

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

Regular Meeting

Minutes

Friday October 11, 2019

12:15 P.M.

Board Members Present

Ms. Melva S. Vogler, Chairman

Mr. Jonathan Berger for

Nathan G. Mains, Vice Chairman

Ms. Deborah J. Beck

Senator John P. Blake

Mr. Bernard Gallagher for

Representative Matt Bradford (Left table at 12:30)

Ms. Miriam Fox for

Representative Matt Bradford (Joined table at 12:30)

Ms. Stacey Connors for

Senator Patrick M. Browne

Mr. Jason M. Davis

Mr. Eric O. DiTullio (Telephonically)

Ms. Susan C. Lemmo

Mr. Patrick Lord for

Secretary Pedro A. Rivera

Representative Francis X. Ryan

Mr. Christopher SantaMaria

Treasurer Joseph M. Torsella

Secretary Robin L. Wiessmann

Others Present

Ms. Anne Baloga

Mr. James Bloom

Mr. Thomas Clancy

Ms. Suzanne Dugan, Cohen Millstein

Mr. Lloyd Ebright

Mr. Alan Flannigan

Mr. Luc Miron

Mr. Leo Pandeladis

Ms. Lisa Taglang

Ms. Jill Vecchio

Staff Members Present

Mr. Thomas Bauer
Mr. Brian Carl
Mr. Dwight Decker
Mr. Steven Esack
Mr. Dennis Filipovich
Mr. Andrew Fiscus
Mr. Todd Fulton
Mr. Glen R. Grell
Mr. James H. Grossman, Jr.

Ms. Patricia Lorenz
Ms. Jennifer Mills
Mr. Eugene Robison
Mr. Charles K. Serine
Mr. Patrick Shaughnessy
Mr. Charles Spiller
Ms. Laura Vitale
Mr. Joseph E. Wasiak, Jr.
Ms. Evelyn Tatkovski Williams

CALL TO ORDER

Chairman Vogler called the meeting to order at 12:15 P.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME GUESTS

Mr. Grell welcomed new employee Julie Vitale to PSERS, and introduced her to the Board.

MINUTES APPROVED

Senator Blake moved to approve the minutes of the August 9, 2019 Board meeting. Mr. DiTullio seconded the motion, which passed unanimously.

Mr. SantaMaria moved to approve the minutes of the September 13, 2019 Special Board meeting. Mr. Davis seconded the motion, which passed unanimously.

UNFINISHED BUSINESS

**SERS/PSERS
COLLABORATION AND
PPMAIRC
RECOMMENDATIONS**

Mr. Grell gave a brief update to the Board on the current status of SERS/PSERS Collaboration, and on the PPMAIRC Recommendations and PSERS response to them. Mr. Davis presented a motion regarding the Investment consolidation, which was seconded by Ms. Lemmo. After a discussion, Mr. Davis amended his original motion.

**RESOLUTION 2019-53
SERS/PSERS
INVESTMENT OFFICE
CONSOLIDATION**

Mr. Davis moved, that PSERS conduct educational sessions concerning the potential impact to the Systems of the merger of the PSERS and SERS Investment Offices, to create an informative process for the benefit of PSERS members, retirees, and PA school board representatives.

FURTHER RESOLVED, that the results of these educational sessions, and the details of any proposed merger, be presented to

the PSERS Board. Ms. Lemmo seconded the motion, which after a brief discussion passed unanimously.

Ms. Mills and Mr. Serine gave an update on the status of purchasing Fiduciary Insurance for the DC Plan.

FIDUCIARY INSURANCE
FOR DC PLAN

The Board adopted the proposed 2020 Committee and Board meeting dates.

2020 BOARD DATES

APPEALS AND MEMBER/EMPLOYER SERVICES
COMMITTEE REPORT

Ms. Beck reported on the meeting held on October 10, 2019.

Ms. Beck stated that the Committee approved the minutes of the August 8, 2019 meeting.

