

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

**August 28, 2017**

**MEMBERS PRESENT**

Aaron, Zalis, Chair  
Jason Hoffman, Vice Chair  
Chuck Bryant  
Scott Hunt  
Yvonne Heath  
Beth Knes  
Jason Steliga

**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  
Bill Betts, Chief Technology Officer  
Jeff Hyman, Internal Auditor  
Omar Davis, Dir. of Retirement Serv.  
Maria Walden, Legislative Director  
Nicole Hamler, Dir. Admin Design

**Meeting  
Convened**

The meeting of the Board of Trustees convened at 9:00 a.m. in the Retirement System offices in Jefferson City, Missouri. In attendance were Aaron Zalis, Yvonne Heath, Jason Hoffman, Beth Knes, Chuck Bryant, Jason Steliga, 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; Omar Davis, Director of Retirement Services; Maria Walden, Director of Legislation and Policy; Jeff Hyman, Internal Auditor; Bill Betts, Chief Technology Officer; Nicole Hamler, Director of Administrative Planning and Design; and various other PSRS/PEERS staff members.

**Approval of  
Minutes  
PSRS4701  
PEERS2936**

Ms. Heath moved that the minutes from the June 12-13, 2017 meetings be approved. Mr. Hunt seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt and Steliga; “Abstained” – Knes; “Nay”—None. The motion carried unanimously.

**Order of  
Business**

The order of items on the agenda during the management report were changed by Dr. Aaron Zalis. Item E. (change 10/30/17 Board meeting date) was moved to after G. (Update/COLA Review)

**Other**

Dr. Aaron Zalis welcomed Ms. Beth Knes to the Board of Trustees. Ms. Knes was appointed to the Board on August 22, 2017 by Governor Greitens.

## **Investments**

### **Annual Review**

Mr. Craig Husting introduced two new consultants from Willis Towers Watson (WTW) that will be working with the Systems in the future: Jim Neill will act as the lead consultant on the PSRS/PEERS relationship with Michael Patalsky as the secondary consultant. Jim is a Director with WTW and the Pennsylvania Investment Leader while Mike is a Senior Investment Consultant. Both Jim and Mike are based in the WTW Pittsburgh office

Mr. Husting and Mr. Neill provided a detailed presentation on the PSRS/PEERS fiscal year 2017 investment performance. The presentation included the following: (1) a review of the Systems Investment Principles, Objectives and Philosophy, (2) a summary of fiscal year 2017 performance, (3) PSRS/PEERS' performance relative to expectations and relative to a peer group, (4) attribution for fiscal year 2017 performance, (5) a review of fiscal year 2017 objectives and a description of fiscal year 2018 objectives, (6) a market outlook and update on fiscal year 2018, and (7) an update on the search process for a general consultant.

Mr. Husting reported that the fiscal year 2017 (July 1, 2016 thru June 30, 2017) investment return for PSRS/PEERS was 12.46%, or, 12.28% net of all fees and expenses. The Systems outperformed the passive benchmark which returned 11.02% for the year. The PSRS/PEERS internal investment staff and external investment managers added value above the policy benchmark of over \$500 million, net of all fees and expenses, for the year.

Mr. Husting also reported that the 5-year annualized return for the Systems for the period ending June 30, 2017 was 9.52%. The 5-year PSRS and PEERS investment return exceeded 65% of the peer group as defined by the Wilshire TUCS universe of public pension plans with assets in excess of \$1 billion. The Systems generated the investment return while taking less risk than approximately two-thirds of comparable public funds.

Mr. Husting also reported that Staff is in the process of conducting a search for a general investment consultant. An RFP was issued on July 10, 2017 to 27 potential candidates. The Systems received responses from nine firms on August 11, 2017. Staff will review the RFPs and conduct meetings with several of the respondents in September, October, and November. A recommendation will be presented to the Board at the December 11, 2017 Board meeting.

### **Safe Assets Program Review**

Mr. Frank Aten and Ms. Jessica Wilbers from the PSRS/PEERS investment staff reviewed the Systems' Safe Assets portfolio including program objectives, guidelines, and long-term results. The 5-year annualized return for the Safe Assets composite for the period ended June 30, 2017 was 0.8%.

