

# Minutes of Meeting

June 18, 2015



MoDOT & Patrol  
Employees' Retirement System



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**Adjourn**



**BOARD OF TRUSTEES' MEETING**

**THURSDAY, JUNE 18, 2015**

**1:00 p.m.**

**1913 William Street  
Jefferson City, Missouri**

**TRUSTEES PRESENT:** Mr. Lloyd "Joe" Carmichael, Chair (via phone)  
Colonel J. Bret Johnson, Vice Chair  
Ms. Sue W. Cox  
Ms. Roberta Broeker  
Mr. Mike Pace  
Representative Shawn Rhoads  
Mr. William "Bill" Seibert  
Major Kemp Shoun  
Mr. Todd Tyler

**TRUSTEES ABSENT:** Senator Dave Schatz

**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. 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, June 18, 2015, at the System's office located at 1913 William Street in Jefferson City, Missouri. The meeting was called to order by Colonel 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 Ms. Cox, and seconded by Mr. Seibert, the Board of Trustees (Trustees) unanimously approved the minutes of the meetings held on April 8, 2015 and May 28, 2015.

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

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**EXPRESSION OF THANKS TO  
COLONEL RON REPLOGLE, MR. DAVE NICHOLS,  
SENATOR MIKE KEHOE AND MR. KENNETH SUELTHAUS  
FOR THEIR SERVICE TO THE BOARD OF TRUSTEES**

The Board expressed appreciation to Colonel Ron Replogle, Mr. Dave Nichols, Senator Mike Kehoe and Mr. Kenneth Suelthaus for their dedication and service to the MPERS Board of Trustees. Colonel Replogle served on MPERS’ Board as Superintendent of the MSHP since March 1, 2010. Mr. Nichols has served as the Director of MoDOT since April 2, 2013. Senator Mike Kehoe served as a commissioner of MoDOT from March 8, 2006 to July 8, 2009 and as the Senate member since February 17, 2011. Mr. Kenneth Suelthaus served as a commissioner of MoDOT since August 4, 2010.

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**RESULTS OF SPECIAL ELECTION OF RETIREMENT BOARD MEMBERS AND WELCOME MAJOR KEMP SHOUN TO THE BOARD OF TRUSTEES**

The Executive Director presented the results of the special election to the Board. Colonel Replegle announced his retirement effective May 1, 2015 and Major J. Bret Johnson was subsequently named the next patrol Superintendent. As Superintendent, Colonel Johnson remains a member of the MPERS' Board of Trustees as an ex officio member.

The election was held to fill the unexpired 4-year term of Major J. Bret Johnson. Major Johnson was the active member of the Missouri State Highway Patrol on the Board. The term expires on June 30, 2018.

The election was held on May 28, 2015, in Jefferson City and the Executive Director certified the results as follows:

Active MSHP Employee	Total	361
Major Kyle Marquart, General Headquarters, Jefferson City Assistant Commander Criminal Investigation Bureau		145
Major Kemp Shoun, General Headquarters, Jefferson City Executive Services Bureau Commander		216

Based on the tally of votes cast, the Executive Director recommended the Board adopt a motion to certify the election result as presented and declare Major Kemp Shoun as the successful candidate to the Board of Trustees effective immediately.

Upon motion made by Ms. Broeker and seconded by Mr. Carmichael, the Board unanimously declared Major Kemp Shoun as the successful candidate as recommended by the Executive Director.

The Board officially welcomed Major Shoun to the Board.

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**INVESTMENT COMMITTEE REPORT**

*– by Colonel J. Bret Johnson, Investment Committee Chair*

- **Private Equity & Private Debt 2015 Pacing Model and Real Assets and Real Estate 2015 Pacing Model**

Investment Staff, with the assistance of NEPC, presented the Plan's 2015 Pacing Models for Private Equity, Private Debt, Real Assets and Real Estate. NEPC provided target allocations and pacing plans for commitments to each asset class.

- **2015 Liquidity Study**

NEPC presented the Plan's annual liquidity analysis. NEPC provided the Board with information on base case and stressed case scenarios. NEPC believes the plan's liquidity is sound and should maintain its current allocation.

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## **CIO INVESTMENT REPORT**

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

- **Rate Stabilization Reserve Fund**

Mr. Simon explained the Rate Stabilization Reserve Fund that was approved at the last Board meeting for the new Board members.

