

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

**Regular Meeting**

**Minutes**

**June 11, 2015**

**2:35 P.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Ms. Deborah J. Beck  
Mr. Frederick T. Berestecky  
Mr. James R. Biery  
Representative Stephen Bloom  
Mr. Larry B. Breech  
Ms. Stacey Connors for Senator Patrick M. Browne  
Ms. Jennifer Langan for Acting Treasurer Christopher B. Craig  
Ms. Sally Keaveney for Senator Lawrence M. Farnese  
Ms. Susan C. Lemmo  
Mr. Craig Erdman for Mr. Nathan G. Mains  
Mr. Bernard Gallagher for Representative Joseph F. Markosek  
Ms. Lori Graham for Secretary Pedro A. Rivera  
Mr. James M. Sando  
Ambassador Martin J. Silverstein (out at 3:10)

**Staff Members Present**

Ms. Barbara Book  
Ms. Deborah Bugaile  
Mr. Brian S. Carl  
Mr. Brian Durning  
Ms. Michele Ferencz  
Mr. Glen R. Grell  
Mr. James H. Grossman, Jr.  
Mr. Donald J. Halke  
Mr. Frank Ryder  
Ms. Terrill J. Sanchez  
Mr. Charles K. Serine  
Mr. Joseph E. Wasiak, Jr.  
Ms. Evelyn M. Williams

**Others Present**

Mr. Nathan Danielson  
Mr. Sandy Leopold  
Mr. Edgar Hernandez, SEIU

CALL TO ORDER Chairman Vogler called the meeting to order at 2:35 P.M. in the fourth floor Board Room at PSERS' headquarters.

GUEST AND NEW EMPLOYEE Mr. Grell welcomed guest, Mr. Danielson and new employee, Mr. Durning.

MINUTES APPROVED Ms. Beck moved to approve the minutes of the April 30, 2015 Board meeting. Ms. Langan seconded the motion, which passed unanimously.

#### FINANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held June 11, 2015.

MINUTES APPROVED Mr. Sando stated that the Committee approved the minutes of the April 30, 2015 meeting.

PRESENTATIONS Mr. Sando stated that: Mr. Grossman presented his Governance Initiative Update and Market Review and Comments; an Executive Session was held regarding Private Markets and Real Estate Fund Issues, as well as the Hedge Fund Consultant Selection Committee; the following action items were presented: Hedge Fund Consultant Selection Committee; Cerberus Institutional Partners VI, L.P.; Cerberus – PSERS Levered Loan Opportunities Fund, L.P.; Sankaty Credit Opportunities VI, L.P.; Summit Partners Growth Equity Fund IX, L.P.; Summit Partners Venture Capital Fund IV, L.P.; and Mr. Grossman also presented his Preview of Future Meetings.

HEDGE FUND INVESTMENT CONSULTANT Mr. Sando moved that pursuant to the recommendations of the Technical Evaluation Committee for PSERS RFP 2015-2 as presented by John B. Kemp, the Public School Employees' Retirement Board (the "Board") hereby retains Aksia LLC as Hedge Fund Investment Consultant for a contract term not to exceed five years. The final terms and conditions of the purchase order 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 unanimously.

CERBERUS INSTITUTIONAL PARTNERS VI, L.P. Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby adopts proposed changes to Exhibits B (10-Year Target Allocation), C (Current Target Allocation), D (Policy Index), and E (Public Market Investment Manager Target Ranges)

of the Investment Policy Statement, Objectives, and Guidelines, as amended, for the Public School Employees' Retirement System, pursuant to the recommendation of James H. Grossman, Jr., Chief Investment Officer, dated April 20, 2015 and Aon Hewitt Investment Consulting, Inc. dated April 2015. Mr. Erdman seconded the motion, which passed unanimously.

CERBERUS PSERS  
LEVERED LOAN  
OPPORTUNITIES FUND,  
L.P.

