

**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE CITY OF ST. LOUIS (PSRSSTL)**

**MINUTES OF THE  
SPECIAL TELEPHONIC MEETING OF THE BOARD OF TRUSTEES  
April 8, 2015**

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Joseph Clark, Chairman of the Board of Trustees, called the meeting to order at 4:00 p.m. The meeting took place telephonically in the 2<sup>nd</sup> floor boardroom of the PSRSSTL office building located at 3641 Olive Street, St. Louis, Missouri.

Trustees Angela Banks, Joseph Clark, Sheila Goodwin, Mary Houlihan, Charles Shelton, Rick Sullivan and Eural Thomas participated in the special telephonic meeting. There was a quorum present. Trustees Christina Bennett, Tracie Goffe, Yvette Levy and Janusz Wolynski did not participate in the meeting.

Executive Director, Andrew Clark, also participated in the special telephonic meeting.

The Chairperson stated the purpose of the meeting was for the Board of Trustees to consider two recommendations as brought forward by the Investment Committee and two other items that needed immediate consideration by the Board of Trustees. There was discussion about the urgency of all the items under consideration.

The Chairman then asked the Trustees to consider amending the 2015 Operating Budget due to unforeseen costs imposed on the Actuary and Auditor by the new regulatory requirements pursuant to Governmental Accounting Standards Board (GASB) Nos. 67 & 68.

Charles Shelton made a motion, seconded by Sheila Goodwin, to amend the 2015 Operating Budget by adding \$10,000 to Actuarial services and \$5,000 to Auditing services. There was further discussion on whether or not this item needed to go through committee.

A roll call vote was taken.

Angela Banks	Yes	Joe Clark	Yes	Sheila Goodwin	Yes
Mary Houlihan	Yes	Charles Shelton	Yes	Rick Sullivan	Yes
Eural Thomas	Yes				

With seven yes votes, motion carried.

The Chairman then asked the Trustees to allow reimbursement of travel expenses to the NEPC Investment Conference.

Charles Shelton made a motion, seconded by Eural Thomas, to allow reimbursement of travel expenses for the Trustees and Executive Director to attend the 2015 NEPC Investment Conference. There was discussion on whether or not this item was addressed in committee.

A roll call vote was taken.

Angela Banks	Yes	Joe Clark	Yes	Sheila Goodwin	Yes
Mary Houlihan	Yes	Charles Shelton	Yes	Rick Sullivan	Yes
Eural Thomas	Yes				

With seven yes votes, motion carried.

The Chairman then asked the Trustees to consider adopting the Asset Allocation Policy as recommended by the Investment Committee. There was discussion on the timing of the recommendation.

Sheila Goodwin made a motion, seconded by Eural Thomas, to adopt the Asset Allocation Policy titled "With Private Real" as presented on page 44 of the NEPC Liquidity Study, Asset Allocation Study and Fixed Income Review as recommended by the Investment Committee.

A roll call vote was taken.

Angela Banks	Abstain	Joe Clark	Yes	Sheila Goodwin	Yes
Mary Houlihan	Yes	Charles Shelton	Yes	Rick Sullivan	Yes
Eural Thomas	Yes				

With six yes votes, and one abstention, motion carried.

The Chairman then asked the Trustees to re-consider hiring Progress Investment as a manager of emerging managers as recommended by the Investment Committee. There was discussion on the history and timing of the recommendation under consideration.

Sheila Goodwin made a motion, seconded by Charles Shelton, to hire Progress Investment Management Company, LLC as a manager of emerging money managers of global equities as recommended by the Investment Committee.

A roll call vote was taken.

Angela Banks	Yes	Joe Clark	Yes	Sheila Goodwin	Yes
Mary Houlihan	Yes	Charles Shelton	Yes	Rick Sullivan	No
Eural Thomas	Yes				

With six yes votes, and one no vote, motion carried.

Sheila Goodwin made a motion, seconded by Charles Shelton, to adjourn the meeting.

By voice vote, the meeting adjourned at 4:30 p.m.

