

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

October 29-30, 2023

MEMBERS PRESENT

Dr. Jason Steliga, Chair
Beth Knes, Vice-Chair
Dr. D. Eric Park
Allie Gassmann
Katie Webb

MEMBERS ABSENT

OTHERS PRESENT

Dearld Snider, Executive Director
Craig Husting, Chief Investment Officer
Sarah Swoboda, Chief Operating Officer
Mike Moorefield, Chief Counsel
Anita Brand, Chief Financial Officer
Jeff Hyman, Director of Internal Audit
Nicole Hamler, Director of Member Serv.
Stacie Verslues, Director of Emp. Serv.
Lisa Scheulen, Chief Technology Officer
Susan Wood, Dir. of Communications
Kim Harris, Dir. of Human Resources
Jennifer Martin, Director of Board Admin..

Sunday, October 29, 2023

Meeting Convened

The Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) Board of Trustees convened on October 29, 2023 at 5:25 p.m. In attendance were Board members Dr. Jason Steliga, Beth Knes, Dr. Eric Park, Allie Gassmann and Katie Webb. Also present were Executive Director Dearld Snider; Chief Operations Officer Sarah Swoboda; Chief Investment Officer Craig Husting; Chief Counsel Mike Moorefield; Chief Financial Officer Anita Brand; Chief Technology Officer Lisa Scheulen; Director of Executive and Board Administration Jennifer Martin and various other PSRS/PEERS staff members.

Review of Board Governance Policies

Ms. Sarah Swoboda discussed the proposed amendments to the Board Governance Policies. The last full review of the Charters and Policies was on March 1, 2021.

The Board recently engaged a governance consultant, Funston Advisory Services, LLC., to review the Board governance charters and policies and makes suggestions for updates and changes. Proposed changes to Board governance charters were presented and approved at the August 31, 2023 Board meeting.

Many of the amendments to the policies include minor changes to language for clarity or grammatical purposes. A few global changes were made throughout including updating staff titles as necessary and updating certain terminology (e.g., changing the “Annual Tactics List” to the “Key Initiatives List”). Additionally, throughout the policies where a statute or regulation has been referenced, hyperlinks have been added to assist the reader in locating the underlying authority or reference.

Several new sections were added as well. Additional sections have been added to the Governance Handbook to accumulate all relevant governance policies, statutes, and regulations in one document for ease of reference and future updates. Further, existing policies were amended to reflect current and best Systems’ governance practices.

Public Equity

Mr. Frank Aten, Ms. Jessica Wilbers and Mr. Dan Lane from the PSRS/PEERS investment staff reviewed the Systems’ Public Equity portfolio including program objectives, guidelines and long-term results. The 5-year annualized return for the U.S. Equity composite for the period ended September 30, 2023 was 8.4%. The 5-year annualized return for the Non-U.S. Equity composite for the period ended September 30, 2023 was 6.0%.

Adjournment
PSRS5135
PEERS3370

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

Monday, October 30, 2023
System Operations

Meeting Convened

The Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) Board of Trustees convened on October 30, 2023 at 8:00 a.m. In attendance were Board members Jason Steliga, Beth Knes, Eric Park, Allie Gassmann and Katie Webb. Also present were Executive Director Dearld Snider, Chief Operating Officer Sarah Swoboda, Chief Investment Officer Craig Husting, Chief Counsel Mike Moorefield, Chief Financial Officer Anita Brand, Director of Human Resources Kim Harris, Director of Member Services Nicole Hamler, Director of Employer Services Stacie Verslues, Director of Internal Audit Jeff Hyman; Chief Technology Officer Lisa Scheulen, Director of Communications Susan Wood, Director of Executive and Board Administration Jennifer Martin and various other PSRS/PEERS staff members.

Approval of Minutes for August 31, 2023 Meeting
PSRS5136
PEERS3371

Ms. Knes moved that the minutes from the August 31, 2023 meeting be approved. Ms. Webb seconded the motion. Voting “Aye” – Steliga, Knes, Park, Gassmann and Webb; “Nay” – None. The motion carried unanimously.

Order of Business

The order of business was approved with no changes.

