

MINUTES | BOARD OF TRUSTEES

Public Employees' Retirement System of Mississippi
December 15, 2020 | Videoconference

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Board of Trustees Meeting Agenda Tuesday, December 15, 2020 1 P.M.

- I. **Call to Order** (*Mr. Chris Howard, Chair*)
 - A. Invocation
 - B. Pledge of Allegiance
 - C. Approval of Agenda
 - D. [Approval of Minutes](#) – October 27, 2020
 - E. [Employee of the Quarter](#) (January – March 2021)
- II. [Report of Administrative Committee](#) (*Dr. Lee Childress*)
 - A. Other
- III. [Report of Audit Committee](#) (*Ms. Kimberly Hanna*)
 - A. [Audit Report](#)
 - B. CAFR
 - C. Other
- IV. [Report of Defined Contribution Committee](#) (*Dr. Brian Rutledge*)
 - A. Other
- V. [Report of Investment Committee](#) (*Mr. Kelly Broland*)
 - A. [Global Equity Restructure Recommendation](#)
 - B. [Iran Divestment Act of 2015 Exposure Review](#)
 - C. [Israel Support Act of 2019](#)
 - D. [Private Equity Structure Review](#)
 - E. [Securities Litigation Policy](#)
 - F. Other
- VI. [Disability Appeals Committee](#)
- VII. FY 2020 Actuarial Reports
 - A. [Public Employees' Retirement System](#)
 - B. [Mississippi Highway Safety Patrol Retirement System](#)
 - C. [Supplemental Legislative Retirement Plan](#)
 - D. [Municipal Retirement Systems](#)
- VIII. [Projection Reports](#)
 - A. Public Employees' Retirement System
 - B. Mississippi Highway Safety Patrol Retirement System
 - C. Supplemental Legislative Retirement Plan
- IX. Staff Reports
 - A. Executive Director's Update
 - B. [Litigation Report](#)
 - C. [Retiree Report](#)
 - D. [Investment Report](#)
- X. Staff and Trustee Continuing Education
 - A. Conferences and Trainings
 - NCTR 2021 Annual Trustee Workshop (TBA)
 - IFEBP CAPP
 - Pensions Part I, July 13-14, 2021, Chicago, IL
 - Pensions Part II, July 15-16, 2021, Chicago, IL
 - NASRA 2021 Annual Conference, August 7-11, Pittsburgh, PA
 - NCTR 99th Annual Conference, October 10-12, 2021, Atlanta, GA,
- XI. Adjourn

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The Public Employees' Retirement System of Mississippi (PERS) Board of Trustees met virtually via Microsoft Teams videoconferencing, Tuesday, December 15, 2020. This videoconference board meeting was duly announced to the public, Tuesday, December 1, 2020, at 5:04 p.m., on the Public Meetings Notice website of the Mississippi Department of Finance and Administration.

BOARD MEMBER ATTENDEES

In Attendance: Board Chair Chris Howard, Mr. Bill Benson, Mr. Kelly Breland, Dr. Lee Childress, Mr. George Dale, Ms. Kimberly Hanna, Dr. Randy McCoy, State Treasurer David McRae, and Dr. Brian Rutledge. Absent: None. Current Board Vacancies: Gubernatorial appointee. Also participating in the meeting were PERS legislative liaisons, Representative John Read, Representative Mac Huddleston, and Senator David Blount.

STAFF ATTENDEES

Executive Director Ray Higgins; Chief Investment Officer Robert Clark; Member and Employer Services Deputy Administrator Kenny Grissett; Benefit Services Deputy Administrator Shirley Sessoms; Office of Administrative Services Senior Deputy Administrator Terri Hudson; Counsel and Policy Advisor Davetta Lee; Employer Reporting Program Administrator Pauline Howard (P. Howard); Benefit Payments Program Administrator Susan Lyon; Survivor and Disability Retirement Program Administrator Terri Bennett; Deputy Chief Investment Officer Charles Nielsen; Call Center Program Administrator Amy Marquez; Billy Means, Management Information Systems (MIS); Internal Auditor Mason Frantom; Communications Director Shelley Powers; John Moody, MIS; MIS Director Walter Hille; Communications Specialist Mary Margaret Pritchard; Member Account Support Program Administrator Chris Hudson; Tony Williamson, Accounting; Christy Smith, Accounting; LaMelody Lewis, Accounting; Ruthann Jones, Accounting; Service Retirement Program Administrator Terrance Yarbrough; Director of Finance Cindy Ogletree; Cassie Gregory, Employer Reporting; and Retirement Education Program Administrator LaCarole Smith. Also present was Special Assistant Attorney General Martin Millette, Attorney General's Office.

