

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

Regular Meeting

Minutes

March 12, 2010

9:00 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Senator Patrick Browne (arrived at 9:13)
Ms. Debbie Reeves for Representative Dwight Evans
Mr. Glen S. Galante
Ms. Beth Winters for Mr. Thomas J. Gentzel
Representative Glen R. Grell
Mr. John Raymond for Senator Shirley M. Kitchen
Mr. John Lisko for Treasurer Robert M. McCord (arrived at 9:10)
Mr. Hal Moss
Mr. Richard N. Rose
Mr. James M. Sando
Ms. Patricia A. Tozer
Ms. Sally J. Turley
Mr. Steven Kniley for Secretary Zahorchak

Board Members Absent

Ms. Tina Byles Williams

Staff Members Present

Mr. Jeffrey B. Clay
Mr. Brian S. Carl
Ms. Barbara D. Flurie
Mr. Gerald Gornish
Ms. Terrill J. Savidge
Ms. Evelyn M. Tatkovski
Ms. Maureen Uleau
Mr. Alan H. Van Noord
Mr. Joseph E. Wasiak, Jr.

Visitors Present

Mr. Sandy Leopold
Mr. Steven Nickol, PSEA

CALL TO ORDER Ms. Vogler called the meeting to order at 9:00 A.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME GUEST AND NEW EMPLOYEE Mr. Clay welcomed guest, Mr. Nickol; and new employee, Maureen Uleau, of the Bureau of Administration.

MINUTES APPROVED Ms. Turley moved to approve the minutes of the January 22, 2010 Board meeting. Mr. Sando seconded the motion, which passed unanimously.

FINANCE COMMITTEE REPORT

Mr. Rose reported on the meeting held March 11, 2010.

MINUTES APPROVED Mr. Rose stated that the Committee approved the minutes of the January 21, 2010 meeting.

PRESENTATIONS Mr. Rose stated that Mr. Van Noord gave a Market Review and Comments report; Mr. Carl presented an Analysis of the Governor's Funding Proposal; Mr. Bensur gave the 4th Quarter 2009 Performance report; Mr. Smith gave a Performance Review; Mr. Bensur spoke regarding Asset Allocation; Mr. Grossman presented an Investment Policy Statement Revision; and Mr. Van Noord gave a preview of future meetings.

INVESTMENT POLICY STATEMENT, OBJECTIVES AND GUIDELINES Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") adopts the proposed changes to Exhibits B, C, and D of the Investment Policy Statement, Objectives, and Guidelines for the Public School Employees' Retirement Board as recommended by Alan H. Van Noord, Chief Investment Officer, and William G. Bensur, Jr., Managing Director, Wilshire Associates in their joint letter dated March 11, 2010. Representative Grell seconded the motion, which passed unanimously.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on March 11, 2010.

MINUTES APPROVED Ms. Tozer stated that the Committee approved the minutes of the January 21, 2010 meeting.

ADJUDICATION: MATTHEW J. DANCHO Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner, and deny the request of Matthew J. Dancho to purchase part-time service in 1972 and 1973. Ms. Tozer seconded the motion, which passed unanimously.

Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner, to deny the request of Richard L. Vita for T-D membership. Ms. Winters seconded the motion, which passed unanimously.

ADJUDICATION:
RICHARD L. VITA

Ms. Tozer moved to adopt the Exceptions to the Hearing Examiner's Opinion and deny the request of Mary Ann Modig to have the care of BK considered as skilled nursing. Ms. Winters seconded the motion, which passed unanimously.

ADJUDICATION: BK

Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee Reports from the January 25, February 1 and February 16, 2010 meetings.

EXECUTIVE STAFF
REVIEW COMMITTEE

Ms. Tozer stated that Ms. Savidge presented an update on Benefits Processing Statistics.

BENEFITS PROCESSING
STATISTICS

CORPORATE GOVERNANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held on March 11, 2010.

Mr. Sando stated that the Committee approved the minutes of the January 21, 2010 meeting.

MINUTES APPROVED

Mr. Sando stated that Ms. Macindoe, of Glass Lewis, gave the Proxy Season Update.