### **Hedged Assets Program Review**

Mr. John Tuck from the PSRS/PEERS investment staff reviewed the Systems' Hedged Assets portfolio including program objectives, guidelines, and long-term results. Mr. Tuck discussed the role of Hedged Assets within the Public Risk asset composite. Specifically, he discussed the unique characteristics of Hedged Assets

versus other Public Risk Programs. The 5-year annualized return for the Hedged Assets composite for the period ended June 30, 2017 was 7.0%.

## Management Report

### **NCTR Delegates**

Mr. Steliga moved that Ms. Yvonne Heath, Mr. Chuck Bryant, and Mr. Steve Yoakum serve as delegates with Mr. Dearld Snider and Ms. Nicole Hamler as the alternate at the annual National Council on Teacher Retirement Conference being held October 2017. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

### PSRS4702 PEERS2937

### **Amendments**

Mr. Alan Thompson presented amendments to existing regulations pursuant to statutory changes from the passage of Senate Bill 62 during the 2017 regular legislative session. The following amendment to regulations update the following provision in section 169.715, RSMo.: Divorce Pop-Up Provision and Death/Divorce Re-Marry Provision. Following discussion, Mr. Hunt moved to approve the following amendments to regulations:

**16 CSR 10-6.060 Service Retirement.** The Public School Retirement System of Missouri is amending section (9) and adding section (16).

*PURPOSE: These amendments extend the time limit for certain retirees to name a new spouse as beneficiary and add a divorce pop-up option to certain retirees. The proposed amendments are necessary due to recent amendments made to section 169.715 RSMo.*

(9) Any actuarial adjustment to a retirement allowance payment made because of the nomination of a successor beneficiary as provided in 169.715, RSMo, shall take effect in the month a properly completed nomination of successor beneficiary form is received by the Retirement System or the month of the retiree’s marriage to the successor beneficiary, whichever occurs later. The nomination of a successor beneficiary shall be effective immediately upon receipt by the Retirement System of the properly completed nomination of successor beneficiary form or the date of the retiree’s marriage to the successor beneficiary, whichever occurs later. **Effective August 28, 2017, the properly completed nomination of successor beneficiary form submitted pursuant to section 169.715 must be received by the Retirement System within one year of remarriage of the retirement member and the new spouse.**

**(16) Any member receiving a retirement allowance from The Public Education Employee Retirement System of Missouri who elected a reduced retirement allowance under subsection 4 of section 169.670 who, at the time of that election, named his or her spouse as the nominated beneficiary may have the retirement allowance increased to the amount the retired member would be receiving had the retired member elected option 1 if the following requirements are met.**

(a) The marriage of the retired member and the nominated spouse must be dissolved on or after September 1, 2017. A dissolution that occurred prior to September 1, 2017 that is modified or amended on or after September 1, 2017 shall not satisfy the requirement that the marriage be dissolved on or after September 1, 2017.

(b) The retired member and the nominated spouse must have been married at the time of the election of the reduced retirement allowance under subsection 4 of section 169.670.

(c) The dissolution decree must clearly provide for sole retention by the retired member of all rights in the retirement allowance to the satisfaction of The Public Education Employee Retirement System of Missouri.

(d) In order to receive the increased retirement allowance, a retired member who elected a term certain plan under subsection 4 of section 169.670 must have named his or her spouse as the primary beneficiary at the time of retirement. The increased retirement allowance shall continue for the remainder of the retired member's lifetime and no provisions of the term certain plan shall continue to apply to the retired member. All beneficiaries nominated by the retired member under the term certain plan shall be void and the retired member must name new beneficiaries for any accumulated contributions payable upon the retired member's death. The retired member shall not be eligible to nominate a new spouse pursuant to section 169.715.

(e) A retired member who elected the Option 7 Accelerated Payment Option in conjunction with a reduced retirement allowance under subsection 4 of section 169.670, upon application for the increased retirement allowance pursuant to section 169.715, will have his or her retirement allowance increased to the amount he or she would receive had he or she elected option 1 in conjunction with the Option 7 Accelerated Payment Option.

