

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

**Regular Meeting**

**Minutes**

**March 14, 2014**

**9:29 A.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Ms. Deborah J. Beck  
Mr. Frederick T. Berestecky  
Mr. James R. Biery  
Mr. Larry B. Breech  
Ms. Stacey Connors for Senator Patrick M. Browne  
Ms. Ann Spishock for Acting Secretary Carolyn C. Dumaresq  
Mr. Anthony Mannino for Senator Lawrence M. Farnese  
Representative Glen R. Grell  
Ms. Susan C. Lemmo  
Mr. John Callahan for Mr. Nathan G. Mains  
Ms. Debbie Reeves for Representative Joseph F. Markosek  
Mr. Christopher Craig for Treasurer Robert M. McCord  
Mr. James M. Sando  
Ambassador Martin J. Silverstein

**Staff Members Present**

Ms. Barbara Book  
Mr. Brian S. Carl  
Mr. Jeffrey B. Clay  
Ms. Sheila Eye  
Ms. Michele M. Ferencz  
Mr. James H. Grossman, Jr.  
Ms. Catherine Gulbrandsen  
Ms. Sandra Kurtz  
Ms. Lorrie McKenna  
Ms. Terrill J. Sanchez  
Ms. Alice Sanders  
Mr. Charles K. Serine  
Mr. Joseph E. Wasiak, Jr.

**Others Present**

Ms. Gretchen Wisehart, OGC

CALL TO ORDER Ms. Vogler called the meeting to order at 9:29 A.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME GUEST AND NEW EMPLOYEE Mr. Clay welcomed new employees; Ms. Eye, Ms. Gulbrandson, Ms. Kurtz, Ms. McKenna and Ms. Sanders.

MINUTES APPROVED Mr. Breech moved to approve the minutes of the January 23, 2014 Board meeting. Ms. Beck seconded the motion, which passed unanimously.

#### AUDIT/BUDGET COMMITTEE REPORT

Mr. Berestecky reported on the meeting held on March 13, 2014.

MINUTES APPROVED Mr. Berestecky stated that the Committee approved the minutes of the October 4, 2013 meeting.

PRE-AUDIT PLANNING Mr. Berestecky reported that the Committee heard a presentation regarding the upcoming 2013-14 financial audit for PSERS.

#### CORPORATE GOVERNANCE COMMITTEE REPORT

Mr. Craig reported on the meeting held March 13, 2014.

MINUTES APPROVED Mr. Craig stated that the Committee approved the minutes of the March 14, 2013 meeting.

PROXY UPDATE AND ISSUES Mr. Craig stated that Ms. Engler presented a Proxy Guideline Update and Mr. McCormick, of Glass Lewis, presented an Overview of Current Proxy Issues.

US AND NON-US PROXY VOTING POLICIES Mr. Craig moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed U.S. and Non-U.S. Proxy Voting Policies pursuant to the recommendation of Lenann T. Engler, Senior Investment Analyst, dated February 27, 2014. Mr. Biery seconded the motion, which passed unanimously.

#### FINANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held March 13, 2014.

MINUTES Mr. Sando stated that the Committee approved the minutes of the January 23, 2014 meeting.

Mr. Sando stated that Mr. Grossman gave a Market Review and Comments; Mr. Kumar, of HEK, and Mr. Ruehl, of Aksia, each presented a Fourth Quarter Performance report; Mr. Kemp presented both the Investment Operations Roadmap and Bridgewater – Pension Finance Issues; Mr. Spiller presented Internally Managed Private Markets, Private Debt and Real Estate Co-Investment and Secondary Programs and Guidelines; Mr. Jacobs presented Strategic Partners Fund VI, L.P.; Mr. Stalter presented both Ares European Real Estate Fund IV, L.P. and Carlyle Realty Partners VII, L.P.; and Mr. Grossman presented a Preview of Future Meetings.

PRESENTATIONS

Mr. Sando moved , that the Public School Employees’ Retirement Board (the “Board”) hereby replaces Addendum X3 and adopts the proposed Private Market Policies and Guidelines Addenda listed below for the Public School Employees’ Retirement System, pursuant to the recommendation of Charles J. Spiller, Managing Director of Private Markets and Real Estate, dated March 13, 2014.

INVESTMENT OBJECTIVES AND GUIDELINES

<u>Addendum</u>	<u>Addendum Title</u>
X3-PM	Private Markets In-House Co-Investment and Secondary Investment Policy
X3-PD	Private Debt In-House Co-Investment and Secondary Investment Policy
X3-RE	Real Estate In-House Co-Investment and Secondary Investment Policy

Ms. Beck seconded the motion, which passed unanimously.

Mr. Sando moved that the Public School Employees’ Retirement Board (the “Board”) hereby invests \$100 million, in the Private Debt In-House Co-Investment and Secondary Program, in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated March 13, 2014. Representative Grell seconded the motion, which passed unanimously.

