



MoDOT and Patrol Employees' Retirement System

Minutes of Meeting

September 23, 2021



TABLE OF CONTENTS

Approval of Minutes 2
Board Self-Evaluation 2
Annual Actuarial Valuation – June 30, 2021 2
Certify Contribution Rate Strategic Plan..... 3
Strategic Plan 3
605 Dix Road Property 3
FY 2021 Vital Signs 4
Investment Committee Report 4
Investment Policies
 Cost/Management Fee Policy and Risk Policy 4
Investment Reports
 CIO Report 5
 Current Asset Allocation Overview / Positioning Relative to Targets..... 5
 NEPC’s Investment Performance Report for Quarter Ending June 30, 2021 5
Director’s Comments
 Outlook – Office 365 5
Trustees’ Comments 5
Vote to Close Meeting..... 6
Report from Closed Session 6
Adjourn



BOARD OF TRUSTEES' MEETING

THURSDAY, SEPTEMBER 23, 2021

9:00 a.m.

**1913 William Street
Jefferson City, Missouri**

TRUSTEES PRESENT: Colonel Eric Olson, Chair
Mr. Todd Tyler, Vice Chair
Senator Mike Bernskoetter
Mr. W. Dustin Boatwright (Joined after approval of minutes)
Lt. Matt Broniec
Ms. Sue W. Cox
Representative Barry Hovis
Mr. Patrick McKenna
Mr. William "Bill" Seibert
Mr. Gregg Smith

TRUSTEES ABSENT: Mr. Robert Brinkmann

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
Ms. Heidi Barry, GRS
Mr. Jamal Adora, GRS
Mr. Kiley Fischer, NEPC

A regularly scheduled meeting of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) was held on Thursday, September 23, 2021, via webinar from the System's office located at 1913 William Street in Jefferson City, Missouri. The meeting was called to order by Colonel Eric Olson pursuant to Section 104.180 of the Missouri Revised Statutes, as amended.

* * * * *

OPEN MEETING

APPROVAL OF MINUTES

Lt. Broniec made a motion to approve the minutes of the meeting held on May 26, 2021. Mr. Tyler seconded the motion. By unanimous vote of all Trustees present, motion carried. Mr. McKenna abstained from voting because he was not present at the meeting in May.

Lt. Broniec made a motion to approve the minutes of the meeting held on June 17, 2021. Mr. Seibert seconded the motion. By unanimous vote of all Trustees present, 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.

* * * * *

BOARD SELF-EVALUATION

~ by Mr. Scott Simon, MPERS' Executive Director

The Board Self-Evaluation Policy requires an annual self-evaluation unless the Board elects otherwise. Mr. Simon stated the recent governance project, conducted by Funston Advisory Services, LLC, included a self-evaluation process which was done in November of 2020.

Ms. Cox made a motion to postpone the formal Board self-evaluation until next year, due to the ongoing implementation of recommendations from last year's evaluation. Senator Bernskoetter seconded the motion. The following roll call vote was taken:

Senator Mike Bernskoetter, Aye
Mr. W. Dustin Boatwright, Aye
Lt. Matt Broniec, Aye
Ms. Sue W. Cox, Aye
Representative Barry Hovis, Aye
Mr. Patrick McKenna, Aye
Mr. William "Bill" Seibert, Aye
Mr. Gregg Smith, Aye
Mr. Todd Tyler, Aye
Colonel Eric Olson, Aye

Motion carried with 10 votes in favor. Mr. Brinkmann was absent from the meeting.

* * * * *

ANNUAL ACTUARIAL VALUATION – JUNE 30, 2021

~ by Ms. Heidi Barry and Mr. Jamal Adora of GRS Consulting

Ms. Heidi Barry and Mr. Jamal Adora 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 2021, MPERS' funded status rose to 62.4% from 60.6%. 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. 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 because of the ongoing pandemic and continued economic recovery.

Ms. Barry recommended implementing a contribution rate, effective July 1, 2022 (for FY 2023), of 58.00% of pay for the non-uniformed members and 58.651% of pay for uniformed members.

The contribution rate consists of the factors as illustrated in the following table:

FY 2023 Employer Contribution Rates Expressed as % of Active Payroll for Total Benefits		
	MoDOT & Civilian Patrol	Uniformed Patrol
Benefit Normal Cost	9.250%	17.230%
Expenses	1.220%	1.220%
Disability Insurance	<u>0.475%</u>	<u>0.475%</u>
Total Normal Cost	10.945%	18.925%
Unfunded Liability	<u>47.055%</u>	<u>39.726%</u>
Total	58.00%	58.651%

CERTIFY CONTRIBUTION RATE

~ by Colonel Eric Olson, MPERS' Board Chair

The annual valuation 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. Lt. Broniec made a motion to approve the actuary's recommendation. Mr. McKenna seconded. By unanimous vote of all Trustees present, motion carried. The contribution rate for Fiscal Year 2023 will remain at 58.00% of payroll for the non-uniformed group (MoDOT and the non-uniformed portion of the Highway Patrol) and 58.651% for the uniformed group.

* * * * *

STRATEGTIC PLAN

~ by Mr. Scott Simon, MPERS' Executive Director

As part of the governance project, Funston Advisory Services, LLC recommended the Board implement a more consistent strategic planning process. Mr. Simon made a recommendation for the Board to hire a consultant to assist with the process. The Board tabled this item and requested a presentation at the November board meeting or workshop. Presentations by one or more strategic planning consultants could provide an overview of and/or insights into strategic planning and how it would benefit the System and the beneficiaries long-term.

