

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

**April 10, 2017**

**MEMBERS PRESENT**

Jason Hoffman, Vice Chair  
Yvonne Heath  
Scott Hunt  
Jason Steliga

**MEMBERS ABSENT**

Dr. Aaron Zalis, Chair

**OTHERS PRESENT**

M. Steve Yoakum, Exec. Director  
Dearld Snider, Asst. Exec. Dir., Oper.  
Craig Husting, Asst. Exec. Dir., Invest.  
Alan Thompson, General Counsel  
Anita Brand, Chief Finan. Officer  
Jeff Hyman, Internal Auditor  
Maria Walden, Legislative Director  
Ronda Peterson, Dir. of Member Serv.  
Nicole Hamler, Dir. Admin Planning

**Meeting  
Convened**

The meeting convened at 10:00 a.m., at the retirement system offices in Jefferson City, Missouri. In attendance were Board members Yvonne Heath, Jason Hoffman, Scott Hunt and Jason Steliga. Board member Dr. Aaron Zalis was not able to attend. Also present were PSRS/PEERS Executive Director, M. Steve Yoakum; Assistant Executive Director, Investments, Craig Husting; Assistant Executive Director, Operations, Dearld Snider; General Counsel, Alan Thompson; Chief Financial Officer, Anita Brand; Director of Member Services, Ronda Peterson; Director of Employer Services, Omar Davis; Director of Legislation and Policy, Maria Walden; Director of Internal Audit, Jeff Hyman; Director of Administrative Planning and Design, Nicole Hamler; and various other PSRS/PEERS staff members.

**Approval of  
Minutes  
PSRS4680  
PEERS2915**

Mr. Hunt moved that the minutes from the February 13, 2017 meeting be approved. Mr. Steliga seconded the motion. Voting “Aye”—Hoffman, Heath, Hunt, and Steliga; “Nay”—None. The motion carried unanimously.

**Order of  
Business**

Mr. Yoakum recognized Dr. Zalis for two awards he recently received. Dr. Zalis received the 2017 Pearce Award from the Missouri Association of School Administrators (MASA) and was also named 2017 Administrator of the Year by the Missouri School Public Relations Association (MOSPRA).

**Election of  
Chair  
PSRS4681  
PEERS2916**

Mr. Hunt nominated Dr. Aaron Zalis to serve as Chair of the Board for the period July 1, 2017 through June 30, 2018. Ms. Heath seconded the motion. Voting “Aye”—Hoffman, Heath, Hunt, and Steliga; “Nay”—None. The motion carried unanimously.

**Election of  
Vice Chair**  
PSRS4682  
PEERS2917

Mr. Steliga nominated Jason Hoffman to serve as Vice Chair of the Board for the period July 1, 2017 through June 30, 2018. Ms. Heath seconded the motion. Voting “Aye”—Hoffman, Heath, Hunt, and Steliga; “Nay”—None. The motion carried unanimously.

**Interest  
Credit Rate**  
PSRS4683  
PEERS2918

Following discussion, Mr. Hunt moved that the interest credit rate be set at 1% for June 30, 2017. Ms. Heath seconded the motion. Voting “Aye”—Hoffman, Heath, Hunt, and Steliga; “Nay”—None. The motion carried unanimously.

**Interest  
Purchase Rate**  
PSRS4684  
PEERS2919

Ms. Heath moved that the interest purchase rate be set at 7.75% as recommended by staff which coincides with the assumed investment return. Mr. Steliga seconded the motion. Voting “Aye”—Hoffman, Heath, Hunt, and Steliga; “Nay”—None. The motion carried unanimously.

**Investments**  
**Ongoing  
Investment  
Activity**

Mr. Craig Husting and Mr. Michael Hall reviewed ongoing investment activities, which included the 2017 fiscal year-to-date return of 8.8% as of March 31, 2017. Mr. Husting 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 and Mr. Hall discussed the above average investment returns that all institutional investors have experienced since the 2008 financial crisis and provided expectations for lower investment returns in the future. Mr. Husting also reviewed the tentative board investment calendar.

**US Equity**

Mr. John Tuck and Mr. Travis Allen reviewed the Systems’ U.S. Public Equity portfolio with the Board. The five-year annualized return for the U.S. Public Equity composite for the period ended December 31, 2016 was 14.8%. Mr. Tuck reviewed the objectives, strategies, guidelines, and asset allocation within the Large-Cap portion of the portfolio. Mr. Tuck also discussed the performance of the Alpha Overlay program. Mr. Allen reviewed the objectives, strategies, and guidelines of the Small-Cap program and updated the Board on recent performance and structure.

**Private Equity**

Mr. Doug LeBon, Mr. Vince Dee, and Mr. John Ruggieri, were present from Pathway Capital Management to review the Systems’ Private Equity portfolio. Mr. LeBon presented an overview of the firm and recent activity. Mr. Dee updated the Board on the current private equity environment and PSRS/PEERS portfolio. Mr. Ruggieri reviewed the Co-Investment program and discussed the primary benefit as well as the approach and strategy. Mr. Dee discussed the Private Credit portfolio with the Board in which he gave an overview of the combined accounts. Mr. Dee reported to the Board that distributions in the Private Credit portfolio have outpaced contributions since 2011. He also reviewed recent commitments and the annual investment plan. In summary, Mr. LeBon reported that the PSRS/PEERS’ Private Equity portfolio is developing according to plan and that PSRS/PEERS is invested in a well-diversified, high-quality portfolio. The Private Equity portfolio had produced an annualized return of 10.9% for the 10-year period ended December 31, 2016 relative to the Russell 3000 public equity benchmark of 7.1%.

