



# Public School Employees' Retirement Board

## Board Meeting Minutes

October 8, 2021

Call to Order: Christopher Santa Maria, Board Chair, called the meeting to order at 10:00 A.M. from the PSERS Board Room and via MS Teams.

### Board Members Present:

Christopher Santa Maria, Chair	Stacey Connors for Sen. Patrick Browne	Nathan Mains
Rep. Frank Ryan, Vice-Chair	Jason Davis	Sen. Katie Muth (in @ 10:23)
Deborah Beck	Eric DiTullio	Patrick Lord for Sec. Noe Ortega
Patrick Shaughnessy for Rep. Matt Bradford	Treas. Stacy Garrity	Joe Torsella
	Susan Lemmo	Sec. Richard Vague
		Melva Vogler

### Others Present:

Anne Baloga	Thomas Clancy	Luc Miron
James Bloom	Christopher Craig	Keri Steege, BluePeak
Mark Brubaker, Verus	Alan Flannigan	

### Staff Present:

Connie Billett	Mei Gentry	Stephanie Lanius
Brian Carl	Glen Grell	Jackie Lutz
Manaswita Dandapat	James Grossman	Jennifer Mills
Tivia Danner	Steve Hocker	Gene Robison
Mercedes Evans	Bev Hudson	Charles Spiller
Andrew Fiscus	Luke Jacobs	Laura Vitale
Darren Foreman	Jason Kuntz	

## 6.1 Acceptance of Published Agenda or Amendments

Eric DiTullio moved to accept the published agenda. Sec. Richard Vague seconded the motion, which passed unanimously.

## 6.2 Approval of Minutes from August 6, 2021

Rep. Frank Ryan moved to approve the minutes of the August 6, 2021 meeting as corrected. Melva Vogler seconded the motion, which passed unanimously.

## 6.3 Minutes from Special Board Meetings

Rep. Frank Ryan proposed an amendment to the minutes of September 1, 2021 to reflect Susan Boyle's presence. Rep. Frank Ryan moved to approve the minutes from the following Special Board Meetings. Patrick Shaughnessy seconded the motion, which passed unanimously.  
August 11, 2021

August 18, 2021  
August 25, 2021  
September 1, 2021  
September 8, 2021  
September 15, 2021  
September 22, 2021  
September 29, 2021

## 6.4 Public Comment – Private Equity Stakeholders

At 10:05 A.M., Mellisa Chang, Private Equity Stakeholder Project and other individual representatives of the group, provided comments regarding PSERS investment in PAI Partners Funds. Presentation located in Diligent Board Book.

## 6.5 Introduction of New Employees – Glen Grell

Presentation located in Diligent Board Book.

## 6.6 Old Business - none

## 6.7 New Business

6.7.1 HOP/PDP Annual Training was presented by Keri Steege, BluePeak. Attendees were credited with the mandatory hour.

6.7.2 The Board was presented with proposed dates for 2022 PSERS Board Meetings.

6.7.3 The Board was presented with potential training topics for 2022. It was requested to provide additional options in future as they become available.

## 6.8 Executive Session Fiduciary Counsel - none

### 6.9.1 Investment Committee Report

Jason Davis reported on the Investment Committee meeting held on October 6 and 7, 2021.

Jason Davis stated that the Committee approved the minutes of the August 4 and 6, 2021 meetings.

Jason Davis reported on the following:

James Grossman gave a PSERS Investment Office Dashboard Overview.

James Del Gaudio, Sean Sarraf and Michael Severance gave a presentation on Non-Traditional Investments – Private Credit. Patrick Adelsbach and Lynn O’Connell, Aksia also presented for Non-Traditional Investments – Private Credit.

Mark Brubaker and Ian Toner, Verus, and Claire Shaughnessy and Phil Kivarkis, Aon gave a presentation on the Asset Allocation Review Discussion.

Claire Shaughnessy and Brandon Patterson, Aon, gave a presentation on the 2<sup>nd</sup> Quarter Performance.

