

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

AND
THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

August 26, 2019

MEMBERS PRESENT

Aaron, Zalis, Chair
Jason Hoffman, Vice-Chair
Chuck Bryant
Scott Hunt
Yvonne Heath

MEMBERS ABSENT

Beth Knes
Jason Steliga

OTHERS PRESENT

Steve Yoakum, Exec. Director
Dearld Snider, Asst. Exec. Dir., Oper.
Craig Husting, Asst. Exec. Dir., Invest.
Sarah Swoboda, General Counsel
Anita Brand, Chief Financial Officer
Bill Betts, Chief Technology Officer
Maria Walden, Legislative Director
Nicole Hamler, Dir. of Member Serv.
Omar Davis, Dir. of Employer Serv.
Susan Wood, Communications Dir.
Stacie Verslues, Dir. Admin Design

**Meeting
Convened**

The meeting of the Board of Trustees convened at 8:00 a.m. in the Retirement System offices in Jefferson City, Missouri. In attendance were Board members Aaron Zalis, Jason Hoffman, Chuck Bryant, Scott Hunt and Yvonne Heath. Board members, Beth Knes and Jason Steliga were absent. Also present were Executive Director, M. Steve Yoakum; Assistant Executive Director, Investments, Craig Husting; Assistant Executive Director, Operations, Dearld Snider; 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 Internal Audit, Jeff Hyman; Chief Technology Officer, Bill Betts; Communications Director, Susan Wood; Director of Administrative Planning and Design, Stacie Verslues; and various other PSRS/PEERS staff members.

**Approval of
Minutes
PSRS4846
PEERS3081**

Ms. Heath moved that the minutes from the June 10, 2019 and June 17-19, 2019 (Board Education) meetings be approved as presented. Mr. Hunt seconded the motion. Voting "Aye"—Zalis, Hoffman, Bryant, Hunt and Heath; "Nay"—None. The motion carried unanimously.

Order of Business

Mr. Steve Yoakum from PSRS/PEERS presented plaques to former employees Darla Baslee and Curtis Colbert recognizing their recent retirement from PSRS/PEERS.

Dr. Aaron Zalis also recognized Jason Hoffman, Board vice-chair and chief financial officer/chief operations officer for Jefferson City Public Schools, for receiving the 2019 Distinguished Eagle Award from the Association of School Business Officials International.

Mr. Yoakum presented Anita Brand, chief financial officer, the “Certificate of Achievement for Excellence in Financial Reporting” – the highest form of recognition given by the Government Finance Officers Association of the United States and Canada.

Investments
2019 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 2019 investment performance.

Mr. Husting reported that the fiscal year 2019 (July 1, 2018 through June 30, 2019) investment return for PSRS/PEERS was 7.0%, or, 6.8% net of all fees and expenses. The Systems underperformed the passive benchmark, which returned 7.3% for the year.

Mr. Husting reported that the five-year annualized return for the Systems for the period ending June 30, 2019 was 6.9%, or, 6.7% net of all fees and expenses. The Systems outperformed the passive benchmark which returned 6.2% for the five-year period. The five-year PSRS and PEERS investment return exceeded 69% 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 three-fourths of comparable public funds. The PSRS/PEERS internal investment staff and external investment managers added value above the policy benchmark of over \$1.2 billion, net of all fees and expenses, for the last five years. The outperformance was due to portfolio construction and tactical asset allocation decisions by internal investment staff (overweighting and underweighting asset classes around targets) as well as active management on the part of external managers.

Management
NCTR Delegates

PSRS4847
PEERS3082

Mr. Hunt moved that Ms. Yvonne Heath, Mr. Chuck Bryant, and Mr. Steve Yoakum serve as delegates, with Mr. Dearld Snider and Ms. Stacie Verslues as alternates, at the annual National Council on Teacher Retirement Conference being held in October 2019. Mr. Hoffman seconded the motion. Voting “Aye”- Zalis, Hoffman, Bryant, Hunt and Heath; “Nay” – None. The motion carried unanimously.

Amendments to
Regulations

Ms. Sarah Swoboda presented several amendments to the Board. The first is an amendment to an existing regulation that sets forth when the Board can hold regular Board meetings. The amendment allows the Board Chairman to reschedule a regular meeting for a month other than what is currently listed.

