

Minutes of Meeting

February 19, 2015



MoDOT & Patrol
Employees' Retirement System



TABLE OF CONTENTS

Approval of Minutes	1
Consent Agenda	2
Election of Chair.....	2
Election of Vice Chair	2
Trustee Code of Conduct and Conflicts of Interest Acknowledgement	2
Committee Appointments	2
April 2015 Board of Trustees' Meeting	3
CIO Investment Report	3
4th Quarter / Calendar Year 2014 Investment Performance Report	3
Governance Committee Report	
Board Charter.....	4
Board Self-Evaluation Policy	4
Executive Director Performance Evaluation and Criteria	4
Board Rules – Chapter 3.....	4
Legislation	5
Rate Stabilization Reserve Fund	5
Special Election.....	5
Director's Comments	
New Board Member	5
NASRA/NIRS Winter Meeting	5
Determination of Annual Cost-of-Living Adjustment Amount for Retirees and Beneficiaries	6
Trustee's Comments	
Security Breach	6
Training on Defined Benefit and Defined Contribution Plans.....	6
Report of Quarterly Financial Statements – October 2014 to December 2014.....	7
Report on Trustee Education.....	7
Membership Information	
Benefit Payments and Member Data –January 2015	7
Retirement Inceptions – July 2014 through January 2015	7
Vote to Close Meeting.....	7
Adjourn	



BOARD OF TRUSTEES' MEETING

THURSDAY, FEBRUARY 19, 2015

1:00 p.m.

**1913 William Street
Jefferson City, Missouri**

TRUSTEES PRESENT: Mr. Lloyd "Joe" Carmichael, Chair
Colonel Ron Replogle, Vice Chair
Ms. Sue W. Cox
Major J. Bret Johnson
Mr. Dave Nichols
Senator Dave Schatz
Mr. William "Bill" Seibert
Mr. Kenneth H. Suelthaus
Mr. Todd Tyler

TRUSTEES ABSENT: Representative Shawn Rhoads

STAFF PRESENT: Mr. Scott Simon, Executive Director
Mr. Larry Krummen, Chief Investment Officer
Ms. Greta Bassett-Seymour, General Counsel
Ms. Jennifer Even, Chief Financial Officer
Ms. Barb Graessle, Administrative Assistant

GUESTS/PRESENTERS: Mr. Kevin Leonard, NEPC
Mr. Will Forde, NEPC
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, February 19, 2015, at the System's office located at 1913 William Street in Jefferson City, Missouri. The meeting was called to order by Mr. Carmichael pursuant to Section 104.180 of the Revised Statutes of Missouri, as amended.

* * * * *

APPROVAL OF MINUTES

Upon a motion by Major Johnson, and seconded by Mr. Nichols, the Board of Trustees (Trustees) unanimously approved the minutes of the meetings held on November 20, 2014 and December 5, 2014. (Senator Schatz was not present during vote).

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.

* * * * *

CONSENT AGENDA

To make the most efficient use of Retirement Board meeting time and to ensure the Trustees are well informed on issues requiring their action, the Executive Director prepares in advance and submits to the Trustees, items consisting of advice, opinions, and recommendations related to subjects on the Board meeting agenda. Items considered by staff to be of a routine or non-controversial nature are placed on the consent agenda. During the meeting, items may be removed from the consent agenda at the request of any one Trustee. Items not removed from the consent agenda are approved with a single motion and a unanimous vote by a quorum of the Trustees in attendance.

Minutes reflecting approval of items on the consent agenda are singly reported herein and thus, are intermingled with minutes reflecting action on related subjects as discussed. Reference to “consent agenda” is made in each minute approved via the process described above. Minutes reflecting action on items removed from the consent agenda and openly discussed reflect the open discussion and the vote thereon.

No items were removed from the consent agenda. Upon a motion by Mr. Nichols, and seconded by Mr. Seibert, all items on the consent agenda were unanimously approved. (Senator Schatz was not present during vote).

* * * * *

ELECTION OF CHAIR

In accordance with State Statute Section 104.170 RSMo., Mr. Joe Carmichael was re-elected as Chair of the Board for a one-year term.

* * * * *

ELECTION OF VICE CHAIR

In accordance with State Statute Section 104.170 RSMo., Colonel Ron Replogle was re-elected as Vice Chair of the Board for a one-year term.

* * * * *

**TRUSTEE CODE OF CONDUCT AND
CONFLICTS OF INTEREST ACKNOWLEDGEMENT**

– by Mr. Scott Simon, MPERS’ Executive Director

The MPERS Board Governance Policy provides that Trustees shall provide a written acknowledgement that they have received the Trustee Code of Conduct and Conflicts of Interest Policy annually. Each Board member was provided with an acknowledgement form to sign.

* * * * *

COMMITTEE APPOINTMENTS

– by Mr. Scott Simon, MPERS Executive Director

Each Board member was provided with an updated copy of committee appointments due to a new Senator being appointed. Below is the updated list of appointments. Trustees will notify the Chair if they would like to move to a different Committee.