Mirella Lang and Peter Hecht, AQR who gave a one-hour educational presentation on Demystifying Private Equity: An Evidenced-Based Approach. Members and designees attending the educational presentation were noted in the Board Education Log and received 1 ½ hours of educational credit.

Darren Foreman, Luke Jacobs, Patrick Knapp, Tony Meadows, and Philip VanGraafeiland; Cori English and Sean Barber, Hamilton Lane also presented for Non-Traditional Investments – Private Equity.

James Grossman gave a brief presentation on Incline Elevate Fund II, L.P.

Jason Davis reported the Committee held an Executive Session, with discussion led by James Grossman.

Jason Davis reported the Committee held an Executive Session for an update from Mark Brubaker, Verus.

#### Action Item –

**Resolution 2021-43** Re: Incline Elevate Fund II, L.P.

**Resolved**, that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million, plus reasonable normal investment expenses, to Incline Elevate Fund II, L.P., and/or related investment vehicles, in accordance with the recommendation of Darren C. Foreman, Director, and Luke M. Jacobs, Portfolio Manager, dated September 13, 2021 and Hamilton Lane, dated August 16, 2021. 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.

Jason Davis moved, and Melva Vogler seconded the motion, which passed, with one opposed being Sen. Katie Muth and one abstention being Joe Torsella.

James Grossman gave a preview of future Investment Committee meetings.

## 6.9.2 Budget/Finance Committee Report

Stacey Connors reported on the Budget/Finance Committee meeting held on October 7, 2021.

Stacey Connors stated that the Committee approved the minutes of the August 5, 2021 meeting.

Stacey Connors reported on the following:

Brian Carl and Andrew Fiscus presented material on the Fiscal Year 2022-23 Budget Request.

Brian Carl presented material on the June 30, 2021 and 2020 Financial Statements.

#### Action Item –

**Resolution 2021-44** Re: Fiscal Year 2022-23 Budget Requests

**Resolved**, that the Public School Employees' Retirement Board (the "Board") hereby approves:

1. The 2022-23 Administrative Budget, not to exceed \$55,467,000, subject to adjustments by the Governor's Budget Office or the General Assembly
2. The 2022-23 Defined Contribution Budget, not to exceed \$949,000, subject to adjustments by the Governor's Budget Office or the General Assembly
3. The 2022-23 Health Insurance Account Premium Assistance Administrative Budget, not to exceed \$1,415,000
4. The 2022-23 Health Options Program Administrative Budget, not to exceed \$1,452,000 and;
5. The 2022-23 Directed Commissions Recapture Program Budget, not to exceed \$2,000,000, subject to adjustments by the Governor's Budget Office or the General Assembly, for the Public School Employees' Retirement System.

Stacey Connors moved, and Patrick Shaughnessy seconded the motion, which passed unanimously.

Joe Torsella provided comment seconding Jason Davis's comments regarding the Budget/Finance Committee Meeting discussion on October 7, 2021 was robust and very positive.

Eric DiTullio provided comment the Administrative Budget for five years has only increased 1% annually, and that is a wonderful job the organization has done to keep costs low and keep it below inflationary

rates. Christopher Santa Maria responded with a comment that on a \$1.00 per member basis, the organization is actually below systems administrative costs.

**Resolution 2021-45** Re: 2022-23 Investment Related Expenses Budget

**Resolved**, that the Public School Employees' Retirement Board (the "Board") hereby approves the 2022-23 Investment Related Expenses budget, not to exceed \$36,219,00.

Stacey Connors moved, and Patrick Shaughnessy seconded the motion, which passed unanimously.

Rep. Frank Ryan provided congratulations to the staff on the administration budget and investment budget relative to the increase in compliance personnel, and will work with the Governor's office and will assist to get the positions approved by the Executive Branch.

**Resolution 2021-46** Re: June 30, 2021 and 2020 Financial Statements and Ratification of Payments

**Resolved**, that the Public School Employees' Retirement Board (the "Board") hereby approves the June 30, 2021 and 2020 Financial Statements prepared by the Public School Employees' Retirement System Office of Financial Management and ratifies all payments that are reflected in the June 30, 2021 and 2020 Financial Statements.

