

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

August 29-30, 2010

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
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

Safe Assets and Hedged Assets Portfolio Update – August 29, 2010

**Meeting
Convened**

The meeting convened at 5:30 p.m. – Board Members present were Zalis, Cupps, Heath, McClintic and Wheeler. Also present were M. Steve Yoakum, Executive Director, Craig Husting, Assistant Executive Director-Investments; Dearld Snider, Assistant Executive Director-Operations; Anita Brand, Director of Investment Accounting; various members of the Investment Staff; Mike Sylvanus from Russell Investment Group; and Mary Hiatte, Executive Assistant.

The Investment staff updated the board on the Safe Assets and Hedged Assets Programs. In the safe assets program, the target allocation is 20%. As of July 31, 2010, the allocation was 19.5%. Staff reviewed the goals of the safe asset class as well as the specific assets held in that class and the strategy going forward.

In the Hedged Assets program, the staff reported that the current allocation is 11.1% with the maximum permitted by policy being 15%. The staff reviewed the goals of the program as well as the asset amounts assigned to the various managers and the strategy going forward.

**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, Donald Cupps, Yvonne Heath, Jason Hoffman, Scott Hunt, and Susan McClintic, Board Members. 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; 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**
PSRS4271
PEERS2523

Mr. Wheeler moved that the minutes from the June 21, 2010 meeting be approved. Mrs. Heath seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

**Election of
Chair**
PSRS4272
PEERS2524

Mr. Wheeler moved that Dr. Zalis be elected as Chair to replace Mrs. Zubeck. Mr. Hunt seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

**Election of
Vice Chair**
PSRS4273
PEERS2525

Mr. Cupps nominated Mr. Wheeler to serve as Vice Chair for the remainder of the 2010-11 fiscal year. Mr. Hunt seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

**Budget & Audit
Committee**
PSRS4274
PEERS2526

Dr. Zalis moved that Scott Hunt be appointed to the Budget and Audit Committee to replace Tina Zubeck. Mr. Wheeler seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

**Order of
Business**

The order of business was approved with no changes.

Investments

Review

Mr. Craig Husting briefly reviewed the investment goals and philosophy as well as the current asset allocation.

**Activities
Memo**

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

Policy Change

Mr. Husting presented a recommended change to the investment policy which would increase the policy range for hedged assets from a maximum of 12% to a maximum of 15%. He reported that the rationale behind the recommendation was that the hedged assets have provided solid risk-adjusted returns compared to other risk

assets or safe assets. Following a brief discussion, Mrs. Heath moved that the investment policy be amended as recommended. Mr. Cupps seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4275
PEERS2527

Management Report

COLA for 2011

The Board reviewed a letter from the actuary as well as the statute with regard to setting the January 2011 COLA for eligible retirees. Following discussion, Mr. Wheeler moved that the Board set the January 2011 COLA at 0% in accordance with the recommendation of the actuary. Mr. Hunt seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4276
PEERS2528

Resolution

Mrs. Heath moved that the following resolution of recognition be adopted by the Board:

“WHEREAS, Mrs. Tina Zubeck served as a member of the Board of Trustees of The Public School and Education Employee Retirement Systems of Missouri from October 6, 2004 until June 30, 2010, as Vice Chair from July 1, 2006 through June 30, 2008, and as Chair from July 1, 2008 through June 30, 2010; and

“WHEREAS, during the period of this tenure she ably served the interests of teachers and school support personnel of Missouri and the State of Missouri; and

“WHEREAS, through her experience in public education, she was able to lead and counsel wisely in the enactment of legislation and the formulation of policies and regulations bringing continued improvement in the retirement systems;

“THEREFORE, BE IT RESOLVED THAT, in recognition of this distinguished service to the Board of Trustees and to the members of the retirement systems, the Board extends its sincere gratitude for her leadership and support as well as her many efforts and contributions, and for her personal friendship which has been much valued by Board and staff members;

“BE IT FURTHER RESOLVED THAT the Board authorizes the Executive Director to transmit to Mrs. Zubeck a copy of this resolution, along with the personal best wishes of the staff and each Board member.”

