

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

AND
THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

February 5-6, 2023

MEMBERS PRESENT

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

MEMBERS ABSENT

Sharon Kissinger

OTHERS PRESENT

Dearld Snider, Executive Director
Craig Husting, Chief Investment Officer
Sarah Swoboda, Chief Operating Officer
Mike Moorefield, Chief Counsel
Anita Brand, Chief Financial Officer
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.

February 5, 2023

Meeting Convened

The Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) Board of Trustees convened at 5:30 p.m. In attendance were Board members Jason Steliga, Dr. Kyle Collins, Dr. Eric Park, Allie Gassmann, and Katie Webb (sworn in as Board Trustee on February 6). Also present were Executive Director Dearld Snider; Chief Investment Officer Craig Husting; Chief Operating Officer Sarah Swoboda; Chief Counsel Mike Moorefield; Chief Financial Officer Anita Brand; Chief Technology Officer Lisa Scheulen; Director of Executive and Board Administration Jennifer Martin; and various other PSRS/PEERS staff members.

Safe Assets

Mr. Frank Aten and Mrs. Jessica Wilbers from PSRS/PEERS reviewed the Systems' Safe Assets portfolio including program objectives, guidelines and long-term results. The 15-year annualized return for the Safe Assets composite for the period ended December 31, 2022 was 2.0%.

Hedged Assets

Mr. John Tuck, Mr. Travis Alen and Mrs. Brenna Noble from PSRS/PEERS reviewed the Systems' Hedged Assets and Alpha Overlay portfolios including program objectives, guidelines and long-term results. The five-year annualized return for the Hedged Assets composite for the period ended December 31, 2022 was 4.1%. The five-year annualized return for the Alpha Overlay composite for the period ended December 31, 2022 was 8.6%.

Adjournment

PSRS5094
PEERS3329

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

February 6, 2023

System Operations

Meeting Convened

The Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) Board of Trustees convened at 8:30 a.m. In attendance were Board members Jason Steliga, Beth Knes, Dr. Kyle Collins, Dr. Eric Park, Allie Gassmann and Katie Webb. Also present were Executive Director Dearld Snider; Chief

Operations Officer Sarah Swoboda; Chief Investment Officer Craig Husting; Chief Counsel Mike Moorefield; Chief Financial Officer Anita Brand; Director of Internal Audit Jeff Hyman; Director of Member Services Nicole Hamler; Director of Employer Services Stacie Verslues; Chief Technology Officer Lisa Scheulen; Director of Communications Susan Wood; Director of Human Resources Kim Harris; Director of Executive and Board Administration Jennifer Martin; and various other PSRS/PEERS staff members.

Approval of

Minutes for December 5, 2022 Meeting PSRS5095 PEERS3330

Ms. Gassmann moved that the minutes from the December 5, 2022 meeting be approved as amended. Dr. Park seconded the motion. Voting “Aye” – Steliga, Knes, Collins, Park, and Gassmann; “Nay” – None. The motion carried unanimously.

Approve Certification of Election Results PSRS5096 PEERS3331

Ms. Jennifer Martin from PSRS/PEERS shared the trustee election results. Ms. Katie Webb was the only candidate to meet the required filing qualifications. Therefore, no election was required. Ms. Knes moved the Board approve the certified election results. Dr. Collins seconded the motion. Voting “Aye” – Steliga, Knes, Collins, Park, and Gassmann. “Nay” – None. The motion carried unanimously.

Order of Business

Ms. Jennifer Martin advised Chairman Steliga of a change in the order of business. Under the Management Report, the Year in Review/Areas of Impact will be presented before the CPI Update.

None

Other

Investments **December 2022** **Performance Report**

Mr. Craig Husting from PSRS/PEERS and Mr. Michael Hall from Russell reviewed the investment performance for the period ended December 31, 2022. The one-year PSRS/PEERS investment return was reported as -8.5% while the fiscal year return (July 1, 2022, through December 31, 2022) was reported as 0.2%.

Ongoing Investment Activity

Mr. Husting and Mr. Hall reviewed ongoing investment activity, which included estimated investment performance through January 31, 2023. 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 informed the Board that the new proxy voting procedures are being implemented. The implementation did include the hiring of Glass Lewis to directly vote proxies for all PSRS/PEERS actively manage separate account public equity managers based on the Glass Lewis Governance-Focused Thematic Policy.

Anti-Terrorism and Economic Sanction 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 2022. 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 can 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 websites are compared to the PSRS/PEERS active holdings monthly.
- 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 staff is not aware of any instances of non-compliance for the year. Both staff and general counsel recommended that no

investment action be taken this year regarding the Anti-Terrorism and Economic Sanctions Investment Policy.

Affirmative Action Policy

Mr. Husting reviewed the Systems' Affirmative Action Policy and Procurement Action Plan. The policy was last revised in December 2022 and last reviewed with the Board in February 2022. 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 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 utilization of minority and women money managers, brokers and investment counselors. Staff submitted the required report on January 26, 2023.

