

REGULAR MEETING
BOARD OF TRUSTEES
OF
THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI
AND
THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI
OPEN SESSION
August 29-30, 2021

MEMBERS PRESENT

Jason Steliga, Chair
Beth Knes, Vice-Chair
Dr. Kyle Collins
Sharon Kissinger
Dr. D. Eric Park
Dr. Melinda Moss

MEMBERS ABSENT

OTHERS PRESENT

Dearld Snider, Exec. Director
Bill Betts, Asst. Exec. Dir., Oper.
Craig Husting, Asst. Exec. Dir. Invest
Sarah Swoboda, General Counsel
Anita Brand, Chief Financial Officer
Maria Walden, Dir. Legislation & Pol
Nicole Hamler, Dir. of Member Serv.
Stacie Verslues, Dir. Employer Serv.
Jeff Hyman, Director of Internal Audit
Susan Wood, Communications Dir.
Lisa Scheulen, Chief Technology Offic
Kim Harris, Dir. Human Resources
Jennifer Martin, Dir. Board Admin.

Sunday, August 29, 2021

Meeting Convened

The meeting of the Board of Trustees convened at 5:00 p.m. in the Retirement System offices in Jefferson City, Missouri. In attendance were Board members Jason Steliga, Beth Knes, Dr. Kyle Collins, Sharon Kissinger, Dr. D. Eric Park and Dr. Melinda Moss. Also present were Executive Director, Dearld Snider; Assistant Executive Director, Investments, Craig Husting; General Counsel, Sarah Swoboda; Chief Financial Officer, Anita Brand; Director of Legislation and Policy, Maria Walden; Chief Technology Officer, Lisa Scheulen; Director of Executive and Board Administration, Jennifer Martin; and various other PSRS/PEERS staff members. Assistant Executive Director, Operations, Bill Betts presented virtually.

Investments
U.S. Equity Program
Review

Mr. Frank Aten and Mr. Dan Lane from the PSRS/PEERS investment staff reviewed the Systems' U.S. Equity portfolio including program objectives, guidelines and long-term results. The five-year annualized return for the U.S. Equity composite for the period ended June 30, 2021 was 16.7%.

Investment Manager
Selection Process

Mr. Husting provided an educational session on the decision-making process related to external investment service providers. The presentation included the following: (1)

the PSRS/PEERS investment governance procedures, (2) the manager selection process, (3) on-going manager due diligence, and (4) the investment manager evaluation and termination practice.

403 (b) Discussion

Mr. Husting and Mr. Snider presented an educational session on 403(b) plans. The discussion included an explanation of the plans, the structure of such plans and both national and statewide (Missouri) issues related to the administration of 403(b) plans. The presentation also included estimated fees and expenses in traditional 403(b) plans and case studies from other states and entities that utilize 403(b) plans.

Investment General Consultant Review

Mr. Husting presented historical information on the general consultant relationships at PSRS/PEERS since 1995. Mr. Husting also discussed the traditional role of a general investment consultant at a public pension plan and the specific needs of a general consultant for PSRS/PEERS. The presentation included a review of the RFP process utilized by staff in 2017 to select the current general investment consultant (Verus).

Mr. Husting recommended conducting a targeted search process to review the market for a general consultant. A final recommendation would be made to the Board at the December 6, 2021 Board meeting.

Adjournment PSRS4995 PEERS3230

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

Monday, August 30, **2021**

System Operations **Meeting Reconvened**

The meeting of the Board of Trustees reconvened at 8:00 a.m. in the Retirement System offices in Jefferson City, Missouri. In attendance were Board members Jason Steliga, Beth Knes, Dr. Kyle Collins, Sharon Kissinger, Dr. D. Eric Park and Dr. Melinda Moss. Also present were Executive Director, Dearld Snider; Assistant Executive Director, Investments, Craig Husting; General Counsel, Sarah Swoboda; Chief Financial Officer, Anita Brand; Director of Member Services, Nicole Hamler; Director of Employer Services, Stacie Verslues; Director of Legislation and Policy, Maria Walden; Director of Communications, Susan Wood; Chief Technology Officer, Lisa Scheulen; Human Resources/Benefit Plan Administrator, Kim Harris; Director of Executive and Board Administration, Jennifer Martin; and various other PSRS/PEERS staff members. Assistant Executive Director, Operations, Bill Betts presented virtually.

Approval of Minutes PSRS4996 PEERS3231

Ms. Kissinger moved that the minutes from the June 7, 2021 (Board Education) and June 8, 2021 meetings be approved, as amended. Ms. Knes seconded the motion. Voting “Aye” – Steliga, Knes, Collins, Kissinger, Park and Moss “Nay” – None. The motion carried unanimously.

