

Minutes of Meeting

June 20, 2019





TABLE OF CONTENTS

Approval of Minutes	1
Consent Agenda	2
Investment Committee Report	
Liquidity Analysis	2
CIO Investment Report	
Investment Performance Report for Quarter Ending March 31, 2019	2
Current Asset Allocation Overview/Positioning Relative to Targets	2
Budget Committee Report	
FY 2020 Budget	3
Review Travel Expenses for Executive Director & Trustees (FY 2019)	3
Governance Committee Report	
Review Governance Policies and Board Rules	3
Audit Committee Report.....	6
MPERS Business Plan – FYs 2020, 2021 and 2022	6
Legislative Update.....	6
Risk Consultant Report	7
Director’s Comments	
MPERS’ Educational Session at MAPERS Conference.....	7
Staff Update.....	7
Trustee’s Comments	
Trustee Education Conference.....	7
Report on Trustee Education – FY 2019	8
Membership Information	
Benefit Payments and Member Data – May 2019	8
Retirement Inceptions (FY) – July 2018 through May 2019	8
Vote to Close Meeting	8
Adjourn	



BOARD OF TRUSTEES MEETING

THURSDAY, JUNE 20, 2019

1:00 p.m.

**1913 William Street
Jefferson City, Missouri**

TRUSTEES PRESENT: Mr. William “Bill” Seibert, Chair
Mr. Todd Tyler, Vice Chair
Mr. John Briscoe
Sergeant Matthew Broniec
Ms. Sue W. Cox
Colonel Eric Olson
Mr. Mike Pace
Mr. Gregg Smith
Representative Sara Walsh (via phone)

TRUSTEES ABSENT: Senator Mike Bernskoetter
Mr. Patrick McKenna

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, June 20, 2019, at 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 Revised Statutes of Missouri, as amended.

* * * * *

APPROVAL OF MINUTES

Upon a motion by Mr. Briscoe, and seconded by Mr. Smith, the Board of Trustees (Trustees) unanimously approved the minutes of the meeting held on February 21, 2019.

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.

* * * * *

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 non-controversial 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. Pace and seconded by Mr. Smith, all items on the consent agenda were unanimously approved.

* * * * *

INVESTMENT COMMITTEE REPORT

In the Investment Committee Chair’s absence, Mr. Larry Krummen provided a report from the Investment Committee meeting that took place the morning of June 20, 2019, which included a discussion of the most recent liquidity analysis.

* * * * *

CIO INVESTMENT REPORT

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

- **Investment Performance Report for Quarter Ending March 31, 2019**

Mr. Kevin Leonard and Mr. Will Forde provided a report on MPERS’ investment performance. As of March 31, 2019, MPERS’ fund value was \$2.37 billion. As of June 12th, MPERS’ portfolio was up an estimated 5.0% for the fiscal year (July 1, 2018 through June 12, 2019).

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

The asset allocation changes approved in November went into effect January 1, 2019. As a result, investment strategies are now broken down into three broad beta groups (equities, interest rates and credit, and real assets). As of June 12, 2019, MPERS’ cash balance stands at \$31.5 million, or 1.3 % of assets.

* * * * *

BUDGET COMMITTEE REPORT

~ by Mr. Bill Seibert, Budget Committee Chair

- **FY2020 Budget**

Mr. Seibert reported the Budget Committee met with MPERS staff, on May 21, 2019, to review the proposed budget. At that meeting, there was a presentation by Mr. Joe Rice, Project Manager, Compensation Consulting of CBIZ where Mr. Rice spoke briefly on the “Classification & Market Study” (Compensation Study) and responded to questions by the Committee. The results of the survey indicated that compensation levels are essentially where they should be, with a few exceptions.

Mr. Simon and Ms. Even presented the proposed FY 2020 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 projected expenses for FY 2019 and FY 2020 was provided along with a chart that displayed the actual income received in FY 2018 and FY 2019.

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.

Overall, the budget proposal reflects a 6.56% increase over last year. With one-time costs excluded, the increase would be 4.47%. A few categories in the budget remained flat compared to last year’s budget.

Ms. Cox made a motion to accept the Budget Committee’s recommendation to approve the FY 2020 budget as presented. Mr. Tyler seconded the motion. By unanimous vote of all members present, the motion carried.

