

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

**Regular Meeting**

**Minutes**

**August 7, 2013**

**2:42 P.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Ms. Deborah J. Beck  
Mr. James R. Biery  
Ms. Stacey Connors for Senator Patrick M. Browne  
Mr. Anthony Mannino for Senator Lawrence M. Farnese  
Mr. Glen S. Galante  
Representative Glen R. Grell (arrived at 2:50)  
Ms. Lisa Taglang for Representative Glen R. Grell  
Mr. Stuart L. Knade  
Mr. Bernard Gallagher for Representative Joseph F. Markosek  
Mr. John Lisko for Treasurer Robert McCord  
Mr. Richard N. Rose  
Mr. James M. Sando  
Ambassador Martin J. Silverstein  
Ms. Sally J. Turley

**Board Members Absent**

Acting Secretary of Education William E. Harner

**Staff Members Present**

Ms. Barbara Book  
Mr. Jeffrey B. Clay  
Ms. Michele M. Ferencz  
Mr. James H. Grossman, Jr.  
Ms. Crystal Houser  
Mr. Charles K. Serine  
Ms. Kelly L. Sprenkle  
Ms. Evelyn M. Tatkovski  
Mr. Joseph E. Wasiak, Jr.

**Guests Present**

Mr. Jim Baker, Unite Here  
Mr. Tom Braham, Unite Here  
Ms. Judith Guise, PASR  
Ms. Roberta Thomas, Unite Here  
Ms. Emma Turner, Unite Here  
Mr. Redmond Wammie, Unite Here  
Ms. Gretchen Wisheart, OGC

CALL TO ORDER Ms. Vogler called the meeting to order at 2:42 P.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME GUESTS AND NEW EMPLOYEE Mr. Clay welcomed guests Ms. Guise, PSEA-R; Ms. Wisehart, OGC; Mr. Baker and his associates, of Unite Here; and new employee, Ms. Houser.

MINUTES APPROVED Ms. Beck moved to approve an update to the minutes of the April 26, 2013 Board meeting. Mr. Rose seconded the motion, which passed unanimously.

Mr. Lisko moved to approve the minutes of the June 12, 2013 Board meeting. Mr. Mannino seconded the motion, which passed unanimously.

#### FINANCE COMMITTEE REPORT

Mr. Rose reported on the meeting held August 7, 2013.

MINUTES Mr. Rose stated that the Committee approved the minutes of the June 11, 2013 meeting.

PRESENTATIONS Mr. Rose stated that Mr. Grossman gave a Market Review and Comments; a Risk Governance Presentation was given by Mr. Grossman, Mr. Kemp and Wilshire Associates; Risk Updates were given by Mr. Spiller, Mr. Heppenstall and Mr. Smith; Mr. Spiller presented the Private Markets Fourth Quarter Report, Real Estate Fourth Quarter Report, and the Private Markets and Real Estate Fund Issues; Mr. Kemp discussed the General Consultant RFP; Mr. Heppenstall presented Galton Mortgage Recovery Fund III, L.P.; Ms. Smith presented AllianceBernstein Factor Risk Premia Fund L.P.; and Mr. Grossman presented a Preview of Future Meetings.

GALTON ONSHORE MORTGAGE RECOVERY FUND III, L.P. Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$150 million plus reasonable normal investment expenses, in Galton Onshore Mortgage Recovery Fund III, L.P. in accordance with the recommendations of Mark Heppenstall, Managing Director of Fixed Income, Joseph W. Sheva, Portfolio Manager, and Aksia, LLC, dated July 18, 2013. 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. Lisko seconded the motion, which passed unanimously.

Mr. Rose moved that pursuant to the recommendations of Gerard Smith, Managing Director, Equities, Jane Jeong, Portfolio Manager, and Aksia, dated July 23, 2013, that the Public School Employees' Retirement Board (the "Board") hereby (i) retains AllianceBernstein L.P. to manage an initial amount of \$200 million in the AllianceBernstein Factor Risk Premia Fund, L.P. and (ii) that the Investment Office shall have the discretion to invest additional sums within the limits established in Addendum E1 of the Investment Policy Statement, Objectives and Guidelines, as amended from time to time (the current version of which can be found at <http://www.psers.state.pa.us/invest/guide/index.htm>), provided that any investment of an additional sum by the Investment Office shall be reported to the Board in a timely manner. 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. Biery seconded the motion, which passed unanimously.

