

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

June 8, 2009

MEMBERS PRESENT

Tina Zubeck, Chair
Joncee Nodler, Vice Chair
Yvonne Heath
Peggy Preston
Jim O'Donnell
Wayne Wheeler
Aaron Zalis

MEMBERS ABSENT

OTHERS PRESENT

M. Steve Yoakum, Executive Director
Rob Rust, Asst. Exec. Dir., Operations
Alan Thompson, General Counsel
Craig Husting, Asst. Exec. Dir., Invest.
Dearld Snider, Dir. of Member Services
Lori Woratzeck, Chief Finan. Officer
Tom Smith, Dir. of Info. Technology
Jeff Russler, Dir. Employer Services
Janet Harris, Internal Auditor
Maria Walden, Legislative Dir.
Mary Hiatte, Executive Assistant

**Meeting
Convened**

The meeting of the Board of Trustees convened at 9:45 a.m. at the St. Charles Convention Center in St. Charles, Missouri. In attendance were Tina Zubeck, Joncee Nodler, Yvonne Heath, Jim O'Donnell, Peggy Preston, Wayne Wheeler and Aaron Zalis, Board Members. Also present were M. Steve Yoakum, Executive Director; Rob Rust, Assistant Executive Director, Operations; Alan Thompson, General Counsel; Craig Husting, Assistant Executive Director, Investments; Dearld Snider, 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; Maria Walden, Legislative Director; various other PSRS/PEERS staff members; and Mary Hiatte, Executive Assistant.

**Approval of
Minutes
PSRS 4188
PEERS2444**

Mrs. Preston moved that the minutes from the April 5 and 6, 2009, meetings be approved. Dr. Zalis seconded the motion. Voting "Aye"—Zubeck, Nodler, Heath, O'Donnell, Preston, Wheeler, and Zalis; "Nay"—None. The motion carried unanimously.

**Order of
Business**

The order of business was approved with no changes.

Investments

Activities Memo Mr. Craig Husting reviewed the ongoing investment activities memo, which included the year-to-date return for FY 2009, managers on the watch list, an update on real estate and private equity, the absolute return pool program, and the tentative investment calendar.

Asset Allocation Study Craig Husting and Michael Hall presented the results of the asset allocation study. Following discussion of the various options, Mr. Wheeler moved to approve Portfolio B (20% Safe Assets, 60% Public Risk Assets, 20% Private Risk Assets). The asset allocation included minimum and maximum targets to control overall risk. Specifically, it included a minimum target allocation to Safe Assets of 15%, a maximum target allocation to 'Private Risk' assets of 25%, a maximum allocation to hedged assets of 12%, and recommended maintaining a policy target allocation of 80% Treasuries and 20% TIPS in the Safe Asset composite. Mrs. Preston seconded the motion. Voting "Aye"—Zubeck, Nodler, Heath, O'Donnell, Preston, Wheeler, and Zalis; "Nay"—None. The motion carried unanimously.

PSRS4189
PEERS2445

Management Report

Budget Adjustments Mr. Wheeler moved that the budget adjustment as presented by staff to the Budget and Audit Committee be approved. Mr. O'Donnell seconded the motion. Voting "Aye"—Zubeck, Nodler, Heath, O'Donnell, Preston, Wheeler, and Zalis; "Nay"—None. The motion carried unanimously.

PSRS4190
PEERS2446

Section 218 Update Mr. Alan Thompson updated the Board on the status of the Social Security Section 218 situation. He indicated that the task force is still working on several issues.

Member Services Mr. Dearld Snider gave a brief Member Services Report. He reported that considerably fewer PSRS retirement applications had been filed so far compared to last year at this time. He also reported that the IRS has changed their previous ruling requiring pension plans to use the new tax withholding tables. He indicated that the new ruling came well after the effective date of the new tables and that the retirement system had already contacted the affected retirees and that an additional letter to change back to the old tables would likely cause confusion. However, because of the change by IRS, the system will revisit the issue in January 2010.

Legislative Update Mrs. Maria Walden gave a brief legislative update to the Board. Mrs. Walden reviewed the bills which had passed affecting the retirement systems. She indicated that the consent bill had passed and was awaiting the Governor's signature.

Governance Report The Board discussed the Governance Compliance and Policy Review report from Cortex. Following discussion, Mr. Wheeler moved that the minor language changes recommended in the Board Operations Policy and the Reviewing and Reporting Policy be approved. Mrs. Preston seconded the motion. Voting "Aye"—Zubeck, Nodler, Heath, O'Donnell, Preston, Wheeler, and Zalis; "Nay"—None. The motion carried unanimously.

PSRS4191
PEERS2447

The report indicated that the current policy indicates that Board motions and resolutions are written verbatim in the minutes. Since that is not the actual procedure used,

Cortex suggested a wording change to the policy to reflect current practice. Mr. O'Donnell suggested leaving the written policy as it currently reads. Following discussion, Mrs. Nodler moved that the recommendation from Cortex be approved. Dr. Zalis seconded the motion. Voting "Aye"—Zubeck, Nodler, Heath, Preston, Wheeler and Zalis; "Nay"—O'Donnell. The motion carried.

PSRS4192
PEERS2448

**Public
Comment**

Mr. Yoakum informed the Board that the System had again received the GFOA award for excellence in financial reporting. The Board commended the accounting and investment staff for their work.

**Pension
Project**

Dearld Snider, Tom Smith, Paul Shadwick, Lori Woratzeck and Jeff Russler updated the Board on the pension project. They reviewed the need for a new pension system, what had been learned with the previous experience with LRS, discussed the options going forward and how they planned to proceed. Mr. O'Donnell suggested an academic

approach

by an outside individual to determine that the team had thought of all the options available. The team welcomed that suggestion and asked Mr. O'Donnell to provide a name of an individual they could contact.

**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) and (3), RSMo. Dr. Zalis seconded the motion. Voting "Aye"—Zubeck, Nodler, Heath, O'Donnell, Preston, Wheeler, and Zalis; "Nay"—None. The motion carried unanimously.

PSRS4193
PEERS2449

Motion No. PSRS4194 through PSRS4196 were made in closed session.
Motion No. PEERS2450 and PEERS2451 were made in closed session.

**Budget
Preston**

Mrs. Heath moved that the budget for 2009-10 be approved as presented. Mrs. seconded the motion. Voting "Aye"—Zubeck, Nodler, Heath, O'Donnell, Preston, Wheeler, and Zalis; "Nay"—None. The motion carried unanimously.

PSRS4197
PEERS2452

Adjournment

Mrs. Heath moved that the meeting adjourn. Mrs. Nodler seconded the motion. Voting "Aye"—Zubeck, Nodler, Heath, O'Donnell, Preston, Wheeler and Zalis; "Nay"—None. The motion carried unanimously.

PSRS4198
PEERS2453