

BUDGET & AUDIT COMMITTEE
BOARD OF TRUSTEES
OF
THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI
AND
THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

June 10, 2025

MEMBERS PRESENT

Beth Knes, Chair
Dr. Eric Park, Vice Chair
Katie Webb

MEMBERS ABSENT

OTHERS PRESENT

Dearld Snider, Exec. Director
Craig Husting, Chief Inv. Officer
Sarah Swoboda, Chief Operating Ofc.
Mike Moorefield, Chief Counsel
Brandon Robertson, Chief Fin. Officer
Anita Brand, Exec. Advisor Fin. Strategy
Jeff Hyman, Director of Internal Audit
Michelle Varcho, Dir. Human Resources
Nicole Hamler, Dir. of Member Serv.
Stacie Verslues, Dir. of Emp. Services
Lisa Scheulen, Chief Technology Offer.
Jake Woratzeck, Chief Info. Sec. Offer.
Susan Wood, Dir. of Communications
Jennifer Martin, Dir. Board Admin.

OTHER TRUSTEES PRESENT

Allie Gassmann
Chuck Bryant
Amanda Perschall

Meeting Convened The meeting of the Budget & Audit Committee of the Board of Trustees convened on Tuesday, June 10, 2025, at 8:00 a.m. at 520 Maryville Centre Dr., St. Louis, Missouri, 520 Maryville Conference Room. In attendance were Board members Beth Knes, Dr. Eric Park, Allie Gassmann, Katie Webb, Chuck Bryant, and Amanda Perschall. Also present were Executive Director Dearld Snider; Chief Operating Officer Sarah Swoboda; Chief Investment Officer Craig Husting; Chief Counsel Mike Moorefield; Chief Financial Officer Brandon Robertson; Executive Advisor, Finance and Strategy Anita Brand; Director of Human Resources Michelle Varcho; Director of Member Services Nicole Hamler; Director of Employer Services Stacie Verslues; Director of Internal Audit Jeff Hyman; Director of Communications Susan Wood; Chief Technology Officer Lisa Scheulen; Chief Information Security Officer Jake Woratzeck; Director of Executive and Board Administration Jennifer Martin; and various other PSRS/PEERS staff members.

**Approval of
Minutes
No.0176**

Ms. Knes moved that the minutes from the April 6, 2025, meeting of the Budget and Audit Committee be approved. Ms. Katie Webb seconded the motion. Voting "Aye"—Knes, Park, Gassmann, Webb, Bryant and Perschall; "Nay"—None. The motion carried unanimously.

**Operating Bank
Review and
Contract**

Ms. Anita Brand and Mr. Brandon Robertson, both from PSRS/PEERS, discussed the Systems' operating bank services. The Systems issued a Request for Proposals (RFP) for banking, treasury, and cash management services on February 21, 2025.

PSRS/PEERS does not frequently change the vendor providing these services because the Systems' needs are complex, and a vendor change can disrupt members, staff, and business partners. However, it is important the Systems continuously assess all vendor relationships to ensure it retains the best overall service, pricing, security, and technologic advances.

Ms. Brand summarized the unique needs and requirements of the Systems that were reflected in the RFP. An internal evaluation committee reviewed all responses and conducted finalist presentations.

Staff recommended retaining the Systems' current vendor, Central Bank Trust. Staff's recommendation was based on Central Bank Trust's proposal submission, presentation, unique expertise with large public funds to adequately manage statutory collateral requirements, and the beneficial relationship the Systems have shared with Central Bank Trust.

No. 0177

Dr. Park moved to accept the Staff's recommendation of retaining the Systems' current vendor, Central Bank Trust. Ms. Webb seconded the motion. Voting "Aye: - Knes, Park, Gassmann, Webb, Bryant, and Perschall.; "Nay" – None. The motion carried unanimously.

