

REGULAR MEETING
BOARD OF TRUSTEES
OF
THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI
AND
THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

April 11 – April 12, 2021

MEMBERS PRESENT

Jason Hoffman, Chair
Jason Steliga, Vice-Chair
Kyle Collins
Scott Hunt
Sharon Kissinger
Beth Knes
Melinda Moss

MEMBERS ABSENT

OTHERS PRESENT

Dearld Snider, Executive Director
Craig Husting, Chief Investment Officer
Bill Betts, Asst Executive Director Oper
Sarah Swoboda, General Counsel
Anita Brand, Chief Financial Officer
Maria Walden, Director, Legislation & Pol
Nicole Hamler, Director, Member Services
Omar Davis, Director, Employer Services
Susan Wood, Director, Communications
Jeff Hyman, Director, Internal Audit
Kim Harris, Director, Human Resources
Stacie Verslues, Director, Board Admin

Sunday, April 11, 2021

Meeting Convened

The meeting of the Board of Trustees convened at 6:45 p.m. at the Courtyard Hotel in Jefferson City, Missouri. In attendance were Board members Jason Steliga, Kyle Collins, Sharon Kissinger. Beth Knes and Melinda Moss. Scott Hunt was present via videoconference. Jason Hoffman was absent. Also present were Executive Director, Dearld Snider; Chief Investment Officer, Craig Husting; Assistant Executive Director, Operations, Bill Betts; General Counsel, Sarah Swoboda; Chief Financial Officer, Anita Brand; Director of Executive and Board Administration, Stacie Verslues; and various other PSRS/PEERS investment staff members.

**Non-US Equity
Portfolio Review**

Mr. Frank Aten and Ms. Jessica Wilbers from the PSRS/PEERS investment staff reviewed the Systems' Non-U.S. Equity portfolio including program objectives, guidelines and long-term results. The 5-year annualized return for the Non-U.S. Equity composite for the period ended February 28, 2021 was 13.2%.

**Real Estate Portfolio
Review**

Ms. Susan Conrad and Ms. Chhayhea Sam from PSRS/PEERS reviewed the Systems' Real Estate portfolio including program objectives, guidelines and long-term results. The 5-year annualized return for the Real Estate composite for the period ended December 31, 2020 was 6.8%.

Adjournment
PSRS4973
PEERS3208

Ms. Kissinger moved that the meeting adjourn. Dr. Moss seconded the motion. Voting “Aye” – Steliga, Collins, Hunt, Kissinger and Moss “Nay” – None. The motion carried unanimously.

Monday, April 12, 2021

Meeting Convened

The meeting of the Board of Trustees convened at 8:00 a.m. at the Courtyard Hotel in Jefferson City. In attendance were Board members Jason Hoffman, Jason Steliga, Kyle Collins, Sharon Kissinger, Beth Knes and Melinda Moss. Scott Hunt attended via videoconference. Also present were Executive Director, Dearld Snider; Chief Investment Officer, Craig Husting; Assistant Executive Director, Operations, Bill Betts; General Counsel, Sarah Swoboda; Chief Financial Officer, Anita Brand; Director of Employer Services, Omar Davis; Director of Member Services, Nicole Hamler; Director of Legislation and Policy, Maria Walden; Director of Communications, Susan Wood; Director of Internal Audit, Jeff Hyman; Director of Human Resources, Kim Harris; Director of Executive and Board Administration, Stacie Verslues; and various other PSRS/PEERS staff members.

Approval of Minutes
PSRS4974
PEERS3209

Mr. Steliga moved that the minutes from the February 28 and March 1, 2021 meetings be approved as presented. Ms. Kissinger seconded the motion. Voting “Aye” – Hoffman, Steliga, Collins, Hunt, Kissinger and Moss. “Abstained” – Knes. “Nay” – None. The motion carried unanimously.

Order of Business

None

Election of Chair

Ms. Knes nominated Mr. Jason Steliga to serve as Chair of the Board for the period July 1, 2021 through June 30, 2022. Dr. Collins seconded the motion. Voting “Aye” – Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss. “Nay” – None. The motion carried unanimously.

Election of Vice Chair

Dr. Moss nominated Ms. Beth Knes to serve as Vice Chair of the Board for the period July 1, 2021 through June 30, 2022. Ms. Kissinger seconded the motion. Voting “Aye” – Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss. “Nay” – None. The motion carried unanimously.