## **Management Report**

### **External Auditor RFP**

nita Brand discussed the Request for Proposals (RFP) for Professional Auditing Services issued. Ms. Brand reported that two responses were received on the RFP and after review staff made the recommendation to retain Williams-Keepers, LLC as the Retirement Systems' external auditor. Mr. Hunt made the motion to approve staff's recommendation to retain Williams-Keepers LLC as approved in the Budget and Audit Committee. Mr. Steliga seconded the motion. Voting "Aye"—Hoffman, Heath, Hunt, and Steliga; "Nay"—None. The motion carried unanimously.

### **PSRS4685 PEERS2920**

### **Legislative Update**

Ms. Maria Walden and Mr. Jim Moody updated the board on the current legislative session. Mr. Moody reported briefly on state revenue and gave an update on the March 2017 revenue to the Board. He also discussed sales tax growth and Missouri income from capital gains and dividends.

Ms. Walden reviewed the upcoming important legislative dates, the legislative statistics, and new legislation filed. There are several bills that have been filed this year that could have a direct impact on the Systems.

HB 304/SB 394 allow any retiree who selects a Joint-and-Survivor benefit plan and has a subsequent divorce to popup to the Single Life benefit plan payment amount upon receipt of an application. This will only occur if the divorce decree provides for sole retention of benefits. Retroactive benefits are not payable and the divorce must occur on or after September 1, 2017. HB 304 was filed by Representative Patricia Pike and SB 394 was filed by Senator Gary Romine. The Systems' actuary, PricewaterhouseCoopers' (PWC) actuarial cost estimate of HB 304/SB 394 estimates that there will be an insignificant fiscal savings to PSRS and PEERS.

HB 305/SB 441 requires that any retiree who is employed by a third party, or is performing work as an independent contractor as a temporary or long-term substitute teacher, be required to comply with the existing statutory working after retirement limits in Section 169.560 RSMo. (50% salary and 550 hours). The bill would not prohibit a covered employer from hiring a third-party contractor for substitute teaching positions. HB 305 was introduced by Representative Patricia Pike. PwC estimates that HB 305 will have no measurable fiscal impact to PSRS or PEERS.

HB 775 exempts information pertaining to the salaries and benefits of the executive director and employees of the Systems from being confidential.

HB 891 establishes a fixed statutory cost-of-living adjustment (COLA) of 2% whenever the Consumer Price Index (CPI) is between 0% and under 5%, fixes a statutory COLA of 5% whenever the CPI is over 5%, and eliminates the ability for the Systems to decrease the COLA in years in which the CPI is under 0%. This bill was introduced by Representative Steve Cookson. PWC estimates the PSRS cost to be \$2.46 billion and the PEERS cost to be \$245 million

HB 918 requires all public pension plans to use an expected investment return that is equal to the 10-year average of actual plan investment returns.

HB 936 allows for any PSRS retired member to return to work for a PSRS/PEERS

covered employer without any limitation by the working after retirement statute as long as they are not hired for a position that requires an educator certificate under Section 168.021, RSMo.

HB 996 modifies provisions of the Pension Forfeiture Act to require the employers to notify the retirement plans when there is an employee who is charged or convicted of certain felonies with regard to their position.

SB 308 prohibits PSRS/PEERS and all public pension plans in Missouri from contracting with or investing in individuals, partnerships, corporations or other legal entities investing or doing business with Russia, or any territory occupied by Russia. The PSRS/PEERS Board of Trustees already has a policy to monitor all investments to comply with the U.S., and applicable non-U.S., economic sanction programs from the U.S. Treasury's Office of Foreign Assets Control (OFAC).

Ms. Walden also discussed other legislation the Systems are monitoring, which do not have direct impacts on the Systems. Following discussion, Mr. Hunt moved that the Board oppose HB 918 and any legislation that remove the board's authority to set the Systems' assumed rate of return. Ms. Heath seconded the motion. Voting "Aye"—Hoffman, Heath, Hunt, and Steliga; "Nay"—None. The motion carried unanimously.

PSRS4686  
PEERS2921

**CPI Update**

Mr. Yoakum discussed the calculation of the Consumer Price Index (CPI) calculated by the Bureau of Labor Statistics (BLS). PSRS/PEERS' regulation requires that the time period for the CPI calculation is from June to June. Based on the values provided by the BLS, the CPI-U, which is used for COLA calculations, is up 1.06% for the last six months (fiscal year 2017).

There were no public comments regarding the meeting.

**Public  
Comment**

**Other**

Mr. Yoakum recognized Ms. Heath, who was named chair of the Trustee Education Committee for the National Council on Teacher Retirement (NCTR). As such, Ms. Heath will help guide future educational curriculum for retirement system trustees across the nation.

**Closed Session**

PSRS4687  
PEERS2922

Mr. Hunt moved that the meeting continue in closed session to consider member appeals and legal matters under sections 610.021 (1), (13), (14), (21) and 169.020.15, RSMo. Mr. Steliga seconded the motion. Voting "Aye"—Hoffman, Heath, Hunt, and Steliga; "Nay"—None. The motion carried unanimously.

The following motions were made in closed session:

PSRS4688/PEERS2923 - Minutes (Hoffman, Heath, Hunt, and Steliga; voting to approve the previous closed session minutes)

PSRS4689/PEERS2924 – ED Evaluation and Compensation Review (Hoffman, Heath, Hunt, and Steliga; voting to approve the new contract and salary for ED)

PSRS4690/PEERS2925 – Adjournment (Hoffman, Heath, Hunt, and Steliga; voting to adjourn closed session)

**Adjournment**  
PSRS4691  
PEERS2926

Mr. Steliga moved that the meeting adjourn. Ms. Heath seconded the motion. Voting “Aye”—Hoffman, Heath, Hunt, and Steliga; “Nay”—None. The motion carried unanimously.

