

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, February 3, 2014

The Board of Trustees of the Public School Retirement System of the School District of Kansas City, Missouri met in REGULAR SESSION on Monday, February 3, 2014, at 4:00 p.m. in the Public School Retirement System office conference room at 4600 The Paseo, Kansas City, MO.

Members Present: Horace Coleman, Jr., Chairperson
C. Artris Ashley
Richard O. Brown
Clarence S. Cole
Alexander P. Ellison
Caroline J. Helmkamp
Cheptoo Kositany-Buckner
Curtis L. Rogers
Linda E. Watkins
Joseph G. Williams

Members Absent: Joanne M. Collins

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

Others Present: Mark Flaherty, Esq.
Lawrence H. Marino CFA, Segal Rogerscasey
Rosemary Guillette, Segal Rogerscasey
Sophie Pullan, Brookfield Strategic Real Estate (via Skype)
Mark J. Babiec, CBRE Clarion Securities

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

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Horace Coleman, Jr., Chairperson presiding.

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

Approval of the minutes of the Regular Board of Trustees meeting held January 6, 2014.

Approval of cash disbursements for the month of December 2013.

Approval of the report of the Secretary submitting the names of members retiring since the last report, including dates of retirement.

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

Approval of the Variance Report for the pension fund, building, and technology budgets for the quarter ended December 31, 2013.

The Chairperson requested to postpone Brookfield Real Estate to a later date due to technical problems with the Skype connection.

On motion Mr. Ellison, seconded by Mr. Cole, the Board voted to receive and file the report of CBRE Clarion.

Mr. Coleman requested Mr. Marino and Ms. Guillette to report on the investment performance of the portfolio as of 12/31/13.

Mr. Marino gave a general overview of the investment markets noting the year 2013 had strong investment returns for most markets with the KCPSRS portfolio showing a return of 12.16%, slightly under the benchmark. Equity markets, real estate, and hedge funds showed strong performance during both the fourth quarter and for the year while emerging markets, fixed income and commodity markets showed negative returns for the year.

Mr. Marino reviewed the total retirement fund composite and then each fund manager's performance, and compared the returns of the managers to each relevant benchmark for the fourth quarter, and the latest one, three, five and ten year periods. In reviewing each fund manager's performance, most met or exceeded their benchmark for the year. Mr. Marino indicated the underperformance for the latest one and three year periods by a couple of managers will be investigated by the Segal Rogerscasey's team.

Mr. Marino noted the emerging market growth allocation underperformed the benchmark by 6% during a more recent period but since inception has done well. He indicated this is a volatile market and Segal Rogerscasey is reviewing and will communicate their concerns. Mr. Marino all brought to the Board's attention the underperformance of the

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GTAA manager. He suggested the Board meet with the manager at the March meeting to further discuss the reasons behind the underperformance.

Ms. Guillette reviewed the target allocations of each fund category and noted the portfolio is within the guidelines of the policy with the exception of the most recently hired fund manager. Their real estate allocation will be funded as opportunity allows. Ms. Guillette reported that Wells Fargo increased their ownership of Rock Creek to 60% noting this is a positive move and Segal Rogercasey has not changed their rating of the firm due to this increase.

On motion of Mr. Rogers, seconded by Ms. Helmkamp, the Board voted to receive and file the 4th Quarter Investment Performance Review.

Mr. Coleman requested a report from the Policy and Evaluation Committee.

Mr. Rogers, Chairperson of the Policy and Evaluation Committee noted the Committee reviewed the 600 hour limit for retirees substitute teaching in the System. Mr. Roger informed the Board that both Mr. Al Tunis and Ms. Mary Laffey of the School District were present and informed the Committee that the district has had success working with Kelly Services filling substitute teacher positions when needed. They shared their concerns of finding and staffing "hard to fill and long term temporary positions" including Math and Science teachers, noting sometimes a retired member of the district is best qualified to fill the position. Mr. Mann informed Mr. Tunis that there is a provision in the statute that a retiree may, without losing their retirement benefit, teach full time for up to two years for a school district covered by the retirement system provided that the school district has a shortage of certified teachers, as determined by the school district. The total number of such retired certificated teachers cannot exceed fifteen certificated teachers at any one time.

