

**BOARD OF TRUSTEES**  
**OF**  
**THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI**  
**AND**

**THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI**

**June 13, 2011**

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

**OTHERS PRESENT**

M. Steve Yoakum, Executive Director  
Craig Husting, AED, Investments  
Dearld Snider, AED, Operations  
Alan Thompson, General Counsel  
Lori Woratzeck, Chief Finan. Officer  
Jeff Russler, Dir. Employer Services  
Janet Harris, Internal Auditor  
Ronda Peterson, Member Serv. Dir.  
Maria Walden, Legislative Dir.  
Tom Smith, IT Director  
Mary Hiatte, Executive Assistant

**Work Session**

The Board held a work session from 8:00 a.m. until 11:45 a.m. Messrs. Sheldon Gamzon and Brandon Robertson of PricewaterhouseCoopers were present to discuss the findings of the five-year actuarial experience study which PwC had recently completed. The actuaries discussed the various actuarial assumptions and how each one affects the normal cost and the unfunded liability. Following the review of the study, the actuaries made several recommendations for changes in the assumptions as well as a funding strategy based on the results of the experience study. No action was taken during the work study session.

**Board Meeting**

**Meeting  
Convened**

The meeting of the Board of Trustees convened at 1:00 p.m. at the St. Charles Convention Center in St. Charles, Missouri. In attendance were Aaron Zalis, Wayne Wheeler, Donald Cupps, Yvonne Heath, Scott Hunt, Jason Hoffman and Susan McClintic, Board Members. Also present were M. Steve Yoakum, Executive Director; Dearld Snider, Assistant Executive Director, Operations; Alan Thompson, General Counsel; Craig Husting, Assistant Executive Director, Investments; Lori Woratzeck, Chief Financial Officer; Ronda Peterson, Director of Member Services, Jeff Russler, Director of Employer Services; Tom Smith, Director of Information Technology; Maria Walden, Director of Legislation and Policy; Janet Harris, Internal Auditor; various other PSRS/PEERS staff members; and Mary Hiatte, Executive Assistant.

**Approval of Minutes**  
PSRS4329  
PEERS2573

Mr. Cupps moved that the minutes from the April 10-11, 2011, meetings be approved. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Hoffman and McClintic; “Nay”—None. Mrs. Heath and Mr. Hunt abstained since they were not present for the April meeting.

**Order of Business**

The order of business was approved with the addition of a vote on the compensation strategy presented in the Budget and Audit Committee meeting.

**Investments**

**Activities Memo**

Mr. Michael Hall of Towers Watson was present for the investment update. Mr. Craig Husting reviewed the ongoing investment activities memo, which included the year-to-date return for FY 2011, the current asset allocation, the securities lending and commission recapture programs, the status of the passive index service provider, as well as the real estate and private equity portfolios.

**Management Report**

**Budget Adj. & Comp. Strategy**  
PSRS4330  
PEERS2574

Mr. Wheeler moved that the budget adjustment and the Compensation Strategy as presented to the Budget and Audit Committee be approved. Mrs. Heath seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

**Amendment to Regs.**

Mr. Cupps moved that the following amendments to the regulations be adopted and filed with the Secretary of State’s Office:

16 CSR 10-4.012 Payment for Reinstatement and Credit Purchases

(7) The total amount of any payments made on an application for purchase or reinstatement that buys a minimum of [*one-tenth (0.1)*] **one-one-hundred thousandth (0.00001)** or more of credit shall be credited to the member’s accumulated contributions no later than the close of the school year in which payment is made in full or upon termination of membership.

