

# Minutes of Meeting

September 24, 2020





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**BOARD OF TRUSTEES' MEETING**

**THURSDAY, SEPTEMBER 24, 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. Robert Brinkmann  
Sgt. Matthew Broniec  
Ms. Sue W. Cox  
Colonel Eric Olson  
Mr. Gregg Smith  
Representative Sara Walsh

**TRUSTEES ABSENT:** Mr. John Briscoe  
Mr. Patrick McKenna

**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. Will Forde, NEPC  
Mr. Ken Alberts, GRS Consulting  
Ms. Heidi Barry, GRS Consulting  
Mr. Jamal Adora, GRS Consulting  
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, September 24, 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

### APPROVAL OF MINUTES

~ by Mr. Scott Simon, MPERS' Executive Director

Mr. Simon stated a memorandum and minutes were distributed to the Board for their review a couple of weeks prior to the meeting and there were no comments or questions received from trustees. Mr. Simon suggested the minutes from each meeting be approved individually following the process normally associated with review and approval of minutes.

#### February 28, 2020

Mr. Simon stated it is highly unusual to review minutes that were previously approved; however, there were discrepancies with the February 28, 2020, minutes. Mr. Simon and the board secretary did not want to presume those inconsistencies were acceptable to the Board, and opted to bring them to the Board's attention. Mr. Simon stated the redline version is what the board secretary would propose and what he would affirm.

Ms. Cox made a motion to approve the minutes of the meeting held on February 28, 2020. 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 (absent)  
Sgt. Matthew Broniec, Aye  
Ms. Sue W. Cox, Aye  
Mr. Patrick McKenna (absent)  
Colonel Eric Olson, Aye  
Mr. Gregg Smith (absent during the vote)  
Representative Sara Walsh, Aye

The motion carried with eight votes in favor and three absent.

#### June 18, 2020

Mr. Simon stated the June 18, 2020, minutes were tabled for further review after revisions were offered immediately prior to the start of the Board's July 30, 2020, meeting. Following that review, the board secretary largely affirmed the original draft minutes with minor revisions included. A redline version, with revisions, are reflected in the proposed minutes to be approved.

Sgt. Broniec made a motion to approve the minutes of the meeting held on June 18, 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)  
Sergeant Matthew Broniec, Aye  
Ms. Sue W. Cox, Aye  
Mr. Patrick McKenna (absent)  
Colonel Eric Olson, Aye  
Mr. Gregg Smith, Abstain  
Representative Sara Walsh, Aye

The motion carried with eight votes in favor, one abstention and two absent.

July 30, 2020

Sgt. Broniec made a motion to approve the minutes of the meeting held on June 18, 2020. Senator Bernskoetter 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)  
Sergeant Matthew 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.

August 17, 2020

Sgt. Broniec made a motion to approve the minutes of the meeting held on August 17, 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)  
Sergeant Matthew 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.

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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#### **INVESTMENT COMMITTEE REPORT**

*~ by Sgt. Matt Broniec, Investment Committee Chair*

Sgt. Broniec reported the Investment Committee met on September 8, 2020. Mr. Krummen informed the Committee that while long-term investment returns continue to be strong, the short-term returns have been hard hit by the COVID-19 pandemic. Mr. Krummen also reported leverage has not been utilized to date, with an explanation that now is not the right time to deploy those funds. The Committee was provided with an overview of five recent investments and a presentation on Fiscal Year 2020 management fees and how those fees would be reported in the upcoming CAFR.

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#### **CIO INVESTMENT REPORT**

*~ by Mr. Larry Krummen (MPERS) and*

- **Fiscal Year 2020 Investment Performance Report**

Mr. Larry Krummen and Mr. Kevin Leonard provided a report on MPERS' investment performance for the fiscal year ending June 30, 2020.

As of June 30, 2020, MPERS' fund value was \$2.36 billion. MPERS' fiscal year return (July 1, 2019 to June 30, 2020) finalized at -0.46%, due predominantly to the drop in the markets in the first half of 2020 due to the COVID-19 pandemic. From a long-term perspective, MPERS' 10-year return of 8.80% ranks in the top 21% of the peer universe, 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 15, 2020, each of the respective asset class allocations were within the permissible ranges. MPERS' current cash balance stands at \$6.8 million (or 0.2% of assets).

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**ANNUAL ACTUARIAL VALUATION – JUNE 30, 2020**

*~ by Ms. Heidi Barry and Mr. Ken Alberts of GRS Consulting*

Ms. Heidi Barry and Mr. Ken Alberts of GRS Consulting, 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 2020, MPERS' funded status rose to 60.6% from 59.8%. The funded status has continued to increase steadily from its lowest point ten years ago when it was 42.2%. 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, but recommended a review of those policies before the next valuation to consider what has happened in the economy as a result of the ongoing pandemic and as the policy shifts from the temporary back to the permanent policy.

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:

FY 22 Employer Contribution Rate (Combined Rate) Expressed as % Active Payroll for Total Benefits	
Benefit Normal Cost	9.82%
Expenses	1.12%
Disability Insurance	<u>.53%</u>
Total Normal Cost	11.47%
Unfunded Liability	<u>46.53%</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.

Ms. Barry recommended the contribution rate, effective July 1, 2021 (for FY 2022), to remain at 58.00% of pay for both non-uniformed members and uniformed members.

