

REGULAR MEETING
BOARD OF TRUSTEES
OF
THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI
AND
THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI
October 28, 2024

MEMBERS PRESENT

Beth Knes, Chair
Dr. Eric Park, Vice Chair
Allie Gassmann
Katie Webb
Chuck Bryant
Dr. Nate Moore

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
Tory Brondel, Deputy CFO
Jeff Hyman, Director of Internal Audit
Stacie Verslues, Director of Emp. Serv.
Nicole Hamler, Director of Member Serv.
Lisa Scheulen, Chief Technology Officer
Joe Susai, Chief Info. Security Officer
Susan Wood, Dir. of Communications
Michelle Varcho, Dir. of Human Res.
Jennifer Martin, Director, Board Admin.

Monday, October 28, 2024

Meeting Convened

The Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) Board of Trustees convened on October 28, 2024, at 8:00 a.m. at the PSRS/PEERS offices located at 3210 W. Truman Blvd., Jefferson City, MO 65109. In attendance were Board members Beth Knes, Eric Park, Allie Gassmann, Katie Webb, Chuck Bryant, and Dr. Nate Moore. 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, Chief Information Security Officer, Joe Susai, 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
25-26, 2024, Meeting
PSRS5209
PEERS3444**

Ms. Knes moved that the minutes from the August 25-26, 2024, meetings be approved. Ms. Webb seconded the motion. Voting "Aye" –Knes, Park, Gassmann, Webb, Bryant and Moore; "Nay" – None. The motion carried unanimously.

Order of Business The order of business was approved with no changes.

Election of Vice Chair Ms. Katie Webb nominated Dr. Eric Park to serve as Vice Chair of the Board for the period of October 28, 2024, through June 30, 2025. Ms. Gassmann seconded the motion. Voting “Aye” –Knes, Park, Gassmann, Webb, Bryant, and Moore. “Nay” – None. The motion carried unanimously.
PSRS5210
PEERS3445

Election of Budget & Audit Committee Member Dr. Jason Steliga was serving as a member of the Budget & Audit Committee until his departure from the Board, effective October 15, 2024. In accordance with the Board of Trustees Charter and the Budget and Audit Committee Charter, the Board needs to appoint a current trustee on the Committee to fill the vacancy created by Dr. Steliga’s departure from the Board. The other two current members of the Committee are Ms. Beth Knes and Dr. Eric Park.

Ms. Gassmann nominated Katie Webb to serve on the Budget and Audit Committee to fill the vacancy of Dr. Jason Steliga. Dr. Eric Park seconded the motion. Voting “Aye” – Knes, Park, Gassmann, Webb, Bryant and Moore. “Nay” – None. The motion carried unanimously.
PSRS5211
PEERS3446

None

Other

Investment Report Mr. Craig Husting and Mr. Michael Hall from Russell reviewed ongoing investment activities, which included estimated investment performance through September 30, 2024. The estimated return for the first quarter of fiscal year 2025 (July 1, 2024, through September 30, 2024) was approximately 3.9%. Mr. Husting discussed the current asset allocation of the PSRS/PEERS portfolio, reviewing the long-term strategy and broad portfolio expectations.
Ongoing Investment Activity

Mr. Husting reviewed the Systems’ Proxy Voting Policy. The Systems fully direct the proxy voting process for public equity managers (where the Systems have authority). The internal PSRS/PEERS staff did not identify any operational issues with the proxy voting process during the review that was conducted for fiscal year 2024 and all investment managers were in compliance with the Policy. Additionally, the State Auditor recently conducted a review of the proxy voting process of public fund institutional investors in Missouri. The PSRS/PEERS proxy voting policies and procedures were recognized as ideal.

Public Equity Mr. Frank Aten, M. 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, 2024, was 13.1%. The 5-year annualized return for the Non-U.S. Equity composite for the period ended September 30, 2024, was 9.7%.

