

Board of Trustees

Horace Coleman, Jr.
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C. Artris Ashley
Clarence S. Cole
Joanne M. Collins
Darwin Curls
Alexander P. Ellison
Caroline J. Helmkamp
Cheptoo Kositany-Buckner
Elizabeth Langle
Curtis L. Rogers
Joseph G. Williams

THE PUBLIC SCHOOL RETIREMENT SYSTEM

----- OF -----
THE SCHOOL DISTRICT OF KANSAS CITY, MO

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Thomas Mann
Executive Director

MINUTES OF MEETING

Monday, September 12, 2011

The Board of Trustees of the Public School Retirement System of the School District of Kansas City, Missouri met in REGULAR SESSION on Monday, September 12, 2011 at 4:00 p.m. in the conference room at 4600 Paseo, Kansas City, MO.

MEMBERS PRESENT: Horace Coleman Jr., Chairperson
Clarence S. Cole
Joanne M. Collins
Alexander P. Ellison
Caroline J. Helmkamp
Cheptoo Kositany-Buckner
Elizabeth Langle
Curtis L. Rogers
Joseph G. Williams

MEMBERS ABSENT: C. Artris Ashley
Darwin Curls

Staff Present: Thomas Mann, Executive Director
Laura Oswald
Willia Jean Reese

Others Present: Mark Flaherty, Esq.
Ruth Hays, Husch Blackwell Sanders LLP
Rose Guillette, Segal Advisors
Lawrence H. Marino, CFA, Segal Advisors
David Westerheide, Segal Advisors

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There being a quorum present, the meeting was called to order at 4:00 p.m.

Horace Coleman, Jr, Chairperson presiding:

On motion of Mr. Ellison, seconded by Mr. Rogers, the Board voted unanimously to approve the following items on the consent agenda:

Approval of minutes of the Regular Board of Trustees meeting held June 6, 2011.

Approval of the minutes of the Business & Technology Committee meeting held Thursday, June 2, 2011.

Approval of the minutes of the Investment Committee meeting held June 6, 2011.

Approval of the minutes of the Special Meeting of the Board of Trustees held Thursday, September 1, 2011.

Approval of cash disbursements for the months of May, June and July, 2011.

The report of the Secretary submitting the names of members retiring since last report including dates of retirement and retirement allowances.

The report of the Secretary submitting the names of members who have passed away since the last report.

Approval of the 2011 Budget Variance report for the quarter ended June 30, 2011.

On motion of Ms. Helmkamp, seconded by Mr. Rogers, Mr. Ellison abstaining, the Board voted to approve the recommendation of the Medical Board that Burdell Williams Sr. be placed on disability retirement to become effective the first day of the month following the date his/her signed application arrived in the Retirement office or the first day of the month following the last day of paid compensation from the School District, whichever is the later date.

The Board went into Executive Session at 4:05 p.m.

The Board came out of Executive Session at 4:10 p.m.

On motion of Mr. Rogers, seconded by Mr. Ellison, the Board voted to table the recommendation of the Medical Board that Peggy Todd be placed on disability retirement. The Board will ask the physician to refer her to a psychiatrist.

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Mr. Coleman requested the Investment Committee report.

Mr. Rogers, Co-Chairperson for the Investment Committee turned the meeting over to Mr. Marino and Ms. Guillette of Segal Advisors. They gave an overview of the quarterly performance report for the period ending June 30, 2011. Mr. Rogers then informed the Board the Committee recommends the Board interview, as finalists, the following five Fixed Income Hedge Fund of Fund Managers:

- Blackstone Partners Investment Fund
- Blackstone Credit Opportunities Strategy
- Aetos Capital Distressed Investment Strategies Fund
- Corbin Pinehurst Partners
- Grosvenor Opportunistic Credit Fund

Mr. Rogers indicated the Investment Committee will have a meeting on October 3, 2011 at 11: 30 a.m., to interview the finalists for the Fixed Income Hedge Fund of Fund Manager search.

On motion of Mr. Ellison, seconded by Mr. Cole, the Board voted unanimously to receive and file the Investment Committee report.

Mr. Coleman requested the Business and Technology Committee report.

