

BUDGET & AUDIT COMMITTEE

BOARD OF TRUSTEES

OF

THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI

AND

THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

June 13, 2023

MEMBERS PRESENT

Dr. Jason Steliga, Chair
Beth Knes, Vice Chair

MEMBERS ABSENT

Dr. Kyle Collins
Dr. Eric Park

OTHERS PRESENT

Dearld Snider, Exec. Director
Craig Husting, Chief Inv. Officer
Sarah Swoboda, Chief Operating Ofc.
Mike Moorefield, Chief Counsel
Anita Brand, Chief Financial Officer
Jeff Hyman, Director of Internal Audit
Kim Harris, Dir. Human Resources
Nicole Hamler, Dir. of Member Serv.
Stacie Verslues, Dir. of Emp. Services
Jennifer Martin, Dir. Board Admin.

OTHER TRUSTEES PRESENT

Allie Gassmann
Katie Webb

Meeting Convened The meeting of the Budget & Audit Committee of the Board of Trustees convened on Tuesday, June 13, 2023 at 8:30 a.m. at the Courtyard by Marriott Kansas City Downtown/Convention Center in Kansas City, Missouri. In attendance were Board members Dr. Jason Steliga, Beth Knes, Allie Gassmann and Katie Webb. Also present were Executive Director Dearld Snider; Chief Operating Officer Sarah Swoboda; Chief Investment Officer Craig Husting; Chief Counsel Mike Moorefield; Chief Financial Officer Anita Brand; Director of Internal Audit Jeff Hyman; Director of Member Services Nicole Hamler; Director of Employer Services Stacie Verslues; Director of Human Resources Kim Harris; Director of Executive and Board Administration Jennifer Martin; and various other PSRS/PEERS staff members.

Approval of Minutes
No.0153 Ms. Knes moved that the minutes from the April 16, 2023, meeting of the Budget and Audit Committee be approved. Dr. Steliga seconded the motion. Voting “Aye”— Steliga, Knes, Gassmann, and Webb; “Nay”—None. The motion carried unanimously.

Amendment of Certain Minutes Previously Adopted
No.0154 This issue emerged in February 2023 when it was discovered certain minutes indicated a Roll Call vote when a Roll Call vote did not occur. Dr. Steliga moved that the minutes from the December 2021, April 2022, and June 2022 of the Budget and Audit Committee be approved as amended. Ms. Knes seconded the motion. Voting “Aye”— Steliga, Knes, Gassmann, and Webb; “Nay”—None. The motion carried unanimously. See appendix for more information.

Annual Banking Resolution
No.0155 Ms. Anita Brand from PSRS/PEERS reviewed a memo regarding a banking resolution. The resolution provides continuing authority to Mr. Dearld Snider, Ms. Sarah Swoboda and Mr. Craig Husting to make necessary changes related to the Systems’ banking relationship with Central Bank. The banking resolution authorizes appropriate individuals to execute documents with the bank without additional approval by the Board of Trustees. The resolution automatically expires each June 30 or when a new resolution is received by Central Bank. Ms. Knes moved to approve the resolution as recommended by the Budget and Audit Committee. Dr. Steliga seconded the motion. Voting “Aye”— Steliga, Knes, Gassmann, and Webb; “Nay”—None. The motion carried unanimously.

Discussion and Approval of 2023-2024 Budget Ms. Brand reviewed the fiscal year 2023-2024 proposed budget request. Ms. Brand provided information regarding the processes utilized to develop the budget. The budget was compiled based on the Systems' mission of providing retirement security to Missouri's educators and public school employees in the most efficient and cost-effective manner possible. Ms. Brand provided the following budget highlights and provided detailed discussion on significant changes from the prior year.

As part of the annual budgeting process, management prepares annual key initiatives. Key initiatives are developed and reviewed annually by each department under the leadership of the department director and then reviewed by management to ensure consistent alignment. The key initiatives are developed based on the Systems' mission, goals, focus areas and strategic objectives. Annually, each key initiative is reviewed by management to determine if it was completed and what measurable effect (if measurable) each action had on the Systems' strategic objectives. Ms. Brand reviewed the key initiatives completed during fiscal year 2023, as well as the fiscal year 2024 key initiatives.

The total request has increased by 5.8% from the fiscal year 2022-2023 adjusted budget. The overall increase is driven by an expected 5.7% increase in benefit payments to members.

The investment expenses are comprised of investment fees and investment administrative expenses. Budgeted investment fees increased compared to the prior year. The increase is directly related to the assets under management and current contracts with investment managers. Investment fees are paid and budgeted in accordance with current legal contracts. The Systems account for and budget all investment fees including performance and incentive fees. Actual expenses will be directly dependent on the market environment.

The budget request also includes an increase in investment administrative expenses. The Board of Trustees amended the fiscal year 2023 budget at their December 2022 meeting. The budget was amended to facilitate the opening of a secondary office in the St. Louis area for the continued build out of the Private Equity and Private Credit programs. The budget adjustments included the addition of five full-time positions to the Investment department. The positions will focus on the Private Equity and Private Credit Programs. The decision to open a St. Louis office location was based on recent recruitment efforts, an analysis of the post-COVID pandemic landscape, and additional research by staff. The secondary office is expected to facilitate enhanced recruitment and retention and long-term succession planning. The secondary office will also be available for use by staff for member education opportunities, Board of Trustees activities and other events that may be advantageous to the Systems. The opening of the secondary office location and a compensation pool for staff attributed to the increase in investment administrative expenses.

The total administrative budget is made up of the capital asset budget (items over \$10,000 that are capitalized) and the administrative budget. Administrative expenses have increased by approximately \$2,200,000 (or 9.8%) from the previous year. The increase is attributed to the addition of eight full-time positions and compensation allocations for staff. The increase in administrative expenses is largely offset by a \$1,500,000 decrease in capital assets. The total administrative budget increased by approximately \$700,000 (or 2.8%).

Throughout the proposed budget request, the Systems have decreased the budget where appropriate. However, the overall proposed budget request has increased in order to meet the Systems' long-term goals and strategic objectives. The Systems' administrative expenses are funded through investment earnings.

No.0156

Ms. Knes moved that the 2023-2024 budget be approved. Dr. Steliga seconded the motion. Voting "Aye"—Steliga, Knes, Gassmann, and Webb; "Nay"—None. The motion carried unanimously.

Public Comment

None

Adjournment
No.0157

Dr. Steliga moved that the meeting adjourn. Ms. Knes seconded the motion. Voting "Aye"—Steliga, Knes, Gassmann, and Webb; "Nay"—None. The motion carried unanimously.

Prepared by
Jennifer Martin

Dr. Jason Steliga, Chair

Dearld Snider, Executive Director