(8) If payment to reinstate or purchase credit for which the member applies is not completed within the period established by law, or prior to termination of membership with the retirement system, the amount paid will be— a) used to allow proportional credit where permissible, based on the relationship between the total principal due at application and the total of the payments applied to the principal, and the total amount paid will be credited to the member’s accumulated contributions; or b) refunded to the member if proportional credit is not allowable. Unless proportional credit is not allowed, only payments purchasing less than the first [*one-tenth (0.1)*] **one-one-hundred thousandth (0.00001)** year of credit will be refunded. **No other refunds will be permitted except as specifically stated in this regulation.**

(9) If a member dies before retirement or retires on service or disability retirement after having made partial payments but not payment in full to reinstate or purchase credit, the partial payments will be refunded to the member's beneficiary or the retiree if proportional credit is not allowable by law or by rule of the board of trustees. If proportional credit is allowable, the payments will be credited to the member's accumulated contributions and proportional credit will be allowed. If a member retires on disability retirement before completing payment **for a reinstatement of credit or for a purchase of PEERS credit only**, the balance due with interest shall be deducted from the disability retirement allowance as provided by law. Only payments purchasing less than first [*one-tenth (0.1)*] **one-one-hundred thousandth (0.00001)** year of credit will be refunded.

(10) For all elections to purchase credit received by the retirement system on or after January 1, 2006, the member shall receive credit based on the amount paid by the member for such credit and received by the retirement system by the close of business on June 30 of each year.

(11) In lieu of charging the member interest on elections to purchase credit received on or after January 1, 2006, the amount to be paid by the member for any remaining credit the member has elected to purchase but has not paid for by [*June*] **September** 30 of each **calendar** year shall be recalculated on the following [*July*] **October** 1 using the contribution rate in effect on that July 1 **of that same calendar year** and the highest salary of record for the member as of that July 1.

#### **16 CSR 10-4.014 Reinstatement and Credit Purchases**

*PURPOSE: This rule sets forth provisions relating to the reinstatement or purchase of membership service credit in the retirement system.*

(6) The following provisions shall apply to a purchase of membership service credit for maternity or paternity leave under section 169.056, RSMo:

- (A) A period of leave shall be considered maternity or paternity leave for which membership service credit may be purchased if:
1. The leave was unpaid;
  2. The leave related to a natural birth, legal adoption, or terminated pregnancy by the member or the member's spouse or significant other;
  3. The member was employed in a position covered by the retirement system at the time the leave relating to the initial natural birth, legal adoption, or terminated pregnancy began;
  4. The member provides [*a notarized affidavit signed by the member*] **written confirmation** stating that the leave was maternity or paternity leave;
  5. The member provides a certified copy of a birth certificate, or certification of adoption, or physician's certification of termination of

pregnancy, which indicates that the event occurred within a reasonable time before or after the period of maternity or paternity leave began; and

6. The member returns to employment in a position covered by the retirement system.

(B) The maternity or paternity leave for which membership service credit may be purchased shall terminate upon the member's return to covered employment and may not exceed one (1) year for each natural birth, legal adoption, or terminated pregnancy.

(C) A member may elect to purchase some or all of the period of maternity or paternity leave for which the member is eligible.

(7) "Public college" as that phrase is used in section 169.056.3, RSMo and "private college" as that phrase is used in section 169.056.9, RSMo shall include junior colleges and community colleges either inside or outside of Missouri. "Private school, college, or university" as that phrase is used in section 169.056.9, RSMo shall not include trade schools.

(8) The following provisions shall apply to the purchase of creditable service under section 105.691, RSMo:

(A) A member may elect to purchase creditable service under section 105.691, RSMo only if the member had previously acquired creditable service in a retirement plan defined in that section for the employment to which the election applies; except that if the service did not meet the membership requirements of the employer's retirement plan or the employer had no such retirement plan at the time the service was rendered, but the service would otherwise have met the membership requirements of this system as in effect when the election is made, the member shall be eligible to purchase such creditable service. The creditable service allowable shall be determined in accordance with the provisions of section 105.691, RSMo and the rules of the board of trustees; and

(B) A member who does not complete payment in full on an application to purchase creditable service under section 105.691, RSMo within the time limit prescribed by law may reapply to purchase creditable service for that same period of employment. The member may apply within the limits of the law to purchase creditable service for any other period of employment for which application to purchase creditable service was not previously made.