Mr. Sando moved that pursuant to the recommendations of Charles J. Spiller, Managing Director, Private Market and Real Estate, dated June 11, 2015 and Portfolio Advisors LLC, dated May 2015, the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of up to \$300 million, plus reasonable normal investment expenses, in Cerberus PSERS Levered Loan Opportunities Fund, L.P., and (ii) that the Investment Office shall have the discretion to invest additional sums within the target ranges approved by the Board in Exhibit D 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/investment/guide/guide.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, or by a memo to that effect appended to, the implementing investment contract. Mr. Biery seconded the motion, which passed unanimously.

SANKATY CREDIT  
OPPORTUNITIES VI, L.P.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$250 million plus reasonable normal investment expenses, in Sankaty Credit Opportunities VI, L.P., in accordance with the recommendation of James F. Del Gaudio, Senior Investment Professional, dated June 11, 2015 and Portfolio Advisors LLC, dated May 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. Gallagher seconded the motion, which passed unanimously.

SUMMIT PARTNERS  
GROWTH EQUITY FUND  
IX, 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 Summit Partners Growth Equity Fund IX, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private

Markets and Real Estate, dated June 11, 2015 and Portfolio Advisors, LLC., dated May 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. Lemmo seconded the motion, which passed unanimously.

**SUMMIT PARTNERS  
VENTURE CAPITAL  
FUND IV, L.P.**

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$50 million plus reasonable normal investment expenses, in Summit Partners Venture Capital Fund IV, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated June 11, 2015 and Portfolio Advisors, LLC., dated May 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. Beck seconded the motion, which passed unanimously.

**HEALTH CARE COMMITTEE REPORT**

Ms. Lemmo reported on the meeting held on June 11, 2015.

**MINUTES APPROVED**

Ms. Lemmo stated that the Committee approved the minutes of the April 30, 2015 meeting.

**PRESENTATIONS**

Ms. Lemmo stated that Mr. Schafer and Segal's Mr. Johnson gave presentations on Self-Funded Rates and the New Medical and Prescription Drug Plans; and an Executive Session was held regarding the Voluntary Dental RFP.

**HOP MEDICAL PLAN  
BENEFITS AND RATES  
EFFECTIVE 1-1-16**

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the premium rates of the HOP Medical Plan effective January 1, 2016 for calendar year 2016:

**HOP MEDICAL PLAN**

<b>Southeast Region</b>	<b>2015</b>	<b>2016</b>	<b>% Change</b>
Standard Rate	\$ 199	\$ 199	0%
Age 65 Rate	170	170	0
Age 65 Rate (2 <sup>nd</sup> Year)	176	176	0
Age 65 Rate (3 <sup>rd</sup> Year)	182	182	0
Age 65 Rate (4 <sup>th</sup> Year)	188	188	0
Age 65 Rate (5 <sup>th</sup> Year)	N/A	194	0

<b>Southwest Region</b>	<b>2015</b>	<b>2016</b>	<b>% Change</b>
Standard Rate	\$195	\$195	0%
Age 65 Rate	166	166	0
Age 65 Rate (2 <sup>nd</sup> Year)	172	172	0
Age 65 Rate (3 <sup>rd</sup> Year)	178	178	0
Age 65 Rate (4 <sup>th</sup> Year)	184	184	0
Age 65 Rate (5 <sup>th</sup> Year)	N/A	190	0

<b>North and Central Region</b>	<b>2015</b>	<b>2016</b>	<b>% Change</b>
Standard Rate	\$ 169	\$ 172	2%
Age 65 Rate	144	147	2%
Age 65 Rate (2 <sup>nd</sup> Year)	149	152	2%
Age 65 Rate (3 <sup>rd</sup> Year)	154	157	2%
Age 65 Rate (4 <sup>th</sup> Year)	159	162	2%
Age 65 Rate (5 <sup>th</sup> Year)	N/A	167	0

Mr. Erdman seconded the motion, which passed unanimously.

