

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

**February 11, 2013**

**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 9:30 a.m. at the Retirement System office in Jefferson City, Missouri. In attendance were Aaron Zalis, Wayne Wheeler, Yvonne Heath, Jason Hoffman, Scott Hunt, and Susan McClintic, Board Members. In attendance via telephone was Don Cupps, Board Member. 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  
PSRS4414  
PEERS2652**

Mr. Wheeler moved that the minutes from the December 10, 2012 and the January 25, 2013 meetings be approved. Ms. McClintic 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.

## Investments

### **Performance Report**

Mr. Craig Husting reviewed the performance report for December 31, 2012, which included the fiscal year-to-date return of 5.9% and the one-year return of 12.1%. He gave an overview of combined investment results broken down between Safe Assets, Public Risk Assets and Private Risk Assets which make up the total asset value as of December 31, 2012 of \$31.8 billion. He also discussed the total plan attribution and as requested by the Board, he also discussed the impact of the new benchmark used to report Public Equity performance.

### **Ongoing Investment Activity**

Mr. Craig Husting reviewed ongoing investment activities, which included the fiscal year-to-date return of 8.7% as of January 31, 2013. He discussed the current asset allocation and the PSRS/PEERS portfolio, in which he reviewed the long-term strategy, portfolio themes and the broad portfolio expectations. Mr. Husting gave a Real Estate and Private Equity update as well as an update on Securities Lending and Commission Recapture programs. He also reviewed the tentative board investment calendar.

### **Anti-Terrorism Policy**

Mr. Craig Husting provided a full report of the annual compliance review of the Systems' Anti-Terrorism Investment Policy. On January 14, 2013, letters were mailed to selected federal officials requesting information on companies that, in their opinion, had terrorist links. Mr. Husting stated that no response had been received. Staff and General Counsel recommended that no changes be made with regard to the Anti-Terrorism Investment Policy at this time.

## Management Report

### **ACH Resolution**

Ms. Lori Woratzeck reviewed a memo regarding a Resolution for ACH Service Operating Agreement. Our current depository, Central Bank, notified PSRS that the current Automated Clearing House (ACH) Operating Agreement does not include the most recent National Automated Clearing House Association Rules. The resolution authorizes Steve Yoakum, Craig Husting, or Dearld Snider to sign the new agreement on behalf of PSRS. Mr. Hunt moved that the following resolution be approved:

#### **Resolution of Authorization ACH Service Operating Agreement**

WHEREAS, the Public School Retirement System of Missouri (hereinafter the "Company") desires to obtain a variety of services from Central Bank as described by the certain Automated Clearing House Service Operating Agreement of even date herewith, and it is necessary or desirable that the Automated Clearing House Service Operating Agreement be authorized by the Company, and the Company desires to give such approval;

NOW, THEREFORE, BE IT RESOLVED, that the persons listed below (the "Authorized Persons") shall enter into and execute and deliver the Automated Clearing House Service Operating Agreement and such applications, instruments, documents, agreements, financial statements, and other writings and any amendments or modifications of any of the same, as in the opinion of the Authorized Persons may

be necessary or desirable to consummate the Automated Clearing House Service Operating Agreement; and

M. Steve Yoakum, Executive Director  
Craig A. Husting, Assistant Executive Director, Investments  
Deard A Snider, Assistant Executive Director, Operations

FUTHER RESOLVED, that the Authorized Persons are hereby authorized and directed to execute, acknowledge and deliver on behalf of the above-referenced entity, as the Authorized Persons may deem necessary or desirable, any and all documents and other writings to consummate the Automated Clearing House Service Operating Agreement together with any modifications of the same, and to perform the transactions.

This Authorization may be executed in two or more counterparts and by the different parties hereto on separate counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute but one and the same Authorization.

IN EXECUTING THE AUTOMATED CLEARING HOUSE SERVICE OPERATING AGREEMENT, THE PERSONS NAMED ABOVE WILL AUTHORIZE AN ADMINISTRATOR AS SET FORTH IN THE ADDENDA TO DESIGNATE USERS TO ACCESS ACCOUNTS FROM TIME TO TIME.

PSRS4415  
PEERS2653

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

### **Amendments to Regulations**

Mr. Alan Thompson presented amendments to regulations regarding the PSRS/PEERS disability retirement program. Following several questions and discussion, Mr. Hunt moved to approve the following amendments to regulations:

**16 CSR 10-5.020 Disability Retirement.** The Retirement System is amending Section 8 and adding a new section, to be numbered (10).

