

Minutes of Meeting

November 21, 2013



MoDOT & Patrol
Employees' Retirement System



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BOARD OF TRUSTEES' MEETING

THURSDAY, NOVEMBER 21, 2013

2:30 p.m.

**1913 William Street
Jefferson City, Missouri**

TRUSTEES PRESENT: Major J. Bret Johnson, Chair
Mr. Lloyd "Joe" Carmichael, Vice Chair
Senator Mike Kehoe
Mr. Kelley Martin
Mr. Dave Nichols
Colonel Ron Replogle
Representative Shawn Rhoads
Mr. Bob Sfreddo
Mr. Roger D. Stottlemire
Mr. Kenneth H. Suelthaus
Mr. Todd Tyler

TRUSTEES ABSENT: None

STAFF PRESENT: Mr. Scott Simon, Executive Director
Ms. Pam Henry, Assistant Executive Director
Mr. Larry Krummen, Chief Investment Officer
Mr. Omar Davis, General Counsel
Ms. Lois Wankum, Executive Assistant

GUESTS/PRESENTERS: Mr. Kevin Leonard, 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, November 21, 2013, at the System's office located at 1913 William Street in Jefferson City, Missouri. The meeting was called to order by Major Johnson pursuant to Section 104.180 of the Revised Statutes of Missouri, as amended.

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APPROVAL OF MINUTES

Upon a motion by Mr. Nichols, and seconded by Senator Kehoe, the Board of Trustees (Trustees) unanimously approved the minutes of the meeting held on September 26, 2013.

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 Mr. Carmichael, and seconded by Mr. Stottlemire, all items on the consent agenda were unanimously approved.

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ELECTRONIC BOARD PACKETS

Mr. Simon asked the Board if they would entertain the idea of moving to a totally electronic format for meeting materials. Mr. Simon asked if anyone would not have a laptop or iPad for this purpose. All Board members indicated they would be able to access an electronic format.

A couple of Board members mentioned that MoDOT has a nice electronic format they use called BoardVantage. Mr. Simon will gather cost information for such software and report back to the Board.

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PROPOSED 2014 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 2014 and stated the annual MAPERS Conference would satisfy the outside continuing education program for Trustees. Upon a motion by Mr. Martin, and seconded by Mr. Sfreddo, the Board approved the following Board Meeting Calendar for 2014:

Board Meeting Calendar	MAPERS Conference
Thursday, February 27, 2014 Thursday, April 24, 2014* Thursday, June 26, 2014 Thursday, September 25, 2014 Thursday, November 20, 2014** *Only if needed for legislative session **Board Workshop	July 9-11, 2014 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 9 th) in conjunction with the conference.

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MPERS' BUSINESS PLAN - - FY2014, 2015 and 2016

- by Mr. Scott Simon, MPERS Executive Director

MPERS' Business Plan for Fiscal Years 2014, 2015 and 2016 was presented to the Board. Mr. Nichols requested a change to the State Environment paragraph on page 6. The first sentence states "The State of Missouri and our employees continue to be fiscally stressed but the situation has moderated somewhat". Mr. Nichols stated the "financial" situation has been getting worse instead of better. The Board agreed to remove that part of the sentence and to remove "but the situation has moderated somewhat".

In a motion made by Mr. Stottlemire, and seconded by Mr. Nichols, the Board approved MPERS' Business Plan for Fiscal Years 2014, 2015 and 2016 as amended.

Mr. Simon indicated this report is normally reported at the November meeting each year, but will now be reported in June, for the upcoming fiscal year.

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INVESTMENT COMMITTEE REPORT

- by Mr. Joe Carmichael, Investment Committee Chair

- **Review "Guiding Principles and Investment Beliefs"**

- by Mr. Scott Simon, MPERS' Executive Director

During the September Board Meeting, staff proposed an update to the Investment Policy which included a section designated as our "guiding principles and investment beliefs." While the Board approved the investment policy changes, they also requested another review at the November Board Meeting to discuss what is expected of the Investment Staff. The Board approved the goals as were stated in the Investment Policy updated September 2013.

- **Reviewing of Investment Concentration/Exposure Reports**

- by Mr. Kevin Leonard (NEPC)

As a result of changes made to the Investment Policy at the September Board Meeting, the Board requested more information on how the investment staff and NEPC review the investment portfolio's concentration and exposure. Mr. Leonard provided the Board with a sample of the many reports that NEPC and investment staff have at their disposal from both a traditional asset perspective, as well as, reviewing the reports for alternative assets.

