

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

October 23-24, 2022

MEMBERS PRESENT

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

MEMBERS ABSENT

OTHERS PRESENT

Dearld Snider, Executive Director
Bill Betts, Asst Exec. Dir. Operations
Craig Husting, Asst. Exec. Dir Invest.
Sarah Swoboda, General Counsel
Anita Brand, Chief Financial Officer
Nicole Hamler, Director of Member Serv.
Stacie Verslues, Director of Emp. Serv.
Lisa Scheulen, Chief Technology Officer
Mike Moorefield, Dir., Legis. and Policy
Kim Harris, Dir. of Human Resources
Jennifer Martin, Director, Board Admin.

October 23, 2022

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, Beth Knes, Dr. Kyle Collins, Sharon Kissinger, Dr. Eric Park and Allie Gassmann. 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 Legislation and Policy Mike Moorefield; Chief Technology Officer Lisa Scheulen; Director of Executive and Board Administration Jennifer Martin; and various other PSRS/PEERS staff members.

U.S. Equity Program Review

Mr. Frank Aten and Mr. Dan Lane from PSRS/PEERS reviewed the Systems' U.S. Equity portfolio including program objectives, guidelines and long-term results. The five-year annualized return for the U.S. Equity composite for the period ended September 30, 2022, was 7.6%.

Private Equity Review

Mr. Vincent Dee, Mr. Wayne Smith, and Mr. Derek Ransford from Pathway Capital Management (the Systems' Private Equity Consultant) presented with PSRS/PEERS' internal investment staff members Mr. John Tuck, Mr. Dan Case and Mr. Ben Frede regarding private equity co-investments and private credit direct investments completed by the Systems.

Mr. Craig Husting also discussed continuing difficulty in hiring/recruiting investment staff in Jefferson City area.

Adjournment
PSRS5076
PEERS3311

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

Monday, October 24, 2022
System Operations

Meeting Convened The Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) Board of Trustees convened at 8 a.m. In attendance were Board members Jason Steliga, Beth Knes, Dr. Kyle Collins, Sharon Kissinger, Dr. Eric Park and Allie Gassmann. 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 Member Services Nicole Hamler; Director of Employer Services Stacie Verslues; Director of Legislation and Policy Mike Moorefield; Chief Technology Officer Lisa Scheulen; 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 August Meeting
PSRS5077
PEERS3312 Ms. Kissinger moved that the minutes from the August 28 and 29, 2022 meetings be approved. Dr. Park seconded the motion. Voting “Aye” – Steliga, Knes, Collins, Kissinger, Park, and Gassmann; “Nay” – None. The motion carried unanimously.

Order of Business None

Other Chairman Steliga congratulated Dr. Collins on upcoming retirement on July 1, 2023. He also thanked those who have assisted him along the way as he enters into his eighth year on the PSRS/PEERS Board of Trustees.

Investments
Ongoing Investment Activity Mr. Craig Husting from PSRS/PEERS and Mr. Michael Hall from Russell reviewed ongoing investment activities, which included estimated investment performance through September 30, 2022. The estimated return for the first quarter of fiscal year 2023 (July 1, 2022, through September 30, 2022) was approximately -3.4%. Mr. Husting discussed the current asset allocation of the PSRS/PEERS portfolio, reviewing the long-term strategy and broad portfolio expectations.

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 interest 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 2022. 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 following the policy.

Mr. Husting also discussed recent changes in the proxy voting process with passive investment managers and third-party service providers. The industry shift led to a complete review of the proxy voting process at PSRS/PEERS. Staff will recommend updates to the PSRS/PEERS’ Proxy Voting Policy and to the Systems’ proxy voting process at the December Board meeting.

Private Equity Annual Review Mr. Vincent Dee, Mr. Wayne Smith and Mr. Derek Ransford from Pathway Capital Management presented several items to the Board, including a Pathway organizational update and a review of the PSRS/PEERS’ Private Equity, Private Equity Co-investment and Direct Credit programs. Pathway reported that the PSRS/PEERS Private Equity portfolio (that Pathway consulted on) had produced an annualized return of 18.8% for the 10-year period ended June 30, 2022. By comparison, the public equity benchmark returned 11.2% over this period.