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

As of June 9, 2015, each of MPERS’ sub-asset class allocations are within the acceptable ranges established by the investment policy.

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## **1<sup>ST</sup> QUARTER 2015 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 1<sup>st</sup> quarter of 2015. As of March 31, 2015, MPERS’ net asset value was \$1.97 billion. May 4, 2015 marked a long-awaited milestone for MPERS’ investment portfolio when the overall fund balance reached over \$2 billion.

The one-year return as of March 31<sup>st</sup>, was 10.23%, outperforming the benchmark return of 7.8%. The system’s total fund performance ranks in the upper quartile of the peer universe for all major time periods.

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## **BUDGET COMMITTEE REPORT**

*– by Mr. Joe Carmichael, Budget Committee Chair*

Mr. Carmichael reported the Budget Committee met with MPERS staff on May 19, 2015 to review the proposed budget. At the Board meeting Ms. Jennifer Even gave an overview of each budget category and Mr. Simon also provided comments throughout the presentation.

Per the Board policy, the Travel Expense Report was also provided.

Mr. Carmichael made a motion to accept the Committee’s recommendation to approve the FY2016 Budget as presented. Ms. Cox seconded the motion. The following vote was taken:

Mr. Lloyd “Joe” Carmichael, Aye  
Colonel J. Bret Johnson, Aye  
Ms. Roberta Broecker, Aye  
Ms. Sue W. Cox, Aye  
Mr. Mike Pace, Aye  
Representative Shawn Rhoads, Aye  
Mr. Bill Seibert, Aye  
Major Kemp Shoun, Aye  
Mr. Todd Tyler, Aye

Motion carried by unanimous vote of all Trustees present.

## **COMPENSATION POLICY**

The Executive Director made a recommendation for the Board to approve a Performance Pay Plan for Benefit/Operational Employees. The pay for performance pool would be 3% of base salary for applicable staff that will be included in the annual operating budget. Staff will be evaluated annually to determine what, if any, performance increase is earned either by exceptional work/accomplishment or work that is above and beyond normal expectations for the position. The performance increase earned by an individual may range from 0-5%. Earned increases will be effective July 1 of each fiscal year and become a permanent part of base pay. Upon a motion made by Ms. Cox and seconded by Mr. Carmichael, the Board of Trustees unanimously approved the addition of the Performance Pay Plan to the Staff Compensation Policy.

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## **BOARD RULE**

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

Mr. Simon presented an additional Board Rule to be added to Chapter 1: Procedural Rules entitled: *Board Rule 1-8 Temporary Vacancy of Board Chair and Vice Chair*. This rule states that in the event the Board Chair and Vice Chair are unavailable to preside at a Board meeting, the ranking Board member shall chair the meeting. The ranking Board member is defined as that member who has been on the Board the longest.

Upon a motion made by Mr. Seibert and seconded by Ms. Cox, the Board of Trustees unanimously approved the addition of Rule 1-8 to Chapter 1: Procedural Rules.

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## **LEGISLATIVE UPDATE**

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

Mr. Simon stated HB326 was passed by the legislature and awaits the governor's signature.

### HB 326 Affects Public Plans

This is a minor cleanup to the proposal last year modifying the educational requirements for trustees of plans like MPERS. This change just clarifies that only trustees of "defined benefit" plans are required to meet the new standards.

Mr. Simon stated there were a number of late session amendments that resurfaced from years past as listed below:

### HB 770 affects MPERS and MOSERS

This bill modifies the death before retirement provisions such that if a surviving spouse or dependent child are not due a survivor benefit as a result of the member's death, a benefit would be paid to the member's designated beneficiary in the form of the 120-guaranteed payment option. There will be a cost to this proposal bringing into question the applicability of 105.684 RSMo. requiring plans to be 80% funded before implementing any benefit enhancement.

## HB 752 Affects Public Plans

During the 2014 session, a bill passed that 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. The parties impacted by this legislation realized material problems with the administration of the proposal subsequent to its enactment. MPERS has taken a lead role with the original sponsor of the bill to revise the proposal to make it administratively feasible. This bill did see some controversy surrounding the dollar threshold for applying the forfeiture. The late session version of the bill was ultimately viewed as an improvement and ready for passage, but did not see a final floor vote in either chamber. We will likely pursue these modifications again during the next session, subject to continued Board support.

