

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

August 25-26, 2013

MEMBERS PRESENT

Aaron, Zalis, Chair
Jason Hoffman
Susan McClintic
Yvonne Heath
Scott Hunt
Bill Compere

MEMBERS ABSENT

Wayne Wheeler

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, Chief Technology Officer
Maria Walden, Legislative Director
Gary Fowler, Project Manager
Jeff Russler, Dir. of Emp. Services
Ronda Peterson, Dir. of Member Serv.
Nicole Hamler, Dir. Admin Planning

Sunday, August 25, 2013

**Meeting
Convened**

The meeting of the Board of Trustees convened at 5:30 p.m. at the Retirement System offices in Jefferson City, Missouri. In attendance were Aaron Zalis, Bill Compere, Yvonne Heath, Jason Hoffman, Scott Hunt and Susan McClintic, Board Members. Wayne Wheeler, Board Member, was not present. Also 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; various other PSRS/PEERS staff members; and Nicole Hamler, Director of Administrative Planning and Design.

Investments

Safe Assets

Mr. Frank Aten and Ms. Jessica Kuebler, Investment Staff, reviewed the Safe Assets Program with the Board. The portfolio structure and the total portfolio target allocation were reviewed. The Safe Asset Performance for Fiscal Year 2013 was discussed as well as current and future strategies.

Hedged Assets

Mr. John Tuck and Mr. Travis Allen, Investment Staff, updated the Board on the Hedged Asset portfolio. They discussed the role of hedged assets within the public risk asset composite. Additionally, they discussed the characteristics of hedged assets compared to long-only management. Mr. Tuck and Mr. Allen also reviewed the hedged asset investment strategy, allocations and returns. The Alpha Overlay program update was also given.

Closed Session

Mrs. McClintic moved that the meeting continue in closed session to discuss legal issues and individual PSRS/PEERS member information in accordance with section 610.021 (1), and (14), and 169.020.17, RSMo. Mr. Hunt seconded the motion. Voting “Aye” —Zalis, Compere, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4442
PEERS2680

Motion No. PSRS4443 was made in closed session.
Motion No. PEERS281 was made in closed session.

Adjournment

Mrs. Heath moved that the meeting adjourn. Mrs. McClintic seconded the motion. Voting “Aye” —Zalis, Compere, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4444
PEERS2682

Monday, August 26, 2013**Meeting
Convened**

The meeting of the Board of Trustees convened at 8:30 a.m. in the retirement system offices in Jefferson City, Missouri. In attendance were Aaron Zalis, Bill Compere, Yvonne Heath, Jason Hoffman, Scott Hunt and Susan McClintic, Board Members. Wayne Wheeler, Board Member, was not present. Also 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; Jeff Russler, Director of Employer Services; Ronda Peterson, Director of Member Services, Maria Walden, Director of Legislation and Policy; Jeff Hyman, Internal Auditor; Gary Fowler, Project Manager; Lori Woratzeck, Chief Financial Officer; various other PSRS/PEERS staff members; and Nicole Hamler, Director of Administrative Planning and Design.

**Approval of
Minutes**
PSRS4445
PEERS2683

Ms. McClintic moved that the minutes from the June 17, 2013 meetings be approved. Mrs. Heath seconded the motion. Voting “Aye”—Zalis, Heath, Hoffman, Hunt and McClintic; “Nay”—None “Abstained” - Compere. The motion carried unanimously.

**Order of
Business**

The order of business was approved with no changes

Recognition

Mr. Yoakum presented plaques to both Mary Hiatte and Rebecca Stokes recognizing their recent retirement from PSRS/PEERS.

Mr. Yoakum also presented a plaque to Lori Woratzeck to be accepted on behalf of PSRS/PEERS from the Government Finance Officers Association recognizing the 2012 CAFR having received the Certificate of Achievement for Excellence in Financial Reporting.

Investments

Annual Review

Mr. Craig Husting, CIO, and Michael Hall of Towers Watson presented the Fiscal Year 2013 Annual Review. The staff briefly reviewed the principles, objectives and philosophy regarding the investment program as well as the current asset allocation of PSRS/PEERS. Mr. Husting reviewed the current PSRS/PEERS investment structure with the Board. Mr. Husting also reviewed the FY13 objectives as well as the objectives and outlook for upcoming FY14.

