

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

Regular Meeting

Minutes

January 21, 2015

1:00 P.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. Sally Keaveney for Senator Lawrence M. Farnese

Representative Glen R. Grell

Mr. Nathan G. Mains

Representative Joseph F. Markosek (out at 1:53)

Mr. Bernard Gallagher for Representative Joseph F. Markosek (in at 1:53)

Ms. Jennifer Langan for Treasurer Robert M. McCord

Mr. James M. Sando

Ambassador Martin J. Silverstein

Board Member Present Telephonically

Ms. Susan C. Lemmo

Board Member Absent

Secretary of Education, Ex Officio

Staff Members Present

Ms. Barbara Book

Ms. Deborah Bugaile

Mr. Brian S. Carl

Mr. Jeffrey B. Clay

Mr. Donald J. Halke

Mr. John Kemp

Mr. Richard Michlovitz

Mr. Frank Ryder

Ms. Terrill J. Sanchez

Mr. Charles K. Serine

Mr. Joseph E. Wasiak, Jr.

Ms. Evelyn M. Williams

Others Present

Mr. James Allen, PAPERS

Ms. Miriam Fox

Ms. Judith Guise, PASR

Mr. Sandy Leopold

Mr. Richard Rowland, PASR

Mr. Tom Weeter, PSEA-R

- CALL TO ORDER Mr. Clay called the meeting to order at 1:00 P.M. in the fourth floor Board Room at PSERS' headquarters.
- ELECTION OF BOARD CHAIRMAN Mr. Clay called for nominations for Chairman of the Board of the Public School Employees' Retirement Board for the year 2015. Representative Grell moved to elect Ms. Vogler as Chairman. Ms. Beck 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 2015. Representative Markosek moved to elect Mr. Sando as Vice-Chairman. Mr. Berestecky seconded the motion. No additional nominations were made. The motion passed unanimously.
- Mr. Clay turned the meeting over to Chairman Vogler.
- WELCOME VISITORS Mr. Clay welcomed guests, Mr. Allen, Ms. Guise, Mr. Rowland and Mr. Weeter.
- MINUTES APPROVED Ms. Langan moved to approve the minutes of the December 9, 2014 Board meeting. Representative Markosek seconded the motion, which passed unanimously.

FINANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held January 21, 2015.

- MINUTES APPROVED Mr. Sando stated that the Committee approved the minutes of the December 8, 2014 meeting.
- PRESENTATIONS Mr. Sando stated that Mr. Grossman gave a Market Review and Comments; Mr. Spiller presented both the Private Markets Second Quarter Report and the Real Estate Second Quarter Report; an Executive Session was held regarding Private Markets and Real Estate Fund Issues; and action was taken in regard to the following: Investment Policy Statement; SASOF III, L.P.; Equistone Partners Europe Fund V, L.P.; HGGC Fund II, L.P.; and Cabot Industrial Core Fund, L.P. Mr. Grossman also presented his Preview of Future Meetings.
- INVESTMENT OBJECTIVES AND GUIDELINES Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby adopts proposed changes to Addendum X2 and Exhibits E and F of the Investment Policy Statement, Objectives, and Guidelines, as amended, for the Public

School Employees' Retirement System, pursuant to the recommendation of Joseph W. Sheva, Portfolio Manager, dated January 9, 2015. Mr. Mains seconded the motion, which passed unanimously.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests \$150 million plus reasonable normal investment expenses in SASOF III LP in accordance with the recommendations of Robert E. Little, Portfolio Manager, and Aksia, LLC, dated January 7, 2015. 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.

SASOF III LP

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed €75 million plus reasonable normal investment expenses, in Equistone Partners Europe Fund V, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated January 21, 2015 and Portfolio Advisors LLC, dated January 1, 2015. 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. Berestecky seconded the motion, which passed unanimously.

