

**REGULAR MEETING**  
**BOARD OF TRUSTEES**  
**OF**  
**THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI**  
**AND**  
**THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI**

**April 15-16, 2012**

**MEMBERS PRESENT**

Aaron Zalis, Chair  
Wayne Wheeler, Vice Chair  
Don Cupps  
Yvonne Heath  
Scott Hunt  
Jason Hoffman  
Susan McClintic

**MEMBERS ABSENT**

**OTHERS PRESENT**

M. Steve Yoakum, Executive Director  
Craig Husting, Asst. Exec. Dir, Inv.  
Dearld Snider, Asst. Exec. Dir., Oper.  
Alan Thompson, General Counsel  
Lori Woratzeck, Chief Finan. Officer  
Jeff Russler, Dir. Employer Services  
Jeff Hyman, Internal Auditor  
Tom Smith, IT Director  
Ronda Peterson, Dir., Member Serv.  
Maria Walden, Legislative Dir.  
Mary Hiatte, Executive Assistant

**Sunday, April 15, 2012**

**Meeting  
Convened**

The meeting convened at 6:55 p.m. – Board Members present were Aaron Zalis, Donald Cupps, Yvonne Heath, Jason Hoffman, Scott Hunt, Susan McClintic and Wayne Wheeler. Also present were M. Steve Yoakum, Executive Director, Craig Husting, Assistant Executive Director-Investments; Lori Woratzeck, Chief Financial Officer; Anita Brand, Director of Investment Accounting; various Investment Staff; Michael Hall of Towers Watson; and Mary Hiatte, Senior Executive Advisor.

**Private Risk**

Messrs. John Tuck, Dan Case, and Frank Aten updated the Board on the Private Risk Asset Programs. Mr. Tuck reviewed the current policy which established a long-term target of 20% in private risk assets and reported that, currently, 14.85% of the assets are invested in these programs. Mr. Dan Case briefly updated the Board on the private equity and private credit portfolios as of December 31, 2011. Mr. Tuck reviewed the philosophy and objectives for private equity and private credit as well as the current structure, investments and performance.

**Real Estate**

Ms. Susan Conrad gave an overview of the philosophy and performance objectives of the real estate portfolio. Ms. Chhayhea Sam reviewed the growth of the real estate program since inception in 2004 as well as the current structure. Ms. Conrad

discussed performance and reported that, as of March 31, 2012, 6.65% of the total plan assets were invested in real estate.

**U.S. Equity** Mr. John Tuck updated the Board on the U.S. Equity portfolio. He reported that, as of December 31, 2011, 29% of the total assets were invested in U.S. Equity with 90% of the portfolio invested in large-cap stocks with the remaining 10% in small cap stock. Mr. Tuck also reviewed the objectives, strategies and guidelines for this portfolio. Ms. Jessica Kuebler discussed the asset allocation within the large-cap portion of the portfolio. Mr. Tuck discussed the performance of the alpha overlay program. Mr. Travis Allen reviewed the objectives, strategies and guidelines of the small cap program and updated the Board on recent performance and structure.

**Adjournment** The meeting adjourned at 8:30 p.m.

### **Monday, April 16, 2012**

**Meeting Convened** The meeting of the Board of Trustees convened at 8:30 a.m. in the retirement system offices in Jefferson City, Missouri. In attendance were Aaron Zalis, Wayne Wheeler, Donald Cupps, Yvonne Heath, Jason Hoffman, Scott Hunt and Susan McClintic, Board Members. Also present were M. Steve Yoakum, Executive Director; Craig Husting, Assistant Executive Director, Investments; Dearld Snider, Assistant Executive Director, Operations; Alan Thompson, General Counsel; Lori Woratzeck, Chief Financial Officer; Jeff Russler, Director of Employer Services; Maria Walden, Director of Legislation and Policy; Jeff Hyman, Internal Auditor; Ronda Peterson, Director of Member Services; various other PSRS/PEERS staff members; and Mary Hiatte, Senior Executive Advisor.

**Approval of Minutes**  
PSRS4365  
PEERS2604 Mr. Cupps moved that the minutes from the December 12, 2011, and March 7, 2012, meetings be approved. Mrs. Heath seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

**Order of Business** The order of business was approved with no changes.

**Recognition of Employees** Margie Bunch was presented with a plaque congratulating her on her recent retirement from PSRS/PEERS after nearly 27 years of service. Christy Dill was presented with a plaque congratulating her for 30 years of service with PSRS/PEERS.

**Certification of Election**  
PSRS4366  
PEERS2605 Ms. McClintic moved that the certification of the petition audit committee be accepted and that Aaron Zalis and Yvonne Heath be declared elected to serve on the PSRS/PEERS Board of Trustees for another four term beginning July 1, 2012. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

**Election of Chair**  
PSRS4367  
PEERS2606

Mr. Wheeler nominated Dr. Aaron Zalis to serve as Chair of the Board for the period July 1, 2012 through June 30, 2013. Mr. Hunt seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

**Election of Vice Chair**  
PSRS4368  
PEERS2607

Mrs. Heath nominated Mr. Wayne Wheeler to serve as Vice Chair of the Board for the period July 1, 2012 through June 30, 2013. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

**Interest Credit Rate**  
PSRS4369  
PEERS2608

Following discussion, Mr. Cupps moved that the interest credit rate be set at 1% for June 30, 2012. Mr. Wheeler seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

**Interest Purchase Rate**  
PSRS4370  
PEERS2609

Mr. Cupps moved that the interest purchase rate continue at 8% as recommended by staff and which coincides with the assumed investment return. Ms. McClintic seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

## **Investments**

**Activities Memo**

Mr. Craig Husting reviewed the ongoing investment activities memo, which included the year-to-date return for FY 2012, the current equity markets, asset allocation, a brief update on the private equity and real estate portfolios. Mr. Husting also briefly discussed the negative PSRS cash flow and how the funding stabilization policy will impact that in the future. He indicated that more information in this regard will be presented at the June meeting.

**Private Equity**

Mr. Doug LeBon, Mr. Vince Dee, and Ms. Anne Collins were present from Pathway Capital Management to review the private equity portfolio. Mr. LeBon reviewed Pathway’s structure and business model. Mr. Dee updated the Board on the current private equity environment and activity in 2011. He reported that the U.S. debt markets have been robust since the end of 2011 and that the European high-yield market is recovering, although the European bank loan market remains constrained. He further indicated that the overall market sentiment in private equity has become more positive in recent months. Ms. Collins briefly updated the Board on the PSRS/PEERS private equity portfolio. In summary, Mr. LeBon reported that the PSRS/PEERS’ private equity portfolio is developing according to plan and that approximately 80% of the PSRS/PERS’ private equity allocation was committed as of March 31, 2012. He indicated that the portfolio has withstood difficult market conditions and is outperforming both industry and public market benchmarks.

