

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

THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

December 9, 2019

MEMBERS PRESENT

Aaron Zalis, Chair
Jason Hoffman, Vice-Chair
Yvonne Heath
Beth Knes
Jason Steliga

MEMBERS ABSENT

Scott Hunt
Sharon Kissinger

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
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 9:30 a.m. in the Retirement System offices in Jefferson City, Missouri. In attendance were Board members Aaron Zalis, Jason Hoffman, Yvonne Heath, Beth Knes and Jason Steliga. 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; Communications Director, Susan Wood; Director of Administrative Planning and Design, Stacie Verslues; and various other PSRS/PEERS staff members.

**Approval of
Minutes**

PSRS4868
PEERS3103

Ms. Knes moved that the minutes from the October 27-28, 2019 meetings be approved as presented. Mr. Steliga seconded the motion. Voting "Aye"—Zalis, Hoffman, Heath, Knes and Steliga; "Nay"—None. The motion carried unanimously.

Order of Business

Dr. Aaron Zalis, Board Chairman, presented a plaque to Chuck Bryant recognizing his dedication and service as a PSRS/PEERS Trustee.

Mr. Steve Yoakum, Executive Director, presented a plaque to Susan Cassmeyer recognizing her recent retirement from PSRS/PEERS.

Investments
Performance Report

Mr. Craig Husting from PSRS/PEERS and Ms. Margaret Jadallah from Verus reviewed the investment performance for the period ended September 30, 2019. The one-year PSRS/PEERS investment return was reported as 5.3%, while the fiscal year return (July 1, 2019 through September 30, 2019) was reported as 0.8%.

Ongoing Investment Activity

Mr. Husting and Ms. Jadallah reviewed ongoing investment activities, which included estimated investment performance through November 30, 2019. 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.

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, 2019 was 2.4%.

Hedged Assets Program Review

Mr. John Tuck and Mr. Travis Allen from the PSRS/PEERS investment staff reviewed the Systems' Hedged Assets portfolio including program objectives, guidelines and long-term results. The five-year annualized return for the Hedged Asset composite for the period ended June 30, 2019 was 4.5%.

Accounting
Review of the FY19 Comprehensive Annual Financial Report (CAFR)

Ms. Anita Brand from PSRS/PEERS 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 Finance 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. The Trustees each received a copy of the CAFR with the Board Meeting information. The full version is also found on the PSRS/PEERS website <https://www.psr-peers.org/About-Us/Resources/Annual-Report>.

Audit Report

Mr. Nick Mestres of Williams Keepers reviewed the recent June 30, 2019 audit of the Retirement Systems. Mr. Mestres indicated that Williams Keepers had issued an unqualified audit opinion on the June 30, 2019 financial statements. Mr. Mestres 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. Mr. Mestres briefly reviewed the audit process, financial statements, new accounting pronouncements and all the footnotes. Ms. Chick reviewed the audit communications letter to the Board of Trustees. She indicated they found no significant deficiencies or material weaknesses in internal controls. Ms. Brown briefly discussed the Governmental Accounting Standards Board

PSRS4869
PEERS3104

Statement No. 68 audit. Mr. Hoffman moved that the audit report be accepted as recommended by the Budget and Audit Committee and as presented to the Board. Ms. Knes seconded the motion. Voting “Aye”—Zalis, Hoffman, Heath, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

Management Report
Legislative Update

Ms. Maria Walden from PSRS/PEERS updated the Board on the 2020 pre-filed legislation. The Missouri General Assembly allows elected officials to pre-file legislation starting on December 1 for the upcoming legislative session. Mr. Jim Moody, legislative consultant, reported briefly on state revenue and gave an update to the Board.

Regulation
Amendment

Ms. Sarah Swoboda from PSRS/PEERS presented amendments to the Board regarding Payment of Funds to the Retirement Systems. The amendments more fully set forth the Systems’ existing policy regarding employer-paid payments to employees’ Health Savings Accounts (HSAs).

16 CSR 10-3.010 Payment of Funds to the Retirement System

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(7) For purposes of determining retirement contributions and benefits, salary rate includes medical insurance premiums (including dental and vision) paid by the employer on behalf of the member and payments made by the employer on behalf of the member to a self-funded medical benefits plan. The employer shall withhold from the member’s salary and remit to the system contributions on any such premiums and payments, along with matching employer contributions. The payment reported for each member covered by a self-funded medical benefits plan shall be determined by the employer.

(A) Salary rate also includes payments made by the employer on behalf of the member to purchase an annuity, or fund a deferred compensation plan, in lieu of medical insurance or a self-funded medical benefits plan.

(B) Premiums and payments for prescription drug, life, and other ancillary benefits determined separately from premiums and payments for general medical benefits are not part of salary rate.

(C) Beginning July 1, 2017, premiums paid by the employer on behalf of the member and payments made by the employer on behalf of the member to a self-funded medical benefits plan for prescription drug coverage shall be included in salary **rate** as defined in section 169.010, RSMo, whether or not such premiums or payments for prescription drug coverage were determined separately from premiums and payments for general medical benefits. Contributions transmitted to the retirement system before July 1, 2017, based on salary rates which either included or excluded employer-paid premiums or payments to a self-funded medical benefits plan for prescription drug coverage for members shall be deemed to have been in compliance with this section. The retirement system shall not refund or adjust contributions or adjust benefit determinations with respect to any period before July 1, 2017, solely because of the treatment of employer-paid premiums or payments to a self-funded medical benefits plan for prescription drug coverage for members.

