

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

THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

October 26, 2020

MEMBERS PRESENT

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

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, Dir. Legislation & Pol
Nicole Hamler, Dir. of Member Serv.
Omar Davis, Dir. of Employer Serv.
Susan Wood, Communications Dir.
Stacie Verslues, Dir. Admin Design

Meeting Convened

The meeting of the Board of Trustees convened at 8:30 a.m. at the DoubleTree Hotel in Jefferson City, Missouri. In attendance were Board members Jason Hoffman, Jason Steliga, Kyle Collins, Scott Hunt, Sharon Kissinger, Beth Knes and Melinda Moss. 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
PSRS4939
PEERS3174**

Mr. Hunt moved that the minutes from the August 31, 2020 meetings be approved as presented. Mr. Steliga seconded the motion. Voting “Aye” – Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss “Nay” – None. The motion carried unanimously.

Order of Business

None

Investments

Ongoing Investment Activity

Mr. Craig Husting from PSRS/PEERS reviewed ongoing investment activity, which included estimated investment performance through September 30, 2020. The estimated return for the first quarter of fiscal year 2021 (July 1, 2020 through September 30, 2020) was approximately 5.3%. 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. Margaret Jadallah from Verus (general consultant) dialed into the meeting to listen to the investment report.

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 2020. 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.

Public Credit

Mr. Frank Aten and Ms. Jessica Wilbers from PSRS/PEERS 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 September 30, 2020 was 5.3%.

Hedged Assets Review

Mr. John Tuck from PSRS/PEERS called in virtually, and he and Mr. Travis Allen from PSRS/PEERS reviewed the Systems' Hedged Assets portfolio including program objectives, guidelines and long-term results. The five-year annualized return for the Hedged Asset composite for the period ended June 30, 2020 was 3.1%.

Real Estate Review

Mr. Jack Koch and Mr. Seth Marcus from Townsend (the Systems' real estate consultant), presented several items to the Board (virtually), 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 7.2% (net of all fees) for the five-year period ended June 30, 2020.

Report of Actuary 2020 Valuation

Mr. Brandon Robertson and Ms. Cindy Fraterrigo from PricewaterhouseCoopers (PwC), the Systems' actuary, were present to discuss the results of the June 30, 2020 actuarial valuations for the Systems.

Ms. Fraterrigo provided an overview of the purpose of the annual actuarial valuations and the key components. Ms. Fraterrigo reviewed recent key developments and discussed the experience study that will be conducted later this year. Mr. Robertson reviewed the June 30, 2020 actuarial valuation information prepared by PwC. Mr. Robertson reviewed the changes in membership, assets, liabilities, and the pre-funded status of each System. He reported that the June 30, 2020, preliminary pre-funded status based on the actuarial value of assets of PSRS was 84.0% and PEERS was 86.3%. 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. Mr. Robertson discussed projections of contribution rates, funded status and the sensitivities of both to the overall investment returns and cost-of-living adjustments for the plans.

Contribution Rate Mr. Hunt moved that the contribution rate for PSRS remain at 29% and PEERS remain at 13.72% as recommended by the actuary. Ms. Knes seconded the motion. Voting “Aye” – Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss “Nay” – None. The motion carried unanimously.

PSRS4940
PEERS3175

January 2021 COLA Mr. Steliga moved that the COLA be set at 2.0% for January 1, 2021, as recommended by the actuary and in accordance with the Board’s COLA policy. Mr. Collins seconded the motion. Voting “Aye” – Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss “Nay” – None. The motion carried unanimously.

PSRS4941
PEERS3176

Management Report
Facility Renovation

Mr. Dearld Snider provided a high-level recap of the construction timeline for the new addition and renovation. Construction of the new addition is in its final stages and on track to be complete in November 2020. Mr. Snider covered with the Board a possible budget adjustment regarding windows in the current building that failed recent testing. This budget adjustment will most likely come at the December Board Meeting. Renovation is in full swing throughout the current building and presently set to be complete in September 2021.

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 0.9632% through September 30, 2020.

Public Comment Mr. Jason Hoffman congratulated Steve Yoakum on his upcoming retirement and thanked him for his years of hard work and leadership 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. Ms. Kissinger seconded the motion. Voting “Aye” – Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss “Nay” – None. The motion carried unanimously.

PSRS4942
PEERS3177

The following motions were made in closed session:
PSRS4943/PEERS3178 - Minutes (Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss; voting to approve the previous closed session minutes)
PSRS4944/PEERS3179 – Member Appeal (Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss voting to deny the member appeal)
PSRS4945/PEERS3180 – Adjournment (Hoffman, Steliga, Collins, Hunt, Kissinger, Knes and Moss; voting to adjourn closed session)

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

PSRS4946
PEERS3181