## Management Report

**External Auditor** Following discussion, Mr. Wheeler moved approval of the recommendation of the Budget and Audit Committee for a two-year extension of the contract with Williams Keepers to perform the fiscal year 2012 and 2013 audits. Mr. Cupps seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4371  
PEERS2610

**Policies** Mr. Alan Thompson presented the following policies for adoption by the Board as a result of the Systems’ filing a Determination Letter Application under the voluntary correction plan guidelines of the IRS. Mr. Cupps moved that the following policies be adopted:

PSRS Policy Number: 2011-1

Topic: Forfeitures – Code Section 401(a)(8)

I. Purpose:

To affirm that forfeitures will not be applied to increase the benefits any Member would otherwise receive under the Public School Retirement System of Missouri ("PSRS"), as required by section 401(a)(8) of the Internal Revenue Code of 1986, as amended (the "Code").

II. Policy:

Forfeitures arising under PSRS for any reason may not be applied to increase the benefits of any Members at any time prior to the termination of PSRS as provide under Code section 401(a)(8) or any successor thereto.

III. Effective Date:

This Policy is effective as of the date on which Code section 401(a)(8) or a predecessor thereto first applied to PSRS.

PSRS Policy Number: 2011-2

Topic: Exclusive Benefit and Reversions – Code Section 401(a)(2)

I. Purpose:

To clarify that, in accordance with section 401(a)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), the corpus or income of the trust fund of the Public School Retirement System of Missouri ("PSRS") may not be diverted to or used for other than for the exclusive benefit of members and beneficiaries, prior to the

satisfaction of all liabilities under PSRS and to clarify Section 169.040(1) of the Revised Statutes of Missouri and 16 CSR 10-3.010.

## II. Policy:

Notwithstanding any other provision of law, no fund in the retirement fund shall be expended for any purpose other than the expense of administration of the system, investments for the benefit of the system, and the provision of benefits to the Members and retired Members of the system and their survivors and beneficiaries; provided, however, that reversions will be permitted to the extent allowed under the Code and any related guidance thereunder, including, but not limited, to, a mistake of fact as permitted under applicable Internal Revenue Service guidance.

## III. Effective Date:

This Policy is effective as of the date on which Code section 401(a)(2) or a predecessor thereto first applied to PSRS.

PSRS Policy Number: 2011-3

Topic: Actuarial Assumptions – Code Section 401(a)(25)

## I. Purpose:

To reflect the inclusion of actuarial assumptions used to determine benefits under the Public School Retirement System of Missouri ("PSRS") as required by section 401(a)(25) of the Internal Revenue Code of 1986, as amended (the "Code") and to clarify Section 169.020(11) of the Revised Statutes of Missouri.

## II. Policy:

Benefits, including the amount or level of any optional form of benefit, under PSRS shall be calculated using the actuarial assumptions reflected in the adjustment factors established by the Board of Trustees and shall not be subject to the discretion of any employer. Such adjustment factors are hereby incorporated into this Policy.

## III. Effective Date

This Policy is effective as of the date on which Code section 401(a)(25) or a predecessor thereto first applied to PSRS.

Topic: Eligible Rollover Distributions – Code Section 401(a)(31)

I. Purpose:

To clarify that the Public School Retirement System of Missouri ("PSRS") will comply with the requirements of section 401(a)(31) of the Internal Revenue Code of 1986, as amended (the "Code").

II. Policy:

A. Current Policy

- (1) Notwithstanding any provision of PSRS, any "eligible rollover distribution" (within the meaning of Code section 402(c)(4)) may be rolled over to an "eligible retirement plan."
- (2) For purposes of subsection (1) an "eligible retirement plan" is an individual retirement account described in Code section 408(a), an individual retirement annuity described in Code section 408(b), an annuity plan described in Code section 403(a), or a qualified trust described in Code section 401(a), that accepts a distributee's eligible rollover distribution. The term "eligible retirement plan" shall also mean an annuity contract described in Code section 403(b) and an eligible plan under Code section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. The general definition of "eligible retirement plan" shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code section 414(p).
- (3) For purposes of subsection (1), an "eligible rollover distribution" is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code section 401(a)(9); any distribution made upon the hardship of a Member or beneficiary; the portion of any other distribution(s) that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); and any other distribution(s) that is reasonably expected to total less than \$200 during a year.

A portion of a distribution shall not fail to be an "eligible rollover distribution" merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to (1) an individual retirement account or annuity described in Code section 408(a) or Code section 408(b); (2) for taxable years beginning after December 31, 2001 and before January 1, 2007; to a qualified trust which is part of a defined contribution plan that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible; or (3) for taxable years beginning after December 31, 2006, to a qualified trust or to an annuity contract described in Code section 403(b), if such trust or contract provides for separate accounting for amounts so transferred (including interest thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible. Effective for distributions after December 31, 2007, a portion of a distribution shall not fail to be an "eligible rollover distribution" merely because it is transferred to a Roth individual retirement account as described in Code section 408A(a).

- (4) The election and rollover of an "eligible rollover distribution" shall be effected in a manner consistent with Code section 401(a)(31).
- (5) Notwithstanding the foregoing, effective July 1, 2010, a non-spouse beneficiary may elect to make a direct rollover to an inherited individual retirement account or annuity described in Code section 408(a) or Code section 408(b) that is established on behalf of the beneficiary. Such rollover shall be made in a manner consistent with the Code section 402(c)(11) and any other applicable guidance.
- (6) Effective for distributions after the close of the first regular legislative session of the Missouri Legislature beginning on or after January 1, 2006, in the event of a mandatory distribution exceeding \$1,000, the Plan will comply with the automatic rollover provisions of Code section 401(a)(31)(B).
- (7) Notwithstanding any provision of PSRS to the contrary, PSRS shall comply with Code section 401(a)(31) and applicable Treasury Regulations thereunder.

#### B. Prior Policy

Notwithstanding any provision of PSRS to the contrary, PSRS shall comply with Code section 401(a)(31) and applicable Treasury Regulations thereunder.