(D) **Beginning July 1, 2020, certain payments made by the employer on behalf of an employee to a Health Savings Account (HSA) shall be included in salary rate as defined in section 169.010, RSMo, whether or not such payments**

were determined separately from premiums and payments for general medical benefits. Payments made by an employer to an employee's HSA shall be included in salary rate up to the amount that is offered to all employer's employees and not to exceed the applicable annual HSA contribution limit set by Internal Revenue Code for single coverage. The annual contribution limit used will be the one in effect for the calendar year in which a plan year begins. Contributions transmitted to the retirement system before July 1, 2020, based on salary rates which either included or excluded employer payments to an employee's HSA shall be deemed to have been in compliance with this section. The retirement system shall not refund or adjust contributions or adjust benefit determinations with respect to any period before July 1, 2020, solely because of the treatment of employer-paid HSA contributions.

(E) Salary, salary rate, or compensation as defined in section 169.010, RSMo, shall not be reduced due to premium rebates or refunds received by the employer as a result of the implementation of the "Patient Protection and Affordable Care Act," Public Law 111-148.

16 CSR 10-6.020 Payment of Funds to the Retirement System

.....

(9) For purposes of determining retirement contributions and benefits, salary rate includes medical insurance premiums (including dental and vision) paid by the employer on behalf of the member and payments made by the employer on behalf of the member to a self-funded medical benefits plan. The employer shall withhold from the member's salary and remit to the system contributions on any such premiums and payments, along with matching employer contributions. The payment reported for each member covered by a self-funded medical benefits plan shall be determined by the employer.

(A) Salary rate also includes payments made by the employer on behalf of the member to purchase an annuity, or fund a deferred compensation plan, in lieu of medical insurance or a self-funded medical benefits plan.

(B) Premiums and payments for prescription drug, life, and other ancillary benefits determined separately from premiums and payments for general medical benefits are not part of salary rate.

(C) Beginning July 1, 2017, premiums paid by the employer on behalf of the member and payments made by the employer on behalf of the member to a self-funded medical benefits plan for prescription drug coverage shall be included in salary **rate** as defined in section 169.600, RSMo, whether or not such premiums or payments for prescription drug coverage were determined separately from premiums and payments for general medical benefits. Contributions transmitted to the retirement system before July 1, 2017, based on salary rates which either included or excluded employer-paid premiums or payments to a self-funded medical benefits plan for prescription drug coverage for members shall be deemed to have been in compliance with this section. The retirement system shall not refund or adjust contributions or adjust benefit determinations with respect to any period before July 1, 2017, solely because of the treatment of employer-paid premiums or payments to a self-funded medical benefits plan for prescription drug coverage for members.

(D) Beginning July 1, 2020, certain payments made by the employer on behalf of an employee to a Health Savings Account (HSA) shall be included in

salary rate as defined in section 169.600, RSMo, whether or not such payments were determined separately from premiums and payments for general medical benefits. Payments made by an employer to an employee's HSA shall be included in salary rate up to the amount that is offered to all employer's employees and not to exceed the applicable annual HSA contribution limit set by Internal Revenue Code for single coverage. The annual contribution limit used will be the one in effect for the calendar year in which a plan year begins. Contributions transmitted to the retirement system before July 1, 2020, based on salary rates which either included or excluded employer payments to an employee's HSA shall be deemed to have been in compliance with this section. The retirement system shall not refund or adjust contributions or adjust benefit determinations with respect to any period before July 1, 2020, solely because of the treatment of employer-paid HSA contributions.

(E) Salary, salary rate, or compensation as defined in section 169.600, RSMo, shall not be reduced due to premium rebates or refunds received by the employer as a result of the implementation of the "Patient Protection and Affordable Care Act," Public Law 111-148.

Mr. Hoffman moved to approve the amendments to regulation. Mr. Steliga seconded the motion. Voting "Aye" – Zalis, Hoffman, Heath, Knes and Steliga; "Nay" – None. The motion carried unanimously.

PSRS4870
PEERS3105

Leadership Program

Mr. Dearld Snider from PSRS/PEERS presented to the Board a new leadership program at PSRS/PEERS entitled Leadership Exploration and Development (LEAD) that is set to kick-off in 2020. This program is being led in collaboration with the Missouri Training Institute with the purpose of identifying, developing and retaining internal talent for leadership positions to sustain our culture and support the ongoing growth of the organization. Mr. Snider also introduced the 12 individuals who were selected to participate in the class of 2020.

Facility Renovation

Mr. Snider shared with the Board an update on the facility renovation and new addition. Bid Package 1 (geothermal bore fields, pipe installation, demolition of the maintenance facility, three-lane south exit and new west parking lot) was completed November 1, 2019. Mr. Snider was pleased to report that work on Bid Package 2 (new addition and renovation) has begun and the budget remains on track

CPI-U

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 0.4697% through October 31, 2019, which brings the total cumulative to 2.1181%.

Public Comment

None

Closed Session

PSRS4871
PEERS3106

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. Ms. Heath seconded the motion. Voting “Aye”—Zalis, Hoffman, Heath, Knes and Steliga; “Nay”—None. The motion carried unanimously.

The following motions were made in closed session:

PSRS4872/PEERS3107 - Minutes (Zalis, Hoffman, Heath, Knes and Steliga; voting to approve the previous closed session minutes)

PSRS4873/PEERS3108 – Member Appeal (Zalis, Hoffman, Heath, Knes and Steliga voting to deny the member appeal)

PSRS4874/PEERS3109 – Member Appeal (Zalis, Hoffman, Heath, Knes and Steliga voting to deny the member appeal)

PSRS4875/PEERS3110 – Adjournment (Zalis, Hoffman, Heath, Knes and Steliga; voting to adjourn closed session)

Adjournment

PSRS4876
PEERS3111

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