

# Minutes of Meeting

November 29, 2018





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Adjourn



**BOARD OF TRUSTEES' MEETING**

**THURSDAY, NOVEMBER 29, 2018**

**12:30 p.m.**

**Meadow Lake Acres Country Club  
2600 Meadow Lake Dr.  
New Bloomfield, Missouri**

**TRUSTEES PRESENT:** Ms. Sue W. Cox, Chair  
Mr. William "Bill" Seibert, Vice Chair  
Mr. John Briscoe  
Sgt. Matthew Broniec  
Mr. Patrick McKenna  
Lt. Colonel Eric Olson  
Mr. Mike Pace  
Mr. Gregg Smith  
Mr. Todd Tyler

**TRUSTEES ABSENT:** Senator Dave Schatz

**STAFF PRESENT:** Mr. Scott Simon, Executive Director  
Mr. Greg Beck, Assistant Executive Director  
Mr. Larry Krummen, Chief Investment Officer  
Ms. Greta Bassett-Seymour, General Counsel  
Ms. Jennifer Even, Chief Financial Officer  
Ms. Lois Wankum, Executive Assistant II

**GUESTS/PRESENTERS:** Mr. Kevin Leonard, NEPC  
Mr. Will Forde, NEPC  
Mr. Mike Winter, Legislative Consultant  
Mr. Jeff Fink, Thompson Coburn

A regularly scheduled meeting of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) was held on Thursday, November 29, 2018, at the Meadow Lake Acres Country Club located at 2600 Meadow Lake Drive in New Bloomfield, Missouri. The meeting was called to order by Ms. Sue Cox pursuant to Section 104.180 of the Revised Statutes of Missouri, as amended.

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**APPROVAL OF MINUTES**

Upon a motion by Mr. Pace, and seconded by Sgt. Broniec, the Board of Trustees (Trustees) approved the minutes of the meeting held on September 27, 2018.

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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## **CONSENT AGENDA**

To make the most efficient use of Retirement Board meeting time and to ensure the Trustees are well informed on issues requiring their action, the Executive Director prepares in advance and submits to the Trustees, items consisting of advice, opinions, and recommendations related to subjects on the Board meeting agenda. Items considered by staff to be of a routine or noncontroversial nature are placed on the consent agenda. During the meeting, items may be removed from the consent agenda at the request of any one Trustee. Items not removed from the consent agenda are approved with a single motion and a unanimous vote by a quorum of the Trustees in attendance.

Minutes reflecting approval of items on the consent agenda are singly reported herein and thus, are intermingled with minutes reflecting action on related subjects as discussed. Reference to “consent agenda” is made in each minute approved via the process described above. Minutes reflecting action on items removed from the consent agenda and openly discussed reflect the open discussion and the vote thereon.

No items were removed from the consent agenda. Upon a motion by Mr. Briscoe and seconded by Mr. Pace, all items on the consent agenda were unanimously approved.

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## **WELCOME NEW TRUSTEE, LT. COLONEL ERIC OLSON, TO THE BOARD OF TRUSTEES**

Ms. Cox welcomed Lt. Colonel Eric Olson (Acting Superintendent) to the MPERS Board of Trustees. Mr. Olson became a member of the Board by virtue of his position as Acting Superintendent and replaces Colonel Sandy Karsten who retired on September 1, 2018.

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## **CIO INVESTMENT REPORT**

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

- **Investment Performance Report for Quarter Ending September 30, 2018.**

Mr. Larry Krummen and Mr. Kevin Leonard provided a report on MPERS’ investment performance for the quarter ending September 30, 2018. As of September 30, 2018, MPERS’ net asset value was \$2.36 billion. MPERS’ fiscal year-to-date return (July 1, 2018 through November 20, 2018) was flat due to various international and domestic economic concerns such as trade discussions with China, rising interest rates and falling oil prices.

MPERS’ one-, five- and ten-year returns all rank in the top quartile of the public fund peer universe, with a risk profile in the lowest 19% of the peer universe over the ten-year period ending September 30, 2018. That combination has produced a Sharpe ratio (a measure of risk vs. reward) that is in the top 6% of peers.

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

As of November 20, 2018, each of the respective asset class allocations are within the permissible ranges. MPERS' cash balance stands at \$23.3 million (1.0% of assets) but is expected to be drawn down close to zero over the coming weeks due to benefit payments and new investments.