#### III. Effective Date:

This Policy is originally effective as of January 1, 1993.

Topic: Pension Protection Act of 2006 – Additional Items

I. Purpose:

To provide that the Public School Retirement System of Missouri ("PSRS") will comply with the requirements of the Pension Protection Act of 2006 ("PPA") and to make optional changes to PSRS in accordance with PPA. This Policy is divided into two parts: (i) revision of the governmental plan exemption from the non-discrimination rules under section 401(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code") and the Code section 401(a)(26) coverage rules, and (ii) clarification that the notice required by Code section 402(f) may be provided a maximum of 180 days before a benefit commences.

Other Policies may contain additional provisions intended to satisfy the requirements of PPA, including, but not limited to, Policy #4 – *401(a)(31)* and Policy #9 – *401(a)(9)*.

II. Policy:

A. Code Section 401(a)(5) and Code Section 401(a)(26)

Pursuant to Code section 401(a)(5)(G), Code sections 401(a)(3) and 401(a)(4) shall not apply to a governmental plan within the meaning of Code section 414(d). In addition, Code section 401(a)(26) shall not apply to a governmental plan within the meaning of Code section 414(d).

B. Notice Required by Code Section 402(f)

The notice required by Code section 402(f) may be provided no less than 30 days and no more than 180 days before the date of a distribution. However, if the distributee, after having received the Code section 402(f) notice, affirmatively elects a distribution, a plan will not fail to satisfy Code section 402(f) merely because the distribution is made less than 30 days after the Code section 402(f) notice was provided to the distributee, provided that PSRS clearly indicates to the distributee that the distributee has a right to consider the decision of whether or not to elect a direct rollover for at least 30 days after the notice is provided.

III. Effective Date:

This Policy is effective as of July 1, 2007.

PSRS Policy Number: 2011-6

Topic: Heroes Earnings Assistance and Tax Relief Act of 2008

I. Purpose:

To affirm that the Public School Retirement System of Missouri ("PSRS") will comply with the requirements of the Heroes Earnings Assistance and Relief Tax Act of 2008 (the "HEART Act") and to clarify Section 169.589 of the Revised Statutes of Missouri.

Other Policies may contain additional provisions intended to satisfy the requirements of the HEART Act, including, but not limited to, Policy #8 – 415.

II. Policy:

To the extent required by section 401(a) of the Internal Revenue Code of 1986, as amended, (the "Code"), if a Member dies while performing qualified military service (as defined in Code section 414(u)) the survivors of the Member shall be entitled to any additional benefits as determined under Code section 401(a)(37) provided under the retirement system had the Member resumed his or her prior employment with an employer that maintains the system and then terminated employment on account of death. "Additional benefits" under this Policy shall not include benefit accruals relating to the period of qualified military service. Death of a member while performing qualified military service shall not be treated as a service connected death or disability. Service for vesting purposes shall be credited to a Member affected by this Policy for the period of his or her qualified military service.

III. Effective Date:

This Policy is effective for deaths occurring on or after January 1, 2007.

PSRS Policy Number: 2011-7

Topic: Purchase of Service Credit/Repayments – Code Sections 415(k)(3) and 415(n)

I. Purpose:

To affirm that the Public School Retirement System of Missouri ("PSRS"), to the extent that purchases of permissive service credit and/or repayments of previously paid out benefits are permitted, will comply with applicable Internal Revenue Code ("Code") requirements.

## II. Policy:

### A. General Rule

Repayments of previously paid out benefits shall comply with Code section 415(k)(3) and any Treasury Regulations thereunder. Purchases of permissive service credit described in Code section 415(n) shall comply with Code section 415(n) and any Treasury Regulations thereunder, including the requirements under Code section 415(n)(3)(B) that, except as provided in Code section 415(n)(3)(D), (1) no more than 5 years of nonqualified service credit be taken into account under Code section 415(n) and (2) no nonqualified service credit be taken into account under Code section 415(n) before a Member has at least 5 years of participation in PSRS. Rollover contributions and the benefits attributable thereto shall comply with applicable Code provisions and Treasury Regulations thereunder.

### B. Plan-to-Plan Transfer

With regard to plan-to-plan transfers, PSRS will accept funds from any of the following eligible transfer plans:

- (1) A plan under Code section 401(a) with which PSRS has an agreement to transfer funds under Chapter 105 of the Revised Statutes of Missouri;
- (2) An annuity contract under Code section 403(b); and
- (3) An eligible deferred compensation plan under Code section 457(b).

### C. Rollover Contributions

With regard to the receipt of eligible rollover distributions, PSRS will accept rollover contributions that are "eligible rollover distributions" as described in Code section 402(c), 408, and the Treasury Regulations thereunder, as applicable; provided, however, that after-tax and Roth contributions will not be accepted.

### D. Documentation

A Member must provide such documentation as may be required by PSRS before a plan-to-plan transfer or a rollover contribution will be accepted by PSRS. PSRS is under no obligation to accept a plan-to-plan transfer or a rollover contribution unless any information it deems necessary to substantiate such transfer or contribution is provided and any other requirements PSRS may impose are satisfied.

## III. Effective Date:

The relevant provisions of this Policy are effective as of the date on which Code sections 415(k)(3) and/or 415(n) or a predecessor thereto first applied to PSRS.

PSRS Policy Number: 2011-8

Topic: Maximum Contribution/Benefit Limits – Code Section 415

I. Purpose:

To affirm that benefits under the trust fund of the Public School Retirement System of Missouri ("PSRS") will be limited to the maximum permissible amount of benefits that may be payable under the Internal Revenue Code of 1986, as amended (the "Code") and to clarify Section 169.070(17) of the Revised Statutes of Missouri. This Policy includes (1) a defined benefit limitation policy, which is in written in three parts: (i) to provide that benefits under PSRS will comply with the Final Treasury Regulations under Code section 415, as published April 5, 2007, as of the applicable effective date of the Final Treasury Regulations, (ii) to affirm that benefits under PSRS prior to the effective date of the April 5, 2007, regulation will comply with Code section 415, and (iii) to affirm the election of the "grandfather" option of Code section 415(b)(10), and (2) a defined contribution limitation policy.

Notwithstanding any provision of PSRS to the contrary, PSRS shall comply with Code section 415 and the Treasury Regulations thereunder.

