

# Minutes of Meeting

November 21, 2019





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**Adjourn**



**BOARD OF TRUSTEES' MEETING**

**THURSDAY, NOVEMBER 21, 2019**

**12:30 p.m.**

**1913 William Street  
Jefferson City, Missouri**

**TRUSTEES PRESENT:** Mr. William "Bill" Seibert, Chair  
Mr. Todd Tyler, Vice Chair  
Senator Mike Bernskoetter  
Sgt. Matthew Broniec  
Ms. Sue W. Cox  
Mr. Patrick McKenna  
Colonel Eric Olson  
Mr. Mike Pace (via phone)  
Mr. Gregg Smith  
Representative Sara Walsh

**TRUSTEES ABSENT:** Mr. John Briscoe

**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, Senior Executive Assistant

**GUESTS/PRESENTERS:** Mr. Kevin Leonard, NEPC  
Mr. Robert Goldthorpe, NEPC  
Mr. Nick Mestres, Williams-Keepers  
Mr. Mike Winter, Legislative Consultant  
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, November 21, 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.

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**OPEN MEETING**

**APPROVAL OF MINUTES**

Upon a motion by Ms. Cox, and seconded by Mr. Tyler, the Board of Trustees (Trustees) approved the minutes of the meeting held on September 26, 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.

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## **BOARD WORKSHOP**

Mr. Seibert stated the Board Workshop was held prior to the board meeting. The workshop is held to provide the mandated educational requirements for trustees. In addition to the annually required update on fiduciary duty, the session covered a number of different investment-related items, including a presentation on the implications of negative interest rates in today's investment environment and another providing background information for MPERS' upcoming asset-liability study.

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## **INVESTMENT REPORTS**

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

- **Investment Performance Report for Quarter Ending September 30, 2019**

Mr. Larry Krummen and Mr. Kevin Leonard provided a report on MPERS' investment performance for the quarter ending September 30, 2019.

As of September 30, 2019, MPERS' fund value was \$2.44 billion. MPERS' three-month return (July 1, 2019 through September 30, 2019) was 1.5% which ranked in the top 6% of the peer universe. Longer term, the investment portfolio continues to perform very well. As of September 30, 2019, MPERS' one-, three-, five-, and ten-year returns ranked in the 9<sup>th</sup>, 22<sup>nd</sup>, 13<sup>th</sup> and 5<sup>th</sup> percentile, respectively. MPERS' ten-year return of 9.3% outperforms the policy benchmark by roughly 1% per year and ranks in the top 5% of the peer universe.

- **CIO Report**

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

Mr. Krummen stated that as of November 13, 2019, each of the respective asset class allocations were within the permissible ranges. MPERS' current cash balance stands at \$28.6 million (or 1.2% of assets). The pending asset-liability study will be presented in February in order to incorporate NEPC's updated asset class return assumptions that will be available in January. In addition, staff was offered input on the specific asset allocations to model for that study.

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## **AUDIT COMMITTEE REPORT**

~ by Mr. Todd Tyler, Audit Committee Chair

### **Presentation of FY 2019 Audit Report by Williams-Keepers**

Mr. Nick Mestres of Williams-Keepers presented the results of the audit for the fiscal year ended June 30, 2019, to the Audit Committee.

- **Independent Auditors' Report**

Mr. Mestres reported that Williams-Keepers is issuing an audit report with an unmodified (clean) opinion on MPERS' Fiscal Year 2019 financial statements. This is the best possible audit outcome.

- Communication of Audit-Related Matters

Williams-Keepers was pleased to report they encountered no difficulties in dealing with management or staff in performing and completing the audit. All MPERS personnel cooperated fully during the audit. Also, no audit adjustments were proposed as a result of the audit process.

Williams-Keepers had no new recommendations for Fiscal Year 2019, and all prior recommendations had been implemented, therefore, no management letter was issued for this audit.

Mr. Seibert thanked Mr. Mestres for his presentation and the Board accepted the annual audit for fiscal year ended June 30, 2019.

