

BOARD OF TRUSTEES
OF
THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI
AND
THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

December 10, 2018

MEMBERS PRESENT

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

MEMBERS ABSENT

OTHERS PRESENT

M. Steve Yoakum, Executive 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
Jeff Hyman, Dir. of Internal Audit
Nicole Hamler, Dir. of Member Serv.
Omar Davis, Dir. of Employer Serv.
Maria Walden, Legislative Director
Stacie Verslues, Dir. of Admin. Design

**Meeting
Convened**

The meeting of the Board of Trustees convened at 9:30 a.m. in the Retirement System offices in Jefferson City, Missouri. In attendance were Board members Aaron Zalis, Yvonne Heath, Chuck Bryant, Beth Knes, Jason Hoffman, and Jason Steliga. Board Member Scott Hunt attended the Management portion of the regular meeting via teleconference. Also present were Executive Director, M. Steve Yoakum; Assistant Executive Director, Investments, Craig Husting; Assistant Executive Director, Operations, Dearld Snider; General Counsel, Sara Swoboda; Chief Financial Officer, Anita Brand; Director of Member Services, Nicole Hamler; Director of Employer Services, Omar Davis; Director of Legislation and Policy, Maria Walden; Director of Internal Audit, Jeff Hyman; Chief Technology Officer, Bill Betts; Director of Administrative Planning and Design, Stacie Verslues; and various other PSRS/PEERS staff members.

**Approval of
Minutes
PSRS4799
PEERS3034**

Mr. Steliga moved that the minutes from the October 29, 2018 meeting be approved. Mr. Bryant seconded the motion. Voting "Aye"—Zalis, Hoffman, Bryant, Heath, Knes, and Steliga; "Nay"—None. The motion carried unanimously.

**Order of
Business**

None

Recognition

Mr. Steve Yoakum, Executive Director, presented a plaque to Charlene Porter recognizing her for her recent retirement from PSRS/PEERS.

Investments
Performance Report

Mr. Craig Husting, Chief Investment Officer, and Mr. Barry Dennis from Verus reviewed the investment performance for the period ended September 30, 2018. The one-year PSRS/PEERS investment return was reported as 8.3%, while the fiscal year return (July 1, 2018 through September 30, 2018) was reported as 2.5%.

Ongoing Investment Activity

Mr. Husting and Mr. Dennis reviewed ongoing investment activities, which included estimated investment performance through November 30, 2018. Mr. Husting discussed the current asset allocation of the PSRS/PEERS portfolio, in which he reviewed the long-term strategy, portfolio themes and the broad portfolio expectations. Mr. Husting also reviewed the tentative Board investment calendar.

Safe Assets Program Review

Mr. Frank Aten and Ms. Jessica Wilbers from the PSRS/PEERS investment staff reviewed the Systems' Safe Assets portfolio including program objectives, guidelines and long-term results. The five-year annualized return for the Safe Assets composite for the period ended September 30, 2018 was 1.1%.

Private Equity and Private Credit Program Review

Mr. John Tuck, Mr. Dan Case and Mr. Ben Frede from the PSRS/PEERS investment staff reviewed the Systems' Private Equity and Private Credit portfolios including program objectives, guidelines and long-term results. The five-year annualized return for the Private Equity composite for the period ended June 30, 2018 was 16.4% and the five-year annualized return for the Private Credit composite for the same period was 8.0%.

Accounting
Review of the FY18 Comprehensive Annual Financial Report (CAFR)

Ms. Anita Brand, Chief Financial Officer reviewed the purpose of the CAFR. The CAFR is an accumulation of all activity conducted by the Systems during the fiscal year and becomes a historical document for current and future users. The CAFR is prepared in compliance with the accounting requirements established by the Governmental Accounting Standards Board (GASB). The Government Financial Officers Association (GFOA) also provides guidance on the content of the CAFR. The Systems' strive for excellence in reporting and transparency, therefore the CAFR exceeds the GFOA requirements. Ms. Brand focused on the report's five distinct sections: 1. Introductory, 2. Financial, 3. Investment, 4. Actuarial and 5. Statistical.

Audit Report

Ms. Heidi Chick of Williams Keepers reviewed the recent June 30, 2018 audit of the Retirement Systems. Ms. Chick indicated that Williams Keepers had issued an unqualified audit opinion on the June 30, 2018 financial statements. Ms. Chick indicated an unqualified audit opinion represents the following: the "highest opinion" available, that the financial statements are fairly presented in all material respects in accordance with the U.S. Generally Accepted Accounting Principles, and the financial statements can be relied upon. Ms. Chick briefly reviewed the audit process, financial statements, new accounting pronouncements and all the footnotes. Mr. Mestres reviewed the audit communications letter to the Board of Trustees. He indicated they found no significant deficiencies or material weaknesses in internal controls. Ms. Chick also briefly discussed the

PSRS4800
PEERS3035

Governmental Accounting Standards Board Statement No. 68 audit. She reviewed the roles of PSRS/PEERS' staff and Williams Keepers during this process and the joint effort made with the school districts. Mr. Bryant moved that the audit report be accepted as recommended by the Budget and Audit Committee and as presented to the Board. Mr. Hoffman seconded the motion. Voting "Aye"—Zalis, Hoffman, Bryant, Heath, Knes, and Steliga; "Nay"—None. The motion carried unanimously.

