BOARD OF TRUSTEES

OF

THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI

AND

THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

December 12, 2016

MEMBERS PRESENT MEMBERS ABSENT OTHERS PRESENT Aaron Zalis, Chair M. Steve Yoakum, Executive Director Jason Hoffman, Vice Chair Dearld Snider, Asst. Exec. Dir., Oper. Martha Harris Craig Husting, Asst. Exec. Dir., Invest. Alan Thompson, General Counsel Scott Hunt Anita Brand, Chief Finan. Officer Yvonne Heath Ronald Medin Jeff Hyman, Internal Auditor Jason Steliga Bill Betts, Chief Technology Officer Ronda Peterson, Dir. Of Mbr. Services Maria Walden, Legislative Director Omar Davis, Dir. of Emp. Services

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, Martha Harris, Ron Medin, and Jason Steliga, Board Members. Scott Hunt, Board Member, was present on conference call. 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; Ronda Peterson, Director of Member Services, Omar Davis, Director of Employer 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.

Nicole Hamler, Dir of Admin Design

Approval of Minutes PSRS4664 PEERS2899

Mr. Medin moved that the minutes from the October 24, 2016 meeting be approved. Ms. Heath seconded the motion. Voting "Aye"—Zalis, Hoffman, Harris, Heath, Hunt, Medin, and Steliga; "Nay"—None. The motion carried unanimously.

Order of Business

The order of business was approved with no changes.

Recognition

Mr. Yoakum presented a plaque to Christy Dill recognizing her recent retirement from PSRS/PERS. Dr. Zalis presented a plaque to Wayne Wheeler recognizing his recent service to the PSRS/PERS Board of Trustees.

Investments Performance Report

Mr. Craig Husting and Mr. Michael Hall reviewed the investment performance for the last quarter, ending September 30, 2016. Mr. Husting discussed the annualized investment performance, the strong total fund alpha for the year, and the longer term performance.

Ongoing Investment Activity

Mr. Craig Husting and Mr. Michael Hall reviewed ongoing investment activities, which included the 2017 fiscal year-to-date return of approximately 3.1% as of November 30, 2016. Mr. Husting discussed the current asset allocation of the PSRS/PEERS portfolio, in which he reviewed the long-term strategy, portfolio themes, and the broad portfolio expectations. Mr. Husting also reviewed the tentative Board investment calendar.

Investment Policy Changes

Mr. Husting and Investment staff recommended changes to the Investment Policy/Implementation Manuals. The primary changes to the Investment Policy will bring the Policy in line with recent Board actions and also includes operational clean-up to bring the Policy in line with current practices. Mr. Hunt moved that the policy changes, as recommended by staff, be approved. Mr. Hoffman seconded the motion. Voting "Aye"—Zalis, Hoffman, Harris, Heath, Hunt, Medin, and Steliga; "Nay"—None. The motion carried unanimously.

PSRS4665 PEERS2900

IT Security

Mr. Bill Betts, Chief Technology Officer, and Mr. Dearld Snider, Assistant Executive Director, Operations, presented a PSRS/PEERS Cybersecurity update. Mr. Betts discussed the definition of cybersecurity, the different types of attackers, and the value of personal information on the dark web. Mr. Betts detailed overall statistics, overlying threats, and risks to PSRS/PEERS. He then gave a brief overview of PSRS/PEERS statistics which showed that 87% of the total emails received in October 2016 were SPAM and another 1.5% were malware. He reviewed the Systems critical security areas and all the steps PSRS/PEERS takes to keep member data secure. These areas include network and application firewalls, wireless access, web filtering, work station security, mobile data management, network monitoring, penetration testing and training. The goal of cybersecurity is to create the safest environment possible to protect our member's data.

Retiree Mailing Policy

Mr. Alan Thompson, General Counsel, reviewed the memo regarding third party mailing. He discussed the proposed policy which would assist PSRS/PEERS eligible nonprofit retiree organizations with a yearly mailing. Mr. Steve Yoakum indicated that staff had not received any further indication from the educational associations of a combined effort to produce a yearly mailing. Mr. Thompson also discussed his memo dated October 17, 2016 which highlighted the risks associated with assisting with the mailing. The Board discussed three options: (1) continue with 1984 Policy authorizing PSRS to assist MRTA with an annual mailing; (2) discontinue assisting any organization, including MRTA, with mailings; or (3) approve a new board policy authorizing PSRS to assist with an annual mailing for eligible nonprofit retiree organizations that created an approved combined mailing. After discussion, Mr. Hunt made a motion to discontinue with assistance in mailings (Option 2, above). Mr. Medin seconded the motion and commented on the possible negative outcomes of continues assistance with mailings. Voting "Aye"—Zalis, Hoffman, Harris, Heath, Hunt, Medin, and Steliga; "Nay"—None. The motion carried unanimously.

PSRS4666 PEERS2901

Board COLA Resolution

Mr. Alan Thompson, General Counsel, reviewed the proposed Board COLA Resolution. Staff worked with PricewaterhouseCoopers to develop a policy which states that the Board of Trustees will annually analyze the financial impact of revisions to the COLA assumptions as part of the annual actuarial valuations. Mr. Hoffman moved that the COLA Resolution be approved. Mr. Steliga seconded the motion. Voting "Aye"—Zalis, Hoffman, Harris, Heath, Hunt, Medin, and Steliga; "Nay"—None. The motion carried unanimously.

<u>PSRS4667</u> <u>PEERS2902</u>

Legislative Update

Ms. Maria Walden and Mr. Jim Moody updated the board on the current legislative session. Mr. Moody reported briefly on state revenue and gave an update on the November 2016 revenue to the Board. Ms. Walden discussed the upcoming important legislative dates and the 2017 legislative statistics. Ms. Walden also discussed the 2016 election cycle, Missouri Senate and Missouri House.

Public Comment

None

Other

The Board discussed a recent retiree request to place Board PSRS email addresses on the PSRS/PEERS website. Currently the Board Secretary's contact information is on the website and she notifies the Board Member of any incoming emails. After much discussion the Board felt it was more efficient to keep the practices the same and have the board secretary be the point of contact and distribute emails as needed.

Closed Session

Mr. Hunt moved that the meeting continue in closed session to consider personnel issues, technology security issues, and legal matters under sections 610.021 (1), (13), (14), (21) and 169.020.15, RSMo. Mr. Medin seconded the motion. Voting "Aye"—Zalis, Hoffman, Harris, Heath, Hunt, Medin, and Steliga; "Nay"—None. The motion carried unanimously.

PSRS4668 PEERS2903

The following motions were made in closed session: PSRS4669/PEERS2904 - Minutes (Zalis, Hoffman, Harris, Heath, Hunt, Medin,

and Steliga; voting to approve the previous closed session minutes)
PSRS4670/PEERS2905 – Personnel Issue (Zalis, Hoffman, Harris, Heath, Hunt, Medin, and Steliga; voting to approve compensation for an individual employee)
PSRS4671/PEERS2906 – Adjournment (Zalis, Hoffman, Harris, Heath, Hunt, Medin, and Steliga; voting to adjourn closed session)

Adjournment PSRS4672 PEERS2907

Mr. Hunt moved that the meeting adjourn. Mr. Steliga seconded the motion. Voting "Aye"—Zalis, Hoffman, Harris, Heath, Hunt, Medin, and Steliga; "Nay"—None. The motion carried unanimously.