

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

December 5, 2022

MEMBERS PRESENT

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

MEMBERS ABSENT

OTHERS PRESENT

Dearld Snider, Executive Director
Bill Betts, Asst Exec. Dir. Operations
Craig Husting, Asst. Exec. Dir Invest.
Sarah Swoboda, General Counsel
Anita Brand, Chief Financial Officer
Mike Moorefield, Dir. Leg. & Policy
Jeff Hyman, Director of Internal Audit
Nicole Hamler, Director of Member Serv.
Stacie Verslues, Director of Emp. Serv.
Lisa Scheulen, Chief Technology Officer
Susan Wood, Dir. of Communications
Kim Harris, Dir. of Human Resources
Jennifer Martin, Director, Board Admin.

December 5, 2022

Meeting Convened

The Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) Board of Trustees convened at 10:15 a.m. In attendance were Board members Jason Steliga, Beth Knes, Dr. Kyle Collins, Sharon Kissinger, Dr. Eric Park and Allie Gassmann. Also present were Executive Director Dearld Snider; Assistant Executive Director, Operations Bill Betts; Assistant Executive Director, Investments Craig Husting; General Counsel, Sarah Swoboda; Chief Financial Officer, Anita Brand; Chief Technology Officer, Lisa Scheulen; Director of Member Services, Nicole Hamler; Director of Employer Services, Stacie Verslues; Director of Communications, Susan Wood; Director of Internal Audit, Jeff Hyman; Director of Legislation and Policy, Mike Moorefield; Director of Human Resources, Kim Harris; Director of Executive and Board Administration, Jennifer Martin; and various other PSRS/PEERS staff members.

System Operations

**Approval of
Minutes for October
24, 2022 Meeting
PSRS5084
PEERS3319**

Ms. Kissinger moved that the minutes from the October 24, 2022 meetings be approved. Dr. Collins seconded the motion. Voting “Aye” – Steliga, Knes, Kissinger, Collins, Park, and Gassmann; “Nay” – None. The motion carried unanimously.

Order of Business

None

Other

Mr. Bill Betts from PSRS/PEERS introduced the incoming Class of 2023 Leadership Exploration and Development (LEAD) group. The cohort for this class includes Brian Lemons, Christina Bisges, Debby Buschjost, Diane Luebbering, Jade Moeller, Jen Troesser, Jonathan Pund, Kris Judd, Lisa Hiatte, Megan Ambrose, Nichole Williams and Susan Boessen. In coordination with the Missouri Training Institute, the LEAD program is intended to develop leaders at all levels of the organization who support the culture and ongoing growth of PSRS/PEERS.

Chairman Steliga congratulated Ms. Kissinger on her retirement from Kissinger & Kirkman Investment LLC. He also congratulated Craig Husting on being recognized as one of [Trusted Insights 2022 Top Pension Chief Investment Officers](#). Chairman Steliga finished by congratulating Mr. Bill Betts on accepting the position as

Executive Director at the Missouri Local Government Employees Retirement System (LAGERS).

Investments

Investment Performance Report (9/30/2022)

Mr. Husting and Mr. Michael Hall from Russell reviewed the investment performance for the period ended September 30, 2022. The one-year PSRS/PEERS investment return was reported as -7.4% while the fiscal year return (July 1, 2022 through September 30, 2022) was reported as -3.4%.

Ongoing Investment Activity

Mr. Husting and Mr. Hall reviewed ongoing investment activities, which included estimated investment performance through November 30, 2022. Mr. Husting discussed the current asset allocation of the PSRS/PEERS portfolio, in which he reviewed the long-term strategy and broad portfolio expectations.

Global Investment Performance Standards (GIPS) for Asset Owners

Mr. Husting reported that the Global Investment Performance Standards (GIPS) are ethical standards for calculating and presenting investment performance based on principles of fair representation and full disclosure. PSRS/PEERS claims compliance with GIPS and has been independently verified for the periods from July 1, 2020 to June 30, 2022.

Investment Policy

The Investment Policy was originally adopted in 1995. The investment staff periodically conducts a full review of the Investment Policy and recommends changes to the Board. The last full review was conducted in December 2021.

Mr. Husting discussed proposed changes to the General Policy, the Portfolio Rebalancing Policy, the Service Providers Policy, the Environmental, Social and Governance Policy, the Brokerage Policy, the Proxy Voting Policy, the Securities Class Action Litigation Policy, the Anti-Terrorism and Economic Sanctions Policy, the Personal Trading Policy, the Affirmative Action Policy and the Implementation Manuals for Private Credit, Real Estate and Private Equity.

The recommended changes were primarily considered ‘clean-up.’ Within the Proxy Voting Policy, language was included to allow for the adoption of a third-party proxy advisor. Based on the proposed language, the Systems may direct their external managers holding the Systems’ assets in separate accounts to vote proxies based on a Voting Policy from a third-party proxy advisor.

PSRS5085 PEERS3320

Ms. Kissinger moved to approve the amended recommendation for investment policy changes. Ms. Knes seconded the motion. Voting “Aye” – Steliga, Knes, Kissinger, Collins, Park, and Gassmann; “Nay” – None. The motion carried unanimously.