Audit Committee

Kenneth Suelthaus – *Chair*
Major Bret Johnson
Colonel Ron Replogle
Senator Dave Schatz

Budget Committee

Joe Carmichael – *Chair*
Colonel Ron Replogle
Representative Shawn Rhoads
Todd Tyler

Governance Committee

Sue Cox – *Chair*
Dave Nichols
Bill Seibert
Todd Tyler

Investment Committee

Major Johnson – *Chair*
Joe Carmichael
Sue Cox
Dave Nichols
Bill Seibert

* * * * *

APRIL 2015 BOARD OF TRUSTEES’ MEETING

– by Mr. Scott Simon, MPERS Executive Director

A discussion was held regarding the April 30th Board Meeting. Lois will check calendars to determine if April 30th works for all Trustees or if a new date should be selected.

* * * * *

CIO INVESTMENT REPORT

– by Mr. Larry Krummen, MPERS’ Chief Investment Officer

• **Asset Allocation Overview/Positioning Relative to Targets**

As of February 11, 2015, each of MPERS’ sub-asset class allocations are within the acceptable ranges established by the investment policy.

* * * * *

4TH QUARTER / CALENDAR YEAR 2014 INVESTMENT PERFORMANCE REPORT

– by Mr. Larry Krummen (MPERS), Mr. Kevin Leonard & Mr. Will Forde (NEPC)

Mr. Larry Krummen, Mr. Kevin Leonard and Mr. Will Forde provided a report on MPERS’ investment performance for the 4th quarter of 2014. The Total Fund returned 10.75% for CY 2014 outperforming the benchmark return of 7.97%. The Systems’ 1-year return ranked in the top 1% of the public pension plan that NEPC’s subscribes to and is in the top 7% of this group across all time frames.

* * * * *

GOVERNANCE COMMITTEE REPORT

– by Ms. Sue Cox, Governance Committee Chair

Ms. Cox, Governance Committee Chair, gave a brief recap of the committee meeting held on January 21, 2015. The Committee recommended approval of changes to the following Governance Policies:

Board Charter

Wording was added to coincide with the changes to the Board Self-Evaluation Process

Board Self-Evaluation Policy

The Governance Committee recommended the self-evaluation process be completed no less than every three years, or at the discretion of the Board Chair or Governance Committee. The evaluation is currently being completed annually.

Ms. Cox made a motion to accept the change. Mr. Seibert seconded the motion. By unanimous vote of all members present, the motion carried.

Executive Director Performance Evaluation and Criteria

The Governance Committee recommended wording be added to allow an exception for a new Trustee to abstain from the evaluation process until the Trustee has been a member for four months. The Trustee is still required to attend the meeting.

Colonel Replogle made a motion to accept the change. Mr. Nichols seconded the motion. By unanimous vote of all members present, the motion carried.

Board Rules – Chapter 3

The Board did not make any changes to Chapter 3 Board Rules.

* * * * *

BUDGET COMMITTEE REPORT

– by Mr. Joe Carmichael, Budget Committee Chair

The Governance Policy requires a budgetary review twice a year – once when the budget is approved by the Board and a second time, at mid-year, to illustrate whether expenses are coming in as anticipated. Mr. Carmichael reported the Budget Committee was provided with mid-year numbers of the System’s budget as of December 31, 2014. All expenses were found to be within the budgeted allowances.

Mr. Simon indicated the Information Technology category appears a little high; however, those expenses are paid up front.

* * * * *

LEGISLATION

– by Mr. Scott Simon, MPERS' Executive Director

Mr. Simon discussed some of the legislation that MPERS has been following closely and, in particular, the legislation regarding the hybrid plans.

Mr. Simon discussed HB 752 which requires the forfeiture of benefits from plans like MPERS if employees are found guilty of certain felonies specified in the act and committed in connection with their employment. MPERS has taken a lead role with the original sponsor of the bill to revise the proposal to make it administratively feasible. It was the consensus of the Board to support this effort.

A discussion was held regarding MPERS, MoDOT and MSHP taking a more active position on legislative hearings. Mr. Nichols and Colonel Replogle will talk to the consultants and work with Mr. Scott Simon to determine when a more uniformed approach is needed.

* * * * *

RATE STABILIZATION RESERVE FUND

– by Mr. Scott Simon, MPERS' Executive Director

Mr. Simon gave an overview of our Rate Stabilization Reserve Fund. A motion was made by Mr. Suelthaus to cap the Rate Stabilization Reserve Fund at \$250 million. Major Johnson seconded the motion. By unanimous vote of all members present, the motion carried.

After further discussion, a motion was made by Mr. Nichols that if MPERS experienced a loss, MPERS would deplete the entire Reserve Fund if a loss of that magnitude were to be realized. Mr. Seibert seconded the motion. By unanimous vote of all members present, the motion carried.

* * * * *

SPECIAL ELECTION

– by Mr. Scott Simon, MPERS' Executive Director

Contingent on Major Johnson's appointment as Superintendent of MSHP, a special election will need to be held to replace Major Johnson on the Board.

