

**PSRS-PEERS Board of Trustees Report**  
**August 31, 2020**  
**By Otto Fajen**

**Trustees present**

Jason Hoffman, Chair  
Jason Steliga, Vice-Chair  
Dr. Kyle Collins  
Scott Hunt  
Sharon Kissinger  
Beth Knes  
Dr Melinda Moss

**SYSTEM OPERATIONS**

The Board meeting started at 8:30 a.m at the DoubleTree Inn in Jefferson City. 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. Jason Hoffman was approved as a member of the Budget and Audit Committee.

**INVESTMENTS**

Investment Performance Report - Craig Husting reviewed the Systems' FY 20 investment performance.

The Systems' FY20 investment return, net of all fees and expenses, for PSRS and PEERS was 3.71%. FY 20 was a difficult investment year for active managers, and this result underperformed passive benchmark returns net of fees by 1.31%. However, the Systems performed in the top third relative to the public plan universe with investments over \$1 billion.

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 \$5.3 billion over the last 10 years. The Systems have also exceeded the policy benchmark over 5-, 7-, 10- and 20-year periods, while maintaining returns in the top third and risk in the bottom third over almost 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. Over 10 years, the Systems have had upside capture of 93.58% and downside capture of 81.70%.

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. The Systems anticipate modest returns going forward based on yield levels and equity valuations.

U.S. equities have been highly valued over the last ten years, while other markets have been undervalued. PSRS has maintained higher allocations in U.S. equities relative to many other investors and this has helped the Systems.

The Private Markets' portfolios have produced superior realized returns relative to public markets and stronger risk adjusted returns since inception of the program. The private equity program has increased the Systems' value by \$1.5 billion since its inception. The Systems are increasing co-investments in the private equity program. Co-investment offers the advantage of not paying fees or carry payments to investment managers.

## **MANAGEMENT REPORT**

GFOA Recognition - The Systems have received the GFOA Certificate of Achievement each year since 1994. The Systems' comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019 once again qualifies for GFOA's Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a plan governing board and its management.

Appointment of NCTR delegates - The National Council on Teacher Retirement conference is usually held in October and this year will be held via Zoom. Jason Steliga, Beth Knes and Steve Yoakum were selected to serve as delegates to the conference. Stacy Verslues and Dearld Snider will serve as alternate delegates.

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 third highest rated services in our public plan peer group and the eighth highest rating in their entire client pool. The Systems have been focused on improvements in customer experience surveying, one-on-one counseling and the website. Meanwhile, PSRS/PEERS member service costs are about median for the peer group and below the median for the entire client pool. Thus, the system has outside confirmation that it provides a broad range of outstanding member services efficiently.

Member Services Update – Nicole Hamler, Member Services Director, shared updated information about several member services issues in a time when staff are working and providing service remotely, 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 second phase of construction is underway and proceeding according to the timeline. The new addition is scheduled to be completed by November 2020, and renovation of the existing facility and tie-in is scheduled to continue until September 2021.

CPI update/COLA review – The Board reviewed the COLA policy. The CPI-U for 2018-2019 increased by 1.6485%. The CPI-U for 2019-2020 increased by 0.6457%. This represents a cumulative CPI-U increase of 2.2942%. Since this cumulative CPI-U figure exceeds 2.0%, the Board will make a COLA for eligible retirees for next year.

Public Comment – While not strictly a public member, PSRS Executive Director Steve Yoakum took the opportunity to announce his upcoming retirement as Executive Director effective December 1, 2020.

The public meeting adjourned at 12:30, and the Board went into closed session.