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Public Employees' Retirement System of Mississippi

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Board of Trustees Meeting Agenda

Tuesday, October 26, 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](#) – August 24, 2021
- II. Report of Administrative Committee (*Dr. Lee Childress*)
 - A. [2022 Board & Committee Meetings Schedule](#)
 - B. [Board Election Schedule – Public Schools and Community/Junior Colleges Representative](#)
 - C. [Funding Policy Update](#)
 - D. [Regulation 45A, Administration of Disability Benefits under PERS](#) – Initial Adoption
 - E. [Regulation 43, Interest Rates Used in the Calculation of Repayment of a Refund and for Correction of Administrative Reporting Errors](#) – Final Adoption
 - F. [Regulation 59, Plan Assumptions](#) – Final Adoption
 - G. 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 Defined Contribution Committee (*Dr. Brian Rutledge*)
 - A. [MDC Brokerage Option](#)
 - B. [MDC Plan Document Amendment](#) – Initial Adoption
 - C. [ORP Plan Document Amendment](#) – Initial Adoption
 - D. [Watchlist](#)
 - E. Other
- V. Report of Investment Committee (*Mr. Kelly Breland*)
 - A. [Core Plus Real Estate Manager Search Recommendation](#)
 - B. Other
- VI. [FY 2022 Municipal COLA Certification – City of Tupelo](#)
- VII. [Disability Appeals Committee](#)
- VIII. Staff Reports
 - A. [Retiree Report](#)
 - B. [Investment Report](#)
- IX. Staff and Trustee Continuing Education
 - A. Conferences and Training
 - [Callan College, Virtual via Zoom, October 26-28, 2021](#)
 - Potential Board Educational Workshop/Retreat, May 2022
- 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, October 26, 2021, at 429 Mississippi Street, Jackson, MS 39201. This committee meeting was duly announced to the public, Tuesday, October 12, 2021, at 2:46 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, Ms. Kimberly Hanna, Mr. Chris Graham, Mr. Chris Howard, and Dr. Brian Rutledge.

Via Teleconference: None.

Absent: State Treasurer David McRae.

Current Board Vacancies: None.

LEGISLATIVE LIAISON ATTENDEES

In Person: Representative Karl Oliver, Representative John Read, and Senator David Blount.

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; Member and Employer Services Deputy Administrator Mason Frantom; Billy Means and Ryan Davy, Information Technology (IT); Member Account Support Program Administrator Chris Hudson; Benefit Payments Program Administrator Susan Lyon; Customer Service Center Program Administrator Amy Marquez; Retirement Education Program Administrator LaCarole Smith; LaMelody Lewis and Ran Jones, Accounting; Chief Financial Officer Cindy Ogletree; and Communications Director Shelley Powers.

GUEST ATTENDEES

In Person: Assistant Attorney General Amy Gamble; Ray Wright and Jordan Dillon, Joint Committee on Performance Evaluation and Expenditure Review; Lee Ann Robinson and Corbin Stanford, Legislative Budget Office; and Steve Wilson, Northside Sun.

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

MINUTES

- **Motion:** To approve the minutes of the August 24, 2021, PERS Board of Trustees' meeting.
 - **Made by:** Graham.
 - **Seconded by:** Rutledge.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and Rutledge.
 - **Voting against:** None.
 - **Absent:** McRae.
 - **Duly Passed.**

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REPORT OF THE ADMINISTRATIVE COMMITTEE

Childress reported that the Administrative Committee met the morning of October 26, 2021. He informed the Board that the committee had voted on several items and were presented, for information only, IRS Compliance reports for the Public Employees' Retirement System of Mississippi (PERS), Mississippi Highway Safety Patrol Retirement System (MHSPRS), Supplemental Legislative Retirement Plan (SLRP), Mississippi Deferred Compensation (MDC), and Optional Retirement Plan (ORP). No significant amendments were recommended for any plan.

Childress also presented the Board with the 2022 Board and Committee Meetings Schedule for approval.

Board & Committee Meetings | 2022 Schedule

Board meetings held fourth Tuesday of February, April, June, August, and October and third Tuesday of December.
Meetings may be scheduled for different day if they conflict with a state holiday.

