

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

February 28 – March 1, 2021

MEMBERS PRESENT

Jason Hoffman, Chair
Jason Steliga, Vice-Chair
Kyle Collins
Scott Hunt
Sharon Kissinger
Melinda Moss

MEMBERS ABSENT

Beth Knes

OTHERS PRESENT

Dearld Snider, Executive Director
Craig Husting, Chief Investment Officer
Bill Betts, Asst Executive Director Oper
Sarah Swoboda, General Counsel
Anita Brand, Chief Financial Officer
Maria Walden, Director, Legislation & Pol
Nicole Hamler, Director, Member Services
Omar Davis, Director, Employer Services
Susan Wood, Director, Communications
Jeff Hyman, Director, Internal Audit
Kim Harris, Director, Human Resources
Stacie Verslues, Director, Admin Design

Sunday, February 28, 2021

Meeting Convened

The meeting of the Board of Trustees convened at 5:30 p.m. at the Courtyard Hotel in Jefferson City, Missouri. In attendance were Board members Jason Hoffman, Jason Steliga, Kyle Collins, Scott Hunt, Sharon Kissinger and Melinda Moss. Beth Knes was absent. Also present were Executive Director, Dearld Snider; Chief Investment Officer, Craig Husting; Assistant Executive Director, Operations, Bill Betts; General Counsel, Sarah Swoboda; Chief Financial Officer, Anita Brand; Director of Executive and Board Administration, Stacie Verslues; and various other PSRS/PEERS investment staff members.

Safe Assets Program Review

Mr. Frank Aten and Ms. Jessica Wilbers of PSRS/PEERS 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 December 31, 2020 was 3.5%.

Private Equity and Private Credit Program Review

Mr. John Tuck, Mr. Dan Case and Mr. Ben Frede of PSRS/PEERS 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 December 31, 2020 was 17.8%, and the five-year annualized return for the Private Credit composite for the same period was 8.8%. Staff also discussed the Private Equity co-investment program and the Private Credit Direct Investment program.

Adjournment
PSRS4961
PEERS3196

Ms. Kissinger moved that the meeting adjourn. Mr. Steliga seconded the motion. Voting “Aye” – Hoffman, Steliga, Collins, Hunt, Kissinger and Moss “Nay” – None. The motion carried unanimously.

Monday, March 1, 2021

Meeting Convened

The meeting of the Board of Trustees convened at 8:30 a.m. at the Courtyard Hotel in Jefferson City. In attendance were Board members Jason Hoffman, Jason Steliga, Kyle Collins, Scott Hunt, Sharon Kissinger and Melinda Moss. Beth Knes was absent. Also present were Executive Director, Dearld Snider; Chief Investment Officer, Craig Husting; Assistant Executive Director, Operations, Bill Betts; 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; Director of Communications, Susan Wood; Director of Internal Audit, Jeff Hyman; Director of Human Resources, Kim Harris; Director of Executive and Board Administration, Stacie Verslues; and various other PSRS/PEERS staff members.

Approval of Minutes
PSRS4962
PEERS3197

Dr. Moss moved that the minutes from the December 7, 2021 meeting be approved as presented. Ms. Kissinger seconded the motion. Voting “Aye” – Hoffman, Steliga, Collins, Hunt, Kissinger and Moss. “Nay” – None. The motion carried unanimously.

Order of Business

None

Investments

Investment Performance Report

Mr. Craig Husting of PSRS/PEERS and Ms. Margaret Jadallah (virtually) of Verus, reviewed the investment performance for the period ended December 31, 2020. The one-year PSRS/PEERS investment return was reported as 13.0%, while the fiscal year return (July 1, 2020 through December 31, 2020) was reported as 14.6%.

Ongoing Investment Activity

Mr. Husting and Ms. Jadallah reviewed ongoing investment activities, which included estimated investment performance through February 28, 2021. Mr. Husting discussed the current asset allocation of the PSRS/PEERS portfolio, and reviewed the long-term strategy, portfolio themes and the broad portfolio expectations.