*PURPOSE: This amendment clarifies that the Retirement System may request financial information from Disability Retirement recipients and sets forth the requirements and procedures when a disability retiree returns to work on a trial basis.*

(8) Any person who is receiving a disability retirement allowance from the retirement system and who has not attained age sixty (60) may not be employed in any capacity by a district included in the retirement system and continue to receive the retirement allowance. Any such person may not be employed in any capacity for any other employer, the compensation for which employment would constitute a livelihood, and continue to receive the retirement allowance. The executive director, and/or the board of trustees shall determine what constitutes a livelihood in such instance. **The recipient of disability benefits may be required to submit tax returns, W-2 forms, paycheck stubs and other forms of documentation as evidence of continued eligibility for disability retirement.**

**(10) A recipient of disability benefits may make a written request to the board of trustees to return to full-time or part-time employment on a trial basis. The written request shall include the proposed employer and the proposed start date of employment. The written request shall then either be approved or denied by the board of trustees. If the request is approved, the recipient's disability benefit shall be placed on hold by the board of trustees for the duration of the trial period, which is not to exceed twelve (12) calendar months. If the recipient is unable to complete his or her trial basis employment period, the recipient must provide written documentation to the board of trustees stating that he or she is not able to complete the trial period. The board of trustees may require the recipient to again submit to a periodic examination by physicians selected by the board of trustees, to determine if the recipient remains incapable of earning a livelihood in any occupation. If determined to still be incapable of earning a livelihood in any occupation, the recipient shall again be considered a Disability Retiree and receive a disability retirement benefit without resubmitting an Application for Disability Retirement; any contributions paid to the Retirement System by the recipient and his or her employer during the incomplete trial basis employment period will be refunded to the employer, which shall then refund its employee for any employee-paid contributions. The recipient shall receive no additional service credit for the incomplete trial basis employment period. If the recipient does successfully complete his or her trial basis employment, his or her Disability Retirement will be terminated and his or her membership status as of the date of the member's disability retirement shall be restored; any contributions paid by the recipient and his or her employer to the Retirement System by the recipient and his or her employer during the trial basis employment period will be retained by the Retirement System, and the recipient will be granted service credit for the trial basis employment period. In no event shall the recipient receive a benefit payment in the same calendar month in which the recipient either works for his or her trial basis employer or receives service credit.**

**16 CSR 10-6.070 Disability Retirement-** The Retirement System is amending Sections 1 and 7 and adding a new section, to be numbered (8).

*PURPOSE: This amendment deletes an unnecessary cross-reference, clarifies that the Retirement System may request financial information from Disability Retirement recipients and sets forth the requirements and procedures when a disability retiree returns to work on a trial basis.*

(1) A member claiming disability retirement must file a written application for retirement with the board of trustees on a form provided by the board. If a member, because of physical or mental disability, is unable to make application for disability retirement, the written application may be completed by a guardian or trustee designated by a court, and the completed application shall be accompanied by a certified copy of the court order designating the guardian or trustee. If a member indicates in his/her application for disability retirement [(see 16 CSR 10-5.020)] that s/he has applied for disability benefits provided by the Social Security Act, the Award Letter, or certified copy thereof, issued by the Social Security

Administration, will serve as evidence that disability exists.

(7) Any person who is receiving a disability retirement allowance from the retirement system and who has not attained age sixty (60) may not be employed in any capacity by a district included in the retirement system and continue to receive the retirement allowance. Any such person may not be employed in any capacity for any other employer, the compensation for which employment would constitute a livelihood, and continue to receive the retirement allowance. The executive director, and/or the board of trustees, shall determine what constitutes a livelihood in such instance. **The recipient of disability benefits may be required to submit tax returns, W-2 forms, paycheck stubs and other forms of documentation as evidence of continued eligibility for disability retirement.**