February 22 Tuesday* Defined Contribution & Investment Committee Meetings
February 23 Wednesday Board Meeting & Other Committee Meetings

April 26 Tuesday** Defined Contribution & Investment Committee Meetings
April 27 Wednesday Board Meeting & Other Committee Meetings

June 27 Monday Defined Contribution & Investment Committee Meetings
June 28 Tuesday Board Meeting & Other Committee Meetings

August 22 Monday Defined Contribution & Investment Committee Meetings
August 23 Tuesday Board Meeting & Other Committee Meetings

October 24 Monday Defined Contribution & Investment Committee Meetings
October 25 Tuesday Board Meeting & Other Committee Meetings

December 19 Monday Defined Contribution & Investment Committee Meetings
December 20 Tuesday Board Meeting & Other Committee Meetings

* *Monday, February 21, is a state holiday*

** *Monday, April 25, is a state holiday*

Investment Committee Presentations | 2022 Schedule

Meetings held only when investment finalists' presentations become necessary.

Held the Monday two weeks prior to the board meeting, contingent/subject to Board discretion and availability.

Monday, February 7

Monday, April 11

Monday, June 13

Monday, August 8

Monday, October 10

Monday, December 5

Claims Committee Presentations | 2022 Schedule

Meetings held only when claims hearings become necessary.

*Held the fourth Tuesday of every other month that are **not** board meeting months.*

Tuesday, January 25

Tuesday, March 22

Tuesday, May 24

- **Motion:** To approve the 2022 Board & Committee Meetings Schedule as presented.

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

Childress presented the Board with the election schedule for the public schools and community/junior college representative term that runs from May 1, 2022, to April 30, 2028. (*Appendix A – Election Schedule*)

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

Childress presented the Board with revised language to Section III (Actuarial Assumptions) of the Funding Policy to include "upon approval by the Board" to clarify the Board's role in changing assumption rates as outlined by policy.

- **Actuarial Assumptions** – The actuarial assumptions are used to develop the annual and projected actuarial metrics, as well as the ADC rates. The actuarial assumptions are derived and proposed by the actuary and adopted by the PERS' Board in conformity with the *Actuarial Standards of Practice*. The actuarial assumptions for this funding policy were developed using the experience for the four-year period ending June 30, 2020 (State of Mississippi Retirement Systems Experience Investigation for the Four-Year Period Ending June 30, 2020). The long-term investment return assumption adopted by the PERS' Board in conjunction with the experience investigation is 7.55 percent and, upon approval by the Board, will be reduced until it reaches the rate recommended by the actuary in the most recent experience study using investment gains based on the following parameters:
 - 2% Excess return over assumed rate, lower assumption by 5 basis points,
 - 5% Excess return over assumed rate, lower assumption by 10 basis points,
 - 8% Excess return over assumed rate, lower assumption by 15 basis points,
 - 12% Excess return over assumed rate, lower assumption by 20 basis points.
- **Motion:** To adopt revised language to Section III (Actuarial Assumptions) to the Funding Policy as submitted by staff.
 - **Made by:** Childress.
 - **Seconded by:** Rutledge.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and Rutledge.
 - **Voting against:** None.
 - **Absent:** McRae.
 - **Duly Passed.**

Childress presented the Board with staff-recommended amendments to Regulation 45A, *Administration of Disability Benefits under PERS*, for initial filing.

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The proposed amendments to Regulation 45A would reference a form for disability retirees who are reemployed by a covered employer, much like Form 4B for reemployed service retirees. Reemployment terms and limitations are different for disability and service retirees, and this new process should reduce confusion among employers. The effective date of the proposed amendments will be February 1, 2022. (*Appendix B – Regulation 45A*)

- **Motion:** For initial adoption of staff-recommended amendments to Regulation 45A, *Administration of Disability Benefits under PERS*, to reference a form for disability retirees who are reemployed by a covered employer
 - **Made by:** Childress.
 - **Seconded by:** Howard.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and Rutledge.
 - **Voting against:** None.
 - **Absent:** McRae.
 - **Duly Passed.**

Childress presented the Board with staff-recommended amendments to Regulation 43, *Interest Rates Used in the Calculation of Repayment of a Refund and for Correction of Administrative Reporting Errors*, for final filing.