Private Equity Review with Pathway Mr. Vincent Dee, Mr. Wayne Smith, Mr. Derrek Ransford 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 15.1% for the 10-year period ended June 30, 2024. By comparison, the public equity benchmark returned 10.2% 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 17.3% for the 5-year period ended June 30, 2024. By comparison, the public equity benchmark returned 12.1% over this period. Pathway reported that the PSRS/PEERS Direct Credit portfolio had produced an annualized return of 10.8% since the inception of the program in October 2019 through September 30, 2024. By comparison, the public credit benchmark returned 3.8% over this period.

Report of Actuary
June 30, 2024
Valuations

Ms. Cindy Fraterrigo, Mr. Brandon Robertson and Ms. Becky Brenza from PwC US (PwC), the Systems' actuary, were present to discuss the results of the June 30, 2024, 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 2024, including asset returns, inflation and cost-of-living impacts, overall member experience, recently passed legislation and the recently completed actuarial audit.

Ms. Brenza and Mr. Robertson reviewed the June 30, 2024, 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, 2024, preliminary pre-funded status based on the actuarial value of assets of PSRS has increased to 87.2% from 85.9% for the prior year and for PEERS increased to 88.1% from 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, inflation, and cost-of-living-adjustment (COLA) assumptions as the most sensitive assumptions in determining the overall financial health of the Systems and future actuarially determined contribution rates. They discussed the continuing maturity of the member population and leverage inherent in both Systems and the possibility of future adverse experience. Future adverse experience, such as not meeting the assumed rate of return or COLAs in excess of current assumptions, or changes to the assumptions could increase contribution rates in the future. However, if all assumptions are met, the current contributions will continue to be sufficient in the near-term.

There were no proposed changes to the Funding Policies.

Funding Policies

**Set Contribution
Rates for 2025-2026**

Dr. Moore moved to maintain the contribution rate for PSRS at 29% and PEERS at 13.72% for fiscal year 2025-2026, as recommended by the actuary. This is the fifteenth year for the actuary to recommend the rates to be 29.0% for PSRS and 13.72% for PEERS. The consistency of contribution rates for a long duration illustrates significant financial stability, strong governance, and long-term planning. Ms. Webb seconded the motion. Voting "Aye" –Knes, Park, Gassmann, Webb, Bryant and Moore; "Nay" – None. The motion carried unanimously.

PSRS5212
PEERS3447

Ms. Webb moved, in accordance with the Systems' Funding Policy and the recommendation of the actuary, to grant a 2% COLA for January 2025. Ms.

**Set January 2025
Cost-of-Living-
Adjustment (COLA)**
PSRS5213
PEERS3448

Gassmann seconded the motion. Voting “Aye” –Knes, Park, Gassmann, Webb, Bryant and Moore; “Nay” – None. The motion carried unanimously.

**Management
Report**

**Approve Special
Board Election
Schedule**

Ms. Knes motioned to approve the following special board election schedule: Notices and information to organizations for their publication deadlines (October 29, 2024); Official notice to all employing units (October 29, 2024); Petition forms available (November 4, 2024); Bids on election process (Not applicable. We will use RFP received for July 2024 Election since it’s under 1 year.); Nominating petitions-postmark deadline (December 18, 2024); Petition signature audit and certification (the week of January 20th); Ballots mailed to members (February 18, 2025); Electronic voting deadline and ballots due-postmark deadline (March 20, 2025); Official count and certification (April 4, 2025). Dr. Park seconded the motion. Voting “Aye” –Knes, Park, Gassmann, Webb, Bryant and Moore; “Nay” – None. The motion carried unanimously.

PSRS5214
PEERS3449

Key Accomplishments

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

Ms. Swoboda informed the Board that employer services held their annual fall conference at Margaritaville September 25-26. Over 220 contacts from our 535 covered-employers registered to attend the conference. Ms. Swoboda provided the Board with a summary of the various educational sessions offered to our employers.

Ms. Swoboda next explained to the Board the information technology department has started sending weekly *Tuesday Tech Tips* to all staff. These emails provide quick tips and tricks for a variety of programs. In addition, the security team is now sending monthly emails to staff with reminders and tips on staying safe online. As October is Cybersecurity Awareness month, and the security team is also offering weekly emails to staff and providing additional cybersecurity trainings.