Ms. Lemmo 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, 2016 for calendar year 2016:

**BASIC MEDICARE RX  
OPTION BENEFITS AND  
RATES EFFECTIVE  
1-1-16**

<b>Basic Medicare Rx Option:</b>	<b>2015</b>	<b>2016</b>	<b>Increase</b>
Single	\$38	\$41	8%
Two Person	76	82	8%

Ms. Beck seconded the motion, which passed unanimously.

Ms. Lemmo 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, 2016 for calendar year 2016:

**ENHANCED MEDICARE  
RX OPTION BENEFITS  
AND RATES EFFECTIVE  
1-1-16**

Enhanced Medicare Rx Option: w/Benefit Changes	2015	2016	Increase
Single	\$ 91	\$ 97	7%
Two Person	\$182	\$194	7%

Ms. Keaveney seconded the motion, which passed unanimously.

HOP MEDICAL PLAN  
BENEFITS AND RATES  
EFFECTIVE 1-1-16

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the premium rates of the HOP Pre-65 Medical Plan effective January 1, 2016 for calendar year 2016:

HOP Pre-65 MEDICAL PLAN

All Regions	2015	2016	% Change
Pre-65 Medical Plan	\$ 761	\$ 836	10%
Pre-65 Medical Plan w/ Prescription Drugs	877	964	10%

Mr. Gallagher seconded the motion, which passed unanimously.

VALUE MEDICAL PLAN  
BENEFITS AND RATES  
EFFECTIVE 1-1-16

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the following Value Medical Plan benefits effective January 1, 2016 for the 2016 plan year:

In conjunction with Medicare the Member Pays	HOP Value Medical Plan
<b>Part A</b>	
Hospital Deductible (day 1-60)	\$500
Coinsurance (days 61-90)	0%
Coinsurance (days 91-150)	0%
SNF Coinsurance (day 21-100)	\$50/day
Hospice cost-sharing (5% plus \$5/Rx)	0%
<b>Part B</b>	
Part B Deductible (/year)	\$147
Part B Coinsurance	20% (up to following max <sup>1</sup> )
Physician Visits	\$20
Emergency Room	\$50
Outpatient Surgery	\$100
MRI and CT Scans	\$100
Durable Medical Equipment	20%
A&B Out-of-pocket Limit	\$5,000
Coverage after Medicare	NC

<sup>1</sup> Member copayment not to exceed remaining allowed amount after Medicare

And further the Public School Employees' Retirement Board (the Board") hereby approves the following monthly premium rates of the Value Medical Plan effective January 1, 2016 for calendar year 2016:

	Single Premium	2-Person Premium
Southeast Region	117 \$	\$231
Southwest Region	15 1	227
North and Central Region	02 1	199

Ms. Beck seconded the motion, which passed unanimously.

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the following Value Medicare Rx Option benefits effective January 1, 2016 for the 2016 plan year:

**VALUE MEDICARE RX  
OPTION BENEFITS AND  
RATES EFFECTIVE 1-1-16**

**VALUE Rx OPTION**

Member Pays		2016 Benefits
Annual Deductible		\$360
Initial Coverage	Generic Drugs	25%
	Preferred Brand Drugs	25%
	Non-Preferred Brand Drugs	25%
	Specialty Drugs	25%
Coverage Gap	Generic Drugs	58%
	Brand Drugs	45%
	Specialty Drugs	
	Generic Drugs	58%
Catastrophic	Brand Drugs	45%
	Generic Drugs	Greater of \$2.95 or 5%
	Brand Drugs	Greater of \$7.40 or 5%

And further, that the Public School Employees' Retirement Board (the Board") hereby approves the following monthly premium rates of the Value Medicare Rx Option effective January 1, 2016 for calendar year 2016:

<b>Basic Medicare Rx Option:</b>	<b>2016</b>
Single	\$16
Two Person	32

Mr. Sando seconded the motion, which passed unanimously.

