

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

February 8, 2016

MEMBERS PRESENT

Aaron, Zalis, Chair
Jason Hoffman, Vice-Chair
Yvonne Heath
Scott Hunt
Jason Steliga
Wayne Wheeler

MEMBERS ABSENT

OTHERS PRESENT

Dearld Snider, Asst. Exec. Dir., Oper.
Craig Husting, Asst. Exec. Dir., Invest.
Alan Thompson, General Counsel
Anita Brand, Chief Finan. Officer
Jeff Hyman, Internal Auditor
Bill Betts, Chief Technology Officer
Maria Walden, Legislative Director
Jeff Russler, Dir. of Emp. Services
Ronda Peterson, Dir. of Member Serv.
Nicole Hamler, Dir. Admin Design

**Meeting
Convened**

The meeting of the Board of Trustees convened at 12:00 p.m. at the Retirement System offices in Jefferson City, Missouri. In attendance were Aaron Zalis, Jason Hoffman, Scott Hunt, Yvonne Heath, Wayne Wheeler, and Jason Steliga 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; Nicole Hamler, Director of Administrative Planning and Design; and various other PSRS/PEERS staff members.

**Approval of
Minutes
PSRS4607
PEERS2844**

Ms. Heath moved that the minutes from the December 14, 2015 meeting be approved as presented. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Heath, Hunt, Steliga and Wheeler; “Nay”—None. The motion carried unanimously.

**Order of
Business**

The order of business was approved with no changes.

Investments

Performance Report

Mr. Craig Husting reviewed the investment performance for the last quarter, ending December 31, 2015, as well as the current asset allocation. He discussed the annualized investment performance and the strong total fund alpha for the year. Mr. Husting also reviewed the plan attribution as of December 31, 2015 and provided the performance rankings for PSRS/PEERS, which was in the top 25th percentile for the 5-year period ending December 31, 2015, indicating that the Systems outperformed over 75 percent of peers.

Ongoing Investment Activity

Mr. Craig Husting reviewed ongoing investment activities, including the 2016 fiscal year-to-date return of approximately -4.0% as of January 31, 2016. 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 provided an update on the securities lending and commission recapture programs and the real estate and private equity portfolios. 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 and Economic Sanction Policy. On January 8, 2016, 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.

Affirmative Action Policy

Mr. Husting provided a full report of the annual compliance review of the Systems' Affirmative Action Policy. The Systems have long term relationships in place with the majority of their investment consultants, traditional equity and fixed income managers and commingled fund managers. Zevenbergen Capital Investments qualifies as a WBE and Rock Creek Group as a MBE. Staff and General Counsel recommend that no action be taken this year with regard to the Affirmative Action Policy and Procurement Action Plan.

Asset Liability Study

Mr. Craig Husting discussed the upcoming Asset Liability Study that is currently being completed by staff and the Systems' Investment Consultant, Michael Hall with Towers Watson. Studies are conducted every 2-5 years per the Investment Policy and Mr. Husting reviewed the asset allocation changes since July 1995. He also discussed the calendar of work needed to be completed over the next few months in order to produce the Asset Liability Study.

Management Report

Cortex Governance Review PSRS4608 PEERS2845

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

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

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 2016 revenue to the Board. He also discussed sales tax growth and Missouri income from capital gains and dividends.

Ms. Walden discussed the upcoming important legislative dates and the 2016 legislative statistics. Ms. Walden reviewed all retirement legislation, of which HB 1420 and SB 954 both impact PSRS by permanently extending the 2.55% formula factor. Ms. Walden discussed the results of the actuarial cost study which had been requested from the actuary, PriceWaterhouseCoopers. Based on current member population and actuarial assumptions concerning retirement timing, if the benefit has a permanent extension there is a savings to the Systems. Ms. Walden further explained that the Unfunded Actuarial Accrued Liability (UAAL) of the Plan will be reduced by nearly \$78 million should the 2.55% benefit formula be permanently adopted. There would be an annual savings of \$7.65 million per year for the next 30 years due to this reduction.

Ms. Walden also discussed HB 1709, which allows for any retiree that selects a joint-and-survivor plan and has a subsequent divorce be allowed to popup to a single life option upon receipt of the application. This will only occur if the divorce decree provides for sole retention, retroactive benefits are not payable, and the divorce must occur on or after September 1, 2016. HB 1710 requires that any retiree who is employed by a third party or is performing work as an independent contractor as a temporary or long-term substitute teacher be required to comply with existing statutory working after retirement requirements in 169.560 of 50% salary and 550 hours. The bill would not prohibit an employer of the Systems from hiring a third party contractor for substitute teaching positions. Both HB 1709 and 1710 were introduced by Representative Mike Lair and neither have any measurable savings or impact to PSRS and PEERS.

Following discussion, Mr. Wheeler moved that the Board support legislation for the permanent extension of the 2.55% benefit formula factor, the legislation for the divorce popup and also the legislation which deals with working after retirement and third party consultant work. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Heath, Hunt, Steliga and Wheeler; “Nay”—None. The motion carried unanimously.

PSRS4609
PEERS2846

2020 Project

Mr. Dearld Snider and Nick Borgmeyer from Simon Oswald Architects (SOA) discussed the 2020 Project with the Board. Mr. Snider reviewed the history of PSRS/PEERS and 3210 W. Truman Blvd, discussed future projections and key objectives. Mr. Borgmeyer discussed in detail SOA’s comprehensive analysis

which included space and facility analysis, proposed preliminary design, opinion of probable costs and phasing with the Board. Mr. Snider summarized the next steps of the project.

Public Comment

Ms. Carol Weatherford representing MNEA and MNEA-Retired stated that she received a very good report from a member that stated that they received amazing treatment from staff when applying for retirement. Ms. Weatherford wanted to express appreciation to Member Services on behalf of the future retiree.

Closed Session

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

PSRS4610
PEERS2847

Motion No. PSRS4611 through PSRS4614 were made in closed session.
Motion No. PEERS2848 through PEERS2851 were made in closed session.

Adjournment

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

PSRS4615
PEERS2851