Annual Banking Resolution

Ms. Brand and Mr. Robertson 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, when needed, related to the Systems' banking relationship with Central Trust 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 Trust Bank. Ms. Webb moved to approve the resolution as recommended by the Budget and Audit Committee. Dr. Park seconded the motion. Voting "Aye"—Knes, Park, Gassmann, Webb, Bryant, and Perschall; "Nay"—None. The motion carried unanimously.

No.0178

Discussion and Approval of 2025-2026 Budget

Ms. Brand and Mr. Robertson reviewed the fiscal year 2025-2026 proposed budget request. They provided information regarding the processes used to develop the budget. Leaders compiled the budget 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. Each department develops and reviews key initiatives annually under the leadership of the department director. Management then reviews the key initiatives to ensure alignment with the Systems' mission, goals, focus areas, and strategic objectives. Annually, Management reviews each key initiative to determine whether it was completed and what measurable effect (if measurable) each action had on the Systems' strategic objectives. Key initiatives vary in scope and duration for completion. The Systems currently have several multi-year key initiatives in progress. Ms. Brand reviewed the multi-year key initiatives, fiscal year 2025-2026 key initiatives, and key initiatives completed during the 2024-2025 fiscal year.

The total budget request has increased by 4.8% from the fiscal year 2024-2025 budget. An expected 4.8% increase in benefit payments to members is driving the increase, which includes a projected January 1, 2026, cost-of-living adjustment (COLA), the 2% COLA

granted on January 1, 2025, and the addition of benefits for new retirees. The Systems' actuary will present the recommended January 1, 2026, COLA at the October 2025 Board of Trustees meeting.

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 directly depend on the market environment.

The budget request also includes an increase of approximately \$1,100,000 (or 7.4%) in investment administrative expenses. Investment administrative expenses consist primarily of internal investment staff (salary, benefits) and related costs (office expenses, technology) and have increased as the Systems continue to invest in the internal investment team and infrastructure. The increase is attributed to the addition of one investment position, two investment operations positions, and the completion of a comprehensive compensation study in accordance with the Board of Trustees' Compensation Strategy. Investment returns are reported net of investment fees and investment administrative expenses. The investment administrative expense budget reflects an increase in due diligence-related travel expenses by investment staff, given the nature of the investment allocations. Budgeted increases and decreases for other non-personnel related investment administrative expenses were generally minor and/or inflationary.

The total administrative budget is made up of the administrative expense budget and the capital asset budget (items over \$10,000 that are capitalized). Administrative expenses have increased by approximately \$2,000,000 (or 7.4%) from the previous year. The increase is attributed to the addition of four full-time positions and the completion of a comprehensive compensation study in accordance with the Board of Trustees' Compensation Strategy. The increase in administrative expenses is largely offset by a \$570,000 (or 53.9%) decrease in capital assets. Capital assets have decreased from the previous year due to the completion of one-time projects.

The budget for non-personnel administrative expenses reflects an increase in professional services due to an experience study to be performed by the Systems' retained actuary, which occurs every five years, and an increase in software and infrastructure-related technology costs for the continued investment in information technology and security initiatives that are critical to providing exceptional service to the Systems' members and employers, to retaining staff, and for appropriate protection of sensitive data. Budgeted increases and decreases for other non-personnel related administrative expenses were generally minor and/or inflationary.

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

Ms. Knes moved that the 2025-2026 budget be approved. Dr. Park seconded the motion. Voting "Aye"—Knes, Park, Gassmann, Webb, Bryant, and Perschall; "Nay"—None. The motion carried unanimously.

Public Comment None

Adjournment
No.0180

Ms. Knes moved that the meeting adjourn. Ms. Webb seconded the motion. Voting “Aye”— Knes, Park, Gassmann, Webb, Bryant, and Perschall; “Nay”—None. The motion carried unanimously.

Prepared by
Jennifer Martin



Ms. Beth Knes, Chair



Dearld Snider, Executive Director