

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

**Regular Meeting**

**Minutes**

**December 8, 2015**

**9:01 A.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Ms. Deborah J. Beck (telephonically)  
Mr. Frederick T. Berestecky  
Mr. James R. Biery (arrived at 9:14)  
Ms. Lisa Taglang for Representative Stephen Bloom  
Mr. Larry B. Breech  
Ms. Susan C. Lemmo  
Mr. Craig Erdman for Mr. Nathan G. Mains  
Mr. Bernard Gallagher for Representative Joseph F. Markosek  
Ms. Jennifer Langan for Treasurer Timothy A. Reese  
Mr. James M. Sando  
Ambassador Martin J. Silverstein (arrived at 9:14)

**Board Members Absent**

Senator Patrick M. Browne  
Senator Lawrence M. Farnese  
Secretary Pedro A. Rivera

**Others Present**

Mr. Chris Ade, Lord Abbett  
Mr. David Driscoll, Buck Consultants  
Mr. Sandy Leopold  
Mr. Salvador Nakar, Buck Consultants  
Mr. Edward Quinn, Buck Consultants  
Ms. Linda Weaver  
Mr. Tom Weeter, PSEA-R

Staff Members Present

|                            |                           |
|----------------------------|---------------------------|
| Mr. Frederick Alcaro       | Ms. Terrill J. Sanchez    |
| Ms. Barbara Book           | Ms. Letitia Schubauer     |
| Mr. Brian S. Carl          | Mr. Johann Schuller       |
| Ms. Qin-Xia Chen           | Mr. Charles K. Serine     |
| Mr. Brian Farester         | Ms. Sherry Sibio          |
| Ms. Michele M. Ferencz     | Mr. Steven Skoff          |
| Mr. Steven Goldstein       | Ms. Kathrin Smith         |
| Mr. Don Gregory            | Ms. Wendy Stevens         |
| Mr. Glen R. Grell          | Ms. Linda Visco           |
| Mr. James H. Grossman, Jr. | Mr. Joseph E. Wasiak, Jr. |
| Mr. Daniel Hoy             | Mr. Daniel Weaver         |
| Ms. Gloria Mack            | Mr. Jeremy Wible          |
| Mr. Richard Michlovitz     | Ms. Evelyn M. Williams    |
| Mr. Russ Miller            | Ms. Lisa York             |
| Ms. Jennifer Mills         |                           |
| Ms. Deb Puskas             |                           |

CALL TO ORDER

Chairman Vogler called the meeting to order at 9:01 A.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME GUEST,  
NEW EMPLOYEES AND  
FIELD OFFICE  
ADMINISTRATORS

Mr. Grell welcomed guest, Mr. Weeter; new employees, Ms. Chen, Mr. Hoy, Ms. Mack, Mr. Schuller and Mr. Weaver; and PSERS' Field Office Administrators, Mr. Farester, Mr. Gregory, Mr. Miller, Ms. Puskas, Ms. Sibio, Ms. Stevens, Ms. Visco, Ms. York and Mr. Wible.

MINUTES APPROVED

Mr. Gallagher moved to approve the minutes of the October 6, 2015 Board meeting. Mr. Berestecky seconded the motion, which passed unanimously.

NEW BUSINESS

ACTUARIAL  
VALUATION  
PRESENTATION

Mr. Carl introduced Mr. Driscoll, Mr. Nakar and Mr. Quinn, of Buck Consultants, who presented the June 30, 2015 Actuarial Valuation.

Mr. Carl presented his Comparison of Key Projections 2010 Valuation through 2015 Valuation report.

Mr. Breech moved that the Public School Employees' Retirement Board (PSERB) hereby accepts the June 30, 2015 actuarial valuation report prepared by Buck Consultants, and adopts the actuarial factors, assumptions, and methodologies contained therein, which result in an employer contribution rate of 30.03% for

Fiscal Year July 1, 2016 through June 30, 2017. Mr. Sando seconded the motion, which passed unanimously.