II. Policy:

A. Current Policy

Effective for limitation years beginning on or after January 1, 2009, the following rules shall apply:

(1) The defined benefit payable to a Member of PSRS shall not exceed the applicable limits under Code section 415(b), as periodically adjusted by the Secretary of the Treasury pursuant to Code section 415(d). This adjustment shall also apply to a Member who has had a severance from employment or, if earlier, an annuity starting date. Benefits that are subject to Code section 415(b) shall comply with the foregoing limit in each year during which payments are made. The foregoing limit shall be adjusted pursuant to the requirements of Code sections 415(b)(2)(C) and (D) relating to the commencement of benefits at a date prior to age 62 or after age 65, subject to other applicable rules under Code section 415. Any member whose benefits were limited by the application of section 415 of the Internal Revenue Code immediately prior to its amendment by the Economic Growth and Tax Relief Reconciliation Act of 2001 shall, for limitation years ending on or after July 1, 2002, have his/her benefit increased to the amount computed under the applicable plan, but not in excess of the limits of section 415(b)(1)(A) of the Internal Revenue Code, as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001.

(2) The application of this rule shall not cause the maximum annual retirement allowance for any Member to be less than the Member's accrued benefit under all applicable defined benefit plans as of the end of the last limitation year beginning before January 1, 2009, under provisions of PSRS that were both adopted and in effect before April 5, 2007. The preceding sentence applies only if the provisions of PSRS that were both adopted and in effect before April 5, 2007 satisfied the applicable requirements of statutory provisions, regulations, and other published guidance relating to Code section 415 in effect as of the end of the last limitation year beginning before January 1, 2009, as described in Treasury Regulation section 1.415(a)-1(g)(4).

(3) No adjustment shall be required to a benefit subject to an automatic benefit increase feature described in Treasury Regulation section 1.415(b)-1(c)(5).

(4) To the extent that Code section 415 and the Treasury Regulations thereunder require that an interest rate under Code section 417(e) apply, the applicable lookback month shall be the calendar month preceding the current month and the applicable stability period is one calendar month.

(5) If a Member is, or has ever been, a participant in another qualified defined benefit plan (without regard to whether the plan has been terminated) maintained by the Member's employer, as determined pursuant to Code sections 414(b), 415(c), and 415, the sum of the participant's benefits payable annually in the form of a straight life annuity from all such plans may not exceed the limit described in item (1) above. Where the Member's employer-provided benefits under all such defined benefit plans (determined as of the same age) would exceed the limit described in (1) above applicable at that age, the benefits accrued under all such other plans shall be reduced first in order to avoid exceeding the limit and shall be reduced under PSRS only to the extent that the reduction under such other plans is insufficient to avoid exceeding the limit.

(6) The defined benefit payable to a Member under PSRS shall be determined in accordance with the requirements of Code section 415(b) and the Treasury Regulations thereunder. The limitation year is the calendar year.

#### B. Prior Policy

Notwithstanding any provision of PSRS to the contrary, PSRS shall comply with Code section 415 and applicable Treasury Regulations thereunder.

#### C. "Grandfather Election"

The retirement benefits for any person who first became a Member of the system on or after January 1, 1990, shall be subject to the payment limitations of Code section 415 as described in this Section II. The retirement benefits of any person who became a Member of the system before January 1, 1990, shall be subject to the

limitations of Code section 415 to the extent that those benefits are not exempt from those limitations under such "grandfather" election.

### III. Defined Contribution Limitation Policy:

#### A. Current Policy

Effective for limitation years beginning on or after January 1, 2009 the following rules shall apply:

(1) The total annual additions allocated to a Member's account in PSRS for any limitation year shall not exceed the applicable limits under Code section 415(c), as periodically adjusted by the Secretary of the Treasury pursuant to Code section 415(d); provided, however, that such limits shall not apply to an individual medical benefit account (as defined in Code section 415(l)).

(2) In the event that a Member participates in another defined contribution plan of the Member's employer, as determined pursuant to Code sections 414(b), 415(c), and 415, that is a tax-qualified defined contribution plan, contributions or allocations that would otherwise be made on behalf of the Member to the other plan shall first be reduced to the extent necessary to avoid exceeding the limitations of this Policy.

(3) For purposes of this Policy, "compensation" means compensation as defined in Code section 415(c)(3) and Treasury Regulation section 1.415(c)-2(d)(3). In general, Code section 415(c)(3) defines compensation as all of a Member's wages as defined in Code section 3401(a) for the purposes of income tax withholding at the source, but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code section 3401(a)(2)). Compensation shall also include the amount of any elective deferrals, as defined in Code section 402(g)(3), and any amount contributed or deferred by the employer at the election of the employee and which is not includible in the gross income of the employee by reason of Code sections 125, 132(f)(4) or 457. Effective for years beginning after December 31, 2008, "compensation" shall include a differential wage payment described in Code section 3401(h). Regardless of any provision of PSRS to the contrary, for any plan year, "compensation" for purposes of this Policy is limited to the amount set forth in Code section 401(a)(17).

(4) A Member's defined contributions to PSRS shall be determined in accordance with the requirements of Code section 415(c) and the Treasury Regulations thereunder. The limitation year is the plan year.

#### B. Prior Policy

Notwithstanding any provision of PSRS to the contrary, PSRS shall comply with Code section 415 and the Treasury Regulations thereunder. For such purposes,

compensation shall mean compensation as defined in Code section 415(c)(3) and Treasury Regulation section 1.415-2(d)-11(ii).

IV. Effective Date:

This Policy is effective as of the date on which Code section 415 first applied to PSRS.

PSRS Policy Number: 2011-9

Topic: Required Minimum Distributions – Code Section 401(a)(9)

I. Purpose:

To clarify that, as provided in the Pension Protection Act of 2006 and Treasury Regulation section 1.401(a)(9)-1, Q&A-2(d), that the Public School Retirement System of Missouri ("PSRS"), as a governmental plan defined in section 414(d) of the Internal Revenue Code of 1986, as amended (the "Code") is treated as having complied with Code section 401(a)(9) for all years to which Code section 401(a)(9) applies to PSRS if PSRS complies with a reasonable and good faith interpretation of Code section 401(a)(9).

II. Policy:

Notwithstanding any provision of PSRS to the contrary, PSRS shall comply with Code section 401(a)(9), including the minimum distribution incidental benefits rule of Code section 401(a)(9)(G), pursuant to a reasonable and good faith interpretation of Code section 401(a)(9).

III. Effective Date:

This Policy is effective as of the date on which Code section 401(a)(9) or a predecessor thereto first applied to PSRS.