Ms. Cox made a motion to support MPERS' efforts to pursue the modifications to the forfeiture bill during the next legislative session. Mr. Tyler seconded. Motion carried by unanimous vote of all Trustees present.

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### **DISABILITY PROGRAM**

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

Mr. Simon provided the Board with a letter from Mr. Bob Charlesworth, MPERS' risk management consultant. Mr. Charlesworth evaluates the Long-Term Disability rates which have been guaranteed to July 1, 2016. While the rate is a guarantee from The Standard, this does not necessarily commit MPERS or prevent further negotiations should positive results be possible.

In Mr. Charlesworth's letter, he indicated he is pleased with the current rate and will continue to monitor the claims experience and reserving practices of the insurer to confirm the pricing and service model meets the needs of MPERS, especially as the renewal rates are negotiated next year for a multiple year rate guarantee.

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### **LTD PLAN DESIGN**

*– by Ms. Pam Henry, MPERS Assistant Executive Director and  
Mr. Jamie Mullen, MPERS Benefit Specialist*

Ms. Pam Henry provided the Board with a brief history of the "retirement disability" program and how it originated. Mr. Jamie Mullen explained the current disability program as it is administered by the Standard Insurance Company. Mr. Simon encouraged Board members to contact the MPERS office if they are approached by any disability recipients regarding their benefit.

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**MPERS' BUSINESS PLAN – FY2016, 2017 and 2018**

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

MPERS' Business Plan for Fiscal Years 2016, 2017 and 2018 was presented to the Board. Mr. Simon made one addition to the FY2016 Plan. The additional item was to: Complete total membership survey to measure satisfaction and to solicit feedback in FY2016.

In a motion made by Ms. Broeker, and seconded by Mr. Carmichael, the Board approved MPERS' Business Plan for Fiscal Years 2016, 2017 and 2018.

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**DIRECTOR'S COMMENTS**

• **GFOA Award**

The Government Finance Officers Association (GFOA) recently awarded MPERS with the Certificate of Achievement for Excellence in Financial Reporting for the 2014 Comprehensive Annual Financial Report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. Its attainment represents a significant accomplishment by a government and its management.

The early implementation of GASB 67/68 was included in the report.

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**TRUSTEE'S COMMENTS**

None.

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**COMMITTEE ASSIGNMENTS** *(Consent Agenda)*

Each Board member was provided with an updated copy of committee appointments due to the addition of three new Board members. Below is the updated list of appointments:

**Audit Committee**

Bill Seibert – *Chair*  
Major Kemp Shoun  
Roberta Broeker  
Mike Pace

**Budget Committee**

Joe Carmichael – *Chair*  
Colonel Bret Johnson  
Representative Shawn Rhoads  
Todd Tyler

**Governance Committee**

Sue W. Cox – *Chair*  
Senator Dave Schatz  
Major Kemp Shoun  
Todd Tyler

**Investment Committee**

Colonel Bret Johnson – *Chair*  
Joe Carmichael  
Sue W. Cox  
Mike Pace  
Bill Seibert

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

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**REPORT ON TRUSTEE EDUCATION – FY2015** *(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 report.

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**REPORT OF QUARTERLY FINANCIAL STATEMENT – JANUARY 2015 to MARCH 2015** *(Consent Agenda)*

The Board viewed the financial statements of the System showing total investments (on an accrual basis) at market value of \$1,981,177,358 as of March 31, 2015. This is an increase of \$43.5 million from the value of \$1,937,367,278 as of December 31, 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.

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

• **Benefit Payments and Member Data – May 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.

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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 May 2015. 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 June 18, 2015, concerning attorney-client privileged communications and records protected from disclosure by law. Upon a motion made by Representative Rhoads and seconded by Ms. Broeker to convene in closed session, the following roll call vote was taken:

Mr. Lloyd “Joe” Carmichael, Aye  
Colonel J. Bret Johnson, Aye  
Ms. Roberta Broeker, Aye  
Ms. Sue W. Cox, Aye  
Mr. Mike Pace, Aye  
Representative Shawn Rhoads, Aye  
Mr. Bill Seibert, Aye  
Major Kemp Shoun, Aye  
Mr. Todd Tyler, Aye

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**ADJOURN**

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