

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

August 26-27, 2012

MEMBERS PRESENT

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

MEMBERS ABSENT

Wayne Wheeler

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
Jeff Hyman, Internal Auditor
Ronda Peterson, Member Serv. Dir.
Maria Walden, Legislative Dir.
Tom Smith, IT Director
Paul Shadwick, Project Manager
Mary Hiatte, Senior Exec. Advisor

Sunday, August 26, 2012

Meeting Convened The meeting of the Board of Trustees convened at 5:35 p.m. at the Retirement System office in Jefferson City, Missouri. In attendance were Aaron Zalis, Donald Cupps, Yvonne Heath, Jason Hoffman and Susan McClintic, Board Members. Scott Hunt, Trustee, was present via telephone. Wayne Wheeler, Trustee, was not present. Also present were Craig Husting, Assistant Executive Director, Investments; Dearld Snider, Assistant Executive Director, Operations; Lori Woratzeck, Chief Financial Officer; various other PSRS/PEERS investment staff members; and Mary Hiatte, Senior Executive Advisor.

Investments

Hedged Assets Mr. John Tuck, Investment Officer, updated the Board on the Hedged Asset portfolio. He reviewed the role of the Hedged Assets within the public risk assets composite as well as the manager allocations, strategies, and returns.

Alpha Overlay Mr. Travis Allen, Investment Officer, updated the Board on the Alpha Overlay program. Mr. Allen briefly discussed the objectives and the performance of the program.

Safe Assets Mr. Frank Aten and Ms. Jessica Kuebler, Investment Staff, reviewed the Safe

Assets Program with the Board. Ms. Kuebler reviewed the target versus the actual allocation as well as the objectives of the Safe Asset program. Mr. Aten discussed the Safe Assets performance as well as current and future strategies.

Structure Mr. Husting discussed the structure of the investment department, recent changes made to that department and future organizational plans. He also discussed investment fees and expenses with regard to a recent report showing that Missouri pays higher investment fees than other similar systems. Mr. Husting indicated that the report was misleading because PSRS/PEERS discloses all fees paid to managers whereas many systems report only the fees that are paid through accounts payable.

Adjournment The meeting adjourned at 7:35 p.m.

Monday, August 27, 2012

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, Donald Cupps, Yvonne Heath, Jason Hoffman and Susan McClintic, Board Members. Scott Hunt, Trustee, was present via telephone. 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; Jeff Hyman, Director, Internal Audit; Paul Shadwick, Project Manager; various other PSRS/PEERS staff members; and Mary Hiatte, Senior Executive Advisor.

Approval of Minutes Mrs. McClintic moved that the minutes from the June 11, 2012, meetings be approved. Mrs. Heath seconded the motion. Voting “Aye”—Zalis, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.
PSRS4387
PEERS2627

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

Investments

Annual Review Mr. Craig Husting, CIO, and Michael Hall of Towers Watson presented the Fiscal Year 2012 Annual Review. The staff briefly reviewed the principles, objectives and philosophy regarding the investment policy as well as the current and target asset allocation of PSRS/PEERS. Mr. Husting reviewed the FY 2012 objectives as well as the objectives and outlook for the upcoming year.

The investment staff reported that for the 3-year period ending June 30, 2012, PSRS/PEERS investment earnings have exceeded \$8.7 billion. Annualized investment earnings per year have been 11.95% and 11.6% respectively with a lower risk portfolio than two-thirds of peer group.

For fiscal year 2011-12, the investment staff reported that investment markets continue to be very volatile. One-year returns of 1.9% and 1.6% were reported for PSRS and PEERS respectively. While the return was less than the assumed 8% rate of return, it was better than two-thirds of other large pension plans and PSRS/PEERS continues to be in sound financial condition.

Management Report

- COLA** Mr. Brandon Robertson of PricewaterhouseCoopers was present to discuss the COLA to be granted to eligible retirees effective January 1, 2013. Mrs. Heath moved that the COLA be set at 2.0% for eligible retirees effective January 1, 2013, in accordance with the Board’s Funding Stabilization Policy and the recommendation of the actuary. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.
- PSRS4388
PEERS2628
- NCTR Delegates** Mr. Cupps moved that Yvonne Heath and Mary Hiatte along with Steve Yoakum serve as delegates at the annual National Council on Teacher Retirement Conference to be held in October. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.
- PSRS4389
PEERS2629
- Pension Project** Mr. Dearld Snider, Assistant Executive Director, Operations, and 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, 2012. Mr. Morrow reported that the project is moving out of the design phase and into the testing phase. He reported that Phase 3 design was approximately six weeks late and that it has impacted the time left for testing. Mr. Morrow discussed the project risks regarding the time and resources available for user acceptance testing. Mrs. McClintic requested that a timeline be provided to the Board at the next meeting regarding the decision to go live or delay implementation as well as the financial impact of a delay.
- Member Services** Mrs. Ronda Peterson presented statistics for the 2011-12 fiscal year regarding the number of retirements, deaths, withdrawals and member education meetings, as well as other projects in the member services department over the last year.
- Public Comment** There were no public comments regarding the meeting.
- Closed Session** Mr. Cupps 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, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.
- PSRS4390
PEERS2630

Motion No. PSRS4391 and PSRS4392 were made in closed session.
Motion No. PEERS2631 and PEERS2632 were made in closed session.

Adjournment The meeting adjourned following closed session.