Management
Legislative
Update

Ms. Maria Walden, Legislative Director, updated the Board on the 2019 pre-filed legislation. The Missouri General Assembly allows elected officials to pre-file legislation starting on December 1 for the upcoming legislative session.

Ms. Walden reviewed the upcoming important legislative dates, the legislative statistics and new pre-filed 2019 legislation. Several bills have been pre-filed this year that have a direct impact on the Systems:

- HB 69 was pre-filed this year by Representative Dinkins and it repeals the July 1, 2014 termination date of the 2.55% benefit factor provision allowing members of the Public School Retirement System of Missouri who have 31 or more years of service to have their retirement allowance calculated using a multiplier of 2.55%. This bill contains an emergency clause.
- HB 77 was pre-filed this year by Representative Black. HB 77 would allow all PSRS retirees who return to work for **community colleges** to be covered under the 550 hours and 50% of salary statutory restrictions only (exempt from the \$15,000/no hourly limitation). No contributions would be required from the employer or retiree nor refunds of previous contributions to employers. This bill contains an emergency clause.

PSRS4801
PEERS3036

PricewaterhouseCoopers is currently working on the actuarial cost statement for both HB 69 and HB 77. Mr. Hoffman moved that the Board go on record unanimously in support of HB 77 as long as there is no significant cost to the systems. Mr. Bryant seconded the motion. Voting "Aye"—Zalis, Hoffman, Bryant, Heath, Knes, and Steliga; "Nay"—None. The motion carried unanimously.

CPI Update

Mr. Yoakum explained that the Consumer Price Index for Urban Consumers (CPI-U) is calculated by the Bureau of Labor Statistics (BLS). The CPI-U is the measure of the change in prices of goods and services purchased by urban consumers between any two time periods. PSRS/PEERS' regulation requires that the time period for the CPI-U calculation used in the determination of a COLA be from June to June. Based on the values provided by the BLS, the CPI-U is up 0.3556% for the first four months of fiscal year 2019.

Facility Analysis

Mr. Dearld Snider, Asst. Executive Director, Operations, presented information about facility and planning needs for PSRS/PEERS. He recapped areas of concern with the present building regarding our ability to continue to provide exceptional service to our members in line with our System's goals. Mr. Snider reviewed options based on direction from the Board at the August 2018 Board meeting: 1) Renovate current facility and build an addition onto the back of the building or 2) Construct a new facility on the adjacent land we currently own. Cost projections

were provided for both options as well as a comparison of operating costs of a new facility versus a renovated facility. At the request of the Board, a memo was provided to the Board focusing on energy efficiency and the savings which can be achieved by replacing the current HVAC system along with a transition to LED lights. He also reviewed the budgeting schedule and provided a high-level look at the timing of the project which would likely span through 2021. Mr. Bryant asked of PSRS/PEERS staff if the hope is to have a vote today. Mr. Yoakum responded that we would like the Board to make a decision as we are out of space and have provided all of the information we can. Mr. Bryant expressed his concerns of finding a buyer for our current building and the perception of a beautiful building sitting vacant while we are building a new facility. The Board discussed the pros and cons of each option in depth. Mr. Steliga stated that we need to be cognizant of public perception of renovating our current facility as well and continue to communicate with the public. He also requested talking points be provided to the Board. Mr. Hunt agrees there is risk of public perception either way and although building a new facility is his preference, he is okay with moving forward with renovation of our current facility as to not hold up progress. Mr. Hunt did ask that we investigate the benefit of borrowing money at a lower interest rate versus using current assets. Mr. Bryant motioned to move forward with renovation of our current facility with the addition. Mr. Hoffman seconded this motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

PSRS4802
PEERS3037

Public Comment

None

Closed Session

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

PSRS4803
PEERS3038

The following motions were made in closed session:

PSRS4804/PEERS3039 - Minutes (Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; voting to approve the previous closed session minutes)

PSRS4805/PEERS3040 Member Appeal (Zalis, Hoffman, Bryant, Heath, Hunt, Knes and Steliga; voting to deny the member appeal)

PSRS4806/PEERS3041 Personnel Report (Zalis, Hoffman, Bryant, Heath, Hunt, Knes and Steliga; voting to approve Investment Compensation Plan)

PSRS4807/PEERS3042 Personnel Report (Zalis, Hoffman, Bryant, Heath, Hunt, Knes and Steliga; voting to approve CIO Contract and Compensation)

PSRS4808/PEERS3043 – Adjournment (Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; voting to adjourn closed session)

Adjournment

PSRS4809
PEERS3044

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