PROXY SEASON UPDATE

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") adopts the proposed U.S. and Non-U.S. Proxy Voting Policies pursuant to the recommendation of Robert E. Little, Portfolio Manager, dated February 25, 2010. Mr. Rose seconded the motion, which passed unanimously.

US AND NON-US PROXY
VOTING POLICIES

Mr. Sando stated that the Committee held an Executive Session regarding securities litigation.

EXECUTIVE SESSION

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") authorizes the Executive Director, acting on behalf of the Public School Employees' Retirement System ("PSERS"), to cause PSERS to opt out of the class actions commenced in the United States District Court for the Southern District of New York, Case No. 07 CIV 9901(SHS) and Case No. 08 CIV 9522 (SHS) against Citigroup Inc. and other named defendants ("Defendants"), relating to the common stock, preferred stocks and certain bonds issued by Citigroup Inc. or its affiliates,

CITIGROUP, INC

provided there are no legal impediments to doing so, in accordance with the recommendation of Gerald Gornish, Chief Counsel, concurred in by Jeffrey B. Clay, Executive Director and Alan Van Noord, Chief Investment Officer. Staff is directed to request the appointment of outside counsel by the Office of General Counsel and seek delegation of authority from the Attorney General for said litigation. The terms and conditions of the legal services contract must be satisfactory to the Office of Chief Counsel and the Executive Director. Mr. Moss seconded the motion, which passed unanimously.

HEALTH CARE COMMITTEE REPORT

Ms. Turley reported on the meeting held on March 11, 2010.

MINUTES APPROVED

Ms. Turley stated that the Committee approved the minutes of the December 10, 2009 meeting.

PRESENTATIONS

Ms. Turley stated that Mr. Schafer gave presentations on the 2010 Market Comparison Report; 2010 HOP Enrollment Report; and the 2009 Customer Service Report.

PERSONNEL COMMITTEE REPORT

Ms. Winters reported on the meeting held on March 11, 2010.

MINUTES APPROVED

Ms. Winters stated that the Committee approved the minutes of the January 21, 2010 meeting.

EXECUTIVE SESSION

Ms. Winters stated that the Committee held an Executive Session regarding the Investment Compensation Study.

AUDIT/BUDGET COMMITTEE REPORT

Mr. Galante reported on the meeting held on March 12, 2010.

MINUTES APPROVED

Mr. Galante stated that the Committee approved the minutes of the December 10, 2009 meeting.

PRESENTATION

Mr. Galante stated that Mr. Rey, of Clifton Gunderson, gave a presentation on Preparing For An Annual Audit.

OLD BUSINESS

At 9:09 A.M., Mr. Clay stated: "In accordance with Section 5.13 of the Bylaws of the Public School Employees' Retirement Board, we are going into an Executive Session to discuss the item listed on today's agenda, namely the Scott A. Shafer case. The Board may hold an executive session for any one or more of the reasons enumerated in Section 8(a) of the Sunshine Act (65 P.S. 278(a)), including agency business which, if conducted in public would violate a privilege or lead to the disclosure of information or confidentiality protected by law, including matters related to the initiation and conduct of investigations of possible or certain violations of laws."

EXECUTIVE SESSION

Mr. Rose moved that the Committee enter into Executive Session. Ms. Tozer seconded the motion, which passed unanimously. The Executive Session ended at 9:36 A.M. and the meeting immediately returned to Regular Session.

Ms. Tozer made a motion to authorize the entry of an order in the account of Scott A. Shafer, in accordance with Mr. Gornish's memo, dated March 3, 2010. Mr. Raymond seconded the motion, which passed with 13 YES and 1 NO (Mr. Sando).