- **Review Travel Expenses for Executive Director & Trustees (FY 2019)**

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

* * * * *

GOVERNANCE COMMITTEE REPORT

~ by Ms. Sue Cox, Governance Committee Chair

- **Revisions to Board Governance Policies and Board Rules**

Ms. Cox, Governance Committee Chair, gave a brief recap of the committee meeting held on May 22, 2019. The most significant portion of the changes were to grammar, style and formatting. The remaining changes were generally minor and predominately affected board efficiencies and improved compliance and oversight. Ms. Bassett-Seymour provided a review for the Committee’s consideration of those Board Governance Policies and Board Rules that had more significant impact on the Board.

Board Governance Policies:

Board Meeting Protocol

- Removed the consent agenda and move its content to information only section of the agenda.
- Under the “Rules of Order” section the policy erroneously required approval of an action by members present and voting. This is in direct conflict with the statute that requires only a simple majority of those members present and was corrected.
- Added a clarification for board committees that votes are not required as part of the more informal committee process.

Audit Committee:

- Added existing item from the charter to planning calendar for Audit Committee to monitor annually the Board’s compliance with Code of Conduct Policy.

Orientation and Education:

- Reorganized the lists to provide clarity for what is a statutory requirement and what is part of general curriculum.

Executive Director Performance Evaluation Form:

- Removed a potentially discriminatory item.

Trustee Code of Conduct and Conflicts of Interest:

- Combined full policy with the acknowledgement form.

Executive and Emergency Succession:

- Added language to reflect that any interim designation shall not be in violation of the law in the “Emergency Succession and Temporary Absence” section.
- Removed reference to “governance consultant” because MPERS does not employ one regularly and delete the word “diverse” in the fourth sentence of the “Executive Succession” section.

Monitoring and Reporting Policy:

- Removed “Policy Review” paragraph because the Governance Committee already performs this action.

Board Rules:

Chapter 2 – Administrative Policies

- Changed the title and any references from “Administrative Policies” to “Employee Handbook.”

After review, Representative Sara Walsh suggested revisions to a number of policies. Ms. Cox made a motion to accept the changes presented to the Board in the Governance Committee report, minus the policies for which Representative Walsh expressed concern. Mr. Smith seconded the motion. By unanimous vote of all members present, the motion carried.

Below are the policies where Representative Walsh expressed concern.

Board Self-Evaluation Policy:

- Item #11 of the “MPERS Board Member Self-Evaluation” which states: I understand that the Executive Director/executive staff works for the entire Board and not for individual board members. Representative Walsh suggested the words “executive staff” be removed.

Communications Policy:

- Under the “Between the Executive Director and the Board” section, the words “six business days” was changed to “a week.” Representative Walsh suggested the words “six business days” remain.

Indemnity (and throughout the Governance Policies):

- Undo deletions to the reference “RSMo.” and any references to Missouri Revised Statutes.

Strategic Planning:

- Under the heading “The following are the principles that the Board has adopted for strategic planning:”
 - Representative Walsh suggested the bulleted sentence “The Board shall meet at least once annually in a strategic planning meeting.” remain.
 - Representative Walsh suggested the words “upon request” not be added to the end of the following sentence: “When the business plan has been updated it will be communicated to the entire staff and to other stakeholders, upon request.”
 - Representative Walsh suggested adding a portion of this section to the Executive Director Charter. Mr. Simon indicated the Governance Committee could review the policy at a later date and everyone concurred.

Monitor and Reporting Policy:

- On the Exhibit – Routine Reports Listing, item #26, Representative Walsh suggested the section listings for the annual report remain listed.

Ms. Cox made a motion to accept the suggestions made by Representative Walsh. Mr. Pace seconded the motion. By unanimous vote of all members present, the motion carried.

Ms. Cox stated that after the Governance Committee met on May 22nd, there was a revision suggested to the Board Self-Evaluation Policy regarding written comments. After discussion, the Board determined the policy should be sent back to the Governance Committee for review.

* * * * *

AUDIT COMMITTEE REPORT

~ by Mr. Todd Tyler, Audit Committee Chair

Mr. Tyler reported the Audit Committee met on June 6, 2019, for an audit kick-off meeting. Mr. Tyler reported the Committee reviewed the Audit Committee Charter so the new committee members would be more familiar with the governing documents of the Committee. He explained that Mr. Simon informed the Committee of the upcoming actuarial audit which is included in the FY 2020 budget. The frequency of an actuarial audit is typically every 5 to 10 years. The Committee agreed to have the actuarial audit performed, subject to approval of the budget by the Board.