PROPOSED AMENDMENT

16 CSR 10-1.010 General Organization.

PURPOSE: This amendment allows the Board Chairman to reschedule a regular meeting for a month other than February, April, June, August, October

or December or for an alternate location for good cause. Examples would include, but are not limited to, weather concerns, natural disasters, or unforeseen schedule issues.

(1) The board of trustees of The Public School Retirement System of Missouri shall hold regular meetings in the office of the executive director during the months of February, April, June, August, October and December of each calendar year on one (1) or more days voted upon by the board of trustees; provided that the board of trustees may vote to hold a regular meeting in a different location or by telephone or other electronic means. **The chairman may reschedule a previously scheduled regular meeting for a month or location other than as described in the preceding sentence for good cause.** The chairman or four (4) board members acting jointly may call special meetings at times and locations and by means as may be necessary. The executive director shall provide notice of the time and place of all meetings of the board in accordance with the applicable provisions of sections 610.010 through 610.035, RSMo. All meetings of the board of trustees shall comply with the applicable provisions of sections 610.010 through 610.035, RSMo. Information concerning meetings, rules or any operations of the system may be obtained by writing or calling the Executive Director, PO Box 268, Jefferson City, MO 65102.

PSRS4848
PEERS3083

Mr. Hunt moved to approve the amendment to regulation. Mr. Bryant seconded the motion. Voting “Aye” – Zalis, Hoffman, Bryant, Hunt and Heath; “Nay” – None. The motion carried unanimously.

Ms. Swoboda presented an additional amendment necessary pursuant to HB77 which was passed by the Missouri Legislature this year and was signed by Governor Parson.

16 CSR 10-5.010(6) Service Retirement.

PURPOSE: The amendment to section (6) relates to working after retirement for PSRS members and is necessary pursuant to HB 77 which became effective on April 16, 2019 pursuant to the bill’s emergency clause. This legislation placed PSRS retirees working after retirement for Community Colleges back under the 550 hour / 50% limitation, instead of the \$15,000 salary limitation that had been imposed under last year’s Senate Bill 892. The amendment also makes a few clean up edits that are non-substantive.

(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 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 the system to serve on a part-time or temporary-substitute basis in 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, **or in any**

position at a community college included in the system 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 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 for an 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 employer. The retirement system may require the 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 (JPSRS)]* 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 103.010(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, RSMo. **The provisions of this subsection shall not apply to positions held by a PSRS retiree employed by a community college included in the system.**

(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/PSRS, 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] PSRS, the third-party employer, the independent contractor, and retiree shall provide a copy of the work log upon request of retirement system.

Employee Name:		School Year:	
Date Worked	Hours Worked	Wage Earned	Employer

The working after retirement limits set forth in section 169.560, RSMo, shall be applied on a pro rata basis as provided below to a retiree’s hours of work during the school year in which the retiree’s date of retirement is effective.

Effective date of retirement	Hours allowed after retirement for school year
July 1	550
August 1	504
September 1	458
October 1	413
November 1	367
December 1	321
January 1	275
February 1	229
March 1	183
April 1	138
May 1	92
June 1	0

PSRS4849
PEERS3084

Mr. Hoffman moved to approve the amendment to regulation. Ms. Heath seconded the motion. Voting “Aye” – Zalis, Hoffman, Bryant, Hunt and Heath; “Nay” – None. The motion carried unanimously.

Ms. Swoboda presented one final amendment necessary pursuant to CCS SB 17 which was passed by the Missouri Legislature this year and signed by Governor Parson.

PROPOSED AMENDMENT

16 CSR 10-5.010(20) PSRS Service Retirement.

*PURPOSE: The proposed amendments are necessary pursuant to CCS SB 17 which was passed by the Missouri Legislature this year and signed by Governor Parson. This legislation expands the System’s current divorce pop-up provision to allow a pop-up to the single life benefit for individuals divorced **prior to September 1, 2017**. Certain requirements must be met. If the divorce decree provides for sole rights to the member’s retirement benefit, the pop-up can be*

accomplished by the ex-spouse signing a consent and disclaimer form and providing it to the Systems. If the divorce decree does not provide the member with sole rights to the retirement benefit, the parties must return to court to obtain an amended decree.