Attachments:

Amended pages of the 2015 Operating Budget  
Cover and page 44 of NEPC's Liability / Asset Allocation Study and Fixed Income Review

**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE CITY OF ST. LOUIS**

**2015 Operating Budget**



**As Amended  
April 8, 2015**

**Public School Retirement System  
of the City of St. Louis  
Operating Budget - Calendar Year 2015**

DESCRIPTION	2011	2012	2013	2014			2015		NOTES		
	ACTUAL EXPENSES	ACTUAL EXPENSES	ACTUAL EXPENSES	BUDGETED	PROJECTED	BUDGET VARIANCE	NOTES (If Variance +/- 10%)	BUDGET		INCREASE (DECREASE)	
SALARIES	\$513,843	\$446,297	\$446,591	\$455,522	\$450,456	(\$5,066)	-1.1%	\$463,821	\$8,299	1.8%	
BENEFITS	168,319	171,909	188,533	180,058	176,565	(3,493)	-1.9%	183,853	3,795	2.1%	
INVESTMENT MANAGEMENT FEES	3,111,438	2,849,932	2,996,636	3,528,580	3,205,288	(323,292)	-9.2%	3,602,001	73,421	2.1%	
TRUST & CUSTODY BANK SERVICES	154,394	144,368	145,743	152,530	150,889	(1,641)	-1.1%	148,885	(3,645)	-2.4%	
INVESTMENT CONSULTING	196,809	187,846	191,648	195,460	197,250	1,790	0.9%	194,980	(480)	-0.2%	
ACTUARIAL SERVICES	126,171	146,077	177,146	154,000	125,414	(28,586)	-18.6%	146,000	(8,000)	-5.2%	retirements
LEGAL SERVICES	70,104	47,342	22,173	55,000	29,769	(25,231)	-45.9%	55,000	No Change	0.0%	
AUDITING SERVICES	41,180	41,500	43,200	43,500	44,340	840	1.9%	53,000	9,500	21.8%	CAFR & GASB
TRUSTEE ELECTIONS	35,029	50,630	16,857	27,600	19,655	(7,945)	-28.8%	55,200	27,600	100.0%	4 elections budgeted in 2015 vs. 2 in 2014
TECHNOLOGY SERVICES	48,309	102,550	93,044	101,550	85,636	(15,914)	-15.7%	112,171	10,621	10.5%	services, pgs 3 & 8
DISABILITY MEDICAL EVALUATIONS	700	1,300	2,300	2,000	1,900	(100)	-5.0%	2,000	No Change	0.0%	
PROPERTY MANAGEMENT	104,940	105,066	99,686	111,978	120,145	8,167	7.3%	122,134	10,156	9.1%	utility bills, pg. 4
POSTAGE & DELIVERY	52,228	52,371	50,913	53,685	53,131	(554)	-1.0%	54,656	971	1.8%	
PRINTING & OFFICE SUPPLIES	48,075	35,920	41,845	50,197	48,943	(1,254)	-2.5%	50,597	400	0.8%	
EQUIPMENT MAINTENANCE & PURCHASES	15,720	23,508	28,640	19,350	12,185	(7,165)	-37.0%	16,700	(2,650)	-13.7%	purchases, pgs 4 & 8
BUSINESS INSURANCE	75,826	81,013	85,078	88,490	88,168	(322)	-0.4%	90,150	1,660	1.9%	
TRUSTEE EDUCATIONAL EXPENSES	18,107	20,844	28,084	32,000	32,718	718	2.2%	35,000	3,000	9.4%	
RETIREE INSURANCE & CONSULTING	2,865,774	2,792,994	2,768,401	2,855,276	2,740,127	(115,149)	-4.0%	2,832,704	(22,572)	-0.8%	
MISCELLANEOUS EXPENSES	36,078	37,557	43,317	46,400	49,758	3,358	7.2%	53,500	7,100	15.3%	checking account monitoring services
SPECIAL PROJECTS	0	10,000	0	12,000	0	(12,000)	-100.0%	9,000	(3,000)	-25.0%	See pg. 5
SECURITIES LENDING REVENUE	(93,436)	(156,689)	(113,717)	(150,000)	(109,495)	40,505	-27.0%	(150,000)	No Change	0.0%	
COMMISSION RECAPTURE REVENUE	(67,719)	(24,253)	(30,770)	(50,000)	(29,251)	20,749	-41.5%	(50,000)	No Change	0.0%	
VA LEASE REVENUE	(131,119)	(134,813)	(138,506)	(142,200)	(143,681)	(1,481)	1.0%	(146,449)	(4,250)	3.0%	
<b>TOTAL</b>	<b>\$7,390,770</b>	<b>\$7,033,269</b>	<b>\$7,186,842</b>	<b>\$7,822,976</b>	<b>\$7,349,910</b>	<b>(\$473,066)</b>	<b>-6.0%</b>	<b>\$7,934,903</b>	<b>\$111,926</b>	<b>1.4%</b>	

