

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

**October 23-24, 2011**

**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, Dir. of Info. Technology  
Maria Walden, Legislative Director  
Paul Shadwick, Project Manager  
Mary Hiatte, Sr. Executive Advisor

**Credit and Global Equity Review – October 23, 2011**

**Meeting  
Convened**

The meeting convened at 5:35 p.m. – Board Members present were Aaron Zalis, Wayne Wheeler, Yvonne Heath, Jason Hoffman and Susan McClintic. Don Cupps was present via telephone. Scott Hunt was not present. Also present were M. Steve Yoakum, Executive Director, Craig Husting, Assistant Executive Director-Investments; Dearld Snider, Assistant Executive Director-Operations; various members of the Investment Staff; Michael Hall from Towers Watson; and Mary Hiatte, Senior Executive Advisor.

The Investment Staff reviewed the current portfolio structure with the Board and updated them on the Credit Program. In the credit program, the target allocation is 12%. The staff reported that, as of September 30, 2011, the allocation was 8.84%, or \$2.5 billion. The staff reviewed the actual investments in this program as well as the managers and investment returns. The staff also discussed their strategy going forward.

The Investment Staff also updated the Board on the Global Equity Program. The target allocation for the Global Equity Program is 15% with a range of 8% to 28%. As of September 30, 2011, the allocation was 15.4%, or \$4.3 billion. Staff reviewed the goals of the global equity program as well as the specific assets held in that class, the current managers, investment return, and the strategy going forward.

**Adjournment** The meeting adjourned at 6:20 p.m.

### **Regular Board Meeting**

**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, Yvonne Heath, Jason Hoffman, Scott Hunt, and Susan McClintic, Board Members. Don Cupps was present via telephone shortly after the meeting convened. 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; Tom Smith, Director of Information Technology; Jeff Hyman, Internal Auditor; Maria Walden, Legislative Director; various other PSRS/PEERS staff members; and Mary Hiatte, Senior Executive Advisor.

**Approval of Minutes** Mrs. Heath moved that the minutes from the August 29, 2011 meeting be approved. Ms. McClintic seconded the motion. Voting “Aye”—Zalis, Wheeler, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously. Mr. Cupps was not present.

**PSRS4348**  
**PEERS2591**

**Order of Business** The order of business was approved with no changes.

Don Cupps joined the meeting via telephone at 8:35 a.m.

### **Investments**

**Activities Memo** Mr. Craig Husting reviewed the ongoing investment activities memo, which included the year-to-date return for FY 2011 and the current asset allocation as well as an update on the securities lending and commission recapture programs and the real estate and private equity portfolios.

**Proxy Voting Review** Mr. Husting reviewed the proxy voting policy and reported that the Systems had received proxy voting reports from all public equity investment managers for Fiscal Year 2011.

**Asset/Liability Study** Mr. Husting and Mr. Hall discussed the results of the recent asset/liability study. Mr. Husting reviewed the process and indicated it was a joint effort of staff and Towers Watson. Mr. Hall talked about future investment return expectations and indicated that they had run thousands of scenarios for this study. Following discussion, Mr. Hall indicated that the continued use of an 8% investment return assumption was reasonable. Mr. Yoakum also discussed the results of a recent NASRA study which showed that most pension plans are still using an 8% assumed rate.

### **Actuarial Report**

**2011 Valuation** Mr. Brandon Robertson from PricewaterhouseCoopers was present to discuss the

results of the June 30, 2011, actuarial valuation for the systems. Mr. Robertson briefly reviewed the actuarial assumption changes which had been adopted based on the recently completed experience study. He reviewed the changes in membership, assets, liabilities and the funded status. He reported that the June 30, 2011, funded status of PSRS was 85.5% and PEERS was 85.3%. Following discussion, Mr. Wheeler moved that the contribution rate for PSRS remain at 29% and PEERS remain at 13.72% as recommended by the actuary. Mr. Hunt seconded the motion. Mr. Hoffman stated that he continues to struggle with the contribution rate for new teachers and stated that he would like to continue to research a Tier II plan in the future. Voting “Aye”—Zalis, Wheeler, Cupps, Hoffman, Heath, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4349  
PEERS2592

### **Report of External Auditor**

**Audit Report** Ms. Heidi Chick and Ms. Amanda Pinkerton of Williams Keepers were present to discuss the recent June 30, 2011, audit of the retirement systems. Ms. Chick indicated that Williams Keepers had issued a clean and unqualified opinion and that they were not making any recommendations for changes in the accounting methods used. Ms. Chick reviewed the audit process, financial statements and the footnotes. Ms. Pinkerton discussed the management letter. She indicated that they found no significant deficiencies or material weaknesses.

### **Management Report**

**Board Election** Ms. McClintic moved that the schedule for the PSRS/PEERS trustee election be approved. Mr. Hunt seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Hoffman, Heath, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4350  
PEERS2593

Mr. Cupps left the meeting at 11:00 a.m.

**Board Governance Report** Mr. Yoakum presented the board governance report recently completed by Cortex. Cortex had recommended a few minor changes in the wording of the governance policies. Mrs. Heath moved that the report be approved with the suggested changes. Mr. Hunt seconded the motion. Voting “Aye”—Zalis, Wheeler, Hoffman, Heath, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4351  
PEERS2594

**Pension Project** Mr. Dearld Snider updated the Board on the progress of the pension project. Mr. Snider reported that, overall, the project is a couple of weeks behind schedule but that Phase 3 is expected to start on time and that PSRS/PEERS is very satisfied with the working relationship and with progress to date.

**Public Comment** Maggie Elder informed the Board that Betty Quinlan had passed away earlier this year. Ms. Quinlan was instrumental in helping to establish PEERS in 1965.

Cecil Sharp stated that he had received some feedback from retirees regarding the action of the Board in adopting the Funding Stabilization Policy. Generally, he said many understand and are very appreciative of the stable COLA. He said some have difficulty understanding why the Board set the COLA at 2% rather than at the CPI level.

Warren Solomon referred to a recent article in the New York Times which outlined problems faced by the Rhode Island system. He suggested that PSRS be proactive in getting the word out that PSRS is well funded and financially stable. He believes the upcoming session of the General Assembly will be a challenging one and feels that it is important for legislators to understand that the PSRS Board and staff are being very diligent in making sure that PSRS/PEERS remain in good financial condition.

**Closed  
Session**

PSRS4352  
PEERS2595

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

Motion No. PSRS4353 and PSRS4358 were made in closed session.  
Motion No. PEERS2596 and PEERS2597 were made in closed session.

**Adjournment**

The meeting adjourned following closed session