Interest Credit Rate

Ms. Anita Brand of PSRS/PEERS reviewed the process for setting the interest rate credited to member accounts each June 30. Ms. Brand presented information on current membership balances as well as historical interest rates and payments. Staff recommended the interest rate credited to the accounts of active members remain at 1.0% for fiscal year 2021-2022. This rate will be utilized throughout the fiscal year to facilitate necessary member account corrections and will be utilized to credit active member accounts on June 30, 2022.

PSRS4975
PEERS3210

Dr. Moss moved that the interest credit rate be set at 1% effective June 30, 2022. Ms. Knes seconded the motion. Voting “Aye” – Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss. “Nay” – None. The motion carried unanimously.

Investments

Ongoing Investment Activity

Mr. Craig Husting from PSRS/PEERS and Ms. Margaret Jadallah (virtually) from Verus provided a market overview including detailed investment returns for several stock and bond indices for the calendar and fiscal years through March 31, 2021. Mr. Husting provided a broad overview of how the PSRS/PEERS' portfolio was structured including an estimated asset allocation for PSRS/PEERS as of March 31, 2021. Mr. Husting stated that the PSRS/PEERS preliminary (unaudited) investment return for the fiscal year (July 1, 2020 thru March 31, 2021) was approximately 19.0%.

Report of the Actuary

Experience Study Review

Ms. Brand, along with Mr. Brandon Robertson and Ms. Cindy Fraterrigo from PricewaterhouseCoopers (PwC), presented the results of the actuarial experience studies for the five-year period ended June 30, 2020. Ms. Fraterrigo explained the experience studies review the differences between the Systems' assumed and actual experience over multiple years (typically three to five), with the goal of examining the trends related to actual experience and recommending changes to the actuarial assumptions, if needed. The Systems perform an experience study at least every five years. The purpose of the studies are to confirm that the actuarial assumptions (economic and demographic) used in the annual valuations are: 1) reflective of the actual demographics and behaviors of the members, to the extent historical experience is measurable and expected to be an indicator of future experience, and 2) reflective of current economic conditions affecting members and their benefits.

Mr. Robertson reported that the overall results of the experience studies are excellent. The studies indicate the actual experience of the Systems over the past five years is very close to the assumptions that were utilized. There were no surprises in the results. The most significant discussion in the studies is inflation, which is the underlying component of all other economic assumptions. PwC has proposed recommendations to several of the Systems' actuarial assumptions, largely due to movements in inflation. PwC has also recommended revisions to the Systems' mortality tables and improvement scales which are consistent with prior experience and discussions. The Board is scheduled to take action on PwC's recommendations at the June Board Meeting.

Management Report

Legislative Update

Ms. Maria Walden from PSRS/PEERS and Mr. Jim Moody, legislative consultant, updated the Board on the current Missouri legislative session. The Missouri General Assembly is set to adjourn for the 2021 Legislative Session on May 14th. There was over 2,200 bills introduced this year and the Systems tracked over 280 bills. Mr. Moody reported briefly on state revenue and gave an update on March 2021 revenue to the Board. Bills currently being tracked by PSRS/PEERS include the following:

- **House Bill (HB) 29** adds all public employee retirement systems and quasi-governmental entity employees' salaries to the government accountability portal.
- **HCS House Bill (HB) 101** and **SCS Senate Bill (SB) 265** relate to workforce development in elementary and secondary education and adjust the Critical Shortage statute for PSRS/PEERS.
- **HCS House Bill (HB) 439** allows school districts to issue school district teaching permits and requires the state Board of Education (SBE) to issue a certificate of license to teach for these members who hold a school district permit.