(20) Any member receiving a retirement allowance from the Public School Retirement System of Missouri who elected a reduced retirement allowance under subsection 3 of section 169.070, RSMo who, at the time of that election, named his or her spouse as the nominated beneficiary may have the retirement allowance increased to the amount the retired member would be receiving had the retired member elected Option 1 *[if the following requirements are met:]*
under the following circumstances:

(A) **Where t[*T*]he marriage of the retired member and the nominated spouse *[must]* was *[be]* dissolved on or after September 1, 2017, the dissolution decree must clearly provide for sole retention by the retired member of all rights in the retirement allowance to the satisfaction of the Public School Retirement System. *[A dissolution that occurred prior to September 1, 2017 that is modified or amended on or after September 1, 2017 shall not satisfy the requirement that the marriage be dissolved on or after September 1, 2017;]***

(B) **Where the marriage of the retired member and the nominated spouse was dissolved prior to September 1, 2017:**

(1) **If the dissolution decree clearly provides for sole retention by the retired member of all rights in the retirement allowance to the satisfaction of the Public School Retirement System, the parties must either obtain an amended or modified dissolution decree after September 1, 2017 that provides for the immediate removal of the nominated spouse, or the nominated spouse must sign a notarized statement on a form designated by the Public School Retirement System consenting to his or her immediate removal as the nominated beneficiary and disclaiming all rights to future benefits.**

(2) **If the dissolution decree does not clearly provide for sole retention by the retired member of all rights in the retirement allowance to the satisfaction of the Public School Retirement System, the parties must obtain an amended or modified dissolution decree after September 1, 2017, which provides for sole retention by the retired member of all rights in the retirement allowance.**

(C) The retired member and the nominated spouse must have been married at the time of the election of the reduced retirement allowance under subsection 3 of section 169.070, RSMo;

[(C) The dissolution decree must clearly provide for sole retention by the retired member of all rights in the retirement allowance to the satisfaction of the Public School Retirement System of Missouri;]

(D) In order to receive the increased retirement allowance, a retired member who elected a term certain plan under subsection 3 of section 169.070, RSMo,

must have named his or her spouse as the primary beneficiary at the time of retirement. The increased retirement allowance shall continue for the remainder of the retired member's lifetime and no provisions of the term certain plan shall continue to apply to the retired member. All beneficiaries nominated by the retired member under the term certain plan shall be void, and the retired member must name new beneficiaries for any accumulated contributions payable upon the retired member's death. The retired member shall not be eligible to nominate a new spouse pursuant to section 169.141, RSMo; and

(E) Any such increase in the retirement allowance shall be effective upon the receipt of an application for such increase, **including the nominated spouse's consent and disclaimer form, if required**, and a certified copy of the decree of dissolution (**and separation agreement, if applicable**) that meets the requirements of this section. The increased retirement allowance will be paid prospectively only after receipt of *[the application and certified copy of the decree of dissolution]* **all of the aforementioned documents**. No retroactive benefits will be paid.

16 CSR 10-6.060(16) PEERS Service Retirement.

(16) Any member receiving a retirement allowance from the Public Education Employee Retirement System of Missouri who elected a reduced retirement allowance under subsection 4 of section 169.670, RSMo who, at the time of that election, named his or her spouse as the nominated beneficiary may have the retirement allowance increased to the amount the retired member would be receiving had the retired member elected Option 1 *[if the following requirements are met:]* **under the following circumstances:**

(A) **Where t[T]he marriage of the retired member and the nominated spouse [must] was [be] dissolved on or after September 1, 2017, the dissolution decree must clearly provide for sole retention by the retired member of all rights in the retirement allowance to the satisfaction of the Public Education Employee Retirement System of Missouri.** *[A dissolution that occurred prior to September 1, 2017 that is modified or amended on or after September 1, 2017 shall not satisfy the requirement that the marriage be dissolved on or after September 1, 2017;]*

(B) **Where the marriage of the retired member and the nominated spouse was dissolved prior to September 1, 2017:**

- (1) **If the dissolution decree clearly provides for sole retention by the retired member of all rights in the retirement allowance to the satisfaction of the Public Education Employee Retirement System of Missouri, the parties must either obtain an amended or modified dissolution decree after September 1, 2017 that provides for the immediate removal of the nominated spouse, or the nominated spouse must sign a notarized statement on a form designated by the Public Education Employee Retirement System of Missouri consenting to his or her immediate removal as the nominated beneficiary and disclaiming all rights to future benefits.**

(2) If the dissolution decree does not clearly provide for sole retention by the retired member of all rights in the retirement allowance to the satisfaction of the Public Education Employee Retirement System of Missouri, the parties must obtain an amended or modified dissolution decree after September 1, 2017, which provides for sole retention by the retired member of all rights in the retirement allowance.

