

**PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD  
5 North Fifth Street  
Harrisburg, Pennsylvania**

**Regular Meeting**

**Minutes**

**September 15, 2017**

**8:30 A.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Mr. Nathan G. Mains, Vice Chairman  
Ms. Deborah J. Beck  
Senator John P. Blake (arrived at 8:40 A.M.)  
Ms. Lisa Taglang for Representative Stephen Bloom  
Ms. Stacey Connors for Senator Patrick M. Browne  
Mr. Jason M. Davis  
Ms. Virginia M. Lastner  
Ms. Susan C. Lemmo  
Representative Joseph F. Markosek  
Ms. Lori Graham (telephonically) for Secretary Pedro A. Rivera  
Mr. Christopher SantaMaria  
Ambassador Martin J. Silverstein (arrived at 8:33 A.M.)  
Treasurer Joseph M. Torsella (arrived at 8:40 A.M.)  
Mr. Leo Pandeladis for Secretary Robin L. Wiessmann

**Others Present**

Mr. Christopher Craig  
Mr. Dermot Delude-Dix, Unite HERE  
Mr. Bernard Gallagher  
Ms. Judy Guise, PASR  
Ms. Nicole Hunt, Unite HERE  
Mr. Phil Kivarkis  
Ms. Stephanie Lee, Unite HERE  
Mr. Glenn Pasewicz, Joint State Government Commission  
Ms. Michele Kreisler Rubenstein  
Ms. Claire Shaughnessy

Staff Members Present

Mr. Frederick Alcaro	Ms. Jennifer Mills
Ms. Megan Alley	Ms. Susan Oh
Mr. Tom Bauer	Mr. Tony Parisi
Ms. Barbara Book	Mr. Eugene Robison
Mr. Brian S. Carl	Ms. Terrill J. Sanchez
Ms. Marla Cattermole	Mr. Charles K. Serine
Ms. Franca D'Agostino	Mr. Larry Shank
Mr. Robert Devine	Mr. Joseph Sheva
Mr. Glen R. Grell	Mr. Steven Skoff
Mr. James H. Grossman, Jr.	Ms. Kathrin Smith
Ms. Cayla Jakobowitz	Mr. Charles K. Spiller
Ms. Alicia E. James	Mr. Richard Spinks
Ms. Denise Knapp	Mr. Joseph E. Wasiak, Jr.

CALL TO ORDER	Ms. Vogler called the meeting to order at 8:30 A.M. at PSBA, 400 Bent Creek Blvd., Mechanicsburg, PA.
WELCOME GUESTS	Mr. Grell welcomed guests Ms. Guise, Ms. Hunt, Ms. Lee, Mr. Delude-Dix and Mr. Pasewicz.
VISITOR COMMENTS	Ms. Hunt, Unite HERE, addressed the Board regarding concerns with Almanac Realty.
MINUTES APPROVED	Mr. Mains moved to approve the minutes of the June 16, 2017 Board meeting. Ms. Lemmo seconded the motion, which <u>passed unanimously</u> .
BOARD EDUCATION	Ms. Shaughnessy presented the Benchmark Review. Attending Board Members and Designees are to be credited with 45 minutes of Board Education and recorded in the Board Education Log.
BOARD EDUCATION	Ms. Shaughnessy and Mr. Kivarkis presented the Asset Liability. Attending Board Members and Designees are to be credited with 45 minutes of Board Education and recorded in the Board Education Log.
PRESENTATION	Mr. Grossman presented the Investment Policy Statement.
INVESTMENT POLICY STATEMENT, OBJECTIVES AND GUIDELINES	Senator Blake moved that the Public School Employees' Retirement Board (the "Board") hereby adopts proposed changes to Sections IV. Strategic Asset Allocation; V. Performance Objectives; and VII. Monitoring and Reporting of the Investment Policy Statement, Objectives, and Guidelines, as amended, for the Public School Employees' Retirement System pursuant to the

recommendation of Joseph W. Sheva, Senior Risk Manager, dated August 25, 2017. Mr. Davis seconded the motion, which passed unanimously (Ms. Graham was not present telephonically for this vote).

Ms. D'Agostino presented the 2018 Managed Care Plans Premium Rates and Benefits Report.

PRESENTATION

Representative Markosek left at this time and Mr. Gallagher was seated at the table.

### UNFINISHED BUSINESS

Mr. Grell and Treasurer Torsella updated the Board on the Joint Commission, PSERS-SERS collaboration and discussions regarding PSERS' Supplemental Retirement Plan.

GOVERNOR/TREASURER  
INITIATIVES LETTER  
UPDATE

### NEW BUSINESS

Mr. Grell presented the approval of two Notational Ballots.

