

JUNE 22, 2023 MEETING MINUTES

BOARD OF TRUSTEES

MODOT AND PATROL EMPLOYEES' RETIREMENT SYSTEM

MPERS' Office Building
1913 William St.
Jefferson City, MO 65109

TRUSTEES PRESENT: Ms. Sue Cox, Chair
Trooper Matt Morice, Vice Chair
Senator Mike Bernskoetter
Mr. W. Dustin Boatwright
Mr. Warren Erdman
Representative Barry Hovis (virtual)
Mr. Patrick McKenna (virtual)
Colonel Eric Olson
Mr. Bill Seibert
Mr. Gregg Smith
Mr. Todd Tyler

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. Katy Lacy, Manager of Human Resources
Ms. Barbara Graessle, Board Secretary

GUEST/PRESENTERS: Ms. Heidi Barry, GRS
Mr. Jamal Adora, GRS
Mr. Ken Alberts, GRS
Mr. Kevin Leonard, NEPC (virtual)
Mr. Keith Stronkowsky, NEPC

A regularly scheduled meeting of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) was held on Thursday, June 22, 2023, from the System's office located at 1913 William Street in Jefferson City, Missouri. The meeting was called to order by Ms. Sue Cox pursuant to section 104.108 of the Missouri Revised Statutes, as amended.

OPEN MEETING

WELCOME NEW TRUSTEE, MR. WARREN ERDMAN

Ms. Cox welcomed Mr. Erdman to MPERS' Board of Trustees.

APPROVAL OF MINUTES

Colonel Olson made a motion to approve the minutes of the meeting held on February 17, 2023. Mr. Tyler seconded the motion. Mr. Erdman abstained from voting as he was not at the meeting. By unanimous vote of all Trustees present, motion carried.

The Chair and Executive Director were authorized and directed to sign and certify the minutes and to file them in the office of the Executive Director.

TRUSTEE CODE OF CONDUCT AND CONFLICT OF INTEREST POLICY

Presenter: Ms. Sue Cox, Board Chair

The MPERS Board Governance Policy states that Trustees shall provide a written acknowledgement that they have received the Trustee Code of Conduct and Conflicts of Interest Policy at orientation and on an annual basis thereafter. Ms. Cox stated an email will be sent to Trustees following the board meeting and will include a link to review the policy and to electronically sign the applicable acknowledgement and oath of office.

FUNDING AND CONTRIBUTION RATE POLICY

Presenters: Mr. Scott Simon, Executive Director, and Ms. Heidi Barry, Mr. Jamal Adora, and Mr. Ken Alberts, MPERS' actuary (GRS)

Mr. Simon presented the proposed policy language, which was to make the temporary policy the permanent policy. The actuaries modeled the proposed policy to illustrate the expected progress with funding levels and employer contribution rates. The proposed policy was also stress tested with zero investment return expectations for both one- and two-year periods. For both periods, the proposed policy continued to propel forward progress for both funding levels and contribution rates.

After an in-depth discussion regarding the proposed policy language for the Contribution Rate Stabilization Reserve Fund (footnote 9), it was apparent there was confusion with part of the language.

After clarifying previous motions, Mr. McKenna made a motion to strike the language related to the minimum employer contribution rate from the proposed policy. Colonel Olson seconded the motion and the motion carried.

Mr. McKenna made a motion to adopt the policy as amended (that is, to adopt the temporary policy as the permanent policy). Colonel Olson seconded the motion and the motion carried.

VITAL FUNCTIONS

Presenter: Mr. Scott Simon, Executive Director

Mr. Simon indicated at the November board meeting it was suggested that longer-term investment performance metrics be added to the list of vital signs. The Governance Committee discussed the suggestion and is recommending the addition of 5- and 10-year performance return metrics.

Mr. Tyler made a motion to accept these additional vital sign metrics. Trooper Morice seconded the motion and the motion carried.

BUDGET COMMITTEE REPORT

Presenter: Ms. Sue Cox, Budget Committee Chair

Ms. Cox reported the Budget Committee met with MPERS' staff on May 16, 2023, to review the proposed budget.

Overall, the budget had a few additions (contributing to a budgetary increase), including two technology expenditures – one for operations and the other for investments. Both pieces of software will significantly enhance the efficiencies and overall risk management attributes for several key functions of the organization. Most of the 8.8% increase over last year's budget can be attributed to the inflationary environment. The Committee unanimously agreed to recommend the proposed budget to the Board.

FY 2024 BUDGET REQUEST

Presenters: Mr. Scott Simon, MPERS' Executive Director, and Ms. Jennifer Even, MPERS' Chief Financial Officer

Mr. Simon and Ms. Even presented the proposed FY 2024 budget to the Board. Mr. Simon indicated the budget does have an 8.8% increase, which is attributed to inflation and technology. Ms. Even led the Committee through a review of the budget summary and details for each category, providing an explanation for changes.

Mr. Seibert made a motion to approve the proposed FY 2024 operating budget as presented. Senator Bernskoetter seconded the motion.

Mr. McKenna requested a roll call vote.

Mr. Smith made a motion to have a roll call vote on the proposed operating budget. Mr. McKenna seconded the motion and the motion carried.

Ms. Cox requested a roll call vote to approve the operating budget motion.

Ms. Cox	Aye	Mr. McKenna	No
Senator Bernskoetter	Aye	Colonel Olson	Aye
Mr. Boatwright	Aye	Mr. Seibert	Aye
Mr. Erdman	Aye	Mr. Smith	Aye
Representative Hovis	Aye	Mr. Tyler	Aye
Trooper Morice	Aye		

Motion carried.