PSRS Policy Number: 2011-10

Topic: Restrictions on In-Service Distributions

I. Purpose:

To affirm that no in-service distributions from the Public School Retirement System of Missouri ("PSRS") are permitted except to the extent such distributions are consistent with applicable Code requirements.

## II. Policy:

No distributions of contributions will be permitted prior to a Member's severance from employment except as otherwise permitted under the terms of PSRS that are consistent with applicable Code requirements, including, but not limited to, Code section 401(a)(36).

## III. Effective Date:

This Policy is effective as of the date on which any Code provision made applicable pursuant to this Policy first applied to PSRS, including, but not limited to Treasury Regulation section 1.401-1.

PSRS Policy Number: 2011-11

Topic: Vesting – Pre-ERISA Code Sections 401(a)(4) and 401(a)(7)

## I. Purpose:

To provide that the Public School Retirement System of Missouri ("PSRS") will meet the requirements of pre-ERISA sections 401(a)(4) and 401(a)(7) of the Internal Revenue Code of 1986, as amended (the "Code") which requires 100% vesting in the event of termination of the plan or complete or permanent discontinuance of contributions.

## II. Policy:

Notwithstanding any provision of PSRS to the contrary, PSRS must meet the vesting requirement of Code section 401(a)(4) and Code section 401(a)(7) as in effect on September 1, 1974. In the event of the termination of PSRS or a complete or permanent discontinuance of contributions thereunder, any individual who is a Member at such time shall be 100% vested in his or her PSRS accrued benefits to the extent required by Code section 401(a)(7) as in effect on September 1, 1974.

## III. Effective Date:

This Policy is effective as of the date on which pre-ERISA Code sections 401(a)(4) and 401(a)(7) or a predecessor thereto first applied to PSRS.

PSRS Policy Number: 2011-12

Topic: Governmental Plan – Code Section 414(d)

I. Purpose:

To affirm that Public School Retirement System of Missouri ("PSRS") is intended to meet the definition of a governmental plan under section 414(d) of the Internal Revenue Code of 1986, as amended (the "Code") and to clarify Section 169.130 of the Revised Statutes of Missouri.

II. Policy:

PSRS is intended to be a governmental plan within the meaning of Code section 414(d).

III. Effective Date

This Policy is effective as of the date Code section 414(d) first applies to PSRS.

PSRS Procedure Number: 2011-13

Topic: USERRA – Code section 414(u)

I. Purpose

To clarify that the Public School Retirement System of Missouri ("PSRS") will comply with the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994 and to clarify Section 169.589(1) of the Revised Statutes of Missouri.

II. Procedure

Contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code section 414(u).

III. Effective Date

This Procedure is effective December 12, 1994.

PEERS Policy Number: 2011-1

Topic: Forfeitures – Code Section 401(a)(8)

I. Purpose:

To affirm that forfeitures will not be applied to increase the benefits any Member would otherwise receive under the Public Education Employee Retirement System of

Missouri ("PEERS"), as required by section 401(a)(8) of the Internal Revenue Code of 1986, as amended (the "Code").

## II. Policy:

Forfeitures arising under PEERS for any reason may not be applied to increase the benefits of any Members at any time prior to the termination of PEERS as provide under Code section 401(a)(8) or any successor thereto.

## III. Effective Date:

This Policy is effective as of the date on which Code section 401(a)(8) or a predecessor thereto first applied to PEERS.

PEERS Policy Number: 2011-2

Topic: Exclusive Benefit and Reversions – Code Section 401(a)(2)

## I. Purpose:

To clarify that, in accordance with section 401(a)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), the corpus or income of the trust fund of the Public Education Employee Retirement System of Missouri ("PEERS") may not be diverted to or used for other than for the exclusive benefit of members and beneficiaries, prior to the satisfaction of all liabilities under PEERS and to clarify Section 169.630.1 of the Revised Statutes of Missouri and 16 CSR 10-6.020.

## II. Policy:

Notwithstanding any other provision of law, no fund in the retirement fund shall be expended for any purpose other than the expense of administration of the system, investments for the benefit of the system, and the provision of benefits to the Members and retired Members of the system and their survivors and beneficiaries; provided, however, that reversions will be permitted to the extent allowed under the Code and any related guidance thereunder, including, but not limited, to, a mistake of fact as permitted under applicable Internal Revenue Service guidance.

## III. Effective Date:

This Policy is effective as of the date on which Code section 401(a)(2) or a predecessor thereto first applied to PEERS.

PEERS Policy Number: 2011-3

Topic: Actuarial Assumptions – Code Section 401(a)(25)

I. Purpose:

To reflect the inclusion of actuarial assumptions used to determine benefits under the Public Education Employee Retirement System of Missouri ("PEERS") as required by section 401(a)(25) of the Internal Revenue Code of 1986, as amended (the "Code") and to clarify Section 169.020(11) of the Revised Statutes of Missouri.

II. Policy:

Benefits, including the amount or level of any optional form of benefit, under PEERS shall be calculated using the actuarial assumptions reflected in the adjustment factors established by the Board of Trustees and shall not be subject to the discretion of any employer. Such adjustment factors are hereby incorporated into this Policy.

III. Effective Date

This Policy is effective as of the date on which Code section 401(a)(25) or a predecessor thereto first applied to PEERS.

PEERS Policy Number: 2011-4

Topic: Eligible Rollover Distributions – Code Section 401(a)(31)

I. Purpose:

To clarify that the Public Education Employee Retirement System of Missouri ("PEERS") will comply with the requirements of section 401(a)(31) of the Internal Revenue Code of 1986, as amended (the "Code").

II. Policy:

A. Current Policy

(1) Notwithstanding any provision of PEERS, any "eligible rollover distribution" (within the meaning of Code section 402(c)(4)) may be rolled over to an "eligible retirement plan."

(2) For purposes of subsection (1) an "eligible retirement plan" is an individual retirement account described in Code section 408(a), an individual retirement annuity described in Code section 408(b), an annuity plan described in Code section

403(a), or a qualified trust described in Code section 401(a), that accepts a distributee's eligible rollover distribution. The term "eligible retirement plan" shall also mean an annuity contract described in Code section 403(b) and an eligible plan under Code section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. The general definition of "eligible retirement plan" shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code section 414(p).

(3) For purposes of subsection (1), an "eligible rollover distribution" is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code section 401(a)(9); any distribution made upon the hardship of a Member or beneficiary; the portion of any other distribution(s) that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); and any other distribution(s) that is reasonably expected to total less than \$200 during a year.

