

BUDGET & AUDIT COMMITTEE

BOARD OF TRUSTEES

OF

THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI

AND

THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

June 6, 2022

MEMBERS PRESENT

Jason Steliga, Chair
Dr. Melinda Moss

MEMBERS ABSENT

Beth Knes, Vice Chair

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
Mike Moorefield, Dir. Leg. & Policy
Jeff Hyman, Director of Internal Audit
Lisa Scheulen, Chief Technology Offic.
Nicole Hamler, Dir. of Member Serv.
Stacie Verslues, Dir. Employer Serv.
Kim Harris, Dir. Human Resources
Susan Wood, Dir. Of Communications
Jennifer Martin, Dir. Board Admin.

OTHER TRUSTEES PRESENT

Dr. Kyle Collins
Dr. D. Eric Park
Sharon Kissinger

Meeting Convened

The meeting of the Budget & Audit Committee of the Board of Trustees convened on Monday, June 6, 2022 at 8:30 a.m. at the Retirement System offices in Jefferson City, Missouri. In attendance were Board members Jason Steliga, Dr. Kyle Collins, Sharon Kissinger, Dr. Melinda Moss, and Dr. Eric Park. 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; Director of Internal Audit, Jeff Hyman; Director of Executive and Board Administration Jennifer Martin; and various other PSRS/PEERS staff members.

**Approval of
Minutes**

No.0142

Dr. Moss moved that the minutes from the April 10, 2022, meeting of the Budget and Audit Committee be approved. Mr. Steliga seconded the motion. A roll call vote was taken. Voting “Aye”—Steliga, Collins, Park, Kissinger and Moss; “Nay”—None. The motion carried unanimously.

**Annual Banking
Resolution**

No.0143

Ms. Anita Brand from PSRS/PEERS reviewed a memo regarding a banking resolution. The resolution provides continuing authority to Mr. Dearld Snider, Mr. Bill Betts and Mr. Craig Husting to make necessary changes related to the Systems’ 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 resolution automatically expires each June 30 or when a new resolution is received by Central Bank. Dr. Collins moved to approve the resolution as recommended by the Budget and Audit Committee. Dr. Park seconded the motion. A roll call vote was taken. Voting “Aye”—Steliga, Collins, Park, Kissinger, and Moss; “Nay”—None. The motion carried unanimously.

**Strategic Plan
Presentation and
Strategic Plan Policy**

Mr. Bill Betts from PSRS/PEERS reviewed with the Board the 2023-2025 Strategic Plan and the four focus areas: System and Financial Stability, Culture of Excellence, Engagement and Innovation. Mr. Betts shared a snapshot of the key initiatives developed by the management team. The key initiatives are developed through a formal process to help support the strategic plan and utilized in preparation of the annual budget request presented to the Board.

After a review of the Systems' Strategic Plan, Mr. Betts reviewed the Strategic Plan Policy. Mr. Betts shared the PSRS/PEERS management team's recommendation to change the term "tactics" to "key initiatives" within the Strategic Plan Policy. The team feels key initiatives is more representative of the items captured and presented to the Board. Once the updated policy is approved, it will be included in the Board's Governance Policies. These policies are reviewed annually to ensure they are living documents serving to guide the functions of the Board, while also evolving to meet the changing needs of the Board and the Systems over time.

Discussion and Approval of 2022-2023 Budget

Ms. Brand reviewed the fiscal year 2022-2023 proposed budget request. The proposed budget request was prepared in accordance with the Board of Trustees' Planning and Budgeting Policy. Ms. Brand provided information regarding the processes utilized to develop the budget.

As part of the annual budgeting process, Management prepares annual key initiatives (previously referred to as annual tactics). Key initiatives are developed and reviewed annually by each department under the leadership of the department director and then reviewed by Management to ensure consistent alignment. The key initiatives are developed based on the Systems' mission, goals, focus areas and strategic objectives. Annually, each key initiative is reviewed by Management to determine if it was completed and what measurable effect (if measurable) each action had on the Systems' strategic objectives. Ms. Brand reviewed the key initiatives completed during fiscal year 2022, as well as the fiscal year 2023 key initiatives.

The final proposed budget request 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 the following budget highlights and provided detailed discussion on significant changes from the prior year.

The total request has increased by 7.1% from the fiscal year 2021-2022 adjusted budget. The overall increase is driven by an expected 7.4% increase in benefit payments to members. The increase is inclusive of a projected January 1, 2023 cost-of-living adjustment.

The investment expenses are comprised of investment fees and investment administrative expenses. Budgeted investment fees increased compared to the prior year. The increase is directly related to the assets under management and current contracts with investment managers. Investment fees are paid and budgeted in accordance with current legal contracts. The Systems account for and budget all investment fees including performance and incentive fees. Actual expenses will be directly dependent on the market environment.

The budget request also includes an increase in investment administrative expenses. The increase is attributed to the addition of two investment positions and the completion of a comprehensive compensation study in accordance with the Board of Trustees' Compensation Strategy. Investment returns are reported net of investment fees and investment administrative expenses.

The total administrative budget is made up of the capital asset budget (items over \$10,000 that are capitalized) and the administrative budget. The fiscal year 2022-2023 budget request for capital assets is inclusive of the final close out of the building expansion and renovation project. The project is considered complete, and the facility is being utilized by staff, members, employers and Trustees. The remaining anticipated expenses are to close out retainage balances and final orders of signage and other direct owner costs. The project was completed substantially under budget.

Administrative expenses have increased from the previous year. The increase is attributed to the addition of five full-time positions and the completion of a comprehensive compensation study in accordance with the Board of Trustees' Compensation Strategy. Throughout the proposed budget request, the Systems have decreased the budget where appropriate. However, the overall proposed budget request has increased in order to meet the Systems' long-term goals and strategic objectives. The Systems' administrative expenses are funded through investment earnings.

No.0144

Dr. Moss moved that the 2022-2023 budget be approved. Mr. Steliga seconded the motion. A roll call vote was taken. Voting “Aye”—Steliga, Collins, Park, Kissinger and Moss; “Nay”—None. The motion carried unanimously.

Internal Audit Report Mr. Jeff Hyman from PSRS/PEERS presented the internal audit annual report to the committee. The internal audit department completed nine audit engagements and performed consulting services in various areas in accordance with, and in addition to, the fiscal year 2021-2022 PSRS/PEERS audit plan. Mr. Hyman also reviewed the internal audit plan for fiscal year 2022-2023.

Public Comment None

Adjournment
No.0145

Dr. Moss moved that the meeting adjourn. Mr. Steliga seconded the motion. A roll call vote was taken. Voting “Aye”—Steliga, Collins, Park and Moss; “Nay”—None. The motion carried unanimously.

Prepared by
Jennifer Martin

Jason Steliga, Chair

Dearld Snider, Executive Director