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## **GOVERNANCE POLICY CHANGES**

~ by Mr. Larry Krummen (MPERS Chief Investment Officer)

In advance of the board meeting, the Board was provided with proposed revisions to the Investment Policy and the Executive Director Charter concerning the valuation policy of the timber portfolio, asset allocation, and the use of leverage. After discussion, the Board approved the proposed revisions as follows:

- **Valuation Policy for Timber Portfolio**

Mr. McKenna made a motion for the Board to accept the proposed revisions concerning the valuation policy of the timber portfolio. Lt. Colonel Olson seconded the motion. By unanimous vote of all members present, the motion carried.

- **Asset Allocation**

Mr. McKenna made a motion for the Board to accept the proposed revisions concerning asset allocation with the exception that the sub-asset class range for hedge funds shall be changed from 5%-15% to 5%-10%. Mr. Briscoe seconded the motion. The following vote was taken:

Mr. John Briscoe, Aye  
Sgt. Matthew Broniec, Nay  
Mr. Patrick McKenna, Aye  
Lt. Colonel Eric Olson, Nay  
Mr. Mike Pace, Aye  
Mr. William "Bill" Seibert, Nay  
Mr. Gregg Smith, Aye  
Mr. Todd Tyler, Abstain

The Chair declared the motion carried.

- **Leverage**

Mr. Tyler made a motion that the Board accept the proposed revisions concerning the use of leverage with the exception that the CIO shall be limited to a maximum leverage amount of 10% at the total fund level. Sgt. Broniec seconded the motion. The following vote was taken:

Mr. John Briscoe, Nay  
Sgt. Matthew Broniec, Aye  
Mr. Patrick McKenna, Nay  
Lt. Colonel Eric Olson, Aye  
Mr. Mike Pace, Nay  
Mr. William "Bill" Seibert, Aye  
Mr. Gregg Smith, Abstain  
Mr. Todd Tyler, Aye

The Chair declared the motion carried.

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## **AUDIT COMMITTEE REPORT**

*~ by Mr. Bill Seibert, Audit Committee Chair*

- **Results of Annual Audit For Fiscal Year Ended June 30, 2018**

Mr. Seibert, Audit Committee Chair, reported the Audit Committee met on November 13, 2018, with Mr. Mike Oldelehr and Mr. Nick Mestres of Williams-Keepers who presented the results of the audit for the fiscal year ending June 30, 2018. Mr. Seibert gave a brief recap of the committee meeting and presented the following results from the audit report:

- Williams-Keepers issued an audit report with an unqualified opinion on MPERS' fiscal year 2018 financial statements. This is the best possible audit outcome.
- Mr. Mestres reported the prior year recommendation concerning 3rd party information technology provider controls was fully implemented. There were no new or additional recommendations made.
- Mr. Mestres reported MPERS implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions for Fiscal Year 2018. This statement required MPERS to report the net OPEB liability, along with deferred outflows and inflows of resources, and it required significant changes to the footnote disclosures and required supplementary information.
- Williams-Keepers was pleased to report they encountered no difficulties in dealing with management in performing and completing the audit. All MPERS' personnel cooperated with them fully during the audit.
- Williams-Keepers also proposed no audit adjustments that could, in their judgment, either individually, or in the aggregate, have a significant effect on MPERS' financial reporting process.

Mr. Seibert stated the Committee has requested the Board's acceptance of the Audit Report. Upon a motion made by Mr. Briscoe, and seconded by Mr. McKenna, the Trustees accepted the annual audit for fiscal year ended June 30, 2018.

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**ENTERPRISE RISK MANAGEMENT**

~ by Mr. Greg Beck, MPERS' Assistant Executive Director

Mr. Beck reminded the Board that during the November 2017 board meeting, he presented information on the ongoing activities of the enterprise risk management (ERM) committees. At that time the Board requested the Audit Committee receive quarterly updates and the full Board receive an update once a year. Mr. Beck provided his annual report to the Board for calendar year 2018. The goal of ERM is to identify risks and the corresponding management controls to continually manage those risks as well as any newly identified risks. The ERM process has resulted in several changes to policies and procedures at MPERS to strengthen internal controls and will continue to do so on a going-forward basis.

