

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

**January 13, 2014**

**MEMBERS PRESENT**

Aaron, Zalis, Chair  
Jason Hoffman  
Susan McClintic  
Yvonne Heath  
Scott Hunt  
Bill Compere  
Wayne Wheeler

**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  
Maria Walden, Dir. of Legislation  
Nicole Hamler, Dir. Admin Planning

**Meeting  
Convened**

The meeting of the Board of Trustees convened at 4:00 p.m. at the Retirement System offices in Jefferson City, Missouri. In attendance were Aaron Zalis, and Jason Hoffman, Board Members. Yvonne Heath, Bill Compere, Wayne Wheeler, Scott Hunt and Susan McClintic, Board Members, were present via telephone. 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; Maria Walden, Dir. of Legislation and Policy; Nicole Hamler, Director of Administrative Planning and Design; and various other PSRS/PEERS investment staff members.

**Approval of  
Minutes  
PSRS4471  
PEERS2708**

Ms. McClintic moved that the minutes from the October 27-28, 2013 meeting be approved. Mrs. Heath seconded the motion. Voting “Aye”—Zalis, Compere, Heath, Hoffman, Wheeler, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

**Investments**

**Investment  
Policy  
Changes**

**PSRS4472  
PEERS2709**

Mr. Craig Husting and Mr. Michael Hall provided an overview of the recommended changes to the Investment Policy. Mr. Husting indicated that majority of 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. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Wheeler, Compere, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

## Management Report

### **Amendments to Regulations**

Mr. Alan Thompson presented an amendment to regulations clarifying that payments resulting from employment disputes are not to be considered “salary” for purpose of the Retirement System. Following discussion, Mr. Wheeler moved to approve the following amendments to regulations:

**16 CSR 10-3.010 Payment of Funds to the Retirement System.** The Retirement System is amending Section 9.

*PURPOSE: This amendment clarifies that payments resulting from employment disputes are not to be considered “salary” for the purposes of the Retirement System.*

(9) The terms “salary,” “salary rate” and “compensation” are synonymous when used in regulations promulgated by the board, unless the context plainly requires a different meaning.

(A) For purposes of calculating contributions and benefits, those terms mean the regular remuneration earned by a member as an employee of any covered district during a school year, including (unless excluded by subsection (11)(B)):

1. Salary paid under the terms of the basic employment agreement;
2. Wages;
3. Payments for extra duties, whether or not related to the employee’s regular position;
4. Overtime payments;
5. Career ladder payments made pursuant to sections 168.500 to 168.515, RSMo;
6. Supplemental salary paid in addition to workers compensation;
7. Medical benefits as specified in section (9) of this rule;
8. Payment for annual leave, sick leave or similar paid leave actually used by the member;
9. Payment for leaves of absence if at least one hundred percent (100%) of previous contract rate;
10. Compensation on which taxation is deferred under Internal

Revenue Code (IRC) section 401(k), 403(b), 457, 414(h)(2) or similar plans established by the employer under the IRC;

11. Salary reductions for purposes of a plan established by the employer under IRC section 125; and

12. Other similar payments that are earned by a member as an employee of any covered district during a school year.

(B) Salary, salary rate and compensation do not include:

1. Payments for services as an independent contractor, or any other payment that must be reported on IRS form 1099-MISC;

2. Payments made by an entity that is not a covered employer, and reported to the IRS under that entity's tax identification number;

3. Payments made for unused annual, sick or similar leave time, except as provided by section 104.601, RSMo;

4. Payment for leaves of absence if less than one hundred percent (100%) of previous contract rate, except as provided in section 169.055 or 169.595, RSMo;

5. Extraordinary payments such as bonuses, awards and retirement incentives;

6. Fringe benefits, except medical benefits as described in section (9) of this rule; and

7. Any other payment that is not part of the regular remuneration earned by a member as an employee of a covered district during a school year.

**8. Payments resulting from employment disputes including severance pay, back pay awards, payments in settlement of employment contract disputes, payments in consideration for agreeing to terminate employment and payments in settlement of other employment disputes.**

(C) While an individual is employed in a position covered by the system, compensation received from all employers participating in the system will be used to determine contributions and benefits. Compensation includes payments for services rendered during the regular school session, summer school or interim periods. Individuals may not have compensation covered by both Public School Retirement System (PSRS) and Public Education Employee Retirement System (PEERS) for the same period; provided, individuals who contributed to both systems on compensation for the same

period during the 1996-97 school year may elect in writing to continue that status. The election is irrevocable and must be made before September 30, 1997.

*[(D) The following payments resulting from employment disputes will be included in salary if the award or settlement document designates those payments as salary as defined in this section: back pay awards; payments in settlement of employment contract disputes; and payments in settlement of other employment disputes. The award or settlement may be the result of a court order, an order of an administrative tribunal, or a negotiated written settlement. The payments must be allocated to the appropriate school years and corrected contributions made, including interest charges.]*

*[(E)] (D)* In determining “final average salary” as defined in section 169.010, RSMo, the system will disregard any increase in compensation in excess of ten percent (10%) from one year to the next in the final average salary period. This limit will not apply to increases due to bona fide changes in position or employer, increases required by state statute, or district wide salary schedule adjustments for previously unrecognized education related service.

