

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

**December 2, 2010**

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

**OTHERS PRESENT**

M. Steve Yoakum, Executive Director  
Dearld Snider, Asst. Exec. Dir., Oper.  
Craig Husting, Asst. Exec. Dir., Invest.  
Alan Thompson, General Counsel  
Lori Woratzeck, Chief Finan. Officer  
Ronda Peterson, Dir. Member Services  
Janet Harris, Internal Auditor  
Maria Walden, Legislative Director  
Susan Wood, Comm. Administrator  
Mary Hiatte, Executive Assistant

**Meeting  
Convened**

The meeting of the Board of Trustees convened at 3:45 p.m. at the Retirement System office in Jefferson City, Missouri. In attendance via telephone were Aaron Zalis, Wayne Wheeler, Donald Cupps, Yvonne Heath, Jason Hoffman, Scott Hunt, and Susan McClintic, Board Members. Staff members present in the office were M. Steve Yoakum, Executive Director; Craig Husting, Assistant Executive Director, Investments; Dearld Snider, Assistant Executive Director, Operations; Alan Thompson, General Counsel; Ronda Peterson, Director, Member Services; Lori Woratzeck, Chief Financial Officer; Janet Harris, Internal Auditor; Maria Walden, Legislative Director; Susan Wood, Communications Administrator; and Mary Hiatte, Executive Assistant.

Mr. Yoakum indicated that the purpose of the meeting was to review the information received from the attorney and the actuary regarding the Board's legal authority to set future COLAs and the 2011-12 contribution rate and to determine if the Board needed any additional information prior to the regular December Board meeting in order to set the contribution rate for the upcoming fiscal year.

**Closed  
Session**

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

PSRS4291

Motion No. PSRS4292 was made in closed session.

**Actuarial  
Research**

Once the meeting returned to open session, Mr. Sheldon Gamzon and Mr. Brandon Robertson joined the meeting via telephone. Mr. Gamzon and Mr. Robertson discussed the research they had completed regarding the effect of setting the contribution rate at something less than 29% as recommended at the October 25, 2010, Board meeting. Mr. Gamzon stated that he has two major concerns with the Board setting the contribution rate at something less than allowed by statute. He pointed out that, from an employee and employer standpoint, it would save a little money now but would be much more costly in the future to make up for the loss in contributions. To put this in perspective, he indicated that raising the contribution rate by only .5% now instead of 1% would save employees and employers approximately \$23 million. However, doing so would require \$225 million more in contributions over the next thirty years and amount to a \$600 million loss in investment earnings and the system would not be as well funded in the end. Such an action would, in effect, be borrowing money from the system at an 8% interest rate.

His second concern was that the contribution rate is already approximately 3% less than the actuarially required contribution (ARC) because of the limitations in statute. To set the contribution rate lower than allowed by statute would seem to be, in his opinion, an imprudent decision. He stated that when a plan's funding ratio is actually dropping due to losses, they should be accelerating their contribution rate rather than decreasing it.

Following discussion of several actuarial assumptions and possible changes imposed by GASB, Mr. Hoffman stated that without the Tier 2 plan being imminent, he did not see any way that the Board could give any relief to the districts at this time.

The meeting adjourned at 5:00 p.m. Mrs. Heath made the motion, seconded by Mr. Hunt. Voting "Aye"—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; "Nay"—None. The motion carried unanimously.

PSRS4293