EQUISTONE PARTNERS
EUROPE FUND V, 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 HGGC Fund II, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated January 21, 2015 and Portfolio Advisors LLC, dated January 1, 2015. 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. Langan seconded the motion, which passed with one NO vote from Ms. Lemmo.

HGGC FUND II, L.P.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$150

CABOT INDUSTRIAL
CORE FUND, L.P.

million plus reasonable normal investment expenses, in Cabot Industrial Core Fund, L.P., in accordance with the recommendation of Laurann H. Stepp, Senior Portfolio Manager, dated January 21, 2015 and Courtland Partners recommendation dated December 22, 2014. 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, or by a memo to that effect appended to, the implementing investment contract. Mr. Mains seconded the motion, which passed unanimously.

PERSONNEL COMMITTEE REPORT

Representative Grell reported on the meeting held on January 21, 2015.

MINUTES APPROVED

Representative Grell stated that the Committee approved the minutes of the December 9, 2014 meeting.

EXECUTIVE SESSION

Representative Grell stated that an Executive Session was held to discuss the status of the Executive Director Search.

BYLAWS COMMITTEE REPORT

Mr. Mains reported on the meeting held on January 21, 2015.

MINUTES APPROVED

Mr. Mains stated that the Committee approved the minutes of the June 13, 2014 meeting.

PRESENTATION

Mr. Mains stated that Mr. Wasiak reviewed proposed changes to the Board Automation Policy.

BOARD AUTOMATION POLICY

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed changes to Board Automation Policy for the Public School Employees Retirement Board pursuant to the recommendation of Joseph E. Wasiak, Jr., Assistant Executive Director, dated January 12, 2015. Ms. Beck seconded the motion, which passed unanimously.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on January 21, 2015.

MINUTES APPROVED

Ms. Beck stated that the Committee approved the minutes of the December 8, 2014 meeting.

Ms. Beck moved in the case of Donald G. Bailey, that the Board adopts the draft Opinion and Order of the Board, adopting the Hearing Examiner's Proposed Opinion and Recommendation, denying Claimant's request to reinstate .52 year of service to his account. Ms. Langan seconded the motion, which passed unanimously.

ACCOUNT OF
DONALD G. BAILEY

Mr. Biery left the meeting at this time.

Ms. Beck moved in the case of Dorothy A. Gambardella, that the Board adopts the draft Opinion and Order of the Board, adopting the Hearing Examiner's Proposed Opinion and Recommendation, denying Claimant's request to change the effective date of her retirement from February 22, 2012 to December 18, 2009. Mr. Mains seconded the motion, which passed unanimously.

ACCOUNT OF
DOROTHY A.
GAMBARDELLA

Ms. Beck moved in the case of Janice L. Jones, that the Board adopts the draft Opinion and Order of the Board granting PSERS' Motion for Summary Judgment, dismissing Claimant's Appeal and adjusting Claimant's account to reflect work in an emergency capacity the first 95 days of the 1999-2000 school year. Mr. Mains seconded the motion, which passed unanimously.

ACCOUNT OF
JANICE L. JONES

Ms. Beck moved in the case of Pearl I. MacKerchar, that the Board adopts the draft Opinion and Order of the Board, adopting the Hearing Examiner's Proposed Opinion and Recommendation with the modifications noted, and denying Claimant's request to receive service credit for the period Claimant was not working for the School District of Philadelphia and was receiving Workers' Compensation Benefits. Mr. Mains seconded the motion, which passed unanimously.

ACCOUNT OF
PEARL I. MACKERCHAR

Mr. Biery returned to the meeting at this time.

Ms. Beck moved in the case of Gwendolyn A. Porter, that the Board adopts the draft Opinion and Order of the Board granting PSERS' Motion for Summary Judgment, denying Claimant's request that she not be required to return retirement benefits received after her return to service with the School District of Philadelphia. Mr. Mains seconded the motion, which passed unanimously.

