

MINUTES | BOARD OF TRUSTEES

Public Employees' Retirement System of Mississippi

August 24, 2021 | PERS Board Room

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Board of Trustees Meeting Agenda

Tuesday, August 24, 2021

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 – June 23, 2021
 - E. Employee of the Quarter (*October-December 2021*)
- II. Report of Administrative Committee (*Dr. Lee Childress*)
 - A. Board Election Certification – *County Employee Representative*
 - B. Approval of FY 2023 Administrative Budget Request – *Final Approval*
 - C. Employer Contribution Rate
 - D. Experience Study Recommendations
 - E. Funding Policy Update
 - F. Regulation 43, *Interest Rates Used in the Calculation of Repayment of a Refund and for Correction of Administrative Reporting Errors – Initial Adoption*
 - G. Regulation 59, *Plan Assumptions – Initial Adoption*
 - H. Other
- III. Report of the Claims Committee (*Mr. Bill Benson*)
 - A. Update on Delinquent Contributions – *Southwest Mississippi Behavioral Health Commission*
 - B. Agency Agreements and Modifications – *Town of Leakesville*
 - C. Other
- IV. Report of Legislative Committee (*Mr. George Dale*)
 - A. Proposal to Amend Miss. Code Ann. § 25-11-121 (*Basket Clause Increase*)
 - B. Other
- V. Report of Defined Contribution Committee (*Dr. Brian Rutledge*)
 - A. Annual Investment Policy Reviews
 - MDC
 - ORP
 - B. Other
- VI. Report of Investment Committee (*Mr. Kelly Breland*)
 - A. Annual PERS Investment Policy Review
 - B. Other
- VII. Retiree Insurance Advisory Recommendations
 - A. Approval of Retiree Insurance Renewal
 - B. Approval of Retiree Insurance Open Enrollment
- VIII. Staff Reports
 - A. Retiree Report
 - B. Investment Report
- IX. Staff and Trustee Continuing Education
 - A. Conferences and Training
 - IFEBP CAPP
 - Pensions – Part I – Colorado Convention Center, Denver, CO; October 16-17, 2021
 - Pensions – Part II – Colorado Convention Center, Denver, CO; October 16-17, 2021
 - NCTR Annual Conference; Atlanta, GA; October 10-12, 2021
 - Callan College, Virtual via Zoom, October 26-28, 2021
- X. 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 Tuesday, August 24, 2021, at 429 Mississippi Street, Jackson, MS 39201. This board meeting was duly announced to the public, Tuesday, August 10, 2021, at 10:12 a.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, Mr. George Dale, Mr. Chris Graham, Ms. Kimberly Hanna, Mr. Chris Howard, and State Treasurer David McRae.

Via Teleconference: Dr. Lee Childress.

Absent: Dr. Brian Rutledge.

Current Board Vacancies: None.

LEGISLATIVE LIAISON ATTENDEES

In Person: Representative Karl Oliver and Representative John Read.

STAFF ATTENDEES

In Person: Executive Director Ray Higgins; Chief Investment Officer Robert Clark; Senior Deputy Administrator Administrative Services Terri Hudson; Deputy Chief Investment Officer Charles Nielsen; Counsel and Policy Advisor Davetta Lee; Benefit Services Deputy Administrator Lisa Green; Member and Employer Services Deputy Administrator Mason Frantom; Jason Clark, Ryan Holliday, and David DeGuire, Investments; Billy Means and Ryan Davy, Management Information Systems (MIS); Director of Finance Cindy Ogletree; Member Account Support Program Administrator Chris Hudson; Benefit Payment Program Administrator Susan Lyon; Survivor & Disability Retirement Program Administrator Terri Bennett; Customer Service Center Program Administrator Amy Marquez; Retirement Education Program Administrator LaCarole Smith; Connette Caston, Service Retirement QA; Deborah Flanagan, Member Account Support; Ran Jones, Carla Yeates, and Melanie Estridge, Accounting; and Communications Director Shelley Powers.

GUEST ATTENDEES

In Person: Special Assistant Attorney General Amy Gamble; Jordan Dillon, Joint Committee on Performance Evaluation and Expenditure Review; Ed Koebel, Cavanaugh Macdonald; Kim Gallaspy, Institutions of Higher Learning; Dylan Panichello, Office of State Treasurer; Rob Dowdle and Corbin Stanford, Legislative Budget Office; Robert Walker, Office of the Governor; Steve Wilson, Northside Sun; Alan Cooper, Department of Finance & Administration; Mike Larsen and Emily Pote, Mississippi Retired Public Employees' Association.

CALL TO ORDER

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

INVOCATION

Benson gave the invocation.

PLEDGE OF ALLEGIANCE

Benson led the Pledge of Allegiance.

