

MINUTES | BOARD OF TRUSTEES

Public Employees' Retirement System of Mississippi

February 23, 2022 | PERS Board Room

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Board of Trustees Meeting Agenda Wednesday, February 23, 2022 1 P.M.

- I. Call to Order (*Dr. Randy McCoy, Chair*)
 - A. Invocation
 - B. Pledge of Allegiance
 - C. Approval of Agenda
 - D. Approval of Minutes – December 14, 2021
 - E. Employee of the Quarter (April-June 2022)
- II. Report of Administrative Committee (*Dr. Lee Childress*)
 - A. Annual Crediting of Interest to Member Accounts
 - B. Certification of Board Election – Public Schools & Community/Junior College Employee Representative Election
 - C. Board Election Schedule – Institutions of Higher Learning Employee Representative Election
 - D. Cash Flow Metric Update in Funding Policy
 - E. Board of Trustees Standard Operating Procedures Revision
 - F. Other
- III. Report of the Claims Committee (*Mr. Bill Benson*)
 - A. Certification of Delinquent Contributions – Southwest Mississippi Behavioral Health Commission
 - B. Other
- IV. Report of the Legislative Committee (*Mr. George Dale*)
 - A. Other
- V. Report of Defined Contribution Committee (*Dr. Brian Rutledge*)
 - A. MDC Plan Document Amendment – Final Adoption
 - B. MDC Watchlist
 - C. Other
- VI. Report of Investment Committee (*Mr. Kelly Breland*)
 - A. Equity Structure Review Phase 2
 - B. TA Realty Fund XIII Value Add Recommendation
 - C. Other
- VII. Disability Appeals Committee
- VIII. Staff Reports
 - A. Retiree Report
 - B. Investment Report
- IX. Staff and Trustee Continuing Education
 - A. Board Workshop – Tentatively set for May 2022
 - B. 2022 Conferences and Training
 - NCTE 2022 Annual Trustee Workshop, July 24-27, Berkeley, CA
 - IFEBP CAPP
 - (i) Pensions Part I, June 6-7, Santa Monica, CA
 - (ii) Pensions Part II, June 8-9, Santa Monica, CA and
 - (iii) Pensions Part III, October 22-23, Las Vegas, NV
 - NASBA 2022 Annual Conference, August 6-10, Long Beach, CA
 - NCTE 100th Annual Conference, October 8-12, Lower Ventana Canyon, Tucson, AZ
- X. Economic Interest Ethics Disclosures (Due May 1)
- XI. Adjourn

Board Members:

Dr. Randy McCoy, *Board Chair*
Mr. Bill Benson, *Board Vice Chair*
Mr. Kelly Breland
Dr. Lee Childress
Mr. George Dale

Mr. Chris Graham
Ms. Kim Hanna
Mr. Chris Howard
Treasurer David McRae
Dr. Brian Rutledge

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The Public Employees' Retirement System of Mississippi (PERS) Board of Trustees met Wednesday, February 23, 2022, at 429 Mississippi Street, Jackson, MS 39201. This meeting was duly announced to the public, Tuesday, February 8, 2022, at 4:32 p.m., on the Public Meetings Notice website of the Mississippi Department of Finance and Administration.

BOARD MEMBER ATTENDEES

In Person: Board Chair Dr. Randy McCoy, Mr. Bill Benson, Mr. Kelly Breland, Dr. Lee Childress, Mr. George Dale, Mr. Chris Graham, Ms. Kimberly Hanna, Mr. Chris Howard, State Treasurer David McRae, and Dr. Brian Rutledge.

Via Teleconference: None.

Absent: None.

Current Board Vacancies: None.

LEGISLATIVE LIAISON ATTENDEES

In Person: None.

STAFF ATTENDEES

In Person: Executive Director Ray Higgins; Chief Investment Officer Robert Clark; Deputy Chief Investment Officer Charles Nielsen; Senior Deputy Administrator Office of Administrative Services Terri Hudson; Counsel and Policy Advisor Davetta Lee; Benefit Services Deputy Administrator Lisa Green; LaCarole Smith, Retirement Education; Terri Bennett, Survivor & Disability Retirement; Chris Hudson, Member Account Support; Susan Lyon, Benefit Payments; Pauline Howard (P.Howard), Employer Reporting; Ryan Davy, Information Technology; Director of Finance Cindy Ogletree; Melanie Estridge, Accounting; Communications Specialist Mary Margaret Pritchard; and Communications Director Shelley Powers.