GUEST ATTENDEES

Ray Wright, Joint Committee on Performance Evaluation and Expenditure Review; Mike Larsen and Emily Pote, Mississippi Retired Public Employees' Association; Lauren Albanese, Financial News; Lee Anne Robinson, Howard Brown, and Corbin Stanford, Legislative Budget Office; Allan Cooper, Mississippi Department of Finance and Administration; Brian Wilson and Justin Smith, Office of the State Treasurer; Ed Koebel and Jonathan Craven, Cavanaugh Macdonald Consulting; Brad Berls and Abbie Belthoff, Eide Bailly auditors; Steve Wilson, *Northside Sun*; and Jimmy Hendrix, Jackson Jambalaya.

CALL TO ORDER

Howard, board chair, called the meeting to order at 1 p.m.

INVOCATION AND PLEDGE OF ALLEGIANCE

McCoy gave the invocation and led the Pledge of Allegiance.

AGENDA

Howard called for a motion to approve the meeting agenda. The motion was made by Benson, seconded by Childress, which motion duly passed. Voting for: Benson, Breland, Childress, Dale, Hanna, Howard, McCoy, McRae, and Rutledge. Voting against: None. Absent: None.

MINUTES

Howard called for a motion to approve the minutes of the October 27, 2020, PERS Board of Trustees' videoconference meeting. The motion was made by McRae, seconded by Benson, which motion duly passed. Voting for: Benson, Breland, Childress, Dale, Hanna, Howard, McCoy, McRae, and Rutledge. Voting against: None. Absent: None.

EMPLOYEE OF THE QUARTER

Howard presented Employee of the Quarter for Third Quarter of Fiscal Year 2021 to Gregory.

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REPORT OF THE ADMINISTRATIVE COMMITTEE

Childress, Administrative Committee chair, reported that the committee met by videoconference Tuesday, December 15, 2020. Childress reported that, while recognition was given to two employees for 25 years of service and Higgins presented various updates in committee, no actions were coming forward from the committee for the board to consider.

REPORT OF THE AUDIT COMMITTEE

Hanna, Audit Committee chair, reported that the committee met by videoconference Tuesday, December 15, 2020. Hanna reported to the Board that the committee heard from the internal and external auditors. She reported that clean opinions were issued by the auditors and that the committee approved the external audit reports and the PERS 2020 CAFR. McCoy made a motion for the Board to approve the Eide Bailly reports and the PERS 2020 CAFR. The motion was seconded by Breland, which motion duly passed. Voting for: Benson, Breland, Childress, Dale, Hanna, Howard, McCoy, McRae, and Rutledge. Voting against: None. Absent: None.

REPORT OF THE DEFINED CONTRIBUTION COMMITTEE

Rutledge, Defined Contribution Committee chair, reported that the committee met by videoconference Monday, December 14, 2020.

Rutledge advised the Board that the committee heard market updates and performance reports of the Mississippi Deferred Compensation Plan and the Optional Retirement Plan by Callan. He stated that the reports were for informational purposes and no committee or board action was required.

REPORT OF THE INVESTMENT COMMITTEE

Breland, Investment Committee chair, reported that the committee met by videoconference, Monday, December 14, 2020.

Breland reported to the Board that the committee heard market updates and performance reviews from Callan, LLC, the System's investment consultant; international small cap presentations from Mondrian and Principal; and miscellaneous updates. He stated that the reports were for informational purposes and no board action was required. However, the following action items were considered in committee and presented to the Board by Breland.

Howard called for a motion for the Board to approve terminating Longview Partners global equity manager due to a combination of investment team and executive team changes and performance and moving those assets into Northern Trust Global Index Fund. The motion was made by Breland, seconded by Childress, which motion duly passed. Voting for: Benson, Breland, Childress, Dale, Hanna, Howard, McCoy, McRae, and Rutledge. Voting against: None. Absent: None.

Howard called for a motion for the Board to not take action in divesting any of the holdings related to the Iran Divestment Act of 2015 Exposure Review. The motion was made by Breland, seconded by Benson, which motion duly passed. Voting for: Benson, Breland, Childress, Dale, Hanna, Howard, McCoy, McRae, and Rutledge. Voting against: None. Absent: None.

