

REGULAR MEETING
BOARD OF TRUSTEES
OF
THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI
AND
THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI
April 11-12, 2010

MEMBERS PRESENT

Tina Zubeck, Chair
Wayne Wheeler, Vice Chair
Donald Cupps
Yvonne Heath
Scott Hunt
Aaron Zalis

MEMBERS ABSENT

OTHERS PRESENT

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

Private Risk Asset Review Meeting – April 11, 2010

**Meeting
Convened**

The meeting convened at 7:25 p.m. – Board Members present were Zubeck, Wheeler, Heath, and Zalis. Also present were M. Steve Yoakum, Executive Director, Craig Husting, Assistant Executive Director-Investments; Dearld Snider, Assistant Executive Director-Operations; Lori Woratzeck, Chief Financial Officer; Anita Brand, Director of Investment Accounting; various members of the Investment Staff; and Mary Hiatte, Executive Assistant.

The investment staff gave an overview of the risk-based reporting structure. They reviewed the target allocations of the public and private risk assets as well as the safe assets. They reviewed the private equity and private credit portfolios. The staff indicated that we are currently in a challenging market environment but that they believe opportunities exist and long term rationale for exposure to the asset class remains intact. Representatives from Pathway were present to update the Board. They also reviewed a case study to give the Board a better understanding of the process used prior to committing to a partnership.

The staff also presented information on the history of the real estate program, the process used and where we are today. Representatives from Townsend were present and discussed several case studies with the Board. They indicated that 2009 was an extremely difficult year for private real estate but that, historically, some of the best opportunities come after such disruption.

Board Meeting – April 12, 2010

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 Tina Zubeck, Wayne Wheeler, Donald Cupps, Yvonne Heath, Scott Hunt and Aaron Zalis, Board Members. Also present were M. Steve Yoakum, Executive Director; Craig Husting, Assistant Executive Director, Investments; Dearld Snider, Assistant Executive Director, Operations; Alan Thompson, General Counsel; Ronda Peterson, Director, Member Services; Lori Woratzeck, Chief Financial Officer; Tom Smith, Director of Information Technology; Jeff Russler, Director of Employer Services; Janet Harris, Internal Auditor; Maria Walden, Legislative Director; various other PSRS/PEERS staff members; and Mary Hiatte, Executive Assistant.

Approval of Minutes PSRS4245 PEERS2499

Mr. Wheeler moved that the minutes from the February 26, 2010, meeting be approved. Mr. Hunt seconded the motion. Voting “Aye”—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; “Nay”—None. The motion carried unanimously.

Order of Business

The order of business was approved with no changes.

Election of Chair PSRS4246 PEERS2500

Dr. Zalis nominated Mrs. Zubeck to serve as Board Chair for the 2010-11 fiscal year. Mrs. Heath seconded the motion. No other nominations were made. Voting “Aye”—Wheeler, Cupps, Heath, Hunt and Zalis; “Nay”—None. Mrs. Zubeck abstained. The motion carried.

Election of Vice Chair PSRS4247 PEERS2501

Mr. Wheeler nominated Dr. Zalis to serve as Board Vice Chair for the 2010-11 fiscal year. Mr. Hunt seconded the motion. No other nominations were made. Voting “Aye”—Zubeck, Wheeler, Cupps, Heath and Hunt; “Nay”—None. Dr. Zalis abstained. The motion carried.

Interest Credit Rate PSRS4248 PEERS2502

Following discussion, Mr. Wheeler moved that the interest credit rate be set at 1% for June 30, 2010. Dr. Zalis seconded the motion. Voting “Aye”—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; “Nay”—None. The motion carried unanimously.

Interest Purchase Rate PSRS4249 PEERS2503

Mrs. Heath moved that the interest purchase rate continue at 8% as recommended by staff and which coincides with the assumed investment return. Mr. Cupps seconded the motion. Voting “Aye”—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; “Nay”—None. The motion carried unanimously.

Investments

Activities Memo

Mr. Craig Husting reviewed the ongoing investment activities memo, which included the year-to-date return for FY 2010, managers on the watch list, as well as an update on real estate and private equity.

Real Estate

Mr. Jack Koch and Mr. Martin Rosenberg of The Townsend Group were present to discuss the semi-annual review of the real estate portfolio. Mr. Koch presented preliminary 4th quarter return information. He also discussed the recent correction in the real estate market as well as the global downturn and the effects on real estate. He indicated that the markets appear to be stabilizing and felt that there are investment opportunities under the current market conditions even though real estate has not experienced the rebound that other classes have.

Private Equity

Mr. Doug LeBon, Ms. Anne Collins, and Mr. Vince Dee from Pathway were present to present their annual review of the private equity portfolio. Mr. LeBon reviewed the make up of the firm as well as their key strengths and gave an overview of the PSRS/PEERS investments. Mr. Dee discussed the diversity of the portfolio both by companies and geographics. Ms. Collins discussed returns for the past year. The indicated that they believe opportunities exist and that long term rationale for exposure to the asset class remains intact. Pathway also gave a brief overview of the absolute return portfolio.

Custodian

Mr. Craig Husting and Mr. Jonathan Kowolik of R.V. Kuhns reviewed the process used in the custodian search. Representatives from J.P. Morgan were present to introduce themselves and their firm to the Board. Mr. Cupps moved that J.P. Morgan be hired as the Systems' custodian as recommended by staff and R.V. Kuhns. Mr. Hunt seconded the motion. Voting "Aye"—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; "Nay"—None. The motion carried unanimously.

PSRS4250
PEERS2504

Management Report

Budget Adjustments
PSRS4251
PEERS2505

Mr. Cupps moved that the budget adjustments as presented by staff to the Budget and Audit Committee be approved. Dr. Zalis seconded the motion. Voting "Aye"—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; "Nay"—None. The motion carried unanimously.

Legislative Update

Mrs. Maria Walden and Mr. Jim Moody gave a brief legislative update to the Board. Mrs. Walden reviewed the various provisions currently pending in the legislature as well as the legislative calendar.

Pension Project

Mr. Dearld Snider gave a brief update on the pension project and the status of the contract with Sagitec.

Public Comment

Mr. Warren Solomon of MRTA asked about legislation changing PSRS/PEERS from a defined benefit plan to a defined contribution plan and how that would affect benefits of current retirees. Mr. Yoakum informed Mr. Solomon that it would not have a direct effect on individual retirees but would have a negative impact on future funding of the systems.

Closed Session
PSRS4252
PEERS2506

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), (3) and (13), RSMo. Mr. Hunt seconded the motion. Voting "Aye"—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; "Nay"—None. The motion carried unanimously.

Motion No. PSRS4253 through PSRS4255 were made in closed session.
Motion No. PEERS2507 and PEERS2508 were made in closed session.

Adjournment The meeting adjourned following closed session.