

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

September 7, 2016

MEMBERS PRESENT

Aaron, Zalis, Chair
Jason Hoffman, Vice Chair
Martha Harris
Scott Hunt
Yvonne Heath
Ronald Medin
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 Financial Officer
Bill Betts, Chief Technology Officer
Jeff Hyman, Internal Auditor
Ronda Peterson, Dir. of Member Serv.
Maria Walden, Legislative Director
Nicole Hamler, Dir. Admin Design

**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, Yvonne Heath, Jason Hoffman, Martha Harris, Ron Medin, 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; Bill Betts, Chief Technology Officer; Nicole Hamler, Director of Administrative Planning and Design; and various other PSRS/PEERS staff members.

**Approval of
Minutes
PSRS4643
PEERS2878**

Ms. Heath moved that the minutes from the June 14, 2016 meetings be approved. Mr. Steliga seconded the motion. Voting “Aye”—Zalis, Hoffman, Heath, Hunt and Steliga; “Abstained” – Medin and Harris; “Nay”—None. The motion carried unanimously.

**Order of
Business**

The order of business was approved with no changes.

**Investments
Annual
Review**

Mr. Craig Husting, CIO, and Mr. Michael Hall of Willis Towers Watson presented the Fiscal Year 2016 Annual Review. They briefly reviewed the principles, objectives and philosophy regarding the investment program as well as the current

asset allocation of PSRS/PEERS. Mr. Husting reviewed the current PSRS/PEERS investment structure with the Board.

For fiscal year 2016, one-year return was 1.84% for PSRS and PEERS (MEPT). Performance was 20 bps below the passive benchmark net of all fees and expenses and total PSRS/PEERS assets declined by \$509 million in FY16. The investment staff reported that for the 5-year period ending June 30, 2016 PSRS/PEERS investment earnings were approximately \$12 billion. The annualized investment return per year (over the last 5 years) was 7.39% with lower risk than two-thirds of the peer group.

Mr. Husting reviewed the actual performance relative to expectations. The Systems' objective is to achieve investment returns consistent with the broad market but at lower levels of risk. PSRS/PEERS seeks 0.4% to 1.0% 'Alpha' above the policy benchmark net of all fees and the 7 year Alpha for the Systems' is 55 bp net of all fees. Since the inception of active investment management, PSRS/PEERS has achieved a return greater than the broad global stock market while taking approximately half the risk.

Mr. Husting also discussed the PSRS/PEERS performance relative to the public fund universe peer group. He reported that the asset allocation of PSRS/PEERS is similar to the public fund peer group. He reviewed historical fund allocations and returns. Mr. Husting also reviewed the FY16 investment objectives as well as the objectives and outlook for upcoming FY17.

Mr. Husting and Mr. Hall discussed the FY17 market outlook and PSRS' investment strategy. They reviewed the PSRS/PEERS portfolio strategy, themes, expectations, and PSRS/PEERS assets thru August 26, 2016.

Mr. Husting and Investment staff recommended changes to the Investment Policy/Implementation Manuals. The primary changes to the Investment Policy will bring the Policy in line with recent asset allocation changes and create an interim policy which will serve as the Total Fund policy benchmark until the ongoing process of funding Private Investments is complete. Mr. Hoffman moved that the policy changes as recommended by staff be approved. Mr. Hunt seconded the motion. Voting "Aye"—Zalis, Hoffman, Harris, Heath, Hunt, Medin, and Steliga; "Nay"—None. The motion carried unanimously.

**Investment
Policy
Changes**

PSRS4644
PEERS2879

Management Report
COLA

Ms. Anita Brand reviewed the recent timeline of Funding Policy decisions. Ms. Brand also discussed the COLA recommendation received from PricewaterhouseCoopers (PwC). Given that the change in the CPI-U index from June 2015 to June 2016 was 1.01% and based on the Board's current funding policy, PwC recommended a 0% COLA increase be approved effective January 1, 2017. Mr. Hunt moved that a 0% COLA effective January 1, 2017, in accordance with the Board's Funding Policy and the recommendation of the actuary be approved. Mr. Hoffman seconded the motion.

Voting "Aye"—Zalis, Hoffman, Harris, Heath, Hunt, Medin, and Steliga; "Nay"—None. The motion carried unanimously.

PSRS4645
PEERS2880

**NCTR
Delegates**

PSRS4646
PEERS2881

Mailing Policy

PSRS4647
PEERS2882

**Member
Services**

**Public
Comment**

Closed Session

PSRS4648
PEERS2883

Adjournment
PSRS4652
PEERS2887

Mr. Hoffman moved that Ms. Yvonne Heath, Mr. Steve Yoakum and Mr. Dearld Snider serve as delegates with Ms. Nicole Hamler as the alternate at the annual National Council on Teacher Retirement Conference being held October 2016. Mr. Steliga seconded the motion. Voting “Aye”—Zalis, Hoffman, Harris, Heath, Hunt, Medin, and Steliga; “Nay”—None. The motion carried unanimously.

Mr. Steve Yoakum discussed a motion made by the Board in October 1984, which allowed PSRS/PEERS to assist MRTA with a yearly mailing list of new retirees for the purpose of contacting prospective new members. The Board discussed three options: (1) assist with any request for mailing – regardless of the origin of the request; (2) develop a board policy on dealing with requests as they are received; or (3) discontinue with any assistance in mailings. After discussion, Mr. Hunt made a motion to suspend current policy and tasked staff with researching other states practices and gathering information for the next board meeting. Mr. Hoffman seconded the motion. Voting “Aye”—Zalis, Hoffman, Harris, Heath, Hunt, Medin, and Steliga; “Nay”—None. The motion carried unanimously.

Ms. Ronda Peterson, Director of Member Services, presented statistics for the 2015-2016 Fiscal year regarding the number of retirements, deaths, withdrawals, and member education meetings, as well as other projects in the member services department over the last year. Ms. Heath commented that she appreciates all the work the PSRS/PEERS staff does for members and has heard a lot of positive feedback on the member statements. Mr. Steliga agreed.

None

Mr. Hunt 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), (13), and (14) and 169.020.15, RSMo. Mr. Medin seconded the motion. Voting “Aye”—Zalis, Hoffman, Harris, Heath, Hunt, Medin, and Steliga; “Nay”—None. The motion carried unanimously.

Motion No. PSRS4649 through PSRS4651 were made in closed session.
Motion No. PEERS2884 through PEERS2886 were made in closed session.

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

