

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

June 21, 2010

MEMBERS PRESENT

Tina Zubeck, Chair
Wayne Wheeler, Vice Chair
Donald Cupps
Yvonne Heath
Scott Hunt
Aaron Zalis

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
Ronda Peterson, Dir. Member Services
Tom Smith, Dir. of Info. Technology
Jeff Russler, Dir. Employer Services
Janet Harris, Internal Auditor
Maria Walden, Legislative Director
Mary Hiatte, Executive Assistant

**Meeting
Convened**

The meeting of the Board of Trustees convened at 9:05 a.m. at the Retirement System office in Jefferson City, Missouri. In attendance were Tina Zubeck, Wayne Wheeler, Donald Cupps, Yvonne Heath, Scott Hunt and Aaron Zalis, Board Members. Also present were Jason Hoffman and Susan McClintic who will be seated on the Board effective July 1, 2010. 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; Ronda Peterson, Director, 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.

**Closed
Session
PSRS4256
PEERS2508**

Dr. Zalis 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. Cupps seconded the motion. Voting "Aye"—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; "Nay"—None. The motion carried unanimously.

Motion No. PSRS4257 and PSRS4258 were made in closed session.
Motion No. PEERS2509 and PEERS2510 were made in closed session.

**Approval of
Minutes**
PSRS4259
PEERS2511

Mrs. Heath moved that the minutes from the March 12, March 19 and April 12, 2010, meetings be approved. Mr. Hunt seconded the motion. Voting “Aye”—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; “Nay”—None. The motion carried unanimously.

**Order of
Business**

The order of business was approved with no changes.

Chairman Zubeck congratulated Susan McClintic and Jason Hoffman on their election to the Board.

Mr. Steve Yoakum presented a plaque to Mrs. Mary Lou Stegner recognizing her retirement from PSRS/PEERS effective May 1, 2010.

Investments

Review

Mr. Craig Husting briefly reviewed the investment goals and philosophy as well as the current asset allocation.

**Activities
Memo**

Mr. Craig Husting reviewed the ongoing investment activities memo, which included the year-to-date return for FY 2010 and managers on the watch list, as well as an update on the custody transition, securities lending and recapture program, investment fees, real estate, and private equity.

Policy Change

Mr. Husting presented a recommended change to the investment policy which would increase the policy range for hedged assets from a maximum of 12% to a maximum of 15%. He reported that the rationale behind the recommendation was that the hedged assets have provided solid risk-adjusted returns compared to other risk assets or safe assets. Following a brief discussion, Mr. Wheeler moved that the investment policy be amended as recommended. Dr. Zalis seconded the motion. Voting “Aye”—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; “Nay”—None. The motion carried unanimously.

PSRS4260
PEERS2512

Management Report

**Cert. of
Election**

Mr. Wheeler moved that the trustee election results as certified by VR Election Service be accepted as presented. That certification showed that Jason Hoffman and Susan McClintic had been elected by the membership for four-year terms beginning July 1, 2010. Mr. Hunt seconded the motion. Voting “Aye”—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; “Nay”—None. The motion carried unanimously.

PSRS4261
PEERS2513

**Budget
Adjustment**
PSRS4262
PEERS2514

Mr. Hunt moved that the budget adjustment as presented by staff to the Budget and Audit Committee be approved. Mrs. Heath seconded the motion. Voting “Aye”—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; “Nay”—None. The motion carried unanimously.

**Budget
2010-11**

Mrs. Woratzeck gave a brief overview of the proposed budget for 2010-11. Mr. Wheeler moved that the budget be approved as presented to the Budget and Audit

Committee. Dr. Zalis seconded the motion. Voting “Aye”—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; “Nay”—None. The motion carried unanimously.

Regulations

Following discussion, Mr. Cupps moved that the following amendments to the regulations be adopted:

16 CSR 10-4.010 Membership Service Credit

PURPOSE: This rule sets forth the manner in which credit is to be earned for full-time or part-time service in employment covered by the retirement system.

(1) Membership service credit for full-time employment will be calculated based on the following ratio beginning July 1, 1997: The actual compensation received by the member for the school year divided by the annual compensation expected to be paid for that full-time position for a complete school year, as reflected on the beginning of the year report from the employer (or as later amended). Both the numerator and denominator will be determined without regard to the career ladder and medical benefits that are otherwise included in compensation. ~~Credit will be calculated to the nearest tenth of a year~~ **resulting from the above calculation shall be rounded to the nearest hundred-thousandth.** Not more than one (1) year of membership service credit will be allowed for any school year.

(2) Where credit is allowed by law for parttime employment, the credit will be calculated based on the following ratio beginning July 1, 1997: The actual compensation received by the member for the school year divided by the annual compensation that would be paid for that position on a full-time basis for a complete school year, as reflected on the beginning of the year report from the employer (or as later amended). Both the numerator and denominator will be determined without regard to the career ladder and medical benefits that are otherwise included in compensation. ~~Credit will be calculated to the nearest tenth of a year~~ **resulting from the above calculation shall be rounded to the nearest hundred-thousandth.** Not more than one (1) year of membership service credit will be allowed for any school year.

16 CSR 10-5.010 Service Retirement

PURPOSE: This rule sets forth the procedures for the claiming and payment of service retirement benefits under sections 169.070 and 169.075, RSMo and restrictions on employment as provided by section 169.560, RSMo.

