

Minutes of Meeting

November 19, 2020





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Adjourn



BOARD OF TRUSTEES' MEETING

THURSDAY, NOVEMBER 19, 2020

8:30 a.m.

**1913 William Street
Jefferson City, Missouri**

TRUSTEES PRESENT: Mr. William "Bill" Seibert, Chair
Mr. Todd Tyler, Vice Chair
Senator Mike Bernskoetter
Mr. Robert Brinkmann
Mr. John Briscoe
Sgt. Matt Broniec
Ms. Sue W. Cox
Mr. Patrick McKenna
Colonel Eric Olson
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. Nick Mestres, Williams-Keepers
Mr. Randy Miller, Funston Advisory Services, LLC
Mr. Rick Funston, Funston Advisory Services, LLC

A regularly scheduled meeting of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) was held on Thursday, November 19, 2020, via webinar from 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 Missouri Revised Statutes, as amended.

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OPEN MEETING

BOARD GOVERNANCE PROJECT

~ by Mr. Randy Miller & Mr. Rick Funston (Funston Advisory Services, LLC)

As part of the annual board workshop, Mr. Randy Miller and Mr. Rick Funston of Funston Advisory Services, LLC presented the final report – MPERS’ Board Governance Effectiveness Review. The scope of the consultants’ project included the following:

- Conduct an independent review of board governance and investment policies.
- Assess board practices with respect to alignment with its policies (compliance).
- Facilitate the board self-evaluation process and discuss the results during the board workshop.
- Facilitate the annual performance review of the Executive Director.
- Review the MPERS succession plan for executive staff.

Mr. Funston reinforced MPERS’ solid policy framework and stated that the report recommended several key improvements. The consultants spent several months conducting surveys with trustees and executive staff, as well as the with the Board’s consultants. In addition, most of those individuals were also interviewed one-on-one with candid results. The information was analyzed and the report is the evidence of that work.

The results of the report are summarized by five major themes:

- Focus on the powers reserved exclusively for the MPERS Board.
- Improve the ability of the MPERS Board to seek diversity of opinion and then set unified direction and policy on the key issues facing MPERS.
- Improve the MPERS Board’s line of sight/insight into performance.
- Trust but verify.
- Improve trustee onboarding and continuing education.

Mr. Miller and Mr. Funston provided the Board with a very detailed plan to implement the themes in the report.

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GOVERNANCE COMMITTEE REPORT

~ by Ms. Sue Cox, Governance Committee Chair

Board Governance – Final Report

Ms. Cox, Governance Committee Chair, stated the Governance Committee met on November 6, 2020. Mr. Randy Miller and Mr. Rick Funston of Funston Advisory Services, LLC provided the Governance Committee with an overview of the final governance report. The Committee accepted the final report and voted to adopt a detailed resolution expressing support for the overarching recommendations of the report.

Ms. Cox made a motion for the Board to adopt the report and the Committee’s detailed resolution. Sgt. Broniec seconded the motion. Representative Walsh amended the motion for the Board to adopt the report presented by Funston Advisory Services and move forward with implementing the recommendations.

Mr. McKenna seconded the amended motion. The following roll call vote was taken:

Mr. William “Bill” Seibert, Aye
Mr. Todd Tyler, Aye
Senator Mike Bernskoetter, Aye
Mr. Robert Brinkmann, Aye
Mr. John Briscoe, Aye
Sgt. Matt Broniec, Aye
Ms. Sue W. Cox, Aye
Mr. Patrick McKenna, Aye
Colonel Eric Olson, Aye
Mr. Gregg Smith, Aye
Representative Sara Walsh, Aye

Motion carried. The Board Chair stated he will work with staff and committees to assign the recommendations made in the report.

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VOTE TO CLOSE MEETING

The Board voted to close its meeting on November 19, 2020, citing Section 610.021 (13) RSMo., individually identifiable personnel records, performance ratings or records pertaining to employees. Sgt. Broniec made a motion, which was seconded by Ms. Cox, to convene into closed session. The following roll call vote was taken:

Mr. William “Bill” Seibert, Aye
Mr. Todd Tyler, Aye
Senator Mike Bernskoetter, Aye
Mr. Robert Brinkmann, Aye
Mr. John Briscoe, Aye
Sgt. Matt Broniec, Aye
Ms. Sue W. Cox, Aye
Mr. Patrick McKenna, Aye
Colonel Eric Olson, Aye
Mr. Gregg Smith, Aye
Representative Sara Walsh, Aye

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The Board reconvened in open session at 12:30 p.m.

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 will be provided with the results of the evaluation after the meeting.

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APPROVAL OF MINUTES

Sgt. Broniec made a motion to approve the minutes of the meeting held on September 24, 2020. Ms. Cox seconded the motion. The following roll call vote was taken:

Mr. William “Bill” Seibert, Aye
Mr. Todd Tyler, Aye
Senator Mike Bernskoetter, Aye
Mr. Robert Brinkmann, Aye
Mr. John Briscoe (absent during the vote)
Sgt. Matt Broniec, Aye
Ms. Sue W. Cox, Aye
Mr. Patrick McKenna (absent)
Colonel Eric Olson, Aye
Mr. Gregg Smith, Aye
Representative Sara Walsh, Aye

The motion carried with nine votes in favor and two absent.

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INVESTMENT REPORTS

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

- **Investment Performance Report for Quarter Ending September 30, 2020**

Mr. Larry Krummen and Mr. Kevin Leonard provided a report on MPERS’ investment performance for the quarter ending September 30, 2020.

