



## MoDOT and Patrol Employees' Retirement System

Minutes of Meeting

February 26, 2021



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**Adjourn**



**BOARD OF TRUSTEES' MEETING**

**FRIDAY, FEBRUARY 26, 2021**

**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  
Mr. John Briscoe  
Sgt. Matt Broniec  
Ms. Sue W. Cox  
Mr. Patrick McKenna  
Colonel Eric Olson

**TRUSTEES ABSENT:** Mr. Gregg Smith

**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. Mike Winter, Legislative Consultant  
Mr. Kevin Leonard, NEPC

A regularly scheduled meeting of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) was held on Friday, February 26, 2021, 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**

Ms. Cox made a motion to approve the minutes of the meeting held on November 19, 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, Aye  
Sgt. Matt Broniec, Aye  
Ms. Sue W. Cox, Aye  
Mr. Patrick McKenna, Aye  
Colonel Eric Olson, Aye

All members voted in favor, motion carried.

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.

### **ELECTION OF CHAIR**

In accordance with Section 104.170 RSMo., Colonel Eric Olson was elected as Chair of the Board for a one-year term.

### **ELECTION OF VICE CHAIR**

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

### **AGENDA FORMAT**

*~ by Mr. Scott Simon, MPERS' Executive Director*

Mr. Simon indicated the agenda for the February board meeting reflects the format recommended by Funston Advisory Services (Funston). The approach is intended to focus on the powers reserved exclusively for the MPERS Board. The agenda has been organized according to the following five powers:

1. Conduct the business of the Board
2. Set direction and policy and prudently delegate
3. Approve key decisions according to the Board's calendar
4. Oversee performance and report to stakeholders
5. Obtain independent advice and verification

Each power is further broken down by whether the agenda item is required by legislation or by policy. Many items on the agenda are referenced as (supplemental information). Some of these items were previously listed as informational only items in prior agendas. This material is now considered background information and can be found on the trustee website where the documents may be viewed at the trustee's discretion.

## **ESTABLISH STANDING AND SPECIAL COMMITTEES OF THE BOARD**

*~ by Colonel Eric Olson, Board Chair*

Colonel Olson stated committee appointments will take place in the near future. Colonel Olson also stated if a member has a special committee they have an interest in or would want to be a member of, to advise him or Scott of their interest.

## **TRUSTEE CONSULTANT SURVEYS**

*~ by Mr. Scott Simon, MPERS' Executive Director*

A key recommendation of Funston was to ensure independent advisors are responding to the Board's requirements and priorities. In January, trustees completed surveys for MPERS' independent advisors/consultants. Specifically, NEPC (general investment consultant), GRS (actuary) and Williams-Keepers (auditor), and the results were provided to the Board. Similar surveys will be conducted annually, depending on the needs/requests of the Board.

## **GOVERNANCE COMMITTEE REPORT**

*~ by Ms. Sue Cox, Governance Committee Chair*

### **Consideration of Governance Policy Updates**

Ms. Cox stated the Governance Committee met on January 21, 2021, to review a number of modifications to MPERS' policies or statutes as recommended by Funston.

The Committee evaluated each recommendation individually and either approved it as drafted by staff or with agreed upon changes. One policy required additional work from staff and it was later agreed upon via electronic ballot. The Committee provided its recommended changes to the full Board for approval. One of the recommended changes included proposed legislation to stagger the elected trustees' terms. The proposed legislation would be subject to review and approval by the legislature and the governor.

Ms. Cox made a motion to approve the revisions to the Governance Policies. Mr. Seibert seconded the motion. The following roll call vote was taken:

Colonel Eric Olson, 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, Nay  
Mr. William "Bill" Seibert, Aye

The motion carried with eight votes in favor and one against.

## **VITAL SIGNS**

*~ by Mr. Scott Simon, MPERS' Executive Director*

As part of the recommendations from Funston, staff will begin reporting a list of vital signs to the Board. Funston suggested that it is best to provide information to the Board about the “vital few” versus the “trivial many,” thereby allowing the Board to focus on the most important topics and relevant data. Staff has developed a draft list of vital signs for the various board committees to review during upcoming meetings. In addition, these vital signs will include a board-approved variance analysis to denote expected outcomes or a range of outcomes along with an audit plan to be sure the results are valid, independent, and reflect actual performance.

## **LEGISLATIVE UPDATE**

*~ by Mr. Scott Simon, MPERS' Executive Director*

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

- HB29 Affects Public Pension Plans – Adds all public employee retirement systems and quasi-governmental entity employee salaries to the government accountability portal.
- HB701 Affects MPERS and MOSERS – Modifies provisions relating to retirement systems. This is the collaborative cleanup bill for the two systems.
- HB1140 Affects Public Pension Plans – Exempts state employee retirement benefits from state income tax.
- SB238 Affects MPERS – Modifies the Board of Trustees of Missouri Department of Transportation and Highway Patrol Employees' Retirement System.
- HB/SB#### Affects MPERS – Modifies provisions relating to the terms of the active elected representatives on the Board for the Missouri Department of Transportation and Highway Patrol Employees' Retirement System.