Other

None

Investments

Ongoing Investment Activity

Mr. Craig Husting and Mr. Michael Hall from Russell reviewed ongoing investment activities, which included estimated investment performance through September 30, 2023. The estimated return for the first quarter of fiscal year 2024 (July 1, 2023 through September 30, 2023) was approximately -1.5%. 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. Prior to December 31, 2022, the Systems’ active public equity investment managers were each responsible for voting proxies in the best interests of the members of the Systems. The Board approved a new policy in December 2022 to fully direct the proxy voting process for public equity managers (where the Systems have authority). Specifically, PSRS/PEERS now utilizes the Glass Lewis Governance-Focused Thematic Policy for proxy voting with passive managers (BlackRock) and for all actively managed public equity separate accounts.

In the first half of fiscal year 2023, Mr. Husting reported that the Systems received proxy voting reports from all public equity managers. The internal PSRS/PEERS staff did not identify any operational issues with the proxy voting process during the review that was conducted for the first half of the fiscal year and all investment managers were in compliance with the Policy.

For the majority of the second half of fiscal year 2023, the new process, including the Glass Lewis Governance -Focused Thematic Policy, was utilized. The Glass Lewis online portal provided access to the proxy voting records of all PSRS/PEERS separately managed public equity accounts for the second half of the fiscal year. The passively managed accounts (BlackRock) were also voted according to the Glass Lewis Governance-Focused Thematic Policy. However, those voting reports were submitted directly to the Systems from BlackRock. The internal PSRS/PEERS staff identified minor operational issues related to the new proxy voting process. The issues have been addressed and overall, the Systems were in compliance with the Policy.

Private Equity Annual Review

Mr. Vincent Dee, Mr. Wayne Smith, Mr. John Ruggieri and Mr. Matthew Spader from Pathway Capital Management presented a number of 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 17.2% for the 10-year period ended June 30, 2023. By comparison, the public equity benchmark returned 10.8% over this period. The Co-investment and Direct Credit portfolios have shorter track records. Pathway reported that the PSRS/PEERS Co-investment portfolio had produced an annualized return of 19.6% for the 5-year period ended June 30, 2023. By comparison, the public equity benchmark returned 10.5% over this period. Pathway reported that the PSRS/PEERS Direct Credit portfolio had produced an annualized return of 11.8% for the 3-year period ended June 30, 2023. By comparison, the public credit benchmark returned 3.1% over this period.

Report of Actuary
June 30, 2023
Actuarial Valuations

Ms. Cindy Fraterrigo, Mr. Brandon Robertson and Ms. Becky Brenza from PricewaterhouseCoopers (PwC), the Systems' actuary, were present to discuss the results of the June 30, 2023, actuarial valuations for the Systems.

Ms. Fraterrigo provided an overview of the purpose of the annual actuarial valuations and the key components. Mr. Robertson reviewed key developments during fiscal year 2023, including asset returns, inflation and cost-of-living impacts, overall member experience and recently passed legislation. Legislation was passed (HCS SS SB 75) which became effective August 28, 2023. One component of the legislation provides a 2.55% benefit factor for PSRS members who retire with 32 or more years of service. Due to this specific provision, the retirement rate assumption for PSRS was modified.

Ms. Brenza and Mr. Robertson reviewed the June 30, 2023, actuarial valuation information prepared by PwC. They reviewed the changes in membership, assets, liabilities, maturity of the plans, cashflows and the pre-funded status of each System. They reported that the June 30, 2023, preliminary pre-funded status based on the actuarial value of assets of PSRS was 85.9% 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. Fraterrigo reviewed 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.

Funding Policies
PSRS5137
PEERS3372

Ms. Anita Brand reviewed changes to the service retirement rates in the PSRS funding policy. The changes are due to recently passed legislation that provides a 2.55% benefit factor for PSRS members who retire with 32 or more years of service. No changes to the PEERS funding policy occurred. Ms. Webb moved to approve the PSRS revised funding policy. Dr. Park seconded the motion. Voting "Aye" – Steliga, Knes, Park, Gassmann and Webb; "Nay" – None. The motion carried unanimously.

Set Contribution
Rates for 2024-2025

Mr. Robertson and Ms. Fraterrigo from PwC indicated that the margin for adverse experience is extremely small. They further cautioned that if actuarial assumptions are not met during fiscal year 2024 and additional liability or asset losses occur, contribution rates may need to increase in the near future. Dr. Steliga moved to maintain the contribution rate for PSRS at 29% and PEERS at 13.72% for fiscal year 2024-2025, as recommended by the actuary. Ms. Knes seconded the motion. Voting "Aye" – Steliga, Knes, Park, Gassmann and Webb; "Nay" – None. The motion carried unanimously.