AGENDA

Motion: McCoy called for a motion to approve the meeting agenda. The motion was made by Breland and was seconded by Dale, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

MINUTES

Motion: McCoy called for a motion to approve the minutes of the June 23, 2021, PERS Board of Trustees' meeting. The motion was made by Howard and was seconded by McRae, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

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EMPLOYEE OF THE QUARTER

McCoy presented Nielsen, Clark, DeGuire, and Holliday with Employee of the Quarter award for the second quarter of fiscal year 2022, which runs October 1, 2021, through December 30, 2021.

REPORT OF THE ADMINISTRATIVE COMMITTEE

Childress informed the committee that the only candidate nomination received for the county employee representative election was for Benson, current board member and incumbent, and he advised the Board that Miss. Code Ann. § 25-11-15(h) grants the Board authority to determine rules and regulations of board elections and that, in accordance with PERS Regulation 17, *Election of Members of the Board of Trustees of the Public Employees' Retirement System of Mississippi*, the Board shall declare a candidate to be duly elected if only one nomination is approved.

Motion: Childress made a motion to declare Benson be duly elected in accordance with Miss. Code Ann. § 25-11-15(h) and PERS Regulation 17, *Election of Members of the Board of Trustees of the Public Employees' Retirement System of Mississippi*. The motion was seconded by McRae, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

Childress presented the Board with the FY 2023 Administrative Budget Request for final adoption.

(Addendum A – FY 2023 Final Administrative Budget Request)

Motion: Childress made a motion to approve final adoption of the FY 2023 Administrative Budget Request. The motion was seconded by Dale, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

Childress presented the Board a one-sheet overview from staff, prepared with the actuary, of the following actuarial recommendations and reported that the committee had considerable discussions on the recommendations.

1. Fixed Contribution Rate (FCR) for FY Beginning July 1, 2022, Recommendation (Full reports and presentations previously provided)

- a. At the December 2020 Board meeting, the actuary recommended an increase in the Fixed Contribution Rate from **17.40% to 19.60%** due to one of the metrics in the Board's Funding Policy going to a "Red" Status in the 2020 valuation and projection results.
- b. Investment experience during FYE 2021 has alleviated some of the need for this contribution increase, but the actuary is cautious that a significant negative investment event or the potential investment experience as projected by the Board's investment consultant of approximately 6.21% over the next ten years may lead to even higher contribution requirements in the near-term.
- c. **Vote requested on the employer contribution rate.**

2. Actuarial Experience Study Recommendations (Full report and presentation previously provided)

a. Demographic Assumptions – Vote to adopt the following:

| | |
|--------------|--|
| Withdrawal | Extend ultimate period out and utilize a withdrawal assumption table by age and service, separated by gender |
| Disability | Decrease disability rates |
| Retirement | Extend fixed retirement age from age 75 to age 80 |
| Mortality | Use Pub-2010 Mortality Tables with MP-2020 Scale |
| Salary Scale | No change to merit and production scale |

b. Economic Assumptions – Vote to adopt the following:

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| | |
|-------------------------------|-------|
| Price Inflation | 2.40% |
| *Real Return Assumption | 4.60% |
| *Investment Return Assumption | 7.00% |
| Wage Inflation Assumption | 2.65% |

*If the economic assumptions are adopted, the 7% investment return assumption (and real rate) would not change immediately but would be phased in based on potential future investment experience as outlined in the existing funding policy.

3. Minor Update to Funding Policy

- a. Only updating funding policy to reflect more recent experience study and the long term assumed rate of return of **7.55%** to be used in the next set of actuarial reports. Please see red-lined version of policy when considering this agenda item.
- b. **Vote requested to update the funding policy.**

Motion: Childress made a motion to retain the current employer contribution rate of 17.4 percent as brought to the Board by vote of the committee. The motion was seconded by Howard, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

Motion: Childress made a motion to adopt the demographic assumptions as recommended by the actuary. The motion was seconded by Benson, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

Motion: Childress made a motion to adopt the economic assumptions as submitted. The motion was seconded by Breland, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

Motion: Childress made a motion to adopt staff recommendations to update the Funding Policy as submitted with the understanding that staff will revise language in Section III (Actuarial Assumptions) as discussed in committee and bring the revised policy back to the committee and Board for consideration at the October 2021 meetings. The motion was seconded by Graham, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

Childress presented for initial adoption, amendments to Regulation 43 to provide the current assumed rate of return and provide historical rates for July 1, 2015, through June 30, 2021, as well update statutory references.

Motion: Childress made a motion for initial adoption of amendments to Regulation 43 to provide the current assumed rate of return and provide historical rates for July 1, 2015, through June 30, 2021, as well as update statutory references. The motion was seconded by Graham, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

Childress presented for initial adoption of amendments to Regulation 59 that would update actuarial assumptions for PERS, SLRP, and MHSPRS. This regulation is updated every two years based on the most recent Experience Study.