- **House Bill (HB) 558** authorizes an income tax deduction for certain public school retirement system participants.
- **House Bill (HB) 590** requires all public officials to maintain a direct phone number and email address for the purposes of constituent contact.
- **HCS House Bill (HB) 811** makes changes to the working after retirement statute for PSRS.
 - Original HB 811: Allows for any teacher retired from the Public School Retirement System of Missouri (PSRS) to be employed in a non-certificated position covered under the Public Education Employee Retirement System (PEERS) without impacting their retirement benefit up to the Social Security earnings limit which has an automatic inflation factor and currently is \$18,960.
 - PwC estimates the impact to be an insignificant fiscal gain to PEERS
 - HB 812: Amends Critical Shortage statutory time restriction from two years to four years.
 - PwC estimates the impact to be an insignificant fiscal gain to PSRS and PEERS.
 - HCS HB 828: Adds a 2.55% formula factor for new PSRS retirees with 32 years of service.
 - PwC has estimated the annual savings of \$16.8 million per year for the next 30 years due to the reduction of the Unfunded Actuarial Accrued Liability and the Normal Cost Rate of the plan as a result of the 2.55% provision being made a permanent part of the benefit structure.
- **House Bill (HB) 812** makes changes to the Critical Shortage statute for PSRS/PEERS.
 - This bill extends the time a retired teacher or retired non-certificated employee who is receiving a retirement benefit from PSRS/PEERS is allowed to work full time from two years to four years.
 - PricewaterhouseCoopers (PwC) estimates the impact of the proposed Critical Shortage modification to be an insignificant gain to both PSRS and PEERS.
- **HCS House Bill (HB) 828** modifies provisions relating to school teacher and employee retirement allowances.
 - This bill repeals the July 1, 2014 termination date of a provision allowing members of PSRS who have 31 or more years of service to have their retirement allowance calculated using a multiplier of 2.55%.
 - PricewaterhouseCoopers (PwC) estimates a \$16.8 million per year savings for PSRS.
- **House Bill (HB) 1130** specifies that public funds cannot go to certain businesses that censor free speech or discriminate against employees for their speech or political activity.
- **House Bill (HB) 1282** changes the laws regarding marriage and replaces marriage licenses with contracts of domestic union.
- **Senate Bill (SB)** modifies provisions relating to income tax exemptions for certain retirement benefits.
- **Senate Bill (SB) 448** modifies requirements for a visiting scholar's certificate of license to teach.

- **Senate Bill (SB) 492** creates provisions relating to contracts between public entities and companies who discriminate against firearms manufacturers.
- **Senate Bill (SB) 598** modifies eligibility of retirement benefits resulting from membership in multiple defined benefit plans established by a state or local retirement system.
- **Senate Bill (SB) 608** provides a pop-up option for members in same sex relationships who retired prior to June 2015.
- **House Bill (HB) 93** and **Senate Bill (SB) 260** changes provisions governing school superintendent salaries and residency requirements.
- **House Bill (HB) 608** provides a new four-year certification method for individuals who want to substitute teach.
- **House Bill (HB) 961** raises the minimum teacher salary beginning in the 2022-2023 school year.

Facility Renovation

Mr. Bill Betts provided a high-level recap of the construction timeline for the new building addition and building renovation. Renovation continues throughout the current building and remains on target to be complete in September 2021. Mr. Betts also shared with the Board that we will be reopening the building to visitors on June 1, 2021.

CPI-U Update

Mr. Dearld Snider discussed the calculation of the Consumer Price Index (CPI) calculated by the Bureau of Labor Statistics (BLS). PSRS/PEERS' regulation requires that the time period for the CPI calculation is from June to June. Based on the values provided by the BLS, the CPI-U is up 2.0237% through February 28, 2021.

Public Comment

None

Closed Session

Mr. Steliga moved that the meeting continue in closed session to consider personnel issues, technology security issues, and legal matters under Sections 610.021 (1), (13), (14), (21) and 169.020.15, RSMo. Ms.Knes seconded the motion. Voting "Aye" – Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss. "Nay" – None. The motion carried unanimously.

PSRS4976
PEERS3211

The following motions were made in closed session:

PSRS4977/PEERS3212 - Minutes (Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss; voting to approve the previous closed session minutes)

PSRS4978/PEERS3213 – ED Evaluation (Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss; voting to approve the Board completed ED evaluation and new contract)

PSRS4979/PEERS3214 – Board Self- Evaluation (Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss; voting to approve the Board completed self-evaluation)

PSRS4980/PEERS3215 – Adjournment (Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss; voting to adjourn closed session)

Adjournment
PSRS4981
PEERS3216

Ms. Knes moved that the meeting adjourn. Dr. Collins seconded the motion. Voting "Aye" – Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss "Nay" – None. The motion carried unanimously.