GUEST ATTENDEES

In Person: Assistant Attorney General Amy Gamble; Russ Thompson, Harper Rains, Knight, & Company; and Ray Wright and Jordan Dillon, Joint Committee on Performance Evaluation and Expenditure Review.

CALL TO ORDER

Board Chair McCoy called the meeting to order at 1:00 p.m.

INVOCATION

McCoy gave the invocation.

PLEDGE OF ALLEGIANCE

McCoy led the Pledge of Allegiance.

AGENDA

- **Motion:** To approve the meeting agenda.
 - **Made by:** Childress.
 - **Seconded by:** McRae.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

MINUTES

- **Motion:** To approve the minutes of the December 14, 2021, PERS Board of Trustees' meeting.
 - **Made by:** McRae.
 - **Seconded by:** Howard.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

EMPLOYEE OF THE QUARTER

McCoy presented the Employee of the Quarter for April through June 2022 to Nisha Tindal, Member Account Support. Tindal was unable to attend the meeting to receive her award.

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REPORT OF THE ADMINISTRATIVE COMMITTEE

Committee Chair Childress reported that the Administrative Committee met the morning of February 23, 2022, and approved the following items for Board consideration.

Annual Crediting of Interest to Member Accounts

Childress presented the Board with the 2022 Interest Rate for Member Accounts report, in accordance with Board Regulation 62.

2022 Interest Rate for Member Accounts

In 2016, the PERS Board of Trustees approved the amendment of Regulation 62 to adjust the interest rate for member accumulation accounts. The interest rate is now calculated based on the money market rate as published by the Wall Street Journal on December 31 each year with a minimum rate of one percent and a maximum rate of five percent.

On December 31, 2021, the Money Market rate published in the Wall Street Journal was 0.07%; therefore, the interest rate paid shall remain set at the minimum rate of one percent as of July 1, 2022.

- **Motion:** To approve the 2022 Interest Rate for Member Accounts report presented by staff and to approve the interest rate for member accumulated accounts to remain set at the minimum rate of one percent as of July 1, 2022.
 - **Made by:** Childress
 - **Seconded by:** Breland.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

Certification of Board Election

Childress presented the Board with the results of the public schools and community/junior college representative election for the term that runs from May 1, 2022, to April 30, 2028. Childress reported that a run-off has been scheduled for this election between Dr. Jay R. Smith and Dr. Edward Lee Childress, as neither candidate received a majority of the votes. The vote counts were as follows:

Dr. Jay R. Smith	940
Dr. Edward Lee Childress.....	536
Amber A. Geiser	395
Dr. Douglas N. Donohue	356
James (Jay) C. Foster	350
Virginia A. Cowart.....	160
Lance D. Bolen.....	115

- **Motion:** To approve the election results for the public schools and community/junior college representative term that runs from May 1, 2022, to April 30, 2028.
 - **Made by:** Childress.
 - **Seconded by:** Dale.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

Childress presented the ballot for the runoff election and reported that there had been some concerns regarding delayed receipt of ballots in the initial election. To counter potential future delays with the U.S. Postal Service, a modified runoff election schedule was recommended to allow additional time for the mailing and receiving of ballots.

Modified runoff election schedule to allow additional time for potential postal delays

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February 23, 2022	PERS Board certifies election results at regularly scheduled meeting
March 10, 2022	PERS mails ballots for runoff
April 22, 2022	Deadline for receipt of ballots by PERS at 5pm
April 27, 2022	PERS Board certifies election results at regularly scheduled meeting

- **Motion:** To approve the runoff ballot and modified runoff election schedule for the public schools and community/junior college representative term that runs from May 1, 2022, to April 30, 2028.
 - **Made by:** Childress.
 - **Seconded by:** Rutledge.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

Board Election Schedule

Childress presented the Board with an election schedule for the Institutions of Higher Learning representative term that runs from January 1, 2023, to December 31, 2028. (*Appendix A – Board Election Schedule*).

- **Motion:** To approve the election schedule for the Institutions of Higher Learning representative term that runs from January 1, 2023, to December 31, 2028.
 - **Made by:** Childress.
 - **Seconded by:** Breland.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

Cash Flow Metric Update in Funding Policy

Childress presented the Board with staff recommended updates to the Funding Policy's Cash Flow Metric. (*Appendix B – Funding Policy Updates*) Childress said this housekeeping change was needed to reduce the Funding Policy's Cash Flow Metric by 20 basis points due to the change voted on by the Board in August 2021 to lower the assumed rate of return from 7.75 percent to 7.55 percent.

