

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

August 24-25, 2014

MEMBERS PRESENT

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

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
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 24, 2014

**Meeting
Convened**

The meeting of the Board of Trustees convened at 7:00 p.m. at the Retirement System offices in Jefferson City, Missouri. In attendance were Aaron Zalis, Bill Compere, Yvonne Heath, Jason Hoffman, and Susan McClintic, Board Members. Wayne Wheeler and Scott Hunt, Board Members, were present via teltpnone. 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; various other PSRS/PEERS staff members; and Nicole Hamler, Director of Administrative Planning and Design.

Investments

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. Specifically, 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.

Safe Assets

Mr. Frank Aten and Ms. Jessica Wilbers, 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 2014 was discussed as well as current and future strategies.

Monday, August 25, 2014

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 and Scott Hunt, Board Members, were available via telephone. 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 PSRS4506 PEERS2743

Ms. Heath moved that the minutes from the June 16, 2014 meetings be approved. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Compere, Heath, Hunt, McClintic and Wheeler; “Nay”—None. The motion carried unanimously.

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 2014 Annual Review. They 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.

For fiscal year 2014, one-year returns of 16.9% for PSRS and PEERS (MEPT), above the 8% expected return. Performance was 117 bps above the passive benchmark net of all fees and total PSRS/PEERS assets increased by \$4.5 billion in FY14. The absolute return was below the median for the public fund universe peer group (57th percentile) and above the median in NASIO universe. The investment staff reported that for the 5-year period ending June 30, 2014 PSRS/PEERS investment earnings have exceeded \$18 billion. Annualized investment earnings per year have been 13.0% and 12.8% respectively for PSRS and PEERS 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. He reviewed historical fund allocations and returns. Mr. Husting explained that in summary, PSRS and PEERS had strong

“beta” and “alpha” for FY14 with a PSRS investment return of 16.7% net of all fees and expenses. Contribution rates should remain stable. Mr. Husting also reviewed the FY14 investment objectives as well as the objectives and outlook for upcoming FY15.

Management Report

COLA

Mr. Yoakum discussed the COLA letter received from PricewaterhouseCooper in which the change in the CPI-U index from June 2013 to June 2014 was 2.07% 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, 2015, in accordance with the Board’s Funding Stabilization Policy and the recommendation of the actuary. Ms. McClintic seconded the motion.

PSRS4507
PEERS2744

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

NCTR **Delegates**

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

PSRS4508
PEERS2745

Budget **Adjustment** PSRS4509 PEERS2746

Mr. Hoffman moved that the budget adjustment related to legal fees be approved as recommended by the Budget and Audit Committee. Mr. Compere seconded the motion. Voting “Aye”—Zalis, Hoffman, Compere, Heath, Hunt, McClintic and Wheeler; “Nay”—None. The motion carried unanimously.

Funding **Policy**

Ms. Lori Woratzeck reviewed the proposed funding policy for PSRS/PEERS. Ms. McClintic moved to approve to proposed funding policy as recommended by the Budget and Audit Committee. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Compere, Heath, Hunt, McClintic and Wheeler; “Nay”—None. The motion carried unanimously.

PSRS4510
PEERS2747

ACH **Resolution**

Ms. Lori Woratzeck reviewed a memo regarding a Banking Resolution. The Systems are currently making several changes to bank accounts an processes to accommodate the more automated banking processes in OASIS. When we make any change, the bank requires the Board to authorize someone to sign the documents. The resolution will authorize Steve Yoakum, Craig Husting, or Dearld Snider to sign these banking documents without requiring separate Board approval for each document. The authorization will automatically expire June 30, 2015, unless replace with a new resolution. Ms. McClintic moved that the following resolution be approved:

WHEREAS, the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri (hereinafter the “Company”) desires to obtain a variety of services from Central Bank and the Company desires to authorize individuals to act on its behalf in authorizing the necessary agreements to establish these services;

NOW, THEREFORE, BE IT RESOLVED, that the persons listed below (the “Authorized Persons”) shall enter into and execute applications, instruments, documents, agreements,

financial statements, and other writings and any amendments or modifications of any of the same, as in the opinion of the Authorized Persons may be necessary or desirable to consummate the banking services relationship; and

M. Steve Yoakum, Executive Director
Craig A. Husting, Assistant Executive Director, Investments
Dearld A Snider, Assistant Executive Director, Operations

FURTHER, RESOLVED, that the Authorized Persons are hereby authorized and directed to execute, acknowledge and deliver on behalf of the above-referenced entity, as the Authorized Persons may deem necessary or desirable, any and all documents and other writings to consummate any agreement necessary to establish the appropriate banking services for the Company.

This Authorization may be executed in two or more counterparts and by the different parties hereto on separate counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute but one and the same Authorization. This authorization will automatically expire on the earlier of June 30, 2015 or when a new resolution is received by the bank.

PSRS4511
PEERS2748

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

**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. Mr. Morrow reported that the OASIS Project User Acceptance Testing (UAT) is focused on Phase 3 (benefit payments) and the goal is to test all remaining high priority areas. The OASIS project payments are consistent with the payment schedule in the contract. Mr. Morrow went over the Problem Incident Reports (PIR) by Severity. Explained that will PIRs are still being created by the testing process they have been resolved at a reasonable rate and being prioritized effectively. He stated that the number and severity of PIRs are not likely to present a significant risk at go-live. Discussed data conversion and other readiness activities. Mr. Morrow reviewed the project risks with the board and the action that is being taken along with LRWL recommendation summary.

**Member
Services**

Mrs. Ronda Peterson, Director of Member Services, presented statistics for the 2013-14 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.

**Website
Review**

Ms. Susan Wood, Communications Administrator, reviewed the new layout and look of the PSRS/PEERS website with the Board.

**Public
Comment**

There were no public comments regarding the meeting.

Closed Session

Ms. McClintic 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),

PSRS4512
PEERS2749

(13), and (14) and 169.020.15, RSMo. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Compere, Heath, Hunt, McClintic and Wheeler; “Nay”—None. The motion carried unanimously.

Motion No. PSRS4513 through PSRS4514 were made in closed session.
Motion No. PEERS2750 through PEERS2751 were made in closed session.

Adjournment
PSRS4515
PEERS2752

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