Mr. Carl presented his Chief Financial Officer's Report, including PSERS' FY 2015 Comprehensive Annual Financial Report (CAFR); September 30, 2015 Financial Statements; Budget Impasse Impact on Employer Contributions; GASB 68 Employer Support; and Other Financial Management Activities.

CFO REPORT

FINANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held December 7, 2015.

Mr. Sando stated that the Committee approved the minutes of the October 5, 2015 meeting.

MINUTES APPROVED

Mr. Sando stated that: Mr. Grossman presented his Market Review and Comments; the following action items were presented: Investment Guidelines; Blackstone Real Estate Debt Partners III, L.P.; Exeter Core Industrial Club Fund II, L.P.; LBC – PSERS Credit Fund, L.P.; and Real Estate Co-Investment Program.; information items included Investment Manager Fees and Expenses; an Executive Session was held regarding Private Markets and Real Estate Fund Issues; and Mr. Grossman also presented his Preview of Future Meetings.

PRESENTATIONS

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby adopts proposed changes to Addendums X2, X3-PD, X3-PM and X3-RE and the Investment Policy Statement, Objectives, and Guidelines, as amended, for the Public School Employees' Retirement System, pursuant to the recommendation of Joseph W. Sheva, Risk Manager, dated November 20, 2015. Mr. Biery seconded the motion, which passed unanimously.

INVESTMENT OBJECTIVES AND GUIDELINES

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 Blackstone Real Estate Debt Strategies III, L.P., in accordance with the recommendation of William P. Stalter, Senior Portfolio Manager, Real Estate, dated November 14, 2015 and Courtland Partners, Ltd., dated November 11, 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.

BLACKSTONE REAL ESTATE DEBT STRATEGIES III, L.P.

Ms. Langan seconded the motion, which passed unanimously.

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 Exeter Core Industrial Club Fund II, L.P. in accordance with the recommendation of Laurann H. Stepp, Senior Portfolio Manager, dated December 7, 2015 and Courtland Partners, Ltd. recommendation dated November 11, 2015. 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 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.

EXETER CORE  
INDUSTRIAL CLUB  
FUND II, L.P.

LBC – PSERS CREDIT  
FUND, L.P.

Mr. Sando moved that pursuant to the recommendations of James F. Del Gaudio, Senior Investment Professional, dated November 20, 2015, and Portfolio Advisors LLC, dated November 12, 2015, the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of up to \$350 million, plus reasonable normal investment expenses, in LBC - PSERS Credit Fund, 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. Erdman 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 an amount not to exceed \$100 million, which represents an additional \$200 million from what was approved in PSERB Resolution 2014-44, 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 December 7, 2015. Mr. Breech seconded the motion, which passed unanimously.

## PERSONNEL COMMITTEE REPORT

Mr. Erdman reported on the meeting held on December 7, 2015.

Mr. Erdman stated that the Committee approved the minutes of the October 5, 2015 meeting.

MINUTES APPROVED

Mr. Erdman stated that an Executive Session was held regarding the Policy Manual for Investment Professional Staff. No action was taken.

POLICY MANUAL FOR  
INVESTMENT  
PROFESSIONAL STAFF

## HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held on December 7, 2015.

Ms. Lemmo stated that the Committee approved the minutes of the August 5, 2015 meeting.

MINUTES APPROVED

Ms. Lemmo stated that Mr. Schafer presented the Health Options Program 2016 Budget.

HOP 2016 BUDGET

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed Health Options Program Budget and two supplemental budgets for the sponsor's Administrative and Medicare Prescription Drug Program (PDP) for the Plan Year 2016 in the aggregate amount of \$354,071,000 as presented by Mark F. Schafer at the December 7, 2015 Health Care Committee meeting. Ms. Langan seconded the motion, which passed unanimously.

HEALTH OPTIONS  
PROGRAM BUDGET

## APPEALS/MEMBER SERVICES COMMITTEE REPORT

Mr. Breech, reported on the meeting held on December 7, 2015.