* * * * *

605 DIX ROAD PROPERTY

~ by Mr. Scott Simon, MPERS' Executive Director

Mr. Simon requested approval to proceed with the demolition of the property purchased in June. The current plan is to demolish the residence, extend the lower parking lot of the existing MPERS facility, and develop direct access to the MPERS offices from Dix Rd. through an accessible entrance on the new property.

Mr. Tyler made a motion to proceed with the demolition of the property at 605 Dix Road. Representative Hovis seconded. By unanimous vote of all members present, the motion carried. The Board recommended staff continue to seek more competitive bids for demolition.

* * * * *

VITAL FUNCTION – SIGNS

~ by Mr. Scott Simon, MPERS' Executive Director

Mr. Simon provided the Board with the first full report of MPERS' vital signs. The vital signs are intended to provide a better line of sight for MPERS' "oversight" Board and be a quick reference to see how things are functioning for the organization.

Mr. Simon reported that all vital signs of the System, except for one, were "green," or without concern. The exception was the unfunded retiree liability, which will not be "green" until it is fully funded.

* * * * *

INVESTMENT COMMITTEE REPORT

~ by Lt. Matt Broniec, Investment Committee Chair

Lt. Broniec stated the Investment Committee met on August 24, 2021, and reviewed responses to the Investment Consultant Request for Proposal. The Committee narrowed the list to three proposals and directed staff to continue due diligence for each of the qualified respondents. The Committee also reviewed two new policies, a policy for management fees and another for risk, and they will be presented to the full Board for consideration at the September 23, 2021 board meeting.

* * * * *

INVESTMENT POLICIES

~ by Mr. Larry Krummen, MPERS' Chief Investment Officer

Mr. Krummen presented two new investment policies (Cost/Management Fee Policy and Risk Policy). These policies are intended to maintain expectations for staff in managing and implementing these key matters and to support the Board's understanding of how key details are managed.

Lt. Broniec made a motion to approve the policies. Representative Hovis seconded. The following roll call vote was taken:

Senator Mike Bernskoetter, Aye
Mr. W. Dustin Boatwright, Aye
Lt. Matt Broniec, Aye
Ms. Sue W. Cox, Aye
Representative Barry Hovis, Aye
Mr. Patrick McKenna, Nay
Mr. William "Bill" Seibert, Aye
Mr. Gregg Smith, Nay
Mr. Todd Tyler, Aye
Colonel Eric Olson, Aye

Motion carried with 8 votes in favor, 2 against. Mr. Brinkmann was absent from the meeting.

* * * * *

INVESTMENT REPORTS

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

- **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 September 13, 2021, each of the respective allocations are within the permissible ranges established in MPERS’ Investment Policy. MPERS’ current cash balance stands at \$128.1 million (or 4.15% of assets).

- **NEPC Investment Performance Report for Quarter Ending June 30, 2021**

Mr. Larry Krummen and Mr. Kevin Leonard provided a report on MPERS’ investment performance for the quarter ending June 30, 2021.

Despite being dominated by the COVID-19 pandemic and a contentious presidential election, MPERS’ portfolio generated a 30.8% return in Fiscal Year 2021 and crossed over the \$3.0 billion mark in assets for the first time. The 30.8% return considerably outperformed MPERS’ policy benchmark return of 23.5% and ranked in the top 9% of public fund peer universe for the period. The public equity portfolio performed extremely well, generating a 47.7% return relative to the benchmark return of 39.3%. The value and small cap bias in the equity portfolio, which has underperformed in prior years, performed very well alongside the improving economy.

* * * * *

DIRECTOR’S COMMENTS

~ by Mr. Scott Simon, MPERS’ Executive Director

- **Office 365**

Mr. Simon stated MPERS’ technology was upgraded to Office 365 this week which includes integrated Teams and upgraded Office products. Upcoming is transition to, SharePoint and the Cloud. SharePoint includes a “dashboard” option that will allow staff the ability to share files with the Board without the need to post documents to the Trustee website. It will also allow Trustees to be a SharePoint user on MPERS’ network and have access to specific files/folders, which was a Funston recommendation.

* * * * *

TRUSTEES’ COMMENTS

None.

* * * * *

VOTE TO CLOSE MEETING

~ by Colonel Eric Olson, MPERS' Board Chair

The Board voted to close its meeting on September 23, 2021, citing Section 610.021(3) and (13), RSMo., to discuss administrative matters regarding particular employees.

Upon a motion made by Lt. Broniec and seconded by Senator Bernskoetter to convene in closed session, the following roll call vote was taken:

- Senator Mike Bernskoetter, Aye
- Mr. W. Dustin Boatwright, Aye
- Lt. Matt Broniec, Aye
- Ms. Sue W. Cox, Aye
- Representative Barry Hovis, Aye
- Mr. Patrick McKenna, Aye
- Mr. William "Bill" Seibert, Aye
- Mr. Gregg Smith, Aye
- Mr. Todd Tyler, Aye
- Colonel Eric Olson, Aye

REPORT FROM CLOSED SESSION

~ by Colonel Eric Olson, MPERS' Board Chair

Colonel Olson stated the Board evaluated the Executive Director's performance. Mr. Simon will be provided with the results of the evaluation following the meeting.

ADJOURN

A motion to adjourn was made by Representative Hovis and seconded by Mr. Boatwright. 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 September 23, 2021 in Jefferson City, Missouri, as approved by said Board at its meeting held November 18, 2021.

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on November 18, 2021.

Eric T. Olson

Chair

Scott Simon

Executive Director

