

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

**June 14, 2016**

**MEMBERS PRESENT**

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

**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  
Anita Brand, Chief Finan. Officer  
Jeff Hyman, Internal Auditor  
Bill Betts, Chief Technology Officer  
Maria Walden, Legislative Director  
Ronda Peterson, Dir. of Member Serv.  
Nicole Hamler, Dir. Admin Planning

**Tuesday, June 14, 2016**

**Meeting  
Convened**

The meeting of the Board of Trustees convened at 9:00 a.m. in the Retirement System offices in Jefferson City, Missouri. In attendance were Aaron Zalis, Jason Hoffman, Wayne Wheeler, Yvonne Heath, Jason Steliga, and Scott Hunt, 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; Ronda Peterson, Director of Member Services, Maria Walden, Director of Legislation and Policy; Jeff Hyman, Internal Auditor; Nicole Hamler, Director of Administrative Planning and Design; and various other PSRS/PEERS staff members.

**Approval of  
Minutes  
PSRS4628  
PEERS2863**

Ms. Heath moved that the minutes from the April 10-11, 2016 meeting be approved. Mr. Hunt 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.

**Recognition**

Dr. Zalis recognized Chhayhea Sam, Senior Investment Officer, for recently being featured in the CIO Magazine’s “Forty under Forty” list of up-and-coming investment professionals.

Dr. Zalis presented Anita Brand, Chief Financial Officer, the “Certificate of Achievement for Excellence in Financial Reporting” – the highest form of recognition given by the Government Finance Officers Association of the United States & Canada.

**Investments**  
**Performance**  
**Report**

Mr. Craig Husting and Mr. Michael Hall reviewed the performance report for the period ending March 31, 2016, which included the total fund fiscal year-to-date return of 0.18% and the one-year return of 0.13%. 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 March 31, 2016 of \$37.7 billion. Mr. Husting also discussed the Systems’ performance relative to a public fund peer group, total plan attribution, and overall risk vs total returns which demonstrate the Systems’ ability to take less risk while still achieving above average returns.

**Ongoing**  
**Investment**  
**Activity**

Mr. Craig Husting and Mr. Michael Hall reviewed ongoing investment activities, which included the estimated fiscal year-to-date return of approximately 0.5% as of May 31, 2016. Mr. Husting discussed the current asset allocation of the PSRS/PEERS portfolio, in which he reviewed the long-term strategy, portfolio themes, broad portfolio expectations and recent activity. Mr. Husting also discussed securities lending and commission recapture programs. He also gave a brief Real Estate and Private Equity update and reviewed the tentative board investment calendar.

**Asset Allocation**  
**Recommendation**

Mr. Craig Husting and Mr. Michael Hall discussed the asset allocation recommendation with the Board. The recommendation was a result of the Asset/Liability Study prepared by Towers Watson and presented to the Board at the April 11, 2016 meeting in which a number of different asset allocations were considered. The recommendation was to move the target allocation for Public Credit from 12% to 7% and to increase the target allocation for Private Assets from 20% to 25%. Mr. Wayne Wheeler moved that the changes to the target allocation as recommended by consultant and staff be approved. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Heath, Hunt, Steliga and Wheeler; “Nay”—None. The motion carried unanimously.

PSRS4629  
PEERS2864

**Management Report**  
**Actuarial**  
**Experience**  
**Study**

Ms. Anita Brand, briefly discussed the final PSRS and PEERS Actuarial Experience Study which were reviewed in detail by PriceWaterhouseCoopers at the April 14, 2016 meeting. Mr. Hoffman moved that the assumptions as recommended by the actuary as results of the study be adopted. Ms. Heath seconded the motion. Voting “Aye”—Zalis, Hoffman, Heath, Hunt, Steliga and Wheeler; “Nay”—None. The motion carried unanimously.

PSRS4630  
PEERS2865

**Actuarial**  
**Funding Policy**

Ms. Anita Brand, discussed the changes in the PSRS and PEERS Funding Policies which are reviewed every five years in conjunction with the Actuarial Experience Studies and Asset Liability Study. All assumptions in the policies were updated to reflect the recommendations included in the Experience Studies, including the expected return on assets. Ms. Brand also reviewed the long-term

COLA assumption within the policies with the Board. Ms. Brand reviewed three different options for the long-term COLA assumption for the Board of Trustees' review: 1. No change in the funding policy and provide a 2% COLA when the CPI-U is between 0%-5%, 2. Provide actual COLA when CPI-U is between 0-2% and 3. Provide 0% COLA when CPI-U is between 0-2%. Dr. Zalis shared a letter from MRTA which supported the second option of the actual COLA when CPI-U is between 0-2%. Discussion occurred regarding the projected financial impact of each COLA option. It was further discussed that the actuarial assumption for providing a 0% COLA when CPI-U was between 0-2%, resulted in a 1.5% expected COLA over future retirees lifetime. Mr. Wheeler moved to accept the changes to the funding policies as recommended by the Actuarial Experience Studies and Asset Liability Study and adopt the long term COLA assumption that provides 0% COLA when CPI is between 0-2%. Mr. Hunt seconded the motion. Voting "Aye"—Zalis, Hoffman, Heath, Hunt, Steliga and Wheeler; "Nay"—None. The motion carried unanimously.

PSRS4631  
PEERS2866

### **Meeting Dates**

The 2016-17 fiscal year meeting dates were reviewed. After discussion, August 29, 2016 date was moved to September 6<sup>th</sup>, 2016. Mr. Hoffman moved that the following dates be set for the 2016-17 fiscal year: September 6, 2016, October 24, 2016, December 12, 2016, February 13, 2017, April 10, 2017, and June 12-13, 2017. Ms. Heath seconded the motion. Voting "Aye"—Zalis, Hoffman, Heath, Hunt, Steliga and Wheeler; "Nay"—None. The motion carried unanimously.