(C) The retired member and the nominated spouse must have been married at the time of the election of the reduced retirement allowance under subsection 4 of section 169.670, RSMo;

[(C) The dissolution decree must clearly provide for sole retention by the retired member of all rights in the retirement allowance to the satisfaction of the Public Education Employee Retirement System of Missouri;]

(D) In order to receive the increased retirement allowance, a retired member who elected a term certain plan under subsection 4 of section 169.670, RSMo, must have named his or her spouse as the primary beneficiary at the time of retirement. The increased retirement allowance shall continue for the remainder of the retired member's lifetime and no provisions of the term certain plan shall continue to apply to the retired member. All beneficiaries nominated by the retired member under the term certain plan shall be void, and the retired member must name new beneficiaries for any accumulated contributions payable upon the retired member's death. The retired member shall not be eligible to nominate a new spouse pursuant to section 169.715, RSMo; and

(E) Any such increase in the retirement allowance shall be effective upon the receipt of an application for such increase, **including the nominated spouse's consent and disclaimer form, if required**, and a certified copy of the decree of dissolution (**and separation agreement, if applicable**) that meets the requirements of this section. The increased retirement allowance will be paid prospectively only after receipt of *[the application and certified copy of the decree of dissolution]* **all of the aforementioned documents**. No retroactive benefits will be paid.

Ms. Heath moved to approve the amendment to regulation. Mr. Hunt seconded the motion. Voting "Aye" – Zalis, Hoffman, Bryant, Hunt and Heath; "Nay" – None. The motion carried unanimously.

PSRS4850
PEERS3085

CEM
Benchmarking

Mr. Dearld Snider and Ms. Kam Mangat with CEM Benchmarking Inc. presented a summary of the CEM benchmarking study PSRS/PEERS recently participated in. CEM benchmarked PSRS/PEERS' service and costs compared to 64 leading global pension systems, including 11 in our peer group that are similar in size. For the third straight year, the results were very positive with an overall service score of 90 out of 100. PSRS/PEERS' service score was the highest in our peer group, and fifth among the 64 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.

Member Services

Ms. Nicole Hamler of PSRS/PEERS shared with the Board a video highlighting the Member Services' staff. Ms. Hamler also presented statistics for the 2018-2019 fiscal year regarding the number of retirements, deaths, refunds, and member education meetings, as well as other projects in the member services department over the last year.

**Facility
Renovation**

Mr. Snider provided a high-level recap of the construction timeline as well as Bid Package 1 (geothermal bore fields, pipe installation, demolition of the maintenance facility, three-lane south exit and new west parking lot) and Bid Package 2 (new addition and renovation). He also shared with the Board a project budget update and future dates of Board Meetings that will be held offsite due to the facility renovation.

CPI-U 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 1.6485% through June 30, 2019. The beginning CPI-U for 2019-2020 is at .1671% through July 31, 2019, which brings the total cumulative to 1.8156%.

Public Comment

Mr. Yoakum reiterated to the Board that what gets measured, gets managed and that our goal is to provide a quality plan to our members at the lowest cost possible.

Closed Session

PSRS4851
PEERS3086

Mr. Hoffman 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. Mr. Hunt seconded the motion. Voting "Aye"—Zalis, Hoffman, Bryant, Hunt and Heath; "Nay"—None. The motion carried unanimously.

The following motions were made in closed session:

PSRS4852/PEERS3087 - Minutes (Zalis, Hoffman, Bryant, Hunt and Heath; voting to approve the previous closed session minutes)

PSRS4853/PEERS3088 – Member Appeal (Zalis, Hoffman, Bryant, Hunt and Heath voting to deny the member appeal)

PSRS4854/PEERS3089 – Adjournment (Zalis, Hoffman, Bryant, Hunt and Heath; voting to adjourn closed session)

Adjournment

PSRS4855
PEERS3090

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