- **Motion:** To approve staff-recommended updates to the Funding Policy's Cash Flow Metric.
 - **Made by:** Childress.
 - **Seconded by:** Hanna.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

Board of Trustees Standard Operating Procedures Revisions

Childress presented the Board with staff-recommended revisions to the Notice of Meetings section of the Board of Trustees Standard Operating Procedures. (*Appendix C – Board SOP Revisions*) Childress said the language change is compliant with statutory authority.

- **Motion:** To approve staff recommendations to revise the Notice of Meetings sections of the Board of Trustees Standard Operating Procedures.
 - **Made by:** Childress.
 - **Seconded by:** Benson.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

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Childress also said the committee heard an actuarial audit update during its morning meeting.

REPORT OF THE CLAIMS COMMITTEE

Committee Chair Benson reported that the Claims Committee met the morning of February 23, 2022, and approved the following item for Board consideration.

Benson reviewed remaining delinquent contributions due from Southwest Mississippi Behavioral Health Commission (SWMBHC) of \$109,157.96. The Board certified \$119,827.39 in delinquent contributions at the December 2021 board meeting, \$142,857.25 in delinquent contributions at the August 2021 board meeting, and \$101,867.57 at the October 2021 board meeting. He also presented a recommendation from staff to pursue remaining payment from SWMBHC for delinquent contributions and to take any legal steps necessary to recover the amounts due.

- **Motion:** To certify \$109,157.96 in delinquent contribution payments due from Southwest Mississippi Behavioral Health Commission (SWMBHC) and to request staff r recover such amounts from state funds due the agency, including taking any legal steps necessary.
 - **Made by:** Benson.
 - **Seconded by:** Breland.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Howard, Hanna, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

Benson said the committee also recognized P. Howard after 27 years of dedicated service to PERS, as she plans to retire March 31, 2022.

REPORT OF THE LEGISLATIVE COMMITTEE

Committee Chair Dale informed the Board that the Legislative Committee met the morning of February 23, 2022, and heard, for information only, an update of legislation for the 2022 session. No committee action was taken.

No board action was required.

REPORT OF THE DEFINED CONTRIBUTION COMMITTEE

Committee Chair Rutledge informed the Board that the Defined Contribution Committee met February 22, 2022, and heard a performance review of Mississippi Deferred Compensation (MDC) and the Optional Retirement Plan by Callan, as well as approved the following items for Board consideration.

MDC Plan Document Amendment

Rutledge presented the Board with staff-recommended amendments to the MDC Plan Document for final adoption. The Board discussed these amendments and the recommendation for the in-plan brokerage option.

Article I

- Add Section 1.28 Self Directed Brokerage Account to provide a definition for "Self-Directed Brokerage Account"

Article VI

- Amend Section 6.1 Investment Options and Group Trusts to allow the Self Directed Brokerage Account.

Article VII

- Amend Section 7.10 Location of Participant or Beneficiary Unknown to modify the way uncashed checks are handled within the plan as requested by Empower.

Article IX

- Amend Section 9.2 Rollovers from this Plan to allow rollovers to Simple IRAs as recommended by Ice Miller.

The effective date of the proposed amendments will be April 1, 2022.

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- **Motion:** To approve for final adoption the MDC Plan Document Amendment as presented by staff, which includes the addition of a Self-Directed Brokerage Account option, changes to how uncashed checks are handled, as well as allow rollovers to Simple IRAs.
 - **Made by:** Rutledge.
 - **Seconded by:** Childress.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

MDC Watchlist

Rutledge presented the Board with MDC's watchlist and staff recommendations to add Loomis Sayles to the list due to their rolling five-year relative performance lagging the benchmark and to keep BNY Mellon EB US RE on the list, again due to their rolling five-year relative performance lagging the benchmark.

- **Motion:** To approve staff recommendation to add Loomis Sayles to the Mississippi Deferred Contribution watchlist.
 - **Made by:** Rutledge.
 - **Seconded by:** Benson.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

REPORT OF THE INVESTMENT COMMITTEE

Committee Chair Breland reported that the Investment Committee met February 22, 2022, and heard market and performance reviews from Callan; mid and large cap equity manager presentations from Artisan Partners, Wellington MidCap, and Eagle Capital; and miscellaneous updates, as well as approved the following items for Board consideration.

