

PSRS-PEERS Board of Trustees Report
February 28 - March 1, 2021
By Otto Fajen

Trustees present

Jason Hoffman, Chair
Jason Steliga, Vice-Chair
Kyle Collins
Scott Hunt
Sharon Kissinger

Trustees absent

Beth Knes

The February 28 meeting of the Board of Trustees convened at 5:30 p.m. at the Courtyard Hotel in Jefferson City, Missouri

Safe Assets - Staff reviewed the Systems' Safe Assets portfolio including program objectives, guidelines and long-term results. The five-year annualized return for the Safe Assets composite through calendar year 2020 was 3.5%.

Private Equity and Private Credit - 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 through calendar year 2020 was 17.8%, and the five-year annualized return for the Private Credit composite for the same period was 8.8%. Staff also discussed the Private Equity co-investment program and the Private Credit Direct Investment program.

SYSTEM OPERATIONS

The March 1 Board meeting started at 8:30 a.m. The Board approved the minutes of the December 7, 2020 meeting.

INVESTMENTS

Investment Performance Report - Craig Husting of PSRS/PEERS and Margaret Jadallah (virtually) of Verus, reviewed the investment performance for the period ended December 31, 2020. The one-year PSRS/PEERS investment return was 13.0%, while the fiscal year return through December 31, 2020 was 14.6%. The Board reviewed ongoing investment activities, including updated estimated investment performance through February 28, 2021. Husting discussed the current asset allocation of the PSRS/PEERS portfolio, and reviewed the long-term strategy, portfolio themes and the broad portfolio expectations.

Anti-Terrorism Policy - Mr. Husting reviewed the Systems' Anti-Terrorism and Economic Sanction Investment Policy. The Policy requires PSRS/PEERS staff to provide a report to the Board on an annual

basis that identifies any investment actions taken due to links to terrorist or sanction-related activities. Staff and counsel recommended that no investment action be taken this year regarding the Policy.

Affirmative Action Policy - Mr. Husting reviewed the Systems' Affirmative Action Policy and Procurement Action Plan. The Policy requires PSRS/PEERS staff to provide a report to the Board on an annual basis regarding the Systems' efforts to assure equal opportunities for minorities and women as money managers, brokers and investment counselors. The Systems are complying with the policy. Staff and counsel recommended no investment action be taken this year regarding the Policy and Action Plan.

MANAGEMENT REPORT

Website Review - Staff provided the Board with a review of the recent updates being made to the public website. This included a background review of previous website updates, statistics for the site and the process for making any updates.

Member Education – Staff presented an update on member education, a section within the member services department. Member education goals are to provide exceptional service to members as the face of PSRS/PEERS, reach as many members as possible, offer many different educational platforms and evolve with technology to meet members' needs. In the spring of 2020, the member education group reassessed how to best serve the membership due the onset of COVID-19. The member education team converted all remaining seminars into webinars and prepared and mailed personalized benefit estimates to all registered members. The team developed online educational opportunities which allowed them to virtually serve over 4,600 members.

Banking Resolution – The Board approved a motion to approve an updated banking resolution. The resolution provides continuing authority to Dearld Snider and Craig Husting to make necessary changes to our banking relationship with Central Bank. The banking resolution adds the same authority for Bill Betts as the new Assistant Executive Director, Operations and removes Sarah Swoboda, General Counsel. The banking resolution authorizes appropriate individuals to execute documents with the bank without additional approval by the Board of Trustees. The authorization will have to be renewed by June 30, 2021.

Charter Schools - Staff provided the Board with an overview of charter schools in Missouri. Charter schools are covered by Missouri retirement systems like other public schools. The Leadership School, which will operate within the boundaries of the Normandy Schools Collaborative, was approved for charter in December 2020. The employer services staff is working to prepare for the 2021-2022 opening of the Leadership School, as this is the first charter school to be a part of PSRS/PEERS.

Board Election - Board Chair Jason Hoffman announced his planned departure and retirement from the Jefferson City School District on July 1, 2021. Upon his retirement, Hoffman must vacate his Board seat. Since the resulting vacancy is less than 12 months prior to when the Board position would have expired, no Board election is required until the regularly scheduled time – the spring of 2022. The new Board member's term will begin on July 1, 2022.

Legislative Report – Maria Walden of PSRS/PEERS and Mr. Jim Moody, legislative consultant, updated the Board on the current Missouri legislative session. Mr. Moody reported briefly on state revenue and gave an update on January 2021 revenue to the Board. Ms. Walden discussed the bills currently being tracked by PSRS/PEERS.

The Board adopted positions in favor of several bills:

HB 811 (Rusty Black) makes changes to the working after retirement statute for PSRS. Currently, any teacher retired from PSRS can be employed in a position covered under PEERS without stopping their retirement benefit. Such teacher may earn up to \$15,000 and not contribute to the Retirement System or earn service. This bill will allow such teacher to earn up to the annual Social Security earnings limit.

HB) 812 (Rusty Black) makes changes to the Critical Shortage statute for PSRS/PEERS. This bill extends the length of the Critical Shortage option for a retired teacher or retired non-certificated employee to work full time from two years to four years.

HB 828 (Dinkins) reinstates the 2.55% benefit multiplier for members of PSRS who have 31 or more years of service.

Pop-up Option for Same Sex Relationship prior to June 2015: Representative Kip Kendrick approached the Systems about providing language to address individuals who retired prior to June 2015, could not marry their same sex partner, and chose a Joint-and-Survivor benefit plan. The Board took a position in favor of language provided by the Systems that would provide these individuals with a similar pop-up option as enacted for married couples.

The Board also had a discussion led by Executive Director Dearld Snider regarding potential modifications to the current working after retirement provisions. The System is investigating MSTAs' suggestion of removing the hours-based limitations and establishing only a pay-based limitation for those retirees working after retirement. System staff feel a pay-based limitation of 25% of the retiree's final average salary (FAS) is an option that should be considered. The Systems will continue the discussion through the summer and into the 2021 legislative meeting.

Facility Renovation – Staff provided a high-level recap of the construction timeline for the new building addition and building renovation. Renovation is in full swing throughout the current building and remains on target to be complete in September 2021.

Governance Review - Dearld Snider presented the Board Governance Report recently completed by Cortex Applied Research, Inc (Cortex). The review seeks to ensure that the Board's governance policies and charters truly guide how the Board functions, while changing to meet the needs of the Board and the Systems over time. The report identified only minor issues and improvement opportunities. Cortex recommended updating the Board Operations Policy to allow the chair to reschedule a previously scheduled regular meeting for a month or location other than originally scheduled. Cortex also recommends revising the Board education policy to clearly differentiate between the statutory requirement and the higher standard the Board has imposed. The Board approved the policy recommendations as presented in the report.

CPI update/COLA review – The Board reviewed the COLA policy. The CPI-U for the fiscal year through January 31, 2021 is 1.4682%. Under current policy, the Board will make a COLA for eligible retirees for next year if the figure at the end of this fiscal year exceeds 2.0%.

Public Comment – None.

The public meeting adjourned at 11:25, and the Board went into closed session.