

THE PUBLIC SCHOOL RETIREMENT SYSTEM

OF

Board of Trustees

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

THE SCHOOL DISTRICT OF KANSAS CITY, MO

4600 Paseo Boulevard
KANSAS CITY, MO 64110
PHONE: (816) 472-5800 FAX: (816) 472-5909
www.kcpsrs.org

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Thomas Mann
Executive Director

MINUTES OF MEETING

Monday, September 10, 2012

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 10, 2012, 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
Clarence S. Cole
Joanne M. Collins
Darwin Curls
Alexander P. Ellison
Cynthia L. Hackney
Caroline J. Helmkamp
Curtis L. Rogers
Joseph G. Williams

Members Absent: Cheptoo Kositany-Buckner

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

Others Present: Mark Flaherty, Esq. (via telephone)
Ruth Hays, Esq., Husch Blackwell Sanders LLP
Rosemary Elly Guillette, Segal Rogerscasey
Elizabeth Anathan, Fisher Investment
Leon Stamps, Fisher Investment
Solomon Peters, Mondrian Investment Partners Limited
Justin A. Richards, Mondrian Investment Partners Limited

There being a quorum present, the meeting was called to order at 4:05 p.m.

Horace Coleman, Jr., Chairperson presiding:

On motion of Mr. Cole, seconded by Ms. Collins, the Board voted unanimously to approve the following items on the Consent Agenda:

Approval of the minutes of the Regular Board meeting held June 4, 2012.

Approval of the minutes of the Business and Technology Committee meeting held on Wednesday, May 30, 2012.

Approval of the minutes of the Audit Committee meeting held on Thursday, May 31, 2012.

Approval of the minutes of the Investment Committee meeting held on Monday, June 4, 2012.

Approval of the minutes of the Special Meeting of the Board of Trustees held Tuesday, July 10, 2012.

Approval of the cash disbursements for the months of May, June and July 2012.

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.

Approval of the 2012 Budget Variance report for the quarter ended June 30, 2012.

Mr. Coleman requested Mr. Mann and Mr. Flaherty review with the Board information concerning the discussion and approval of the appointment of Dr. Michael Smith to the KCPSRS Medical Board.

Mr. Flaherty informed the Board that Dr. Smith is an Internal Medicine Physician on staff at St. Luke's Hospital and has agreed to serve on the Disability Medical Board.

After a lengthy discussion, on motion of Mr. Ellison, seconded by Ms. Helmkamp, the Board voted unanimously to appoint Dr. Michael Smith to the KCPSRS Medical Board.

On motion of Ms. Collins, seconded by Mr. Rogers, the Board voted unanimously to remove Dr. Elliott Franks from the KCPSRS Medical Board.

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

On motion of Mr. Rogers, seconded by Mr. Ellison, the Board voted unanimously to receive and file the report of Mondrian Investment Partners.

Mr. Coleman requested a report from the Investment Committee.

Mr. Rogers, Chairperson of the Investment Committee, asked Ms. Rosemary Guillette of Segal Rogerscasey to summarize their presentation at the committee meeting.

Ms. Guillette gave a brief overview on the performance of the fund for the second quarter. She noted world and domestic equity markets were down in the second quarter 2012 after a first quarter rally. She also indicated the fixed income markets gained in the second quarter 2012, and on a one-year basis, have still outperformed equity markets.

Ms. Guillette reviewed the total retirement fund composite and then each fund manager's performance, and compared the returns of the fund to the policy index for the second quarter, and the latest one, three, five and ten year periods. Ms. Guillette noted that composite performance would differ from the policy index until the entire process of bringing on the new managers and asset classes is completed. Once funding is complete with the new allocation a review of the total fund to the policy index will be a more accurate comparison. Ms. Guillette commented that in reviewing the performance of each of the fund managers there are no concerns and all appear to be strong managers. Ms. Guillette then reviewed the target allocations of each fund category and noted the portfolio will be within the guidelines of the policy once the new managers have been funded.

