

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

December 10, 2012

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
Jeff Hyman, Internal Auditor
Tom Smith, Chief Technology Officer
Maria Walden, Legislative Director
Ronda Peterson, Dir. Member Serv.
Paul Shadwick, Project Manager
Jeff Russler, Dir. of Emp. Services
Mary Hiatte, Sr. Executive Advisor

**Meeting
Convened**

The meeting of the Board of Trustees convened at 8:30 a.m. at the Retirement System office in Jefferson City, Missouri. In attendance were Aaron Zalis, Wayne Wheeler, Don Cupps, Yvonne Heath, Jason Hoffman, Scott Hunt, and Susan McClintic, Board Members. Staff members 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; Ronda Peterson, Director of Member Services; Tom Smith, Chief Technology Officer; Jeff Hyman, Internal Auditor; Maria Walden, Legislative Director; Jeff Russler, Director of Employer Services; Paul Shadwick, Project Manager; various other PSRS/PEERS staff members; and Mary Hiatte, Senior Executive Advisor

**Approval of
Minutes
PSRS4404
PEERS2644**

Ms. McClintic moved that the minutes from the October 28-29, 2012 meetings be approved. Ms. 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

Mr. Yoakum presented a plaque to Mary Knaebel congratulating her on her recent retirement from PSRS/PEERS after more than 29 years of service.

Investments

Activities Memo

Mr. Craig Husting reviewed the ongoing investment activities memo, which included the fiscal year-to-date return of 4.7% through November 30, 2012. He also discussed the current asset allocation, the overall philosophy and strategy as well as the tentative board investment calendar. Mr. Husting also discussed the impact of the new benchmark used to report Public Equity performance.

Investment Policy Changes

Mr. Craig Husting provided an overview of the recommended changes to the Investment Policy. He indicated that the changes would bring the policy in-line with previous Board action. Mr. Wheeler moved that the Investment Policy changes as recommended by the investment staff be approved. Ms. McClintic seconded the motion Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4405
PEERS2643

Management Report

Pension Project

Mr. Dearld Snider updated the Board on the progress of the pension project. Mr. Snider discussed the high level schedule of the project in which testing began in October 2012, Phase 3 conference pilot was conducted in November 2012, Phase 3 acceptance was December 2012, Phase 5 begins February 2013 and Go Live will be January 2014. He also discussed milestones and deliverables of the pension project and indicated that payment points were restructured to give more value to the conclusion of testing. He also indicated that the project management fee will be extended for the two months of December 2013 and January 2014 and explained that change orders may be created if issues are identified during testing.

Legislative Update

Mr. Jim Moody updated the Board on state revenue and indicated that there was a 7.2% growth overall. He indicated that sales tax had a small 1.1% growth for the state while corporate tax increased by 73%. Mr. Moody indicated that there is a great deal of discussion about tax cuts; however, he believes that will do little to stimulate the economy. In his opinion Internet sales tax is still a problem and may need to be addressed on a federal level.

Ms. Maria Walden discussed the results of the actuarial cost studies which had been requested from the actuary. She focused on the 25-and-Out reduced formula retirement benefit, the 2.55% benefit formula factor, and the Partial Lump Sum Option (PLSO).

Based on current member population and actuarial assumptions concerning retirement timing, there is a very small expected savings associated with permanently extending the 25-and-Out retirement benefit for PSRS and virtually no expected cost/savings for PEERS.

Only a small percentage of PSRS/PEERS members have taken the 25-and-Out benefit when eligible, based on the 2011 experience study performed by PricewaterhouseCoopers (PwC) and the current assumption is that 5% of members will elect 25 and Out when eligible.

Based on current member population and actuarial assumptions concerning retirement timing, there is a very small expected cost/savings associated with extending the 2.55% benefit formula factor. A five year extension of the 2.55% formula factor yields a slight cost, whereas if the benefit has a permanent extension there is a slight savings.

Ms. Walden also discussed the Partial Lump Sum Option (PLSO). The PLSO payment option is actuarially equivalent to other payment options so the selection of a PLSO payment option does not by itself create any cost/savings to PSRS or PEERS. Perhaps the bigger issue is the public perception of abuse when retired members return to work, particularly after electing the PLSO payment option.

Following discussion, Mr. Cupps moved that, based on the actuarial cost analysis showing a savings for the Systems, the Board support legislation for the permanent extension of both the 25-and-Out reduced retirement benefit and 2.55% benefit formula factor. Mr. Hoffman seconded the motion. Voting “Aye” —Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4406
PEERS2644

**Public
Comment**

Mr. Cecil Sharp from MNEA asked if future increases in final average salary (FAS) were taken into consideration when the actuaries calculated the cost/savings of extending the 25-and-Out retirement benefit and 2.55% benefit formula factor. Mr. Yoakum assured Mr. Sharp that PwC would have taken the FAS into consideration in their assumptions. Mr. Sharp wanted to go on the record that MNEA supports making both the 25-and-Out reduced formula retirement benefit and 2.55% benefit formula factor permanent.

**Contribution
Rate**

Mr. Yoakum reminded the board and staff that, based on the June 30, 2012, actuarial valuation presented to the Board in October, the actuary recommended that the Board set the 2013-14 contribution rate the same as the current contribution rate. The recommendation of the actuary has not changed. Mr. Cupps moved that the contribution rate for PSRS remain at 29% and PEERS remain at 13.72% for 2013-14 as recommended by the actuary. Ms. Heath seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Hoffman, Heath, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4407
PEERS2645

Closed Session

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

PSRS4408
PEERS2646

Motion No. PSRS4409 through PSRS4412 were made in closed session.
Motion No. PEERS2647 through PEERS2650 were made in closed session.

Adjournment

The meeting adjourned following closed session.