(9) The purchase of creditable service pursuant to section 169.577, RSMo shall be administered as follows:

(A) Any member will be considered "within five (5) years of being eligible to retire with a retirement allowance" if that person would be eligible to

begin receiving a full or reduced retirement allowance from the public school retirement system, by virtue of accrual of five (5) or fewer years of creditable service or the passage of five (5) or fewer calendar years;

(B) The salary used in calculating the cost of creditable service purchased pursuant to section 169.577, RSMo, is not “compensation payable to a member” as that phrase is used in section 169.010(8), RSMo, and shall not be used in determining final average salary;

(C) Credit purchased shall be used for all purposes except vesting;

(D) The cost of the purchase shall be calculated pursuant to the provisions of 16 CSR 10-4.012;

(E) A purchase shall be made only in increments of [*one-tenth (1/10)*] **at least one-one-hundred thousandth (0.00001)** year and may not exceed five-tenths [*(5/10)*] **(0.5)** year; and

(F) If the total payments made prior to termination of membership with the retirement system are insufficient to purchase all the credit for which the member applied, proportional credit shall be allowed based upon the ratio between the amount due for the entire period for which election to purchase was made and the total amount of the payments applied to reduce the principal amount due[, *but only*] in increments of [*one-tenth (1/10)*] **one-one-hundred thousandth (0.00001)** year. The amount of partial payments not used to purchase credit or pay interest shall be refunded.

(10) The following provisions shall apply when individuals are reemployed by a district pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), and its successors:

(A) When the system is notified by either a district or a member of a period covered by USERRA, the system will [*obtain*] **require the member to obtain written** confirmation from the district of the period covered and the compensation that would apply;

(B) A period covered by USERRA will not be a break in service for purpose of termination of membership and will count toward vesting, but not toward benefit calculation unless the member elects to pay required contributions as provided in this regulation;

(C) A member may elect, within five (5) years of reemployment, to pay the system the employee contributions the member would have made, using the contribution rates and salary that would have applied during the period, as required by USERRA;

(D) Where the member has elected to pay employee contributions under USERRA, the district reemploying the member is required under federal and state law to pay the contributions the employer would have paid, using the contribution rates and salary that would have applied during the period and interest on the contributions at the assumed rate of return on invested funds of the system;

(E) The employer shall pay the employer contributions and interest no later than the end of the school year following the year in which the employee files an election to make the employee contributions;

(F) Payment of employee contributions may be made, without interest, over the period from the date of election to five (5) years after reemployment, provided that interest shall begin to accrue on any unpaid balance remaining at the end of such five (5) years; and

(G) Payment must be completed prior to termination of membership with the retirement system. If the member fails to complete payment of the employee contributions during the period allowed, proportional credit shall be allowed based on the ratio between the amount due for the entire period and the total amount of the payments made and to the nearest [*tenth*] **one-one-hundred thousandth (0.00001)** of one year [*with any payments purchasing less than one-tenth (1/10) year being refunded, and the employer contributions and interest shall be adjusted accordingly*]. **In the event that the member fails to complete payment of the employee contributions during the period allowed and only proportional credit is given, employer contributions and interest shall be adjusted accordingly and any excess employer contributions shall be refunded to the employer, with interest.**

(11) A member electing to purchase membership service credit for service in the armed forces shall receive one (1) year of credit for each twelve (12)-month period of such service. For any such period of service in the armed forces of less than twelve (12) months, the member shall receive proportional credit computed to the nearest [*tenth*] **one-one-hundred thousandth (0.00001)** of a year; provided that, if the member entered on active duty in the armed forces no later than the date on which the member's services were to have begun under an employment agreement with a district included in the retirement system and if the total period of active military service that year would have entitled the member to a year of creditable service had that service been rendered in that position with the district, the member shall be entitled to purchase a full year of membership service credit for the period of service. No more than one (1) year of membership service credit shall be allowed for service in the armed forces or for a combination of service in the armed forces and actual service in a district included in the retirement system, for any one (1) school year.

## 16 CSR 10-6.040 Membership Service Credit

*PURPOSE: This rule sets forth the manner in which credit is to be earned or purchased in accordance with the provisions of sections 105.985, 169.595, 169.600, 169.620, and 169.650, RSMo.*

(9) In lieu of charging the member interest on elections to purchase credit received on or after January 1, 2006, the amount to be paid by the member for any remaining credit the member has elected to purchase but has not paid for by [June] **September 30** of each **calendar** year shall be recalculated on the following [July] **October 1** using the contribution rate in effect on that July 1 **of that same calendar year** and the highest salary of record for the member as of that July 1.

