

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

THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

June 7-8, 2021

MEMBERS PRESENT

Jason Hoffman, Chair
Jason Steliga, Vice-Chair
Scott Hunt
Beth Knes
Kyle Collins
Sharon Kissinger

MEMBERS ABSENT

Melinda Moss

OTHERS PRESENT

Dearld Snider, Exec. Director
Bill Betts, Asst. Exec. Dir., Oper.
Craig Husting, Asst. Exec. Dir. Invest
Sarah Swoboda, General Counsel
Anita Brand, Chief Financial Officer
Maria Walden, Dir. Legislation & Pol
Nicole Hamler, Dir. of Member Serv.
Lisa Scheulen, Chief Technology Offic
Jeff Hyman, Director of Internal Audit
Susan Wood, Communications Dir.
Kim Harris, Dir. Human Resources
Stacie Verslues, Dir. Board Admin

Monday, June 7, 2021

Meeting Convened

The Education Retreat of the Board of Trustees convened at 7:30 a.m. at the Hilton Promenade at Branson Landing, Branson Missouri. In attendance were Board members Jason Hoffman, Jason Steliga, Kyle Collins, Sharon Kissinger, Beth Knes, and Scott Hunt. Melinda Moss was absent. Also present were Executive Director, Dearld Snider; Assistant Executive Director, Investments, 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.

**Setting the Stage:
History of the
Funding and COLA
Policies**

Presenters: Anita Brand, Chief Financial Officer; Brandon Robertson, PricewaterhouseCoopers (PwC); Craig Husting, Assistant Executive Director, Investments; Dearld Snider, Executive Director; and Sarah Swoboda, General Counsel

Economic

Assumptions:

Expected Return and Inflation

Presenters: Craig Husting, Assistant Executive Director, Investments; Margaret Jadallah, Verus; Stephen Douglas, NISA; Stuart Odell, Verus

The Future is

Unknown: What if the future differs from our expectations.

Presenters: Anita Brand, Chief Financial Officer; Bill Betts, Assistant Executive Director; Brandon Robertson, PricewaterhouseCoopers (PwC); Craig Husting, Assistant Executive Director, Investments; Dearld Snider, Executive Director

Real Estate Market in a Post-COVID World

Presenter: Mary Ludgin, Heitman

COVID Discussion

Presenter: Richard Falkenrath, Bridgewater

Adjournment

PSRS4982

PEERS3217

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

Tuesday, June 8, 2021

Meeting Convened

The meeting of the Board of Trustees convened at 9:30 a.m. at the Hilton Promenade at Branson Landing, Branson Missouri. In attendance were Board members Jason Hoffman, Jason Steliga, Kyle Collins, Sharon Kissinger. Beth Knes and Scott Hunt. Melinda Moss was absent. Also present were Executive Director, Dearld Snider; Assistant Executive Director, Investments, 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.

Approval of Minutes

PSRS4983

PEERS3218

Mr. Steliga moved that the minutes from the April 11 -12, 2021 meeting be approved as presented. Mr. Hunt seconded the motion. Voting “Aye”- Hoffman, Steliga, Collins, Hunt, Kissinger and Knes. “Nay” – None. The motion carried unanimously.

Order of Business

None

Investments
Investment
Performance Report

Assistant Executive Director, Investments, Mr. Craig Husting and Ms. Margaret Jadallah from Verus reviewed the investment performance for the period ended March 31, 2021. The 1-year PSRS/PEERS investment return was reported as 29.5% while the fiscal year return (July 1, 2020 thru March 31, 2021) was reported as 19.3%.

Ongoing Investment
Activity

Mr. Husting reviewed ongoing investment activities, which included estimated investment performance through May 31, 2021. The estimated fiscal year investment return (July 1, 2020 thru May 31, 2021) was reported as approximately 25.3%. Mr. Husting discussed the investment markets, rebalancing activity in April and May and the current PSRS/PEERS asset allocation.

Management
Board Meeting
Dates
PSRS4984
PEERS3219

The 2021-2022 fiscal year meeting dates were reviewed. Ms. Knes moved that the following dates be set for the 2020-2021 fiscal year. August 30, 2021; October 25, 2021; December 6, 2021; February 7, 2022; April 11, 2022; June 6-7, 2022. Ms. Kissinger seconded the motion. Voting “Aye”- Hoffman, Steliga, Collins, Hunt, Kissinger and Knes. “Nay” – None. The motion carried unanimously.

Banking Resolution

Ms. Anita Brand reviewed a memo regarding a banking resolution, which was unanimously approved earlier in the day by the Budget and Audit Committee. The resolution provides continuing authority to Mr. Dearld Snider, Mr. Craig Husting and Mr. Bill Betts to make necessary changes related to our banking relationship with Central Bank. Mr. Hunt 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

Dearld O. Snider, Executive Director
Craig A. Husting, Assistant Executive Director, Investments
William L. Betts, 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, 2022 or when a new resolution is received by the bank.