Stacey Connors moved, and Rep. Frank Ryan seconded the motion, which passed unanimously.

### 6.9.3 Audit/Compliance Committee Report

Rep. Frank Ryan reported on the Audit/Compliance Committee meeting held on October 7, 2021.

Rep. Frank Ryan stated that the Committee approved the minutes of the August 5 and August 30, 2021 meetings.

Rep. Frank Ryan reported the Committee held an Executive Session to discuss the Investment Compliance Review Report, CLA Report on Financial Statement Audit, and Audit recommendations and Management's Remediation Plans Updates.

Rep. Frank Ryan reported on the following:

Alicia James provided an overview of the Investment Compliance Program along with the status of the IPS Work Plan.

Mei Gentry with Mark Brubaker, Verus, provided an update on the Internal Audit Plan Progress.

#### Action Items –

**Resolution 2021-47** Re: Independent Auditor's Report

**Resolved**, that the Public School Employees' Retirement Board (the "Board") hereby approves the accompanying Independent Auditor's report prepared for the Public School Employees' Retirement System by CliftonLarsonAllen, LLP for the fiscal year ended June 30, 2021.

The adopted Administrative Option Factors are to be effective July 1, 2022 and first reflected in the June 30, 2021 actuarial valuation.

Rep. Frank Ryan moved, and Jason Davis seconded the motion, which passed unanimously.

**Resolution 2021-48** Re: Investment Compliance Review Report

**Resolved**, that the Public School Employees' Retirement Board (the "Board") hereby accepts the Investment Compliance Review report, dated September 16, 2021 pursuant to the recommendation of Alicia E. James, Investment Compliance Manager.

Rep. Frank Ryan moved, and Treas. Stacy Garrity seconded the motion, which passed unanimously.

## 6.9.4 DC Plan Committee Report

Alan Flannigan reported on the DC Plan Committee meeting held on October 8, 2021.

Alan Flannigan stated that the Committee approved the minutes of the August 5, 2021 meeting.

Alan Flannigan reported on the following:

Jennifer Mills led a follow up discussion from the August 5, 2021 committee meeting, regarding the T. Rowe Price glide path evaluation process when combined defined benefit and defined contribution benefit structure is offered.

Jennifer Mills presented a reporting and monitoring structure for the DC Plan that will assist the Committee in reviewing plan design, investments, service providers, and fees. Alan Flannigan recommended shifting DC Plan to quarterly, with a follow up to this topic added to the agenda for the December Board meeting.

Gene Robison, Director of the Bureau of Communications and Counseling, with Scott Darcy, Kellie Desrosiers, and Warren Nagle from Voya, provided a presentation of the member experience and available resources.

## 6.10 Chief Financial Officer's Report

Brian Carl presented Chief Financial Officer's Report through a slide deck, which included:

State Share of PSERS' Employer Contributions FY 22-23 with 4.3% increase

Significance of Employer Payroll Growth

Other Finance-Related Activities

- September 30, 2021 Quarter Performance positive start
- Commonwealth's Quarter End September 30, 2021 General Fund Revenues strong
- Finalize Annual Comprehensive Financial Report (ACFR)
- Actuarial Valuation and Employer Contribution Rate
- 1099 Testing and Planning 2021 Tax Year
- IRS W-4P Project
- PPCC Award Application
- GASB 68/75 Employer Accounting Schedules

## 6.11 Office of Chief Counsel Report

Jackie Lutz presented Office of Chief Counsel's Report, which included:

PSEA filed an amended petition for review on August 26, seeking two declarations. The first that the PSERS Board March 5 Resolution regarding Withdraw Liability as it pertains to outsourcing was an ultra vires act, and the second declaration was Section 8327.1 pertaining to withdraw liability applies to the removal of public school employees from the System when the school employee work is outsourced to a private entity, or when a school district is converted to a charter school. PSERS filed preliminary objection to the PSEA amended petition for review on September 24. On September 30, the Commonwealth Court granted a petition to intervene that was filed by the Pennsylvania School Board Association (PSBA). PSBA is aligned with PSERS Board in this appeal. Procedurally, remaining is the PSBA was directed to file and serve a response of pleading to PSEA's amended petition for review within 30 days, the end of October. PSEA would then need to respond to PSERS preliminary objections and PSBA's response of pleading. After the court will likely rule on all

preliminary objections and if determined an issue of fact is raised, the court may schedule a hearing to consider evidence.

