Investment Symposium
BOARD OF TRUSTEES
OF
THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI
AND
THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI
June 12-13, 2017

MEMBERS PRESENT
Aaron, Zalis, Chair
Jason Hoffman, Vice Chair
Yvonne Heath
Scott Hunt
Jason Steliga
Chuck Bryant

MEMBERS ABSENT
M. Steve Yoakum, Executive Director
Craig Husting, Asst. Exec. Dir., Invest.
Alan Thompson, General Counsel
Anita Brand, Chief Finan. Officer
Bill Betts, Chief Technology Officer
Nicole Hamler, Dir. Admin Planning

OTHERS PRESENT

Monday, June 12, 2017

Meeting Convened
The Investment Symposium Educational Meeting of the Board of Trustees convened at 8:00 a.m. at the Embassy Suites St. Charles, 2 Convention Center Plaza, St. Charles, Missouri. In attendance were Aaron Zalis, Jason Hoffman, Chuck Bryant, 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; Bill Betts, Chief Technology Officer, Nicole Hamler, Director of Administrative Planning and Design; and various other PSRS/PEERS investment staff members.

Governance Process and Procedures
Presenters: M. Steve Yoakum, Executive Director, PSRS/PEERS
Craig Husting, Chief Investment Officer, PSRS/PEERS

Duties and Responsibilities of Board Members as Trustees
Presenters: Craig Husting, Chief Investment Officer, PSRS/PEERS
Michael Hall, West Region Investment Leader, Willis Towers Watson

Closed Session
The meeting continued in closed session at NISA Investment Advisors, LLC, 101 South Hanley Road, Suite 1700, St. Louis, Missouri. This session is considered to be closed under section 610.021(14), RSMo., sections 417.450 to 417.467, RSMo., section 169.040.7, RSMo., and section 169.630.7, RSMo.
**Tuesday, June 13, 2017**

**Meeting Convened**
The Investment Symposium Educational Meeting of the Board of Trustees convened at 8:00 a.m. at the Embassy Suites St. Charles, 2 Convention Center Plaza, St. Charles, Missouri. In attendance were Jason Hoffman, Chuck Bryant, Yvonne Heath, Jason Steliga, and Scott Hunt, Board Members. Aaron Zalis, was absent from the meeting. Also present were M. Steve Yoakum, Executive Director; Craig Hustig, Assistant Executive Director, Investments; Dearld Snider, Assistant Executive Director, Operations; Alan Thompson, General Counsel; Anita Brand, Chief Financial Officer; Bill Betts, Chief Technology Officer, Nicole Hamler, Director of Administrative Planning and Design; and various other PSRS/PEERS investment staff members.

**Understanding Investment Fees**
Presenters: Craig Hustig, Chief Investment Officer, PSRS/PEERS
Anita Brand, Chief Financial Officer, PSRS/PEERS

**Emerging Markets Version 2.0**
Presenters: Satyen Mehta, Principal, Neon Liberty Capital Management
Alejandro Baez-Sacasa, Principal, Neon Liberty Capital Management

**Symposium Wrap-Up**
Presenters: Craig Hustig, Chief Investment Officer, PSRS/PEERS
Michael Hall, West Region Investment Leader, Willis Towers Watson

**Adjournment**
The Investment Symposium Educational Meeting was adjourned to begin the regular session of the Board of Trustees Meeting.
Meeting Convened

The meeting of the Board of Trustees convened at 12:30 p.m. at the Embassy Suites St. Charles, 2 Convention Center Plaza, St. Charles, Missouri. In attendance were Aaron Zalis, Jason Hoffman, Chuck Bryant, 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; Omar Davis, Director of Employer Services; Jeff Hyman, Internal Auditor; Nicole Hamler, Director of Administrative Planning and Design; and various other PSRS/PEERS staff members.

Approval of Minutes

Mr. Steliga moved that the minutes from the April 10, 2017 meeting be approved. Mr. Hunt seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, and Steliga; “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 investment performance for the period ended March 31, 2017. The 1-year PSRS/PEERS investment return was reported as 11.1% while the fiscal year return (July 1, 2016 thru March 31, 2017) was reported as 8.9%.
Mr. Husting and Mr. Hall reviewed ongoing investment activities, which included estimated investment performance through May 31, 2017. Mr. Husting discussed the current asset allocation of the PSRS/PEERS portfolio, in which he reviewed the long-term strategy, portfolio themes and the broad portfolio expectations. Mr. Husting also reviewed the tentative Board investment calendar.

