

REGULAR MEETING
BOARD OF TRUSTEES
OF
THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI
AND
THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI
October 27-28, 2019

MEMBERS PRESENT

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

MEMBERS ABSENT

OTHERS PRESENT

Steve Yoakum, Exec. Director
Dearld Snider, Asst. Exec. Dir., Oper.
Craig Husting, Asst. Exec. Dir., Invest
Sarah Swoboda, General Counsel
Anita Brand, Chief Financial Officer
Maria Walden, Legislative Director
Nicole Hamler, Dir. of Member Serv.
Omar Davis, Dir. of Employer Serv.
Susan Wood, Communications Dir.
Stacie Verslues, Dir. Admin Design

Sunday, October 27, 2019

Meeting Convened

The meeting of the Board of Trustees convened at 5:30 p.m. in the Retirement System offices in Jefferson City, Missouri. In attendance were Board members Aaron Zalis, Jason Hoffman, Chuck Bryant, Scott Hunt, Yvonne Heath, Beth Knes and Jason Steliga. Also present were Executive Director, M. Steve Yoakum; Assistant Executive Director, Investments, Craig Husting; General Counsel, Sarah Swoboda; Chief Financial Officer, Anita Brand; Director of Legislation and Policy, Maria Walden; Director of Administrative Planning and Design, Stacie Verslues; and various other PSRS/PEERS staff members.

**Report of
Actuary Audit**

Ms. Pat Beckham, Ms. Wendy Ludbrook and Mr. Larry Langer from Cavanaugh Macdonald (CM) were present to discuss the recent actuarial audit. State statute requires the Systems to have an actuarial audit at least every 10 years. The Board of Trustees have recently implemented a policy to conduct an actuarial audit every 5 years. The audit included a full replication of the June 30, 2018 valuations and a review of the most recent actuarial experience study performed by the Systems' Actuary, PricewaterhouseCoopers (PwC). Mr. Langer discussed the purpose of an audit and the actuarial audit process with the Board. CM concluded the actuarial work provided by PwC provides a fair and reasonable assessment of the financial position of

the Systems and that their work was actuarially sound. CM provided suggestions for the next experience study and the actuarial valuation process. None of the suggestions are expected to have a significant impact on future actuarial results. CM states there is no urgency for change and believe such suggestions and recommendations can be considered when the next experience study is performed or when the 2020 valuation is prepared.

Investments
Public Credit

Mr. Frank Aten and Ms. Jessica Wilbers from the PSRS/PEERS investment staff reviewed the Systems' Credit portfolio including program objectives, guidelines and long-term results. The five-year annualized return for the Credit composite for the period ended June 30, 2019 was 3.9%.

Private Equity

Mr. John Tuck, Mr. Dan Case, Mr. Ben Frede and Ms. Shradha Shrestha from the PSRS/PEERS investment staff reviewed the Systems' Private Equity and Private Credit portfolios including program objectives, guidelines and long-term results. The five-year annualized return for the Private Equity composite for the period ended June 30, 2019 was 14.5% and the five-year annualized return for the Private Credit composite for the same period was 5.6%. Staff also discussed the potential for a new Private Credit Direct Investment program.

Monday, October 28, 2019

Meeting Convened

The meeting of the Board of Trustees convened at 8:30 a.m. in the Retirement System offices in Jefferson City, Missouri. In attendance were Board members Aaron Zalis, Jason Hoffman, Chuck Bryant, Scott Hunt, Yvonne Heath, Beth Knes and Jason Steliga. Also present were Executive Director, M. Steve Yoakum; Assistant Executive Director, Investments, Craig Husting; Assistant Executive Director, Operations, Dearld Snider; General Counsel, Sarah Swoboda; Chief Financial Officer, Anita Brand; Director of Employer Services, Omar Davis; Director of Member Services, Nicole Hamler; Director of Legislation and Policy, Maria Walden; Communications Director, Susan Wood; Director of Administrative Planning and Design, Stacie Verslues; and various other PSRS/PEERS staff members.