(f) Any such increase in the retirement allowance shall be effective upon the receipt of an application for such increase and a certified copy of the decree of dissolution that meets the requirements of this section. The increased retirement allowance will be paid prospectively only after receipt of the application and certified copy of the decree of dissolution. No retroactive benefits will be paid.

Ms. Heath seconded the motion. Voting "Aye"—Zalis, Hoffman, Bryant, Heath, Hunt, Knes and Steliga; "Nay"—None. The motion carried unanimously.

PSRS4703  
PEERS2938

Mr. Alan Thompson presented additional amendments to existing regulations pursuant to statutory changes from the passage of Senate Bill 62 during the 2017 regular legislative session. The following amendment to regulations update the following provision in section 169.560 and 169.141, RSMo.: Working After Retirement for a Third Party or as an Independent Contractor (PSRS only). Following discussion, Mr. Bryant moved to approve the following amendments to regulations:

**16 CSR 10-5.010 Service Retirement.** The Public School Retirement System of Missouri is amending section (6) and (16) and adding section (20).

*PURPOSE: These amendments apply working after retirement rules to certain retirees who are employed by a third party or working as independent contractors, extend the time limit for certain retirees to name a new spouse as beneficiary, and add a divorce pop-up option to certain retirees. The proposed amendments are necessary due to recent amendments made to sections 169.560 and 169.141 RSMo.*

(6) Part-time employment is any employment which is less than full-time. Temporary-substitute employment is any employment either in a position held by a regularly employed person who is temporarily absent or in a position which is temporarily vacant. A retired member may be employed by a district included in the system to serve on a part-time or temporary-substitute basis in any capacity not to exceed five hundred fifty (550) hours in any one (1) school year and through such employment may earn an amount not in excess of the compensation limit set forth in this rule and section 169.560, RSMo, without a discontinuance of the retired member's retirement allowance. The limit on compensation shall be determined as set forth in section 169.560, RSMo. If the position or positions did not previously exist, a retired member may earn up to fifty percent (50%) of the annual compensation payable for the position within the district that is most comparable to the position filled by the retired member without exceeding the compensation limit. If such employment exceeds either the limitation on hours worked or the limitation on compensation, payment of benefits to the retired member shall cease until the employment terminates or a new school year begins. **The provisions above shall apply to any person retired and currently receiving a retirement allowance under sections 169.010 to 169.141, who is employed by a third party or is performing work as an independent contractor, if such person is performing work in a district included in the retirement system as a temporary or long-term substitute teacher or in any position that would normally require that person to be duly certificated by the Missouri Department of Elementary and Secondary Education if such person was employed by the district. The retirement system may require the district, the third-party employer, the independent contractor, and the retiree subject to this section to provide documentation showing compliance with this section. If such documentation is not provided, the retirement system may deem the retiree to have exceeded the limitations provided in this section.** This rule shall not apply to employment with a state college, a state university, or any state agency. The employer covered by the Public School Retirement System of Missouri, **the third-party employer, the independent contractor**, and the retiree shall maintain a log of all dates worked, hours worked, wage earned, and the employer. The employer covered by the **Public School Retirement System of Missouri, the third-party employer, the independent contractor**, and retiree shall provide a copy of the work log upon request of retirement system.

<b>Employee Name:</b>		<b>School Year:</b>	
<b>Date Worked</b>	<b>Hours Worked</b>	<b>Wage Earned</b>	<b>Employer</b>

The working after retirement limits set forth in section 169.560, RSMo, shall be applied on a pro-rata basis as provided below to a retiree's hours of work during the school year in which the retiree's date of retirement is effective.

<b>Effective date of retirement</b>	<b>Hours allowed after retirement for school year</b>
<b>July 1</b>	<b>550</b>
<b>August 1</b>	<b>504</b>
<b>September 1</b>	<b>458</b>
<b>October 1</b>	<b>413</b>
<b>November 1</b>	<b>367</b>
<b>December 1</b>	<b>321</b>
<b>January 1</b>	<b>275</b>
<b>February 1</b>	<b>229</b>
<b>March 1</b>	<b>183</b>
<b>April 1</b>	<b>138</b>
<b>May 1</b>	<b>92</b>
<b>June 1</b>	<b>0</b>

The working after retirement limits set forth in section 169.560, RSMo, shall be applied on a pro-rata basis as provided below to a retiree's base salary to determine the retiree's earnings limit during the school year in which the retiree's date of retirement is effective.