Howard called for a motion for the Board to not take action in divesting any of the holdings related to the Israel Support Act of 2019 Exposure Review. The motion was made by Breland, seconded by McCoy, which motion duly passed. Voting for: Benson, Breland, Childress, Dale, Hanna, Howard, McCoy, McRae, and Rutledge. Voting against: None. Absent: None.

Howard called for a motion to accept the report and confirm the private equity structure as reviewed, with no recommendations for structural changes this year. The motion was made by Breland, seconded by Dale, which motion duly passed. Voting for: Benson, Breland, Childress, Dale, Hanna, Howard, McCoy, McRae, and Rutledge. Voting against: None. Absent: None.

Breland called for a motion to approve and adopt PERS Securities Litigation Policy as recommended by the Attorney General's office. The motion was made by Breland, seconded by Hanna, which motion duly passed. Voting for: Benson, Breland, Childress, Dale, Hanna, Howard, McCoy, McRae, and Rutledge. Voting against: None. Absent: None.

DISABILITY APPEALS COMMITTEE

Higgins presented the recommendations of the Disability Appeals Committee (DAC). He stated that the DAC recommendations and the background information were previously provided to the board members.

The Disability Appeals Committee heard sworn testimony, received evidence, and gave due consideration to the applicable laws and regulations for each of the cases below and submits to the Board of Trustees its Statement of Facts, Conclusions of Law, and Recommendation, as follows:

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- **PERS No. 20-01:** This matter came on for hearing via videoconference before the Disability Appeals Committee of the Board of Trustees September 21, 2020. Recommendation: That the claimant's request has satisfied all statutory requirements for non-duty-related disability benefits and recommends that the claimant's request for non-duty-related disability benefits be approved.
- **PERS No. 20-06:** This matter came on for hearing via videoconference before the Disability Appeals Committee of the Board of Trustees April 20, 2020. Recommendation: That the claimant's request has not satisfied all statutory requirements for non-duty-related disability benefits and recommends that the claimant's request for non-duty-related disability benefits be denied.
- **PERS No. 20-11:** This matter came on for hearing via videoconference before the Disability Appeals Committee of the Board of Trustees September 21, 2020. Recommendation: That the claimant's request has not satisfied all statutory requirements for non-duty-related disability benefits and recommends that the claimant's request for non-duty-related disability benefits be denied.
- **PERS No. 20-12:** This matter came on for hearing via videoconference before the Disability Appeals Committee of the Board of Trustees October 19, 2020. Recommendation: Having found that the claimant was not disabled as a direct result of an accident or traumatic event that occurred during the performance of duty, that the claimant's request for duty-related disability benefits be denied, and further having found that the claimant meets all statutory requirements for non-duty disability benefits, that non-duty-related disability benefits be approved.
- **PERS No. 20-13:** This matter came on for hearing via videoconference before the Disability Appeals Committee of the Board of Trustees November 16, 2020. Recommendation: That the claimant's request has not satisfied all statutory requirements for non-duty-related disability benefits and recommends that the claimant's request for non-duty-related disability benefits be denied.

Howard called for a motion to accept the findings of the DAC and approve the DAC recommendations presented by staff. The motion was made by Benson, seconded by Childress, which motion duly passed. Voting for: Benson, Breland, Childress, Dale, Hanna, Howard, McCoy, McRae, and Rutledge. Voting against: None. Absent: None.

FY 2020 ACTUARIAL AND PROJECTION REPORTS

Ed Koebel and Jonathan Craven, Cavanaugh Macdonald, LLC, presented the fiscal year 2020 Actuarial Valuations and Projection reports for PERS, Mississippi Highway Safety Patrol Retirement System (MHSPRS), the Supplemental Legislative Retirement System (SLRP), and the Municipal Retirement Systems (MRS), and Cavanaugh Macdonald submitted the following findings for inclusion in these minutes:

