

**REGULAR MEETING**  
**BOARD OF TRUSTEES**  
**OF**  
**THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI**

**AND**  
**THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI**

**August 27, 2018**

**MEMBERS PRESENT**

Aaron, Zalis, Chair  
Jason Hoffman, Vice Chair  
Yvonne Heath  
Scott Hunt  
Jason Steliga  
Chuck Bryant  
Beth Knes

**MEMBERS ABSENT**

**OTHERS PRESENT**

M. Steve Yoakum, Executive Director  
Dearld Snider, Asst. Exec. Dir., Oper.  
Craig Husting, Asst. Exec. Dir., Invest.  
Alan Thompson, General Counsel  
Anita Brand, Chief Finan. Officer  
Bill Betts, Chief Technology Officer  
Omar Davis, Dir. of Employer Serv.  
Maria Walden, Legislative Director  
Sarah Swoboda, Dir. of Mbr. Serv.  
Nicole Hamler, Dir. Admin Design  
Susan Wood, Dir. Of Communications  
Jeffrey Hyman, Director of Internal Audits

**Meeting  
Convened**

The Education Retreat of the Board of Trustees convened at 8 a.m. in the Retirement System offices in Jefferson City, Missouri. In attendance were Aaron Zalis, Jason Hoffman, Chuck Bryant, Yvonne Heath, Beth Knes, Jason Steliga, and Scott Hunt, Board Members. Also present were Executive Director, M. Steve Yoakum; Assistant Executive Director, Investments, Craig Husting; Assistant Executive Director, Operations, Dearld Snider; General Counsel, Alan Thompson; Chief Financial Officer, Anita Brand; Director of Employer Services, Omar Davis; Director of Member Services, Sarah Swoboda; Director of Legislation and Policy, Maria Walden; Director of Internal Audit, Jeff Hyman; Director of Communications, Susan Wood; Chief Technology Officer, Bill Betts; Director of Administrative Planning and Design, Nicole Hamler; and various other PSRS/PEERS staff members.

**Approval of  
Minutes  
PSRS4771  
PEERS3006**

Ms. Knes moved that the minutes from the June 11, 2018 (Board Education) and June 12, 2018 meetings be approved. Ms. Heath seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

**Order of Business**

The order of business was approved with no changes.

## **Investments** **Annual Review**

Mr. Craig Husting from PSRS/PEERS and Mr. Barry Dennis from Verus (the Systems' Investment Consultant) provided a detailed presentation on the PSRS/PEERS fiscal year 2018 investment performance.

Mr. Husting reported that the fiscal year 2018 (July 1, 2017 through June 30, 2018) investment return for PSRS/PEERS was 8.9%, or 8.7% net of all fees and expenses. The Systems outperformed the passive benchmark which returned 7.4% for the year. The PSRS/PEERS internal investment staff and external investment managers added value above the policy benchmark of over \$540 million, net of all fees and expenses, for the year.

Mr. Husting reported that the five-year annualized return for the Systems for the period ending June 30, 2018 was 8.8%. The five-year PSRS and PEERS investment return exceeded 65% of the peer group as defined by the Wilshire TUCS universe of public pension plans with assets in excess of \$1 billion. The Systems generated the investment return while taking less risk than approximately two-thirds of comparable public funds.

Mr. Husting reported that the actuarial assumed rate of return (discount rate) for PSRS/PEERS was moved from 7.75% to 7.6% for the period beginning July 1, 2017, with a bias toward moving the rate lower in the future as financial conditions warranted. Mr. Husting also stated that the actuary would present additional analysis of lower discount rate options to the Board in October.

## **Management** **Report**

### **NCTR** **Delegates**

Mr. Hunt moved that Ms. Yvonne Heath, Mr. Chuck Bryant, and Mr. Steve Yoakum serve as delegates with Mr. Dearld Snider and Ms. Nicole Hamler as the alternate at the annual National Council on Teacher Retirement Conference being held October 2018. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

### **PSRS4772** **PEERS3007**

### **Amendments**

Mr. Alan Thompson presented amendments to existing regulations pursuant to statutory changes from the passage of Senate Bill 862 during the 2018 regular legislative session. The following amendment rewords parts of subsection (6). It also deletes subsection (7) that sets forth the community college conversion formula. Subsection (7) is no longer needed because the provisions of SB 892 apply to PSRS retirees working for community colleges. Therefore, there is no longer an hour limit for PSRS retirees employed by community colleges and the new salary limit in SB 892 applies. Following discussion, Mr. Hoffman moved to approve the following amendments to regulations:

#### **PROPOSED AMENDMENT:**

**16 CSR 10-5.010 Service Retirement** The Public School Retirement System of Missouri is amending section (6) and deleting section (7).