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

Accounting

Banking Resolution

Ms. Anita Brand from PSRS/PEERS reviewed a memo regarding a banking resolution. The resolution provides continuing authority to Mr. Dearld Snider and Mr. Craig Husting to make necessary changes related to the Systems' banking relationship with Central Bank. The banking resolution adds the same authority for Sarah Swoboda as the new chief operating officer and formally removes Bill Betts. Bill Betts' authority to act on behalf of the Systems ended on December 23, 2022. The banking resolution authorizes appropriate individuals to execute documents with the bank without additional approval by the Board of Trustees. The resolution automatically expires each June 30 or when a new resolution is received by Central Bank.

Dr. Collins moved the banking resolution be approved as recommended. Ms. Webb seconded the motion. Voting "Aye" – Steliga, Knes, Collins, Park, Gassmann, and Webb. "Nay" – None. The motion carried unanimously.

PSRS5097
PEERS3332

Management Report

Employer Services Update

Ms. Stacie Verslues from PSRS/PEERS 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 and payment of contributions. The team serves as a resource to our employers, reviews reported data and provides continuous education and support. Ms. Verslues discussed the educational opportunities offered to employers, which include both virtual and in-person training as well as an annual employer conference held in the fall of 2022. Over the last three months, Employer Services staff has been traveling the state training employers on a new Employer Web Portal (EWP), which offers a more streamlined and intuitive design for our employer reporting. Ms. Verslues shared that feedback from employers has been extremely positive and she believes the new EWP will continue to improve efficiencies in employer reporting.

Legislative Update

Mr. Mike Moorefield from PSRS/PEERS and government relations consultants Mr. Jim Moody and Mr. Doug Nelson presented the February legislative update.

Mr. Moody described the current budget climate in Missouri state government, touching on the previous fiscal years' revenue numbers and the historical general revenue base. Mr. Moody also provided the Board with information on the potential future impact of various tax cuts passed into law over the past several years to the state budget. Mr. Nelson and Mr. Moorefield then provided the Board with an update on the first five weeks of the 2023 legislative session. Specifically, Mr. Nelson and Mr. Moorefield provided an overview of legislative leadership in each chamber, the

composition of the House and Senate pensions and education committees and legislation that PSRS/PEERS is tracking. As of Friday February 3, the Systems are tracking 197 of the 1,948 bills introduced in the General Assembly for their potential impact on the Systems.

Year in Review/Areas of Impact Mr. Dearld Snider, Mr. Craig Husting, Ms. Sarah Swoboda and Ms. Anita Brand from PSRS/PEERS presented the Year in Review/Areas of Impact to the Board. This presentation focused on five key areas of impact and how they affect the Systems' plan stability and funding. This presentation was a way to highlight some of the major accomplishments from each of the five areas over the past year. The first area of impact discussed was members and employers. Ms. Brand discussed the key accomplishment of the W-4R and W-4P implementation and Ms. Swoboda discussed the continued strong performance in the CEM Study. The second area of impact was staff. There were three key accomplishments discussed. Ms. Swoboda highlighted the implementation of the Project Advisory Committee (PAC), Ms. Brand explained to the Board what an accomplishment it is for maintenance of level health insurance rates and that our move to being self-insured for our dental plan for the first year has been a success. Mr. Snider highlighted the addition or reintroduction of a variety of staff engagement/morale events. The third area of impact was investments. Mr. Husting highlighted four key accomplishments over the past year: continued build-out of the Private Equity co-investment and Private Credit direct lending programs, completion of Asset/Liability Study (increased allocation to private markets), establishment of St. Louis office, and short-term and long-term top-tier investment performance. The fourth area of impact was the Board. Mr. Snider highlighted two key accomplishments: the implementation of the new Board SharePoint site and the navigation of changes to the Board (two new trustees over the past year). The fifth and last area of impact was government relations. Mr. Snider highlighted the key accomplishment of selecting a new government relations consultant due to the impending retirement of long-time consultant, Jim Moody.

The presentation wrapped up with a brief look ahead at some upcoming projects.

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 0.1640 % through December 31, 2022.

Public Comment None

Other None

Closed Session
PSRS5098
PEERS3333 Ms. Knes moved that the meeting continue in closed session to legal matters under Sections 610.021 (21), 610.201 (1) (14) and 169.020.17, RSMo. Ms. Webb seconded the motion. A roll call vote was taken. Voting "Aye" –Steliga, Knes, Collins, Park, Gassmann and Webb; "Nay" – None. The motion carried unanimously.

The following motions were made in closed session:

PSRS5099/PEERS3334 – Minutes from December 5, 2022, Closed Session (Steliga, Knes, Collins, Park, and Gassmann; voting to approve the previous closed session minutes as amended)

PSRS5100/PEERS3335 – Member Appeal (Steliga, Knes, Collins, Park Gassmann, and Webb voting to deny the member appeal)

PSRS5101/PEERS3336 – Move back to Open Session (Steliga, Knes, Collins, Park, Gassmann and Webb; voting to move back to open session)

Adjournment
PSRS5102
PEERS3337 Dr. Collins moved that the meeting adjourn. Ms. Webb seconded the motion. Voting "Aye" – Steliga, Knes, Collins, Park, Gassmann, and Webb; "Nay" – None. The motion carried unanimously.

Prepared by
Jennifer Martin

Jason Steliga, Chair

Dearld Snider, Executive Director