ALLIANCEBERNSTEIN  
FACTOR RISK PREMIA  
FUND, L.P.

HEALTH CARE COMMITTEE REPORT

Mr. Galante reported on the meeting held August 6, 2013.

Mr. Galante stated that the Committee approved the minutes of the June 11, 2013 meeting.

MINUTES APPROVED

Mr. Galante stated that Mr. Schafer gave a presentation on the 2014 Premium Rate Adjustment for Basic and Enhanced Medicare Rx Option and the 2014 Managed Care Plans Premium Rates and Benefits; and that Mr. Johnson reported on the Health Options Program (HOP) Eligibility Study.

PRESENTATIONS

Ms. Turley moved that the Public School Employees' Retirement Board (the "Board") hereby approves the following monthly premium rates of the Basic Medicare Rx Option effective January 1, 2014 for calendar year 2014:

BASIC MEDICARE RX  
OPTION BENEFITS AND  
RATES

| Basic Medicare Rx Option: | 2013 | 2014 | \$ Increase | %   |
|---------------------------|------|------|-------------|-----|
| Single                    | \$28 | \$32 | \$4         | 14% |
| Two Person                | 56   | 64   | 8           | 14% |

Ms. Beck seconded the motion, which passed unanimously.

**ENHANCED MEDICARE  
RX OPTION BENEFITS  
AND RATES**

Ms. Turley moved that the Public School Employees' Retirement Board (the "Board") hereby approves the following monthly premium rates of the Enhanced Medicare Rx Option effective January 1, 2014 for calendar year 2014:

| Enhanced Medicare Rx Option:<br>w/Benefit Changes | 2013 | 2014 | \$ Increase | %    |
|---|------|------|-------------|------|
| Single  | \$82 | \$84 | \$2         | 2.4% |
| Two Person  | 164  | 168  | 4           | 2.4% |

Mr. Sando seconded the motion, which passed unanimously.

**MEDICARE  
ADVANTAGE AND PRE-  
65 MANAGED CARE  
PLANS – PREMIUM  
RATES AND BENEFITS**

Ms. Turley moved that the Public School Employees' Retirement Board (the "Board") hereby accepts the Medicare Advantage and Pre-65 Managed Care Plans Premium Rates and Benefits proposals for the calendar year beginning January 1, 2014 from:

- Aetna,
- Capital Blue Cross/Keystone Health Plan – Central,
- Geisinger Health Plan,
- Highmark, Inc. / Keystone Health Plan West, Inc.,
- Independence Blue Cross/Keystone Health Plan – East, and
- University of Pittsburgh Medical Center (UPMC) Health Plan.

Final contracts are subject to negotiations of terms and conditions satisfactory to the Director, Health Insurance Office, the Office of Chief Counsel and the 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. Knade seconded the motion, which passed unanimously.

**HEALTH OPTIONS  
PROGRAM –  
ELIGIBILITY  
REQUIREMENTS**

Ms. Turley moved that the Public School Employees' Retirement Board (the "Board"), pursuant to the recommendations set forth in the Eligibility Review dated May 20, 2013 by the Segal Company, approves the following: PSERS should develop and maintain a policy detailing eligibility rules and regulations of the Health Options Program. Within this Policy; PSERS should specify that in regard to Eligible Persons:

- The foundation for enrollment in HOP should be the ongoing financial relationship between PSERS and the individual enrolled in HOP.
- A Survivor Annuitant should be subject to the same requirements as a spouse and dependents while the Annuitant is in pay status.
- Survivor Annuitant should be required to select the same coverage as family members and premiums must be deducted from the Annuitant's monthly benefit.
- At the Annuitant's death, the Survivor Annuitant may enroll in HOP if premiums are deducted from their monthly PSERS annuity payment

- PSERS' rules should specifically state that a spouse or dependents already participating in HOP may continue HOP coverage upon the death of an Annuitant.
- A surviving spouse not participating in HOP at the time of the Annuitant's death should be allowed to enroll in HOP only if he or she becomes a beneficiary receiving a monthly annuity from PSERS. There must be an annuity to trigger eligibility.

