

Minutes of Meeting

November 19, 2015





TABLE OF CONTENTS

Vote to Close Meeting	2
Approval of Minutes	2
Consent Agenda	2
Expression of Thanks to Ms. Roberta Broecker and Mr. Lloyd “Joe” Carmichael for Their Service to the Board of Trustees.....	3
New MPERS Trustee	3
CIO Investment Report	
3rd Quarter 2015 Investment Performance Report	3
Asset Allocation Overview/Positioning Relative to Targets	3
MPERS’ Strategic Natural Resources Program Policy.....	4
Results of Annual Audit for Fiscal Year Ended June 30, 2015	4
Audit Committee Report	
Audit Services	4
Actuarial Services.....	5
Audit Committee Charter.....	5
2016 Board Meeting Dates.....	6
Director’s Comments	
Mr. Carmichael Appointed to MOSERS’ Board.....	6
MPERS’ Business Plan	6
Retiree Newsletter and MPERS’ New Logo.....	6
New MoDOT Director	6
Legislation.....	7
Trustee’s Comments	7
2016 Conferences	7
Report on Trustee Education - FY2016	7
Report of Unaudited Quarterly Financial Statements	
July 2015 to September 2015.....	7
Membership Information	
Benefit Payments and Member Data – October 2015	7
Retirement Inceptions (FY) – July 2015 through October 2015	7
Adjourn	



BOARD OF TRUSTEES' MEETING

THURSDAY, NOVEMBER 19, 2015

12:30 p.m.

**1913 William Street
Jefferson City, Missouri**

TRUSTEES PRESENT: Mr. Lloyd "Joe" Carmichael, Chair
Colonel J. Bret Johnson, Vice Chair
Ms. Roberta Broecker
Ms. Sue W. Cox
Mr. Mike Pace
Senator Dave Schatz (via phone)
Mr. William "Bill" Seibert
Major Kemp Shoun
Mr. Todd Tyler

TRUSTEES ABSENT: 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. Mark White, Albourne
Mr. Mike Oldelher, Williams-Keepers
Mr. Nicholas Mestres, Williams-Keepers
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 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.

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VOTE TO CLOSE MEETING

The Board voted to close its meeting on November 19, 2015, citing Section 610.021(3), (13), RSMo. *Personnel administration regarding particular employees.* Upon a motion made by Ms. Broeker and seconded by Mr. Tyler 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
- Senator Dave Schatz, Aye
- Mr. Bill Seibert, Aye
- Major Kemp Shoun, Aye
- Mr. Todd Tyler, Aye

A motion to return to Open Session was made by Colonel Johnson and seconded by Mr. Pace. By unanimous vote of all Trustees present, the Board of Trustees returned to Open Session.

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OPEN MEETING

APPROVAL OF MINUTES

Upon a motion by Ms. Cox, and seconded by Colonel Johnson, the Board of Trustees (Trustees) approved the minutes of the meeting held on September 24, 2015. Ms. Broeker abstained from voting since she was not present at the meeting.

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. Pace, and seconded by Ms. Broecker, all items on the consent agenda were unanimously approved.

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**EXPRESSION OF THANKS TO
MS. ROBERTA BROEKER AND MR. LLOYD “JOE” CARMICHAEL
FOR THEIR SERVICE TO THE BOARD OF TRUSTEES**

The Board expressed appreciation to Ms. Roberta Broecker and Mr. Lloyd “Joe” Carmichael for their dedication and service to the MPERS Board of Trustees. Ms. Broecker served on the MPERS Board as the Interim Director of MoDOT since May 1, 2015. Mr. Carmichael has served on the MPERS Board since August 5, 2009.

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NEW MPERS TRUSTEE

Mr. Carmichael stated Mr. Patrick McKenna has been hired as MoDOT’s Director effective December 7, 2015 and will become a Trustee on MPERS’ Board.

