

**Report of the
Board of Trustees
Public School Retirement System of Missouri
and
Public Education Employees Retirement System of Missouri**
September 7, 2016
9:00 a.m.

by Carol Weatherford, MNEA-Retired President

Members present:

Aaron Zalis
Yvonne Heath
Jason Hoffman
Scott Hunt
Jason Steliga
Martha Harris
Ron Medin

Others Present:

Steve Yoakum, Executive Director
Nicole Hamler, Board Secretary
Craig Husting, Chief Investment Officer
Michael Hall (representing Towers Watson)
Ronda Peterson, Director of Member Services

SYSTEM OPERATIONS

Minutes from the June 14, 2016 meeting were approved and the Order of Business was established.

Aaron Zalis expressed appreciation for Wayne Wheeler's years of dedicated service as a PSRS/PEERS trustee. He then welcomed the two new trustees who were recently appointed by Gov. Nixon, and he asked them to briefly introduced themselves. Ron Medin serves as general counsel and executive vice-president of Central Bank in Jefferson City. Martha Harris, who taught life sciences in the Jefferson City school district for 14 years and retired in 2004, is currently a training coordinator for the Callaway Bank in Fulton.

INVESTMENTS

FY 2016 Performance and Attribution – Craig Hustings and Michael Hall devoted about an hour to detailed investment reports. Included in their presentation are the following key points:

PSRS/PEERS Investment Principles, Objectives and Philosophy

Principles: Manage the portfolio in such a manner as to act in the exclusive interest of the members of the Systems; maximize the total return within prudent risk and volatility parameters; preserve the long-term purchasing power of the fund.

Objective: To achieve a total return (net of fees) of at least 7.75% nominal and 5.5% real per annum over time.

Philosophy: Build the portfolio for long-term success.

2016 Performance Attribution – FY 16 investment returns (net of all fees) for PSRS and PEERS of 1.64%; 5-year annualized return (net of all fees) of 7.19%.

KEY POINTS:

The PSRS/PEERS investment returns for the last 1 year, 3 years, and 5 years are ranked in the top quartile relative to large public plans, and have a lower risk portfolio than 2/3rds of the peer group.

The long-term (25-30 year) returns for PSRS/PEERS are over 8%.

However, 7.75% is a difficult hurdle to achieve in any short-term time frame.

A number of policy documents were presented for the trustees to review. By unanimous agreement of the trustees, these policy documents were approved.

MANAGEMENT REPORT

Set COLA for 2017 -- For the benefit of the two newly-appointed Trustees, Steve Yoakum reviewed the timeline of funding policy decisions. Based on the decision made by the trustees at the June, 2016 meeting, the 2017 COLA was officially set at 0%.

Appointment of NCTR delegates -- Trustee Yvonne Heath volunteered to attend the conference. Steve Yoakum and/or Dearld Snider will also serve as delegates unless another Trustee is able to attend.

Review of Mailing Policy -- In 1984, the Board of Trustees voted to assist MRTA with a yearly mailing list of new retirees for the purpose of contacting prospective new members. In the ensuing years, it has been the procedure to review the mailing prepared by MRTA, prepare a CD and work with a mailing company once a release is signed. Member names and addresses are not released directly to MRTA.

Steve Yoakum explained that over the past year, a number of members have complained about receiving what they viewed as solicitation. Furthermore, other groups and companies have requested the same consideration of paying the expense involved in sending a group mailing to PSRS/PEERS members.

When asked about the likelihood of litigation over what might be perceived as a discriminatory practice, Al Thompson, PSRS legal counsel, agreed that this is a strong possibility.

After longer-than-usual open discussion among the trustees, Scott Young moved to suspend the current policy, gather more information and reconsider the policy at the October meeting of the trustees. Motion passed unanimously.

Member Services Report -- Ronda Peterson shared information regarding PSRS/PEERS membership growth. Since its inception, PSRS retirees have increased from 323 (in 1947) to today's 53,981 who are currently receiving benefits while 80,177 active members continue to contribute. PEERS growth has followed a similar pattern, currently serving 25,857 retirees and 50,836 actives.

A series of slides were shown to highlight other aspects of members services, including such things as benefit plan selections, the partial lump sum option, service purchases, disability retirements, survivor benefits, deceased retirees and refunds.

During the 2015-16 school year PSRS/PEERS Member Services conducted 15 new member meetings, 30 group sessions, 21 mid-career meetings, 170 web counseling sessions, and 2083 individual counseling sessions. Since OASIS went live in 2014, all information is being submitted and shared electronically with much greater efficiency. A total of eight agents, a supervisor and 30 additional staff members are currently employed to meet the needs of member services.

Public Comment -- None

CLOSED SESSION -- The open session adjourned and moved into closed session to cover a member appeal of the 550 hours of working after retirement, a legal report, internal controls report, and personnel report.

LEGISLATIVE UPDATE

At 1:30 p.m., the PSRS/PEERS trustees reconvened for a discussion of legislative issues that may be of interest/concern to the Systems. Representatives from the following education associations were in attendance

- : Missouri NEA & MNEA-Retired
- MSTA -- Missouri State Teachers Associations
- MRTA -- Missouri Retired Teachers Association
- MCSA -- Missouri Council of School Administrators
- MASA -- Missouri Association of School Administrators
- MAESP -- Missouri Association of Elementary School Principals
- MASSP -- Missouri Association of Secondary School Principals
- MCCA -- Missouri Community College Association
- MARE -- Missouri Association of Rural Educators
- JCPER -- Joint Committee on Public Employee Retirement

Prior to the meeting, each of these groups had been invited to share the legislative issues that were of greatest importance to them. MNEA/MNEA-Retired and MRTA were the only two associations that responded with written documentation of their legislative priorities.

Through a series of detailed slides, accompanied by full-color hard copies of relevant financial information, PSRS/PEERS Executive Director Steve Yoakum shared information regarding the current financial situation of the Systems. He emphasized that in comparison to comparable retirement systems, PSRS/PEERS remains in the upper quartile. He encouraged everyone in attendance to ask questions and to share their thoughts about legislative issues that might affect the Systems.

There was general consensus that the 2017 legislative issue of highest priority is protection of the PSRS/PEERS Defined Benefit system.