**Approval of
Minutes**
PSRS4856
PEERS3091

Mr. Hunt moved that the minutes from the August 26, 2019 meeting be approved as presented. Ms. Heath seconded the motion. Voting "Aye"—Zalis, Hoffman, Bryant, Hunt, Heath, Knes and Steliga; "Nay"—None. The motion carried unanimously.

Order of Business

None

Investments
**Ongoing Investment
Activity**

Mr. Craig Husting of PSRS/PEERS and Mr. Barry Dennis from Verus (the Systems' investment consultant) reviewed ongoing investment activities, which included estimated investment performance through September 30, 2019. The estimated return for the first quarter of fiscal year 2020 (July 1, 2019 through September 30, 2019) was approximately 0.9%. 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 discussed the potential for an Asset/Liability study in the spring of 2020.

Proxy Voting Policy Mr. Husting reviewed the Systems' Proxy Voting Policy. The Systems' active public equity investment managers are each responsible for voting proxies in the best interests of the members of the Systems. The managers are required to provide an annual report to the investment staff detailing how their proxies were voted during the year on behalf of PSRS/PEERS. Mr. Husting reported that the Systems received proxy voting reports from all public equity managers for fiscal year 2019. The internal PSRS/PEERS staff has not identified any operational issues with the proxy voting process during the review that was conducted this year and all investment managers are in compliance with the Policy.

Investment Policy Changes The Investment Policy was originally adopted in 1995. The investment staff periodically conducts a full review of the Investment Policy and recommends changes to the Board. The last full review was conducted in June 2018.

Mr. Husting discussed proposed Investment Policy changes. The recommended changes were primarily to bring the Policy in accordance with Board action over the last year, to add language for clarity, and to incorporate benchmark updates. The Policy changes also included language to specifically allow a Private Credit direct investment program. Mr. Hunt moved that the investment policy changes be approved as presented. Mr. Hoffman seconded the motion. Voting "Aye"—Zalis, Hoffman, Bryant, Hunt, Heath, Knes and Steliga; "Nay"—None. The motion carried unanimously.

PSRS4857
PEERS3092

Real Estate Review Mr. Jack Koch and Mr. Seth Marcus from Townsend (the Systems' Real Estate Consultant) presented several items to the Board, including a Real Estate Market Overview and details of the PSRS/PEERS real estate portfolio. Townsend reported that the PSRS/PEERS' Real Estate portfolio had produced an annualized return of 9.6% (net of all fees) for the five-year period ended June 30, 2019.

Report of Actuary Audit Mr. Larry Langer from Cavanaugh Macdonald (CM) discussed the purpose of an audit and the actuarial audit process with the Board. CM concluded the actuarial work provided by PwC provides a fair and reasonable assessment of the financial position of the Systems and that their work was actuarially sound. CM provided suggestions for the next experience study and the actuarial valuation process. Mr. Steliga moved that the actuarial audit report be approved. Ms. Knes seconded the motion. Voting "Aye"—Zalis, Hoffman, Bryant, Hunt, Heath, Knes and Steliga; "Nay"—None. The motion carried unanimously.

PSRS4858
PEERS3093

Report of Actuary 2019 Valuation Mr. Brandon Robertson and Ms. Rebecca Brenza from PricewaterhouseCoopers (PwC) were present to discuss the results of the June 30, 2019 actuarial valuations for the Systems. Mr. Robertson provided an overview of the purpose of the annual actuarial valuations and the key components. Ms. Brenza reviewed the June 30, 2019 actuarial valuation information prepared by PwC. Ms. Brenza reviewed the changes in membership, assets, liabilities, and the pre-funded status of each System. She reported that the June 30, 2019, preliminary pre-funded status based on the actuarial value of assets of PSRS was 84.4% and PEERS was 86.4%. The funded status of both Systems is viewed to be healthy and a result of appropriately set actuarial assumptions, consistent funding of the required

contributions, and diligent plan governance. The current market value of assets approximates the actuarial value of assets for both Systems. Mr. Robertson discussed projections of contribution rates, funded status and the sensitivities of both to the overall investment returns for the plans.

Mr. Robertson also addressed the recent actuarial audit by Cavanaugh Macdonald, indicating that PwC had implemented suggestions where appropriate in the June 30, 2019 valuations and there was no significant financial impact to the Systems.

