

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

MINUTES OF THE BOARD OF TRUSTEES REGULAR MEETING

February 26, 2007

I. ROLL CALL AND ANNOUNCEMENT OF A QUORUM

The February meeting of the Board of Trustees of the Public School Retirement System of the City of St. Louis (PSRSSTL) was called to order at 4:45 p.m., Monday, February 26, 2007. The meeting was conducted in the PSRSSTL offices. Marlene Davis, Chair of the Investment Committee and last past Chairperson of the Board of Trustees, was the presiding officer.

Roll Call was taken and Trustees Christina Bennett, Marlene Davis, Donald Glenn, Katie Lamb, Katha McKinney, Veronica O'Brien and Lois Jean Turner were present. The Board of Trustees had a quorum at the meeting. Trustee Louis Cross joined the meeting in progress. Trustees Joseph Clark, Paulette McKinney and Cynthia Warren were absent.

Executive Director, Andrew Clark, Accounting Specialist, Marty Winters, PSRSSTL Attorney, Jeff Hartnett, PSRSSTL Actuary, Jim Rubie, and a large number of interested parties were also in attendance.

II. SEATING OF NEW MEMBERS

Ms. Davis requested the seating of new members. The Executive Director congratulated Katha McKinney for her re-election to the Board of Trustees effective January 1, 2007, and welcomed Veronica O'Brien for her appointment to the Board of Trustees effective January 1, 2007. Ms. Davis welcomed the new Trustees to the board by stating expectations and that Trustees are to serve in the best interest of the Retirement System.

III. APPROVAL OF MINUTES FROM LAST MEETING

Lois Jean Turner made a motion, seconded by Katha McKinney, to approve the minutes of the Board of Trustees Regular Meeting of December 18, 2006.

A roll call vote was taken.

Christina Bennett	Yes	Marlene Davis	Yes	Donald Glenn	Yes
Katie Lamb	Yes	Katha McKinney	Yes	Veronica O'Brien	Abstain
Lois Jean Turner	Yes				

With six yes votes and one abstention, motion carried.

IV. REPORT OF THE ACTUARY

Ms. Davis announced that the agenda would be taken out of order for the Report of the Actuary. The Actuary reported on the funding levels for the Retirement System from January 1, 2002 through January 1, 2006. The Actuary stated that the Actuarial Value Funded Ratio was 89.3% in 2002 and stood at 91.8% on January 1, 2006. The Actuary researched other public school retirement systems through the National Council on Teacher Retirement (NCTR) and stated that the national funded ratio for other school retirement systems ranges from 85% to 100%. The Actuary then compared the Retirement System's Actuarial Value Funded Ratio of 91.8% to other Missouri Public Retirement Systems. The Missouri State Employees Retirement System is 85% funded, the Public Education Employees Retirement System is 86% funded and the Public School Retirement System is 85% funded. The Actuary stated the Retirement System is performing better than average on both a national and state level.

The Actuary discussed the Actuarial Value Rate of Return and the Market Value Rate of Return for the Retirement System. The Retirement System's actuarial value rate of return over the past five years has been above the actuarial assumed rate of return of 8% with exception of 2002 which was 7%. The Actuary concluded by stating overall the Retirement System's investments are performing better than expected.

Ms. Davis summarized the Actuary's report by stating that compared to comparable public retirement systems that the Retirement System is performing better than average.

Ms. Davis asked the Executive Director to explain the investment numbers from a prior meeting that were taken out of context. The Executive Director referred to the Asset Growth Summary-Overall Composite for the period ending December 31, 2006, prepared by the investment consultant, New England Pension Consultants (NEPC). The Executive Director clarified that the \$27 million amount being represented as a loss to the Retirement System from the 2006 Third Quarter Report was not a loss to the system but was a withdrawal from the fund to pay pension benefits and administrative costs. The Executive Director stated that the market value of the pension fund was \$1.119 billion as of December 31, 2006, and that it is unfortunate that there is misinformation circulating at a time when the fund is performing at an all time high.

Ms. Davis discussed ways to keep damaging misinformation about the Retirement System from spreading throughout the general public. The Attorney asked the Actuary to explain the Actuarial Assumed Rate of Return of 8%. The Actuary explained that it is a number used as a benchmark to forecast investment returns for the Retirement System net of expenses. The Attorney clarified with the Actuary that the fund has grown by over \$100 million over the past five years in spite of paying out more in pension benefits each year relative to the amount being collected in contributions. There was further discussion by the Trustees regarding the investment numbers being taken out of context in the general public. Ms. Davis and the Actuary pointed out that for maturing pension funds such as the Retirement System that investment returns should be covering around 75% of pension benefits which is the case at the Retirement System.