A portion of a distribution shall not fail to be an "eligible rollover distribution" merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to

(1) an individual retirement account or annuity described in Code section 408(a) or Code section 408(b);

(2) for taxable years beginning after December 31, 2001 and before January 1, 2007; to a qualified trust which is part of a defined contribution plan that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible; or

(3) for taxable years beginning after December 31, 2006, to a qualified trust or to an annuity contract described in Code section 403(b), if such trust or contract provides for separate accounting for amounts so transferred (including interest thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible. Effective for distributions after December 31, 2007, a portion of a distribution shall not fail to be an "eligible rollover distribution" merely because it is transferred to a Roth individual retirement account as described in Code section 408A(a).

(4) The election and rollover of an "eligible rollover distribution" shall be effected in a manner consistent with Code section 401(a)(31).

(5) Notwithstanding the foregoing, effective July 1, 2010, a non-spouse beneficiary may elect to make a direct rollover to an inherited individual retirement account or annuity described in Code section 408(a) or Code section 408(b) that is established on behalf of the beneficiary. Such rollover shall be made in a manner consistent with the Code section 402(c)(11) and any other applicable guidance.

(6) Effective for distributions after the close of the first regular legislative session of the Missouri Legislature beginning on or after January 1, 2006, in the event of a mandatory distribution exceeding \$1,000, the Plan will comply with the automatic rollover provisions of Code section 401(a)(31)(B).

(7) Notwithstanding any provision of PEERS to the contrary, PEERS shall comply with Code section 401(a)(31) and applicable Treasury Regulations thereunder.

#### B. Prior Policy

Notwithstanding any provision of PEERS to the contrary, PEERS shall comply with Code section 401(a)(31) and applicable Treasury Regulations thereunder.

#### III. Effective Date:

This Policy is originally effective as of January 1, 1993.

PEERS Policy Number: 2011-5

Topic: Pension Protection Act of 2006 – Additional Items

#### I. Purpose:

To provide that the Public Education Employee Retirement System of Missouri ("PEERS") will comply with the requirements of the Pension Protection Act of 2006 ("PPA") and to make optional changes to PEERS in accordance with PPA. This Policy is divided into two parts: (i) revision of the governmental plan exemption from the non-discrimination rules under section 401(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code") and the Code section 401(a)(26) coverage rules, and (ii) clarification that the notice required by Code section 402(f) may be provided a maximum of 180 days before a benefit commences.

Other Policies may contain additional provisions intended to satisfy the requirements of PPA, including, but not limited to, Policy #4 – *401(a)(31)* and Policy #9 – *401(a)(9)*.

## II. Policy:

### A. Code Section 401(a)(5) and Code Section 401(a)(26)

Pursuant to Code section 401(a)(5)(G), Code sections 401(a)(3) and 401(a)(4) shall not apply to a governmental plan within the meaning of Code section 414(d). In addition, Code section 401(a)(26) shall not apply to a governmental plan within the meaning of Code section 414(d).

### B. Notice Required by Code Section 402(f)

The notice required by Code section 402(f) may be provided no less than 30 days and no more than 180 days before the date of a distribution. However, if the distributee, after having received the Code section 402(f) notice, affirmatively elects a distribution, a plan will not fail to satisfy Code section 402(f) merely because the distribution is made less than 30 days after the Code section 402(f) notice was provided to the distributee, provided that PEERS clearly indicates to the distributee that the distributee has a right to consider the decision of whether or not to elect a direct rollover for at least 30 days after the notice is provided.

## III. Effective Date:

This Policy is effective as of July 1, 2007.

PEERS Policy Number: 2011-6

Topic: Heroes Earnings Assistance and Tax Relief Act of 2008

## I. Purpose:

To affirm that the Public Education Employee Retirement System of Missouri ("PEERS") will comply with the requirements of the Heroes Earnings Assistance and Relief Tax Act of 2008 (the "HEART Act") and to clarify Section 169.589.1 of the Revised Statutes of Missouri.

Other Policies may contain additional provisions intended to satisfy the requirements of the HEART Act, including, but not limited to, Policy #8 – 415.

## II. Policy:

To the extent required by section 401(a) of the Internal Revenue Code of 1986, as amended, (the "Code"), if a Member dies while performing qualified military service (as defined in Code section 414(u)) the survivors of the Member shall be entitled to any additional benefits as determined under Code section 401(a)(37) provided under the retirement system had the Member resumed his or her prior employment with an employer that maintains the system and then terminated employment on account of

death. "Additional benefits" under this Policy shall not include benefit accruals relating to the period of qualified military service. Death of a member while performing qualified military service shall not be treated as a service connected death or disability. Service for vesting purposes shall be credited to a Member affected by this Policy for the period of his or her qualified military service.

### III. Effective Date:

This Policy is effective for deaths occurring on or after January 1, 2007.

PEERS Policy Number: 2011-7

Topic: Purchase of Service Credit/Repayments – Code Sections 415(k)(3) and 415(n)

### I. Purpose:

To affirm that the Public Education Employee Retirement System of Missouri ("PEERS"), to the extent that purchases of permissive service credit and/or repayments of previously paid out benefits are permitted, will comply with applicable Internal Revenue Code ("Code") requirements.

### II. Policy:

#### A. General Rule

Repayments of previously paid out benefits shall comply with Code section 415(k)(3) and any Treasury Regulations thereunder. Purchases of permissive service credit described in Code section 415(n) shall comply with Code section 415(n) and any Treasury Regulations thereunder, including the requirements under Code section 415(n)(3)(B) that, except as provided in Code section 415(n)(3)(D), (1) no more than 5 years of nonqualified service credit be taken into account under Code section 415(n) and (2) no nonqualified service credit be taken into account under Code section 415(n) before a Member has at least 5 years of participation in PEERS. Rollover contributions and the benefits attributable thereto shall comply with applicable Code provisions and Treasury Regulations thereunder.

#### B. Plan-to-Plan Transfer

With regard to plan-to-plan transfers, PEERS will accept funds from any of the following eligible transfer plans:

(1) A plan under Code section 401(a) with which PEERS has an agreement to transfer funds under Chapter 105 of the Revised Statutes of Missouri;

- (2) An annuity contract under Code section 403(b); and
- (3) An eligible deferred compensation plan under Code section 457(b).