PSRS4632  
PEERS2867

### **Certification of Election**

Mr. Hunt moved that the trustee election results as certified by VR Election Service be accepted as presented. That certification showed that Dr. Aaron Zalis and Ms. Yvonne Heath had been elected by the membership for four-year terms beginning July 1, 2016. Mr. Steliga seconded the motion. Voting "Aye"—Zalis, Hoffman, Heath, Hunt, Steliga and Wheeler; "Nay"—None. The motion carried unanimously.

PSRS4633  
PEERS2868

### **Budget Adjustment**

Mr. Wheeler moved that the budget adjustment related to legal fees be approved as recommended by the Budget and Audit Committee. Mr. Steliga seconded the motion. Voting "Aye"—Zalis, Hoffman, Heath, Hunt, Steliga and Wheeler; "Nay"—None. The motion carried unanimously.

PSRS4634  
PEERS2869

### **ACH Resolution**

Ms. Anita Brand reviewed a memo regarding a Banking Resolution. The resolution provides continuing authority to Steve Yoakum, Dearld Snider and Craig Husting to make necessary changes related to our banking relationship with Central Bank. The Banking Resolution authorizes appropriate individuals to execute documents with the bank without additional approval by the Board of Trustees. The authorized individuals approve items such as online user access capabilities and approval limit changes. The authorization will automatically expire June 30, 2017, unless replaced with a new resolution. Mr. Hunt moved that the following resolution be approved as recommended by the Budget and Audit Committee:

WHEREAS, the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri (hereinafter the “Company”) desires to obtain a variety of services from Central Bank and the Company desires to authorize individuals to act on its behalf in authorizing the necessary agreements to establish these services;

NOW, THEREFORE, BE IT RESOLVED, that the persons listed below (the “Authorized Persons”) shall enter into and execute applications, instruments, documents, agreements, financial statements, and other writings and any amendments or modifications of any of the same, as in the opinion of the Authorized Persons may be necessary or desirable to consummate the banking services relationship; and

M. Steve Yoakum, Executive Director  
Craig A. Husting, Assistant Executive Director, Investments  
Dearld O. Snider, Assistant Executive Director, Operations

FURTHER, RESOLVED, that the Authorized Persons are hereby authorized and directed to execute, acknowledge and deliver on behalf of the above-referenced entity, as the Authorized Persons may deem necessary or desirable, any and all documents and other writings to consummate any agreement necessary to establish the appropriate banking services for the Company.

This Authorization may be executed in two or more counterparts and by the different parties hereto on separate counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute but one and the same Authorization. This authorization will automatically expire on the earlier of June 30, 2017 or when a new resolution is received by the bank.

PSRS4635  
PEERS2870

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

**GASB 67/68**

Ms. Anita Brand, Jeffrey Russler and Jeffrey Hyman reviewed GASB 67/68 with the Board as part of their board education from the previous afternoon. They reviewed GASB 67/28 definition, timeline, and expected future enhancements.

**Legislative Update**

Mr. Jim Moody was present and reported briefly on state revenue and gave a brief April 2016 general revenue update. Mrs. Maria Walden gave a brief summary of the recently completed legislative session, which ended May 13, 2016. She discussed the 2016 legislative statistics and reviewed the bills that did not pass that could have had an implication directly or indirectly for PSRS/PEERS. Ms. Walden thanked the educational associations for their assistance this legislative session.

**Public Comment**

Carol Weatherford, MNEA-Retired President, acknowledged the efforts on the part of PSRS trustees to have studied the COLA issue in depth before making the difficult decision to modify the funding policy. She stated that she was hopeful that contribution rates did not have to increase for the coming year. She expressed appreciation for Steve Yoakum's meeting with leaders of all the education groups to explain the actuarial process and to seek their input regarding the possible need to modify the policy.

Dr. Aaron Zalis thanked Mrs. Weatherford for attending the Trustees' education session held the previous day.

Mr. Jason Hoffman stepped out of the meeting at 10:45 a.m.

**Closed Session**

PSRS4636  
PEERS2871

Mr. Hunt moved that the meeting continue in closed session to consider legal matters under sections 610.021 (1), (14), (20) and 169.020.15, RSMo. Ms. Heath seconded the motion. Voting “Aye”—Zalis, Heath, Hunt, Steliga and Wheeler; “Nay”—None. The motion carried unanimously.

Motion No. PSRS4637 through PSRS4639 were made in closed session.  
Motion No. PEERS2872 through PEERS2874 were made in closed session.

**Budget  
2016-17**

PSRS4640  
PEERS2875

Mr. Hoffman moved that the proposed 2015-16 budget as presented to the Budget and Audit Committee be approved. Mr. Hunt seconded the motion. Voting “Aye”—Zalis, Hoffman, Heath, Hunt, Steliga and Wheeler; “Nay”—None. The motion carried unanimously.

**Meeting Dates**

PSRS4641  
PEERS2876

After further discussion Mr. Hunt moved the upcoming meeting date of September 6, 2016 to the following day, September 7, 2016. Mr. Steliga seconded the motion. Voting “Aye”—Zalis, Hoffman, Heath, Hunt, Steliga and Wheeler; “Nay”—None. The motion carried unanimously.

**Adjournment**

PSRS4642  
PEERS2877

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.