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Motion: Childress made a motion for initial adoption of amendments to Regulation 59 that would update actuarial assumptions for PERS, SLRP, and MHSPRS. The motion was seconded by Hanna, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

Childress reported that Higgins provided the committee with an update on potential upcoming agency presentations, and he reported that the committee met July 27, 2021, to continue discussion of funding issues, retirement tiers, and other plan options to have in place should the Board need to take action but that no action was taken at that meeting.

REPORT OF THE CLAIMS COMMITTEE

Benson presented the Board with a recommendation from staff to pursue remaining payments due from Southwest Mississippi Behavioral Health Commission (SWMBHC) for delinquent contributions, which could include attaching PERS to any monies owed SWMBHC.

Motion: Benson made a motion to certify the delinquencies and to request that legal steps be taken to collect remaining payments due from Southwest Mississippi Behavioral Health Commission (SWMBHC). The motion was seconded by Hanna, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

(Addendum B – SWMBHC Update)

Benson presented a request from the town of Leakesville to amend its original joinder agreement to allow for retirement coverage of elected officials effective September 1, 2021.

Motion: Benson made a motion to approve a request from the town of Leakesville to amend its original joinder agreement to allow for retirement coverage of elected officials effective September 1, 2021. The motion was seconded by McRae, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

(Addendum C – Town of Leakesville-Amendment)

REPORT OF LEGISLATIVE COMMITTEE

Dale presented the committee proposal referred by the Investment Committee to increase the basket clause from 10 to 20 percent in Miss. Code Ann. § 25-11-121.

Motion: McCoy called for a motion to approve the proposal referred by the Investment Committee to increase the basket clause from 10 to 20 percent in Miss. Code Ann. § 25-11-121. The motion was made by Dale and was seconded by Graham, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

REPORT OF THE DEFINED CONTRIBUTION COMMITTEE

Breland reported that Callan, LLC, the System's investment consultant, presented the committee with a market update and performance reviews of Mississippi Deferred Compensation (MDC) and Optional Retirement Plan (ORP). He further reported that the committee heard an annual review of (MDC) from Empower. No committee action was taken on these items.

Breland presented the MDC and the ORP Annual Investment Policy Statements Reviews as submitted. He advised that the investment policy statements were being presented by staff for the customary annual review and approval, however, no substantive changes were made to the statements.

Motion: Breland made a motion to approve the MDC and ORP Annual Investment Policy Statements Reviews, as submitted. The motion was seconded by Dale, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.

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- **Voting against:** None.
- **Absent:** Rutledge.

REPORT OF THE INVESTMENT COMMITTEE

Breland reported that the committee heard a market update and performance review by Callan and manager presentations from CenterSquare and Cohen & Steers. No committee action was taken on these items. Breland also reported investment returns for FY 2021 of 32.7 percent and thanked Clark and Nielsen and the Investment team for their hard work.

Breland presented the PERS Annual Investment Policy Statement Review. He advised that the investment policy statement was being presented by staff with minor changes for the customary annual review plus revised language as discussed in committee under Investment Objectives (a) to read "Achieve an annual rate of return as outlined in the Board of Trustees current funding policy."

Motion: Breland made a motion to approve the PERS Annual Investment Policy Statement Review with customary annual changes and revised language under Investment Objectives (a) to read "Achieve an annual rate of return as outlined in the Board of Trustees current funding policy." The motion was seconded by Benson, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

(Addendum D – PERS Annual Investment Policy Statement Review, redlined)

RETIREE INSURANCE ADVISORY RECOMMENDATIONS

Higgins presented Retiree Insurance Advisory Committee recommendations to renew the PERS-sponsored Retiree Medical Insurance Plan for calendar year 2022 with Transamerica/Monumental Life and to approve an open enrollment period for the PERS Retiree Medical Plan from October 1, 2021, to November 30, 2021.

Motion: Benson made a motion to approve the Retiree Insurance Advisory Committee recommendation to renew the PERS-sponsored Retiree Medical Insurance Plan for calendar year 2022 with Transamerica/Monumental Life and to approve an open enrollment period for the PERS Retiree Medical Plan from October 1, 2021, to November 30, 2021. The motion was seconded by McRae, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

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.

Motion: Benson made a motion to accept the Retiree Report. The motion was seconded by Howard, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

(Addendum E - Retiree Report)

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 June 23, 2021, board meeting.

Motion: Benson made a motion to approve the Investment Report, as well as of all trades and transactions performed by the PERS Investments division since the June 23, 2021, board meeting. The motion was seconded by Breland, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

(Addendum F - Investment Report)

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STAFF AND TRUSTEE CONTINUING EDUCATION

Higgins advised the Board on upcoming staff and trustee continuing education opportunities.

Motion: There being no additional business, McCoy called for a motion to adjourn the meeting. The motion was made by McRae and was seconded by Graham, which motion duly passed.

- **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and McRae.
- **Voting against:** None.
- **Absent:** Rutledge.

The meeting was adjourned at 1:27 p.m.

Respectfully Submitted,

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

Dr. Randy McCoy
Chair
PERS Board of Trustees

HRH