

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

**October 25-26, 2015**

**MEMBERS PRESENT**

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

**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  
Gary Fowler, Project Manager  
Maria Walden, Legislative Director  
Jeff Russler, Dir. of Emp. Services  
Nicole Hamler, Dir. of Amin. Design

**Sunday, October 25, 2015**

**Meeting  
Convened**

The meeting of the Board of Trustees convened at 6:30 p.m. at the Retirement System offices in Jefferson City, Missouri. In attendance were Aaron Zalis, Jason Hoffman, Yvonne Heath, Scott Hunt, Jason Steliga and Wayne Wheeler, 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.

**Investments  
Credit Program**

Mr. Frank Aten and Ms. Jessica Wilbers, Investment Staff, reviewed the current portfolio structure with the Board and updated them on the Credit Program. The target allocation for the Credit program is 12%. As of September 30, 2015, the allocation was 5.70%, or approximately \$2.1 billion. The staff reviewed the actual investments in this program as well as the managers, investment returns and credit strategy allocation changes. Mr. Aten discussed the fixed income index yields and spreads and Ms. Wilbers reviewed the credit strategy going forward.

**Non-US Equity**

Mr. Frank Aten and Mr. Travis Allen, Investment Staff, updated the Board on the Non-U.S. Equity Program. The target allocation for the Non-U.S. Equity Program is 15% with a range of 8% to 28%. As of September 30, 2015, the allocation was 15.1%, or approximately \$5.5 billion. Staff reviewed the activity over the last year, current manager allocations, manager allocation changes, country exposure, investment returns as well as the strategy going forward.

**Investment Beliefs**

Mr. Michael Hall, Towers Watson, discussed the Investment Belief interviews he conducted in August 2015. During the interview process he met one-on-one with each Board Member, all Investment Staff, and Steve Yoakum to fully explain each set of questions. Mr. Hall reviewed the outcome of the interviews with the Board and discussed all areas of consensus and explained discrepancies. The result of the process is a set of Investment Beliefs that will serve as a foundation for the implementation of the investment portfolio to achieve the Board's objectives.

**Monday, October 26, 2015****Meeting Convened**

The meeting of the Board of Trustees convened at 8:30 a.m. in the Retirement System offices in Jefferson City, Missouri. In attendance were Aaron Zalis, Jason Hoffman, Yvonne Heath, Scott Hunt, Jason Steliga and Wayne Wheeler, 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; Jeff Russler, Director of Employer Services; Maria Walden, Director of Legislation and Policy; Jeff Hyman, Internal Auditor; Gary Fowler, Project Manager; Nicole Hamler, Director of Administrative Planning and Design; and various other PSRS/PEERS staff members.

**Approval of Minutes**  
PSRS4587  
PEERS2824

Ms. Heath moved that the minutes from the August 30-31, 2015 meeting be approved. Mr. Hoffman seconded the motion. Voting "Aye"—Zalis, Hoffman, Heath, Hunt and Wheeler; "Abstained"—Jason Steliga; "Nay"—None. The motion carried unanimously.

**Order of Business**

The order of business was approved with no changes.

**Recognition**

Dr. Zalis presented a plaque to Ms. Susan McClintic recognizing her recent resignation from the PSRS/PEERS Board of Trustees.

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

Mr. Craig Husting and Mr. Michael Hall, Towers Watson, reviewed ongoing investment activities, which included the fiscal year-to-date return of approximately -3.8% as of September 30, 2015. Mr. Husting 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.

**Proxy Voting Review**

Mr. Husting reviewed the Proxy Voting Policy and reported that the Systems had received proxy voting reports from all public equity investment managers for fiscal year 2015. During the proxy voting review process, staff confirmed that all investment managers are in compliance with the Policy.

**Low-Volatility Equities**

Mr. Husting and Mr. Hall discussed low-volatility equity management. Specifically, lower risk stocks have earned higher returns in the period of 1968-2012. Mr. Husting reviewed the PSRS/PEERS experience with low-volatility stocks. He explained that the Systems were an early adopter (since 2007) and that the program has delivered exactly what was expected; market returns (or better) at 75% (or less) of market volatility. Mr. Husting stated that moving forward, there could be an increase in Low-Volatility Equity exposure within the Public Equity Composite which could result in future investment policy changes.

**Investment Beliefs**

Mr. Michael Hall, Towers Watson, discussed the process to develop Investment Beliefs at PSRS/PEERS that involved the Board, internal investment staff and himself. Mr. Hall explained that the beliefs help to form the basis of every decision made within the PSRS/PEERS investment portfolio. They are the fundamental concepts underlying the PSRS/PEERS investment program.

PSRS4588  
PEERS2825

Mr. Wheeler moved that Investment Beliefs as presented be approved. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Heath, Hunt, Steliga and Wheeler; “Nay”—None. The motion carried unanimously.