Fiscal Year 2021 is off to an excellent start, as equity markets continue to recover losses associated with the COVID-19 pandemic. The estimated Fiscal Year 2021 performance to date stands at 8%. As of September 30, 2020, MPERS’ fund value was \$2.47 billion and as of November 10, 2020, the value of the portfolio was back above the \$2.5 billion mark. MPERS’ portfolio was up 5.5% in the third quarter of 2020, as risk-on assets rallied across the globe despite a new wave of COVID outbreaks and uncertainty around the U.S. Presidential election. Longer term, MPERS’ 10-year return ranks in the top 15% of the peer universe, with a risk profile (as measured by volatility of returns) that is better than 99% of pension funds in the peer universe.

- **CIO Report**

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

Mr. Krummen stated that as of November 11, 2020, each of the respective asset class allocations were within the permissible ranges. MPERS’ current cash balance stands at \$24.8 million (or 1% of assets), and the total fund leverage authority is not being utilized at this time.

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AUDIT COMMITTEE REPORT

~ by Mr. Todd Tyler, Audit Committee Chair

Mr. Tyler reported that the Audit Committee met on July 6, 2020. for an overview of the audit process, which was provided by Mr. Nick Mestres of Williams-Keepers. The committee was provided with an interim update on the audit process in September.

At the November 10th meeting, Mr. Mestres presented the Fiscal Year 2020 audit report to the committee. Mr. Mestres was asked to provide a similar update at the next full board meeting. Staff also provided the quarterly Enterprise Risk Management update. The committee received information about the most recent request for proposals for audit services and unanimously recommended the proposal from Williams-Keepers for the Board's consideration.

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INDEPENDENT AUDITORS' REPORT – JUNE 30, 2020

~ by Mr. Nick Mestres from Williams-Keepers

Mr. Mestres reported that Williams-Keepers issued an audit report with an unmodified (clean) opinion on MPERS' Fiscal Year 2020 financial statements. This is the best possible audit outcome.

Mr. Seibert thanked Mr. Mestres for his presentation and the Board accepted the annual audit for fiscal year ended June 30, 2020.

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RFP FOR AUDIT SERVICES

~ by Ms. Jennifer Even, MPERS' Chief Financial Officer

Ms. Even stated invitations to respond to a request for proposal (RFP) were distributed nine potential vendors to solicit bids for audit services for the next five fiscal years.

A complete response to the RFP was received from only one vendor and three vendors sent formal declination notices.

As recommended by the Audit Committee, Sgt. Broniec made a motion to accept the proposal from Williams-Keepers. Mr. Tyler seconded the motion. The following roll call vote was taken:

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

By unanimous vote, the motion carried.

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2021 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 2021 was provided. 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 requirements for Trustees. Upon a motion by Sgt. Broniec and a second by Mr. Smith, the following roll call vote was taken:

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

By unanimous vote of all members present, the Board approved the following board meeting calendar for 2021:

<p>Board Meeting Calendar</p> <p>Friday, February 26, 2021 Friday, April 30, 2021* Thursday, June 17, 2021 Thursday, September 23, 2021 Thursday, November 18, 2021**</p> <p>*Only if needed for legislative session **Board Workshop precedes meeting</p>	<p>MAPERS Conference</p> <p>July 14-16, 2021</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 14th) in conjunction with the conference.</p>
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DIRECTOR'S COMMENTS

~ by Mr. Scott Simon, MPERS' Executive Director

- **MPERS' Office**
MPERS employees continue to work remotely and the MPERS office remains closed to the public due to COVID-19 concerns.
- **MPERS' Active and Retiree Newsletters**
MPERS' active and retiree newsletters are now distributed via Constant Contact and the response has been favorable. The board meeting summary will also be distributed in this manner beginning with this meeting.

- **Annual Update on ERM and Information Security Policy Disclosure**

Mr. Simon stated that one recommendation, the review of MPERS’ cyber and data security plans as listed in the Final Report by Funston Advisory Services, was included in the informational items provided today. In addition, he pointed out the inclusion of the annual Enterprise Risk Management update within the material.

- **Informational/Educational Sessions**

As a result of the most recent actuarial valuation, MPERS’ actuary will offer two informational/educational sessions to the Board; one on December 8th and the other on December 15th.

- **Draft Legislation**

Mr. Simon stated he was provided with draft legislation from Mr. McKenna that the Missouri Highway and Transportation Commission is proposing. It would provide alternative retirement/medical benefit options for new employees beginning January 1, 2022. Mr. Simon stated that after consulting with outside counsel, there is concern that if the legislation passes as drafted, the change could have negative consequences on MPERS’ qualified status with the IRS. He advised that after additional review, the Board would be updated with more definitive information.

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TRUSTEES’ COMMENTS

Mr. Tyler thanked MPERS’ staff for all their work to complete the audit process, as it was an unusual year to get it done.

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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.

- **Information Security Policy Disclosure**

The Board was provided with a copy of the Information Security Policy for review and oversight purposes.

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

Ms. Bassett-Seymour provided the Board with the annual report for calendar year 2020.

- **2021 Conferences**

The Board was provided with a list of 2021 conferences which provides education opportunities for Trustees.

- **Quarterly Alternative Investment Summary Analysis**

Investment staff provided reports for the following alternative investments as of June 30, 2020:

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

- **Report on Trustee Education – FY 2021**

Per the Monitoring and Reporting Policy, the Board was provided with the “Report on Trustee Education” for FY 2021.

- **Benefit Payments and Member Data – October 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 2020 through October 2020.

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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 2:16 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 19, 2020 in Jefferson City, Missouri, as approved by said Board at its meeting held February 26, 2021.

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on February 26, 2021.

William K. Seibert

Chair

Scott Simon

Executive Director

