

**PSRS-PEERS Board of Trustees Report**  
**April 11-12, 2021**  
**By Otto Fajen**

**Trustees present**

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

The Board met on April 11 to review the Systems' Non-U.S. Equity Portfolio and Real Estate Portfolio and met again on April 12 to conduct the remainder of the meeting agenda.

**SYSTEM OPERATIONS**

The Board approved the minutes from the February 28 and March 1, 2021 meetings and established the order of business.

Election of Officers - As required by Board regulation, the board of trustees unanimously elected Jason Steliga as Chair and Beth Knes as Vice-Chair to each serve one-year terms starting July 1, 2021.

Interest Credit Rate and Purchase Interest Rate - The interest credit rate for the current fiscal year is 1.0%. The Board maintained the interest credit rate for next fiscal year at 1.0%, based on staff recommendation. The Board also approved the staff recommendation to set the purchase interest rate for next fiscal year at the current assumed rate of return of 7.5%.

**INVESTMENTS**

Non-U.S. Equity Review - PSRS/PEERS investment staff reviewed the Systems' Non-U.S. Equity portfolio including program objectives, guidelines and long-term results. The 5-year annualized return for the Non-U.S. Equity composite for the period ended February 28, 2021 was 13.2%.

Real Estate Portfolio Review - PSRS/PEERS investment staff reviewed the Systems' Real Estate portfolio including program objectives, guidelines and long-term results. The 5-year annualized return for the Real Estate composite for the period ended December 31, 2020 was 6.8%.

Investment Performance Report - Craig Husting and Margaret Jadallah from Verus reviewed the March 31, 2021 investment update. The report provided a broad overview of how the PSRS/PEERS' portfolio was structured including an estimated asset allocation for PSRS/PEERS as of March 31, 2021. The Systems' preliminary investment return for the fiscal year to date (July 1, 2020 thru March 31, 2021) was approximately 19.0%.

Experience study – System staff and representatives from PricewaterhouseCoopers (PwC), presented the results of the actuarial experience studies for the five-year period ended June 30, 2020. The study evaluates the differences between the Systems’ assumed and actual experience over multiple years (typically three to five), with the goal of examining the trends related to actual experience and recommending changes to the actuarial assumptions, if needed. The Systems perform an experience study at least every five years.

The study is used to confirm that the actuarial assumptions used in the annual valuations are: 1) reflective of the actual demographics and behaviors of the members, and 2) reflective of current economic conditions affecting members and their benefits. The overall results indicate the actual experience of the Systems over the past five years is very close to the assumptions that were used. PwC has proposed recommendations to several of the Systems’ actuarial assumptions, largely due to movements in inflation. PwC has also recommended revisions to the Systems’ mortality tables and improvement scales which are consistent with prior experience and discussions.

The Board is scheduled to act on PwC’s recommendations at the June Board Meeting.

## **MANAGEMENT REPORT**

Legislative Report – Maria Walden and Jim Moody gave the legislative report. Mr. Moody gave a revenue update including his analysis of the budget, possible tax changes and the impact of various federal revenues on state and local revenues over the next few years. Overall state revenues will stand at record levels during the next fiscal year, and the budget will remain well-funded for as long as the federal funds last. However, the triggering of additional state tax cuts will leave long-term impacts in succeeding years.

Maria Walden discussed the PSRS Benefit Resolution, Investment Resolution and COLA Resolution and mentioned that PSRS is tracking over 280 bills that would affect the Systems, including:

HB 101 (Pollitt) and SB 265 (Eslinger) that include changes to PSRS/PEERS Critical Shortage Statute. The bills extend the maximum full-time retirement employment option under the critical shortage statute from two years to four years. The bills also allow a PSRS retiree to be employed under critical shortage as a superintendent after a one year waiting period. The total number of retired members working for a school district shall not exceed the lesser of 10% of the total number of employees for that district or 10 employees.

HB 811 (Rusty Black) to allows for a retired PSRS teacher to be employed in a non-certificated position covered under PEERS without impacting their retirement benefit up to the Social Security earnings limit which has an automatic inflation factor and currently is \$18,960.

HB 828 (Dinkins) would reinstate the 2.55% multiplier for 31+ years of service. PricewaterhouseCoopers (PwC) estimates the bill would create a \$16.8 million per year savings for PSRS.

SB 598 (O'Laughlin) to restrict eligibility of retirement benefits resulting from membership in multiple defined benefit plans established by a state or local retirement system. The Association opposed the bill when it was heard in committee.

SB 608 (Razer) provides a pop-up option for members in same sex relationships who retired prior to June 2015.

Facility Renovation – System staff provided a high-level recap of the construction timeline for the new building addition and building renovation. Renovation continues throughout the current building and remains on target to be complete in September 2021. Staff also shared that the building would reopen to visitors on June 1, 2021.

CPI update/COLA review – The Board reviewed the COLA policy. The CPI-U for 2018-2019 increased by 1.6485%. Current CPI-U is up 2.0237% through February 28, 2021. Under current policy, the Board will make a COLA for eligible retirees for next year if the cumulative figure at the end of this fiscal year exceeds 2.0%.

Public Comment – None.

The public meeting adjourned at 11:15, and the Board went into closed session.