PSRS-PEERS Board of Trustees Report
August 26, 2019
By Otto Fajen

Trustees present

Aaron Zalis, Chair
Jason Hoffman, Vice-Chair
Chuck Bryant
Yvonne Heath
Scott Hunt

Trustees absent

Beth Knes
Jason Steliga

SYSTEM OPERATIONS

The Board meeting started at 8:00 a.m. The Board approved the minutes from the June 10, 2019 meeting and the June 17-19, 2019 Board education meetings and established the order of business.

INVESTMENTS

Investment Performance Report - Craig Husting and Barry Dennis from Verus Investments reviewed the Systems’ FY 19 investment performance.

The Systems’ FY19 investment return, net of all fees and expenses, for PSRS and PEERS was 6.8%. FY 19 was a difficult investment year for active managers, and this result underperformed passive benchmark returns net of fees by 0.46%. However, the Systems performed above the median return relative to the public plan universe.

They noted that critics of actively managed plans often urge pension plans to adopt a passively managed 60/40 portfolio. However, the Systems have outperformed a 60/40 portfolio by $7.3 billion over the last 10 years. The Systems have also exceeded the policy benchmark over 3-, 5-, 7-, 10- and 20-year periods, while maintaining above median return and bottom quartile risk over all time periods.

Contribution rates should remain stable in fiscal year 2021. The Systems’ portfolio is structured to protect in down markets but also to participate in strong up-markets. The long-term (25 - 30 year) returns for PSRS/PEERS are over 7.5%. However, staff emphasized that 7.5% remains a difficult hurdle to achieve in any short-term time-frame, due to low interest rates and other current market conditions.

MANAGEMENT REPORT

Appointment of NCTR delegates - The National Council on Teacher Retirement conference will be held in October. Yvonne Heath, Chuck Bryant and Steve Yoakum were selected to serve as delegates to the conference. Stacy Verslues and Dearld Snider will serve as alternate delegates.
Amendments to Regulations - Due to bills passed by the legislature and other issues, the Board approved changes to current PSRS/PEERS regulations. Legal Counsel Sarah Swoboda reviewed the proposed amendments regarding Board rules.

Board meeting dates – The Board approved a revised rule allowing the Board Chair, for good cause, to change a Board regular meeting date to a month other than those specified in the bylaws. Examples would be to move a meeting based upon inclement weather, natural disaster or unforeseen schedule issues.

Working after retirement - Trustees approved the proposed amendment to WAR rules pursuant to the amended version of section 169.560 enacted in SB 17 and HB 77. The new rule affects PSRS retirees employed by community colleges, and restores the 550 hour/50% restriction, rather than the $15,000 compensation cap applicable to PSRS retirees working in non-certificated positions.

Divorce pop-up - The Board approved a revised rule that implements the changes enacted in SB 17 regarding divorce pop-up for retirees who select a Joint-and-Survivor benefit at retirement. That bill extends the divorce pop-up option to retirees with divorces occurring prior to September 1, 2017 if the divorce decree or an amended divorce decree grants the retiree sole rights to the retirement benefit.

Member Services Benchmarking – The system hired CEM Benchmarking to review PSRS/PEERS member services and compare them both to the entire plan universe of CEM clients and to comparable public pension plans. Kam Mangat from CEM reported that PSRS/PEERS again has the highest rated services in our public plan peer group and the fifth highest rating in their entire client pool. Recent improvements include a more comprehensive set of web tools, member surveys, member education presentations and expedited response in processing disability applications. Meanwhile, PSRS/PEERS member service costs are below median for both the peer group and the entire client pool. Thus, the system has outside confirmation that it provides a broad range of outstanding member services very efficiently.

Member Services Update – Nicole Hamler, Member Services Director, shared updated information about several member services issues, including: membership and membership growth, years of service and eligibility to retire, retirements and benefit selection, working after retirement and web member services.

Facility Renovation – The Board heard an update from staff on the Systems’ facility renovation project. The update reviewed the renovation timeline. The first phase of construction is underway and includes geothermal bore fields and pipes, demolition of the Jiffy Lube, construction of the South exit and construction of the new parking lot. The second phase will include the remainder of the work, including renovation of the existing building and construction of the addition. Construction on the second phase may begin as early as October 2019.

CPI update/COLA review – The Board reviewed the COLA policy. The final FY 2019 CPI-U figure is +1.6485%. Under current policy, when the CPI-U is between 0.0% and 2.0%, the Board will make a COLA for eligible retirees of 2.0% when the cumulative CPI-U growth reaches 2.0%. So, there will not be a COLA adjustment during this coming fiscal year, but it is highly likely that there will be a COLA adjustment for the following year.

Public Comment – While not strictly a public member, PSRS Executive Director Steve Yoakum took the opportunity to point out that the Systems are some the best performing and best managed public
pension systems in the United States. Yoakum believes that the independent governance structure of the Board of Trustees is critical to the Systems’ investment performance and good financial status. He also suggests that all interested parties should do more to educate both PSRS members and the public about the excellent job that the Systems do and why they are important in supporting quality instruction and quality public schools.

The public meeting adjourned at 11:20, and the Board went into closed session.