SCOTT A. SHAFER CASE

EXECUTIVE DIRECTOR'S REPORT

Mr. Clay stated that the following information was available (See Board Book 347, Executive Director TAB):

INFORMATION
AVAILABLE

- PAPERS Newsletter

Mr. Clay stated that since the January Board Meeting he gave a presentation at the Bucks County Coalition of Senior Communities Forum with Senator Tomlinson; attended the Delaware Valley PASBO Regional Meeting; testified at the Marriott Trial in San Antonio; spoke to the Montgomery County IU; gave a presentation to School Board members and officials at Dover Intermediate School; gave a presentation to the PA Association of School Personnel Administrators (PASPA); attended the PSBA Governance Conference; gave a presentation at the Midwestern IU IV Superintendents Meeting; spoke to the East Stroudsburg School Boards and Superintendents of Monroe and Northampton Counties; spoke to the Berks County IU; gave an interview to National Public Radio; gave a presentation at the PASBO Convention; spoke at the Northeast Regional Meeting, PSEA

RECENTLY ATTENDED
EVENTS

Northeast Region; presented the actuarial valuation at the PERC hearing; and testified at the House and Senate Budget hearings.

UPCOMING EVENTS

Mr. Clay stated that he will give an in-person interview to Dan Hardy of the Philadelphia Inquirer on 3/15; give a presentation to the Allegheny IU, on 3/16 and again on 3/17; give a presentation at the Upper St. Clair School Board on 3/22; give a presentation at the Delaware County IU on 3/24; will testify at the House Republicans' Hearing in the Lehigh Valley on 3/25; make a presentation at the Upper Perkiomen Education Association meeting on 3/25; give a presentation to the Montgomery Count IU HR group on 3/26; meet with the Shippensburg Study Council, Shippensburg on 4/7; and give a presentation to Dr. Cowden's school finance class Shippensburg University on 4/19.

TRAVEL REPORT

Mr. Clay informed the Board that the individual Travel Reports for the FY 2008-09 were distributed to the Board Members.

RFP COMMITTEES

Mr. Clay informed the Board of upcoming RFPs and asked that Board members who are interested in being on the committees contact him.

NEXT MEETING

Mr. Clay informed the Board that the next meeting will include the Elections Committee, and plan design issues for the Health Care Committee. The Board will also be given a tour of the recently renovated trading room.

STATE OF THE FUND

Mr. Clay gave a brief overview of the State of the Fund, and informed the Board that a more detailed report will be given at the next Board meeting.

CHIEF COUNSEL REPORT

MARRIOTT LITIGATION

Mr. Gornish stated that Marriott has announced that it will appeal. The appellate procedure should take approximately 1.5 years through the intermediate appellate court and, if the Supreme Court of Texas decides to hear the case, the entire appellate procedure could take as long as 3.5 years.

ROYAL DUTCH CASE

Mr. Gornish stated that extra funds may be due under the Settlement Agreement for the "Supplemental Home Exchange Amount." Under the Claims Administrator's analysis, the class is entitled to an additional \$10.5 million. This is still being reviewed by Royal Dutch to determine whether it agrees.

Mr. Gornish also stated that at the last Board meeting, he informed the Board that distribution was expected by the end of the first quarter or early in the second quarter of this year, however, the Claims Administrator is hoping to have the claims adjudicated by that time, after which the matter will have to be submitted to the court for final approval. Only when that is obtained will the Claims Administrator be in a position to begin making distribution.

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl gave a presentation to the Board containing the 2010-2011 Administrative Budget Update; Employer Reporting – Use of Estimates; December 31, 2009 Financial Statements; and the GASB Update (See Board Book 347, CFO Report TAB).

CFO REPORT

Mr. Galante expressed gratitude to Ms. Savidge for her help in dealing with members and their accounts, and also to Mr. Clay for his help with issues, as well as his attendance at the regional meeting.

THANK YOU

Ms. Turley expressed gratitude to PSERS' staff for their willingness to help when needed. Ms. Vogler concurred.

Ms. Vogler adjourned the meeting at 10:25 A.M.

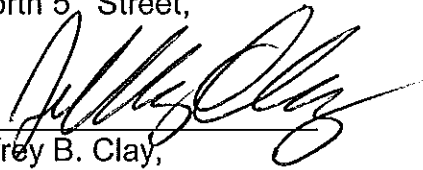
ADJOURNMENT

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on April 30, 2010, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

NEXT MEETING

Date 4/13/10

Approved


Jeffrey B. Clay,
Executive Director