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**2020 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 each year for the upcoming year. A proposed meeting schedule for calendar year 2020 was provided with alternate days for the February and April dates. It was suggested meetings be held on Friday during the legislative session instead of Thursday. Mr. Simon stated the annual MAPERS Conference would satisfy the outside continuing education program for Trustees. Upon a motion by Ms. Cox, and a second by Rep. Walsh, the Trustees approved the following board meeting calendar for 2020:

<p><b>Board Meeting Calendar</b></p> <p>Friday, February 28, 2020          Friday, April 24, 2020*          Thursday, June 18, 2020          Thursday, September 24, 2020          Thursday, November 19, 2020**</p> <p>*Only if needed for legislative session          **Board Workshop precedes meeting</p>	<p><b>MAPERS Conference</b>          July 15-17, 2020</p> <p>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 15<sup>th</sup>) in conjunction with the conference.</p>
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**DIRECTOR'S COMMENTS**

- **Retirement of an MPERS Employee**

Mr. Simon informed the Board this will be the last meeting with Mr. Greg Beck in attendance. Mr. Beck has announced his retirement effective January 1, 2020, and thanked Mr. Beck for his time with and contributions to MPERS. Mr. Beck began employment with MPERS on April 4, 2016.

- **Legislative Update**

Mr. Simon reported that MPERS' cleanup bill (in conjunction with MOSERS) that was introduced late in the session last year will be submitted again this year. MOSERS will be taking the lead on that legislation.

○ **Request From Governor’s Office**

Mr. Simon stated he received a request to meet with Governor Parson’s office regarding MoDOT’s Pilot Program that was included in MoDOT’s budget to provide an optional retirement plan for MoDOT’s new hires. Mr. Simon informed the Governor’s office he did not know the details of the plan but did indicate there would be potential impact on the System’s cash flows, asset allocations and return expectations, employee contributions, etc. Mr. Simon stated once the details have been disclosed he would be able to provide more information.

○ **Senate Interim Committee**

Mr. Simon updated the Board on the activities of the Senate Interim Committee for the Study of MPERS. Mr. Simon reported the committee had been dissolved this month with the current expectation being that a Senate Select Committee will convene for the same purposes during the upcoming legislative session.

○ **Actuarial Audit**

Mr. Simon updated the Board regarding the actuarial audit. At the September 2019 meeting the Board approved the proposal submitted by Cheiron to perform the audit, contingent upon the study that was being conducted by the Senate Interim Committee. Mr. Simon informed the Board he felt the study being conducted by the Senate Interim Committee would not satisfy the need and will ask Cheiron to begin the audit.

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**TRUSTEES’ COMMENTS**

Colonel Olson thanked Mr. Simon for presenting to the troop meetings held throughout the state last month.

Mr. Tyler commented on the video provided to members via email and available on MPERS’ website entitled 2019 MPERS Financial Status Update. In the video, Mr. Simon discussed MPERS’ funded status, investment returns and progress towards fully funding the system. Mr. Tyler indicated the video was clear, simple and to the point; very easy to understand.

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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.

- **ERM (Enterprise Risk Management) Update – Annual Report** *(Informational Only)*

Mr. Beck provided his annual report to the Board for calendar year 2019.

- **2020 Conferences** *(Informational Only)*

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

- **Report on Trustee Education – FY 2020** (*Informational Only*)

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

- **Benefit Payments and Member Data – October 2019** (*Informational Only*)

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

- **Retirement Inceptions** (*Informational Only*)

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

- **Quarterly Alternative Investment Report** (*Informational Only*)

Investment staff provided reports for the following alternative investments:

- Opportunistic Debt
- Private Equity
- Real Assets
- Real Estate

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### **VOTE TO CLOSE MEETING**

The Board voted to close its meeting on November 21, 2019, citing Section 610.021(3), (13) RSMo., Attorney Client Privileged Communications and Section 104.1069.3 RSMo., Discussion of Specific Investments. Mr. Seibert indicated the Board would convene in closed session and the following roll call vote was taken:

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

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### **REPORT FROM CLOSED SESSION**

~ by William “Bill” Seibert, Board Chair

- **Personnel Issues**

Mr. Seibert stated the Board evaluated the Executive Director’s performance. Mr. Simon was provided with the result of the evaluation after the meeting.

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### **ADJOURN**

A motion to adjourn was made by Mr. Smith and seconded by Mr. Tyler. By unanimous vote of all Trustees present, the meeting of the Board of Trustees was adjourned at 4:30 p.m.

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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 November 21, 2020 in Jefferson City, Missouri, as approved by said Board at its meeting held February 28, 2020.

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on February 28, 2020.

*William K. Seibert*

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Chair

*Scott Simon*

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Executive Director

