

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

AND
THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

June 12, 2018

MEMBERS PRESENT

Aaron, Zalis, Chair
Jason Hoffman, Vice Chair
Yvonne Heath
Scott Hunt
Jason Steliga
Chuck Bryant
Beth Knes

MEMBERS ABSENT

OTHERS PRESENT

M. Steve Yoakum, Executive Director
Dearld Snider, Asst. Exec. Dir., Oper.
Craig Husting, Asst. Exec. Dir., Invest.
Alan Thompson, General Counsel
Anita Brand, Chief Finan. Officer
Bill Betts, Chief Technology Officer
Omar Davis, Dir. of Employer Serv.
Maria Walden, Legislative Director
Sarah Swoboda, Dir. of Mbr. Serv.
Nicole Hamler, Dir. Admin Design
Susan Wood, Dir. Of Communications
Jeffrey Hyman, Director of Internal Audits

**Meeting
Convened**

The Education Retreat of the Board of Trustees convened at 10:15 a.m. at the Hilton Promenade at Branson Landing, 3 Branson Landing, Branson, Missouri. In attendance were Aaron Zalis, Jason Hoffman, Chuck Bryant, Yvonne Heath, Beth Knes, Jason Steliga, and Scott Hunt, Board Members. Also present were Executive Director, M. Steve Yoakum; Assistant Executive Director, Investments, Craig Husting; Assistant Executive Director, Operations, Dearld Snider; General Counsel, Alan Thompson; Chief Financial Officer, Anita Brand; Director of Employer Services, Omar Davis; Director of Member Services, Sarah Swoboda; Director of Legislation and Policy, Maria Walden; Director of Internal Audit, Jeff Hyman; Director of Communications, Susan Wood; Chief Technology Officer, Bill Betts; Director of Administrative Planning and Design, Nicole Hamler; and various other PSRS/PEERS staff members.

**Approval of
Minutes
PSRS4761
PEERS2996**

Ms. Heath moved that the minutes from the April 10, 2017 meeting be approved. Mr. Hunt seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

Order of Business

The order of business was approved with no changes.

Investments
Performance
Report

Mr. Craig Husting and Mr. Barry Dennis, Verus, reviewed the investment performance for the period ended March 31, 2018. The 1-year PSRS/PEERS investment return was reported as 10.7% while the fiscal year return (July 1, 2017 thru March 31, 2018) was reported as 7.2%.

Ongoing
Investment
Activity

Mr. Husting and Mr. Dennis reviewed ongoing investment activities, which included estimated investment performance through May 31, 2018. 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 reviewed the tentative Board investment calendar.

Investment Policy
Changes

Mr. Husting and Mr. Dennis discussed proposed Investment Policy changes. The recommended changes were to bring the Policy in accord with Board action over the last year, to add language for clarity and some operational clean-up. Following discussion, Mr. Steliga moved that the Investment Policy changes as recommended by staff be approved. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

PSRS4762
PEERS2997

Management
Report

Board Education
Wrap-Up

Mr. Dearld Snider provided a brief recap of the previous day board education presentations. Mr. Snider also discussed various PSRS/PEERS statistics from the Life of the Member presentation.

Meeting Dates

The 2018-19 Fiscal year meeting dates were reviewed. Mr. Hunt moved that the following dates be set for the 2018-19 fiscal year: August 27, 2018; October 29, 2018; December 10, 2018; February 11, 2019; April 8, 2019; and June 10-11, 2019. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

PSRS4763
PEERS2998

Budget
Amendment

Mr. Hoffman moved that the budget amendment related to legal fees for the investment department be approved as recommended by the Budget and Audit Committee. Mr. Bryant seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

PSRS4764
PEERS2999

ACH Banking
Resolution

Ms. Anita Brand reviewed a memo regarding a Banking Resolution. The resolution provides continuing authority to Steve Yoakum, Dearld Snider and Craig Husting to make necessary changes related to our banking relationship with Central Bank. The Banking Resolution authorizes appropriate individuals to execute documents with the bank without additional approval by the Board of Trustees. The authorized individuals approve items such as online user access capabilities and approval limit changes. The authorization will automatically expire June 30, 2019, unless replaced with a new resolution. Mr. Hoffman moved that the following resolution be approved as recommended by the Budget and Audit Committee:

WHEREAS, the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri (hereinafter the “Company”) desires to obtain a variety of services from Central Bank and the Company desires to authorize individuals to act on its behalf in authorizing the necessary agreements to establish these services;

NOW, THEREFORE, BE IT RESOLVED, that the persons listed below (the “Authorized Persons”) shall enter into and execute applications, instruments, documents, agreements, financial statements, and other writings and any amendments or modifications of any of the same, as in the opinion of the Authorized Persons may be necessary or desirable to consummate the banking services relationship; and

M. Steve Yoakum, Executive Director
Craig A. Husting, Assistant Executive Director, Investments
Dearld O. Snider, Assistant Executive Director, Operations

FURTHER, RESOLVED, that the Authorized Persons are hereby authorized and directed to execute, acknowledge and deliver on behalf of the above-referenced entity, as the Authorized Persons may deem necessary or desirable, any and all documents and other writings to consummate any agreement necessary to establish the appropriate banking services for the Company.