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CIO INVESTMENT REPORT

– by Mr. Larry Krummen, MPERS’ Chief Investment Officer, and Mr. Kevin Leonard (NEPC)

- **3rd Quarter 2015 Investment Performance Report**

Mr. Larry Krummen and Mr. Kevin Leonard reported on MPERS’ investment performance for the 3rd quarter of the calendar year. As of September 30, 2015, MPERS’ net asset value was \$1.95 billion. Mr. Krummen stated the global equity markets traded sharply lower in the 3rd quarter led by an economic slowdown in China. The diversification of MPERS’ portfolio helped to mitigate losses, but the fund was still down 2.2% for the quarter. Mr. Krummen indicated that even with the negative return for the 3rd quarter, MPERS still ranked in the top 1% of the peer universe. Longer-term performance remains equally impressive, with the 5- and 10-year returns ranking in the top 1% and 4%, respectively.

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

As of November 10, 2015, each of MPERS’ sub-asset class allocations are within the acceptable ranges established by the investment policy.

- **MPERS' STRATEGIC NATURAL RESOURCES PROGRAM POLICY (Revision to MPERS' Investment Policy)**

– by Mr. Larry Krummen, MPERS' Chief Investment Officer,
Mr. Bobby Hagedorn, MPERS Senior Investment Officer and Mr. Mark White, Albourne

Mr. Larry Krummen, MPERS' Chief Investment Officer and Mr. Bobby Hagedorn, MPERS' Senior Investment Officer, provided the Board with history of MPERS' Timber Allocation. Mr. Krummen and Mr. Hagedorn then presented an opportunity to invest in the Natural Resources arena to the Board, with the assistance of Mr. Mark White from Albourne. Mr. Krummen stated Albourne helped in the establishment of the policy and procedures. Mr. Krummen requested the Board's approval to add language to the Investment Policy that would allow them to pursue an investment in Natural Resource opportunities. The addition, which is designed to create a portfolio of high-quality timber and agriculture investments, will be shown as *Appendix XIII - MPERS' Strategic Natural Resources Policy*. The ultimate objective of the program is to preserve capital, provide a competitive rate of return, and act as a diversifier to the total portfolio.

Upon a motion made by Mr. Pace and seconded by Ms. Cox, the Board of Trustees gave unanimous approval to pursue the investment and to make revisions to the Investment Policy.

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RESULTS OF ANNUAL AUDIT FOR FISCAL YEAR ENDED JUNE 30, 2015

– by Mr. Mike Oldelehr and Mr. Nick Mestres of Williams-Keepers, LLC

Mr. Mike Oldelehr of Williams-Keepers, LLC, presented the audit for the fiscal year ended June 30, 2015. 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, 2015, 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. Broeker, and seconded by Colonel Johnson, the Board of Trustees accepted the annual audit for fiscal year ended June 30, 2015.

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AUDIT COMMITTEE REPORT

– by Mr. William "Bill" Seibert, Audit Committee Chair

- **Audit Services**

Mr. Seibert stated the current audit contract with Williams-Keepers, LLC, expired upon completion of the FY2015 audit. A Request for Proposal (RFP) for Audit Services was provided to twelve firms on October 1, 2015, and four proposals were submitted to MPERS. Those responding to the RFP were:

- Evers & Company
- Graves and Associates
- Rubin Brown
- Williams-Keepers

Mr. Seibert stated the Audit Committee recommends the Board accept the proposal submitted by Williams-Keepers for a three-year period.

Upon a motion made by Mr. Tyler, and seconded by Ms. Cox, the Board of Trustees unanimously accepted the Audit Committee's recommendation to retain Williams-Keepers.

- **Actuarial Services**

Mr. Seibert stated the current contract with Gabriel, Roeder, Smith (GRS) will expire on June 30, 2016. A Request for Proposal (RFP) for Actuarial Services was provided to ten firms on October 1, 2015, and four proposals were submitted to MPERS. Those responding to the RFP were:

- Buck Consultants
- Cavanaugh Macdonald Consulting
- Cheiron
- Gabriel, Roeder, Smith & Company

Mr. Seibert stated the Audit Committee recommends the Board accept the proposal submitted by Gabriel, Roeder, Smith & Company for actuarial services.