Report of Actuary
June 30, 2022
Actuarial Valuations Mr. Brandon Robertson and Ms. Becky Brenza from PricewaterhouseCoopers (PwC), the Systems’ actuary, were present to discuss the results of the June 30, 2022 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, 2022, 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, 2022 preliminary pre-funded status based on the actuarial value of assets of PSRS was 85.2% and PEERS was 87.3%. The funded status of both Systems is viewed to be healthy and a result of appropriately set actuarial assumptions, consistent funding of the recommended contributions and diligent plan governance.

Mr. Robertson and Ms. Brenza reviewed recent key developments, preliminary projections, risks and considerations. They specifically identified the Systems' investment return and cost-of-living-adjustment (COLA) assumptions as the two most sensitive assumptions in determining the overall financial health of the Systems and future actuarially determined contribution rates. If any of the following scenarios occur, the liabilities of the Systems will increase, which may require an increase in contribution rates: additional shortfall in asset returns compared to the assumed rate of return; inflation that is higher than expected in the near-term resulting in larger COLA payments, and long-term inflation increasing and resulting in an increase in the long-term COLA assumption. However, if all assumptions are met, the current contributions will continue to be sufficient in the near-term.

Set Contribution Rates for 2023-2024

Mr. Robertson and Ms. Brenza from PwC indicated that the margin for adverse experience has been eliminated due to the 2023 5.0% COLA and the fiscal year 2022 investment return that was below the assumed rate of return. They further cautioned that if actuarial assumptions are not met during fiscal year 2023 and additional liability or asset losses occur, contribution rates may need to increase in the near future. Dr. Collins moved to maintain the contribution rate for PSRS at 29% and PEERS at 13.72% for fiscal year 2023-2024, as recommended by the actuary. Ms. Knes seconded the motion. Voting "Aye" – Steliga, Knes, Collins, Kissinger Park, and Gassmann; "Nay" – None. The motion carried unanimously.

PSRS5078
PEERS3313

Set January 2023 Cost-of-Living-Adjustment (COLA)

Ms. Kissinger moved, in accordance with the Systems' Funding Policy and the recommendation of the actuary, to grant a 5% COLA for January 2023. Ms. Gassmann seconded the motion. Voting "Aye" – Steliga, Knes, Collins, Kissinger Park, and Gassmann; "Nay" – None. The motion carried unanimously.

PSRS5079
PEERS3314

Management Report

Election Schedule Update

Ms. Jennifer Martin gave an update on the election schedule. The petition forms became available today, October 24th. All petitions must be either postmarked or received in the PSRS/PEERS office by Thursday, December 8. We should know at that time if we will have a contested election.

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 0.1677 % through September 30, 2022.

Public Comment

None

Other

None

Closed Session

PSRS5080
PEERS3315

Ms. Knes moved that the meeting continue in closed session to consider technology security issues and legal matters under Sections 610.021 (1), (12), (14) and (21) and 169.020.17, RSMo. Ms. Kissinger seconded the motion. Voting "Aye" – Steliga, Knes, Collins, Kissinger, Park, and Gassmann; "Nay" – None. The motion carried unanimously.

The following motions were made in closed session:

PSRS5081/PEERS3316 – Minutes from August 28-29, 2022, Closed Session (Steliga, Knes, Collins, Kissinger, Park, and Gassmann; voting to approve the previous closed session minutes)

PSRS5082/PEERS3317 – Move back to Open Session (Steliga, Knes, Collins, Kissinger, Park, and Gassmann; voting to move back to open session)

Adjournment
PSRS5083
PEERS3318

Ms. Gassmann moved that the meeting adjourn. Dr. Collins seconded the motion.
Voting “Aye” – Steliga, Knes, Collins, Kissinger, Park and Gassmann; “Nay” – None.
The motion carried unanimously.

Prepared by
Jennifer Martin

Jason Steliga, Chair

Dearld Snider, Executive Director