- **The main findings of the June 30, 2020 actuarial valuation of PERS:**
 - There have been no changes in assumptions since the previous valuation.
 - As a result of the employer contribution rate being set at 17.4% of annual compensation effective July 1, 2019, the amortization period is calculated on an open basis. The amortization period increased from 36.2 to 37.1 years and the funded ratio decreased from 60.9% to 60.5%.
 - The primary reasons for the increase in the amortization period was the loss due to investment earnings on an actuarial value of assets basis worse than expected (6.72% vs. 7.75%) and the loss due to aggregate demographic experience from PERS.
 - The active membership has decreased each of the last 5 years from 2016 to 2020. However, the retiree membership has increased by an average of 2.5% over this same period.
 - The assets of the Plan amounted to \$28,629.2 million as of June 30, 2020 on a market-related basis that recognizes 20% of the unanticipated gains and losses. This represented an increase in value of \$604.6 million from the previous year, with an actuarial value investment return of 6.72% (which may be compared to the assumed investment return of 7.75%). The market value of assets was \$27,827.4 million.
 - The total liability of the System as of June 30, 2020 was \$51,428.7 million. This liability may be divided into the following categories: Active, \$19,383.3 million; Retiree, \$30,220.1 million; Deferred Vested, \$1,390.0 million; Inactive, \$435.3 million. The liability of the Plan increased by \$1,393.3 million from last year.
 - The \$51,428.7 million liability of the system as of June 30, 2020 will be met by funds from various sources: current assets, future member contributions and future employer contributions. The breakdown is as follows: UAL Payments, \$18,725.3 million; Employer Normal Cost, \$440.1 million; Member Contributions, \$3,634.1 million; Current Assets, \$28,629.2 million.

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- The financing plan for PERS requires employer contributions of 17.40% of payroll, which will amortize the unfunded actuarial liability as of June 30, 2020 in 37.1 years from the valuation date. Any liability not covered by current assets and future member contributions is to be met by future contributions by employers.
- The Actuarially Determined Contribution calculated based on the new funding policy was 19.49%, resulting in a "Red" Light status for the ADC to FCR ratio metric as of the valuation date.
- The baseline projection results for PERS showed that the Plan would be 67.6% funded in 2047 and have a negative cash flow of -6.20% in fiscal year 2035 which both result in "Yellow" Light status for the metrics of the new funding policy. The results of the valuation and projections do not meet the funding goals and benchmarks set by the Board in the current funding policy and an increase in the PERS employer contribution rate should be considered in order to get all three metrics back to the green status.
- **The main findings of the June 30, 2020 actuarial valuation of HSPRS:**
 - There have been no changes in the actuarial assumptions since the previous valuation. However, there was a method change in the amortization period calculation for valuing the anticipated Motor Vehicle Replacement (MVR) fees that are made to the System each year. Instead of reducing the Unfunded Actuarial Accrued Liability (UAAL) by the present value of MVR fees paid in perpetuity, we are calculating how many years until the UAAL will be paid off using the Fixed Contribution Rate (FCR) and the MVR fees together.
 - The employer contribution rate was set at 49.08% of annual compensation effective July 2018 and the amortization period is calculated on an open basis. The amortization period increased from 17.7 to 21.7 years and the funded ratio decreased from 66.9% to 66.5%. The primary reasons for the increase in the amortization period were demographic experience, change in amortization method, and investment earnings less than expected.
 - The overall system membership has remained stable over the last five years. Retiree headcounts had remained level, but have increased over the last two years.
 - The assets of the Plan amounted to \$373,511,000 as of June 30, 2020 on a market-related basis that recognizes 20% of the unanticipated gains and losses. This represented an increase in value of \$10,920,000 from the previous year, with an actuarial value investment return of 6.79 % (which may be compared to the assumed investment return of 7.75%). The market value of assets was \$364,102,000.
 - The total liability of the System as of June 30, 2020 was \$622.9 million. This liability may be divided into the following categories: Active, \$220.7 million; Retiree, \$389.2 million; Deferred Vested, \$12.5 million; Inactive, \$0.5 million. The liability of the Plan increased by \$22.1 million from last year.
 - The \$622.9 million liability of the system as of June 30, 2020 will be met by funds from various sources: current assets, future member contributions and future employer contributions. The breakdown is as follows: UAL Payments, \$188.2 million; Employer Normal Cost, \$41.7 million; Member Contributions, \$19.5 million; Current Assets, \$373.5 million.
 - The financing plan for HSPRS requires employer contributions of 49.08% of payroll, which will amortize the unfunded actuarial liability as of June 30, 2020 in 21.7 years from the valuation date. Any liability not covered by current assets and future member contributions is to be met by future contributions by employers.
 - The baseline projection results for HSPRS show that the Plan would be 88.3% funded in 2042 which meets and exceeds the funding policy goals and benchmarks.
- **The main findings of the June 30, 2020 actuarial valuation of SLRP:**
 - There have been no changes in the actuarial assumptions since the previous valuation.
 - Based on the funding policy adopted by the Board of Trustees in October 2012, the employer contribution rate has been set at 7.40% of annual compensation and the amortization period calculated on an open basis. The amortization period increased from 22.9 to 27.7 years and the funded ratio decreased from 80.4% to 78.7%.