C. Rollover Contributions

With regard to the receipt of eligible rollover distributions, PEERS will accept rollover contributions that are "eligible rollover distributions" as described in Code section 402(c), 408, and the Treasury Regulations thereunder, as applicable; provided, however, that after-tax and Roth contributions will not be accepted.

D. Documentation

A Member must provide such documentation as may be required by PEERS before a plan-to-plan transfer or a rollover contribution will be accepted by PEERS. PEERS is under no obligation to accept a plan-to-plan transfer or a rollover contribution unless any information it deems necessary to substantiate such transfer or contribution is provided and any other requirements PSRS may impose are satisfied.

III. Effective Date:

The relevant provisions of this Policy are effective as of the date on which Code sections 415(k)(3) and/or 415(n) or a predecessor thereto first applied to PEERS.

PEERS Policy Number: 2011-8

Topic: Maximum Contribution/Benefit Limits – Code Section 415(b)

I. Purpose:

To affirm that benefits under the trust fund of the Public Education Employee Retirement System of Missouri ("PEERS") will be limited to the maximum permissible amount of benefits that may be payable under the Internal Revenue Code of 1986, as amended (the "Code") and to clarify Section 169.673(5) of the Revised Statutes of Missouri. This Policy includes a defined benefit limitation policy, which is in written in three parts: (1) to provide that benefits under PEERS will comply with the Final Treasury Regulations under Code section 415, as published April 5, 2007, as of the applicable effective date of the Final Treasury Regulations, (2) to affirm that benefits under PEERS prior to the effective date of the April 5, 2007, regulation will comply with Code section 415, and (3) to affirm the election of the "grandfather" option of Code section 415(b)(10).

II. Policy:

A. Current Policy

Effective for limitation years beginning on or after January 1, 2009, the following rules shall apply:

(1) The defined benefit payable to a Member of PEERS shall not exceed the applicable limits under Code section 415(b), as periodically adjusted by the Secretary of the Treasury pursuant to Code section 415(d). This adjustment shall also apply to a Member who has had a severance from employment or, if earlier, an annuity starting date. Benefits that are subject to Code section 415(b) shall comply with the foregoing limit in each year during which payments are made. The foregoing limit shall be adjusted pursuant to the requirements of Code sections 415(b)(2)(C) and (D) relating to the commencement of benefits at a date prior to age 62 or after age 65, subject to other applicable rules under Code section 415. Any member whose benefits were limited by the application of section 415 of the Internal Revenue Code immediately prior to its amendment by the Economic Growth and Tax Relief Reconciliation Act of 2001 shall, for limitation years ending on or after July 1, 2002, have his/her benefit increased to the amount computed under the applicable plan, but not in excess of the limits of section 415(b)(1)(A) of the Internal Revenue Code, as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001.

(2) The application of this rule shall not cause the maximum annual retirement allowance for any Member to be less than the Member's accrued benefit under all applicable defined benefit plans as of the end of the last limitation year beginning before January 1, 2009, under provisions of PEERS that were both adopted and in effect before April 5, 2007. The preceding sentence applies only if the provisions of PEERS that were both adopted and in effect before April 5, 2007 satisfied the applicable requirements of statutory provisions, regulations, and other published guidance relating to Code section 415 in effect as of the end of the last limitation year beginning before January 1, 2009, as described in Treasury Regulation section 1.415(a)-1(g)(4).

(3) No adjustment shall be required to a benefit subject to an automatic benefit increase feature described in Treasury Regulation section 1.415(b)-1(c)(5).

(4) To the extent that Code section 415 and the Treasury Regulations thereunder require that an interest rate under Code section 417(e) apply, the applicable lookback month shall be the calendar month preceding the current month and the applicable stability period is one calendar month.

(5) If a Member is, or has ever been, a participant in another qualified defined benefit plan (without regard to whether the plan has been terminated) maintained by the Member's employer, as determined pursuant to Code sections 414(b), 415(c), and 415, the sum of the participant's benefits payable annually in the form of a straight life annuity from all such plans may not exceed the limit described in item (1) above. Where the Member's employer-provided benefits under all such defined benefit plans (determined as of the same age) would exceed the limit described in (1) above applicable at that age, the benefits accrued under all such other plans shall be reduced first in order to avoid exceeding the limit and shall be reduced under PEERS

only to the extent that the reduction under such other plans is insufficient to avoid exceeding the limit.

(6) The defined benefit payable to a Member under PEERS shall be determined in accordance with the requirements of Code section 415(b) and the Treasury Regulations thereunder. The limitation year is the calendar year.

B. Prior Policy

Notwithstanding any provision of PEERS to the contrary, PEERS shall comply with Code section 415 and applicable Treasury Regulations thereunder.

C. "Grandfather Election"

The retirement benefits for any person who first became a Member of the system on or after January 1, 1990, shall be subject to the payment limitations of Code section 415 as described in this Section II. The retirement benefits of any person who became a Member of the system before January 1, 1990, shall be subject to the limitations of Code section 415 to the extent that those benefits are not exempt from those limitations under such "grandfather" election.

D. Incorporation by Reference

Notwithstanding any provision of PEERS to the contrary, PEERS shall comply with Code section 415 and the Treasury Regulations thereunder.

IV. Effective Date:

This Policy is effective as of the date on which Code section 415 first applied to PEERS.

PEERS Policy Number: 2011-9

Topic: Required Minimum Distributions – Code Section 401(a)(9)

I. Purpose:

To clarify that, as provided in the Pension Protection Act of 2006 and Treasury Regulation section 1.401(a)(9)-1, Q&A-2(d), that the Public Education Employee Retirement System of Missouri ("PEERS"), as a governmental plan defined in section 414(d) of the Internal Revenue Code of 1986, as amended (the "Code") is treated as having complied with Code section 401(a)(9) for all years to which Code section 401(a)(9) applies to PEERS if PEERS complies with a reasonable and good faith interpretation of Code section 401(a)(9).

## II. Policy:

Notwithstanding any provision of PEERS to the contrary, PEERS shall comply with Code section 401(a)(9), including the minimum distribution incidental benefits rule of Code section 401(a)(9)(G), pursuant to a reasonable and good faith interpretation of Code section 401(a)(9).

## III. Effective Date:

This Policy is effective as of the date on which Code section 401(a)(9) or a predecessor thereto first applied to PEERS.

