

PSRS-PEERS Board of Trustees Report
August 29-30, 2021
By Otto Fajen

Trustees present

Jason Hoffman, Chair
Jason Steliga, Vice-Chair
Kyle Collins
Sharon Kissinger
Beth Knes
Melinda Moss
Eric Park

INVESTMENTS

The Board met on August 29 to hear information on the Systems' U.S. equity portfolio, the investment manager selection process, 403(b) plans and the investment general consultant review.

SYSTEM OPERATIONS

The Board meeting resumed at 8:00 a.m. on August 30. The meeting was held at the new Board meeting room at the PSRS HQ in Jefferson City. This is the first meeting of the Board to be held in the new meeting space created during the expansion and renovation of the building. The Board approved the minutes from the June 7, 2021, Board education meeting and June 8, 2021, business meeting and established the order of business. The Board recognized Jason Hoffman and Scott Hunt for their service as PSRS/PEERS Board members. The Board also recognized Steve Yoakum, former Executive Director, for his service to the PSRS/PEERS Systems. Jason Steliga, Beth Knes and Melinda Moss were selected to serve on the Budget and Audit Committee.

INVESTMENTS

Investment Performance Report - Craig Husting from PSRS staff, and Margaret Jadallah from Verus reviewed the Systems' FY 21 investment performance.

The Systems' FY21 investment return, net of all fees and expenses, for PSRS and PEERS was 28.5%. This represents the highest one-year return on record for the Systems. Excess returns for the Systems last year exceeded the policy benchmark by 5.57% and exceeded a passive 60/40 benchmark by 6.27%.

Over the last five years, the Systems' earnings have performed in the top 30% relative to other public plans, exceeded the policy benchmark by \$3.0 billion, and exceeded a passive 60/40 benchmark by \$4.1 billion.

The Systems' long term allocation is 45% public risk assets, 20% safe risk assets and 35% private risk assets. The Systems are in the strongest financial position since the 1990s, but as with any high earning year, high current market values mean that lower investment returns are expected in the future.

The Private Markets' portfolios have produced higher returns relative to public markets and stronger risk adjusted returns since inception of the program. The Private Markets assets increased by \$4.6 billion or 43% during the last fiscal year. 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

Appointment of NCTR delegates - The National Council on Teacher Retirement conference will be held on October 11-4 and this year the meeting will be held virtually. Dearld Snider, Bill Betts and Jennifer Martin were selected to serve as delegates at the conference.

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 sixth 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. Going forward, CEM notes that COVID-19 is changing work. There will be more work from home and use of web counseling, web presentations and online transactions. Pension systems will also need more information technology and will have to invest more to manage cyber-risk.

Member Services Update – Member Services staff shared updated information about membership, retirements, member inquiries, service purchases, working after retirement, website services, member education meetings and other member services issues.

Facility Renovation – The Board heard an update from staff on the Systems' facility renovation project. The new addition, first and second floor renovations, restrooms, and Board/multipurpose room are complete. Renovations of the third floor and cafeteria/break room are ongoing. Other remaining portions, including the move of investments and accounting are expected to be complete in October 2021.

CPI update/COLA review – The Board reviewed the COLA policy. The CPI-U for 2020-2021 increased by 5.3915%. Since this CPI-U figure exceeds 5.0%, the Board will act at the October 26 meeting to approve a COLA of 5.0% for eligible retirees beginning in January 2022. The CPI-U figure for July 2021 was 0.4811%.

Public Comment – PSRS Retiree, MNEA-R member and former MNEA-R President Carol Weatherford publicly thanked the Systems for their financial support.

The public meeting adjourned, and the Board went into closed session.