The proposed amendments to Regulation 43 would provide the current assumed rate of return and provide historical rates for July 1, 2015, through June 30, 2021. This amendment also includes updates to statutory references. The effective date of the proposed amendments will be December 1, 2021. (*Appendix C – Regulation 43*)

- **Motion:** For final adoption of staff-recommended amendments to Regulation 43, *Interest Rates Used in the Calculation of Repayment of a Refund and for Correction of Administrative Reporting Errors*, 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
 - **Made by:** Childress.
 - **Seconded by:** Breland.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and Rutledge.
 - **Voting against:** McRae.
 - **Duly Passed.**

Childress presented for final 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.

The proposed amendments to Regulation 59 would update the actuarial assumptions for PERS, SLRP, and MHSPRS as approved by the PERS Board of Trustees. This regulation is updated every two years, based on the most recent Experience Study. The effective date of the proposed amendments will be July 1, 2022. (*Appendix D – Regulation 59*)

- **Motion:** For final adoption of staff-recommended amendments to Regulation 59 that would update actuarial assumptions for PERS, SLRP, and MHSPRS
 - **Made by:** Childress.
 - **Seconded by:** Benson.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and Rutledge.
 - **Voting against:** None.
 - **Absent:** McRae.
 - **Duly Passed.**

REPORT OF THE CLAIMS COMMITTEE

Benson reported that the Claims Committee met the morning of October 26, 2021, He reviewed remaining delinquent contributions due from Southwest Mississippi Behavioral Health Commission (SWMBHC) and presented the Board with a recommendation from staff to pursue remaining payment from SWMBHC for delinquent contributions and taking any legal steps necessary to recover the amounts due.

- **Motion:** To certify \$101,867.57 in contribution payments and penalties due from Southwest Mississippi Behavioral Health Commission (SWMBHC) and to approve staff recommendation to recover such amounts from state funds due the agency, including taking any legal steps necessary.

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

REPORT OF THE DEFINED CONTRIBUTION COMMITTEE

Rutledge shared with Board that the Defined Contribution Committee met October 25, 2021, heard from the three ORP vendors, AIG, TIAA, and VOYA for their annual review but no committee action was taken. He also reported that Clark has presented the committee with a letter from Empower Retirement, the third-party administrator of MDC, explaining that Vanguard will consolidate its lineup with the planned mergers of Vanguard Institutional Target Retirement Funds into Vanguard Target Retirement Funds on or about February 11, 2022, and that no committee action was taken.

Rutledge explained that the committee considered four items for vote at the October 25 meeting but that he was bringing forth three items, as two of the items were combined by the committee.

Rutledge presented the Board with the overview of staff recommendation to add an in-plan brokerage option to the Mississippi Deferred Compensation (MDC) plan combined with the related staff-recommended amendments to the MDC Plan Document for initial adoption.

Rutledge presented Board with staff-recommended amendments to the MDC Plan Document for initial adoption.

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 February 1, 2022.

SIMPLE IRA is a Savings Incentive Match Plan for Employees.

(Appendix E – MDC Plan Document)

- **Motion:** To approve initial adoption of the MDC Plan Document Amendment as presented by staff, which includes the addition of a self-directed brokerage account, modification of how uncashed checks are handled, and allow rollovers to SIMPLE IRAs.
 - **Made by:** Rutledge.
 - **Seconded by:** Benson.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and Rutledge.
 - **Voting against:** None.
 - **Absent:** McRae.
 - **Duly Passed.**

Rutledge presented Board with staff-recommended amendments to the ORP Plan Document for initial adoption.

Article VII

- Amend Section 7.4 Distribution Requirements to modify the age for Required Minimum Distributions (RMD) from age 70.5 to age 72 and the required distribution rules for designated beneficiaries in accordance with the

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SECURE Act. This change was already implemented by federal law, and the plan document must be updated by June 30, 2025. The section is also amended to waive the RMD for 2020.

- Amend Section 7.7 Direct Rollover to allow rollovers to SIMPLE IRAs as recommended by Ice Miller.