**Real Estate**

Mr. Jack Koch and Mr. Seth Marcus were present from the Townsend Group to review the second quarter 2015 real estate portfolio performance. Mr. Koch gave a brief overview of the current global real estate market. Mr. Marcus discussed the PSRS/PEERS real estate portfolio highlights, in which the target allocation is 7.5% and the Systems’ 2Q15 market value represents 7.2% of total plan assets. Mr. Marcus explained that the real estate portfolio continues to deliver strong returns and outperformance versus the benchmark. The 2015 investment themes and the commitment/funding update were also discussed with the Board.

**Audit Report**

Ms. Heidi Chick of Williams Keepers was present to discuss the recent June 30, 2015, audit of the retirement systems. Ms. Chick indicated that Williams Keepers had issued an unqualified opinion and all reports were in draft form. Ms. Chick briefly reviewed the audit process, financial statements, the footnotes as well as the management letter. She indicated that they found no significant deficiencies or material weaknesses. Ms. Chick also briefly discussed the changes in pension accounting which are required by the Governmental Accounting Standards Board 68 (GASB 68). She reviewed the role of PSRS/PEERS’ staff and Williams Keepers during this process and the joint effort made with the school districts. Mr. Hunt moved that the audit report be accepted as recommended by the Budget and Audit Committee and as presented to the Board. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Heath, Hunt, Steliga and Wheeler; “Nay”—None. The motion carried unanimously.

PSRS4589  
PEERS2826

**2015  
Valuation**

Mr. Brandon Robertson and Ms. Cindy Fraterrigo from PricewaterhouseCoopers (PwC) were present to discuss the results of the June 30, 2015 actuarial valuations for the systems. Mr. Robertson reviewed the changes in membership, assets, liabilities and the funded status of each system. He reported that the June 30, 2015, funded status of PSRS was 83.9% and PEERS was 86.8%. The current market value of assets is higher than the actuarial value of assets because there are gains still to be recognized due to the smoothing method used. Mr. Robertson stated that PSRS will be fully funded in 22.1 years and PEERS at 23.2 years if the current contribution rates are held constant and all other assumptions are met. Ms. Fraterrigo discussed the PSRS/PEERS Experience Study to be completed in 2016. The study compares actual experience to expected experience in recent years to determine if the current assumptions should be modified. Mortality assumptions used by PSRS/PEERS will be reviewed as part of the experience study including the impacts of new recommendations from the Society of Actuaries. Mr. Robertson discussed PwC's recommendation to maintain the contribution rates for 2016-17 at the current levels. Following a discussion, Mr. Hoffman moved that the contribution rate for PSRS remain at 29% and PEERS remain at 13.72% as recommended by the actuary. Mr. Wheeler seconded the motion. Voting "Aye"—Zalis, Hoffman, Heath, Hunt, Steliga and Wheeler; "Nay"—None. The motion carried unanimously.

PSRS4590  
PEERS2827

**Management Report**

**Budget  
Adjustment**  
PSRS4591  
PEERS2828

Mr. Hunt moved that the budget adjustment related to personnel additions 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.

**Actuarial Audit**

Ms. Anita Brand gave an actuarial audit update to the Board that will be conducted by Cavanaugh-McDonald. She reviewed the audit timeline in which a report will be final and presented at the December 2015 Board of Trustees' Meeting. Any recommendations agreed to by PwC and PSRS/PEERS will be implemented for the June 30, 2016 valuation. Ms. Brand also discussed the purpose of the actuarial valuation and the upcoming experience and asset/liability studies.

**Web Member  
Services Update**

Mr. Dearld Snider, gave an update on Web Member Services to the Board. He reviewed the new Member Statements that will be mailed to the members in November. Mr. Snider explained the new additions to the member statements will include eligibility dates and the functionality of projecting years of service and final average salary. The statements will be on-line before arriving in the mail and available for download. Mr. Snider also discussed the benefit estimator that went live August 25, 2015 and a new feature that went live September 17, 2015 which allows new members to nominate beneficiaries behind the secure log-in of Web Member Services.

**Working After  
Retirement  
Correspondence  
Update**

Mr. Dearld Snider gave an overview of the additional correspondence PSRS/PEERS will be sending to the school districts regarding Working After Retirement. The purpose of the additional correspondence is to notify the school districts and the members sooner of any hours/salary that have been reported to

PSRS/PEERS, takes into account multiple districts and highlights the member's monthly benefit which may be jeopardized by going over the limit(s).

**Public  
Comment**

Ms. Carol Weatherford representing MNEA and MNEA-Retired expressed appreciation to the dedication of all the trustees (past and present) and the employees of PSRS/PEERS. She also stated that she appreciated the new letter for Working After Retirement.

Ms. Yvonne Heath wanted to express her gratitude for being able to attend the National Council for Teacher Retirement (NCTR) convention themed "Getting It Right". She appreciated the sessions and expressed that they had very good keynotes.

Mr. Jason Steliga wanted to thank everyone that has reached out to him and for their help and guidance. He is looking forward to the opportunity to serve on the Board of Trustees.

**Closed Session**

PSRS4592  
PEERS2829

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

Motion No. PSRS4593 through PSRS4595 were made in closed session.  
Motion No. PEERS2830 through PEERS2832 were made in closed session.

**Adjournment**  
PSRS4596  
PEERS2833

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