkmann, Aye
- Mr. John Briscoe, Aye
- Sergeant Matthew Broniec, Aye
- Ms. Sue W. Cox, Aye
- Mr. Patrick McKenna, Aye
- Colonel Eric Olson, Aye
- Mr. Gregg Smith, Aye
- Representative Sara Walsh, Aye

All members voted in favor, motion carried.

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**INVESTMENT REPORTS**

~ by Mr. Larry Krummen (MPERS) and Mr. Kevin Leonard (NEPC)

• **CIO Investment Report**

Mr. Krummen updated the Board on how the COVID-19 pandemic continues to influence the investment portfolio, including performance measures for the first quarter. In the first quarter of 2020, investment performance was -8.9%. MPERS’ overall performance rebounded and stands at 1.6%. (July 1, 2019 through June 10, 2020). MPERS’ performance ranked in the top 4% of the public fund universe where the average public fund lost -13.8% during the first quarter.

• **Current Asset Allocation Overview/Positioning Relative to Targets**

MPERS’ current cash balance stands at \$8.5 million (or 0.3% of assets). As of June 10, 2020, each of the respective asset class allocations were within the permissible ranges.

• **Investment Performance Report for Quarter Ending March 31, 2020**

Mr. Kevin Leonard and Mr. Will Forde provided a report on MPERS’ investment performance. As of March 31, 2020, MPERS’ fund value was \$2.28 billion.

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**ASSET LIABILITY STUDY**

~ by Mr. Kevin Leonard (NEPC)

Mr. Leonard (NEPC) presented the asset-liability study for consideration by the Board. Sgt. Broniec made a motion to maintain the current policy for the asset allocation. Ms. Cox seconded the motion. The following roll call vote was taken:

- Mr. William “Bill” Seibert, Aye
- Mr. Todd Tyler, Aye
- Senator Mike Bernskoetter, Aye
- Mr. Robert Brinkmann, Aye
- Mr. John Briscoe, Nay
- Sergeant Matthew Broniec, Aye
- Ms. Sue W. Cox, Aye
- Mr. Patrick McKenna, Nay
- Colonel Eric Olson, Aye
- Mr. Gregg Smith, Aye
- Representative Sara Walsh, Nay

The motion carried with 8 votes in favor and 3 against.

- **Leverage**

Ms. Cox made a motion to accept staff's recommendation and grant the authority to utilize leverage within the portfolio, subject to a maximum of 20% of assets. Sgt. Broniec seconded the motion. The following roll call vote was taken:

Mr. William "Bill" Seibert, Aye  
Mr. Todd Tyler, Aye  
Senator Mike Bernskoetter, Aye  
Mr. Robert Brinkmann, Nay  
Mr. John Briscoe, Nay  
Sergeant Matthew Broniec, Aye  
Ms. Sue W. Cox, Aye  
Mr. Patrick McKenna, Nay  
Colonel Eric Olson, Aye  
Mr. Gregg Smith, Nay  
Representative Sara Walsh, Nay

The motion carried with 6 votes in favor and 5 against.

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### **DIRECTOR'S COMMENTS**

- **MPERS' Operations Update**

Mr. Simon provided the Board with an update on MPERS' administrative operations in light of the COVID-19 pandemic. MPERS' offices remain closed to the public. MPERS' staff began working remotely on March 20 and continue to do so at this time. All seminars will continue to be presented via various internet platforms for the time being. Members have been kept apprised of operational changes via direct email and the MPERS' website.

- **MoDOT's Shared Work Program**

Mr. Simon stated MoDOT has implemented a Shared Work Program for its employees. Mr. McKenna stated 80% of the employees chose the shared work option and 20% took the 5% salary reduction, which results in approximately \$2 million per month reduction in contributions to MPERS.

Mr. Simon stated the Shared Work Program could have some implications from a funding perspective for the System. Mr. Simon advised the Board he would work with the actuary and report back to the Board at a later date.

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### **TRUSTEE'S COMMENTS**

Ms. Cox expressed her appreciation to Mr. Simon and MPERS' staff for the quick turnaround in providing a Q&A for MoDOT employees in response to the implementation of the Shared Work Program.

Mr. Tyler stated he attended the 2020 NCPERS Accredited Fiduciary (NAF) Program Modules 1 & 2 on May 19-22, 2020 (via Zoom). Sgt. Broniec also attended Modules 1 & 2 and Modules 3 & 4 on May 26-29, 2020. Both trustees stated this program was very beneficial and encouraged other trustees to attend future programs that are offered.

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## **INFORMATIONAL ITEMS**

Per Board Governance Policies, information-only items primarily consist of benefit matters governed by state law and routine administrative or ministerial matters which do not require board discussion or action. The items listed below were provided to the Board for informational purposes only.

- **Legislative Update**

One MPERS-related bill, SS SCS HB1467 and HB1934) was passed by the legislature during the regular session. Those members who divorce after retirement and who selected a survivor option at retirement, will have the option to pop-up the benefit to a life income annuity (or actuarial equivalent) if proper court documentation can be provided to the System. This statutory change will not take effect until January 1, 2021.

- **Risk Consultant Report**

MPERS provides its members with a long-term disability plan (LTD) in order to provide security to active members if a medical condition prohibits the employee from performing normal duties. MPERS has contracted with The Standard to provide LTD coverage to covered members. MPERS also employs Charlesworth Consultants to review the LTD plan to ensure the LTD program is operating effectively and benefits are provided appropriately. As reported in prior updates, MPERS secured the “rate hold” guaranteed by The Standard until July 1, 2021, and the rate continues to be competitive to the claims experience of MPERS.

Mr. Charlesworth will continue to monitor the claims experience and reserving practices of The Standard to confirm the pricing and service model of this risk transfer meets the needs of MPERS.

- **Internet, Phone Service & IT Consultant**

The Board was provided with background information on the operations of the System in regard to internet, phone service & IT consultant; items that are included in the FY 2020 Business Plan.

- **Report on Trustee Education – FY 2020**

Per the Monitoring and Reporting Policy, the Board was provided with the “Report on Trustee Education” for FY 2020.

- **Benefit Payments and Member Data – May 2020**

The Executive Director provided current member and benefit data to the Board.

- **Retirement Inceptions**

The Executive Director provided the Board with a summary of retirement inceptions for the months of July 2019 through May 2020.

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**ADJOURN**

Mr. Seibert requested a motion to adjourn. A motion to adjourn was made by Colonel Olson and seconded by Senator Bernskoetter. By a roll call vote of all Trustees present, the meeting of the Board of Trustees was adjourned at 12:13 p.m.

Mr. William "Bill" Seibert, Aye  
Mr. Todd Tyler, Aye  
Senator Mike Bernskoetter, Aye  
Mr. Robert Brinkmann, Aye  
Mr. John Briscoe, Aye  
Sergeant Matthew Broniec, Aye  
Ms. Sue W. Cox, Aye  
Mr. Patrick McKenna, Aye  
Colonel Eric Olson, Aye  
Mr. Gregg Smith, Aye  
Representative Sara Walsh, Aye

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## CERTIFICATION

We, William “Bill” Seibert, 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 June 18, 2020 in Jefferson City, Missouri, as approved by said Board at its meeting held September 24, 2020.

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on September 24, 2020.

*William K. Seibert*

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Chair

*Scott Simon*

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Executive Director

