

REGULAR MEETING
BOARD OF TRUSTEES
OF
THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI
AND
THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI
February 8-9, 2009

MEMBERS PRESENT

Tina Zubeck, Chair
Joncee Nodler, Vice Chair
Yvonne Heath
Jim O'Donnell
Peggy Preston
Aaron Zalis
Wayne Wheeler

MEMBERS ABSENT

OTHERS PRESENT

M. Steve Yoakum, Executive Director
Rob Rust, Asst. Exec. Dir., Operations
Alan Thompson, General Counsel
Craig Husting, Asst. Exec. Dir., Invest.
Lori Woratzeck, Chief Finan. Officer
Jeff Russler, Dir. Employer Services
Janet Harris, Internal Auditor
Dearld Snider, Dir. of Member Services
Tom Smith, IT Director
Mary Hiatte, Executive Assistant

Investment Meeting – February 8, 2009

The meeting convened at 5:30 p.m. at the PSRS/PEERS office. Present were Tina Zubeck, Joncee Nodler, Peggy Preston, Jim O'Donnell, Yvonne Heath, Aaron Zalis and Wayne Wheeler, Board Members. Also present were M. Steve Yoakum, Executive Director; Craig Husting, John Tuck, Susan Conrad, Frank Aten, Travis Allen, and Megan Hency, Investment staff; Robert Rust, Assistant Executive Director of Operations; Michael Hall and Shannon Walker of Russell Investment Group; and Mary Hiatte, Executive Assistant. Craig Husting, John Tuck and Michael Hall provided the board with an update of the Absolute Return Pool and the Implementation Pool. John Tuck reviewed the target allocations and the objectives of the Absolute Return Pool as well as the current composites, managers and returns. Mr. Husting reported that the Implementation Pool was officially closed on November 30, 2008. He indicated that the assets had been moved to the Absolute Return Pool and Large-Cap U.S. Equity composites. He reviewed the composite and performance as of the end of November.

The meeting adjourned at 6:50 p.m.

Board Meeting – February 9, 2009

**Meeting
Convened**

The meeting of the Board of Trustees convened at 8:30 a.m. at the retirement system offices in Jefferson City, Missouri. In attendance were Tina Zubeck, Joncee Nodler, Yvonne Heath, Jim O'Donnell, Peggy Preston, Wayne Wheeler and Aaron Zalis, Board Members. Also present were M. Steve Yoakum, Executive Director; Rob Rust, Assistant Executive Director, Operations; Alan Thompson, General Counsel; Craig

Husting, Assistant Executive Director, Investments; Lori Woratzeck, Chief Financial Officer; Jeff Russler, Director of Employer Services; Janet Harris, Internal Auditor; Dearld Snider, Director of Member Services; Tom Smith, Information Technology Director; various other PSRS/PEERS staff members; and Mary Hiatte, Executive Assistant.

**Approval of
Minutes**
PSRS4170
PEERS2427

Mrs. Preston moved that the minutes from the December 8, 2008, and January 21, 2009, meetings be approved. Mrs. Nodler seconded the motion. Voting “Aye”—Zubeck, Nodler, Heath, O’Donnell, Preston, Wheeler and Zalis; “Nay”—None. The motion carried unanimously.

**Order of
Business**

No changes were made in the order of business.

**Travel &
Expense
Committee**

Mr. Yoakum reported that the internal auditor had completed the travel audit but that the management staff had not yet reviewed and responded. He indicated that he would like to meet with the committee to discuss the audit sometime prior to the April Board meeting.

Investments

**Activities
Memo**

Mr. Husting reported that as of December 31, the fund was down 20.2%, which was slightly better than the median fund. He also reviewed the Investment Activities memo and reported that the securities lending activities were up 98% from the first fiscal quarter of 2009. The increase was driven by the higher demand for Treasury lending and the increased spreads borrowers were willing to pay. Mr. Husting also updated the Board on the Commission Recapture program, the Watch List, Real Estate, Private Equity, Absolute Return and the investment calendar.