She noted to the Board that StepStone Pioneer Capital Partners II, L.P. (formerly Parish Capital) recently notified investors that CalPERS was selling their interest in the fund that KCPSRS is currently participating. Segal Rogerscasey reviewed this information and does not consider this action to be a concern.

Ms. Guillette went over the private equity portfolio and talked at length on the need to keep the private equity allocation at the level dictated by the portfolio structure. She indicated the current private equity funds maturing need to be gradually replaced by funds of a newer vintage. She reviewed the Segal Rogerscasey Research Opinions & Analysis report performed on Pantheon and recommended that the committee invite Pantheon to educate the committee on available fund offerings at the October meeting.

On motion of Mr. Ellison, seconded by Mr. Williams, the Committee voted unanimously to recommend to the Board to invite Pantheon to the October meeting to present its current available fund offerings.

Mr. Coleman requested the Policy and Evaluation Committee report.

Mr. Rogers, Chairperson of the Policy and Evaluation Committee, requested Ms. Hayes and Mr. Mann summarize their presentation at the committee meeting.

Ms. Hays and Mr. Mann went over information presented during a meeting with representatives of the employers of the System, giving them an overview of the actuarial assumptions, participant history, and components of the annual required contribution. The information also projected the future funding status of the System based on the current contribution rates, benefit structure and the valuation results as of 1/1/12. Data showing a current required employer contribution rate of 10.8% and a graph indicating full funding not being realized until 2058 emphasized the urgency of reviewing the System's contribution and benefit structure.

Mr. Mann told the Board he requested Buck Consultants, the System's actuary, to project full funding dates based on the impact of various scenarios of individual changes made to the current benefit structure, contributions rates or other changes that could improve the System's funding outlook. Ms. Hays and Mr. Mann reviewed this information with the committee and relayed the employer's comments made during the meeting.

A combination of possible contribution increases and benefit adjustment scenarios were discussed and the participants in the meeting favored the following combinations for further analysis;

- Review a Variable Contribution Rate for both Employers and Employees and also just with Employers, with a floor of 7.5% and a cap of 9% with an incremental increase of .5% each year.
- For new employees of the System increase full retirement to the Rule of 80 or age 62.
- For new employees of the System reduce the multiplier from 2.00% to 1.75%.
- Allow new members to reach the 60% funding maximum

Ms. Hays informed the Board that a timeline of 90 days should be heeded if the Board would like to make changes to the System's current benefit and contribution structure in the legislative session beginning January 2013.

On motion of Mr. Ellison, seconded by Mr. Curls, the Board voted unanimously to have the Actuary review by the next Board meeting the above scenarios to determine what impact these changes would have on the System's funding status.

Report of the Chairperson

Mr. Coleman expressed condolences to Ms. Cynthia Hackney, whose father recently passed away.

Mr. Coleman informed the Board of a discussion he had with the NCTR executive director who was encouraging more minority participation in NCTR and actively seeking committee participation by members of the Board.

Mr. Coleman reminded the Trustees to complete the quarterly Trustee Disclosure forms.

Report of the Executive Director

Mr. Mann informed the Board that Ms. Helmkamp, Mr. Ashley and Mr. Ellison's terms end December 31, 2012. 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 post notification concerning the nominations for the both the Active and Retiree Trustee seats. Nominations will be accepted at the October 1, 2012 Board meeting. Ballots will be sent out for the Election in November.

Mark Flaherty informed the Board of a local law firm willing to monitor securities litigation issues complementary to our current contract with Labaton Sucharow. He pointed out that this firm would advise the Board as to when it would be appropriate to opt of a class and pursue an individual action. The firm monitors the portfolio free of charge and the Board can terminate their service at anytime. On motion of Mr. Ashley, seconded by Mr. Curls, the Board voted unanimously to hire the firm of Stueve Siegel Hanson to monitor the portfolio.

Mr. Mann presented MAPERs education certificates to Caroline Helmkamp and Joseph Williams for advanced educational training.

On motion of Mr. Rogers, seconded by Mr. Williams, the meeting was adjourned at 5:40 p.m.

Respectfully submitted,

Thomas Mann, Executive Secretary