

**Report**  
**Board of Trustees**  
**Public School Retirement System of Missouri**  
**and**  
**Public Education Employees Retirement System of Missouri**

November 3, 2017

by Carol Weatherford

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

**Trustees present:**

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

**Others present as active participants:**

Steve Yoakum, Executive Director;  
Nicole Hamler, Board Secretary;  
Craig Husting, Chief Investment Officer;  
Jim Neill, Willis Towers Watson;  
Jessica Wilbers & Frank Aten, PSRS investment staff members;  
Jack Koch & Seth Marcus, Townsend;  
Brandon Robertson,  
Cindy Fraterrigo, & Kelly Stolyar, PricewaterhouseCoopers.

**SYSTEM OPERATIONS**

Minutes from the August 28, 2017 meeting were approved and the Order of Business was established.

**INVESTMENTS**

Ongoing Investment Activity -- Craig Hustings and Jim Neill (Willis Towers Watson) -- Investment returns for the current fiscal year are approximately 3.1%.

Proxy Voting Policy Annual Report -- PSRS/PEERS Staff has not identified any operational issues with the proxy voting process during the review that was conducted this year. All Investment Managers are in compliance with Policy.

Credit and Non-US Equity Asset Class Report -- Jessica Wilburs and Frank Aten, PSRS/PEERS investment staff members, reported that the 5-year annualized return for Non-U.S. Equity, ending on 9/30/17 was 9.6%.

Annual Real Estate Review -- Jack Koch and Seth Marcus, (Townsend) reported that the PSRS/PEERS' real estate portfolio had produced an annualized return of 11.8% for the 5-year period ending 6/30/17.

## REPORT OF ACTUARY

Brandon Robertson, Cindy Fraterrigo and Kelly Stolyar from PricewaterhouseCoopers (PwC) were present to discuss the results of the June 30, 2017 actuarial valuations for they Systems.

6/20/17 Valuation Summary -- Among the myriad facts and figures presented in this summary, here are a few of significant interest...

Active membership is stable for both PSRS and for PEERS; headcount, average age, and average service are nearly identical to June 30, 2016.

Retired membership continues to grow. Headcount up 2.9% for PSRS and 5.1% for PEERS.

Market value of assets: Investment returns during FY 2017 were 12.3% net of expenses. Any excess or shortfall in investment returns are phased in over five years for funding purposes.

The actuaries drew attention to the things that an actuarial valuation does **not** do. It does **not** predict:

- FUTURE financial soundness of the pension system
- FUTURE investment performance
- FUTURE impact of new members
- FUTURE impact of plan changes
- FUTURE impact of other experience gains and losses.

### Set Funding Policy Assumptions--

a) Set Assumed Rate of Return -- The trustees discussed this at length, weighing to pros and cons of maintaining the current 7.75 rate, or dropping it to a more reasonable rate. Trustees Hunt and Bryant spoke in favor of moving the rate to 7.5, while Trustees Hoffman and Steliga favored the 7.6 rate. Eventually, the 7.6 assumed rate of return was adopted.

b) Set COLA Policy -- Once again, the 7 proposed COLA scenarios were coupled with the 4 possible assumed rates of return. With this now set at 7.6, of the 28 original possibilities, only 3 possibilities remained:

\*A -- the current policy which would have resulted in 0% COLA in 2018

\*F -- Cumulative 2%, beginning 7/1/15, resulting in 2% COLA in 2018

\*G -- Cumulative 2%, beginning 7/1/16, resulting in 0% COLA in 2018

All the trustees spoke in favor of finding a way to avoid another year with 0% COLA, and several spoke in favor what they termed "F-lite" -- a compromise solution. After lengthy discussion and diversity of thought, Jason Steliga moved to adopt Option F with the modification that in 2018 the COLA would be set at 1.63 for one year only, and that the CPI-U be reset back to 0 for the following year. Further discussion ensued. The motion passed with only two dissenting votes (Bryant and Hunt).

Set Purchase Interest Rate -- Yvonne Heath moved that the actuarial assumed rate of return be revised from 7.75% to 7.6%. Motion passed unanimously.

Set Contribution Rates for 2018-19 -- Without debate or discussion, the motion passed to maintain the current contribution rates for both PSRS (29%) and PEERS (13.72%).

Set January 2018 COLA -- Beth Knes moved that the 2018 COLA be 1.63%. Motion passed unanimously.

## **MANAGEMENT REPORT**

Schedule for Board Election --The positions currently held by Jason Hoffman and Jason Steliga will be up for election in 2018. Notices will be sent to organizations on 11/10/17. The detailed election schedule will be available on the PSRS/PEERS website, with voting (if necessary) to be conducted by paper ballots between April 18 and May 3. Official count and certification is scheduled for May 14, 2018.

Public Comment -- Several observers commented briefly, expressing

appreciation for the board's actions. Chairman Zalis responded that the Trustees were following their fiduciary responsibilities. He further stated that he hoped that all the education associations would focus on positive ways to support PSRS/PEERS and protect the Defined Benefit Pension System.

The meeting adjourned at 12:30 p.m. for a lunch break before closed session.

Items on the agenda for the closed session included a member appeal, the legal report, the internal controls report and personnel report.

NOTE: A significantly more detailed explanation of the Board's actions can be found in the PSRS/PEERS "Board Meeting Report" sent by email on 11/8/17.