PEERS Policy Number: 2011-10

Topic: Restrictions on In-Service Distributions

## I. Purpose:

To affirm that no in-service distributions from the Public Education Employee Retirement System of Missouri ("PEERS") are permitted except to the extent such distributions are consistent with applicable Code requirements.

## II. Policy:

No distributions of contributions will be permitted prior to a Member's severance from employment except as otherwise permitted under the terms of PEERS that are consistent with applicable Code requirements, including, but not limited to, Code section 401(a)(36).

## III. Effective Date:

This Policy is effective as of the date on which any Code provision made applicable pursuant to this Policy first applied to PEERS, including, but not limited to Treasury Regulation section 1.401-1.

PEERS Policy Number: 2011-11

Topic: Vesting – Pre-ERISA Code Sections 401(a)(4) and 401(a)(7)

## I. Purpose:

To provide that the Public Education Employee Retirement System of Missouri ("PEERS") will meet the requirements of pre-ERISA sections 401(a)(4) and 401(a)(7) of the Internal Revenue Code of 1986, as amended (the "Code") which

requires 100% vesting in the event of termination of the plan or complete or permanent discontinuance of contributions.

## II. Policy:

Notwithstanding any provision of PEERS to the contrary, PEERS must meet the vesting requirement of Code section 401(a)(4) and Code section 401(a)(7) as in effect on September 1, 1974. In the event of the termination of PEERS or a complete or permanent discontinuance of contributions thereunder, any individual who is a Member at such time shall be 100% vested in his or her PEERS accrued benefits to the extent required by Code section 401(a)(7) as in effect on September 1, 1974.

## III. Effective Date:

This Policy is effective as of the date on which pre-ERISA Code sections 401(a)(4) and 401(a)(7) or a predecessor thereto first applied to PEERS.

PEERS Policy Number: 2011-12

Topic: Governmental Plan – Code Section 414(d)

## I. Purpose:

To affirm that Public Education Employee Retirement System of Missouri ("PEERS") is intended to meet the definition of a governmental plan under section 414(d) of the Internal Revenue Code of 1986, as amended (the "Code") and to clarify Section 169.650(5) of the Revised Statutes of Missouri.

## II. Policy:

PEERS is intended to be a governmental plan within the meaning of Code section 414(d).

## III. Effective Date

This Policy is effective as of the date Code section 414(d) first applies to PEERS.

PEERS Procedure Number: 2011-13

Topic: USERRA – Code section 414(u)

## I. Purpose

To clarify that the Public Education Employee Retirement System of Missouri ("PEERS") will comply with the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994 and to clarify Section 169.589.1 of the Revised Statutes of Missouri.

## II. Procedure

Contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code section 414(u).

## III. Effective Date

This Procedure is effective December 12, 1994.

PSRS4372  
PEERS2611

Mrs. Heath seconded the motion. Voting "Aye"—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; "Nay"—None. The motion carried unanimously.

## **Regulations**

Mr. Hoffman moved that the following amendments to the regulations be adopted:

16 CSR 10-3.020(8) Section 169.040, RSMo provides the Board authority to invest the assets of the System established by Sections 169.010 to 169.141, RSMo.

Pursuant to such authority, assets of such System may be invested in any collective investment fund, including common and group trust funds that consist exclusively of assets of exempt pension and profit sharing trusts and individual retirement accounts, custodial accounts, retirement income accounts, governmental plans and tax-exempt trusts under the Internal Revenue Code of 1986 and Rev. Rul. 81-100, as modified by Rev. Ruls. 2004-67, 2008-40 and 2011-1. The assets so invested shall be subject to all the provisions of the instruments establishing and governing such funds. Those instruments of group trusts, including any subsequent amendments, are hereby incorporated by reference and made a part of the System established by Sections 169.010 to 169.141, RSMo, to the extent of the System's investment therein.

16 CSR 10-6.030(8) Section 169.630, RSMo provides the Board authority to invest the assets of the System established by Sections 169.600 to 169.715, RSMo.

Pursuant to such authority, assets of such System may be invested in any collective investment fund, including common and group trust funds that consist exclusively of assets of exempt pension and profit sharing trusts and individual retirement accounts, custodial accounts, retirement income accounts, governmental plans and tax-exempt trusts under the Internal Revenue Code of 1986 and Rev. Rul. 81-100, as modified by Rev. Ruls. 2004-67, 2008-40 and 2011-1. The assets so invested shall be subject to all the provisions of the instruments establishing and governing such funds. Those instruments of group trusts, including any subsequent amendments, are hereby

incorporated by reference and made a part of the System established by Sections 169.600 to 169.750, RSMo, to the extent of the System's investment therein.

PSRS4373  
PEERS2612

Ms. McClintic seconded the motion. "Voting"—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; "Nay"—None. The motion carried unanimously.

**Legislative  
Update**

Mrs. Maria Walden reported briefly on the status of legislation which has been introduced affecting PSRS/PEERS and other Missouri public pension systems. Mr. Jim Moody briefly updated the Board on the status of state revenues and what he thought the General Assembly will do with regard to education funding in the state budget for the upcoming fiscal year.

**Pension  
Project**

Mr. Will Morrow of L. R. Wechsler, Ltd., was present to update the Board on the pension project. Mr. Morrow reported that Phase 2 of the project was completed late but that Phase 3 has started and is currently two to three weeks behind schedule. He stated his belief that there is a reasonable chance that the project will go live in April of 2013 as planned. He reviewed current risks and cost summary as well as recommendations going forward.

**Member  
Services**

Ms. Ronda Peterson, Director of Member Services, presented a mid-year report regarding member services. She reviewed changes in membership, retirees, credit purchases, and refunds as well as the number of calls, visitors and emails received so far this fiscal year compared to last year.

**Public  
Comment**

There were several comments made by members of the retired educational associations regarding work being done to educate various senators about the retirement system and the current financial status. Mr. Yoakum congratulated the MNEA-retired group on their upcoming 25<sup>th</sup> anniversary.

**Closed  
Session**

Mr. Cupps moved that the meeting continue in closed session to hear the legal report, member appeals, and to review personnel matters in accordance with section 610.021 (1), (3) and (13), RSMo. Ms. McClintic seconded the motion. Voting "Aye"—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; "Nay"—None. The motion carried unanimously.

PSRS4374  
PEERS2613

Motion No. PSRS4375 and PSRS4376 were made in closed session.  
Motion No. PEERS2614 through PEERS2516 were made in closed session.

**Adjournment**

The motion to adjourn the meeting at 2:10 p.m. was made in closed session.