<b>Effective date of retirement</b>	<b>Percentage of base salary allowed after retirement for school year</b>
<b>July 1</b>	<b>50%</b>
<b>August 1</b>	<b>46%</b>
<b>September 1</b>	<b>42%</b>
<b>October 1</b>	<b>38%</b>
<b>November 1</b>	<b>33%</b>
<b>December 1</b>	<b>29%</b>
<b>January 1</b>	<b>25%</b>
<b>February 1</b>	<b>21%</b>
<b>March 1</b>	<b>17%</b>
<b>April 1</b>	<b>13%</b>
<b>May 1</b>	<b>8%</b>
<b>June 1</b>	<b>0%</b>

(16) Any actuarial adjustment to a retirement allowance payment made because of the nomination of a successor beneficiary as provided in 169.141, RSMo, shall take effect in the month a properly completed nomination of successor beneficiary

form is received by the Retirement System, or the month of the retiree's marriage to the successor beneficiary, whichever occurs later. The nomination of a successor beneficiary shall be effective immediately upon receipt by the Retirement System of the properly completed nomination of successor beneficiary form or the date of the retiree's marriage to the successor beneficiary, whichever occurs later. **Effective August 28, 2017, the properly completed nomination of a successor beneficiary form submitted pursuant to section 169.141 must be received by the Retirement System within one year of remarriage of the retirement member and the new spouse.**

**(20) Any member receiving a retirement allowance from The Public School Retirement System of Missouri who elected a reduced retirement allowance under subsection 3 of section 169.070 who, at the time of that election, named his or her spouse as the nominated beneficiary may have the retirement allowance increased to the amount the retired member would be receiving had the retired member elected option 1 if the following requirements are met.**

**(A) The marriage of the retired member and the nominated spouse must be dissolved on or after September 1, 2017. A dissolution that occurred prior to September 1, 2017 that is modified or amended on or after September 1, 2017 shall not satisfy the requirement that the marriage be dissolved on or after September 1, 2017.**

**(B) The retired member and the nominated spouse must have been married at the time of the election of the reduced retirement allowance under subsection 3 of section 169.070.**

**(C) The dissolution decree must clearly provide for sole retention by the retired member of all rights in the retirement allowance to the satisfaction of The Public School Retirement System of Missouri.**

**(D) In order to receive the increased retirement allowance, a retired member who elected a term certain plan under subsection 3 of section 169.070 must have named his or her spouse as the primary beneficiary at the time of retirement. The increased retirement allowance shall continue for the remainder of the retired member's lifetime and no provisions of the term certain plan shall continue to apply to the retired member. All beneficiaries nominated by the retired member under the term certain plan shall be void and the retired member must name new beneficiaries for any accumulated contributions payable upon the retired member's death. The retired member shall not be eligible to nominate a new spouse pursuant to section 169.141.**

**(E) Any such increase in the retirement allowance shall be effective upon the receipt of an application for such increase and a certified copy of the decree of dissolution that meets the requirements of this section. The increased retirement allowance will be paid prospectively only after receipt of the application and certified copy of the decree of dissolution. No retroactive benefits will be paid.**

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

## **Sunshine Law Resolution**

Mr. Alan Thompson, General Counsel, provided an updated Sunshine Law Resolution to reflect correct full entity name and address. The resolution appoints the General Counsel as custodian of records of PSRS/PEERS. It specifies the time period the request should be responded to along with the fees associated with all requests. Mr. Hoffman moved that the following resolution be approved as recommended by staff:

### **PSRS/PEERS Sunshine Law Resolution**

WHEREAS, the Board of Trustees of the Public School Retirement System of Missouri and the Public Education Employees Retirement System of Missouri (“PSRS/PEERS”) desires to appoint a custodian to maintain PSRS/PEERS records and the identity and location of the custodian is to be made available upon request; and

WHEREAS, the Board of Trustees of PSRS/PEERS desires to provide access to and, upon request, furnish copies of public records; and

WHEREAS, the Board of Trustees of PSRS/PEERS desires to provide a reasonable written policy in compliance with Sections 610.010 et seq., RSMo, commonly referred to as the Sunshine Law, regarding the release of information on any meeting, record or vote.