(9) For the purpose of determining eligibility for retirement as a result of the sum of a member’s age and years of creditable service equaling eighty (80) years or more, the member’s age shall be determined by adding the member’s age on the date of his or her most recent birthday and the partial year following the member’s most recent birthday. Such partial year shall be determined by converting **the member’s age to the nearest day into a number rounded to the nearest hundred-thousandth.** ~~days following the member’s most recent birthday into tenths of a year according to the following schedule:~~

~~At least 37 days and less than 73 days: one-tenth of a year
At least 73 days and less than 110 days: two-tenths of a year
At least 110 days and less than 146 days: three-tenths of a year
At least 146 days and less than 183 days: four-tenths of a year
At least 183 days and less than 219 days: five-tenths of a year
At least 219 days and less than 256 days: six-tenths of a year
At least 256 days and less than 292 days: seven-tenths of a year
At least 292 days and less than 329 days: eight-tenths of a year
At least 329 days and less than 365 days: nine-tenths of a year~~

16 CSR 10-6.040 Membership Service Credit

PURPOSE: This rule sets forth the manner in which credit is to be earned or purchased in accordance with the provisions of sections 105.985, 169.595, 169.600, 169.620 and 169.650, RSMo.

(1) Membership service credit for regularly employed members will be calculated based on the following ratio beginning July 1, 1997: The actual compensation received by the member for the school year divided by the minimum annual compensation expected to be paid for that position for a complete school year, as reflected on the beginning of the year report from the employer (or as later amended). Both the numerator and denominator will be determined without regard to the medical benefits that are otherwise included in compensation. ~~Credit will be calculated to the nearest tenth of a year~~ **resulting from the above calculation shall be rounded to the nearest hundred-thousandth.** Not more than one (1) year of membership service credit will be allowed for any school year.

(7) For the purpose of determining eligibility for retirement as a result of the sum of a member's age and years of creditable service equaling eighty (80) years or more, the member's age shall be determined by adding the member's age on the date of his or her most recent birthday and the partial year following the member's most recent birthday. Such partial year shall be determined by converting **the member's age to the nearest day into a number rounded to the nearest hundred-thousandth.** ~~days following the member's most recent birthday into tenths of a year according to the following schedule:~~

~~At least 37 days and less than 73 days: one-tenth of a year
At least 73 days and less than 110 days: two-tenths of a year
At least 110 days and less than 146 days: three-tenths of a year
At least 146 days and less than 183 days: four-tenths of a year
At least 183 days and less than 219 days: five-tenths of a year
At least 219 days and less than 256 days: six-tenths of a year
At least 256 days and less than 292 days: seven-tenths of a year
At least 292 days and less than 329 days: eight-tenths of a year
At least 329 days and less than 365 days: nine-tenths of a year~~

PSRS4264
PEERS2516

Mr. Wheeler seconded the motion. Voting "Aye"—Zubeck, Wheeler, Cupps, Heath, Hunt and Wheeler; "Nay"—None. The motion carried unanimously.

Legislative Update

Mrs. Maria Walden and Mr. Jim Moody gave a brief legislative update to the Board. Mrs. Walden reported that the Governor has called a special session to begin June 24 to pass legislation regarding pension reform for MOSERS and MPERS and a tax incentive bill. Mr. Yoakum discussed his recent meeting at the Governor's office and reminded the Board that proponents of the state investment board have stated both publicly and privately that it is their goal to take the PSRS/PEERS assets and to invest them under the state investment board. The Board discussed the state investment board proposal and reiterated their opposition to the state investment board.

Pension Project

Mr. Dearld Snider and Mr. Paul Shadwick gave a brief update on the pension project and reported that the project overall is slightly ahead of schedule.

Tier 2 Discussion

Mr. Dearld Snider presented research from the actuary regarding possible Tier 2 plans. Mr. Yoakum briefly reviewed the history of recent decline in the investment markets, the timeline for the studies, and legal research concerning the benefit structure. Mr. Snider reviewed the June 30, 2009, actuarial valuation and the liability breakdown. He reviewed the goals and observations as well as the pros and cons of a new benefit structure. Dr. Zalis agreed that the benefit structure needs to be researched and stated that the retirement plan is a great recruiting tool for school districts. Mr. Hunt indicated he would like to see more research and discussion on 'sharing the pain' so the new plan would not overburden new teachers and require them to work longer. Mr. Cupps disagrees with the legal research that benefit reductions to current members would be unconstitutional and would prefer to let the contribution rate continue to go up than not share the pain among all members. Mr. Wheeler likes the Tier 2 for new hires but is skeptical about meeting all the assumptions. He would like to tie future cost-of-living adjustments to investment returns. Based on the discussion, Mr. Yoakum stated he will go back to the educational associations for input regarding sharing the pain among current and future members.

Public Comment

Since this was Mrs. Zubeck's last Board meeting, she took the opportunity to express her appreciation to the staff and the other trustees. She indicated that she had served on a number of boards in her career but none that provided more personal growth, contacts and friends than her service on the PSRS/PEERS Board.

Closed Session
PSRS4265
PEERS2517

Mr. 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. Cupps seconded the motion. Voting "Aye"—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; "Nay"—None. The motion carried unanimously.

Motion No. PSRS4266 through PSRS4268 were made in closed session.
Motion No. PEERS2518 and PEERS2520 were made in closed session.

Budget 2010-11
PSRS4269
PEERS2521

Mr. Wheeler moved that the budget for 2010-11 be approved as amended. Mr. Hunt seconded the motion. Voting "Aye"—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; "Nay"—None. The motion carried unanimously.

Adjournment
PSRS4270
PEERS2522

Mr. Hunt moved that the meeting adjourn. Dr. Zalis seconded the motion. Voting “Aye”—Zubeck, Wheeler, Cupps, Heath, Hunt and Zalis; “Nay”—None. The motion carried unanimously and the meeting adjourned at 3:30 p.m.