Sgt. Broniec made a motion to approve the recommendation. Ms. Cox seconded. 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)  
Sergeant Matthew Broniec, Aye  
Ms. Sue W. Cox, Aye  
Mr. Patrick McKenna (absent)  
Colonel Eric Olson, Aye  
Mr. Gregg Smith, Aye  
Representative Sara Walsh, Aye

Motion carried with 9 votes in favor and 2 absent. The contribution rate, as approved by the Board, for fiscal year 2022 will remain at 58% of payroll.

Mr. Simon requested Ms. Barry highlight the recommendations that were included in the valuation study as a result of the recent actuarial audit by Cheiron.

Mr. Simon stated he would welcome feedback from Trustees about how and when they would like to proceed with the risk analysis and the funding policy review.

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**PROJECT OVERVIEW AND STATUS UPDATE FROM GOVERNANCE CONSULTANT**

*~ by Mr. Mr. Randy Miller & Mr. Rick Funston from Funston Advisory Services LLC*

Mr. Randy Miller provided a project overview and stated the scope of MPERS governance review is to:

- Conduct an independent review of Board governance and investment policies
- Assess Board practices with respect to alignment with its policies
- Facilitate the Board self-evaluation process and discuss the results during a Board workshop
- Review the MPERS succession plan for executive staff

Mr. Miller provided the following status update:

1. The Governance and Investment Policies have been reviewed and preliminary suggestions have been made.
2. The minutes have been studied to be sure the Board is following the board-adopted policies.
3. The Board's self-evaluation survey was administered and completed by nine of eleven board members, four executive staff and four of the Board's external advisors.

A draft interview discussion document has been prepared which includes the issues identified and potential recommendations to be considered, based upon the three activities shown above.



A Governance Committee meeting is scheduled for October 1, to review the interview questions to be used in the trustee interviews, which are set to begin after the meeting date and completed by October 9. Once the interviews are completed, the consultants will meet again with the Governance Committee and obtain feedback to be used at the November 19 workshop. In parallel with these other events, the consultants will also facilitate a performance evaluation of the Executive Director. On October 5, an email request will be sent to Trustees which will include the Executive Director's Summary of Accomplishments and a link to the survey for completion.

The executive succession plan will be discussed with Trustees during their interviews and they will work with the Board Chair and Vice Chair to complete the Executive Director evaluation by the end of October.

## **DIRECTOR'S COMMENTS**

- **November Board Workshop**

Mr. Simon stated the board educational workshop and board meeting will be held November 19, 2020. He requested feedback from Trustees regarding their participation. A meeting location will be finalized once he obtains feedback regarding the preferred means, virtual or in-person, for attendance.

- **Future Board Meetings**

As we look forward to meetings in the future, Mr. Simon asked what format the Trustees preferred (in-person only, virtual or both). Feedback should be shared with him or the Board Chair so appropriate plans are made.

- **Trustee Connection**

Mr. Simon inquired if the Trustees were interested in having direct connection (i.e., email link) on the MPERS website for member inquiries. Feedback should be shared with Mr. Simon.

- **GFOA Award**

MPERS received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada for its 2019 Comprehensive Annual Financial Report (CAFR). This is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

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## **TRUSTEES' COMMENTS**

Mr. Smith stated he would like to meet in person, but is not comfortable attending in person due to the pandemic. For future meetings, he would prefer meeting in person.

Representative Walsh stated she prefers the virtual option due to her busy schedule, but would like the in-person/virtual option to remain available going forward.

Mr. Tyler would also like to attend in person; however, he is good with the virtual option. He also asked about the Internal and Fixed Income Review report from the Informational Only Item listed on the agenda. Mr. Krummen addressed Mr. Tyler's questions.

Sgt. Broniec expressed his appreciation to MPERS staff for eclipsing the 60% funded status.

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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**

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**

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.

- **Internal Fixed Income Review**

MPERS' investment policy requires a periodic review of the internal fixed income portfolios to ensure compliance with the guidelines established by the Board of Trustees. There were no new exceptions reported and a status update was provided on exceptions the Board previously granted approval to hold the securities.

- **Investment Fees – FY 2020**

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

- **Alternate Investment Summary Analysis – FY 2020**

Investment staff provided quarterly performance reports (March 2020) for the following alternative investments:

- 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.

- **Membership Information**

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

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**VOTE TO CLOSE MEETING**

The Board voted to close its meeting on September 24, 2020, citing Sections 610.021(3) & (13), RSMo., *Administrative matters regarding particular individuals*. Upon a motion made by Senator Bernskoetter and seconded by Mr. Smith to convene in 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 (absent)  
Sergeant Matthew Broniec, Aye  
Ms. Sue W. Cox, Aye  
Mr. Patrick McKenna (absent)  
Colonel Eric Olson, Aye  
Mr. Gregg Smith, Aye  
Representative Sara Walsh, Aye

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**ADJOURN**

A motion to adjourn was made by Senator Bernskoetter and seconded by Representative Walsh. By unanimous vote of all Trustees present, the meeting of the Board of Trustees was adjourned at 11:17 a.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 24, 2020 in Jefferson City, Missouri, as approved by said Board at its meeting held November 19, 2020.

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on November 19, 2020.

*William K. Seibert*

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Chair

*Scott Simon*

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Executive Director