Two oral arguments scheduled in October. The first pertaining to the Blackhawk School District is scheduled for October 18, 2021, before Commonwealth Court. It pertains to Dr. Koch, school psychologist, who provided services to the Blackhawk School District in that capacity from 2010 to 2017. Blackhawk School District did not enroll Dr. Koch as an employee with PSERS until January 3, 2017, and prior they treated Dr. Koch as an independent contractor. Dr. Koch requested the service of the school psychologist credited as a that of a school employee with the district during the timeframe the school district treated him as an independent contractor. PSERS Executive Staff review Committee granted his request. The district appealed the matter to the Board, and PSERS filed preliminary objections.

The second oral argument pertains to the Whalen matter and is scheduled for hearing in State Supreme Court in Pittsburgh on October 26, 2021. This appeal pertains to a \$15,000.00 lump payment settlement that the claimant sought to have credited during as retirement for covered compensation during the last school year of his employment in 2013-2014.

On September 17, 2021, PSERS issued RFP 2021-03 for a Retention of a Security Litigation Consultant in accordance with the PSERS Board Security Litigation Policy. The contract is nearing the five-year cycle end date. Proposals are due on October 18, 2021 and OCC invites any Board member or designee to join the technical evaluation committee by emailing OCC.

## 6.12 Deputy Executive Director of Administration Report

Bev Hudson presented Deputy Executive Director's Report through a slide deck, which included:

Shared Service: Vision, Planning, and Progress to Date

- a. Human Resources
- b. Information Technology
- c. Administrative Services

PSERS Transition to Permanent Telework setting forth the Agency's plans for gradual return to work and telework.

### Executive Session

At 12:21 P.M., Glen Grell, Executive Director, 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 consultation with Office of Chief Counsel and CyberSecurity. According to Section 708(a) of the Sunshine Act, 65 Pa. C.S. 708(a), we are going into Executive Session to discuss advice of counsel regarding pending or potential litigation and agency business which, if conducted in public would violate a privilege or lead to the disclosure of information or confidentiality protected by law."

Melva Vogler moved, and Jason Davis seconded the motion, which passed unanimously.

Regular session resumed at 1:03 P.M.

## 6.13 Deputy Executive Director and Director of Defined Contribution Plan Report

Jennifer Mills presented Deputy Executive Director's Report through a slide deck, which included:

Retirement Applications through September 2021 increased 1200 over 2020

Retirement Processing Times from Ready to Work Date Increase

Refund Processing Times from Ready to Work Date Increase

Purchase of Service Processing Time from Receipt of Application

Updates on:

- School Transportation Drivers

- Member Statements of Account  
Pension and Investments Eddy Awards

## 6.14 Executive Director Report

Glen Grell presented Executive Director's Report through a slide deck, which included:

### Upcoming Presentations/Events

- a. NASRA Annual Conference August 9-11
- b. NCTR Executive Committee Meeting August 19
- c. BOCC Conference September 22
- d. NCTR Annual Conference October 10-12
- e. NIRS Visionary Circle Meeting November 9
- f. PAPERS Fall Conference November 9-10, 16

### PSERB Election Results

- Sue Lemmo Active Certified
- Ann Monaghan Active Non-Certified

### Current Issues

- a. Board Election
- b. COVID-19 Return to Work Protocols and Permanent Telework Policy
- c. Legislation – House State Government Committee, GIPs, Fee Transparency, Employer Rate “Collars”

Future Board Meeting – December 16-17

## 6.15 Board Members Comments – none

## Adjournment

Without objection, the Board meeting adjourned at 1:29 P.M.

## Next Meeting

The next regularly scheduled meeting of the Public School Employee's Retirement Board will be held December 16-17, 2021, via MS Teams and in-person at PSERS' Headquarters, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

DocuSigned by:  
*Glen Grell*  
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12/3/2021