Order of Business

Executive Director, Dearld Snider, presented plaques to Jason Hoffman and Scott Hunt for their dedication and service as PSRS/PEERS Trustees. Mr. Snider also

presented a plaque to former Executive Director, M. Steve Yoakum recognizing his dedication, service and retirement from PSRS/PEERS.

**Appointment of
Budget & Audit
Committee**
PSRS4997
PEERS3232

Board Chair, Mr. Jason Steliga, noted that because Jason Hoffman and Scott Hunt are no longer on the Board, there are two vacancies on the Budget and Audit Committee. Mr. Steliga offered to serve on the committee and recommended Ms. Beth Knes, and Dr. Melinda Moss serve as well. Ms. Kissinger seconded the motion. Voting “Aye” – Steliga, Knes, Collins, Kissinger, Park and Moss “Nay” – None. The motion carried unanimously.

Other

None

Investment Report
FY 2021 Performance
and Attribution

Mr. Craig Husting from PSRS/PEERS and Ms. Margaret Jadallah from Verus (the Systems’ Investment Consultant) provided a detailed presentation on the PSRS/PEERS fiscal year 2021 investment performance. The presentation included the following: (1) a review of the Systems’ investment principles, philosophy and asset allocation, (2) a summary of fiscal year 2021 performance, (3) a review of the private markets activity, (4) PSRS/PEERS’ performance relative to expectations and relative to a peer group, (5) attribution for fiscal year 2021 performance, (6) a review of fiscal year 2021 objectives and a description of fiscal year 2022 objectives, and (7) an update on fiscal year 2022.

Mr. Husting reported that the fiscal year 2021 (July 1, 2020 through June 30, 2021) investment return for PSRS/PEERS was 28.7%, or 28.5% net of all fees and expenses. The Systems outperformed the passive benchmark which returned 22.9% for the year.

Mr. Husting reported that the five-year annualized return for the Systems for the period ending June 30, 2021 was 11.9%, or 11.7% net of all fees and expenses. The Systems outperformed the passive benchmark, which returned 10.6% for the five-year period. The five-year PSRS/PEERS investment return exceeded 70% 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. The PSRS/PEERS internal investment staff and external investment managers added value above the policy benchmark of over \$3.0 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 Report
Appointment of NCTR
Delegates
PSRS4998
PEERS3233

Dr. Moss motioned for Mr. Dearld Snider, Mr. Bill Betts and Mrs. Jennifer Martin to serve as delegates at the annual National Council on Teacher Retirement (NCTR) Conference being held virtually October 11-14, 2021. Dr. Collins seconded the motion. Voting “Aye” –Steliga, Knes, Collins, Kissinger, Park and Moss “Nay” – None. The motion carried unanimously.

CEM Benchmarking	<p>PSRS/PEERS participated in the CEM benchmarking study based on fiscal year 2020 performance. Mr. Bill Betts from PSRS/PEERS and Ms. Kam Mangat (virtual attendance) with CEM Benchmarking Inc. presented a summary of the final report. CEM benchmarked PSRS/PEERS' service and costs compared to 72 leading global pension systems, including 11 in our peer group that are similar in size.</p> <p>For the fourth straight year, the results were very positive, with an overall service score of 89 out of 100. This high level of service was provided in a cost-efficient manner with total administration costs below the average cost of the CEM universe.</p> <p>Ms. Mangat explained to the Board how CEM measures both costs and service by analyzing over 120 key performance metrics. Mr. Betts expressed his appreciation to CEM, but more importantly, to the staff of PSRS/PEERS for continuing to provide a high level of service in a cost-efficient manner.</p>
Member Services Report	<p>Ms. Nicole Hamler from PSRS/PEERS shared with the Board a video highlighting the positive survey results on our customer service from our members. Ms. Hamler commended her team for continuing to provide a high level of customer service. She reviewed statistics for the 2020-2021 fiscal year regarding the number of inquiries handled by the information center, records, retirements, deaths and refunds processed, and total member education meetings held throughout the state. Ms. Hamler also presented to the Board information regarding total membership statistics, active service information, benefits, working after retirement and Web Member Services usage.</p>
Facility Renovation	<p>Mr. Betts provided a high-level recap of the construction timeline for the new addition and renovation. Renovation is in full swing throughout the current building and presently set to be complete in October 2021.</p>
CPI-U	<p>Mr. 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 5.31915% through June 30, 2021. The beginning CPI-U for 2021-2022 is at 0.4811% through July 31, 2021.</p>
Public Comment	<p>PSRS Retiree, Carol Weatherford, publicly thanked the Systems for their financial support. She is a member and is also receiving survivor benefits due to the death of her husband.</p>
Other DESE extends waivers	<p>Executive Order 21-09 invokes the Governor's emergency powers pursuant to Section 44.100 and activates the Missouri National Guard for continued mission support in recovery operations, if needed. The order also keeps in place certain prior waivers under the prior emergency order, including the waiver of certain working after retirement (WAR) limits for PSRS/PEERS retirees.</p> <p>Mr. Dearld Snider from PSRS/PEERS shared with the Board that the Systems were awarded the Government Finance Officers Association (GFOA) Certificate of</p>