PSRS4985
PEERS3220

Ms. Knes seconded the motion. Voting “Aye”- Hoffman, Steliga, Collins, Hunt, Kissinger, and Knes. “Nay” – None. The motion carried unanimously.

2021-2022 Budget Approval

Ms. Brand reviewed the 2021-2022 proposed budget request, which was unanimously approved earlier in the day by the Budget and Audit Committee. The budget was compiled based on the Systems' mission of providing retirement security to Missouri's educators and public school employees in the most efficient and cost-effective manner possible. Ms. Brand provided a summary of discussions with the Budget and Audit Committee.

PSRS4986
PEERS3221

Mr. Steliga moved that the proposed 2021-2022 budget as presented by the Budget and Audit Committee be approved. Mr. Hunt seconded the motion. Voting “Aye”- Hoffman, Steliga, Collins, Hunt, Kissinger and Knes. “Nay” – None. The motion carried unanimously.

Actuarial Experience Study/Funding Policies

Ms. Brand presented a review of the 2021 Actuarial Experience Studies and proposed revisions to the Actuarial Funding Policies.

The actuarial experience studies review the differences between the Systems' assumed and actual experience over multiple years (typically 3 to 5), with the goal of examining the trends related to actual experience and recommending changes to assumptions, if needed. The Systems perform an experience study at least every five years. The purpose of the studies are to confirm that the actuarial assumptions (economic and demographic) used in the annual valuations are: 1) reflective of the actual demographics and behaviors of the members, to the extent historical experience is measurable and expected to be an indicator of future experience, and 2) reflective of current economic conditions affecting members and their benefits. The actuarial methods utilized by the Systems are also reviewed as part of the studies.

The overall results of the experience studies are excellent. The studies indicate the actual experience of the Systems over the past five years is very close to the assumptions that were utilized. There were no surprises in the results. The most significant discussion in the studies is inflation. Inflation is an underlying component of all other economic assumptions. PwC has proposed recommendations to several of the Systems' actuarial assumptions, largely due to movements in inflation. Changes to economic assumptions related to inflation are driven by many factors within the market and do not represent a mismatch of prior assumptions. PwC has also recommended revisions to the Systems' mortality tables and improvement scale. Such recommendations are consistent with prior experience and discussions.

Based on recent economic developments, PricewaterhouseCoopers (PwC) proposed a revision to the cost-of-living adjustments (COLA) assumption recommendation made at the April 2021 Board of Trustees' meeting. The proposed recommendation is to assume 2.0% for the next 3 years and then 1.35% for all years thereafter.

The actuarial funding policies are to be reviewed every five years in conjunction with the Actuarial Experience Studies. The purpose of the policies is to record the funding objectives and policy set by the Board of Trustees for the Systems. The Board established the Policies to ensure the systematic funding of future benefit payments for the Systems' current and future members. The Policies include the Board's Principles of Funding and Risk Factors that must be considered. The Policies govern the methods used by the actuarial consultants in performing the actuarial valuation which is the basis for the determination of the annual contribution rate charged to employers and members.

The actuarial funding policies were updated to include all recommendations provided by PwC. The most significant changes were as follows: reducing the inflation assumption from 2.25% to 2.0%, lowering the Expected Return on Assets from 7.5% to 7.3%, revising the COLA assumption to 2.0% for the next 3 years and then 1.35% every year thereafter, lowering the payroll and individual salary growth rates beyond just the decrease in the inflation assumption to accurately reflect the actual growth experienced over the last fifteen years and revisions to the Systems' mortality tables and improvement scale which are consistent with the prior experience and discussions.

PSRS4987
PEERS3222

Mr. Hunt moved to approve the revisions to the PSRS Actuarial Funding Policy as presented. Ms. Kissinger seconded the motion. Voting "Aye"- Hoffman, Steliga, Collins, Hunt, Kissinger and Knes. "Nay" – None. The motion carried unanimously.

PSRS4988
PEERS3223

Mr. Collins moved to approve the revisions to the PEERS Actuarial Funding Policy as presented. Ms. Knes seconded the motion. Voting "Aye"- Hoffman, Steliga, Collins, Hunt, Kissinger and Knes. "Nay" – None. The motion carried unanimously.

**Set Purchase Interest
Rate FY 2022**

Ms. Anita Brand presented information to the Board of Trustees on the purchase interest rate. According to Board Regulation (16 CSR 10-4.012 (4)), prior to July 1 each year, the Board of Trustees shall establish a "purchase rate" of interest based on the actuarially assumed rate of return on invested funds of the Retirement Systems. The purchase interest rate shall apply to any amount due for reinstatement of service or for the purchase of service, except as otherwise specified by law. Staff recommended setting the fiscal year 2021-2022 purchase interest rate at the actuarial assumed rate of return of 7.3% approved as part of the 2021 Actuarial Experience Studies. Mr. Hunt moved to set the 2021-2022 purchase interest rate at the actuarial assumed rate of return of 7.3%. Ms. Kissinger seconded the motion. Voting "Aye"- Hoffman, Steliga, Collins, Hunt, Kissinger and Knes. "Nay" – None. The motion carried unanimously.