The Treasurer, Louis Cross, discussed the cost prohibitive nature of increasing the health insurance benefit subsidy from \$80 to \$100, and that the Board of Trustees will be looking at enhancing benefits in the future. Trustee Cross also discussed administrative problems with the DROP program and the sick leave conversion program at the St. Louis Public School District.

Ms. Davis suggested to the audience that the retirees form an advisory group that regularly attends meetings to avoid misinformation from being circulated. Ms. Davis announced that the meeting would return to the regular Order of Business and allowed time for members of the audience to leave in order to avoid disruption while the meeting progressed through the agenda.

Trustee Turner asked for a letter of clarification and engagement regarding the merger of CCA Strategies with JP Morgan.

V. READING OF COMMUNICATIONS TO THE BOARD OF TRUSTEES

None

VI. PRESENTATIONS BY INTERESTED PARTIES

PSRSSLT retiree Kaye Mayer read a letter to the Board of Trustees concerning the impact on the Retirement System if the state takes control of the St. Louis Public Schools, particularly on health insurance, Board of Education contributions and control of the entire retirement fund. Retiree Jacqueline Dyer read a letter to the Board of Trustees that contained six questions regarding funding, possible merger with city retirement systems, COLA, health insurance and the newsletter. Retiree Al Katzenberger read a letter to the Board of Trustees concerning the new office building, the medical insurance subsidy for retirees and Trustee travel. Erma Nevels read a question to the

Board of Trustees about using the office space for meetings. The Executive Director will see that the interested parties receive responses.

VII. CONSENT AGENDA

Lois Jean Turner made a motion, seconded by Katha McKinney, to approve the Retirements and Benefits of December 2006 and January 2007.

A roll call vote was taken.

Christina Bennett	Yes	Louis Cross	Yes	Marlene Davis	Yes
Donald Glenn	Yes	Katie Lamb	Yes	Katha McKinney	Yes
Veronica O'Brien	Abstain	Lois Jean Turner	Yes		

With seven yes votes and one abstention, motion carried.

Lois Jean Turner made a motion, seconded by Louis Cross, to approve the Refunds and Bills of December 2006 and January 2007.

A roll call vote was taken.

Christina Bennett	Yes	Louis Cross	Yes	Marlene Davis	Yes
Donald Glenn	Yes	Katie Lamb	Yes	Katha McKinney	Yes
Veronica O'Brien	Abstain	Lois Jean Turner	Yes		

With seven yes votes and one abstention, motion carried.

VIII. UNFINISHED BUSINESS

None

IX. REPORT OF THE CHAIRPERSON

The establishment of the 2007 Board of Trustees Committees and Chairperson Appointments will take place at a later date.

X. REPORT OF THE EXECUTIVE DIRECTOR

The Executive Director reported that there were two new building project reports for December 2006 and January 2007 distributed to the Board of Trustees in the board packet. The Executive Director continued by stating the move to the new building was completed on January 19, 2007, that the security system for the new building should be installed by the end of March 2007, that leases on the office space are being pursued by the leasing agent and that the Attorney would address outstanding construction issues with the Contractor in the Report of the Attorney.

The Executive Director verified that the Trustees received their new orientation and training packets sent out in January and informed the Trustees that it is time to start making plans for the annual retreat. The Executive Director reported that staff investigated leasing a new server versus a full purchase. The cost of leasing is \$51,000 for a three year lease versus a \$70,000 purchase and that it is possible that the lease will be even cheaper if the lease is paid off early. The Executive Director reported the non-responsiveness from the Board of Education to the letters sent concerning the high cost of the UHC/Pharmacare premiums for Medicare retirees in 2007. The annual

audit took place in January and a full report of the financial statements for 2006 should be made by the Accountant at the April board meeting.

Trustee Turner asked questions regarding the security system installation and parking for the new building. Trustee O'Brien stated that she will see that there is a response to the letters to the Board of Education.

XI. REPORT OF THE INVESTMENT CONSULTANT

None

XII. REPORTS OF THE COMMITTEES

Ms. Davis asked for reports from the Chairs of the various committees of the Board of Trustees.

Benefits Committee

None

Budget Committee

Lois Jean Turner, Chair of the Budget Committee, reported that the Executive Director is conducting research and that a meeting will be arranged telephonically and held in Executive Session.

