

# Minutes of Meeting

August 16, 2022





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**SPECIAL BOARD OF TRUSTEES' MEETING**

**TUESDAY, AUGUST 16, 2022**

**9:00 a.m.  
via Webinar**

**1913 William Street  
Jefferson City, Missouri**

**TRUSTEES PRESENT:** Colonel Eric Olson, Chair  
Mr. Todd Tyler, Vice Chair  
Mr. W. Dustin Boatwright  
Ms. Sue W. Cox  
Mr. Terry Ecker  
Representative Barry Hovis  
Mr. Patrick McKenna  
Trooper Matt Morice  
Mr. William "Bill" Seibert  
Mr. Gregg Smith

**TRUSTEES ABSENT:** Senator Mike Bernskoetter

**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:** None.

A special meeting of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) was held on Tuesday, August 16, 2022, via webinar from the System's office located at 1913 William Street in Jefferson City, Missouri. The meeting was called to order by Col. Eric Olson pursuant to Section 104.180 of the Revised Statutes of Missouri, as amended.

\* \* \* \* \*

**OPEN MEETING**

**PROPOSED BOARD RULE TO CLARIFY THE DEFINITION OF INVESTING**

*– by Mr. Larry Krummen, MPERS' Chief Investment Officer*

Mr. Krummen stated June 2022 was the first-time leverage was utilized and ended Fiscal Year 2022 (June 30, 2022) with 1.7% of leverage at the total fund level. He explained staff has only utilized derivatives to obtain the leverage to date, but ultimately expects to use a combination of leverage and traditional lines of credit (or credit facilities) to fully implement the program.

In recent negotiations, a prospective lender recommended the Board take an additional step and adopt a board rule to clarify and support the System's policies to enter this type of credit facility.

As a result, staff is requesting the Board's approval of the Proposed Board Rule 1-16 Invest Funds Defined, as shown below, to allow MPERS' staff to proceed with negotiations for this attractive financing package.

**Board Rule 1-16 Invest Funds Defined**

Invest as used in section 104.150, RSMo., shall include the full power to invest and reinvest the moneys of the System; to hold, purchase, sell, assign, transfer, or dispose of any of the securities and investments in which such moneys shall have been invested, as well as the proceeds of such investments and such moneys; open and close bank accounts; enter into bank transactions; hire and fire investment managers and custodians; enter into contracts and other agreements; borrow funds; lend funds; lever assets; issue guarantees; pledge or otherwise grant security interests in any retirement system property or to secure payment or performance in respect of any guarantees; create business entities, and hold or sell interests in those entities; execute all documents or instruments of any kind appropriate for carrying out the investment purposes of the retirement system, including but not limited to, service, purchase, sale, debt, pledge, or other security agreements; and perform any and all other acts or activities customary, incidental, necessary, or convenient to the purposes and powers enumerated hereinabove and within sections 104.010-312, 104.600-800, 104.1003-1093, and 105.660-702, RSMo.

Mr. McKenna opposed the proposed board rule and offered the following rationale, which he asked to be placed in the minutes:

1. The Board action taken to grant the leverage authority in policy was passed by the narrowest of margins on an eleven-person board. The vote was six to five. Mr. McKenna was one of the opponents and remains staunchly opposed to the leverage authority which he does not believe exists in law, because there is no express authority.
2. Mr. McKenna further stated that if the prospective lender would look at any of the documentation from the original discussion, the lender would recognize that the matter of borrowing is not clear in the law and that there is opposition on the Board. Mr. McKenna restated that he is staunchly opposed to the use of leverage and opposed to the past use of derivatives in exercising that leverage.
3. Mr. McKenna believes using leverage puts this portfolio at greater risk than is necessary for the type of investments that should be used on this type and size of portfolio. Mr. McKenna stated the risk he sees is that we do not have any clear way of understanding the underlying asset values and the returns reported, and this has been a question with him for the term of his time as a trustee on MPERS' Board. Mr. McKenna stated he will be voting against this board rule and would like a roll-call vote to be called on this matter.

Ms. Cox pointed out that the information provided in years past on this subject was detailed and discussed extensively by the Board before the Board took action on the original leverage matter. The information reviewed by the Board included detailed information on the recommendation from staff, the asset/liability study reported by the Board's investment consultant making the recommendation, and a privileged legal opinion from outside counsel. Ms. Cox asked that the historical information be shared with the new trustees on the Board and further reminded the Board of the recent governance policy updates to address risk management in this portfolio.

A motion was made by Mr. Boatwright and seconded by Mr. McKenna to not adopt the Proposed Board Rule 1-16 Invest Funds Defined. After further discussion, Mr. Boatwright withdrew the motion.

A motion was then made by Mr. Tyler and seconded by Ms. Cox to adopt the Proposed Board Rule 1-16 Invest Funds Defined.

The following roll call vote was taken:

Mr. W. Dustin Boatwright, Nay  
Ms. Sue W. Cox, Aye  
Mr. Terry Ecker, Nay  
Representative Barry Hovis, Aye  
Mr. Patrick McKenna, Nay  
Trooper Matt Morice, Aye  
Mr. William "Bill" Seibert, Aye  
Mr. Gregg Smith, Nay  
Mr. Todd Tyler, Aye  
Colonel Eric Olson, Aye

The motion carried with 6 votes in favor and 4 against.

\* \* \* \* \*

**ADJOURN**

A motion to adjourn was made by Mr. Smith and seconded by Mr. Ecker. By unanimous vote of all Trustees present, the meeting of the Board of Trustees was adjourned at 9:49 a.m.

\* \* \* \* \*

## 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 August 16, 2022 in Jefferson City, Missouri, as approved by said Board at its meeting held September 22, 2022.

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on September 22, 2022.

*Eric T. Olson*

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Chair

*Scott Simon*

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Executive Director