Upon a motion made by Mr. Cox, and seconded by Mr. Tyler, the Board of Trustees unanimously accepted the Audit Committee's recommendation to retain GRS for a five-year period.

- **Audit Committee Charter**

Mr. Seibert stated Mr. Simon reviewed the Audit Committee Charter with the Audit Committee during their meeting to determine if any changes needed to be made. After review, the committee is recommending three changes to the charter: 1) remove the paragraph related to reviewing policies and procedures in regard to expenses since the Budget Committee also reviews those expenses, 2) include committee members, or at least one member of the committee, in the first meeting with the auditor before the audit begins, and 3) present the audit report to the Audit Committee before it is presented to the full Board.

Mr. Simon indicated he will include the above listed changes with other policy updates for the Governance Committee's review at their next meeting.

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2016 BOARD MEETING DATES

– by Mr. Scott Simon, MPERS’ Executive Director

Mr. Simon stated the MPERS Board approves an annual Board Meeting Calendar at the last scheduled meeting of the year, for the upcoming year. A proposed meeting schedule for calendar year 2016 was provided. Mr. Simon stated the annual MAPERS Conference would satisfy the outside continuing education program for Trustees. Upon a motion by Colonel Johnson, and seconded by Mr. Seibert, the Board approved the following Board Meeting Calendar for 2016:

Board Meeting Calendar	MAPERS Conference July 13-15, 2016
Thursday, February 25, 2016 Thursday, April 28, 2016* Thursday, June 23, 2016 Thursday, September 29, 2016 Thursday, November 17, 2016** *Only if needed for legislative session **Board Workshop	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 13 th) in conjunction with the conference.

To minimize potential for any conflicts, Mr. Simon asked Trustees to add these dates to their calendars.

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DIRECTOR’S COMMENTS

- **Mr. Carmichael Appointed to MOSERS Board**

At the request of Mr. Simon, Mr. Carmichael informed the Board he has been appointed to serve on the MOSERS Board of Trustees.

- **MPERS’ Business Plan**

Mr. Simon updated the Board on MPERS’ Business Plan. He stated progress continues to be made on the service accrual audit project, the document retention plan is being implemented and the disaster recovery plan is being developed.

- **Retiree Newsletter and MPERS’ New Logo**

Ms. Pam Henry stated the “Staying Connected” newsletter will be mailed to retirees and survivors in mid-December. The December newsletter is driven by tax season. MPERS’ receives endless calls and contacts about tax related issues this time of year. By producing the newsletter with this content, it minimizes contacts to some extent.

Ms. Henry also indicated all forms, etc. are being updated with the new logo.

- **New MoDOT Director**

Mr. Simon stated he plans to meet with the new MoDOT Director, Mr. Patrick McKenna in the near future to give him a brief overview of MPERS. A date for New Board Member Orientation will also be scheduled.

- **Legislation**

Mr. Simon indicated the legislative session will be here soon. Mr. Mike Winter stated pre-filing of bills will start December 1, 2015 and session starts in January.

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TRUSTEE'S COMMENTS

None.

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2016 CONFERENCES *(Consent Agenda)*

The Board was provided with a list of 2016 Conferences which provide education opportunities for Trustees.

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REPORT ON TRUSTEE EDUCATION – FY2016 *(Consent Agenda)*

Per the Monitoring and Reporting Policy, the Board was provided with the “*Report on Trustee Education*” for FY2016. Via approval of the consent agenda, the Board unanimously accepted the report.

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**REPORT OF UNAUDITED QUARTERLY FINANCIAL STATEMENT
JULY 2015 TO SEPTEMBER 2015** *(Consent Agenda)*

The Board viewed the financial statements of the System showing total investments (on an accrual basis) at market value of \$1,948,747,605 as of September 30, 2015. This is a decrease of \$42.6 million from the value of \$1,991,396,398 as of June 30, 2015.

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 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 2015 through October 2015. Via approval of the consent agenda, the Board unanimously accepted the report.

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ADJOURN

A motion to adjourn was made by Senator Schatz and seconded by Ms. Cox. By unanimous vote of all Trustees present, the meeting of the Board of Trustees was adjourned.