GFOA Certificate of Achievement

Achievement for Excellence in Financial Reporting for the Systems' fiscal year 2020 Annual Financial Report. The Systems have received the GFOA Certificate of Achievement each year since 1994. Mr. Snider from PSRS/PEERS explained to the Board that the annual report is a collaborative effort among departments and also reminded the Board of the importance of the annual report, as it is an accumulation of all activity conducted by the Systems during the fiscal year.

Closed Session PSRS4999 PEERS3234

Ms. Kissinger moved that the meeting continue in closed session to consider personnel issues, technology security issues, and legal matters under Sections 610.021 (1), (12), (14), (17) and 169.020.17, RSMo. Dr. Park seconded the motion. A roll call vote was taken. Voting "Aye" –Steliga, Knes, Collins, Kissinger, Park and Moss "Nay" – None. The motion carried unanimously.

The following motions were made in closed session:

PSRS5000/PEER3235 - Minutes (Steliga, Knes, Collins, Kissinger, and Moss voting to approve the previous closed session minutes. Dr. Park abstained from voting since he was not on the Board in June 2021.)

PSRS5001/PEERS3236 – Member Appeal (Steliga, Knes, Collins, Kissinger, Park and Moss voting to deny the member appeal)

PSRS5002/PEERS3237 Investment Counsel Procurement (Steliga, Knes, Collins, Kissinger, Park and Moss; voting to approve the Investment Counsel Procurement)

PSRS5003/PEERS3238 Move back to Open Session (Steliga, Knes, Collins, Kissinger, Park and Moss; voting to move back to Open Session)

Legislative Review and Planning Meeting

The Board voted to go back into open session at 12:10 p.m. Following a lunch break, they started the Legislative Review and Planning Meeting at 1:30 p.m. Mr. Snider went over the quick facts of the Systems.

Ms. Anita Brand from PSRS/PEERS presented the results of the actuarial experience studies for the five-year period ended June 30, 2020. 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. Ms. Brand 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.

Ms. Maria Walden from PSRS/PEERS presented on the 2021 Retirement-Related Legislative Session. She discussed 2021 legislation that did not pass but impacted the Retirement Systems and might be introduced again in 2022. There are over 17,000 PSRS members who are currently eligible to retire. It is important that legislation isn't introduced that would cause those members to retire earlier than they intend to retire. The actuary reviews several factors in order to determine the cost of legislative change regarding working after retirement:|

- Does it change the behavior of the active members and cause them to retire early?

- Does it allow covered employers to hire one or two retiree(s) to replace one current, active member?
- Are contributions collected on the amount of earnings?

Ms. Walden talked about the governor's waiver of the working after retirement statute relating to the 550-hour/50% of salary limits on working after retirement. The waiver suspends the 550-hour and 50% of salary limits in RSMo 169.560.1 (as well as corresponding language regarding how to calculate the 50% salary limit) for retired PSRS members who return to work in certificated positions. It also suspends the 60% of minimum teacher salary limit in RSMo 169.560.2 for retired PSRS members who return to work in non-certificated positions and subjects such retired members to the (non-suspended) requirements in RSMo 169.560.1. It also suspends the 550-hour limit in RSMo 169.660.2 on working after retirement for retired PEERS members.

The waiver of working after retirement limits is in effect for as long as a current Executive Order declared by the governor due to the COVID-19 pandemic is in effect. On August 27, 2021, Governor Mike Parson's office confirmed that the extension is in effect until December 31, 2021.

Ms. Walden spoke about the research that has been conducted by staff regarding potential future changes to working after retirement. The educational associations discussed issues of importance for their members with regard to retirement and the upcoming 2022 legislative session. There was also time for other public comment.

Adjournment
PSRS5004
PEERS3239

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