

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

**Regular Meeting**

**Minutes**

**June 10, 2016**

**12:39 P.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Mr. Frederick T. Berestecky  
Mr. James R. Biery  
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. Nathan G. Mains  
Ms. Miriam Fox for Representative Joseph F. Markosek  
Treasurer Timothy A. Reese  
Mr. James M. Sando  
Ambassador Martin J. Silverstein

**Board Members Absent**

Ms. Deborah J. Beck  
Secretary Pedro A. Rivera

**Others Present**

Mr. David Driscoll, Buck Consultants  
Mr. Bernard Gallagher  
Ms. Virginia Lastner  
Mr. Sandy Leopold  
Mr. Salvador Nakar, Buck Consultants  
Mr. Edward Quinn, Buck Consultants  
Mr. Bill Ryan, AON Hewitt  
Ms. Claire Shaughnessy, AON Hewitt  
Mr. Rod Stone  
Ms. Lisa Taglang  
Mr. Tom Weeter, PSEA-R

Staff Members Present

Ms. Jonene Adams	Ms. Lori Oliver
Ms. Barbara Book	Ms. Kristin Packer
Ms. Deborah Bugaile	Mr. Tony Parisi
Ms. Mariann Burton	Mr. Joel Pilsitz
Mr. Brian S. Carl	Ms. Anne Salem
Ms. Andrea Etter	Ms. Terrill J. Sanchez
Mr. Andrew Fiscus	Ms. Zelekha Sekander
Mr. Glen R. Grell	Mr. Charles K. Serine
Mr. James H. Grossman, Jr.	Mr. Steven Skoff
Ms. Cathy Gulbrandsen	Mr. Richard Spinks
Mr. Austin Hughey	Ms. Angela Turri
Ms. Alicia James	Mr. Joseph E. Wasiak, Jr.
Ms. Jennifer Mills	Ms. Evelyn Tatkovski Williams

**CALL TO ORDER**

Chairman Vogler called the meeting to order at 12:39 P.M. in the fourth floor Board Room of PSERS Headquarters.

**MINUTES APPROVED**

Ms. Keaveney moved to approve the minutes of the May 25, 2016 Board meeting. Mr. Mains seconded the motion, which passed unanimously.

**WELCOME GUESTS  
AND NEW EMPLOYEES**

Mr. Grell welcomed guests; Ms. Lastner, Mr. Stone and Mr. Weeter to the meeting. He also welcomed new employees; Ms. Adams, Ms. Burton, Ms. Oliver, Ms. Packer, Ms. Salem and Ms. Turri. Mr. Serine welcomed Legal Summer Intern, Mr. Hughey. Mr. Grell also introduced Ms. Lastner, who will hold the School Board seat on the PSERS Board of Trustees following the June meetings.

**EXCELLENCE AWARD**

Mr. Grell recognized the following employees for being among those receiving the PSERS Excellence Award: Ms. Etter, Ms. Gulbrandsen, Mr. Pilsitz and Ms. Sekander.

**NEW BUSINESS**

**FIVE-YEAR  
EXPERIENCE STUDY**

Mr. Carl introduced Mr. Driscoll, Mr. Quinn and Mr. Nakar, of Buck Consultants; and Ms. Shaughnessy and Mr. Ryan, of AON Hewitt, who presented the Five-Year Experience Study.

Ms. Fox moved that the Public School Employees' Retirement Board (the "Board") accepts the June 30, 2015 Five-Year Actuarial Experience Review presentation prepared by Buck Consultants, and adopts:

1. The demographic assumptions and option factor changes as more specifically set forth in the attached exhibits
2. An inflation assumption of 2.75%
3. An investment rate of return assumption of 7.25%, and
4. A salary growth assumption of 5.0%

The adopted assumptions will be implemented in the June 30, 2016 actuarial valuation. Representative Bloom seconded the motion, which passed with one NO vote, being Mr. Breech.

### CHIEF FINANCIAL OFFICER'S REPORT

Mr. Carl reported on the upcoming fiscal year end impact, and the distribution of GASB 68 year-2 materials to schools

CFO REPORT

### PERSONNEL COMMITTEE REPORT

Mr. Mains reported on the meeting held June 9, 2016.

Mr. Mains stated that the Committee approved the minutes of the March 11, 2016 meeting.

MINUTES APPROVED

Mr. Mains stated that an Executive Session was held to discuss the Executive Director's Evaluation.

EXECUTIVE SESSION

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby accepts the Executive Director's Evaluation, as discussed. Ms. Langan seconded the motion, which passed unanimously.

EXECUTIVE DIRECTOR'S EVALUATION

### APPEALS/MEMBER SERVICES COMMITTEE REPORT

Mr. Breech, on behalf of Ms. Beck, reported on the meeting held on June 9, 2016.

Mr. Breech stated that the Committee approved the minutes of the May 25, 2016 meeting.

MINUTES APPROVED

Mr. Breech moved in the case of Tina P. Stepter, that the Board adopts the draft Order, granting PSERS' motion for Summary Judgment and dismissing the Claimant's appeal to purchase out-of-state service. Ms. Keaveney seconded the motion, which passed unanimously.

ACCOUNT OF  
TINA P. STEPTER

Mr. Breech moved in the case of Andrew Lyle, that the Board adopts the draft Order granting PSERS' Motion for Summary Judgment and dismissing the Claimant's appeal to elect

ACCOUNT OF  
ANDREW LYLE

Membership Class T-F. Ms. Langan seconded the motion, which passed unanimously.