Proxy Voting

The Systems’ public equity investment managers are each responsible for voting proxies in the best interests of the members of the Systems. Investment managers are expected to vote proxies to maintain or enhance shareholder value in the sole interest of the Systems. To assist the Systems in the continued execution of its fiduciary duties, in connection with exercising the voting rights of the investments directly held by the Systems, Mr. Husting recommended that PSRS/PEERS direct the proxy voting process for public equity managers (where the Systems have authority) consistent with the PSRS/PEERS’ newly adopted Investment Policy. Specifically, Mr. Husting recommended that PSRS/PEERS adopt the Glass Lewis Governance-Focused Thematic Policy for proxy voting with passive managers (BlackRock) and for all actively managed public equity separate accounts.

PSRS5086 PEERS3321

Ms. Knes moved to approve the recommendation that PSRS/PEERS adopt the Glass Lewis Governance-Focused Thematic Policy for proxy voting with passive managers and for all actively managed public equity separate accounts. Ms. Kissinger seconded the motion. Voting “Aye” – Steliga, Knes, Kissinger, Collins, Park, and Gassmann; “Nay” – None. The motion carried unanimously.

Townsend Real Estate Review

Mr. Seth Marcus and Ms. Kathryn Finneran from Townsend (the Systems’ Real Estate Consultant), presented several items to the Board, including a Real Estate Market Overview and details of the PSRS/PEERS real estate portfolio. Townsend reported that the PSRS/PEERS’ Real Estate portfolio had produced an annualized return of 11.9% (net of all fees) for the five-year period ended June 30, 2022.

Accounting
Investment Office 4.0

Mr. Craig Husting reviewed the history of the PSRS/PEERS Investment Office including the next stage of growth needed to maintain and increase the breadth of the investment infrastructure. Mr. Husting recommended the addition of five full-time positions to the Investment Department and 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 recommendation for a St. Louis office location is 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.

PSRS5087
PEERS3322

Ms. Gassmann moved to accept the Budget and Audit Committee’s recommendation to open a satellite office in St. Louis. Dr. Park seconded the motion. Voting “Aye”—Steliga, Knes, Kissinger, Collins, Park and Gassmann; “Nay”—None. The motion carried unanimously.

Budget Adjustment

Ms. Brand reviewed the budget amendment request presented to the Budget and Audit Committee to add five full-time positions in the investment department and to facilitate opening a secondary office in St. Louis.

PSRS5088
PEERS3323

Ms. Gassmann moved to approve the budget adjustment request and be accepted as recommended by the Budget and Audit Committee. Ms. Kissinger seconded the motion. Voting “Aye”—Steliga, Knes, Kissinger, Collins, Park and Gassmann; “Nay”—None. The motion carried unanimously.

Independent Auditors’ Report

Ms. Anita Brand briefly reviewed the purpose of the ACFR which was previously shared with the Budget and Audit Committee.

Ms. Anita Brand and Mr. Nick Mestres from Williams-Keepers, LLC briefly reviewed the recent June 30, 2022 audit of the Systems as previously shared with the Budget and Audit Committee.

PSRS5089
PEERS3324

Dr. Park moved that the audit report be accepted as recommended by the Budget and Audit Committee. Ms. Knes seconded the motion. Voting “Aye”—Steliga, Knes, Kissinger, Collins, Park and Gassmann; “Nay”—None. The motion carried unanimously.

Management Report
Legislative Update

Mr. Jim Moody, the external government relations consultant, and Mr. Mike Moorefield from PSRS/PEERS presented the December legislative update. Mr. Moody provided an update on November Missouri state government general revenue collections and an overall review of the fiscal position of state government going into the 2023 legislative session.

Mr. Moorefield provided an update on House and Senate leadership elections and who the new leadership teams are for the next two legislative sessions. Additionally, Mr. Moorefield identified potential topics that will be debated next session and issues that the PSRS/PEERS government relations team will be tracking. Finally, Mr. Moorefield provided the Board with an update on the government relations external consultant RFP search process.

CPI-U Update

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 0.5741 % through October 31, 2022.

Public Comment

None

Other

None

Closed Session
PSRS5090
PEERS3325

Dr. Collins moved that the meeting continue in closed session to legal matters under Sections 610.021 (1), (14) and (17) and 169.020.17, RSMo. Ms. Kissinger seconded the motion. A roll call vote was taken. Voting “Aye” –Steliga, Knes, Kissinger, Collins, Park, and Gassmann; “Nay” – None. The motion carried unanimously.

The following motions were made in closed session:

PSRS5091/PEERS3326 – Minutes from October 24, 2022, Closed Session (Steliga, Knes, Kissinger, Collins, Park, and Gassmann; voting to approve the previous closed session minutes)

PSRS5092/PEERS3327 – Move back to Open Session (Steliga, Knes, Kissinger, Collins, Park, and Gassmann; voting to move back to open session)

Adjournment
PSRS5093
PEERS3328

Ms. Gassmann moved that the meeting adjourn. Ms. Kissinger seconded the motion. A roll call vote was taken. Voting “Aye” – Steliga, Knes, Kissinger, Collins, Park and Gassmann; “Nay” – None. The motion carried unanimously.

Prepared by
Jennifer Martin

Jason Steliga, Chair

Dearld Snider, Executive Director