Representative Hovis left the meeting at 10:30 a.m.

MPERS' BUSINESS PLAN

Presenter: Mr. Scott Simon, Executive Director

Mr. Simon presented a condensed business plan due to the pending adoption of the changes to the *Strategic Planning* policy, which will be addressed at an upcoming Governance Committee meeting. Mr. Simon noted that the business plan practices of the past would be replaced by the strategic plan if the changes are approved by the Board.

Mr. Tyler made a motion to accept the proposed business plan on the condition that it will be replaced with an amended *Strategic Planning* policy, subject to the Board's approval. Mr. Seibert seconded the motion and the motion carried.

AUDIT COMMITTEE REPORT

Presenter: Mr. Todd Tyler, Audit Committee Chair

Mr. Tyler reported the Audit Committee met on May 24, 2023, for an audit kick-off meeting with Mr. Nick Mestres of Williams-Keepers.

Mr. Mestres reported a new GASB pronouncement, GASB 96, will be effective for the FY 2023 reporting period. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. He further reminded the Committee of the details involved with the annual audit.

Mr. Simon discussed the *Agreed Upon Procedure* memo. Because MPERS does not employ an internal auditor, MPERS relies annually on the following: the financial audit and review of vital sign outcomes performed by the external auditor; a combination of periodic reviews, i.e., actuarial audit, investment performance verified by investment consultant, cybersecurity audit, etc.; and a robust enterprise performance risk management plan to validate the work of staff, system outcomes, and overall risk management. With an additional area of focus, via the agreed upon procedure, the intention is to further reinforce the confidence stakeholders should have in MPERS business practices.

The Audit Committee is tasked with making a recommendation to the full Board for the area of focus. Mr. Simon shared eight areas that could be audited for this coming fiscal year but felt the 2011 Tier Refund Process represents a process that will continue to grow in number of transactions and become more prominent relative to most other system business.

Mr. Tyler reported the Audit Committee approved the recommendation to the full Board that MPERS pursue an audit of the 2011 Tier Refund Process.

Mr. Tyler made a motion to approve the recommendation from the Audit Committee to add to the agreed upon procedure process to review the MPERS 2011 Tier Contribution Refund Process. Mr. Smith seconded the motion and the motion carried.

LEGISLATION

Presenter: Mr. Scott Simon, Executive Director

Mr. Simon reported two pieces of MPERS' legislation passed this session, in large part due to the efforts of Senator Bernskoetter and Representative Hovis.

- The MPERS/MOSERS cleanup bill had been filed during each of the last five regular legislative sessions and finally passed this year as part of Senate Bills 20 and 75 – both on the Governor's desk for signature. The statutory changes that constituted the cleanup legislation do not change benefit provisions, but rather clarify the administration of the benefits.
- Also, part of those bills is the staggered terms provision in section 104.180, RSMo. The amendment to that statute will stagger the terms of the elected trustees so that beginning in 2026, two of the four trustees' terms will be staggered and there will be a regular election every two years.

INVESTMENT REPORTS

Presenters: Mr. Larry Krummen, Chief Investment Officer, and Mr. Keith Stronkowsky, NEPC

- CIO Report

MPERS' portfolio was up 4.0% during the 1st quarter of 2023, which underperformed the policy benchmark return of 4.7%. The overweight to banks/financials within the global equity portfolio was the primary driver of the underperformance. It is also a difficult quarter to gain a full perspective on investment performance since 2022 audited financials for MPERS' private market strategies are not finalized until the 2nd quarter and are therefore not reflected in this report.

MPERS' one-year return of 2.2% ranks in the top 1% of peer universe, outperforming the policy index which lost 4.8% as well as the median public fund which lost 5.5% in value. MPERS' longer-term performance also remains excellent, with the three-, five-, and ten-year results all ranking the top 1% of the peer universe.

The recent strength in the equity markets continues to push portfolio values higher. With only a few weeks remaining in fiscal year 2023, MPERS' estimated fiscal year return is up to 8.1% (July 1st – June 13th).

- NEPC Performance Report

Mr. Stronkowsky gave an update on the March 31, 2023 First Quarter Investment Summary Board Report.

DIRECTOR'S COMMENTS

- Mr. Simon reported on the recent new hires in both the investment department and in operations – two investment analysts and an HR Officer, respectively.
- Renovation of 1913 William St. remains on hold while we investigate the possibility of alternative office space.
- The cyber audit conducted last year as part of the strategic plan continues to improve the organization's cybersecurity. Improved IT security policies will be ready for review in the fall and will reflect industry best practices.
- The Governance Committee is slated to meet sometime later this summer or early fall. There are several changes to Governance Policies that will need to be discussed and potentially presented to the Board.

TRUSTEES' COMMENTS

- Col. Olson noted he liked that we were hosting the meetings in the office rather than virtually.
- Mr. Tyler offered his thank you to MPERS for their great work.
- Mr. Boatwright explained it was an exciting time to be a Missourian. The historic investment in I-70 and our ability to invest with Missouri money rather than federal dollars is important for Missouri. MPERS plays a big part in our effectiveness at both the Highway Patrol and MoDOT.
- Mr. Erdman thanked the MPERS' team for his orientation on June 19.

ADJOURN

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

CERTIFICATION

We, Sue Cox, 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 June 22, 2023 in Jefferson City, Missouri, as approved by said Board at its meeting held September 21, 2023

IN TESTIMONY WHEREOF, we have hereto set our hands and affixed the seal of said Board on September 21, 2023.

Sue W. Cox

Chair

Scott Simon

Executive Director