Anti-Terrorism Policy Review

Mr. Husting reviewed the Systems’ Anti-Terrorism and Economic Sanction Investment Policy. The Policy was adopted by the Board in 2005 and last reviewed with the Board in February 2020. The Policy requires PSRS/PEERS staff to provide a report to the Board on an annual basis that identifies any investment actions taken due to links to terrorist or sanction-related activities.

Mr. Husting stated that the Systems have several safeguards in place to ensure compliance with the Policy.

At the end of the report, Mr. Husting stated that both staff and general counsel recommended that no investment action be taken this year with regard to the Anti-Terrorism and Economic Sanctions Investment Policy.

**Affirmative Action
Policy Review**

Mr. Husting reviewed the Systems' Affirmative Action Policy and Procurement Action Plan. The Policy was last revised in October 2014 and last reviewed with the Board in February 2020. The Policy requires PSRS/PEERS staff to provide a report to the Board on an annual basis regarding the Systems' efforts to assure equal opportunities for minorities and women as money managers, brokers and investment counselors. Mr. Husting stated that the Systems were in compliance with the policy.

Sections 104.621, 105.702, and 169.573, RSMo require the Systems to make an annual report to the Governor's Minority Advocacy Commission and the Joint Committee on Public Employee Retirement regarding the progress made in the area of utilization of minority and women money managers, brokers and investment counselors. Staff submitted the required report on February 1, 2021.

At the end of the review, Mr. Husting stated that both staff and general counsel recommended no investment action be taken this year with regard to the Affirmative Action Policy and Procurement Action Plan.

**Management Report
Website Review**

Ms. Susan Wood of PSRS/PEERS provided the Board with a review of the recent updates being made to the public website. This included a background review of previous website updates, statistics for the site and the process for making any updates.

**Member Services
Member Education**

Ms. Nicole Hamler and Ms. Amanda Wooten of PSRS/PEERS presented an update on member education, a section within the member services department. Ms. Hamler shared with the Board that over the last year the member education goals have remained the same: to provide exceptional service to members as the face of PSRS/PEERS, reach as many members as possible, offering many different educational platforms and to evolve with technology, finding new ways to meet members' needs. In the spring of 2020, Ms. Wooten reviewed how the member education group had to reassess how to best serve the membership due the onset of COVID-19. The member education team worked quickly to convert all remaining seminars into webinars and prepared and mailed personalized benefit estimates to all registered members. The team then developed a menu of online educational opportunities which allowed them to virtually serve over 4,600 members.

Banking Resolution

Ms. Anita Brand of PSRS/PEERS reviewed a memo regarding a banking resolution. The resolution provides continuing authority to Dearld Snider and Craig Husting to make necessary changes to our banking relationship with Central Bank. The banking resolution adds the same authority for Bill Betts as the new Assistant Executive Director, Operations and removes Sarah Swoboda, General Counsel. The banking resolution authorizes appropriate individuals to execute documents with the bank without additional approval by the Board of Trustees. The authorization will automatically expire June 30, 2021 unless replaced with a new resolution. Mr. Hunt moved to approve the resolution. Mr. Steliga seconded the motion. Voting "Aye" –

Hoffman, Steliga, Collins, Hunt, Kissinger and Moss “Nay” – None. The motion carried unanimously.

Charter Schools

Ms. Maria Walden, Ms. Sarah Swoboda, Mr. Omar Davis and Ms. Becky West, all of PSRS/PEERS, provided the Board with an overview of charter schools in Missouri. Ms. Walden gave the Board a brief history of charter schools. There are currently 20 charter schools in Kansas City, 16 in the City of St. Louis and no charter schools outside of the Kansas City and St. Louis public school districts. Ms. Swoboda reminded the Board that charter schools are covered by Missouri retirement systems like other public schools. The Leadership School, which will operate within the boundaries of the Normandy Schools Collaborative, was approved for charter in December 2020. Mr. Davis and Ms. West shared how the employer services staff is working to prepare for the 2021-2022 opening of the Leadership School, as this is the first charter school to be a part of PSRS/PEERS.