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**2019 BOARD MEETING DATES**

~ by Mr. Scott Simon, MPERS' Executive Director

Mr. Simon stated the MPERS Board approves an annual Board Meeting Calendar at the last scheduled meeting of the year, for the upcoming year. A proposed meeting schedule for calendar year 2019 was provided. Mr. Simon stated the annual MAPERS Conference would satisfy the outside continuing education program for Trustees. Upon a motion by Mr. Briscoe, and seconded by Mr. Tyler, the Trustees approved the following Board Meeting Calendar for 2019:

| <b>Board Meeting Calendar</b>  | <b>MAPERS Conference</b>  |
|--|---|
| Thursday, February 21, 2019<br>Thursday, April 25, 2019*<br>Thursday, June 20, 2019<br>Thursday, September 26, 2019<br>Thursday, November 21, 2019**<br><br>*Only if needed for legislative session<br>**Board Workshop precedes meeting | July 10-12, 2019<br><br>The MAPERS Conference will be held at Tan-Tar-A Resort in Osage Beach. There is generally an education session for Trustees on Wednesday afternoon (July 10 <sup>th</sup> ) in conjunction with the conference. |

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**BUILDING MAINTENANCE**

~ by Mr. Scott Simon, MPERS' Executive Director

Mr. Simon informed the Board of various heating, ventilating and cooling system issues within the building. Mr. Simon stated he engaged three different firms to provide bids and/or solutions for those anticipated needs. HG Butzer, Inc. provided a cost estimate to repair and refurbish the systems that are currently in place in the amount of \$20,075. Mr. Simon also stated that Schindler Elevator Corporation suggested the old electromechanical line starter be replaced/upgraded with a solid state line starter. The new starter will provide motor overload protection, increase reliability and reduce stress between motor and pump during start-up, along with several other benefits. The cost provided was \$4,625. Mr. Simon requested a budget adjustment in the amount of \$25,000 to cover both costs. In addition, Mr. Simon noted several limitations with the present MPERS facility that could be overcome with an improved layout and more efficient use of space. He requested the authority to sell the current building and to acquire new space that would address current limitations.

Mr. McKenna made a motion to approve the budget amendment request in the amount of \$25,000 and for the Executive Director to seek more appropriate and efficient office space for the system and the authority to sell the current building when suitable space is found. Mr. Smith seconded the motion. By unanimous vote of all members present, the motion carried.

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## **LEGISLATION**

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

Mr. Simon indicated there are occasions where the statutes are ambiguous, ineffective, or inappropriate for the intended purpose and there are also occasions where the statute is wrong, either due to a drafting error or a failure to make requisite changes when other statutes' amendments did not get carried over in cross-references. Mr. Simon presented a cleanup bill for the Board to consider. Mr. Tyler made a motion to authorize staff to proceed with the bill in the 2019 legislative session. Mr. Seibert seconded the motion. The motion carried.

Mr. Simon proposed the Board discuss making changes to Section 104.160, RSMo., related to the Board composition and terms for elected Trustees. Following discussion, the Board took no action.

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## **2019 CONFERENCES** *(Consent Agenda)*

The Board was provided with a list of 2019 Conferences which provides education opportunities for Trustees.

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## **REPORT ON TRUSTEE EDUCATION – FY 2019** *(Consent Agenda)*

Per the Monitoring and Reporting Policy, the Board was provided with the "Report on Trustee Education" for FY 2019. Via approval of the consent agenda, the Board unanimously accepted the report.

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## **MEMBERSHIP INFORMATION** *(Consent Agenda)*

### **• Benefit Payments and Member Data – October 2018**

The Executive Director provided current member and benefit data to the Board. Via approval of the consent agenda, the Board unanimously accepted the reports.

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## **RETIREMENT INCEPTIONS** *(Consent Agenda)*

The Executive Director provided the Board with a summary of retirement inceptions for the months of July 2018 through October 2018. Via approval of the consent agenda, the Board unanimously accepted the report.

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**VOTE TO CLOSE MEETING**

The Board voted to close its meeting on November 29, 2018, citing Section 610.021(1) RSMo., attorney-client privileged communications and records, and Sections 610.021(3) and (13), RSMo., personnel administration regarding particular employees (including personally identifiable information).

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

Mr. John Briscoe, Aye  
Sgt. Matthew Broniec, Aye  
Mr. Patrick McKenna, Aye  
Lt. Colonel Eric Olson, Aye  
Mr. Mike Pace, Aye  
Mr. William "Bill" Seibert, Aye  
Mr. Gregg Smith, Aye  
Mr. Todd Tyler, Aye

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**ADJOURN**

A motion to adjourn was made by Mr. Seibert and seconded by Mr. Smith. By unanimous vote of all Trustees present, the meeting of the Board of Trustees was adjourned.

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## 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 November 29, 2018 in New Bloomfield, Missouri, as approved by said Board at its meeting held November 29, 2018.

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on February 21, 2019.



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Chair



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Executive Director