**16 CSR 10-6.020 Source of Funds.** The Retirement System is amending Section 11.

*PURPOSE: This amendment clarifies that payments resulting from employment disputes are not to be considered “salary” for the purposes of the Retirement System.*

(11) The terms “salary,” “salary rate,” and “compensation” are synonymous when used in regulations promulgated by the board, unless the context plainly requires a different meaning.

(A) For purposes of calculating contributions and benefits, those terms mean the regular remuneration earned by a member as an employee of any covered district during a school year, including (unless excluded by subsection (12)(B)):

1. Salary paid under the terms of the basic employment agreement;
2. Wages;
3. Payments for extra duties, whether or not related to the employee’s regular position;
4. Overtime payments;

5. Career ladder payments made pursuant to sections 168.500 to 168.515, RSMo;
6. Supplemental salary paid in addition to workers' compensation;
7. Medical benefits as specified in section (10) of this rule;
8. Payment for annual leave, sick leave, or similar paid leave actually used by the member;
9. Payment for leaves of absence if at least one hundred percent (100%) of previous contract rate;
10. Compensation on which taxation is deferred under Internal Revenue Code (IRC) section 401(k), 403(b), 457, 414(h)(2), or similar plans established by the employer under the IRC;
11. Salary reductions for purposes of a plan established by the employer under IRC section 125; and
12. Other similar payments that are earned by a member as an employee of any covered district during a school year.

(B) Salary, salary rate, and compensation do not include:

1. Payments for services as an independent contractor, or any other payment that must be reported on IRS form 1099-MISC;
2. Payments made by an entity that is not a covered employer, and reported to the IRS under that entity's tax identification number;
3. Payments made for unused annual, sick, or similar leave time, except as provided by section 104.601, RSMo;
4. Payment for leaves of absence if less than one hundred percent (100%) of previous contract rate, except as provided in section 169.595, RSMo;
5. Extraordinary payments such as bonuses, awards, and retirement incentives;
6. Fringe benefits, except medical benefits as described in section (10) of this rule; and
7. Any other payment that is not part of the regular remuneration earned by a member as an employee of a covered district during a school year.

**8. Payments resulting from employment disputes including severance pay, back pay awards, payments in settlement of employment contract disputes, payments in consideration for agreeing to terminate employment and payments in settlement of other employment disputes.**

(C) While an individual is employed in a position covered by the system, compensation received from all employers participating in the system will be used to determine contributions and benefits. Compensation includes payments for services rendered during the regular school session, summer school, or interim periods. Individuals may not have compensation covered by both Public School Retirement System (PSRS) and Public Education Employee Retirement System (PEERS) for the same period; provided, individuals who contributed to both systems on compensation for the same period during the 1996–97 school year may elect in writing to continue that status. The election is irrevocable and must be made before September 30, 1997.

*[(D) The following payments resulting from employment disputes will be included in salary if the award or settlement document designates those payments as salary as defined in this section: back pay awards; payments in settlement of employment contract disputes; and payments in settlement of other employment disputes. The award or settlement may be the result of a court order, an order of an administrative tribunal, or a negotiated written settlement. The payments must be allocated to the appropriate school years and corrected contributions made, including interest charges.]*

*[(E)]* (D) In determining “final average salary” as defined in section 169.600, RSMo, the system will disregard any increase in compensation in excess of twenty percent (20%) from one year to the next in the final average salary period. This limit will not apply to increases due to bona fide changes in position or employer or increases required by state statute.

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

PSRS4473  
PEERS2710

**Policy**  
**Amendments**

Mr. Alan Thompson presented an amendment to policy for PSRS and PEERS that relate to the ability of PSRS and PEERS to accept after-tax rollovers consistent with the Internal Revenue Code, Treasury Regulation and guidance related to the Code and Regulations. Mr. Thompson stated that these policy changes are consistent with PSRS and PEERS statutes and regulations. Following discussion, Mr. Hunt moved to approve the following policy amendments:

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.

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.

PSRS4474  
PEERS2711

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

**Closed Session**

PSRS4475  
PEERS2712

Mr. Hoffman moved that the meeting continue in closed session to consider member appeals and legal matters under sections 610.021 (1), (14), (20) and 169.020.15, RSMo. Mr. Hunt seconded the motion. Voting "Aye" —Zalis, Wheeler, Compere, Hoffman, Heath, Hunt and McClintic; "Nay"—None. The motion carried unanimously.

Motion No. PSRS4476 through PSRS4478 were made in closed session.  
Motion No. PEERS2713 through PEERS2715 were made in closed session.

**Adjournment**  
PSRS4479  
PEERS2716

Mr. Hunt moved that the meeting adjourn. Mr. Hoffman seconded the motion. Voting "Aye" —Zalis, Wheeler, Compere, Heath, Hoffman, Hunt and McClintic; "Nay"—None. The motion carried unanimously.