**Management Report**

**Meeting Dates**

The 2017-18 fiscal year meeting dates were reviewed. Mr. Hunt moved that the following dates be set for the 2017-18 fiscal year: August 28, 2017; October 30, 2017; December 11, 2017; February 12, 2018; April 9, 2018; and June 11-12, 2018.

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

**Budget Transfer**

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

**ACH Banking 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, 2018, unless replaced with a new resolution. Mr. Bryant 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, 2018 or when a new resolution is received by the bank.


Mr. Dearld Snider and Ms. Kim Mangat, with CEM Benchmarking, presented a summary of the CEM benchmarking study PSRS/PEERS recently participated in. CEM benchmarked PSRS/PEERS’ service and cost compared to 67 leading global pension systems including 11 in our peer group who are similar in size. PSRS/PEERS received an overall high service score of 89 out of 100 while administrative costs were just above the peer average, yet 49% below the average cost of the CEM universe.

Mr. Hunt moved that the proposed 2017-18 budget as presented to the Budget and Audit Committee be approved. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, and Steliga; “Nay”—None. The motion carried unanimously.

Ms. Maria Walden and Mr. Jim Moody, Legislative Consultant updated the Board on the current legislative session. Mr. Moody reported briefly on state revenue and gave an update on March 2017 revenue, to the Board. He also discussed sales tax growth and Missouri income from capital gains and dividends.

Ms. Maria Walden gave a brief summary of the recently completed legislative session. She discussed the 2017 legislative statistics and reviewed the bills that passed, that have a direct impact on the Systems.

CCS HCS SS SB 62 - Sponsor: Senator Dan Hegeman
The divorce pop-up language allows retired PSRS and PEERS members who elected a Joint-and-Survivor benefit plan at retirement (providing a reduced benefit to the member with survivor benefits for a spouse) to have that reduced retirement benefit “pop-up” or increase to the larger Single Life benefit amount, with no survivor benefits, if the member and his or her spouse become divorced on or after September 1, 2017. This is possible only if the divorce decree provides the member with sole retention of all rights to the retirement benefit. The original bills filed relating to the above divorce provisions were HB 304 and SB 394.
This divorce provision also expands the time period during which a retired member can nominate a successor beneficiary, should he or she remarry, to one year.

The working after retirement language expands the Missouri statute regarding limits on working after retirement. In addition to retirees working directly for PSRS/PEERS-covered employers, it also includes any individual employed by a third party, or working as an independent contractor as a substitute teacher, or in
another position normally requiring educator certification by the Missouri Department of Elementary and Secondary Education (DESE). The original bills filed relating to the above working after retirement provisions were HB 305 and SB 441. Ms. Walden also presented a detailed list of the bills that did not pass this legislative session.

Ms. Walden also discussed the bills that did not pass this legislative session.

**CPI Update**

Mr. Yoakum discussed the calculation of the Consumer Price Index (CPI) calculated by the Bureau of Labor Statistics (BLS). PSRS/PEERS’ regulation requires that the time period for the CPI calculation is from June to June. Based on the values provided by the BLS, the CPI-U, which is used for COLA calculations, is up 1.4462% through April 30, 2017.

Mr. Yoakum also discussed the COLA resolution which the Board passed in December 2016 which stated that that the Board will “annually analyze the financial impact of revisions to the COLA assumptions as part of the annual actuarial valuations”. He reviewed the timeline for the full analysis and the different COLA options that will be fully analyzed by the Board in the fall of 2017 prior to setting the COLA for January 2018.

**Public Comment**

None

**Closed Session**

Mr. Hunt moved that the meeting continue in closed session to consider legal and personnel matters 610.021 (1), (3), (13), (14), (21) and 169.020.17, RSMo. Mr. Steliga seconded the motion. Voting “Aye”—Hoffman, Heath, Hunt, and Steliga; “Nay”—None. The motion carried unanimously.

The following motions were made in closed session:

PSRS4698/PEERS2933 - Minutes (Zalis, Hoffman, Bryant, Heath, Hunt, and Steliga; voting to approve the previous closed session minutes)

PSRS4699/PEERS2934 – Adjournment (Zalis, Bryant, Heath, Hunt, and Steliga; voting to adjourn closed session)

**Adjournment**

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