



MoDOT and Patrol Employees' Retirement System

Minutes of Meeting

November 17, 2022



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Adjourn



BOARD OF TRUSTEES' MEETING

THURSDAY, NOVEMBER 17, 2022

12:30 p.m.

**Missouri State Troopers Association Building
1729 E. Elm Street
Jefferson City, Missouri**

TRUSTEES PRESENT: Colonel Eric Olson, Chair
Mr. Todd Tyler, Vice Chair
Mr. W. Dustin Boatwright
Ms. Sue W. Cox
Representative Barry Hovis
Mr. Patrick McKenna (virtual)
Trooper Matt Morice
Mr. William "Bill" Seibert

TRUSTEES ABSENT: Senator Mike Bernskoetter
Mr. Gregg Smith
Mr. Terry Ecker

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. Keith Stronkowsky, NEPC
Mr. Aaron Clegg, Tanner (virtual)
Mr. John Pohlman, Tanner (virtual)
Mr. Nick Mestres, Williams-Keepers
Ms. Mercedes Kindle, Williams-Keepers (virtual)
Mr. Mike Winter, Legislative Consultant

A regularly scheduled meeting of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) was held on Thursday, November 17, 2022, from the Missouri State Trooper's Association Building located at 1729 E. Elm 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.

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OPEN MEETING

APPROVAL OF MINUTES

Representative Hovis made a motion to approve the minutes of the meeting held on September 22, 2022. Mr. Tyler seconded the motion. By unanimous vote of all Trustees present, motion carried. Mr. Boatwright abstained from voting because he was not present at the meeting in September.

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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2023 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 2023 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. Mr. Seibert made a motion to approve the 2023 meeting dates. Mr. Boatwright seconded the motion. By unanimous vote of all members present, the Board approved the following board meeting calendar for 2023:

<p>Board Meeting Calendar Friday, February 17, 2023 Friday, April 28, 2023* Thursday, June 22, 2023 Thursday, September 21, 2023 Thursday, November 16, 2023**</p> <p>*Only if needed for legislative session **Board workshop precedes meeting</p>	<p>MAPERS Conference July 13-15, 2023</p> <p>The MAPERS Conference will be held at TanTar-A Resort in Osage Beach. There is generally an education session for Trustees on Wednesday afternoon (July 12th) in conjunction with the conference.</p>
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LEGISLATION

~ by Mr. Scott Simon, MPERS' Executive Director

Mr. Simon informed the Board of proposed legislation for the upcoming legislative session. The collaborative cleanup bill with MOSERS from the past few years will be filed again. A previously Board -supported bill that would stagger the terms of the elected representatives of the Board will also be filed again this year.

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AUDIT COMMITTEE REPORT

~ by Mr. Todd Tyler, Audit Committee Chair

Mr. Tyler reported that the Audit Committee met on November 8, 2022. Mr. Nick Mestres of Williams-Keepers presented the 2022 Audit Report which included an unmodified (clean) opinion for the financial statements. The auditors also reviewed the agreed upon procedures to validate the vital signs.

Mr. Tyler also noted the Committee was informed there was a continuing deficiency with investment accounting procedures. Although staff has made some improvements with the shortcoming, the challenge has been with investment operation staffing, which continues to present difficulties, that is, the staffing vacancies remain unfilled and hindering progress.

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INDEPENDENT AUDITORS' REPORT – JUNE 30, 2022

~ by Mr. Nick Mestres of Williams-Keepers

Mr. Mestres presented the 2022 Audit Report and indicated that Williams-Keepers issued an audit report with an unmodified (clean) opinion on MPERS' Fiscal Year 2022 financial statements. This is the best possible audit outcome. Mr. Mestres stated the audit team did not identify any deficiencies in internal controls that they consider to be material weaknesses.

There was a continuing recommendation by the auditor with regard to investment accounting procedures for internally managed timber investments. Although progress has been made, management concurred with the recommendation and staff will continue to address the noted issues.

The auditors completed the agreed upon procedures to review and validate the vital signs. An Agreed Upon Procedures Report was provided for the year ended June 30, 2022.

Mr. Mestres also stated that as part of the review of MPERS' internal controls the audit team obtained the results of the completed trustee code of conduct and conflict of interest forms and noted that not all board members had signed the form.

Colonel Olson and Mr. Tyler thanked Mr. Mestres for his presentation.

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CYBERSECURITY RISK ASSESSMENT

~ by Mr. Aaron Clegg and Mr. John Pohlman of Tanner

Mr. Aaron Clegg and Mr. John Pohlman presented the results of a recent cybersecurity risk assessment. Overall, the results were favorable and those performing the audit from Tanner stated that MPERS is in much better shape from a cybersecurity standpoint than many organizations of a similar size. This assessment was completed, in part, to determine whether or not MPERS needed to address staffing needs for cybersecurity. It was determined that MPERS does not need an in-house dedicated IT resource at this time but will continue to evaluate the need and request additional staffing when it becomes necessary. Ongoing annual testing for comparison against this year's baseline results was recommended. The cybersecurity audit is the first item completed from the strategic plan approved by the Board in June. Staff members will now begin the work of shoring up identified deficiencies and making plans for the future.

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INVESTMENT REPORTS

~ by Mr. Larry Krumpfen, MPERS' Chief Investment Officer and Mr. Keith Stronkowski (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 November 7, 2022, each of the respective allocations were within the permissible ranges established in MPERS' Investment Policy. The total fund leverage authority is being utilized with total leverage standing at 5.3% of assets.

- **NEPC Investment Performance Report for Quarter Ending September 30, 2022**

- Mr. Larry Krumpfen and Mr. Keith Stronkowski provided a report on MPERS' investment performance for the quarter ending September 30, 2022.

- MPERS' diversified portfolio was able to limit losses during a difficult market environment in the third quarter of 2022. The fund finished the quarter down 1.5% relative to MPERS' policy benchmark, which fell 5.1% and a traditional 60/40 stock and bond portfolio which fell 5.9%. MPERS' one-year excess return of 10.3% relative to the policy benchmark is unprecedented. The System's exposure to alternative investment strategies has clearly mitigated overall losses and while we anticipate some downward pressure on alternative valuations, are holding up well thus far.

- MPERS' overall return profile ranks in the top 1% of the peer universe across all time frames. The risk-adjusted returns (measured by a system's Sharpe ratio) also rank in the top 1% of the peer rankings.

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DIRECTOR'S COMMENTS

~ by Mr. Scott Simon, MPERS' Executive Director

- **Governance Committee Meeting**

- Mr. Simon stated the Governance Committee is scheduled to meet on Wednesday, December 14 at 1:00 p.m.

- **605 Dix Road**

- Mr. Simon stated the project at 605 Dix Road will not be completed by year end. He continues to work with the city for approval to put an entrance from Dix Road into the extended parking lot.

- **Annual Comprehensive Financial Report**

- The Annual Comprehensive Financial Report is complete and has been posted to the website.

- **State of the System**

- The first annual State of System will be held virtually on December 7, from 3:00-4:00 p.m. The meeting will include System updates from the MPERS' executive staff.

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TRUSTEES' COMMENTS

Mr. Tyler complimented Mr. Simon on the Financial Status Update videos that are provided on MPERS' website. Mr. Tyler encouraged other Trustees to view them.

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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 November 17, 2022 in Jefferson City, Missouri, as approved by said Board at its meeting held February 17, 2023.

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on February 17, 2023.

Eric T. Olson

Chair

Scott Simon

Executive Director