ACCOUNT OF
GWENDOLYN A. PORTER

Ms. Beck moved in the case of AnnMarie B. Tedrick, that the Board adopts the draft Opinion and Order of the Board granting PSERS' Motion for Summary Judgment, denying Claimant's request to

ACCOUNT OF
ANNMARIE B. TEDRICK

purchase previous school service. Mr. Biery seconded the motion, which passed unanimously.

ESRC REPORTS

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the October 16, November 19, and December 17, 2014 meetings.

NEW BUSINESS

MEETING DATE
CHANGE

The Board agreed to change the date of the October meetings from October 1 and 2, 2015 to October 5 and 6, 2015. Ms. Keaveney made the motion, which was seconded by Representative Grell, and passed unanimously.

ANNUAL POLICY
REVIEW

Mr. Clay stated that all policies have been reviewed and certified true by the responsible parties.

SIGNING RESOLUTION

Ms. Langan moved that the Public School Employees' Retirement Board (PSERB) authorizes any two or more of the persons occupying the following positions, namely, the Executive Director; Deputy Executive Director; Assistant Executive Director; Chief Financial Officer; Chief Investment Officer; Deputy Chief Investment Officer; Managing Director of Investment Operations and Risk; Managing Director of Private Markets and Real Estate; Managing Director of Equities; Managing Director of Fixed Income; and Director of Investment Accounting and Budget to execute and deliver any and all contracts, instruments, or documents that require written signatures in the name of the Public School Employees' Retirement System (the "System"), and to endorse, assign, or guarantee all such contracts, instruments, or documents in the name of the System.

Resolved further, that (i) in the case of investment contracts, the Chief Investment Officer, Deputy Chief Investment Officer, Managing Director of Investment Operations and Risk, Managing Director of Private Markets and Real Estate, Managing Director of Equities, or Managing Director of Fixed Income must be one of the two signatories, and the Executive Director, Deputy Executive Director, Assistant Executive Director, Chief Financial Officer, or Director of Investment Accounting and Budget must be one of the two signatories, except in exigent circumstances when the only authorized signatories who are available hold Investment Office positions; and (ii) in the case of all other contracts, the Executive Director, Deputy Executive Director, Assistant Executive Director, Chief Financial Officer, or Director of Investment Accounting and Budget must be one of the two signatories, except in exigent

circumstances when none of the designated individuals is available. Mr. Sando seconded the motion, which passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

Mr. Clay stated that he gave a presentation to IU #4 in Grove City on January 13-14, 2015.

RECENTLY ATTENDED

Mr. Clay informed the Board that the mileage reimbursement rate has been increased to .575 per mile, effective January 1, 2015.

INFORMATION

Mr. Clay stated that the next meeting of the Committees and Board will be March 12 and 13, 2015, and will include the Asset Allocation discussion.

Mr. Clay extended appreciation to PSERS' Investment Office and Legal Office for their work on the secondary sale of PSERS' interests in a series of investment limited partnerships.

THANK YOU

CHIEF COUNSEL REPORT

Ms. Ferencz stated that the Office of Chief Counsel Report for 2014 was provided in a confidential envelope.

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl presented the Chief Financial Officer's Report, which included information on the 1099's, Budget and Transition Document Previews – Pension Funding, GASB 68 Update, and Other Financial Management Activities.

CFO REPORT

Mr. Weeter thanked Mr. Clay, on behalf of all retired teachers, for his service.

VISITOR COMMENTS

Mr. Rowland thanked Mr. Clay, on behalf of PASR, for his service to the members of the system.

Ms. Vogler thanked the Board for her re-election to the Board Chairman position.

BOARD MEMBER
COMMENTS

Mr. Sando thanked the Board for his re-election to the Board Vice-Chairman position.

Representative Grell informed the Board that PSERS' Budget Hearings will be held on March 23, 2015 at 10:00 A.M.

ADJOURNMENT

Chairman Vogler adjourned the meeting at 2:12 P.M.

NEXT MEETING

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on March 13, 2015, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

Date 2/9/15

Approved


Jeffrey B. Clay,
Executive Director