HOP VOLUNTARY  
DENTAL PLAN  
INSURER

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") in accordance with the recommendation of the Voluntary Dental Plan Insurer - Request For Proposal Evaluation Committee, hereby selects MetLife as the insurance carrier for the Voluntary Dental Plan for the Health Options Program for the period commencing January 1, 2016, through December 31, 2017, renewable for up to three one-year periods upon mutual written consent of the parties, subject to negotiations of terms and conditions satisfactory to the Board. Mr. Breech seconded the motion, which passed unanimously.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck, reported on the meeting held on June 11, 2015.

MINUTES APPROVED

Ms. Beck stated that the Committee approved the minutes of the April 30, 2015 meeting.

ACCOUNT OF  
GWENDOLYN E.  
CARUSONE

Ms. Beck moved in the case of Gwendolyn E. Carusone, that the Board adopts the draft adjudication granting PSERS' motion for summary judgment and dismissing the claimant's appeal and request for administrative hearing. Representative Bloom seconded the motion, which passed unanimously.

ESRC REPORT

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Report from the March 26, 2015 meeting.

BYLAWS/POLICY COMMITTEE REPORT

Mr. Gallagher reported on the meeting held on June 11, 2015.

MINUTES APPROVED

Mr. Gallagher stated that the Committee approved the minutes of the January 21, 2015 meetings.



Mr. Gallagher stated that Mr. Wasiak led a discussion regarding Committee and Board meeting structure.

DISCUSSION

OLD BUSINESS

Ms. Vogler requested the formation of a work/study committee to address the issue of Income Inequality.

WORKING COMMITTEE

EXECUTIVE DIRECTOR'S REPORT

Mr. Grell stated that he completed a building-wide Orientation and met as many staff as possible. In the near future he intends to visit the field offices to meet the staff and have a brief orientation at each site.

ORIENTATION

Mr. Grell stated that he attended PSERS Employee Recognition Ceremony on May 5; a meeting with the Budget Secretary on May 13; gave a pension funding update presentation to the Bucks/Lehigh/Northampton Counties superintendents, business managers and Board members on May 20; attended the PAPERS Forum May 21-22; participated in the Voluntary Dental RFP on June 1; attended the Harrisburg Regional Chamber Governor's Breakfast on June 3; participated in a meeting with the Governor's senior staff regarding investment fees; and gave a pension funding presentation to the Central PA Financial Planners Association on June 9.

EVENTS ATTENDED

Mr. Grell stated that he will be hosting the PASBO Board of Trustees on June 15; and will be making a presentation to PSEA-R in Gettysburg on July 23.

UPCOMING EVENTS

CHIEF COUNSEL REPORT

Ms. Ferencz updated the Board that SB1 is still in process. She also further updated the Board on the gift ban and reinforced the policy which prohibits the accumulation of hotel honors points and frequent flyer miles for personal use.

GIFT BAN UPDATE

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl presented the Chief Financial Officer's Report, which included information on GASB 68; Senate Bill 1; the Impact of TE-TF Risk Share; and Other Financial Management Activities.

CFO REPORT

BOARD MEMBER  
COMMENTS

Ms. Connors expressed her appreciation for Mr. Serine, Mr. Ryder and Mr. Carl's assistance with Senate Bill 1.

EXECUTIVE SESSION

At 3:32 P.M., Mr. Grell 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 current and potential litigation. 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))."

Mr. Erdman moved that the Board enter into Executive Session. Representative Bloom seconded the motion, which passed unanimously. The Executive Session ended at 3:42 P.M. and the meeting immediately returned to Regular Session.

ADJOURNMENT

Chairman Vogler adjourned the meeting at 3:42 P.M.

NEXT MEETING

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on August 6, 2015, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

Date 7/23/2015

Approved   
Glen R. Grell  
Executive Director