Mr. Breech stated that the Committee approved the minutes of the October 5, 2015 meeting.

MINUTES APPROVED

Mr. Breech moved in the case of Laurie L. Kristiniak, that the Board adopts the draft Opinion and Order that rejects Claimant's exceptions and adopts the Hearing Examiner's rationale denying Claimant's request. Mr. Berestecky seconded the motion, which passed unanimously.

ACCOUNT OF  
LAURIE L. KRISTINIAK

ACCOUNT OF  
RONALD M. MIHALKO

Mr. Breech moved in the case of Ronald M. Mihalko, that the Board adopt the draft Board Opinion and Order denying the Claimant's exception and adopt the Hearing Examiner's Opinion and Recommendation. Mr. Erdman seconded the motion, which passed unanimously.

ESRC REPORT

Mr. Breech stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the September 29 and October 29, 2015 meetings.

TECHNOLOGY STEERING COMMITTEE REPORT

Ms. Vogler reported on the meeting held on December 7, 2015.

MINUTES APPROVED

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

PRESENTATION

Mr. Spinks and Mr. Goldstein presented the PACS Migration Completion Review.

EXECUTIVE DIRECTOR'S REPORT

EVENTS ATTENDED

Mr. Grell reported that he attended the NCTR Conference October 9-15 in La Jolla, CA; spoke to the Westmoreland County PASR October 20; gave a presentation to the Master's Class at Shippensburg University October 21; gave a presentation at the BOCC annual training meeting October 21; attended a meeting with PASBO leadership November 5; gave a presentation to the PA Association of Intermediate Units in State College November 6; and made a presentation at the George Mason Law & Economics – Attorneys General Education Program Symposium in Palo Alto, CA October 29-31.

UPCOMING EVENTS

Mr. Grell stated that he will be giving a presentation to the Tuscarora Intermediate Unit in McVeytown December 16; holding the Executive Director's Holiday Reception for PSERS' Staff December 17; and attending the NASRA Winter Meeting in Washington DC February 27-29.

ONGOING ISSUES

Mr. Grell made note of ongoing legislative activity; strategic planning; a special election for the School Board seat on the PSERB; the 2016 PSERB elections; Disability case management; Philadelphia School District annuitant issues; the PSERS/PAPERS relationship and meeting coordination.

Mr. Sando moved that that the Public School Employees' Retirement Board (PSERB) hereby authorizes the Executive Director to send a letter to the Governor and House and Senate leadership to express PSERS' concern over the proposed extension of the rate collars in SB 1082, and the continued underfunding of the system. Mr. Berestecky seconded the motion, which passed unanimously. Senator Browne, Senator Farnese and Secretary Rivera were absent for this vote.

LETTER TO THE GOVERNOR

Mr. Grell informed the Board that PSERS staff exceeded its goal in the SECA Campaign; PSERS staff sponsored gifts for the Dauphin County Social Services for Children & Youth and the Tremont Nursing Home for Elderly.

ADDITIONAL INFORMATION

CHIEF COUNSEL REPORT

Ms. Ferencz informed the Board that an RFP has been issued for the selection of a securities litigation consultant. Ms. Vogler, Ms. Langan and Ambassador Silverstein volunteered to serve on the RFP review committee.

LITIGATION CONSULTANT RFP

Ms. Ferencz also stated that an RFP will be issued for standing counsel. Ms. Vogler and Ambassador Silverstein volunteered to serve on this review committee when formed.

STANDING COUNSEL RFP

Mr. Weeter expressed concern regarding the current pension issues on behalf of PSERS annuitants. He also extended his appreciation to the Board for their continued efforts and appreciation for the HOP Program. He wished all a great holiday season.

VISITOR COMMENTS

Chairman Vogler adjourned the meeting at 11:27 A.M.

ADJOURNMENT

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on March 11, 2016, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

NEXT MEETING

1/21/2016

Date



Glen R. Grell  
Executive Director