NOTATIONAL BALLOTS

RESOLVED, that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in Apax Digital, L.P. (and related investment vehicles), in accordance with the recommendation of Darren C. Foreman, Senior Portfolio Manager, dated July 24, 2017 and Hamilton Lane, dated July 20, 2017. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract. The Notational Ballot passed with 9 YES votes, 1 abstention being Secretary Wiessmann, and 1 recusal being Ambassador Silverstein.

APAX DIGITAL, L.P.

RESOLVED, that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$150 million plus reasonable normal investment expenses, in SASOF IV LP (and related investment vehicles), in accordance with the recommendation of Robert E. Little, Senior Portfolio Manager, dated August 2, 2017 and Aksia LLC, dated August 1, 2017. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract. The Notational Ballot passed with 11 YES votes.

SASOF IV LP

**2018 MEETING  
SCHEDULE**

Mr. Grell presented the proposed 2018 meeting schedule for discussion. The proposed meetings were accepted by consensus.

**AUDIT/COMPLIANCE COMMITTEE REPORT**

Ms. Taglang reported on the meeting held on September 14, 2017.

**MINUTES APPROVED**

Ms. Taglang stated that the Committee approved the minutes of the June 16, 2017 meeting.

**PRESENTATIONS**

Ms. Taglang reported that Mr. Mowery, of Korn Ferry HayGroup, presented the Actuarial Audit Results and that Ms. James presented the Audit/Compliance Committee Charter Review, the Audit Plan Update for FY 17/18, and the AG Audit Recommendations Status.

**ACTUARIAL AUDIT OF  
6-30-15 ACTUARIAL  
VALUATION & 2010-15  
EXPERIENCE REVIEW**

Ms. Taglang moved that the Public School Employees' Retirement Board (the "Board") hereby acknowledges receipt of the Actuarial Audit of June 30, 2015 Actuarial Valuation and 2010-2015 Experience Review prepared for the Public School Employees' Retirement System by Korn Ferry Hay Group. Ms. Lastner seconded the motion, which passed unanimously.

**INTERNAL CONTROL  
ASSESSMENTS AND  
MONITORING PLAN**

Ms. Taglang moved that the Public School Employees' Retirement Board (the "Board"), hereby accepts the results of the Internal Control Assessments for the fiscal year ending June 30, 2017 and the Monitoring Plan for the period July 1, 2017 through June 30, 2018 for the Public School Employees' Retirement System, pursuant to the recommendation of Alicia E. James, Internal Auditor, dated September 8, 2017. Ms. Lastner seconded the motion, which passed unanimously.

**INVESTMENT COMMITTEE REPORT**

Mr. Mains reported on the meeting held on September 14, 2017.

**MINUTES APPROVED**

Mr. Mains stated that the Committee approved the minutes of the June 15, 2017 meeting.

**BOARD EDUCATION**

Mr. Mains stated that Mr. Hagood, of Nephila Capital Ltd. presented a Board Educational session on the Insurance-Linked and Weather Risk Transfer Market Update. Attending Board Members and Designees are to be credited with 45 minutes of Board Education and recorded in the Board Education Log.

Mr. Mains stated that Mr. Little and Mr. Del Gaudio presented Asset Class Reviews; Mr. Grossman presented the PSERS Fund and Market Overview and gave his Preview of Future Meetings; and the following action items were raised.

## PRESENTATIONS

Mr. Mains moved that pursuant to the recommendations of Robert E. Little, Senior Portfolio Manager, dated August 28, 2017, and Aksia, LLC, dated August 21, 2017, the Public School Employees' Retirement Board (the "Board"), hereby (i) commits to invest an amount not to exceed \$150 million in the Nimbus Weather Fund, Ltd., and (ii) that the Investment Office shall have the discretion to invest additional sums within the target ranges approved by the Board in the Investment Policy Statement, Objectives and Guidelines, as amended from time to time (the current version of which can be found at <http://www.pfers.state.pa.us/investment/guide/guide.htm>) , provided that any investment of an additional sum by the Investment Office shall be reported to the Board in a timely manner. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract. Ms. Lastner seconded the motion, which passed with one recusal, being Mr. Pandeladis on behalf of Secretary Wiessmann.

## NMBUS WEATHER FUND

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$150 million plus reasonable normal investment expenses, in Galton Onshore Mortgage Recovery Fund IV, L.P. (and/or related investment vehicles), in accordance with the recommendation of James F. Del Gaudio, Portfolio Manager, dated August 11, 2017 and Aksia, LLC, dated August 8, 2017. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract. Ms. Lastner seconded the motion, which passed with one recusal, being Mr. Pandeladis on behalf of Secretary Wiessmann.

## GALTON ONSHORE MORTGAGE RECOVERY FUND IV, L.P.

### APPEALS AND MEMBER/EMPLOYER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on September 14, 2017.

MINUTES APPROVED Ms. Beck stated that the Committee approved the minutes of the June 15, 2017 meeting.

