

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

**February 13-14, 2011**

**MEMBERS PRESENT**

Aaron Zalis, Chair  
Donald Cupps  
Yvonne Heath  
Scott Hunt  
Susan McClintic

**MEMBERS ABSENT**

Wayne Wheeler

**OTHERS PRESENT**

M. Steve Yoakum, Executive Director  
Craig Husting, AED, Investments  
Dearld Snider, AED, Operations  
Alan Thompson, General Counsel  
Ronda Peterson, Dir.-Member Services  
Lori Woratzeck, Chief Finan. Officer  
Tom Smith, Dir. of Info. Technology  
Jeff Russler, Dir. Employer Services  
Janet Harris, Internal Auditor  
Mary Hiatte, Executive Assistant

**Sunday, February 13, 2011**

**Meeting Convened**            The meeting convened at 5:30 p.m. – Board Members present were Aaron Zalis, Donald Cupps, Yvonne Heath, Jason Hoffman, and Scott Hunt. 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; Anita Brand, Investment-Accounting; various members of the Investment Staff; Scott Grimm from Russell Investment Group; and Mary Hiatte, Executive Assistant.

**Domestic Equity Portfolio Update**            Mr. John Tuck and Mr. Travis Allen, Investment Officers, updated the Board on the U.S. Equity portfolio. Mr. Tuck specifically discussed the current asset allocation versus the target allocation. He also reviewed the objectives, allowed strategies, guidelines and December 31, 2010 performance for the domestic equity portfolio as well as the alpha overlay program. Mr. Allen discussed the performance of the small cap domestic equity portfolio as well as the objectives, allowed strategies, current allocation and guidelines.

**Consultant Search**            Mr. Yoakum gave the Board an overview of the process used for the Investment Consultant search. Mr. Husting reported that staff had sent out 33 RFI's and had received seven proposals. It was the consensus of the Board that the staff should interview the seven firms, conduct the due diligence and bring two finalists in for the April Board meeting.

**Investment Risk** Mr. Yoakum stated that the most important decision the Board makes is the risk decision. He indicated that he feels it would be important for the System to have an asset/liability study completed following the hiring of a consultant in April. Mr. Tuck presented some information regarding the various investment strategies and the risk associated with each.

**Adjournment** The meeting adjourned at 7:00 p.m.

### **Monday, February 14, 2011**

**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, Donald Cupps, Yvonne Heath, Jason Hoffman, Scott Hunt, and Susan McClintic, Board Members. Also present were M. Steve Yoakum, Executive Director; Dearld Snider, Assistant Executive Director, Operations; Alan Thompson, General Counsel; Craig Husting, Assistant Executive Director, Investments; Ronda Peterson, Director of Member Services; Lori Woratzeck, Chief Financial Officer; Tom Smith, Director of Information Technology; Jeff Russler, Director of Employer Services; Janet Harris, Internal Auditor; various other PSRS/PEERS staff members; and Mary Hiatte, Executive Assistant.

**Approval of Minutes**  
PSRS4304  
PEERS2553 Mrs. Heath moved that the minutes from the December 2 and 13, 2010, meetings be approved. Mr. Hunt seconded the motion. Voting “Aye”—Zalis, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

**Order of Business** The order of business was approved with no changes.

### **Investments**

**Activities Memo** Mr. Craig Husting and Mr. Scott Grimm reviewed the December 31 investment performance report as well as the investment activities memo. Mr. Husting also updated the Board on the actual vs. policy asset allocation as well as a number of other issues including securities lending, the watch list, the consultant search, real estate, private equity, and the tentative investment calendar.

**Anti-Terrorism Policy** The staff reviewed the current anti-terrorism policy adopted by the Board in June 2005 and last reviewed by the Board in February 2010. The staff and general counsel recommended no changes to the policy at this time.

**Real Estate** Mr. Jack Koch and Mr. Terry Ahern of The Townsend Group were present to discuss the semi-annual review of the real estate portfolio. Mr. Ahern indicated that he believed the real estate market has bottomed and now appears to be moving in an upward trend. Mr. Koch reviewed returns for 2010, discussed diversification of the portfolio and investment opportunities going forward.

## **Management Report**

**Meeting Dates** The Board set the following meeting dates for the remainder of the calendar year: April 11, June 13-14, August 29, October 24 and December 12.

**Legislative Update** Mr. Jim Moody reported briefly on the status of legislation which has been introduced affecting PSRS/PEERS and other Missouri public pension systems. Mr. Moody explained that House Bill 409 would place all teachers hired after July 1, 2013, in a defined contribution plan. The actuarial cost study prepared by PricewaterhouseCoopers showed that such a plan would be detrimental to the funding of the current defined benefit plan. Mr. Hoffman moved that the Board oppose House Bill 409 as recommended by Mr. Yoakum. Mrs. McClintic seconded the motion. Voting “Aye”—Zalis, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4305  
PEERS2554

**Pension Project** Mr. Will Morrow of L. R. Wechsler, Ltd., was present to update the Board on the pension project. Mr. Morrow reported that the overall project is making good progress. He reported that Phase I is about six weeks behind but that it is not a major area of concern and that Phase II is scheduled to begin on time. Mr. Morrow made several recommendations to keep the project moving forward and reported that no corrective actions were recommended at this time.

**Disaster Recovery Plan** Mr. Dearld Snider and Mr. Tom Smith gave a brief overview of the current disaster recovery plan. They discussed the costs and strategies associated with the current plan. They also discussed their plans for changes and the reasoning behind the recommendations as well as the cost associated with the changes.

**Legal Counsel** Mr. Alan Thompson reported that he had received proposals from six outside law firms. He reviewed the different types of legal advice which each firm would likely provide and indicated that he will work on contracts with each firm.

**Member Services** Ms. Ronda Peterson gave a mid-year member services update. Her report included statistics regarding member services’ activities for the period July through December 2010 as well as a review of special projects.

**Governance Report** Mr. Yoakum presented the annual governance report from Cortex Applied Research, Inc. Cortex had made several minor recommendations for amendments to the charters and policies of the Board. Following discussion, Mr. Cupps moved that the amendments be adopted as presented. Mr. Hunt seconded the motion. Voting “Aye”—Zalis, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4306  
PEERS2555

The Board also briefly reviewed the 2010 Fiduciary Benchmarking Study for U.S. Public Retirement Systems which had recently been completed by Cortex Applied Research, Inc.

**Public  
Comment**

There were no public comments.

**Closed  
Session**

Mrs. Heath 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) and (13), RSMo. Ms. McClintic seconded the motion. Voting “Aye”—Zalis, Cupps, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4307  
PEERS2556

Motion No. PSRS4308 through PSRS4310 were made in closed session.  
Motion No. PEERS2557 and PEERS2558 were made in closed session.

**Adjournment**

The meeting adjourned at the end of closed session.