Board Election

PSRS/PEERS Board Chair Mr. Jason Hoffman announced his planned departure and retirement from the Jefferson City School District on July 1, 2021. Upon his retirement, Mr. Hoffman must vacate his Board seat. Ms. Swoboda explained that since the resulting vacancy is less than 12 months prior to when the Board position would have expired, pursuant to PSRS/PEERS statutes and regulations, no Board election is required until the regularly scheduled time – the spring of 2022. The new Board member’s term will begin on July 1, 2022.

Legislative Update

Ms. Maria Walden of PSRS/PEERS and Mr. Jim Moody, legislative consultant, updated the Board on the current Missouri legislative session. Mr. Moody reported briefly on state revenue and gave an update on January 2021 revenue to the Board. Bills currently being tracked by PSRS/PEERS include the following:

House Bill (HB) 29 adds all public employee retirement systems and quasi-governmental entity employees’ salaries to the government accountability portal.

House Bill (HB) 101 relates to workforce development in elementary and secondary education and adjusts the Critical Shortage statute for PSRS/PEERS.

House Bill (HB) 439 allows school districts to issue school district teaching permits for persons without a certificate of license to teach granted by the State Board of Education (SBE). The Board discussed utilizing our Benefit Resolution to address the cost and potential Social Security impact of this bill on the Systems.

House Bill (HB) 558 authorizes an income tax deduction for certain public school retirement system participants.

House Bill (HB) 590 requires all public officials to maintain a direct phone number and email address for the purposes of constituent contact.

House Bill (HB) 608 establishes qualifications for substitute teachers. This bill provides a new four-year certification method for individuals who want to substitute teach.

House Bill (HB) 811 makes changes to the working after retirement statute for PSRS.

Currently, any teacher retired from PSRS can be employed in a position covered under PEERS without stopping their retirement benefit. Such teacher may earn up to 60% of the minimum teacher's salary as set forth in Section 163.172,RSMo, and will not contribute to the Retirement System or earn service.

This bill will allow such teacher to earn up to the annual earnings limit applicable to a Social Security recipient before the calendar year of attainment of full retirement age under 20 CFR 404.430. PricewaterhouseCoopers (PwC) is currently working on an actuarial statement. Dr. Collins moved that the Board go on record in support of HB 811. Mr. Hunt seconded the motion. Voting "Aye" – Hoffman, Steliga, Collins, Hunt, Kissinger and Moss "Nay" – None. The motion carried unanimously.

PSRS4964
PEERS3199

House Bill (HB) 812 makes changes to the Critical Shortage statute for PSRS/PEERS.

This bill extends the time a retired teacher or retired non-certificated employee who is receiving a retirement benefit from PSRS/PEERS is allowed to work full time from two years to four years. PricewaterhouseCoopers (PwC) estimates the impact of the proposed Critical Shortage modification to be an insignificant gain to both PSRS and PEERS. Mr. Steliga moved that the Board go on record in support of HB 812. Dr. Moss seconded the motion. Voting "Aye" – Hoffman, Steliga, Collins, Hunt, Kissinger and Moss "Nay" – None. The motion carried unanimously.

PSRS4965
PEERS3200

House Bill (HB) 828 modifies provisions relating to schoolteacher and employee retirement allowances.

This bill repeals the July 1, 2014 termination date of a provision allowing members of PSRS who have 31 or more years of service to have their retirement allowance calculated using a multiplier of 2.55%. PricewaterhouseCoopers (PwC) estimates a small gain to PSRS. Mr. Hunt moved that the Board go on record in support of HB 828 as presented, as well as if it were to increase to 32 or 33 years. Ms. Kissinger seconded the motion. Voting "Aye" – Hoffman, Steliga, Collins, Hunt, Kissinger and Moss "Nay" – None. The motion carried unanimously.