REAL ESTATE IN-HOUSE CO-INVESTMENT AND SECONDARY PROGRAM

Mr. Sando moved that the Public School Employees’ Retirement Board (the “Board”) hereby invests \$100 million, in the Real Estate In-House Co-Investment and Secondary Program, in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated March 13, 2014. Representative Grell seconded the motion, which passed unanimously.

PRIVATE DEBT IN-HOUSE CO-INVESTMENT AND SECONDARY PROGRAM

STRATEGIC  
PARTNERS FUND VI,  
L.P.

Mr. Sando 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 Strategic Partners Fund VI, L.P., in accordance with the recommendation of Luke M. Jacobs, Senior Investment Analyst, Private Markets, dated March 13, 2014 and Portfolio Advisors, LLC., dated February 18, 2014. 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. Mr. Biery seconded the motion, which passed unanimously.

ARES EUROPEAN  
REAL ESTATE FUND IV,  
L.P.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in Ares European Real Estate Fund IV, L.P., in accordance with the recommendation of William P. Stalter, Portfolio Manager, Real Estate, dated March 13, 2014 and Courtland Partners Ltd., dated February 20, 2014. 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. Ms. Beck seconded the motion, which passed unanimously.

CARLYLE REALTY  
PARTNERS VII, L.P.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in Carlyle Realty Partners VII, L.P., in accordance with the recommendation of William P. Stalter, Portfolio Manager, Real Estate, dated March 13, 2014 and Courtland Partners Ltd., dated February 20, 2014. 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. Mr. Biery seconded the motion, which passed unanimously.

#### APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on March 13, 2014.

MINUTES APPROVED

Ms. Beck stated that the Committee approved the minutes of the January 23, 2014 meeting.

Ms. Beck moved in the case of Rochelle L. Burns, that the Board adopts the Hearing Examiner's Memorandum Opinion and Order as its own, and grants PSERS' Motion to Dismiss with Prejudice the appeal of Claimant, Rochelle L. Burns. Mr. Mannino seconded the motion, which passed unanimously.

ACCOUNT OF  
ROCHELLE L. BURNS

Ms. Beck moved in the case of Sylvia Jordan, account of Arthur J. Saunders (D), that the Board adopts the Hearing Examiner's proposed Opinion and Recommendation as its own, and denies Claimant's requests to set Arthur J. Saunders' death benefit at \$270,300 and pay her either a lump sum amount of the balance remaining on the death benefit or an increased monthly annuity disbursement. Representative Grell seconded the motion, which passed unanimously.

ACCOUNT OF  
ARTHUR J. SAUNDERS  
(D)

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Report from the October 30, 2013 meeting.

ESRC REPORTS

#### HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held on March 13, 2014.

Ms. Lemmo stated that the Committee approved the minutes of the December 9, 2013 meeting.

MINUTES APPROVED

Ms. Beck stated that Mr. Schafer presented the 2014 Market Comparison and the 2013-2014 Enrollment Report.

PRESENTATIONS

#### PERSONNEL COMMITTEE REPORT

Representative Grell reported on the meeting held March 14, 2014.

Representative Grell stated that the Committee approved the minutes of the December 10, 2013 meeting.

MINUTES APPROVED

Representative Grell stated that the Committee held an Executive Session to discuss personnel matters relating to the vacant Chief Investment Officer position.

EXECUTIVE SESSION

Representative Grell moved that the Public School Employees' Retirement Board hereby retains and appoints James H. Grossman, Jr. as the Chief Investment Officer for the Public School Employees' Retirement System, effective January

RESOLUTION

13, 2014, at an annual salary of \$293,537.00. Mr. Sando seconded the motion, which passed unanimously.

#### EXECUTIVE DIRECTOR'S REPORT

#### STATE OF THE FUND

Mr. Clay presented the State of the Fund report, which can be found in Board Book 375 Executive Director's TAB.

#### CHIEF COUNSEL REPORT

Ms. Ferencz informed the Board that the Chief Counsel report will be given in Executive Session at the end of the meeting.

#### CHIEF FINANCIAL OFFICER REPORT

Mr. Carl presented his report including the December 31, 2013 Financial Statements; December 31, 2013 Administrative Budget Update; GASB Pension Accounting Standards; Budget Hearing Materials.

#### EXECUTIVE SESSION

At 11:11 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 Executive Session to discuss the item listed on today's agenda, namely personnel 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 litigation matters."

Representative Grell moved that the Board enter into Executive Session. Mr. Biery seconded the motion, which passed unanimously. The Executive Session ended at 11:26 A.M. and the meeting immediately returned to Regular Session.

#### ADJOURNMENT

Chairman Vogler adjourned the meeting at 11:26 A.M.

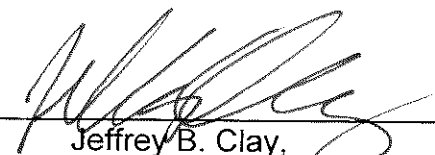
#### NEXT MEETING

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on May 2, 2014, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

Date

3/26/14

Approved

  
Jeffrey B. Clay,  
Executive Director