MINUTES

Ms. Beck moved in the Account of J.A., that the Board adopt the Hearing Examiner's opinion and recommendation and deny Claimant's appeal with the two modifications noted in the draft Board order. Mr. Davis seconded the motion, which passed unanimously.

ACCOUNT OF
J.A.

Ms. Beck moved in the Account of George C. Keith (D), that the Board adopt the Hearing Examiner's opinion and recommendation and deny Claimant's appeal with the four modifications noted in the draft Board order. Mr. Davis seconded the motion, which passed unanimously.

ACCOUNT OF
GEORGE C. KEITH (D)

Ms. Beck moved in the Account of Tana Reiff, that the Board grant PSERS' Motion for Summary Judgment and dismiss Claimant's appeal. Representative Ryan seconded the motion, which passed unanimously.

ACCOUNT OF
TANA REIFF

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee Reports from June 20, 2019, July 31, 2019, and August 28, 2019.

ESRC

BYLAWS/POLICY COMMITTEE REPORT

Ms. Fox reported on the meeting held on October 10, 2019.

MINUTES

Ms. Fox stated that the Committee approved the minutes of the August 8, 2019 meeting.

PRESENTATION

Ms. Fox stated that Mr. Wasiak presented Bylaws and Policy Changes, resulting in the following action items:

RESOLUTION 2019-44 BYLAW AND POLICY CHANGES

Ms. Fox moved, that the Public School Employees' Retirement Board (the "Board") hereby adopts the amendment to Section 6.3 of the Statement of Organization Bylaws, and Other Procedures, pursuant to the recommendation of Joseph E. Wasiak, Jr., Deputy Executive Director, contained in the memorandum dated September 25, 2019, SUBJECT: Bylaws Change. Ms. Lemmo seconded the motion which, passed unanimously.

DC PLAN COMMITTEE REPORT

Senator Blake reported on the DC Plan Committee meeting held on October 10, 2019

MINUTES

Senator Blake stated that the Committee approved the minutes of the August 8, 2019 meeting.

PRESENTATIONS

Senator Blake reported that Ms. Mills presented a DC Plan Overview and a DC Plan update. No action items.

INVESTMENT COMMITTEE REPORT

Ms. Lemmo reported on the meeting held on August 8, 2019.

MINUTES APPROVED

Ms. Lemmo stated that the Committee approved the minutes of the August 8, 2019 meeting.

Ms. Lemmo stated that Mr. Grossman presented the PSERS Fund and Market Overview, Bell Institutional Fund VII, L.P., Cabot Industrial Value Add Fund VI, L.P., DRA Growth and Income Fund X, LLC., AG Europe Realty Fund III, L.P. and SSG Capital Partners V, L.P. Ms. Lemmo added that Mr. Spiller and Mr. Barnhill gave a brief presentation on Platinum Equity Capital Partners V, L.P. Mr. Grossman gave his Preview of Future Meetings.

PRESENTATIONS

Ms. Lemmo presented the following action items:

Ms. Lemmo moved, that the Public School Employees' Retirement Board (the "Board") hereby recommends that the Board, in its capacity as the sole shareholder of the Keystone-Florida Property Holding Corp., approve the expenditure of an amount not to exceed \$25 million for tenant improvements and landlord work associated with new and/or potential leases at the Ft. Lauderdale Galleria Mall in accordance with the recommendation of Melissa A. Quackenbush, Senior Portfolio Manager, Real Estate, dated October 10, 2019. The final terms and conditions of the sale must be satisfactory to the directors of the Keystone-Florida Property Holding Corp. Representative Ryan seconded the motion, which passed unanimously.

RESOLUTION 2019-45
GALLERIA MALL

Ms. Lemmo moved, that the Public School Employees' Retirement Board (the "Board") hereby approves an additional investment, in an amount not to exceed \$5,000,000, via its interest in 812 Market, Inc., for use in the site preparation and development of real property located in Harrisburg, Pennsylvania, as more fully set forth in the confidential recommendation memorandum of Glen R. Grell, Executive Director, dated October 10, 2019. The final terms and conditions of the transaction(s) must be satisfactory to the directors of 812 Market, Inc. Mr. Davis seconded the motion, which passed with three opposed, being Treasurer Torsella, Representative Ryan and Secretary Wiessmann.

