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KANSAS CITY PUBLIC SCHOOL RETIREMENT SYSTEM

MINUTES OF MEETING

Monday, June 8, 2015

The Board of Trustees of the Public School Retirement System of the School District of Kansas City, Missouri met in REGULAR SESSION on Monday, June 8, 2015, 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
 Richard O. Brown
 Joanne M. Collins
 Alexander P. Ellison
 Princeton E. Grayson
 Caroline J. Helmkamp
 Cheptoo Kositany-Buckner (via telephone)
 Curtis L. Rogers
 Linda E. Watkins

Members Absent: Clarence S. Cole

Staff Present: Thomas Mann, Executive Director
 Shannon McClain
 Laura J. Oswald

Others Present: Mark Flaherty, Esq.
 Ruth Hays, Esq., Husch Blackwell, LLP
 Rosemary Guillette, Segal Rogerscasey
 Patrice A. Beckham, FSA, Actuary

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

Horace Coleman, Jr, Chairperson presiding:

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

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Approval of the minutes of the Regular Meeting held May 4, 2015.

Approval of the cash disbursements for the month of April 2015.

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

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

Mr. Coleman requested the report of the Audit Committee.

Mr. Ellison, Chairperson of the Audit Committee presented the summary of the Audit Report on the Financial Statements for the Years Ended December 31, 2014 and 2013.

On the motion of Mr. Ellison, seconded by Mr. Rogers, the Board voted unanimously to accept the Audit Committee's recommendation to approve the Audit report on the Financial Statements for the Years Ended December 31, 2014 and 2013.

Mr. Coleman requested a presentation on the 1/1/2015 actuarial valuation.

Ms. Patrice A. Beckham, of Cavanaugh Macdonald, gave a thorough overview of the 2015 valuation results for the Retirement System. She noted the System's 79.91 % funded level shows a decrease of 1.59% from the prior year of 81.20%. This decrease reflects weakened investment returns in 2014, although there was an increase in active members participating in the plan, and an increase in the contribution rate, for both members and employers effective January 1, 2014, from 8.0% to 8.5%. As a result, the System's funding shortfall decreased from 3.68% of pay, in last year's valuation, to 2.56% of pay in the 2015 valuation.

She explained, under legislation passed in 2013, the Board has the authority to adjust the member and employer contribution rate by no more the .50% each year, with a minimum rate of 7.5% up to a maximum of 9.0%. The Board increased the contribution rate for both member and employer to 8.5% of pay, effective January 1, 2015. In addition, the legislation changed the benefit structure for new members hired after December 31, 2013, increasing their eligibility for full retirement to the Rule of 80 or age 62 and decreasing their multiplier to 1.75% for each year of service. The impact of the new tier benefit structure will evolve gradually over time as new employees are hired.

She commented that given the funded ratio of the System, and the contribution shortfall using both the actuarial and market value of assets, Cavanaugh Macdonald Consulting, LLC recommends the Board exercise their authority to increase the employee and employer contribution rate, and set the rate at 9.0% effective January 1, 2016.

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After a lengthy discussion, on motion of Mr. Rogers, seconded by Ms. Helmkamp, the Board voted to increase the contribution rate for both employees and employers to 9.0% effective January 1, 2016.

She then commented that new early retirement factors are needed to determine the benefit amounts for Plan C members who retire under the early retirement provision. She said further that the early retirement factors for Plan B members were reviewed and found to be outdated. Therefore, Cavanaugh Macdonald Consulting, LLC recommends updated early retirement factors for Plan B members, and new early retirement factors for Plan C members based on an 8% assumed rate of return and the RP 200 Mortality Table with mortality improvements projected to 2035 with a 25% male/75% female blend of mortality.

On motion of Ms. Collins, seconded by Mr. Rogers, the Board voted to adopt the early retirement factors based on an 8% assumed rate of return and the RP 200 Mortality Table with mortality improvements projected to 2035 with a 25% male/75% female blend of mortality for Plan B and Plan C members effective immediately.

On motion of Mr. Ellison, seconded by Ms. Collins, the Board voted unanimously to accept the report of Cavanaugh Macdonald Consulting, LLC.

Mr. Coleman requested Ms. Guillette to report on the investment performance of the portfolio as of 3/31/15.

Ms. Guillette gave a general overview of the investment markets noting the first quarter 2015 had positive returns for most markets with the KCPSRS portfolio showing a return of 2.25% performing above the benchmark of 1.76%. Ms. Guillette 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 quarter, and the latest one, five and ten year periods. In reviewing each fund manager's performance, most met or exceeded their benchmark for the year. Ms. Guillette recommended moving 1% from Rhumblin to invest in additional commodities.

On motion of Mr. Ellison, seconded by Brown, the Board voted to transfer 1% of investments from Rhumblin to increase investments in commodities to 4.5%.

On motion of Mr. Rogers, seconded by Mr. Brown, the Board voted to approve the report of Segal Rogerscasey.

Report of Chairperson

Mr. Coleman reminded Board members of the upcoming educational opportunity at the Public Funds Forum.

On motion of Mr. Ellison, seconded by Ms. Collins, the Board voted unanimously to approve the attendance of any board members interested in the upcoming 2015 Public Funds Forum.

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Mr. Coleman further reminded Board members of the upcoming educational opportunities during the month of July and at the NCTR Annual Convention in October.

Report of the Executive Director

Mr. Mann reminded the Board that the separation from Convergenx was with the intention of finding another discount broker and recommended using Abel/Noser and Capis as replacement brokers. Ms. Guillette offered that hiring both would afford the fund managers a choice.

On motion of Mr. Ellison, seconded by Mr. Curtis, the Board voted to approve the hiring of Abel/Noser and Capis Capital Institutional Services, Inc.

Mr. Mann stated that representatives from the Kansas City School District and the Kansas City Public Library are meeting with him, Mark Flaherty, and Ruth Hays to discuss options for retirees currently enrolled in the Retirement Medical Program.

Mr. Mann then gave an update on prospective buyers of the KCPSRS building.

Mr. Mann began a discussion on GASB 68 requirements and stated that representatives from the Kansas City School District and the Kansas City Public Library are meeting with him on ways to fulfill the requirements.

Other Business

Mr. Flaherty suggested to the Board that he be voted in temporary as Assistant Secretary in light of Mr. Mann's retirement.

On motion of Ms. Collins, seconded by Mr. Ellison, the Board voted unanimously to approve Mr. Mark Flaherty as Assistant Secretary.

Mr. Coleman reminded the Board that Mr. Mann's last day is June 30th, and set his retirement reception for Friday, June 26th at noon.

The Chairperson adjourned the meeting by common consent at 6:05 p.m.

Respectfully submitted,

Thomas Mann, Executive Secretary