

Minutes of Meeting

September 26, 2019



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Adjourn	



BOARD OF TRUSTEES' MEETING

THURSDAY, SEPTEMBER 26, 2019

10:00 a.m.

**1913 William Street
Jefferson City, Missouri**

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

TRUSTEES ABSENT: None.

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. Ken Alberts, Gabriel Roeder Smith & Company (GRS)
Ms. Heidi Barry, Gabriel Roeder Smith & Company (GRS)
Mr. John Clayton, Albourne

A regularly scheduled meeting of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) was held on Thursday, September 26, 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.

OPEN MEETING

APPROVAL OF MINUTES

Upon a motion by Mr. Smith, and seconded by Mr. Tyler, the Board of Trustees (Trustees) approved the minutes of the meeting held on June 20, 2019. Mr. McKenna abstained from voting because he was not present at the meeting in June.

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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ANNUAL ACTUARIAL VALUATION – JUNE 30, 2019

– by Mr. Ken Alberts and Ms. Heidi Barry of Gabriel, Roeder, Smith & Company (GRS)

Mr. Ken Alberts and Ms. Heidi Barry of Gabriel, Roeder, Smith & Company (GRS), the actuarial firm retained by the retirement system, discussed with the Board of Trustees the actuarial valuation results, which were previously furnished for the Board's review and consideration.

The annual actuarial valuation is designed to measure the overall financial condition of the retirement system. During fiscal year 2019, MPERS' funded status rose from 57.12% to 59.82%. The funded status has continued to increase steadily from its lowest point ten years ago when it was 42.22%. The funded status represents the level of assets available to pay the benefits that have been earned. MPERS' funded status continues to show progress; however, it is still well below the overall funding objective of 100%. The actuary once again commended the Board for having the appropriate funding policies in place to achieve that objective.

The annual valuation also provides the basis for determining employer contribution rates for the next fiscal year, which must be certified by the Board to the employers (MoDOT and MSHP) by October 1. The contribution rate consists of the factors as illustrated in the following table:

FY2021 Employer Contribution Rates Expressed as % Active Payroll for Total Benefits	
Benefit Normal Cost	10.13%
Expenses	1.15%
Disability Insurance	<u>.53%</u>
Total Normal Cost	11.81%
Unfunded Liability	<u>46.19%</u>
Total	58.00%

The normal cost is the real cost of benefits. This contrasts with the unfunded liability, which is the “catch up” payment for those benefits that were not properly funded by either contributions or investment returns in the past.

Mr. Alberts recommended the contribution rate, effective July 1, 2020 (for FY 2021), to remain at 58.00% of pay for both non-uniformed members and uniformed members.

The Executive Director concurred with the actuary's recommendation. Ms. Cox made a motion to approve the recommendation. Mr. Tyler seconded. The following vote was taken:

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

Motion carried. The contribution rate, as approved by the Board, for fiscal year 2021 will remain at 58% of payroll. Mr. Alberts stated the economic assumptions should be reviewed annually, each spring before the next valuation cycle begins.

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AUDIT COMMITTEE REPORT

– by Mr. Todd Tyler, Audit Committee Chair

Selection of Actuarial Audit Firm

Mr. Tyler reported the Audit Committee met on September 17, 2019, to consider proposals submitted by seven bidders to perform an actuarial audit. An actuarial audit is designed to verify the valuation results of the System's actuary. Such review is done on a periodic basis.

The Audit Committee recommended the Board accept the proposal submitted by Cheiron.

Mr. Simon stated the Senate Interim Committee on consolidation recently met and there was discussion the interim committee may request additional information, such as having an actuarial study preformed. Rather than duplicating efforts, he suggested the board grant staff flexibility with initiating the audit to avoid the potential for duplicative work/cost.

Ms. Cox moved to accept the proposal from Cheiron and incorporate the flexibility of initiating the audit based on any requests from the Senate Interim Committee. Mr. Smith seconded. By unanimous vote of all members present, motion carried. The audit will begin no later than the first of the year.