PSRS4277
PEERS2529

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

**Bank
Authorizations**

Mrs. McClintic moved that the following bank authorizations be approved:

BankCard Authorization

IT IS HEREBY RESOLVED THAT:

1. BankCard is designated as the Public School Retirement System of Missouri's (hereinafter the "Company") provider of bank card services subject to such terms, conditions, rules and regulations of BankCard Center governing bank card services from time to time, and the Company's agreement with such terms, conditions, rules and regulations shall be conclusively presumed by the Company's use of the bank card services;
2. All authorized acts done prior to the date hereof by or on behalf of the Company in connection with the bank card services are hereby ratified, confirmed, and approved;
3. Any and all prior resolutions adopted by the Company concerning the bank card services continue in full force and effect as supplemented or modified herein.
4. This Company, as any of the persons named below shall (the "Authorized Representatives") deem necessary or desirable, shall enter into and deliver such instruments, documents, agreements, and other writings as in the opinion of the Authorized Representative may be necessary or desirable to obtain the bank card services (the "BankCard Documents"). Each of the Authorized Representatives are hereby authorized and directed (individually and without the joiner of any other Authorized Representative) to enter into and deliver on behalf of this Company, as the Authorized Representative may deem necessary or desirable, any and all of the BankCard Documents contemplated by these Resolutions, each BankCard Document to be in form and content satisfactory to the Authorized Representative(s), such satisfaction to be conclusively evidenced by the Authorized Representative's execution of the same, and to do all such acts and things as in the opinion of the Authorized Representatives may be necessary or desirable in connection with the bank card services.

The Authorized Representatives are as follows:

M. Steve Yoakum, Executive Director
Dearld Snider, Ass't. Executive Director, Operations
Lori Woratzeck, Chief Financial Officer

CONTINUED VALIDITY. This Resolution shall remain in full force and effect and BankCard Center may rely upon it until written notice of its revocation or amendment shall have been delivered to, received, and acknowledged by BankCard Center. Any such notice shall not affect any of this Company's liabilities, obligations or agreements in effect at the time such notice is given.

BankCard Center may rely upon the foregoing Resolution in extending bank card products and services to the Company.

Bank Account Authorization - PSRS

IT IS HEREBY RESOLVED THAT:

1. Central Bank (hereinafter the "Bank") is designated as a depository of funds for the Public School Retirement System of Missouri (hereinafter the "Company") of account numbers 10936 and 1027182 subject to such terms, conditions, rules and regulations of Bank governing commercial accounts from time to time, and the Company's agreement with such terms, conditions, rules and regulations shall be conclusively determined by the Company's use of the commercial accounts.

2. Any funds of the Company deposited with Bank are subject to withdrawal by checks, drafts, or other instruments or orders for payment of money, when signed, drawn, made or accepted on behalf of the Company by any one of the following authorized persons:

M. Steve Yoakum, Executive Director
Dearld Snider, Assistant Executive Director, Operations

3. Bank is authorized and directed to pay any instrument signed by the required number of Authorized Persons and to charge any of the Company's accounts, without any duty of inquiry as to the circumstances of issue or of the disposition of the proceeds, even if payable to cash or the individual order of an Authorized Person.

4. Any of the Authorized Persons or any representative or agent of the Company is authorized to endorse for deposit or negotiation or for cash any and all checks, drafts, or other instruments or orders for the payment of money either belonging to or coming into the possession of the Company, and to deposit, negotiate or reduce to cash any such instrument so signed or endorsed, as well as to deduct from and receive cash back from any deposit. Endorsements may be written or stamped endorsements of the Company without designation of the person making the endorsement.

5. The Bank is authorized and directed to honor any authorization for the transfer of funds between different accounts of this Company whether oral, by phone or electronic means without inquiry as to the circumstances thereto.

CONTINUING VALIDITY. Any and all acts authorized herein or any and all authorized acts performed prior to this Resolution are hereby ratified and approved. This Resolution shall remain in full force and effect and Bank may rely upon it until written notice of its revocation shall have been delivered to, received, and acknowledged by Bank. Any such notice shall not affect any of the Company's agreements or commitments with Bank in effect at the time such notice is received and acknowledged by Bank.