Mr. Nichols made a motion to move forward with a Special Election in April to replace Major Johnson's position on the Board. Mr. Tyler seconded the motion. By unanimous vote of all members present, the motion carried.

* * * * *

DIRECTOR'S COMMENTS

• **New Board Member**

Mr. Simon welcomed Senator Dave Schatz to the MPERS Board of Trustees. Senator Schatz was appointed on February 4, 2015, and replaces Senator Mike Kehoe.

* * * * *

• **2015 NASRA/NIRS Winter Meeting**

Mr. Simon reported he will be attending the 2015 NASRA/NIRS Winter Meeting being held March 1st - March 3rd in Washington, DC.

* * * * *

- **Determination of Annual Cost-of-Living Adjustment Amount for Retirees and Beneficiaries**

Mr. Simon previously informed the Board that Sections 104.103 and 104.1045 of the Revised Statutes of Missouri require an annual cost-of-living adjustment (COLA) to be determined in January of each year, based upon the percentage increase in the Consumer Price Index for All Urban Consumers (CPI-U) over the preceding calendar year. This amount will be used in calculating the annual benefit increases for retirees and survivors. The COLA for calendar year 2015 will be 1.298%.

2014 Average Index	236.736	% of Increase (2013 to 2014).....	1.622%
2013 Average Index	<u>232.957</u>	80% of CPI-U	1.298%
Increase in CPI-U	3.779		

Calculation: $(236.736 - 232.957) / 232.957 = 1.6222 \times 80\% = 1.298\%$

Closed Plan

Members (or their survivors), who were hired prior to August 28, 1997 and retired under the “Closed Plan,” are guaranteed an annual 4% COLA (not to exceed 5%) until the accumulated COLAs equal 65% of their initial benefit amount. Therefore, the cost-of-living increase to be applied to the October 2014 benefit is 4% for members whose 65% cost-of-living cap has not been reached.

Members (or their survivors), who were hired on or after August 28, 1997 and retired under the “Closed Plan,” or who have reached their 65% COLA cap, will receive a COLA in 2015 of 1.298%.

Year 2000 Plan

Members who retired under the Year 2000 Plan (or their survivors) will receive a COLA of 1.298% in 2015. Their annual COLA rate is 80% of the CPI-U (not to exceed 5%).

* * * * *

TRUSTEE’S COMMENTS

- **Security Breach**

Mr. Suelthaus inquired about the security of MPERS’ in-house website. Mr. Simon reported that Ms. Even is heading a committee and is working with Huber & Associates and Levi, Ray & Shoup (LRS) to review the system and to verify MPERS is doing all they can to protect its members. Mr. Simon noted there will possibly be some budget requests after the formal review has been completed.

- **Training on Defined Benefit and Defined Contribution Plans**

Ms. Cox asked if MPERS could provide some training on defined benefit and defined contribution plans. Mr. Simon indicated this will be presented as an educational session to help them realize their educational mandates.

* * * * *

**REPORT OF QUARTERLY FINANCIAL STATEMENT –
OCTOBER 2014 to DECEMBER 2014** *(Consent Agenda)*

The Board viewed the financial statements of the System showing total investments (on an accrual basis) at market value of \$1,937,367,278 as of December 31, 2014. This is a decrease of \$32.8 million from the value of \$1,937,710,355 as of September 30, 2014.

Via approval of the consent agenda, the Board unanimously accepted the reports and directed that they be filed in the office of the Executive Director.

* * * * *

REPORT ON TRUSTEE EDUCATION *(Consent Agenda)*

Per the Monitoring and Reporting Policy, the Board was provided with the “*Report on Trustee Education*” for FY2015. Via approval of the consent agenda, the Board unanimously accepted the reports.

* * * * *

MEMBERSHIP INFORMATION *(Consent Agenda)*

• **Benefit Payments and Member Data – January 2015**

The Executive Director provided current member and benefit data to the Board. Via approval of the consent agenda, the Board unanimously accepted the reports.

* * * * *

RETIREMENT INCEPTIONS *(Consent Agenda)*

The Executive Director provided the Board with a summary of retirement inceptions for the months of July 2014 through January 2015. Via approval of the consent agenda, the Board unanimously accepted the report.

* * * * *

VOTE TO CLOSE MEETING

The Board voted to close its meeting on February 19, 2015, concerning attorney-client privileged communications and records protected from disclosure by law. Upon a motion made by Major Johnson and seconded by Mr. Tyler to convene in closed session, the following roll call vote was taken:

Mr. Lloyd “Joe” Carmichael, Aye
Ms. Sue W. Cox, Aye
Major J. Bret Johnson, Aye
Mr. Dave Nichols, Aye
Colonel Ron Replogle, Aye
Senator Dave Schatz, Aye
Mr. William “Bill” Seibert, Aye
Mr. Kenneth H. Suelthaus, Aye
Mr. Todd Tyler, Aye

* * * * *

ADJOURN

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