Investment Committee

Marlene Davis, Chair of the Investment Committee, reported on the Investment Committee meeting of February 21, 2007. The Chair reported on the \$61 million in earnings for the 2006 Fourth Quarter, the discussion on the misinformation being circulated about the Retirement System's investments, the search for an international growth equity manager and training on hedge funds. There was further discussion on hedge funds in the current news media and the need for Trustee training.

Office Relocation Committee

None.

Personnel & Professional Committee

Lois Jean Turner, Chair of the Personnel and Professional Committee, reported that the committee has a pending issue that the Executive Director is handling.

Rules & Regulations Committee

None.

Trustee Travel Commission

None

XIII. NEW BUSINESS

None

XIV. REPORT OF THE ATTORNEY

The Attorney discussed the need for written communication between the Board of Trustees and the membership regarding the impact of the intervention by the state at the SLPS on the Retirement System. There was discussion by the Trustees on the misinformation being circulated regarding the impact of the state intervention on the Retirement System. The Attorney stated that the SLPS Board of Education and the PSRSSITL Board of Trustees are separate entities and that it would be very difficult for the state legislature to pass legislation that would grant the state authority to take over the Retirement System.

Louis Cross made a motion, seconded by Donald Glenn, to authorize the Attorney to draft a letter to all retirees and active members clarifying the legal issues between the SLPS and PSRSSITL with regards to the possible state intervention and approve all associated costs.

A roll call vote was taken.

Christina Bennett	Yes	Louis Cross	Yes	Marlene Davis	Yes
Donald Glenn	Yes	Katie Lamb	Yes	Katha McKinney	Yes
Veronica O'Brien	Abstain	Lois Jean Turner	Yes		

With seven yes votes and one abstention, motion carried.

Christina Bennett made a motion, seconded by Katha McKinney, to move into Executive Session.

A roll call vote was taken.

Christina Bennett	Yes	Louis Cross	Absent	Marlene Davis	Yes
Donald Glenn	Yes	Katie Lamb	Yes	Katha McKinney	Yes
Veronica O'Brien	Yes	Lois Jean Turner	Absent		

With six yes vote, motion carried, and the meeting moved into closed session at 6:00 p.m.

Trustee Turner left the meeting during closed session.

Christina Bennett made a motion, seconded by Katha McKinney, to move out of Executive Session.

A roll call vote was taken.

Christina Bennett	Yes	Louis Cross	Yes	Marlene Davis	Yes
Donald Glenn	Yes	Katie Lamb	Yes	Katha McKinney	Yes
Veronica O'Brien	Yes				

With seven yes votes, motion carried, and the meeting moved into open session at 6:40 p.m.

Katha McKinney made a motion, seconded by Donald Glenn, to accept the recommendations made in the Investment Committee Meeting of February 21, 2007.

Ms. Davis clarified the two recommendations from the Investment Committee Meeting. The first recommendation is to deal with the public information situation with the SLPS, and the second recommendation is for the Investment Consultant to perform due diligence regarding the current international growth equity money manager.

A roll call vote was taken.

Christina Bennett	Yes	Louis Cross	Yes	Marlene Davis	Yes
Donald Glenn	Yes	Katie Lamb	Yes	Katha McKinney	Yes
Veronica O'Brien	Abstain				

With six yes votes and one abstention, motion carried.

Louis Cross made a motion, seconded by Katha McKinney, to adopt the recommendation made in Executive Session.

A roll call vote was taken.

Christina Bennett	Yes	Louis Cross	Yes	Marlene Davis	Yes
Donald Glenn	Yes	Katie Lamb	Yes	Katha McKinney	Yes
Veronica O'Brien	Abstain				

With six yes votes and one abstention, motion carried.

XV. ADJOURNMENT

Katha McKinney made a motion, seconded by Christina Bennett, to adjourn the meeting.

By voice vote, motion carried and the meeting adjourned at 6:45 p.m.

Attachments:

- Public School Retirement System of the City of St. Louis Funding History, 2002 to 2006
- NEPC 2006 Fourth Quarter Summaries, pages 10 – 13
- Letter from Kaye Mayer dated February 26, 2007, with response dated March 1, 2007
- Letter from Jacqueline Dyer dated February 26, 2007, with response dated March 2, 2007
- Letter from Al Katzenberger dated February 26, 2007, with response dated March 7, 2007
- Question from Erma Nevels dated February 26, 2007, with response dated March 1, 2007
- Retirements, Refunds & Bills Paid December 2006 and January 2007
- Investment Committee Meeting Minutes, February 21, 2007