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

(Appendix F – ORP Plan Document)

- **Motion:** To approve the initial adoption of the ORP Plan Document Amendment as presented by staff, which includes modifications for RMDs and required distribution rules, as well as allow rollovers to SIMPLE IRAs.
 - **Made by:** Rutledge.
 - **Seconded by:** Hanna.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and Rutledge.
 - **Voting against:** None.
 - **Absent:** McRae.
 - **Duly Passed.**

Rutledge presented the Board with MDC's watchlists and staff recommendations to remove Vanguard Windsor from the list but to keep BNY Mellon EB US RE on the list.

(Appendix G – MDC Watchlist)

- **Motion:** To approve staff recommendation to remove Vanguard Windsor from the Mississippi Deferred Contribution watchlist due to improved performance.
 - **Made by:** Rutledge.
 - **Seconded by:** Breland.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and Rutledge.
 - **Voting against:** None.
 - **Absent:** McRae.
 - **Duly Passed.**

REPORT OF THE INVESTMENT COMMITTEE

Breland reported that the Investment Committee met October 25, 2021, and heard a market update and performance review by Callan, an overview of the PERS watchlist, various miscellaneous updates, and emerging market/international small cap manager presentations from Fisher, Lazard, Mondrian, and Principal. No committee action was taken on these items.

Breland presented the Board with a recommendation from staff and Callan for a \$200 million commitment to be made to the Invesco U.S. Income Fund.

(Appendix H – Staff Report to Board on Core Plus)

- **Motion:** To approve recommendation from staff and Callan for a \$200 million commitment to be made to the Invesco U.S. Income Fund.
 - **Made by:** Breland.
 - **Seconded by:** Hanna.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and Rutledge.
 - **Voting against:** None.
 - **Absent:** McRae.
 - **Duly Passed.**

FY 2022 MUNICIPAL COLA CERTIFICATION – CITY OF TUPELO

Higgins presented the Board with the staff recommendation for approval of the payment of an ad hoc cost-of-living adjustment for the city of Tupelo. He advised that the city of Tupelo, as authorized by Senate Bill 3138 of the 1996 Regular Session of the Mississippi Legislature, requested approval to pay a 1.0 percent ad hoc cost-of-living adjustment (COLA) to the 73 retirees and beneficiaries of the City of Tupelo Fire and Police Disability and Relief Fund retroactive to October 1, 2021.

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- **Motion:** To approve recommendation from staff for approval of the payment of an ad hoc cost-of-living adjustment for the city of Tupelo.
 - **Made by:** Hanna.
 - **Seconded by:** Benson.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and Rutledge.
 - **Voting against:** None.
 - **Absent:** McRae.
 - **Duly Passed.**

REPORT OF THE DISABILITY APPEALS COMMITTEE

Higgins presented the recommendation of the Disability Appeals Committee (DAC). He stated that the DAC recommendation and the background information was previously submitted to the Board.

PERS No. 21-07: This matter came before the DAC May 3, 2021. The DAC heard sworn testimony, received evidence, and gave due consideration to the applicable laws and regulations. The DAC submits to the Board of Trustees its Proposed Statement of Facts, Conclusions of Law, and Recommendation that the claimant's request for non-duty-related disability benefits be approved.

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

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 I - Retiree Report)

- **Motion:** To accept the Retiree Report.
 - **Made by:** Breland.
 - **Seconded by:** Hanna.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and Rutledge.
 - **Voting against:** None.
 - **Absent:** McRae.
 - **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 August 24, 2021, board meeting.

(Addendum J - Investment Report)

- **Motion:** To approve the Investment Report, as well as all trades and transactions performed by the PERS Investments division since the August 24, 2021, board meeting.
 - **Made by:** Benson.
 - **Seconded by:** Howard.
 - **Discussion:** None.
 - **Voting for:** Benson, Breland, Childress, Dale, Graham, Hanna, Howard, McCoy, and Rutledge.
 - **Voting against:** None.
 - **Absent:** McRae.

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- o Duly Passed.

STAFF AND TRUSTEE CONTINUING EDUCATION

Higgins advised the Board on upcoming staff and trustee continuing education opportunities, including the possibility of a board workshop in May 2022.

ADJOURN

McCoy called the meeting adjourned at 1:17 p.m.

Respectfully Submitted,



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



Dr. Randy McCoy
Chair
PERS Board of Trustees

HRH