PSRS4989
PEERS3224

**Proposed Regulation
Part-time Election**

Ms. Sarah Swoboda presented to the Board a proposed new regulation that involves the "part-time election" statute found at 169.712 RSMo. The part-time election statute provides that membership for certificated part-time employees (of at least 17 hours per week on a regular basis) defaults to PSRS, where members will earn partial service credit. However, the statute gives members who are "first employed" in this

part-time certificated manner 90 days from that “first such employment” to elect to either become or remain a member of PEERS.

The regulation is desired in order to codify rules for those that avail themselves of the part-time election statute and then undergo certain changes in their work/positions. For this limited group of members that utilize the part-time election statute, then transition back to full-time work, then transition back to part-time work, this regulation states that once they become members of PSRS they will remain members of PSRS even if they transition back to part-time work (as long as they remain certificated). Ms. Knes moved that the “part-time election” regulation be approved. Mr. Hunt seconded the motion. Voting “Aye”- Hoffman, Steliga, Collins, Hunt, Kissinger and Knes. “Nay” – None. The motion carried unanimously.

PSRS4990
PEERS3225

Facility Renovation

Mr. Betts provided a high-level recap of the construction timeline for the new building addition and building renovation. Renovation continues throughout the current building and remains on target to be complete in September 2021. Mr. Betts also shared with the Board that we reopened the building to visitors on June 1, 2021.

Legislative Update

Director of Legislation and Policy Ms. Maria Walden updated the Board on the 2021 Missouri Legislative Session. Ms. Walden reviewed the 2021 Missouri legislative statistics, as well as the upcoming important 2021 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 members who are impacted.

Senate Committee Substitute (SCS) House Committee (HCS) and House Bill (HB) 362 modifies provisions relating to Government Transparency.

- PSRS/PEERS Sunshine Law Provisions
 - The amendment expands the types and amount of records that may be closed to include certain evacuation and lockdown procedures and information, email addresses/telephone numbers submitted to an entity for the sole purpose of receiving communications such as newsletters, alerts, advisories, ect., and customer usage and billing records for municipality utilities.

Senate Committee Substitute (SCS) House Committee (HCS) and House Bill (HB) 349 establishes the “Missouri Empowerment Scholarship Accounts Program”

- PSRS/PEERS has no direct impact but plan to monitor the overall impact to public education.

Ms. Walden also presented a detailed list of the bills that did not pass this legislative session and other legislative issues of interest to the Systems.

Working After Retirement

Mr. Dearld Snider of PSRS/PEERS presented the Board with potential modifications to the current working after retirement provisions as he had originally discussed at the February Board Meeting. Mr. Snider reminded the Board that 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 will continue the discussion through the summer and into the 2021 legislative meeting.

Board Governance

Mr. Snider shared with the Board that our long-time Board Governance consultant, Cortex, was dissolving and would no longer be providing these consultant services. We have already begun the search for a new governance consultant.

CPI-U Update

Mr. Snider explained that the CPI-U is calculated by the Bureau of Labor Statistics (BLS). The CPI-U is the measure of the change in prices of goods and services purchased by urban consumers between any two time periods. PSRS/PEERS' regulations require that the time period for the CPI-U calculation used in the determination of a COLA be from June to June. Based on the values provided by the BLS, the CPI-U is up 3.5908% through April 30, 2021. The May reading for the CPI-U will not be released until June 10, 2021.

Public Comment

Mr. Snider thanked Mr. Hunt and Mr. Hoffman for their time served on the Board. This is their final meeting as Trustees for PSRS/PEERS.

Closed Session

PSRS4991
PEERS3226

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. Mr. Steliga seconded the motion. Voting "Aye"- Hoffman, Steliga, Collins, Hunt, Kissinger, and Knes. "Nay" – None. The motion carried unanimously.

PSRS4992
PEERS3227

The following motions were made in closed session:

PSRS4991/PEERS3226 - Minutes (Hoffman, Steliga Collins, Hunt, Kissinger, and Knes; voting to approve the previous closed session minutes)

PSRS4993
PEERS3228

PSRS4992/PEERS3227 – Adjournment (Hoffman, Steliga Collins, Hunt, Kissinger, and Knes; voting to adjourn closed session)

Adjournment

PSRS4994
PEERS3229

Mr. Hunt moved that the meeting adjourn. Ms. Kissinger seconded the motion. Voting "Aye"- Steliga, Collins, Hunt, Kissinger and Knes. "Nay" – None. The motion carried unanimously. Mr. Hoffman was not present.