

Minutes of Meeting

February 28, 2020





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Adjourn	



BOARD OF TRUSTEES' MEETING

FRIDAY, FEBRUARY 28, 2020

9:00 a.m.

**1913 William Street
Jefferson City, Missouri**

TRUSTEES PRESENT: Mr. William "Bill" Seibert, Chair
Mr. Todd Tyler, Vice Chair
Senator Mike Bernskoetter
Mr. John Briscoe
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: 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. Robert Goldthorpe, NEPC
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 Friday, February 28, 2020, 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. Smith, the Board of Trustees (Trustees) approved the minutes of the meeting held on November 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.

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ELECTION OF CHAIR

In accordance with Section 104.170 RSMo., Mr. William “Bill” Seibert was re-elected as Chair of the Board for a second one-year term.

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ELECTION OF VICE CHAIR

In accordance with Section 104.170 RSMo., Mr. Todd Tyler was re-elected as Vice Chair of the Board for a second one-year term.

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INVESTMENT REPORTS

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

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

Mr. Larry Krummen and Mr. Kevin Leonard provided a report on MPERS’ investment performance for the quarter ending December 31, 2019.

As of December 31, 2019, MPERS’ fund value was \$2.52 billion and MPERS’ calendar year investment performance was 12.56%. These double-digit returns, however, underperformed the policy index return of 15.88%. Part of the underperformance was attributed to the 2019 change to the asset allocation – specifically an increase in public equities from 30% to 40%. Until the portfolio has had time to transition to the new policy targets, significant differences are expected between actual fund performance and the performance of the total policy benchmark.

- **CIO Investment Report**

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

MPERS’ breaks down all investment strategies into three broad beta groups (equities, interest rates and credit, and real assets). As of February 12, 2020, each of the respective allocations were within the permissible ranges established in MPERS’ investment policy. MPERS’ current cash balance stood at \$88.6 million (or 2.3% of assets).

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NEPC’s 2020 INVESTMENT OUTLOOK

~ by Mr. Kevin Leonard (NEPC)

Mr. Leonard presented the 2020 Investment Outlook and Asset Class Assumptions, an annual overview of the economic and investment themes, actions, and opportunities for the coming year. The consultant concluded that based on NEPC’s market outlook for the coming year, the likelihood of investors meeting return objectives moving forward will be more challenging.

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ASSET LIABILITY STUDY

~ by Mr. Kevin Leonard (NEPC) & Mr. Robert Goldthorpe (NEPC)

MPERS’ investment policy requires an asset/liability study be performed at least every five years to determine whether changes are needed to the current asset allocation. NEPC performed an asset liability study for MPERS. This study focuses more heavily on the “liability” side of the pension equation, whereas the investment outlook/asset class assumption spends more time on the “asset” side. The outcomes of this study reinforced: 1) the success of the Board’s aggressive funding policies and 2) the significance of the asset allocation to the long-term funding of the plan. No changes were made to the current asset allocation as a result of the study.

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VOTE TO CLOSE MEETING

The Board voted to close its meeting on February 28, 2020, citing Section 610.021(1), RSMo., Legal Actions or Attorney Client Privileged Communications.

Mr. Seibert requested a motion that the Board convene in closed session to discuss the Board’s private counsel’s opinion regarding the use of a leverage facility. Following a parliamentary error where only a voice vote was taken, Mr. Seibert called for the required roll call vote and the following roll call vote was taken:

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

The motion to convene in closed session carried on a vote of 7-4.

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REPORT FROM CLOSED SESSION

~ by William "Bill" Seibert, Board Chair

• **Personnel Matters**

Mr. Seibert stated the Board voted to approve the continuation of the Chief Investment Officer's (CIO) contract through June of 2025, which covers the period through the CIO's first retirement eligibility date. The motion carried on a 6-4 vote, with one trustee not in attendance. The roll call vote was as follows:

Mr. William "Bill" Seibert, Aye
Mr. Todd Tyler, Aye
Senator Mike Bernskoetter, Aye
Mr. John Briscoe, Nay (abstained then voted last)
Sgt. Matthew Broniec, Aye
Ms. Sue W. Cox, Aye
Mr. Patrick McKenna, Nay
Colonel Eric Olson, Aye
Mr. Mike Pace (via phone), Nay
Mr. Gregg Smith, (previously left the meeting)
Representative Sara Walsh, Nay

Mr. Larry Krumpfen has been MPERS' CIO since 2004. Factors considered by the Board included but were not limited to, positive investment fund performance over the past 15 years and contemplation of the System's succession planning needs for this important staff position in the coming years.