*PURPOSE: This amendment is required due to Senate Bill 892 enacted August 28, 2018, which amends restrictions on post-retirement employment as provided by section 169.560, RSMo.*

(6) Part-time employment is any employment which is less than full-time. Temporary-substitute employment is any employment either in a position held by a regularly employed person who is temporarily absent or in a position which is temporarily vacant.

(A) A *[retired member]* **retiree** may be employed by an *[district]* **employer** included in the system to serve on a part-time or temporary-substitute basis in *[any capacity]* **any position that would normally require that person to be duly certificated by the Department of Elementary and Secondary Education (DESE), including substituting in a teaching position,** not to exceed five hundred fifty (550) hours in any one (1) school year and through such employment may earn an amount not in excess of the compensation limit set forth in this rule and section 169.560, RSMo, without a discontinuance of the retired member's retirement allowance. The limit on compensation shall be determined as set forth in section 169.560, RSMo. If the position or positions did not previously exist, a retired member may earn up to fifty percent (50%) of the annual compensation payable for the position within the *[district]* **employer** that is most comparable to the position filled by the retired member without exceeding the compensation limit. If such employment exceeds either the limitation on hours worked or the limitation on compensation, payment of benefits to the retired member shall cease until the employment terminates or a new school year begins.

(B) The provisions above shall apply to any person retired and currently receiving a retirement allowance under sections 169.010, RSMo to 169.141, RSMo who is employed by a third party or is performing work as an independent contractor, if such person is performing work in an *[district]* **employer** included in the retirement system as a temporary or long-term substitute teacher or in any position that would normally require that person to be duly certificated by the Missouri Department of Elementary and Secondary Education if such person was employed by the *[district]* **employer**. The retirement system may require the *[district]* **employer**, the third-party employer, the independent contractor, and the retiree, subject to this section, to provide documentation showing compliance with this section. If such documentation is not provided, the retirement system may deem the retiree to have exceeded the limitations provided in this section.

(C) **A retiree receiving a retirement benefit, other than a disability benefit, from the Public School Retirement System of Missouri (PSRS) may be employed by an employer included in that system in any position that normally does not require a person employed in that position to be duly certificated by the Department of Elementary and Secondary Education and through such employment may earn during the school year not more than sixty percent (60%) of the minimum teacher's salary for a teacher without a master's degree as set forth in section 163.172 without a discontinuance of the retiree's retirement allowance. The employer shall contribute to the Public Education Employee Retirement System of Missouri (PEERS) at the rate set for that system on all salary as defined in section 169.010 and 16 CSR 10-3.010(9) of the person so employed. Such employee shall not contribute on such earnings and shall earn no service credit in either system for such employment. If such employment exceeds the limitation on compensation, the retiree's retirement benefit from PSRS shall cease until the employment terminates or a new school year begins, and such person shall become a member of and contribute to any retirement system described in this subsection if the person satisfies the retirement system's membership eligibility requirements. A PSRS retiree who meets PSRS eligibility**

**requirements after exceeding the limits set forth above shall not be eligible to elect membership in PEERS under section 169.712.**

(D) This rule shall not apply to employment with a state college, a state university, or any state agency.

(E) The employer covered by the Public School Retirement System of Missouri, the third-party employer, the independent contractor, and the retiree shall maintain a log of all dates worked, hours worked, wage earned, and the employer. The employer covered by the Public School Retirement System of Missouri, the third-party employer, the independent contractor, and retiree shall provide a copy of the work log upon request of retirement system. . . .

\* \* \*

*[(7) Effective July 1, 2015, for any employment teaching at a community college included in the system, each credit hour taught by a retired member will be the equivalent of thirty (30) hours for the purposes of this rule and section 169.560, RSMo, regardless of the number of hours actually worked by the retired member related to the course(s) taught. For any said course(s) taught during summer session, all hours for said course(s) shall be counted as having occurred during the school year in which the course(s) commence. Any hours worked performing additional duties for a community college not related to said course(s) for which a retired member receives compensation above and beyond that received for teaching said course(s) shall be counted on an hour-by-hour basis for the purposes of this rule and section 169.560, RSMo.]*

PSRS4773  
PEERS3008

Ms. Knes seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

Mr. Thompson presented an additional amendment to an existing regulation that sets forth when the Board sets the interest rate used when posting interest to member accounts. The following amendment to regulations would have the Board set in April the interest rate to be used in the next fiscal year and interest would be posted at the end of the next fiscal year using that rate. Following discussion, Mr. Hunt moved to approve the following amendments to regulations:

**PROPOSED AMENDMENT:**

**16 CSR 10-3.020**

(7) The board of trustees shall determine annually, on or before June 30, the rate of interest which **shall be in effect on July 1 of the following fiscal year and which shall be used to credit<sup>[ed]</sup> interest to members’ accumulated contribution** accounts at the end of the **following** fiscal year.