PSERS should specify that in regard to Qualifying Events:

- PSERS should allow continuity of coverage for spouses, Survivor Annuitants and dependents enrolled in HOP upon the death of the Annuitant (member).
- PSERS should modify the application of Qualifying Events to specify when they apply to the Annuitant, Survivor Annuitant, spouse and dependents of Annuitants or Survivor Annuitants.

PSERS should specify that in regard to Comparable "Mirror" Coverage:

- The current "mirror coverage" policy be modified to allow a retiree, spouse or dependent who can prove prescription drug coverage in an approved union plan resulting from employment at a participating school district, or in a recognized federal plan such as the VA, or in a military program such as Tri-Care for Life, where the coverage cannot be extended to a spouse, to have different prescription drug coverage under the HOP. Retirees, spouses and dependents in this situation must continue to have the same medical plan election. Only the person(s) with the proven outside prescription drug coverage may be opted out of prescription drug coverage through HOP.

PSERS should specify that in regard to Policies, business rules and regulations:

- Eligibility appeals for HOP should be reviewed by the Health Care Committee of the board, rather than by the Appeals Committee.
- The ESRC should report its decisions on eligibility to the Health Care Committee and justify any determinations that extend eligibility to more groups than described in the eligibility policy.

Mr. Knade seconded the motion, which passed with one NO vote from Mr. Sando.

#### APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on August 6, 2013.

MINUTES APPROVED

Ms. Beck stated that the Committee approved the minutes of the June 11, 2013 meeting.

ACCOUNT OF  
BETH ANN SHAFFER

Ms. Beck moved to adopt the recommendation of the Appeals/Member Services Committee in the case of Beth Ann Shaffer and to grant PSERS' Motion for Summary Judgment and deny Claimant's request to forgive the mandatory contributions that she owes PSERS. Mr. Biery seconded the motion, which passed unanimously.

ACCOUNT OF  
CHURCH S. ALLISON

Ms. Beck moved to adopt the recommendation of the Appeals/Member Services Committee in the case of Church S. Allison to grant Jannine Allison's Petition to Intervene. Mr. Rose seconded the motion, which passed unanimously.

ACCOUNT OF  
PATTY SURUSKIE

Ms. Beck moved to adopt the recommendation of the Appeals/Member Services Committee in the case of Patty Suruskie to grant PSERS' Motion for Summary Judgment and deny Claimant's request to change the terms of her retirement plan to elect Class T-F membership after the statutory deadline. Mr. Biery seconded the motion, which passed unanimously.

ACCOUNT OF  
BRUCE E. GEORGE

Ms. Beck moved to adopt the recommendation of the Appeals/Member Services Committee in the case of Bruce E. George to adopt the recommendation of the Hearing Officer and deny the Claimant's request to recalculate is final average salary. Mr. Lisko seconded the motion, which passed unanimously.

ACCOUNT OF  
ALICE M. HIRSCH

Ms. Beck moved to adopt the recommendation of the Appeals/Member Services Committee in the case of Alice M. Hirsch to grant PSERS' Motion for Summary Judgment and deny the Claimant's request to recalculate her final average salary to include compensation, earned in the 1994-1995 school year but received in the 2000-2001 school year, in the 2000-2001 school year. Mr. Mannino seconded the motion, which passed unanimously.

ACCOUNT OF  
VALERIE H. WATROUS

Ms. Beck moved to adopt the recommendation of the Appeals/Member Services Committee in the case of Valerie H. Watrous and to grant PSERS' Motion for Summary Judgment and deny Claimant's request to change the terms of her retirement plan to elect Class T-F membership after the statutory deadline. Mr. Knade seconded the motion, which passed unanimously.

Ms. Beck moved to adopt the recommendation of the Appeals/Member Services Committee in the case of Barham, et al. to grant PSERS' Motion for Summary Judgment and deny Claimants' request to include the lump sum payments received in the last year of their employment as part of their final average salary. Mr. Lisko seconded the motion, which passed with 1 No vote from Mr. Knade and Mr. Gallagher abstaining on behalf of Representative Markosek.