NOW, THEREFORE, BE IT RESOLVED:

1. That the General Counsel of the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri (“PSRS/PEERS”), be and hereby is appointed custodian of the records of PSRS/PEERS and that such custodian is located at 3210 W. Truman Blvd, Jefferson City, Missouri, 65109.
2. That said custodian shall respond to all requests for access to or copies of a public record within the time period provided by statute except in those circumstances authorized by statute.
3. That the fees to be charged for access to or furnishing copies of records shall be as hereinafter provided:
  - Ten (10) cents per page for paper copies;
  - An hourly fee for duplicating time not more than the average hourly rate of pay for clerical staff of PSRS/PEERS; and
  - Research time billed at actual cost.
4. That it is the public policy of PSRS/PEERS that meetings, records, votes, actions and deliberations of this body shall be open to the public unless otherwise provided by law.



5. That PSRS/PEERS shall comply with Sections 610.010 et seq., RSMo, as now existing or hereafter amended.

PSRS4705  
PEERS2940

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

**Member  
Services**

Mr. Omar Davis, Director of Retirement Services, presented statistics for the 2016-17 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.

Mr. Dearld Snider also provided an update regarding the fraudulent activity detected on our website. Web Member Services accounts were recently created in an attempt to redirect members' retirement benefits. Our people and processes stopped the attempt and prevented any financial impact to our members.

**CPI Update**

Mr. Steve Yoakum discussed the calculation of the Consumer Price Index (CPI) calculated by the Bureau of Labor Statistics (BLS). PSRS/PEERS’ regulation requires that the time period for the CPI calculation is from June to June. Based on the values provided by the BLS, the CPI-U, which is used for COLA calculations, is up 1.6% through June 30, 2017. Mr. Yoakum reported that the CPI-U is negative -0.07% through July 31, 2017, which is the first month of FY18.

He reviewed the timeline for the full analysis and the different COLA options that will be fully analyzed by the Board in the fall of 2017 prior to setting the COLA for January 2018. All the scenarios will be analyzed at various discount rates ranging from 7.25% - 7.75% and all calculations will be based on FY 2017 investment returns, 2017 actuarial valuation and the funding goals. The analysis will include cost to enact, funded ratio of the system and contribution rates for employers and employees.

**Board  
Meeting Date  
Change**

It was proposed that the October 30, 2017 Board of Trustees meeting be moved to allow for a two-day Board of Trustees meeting which will include an afternoon working session followed by a regular board meeting. Ms. Heath moved that the meeting be changed to November 6-7, 2017. Mr. Bryant seconded the motion. Following discussion on availability, Mr. Bryant amended the motion for November 2-3, 2017. Mr. Hoffman seconded the amended motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes and Steliga; “Nay”—None. The motion carried unanimously.

PSRS4706  
PEERS2941

**Public  
Comment**

None

**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), (14), (21) and 169.020.15, RSMo. Mr. Steliga seconded the motion.

PSRS4707  
PEERS2942

Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes and Steliga;  
“Nay”—None. The motion carried unanimously.

The following motions were made in closed session:

PSRS4708/PEERS2943 - Minutes (Zalis, Hoffman, Bryant Heath, Hunt and Steliga; voting to approve the previous closed session minutes)

PSRS4709/PEERS2944 – Adjournment (Zalis, Bryant Heath, Hunt, Knes and Steliga; voting to adjourn closed session)

**Adjournment**

PSRS4710

PEERS2945

Ms. Heath moved that the meeting adjourn. Mr. Hunt seconded the motion.

Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes and Steliga;

“Nay”—None. The motion carried unanimously.