



MoDOT and Patrol Employees' Retirement System

Minutes of Meeting

September 22, 2022



TABLE OF CONTENTS

Approval of Minutes 2

Board Self-Evaluation 2

Annual Actuarial Valuation – June 30, 2022 2

Certify Contribution Rate 3

FY2022 Vital Signs 3

Trustee Portal Overview 3

Investment Committee Report 4

Investment Reports

CIO Report 4

Current Asset Allocation Overview / Positioning Relative to Targets..... 4

NEPC’s Investment Performance Report for Quarter Ending June 30, 2022 4

Director’s Comments

Cobalt Community Research..... 5

Strategic Plan 5

MAPERS Conference..... 5

MPERS’ Phone System..... 5

GFOA Award 5

Investment Team.....5

Trustees’ Comments 5

Vote to Close Meeting..... 6

Report from Closed Session 6

Adjourn



BOARD OF TRUSTEES' MEETING

THURSDAY, SEPTEMBER 22, 2022

10:30 a.m.

**1913 William Street
Jefferson City, Missouri**

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

TRUSTEES ABSENT: Senator Mike Bernskoetter
Mr. W. Dustin Boatwright
Mr. Gregg Smith
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. Michael Miranda, NEPC
Ms. Kiley Fischer, NEPC
Mr. Ken Alberts, GRS
Ms. Heidi Barry, GRS
Mr. Jamal Adora, GRS
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, September 22, 2022, 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.

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OPEN MEETING

APPROVAL OF MINUTES

Mr. Tyler made a motion to approve the minutes of the meeting held on June 16, 2022. Mr. Seibert seconded the motion. By unanimous vote of all Trustees present, motion carried.

Mr. Seibert made a motion to approve the minutes of the special meeting held on August 16, 2022. Ms. Cox 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.

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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 last self-evaluation process was done in November of 2020. Last year's self-evaluation was not completed due to the ongoing implementation of recommendations from last year's evaluation.

Staff will plan to implement the evaluation before the upcoming board workshop.

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ANNUAL ACTUARIAL VALUATION – JUNE 30, 2022

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

Mr. Ken Alberts, Ms. Heidi Barry, and Mr. Jamal Adora of GRS Consulting, the actuarial firm retained by the retirement system, presented the annual 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 2022, MPERS' funded status rose to 66.3% from 62.4%. This is the largest single-year increase in more than 20 years. The funded status has continued to increase steadily from its lowest point twelve years ago when it was 42.2%. The funded status represents the level of assets available to pay the benefits. The actuary once again commended the Board for having the solid funding policies but recommended a review of those policies before the next valuation to consider what has happened in the economy as a result of the recent pandemic and continued economic instability. GRS will begin the next five-year (for the period July 1, 2017 to June 30, 2022) experience study shortly.

GRS recommended a contribution rate of 58.00% of pay for both the non-uniformed members (MoDOT and the non-uniformed portion of the Highway Patrol) and the uniformed members, effective July 1, 2023 (for FY 2024).

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

| FY 2024 Employer Contribution Rates Expressed as % of Active Payroll for Total Benefits | | |
|--|----------------------------|---------------------|
| | MoDOT & Civilian Patrol | Uniformed Patrol |
| Benefit Normal Cost | 9.080% | 16.740% |
| Expenses | 1.380% | 1.380% |
| Disability Insurance | <u>0.475%</u> | <u>0.475%</u> |
| Total Normal Cost | 10.935% | 18.595% |
| Unfunded Liability | <u>47.065%</u> | <u>39.405%</u> |
| Total | 58.000% | 58.000% |

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. Mr. Seibert made a motion to approve the actuary’s recommendation. Representative Hovis seconded. By unanimous vote of all Trustees present, motion carried. The contribution rate for Fiscal Year 2024 will remain at 58.00% of payroll for the non-uniformed group (MoDOT and the non-uniformed portion of the Highway Patrol) and decrease to 58.00% for the uniformed group.

FY 2022 VITAL SIGNS

~ by Mr. Scott Simon, MPERS’ Executive Director

Mr. Simon reported that all vital signs of the System, except for two, were “green,” or without concern for FY 2022. The first exception was the unfunded retiree liability, which will not be “green” until it is fully funded. This measure is very close to 100% at this time. The second exception was the overall investment return falling below the actuarial assumption of 6.5%. This is the second full report of MPERS’ vital signs and is a result of the governance project recommendations of Funston Advisory Services, the project consultant. The vital signs are intended to provide a better line of sight for MPERS’ oversight Board and are a quick reference to see how things are functioning within the organization.

TRUSTEE PORTAL OVERVIEW

~ by Ms. Greta-Bassett-Seymour, MPERS’ Assistant Executive Director and General Counsel

Ms. Bassett-Seymour demonstrated the new Board Portal, which trustees began using in the spring. It is a replacement for the website trustee login page and is intended to provide the Board with greater accessibility to information as trustees require it. It will also improve the efficiency of sharing information with trustees, as well as providing better organization of information for trustees. It is also more secure and easier for staff to update with the most current information.