Equity Structure Review Phase 2

Breland presented the Board with a review of domestic equity structure that replaces the current small/mid-cap value portfolio to a mid-cap value portfolio, and international equity that replaces the current passive component to a new passive component. Callan submitted the following overview for inclusion in these minutes:

John Jackson and Adam Lozinski of Callan LLC presented a structure review of the U.S. and international equity asset classes. This represents Phase II of Callan's review of PERS' total equity portfolio. Within the U.S. equity asset class, PERS has a small- and mid-cap bias relative to a comprehensive U.S. equity index (Russell 3000); the structure is currently 66% passively managed. Staff and Callan recommended an alternative structure that consisted of a 5% increase to the large-capitalization index, and a corresponding decrease to the existing mid-capitalization index, which will be removed from the structure in favor of actively-managed strategies. In addition, the current active mid-capitalization value strategy will be transitioned to one that is more closely aligned to the index.

Within the international equity asset class, PERS has modest biases to small-cap, growth, and emerging markets relative to a comprehensive global ex-U.S. Index (MSCI ACWI ex-U.S. IMI); the structure is 35% passively managed. Callan's review identified these biases and together with Staff presented alternative structures that would move the asset class more in line with the underlying exposures of the benchmark. The recommendation was to make the following changes:

- Increase the existing actively managed broad non-U.S. equity strategies by 10%;
- Replace the current passively managed MSCI EAFE Index allocation with a passive MSCI World Index strategy and reduce that exposure by 10%;

The Investment Committee approved both recommendations.

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- **Motion:** To approve the second phase of the Equity Structure Review (Domestic and International) as presented and approve the adoption of Alternative #2 for domestic equity to include a search for a midcap active value equity manager, and Alternative #2 for international equity to change the passive component as stated in the presentation.
 - **Made by:** Breland.
 - **Seconded by:** Howard.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

TA Realty Fund XIII Value Add Recommendation

Breland presented the Board with a staff recommendation for a \$75 million commitment to TA Realty Value-add Fund XIII based on tenure, stability, and success in managing value-added real estate funds.

- **Motion:** To approve staff recommendation for a \$75 million investment commitment to TA Realty Value-add Fund XIII.
 - **Made by:** Breland.
 - **Seconded by:** Benson.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

REPORT OF THE DISABILITY APPEALS COMMITTEE

Higgins informed the Board that the Disability Appeals Committee (DAC) currently had no matters to bring before the Board.

RETIREE REPORT

Higgins presented the Retiree Report. He advised that the report had been provided to the board members in advance for their review. Higgins requested board approval of this report. (*Addendum D - Retiree Report*)

- **Motion:** To accept the Retiree Report.
 - **Made by:** Rutledge.
 - **Seconded by:** Hanna.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Howard, Hanna, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

INVESTMENT REPORT

Higgins presented the Investment Report. He advised that this report had been provided to the Board in advance. He requested board approval of this report, as well as of all trades and transactions performed by the PERS Investments division since the December 14, 2021, board meeting. (*Addendum E - Investment Report*)

- **Motion:** To approve the Investment Report, as well as all trades and transactions performed by the PERS Investments division since the December 14, 2021, board meeting.
 - **Made by:** Breland.
 - **Seconded by:** Benson.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Howard, Hanna, McCoy, McRae, and Rutledge.
 - **Voting against:** None.
 - **Absent:** None.
 - **Duly Passed.**

Higgins reported that PERS has 33 managers managing 61 portfolios. He also reported that, after preliminary research with Callan regarding the number of managers used by other systems working with Callan, PERS is in line with its peers.

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STAFF AND TRUSTEE CONTINUING EDUCATION

Higgins advised the Board on upcoming staff and trustee continuing education opportunities, including a board workshop scheduled for Tuesday, May 17, 2022.

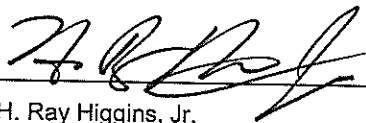
ECONOMIC INTEREST ETHICS DISCLOSURE

Higgins advised the Board of the May 1 deadline for submitting economic interest ethics disclosures.

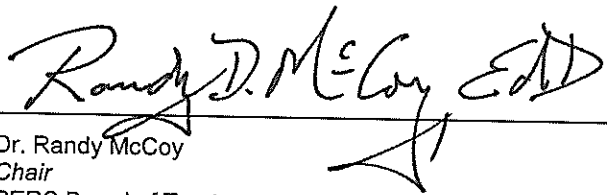
ADJOURN

McCoy called the meeting adjourned at 1:20 p.m.

Respectfully Submitted,



H. Ray Higgins, Jr.
Executive Director
Public Employees' Retirement System



Dr. Randy McCoy
Chair
PERS Board of Trustees

HRH