

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

**Regular Meeting**

**Minutes**

**April 29, 2011**

**9:00 A.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Senator Patrick Browne  
Mr. Glen S. Galante  
Mr. Thomas J. Gentzel  
Representative Glen R. Grell  
Mr. John Raymond for Senator Shirley M. Kitchen  
Representative Joseph F. Markosek  
Ms. Jennifer Langan for Treasurer Robert M. McCord  
Mr. Hal Moss  
Mr. Richard N. Rose  
Mr. James M. Sando  
Secretary Ronald J. Tomalis  
Ms. Patricia A. Tozer  
Ms. Sally J. Turley

**Board Members Not Present**

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

**Visitors Present**

Mr. Sandy Leopold  
Ms. Angela Lutze, PSEA-R  
Ms. Belinda Sabaka, PSEA-R

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

**CALL TO ORDER**

WELCOME GUEST AND NEW EMPLOYEES Ms. Vogler welcomed guests Mr. Sandy Leopold; and Ms. Angela Lutze and Ms. Belinda Sebaka, both representing PSEA-R. Mr. Clay introduced new employees, Mr. Michael Chappuis, Ms. Carolina Ferreras-Baez, Ms. Kariann Kocher, Ms. Swany Pranesh, Mr. Mark Hoffer and Ms. Laurann Stepp.

MINUTES APPROVED Ms. Turley moved to approve the minutes of the March 9, 2011 Board meeting. Mr. Sando seconded the motion, which passed unanimously.

Mr. Moss moved to approve the minutes of the March 11, 2011 Board meeting. Mr. Rose seconded the motion, which passed unanimously.

#### APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on April 28, 2011.

MINUTES APPROVED Ms. Tozer stated that the Committee approved the minutes of the March 10, 2011 meeting.

ADJUDICATION: DENISE M. O'HARA Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner, and deny the request Denise M. O'Hara to purchase credit for an unpaid leave of service. Mr. Raymond seconded the motion, which passed unanimously.

ESRC REPORT Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee Report from the January 11, March 2 and March 25, 2011 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 April 28, 2011.

MINUTES APPROVED Mr. Rose stated that the Committee approved the minutes of the March 10, 2011 meeting.

PRESENTATIONS Mr. Rose stated that Mr. Van Noord gave a Market Review and Comments report; Mr. Smith spoke regarding the Internally Managed Alpha Program; Mr. Kemp gave the Securities Lending Program Update; Mr. Spiller gave a Private Markets & Real Estate Quarterly Review; Mr. Spiller also spoke regarding the Avenue Special Situation Fund VI; Mr. Heppenstall spoke regarding Mariner

Investment Group, LLC; Mr. Grossman, along with Mr. Edward O'Reilly and Andrew Adams of Capula Investment Management, gave a presentation on the Capula Tail Risk Fund; Mr. Grossman spoke regarding the Investment Objectives and Guidelines; and Mr. Van Noord gave a preview of future meetings.

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 \$75 million plus reasonable normal investment expenses, in Avenue Special Situations Fund VI, L.P. in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated April 28, 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. Moss seconded the motion, which passed with one abstention from Ms. Langan, on behalf of Treasurer McCord.

AVENUE SPECIAL  
SITUATIONS FUND VI,  
L.P.

Mr. Rose moved the Public School Employees' Retirement Board (the "Board") hires Mariner Investment Group, LLC to manage a short duration non-agency residential mortgage-backed securities portfolio in an amount not to exceed the target ranges established in Exhibit D of the Investment Policy Statement, Objectives and Guidelines pursuant to the recommendations of Mark E. Heppenstall, Managing Director of Fixed Income, and Wilshire Associates Incorporated, both dated April 4, 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. Sando seconded the motion, which passed unanimously.

MARINER INVESTMENT  
GROUP, LLC

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") invests in the Capula Tail Risk Fund Limited, Class C shares, in an amount not to exceed the target ranges established in Exhibit D of the Investment Policy Statement, Objectives and Guidelines pursuant to the recommendations of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance, and Aksia, LLC, both dated April 11, 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

CAPULA TAIL RISK FUND

appropriate signatures on the implementing investment contract or by a memo to that effect appended to the implementing investment contract. Ms. Turley seconded the motion, which passed unanimously.