PSRS4774  
PEERS3009

Ms. Heath seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

**Mailing Policy  
Review**

Mr. Alan Thompson reviewed the December 2016 decision to rescind the 1984 mailing policy as requested by the Board of Trustees at the June 2018 Board meeting; He reviewed the history of the PSRS/PEERS third-party mailing policy. Mr. Thompson asked for Board direction on the following: 1) Decide whether to maintain the current policy of providing no third-party mailing assistance, 2) Consider adopti

the draft third-party mailing policy provided in December 2016, or 3) Ask staff to draft another third-party mailing policy for review in October 2018.

Following discussion Mr. Hunt requested Mr. Thompson to work on crafting a policy to be presented at the October 2018 Board meeting to assist educational associations with an annual mailing. Ms. Knes seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

PSRS4775  
PEERS3010

### **Member Services**

Ms. Sarah Swoboda, Director of Member Services, presented statistics for the 2017-18 fiscal year regarding the number of retirements, deaths, withdrawals, and member education meetings, as well as other projects in the member services department over the last year.

### **CEM Report**

Mr. Dearld Snider and Ms. Kim Mangat, with CEM Benchmarking, presented a summary of the CEM benchmarking study PSRS/PEERS recently participated in. CEM benchmarked PSRS/PEERS' service and cost compared to 42 leading global pension systems including 11 in our peer group who are similar in size. PSRS/PEERS received an overall high service score of 90 out of 100. PSRS/PEERS' service score was the highest in its peer group, and third among the 42 systems in the CEM universe. This high level of service was provided in a cost-efficient manner with total administration costs below the peer average and drastically below the average cost of the CEM universe.

### **Strategic Plan Presentation**

Mr. Dearld Snider provided an update on the strategic planning project which began in April 2018. He provided a brief overview of the project over the last couple of months, during which time PSRS/PEERS' management worked with a consultant to begin developing the plan. Mr. Snider reviewed the mission statement, goals and focus areas with the Board. He went through each focus area in detail and discussed the strategies that make up each area. He also reviewed the next steps with the Board and stated that he will present the completed strategic plan to the Board at the December 2018 Board meeting.

### **CPI Update**

Mr. Yoakum 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 2.8715% through June 30, 2018. The CPI-U calculation for Fiscal Year 2018-2019 is unchanged through July 31. Mr. Yoakum also reviewed the upcoming Board meeting timeline.

### **Facility Analysis and Planning Presentation**

Mr. Snider presented information about facility and planning needs for PSRS/PEER. He provided a perspective by looking at the past, present and future growth of the Systems. Mr. Snider discussed areas of concern with the present building regarding our ability to continue to provide exceptional services to our members that is in alignment with the Systems' goals. The Board discussed in detail three options: 1) Remain in current facility and lease permanent space at a separate location, 2) Renovate current facility and build an addition onto the back of the building, or 3) Construct a new facility on adjacent land we currently own.

Following discussion Mr. Hunt requested for more detailed plans on both options 2 and 3 and for staff to continue working with the architects to fine tune costs and timelines on the options. Mr. Bryant seconded the motion. Voting “Aye”—Zalis,

PSRS4776  
PEERS3011

Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

**Public Comment**

None

**Closed Session**

Mr. Bryant moved that the meeting continue in closed session consider personnel issues, technology security issues, and legal matters under Sections 610.021 (1), (13), (14), (21) and 169.020.15, RSMo. Mr. Steliga seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

PSRS4777  
PEERS3012

The following motions were made in closed session:

PSRS4778/PEERS3013 - Minutes (Zalis, Hoffman, Bryant, Heath, Hunt, Knes and Steliga; voting to approve the previous closed session minutes)

PSRS4779/PEERS3014 – Appeals (Zalis, Hoffman, Bryant, Heath, Hunt, Knes and Steliga; voting to deny the appeal)

PSRS4780/PEERS3015 – Adjournment (Zalis, Hoffman, Bryant, Heath, Hunt, Knes and Steliga; voting to adjourn closed session)

The following items were discussed in closed session that did not require a vote by the Board: Legal Report, Internal Controls Report and Personnel Report.

**Adjournment**

PSRS4781  
PEERS3016

Mr. Steliga moved that the meeting adjourn. Ms. Knes seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.