ACCOUNT OF BARHAM,  
ET AL.

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the April 18 and May 16, 2013 meetings.

ESRC REPORTS

Ms. Beck stated that Ms. Sanchez presented an update on the Benefit and Member Services Statistics.

BENEFIT PROCESSING

### VISITOR COMMENTS

Mr. Baker, Mr. Braham, Ms. Thomas, Ms. Turner, and Mr. Wammie, of Unite Here, spoke briefly to the Board.

UNITE HERE

### OLD BUSINESS

Discussion was held regarding the proposed 2014 meeting dates. The dates were approved with a change made to the December dates.

2014 MEETING DATES

### NEW BUSINESS

Mr. Clay informed that Board that in the election of the three active certified seats, Ms. Susan Lemmo, Mr. Frederick Berestecky, and Mr. James Sando ran unopposed and were declared by acclamation of the Board Chair.

BOARD ELECTIONS

Mr. Clay informed the Board that in the election of the School Board Seat, Mr. Larry Breech ran unopposed and was declared by acclamation of the Board Chair.

Mr. Clay informed the Board that in the election of the Annuitant Seat, there are three candidates; Ms. Judith Guise, Ms. Melva Vogler, and Dr. Christine White-Taylor. The result of the election will be announced at the December meeting.

### EXECUTIVE DIRECTOR'S REPORT

Mr. Clay stated that a copy of a Society of Actuaries letter, a copy of the letter from Treasurer McCord to Mr. Van Noord

INFORMATION  
AVAILABLE

congratulating him on his retirement and exemplary service, and a Continuity of Operations (COOP) After Action Report are available (See Board Book 372, Executive Director TAB).

**RECENTLY ATTENDED EVENTS**

Mr. Clay reported that he attended the following events: Keystone Teachers Association (KEYTA) in Hershey – June 27

**UPCOMING EVENTS**

Mr. Clay stated that he plans to attend the following event: PAPERS Conference in Pittsburgh – September 12 and 13.

**ONGOING ITEMS**

Mr. Clay stated that a memorandum of understanding has been finalized for PSBA Headquarters to serve as a back-up facility for PSERS in the event of a disaster; Pension Reform discussions will resume in the fall; Benefits processing continues; Statements of Account are being prepared for mailing; the Financial Audit is underway; the HOP Option Selection period will be in October-November; and the Actuarial Valuation and CAFR are being prepared.

**NEXT MEETING**

Mr. Clay stated that the next meeting of the Committees and the Board will be October 3 and 4, 2013 and will include the Financial Statements; Audit results; and 2014-2015 Administrative and Directed Commissions Budgets.

**SPECIAL MEETINGS**

Mr. Clay informed the Board that there will be a meeting of the General Investment Consultant RFP Committee on August 27 and a Personnel Committee meeting to handle Chief Investment Officer search issues on August 28, followed by a brief Board meeting to resolve the General Investment Consultant RFP.

CHIEF COUNSEL REPORT

Ms. Ferencz stated that the Retirement Code was updated July 1 and is available in the Boardroom and online. She also informed the Board that Oral Argument has been scheduled in Commonwealth Court in the case of Dorothy Brown. Ms. Ferencz stated that an arrest was made in the Sheldon Stephens case and a preliminary hearing scheduled.

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl presented his Chief Financial Officer's Report, which included the Year End Schedule, PSERS' Enacted FY 2013-2014 Administrative Budget, Commonwealth's Enacted 2013-2014 Employer Retirement Contribution Budget, Employer Contribution



Rates, 10 Year NAV History, and Other Financial Management Activities (See Board Book 372, CFO Report TAB).

At 3:41 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 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)), litigation matters."

EXECUTIVE SESSION

Ms. Turley moved that the Board enter into Executive Session. Mr. Lisko seconded the motion, which passed unanimously. The Executive Session ended at 3:53 P.M. and the meeting immediately returned to Regular Session.


Chairman Vogler adjourned the meeting at 3:53 P.M.

ADJOURNMENT

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on October 4, 2013, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

NEXT MEETING

Date 9/3/13 Approved \_\_\_\_\_

  
Jeffrey B. Clay,  
Executive Director