

# **PSRS-PEERS Board of Trustees Report**

Monday, April 9, 2018

by Carol Weatherford

*For further clarification of any points in this report, see the PSRS-PEERS Board Meeting Summary sent by email to all members.*

## **Budget & Audit Committee**

### **Regular Meeting of the PSRS-PEERS Board of Trustees**

#### **Trustees present:**

Aaron Zalis, chair,  
Chuck Bryant,  
Beth Knes,  
Jason Hoffman,  
Scott Hunt,  
Jason Steliga,  
Yvonne Heath

#### **Others present as active participants:**

Steve Yoakum, Executive Director;  
Nicole Hamler, Board Secretary;  
Dearld Snider, Assistant Executive Director;  
Craig Husting, Investment Director;  
Alan Thompson, General Counsel;  
Anita Brand, Chief Financial Officer;  
Maria Walden, Director of Legislation & Policy;  
James Moody of Moody & Associates  
and various other representatives from PSRS-PEERS,  
Verus and Pathways.

## **SYSTEM OPERATIONS**

Minutes from the February 12, 2018 meeting were approved and the Order of Business was established. Ronda Peterson has retired from her position with PSRS, and she was recognized for her 23 years of service.

Certification of Election Results – Per review of petition signatures by representatives from MNEA, MSTTA, MRTA and MCCA , Jason Hoffman and Jason Steliga were both officially declared the winners of the non-contested election. They serve as PSRS-PEERS Trustees for the next 4 years (July 1, 2018-June 30, 2022).

Election of Chair and Vice Chair – Aaron Zalis was re-elected to serve as chair,

and Jason Hoffman was re-elected to serve as vice chair. Both were elected by acclamation.

Set Interest Credit Rate – Upon recommendation by Anita Brand, Chief Financial Officer, the Board agreed to set the interest credit rate at 2%. (Over the years, this rate has varied between 1% and 7%.)

Set the Interest Purchase Rate – Based on Anita Brand’s recommendation, the Board set the Interest Purchase Rate at 5%.

(For an explanation of the rationale behind these rates, refer to the PSRS-PEERS report.)

Other – Trustee Yvonne Heath was recognized for having been selected by the Southwest Region of MSTTA as “Elementary Educator of the Year.”

Consultant (Verus) Observations -- In December 2017, the Board hired Verus as the general consultant for the Systems. Verus representatives Barry Dennis and Margaret Jadallah provided the trustees with their initial observations of the Systems. They specifically commented on the positive aspect of the PSRS-PEERS continuity of staff, as well as the continuity of thought that runs through the Systems' investment policy.

Ongoing Investment Activity -- Craig Hustings and Barry Dennis reviewed ongoing investment activities. The estimated investment return for FY 18 was 7.1%

U.S. Equity Program Review -- PSRS-PEERS investment staff members John Tuck, Travis Allen and Chad Myhre reviewed the U.S. Public Equity portfolio. The 5-year annualized returns for large-cap and small-cap composites for the period ending 2/28/18 were 14.3% and 12.0% respectively.

Private Equity Annual Review -- Pathway Capital Management representatives presented a number of items to the Board. They reported that the PSRS-PEERS Private Equity portfolio had produced an annualized return of 11.8% for the 10-year period ending 12/31/17 -- 2.2 percentage points above the Russell 3000 benchmark of 8.6%.

## **MANAGEMENT REPORT**

Legislative Update -- Jim Moody, of Moody & Associates, shared his thoughts regarding Missouri's budget and financial challenges. He stated that while he doesn't see an emergency this year, he believes there is bad news on down the road. Both State and Federal governments have passed tax cuts, and more are pending.

Maria Walden reviewed a lengthy list of bills that PSRS is following. [For the complete list with details, refer to the PSRS-PEERS report.]

Of particular concern is HB 2660, sponsored by Representative Rocky Miller. In

its current form, this bill would require that one of the seven elected Trustees be a School Board member. In addition, it specifies that when members withdraw their retirement from the System, the employer contributions must also be returned to the local school districts. The fiscal note for this bill is \$508 million.

After discussion, the Trustees voted unanimously to oppose HB 2660 on the basis of the serious negative financial impact on the Systems. The Trustees also unanimously passed an affirmative statement in support of the current Board structure.

Due at least in part to the 2017 ruling that upheld the 550-hour limit for working after retirement to include those who are employed through agencies such as Kelly Services, there have been a significant number of bills filed that affect WAR (Working After Retirement). The Trustees passed two motions in regard to WAR: 1) to reaffirm support for HB 2235, the "Bus Drivers" bill that would allow PSRS retirees to work an unlimited number of hours in a PEERS position; 2) to oppose any WAR bills that would impose an increased cost to the Systems.

CPI-U Update -- Steve Yoakum reviewed the COLA policy that was adopted by the Board at their November 2017 meeting. [See charts in the PSRS-PEERS report.] He reported that the CPI-U is up 1.6476% for the month that ended on February 2018. If this trend continues, it appears very likely that a 2% COLA will be given for 2019.

Public Comment -- MRTA Executive Director Jim Kreider announced that MRTA will fight the bill that gives flexibility to the Kansas City Retirement System. He sees this as the proverbial 'camel's nose under the tent,' and expressed his hope that the PSRS Trustees would also oppose this bill. After consultation with Legal Counsel Alan Thompson, the trustees chose not to take a formal position on this bill since it does not directly impact PSRS-PEERS.

MRTA member Mike Stearly, a retiree from Fredericktown, spoke in regards to HB 2660, reiterating MRTA's strong opposition to this bill and expressing his personal appreciation for the work of the current trustees.

Chairman Zalis congratulated Director Steve Yoakum for his 40 years of work in the pension industry, 20 of those with PSRS-PEERS.

**CLOSED SESSION** -- The Board went into closed session at 11:30. Items listed for closed session included a legal report, internal controls report and a personnel review. In addition, the Executive Director Evaluation and Compensation Review as well as a Board Self-Examination were on the agenda.