Regular Meeting of the PSRS-PEERS Board of Trustees -- 10:15 a.m.

Trustees present:
Aaron Zalis, chair,
Beth Knes,
Yvonne Heath,
Jason Hoffman,
Scott Hunt,
Jason Steliga.

Others present as active participants:
Steve Yoakum, Executive Director
Nicole Hamler, Board Secretary
Dearld Snider, Assistant Executive Director
Craig Hustings, Investment Director
Anita Brand, Chief Financial Officer
Alan Thompson, General Counsel
various other members of the PSRS-PEERS staff.

SYSTEMS OPERATIONS

Minutes of the August 27, 2018 meeting were approved and the order of Business was established.

Alan Thompson, PSRS-PEERS General Counsel, has announced his pending retirement. Steve Yoakum presented him with a plaque honoring his nearly 20 years of service.

Aaron Zalis congratulated Trustee Yvonne Heath for her recent professional recognitions.

INVESTMENTS

Ongoing Investment Activity -- Craig Hustings was joined by Barry Dennis from Verus for this review. Estimated investment performance for the first quarter of the current fiscal year was approximately 2.5%.
Actuarial Assumed Rate of Return -- The current assumed rate of return for the period beginning July 1, 2017 is 7.6%. The actuary report scheduled for later in the meeting will present analysis of lower discount rate (expected rate of return) options.

Proxy Voting Policy -- The PSRS/PEERS staff has reviewed the operational issues with the proxy voting process and has found that all investment managers are in compliance.

Hedged Asset Program Review -- The 5-year return for the Hedged Asset composite for the period ending June 30, 2018 was 6.6%.

Public Credit Program Review -- The 5-year return for the Credit composite for the period ending June 30, 2018 was 2.8%

Real Estate Annual Review -- Representatives from Townsend reported that the Real Estate portfolio had produced an annualized return of 11.2% for the 5-year period ending June 30, 2018.

REPORT OF THE ACTUARY

June 30, 2018 Actuarial Valuation -- Steve Yoakum and Anita Brand of PSRS-PEERS joined representatives from PricewaterhouseCoopers to discuss the results of the June 30, 2018 actuarial valuations for the Systems. Steve Yoakum reviewed the Board of Trustees' Goals, and this led into the report from PWC. Brandon Robertson, of PWC, reported that the June 30, 2018 preliminary status based on the actuarial value of assets of PSRS was 84.9% and PEERS was 87.1% The funded status of both Systems is viewed to be healthy. (For further details, refer to the on-line report from PSRS-PEERS.)

Review Assumed Rate of Return -- Based on reports presented earlier in the meeting, the Board of Trustees voted unanimously to reduce the assumed rate of return from 7.6% to 7.5%.

Set Contribution Rates for 2019-2020 -- The Board voted unanimously to maintain the current contribution rate for PSRS at 29% and for PEERS at 13.72%

Set January 2019 COLA -- The Board voted unanimously to set the 2019 COLA at 2%, in accordance with the System's funding policy.

Set Purchase Interest Rate -- The Board voted unanimously to approve staff's recommendation of the purchase interest rate of 7.5%.

MANAGEMENT REPORT

Strategic Plan Presentation -- Following a detailed review of preliminary planning sessions conducted over the past several months, Dearld Snider concluded by drawing attention to the following four focus areas:

System & Financial Stability -- Maintain the plan's stability for perpetuity
Culture of Excellence -- High level of service to members; high-quality work culture for staff

Engagement -- Maintaining a positive relationship with all constituents

Innovation -- Being proactive, on the constant lookout for improvement

By unanimous vote, the 2019-2021 Strategic Plan was approved.

Strategic Planning Policy -- Dearld Snider reviewed the policy that had been prepared by Cortex Applied Research. The Strategic Planning Policy was approved by unanimous vote.

Facility Analysis and Planning Presentation -- For some time, it has become evident that the current facility is no longer adequate to meet the growing demands of the Systems. Dearld Snider shared an extensive list of areas of concern with the present building. (For details, refer to the online PSRS report.)

Looking to the future, actuaries predict that the retiree population will grow by approximately 50% before reaching its peak of over 175,000 retirees and beneficiaries in about 2040. During this same period, the asset of the Systems will grow to approximately $100 billion before reaching a plateau.

To continue to meet the Systems' ever-expanding needs, the following three options were presented at the August Board meeting:

1) Remain in current facility and lease permanent space at a separate location

2) Renovate current facility and build an addition onto the back of the current building

3) Construct a new facility on the adjacent land currently owned by the Systems

Per the Board’s August request for further research into Options 2 & 3, Dearld Snider reviewed details of both options. After an extensive discussion regarding the pros and cons of each, the Board voted unanimously to delay the decision, at least until the December meeting.

Critical Shortage Employment Amendment -- In an effort to clarify the regulations for filling critical-shortage positions, the Board approved proposed amendments. (For details, refer to the online report from PSRS-PEERS.)

Senate Bill 892, Working After Retirement Amendment -- Due to some unanticipated complications affecting members’ ability to work after retirement, staff members worked in conjunction with board members to develop proposed amendments to alleviate members’ concerns. The amendments were approved by unanimous vote. (The complexity of this situation is detailed in the online board report.)
Mailing Policy Review -- Alan Thompson, PSRS-PEERS General Counsel, reviewed the history of the third-party mailing policy and presented two policy proposals to the Board:

1) Maintain the proposal, adopted in December, 2016 that requires cooperation of at least three qualifying associations with at least 1000 members to create a single mailing to members who retired within the previous 12 months.

2) Allow one mailing per year, for up to 5 associations of at least 1000 members, to be sent to members who retired within the previous 12 months.

In both scenarios, PSRS-PEERS must approve content and be reimbursed for all costs associated with mailing. No member information will be provided to associations.

Following discussion, Proposal #2 was adopted with an amendment that increases the minimum number of participating association members from 1000 to 2500.

CPI-U Update -- Based on the values provided by the Bureau of Labor Statistics, the CPI-U is up 0.178% for the first three months of fiscal year 2019. The October reading will not be released till November 14, 2018.

Public Comment -- Speaking on behalf of MRTA, Jim Kreider expressed concern about possible public perception of the option to construct a new PSRS-PEERS facility. He also drew attention to the threats from the Show-Me Institute, and expressed appreciation for the Board's decision to change the third-party mailing policy.

Steve Yoakum announced two staffing changes: Nicole Hamler, who currently serves as Board Secretary, will be the Director of Member Services, and Stacie Verslues will be the new Director of Administrative Planning and Design.

Other -- Steve Yoakum presented a plaque to Allen Allred, lawyer for Thompson Coburn, recognizing him on his retirement and for two decades of dedicated service for the protection of Missouri educators and their pensions.

In return, Mr. Allred shared memories of Steve Yoakum's leadership in fighting legal battles for PSRS-PEERS.

Jason Steliga moved that the April Board meeting date be changed from April 8 to April 15; motion was approved unanimously.

The open session of the meeting adjourned at 1:30 p.m.