

# Minutes of Meeting

November 20, 2014



MoDOT & Patrol  
Employees' Retirement System



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<b>Adjourn</b>	



**BOARD OF TRUSTEES' MEETING**

**THURSDAY, NOVEMBER 20, 2014**

**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  
Mr. William "Bill" Seibert  
Mr. Kenneth H. Suelthaus  
Mr. Todd Tyler

**TRUSTEES ABSENT:** Senator Mike Kehoe  
Representative Shawn Rhoads

**STAFF PRESENT:** Mr. Scott Simon, Executive Director  
Ms. Pam Henry, Assistant Executive Director  
Mr. Larry Krummen, Chief Investment Officer  
Ms. Greta Bassett-Seymour, General Counsel  
Ms. Jennifer Even, Chief Financial Officer  
Ms. Lois Wankum, Executive Assistant

**GUESTS/PRESENTERS:** Mr. Kevin Leonard, NEPC  
Mr. Will Forde, NEPC  
Mr. Mike Oldelher, Williams-Keepers  
Mr. David Hutchings, Albourne  
Ms. Tathata Lohachitkul, Albourne  
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 20, 2014, 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.

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**APPROVAL OF MINUTES**

Upon a motion by Major Johnson, and seconded by Mr. Suelthaus, the Board of Trustees (Trustees) unanimously approved the minutes of the meeting held on September 25, 2014.

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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## **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 Colonel Replogle, and seconded by Mr. Nichols, all items on the consent agenda were unanimously approved.

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## **RESULTS OF ANNUAL AUDIT FOR FISCAL YEAR ENDED JUNE 30, 2014**

*– by Mr. Mike Oldelehr of Williams-Keepers, LLC*

Mr. Mike Oldelehr of Williams-Keepers, LLC, presented the audit for the fiscal year ended June 30, 2014. In the opinion of Williams-Keepers, LLC, the financial statements present fairly, in all material respects, the plan net assets of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System as of June 30, 2014, and the changes in plan net assets for the year then ended, in conformity with generally accepted accounting principles.

Upon a motion made by Ms. Cox, and seconded by Mr. Tyler, the Board of Trustees accepted the annual audit for fiscal year ended June 30, 2014.

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## **ACTUARY (GRS) & AUDIT (WILLIAMS-KEEPERS) CONTRACT EXTENSIONS**

*– by Mr. Scott Simon, MPERS' Executive Director*

- **Actuary – Gabriel, Roeder Smith (GRS)**

As of June 30, 2015, MPERS will have completed one official reporting period for GASB 67/68 (plus the additional mock implementation completed earlier this year). Given the complexity and newness of these requirements, Mr. Simon stated it would be wise to maintain consistency with GRS for at least one more reporting year to be reasonably certain the implementation of these requirements are successful.

Mr. Simon requested authority to establish a one-year arrangement with GRS to carry their services forward through June 30, 2016, based on the normal terms of the existing contract (hourly rate of \$290, fixed valuation services at \$52,600, and retainer services for GASB reporting at \$18,000).

The bidding process for actuarial services will be in the fall of 2015 to assure seamless transition in June 2016 should providers change at that time.

• **Auditor – Williams-Keepers**

Mr. Simon also requested approval for the final one-year extension (FY16) of MPERS’ contract with Williams-Keepers for essentially the same reasons noted above for GRS—consistency with the implementation of GASB 67/68.

A motion was made by Mr. Suelthaus, and seconded by Mr. Nichols, to extend both contracts for one additional year. Motion carried by unanimous vote of all Trustees present.

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**PROPOSED 2015 BOARD MEETING DATES**

– by Mr. Scott Simon, MPERS Executive Director

The MPERS Board approves an annual Board Meeting Calendar at the last scheduled meeting of the year, for the upcoming year. Mr. Simon provided a proposed meeting schedule for calendar year 2015 and stated the annual MAPERS Conference would satisfy the outside continuing education program for Trustees. Upon a motion by Mr. Nichols, and seconded by Ms. Cox, the Board approved the following Board Meeting Calendar for 2015:

<b>Board Meeting Calendar</b>	<b>MAPERS Conference</b>
Thursday, February 19, 2015 Thursday, April 30, 2015* Thursday, June 18, 2015 Thursday, September 24, 2015 Thursday, November 19, 2015**  *Only if needed for legislative session **Board Workshop	July 15-17, 2015  The MAPERS Conference will be held at Tan-Tar-A Resort in Osage Beach. There is generally an education session for Trustees on Wednesday afternoon (July 15 <sup>th</sup> ) in conjunction with the conference.

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**BUDGET AMENDMENT REQUEST**

– by Mr. Scott Simon, MPERS Executive Director

Mr. Simon indicated a new source is needed to produce and distribute benefit statements. Benefit statements summarize all state-sponsored benefits and are provided to employees of MoDOT and the Missouri State Highway Patrol.

Mr. Simon requested an amendment to the budget in the amount of \$8,500 to modify the PensionGold system to automate the process so they can be produced at the MPERS’ office.

Mr. Nichols made a motion to approve the request. Ms. Cox seconded the motion. Motion carried by unanimous vote of all Trustees present.