Ms. Kositany-Buckner, Chairperson for the Business and Technology Committee informed the Board there were three responses to the Request for Proposal to design a new web site and “branding” for the System. Ms. Kositany-Buckner informed the Board that the committee voted to recommend that the Board hire the firm In10sity to complete the requirements of the RFP. Ms. Kositany-Buckner noted to the Board the committee is currently researching the ongoing initiatives of electronic board meetings and record imaging. She informed the Board that the member portal will be available when the new website is active. This project should be completed by the end of November.

On motion of Mr. Ellison, seconded by Ms. Helmkamp the Board voted unanimously to receive and file the Business & Technology Committee report.

Mr. Coleman requested the Asset Liability Analysis Report of Segal Advisors.

Mr. Lawrence Marino, Mr. David Westerheide and Ms. Rose Guillette of Segal Advisors gave a comprehensive review of the Asset/Liability structure of the System. Mr. Westerheide discussed the current underfunding ratio of 87% on a market value basis. His analysis of the System’s liability structure revealed a very mature plan with retirees and other inactive participants representing 73% of the total plan obligation. With the combination of the liability growth rate, the System’s contribution policy and the current investment environment, he maintains it will be difficult to improve the current funded ratio over the short to intermediate term. Mr. Marino noted because of this the Board

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should consider looking into increasing returns through better diversification and increased exposure to alternative asset classes. Mr. Marino also explained the expected return and the corresponding risk budget is limited by the maturity of the plan.

Mr. Westerheide reviewed with the Board the risk and return assumptions for the current portfolio and three alternative portfolios. After a lengthy review and discussion of the various portfolios presented, the Chairman requested Segal return at a later Board meeting to review in depth the alternative portfolios and implementation suggestions.

On motion of Mr. Cole, seconded by Ms. Helmkamp, the Board voted unanimously to receive and file the Asset Liability Analysis Report of Segal Advisors.

Ms. Cheptoo Kositany-Buckner - left the meeting at 5:40 p.m.

Mr. Alexander Ellison - left the meeting at 5:40 p.m.

Report of the Chairperson

Mr. Coleman asked Mr. Rogers to comment on the due diligence visit by Board members to Rhumblin Asset Management. Mr. Rogers noted it was an interesting and informative meeting with our fund manager.

Mr. Coleman indicated that he, Mr. Rogers and Alex Ellison also visited Segal Advisors during the trip. Mr. Coleman commented they enjoyed their tour and were impressed with the organization's daily operation.

Ms. Helmkamp gave a report on the NCTR trustees workshop she and the others attended in Boston at that time and reiterated that all Board members should find time to attend this important function.

Mr. Coleman informed the Board that Mr. Rogers has been asked to serve on the Resolutions Committee at the NCTR'S 89th Annual Convention.

Report of the Executive Director

Mr. Mann informed the Board that both Ms. Elizabeth Langle and Mr. Clarence Cole terms end December 31, 2011. Mr. Mann will send a letter to the School District informing them of the need for action by the Board of Education. The Retirement System will send information to the active members concerning the nominations for the Active Trustee seat. Nominations will be accepted at the October 3, 2011 Board Meeting. Ballots will be sent out for the Election in November.

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Mr. Mann asked Mr. Mark Flaherty and Ms. Ruth Hays to discuss with the Board the issues concerning Imagine Schools, one of the System's charter schools. The termination of a contract between the board of the school and the management company has exposed an issue of eligibility under the Missouri statutes. Ms. Hays has requested information from Imagine to investigate this matter and noted to the Board that they are still in the initial stage of the process. They will report back to the Board once they have obtained more information regarding this issue.

Other Business

Mr. Ellison asked Mr. Coleman if the Board could discuss the System's current Travel and Expense Reimbursement Policy. After considerable discussion concerning the policy, Mr. Flaherty suggested that this issue be fully addressed by the Policy and Evaluation Committee and then taken to the Board with any recommendations to change the current policy. Mr. Coleman then referred the issue to the committee for further review.

Meeting adjourned by common consent at 6:15 p.m.

Respectfully submitted,

Thomas Mann Executive Secretary