PSRS5138
PEERS3373

Set January 2024
Cost-of-Living-
Adjustment (COLA)
PSRS5139
PEERS3374

Ms. Webb moved, in accordance with the Systems' Funding Policy and the recommendation of the actuary, to grant a 2% COLA for January 2024. Ms. Gassmann seconded the motion. Voting "Aye" – Steliga, Knes, Park, Gassmann and Webb; "Nay" – None. The motion carried unanimously.

Management Report

2024 Election Schedule Approval

PSRS5140
PEERS3375

Ms. Webb motioned to approve the following trustee election schedule: Notices and information to organizations for their publication deadlines (November 17, 2023); Official notice to all employing units (November 17, 2023); Petition forms available (January 12, 2024); Bids on election process (January 2024); Nominating petitions-postmark deadline (February 26, 2024); Petition signature audit and certification (March 11, 2024); Ballots mailed to members (April 18, 2024); Electronic voting deadline and ballots due-postmark deadline (May 4, 2024); Official count and certification (May 17, 2024). Ms. Knes seconded the motion. Voting “Aye” – Steliga, Knes, Park, Gassmann and Webb; “Nay” – None. The motion carried unanimously.

Approval of Board Governance Policies

PSRS5141
PEERS3376

Ms. Webb motioned to approve the proposed amendments to the Board Governance Policies, as presented previously on Sunday, October 29, 2023. Ms. Gassmann seconded the motion. Voting “Aye” – Steliga, Knes, Park, Gassmann and Webb; “Nay” – None. The motion carried unanimously.

Implementation of Regulations due to Senate Bills 20 & 75

PSRS5142
PEERS3377

Mr. Mike Moorefield presented six proposed amendments to 16 CSR 10-5.010 (PSRS) and 16 CSR 10-6.060 (PEERS). These amendments are necessary due to the passage and implementation of legislation, SBs 20 and 75 (2023). The proposed amendments update PSRS/PEERS regulations due to changes made in sections [169.560](#) and [169.596](#), RSMo. Dr. Steliga motioned to approve the proposed amendments. Ms. Knes seconded the motion. Voting “Aye” – Steliga, Knes, Park, Gassmann and Webb; “Nay” – None. The motion carried unanimously.

Sunshine Law Regulation Update

Mr. Mike Moorefield presented an amendment to the Sunshine Law Resolution.

Section 610.023.1, RSMo, provides that a public governmental body is to appoint a custodian “to be responsible for the maintenance of that body’s records.” The section further states that the public governmental body shall identify the custodian. Section 610.026, RSMo, sets forth that a public governmental body shall provide access to and, upon request, furnish copies of public records. Further, section 610.028.2, RSMo, states that a public governmental body “shall provide a reasonable written policy in compliance with sections 610.010 to 610.030” regarding the release of information on any meeting, record, or vote.

Mr. Mike Moorefield presented the updated Sunshine Law Resolution, which amended the existing resolution to reflect the title of the custodian of records for PSRS/PEERS and reflect current practice for PSRS/PEERS to have discretion in the charging for copies of records. Ms. Webb motioned to approve the PSRS/PEERS Sunshine Law Resolution. Ms. Gassmann seconded the motion. Voting “Aye” – Steliga, Knes, Park, Gassmann and Webb; “Nay” – None. The motion carried unanimously.

PSRS5143
PEERS3378

Key Accomplishments

Ms. Sarah Swoboda reviewed key accomplishments since the August Board Meeting.

Ms. Swoboda informed the Board that Employer Services held their annual Regional Conferences. They had a total of 306 total attendees between the 10 locations around the state and one virtual meeting.

Ms. Swoboda next explained to the Board the Human Resources Department held several events since the August Board Meeting including a Health Fair, CPR/First Aid Training as well as a United Way Fundraiser/Employee Appreciation BBQ.

Ms. Swoboda covered two additional key accomplishments. The first being that October is Cybersecurity Awareness month and Mr. Jake Woratzeck offered an In-Service Presentation to all employees. And lastly, she informed the Board the St. Louis Office is officially open as of September 1, 2023. All of the renovations have been completed and staff is able to host Investment meetings.