Safe Deposit Box Access

RESOLVED: That until a subsequently dated Public School Retirement System of Missouri (hereinafter the "Company") resolution is given by this Company to the Safe Deposit Department of Central Bank access to the Safe Deposit Box No. CBW33508 standing in the name of this Company in the vault of above named financial organization shall be had by the following:

M. Steve Yoakum, Executive Director
Dearld Snider, Assistant Executive Director, Operations

Mark Berendzen, Building Engineer
Tom Meyer, Network Administrator
Travis Clines, Applications Support Manager

Any ONE of whom shall have the full authority to enter said box and to make deposits therein or remove any part or all of the contents thereof, to rent the box, to execute leases thereof in the name of this Company, to amend or cancel said leases, to exchange or surrender the box, and in all other respects to represent this Company.

Bank Account Authorization - PEERS

IT IS HEREBY RESOLVED THAT:

1. Exchange Bank (hereinafter the "Bank") is designated as a depository of funds for the Public Education Employee Retirement System of Missouri (hereinafter the "Company") of account number 160180 subject to such terms, conditions, rules and regulations of Bank governing commercial accounts from time to time, and the Company's agreement with such terms, conditions, rules and regulations shall be conclusively determined by the Company's use of the commercial accounts.
2. Any funds of the Company deposited with Bank are subject to withdrawal by checks, drafts, or other instruments or orders for payment of money, when signed, drawn, made or accepted on behalf of the Company by any one of the following authorized persons:

M. Steve Yoakum, Executive Director
Dearld Snider, Assistant Executive Director, Operations

3. Bank is authorized and directed to pay any instrument signed by the required number of Authorized Persons and to charge any of the Company's accounts, without any duty of inquiry as to the circumstances of issue or of the disposition of the proceeds, even if payable to cash or the individual order of an Authorized Person.
4. Any of the Authorized Persons or any representative or agent of the Company is authorized to endorse for deposit or negotiation or for cash any and all checks, drafts, or other instruments or orders for the payment of money either belonging to or coming into the possession of the Company, and to deposit, negotiate or reduce to cash any such instrument so signed or endorsed, as well as to deduct from and receive cash back from any deposit. Endorsements may be written or stamped endorsements of the Company without designation of the person making the endorsement.
5. The Bank is authorized and directed to honor any authorization for the transfer of funds between different accounts of this Company whether oral, by phone or electronic means without inquiry as to the circumstances thereto.

CONTINUING VALIDITY. Any and all acts authorized herein or any and all authorized acts performed prior to this Resolution are hereby ratified and approved. This Resolution shall remain in full force and effect and Bank may rely upon it until written notice of its revocation shall have been delivered to, received, and acknowledged by Bank. Any such notice shall not affect any of the Company's agreements or commitments with Bank in effect at the time such notice is received and acknowledged by Bank.

PSRS4278
PEERS2530

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

NCTR
Delegates

PSRS4279
PEERS2531

Mr. Cupps moved that Wayne Wheeler and Yvonne Heath along with Steve Yoakum serve as delegates at the annual National Council on Teacher Retirement Conference to be held in October. Mrs. McClintic seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

Meeting
Dates

The following meeting dates were approved for the remainder of the fiscal year: December 13, 2010, February 14, 2011, April 11, 2011, and June 13-14, 2011.

Budget
2010-11

PSRS4280
PEERS2532

Mrs. Woratzeck gave a brief overview of the final proposed budget for 2010-11. Mr. Hunt moved that the budget be approved as presented. Mr. Wheeler seconded the motion. Voting “Aye”—Zalis, Wheeler, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

Pension Project

Mr. Will Morrow of L.R. Wechsler, Ltd., was present to give a status report to the Board on the pension project for the period April 1 through June 30, 2010. Mr. Morrow reported that, overall, the project is planned well and is proceeding according to plan and that the PSRS and Sagitec teams are working together effectively and meeting the planned schedule, cost, and scope targets.

Operations
Update

Dearld Snider, Ronda Peterson, Jeff Russler, Lori Woratzeck and Tom Smith each presented information to the Board regarding the projects and activities in their respective departments for the 2009-10 fiscal year.

Public
Comment

There were no public comments.

Closed
Session

PSRS4281
PEERS2533

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

Motion No. PSRS4282 through PSRS4284 were made in closed session.
Motion No. PEERS2534 through PEERS2537 were made in closed session.

Adjournment

The meeting adjourned at the end of closed session.