## 16 CSR 10-6.045 Reinstatement and Credit Purchases

*PURPOSE: This rule complies with provisions of Chapter 169, RSMo relating to the payments made of funds to the retirement system for reinstating and purchasing credit.*

(5) The total amount of any payments made on an application for purchase or reinstatement that buys a minimum of [*one-tenth (1/10)*] **one-one-hundred thousandth (0.00001)** or more of credit shall be credited to the member's accumulated contributions no later than the close of the school year in which payment is made in full or upon termination of membership.

(6) If payment to reinstate or purchase credit for which the member applies is not completed within the period, established by law, or prior to termination of membership within the retirement system, the amount paid will—a) be refunded to the member if proportional credit is not allowable, or b) be used to allow proportional credit where permissible, based on the relationship between the total principal due at application and the total of the payments applied to the principal, and the total amount paid will be credited to the member's accumulated contributions. Unless proportional credit is not allowed, only payments purchasing less than the first [*one-tenth (1/10)*] **one-one-hundred thousandth (0.00001)** year of credit will be refunded. **No other refunds will be permitted except as specifically stated in this regulation.**

(7) If a member dies before retirement or [*retirees*] **retires** on service or disability retirement after having made partial payments but not payment in full to reinstate or purchase credit, the partial payments will be refunded to the member's beneficiary or the retiree if proportional credit is not allowable by law or rule of the board of trustees. If proportional credit is allowable, the payments will be credited to the member's accumulated contributions and proportional credit will be allowed. If a member retires on disability retirement before completing payment **for a reinstatement of credit or for a purchase of PSRS credit only**, the balance due with interest shall be deducted from the disability retirement allowance as provided

by law. [Only payments purchasing less than the first one-tenth (1/10) year of credit will be refunded.]

(12) The purchase of creditable service pursuant to section 169.577, RSMo, shall be administered as follows:

(A) Any member will be considered “within five (5) years of being eligible to retire with a retirement allowance” if that person would be eligible to begin receiving a full or reduced retirement allowance from The Public Education Employee Retirement System, by virtue of accrual of five (5) or fewer years of creditable service or the passage of five (5) or fewer calendar years;

(B) The salary used in calculating the cost of creditable service purchased pursuant to section 169.577, RSMo, is not “compensation paid to a member” as that phrase is used in section 169.600(7), RSMo, and shall not be used in determining final average salary;

(C) Credit purchased shall be used for all purposes except vesting;

(D) The cost of the purchase shall be calculated pursuant to the provisions of 16 CSR 10-4.012;

(E) A purchase shall be made only in increments of **at least** [one-tenth (1/10)] **one-one-hundred thousandth (0.00001)** year and may not exceed five-tenths [(5/10)] **(0.5)** year; and

(F) If the total payments made prior to termination of membership with the retirement system are insufficient to purchase all the credit for which the member applied, proportional credit shall be allowed based upon the ratio between the amount due for the entire period for which election to purchase was made and the total amount of the payments applied to reduce the principal amount due, but only in increments of [one-tenth (1/10)] **one-one-hundred thousandth (0.00001)** year. The amount of partial payments not used to purchase credit or pay interest shall be refunded.

(13) The following [conditions] **provisions** shall apply when individuals are reemployed by a district pursuant to the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), and its successors:

(A) When the system is notified by either a district or a member of a period covered by USERRA, the system will **require the member to** obtain **written** confirmation from the district of the period covered and the compensation that would apply;

(B) A period covered by USERRA will not be a break in service for purpose of termination of membership and will count toward vesting, but not toward

benefit calculation unless the member elects to pay required contributions as provided in this regulation;

(C) A member may elect within five (5) years of reemployment to pay the system the employee contributions the member would have made, using the contribution rates and salary that would have applied during the period, as required by USERRA;

(D) Where the member has elected to pay employee contributions under USERRA, the district reemploying the member is required under federal and state law to pay the contributions the employer would have paid, using the contribution rates and salary that would have applied during the period and interest on the contributions at the assumed rate of return on invested funds of the system;

(E) The employer shall pay the employer contributions and interest no later than the end of the school year following the year in which the employee files an election to make the employee contributions;