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 0.8784 % through September 30, 2023.

Public Comment

None

Other

None

Closed SessionPSRS5144PEERS3379

Ms. Webb moved that the meeting continue in closed session to consider Personnel, Audit update and legal matters under Sections 610.021 (1), (14) and 169.020.17, RSMo. Ms. Knes seconded the motion. Voting “Aye” – Steliga, Knes, Park, Gassmann and Webb; “Nay” – None. The motion carried unanimously.

The following motions were made in closed session:

PSRS5145/PEERS3380 – Minutes (Steliga, Knes, Park, Gassmann and Webb; voting to approve the previous closed session minutes)

PSRS5146/PEERS3381 – Member Appeal (Steliga, Knes, Park, Gassmann and Webb; voting to deny the member appeal)

PSRS5147/PEERS3382 – Member Appeal (Steliga, Knes, Park, Gassmann and Webb; voting to deny the member appeal)

PSRS5148/PEERS3383 – Member Appeal (Steliga, Knes, Park, Gassmann and Webb; voting to deny the member appeal)

PSRS5149/PEERS3384 – Member Appeal (Steliga, Park, Gassmann and Webb; voting to deny the member appeal)

PSRS5150/PEERS3385 – Personnel (Steliga, Knes, Park, Gassmann and Webb; voting to approve changes to 401a)

PSRS5151/PEERS3386 – Move back to Open Session (Steliga, Knes, Park, Gassmann and Webb; voting to move back to open session)

State of the Systems Address

The Board voted to go back into Open Session at 1:30 p.m., with the Board starting the State of the Systems’ and Associations Meeting at 1:45 p.m.

Mr. Dearld Snider provided an update on the State of the Systems. Mr. Snider discussed how total Systems’ membership has grown 10.4% over the last five years, active population membership has grown by 1.6%, and the retirement population has grown by 13%. Service retirement for PSRS/PEERS has remained steady for the last five years.

Mr. Snider then discussed the Systems’ Board and Management Team. The Systems currently have two vacant positions on the Board; a Governor appointed position and a PSRS elected position. The Systems will administer an election in the Spring for the two PSRS elected positions, Ms. Katie Webb’s seat and the current vacant seat. Mr. Snider also highlighted the Member Services and Employer Services Departments. He discussed their small staff size relative to the amount of work the departments handle monthly while also maintaining a high customer service score compared to our peers.

Mr. Snider next discussed PSRS/PEERS investments and the Investment Department. Mr. Craig Husting, Chief Investment Officer, oversees a staff of 27 investment staff between the St. Louis and Jefferson City offices. The investment staff oversees 175 managers and maintains 679 relationships. The staff manage \$55 billion in assets. PSRS/PEERS is currently the 44th largest defined benefit plan in the United States and the 90th largest retirement fund in the World.

Lastly, Mr. Snider discussed the Systems’ Government Affairs efforts. Legislation passed last session, Senate Bills 20 and 75, contained several provisions which positively impacted PSRS/PEERS members and employers. This included the reinstatement of a 2.55% benefit factor for PSRS members who retire on or after September 1, 2023, with 32 or more years of service. The passing of this legislation reduced the actuarial accrued liability of PSRS by \$242 million. The passed legislation also included the expansion of the Critical Shortage Employment time period from two years, or twenty-four months, to four years, or forty-eight months. The legislation also expanded the potential number of critical shortage employment positions a school district can hire for certified teaching positions. Legislation also included an increase in the salary limit for PSRS retirees working in non-certified positions. Finally, Senate Bill 75 also included a same sex “pop-up” allowing a member to “pop-up” to their single life benefit in certain circumstances.

Mr. Mike Moorefield from PSRS/PEERS then asked those in attendance from the education associations to share any concerns or goals they have for the upcoming

legislative year. Representatives from MNEA (Missouri National Education Association), MSTA (Missouri State Teachers Association), MRTA (Missouri Retired Teachers Association) and MASA (Missouri Association of School Administrators) were all present and spoke on behalf of their Associations.

Adjournment
PSRS5152
PEERS3387

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

Prepared by
Jennifer Martin

Dr. Jason Steliga, Chair

Dearld Snider, Executive Director