Next, Ms. Swoboda informed the Board there have been two more projects completed in the OASIS modernization project; the 1099-R tax form process and the Employer Statement of Account. Finally, Ms. Swoboda ended her presentation by informing the Board the second phase of Observe.AI went live in August 2024. This phase introduced automated call evaluations for both the member services and employer services staff.

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 0.36 % through September 30, 2024. The October CPI-U update will be released November 13, 2024.

Public Comment

None

None

Other

Closed Session PSRS5215 PEERS3450

Ms. Knes moved that the meeting continue in closed session to consider Personnel, Audit update and legal matters under Sections 610.021 (1), (14), (17) and 169.020.17, RSMo. Ms. Webb seconded the motion. Voting “Aye” –Knes, Park, Gassmann, Webb, Bryant, and Moore; “Nay” – None. The motion carried unanimously.

The following motions were made in closed session:

PSRS5216/PEERS3451 – Minutes (Knes, Park, Gassmann, Webb, Bryant and Moore; voting to approve the August 26, 2024 closed session minutes)

PSRS5217/PEERS3452 – Member Appeal (Knes, Park, Gassmann, Webb, Bryant and Moore; voting to deny the member appeal)

PSRS5218/PEERS3453 – Move back to Open Session (Knes, Park, Gassmann, Webb, Bryant and Moore; voting to move back to open session)

The Board voted to go back into Open Session at 1:05 p.m., with the Board starting the State of the Systems’ and Associations Meeting at 1:45 p.m.

State of the Systems **Address**

Mr. Dearld Snider provided an update on the State of the Systems. Mr. Snider discussed how total Systems’ membership has grown 11% over the past five years, active population membership has grown by 2%, and the retirement population has grown by 12.6%. Service retirement for PSRS/PEERS has remained steady for the last five years.

Mr. Snider also discussed how many PSRS and PEERS members retired in 2023-2024 versus the total members who are eligible to retire. For the 2023-2034 school year, there were 2,826 PSRS members who retired. This is only 16% of the 17,873 members that were eligible to retire. For PEERS, 2,158 members retired in 2023-2024, which is only 13% of the 16,748 members who were eligible to retire.

Mr. Snider then discussed the Systems’ Board and Management Team. The Systems currently have one vacant position on the Board; a PSRS elected position. The Systems will administer an election beginning October 29, 2024. Mr. Snider also highlighted the different forms of communication and educational opportunities offered to members. He also talked about the different types of service and communication offered by career state and topics.

Mr. Snider next discussed PSRS/PEERS investments and the Investment Department. Mr. Craig Husting, Chief Investment Officer, oversees a staff of 30 investment staff between the St. Louis and Jefferson City offices. The investment staff oversees 187 managers and maintains 750 relationships. The staff manage over \$60 billion in assets. PSRS/PEERS is currently the 44th largest defined benefit plan in the United States and the 98th largest retirement fund in the World.

Lastly, Mr. Snider discussed the Systems’ government relations. The Missouri State Auditor’s office completed an audit on the Missouri Retirement Systems’ Proxy Voting Policies in September 2024. PSRS/PEERS was included in the audit. The audit “recommends that all public retirement systems consider improving proxy policies by including more specific guidance on how the system wants proxy votes cast, similar to

the polices used by MOSERS and PSRS/PEERS.” Mr. Snider congratulated the Board and staff on a successful audit.

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), MSTTA (Missouri State Teachers Association), MRTA (Missouri Retired Teachers Association), MASA (Missouri Association of School Administrators), and MARE (Missouri Association Rural Education) were all present on behalf of their Associations.

Adjournment
PSRS5219
PEERS3454

Ms. Knes moved that the meeting adjourn at 2:32 p.m. Dr. Moore seconded the motion. Voting “Aye” –Knes, Park, Gassmann, Webb, Bryant and Moore; “Nay” – None. The motion carried unanimously.

Prepared by
Jennifer Martin



Ms. Beth Knes, Chair



Dearld Snider, Executive Director