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LEGISLATIVE UPDATE

~ by Mr. Scott Simon, MPERS' Executive Director

Mr. Simon highlighted a number of bills currently under consideration by Missouri's General Assembly:

- HB 1999/SB 901 is the MPERS/MOSERS cleanup bill, intended to improve unclear, incorrect or obsolete provisions.
- HB 2165/SB 955 decreases the number of Highway Commissioners on MPERS' Board from three to one, decreasing the total number of trustees from 11 to 9.
- HB 2173 cleanup bill changes the laws regarding marriage and replaces marriage licenses with contracts of domestic union.
- HB 2476 proposes to add all public employee retirement systems employee salaries to the state of Missouri accountability portal.
- SB 1000/SB 768 requires all legal contracts governing investments of public pension plans in Missouri to be open records. It would also prohibit the Board's discretion to delegate investment decisions to staff.
- SB 1024 proposes to create a "pop-up" for those who divorce after retirement, but had elected a spousal payment option at retirement.

The Board did not take a position on any of the bills.

DIRECTOR'S COMMENTS

- **Building Space**

Mr. Simon informed the Board he continues to look for new office space for MPERS.

- **Study of MPERS**

At the November meeting Mr. Simon reported the Senate Interim Committee was dissolved and a Special Committee was to be formed; however, that has not occurred. Mr. Simon stated the study was provided to Senator Burleson's office and he is waiting on a response from Mr. Burlison's office.

- **Legal Matters**

Ms. Bassett-Seymour advised the Board she received notice that the judge granted MPERS' (Intervenors') Summary Judgment motion in the SB 62 litigation (buyout and 2011 Tier change to vesting), thereby closing this case as far as MPERS is concerned.

- **Benefits Appeal**

Ms. Bassett-Seymour advised the Board that benefit appeal is pending in circuit court and trial has been set for August.

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TRUSTEES' COMMENTS

Ms. Cox and Mr. Tyler recently attended the 2020 Public Funds Workshop on February 4-5 in Tempe, AZ. Both trustees stated the conference was very beneficial and encouraged other trustees to attend. Ms. Cox stated several attendees from other pension plans complimented MPERS' staff on being successful with their investments. Ms. Cox stated she was proud MPERS received national attention and recognition.

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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.

- **Recap of Budget Committee Meeting**

- **Mid-Year Budget Report**

The governance policies require a budgetary review twice a year – once when the budget is approved by the Board and a second time, at mid-year, to illustrate whether expenses are coming in as anticipated. Mr. Simon reported the Budget Committee was provided with mid-year numbers of the System's budget as of December 31, 2019. All expenses were found to be within the budgeted allowances.

- **Review Travel Expenses for Executive Director and Trustees (FY 2020, YTD)**

Per governance policies, the Travel Expense Report was provided.

- **Manager Due Diligence**

Investment Staff and NEPC are responsible for the monitoring and evaluation of the external asset managers employed by MPERS. This report confirms that MPERS' investment staff is in compliance with the manager due diligence requirement as outlined in the Investment Policy. Staff conducted approximately 350 manager evaluations for existing managers during calendar year 2019.

- **Proxy Voting Policy**

Proxy voting is the authority (right) offered to a shareholder to influence corporate actions. It is the System's fiduciary responsibility to vote proxies in the best interest of the plan's participants. Staff verified that each of MPERS' investment managers has successfully filed proxy voting reports during calendar year 2019.

- **Alternative Investment Reports – FY 2020**

Investment staff provided quarterly performance reports (September 2019) for the following alternative investments:

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

- **Trustee Education Report – FY 2020**

In compliance with the Monitoring and Reporting Policy, the Board was provided with the "Report on Trustee Education" for FY 2020.

- **Benefit Payments and Member Data – January 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 January 2020.

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

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

- **Report of Unaudited Quarterly Financial Statement, Fiscal Year to Date as of December 31, 2019**

The financial statements of the System showed total investments (on an accrual basis) at fair value of \$2,512,713,186 as of December 31, 2019. This is an increase of \$70.8 million from the value of \$2,441,925,782 as of September 30, 2019.

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ADJOURN

A motion to adjourn was made by Mr. Briscoe and seconded by Mr. Tyler. By unanimous vote of all Trustees present, the meeting of the Board of Trustees adjourned at 2:27 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 February 28, 2020 in Jefferson City, Missouri, as approved by said Board at its meeting held April 24, 2020.

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

William K. Seibert

Chair

Scott Simon

Executive Director