INVESTMENT COMMITTEE REPORT

~ by Col. Eric Olson, Investment Committee Chair

Col. Olson stated the Investment Committee met earlier in the day and the Board's investment consultant, NEPC, presented on a number of important topics, including detailed information about MPERS' investment performance for the last fiscal year, current liquidity analysis (i.e., whether the fund has adequate liquid assets to pay expenses and benefits), private markets pacing plan (which ties to liquidity and projected commitments to private market asset classes in the coming years), the semi-annual internal fixed income review, and a management fee analysis (fees are appropriate based on the approved asset allocation). All the Investment Committee topics are required by policy to be reported annually or semi-annually.

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INVESTMENT REPORTS

~ by Mr. Larry Krummen (MPERS) and Mr. Michael Miranda (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 12, 2022, each of the respective allocations were within the permissible ranges established in MPERS' Investment Policy. The total fund leverage authority is being modestly utilized, with total leverage standing at 0.7% of assets.

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

- Mr. Larry Krummen and Mr. Michael Miranda provided a report on MPERS' investment performance for the quarter ending June 30, 2022.

During a year when the median public fund lost 10.5% of value, MPERS' diversified portfolio was able to generate a positive 3.94% return in Fiscal Year 2022. MPERS' return ranked in the top 1% of the peer universe and outperformed the policy benchmark return by 8.29%.

MPERS' three-year return of 10.61% remains well above the actuarial assumption of 6.5% which has helped push the System's funded status to 66.3%. Given MPERS' accelerated funding policy, the System is well-positioned for continued growth in the funded status over the coming years.

MPERS' returns are the strongest they have ever been relative to peers and the policy benchmark. MPERS' one-, three-, five-, and ten-year returns all rank in the top 1% of the public fund peer universe. The risk-adjusted returns (measured by a system's Sharpe ratio) also rank in the top 1% of the peer rankings.

As we turn to Fiscal Year 2023, the portfolio continues to hold up well. The estimated return thus far in Fiscal Year 2023 is 2.5% (July 1-September 12, 2022).

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DIRECTOR'S COMMENTS

~ by Mr. Scott Simon, MPERS' Executive Director

- **Cobalt Community Research**

MPERS participates in a member survey conducted by Cobalt Community Research. The survey's purpose is to measure members' experience with MPERS' retirement inception process. The survey results for Fiscal Year 2022 were outstanding; MPERS' score was 97/100. This is an honest reflection of the hard work and excellent customer service produced by MPERS' benefit staff.

- **Strategic Plan**

Mr. Simon provided the Board with an update on the five-year strategic plan that was approved in June 2022. Two items at the top of the list in terms of timeline are cybersecurity and facility renovation. Mr. Simon reported that the strategic plan progress is on track with the timeline provided in June 2022.

- **MAPERS Conference**

Mr. Simon shared his takeaways from the MAPERS Conference held July 13-15, 2022, at Tan-Tar-A in Osage Beach, Missouri. He stated there was great session regarding good governance and another one on the power of positive communication.

- **GFOA Award**

MPERS' Fiscal Year 2021 annual comprehensive financial report received the GFOA Certificate of Achievement for Excellence in Reporting Program. MPERS has received this award every year since 2005. This is confirmation of the high level of financial reporting being done by MPERS' financial professionals.

- **Investment Team**

Mr. Simon expressed his appreciation to Mr. Krummen and the investment staff on the investment performance report. He stated he's been doing this for over 25 years, and this is the best performance he has seen.

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TRUSTEES' COMMENTS

Mr. Seibert stated he realizes how much effort is put into everybody's work at MPERS and felt things were more deeply explained today than in the past.

Ms. Cox commented she is proud of this retirement system and very proud of MPERS staff and said this year's MAPERS Conference was great.

Mr. Ecker commented that today was a great meeting.

Mr. Tyler complimented the investment team on the great job they are doing and hats off to GRS for being able to explain the actuarial report and put it in terms that can be easily understood.

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VOTE TO CLOSE MEETING

~ by Col. Eric Olson, MPERS' Board Chair

The Board voted to close its meeting on September 22, 2022, citing Section 610.021(3) and (13), RSMo., to discuss administrative matters regarding particular employees.

Upon a motion made by Mr. Tyler and seconded by Trooper Morice to convene in closed session, the following roll call vote was taken:

- Ms. Sue W. Cox, Aye
- Mr. Terry Ecker, Aye
- Representative Barry Hovis, Aye
- Trooper Matt Morice, Aye
- Mr. William "Bill" Seibert, Aye
- Mr. Todd Tyler, Aye
- Colonel Eric Olson, Aye

REPORT FROM CLOSED SESSION

~ by Col. 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 Mr. Seibert and seconded by Representative Hovis. 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 22, 2022 in Jefferson City, Missouri, as approved by said Board at its meeting held November 17, 2022.

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on November 17, 2022.

Eric T. Olson

Chair

Scott Simon

Executive Director