Mr. Tunis mentioned there is a belief that since Kelly Services is not one of the employers of the System, retired members of the System who work for Kelly Services are exempt from the 600 hour limit. The Committee asked Mr. Flaherty for his comments concerning the 600 hours limit and Kelly Services as the employer. Mr. Flaherty noted in labor law this type of situation is viewed as the employee having joint employers, and in this instant, the employers would be the District and Kelly Services. Because Kelly Services does not supervise the substitute teacher, and the District does, the 600 hour limit would apply to retirees employed by Kelly Services.

On motion of Mr. Rogers, seconded by Mr. Cole the Board voted unanimously to continue the current policy of KCPSRS retirees working as substitutes in the District, regardless of employer, are subject to the 600 hour limit.

Mr. Rogers informed the Board the Committee discussed both researching a Board Attendance Policy and implementing in-house education programs to assist fulfilling Board education requirements. The committee requested additional information on both subjects for further review.

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Mr. Coleman requested a report from the Executive Committee.

Mr. Coleman, Chairperson of the Executive Committee, informed the Board the committee reviewed the status of the board's investment in the Paseo facilities. He noted Mr. Mann reviewed with the committee information regarding the building's income, expenses and capital expenditures on the facility.

The Committee noted the following items to be addressed concerning the building:

1. Have the building appraised.
2. Approach Mr. Ollie Gates to obtain his opinion on opportunities for this property.
3. Review the option of selling the building and the possibility of leasing back a portion as a tenant.

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

Mr. Coleman requested a report from the Business and Technology Committee.

Ms. Kositany-Buckner, Chairperson of the Business and Technology Committee, reviewed and updated the Board on the various projects the committee is currently working on.

Ms. Kositany-Buckner informed the Board the building security cameras and software have been updated due to the software used was no longer supported by the security company. The cameras' pictures are much clearer overall and especially at night. Also activity recorded is much more easily accessible and can be retrieved and distributed to the appropriate authorities if needed.

Ms. Kositany-Buckner reported that staff had been working with Sagitec to incorporate the new legislative changes into the pension administration program. The changes have been completed and the program is now able to accept contributions at the new rate of 8%. Once the different contribution rates are in the system the estimate programs will be evaluated for the ability to accurately recreate the salary information, taking into account multiple contributions.

Ms. Kositany-Buckner reported last year Sagitec performed a disaster recovery test of the payroll system at their Chicago facilities that failed. Their second test a month later was successful. Ms. Kositany-Buckner also informed the Board that In10city, the website designer, is working on making the website compatible with tablets, smart phones and other electronic devices and the work should be completed shortly. Mr. Mann commented the testing of the member portal is still showing difficulties concerning password and administrative issues and Sagitec is currently working to resolve these issues.

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Ms. Kositany-Buckner informed the Board an RFP concerning document imaging will be sent out by late spring. The staff is working to ensure all items that need to be covered in the RFP are addressed.

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

Report of the Chairperson

Mr. Coleman noted the President of the United States recently talked about everyone having a “MyRA” account that encourages folks to build a nest egg that guarantees a decent return with no risk of losing what you put in. This offers a plan for households currently with no retirement in place. Mr. Coleman noted Leigh Snell, NCTR Federal Relations Director, commented in his recent Federal Update that having a defined benefit plan for everyone would provide for a decent retirement. Mr. Coleman also commented the Board needs to be aware of any current legislative actions affecting defined benefit plans.

Report of the Executive Director

Mr. Mann informed the Board that he receives a weekly report from our legislative consultants on current legislation being considered that could affect our System. Most legislation introduced up to this time concerns the accreditation status of the School District. Mr. Mann noted that he will forward these weekly reports to all board members.

Mr. Mann reviewed the Charter Schools’ contribution report with the board. He indicated all schools are up to date with contributions.

Mr. Mann reported the contract with our new actuarial firm Cavanaugh Macdonald has been completed and information from Buck Consultants, our previous actuarial firm, has been forwarded to them.

Mr. Mann noted the funds from our investment with Rhumblin Core Bond Pooled Index fund will be transferred to our new active fixed income manager Pugh Capital Management in the next few days.

Mr. Mann noted Blue Cross Blue Shield beginning in March will hold quarterly wellness classes at our location for active and retired members that are covered under their medical plan.

The meeting was adjourned by common consent at 5:55 p.m.

Respectfully submitted,

Thomas Mann, Executive Secretary