

PSRS-PEERS Board of Trustees Report
October 25, 2021
By Otto Fajen

Trustees present

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

SYSTEM OPERATIONS

The Board met on October 25, 2021. The board approved the minutes from the August 29-30, 2021 meeting. The Board also presented services awards to two PSRS employees: Penny Kugler and Jean Fick.

INVESTMENTS

Investment Performance Report - Craig Husting of PSRS/PEERS and Margaret Jadalah from Verus reviewed ongoing investment activities. The investment report was relatively brief, since there was not a final report for first quarter investment performance. Relatively flat markets this year, following very high growth last year, gave an estimated return for the first quarter of fiscal year 2022 of approximately 1.3% compared to a benchmark of 0.0%. The Board reviewed the current asset allocation of the Systems' portfolio.

Proxy Voting Policy - The Board reviewed the Systems' proxy voting policy. The Systems' active public equity investment managers are each responsible for voting proxies in the best interests of the members of the Systems. These investment managers report annually to the staff on how their proxies were voted on behalf of PSRS/PEERS.

Real Estate Annual Review – Representatives from Townsend presented a real estate market overview and details of the Systems' real estate portfolio. Real estate has seen value increases, but income is about 70% of return. Townsend notes that cold storage facilities for fresh and frozen food will see increased use. Home prices and rents have been rising as demand exceeds supply. Growth is also expected for multi-family "garden style" low rise apartments of 4-5 stories. Street retail will also see growth. COVID-19 has caused an increase in working from home. This has generally been good but has resulted in some loss of efficiency due to less informal, in-office exchange of ideas. Trends in the office space sector are moving toward greater density. This means less use of paper and more use of open floor plan offices. Work from home has reduced office space demand.

REPORT OF ACTUARY

June 30, 2021 Valuation - Representatives from PricewaterhouseCoopers (PwC) presented the results of the June 30, 2021 actuarial valuations for the Systems. The June 30, 2021, preliminary pre-funded

status based on the actuarial value of assets of PSRS was 85.2% and PEERS was 87.7%. The funded status of both Systems is viewed to be healthy and the result of appropriate actuarial assumptions, consistent funding of the required contributions and diligent plan governance. Based on PwC's recommendation, the Systems are now assuming a 7.3% expected return on assets. PwC recommended a higher inflation assumption for the next two years. PwC also noted that the current waiver of Working After Retirement hour limits can't be maintained over the long term without causing financial loss to the Systems. Due to the very high earnings of last fiscal year, the Systems consider lowering contribution rates within a few years, if the Systems continue to earn at the expected rate of return.

PwC recommendations: 1) that the Systems maintain the current total contribution rates at 29% for PSRS and 13.72% for PEERS, and 2) that the Systems grant a 5% COLA in January 2022, per the existing COLA policy.

Contribution Rates for 2020-2021 - The Board voted unanimously to maintain the total contribution rate for PSRS at 29% and PEERS at 13.72% as recommended by the actuary. Employee contribution rates are half of the total rate.

January 2022 Cost-of-Living-Adjustment (COLA) – Based on last year's CPI-U figure and in accordance with the System's Funding Policy, the Board voted unanimously to grant a 5.0% COLA increase for January 2022. The final FY 2021 CPI-U figure is +5.39%. Under current policy, when the CPI-U is 5.0% or higher for the prior fiscal year, the Board will make a COLA for eligible retirees of 5.0% beginning with the following January.

MANAGEMENT REPORT

Facility Renovation - The Board heard an update from staff on the Systems' facility renovation project. The renovations are essentially complete at this point, other than very minor projects delayed by supply chain issues, including some lighting installation.

Revised Mission Statement – The Board reviewed the existing, cumbersome mission statement for the Systems:

“The Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri (PSRS and PEERS) work in partnership with the member school districts of this state to provide eligible employees and their beneficiaries with a significant source of income based on the employee's length of service and compensation in order to enhance retirement, disability and death benefits received from other sources.”

The Board then voted to approve a new mission statement as presented by staff of the Systems:

“To provide financial security and peace of mind for Missouri's public education community.”

2022 Board Election Schedule – The Board reviewed the proposed election schedule for electing a new PSRS Board member to replace Jason Hoffman. Mr. Hoffman resigned from office earlier this year, as required when he retired from school district employment.

Key election dates include:

January 10, 2022 - Petition forms become available

February 24, 2022 – Petition forms must be postmarked

April 5, 2022 – Ballots sent to members

April 20, 2022 – Ballots must be postmarked for return to PSRS

May 3, 2022 – Election results certified

Current CPI-U Update – The Board reviewed CPI-U data. The current fiscal year CPI-U is 0.9621% through September 30, 2021. Under current policy, when the final CPI-U for a fiscal year is between 2.0% and 5.0%, the Board will make a COLA for eligible retirees of 2.0%. 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 or exceeds 2.0%.

Public Comment – No public comment was offered. Executive Director Snider mentioned the recent data security issue and noted that about 14,000 members had already signed up for the identity protection measures.

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