

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

February 7, 2022

MEMBERS PRESENT

Jason Steliga, Chair
Beth Knes, Vice-Chair
Dr. Kyle Collins
Dr. D. Eric Park

MEMBERS ABSENT

Sharon Kissinger
Dr. Melinda Moss

OTHERS PRESENT

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

Monday, February 7, 2022

Meeting Convened

The Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) Board of Trustees convened on February 7, 2022, at 8:30 a.m. In attendance were Board members Jason Steliga, Beth Knes, Dr. Kyle Collins and Dr. Eric Park. Trustees Dr. Melinda Moss and Sharon Kissinger were absent. 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 Human Resources, Kim Harris; Director of Member Services Nicole Hamler; Director of Employer Services Stacie Verslues; Director of Communications Susan Wood; Director of Executive and Board Administration Jennifer Martin; and various other PSRS/PEERS staff members.

System Operations

Approval of Minutes PSRS5025 PEERS3260

Dr. Park moved that the minutes from the December 6, 2021, be approved as amended. Dr. Collins seconded the motion. A roll call vote was taken. Voting “Aye” – Steliga, Knes, Collins, and Park. “Nay” – None. The motion carried unanimously.

Order of Business None

Other None

Investment Report

Investment Performance Report

Mr. Craig Husting from PSRS/PEERS and Mr. Michael Hall from Russell, reviewed the investment performance for the period ended December 31, 2021. The one-year PSRS/PEERS investment return was reported as 19.5% while the fiscal year return (July 1, 2021, through December 31, 2021) was reported as 6.4%.

Ongoing Investment Activity

Mr. Husting and Mr. Hall reviewed ongoing investment activities, which included estimated investment performance through January 31, 2022. 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.

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 March 2021. 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, including:

- On an annual basis, staff sends letters to selected Federal officials requesting any information they could provide on companies that, in their opinion, had terrorist links.
- Based on guidance from the U.S. Department of Commerce and other sources, staff monitors several websites, including the Specially Designated Nationals List. The lists are compared to the PSRS/PEERS active holdings on a monthly basis.
- The Systems’ custodian bank (J.P. Morgan) is required by Federal law to monitor all individual security holdings in the Systems’ investment accounts.
- The Systems have amended contracts with traditional external investment managers to require annual confirmation that each manager maintains appropriate policies, procedures, and controls to comply with all U.S. and applicable non-U.S. economic sanction programs.

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 March 2021. 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 annual reports 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 reporting on January 28, 2022.

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 Affirmative Action Policy and Procurement Action Plan.

**Non-U.S. Equity
Program Review**

Mr. Frank Aten and Mrs. Jessica Wilbers from the PSRS/PEERS investment staff reviewed the Systems' Non-U.S. Equity portfolio including program objectives, guidelines and long-term results. The five-year annualized return for the Non-U.S. Equity composite for the period ended December 31, 2021, was 12.9%.

**Asset Allocation
Review**

Mr. Husting and Mr. Hall reviewed the current asset allocation targets for PSRS/PEERS and the allocation to Private Risk assets. The presentation focused on the opportunities and issues associated with increasing the PSRS/PEERS' target allocation to Private Risk assets. Mr. Husting and Mr. Hall presented results from liquidity analyses and peer group comparisons. No action was recommended or taken. Staff and Russell will present an Asset Liability study to the Board at the April Board meeting.

**Management Report
Member Education
and Communication
Opportunities**

Ms. Nicole Hamler and Ms. Susan Wood from PSRS/PEERS reviewed the different member education and communication opportunities available to members of the Systems throughout their careers and into retirement.

**Employer Services
Update**

Ms. Stacie Verslues gave an update on Employer Services. Ms. Verslues shared that Employer Services' focus is to manage the relationships with all PSRS/PEERS-covered employers and to help ensure accurate and timely reporting. The team serves as a resource to our employers, reviews data reported and educates on a variety of topics related to reporting. Employer Services produced and sent their first monthly e-newsletter in January, which will serve as an additional resource for employers. Ms. Verslues discussed the educational opportunities offered to employers, which include both virtual and in-person training as well as an annual Employer Conference scheduled for fall 2022. Employer Services is also excited to roll out a new Employer Web Portal (EWP) in 2023, which will offer a more streamlined and intuitive design for our employer reporting.