Mr. Husting also reviewed the current actual vs. policy asset allocation and the rebalancing activity which had taken place since the last meeting.

Policy Change

Mr. Husting explained Put and Call Options to the Board and why this type of investment is attractive in today’s investment market. He explained the process to be used and indicated that the system would only sell calls on existing passive equity exposure which has a current market value of \$3 billion. Mr. Husting reviewed several recommended changes to the Investment Policy which included the elimination of the Implementation Pool section, the authority for staff to buy or sell call options on portions of the portfolio, and to update the value of private assets as of the most recent statement. Following discussion, Mrs. Heath moved that the investment policy be changed in accordance with the recommendations. Mrs. Nodler seconded the motion. Voting “Aye”—Zubeck, Nodler, Heath, O’Donnell, Preston, Wheeler and Zalis; “Nay”—None. The motion carried unanimously.

PSRS4171
PEERS2428

**Anti-Terrorism
Policy**

The staff reviewed the current anti-terrorism policy adopted by the Board in June 2005 and last reviewed by the Board in February 2008. The staff and general counsel recommended no changes to the policy at this time.

Private Equity

Representatives from Pathway Capital Management were present to give an overview of the private equity portfolio to the Board. In summary, the Pathway representatives

reported that the private equity portfolio is developing according to plan and that they were very pleased with the quality of the partnerships that had been established.

Management Report

Meeting Dates The following dates were set for future Board Meetings: April 6, June 8-9, August 31, October 26, and December 14, 2009.

Budget & Audit Committee Charter The Board reviewed a draft of a Budget and Audit Committee Charter. Following a brief discussion, Mrs. Preston moved that the charter be adopted as presented. Mrs. Nodler seconded the motion. Voting “Aye”—Zubeck, Nodler, Heath, O’Donnell, Preston, Wheeler and Zalis; “Nay”—None. The motion carried unanimously.
PSRS4172
PEERS2429

External Auditor Mr. Yoakum reported that RFP’s for external auditor services had been sent out to sixteen firms and that two firms had responded. The Board directed the staff to set up interviews of the two firms and to include the Budget and Audit Committee in the selection process.

Legislative Update Mrs. Maria Walden briefly updated the Board on the legislative proposals affecting the systems which had been filed to date. She indicated that legislation had been introduced to change the final average salary cap from 10% to 20% and that she was waiting to hear from the actuary regarding any cost to that proposal. She also reported that the temporary bump for retirees who had reached the COLA cap had been introduced again this year. She indicated that MRTA has stated that they will not push this legislation due to the recent downturn in the investment markets and the effect of that on the funding of the system.

TTTF Update Mr. Rob Rust gave a brief update on the pension project as well as other projects within the office. On the pension project, Mr. Rust reported that staff is currently working with the vendor to resolve some issues and to determine what is in scope under the RFP and what is outside of that. He indicated that he would rate the status of the project as caution and that Maximus will be present at the April meeting to provide an additional update from their perspective.

Section 218 Update Mr. Alan Thompson reported that the Federal Task Force had met on February 5 and officially moved the implementation date for any changes regarding coverage for some PSRS members under social security from July 1, 2009, to July 1, 2010. He indicated that the Task Force hopes to complete their work and release a report of their findings by mid March.

Member Services Mr. Dearld Snider presented mid-year statistical data regarding member services activities.

Public Comment Ms. DeeAnn Aull, MNEA, thanked the Board and staff for hosting the January 21 meeting regarding the recent investment markets and how it affects the funding of the systems.

**Closed
Session**

PSRS4173
PEERS2430

Mr. Wheeler moved that the meeting continue in closed session to hear the legal report, a member appeal and to review personnel matters in accordance with section 610.021 (1) and (3), RSMo. Mrs. Preston seconded the motion. Voting “Aye”—Zubeck, Nodler, Heath, O’Donnell, Preston, Wheeler and Zalis; “Nay”—None. The motion carried unanimously.

Motion No. PSRS4174 through PSRS4176 were made in closed session.
Motion No. PEERS2431 and PEERS2432 were made in closed session.

Adjournment

The meeting adjourned following closed session.