2015 Budget Increase (Decrease) relative to amount budgeted in calendar year 2014.

See Attached Budget Notes and Supporting Budget Detail.

At a meeting on April 8, 2015, the Trustees amended the 2015 Operating Budget, adding \$10,000 to Actuarial Services and \$5,000 to Auditing Services for projected costs associated with GASB Nos. 67 & 68.

**Public School Retirement System  
of the City of St. Louis  
Operating Budget - Calendar Year 2015**

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**Actuarial Services**

Buck Consultants, LLC

Retirement and Purchase of Service Calculations, Retirement Estimates	\$70,000	
Valuation Report, Board Meetings, Annual Audit, General Consulting	46,000	
Annual Benefit Statements, Miscellaneous Actuarial Services	<u>30,000</u>	
<b>Actuarial Services</b> .....		<b>\$146,000</b>

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**Legal Services**

Hartnett Gladney Hetterman, LLC

General Legal Counsel	\$50,000	
Investment Agreement Reviews	<u>5,000</u>	
<b>Legal Services</b> .....		<b>\$55,000</b>

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**Auditing Services**

Huber, Ring, Helm & Co.

Annual Audit	\$44,000	
Miscellaneous Accounting Issues (includes CAFR & new GASB requirements)	<u>9,000</u>	
<b>Auditing Services</b> .....		<b>\$53,000</b>

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**Trustee Elections**

Active Trustee Elections (5,000 eligible voters)

Election Commissioner Costs	\$3,000	
Miscellaneous Costs	1,000	
Printing at 50¢/voter	2,500	
Mailings at \$1.50/voter	<u>7,500</u>	
Cost Per Active Trustee Election	\$14,000	
Three Active Trustee Elections at \$14,000		\$42,000

Retired Trustee Election (4,350 eligible voters)

Election Commissioner Costs	\$3,500	
Miscellaneous Costs	1,000	
Printing at 50¢/voter	2,175	
Mailings at \$1.50/voter	<u>6,525</u>	
Cost for Retired Trustee Election		<u>13,200</u>

<b>Trustee Elections</b> .....		<b>\$55,200</b>
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**Technology Services, Computer Consulting & Software**

(see Technology Budget, page 8)

Technical Services, Consulting & Support	\$108,966	
Software Purchases & Licenses	<u>3,205</u>	
<b>Technology Services, Computer Consulting &amp; Software</b> .....		<b>\$112,171</b>

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**Physician Fees:**

<b>Disability Medical Evaluations</b> .....		<b>\$2,000</b>
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NEPC, LLC

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## **PSRS of the City of St. Louis**

### **Liquidity Study, Asset Allocation Study and Fixed Income Review**

March 2015

Kristin Finney-Cooke, CAIA, Senior Consultant  
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# Public School Retirement System of the City of St. Louis