The Committee also met with the external auditor, Williams-Keepers. The Committee reviewed the planning letter which outlines the responsibility of Williams-Keepers. Mr. Mestres presented an overview of the audit approach to address significant risk areas. Areas discussed included internal control review, contributions, benefit payments, participant data, investments, and financial statements. Mr. Mestres did a more in depth walk-through of the audit process for both traditional and alternative investments. The Committee benefitted significantly from the presentation. The audit report will be presented to the Audit Committee before it is presented to the full Board at the November 21, 2019 board meeting.

Mr. Beck provided the Committee with a brief update on ERM and explained that the Audit Committee receives quarterly updates and a formal report will be given to the full Board at the November 21, 2019, board meeting.

* * * * *

MPERS’ BUSINESS PLAN – FY 2020, 2021, and 2022

~ by Mr. Scott Simon, MPERS Executive Director

MPERS’ Business Plan for Fiscal Years 2020, 2021 and 2022 was presented to the Board. Mr. Simon indicated the plan is fairly standard; however, the format has changed. It is the expectation of staff that each of the action items are intended to support the System’s strategic goals of providing MPERS’ members with exceptional and cost-effective service, protect MPERS’ trust fund and resources, and increase MPERS’ capability to outperform investment benchmarks.

Mr. Briscoe made a motion to approve MPERS’ Business Plan for Fiscal Years 2020, 2021 and 2022. Mr. Tyler seconded the motion. By unanimous vote of all members present, the motion carried.

* * * * *

LEGISLATIVE UPDATE

~ by Mr. Scott Simon, MPERS’ Executive Director

Mr. Simon reported that MPERS’ cleanup bill (HB 1105) did not pass during this spring’s legislative session. It did receive a hearing and was voted out of committee, but the attention came too late in the session for it to be taken up and passed by either chamber. It is expected that the proposal will be pre-filed next year by the same sponsor.

In response to SB 499 (which did not pass), a bill to consolidate MPERS and MOSERS, Senator Schatz, President Pro Tem, designated a committee to further review this topic. The last formal review of the consolidation matter occurred in 2005. Mr. Simon advised he would keep the Board and stakeholders apprised as this process develops.

* * * * *

RISK CONSULTANT REPORT

~ by Mr. Scott Simon, MPERS' Executive Director

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 (administered by The Standard) to ensure the LTD program is operating effectively and benefits are provided appropriately. MPERS was able to recently secure 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. The addition of the Claims Fluctuation Reserve Account provision is key to keeping the rates competitive because MPERS' rates are heavily impacted by the group's own experience.

Mr. Simon stated team leaders from The Standard met with MPERS' staff this week to review the most recent experience report.

* * * * *

DIRECTOR'S COMMENTS

- **MPERS' Educational Session at MAPERS Conference**

Mr. Simon informed the Board that a dedicated MPERS breakout session for educational purposes would be held during the annual Missouri Association of Public Employee Retirement Systems conference being held July 10-12, 2019, at the Tan-Tar-A Resort in Osage Beach, Missouri.

- **Staff Update**

Mr. Simon informed the Board that Mr. Greg Beck, Assistant Executive Director, will be retiring January 1, 2020, and Mr. Jamie Mullen, Senior Benefits Specialist, has submitted his resignation effective July 12, 2019.

* * * * *

TRUSTEE'S COMMENTS

- **Trustee Education Conference**

Sergeant Broniec stated he recently attended NEPC's 24th Annual Investment Conference in Boston from May 6-8, 2019. He stated the conference was very productive and educational and encouraged other board members to attend.

* * * * *

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.

* * * * *

MEMBERSHIP INFORMATION *(Consent Agenda)*

• **Benefit Payments and Member Data – May 2019**

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

* * * * *

RETIREMENT INCEPTIONS *(Consent Agenda)*

The Executive Director provided the Board with a summary of retirement inceptions for the months of July 2018 through May 2019. Via approval of the consent agenda, the Board unanimously accepted the report.

* * * * *

VOTE TO CLOSE MEETING

The Board voted to close its meeting on June 20, 2019, citing Sections 610.021(1), (14) and 610.010(6) RSMo., *Attorney Client Privileged Communications and Records*. Upon a motion made by Sergeant Broniec and seconded by Mr. Smith to convene in closed session, the following roll call vote was taken:

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

* * * * *

ADJOURN

Upon returning to open session, a motion to adjourn was made by Mr. Briscoe and seconded by Ms. Cox. By unanimous vote of all Trustees present, the meeting of the Board of Trustees was adjourned.

* * * * *

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 20, 2019 in Jefferson City, Missouri, as approved by said Board at its meeting held September 26, 2019.

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on September 26, 2019.

William K. Seibert

Chair

Scott Simon

Executive Director

