

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

**August 30-31, 2015**

**MEMBERS PRESENT**

Aaron, Zalis, Chair  
Jason Hoffman  
Scott Hunt  
Yvonne Heath  
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  
Anita Brand, Chief Financial Officer  
Jeff Hyman, Internal Auditor  
Ronda Peterson, Dir. of Member Serv.  
Maria Walden, Legislative Director  
Gary Fowler, Project Manager  
Jeff Russler, Dir. of Emp. Services  
Nicole Hamler, Dir. Admin Design

**Sunday, August 30, 2015**

**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, Yvonne Heath, Jason Hoffman, and Scott Hunt, Board Members. Also present were M. Steve Yoakum, Executive Director; Craig Husting, Assistant Executive Director, Investments; Dearld Snider, Assistant Executive Director, Operations; Anita Brand, Chief Financial Officer; Nicole Hamler, Director of Administrative Design and various other PSRS/PEERS staff members.

**Investments**

**Hedged Assets**

Mr. John Tuck and Ms. Chhayhea Sam, 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 unique characteristics of Hedged Assets versus other Public Risk Programs. Mr. Tuck and Ms. Sam also reviewed the Hedged Asset investment strategy, allocations and returns. The Alpha Overlay program update was also given. Objectives going forward for both Programs were reviewed.

**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 2015 was discussed as well as current and future strategies.

## Monday, August 31, 2015

### **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, Yvonne Heath, Jason Hoffman and Scott Hunt, Board Members. Also present were M. Steve Yoakum, Executive Director; Craig Husting, Assistant Executive Director, Investments; Dearld Snider, Assistant Executive Director, Operations; Alan Thompson, General Counsel; Anita Brand, 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; Nicole Hamler, Director of Administrative Planning and Design; and various other PSRS/PEERS staff members.

### **Approval of Minutes PSRS4571 PEERS2808**

Ms. Heath moved that the minutes from the June 8, 2015 meetings be approved. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Heath and Wheeler; “Abstained”—Hunt; “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 2015 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 2015, one-year returns of 4.5% for PSRS and PEERS (MEPT). Performance was 80 bps above the passive benchmark net of all fees and total PSRS/PEERS assets increased by \$500 million in FY15. The investment staff reported that for the 5-year period ending June 30, 2015 PSRS/PEERS investment earnings have exceeded \$16.8 billion. Annualized investment earnings per year have been 11.3% with lower risk than two-thirds of the peer group.

Mr. Husting reviewed the actual performance relative to expectations. The Systems’ objective is to achieve investment returns consistent with the broad market but at lower levels of risk. PSRS/PEERS seeks 0.5% to 1.0% ‘alpha’ above the policy benchmark net of all fees and the 5 year Alpha for the Systems’ is 54 bp net of all fees. Since the inception of active investment management, PSRS/PEERS has achieved a return greater than broad global stock market while taking approximately half the risk.

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/PEERS had outperformed the passive benchmarked and added value to the Systems for FY15 with an

investment return of 4.3% net of all fees and expenses. Mr. Husting also reviewed the FY15 investment objectives as well as the objectives and outlook for upcoming FY16.

## **Management Report**

### **COLA**

Mr. Yoakum discussed the COLA letter received from PricewaterhouseCooper in which the change in the CPI-U index from June 2014 to June 2015 was 0.12% and the recommendation of a COLA of 2.00% increase be approved. Mr. Wheeler moved that the COLA be set at 2.00% for eligible retirees effective January 1, 2016, in accordance with the Board's Funding Stabilization Policy and the recommendation of the actuary. Mr. Hoffman seconded the motion.

PSRS4572  
PEERS2809

Voting "Aye"—Zalis, Hoffman, Heath, Hunt and Wheeler; "Nay"—None. The motion carried unanimously.

### **NCTR** **Delegates**

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

PSRS4573  
PEERS2810

### **Budget** **Adjustment** PSRS4574 PEERS2811

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

### **ACH** **Resolution**

Ms. Anita Brand reviewed a memo regarding a Banking Resolution. The Systems are currently making several changes to banking due to Lori Woratzeck's retirement. 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, 2016, unless replace with a new resolution. Mr. Wheeler 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 O. 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, 2016 or when a new resolution is received by the bank.

PSRS4575  
PEERS2812

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

**Member Services**

Ms. Ronda Peterson, Director of Member Services, presented statistics for the 2014-15 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.

**Pension Project**

Mr. Dearld Snider, Assistant Executive Director, Operations, gave a final status report to the Board on the pension project. He reviewed important milestones since Go-Live November 3<sup>rd</sup>, 2014 and the goal to continuously improve the Systems. Mr. Snider along with Ronda Peterson, Director of Member Services, demonstrated the new benefit calculator available now on Web Member Services.

**Public Comment**

Carol Weatherford thanked the Board on behalf of MNEA and MNEA-R for the open Board Meeting.

**Closed Session**

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

PSRS4576  
PEERS2813

Motion No. PSRS4577 through PSRS4580 were made in closed session.  
Motion No. PEERS2814 through PEERS2817 were made in closed session.

**Adjournment**  
PSRS4581  
PEERS22818

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