PSRS4966
PEERS3201

Pop-up Option for Same Sex Relationship prior to June 2015:

Representative Kip Kendrick approached the Systems about providing language to address individuals who retired prior to June 2015, couldn't marry their same sex partner, and chose a Joint-and-Survivor benefit plan. He requested language that would provide these individuals with a similar pop-up option as enacted for married couples. Mr. Hunt moved that the Board go on record in support of the language provided by PSRS/PEERS to Representative Kip Kendrick. Mr. Steliga seconded the motion. Voting "Aye" – Hoffman, Steliga, Collins, Hunt, Kissinger and Moss "Nay" – None. The motion carried unanimously.

PSRS4967
PEERS3202

Working After Retirement

Mr. Dearld Snider of PSRS/PEERS presented the Board with potential modifications to the current working after retirement provisions. During the 2020 annual legislative meeting, the Missouri State Teachers Association (MSTA) discussed the possibility of removing the hours-based limitations and establishing only a pay-based limitation for those retirees working after retirement. Mr. Snider explained that the provisions must be cost neutral and preferred not to require contributions from the employers. After looking at different pay-based scenarios, the PSRS/PEERS staff feels a pay-based

limitation of 25% of the retiree’s final average salary (FAS) is an option that would benefit over 90% of those working after retirement. In addition, employers would be able to expand their utilization of retired educators to address the ongoing need for substitute teachers. Mr. Snider explained that we do not anticipate making changes to the working after retirement provisions this legislative session but will continue the discussion through the summer and into the 2021 legislative meeting.

Facility Renovation Mr. Bill Betts of PSRS/PEERS provided a high-level recap of the construction timeline for the new building addition and building renovation. Renovation is in full swing throughout the current building and remains on target to be complete in September 2021.

Cortex Governance Review Mr. Snider presented the Board Governance Report recently completed by Cortex Applied Research, Inc (Cortex). Mr. Snider explained that the primary goal of the annual review is to ensure that the Board’s governance policies and charters are living documents that truly guide how the Board functions, while also evolving to meet the changing needs of the Board and the Systems over time.

In preparing the annual Board Governance Report, Cortex found the policies and charters to be appropriate and identified only minor issues and improvement opportunities. Cortex recommended updating the Board Operations Policy to reflect a change to 16 CSR 10-1.010 General Organization, allowing the chair to reschedule a previously scheduled regular meeting for a month or location other than originally scheduled. Cortex also recommends revising the Board education policy to clearly differentiate between the statutory requirement and the higher standard the Board has imposed. Mr. Hunt motioned to approve the policies as presented. Ms. Kissinger seconded the motion. Voting “Aye” – Hoffman, Steliga, Collins, Hunt, Kissinger and Moss. “Nay” – None. The motion carried unanimously.

PSRS4968
PEERS3203

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 1.4682% through January 31, 2021.

Public Comment None

Closed Session Mr. Hunt 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. Dr. Moss seconded the motion. A roll call vote was taken. Voting “Aye” – Hoffman, Steliga, Collins, Hunt, Kissinger and Moss “Nay” – None. The motion carried unanimously.

PSRS4969
PEERS3204

The following motions were made in closed session:
PSRS4970/PEERS3205 - Minutes (Hoffman, Steliga, Collins, Hunt, Kissinger and Moss; voting to approve the previous closed session minutes)
PSRS4971/PEERS3206 – Adjournment (Hoffman, Steliga, Collins, Hunt, Kissinger and Moss; voting to adjourn closed session)

Adjournment
PSRS4972
PEERS3207

Mr. Steliga moved that the meeting adjourn. Mr. Hunt seconded the motion. Voting “Aye” – Hoffman, Steliga, Collins, Hunt, Kissinger and Moss “Nay” – None. The motion carried unanimously.