This legislation was recommended by Funston to modify the terms of elected representatives on the MPERS Board. It would limit the term of newly elected active employee representatives in 2022 to a two-year term. Another election would be held in 2024, with future terms being four years as usual. There would be no change to the terms of elected retiree representatives, thereby effectively staggering the terms.

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

## **INVESTMENT COMMITTEE REPORT**

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

Sgt. Broniec stated the Investment Committee met on January 14, 2021, to review a request for proposal for investment consultant services, which is scheduled to be completed this summer. He also noted that he has been in contact with the investment consultant to address questions related to the role as an independent advisor to the Board. The details of this conversation will be covered at an upcoming Investment Committee meeting.

## **INVESTMENT REPORTS**

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

- **NEPC Investment Performance Report for Quarter Ending December 31, 2020**

Mr. Kevin Leonard and Mr. Larry Krummen provided a report on MPERS' investment performance for the quarter ending December 31, 2020.

Calendar year 2020, despite being dominated by the pandemic and political uncertainty, turned out to be a good year for MPERS' investment portfolio. As of December 31, 2020, MPERS' fund value was \$2.676 billion. MPERS' investment portfolio delivered a 9.26% return for the year, led by a rebound in the equity markets. MPERS' underperformed the policy index return of 12.46% for the year, due primarily to relative underperformance of the equity beta group, losses in the real assets portfolio (specifically energy-based strategies), and underperformance in the opportunistic debt portfolio. As of December 31, 2020, MPERS' long-term return remains solid where MPERS' 10-year return ranks in the top 22% of the public fund universe, with a 10-year risk profile (volatility of returns) ranked in the bottom 1% of the peer universe. The combination has produced a 10-year Sharpe ratio (a measure of return per unit of risk) in the top 1% of MPERS' peers.

- **CIO 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, 2021, each of the respective allocations are within the permissible ranges established in MPERS' Investment Policy. MPERS' current cash balance stands at \$35.3 million (or 1.3% of assets).

## **NEPC 2021 MARKET OUTLOOK AND ASSET CLASS ASSUMPTIONS**

~ by Mr. Kevin Leonard (NEPC)

Mr. Leonard presented the 2021 Market 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, there were no recommended changes to MPERS' asset allocation. It was noted that expected returns were below the 7% actuarial return assumption, which will likely result in a review of the economic assumptions for the upcoming actuarial valuation. Mr. Simon noted his intentions to schedule a discussion for the Board with the actuary leading up to the June meeting.

## **DIRECTOR'S COMMENTS**

~ by Mr. Scott Simon, MPERS' Executive Director

- **Separation of Service**

Due to the risk to covered employers, covered employees, and MPERS' qualified status, MPERS' general counsel is working with MoDOT and MSHP staff to educate these stakeholders that members who retire must have a 30-day separation of service and no predetermined arrangement to return to work. Mr. Simon stated a new Board Rule will be forthcoming for the Board's approval to further document the administration of this issue.

- **Committee Appointments**

Mr. Simon will be working with Board Chair Olson to set the standing committees for the year and expects those to be available soon.

- **New Hires**

Mr. Simon reported that the new hires in the investment section are doing well and getting up to speed quickly. He also mentioned that MPERS' "new" Assistant Chief Financial Officer in the financial section, who started work with MPERS at the outset of the pandemic, is also doing very well, especially in light of the hurdles of remote work at the start of her employment relationship.

- **Economic Assumption Review**

Lastly, as a result of some discussion during the board meeting as well as during prior meetings, Mr. Simon expects the assumed rate of return as well as other economic assumptions to be reviewed prior to or during the June meeting in anticipation of the annual valuation report, which will be completed in September and establishes the contributions rate for our covered employers.

### **TRUSTEES' COMMENTS**

- Sgt. Broniec stated he attended the 2021 NCPERS FALL Conference on February 2-3, 2021. He indicated that this program is a great avenue for trustees to get training. He stated it was very beneficial and encouraged other trustees to attend future programs that are offered.
- Several trustees provided positive feedback on the new format of the agenda.

### **VOTE TO CLOSE MEETING**

The Board voted to close its meeting on February 26, 2021, citing Sections 610.021(3) & (13), RSMo., administrative matters regarding particular individuals. Upon a motion made by Senator Bernskoetter and seconded by Sgt. Broniec to convene in closed session, the following roll call vote was taken:

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  
Mr. William "Bill" Seibert, Aye  
Colonel Eric Olson, Aye



**REPORT FROM CLOSED SESSION:**

The Board voted in closed session to extend a retention incentive to the Executive Director. The following roll call vote was taken:

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

The motion carried with six votes in favor and three against.

**ADJOURN**

A motion to adjourn was made by Mr. Seibert and seconded by Senator Bernskoetter. By unanimous vote of all Trustees present, the meeting of the Board of Trustees was adjourned.

## CERTIFICATION

We, Colonel Eric T. Olson, 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 26, 2021 in Jefferson City, Missouri, as approved by said Board at its meeting held June 17, 2021.

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on June 17, 2021.

*Eric T. Olson*

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Chair

*Scott Simon*

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Executive Director