CIO INVESTMENT REPORT

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

- **3rd Quarter Investment Performance**

The fund performed very well in the 3rd quarter, generating a 4.0% return and outperforming the benchmark. The 1-year return as of quarter end was 13.62% accounting for .271% of outperformance compared to the policy benchmark.

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

Mr. Krummen stated they continue to remain at or near the lowest permissible range in fixed income given the eventual tapering of the Federal Reserve's quantitative easing program and the implication that has on interest rates. With equity markets trading at or near all-time highs, valuations are beginning to look somewhat expensive.

As of November 12, 2013, each of MPERS' sub-asset class allocations are within the acceptable ranges established by the investment policy.

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3RD QUARTER 2013 INVESTMENT PERFORMANCE REPORT

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

Mr. Larry Krummen and Mr. Kevin Leonard provided a report on MPERS' investment performance for the 3rd quarter of calendar year 2013. As of September 30, 2013, MPERS' net asset value was \$1.73 billion.

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DIRECTOR'S COMMENTS

- **Board Planning Calendar**

The Board was provided with a planning calendar for 2014 that shows significant dates of interest to the Board.

- **2014 Conferences**

Mr. Simon provided the Board with a list of 2014 conferences which provide education opportunities for Trustees.

- **Legislation**

Mr. Simon indicated there is some pressure on public defined benefit (db) plans to be eliminated and switch to a defined contribution (dc) plan. He indicated he would not be surprised to see a bill filed in that regard.

Mr. Mike Winter stated pre-filing of bills start December 1, 2013 and session starts in January.

- **New Hire**

Mr. Simon indicated Mr. Bobby Hagedorn will begin employment with MPERS as a Senior Investment Officer on November 26, 2013.

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TRUSTEE'S COMMENTS

- **Investment Monitoring**

Mr. Kelley Martin stated he was contacted by the law firm of Labaton Sucharow. The law firm provides international class action monitoring and analysis. The Board discussed this information and took no further action.

- **Investment Management**

At the June Board meeting, the Board began to discuss the concept of turning over the investment management of MPERS' fund to MOSERS under some arrangement. The Board has concluded that is not appropriate at this time. Mr. Suelthaus motioned "Be it resolved that the Board considered that transfer of investment responsibility and, the Board, at this time, has determined not to proceed". Mr. Stottlemire seconded the motion. Motion carried by unanimous vote of all Trustees present.

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2013 PERFORMANCE MEASURES AND ACCOMPLISHMENTS *(Consent Agenda)*

– by Mr. Scott Simon, MPERS' Executive Director

MPERS engaged in both the Cost Effective Measurement (CEM) Benchmarking and Cobalt Benchmarking surveys, to which this year's performance is being measured. CEM Benchmarking measures the cost effectiveness of the systems administration while COBALT was able to provide MPERS with comparisons for our retiree customer satisfaction and the retirement process. Essentially, the performance measures how well MPERS' is accomplishing the three goals that are listed in the company's business plan. The system continues to be on the path to realizing these goals each year.

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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 FY2013. Via approval of the consent agenda, the Board unanimously accepted the report.

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REPORT OF QUARTERLY FINANCIAL STATEMENT – JULY 2013 to SEPTEMBER 2013 *(Consent Agenda)*

The Board viewed the financial statements of the System showing total investments (on an accrual basis) at market value of \$1,725,025,295 as of September 30, 2013. This is an increase of \$73.4 million from the value of 1,651,692,264 as of June 30, 2013.

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.

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MEMBERSHIP INFORMATION *(Consent Agenda)*

• **Benefit Payments and Member Data – October 2013**

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 2013 through October 2013. 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 a portion of its meeting on November 21, 2013, to approve minutes of the September 26, 2013 meeting regarding personnel administration regarding particular employees. Upon a motion made by Senator Kehoe and seconded by Mr. Nichols to convene in closed session, the following roll call vote was taken:

- Major J. Bret Johnson, Aye
- Mr. Lloyd “Joe” Carmichael, Aye
- Senator Mike Kehoe, Aye
- Mr. Kelley Martin, Aye
- Mr. Dave Nichols, Aye
- Colonel Ron Replogle, Aye
- Representative Shawn Rhoads, Aye
- Mr. Bob Sfreddo, Aye
- Mr. Roger D. Stottlemire, Aye
- Mr. Kenneth H. Suelthaus, Aye
- Mr. Todd Tyler, Aye

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PERSONNEL ISSUES

As a result of the Executive Director’s performance evaluation, a motion was made by Mr. Suelthaus, and seconded by Colonel Replogle, to adjust the Executive Director’s compensation by 10% effective December 1, 2013. Motion carried by unanimous vote of all Trustees present.

ADJOURN

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