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## **ASSET LIABILITY STUDY**

– by Mr. Kevin Leonard, NEPC

MPERS investment policy requires an asset/liability study be performed at least every 5 years to determine whether changes are needed to the current asset allocation. The last study was completed by Summit Strategies in January of 2010, which resulted in a revised asset allocation effective July 1, 2010. While that allocation has served MPERS well, to comply with MPERS' policy, NEPC conducted a review of the MPERS investment goals and objectives. As of September 30, 2014, the fund ranks in the top 2% of the public fund peer universe over the past 5-year period, and the top 5% over the 10-year period. Mr. Kevin Leonard from NEPC and MPERS' staff believe the current allocation is still appropriate. No action was taken at this time as more information will be provided to the Board at the February meeting.

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## **INVESTMENT COMMITTEE REPORT**

– by Major J. Bret Johnson, Investment Committee Chair

- **Opposition to Legislation**

A presentation entitled MO Preference/Manager Selection was provided at the MPERS' Board Workshop held earlier in the day. At the conclusion of the presentation, the Board discussed legislation that was filed last year that would have required MPERS to invest in venture capital firms that are either organized or incorporated in Missouri or have a principal place of business in Missouri.

Mr. Suelthaus made a motion to adopt a resolution to the effect that the MPERS' Board has determined that House Committee Substitute (HCS) of SB 672 is not in the best interest of MPERS or its participants and to instruct their lobbyist to oppose such legislation and to advise the legislature as such. Mr. Nichols seconded the motion. Motion carried by unanimous vote of all Trustees present.

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## **CIO INVESTMENT REPORT**

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

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

As of November 11, 2014, each of MPERS' sub-asset class allocations are within the acceptable ranges established by the investment policy.

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## **3<sup>RD</sup> QUARTER 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 3<sup>rd</sup> quarter of fiscal year 2014. As of September 30, 2014, MPERS' net asset value was \$1.92 billion. The one-year return as of September 30<sup>th</sup>, was 13.71%, outperforming the benchmark return of 11.01%. The system's total fund performance ranks in the upper quartile of the peer universe for all major time periods.

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## **BOARD WORKSHOP**

- **Board Self-Evaluation Policy**

The Board self-evaluation takes place during the annual Board Workshop. The purpose of the evaluation is to give all Board members an opportunity to evaluate and discuss the Board's performance. Major Johnson inquired if this was necessary and Board members agreed to review the self-evaluation process. Major Johnson made a motion for the Governance Committee to revisit the Board Self-Evaluation Policy. Mr. Nichols seconded the motion. Motion carried by unanimous vote of all Trustees present.

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## **DIRECTOR'S COMMENTS**

- **Educational Opportunity**

Mr. Simon stated that Husch Blackwell, a prominent Missouri law firm, is hosting two education events to help trustees meet the new six hour requirement that was recently changed in the statutes requiring more specific educational requirements for trustees. The dates for these events are January 20<sup>th</sup> (St. Louis) and January 21<sup>st</sup> (Kansas City), both 8:00 a.m.- 3:15 p.m. The agenda is timely and provides a local, cost-effective means for trustees to obtain their yearly educational requirement in one day. Board members asked about the effective date of the legislation that was put into effect in August.

- **Jury Duty**

Mr. Simon stated he received notice the he has been selected for jury duty during the month of December and part of January and may be out of the office temporarily.

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## **TRUSTEE'S COMMENTS**

- **Compliments to Staff**

Major Johnson complimented Mr. Krummen and the investment staff on the progress being made with the investments and the fund reaching \$1.92 billion.

Mr. Nichols stated his comments in the Board evaluation were geared toward staff and not actually the Board. He stated he felt they are a good Board because of the great staff. Mr. Nichols thanked Scott and the entire MPERS' staff for being a great group and a joy to work with. All Board members concurred.

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## **REPORT ON TRUSTEE EDUCATION** *(Consent Agenda)*

Per the Monitoring and Reporting Policy, the Board was provided with the "Report on Trustee Education" for FY2015.

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**MEMBERSHIP INFORMATION** *(Consent Agenda)*

• **Benefit Payments and Member Data – November 2014**

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

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**RETIREMENT INCEPTIONS** *(Consent Agenda)*

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

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**VOTE TO CLOSE MEETING**

The Board voted to close its meeting on November 20, 2014, concerning attorney-client privileged communications and records protected from disclosure by law. Upon a motion made by Major Johnson and seconded by Colonel Replogle 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  
Mr. William “Bill” Seibert, Aye  
Mr. Kenneth H. Suelthaus, Aye  
Mr. Todd Tyler, Aye

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**REPORT FROM CLOSED SESSION**

*~ presented by Mr. Joe Carmichael, Board Chair*

• **Legal Matter**

On October 3, 2014, a ruling by the Jackson County court (Barrier et al. vs. Vasterling, et al.) indicated that Article I, Section 33 of the Missouri Constitution and Sections 451.022 and 104.012, RSMo., are unconstitutional under the United States Constitution to the extent that those laws prohibit the recognition in Missouri of same-sex marriages performed in states that permit same-sex marriages. Unless a post-judgment motion is filed, the Circuit Court’s judgment will become final on November 3, 2014 and any appeal must be filed by November 13, 2014, to be timely.

On October 6, 2014, the Missouri Attorney General’s Office announced that the state of Missouri would not appeal the judgment.

Mr. Carmichael stated the Board discussed the above referenced case. There are a number of issues and ramifications and the Board would like to have a policy that is inclusive in regard to this issue. The Board has asked their general counsel to put together a policy on this complex issue that will be circulated. Mr. Carmichael stated they will be providing benefits but to stay tuned on the details of how that will work and how it will be implemented.



**ADJOURN**

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