Legislative Update

Ms. Sarah Swoboda from PSRS/PEERS and Mr. Jim Moody, legislative consultant, updated the Board on the current legislative session. Mr. Moody reported briefly on state revenue and gave an update to the Board. Ms. Swoboda reported on the status of the legislative session. The systems are currently tracking 351 bills. Ms. Swoboda discussed several bills the systems are tracking with the Board, including the following:

PSRS5026
PEERS3261

- HB 2161 and HB 2430, which apply a 2.55% formula factor for PSRS retirees with 32 or more years of service. Dr. Park moved that the Board go on record in support of legislation that increases the formula factor to 2.55 % for PSRS retirees with 31 or more years of service. Mr. Steliga seconded the motion. Voting “Aye” – Steliga, Knes, Collins and Park “Nay” – None. The motion carried unanimously.

PSRS5027
PEERS3262

- HB 1881, which increases the time a retiree may work under Critical Shortage Employment from two to four years. Dr. Park moved that the Board go on record in support of legislation that increases Critical Shortage Employment from two to four years. Dr. Collins seconded the motion. Voting “Aye” – Steliga, Knes, Collins and Park “Nay” – None. The motion carried unanimously.

- SB 999, which increases the time a retiree may work under Critical Shortage Employment from two to four years and allows Critical Shortage employment to be used for the superintendent position in certain circumstances.

- HB 2089, which increases the time a retiree may work under Critical Shortage Employment from two to four years and allows Critical Shortage employment to be used for the superintendent position in certain circumstances.

- HB 2114, which increases the time a retiree may work in Critical Shortage Employment from two to four years and increases the limit for PSRS retirees returning to work in non-certificated positions to the Social Security earnings exemption.

- SB 712, which allows a Joint-and-Survivor pop-up option in some circumstances for retirees who named a same-sex partner as their beneficiary prior to September 1, 2015. Dr. Collins moved that the Board go on record in support of this legislation. Dr. Park seconded the motion. Voting “Aye” – Steliga, Knes, Collins and Park “Nay” – None. The motion carried unanimously.

PSRS5028
PEERS3263

- HB 2494, which applies the working after retirement limitations as modified by the governor during the COVID state of emergency with a sunset clause.

- HB 2304, which amends the requirements for substitute teaching certificates and includes a limited waiver of the working after retirement limits for substitute teaching with a sunset clause.

- HB 2194 and 2216, which amend the salary limit for PSRS retirees returning to work in non-certificated positions to 60% of the average teacher’s salary at the primary district for which the retiree works.

- HB 1998, which allows school districts to issue teaching permits to certain individuals and modifies the requirements for obtaining a substitute teaching certificate.

- SB 767, which changes one word in the PSRS survivor benefits statute.

- SB 836, which modifies the eligibility of employees for a defined benefit plan when they have retired from a previous employer with a defined benefit plan.

- HB 1670, which creates provisions related to the COVID vaccine and prohibits governmental entities from doing business with entities that require their employers to receive a COVID vaccine.
- SB 871, which allows certain taxpayers to deduct 100% of certain retirement and Social Security benefits from their adjusted gross income.

Board Election Update

Ms. Jen Martin from PSRS/PEERS updated the Board on the Spring 2022 Board Election.

CPI 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 2.6154% through December 31, 2021.

Public Comment

Ms. Maria Walden, MRTA Director, thanked the Board for their support over the last 14 plus years. Chairman Steliga thanked Maria for her dedicated services to the Systems.

Other

None

Closed Session

Dr. Collins moved that the meeting continue in closed session to consider procurement, internal audit report, and legal matters under Sections 610.021 (1), (3), (12), (14), (17), (21) and 169.020.17, RSMo. Ms. Knes seconded the motion. A roll call vote was taken. Voting "Aye" – Steliga, Knes, Collins, and Park "Nay" – None. The motion carried unanimously.

PSRS5029
PEERS3264

The following motions were made in closed session:
PSRS5030/PEERS3265 - Minutes (Steliga, Knes, Collins, and Park voting to approve the previous closed session minutes)

Adjournment
PSRS5031
PEERS3266

Dr. Park moved that the meeting adjourn. Ms. Knes seconded the motion. Voting "Aye" – Steliga, Knes, Collins, and Park "Nay" – None. The motion carried unanimously.