

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

December 11, 2017

MEMBERS PRESENT

Aaron, Zalis, Chair
Jason Hoffman, Vice Chair
Chuck Bryant
Scott Hunt
Yvonne Heath
Beth Knes
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
Omar Davis, Dir. of Retirement Serv.
Maria Walden, Legislative Director
Nicole Hamler, Dir. of Admin. Design

**Meeting
Convended**

The meeting of the Board of Trustees convened at 9:30 a.m. in the Retirement System offices in Jefferson City, Missouri. In attendance were Board members Aaron Zalis, Yvonne Heath, Chuck Bryant, Beth Knes, Jason Hoffman, Scott Hunt, and Jason Steliga. Also present were Executive Director, M. Steve Yoakum; Assistant Executive Director, Investments, Craig Husting; Assistant Executive Director, Operations, Dearld Snider; General Counsel, Alan Thompson; Chief Financial Officer, Anita Brand; Director of Retirement Services, Omar Davis; Director of Legislation and Policy, Maria Walden; Internal Auditor, Jeff Hyman; Chief Technology Officer, Bill Betts; Director of Administrative Planning and Design, Nicole Hamler; and various other PSRS/PEERS staff members.

**Approval of
Minutes
PSRS4727
PEERS2962**

Mr. Bryant moved that the minutes from the November 2-3, 2017 and December 4, 2017 meetings be approved. Ms. Knes seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

**Order of
Business**

The order of business was approved with no changes.

Recognition

Mr. Yoakum presented a plaque to Phil Klapp and Kristi Graessle recognizing them for their recent retirement from PSRS/PEERS.

**Investments
Performance
Report**

Mr. Craig Husting reviewed the investment performance for the last quarter, ending September 30, 2017. The one-year PSRS/PEERS investment return was reported as 12.7%, while the fiscal year return (July 1, 2017 through September 30, 2017) was reported as 3.1%. Mr. Husting discussed the annualized investment performance, the strong total fund alpha for the year, and the longer term performance.

**Ongoing
Investment
Activity**

Mr. Husting reviewed ongoing investment activities, which included the 2017 fiscal year-to-date return of approximately 5.6% as of November 30, 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.

**General Asset
Consultant
Selection**

Mr. Husting reviewed the search process for the general asset consultant. He reviewed the history of consulting at PSRS/PEERS. Mr. Husting also reviewed the areas of consultant need and roles of the general consultant identified by staff. Mr. Husting explained that during the four-month search process, the staff evaluation team completed several initiatives including a review/evaluation of the written responses received from nine consulting firms; interviews with six consulting firms in Jefferson City, Missouri; and on-site meetings with four consulting firms at their offices. Staff ultimately agreed that two firms, Verus and Willis Towers Watson, should complete final interviews with the Board of Trustees and staff on December 4, 2017. Dr. Zalis stated that he appreciates all the work done by the investment staff during this process. Following Mr. Husting's review, Mr. Hunt moved to hire Verus as the general asset consultant pending approval of the contract. Mr. Hoffman seconded the motion. Voting "Aye"—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; "Nay"—None. The motion carried unanimously.

PSRS4728
PEERS2963

**Accounting
Review of the
FY17
Comprehensive
Annual Financial
Report (CAFR)**

Ms. Anita Brand reviewed the purpose of the CAFR, specifically focusing on the report's five distinct sections: 1. Introductory, 2. Financial, 3. Investment, 4. Actuarial and 5. Statistical. The CAFR is prepared in compliance with the accounting requirements established by the Governmental Accounting Standards Board (GASB). The Government Financial Officers Association (GFOA) also provides guidance on the content of each section. The Systems' strive for excellence in reporting and transparency, therefore the CAFR exceeds the GFOA requirements.

Audit Report

Ms. Heidi Chick of William Keepers reviewed the recent June 30, 2017 audit of the Retirement Systems. The full report was presented to the Budget and Audit Committee. Ms. Chick indicated that Williams Keepers had issued an unqualified audit opinion on the June 30, 2017 financial statements. Ms. Chick indicated an unqualified audit opinion represents the following: the "highest opinion" available, that the financial statements are fairly presented in all material respects in accordance with U.S. Generally Accepted Accounting Principles, and that the financial statements can be relied upon. Ms. Chick briefly reviewed the audit

process, financial statements, new accounting pronouncements and the footnotes, as well as the management letter. She indicated they found no significant deficiencies or material weaknesses in internal controls. Ms. Chick also briefly discussed the Governmental Accounting Standards Board Statement No. 68 audit. She reviewed the roles of PSRS/PEERS' staff and Williams Keepers during this process and the joint effort made with the school districts. Ms. Chick also discussed GASB statements that will be effective in 2018 and future years. Mr. Hoffman moved that the audit report be accepted as recommended by the Budget and Audit Committee and as presented to the Board. Mr. Hunt seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

PSRS4729
PEERS2964

Management
Budget Transfer

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

PSRS4730
PEERS2965

Legislative
Update

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 the November 2017 state revenue to the Board.

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 0.6973% for the first four months of fiscal year 2018.

Public Comment

None

Closed Session

Ms. Heath moved that the meeting continue in closed session to consider personnel issues, technology security issues, and legal matters under sections 610.021 (1), (13), (14), (21) and 169.020.15, RSMo. Ms. Knes seconded the motion. Voting “Aye”—Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; “Nay”—None. The motion carried unanimously.

PSRS4731
PEERS2966

The following motions were made in closed session:

PSRS4732/PEERS2967 - Minutes (Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; voting to approve the previous closed session minutes with Heath and Steliga Abstaining from the December 4, 2017 meeting only)

PSRS4733/PEERS2968 – Adjournment (Zalis, Hoffman, Bryant, Heath, Hunt, Knes, and Steliga; voting to adjourn closed session)

Adjournment
PSRS4734
PEERS2969

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