

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

Regular Meeting

Minutes

August 6, 2015

10:53 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Ms. Deborah J. Beck
Mr. Frederick T. Berestecky
Representative Stephen Bloom
Mr. Larry B. Breech
Ms. Stacey Connors for Senator Patrick M. Browne
Ms. Sally Keaveney for Senator Lawrence M. Farnese
Ms. Susan C. Lemmo
Mr. Craig Erdman for Mr. Nathan G. Mains
Ms. Miriam Fox for Representative Joseph F. Markosek
Treasurer Timothy A. Reese
Ms. Danielle Mariano for Secretary Pedro A. Rivera
Mr. James M. Sando

Board Members Absent

Mr. James R. Biery
Ambassador Martin J. Silverstein

Staff Members Present

Ms. Barbara Book
Mr. Brian S. Carl
Mr. Glen R. Grell
Mr. James H. Grossman, Jr.
Ms. Terrill J. Sanchez
Mr. Charles K. Serine
Ms. Kelly Sprenkle
Mr. Joseph E. Wasiak, Jr.
Ms. Evelyn M. Williams

Others Present

Ms. Deb Baughman, PSEA-R
Mr. Sandy Leopold
Mr. Tom Weeter, PSEA-R

CALL TO ORDER Chairman Vogler called the meeting to order at 10:53 A.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME GUESTS Mr. Grell welcomed guests, Ms. Baughman and Mr. Weeter.

MINUTES APPROVED Ms. Connors moved to approve the minutes of the June 11, 2015 Board meeting. Ms. Keaveney seconded the motion, which passed unanimously.

FINANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held August 5, 2015.

MINUTES APPROVED Mr. Sando stated that the Committee approved the minutes of the June 11, 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; the following action items were presented: Investment Policy Statement, Private Markets In-House Co-Investment Program, Independence Reinsurance Partners, LP., Aisling Capital IV, L.P., and Bain Capital Asia Fund III, L.P.; information items included Mr. Spiller's Private Markets Fourth Quarter Report and Real Estate Fourth Quarter Report, and Mr. Devine's Fixed Income Market Review; and 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 the Investment Objectives and Guidelines and Exhibit D (Policy Index) 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, dated July 17, 2015. Ms. Beck seconded the motion, which passed unanimously. Executive Director Grell read correspondence from Ambassador Silverstein in support of the motion, to be made part of the record in his absence.

PRIVATE MARKETS IN-HOUSE CO-INVESTMENT AND SECONDARY PROGRAM Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an additional amount not to exceed \$50 million, in the Private Markets In-House Co-Investment and Secondary Program, in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated August 5, 2015. Mr. Erdman seconded the motion,

which passed unanimously. Executive Director Grell read correspondence from Ambassador Silverstein in support of the motion, to be made part of the record in his absence.

Mr. Sando moved that pursuant to the recommendations of Robert E. Little, Portfolio Manager, and Aksia, LLC, dated July 22, 2015, the Public School Employees' Retirement Board (the "Board") hereby (i) commits to invest an amount not to exceed \$200 million in Independence Reinsurance Partners, LP, and (ii) that the Investment Office shall have the discretion to invest additional sums within the target ranges approved by the Board in Exhibit E 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 the implementing investment contract or by a memo to that effect appended to the implementing investment contract. Mr. Erdman seconded the motion, which passed unanimously. Executive Director Grell read correspondence from Ambassador Silverstein in support of the motion, to be made part of the record in his absence.

INDEPENDENCE
REINSURANCE
PARTNERS, LP

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 Aisling Capital IV, L.P., in accordance with the recommendation of Luke M. Jacobs, Portfolio Manager, Private Markets, dated August 5, 2015 and Portfolio Advisors, LLC., dated July 14, 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. Erdman seconded the motion, which passed unanimously. Executive Director Grell read correspondence from Ambassador Silverstein in support of the motion, to be made part of the record in his absence.

AISSLING CAPITAL IV, LP

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 Bain Capital Asia Fund III, L.P., in accordance with the recommendation

BAIN CAPITAL ASIA FUND
III, L.P.

of Michael J. Tyler, Portfolio Manager, Private Markets, dated July 14, 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. Treasurer Reese seconded the motion, which passed unanimously. Executive Director Grell read correspondence from Ambassador Silverstein in support of the motion, to be made part of the record in his absence.

Mr. Sando left at this time.

HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held on August 5, 2015.

MINUTES APPROVED

Ms. Lemmo stated that the Committee approved the minutes of the June 11, 2015 meeting.

PRESENTATIONS

Ms. Lemmo stated that the Committee heard presentations regarding the CMS Rates, MCO Rates and Voluntary Dental Plan; and an Executive Session was held regarding the Voluntary Dental Plan.

**ENHANCED MEDICARE
RX OPTION RATES –
EFFECTIVE 1-1-2016**

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	2015	2016	\$ Increase	%
Single	\$91	\$99	\$8	9%
Two Person	182	198	16	9%

Mr. Erdman seconded the motion, which passed unanimously.

