

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

February 10, 2014

MEMBERS PRESENT

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

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
Ronda Peterson, Dir. Member Serv.
Jeff Russler, Dir. of Emp. Services
Nicole Hamler, Dir. Admin Planning

**Meeting
Convened**

The meeting of the Board of Trustees convened at 9:30 a.m. at the Retirement System office in Jefferson City, Missouri. In attendance were Aaron Zalis, Wayne Wheeler, Yvonne Heath, Jason Hoffman, Scott Hunt, Bill Compere and Susan McClintic, Board Members. Staff members 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; Ronda Peterson, Director of Member Services; Tom Smith, Chief Technology Officer; Jeff Hyman, Internal Auditor; Maria Walden, Legislative Director; Jeff Russler, Director of Employer Services; Nicole Hamler, Director of Administrative Planning and Design; and various other PSRS/PEERS staff members.

**Approval of
Minutes
PSRS4480
PEERS2717**

Ms. McClintic moved that the minutes from the January 13, 2014 meeting be approved. Mrs. Heath seconded the motion. Voting “Aye”—Zalis, Wheeler, Compere, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

**Order of
Business**

The order of business was approved with no changes.

Investments

Performance Report

Mr. Craig Husting and Mr. Michael Hall reviewed the performance report for December 31, 2013, which included the fiscal year-to-date return of 10.08% and the one-year return of 17.03%. Mr. Husting gave an overview of combined investment results broken down between Safe Assets, Public Risk Assets and Private Risk Assets which make up the total asset value as of December 31, 2013 of \$36.2 billion. Mr. Husting also discussed the total plan attribution and reviewed a chart depicting assets and liabilities for PSRS. Mr. Husting explained that the PSRS funded ratio at market value is above 87% as of December 31, 2013.

Ongoing Investment Activity

Mr. Craig Husting reviewed ongoing investment activities, which included the fiscal year-to-date return of 8.3% as of January 31, 2014. He discussed the current asset allocation and the PSRS/PEERS portfolio, in which he reviewed the long-term strategy, portfolio themes and the broad portfolio expectations. Mr. Husting gave a Real Estate and Private Equity/Credit update as well as an update on Securities Lending and Commission Recapture programs. He also reviewed the tentative board investment calendar.

Anti-Terrorism Policy

Mr. Craig Husting provided a full report of the annual compliance review of the Systems' Anti-Terrorism Investment Policy. On December 11, 2013, letters were mailed to selected federal officials requesting information on companies that, in their opinion, had terrorist links. Mr. Husting stated that no response had been received from several federal entities. Staff and General Counsel recommended that no changes be made with regard to the Anti-Terrorism Investment Policy at this time.

Management Report

Board Governance Report

Mr. Steve Yoakum presented the board governance report recently completed by Cortex. Cortex had recommended a few minor changes in the wording of the governance policies. Mr. Hunt moved that the report be approved with the suggested changes. Ms. McClintic seconded the motion. Voting "Aye"—Zalis, Wheeler, Hoffman, Heath, Hunt, Compere and McClintic; "Nay"—None. The motion carried unanimously.

PSRS4481
PEERS2718

Pension Project

Mr. Dearld Snider and Mr. Jeff Russler updated the Board on the pension project. Mr. Snider reviewed the presentation prepared by Mr. Will Morrow of L.R. Wechsler, Ltd. Mr. Morrow was unable to attend the board meeting. Mr. Russler spoke to the overall success of the Phase 1 implementation. He stated that staff is working diligently to assist school personnel with this change, to answer their questions, and to patiently walk them through the change process. Mr. Russler explained that one change in the new system is that school districts are now required to report the hours served by retirees. Mr. Snider indicated that there are not any major deliverables behind the finish date. He then reviewed the status of each phase by the use case and the OASIS project schedule. Mr. Snider discussed the issue of data conversion, which is currently behind and stalling testing in Phase 2 and 3. LRWL suggested

creating a new risk for data conversion. Currently, there are not any risks categorized as high. Mr. Snider also reviewed the cost summary and LRWL recommendations.

Member Services

Ms. Ronda Peterson, Director of Member Services, presented a mid-year report regarding member services. She reviewed changes in membership, retirees, and new membership records received. She also broke down PSRS and PEERS active membership by retirement eligibility and reviewed mid-year refund information. Ms. Peterson also discussed the Early/Mid-Career program.

Legislative Update

Mr. Steve Yoakum reviewed the current political and economic environment with the Board and how it relates to PSRS/PEERS. He reviewed the economic threats he sees in terms of the overall economic reality, the lack of retirement savings in America, and fiduciary challenges. He also discussed the current political threats in private vs. public sentiment, mandatory Social Security, and the different think tanks.

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 January revenue to the Board. Ms. Walden discussed the upcoming important legislative dates and the 2014 legislative statistics. Ms. Walden reviewed all retirement legislation, none which have a direct impact on PSRS/PEERS.

Public Comment

Ms. Carol Weatherford officially welcomed Bill Compere to the Board of Trustees on behalf of MNEA and MNEA-R.

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) and (13), and (14) and 169.020.17. Mr. Hoffman seconded the motion. Voting “Aye” —Zalis, Wheeler, Compere, Heath, Hoffman, Hunt and McClintic; “Nay”—None. The motion carried unanimously.

PSRS4482
PEERS2719

Motion No. PSRS4483 through PSRS4484 were made in closed session.
Motion No. PEERS2720 through PEERS2721 were made in closed session.

Adjournment
PSRS4485
PEERS2722

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