**(8) A recipient of disability benefits may make a written request to the board of trustees to return to full-time or part-time employment on a trial basis. The written request shall include the proposed employer and the proposed start date of employment. The written request shall then either be approved or denied by the board of trustees. If the request is approved, the recipient's disability benefit shall be placed on hold by the board of trustees for the duration of the trial period, which is not to exceed twelve (12) calendar months. If the recipient is unable to complete his or her trial basis employment period, the recipient must provide written documentation to the board of trustees stating that he or she is not able to complete the trial period. The board of trustees may require the recipient to again submit to a periodic examination by physicians selected by the board of trustees, to determine if the recipient remains incapable of earning a livelihood in any occupation. If determined to still be incapable of earning a livelihood in any occupation, the recipient shall again be considered a Disability Retiree and receive a disability retirement benefit without resubmitting an Application for Disability Retirement; any contributions paid to the Retirement System by the recipient and his or her employer during the incomplete trial basis employment period will be refunded to the employer, which shall then refund its employee for any employee-paid contributions. The recipient shall receive no additional service credit for the incomplete trial basis employment period. If the recipient does successfully complete his or her trial basis employment, his or her Disability Retirement will be terminated and his or her membership status as of the date of the member's disability retirement shall be restored; any contributions paid by the recipient and his or her employer to the Retirement System by the recipient and his or her employer during the trial basis employment period will be retained by the Retirement System, and the recipient will be granted service credit for the trial basis employment period. In no event shall the recipient receive a benefit payment in the same calendar month in which the recipient either works for his or her trial basis employer or receives service credit.**

**16 CSR 10-5.030 Beneficiary-** The Retirement System is amending Section 15.

*PURPOSE: This amendment clarifies the application of 169.076.2., RSMo.*

(15) Pursuant to section 169.076.2., RSMo, the member's marriage, divorce,

withdrawal of accumulated contributions, or the birth of the member's child, or the member's adoption of a child, shall result in an automatic revocation of the member's previous designation in its entirety only if such event occurred on or after August 28, 2005, and before the member's effective **service** retirement date.

**16 CSR 10-6.090 Beneficiary-** The Retirement System is amending Section 8.

*PURPOSE: This amendment clarifies the application of 169.676.2., RSMo.*

(8) Pursuant to section 169.676.2., RSMo, the member's marriage, divorce, withdrawal of accumulated contributions, or the birth of the member's child, or the member's adoption of a child, shall result in an automatic revocation of the member's previous designation in its entirety only if such event occurred on or after August 28, 2005, and before the member's effective **service** retirement date.

PSRS4416  
PEERS2654

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

### **Legislative Update**

Ms. Maria Walden reported briefly on the status of legislation which has been introduced affecting PSRS/PEERS and other Missouri public pension systems. HB313 which permanently extends the 25-and-out provisions for both PSRS and PEERS and the 2.55% formula factor for PSRS was referred to Committee. SB232 is the same provision as HB313 and was introduced in the Senate. Ms. Walden expects a hearing on these provisions soon. SB221 codifies the Funding Stabilization Policy and requires the contribution rate not to be fixed below the 2011-2012 school year rate until the systems are 100% pre-funded. An identical bill was introduced in 2012 which the Board opposed. It was the consensus of the Board that this concept removes the flexibility of the Board to keep the Systems adequately funded. Following discussion, Mr. Hoffman moved that the Board reaffirm their position last year to oppose the concept. Ms. McClintic seconded the motion. Voting "Aye" —Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; "Nay"—None. The motion carried unanimously.

PSRS4417  
PEERS2655

### **Pension Project**

Mr. Will Morrow of L.R. Wechsler, Ltd. was present to update the Board on the pension project. He reported that Phases 1-3 have been completed with Phase 3 being completed 100 days behind schedule. Phase 4 had already begun and Phase 5 just began in February. Mr. Morrow stated that, overall, the project is 67% complete and is on track for a Go Live date of January 2014. He reviewed current project risks and a 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, and new membership records received. She also broke down PSRS and PEERS active membership by generations and retirement eligibility. Ms. Peterson discussed the Mid-Career program and played a short video promoting the program.

### **Employer Services**

Mr. Jeff Russler, Director of Employer Services, presented information regarding an outsourcing survey conducted by the Employer Services Department. The survey was sent to covered employers and the objective of the survey was to gain a general

understanding on the number of school districts currently outsourcing, the services being outsourced and the starting point for future trend analysis. Mr. Russler went over the survey results and also discussed retirement incentive issues. Ms. McClintic suggested future surveys include questions regarding the outsourcing of substitute teachers.

**Public  
Comment**

Mr. Cecil Sharp from MNEA commented that Ms. Ronda Peterson's presentation was done very well with nice visuals. Also wanted to comment that the Mid-Career video was very good and well liked. He thanked Mr. Dearld Snider for attending a recent meeting for MNEA.

**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.

PSRS4418  
PEERS2656

Motion No. PSRS4419 through PSRS4420 were made in closed session.  
Motion No. PEERS2657 through PEERS2658 were made in closed session.

**Adjournment**

The meeting adjourned following closed session.