

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

Regular Meeting

Minutes

January 20, 2011

1:00 P.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Ms. Tina Byles Williams
Ms. Stacey Connors for Senator Patrick Browne
Ms. Debbie Reeves for Representative Joseph F. Markosek
Mr. Glen S. Galante
Mr. Thomas J. Gentzel
Ms. Kathleen Bruder for Secretary Ronald J. Tomalis (arrived at 1:05)
Ms. Lisa Taglang for Representative Glen R. Grell
Mr. John Raymond for Senator Shirley M. Kitchen
Mr. John Lisko for Treasurer Robert M. McCord
Mr. Hal Moss
Mr. Richard N. Rose
Mr. James M. Sando
Ms. Patricia A. Tozer
Ms. Sally J. Turley

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
Mr. Alan H. Van Noord
Mr. Joseph E. Wasiak, Jr.

Visitors Present

Mr. Bernard Gallagher

Mr. Clay called the meeting to order at 1:00 P.M. in the fourth floor Board Room at PSERS' headquarters. **CALL TO ORDER**

ELECTION OF BOARD
CHAIRMAN

Mr. Clay called for nominations for Chairman of the Board of the Public School Employees' Retirement Board for the year 2011. Ms. Winters moved to elect Ms. Vogler as Chairman. Mr. Sando seconded the motion. No additional nominations were made. The motion passed unanimously.

ELECTION OF BOARD
VICE-CHAIRMAN

Mr. Clay called for nominations for Vice-Chairman of the Board of the Public School Employees' Retirement Board for the year 2011. Mr. Sando moved to elect Ms. Turley as Vice-Chairman. Ms. Tozer seconded the motion. No additional nominations were made. The motion passed unanimously.

Mr. Clay turned the meeting over to Chairman Vogler.

WELCOME GUEST AND
NEW EMPLOYEES

Mr. Clay welcomed guest, Mr. Bernard Gallagher from the office of Representative Joseph Markosek. Mr. Clay also introduced new employees, Mr. Nick McMaster, Mr. Robert Pettit, Mr. Jonathan Malnick, Mr. Terrell Davenport, Ms. Jean Clegg and Ms. Rita Shultz.

MINUTES APPROVED

Mr. Rose moved to approve the minutes of the December 10, 2010 Board meeting. Mr. Moss seconded the motion, which passed unanimously.

Ms. Bruder arrived at this time.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on January 20, 2011.

MINUTES APPROVED

Ms. Tozer stated that the Committee approved the minutes of the December 9, 2010 meeting.

EXECUTIVE STAFF
REVIEW COMMITTEE

Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee Report from the November 2 and December 14, 2010 meetings.

BENEFITS
PROCESSING

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

FINANCE COMMITTEE REPORT

Mr. Rose reported on the meeting held January 20, 2011.

MINUTES APPROVED

Mr. Rose stated that the Committee approved the minutes of the December 9, 2010 meeting.

Mr. Rose stated that Mr. Fink of BlackRock gave an Investment Outlook; Mr. Van Noord gave a Market Review and Comments report; Mr. Spiller gave his Private Market and Real Estate Quarterly Report; Mr. Grossman gave a presentation on Investment Office Expenses and the Investment Objectives and Guidelines; Mr. Spiller gave presentations on The Baring Asia Private Equity Fund V, L.P., CS Strategic Partners V, L.P., and Collier International Partners VI, L.P; an Executive Session was held regarding Fund Issues; and Mr. Van Noord gave a preview of future meetings.

PRESENTATIONS

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") adopts the proposed Investment Objectives and Guidelines Addenda listed below for the Public School Employees' Retirement System pursuant to the recommendation of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance, dated January 4, 2011.

INVESTMENT
OBJECTIVES AND
GUIDELINES

Addendum Addendum Title

E Internally Managed Indexed Equity Portfolios

Ms. Tozer seconded the motion, which passed with one abstention by Ms. Bruder.

Mr. Rose moved the Public School Employees' Retirement Board (the "Board") invest an amount equal to 25 percent of the committed capital, but not to exceed \$200 million plus reasonable normal investment expenses, in The Baring Asia Private Equity Fund V, L.P. in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated January 20, 2011. 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 the implementing investment contract or by a memo to that effect appended to the implementing investment contract. Mr. Raymond seconded the motion, which passed with one abstention by Ms. Bruder.

THE BARING ASIA
PRIVATE EQUITY FUND V
L.P.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") invests an amount equal to 25 percent of the committed capital, but not to exceed \$150 million plus reasonable normal investment expenses, in CS Strategic Partners V, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated

CS STRATEGIC
PARTNERS V, L.P.

January 20, 2011. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Executive Director as evidenced either by the appropriate signatures on the implementing investment contract or by a memo to that effect appended to the implementing investment contract. Mr. Lisko seconded the motion, which passed with one abstention by Ms. Bruder.

COLLER
INTERNATIONAL
PARTNERS VI, L.P.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") invests an amount equal to 25 percent of the committed capital, but not to exceed \$100 million plus reasonable normal investment expenses, in Collier International Partners VI, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated January 20, 2011. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Executive Director as evidenced either by the appropriate signatures on the implementing investment contract or by a memo to that effect appended to the implementing investment contract. Mr. Raymond seconded the motion, which passed with one abstention by Ms. Bruder.