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- The primary reason for the increase in the amortization period is the investment loss on an actuarial value basis.
- The assets of the Plan amounted to \$18,472,000 as of June 30, 2020 on a market-related basis that recognizes 20% of the unanticipated gains and losses. This represented an increase in value of \$44,000 from the previous year, with an actuarial value investment return of 6.79% (which may be compared to the assumed investment return of 7.75%). The market value of assets was \$17,995,000.
- The total liability of the System as of June 30, 2020 was \$26,562.9 thousand. This liability may be divided into the following categories: Active, \$8,979.4 thousand; Retiree, \$16,356.1 thousand; Deferred Vested, \$688.4 thousand; Inactive, \$539.0 thousand. The liability of the Plan increased by \$1,182.5 thousand from last year.
- The \$26,562.9 thousand liability of the system as of June 30, 2020 will be met by funds from various sources: current assets, future member contributions and future employer contributions. The breakdown is as follows: UAL Payments, \$5,012.8 thousand; Employer Normal Cost, \$1,423.2 thousand; Member Contributions, \$1,654.9 thousand; Current Assets, \$18,472.0 thousand.
- The financing plan for SLRP requires employer contributions of 7.40% of payroll, which will amortize the unfunded actuarial liability as of June 30, 2020 in 27.7 years from the valuation date. Any liability not covered by current assets and future member contributions is to be met by future contributions by employers.
- The baseline projection results for SLRP show that the Plan would be 88.3% funded in 2042, which meets and exceeds the funding policy goals and benchmarks.

Howard called for a motion to accept the actuarial and projection reports. The motion was made by Benson, seconded by Childress, which motion duly passed. Voting for: Benson, Breland, Childress, Dale, Hanna, Howard, McCoy, McRae, and Rutledge. Voting against: None. Absent: None. (*Addendum A – Valuation and Projection Presentation*)

EXECUTIVE DIRECTOR'S UPDATE

Higgins reported to the Board that the Claims Committee will meet January 26, 2021. He recognized and thanked staff for work on the FY 2019 Comprehensive Annual Financial Report and the FY 2019 Popular Annual Financial Report, which both received an Award for Outstanding Achievement from the Government Finance Officers Association of the United States and Canada. He also commended the staff and the Board for receiving an award for administration and funding from the Public Pension Coordinating Council.

LITIGATION REPORT

Higgins presented the Litigation Report. He advised that Millette reported that there are five cases in the appellate process, but no major or significant cases to report to the Board specifically at this time. Higgins stated that this report has already been provided to the Board for informational purposes.

Howard called for a motion to accept the Litigation Report. The motion was made by McCoy, seconded by Breland, which motion duly passed. Voting for: Benson, Breland, Childress, Dale, Hanna, Howard, McCoy, McRae, and Rutledge. Voting against: None. Absent: None.

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.

Howard called for a motion to accept the Retiree Report. The motion was made by Rutledge, seconded by Breland, which motion duly passed, to approve the Retiree Report presented by staff. Voting for: Benson, Breland, Childress, Dale, Hanna, Howard, McCoy, McRae, and Rutledge. Voting against: None. Absent: None. (*Addendum B - 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 last board meeting October 27, 2020.

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Howard called for a motion to approve the Investment Report, as well as of all trades and transactions performed by the PERS Investments division since the last Board meeting of October 27, 2020. The motion was made by Breland, seconded by Hanna, which motion duly passed. Voting for: Benson, Breland, Childress, Dale, Hanna, Howard, McCoy, McRae, and Rutledge. Voting against: None. Absent: None. (*Addendum C - Investment Report*)

BOARD EDUCATION

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

There being no additional business, Howard called for a motion to adjourn the meeting. The motion was made by Benson, seconded by Breland, which motion duly passed. Voting for: Benson, Breland, Childress, Dale, Hanna, Howard, McCoy, McRae, and Rutledge. Voting against: None. Absent: None.

The meeting was adjourned at 2:03 p.m.

Respectfully Submitted,



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



Chris Howard
Chair
PERS Board of Trustees

HRH