For fiscal year 2013, one-year returns of 12.6% and 12.3% were reported for PSRS and PEERS respectively, above the 8% expected return. Performance was in excess of the passive benchmark and total PSRS/PEERS assets increased by \$2.9 billion in FY13. The absolute return was above the median for the public fund universe peer group (43rd percentile). The investment staff reported that for the 3-year period ending June 30, 2013, PSRS/PEERS investment earnings have exceeded \$9.4 billion. Annualized investment earnings per year have been 11.8% and 11.5% respectively with lower risk than two-thirds of the peer group.

Mr. Husting also discussed the PSRS/PEERS performance relative to the public fund universe peer group. He reported that the asset allocation of PSRS/PEERS is similar to the public fund peer group. Mr. Husting explained that in summary, PSRS and PEERS had strong “beta” and “alpha” for FY13 with a PSRS investment return of 12.4% net of all fees and expenses. Mr. Husting further explained that the funded status of the plans may decline slightly for FY13 because losses will be smoothed in from FY09. However, he did report that contribution rates for FY14 should remain stable.

Management Report

COLA

Mr. Yoakum discussed the COLA letter received from PricewaterhouseCooper in which the change in the CPI-U index from June 2012 to June 2013 was 1.8% and the recommendation of a COLA of 2.00% increase be approved. Mr. Hoffman moved that the COLA be set at 2.00% for eligible retirees effective January 1, 2014, in accordance with the Board’s Funding Stabilization Policy and the recommendation of the actuary. Mrs. McClintic seconded the motion. Voting “Aye” —Zalis, Compere, Heath, Hoffman, Hunt and McClintic; “Nay” —None. The motion carried unanimously.

PSRS4446
PEERS2684

NCTR Delegates

Mrs. McClintic moved that Yvonne Heath, Steve Yoakum and Nicole Hamler serve as delegates at the annual National Council on Teacher Retirement Conference being held in October. Mr. Hoffman seconded the motion. Voting “Aye” —Zalis, Compere, Heath, Hoffman, Hunt and McClintic; “Nay” —None. The motion carried unanimously.

PSRS4447
PEERS2685

Pension Project

Mr. Dearld Snider, Assistant Executive Director, Operations, Mr. Will Morrow of L.R. Wechsler, Ltd., and Gary Fowler, Project Manager were present to give a status report to the Board on the pension project period April 1 through June 30, 2013. Mr. Snider introduced Mr. Fowler to the Board as the new Project Manager. Mr. Morrow reported that the OASIS Project User Acceptance Testing (UAT) is 50%

complete while planned to be complete on June 20, 2013 and the Phase 1 UAT is 87 work days behind schedule. The OASIS project payments are consistent with the payment schedule in the contract. Mrs. Heath asked why there is a delay in UAT. Mr. Morrow explained that there were multiple factors that contributed to putting testing behind schedule which included to starting testing late, complexity of our system, rigorous testing approach and more testing than our peers. The phases of the project plan have equal testing in numbers but different in complexity. Phase 1 is employer-related, Phase 2 has to do with benefit calculations, and Phase 3 is benefit payroll related. Phase 1 is 90% tested and 80% passed.

Mr. Snider explained that the plan is to go-live with Phase 1 in January 2014 and Phase 2 September/October 2014. He also indicated that there is a possibility that Phase 2, 3 and 5 would go-live all at the same time. Mr. Hunt wanted to know the rationale with going live with Phase 1 in January and the other phases later. Mr. Fowler explained that it is important to get something into production and that Phase 1 is easily separated from the other phases because it is employer-related. Also there is an ability to bridge Phase 1 with our current system and the timing with training the employers is ideal for a January go-live date.

Member Services

Mrs. Ronda Peterson, Director of Member Services, presented statistics for the 2012-13 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. Hunt 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), (13), and (14) and 169.020.15, RSMo. Mr. Hoffman seconded the motion. Voting “Aye” —Zalis, Compere, Heath, Hoffman, Hunt and McClintic; “Nay” —None. The motion carried unanimously.

PSRS4448
PEERS2686

Motion No. PSRS4448 through PSRS4452 were made in closed session.
Motion No. PEERS2687 through PEERS2690 were made in closed session.

Adjournment
PSRS4453
PEERS2691

Mrs. Heath moved that the meeting adjourn. Mrs. McClintic seconded the motion. Voting “Aye” —Zalis, Compere, Heath, Hoffman, Hunt and McClintic; “Nay” —None. The motion carried unanimously.