NEW BUSINESS

STATE OF THE FUND

Mr. Clay presented the State of the Fund Report (See Board Book 353, New Business TAB).

POLICY REVIEW

Mr. Clay informed the Board that the Policy Review was completed for 2011. Mr. Gornish verified that he reviewed policies as noted in his memo to the Board. Mr. Van Noord also verified that he reviewed policies as noted in his memo to the Board.

EXECUTIVE DIRECTOR'S REPORT

INFORMATION
AVAILABLE

Mr. Clay stated that the following information was available (See Board Book 353, Executive Director TAB):

- State of the Fund Report
- Annual Report – Mr. Gornish

UPCOMING EVENTS

Mr. Clay reported that he will attend the following events:

- Feb 9 - Eastern PA Association of School Personnel Administrators (EPAPSA) at the Montgomery County IU in Norristown (postponed from 1/12)
- Mar 4 – PSEA Health and Welfare Committee tour at PSERS

- Mar 16 – PASBO Convention – Pittsburgh
- Mar 21 - Budget Hearings – House and Senate

Mr. Clay stated that there will be a Special Board Meeting on March 9, 2011 at 1:00 P.M. The topic of the meeting will be reconsideration of PSERS' Actuarial Assumptions in light of the results of the latest 5 year experience study. This meeting was postponed from January 2011.

SPECIAL MEETING

Mr. Clay informed the Board that the Asset Allocation will be discussed at the next regular meeting.

MARCH MEETING

CHIEF COUNSEL REPORT

Mr. Gornish reported that as part of the Dodd-Frank Act, "municipal advisors" are required to register with the SEC. A "municipal advisor" is a person that "provides advice to or on behalf of a municipal entity . . . with respect to municipal financial products . . ." It excludes an *employee* of a municipal entity.

DODD-FRANK ACT
SEC REGISTRATION

The "municipal financial product," about which advice is given also includes "investment strategies." The SEC interprets the term to include the strategies of "plans, programs or pools" held by or on behalf of a municipal entity," such as a public pension plan.

The SEC has issued a proposed rule-making which suggests that members of pension boards themselves can be considered municipal advisors under the SEC's proposed definition.

Even though members of the Board are advisees of experts, and not advisors, the SEC seems to suggest that the fact that a member of the Board would move a resolution or speak on a proposal could implicate "advice."

The SEC believes that this interpretation is appropriate because employees and elected members are accountable to the municipal entity for their actions. The SEC believes that appointed members, unlike elected officials are not directly accountable for their performance.

Mr. Gornish pointed out that all Board members are subject to the same fiduciary obligations and are accountable to PSERS' members, and that he does not believe that they are municipal advisors who should have to fill out the form and register with the SEC and pay the necessary fees and be subject to regulation.

The result, PSERS will join with SERS and PMRS in providing a comment to the SEC objecting to the expanded definition of a "municipal advisor" to include any members of the Board.

RIVERCENTER
MARRIOTT LITIGATION

Mr. Gornish reported the PSERS has received a copy of Marriott's first brief on appeal. Keystone's initial brief is due on March 10, 2011. The case will probably not be argued until the Fall of 2011.

IRS

Mr. Gornish advised that the application for Determination Letter and Voluntary Compliance Program has been filed with the IRS.

ANNUAL REPORT

Mr. Gornish submitted the Annual Report of the Office of Chief Counsel to the Board.

CHIEF FINANCIAL OFFICER REPORT

CFO REPORT

Mr. Carl gave a presentation to the Board containing the 2009/2010 and 2010/2011 Administrative Budget Update, 2011/2012 Commonwealth Appropriation of PSERS Contributions, 2010 1099's, Actuarial Assumptions and the Act 120 Projections (See Board Book 353, CFO Report TAB).

BOARD MEMBER
COMMENTS

Ms. Vogler informed the Board that she will be updating the Committee member listing before the next meeting. She also stated that the Executive Director's Annual Evaluation will be taking place within the next few months, as well as a review of the status of the Board's working groups.

Mr. Galante extended a thank you to PSERS' field staff on behalf of a PSERS member he was contacted by.

Ms. Turley extended her appreciation to the Health Care Committee for the success of the informational meetings they conducted.

EXECUTIVE SESSION

At 2:20 P.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 litigation matters. The Board 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 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."

Ms. Tozer moved that the Committee enter into Executive Session. Ms. Turley seconded the motion, which passed unanimously. The Executive Session ended at 2:24 P.M. and the meeting immediately returned to Regular Session.

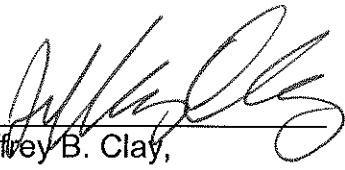
Chairman Vogler adjourned the meeting at 2:24 P.M.

ADJOURNMENT

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on March 11, 2011, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

NEXT MEETING

Date 2/2/11

Approved 
Jeffrey B. Clay,
Executive Director