RESOLUTION 2019-46
812 MARKET, INC.

Ms. Lemmo moved, that the Public School Employees' Retirement Board (the "Board") hereby adopt the proposed changes to the II. Roles and Responsibilities section 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 September 26, 2019, as further amended by the change to the

RESOLUTION 2019-47
INVESTMENT
OBJECTIVES AND
GUIDELINES

descriptive language relating to the State Treasurer. Mr. Davis seconded the motion, which passed unanimously.

RESOLUTION 2019-48
EXETER INDUSTRIAL
VALUE FUND V. L.P.

Ms. Lemmo moved, that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in Exeter Industrial Value Fund V, L.P. (and/or related investment vehicles), in accordance with the recommendation of Melanie A. Cubias, Senior Investment Professional, and Melissa A. Quackenbush, Senior Portfolio Manager, dated September 9, 2019 and Hamilton Lane, dated August 30, 2019. 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. Senator Blake seconded the motion, which passed unanimously.

BUDGET/FINANCE COMMITTEE REPORT

Mr. Davis reported on the Budget/Finance Committee meeting held on October 11, 2019

MINUTES APPROVED

Mr. Davis reported that the Committee approved the minutes from December 7, 2018

PRESENTATIONS

Mr. Davis reported that Mr. Carl and Mr. Fiscus presented the Fiscal Year 2020-21 Administrative, Defined Contribution, Investment-Related and Directed Commissions Budget Requests, and Mr. Carl presented the June 30, 2019 and 2018 Financial Statements, which resulted in the following action items.

RESOLUTION 2019-49
FY 2020/21 BUDGET

Mr. Davis moved. that the Public School Employees' Retirement Board (the "Board") hereby approves:

1. The 2020-21 Administrative Budget, not to exceed \$52,294,000, subject to adjustments by the Governor's Budget Office or the General Assembly;
2. The 2020-21 Investment Office Consolidation Budget, not to exceed \$4,000,000, subject to adjustments by the Governor's Budget Office or the General Assembly;
3. The 2020-21 Defined Contribution Budget, not to exceed \$1,083,000, subject to adjustments by the Governor's Budget Office or the General Assembly;

4. The 2020-21 Investment Related Expenses Budget, not to exceed \$34,149,000;
5. The 2020-21 Health Insurance Account (Premium Assistance) Administrative Budget, not to exceed \$2,001,000;
6. The 2020-21 Health Options Program Administrative Budget, not to exceed \$1,414,000 and;
7. The 2020-21 Directed Commissions Recapture Program Budget, not to exceed \$2,000,000, for the Public School Employees' Retirement System as more particularly set forth in the attached summaries. Mr. Lord seconded the motion, which passed with one opposed, being Mr. DiTullio citing his objection to Item 2.

Mr. Davis moved, that the Public School Employees' Retirement Board (the "Board") hereby accepts the June 30, 2019 and 2018 Financial Statements prepared by the Public School Employees' Retirement System's Office of Financial Management and ratifies all payments that are reflected in the June 30, 2019 and 2018 Financial Statements. Mr. Lord seconded the motion, which passed unanimously.

RESOLUTION 2019-50
FINANCIAL STATEMENTS
AND RATIFICATION OF
PAYMENTS

AUDIT/COMPLIANCE COMMITTEE REPORT

Ms. Connors reported on the meeting held on October 11, 2019.

Ms. Connors stated that the Committee approved the minutes of the August 8, 2019 meeting.

MINUTES

Ms. Connors stated that Mr. Thomas Rey, Clifton Larson Allen, LLP and Ms. Lanisus presented the Financial Audit Results.

PRESENTATIONS

Ms. Connors moved, that the Public School Employees' Retirement Board (the "Board") hereby approves the accompanying Independent Auditors' Report prepared for the Public School Employees' Retirement System by Clifton Larson Allen, LLP, for the fiscal year ended June 30, 2019. Mr. Lord seconded the motion, which passed with one opposed, being Representative Ryan.