Contribution Rate

PSRS4859
PEERS3094

Mr. Hunt moved that the contribution rate for PSRS remain at 29% and PEERS remain at 13.72% as recommended by the actuary. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Hunt, Heath, Knes and Steliga; “Nay”—None. The motion carried unanimously.

January 2020

PSRS4860
PEERS3095

Mr. Hoffman moved that the COLA be set at 0% for January 1, 2020, as recommended by the actuary and in accordance with the Board’s COLA policy. Ms. Heath seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Hunt, Heath, Knes and Steliga; “Nay”—None. The motion carried unanimously.

Management Report **Board Election**

PSRS4861
PEERS3096

Mr. Steve Yoakum of PSRS/PEERS presented to the Board the 2020 Board Election Schedule. Effective July 1, 2020, there will be two positions available on the PSRS/PEERS Board of Trustees. Both of these positions must be filled by an active member of PSRS. Following discussion, Mr. Hunt moved to push the petition signature audit and certification to March 9th and approve the election schedule. Jason Steliga seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Hunt, Heath, Knes and Steliga; “Nay”—None. The motion carried unanimously.

Facility Renovation

Mr. Dearld Snider of PSRS/PEERS provided a high-level recap of the construction timeline of Bid Package 1 (geothermal bore fields, pipe installation, demolition of the maintenance facility, three-lane south exit and new west parking lot) which will be completed on November 1. Bid Package 2 (new addition and renovation) will begin during the week of November 4 and will last approximately 24 months. He also shared with the Board the companies who were awarded contracts for Bid Package 2 based on the competitive bidding process.

Budget Adjustment

PSRS4862
PEERS3097

Ms. Anita Brand of PSRS/PEERS led a budget amendment discussion. After three years evaluating the Systems’ current facility and potential growth, the Board of Trustees’ approved the building expansion and renovation project at their December 2018 meeting and approved the preliminary budget for this project at their June 2019 meeting. As indicated in June, budget adjustments would be prepared for the Board of Trustees’ consideration upon the completion of construction documents and receipt of final competitive bids for the project. The Systems’ have received final competitive bids and the Guaranteed Maximum Price (GMP) from the Systems’ Construction Manager at Risk. Based on the final GMP, Ms. Brand requested a budget reduction of approximately \$1.3 million. The Board of Trustees approved the budget amendment as recommended by the Budget and Audit Committee by unanimous vote. Mr. Bryant moved that the budget adjustment be approved as recommended by the Budget and Audit Committee. Ms. Knes seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Hunt, Heath, Knes and Steliga; “Nay”—None. The motion carried unanimously.

Member Services

Ms. Nicole Hamler, Director of Member Services and Ms. Amanda Bryant, Benefits Supervisor presented an update on the benefits department, a section within the Member Services department. Ms. Hamler gave a general overview of the section and discussed the primary responsibilities of the Benefits section: processing benefit estimates, service retirements, and purchases as well as providing one-on-one counseling of members who visit the office. Ms. Bryant walked the Board through the detailed process of purchasing Social Security-covered employment. Ms. Hamler discussed the section goals for the Benefits department and how these goals support the overall strategic plan of PSRS/PEERS.

CPI-U 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 is up 0.2405% through September 30, 2019, which brings the total cumulative to 1.8890%.

Public Comment

Carol Weatherford commented on behalf of herself as a benefit recipient. Carol expressed her thanks to the Board and to the staff of PSRS/PEERS for their continued hard work and dedication to the Systems.

Closed Session

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

PSRS4863
PEERS3098

The following motions were made in closed session:

PSRS4864/PEERS3099 - Minutes (Zalis, Hoffman, Bryant, Hunt, Heath, Knes and Steliga; voting to approve the previous closed session minutes)

PSRS4865/PEERS3100 – Member Appeal (Zalis, Hoffman, Bryant, Hunt, Heath, Knes and Steliga voting to deny the member appeal)

PSRS4866/PEERS3101 – Adjournment (Zalis, Hoffman, Bryant, Hunt, Heath, Knes and Steliga; voting to adjourn closed session)

Adjournment

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

PSRS4867
PEERS3102