**BASIC MEDICARE RX
OPTION RATES
EFFECTIVE 1-1-2016**

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	2015	2016	\$ Increase	%
Single	\$38	\$49	\$11	29%
Two Person	76	98	22	29%

Mr. Breech 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 Value Medicare Rx Option effective January 1, 2016 for calendar year 2016:

VALUE MEDICARE RX
OPTION RATES
EFFECTIVE 1-1-2016

Value Medicare Rx Option	2016
Single	\$19
Two Person	38

Ms. Keaveney seconded the motion, which passed unanimously.

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

VOLUNTARY DENTAL
PLAN BENEFITS AND
RATES EFFECTIVE
1-1-2016

	Dental Plan	
	In-Network	Out-Network
Class I - Diagnostic & Preventative	100%	80%
Deductible (Excluding Class I)	0	\$100
Class II - Basic Services	70%	50%
Class III - Major Services	60%	50%
Annual Maximum Benefits	\$1,200	

And further, that the Board approves the following monthly premium rates of the Dental Plan effective January 1, 2016 for calendar year 2016:

	Single Coverage	Dependent Coverage
Monthly Premium	\$ 37.30	\$ 35.07

These benefits and rates are subject to negotiations of terms and conditions with MetLife per its proposal in response to the Request For Proposal – Voluntary Dental Plan Insurer satisfactory to the Director, Health Insurance Office, the Office of Chief Counsel and the Executive Director.

Mr. Breech seconded the motion, which passed unanimously.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck, reported on the meeting held on August 5, 2015.

Ms. Beck stated that the Committee approved the minutes of the June 11, 2015 meeting.

MINUTES APPROVED

ACCOUNT OF
ADAM D. SMITH

Ms. Beck moved in the case of Adam D. Smith, that the Board adopts the draft adjudication granting PSERS' Motion for Summary Judgment and dismissing the Claimant's appeal and request for an Administrative Hearing. Mr. Erdman seconded the motion, which passed unanimously.

ESRC REPORT

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the April 23 and May 28, 2015 meetings.

BYLAWS/POLICY COMMITTEE REPORT

Ms. Fox reported on the meeting held on August 5, 2015.

MINUTES APPROVED

Ms. Fox stated that the Committee approved the minutes of the June 11, 2015 meeting.

MEETING
RESTRUCTURE

Ms. Fox stated that Mr. Wasiak led a discussion regarding Committee and Board meeting structure and that staff will revise the 2016 calendar, according to the Committee's recommendations, and present it at the next meeting.

NEW BUSINESS

MEMBER REQUEST

Mr. Berestecky requested information on PSERS' Infrastructure allocation and investments. Mr. Grossman will provide this information.

EXECUTIVE DIRECTOR'S REPORT

ELECTION NEWS

Mr. Grell stated that June 19, 2015, was the deadline for submitting petitions for candidates in the 2015 Election for the Active Certified Member Seat and the Active Non-Certified member seat on the Public School Employees' Retirement Board. Both seats serve a three-year term commencing January 1, 2016.

Ms. Deborah Beck was the only candidate who submitted the proper information for the Active Non-Certified Member Seat. The PSERB Election Guidelines state that if an election has only one candidate who qualifies to appear on the ballot, no election will be conducted. Therefore, Ms. Beck is "elected by acclamation" in accordance with Section 46 of Robert's Rules of Order.

Ms. Susan Lemmo was the only candidate who submitted the proper information for the Active Certified Member Seat. The PSERB Election Guidelines state that if an election has only one

candidate who qualifies to appear on the ballot, no election will be conducted. Therefore, Ms. Lemmo is "elected by acclamation" in accordance with Section 46 of Robert's Rules of Order.

Mr. Grell stated that he met with the PASBO Board of Trustees on June 15; attended a budget and related issues briefing at the PA Manufacturers Association on June 29; made a presentation to the PSEA Board meeting in Gettysburg on July 17; gave a presentation to PSEA-R in Gettysburg on July 23; and attended the NASRA Conference in Monterey, CA July 31 – August 4.

EVENTS ATTENDED

Mr. Grell stated that he will be making a presentation to the Montgomery County Intermediate Unit on October 1 and will be making visits to PSERS' field offices in the next few weeks.

UPCOMING EVENTS

CHIEF COUNSEL REPORT

There was no Chief Counsel Report given.

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl presented the Chief Financial Officer's Report, which included information on Preliminary June 30, 2015 Financial Statements; Year End Schedule; PSERS' Enacted FY 2015-16 Administrative Budget; Commonwealth's Proposed 2015-16 Employer Retirement Contribution Budget; Employer Contribution Rate Changes; GASB 68 Update; More New Accounting Standards; 10 Year NAV History.

CFO REPORT

Mr. Weeter extended appreciation, on behalf of Gettysburg PSEA-R, for the presentation Mr. Grell gave to their organization.

VISITOR COMMENTS

Ms. Baughman thanked the Board for the opportunity to observe their meeting and for their continued effort in serving the membership. She also asked for, and was given, clarification on the Voluntary Dental plan.

Ms. Vogler expressed her appreciation for the opportunity to attend the NCTR conference, which she found to be very worthwhile. Ms. Beck concurred.

BOARD MEMBER
COMMENTS

Treasurer Reese expressed his pleasure at being a member of the Board and his eagerness to serve.


Chairman Vogler adjourned the meeting at 12:03 P.M.

ADJOURNMENT

NEXT MEETING

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

8-25-15
Date


Glen R. Grell
Executive Director