RESOLUTION 2019-51
INDEPENDENT
AUDITORS' REPORT

Ms. Connors reported that an Executive Session was held to discuss the RFP for Investment Compliance Services.

EXECUTIVE SESSION

Ms. Connors moved, that the Public School Employees' Retirement Board (the "Board") hereby accepts the results of the Commonwealth Request for Proposals for the Investment Compliance Services and enter into a contract with Constellation

RESOLUTION 2019-52
RFP INVESTMENT
COMPLIANCE SERVICES

Advisers, LLC with an initial term of two (2) years anticipated to commence on January 1, 2020, with options to renew the contract, upon mutual consent of the parties, annually for three additional years. The final terms and conditions of the contract must be satisfactory to the Internal Auditor, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on the implementing contract or by a memo to that effect appended to the implementing contract. Mr. Davis seconded the motion, which after a discussion was tabled and will be sent out as a notational ballot, to allow Members to check for any conflicts of interest, pertaining to political contributions from any of the bidders.

CHIEF FINANCIAL OFFICER'S REPORT

CFO REPORT

Mr. Carl presented his Chief Financial Officer's Report, which included: an update on the significance of Employer Payroll Growth, sensitivity of net pension liability, investment expense reductions, six-year trend and other financial management activities.

CHIEF COUNSEL'S REPORT

OCC REPORT

Mr. Serine updated the Board on some recent breach of fiduciary duty lawsuits. Mr. Serine also informed the Board that Deputy Chief Counsel Steven Skoff, was appointed to the Board of the National Association of Public Pension Attorneys(NAPPA).

DEPUTY EXECUTIVE DIRECTOR'S REPORT

DED REPORT

Ms. Mills gave her Deputy Executive Director's Report, which included: an update on the Bureau of Communications and Counseling and the Bureau of Benefits Administration; an overview of the CEM Survey results; and a review of Public Employee Pension Forfeiture Act. Ms. Mills also gave an update on the Health Insurance Office including the hiring of Sonya Charlesworth as Deputy Director.

EXECUTIVE DIRECTOR'S REPORT

ED REPORT

Mr. Grell gave an update on the following current issues: 2019 Agency Goal tracking; a legislative update on Commonwealth

Pension Investment Office and on proposed legislation HB1640 Plan Closure; Board Travel Reimbursements; Board Elections; and Board Education tracking report.

Mr. Grell also reported that he gave presentations at the October 7 PASR Convention in King of Prussia. Mr. Grell announced he will be giving the following upcoming presentations; BOCC's Annual Training Conference on October 16; PASR Region II Fall Meeting in Philadelphia on 10/17; PASR Northampton County Chapter in Bethlehem on 10/23. Mr. Grell will be attending the NCTR Annual Conference in Nashville on 10/11-15 with several Trustees; 2019 NIRS Visionary Circle meeting in Washington, DC; and the PAPERS Conference in Pittsburgh 11/20-21. Mr. Grell will also be visiting the PSERS field offices over the course of October and November.

Mr. Grell also announced that Mr. Gallagher was taking a new position and was leaving as a Designee on the Board. Mr. Grell commended Mr. Gallagher for his dedication and service to PSERS and its Members, and presented a token of appreciation. Mr. Gallagher offered brief remarks and expressed his gratitude.

Ms. Beck and Chair Vogler expressed what an outstanding Board Designee Mr. Gallagher has been and what an outstanding representative of PSERS he has been at NCTR.

BOARD MEMBER
COMMENTS

Chair Vogler complimented the Board on a spirited but civil discussion, which is good for the Board.


Chairman Vogler accepted a motion to adjourn the meeting at 2:49 P.M.

ADJOURNMENT

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on December 5-6, 2019, at PSERS' Headquarters, 5 N. 5th Street, Harrisburg, PA.

NEXT MEETING

11/22/2019
Date


Glen R. Grell
Executive Director