INVESTMENT  
OBJECTIVES AND  
GUIDELINES

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") adopts the Investment Policy Statement, Objectives, and Guidelines, as amended, and Addendums listed below pursuant to the recommendation of James H. Grossman, Jr., Managing Director of External Public Markets, Risk, and Compliance, dated April 14, 2011.

<u>Addendum</u>	<u>Addendum Title</u>
H2	Internally Managed Enhanced Commodity Index Portfolio
Y2	Short Duration Non-Agency RMBS Portfolios

Ms. Tozer seconded the motion, which passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

INFORMATION  
AVAILABLE

Mr. Clay stated that the following information was available (See Board Book 355, Executive Director TAB):

- CARRP Quarterly Report

RECENTLY ATTENDED  
EVENTS

Mr. Clay recently attended the following events:

- Mar 21 - Budget Hearings – House and Senate
- Mar 17 –Meeting with the Government Accounting Office

Mr. Clay also noted that Ms. Tatkovski, Mr. Serine, Ms. Savidge, Mr. Peechatka and Mr. Robison attended the PASBO Convention in Pittsburgh on March 16, with Mr. Serine speaking on behalf of Mr. Clay.

UPCOMING EVENTS

Mr. Clay will attend the following events:

- May 12 – PSEA-R presentation in Monroeville
- May 24-25 – PAPERS Conference in Harrisburg, PA

Mr. Clay reported that the Board Member Elections will be held for both the Active Certified Member seat and the School Board Member seat.

Finally, Mr. Clay stated that computer upgrade training will be held following this Board Meeting for those Board members who are in possession of a PSERS issued laptop.

## CHIEF COUNSEL REPORT

Chief Counsel, Gerald Gornish reported on the following matter:

Mr. Gornish announced the upcoming retirement of Mr. David Speck, staff attorney for PSERS.

RETIREMENT

## CHIEF FINANCIAL OFFICER REPORT

Mr. Carl gave a presentation to the Board containing the 2010-2011 Administrative Budget Update as of March 31, 2011; Defined Benefit Closing Analysis; and Other Financial Management Activities (See Board Book 355, CFO Report TAB).

## VISITOR COMMENTS

Ms. Vogler explained to the visitors that the agenda items are discussed on the Committee Meeting day. The Board meeting is a more concise meeting for action items to be voted on.

Ms. Lutze thanked the Board for the opportunity to visit and observe the meeting, and for their service.

## BOARD MEMBER COMMENTS

Mr. Moss stated that he attended a very informative meeting in Philadelphia, held by Mr. Douglas Bonsall, regarding the Health Options Program.

Representative Grell raised the issue of chronic absenteeism of Board members. He suggested that the Board look into options. Ms. Vogler referred the issue to Mr. Clay and Mr. Gornish to explore options.

Mr. Sando informed the Board that he has been invited to work with the National Education Association regarding public trustees. Meetings will be held at the Kennedy School.

Ms. Connors thanked the Board for the expressions of sympathy she received upon the death of her father.

At 9:38 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 litigation matters. The Board may hold an executive session for any one or more of the reasons enumerated

EXECUTIVE SESSION

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 Board enter into Executive Session. Ms. Winters seconded the motion, which passed unanimously. The Executive Session ended at 9:52 A.M. and the meeting immediately returned to Regular Session.

### NEW BUSINESS

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

- (1) The action of the Corporate Action Agency Committee, authorizing the Executive Director, acting on behalf of the Public School Employees' Retirement System ("PSERS"), to seek to serve as co-lead plaintiff together with Forsta AP-Fonden ("AP1"), in the various class actions commenced in the United States District Court for the Southern District of New York against Bank of America Corporation ("BAC") and other named defendants, relating to the publicly traded securities issued by BAC or its affiliates, in accordance with the recommendation of Jeffrey B. Clay, Executive Director, concurred in by Gerald Gornish, Chief Counsel and Alan Van Noord, Chief Investment Officer; and
- (2) The motion for consolidation, appointment as lead plaintiff and approval of lead plaintiff's choice of lead counsel, Barrack, Rodos & Bacine, filed on behalf of PSERS with respect to such class actions on April 4, 2011.

Ms. Tozer seconded the motion, which passed unanimously.

ADJOURNMENT

Chairman Vogler adjourned the meeting at 9:55 A.M.

NEXT MEETING

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on June 10, 2011, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

Date 5/11/11

Approved

  
Jeffrey B. Clay,  
Executive Director