This Authorization may be executed in two or more counterparts and by the different parties hereto on separate counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute but one and the same Authorization. This authorization will automatically expire on the earlier of June 30, 2019 or when a new resolution is received by the bank.

PSRS4765
PEERS3000

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

Budget
2018-19
PSRS4766
PEERS3001

Mr. Bryant moved that the proposed 2018-19 budget as presented to the Budget and Audit Committee be approved. Ms. Knes seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously

Legislative
Update

Ms. Maria Walden 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 on May 2018 revenue, to the Board. He also discussed sales tax growth and Missouri income from capital gains and dividends.

Ms. Walden reviewed the 2018 Missouri legislative statistics as well as the upcoming important 2018 legislative dates. She also reviewed bills that passed with a direct impact on the Systems. Internal implementation teams were established and have been working on steps to ensure a smooth transition if those bills are signed by the governor. The governor has until July 14 to sign or veto truly agreed to and finally passed legislation. The Systems will provide additional information to the members and employers when this legislation is signed by the governor, including a question and answer summary.

HB 1665 - Sponsor: Senator Mike Cunningham

- Establishes a visiting scholars certificate of license to teach. This bill allows the State Board of Education to grant an initial visiting scholar certificate as a license to teach in public schools. The certificate will last for one year and the applicant can renew it a maximum of two times if certain requirements, as described within the bill, are met.

CCS HCS SS SB 870 - Sponsor: Senator Dan Hegeman

- Modifies provisions of law relating to emergency medical services.
- There was an amendment added to this bill which dealt with public pension plans' board education. This act changes the required number of hours for training for certain public employee retirement plan board members. New members shall complete an education program of at least six hours and board members who have served one or more years shall attend at least two hours annually of continuing education programs.

CCS SCS SB 892 - Sponsor: Senator Gina Walsh

- Modifies provisions of law relating to various retirement plans for public employees.
- Working After Retirement (HCS HB 2335) This act allows any teacher retired from the Public School Employee Retirement System of Missouri (PSRS) to be employed in a position covered under the Public Education Employee Retirement System (PEERS) without stopping their retirement benefit. Such retired teacher may earn up to 60% of the minimum teacher's salary as set forth in Missouri statute and shall not contribute to PEERS or earn creditable service.
- Employer Contribution (HCS HB 2335) The employer's contribution rate shall be paid by the hiring employer. If a person is employed in excess of the salary limitation set forth in the act the person shall not be eligible to receive their retirement allowance for any month the person is employed and such person shall contribute to PEERS if he or she is employed in an eligible position

Ms. Walden also presented a detailed list of the bills that did not pass this legislative session.

CPI Update

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, which is used for COLA calculations, is up 2.7078% through May 31, 2018.

Public Comment

Ms. Carol Weatherford representing MNEA and MNEA-Retired thanked the Board for the invitation to attend the educational sessions, which she found very informative.

Mr. Jason Steliga, Board Member, requested the Board to review the retiree mailing policy that was adopted by the Board of Trustees in October 2016. The current policy replaced the original policy which was set by the Board in 1984. He requested staff to review the policy and bring additional information to the Board for discussion at the August 2018 Board meeting.

Closed Session

PSRS4767
PEERS3002

Ms. Heath moved that the meeting continue in closed session consider personnel issues, technology security issues, and legal matters under Sections 610.021 (1), (13), (14), (21) and 169.020.15, RSMo. Mr. Hunt seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

The following motions were made in closed session:

PSRS4768/PEERS3003 - Minutes (Zalis, Hoffman, Bryant, Heath, Hunt, Knes and Steliga; voting to approve the previous closed session minutes)

PSRS4769/PEERS3004 – Adjournment (Zalis, Hoffman, Bryant, Heath, Hunt, Knes and Steliga; voting to adjourn closed session)

The following items were discussed in closed session that did not require a vote by the Board: Legal Report, Internal Controls Report and Personnel Report.

Adjournment

PSRS4770
PEERS3005

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