(F) Payment of employee contributions may be made, without interest, over the period from the date of election to five (5) years after reemployment, provided that interest shall begin to *[accure]* **accrue** on any unpaid balance remaining at the end of such five (5) years; and

(G) Payment must be completed prior to termination of membership with the retirement system. If the member fails to complete payment of the employee contributions during the period allowed, proportional credit shall be allowed based on the ratio between the amount due for the entire period and the total amount of the payments made, and to the nearest *[tenth]* **one-one-hundred thousandth (0.00001)** of one (1) year *[with any payments purchasing less than one-tenth (1/10) year being refunded, and the employer contributions and interest shall be adjusted accordingly]*. **In the event that the member fails to complete payment of the employee contributions during the period allowed and only proportional credit is given, employer contributions and interest shall be adjusted accordingly and any excess employer contributions shall be refunded to the employer, with interest.**

(21) A member electing to purchase membership service credit for service in the armed forces may purchase one (1) year of credit for each twelve (12)-month period of such service. For any such period of service in the armed forces of less than twelve (12) months the member shall receive proportional credit computed to the nearest *[tenth]* **one-one-hundred thousandth (0.00001)** of a year; provided that if the member entered active duty in the armed forces no later than the date on which the member's services were to have begun under an employment agreement with a district included in the retirement system, and if the total period of active military service that year would have entitled the member to a year of creditable service had

that service been rendered with the district, the member shall be eligible to purchase a full year of credit. No more than one (1) year of membership service credit shall be allowed for service in the armed forces or for a combination of service in the armed forces and actual service in a district included in the retirement system, for any one (1) school year.

(22) The following provisions apply with respect to a purchase of credit for maternity or paternity leave pursuant to section 169.655, RSMo:

(A) A period of leave shall be considered maternity or paternity leave for which membership service credit may be purchased if:

1. The leave was unpaid;
2. The leave related to a natural birth or legal adoption;
3. The member was employed in a position covered by The Public Education Employee Retirement System at the time the leave relating to the initial natural birth or legal adoption began;
4. The member provides [*a notarized affidavit signed by the member stating*] **written confirmation** that the leave was maternity or paternity leave;
5. The member provides a certified copy of a birth certificate, certification of adoption, or physician's certification which indicates that the event occurred within a reasonable time before or after the period of maternity or paternity leave began; and
6. The member returns to employment in a position covered by The Public Education Employee Retirement System;

(B) The maternity or paternity leave for which membership service credit may be purchased shall terminate upon the member's return to covered employment and may not exceed one (1) year for each natural birth or legal adoption; and

(C) A member may elect to purchase some or all of the period of maternity or paternity leave for which the member is eligible.

PSRS4331  
PEERS2575

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

**Actuarial  
Experience  
Study**

The Board briefly discussed the actuarial experience study which had been discussed in detail at the earlier work session. Mr. Wheeler moved that the assumptions as recommended by the actuary as a result of the study be adopted. Mr. Hoffman seconded the motion. Voting "Aye"—Zalis, Wheeler, Heath, Hoffman, Hunt and McClintic; "Nay"—None. Mr. Cupps was not present when the vote was taken.

PSRS4332  
PEERS2576

**Legislative  
Update**

Mr. Jim Moody was present and reported briefly on state revenue. Mrs. Maria Walden gave a brief summary of the recently completed legislative session. She

reported that no legislation was passed which directly impacted either PSRS or PEERS.

**Pension Project**

Mr. Dearld Snider reported that Phase I of the pension project was complete and that Phase II is well underway.

**Member Services**

Mrs. Ronda Peterson gave a brief update on member services. She indicated that there had been an increase in the number of visitors handled by the Member Services Department and that the number of retirees for July 2011 appears to be very close to the same as last year.

**Public Comment**

There were no public comments.

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

PSRS4333  
PEERS2577

Motion No. PSRS4334 through PSRS4336 were made in closed session.  
Motion No. PEERS2578 through PEERS2580 were made in closed session.

**Budget 2011-12**

Mr. Hunt moved that the proposed 2011-12 budget be approved. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4337  
PEERS2581

**Adjournment**

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

PSRS4338  
PEERS2582