## Asset Class Mixes

	Target Weights	Current Position 1/31/2015	FI Reorg	With Private Real	With Risk Parity
<b>Cash</b>	0.0%	2.6%	0.0%	0.0%	0.0%
Large Cap Equities	13.0%	23.2%	13.0%	13.0%	16.0%
Small/Mid Cap Equities	9.0%	10.8%	9.0%	9.0%	4.0%
Int'l Equities	12.0%	9.3%	12.0%	12.0%	12.0%
Emerging Int'l Equities	7.0%	3.9%	7.0%	7.0%	5.0%
Global Equity	5.0%	0.0%	5.0%	5.0%	6.0%
<b>Total Equity</b>	<b>46.0%</b>	<b>47.2%</b>	<b>46.0%</b>	<b>46.0%</b>	<b>43.0%</b>
Core Bonds	7.0%	8.2%	8.0%	8.0%	7.0%
High-Yield Bonds	5.0%	5.1%	0.0%	0.0%	0.0%
Global Bonds (Unhedged)	3.0%	4.1%	0.0%	0.0%	0.0%
EMD - Blended	0.0%	0.0%	3.0%	3.0%	3.0%
EMD (Local Currency)	4.0%	0.0%	0.0%	0.0%	0.0%
Credit Opportunities	1.0%	1.1%	0.0%	0.0%	0.0%
Global Multi-Sector Fixed Income	0.0%	0.0%	5.0%	5.0%	3.5%
Absolute Return Fixed Income	0.0%	0.0%	5.0%	5.0%	3.5%
<b>Total Fixed Income</b>	<b>20.0%</b>	<b>18.5%</b>	<b>21.0%</b>	<b>21.0%</b>	<b>17.0%</b>
Private Equity	4.0%	2.3%	4.0%	4.0%	4.0%
Private Debt	1.0%	0.0%	1.0%	1.0%	1.0%
Private Real Assets	0.0%	0.0%	0.0%	2.0%	1.0%
Real Estate (Core)	5.0%	5.4%	5.0%	5.0%	5.0%
Real Assets (Liquid)	3.0%	2.1%	2.0%	0.0%	0.0%
Hedge Funds	7.0%	7.0%	7.0%	7.0%	7.0%
Hedge Funds - Long/Short	2.0%	2.2%	2.0%	2.0%	2.0%
<b>Total Alternatives</b>	<b>22.0%</b>	<b>19.0%</b>	<b>21.0%</b>	<b>21.0%</b>	<b>20.0%</b>
Global Asset Allocation	12.0%	12.7%	12.0%	12.0%	15.0%
Risk Parity	0.0%	0.0%	0.0%	0.0%	5.0%
<b>Total GAA &amp; Risk Parity</b>	<b>12.0%</b>	<b>12.7%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>20.0%</b>
<b>5 - 7 Years Expected Return</b>	<b>6.3%</b>	<b>5.9%</b>	<b>6.3%</b>	<b>6.3%</b>	<b>6.4%</b>
<b>5 - 7 Years Standard Deviation</b>	<b>13.1%</b>	<b>12.2%</b>	<b>12.7%</b>	<b>12.8%</b>	<b>12.8%</b>
<b>5 - 7 Years Sharpe Ratio</b>	<b>0.35</b>	<b>0.34</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>
<b>30 Years Expected Return</b>	<b>7.6%</b>	<b>7.2%</b>	<b>7.5%</b>	<b>7.6%</b>	<b>7.6%</b>
<b>30 Years Sharpe Ratio</b>	<b>0.33</b>	<b>0.33</b>	<b>0.34</b>	<b>0.34</b>	<b>0.34</b>
<b>Probability of 1-Year Return Under 0%</b>	<b>31.4%</b>	<b>31.5%</b>	<b>31.0%</b>	<b>31.0%</b>	<b>30.9%</b>
<b>Probability of 5-Year Return Under 0%</b>	<b>14.0%</b>	<b>14.0%</b>	<b>13.4%</b>	<b>13.3%</b>	<b>13.2%</b>
<b>Probability of 1-Year Return Over 8%</b>	<b>45.0%</b>	<b>43.1%</b>	<b>44.6%</b>	<b>44.8%</b>	<b>45.0%</b>
<b>Probability of 5-Year Return Over 8%</b>	<b>38.8%</b>	<b>34.9%</b>	<b>38.1%</b>	<b>38.6%</b>	<b>39.0%</b>

Note: Calculations based on NEPC's 2015 5-7 & 30 Year Capital Market Assumptions