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VOTE TO CLOSE MEETING

The Board voted to close its meeting on September 26, 2019, citing Section 610.021(1) RSMo., *Attorney Client Privileged Communications*. 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
Mr. John Briscoe, Aye
Sergeant Matthew Broniec, Aye
Ms. Sue W. Cox, Aye
Mr. Patrick McKenna,

Nay

Colonel Eric Olson, Aye
Mr. Mike Pace (not present during vote)
Mr. Gregg Smith, Aye
Mr. Todd Tyler, Aye
Representative Sara Walsh, Aye

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REPORT FROM CLOSED SESSION

The Board reconvened in open session. Mr. Seibert stated items 3 and 4 were removed from the agenda.

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REVIEW COMPLETED INVESTMENT COMMITTEE SPREADSHEETS

Investment staff provided a review of one of the reports relating to alternative investments.

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CIO INVESTMENT REPORT

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

• Fiscal Year 2019 Investment Performance Report

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

As of June 30, 2019, MPERS’ fund value was \$2.42 billion. MPERS’ Fiscal Year 2019 return (July 1, 2018 through June 30, 2019) was 6.84%. From a long-term perspective, MPERS’ 10-year return of 10.18% ranks in the top 7% and has a risk profile (defined by volatility of returns) that is better than 99% of pension funds in the peer universe.

• Current Asset Allocation Overview/Positioning Relative to Targets

As of September 16, 2019, each of the respective asset class allocations were within the permissible ranges. MPERS’ current cash balance stands at \$27.3 million (or 1.1% of assets).

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DIRECTOR’S COMMENTS

• **Senate Interim Committee**

Mr. Simon informed the Board that the Senate Interim Committee for the Study of MPERS met on September 11th. No decisions were made at the meeting and no further meetings are scheduled at this time. More information has been requested from MPERS and Mr. Simon indicated that information will be provided soon.

• **November Board Workshop**

Mr. Simon stated the board educational workshop and board meeting will be held November 21, 2019, at the MPERS office. Mr. Simon asked Board members to share any suggestions or ideas for topics/speakers so plans could be made accordingly.

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TRUSTEES’ COMMENTS

None.

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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.

• **Investment Policy Benchmark & Indices** *(Informational Only)*

The MPERS investment policy states the investment consultant (NEPC) shall confirm the appropriateness of investment policy benchmarks/indices on an annual basis. NEPC provided the Board with the required letter which confirmed the benchmarks were appropriate, met the standard for the portfolios in which they are utilized and recommended no changes.

• **Anti-Terrorism Policy** *(Informational Only)*

MPERS’ staff reported that MPERS is in compliance with the Anti-Terrorism Policy. The policy is in place to monitor lists provided by the federal government for publicly traded companies that may support terrorism, while not punishing companies that have international operations.

• **Investment Fees – FY 2019** *(Informational Only)*

MPERS’ staff provided a memorandum explaining investment fees that are reported in MPERS’ Comprehensive Annual Financial Report (CAFR).

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- **Alternate Investment Summary Analysis – FY 2019** (*Informational Only*)

An alternative investment summary and in-depth analysis of the portfolio was provided to the Board.

- **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.

- **Membership Information** (*Informational Only*)

- **Benefit Payments and Member Data – August 2019**

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 August 2019.

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VOTE TO CLOSE MEETING

The Board voted to close its meeting on September 26, 2019, citing Sections 610.021(3), RSMo., *Personnel administration regarding particular employees*. Upon a motion made by Mr. Smith and seconded by Mr. Tyler to convene in closed session, the following roll call vote was taken:

Mr. William “Bill” Seibert, Aye
Senator Mike Bernskoetter, Aye
Mr. John Briscoe, Aye
Sergeant Matthew Broniec, Aye
Ms. Sue W. Cox, Aye
Mr. Patrick McKenna, (no longer in attendance)
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

Personnel Issues

Mr. Seibert stated the performance evaluation for the Executive Director will be conducted at the November 21, 2019, board meeting.

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ADJOURN

A motion to adjourn was made by Mr. Smith and seconded by Mr. Briscoe. By unanimous vote of all Trustees present, the meeting of the Board of Trustees was adjourned at 2:18 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 September 26, 2019 in Jefferson City, Missouri, as approved by said Board at its meeting held November 21, 2019.

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

William K. Seibert

Chair

Scott Simon

Executive Director