ACCOUNT OF COURTNEY M. HENRY Ms. Beck moved in the case of Courtney M. Henry, that the Board adopt the Hearing Examiner's recommendation with a few, minor corrections and dismiss the claimant's appeal. Mr. SantaMaria seconded the motion, which passed unanimously.

ACCOUNT OF DANA E. OHLMANN Ms. Beck moved in the case of Dana E. Ohlmann, that the Board adopt the Hearing Officer's recommendation, address Claimant exceptions, and dismiss Claimant's appeal with prejudice. Mr. Davis seconded the motion, which passed unanimously.

ACCOUNT OF CARLOS J. RODRIGUEZ, JR. Ms. Beck moved in the case of Carlos J. Rodriguez, Jr., that the Board adopt the Hearing Officer's recommendation and dismiss Claimant's appeal with prejudice. Mr. Davis seconded the motion, which passed unanimously.

ESRC REPORTS Ms. Beck reported that the Committee reviewed the Executive Staff Review Committee Reports from April 25, May 31 and June 22, 2017.

BYLAWS/POLICY COMMITTEE REPORT

Mr. Gallagher reported on the meeting held September 14, 2017.

MINUTES APPROVED Mr. Gallagher stated that the Committee approved the minutes of the June 15, 2017 meeting.

PRESENTATION Mr. Gallagher reported that Mr. Wasiak gave a presentation on changes to the Board Ethics Policy and proposed changes to the Board Education Policy.

PSERB ETHICS POLICY Mr. Gallagher moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed changes to the Ethics Policy of the Public School Employees Retirement Board pursuant to the recommendations of Joseph E. Wasiak, Jr., Assistant Executive Director, contained in the memorandum dated August 28, 2017, SUBJECT: PSERB Ethics Policy and Education Policy Changes. Senator Blake seconded the motion, which passed unanimously.

CHIEF COUNSEL REPORT

CC REPORT Mr. Serine gave his Chief Counsel Report in Executive Session.

At 12:07 P.M., Mr. Grell stated: "In accordance with Section 5.13 of the Bylaws of the Public School Employees' Retirement Board, we are going into Executive Session to discuss the item listed on today's agenda, namely Independent Counsel – Plan of Action. The Committee may hold an Executive Session for any one or more of the reasons enumerated in Section 708(a) of the Sunshine Act (65 Pa C.S. §708(a)), including personnel matters."

EXECUTIVE SESSION

Mr. Mains moved that the Committee enter into Executive Session. Senator Blake seconded the motion, which passed unanimously.

The Executive Session ended at 1:00 P.M. and the meeting immediately returned to Regular Session.

The meeting broke for lunch. Senator Blake, Ms. Connors, Ms. Graham, Mr. Mains, Ambassador Silverstein and Treasurer Torsella left the meeting at this time. Mr. Craig replaced Treasurer Torsella in the quorum.

#### CHIEF FINANCIAL OFFICER'S REPORT

Mr. Carl gave an update, which included the Preliminary and Unaudited June 30, 2017 Financial Statements; Year End Schedule; 2017-18 Administrative and Employer Contribution Budget Updates; and the Preliminary 2018-19 Administrative Budget Preview.

CFO REPORT

Ms. Graham returned to the meeting at this time.

#### DEPUTY EXECUTIVE DIRECTOR'S REPORT

Ms. Sanchez presented her update on Cybersecurity at PSERS; C2B; The Retirement Season; Appeals at PSERS; and Internal Activities Related to Act 5.

DED REPORT

#### EXECUTIVE DIRECTOR'S REPORT

Mr. Grell stated that he attended the PSEA Annual Leadership Conference in Gettysburg on July 26; and attended the NASRA Annual Conference in Baltimore August 5-9, giving a presentation on Pension Legislation August 8.

ED REPORT

Mr. Grell reported that he will attend the NAGDCA Annual Conference in Milwaukee September 24-27; make a presentation at the PASR Conference at the Lancaster Eden Resort on

October 2; and attend the NCTR Annual Conference in Tucson October 7-10.

Mr. Grell updated the Board on current issues including the October 2017 meeting plans; 2018 Board Meeting schedule; AG Performance Audit; Staff Complement; Act 5 Implementation and Board Member Travel for Fiscal Year 16/17.

**BOARD MEMBER  
COMMENTS**

Ms. Vogler and Mr. Gallagher spoke briefly regarding the valuable education received at the NCTR Trustee Workshop.

**ADJOURNMENT**

Chairman Vogler adjourned the meeting at 2:20 P.M.

**NEXT MEETING**

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on October 5, 2017, at PSERS' Headquarters, 5 N. 5<sup>th</sup> Street, Harrisburg, PA.

9/29/2017  
Date

  
Glen R. Grell  
Glen R. Grell  
Executive Director