ESRC REPORTS

Mr. Breech stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the February 23, March 31 and April 28, 2016 meetings.

HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held on June 9, 2016.

MINUTES APPROVED

Ms. Lemmo stated that the Committee approved the minutes of the March 10, 2016 meeting.

PRESENTATIONS

Ms. Lemmo stated that Mr. Schafer presented the 2017 Premium Rates and Benefits Report.

VALUE MEDICARE RX  
OPTION

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the monthly premium rates and benefits of the Value Medicare Rx Option effective January 1, 2017 for calendar year 2017, as detailed in Attachment A. Ms. Langan seconded the motion, which passed unanimously.

BASIC MEDICARE RX  
OPTION

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the monthly premium rates and benefits of the Basic Medicare Rx Option effective January 1, 2017 for calendar year 2017, as detailed in Attachment B. Ms. Langan seconded the motion, which passed unanimously.

ENHANCED MEDICARE  
RX OPTION

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the following monthly premium rates and benefits of the Enhanced Medicare Rx Option effective January 1, 2017 for calendar year 2017, as detailed in Attachment C. Ms. Langan seconded the motion, which passed unanimously.

VALUE MEDICAL PLAN

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the premium rates of the Value Medical Plan effective January 1, 2017 for calendar year 2017, as detailed in Attachment D. Mr. Berestecky seconded the motion, which passed unanimously.

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, 2017 for calendar year 2017, as detailed in Attachment E. Ms. Langan seconded the motion, which passed unanimously.

HOP MEDICAL PLAN

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the premium rates of Pre-65 Medical Plan effective January 1, 2017 for calendar year 2017, as detailed in Attachment F. Ms. Langan seconded the motion, which passed unanimously.

PRE-65 MEDICAL PLAN

### BYLAWS/POLICY COMMITTEE REPORT

Mr. Gallagher reported on the meeting held June 9, 2016.

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

MINUTES APPROVED

Mr. Gallagher reported that the Committee considered a proposal to adopt a Policy regarding the authorization to communicate on legislative policy issues, which was tabled for further consideration at a later date.

DISCUSSION

### ELECTIONS COMMITTEE REPORT

Ambassador Silverstein reported on the meeting held June 9, 2016.

Ambassador Silverstein stated that the Committee approved the minutes of the April 30, 2010 meeting.

MINUTES APPROVED

Ambassador Silverstein reported that a unanimous motion was made to certify the results of the School Board Member election and that Mr. Grell gave an update on the upcoming elections.

ELECTION  
CERTIFICATION

### FINANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held June 10, 2016.

Mr. Sando stated that the Committee approved the minutes of the May 25, 2016 meeting.

MINUTES APPROVED

Mr. Sando stated that: Mr. Grossman presented his Market Review and Comments; Asset Class Reviews was presented by Messrs. Baker, Bauer, Burton, Del Gaudio, Derr and Devine; Introduction to Operational Risks was presented by Messrs. Kemp and Benson; and an Executive Session was held regarding Private

PRESENTATIONS

Markets and Real Estate Fund Issues. The following action items were introduced: DRA Growth and Income Fund IX, LL; RCG Longview Debt Fund VI, L.P.; Bridgepoint Development Capital III, L.P.; International Infrastructure Finance Company Fund II, L.P.; The Värde Scratch & Dent Fund 1-A; and Venor Capital Offshore Ltd. Mr. Grossman also presented his Preview of Future Meetings.

DRA GROWTH AND  
INCOME FUND IX, LLC

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 DRA Growth and Income Fund IX, LLC (and/or related investment vehicles), in accordance with the recommendation of Laurann H. Stepp, Senior Portfolio Manager, dated May 12, 2016 and Courtland Partners, Ltd. recommendation dated May 2, 2016. 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. Gallagher seconded the motion, which passed unanimously.

RCG LONGVIEW DEBT  
FUND VI, L.P.

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 RCG Longview Debt Fund VI, L.P. (and/or related investment vehicles), in accordance with the recommendation of Laurann H. Stepp, Senior Portfolio Manager, dated May 6, 2016 and Courtland Partners, Ltd. recommendation dated May 2, 2016. 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 with one abstention from both the discussion and the vote, being Ambassador Silverstein.

BRIDGEPOINT  
DEVELOPMENT  
CAPITAL III, L.P.

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 Bridgepoint Development Capital III, L.P. (and/or related investment vehicles), in accordance with the recommendation of Darren C. Foreman, Senior Portfolio Manager, Private Markets, dated May 5, 2016 and Portfolio Advisors LLC, dated May 2, 2016. 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. Keaveney 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 International Infrastructure Finance Company II, L.P. (and/or related investment vehicles), in accordance with the recommendation of James F. Del Gaudio, Senior Investment Professional, dated May 16, 2016 and Portfolio Advisors LLC, dated May 2, 2016. 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.

INTERNATIONAL  
INFRASTRUCTURE  
FINANCE COMPANY  
FUND II, L.P.

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 The Värde Scratch and Dent Fund I-A, L.P. (and/or related investment vehicles), in accordance with the recommendation of James F. Del Gaudio, Senior Investment Professional, dated May 16, 2016 and Aksia, LLC, dated May 11, 2016. 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 with one abstention from both the discussion and the vote, being Ambassador Silverstein.

THE VÄRDE SCRATCH &  
DENT FUND 1-A

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") pursuant to the recommendations of Robert E. Little, Portfolio Manager, dated May 20, 2016, and Aksia, LLC, dated May 11, 2016, the Public School Employees' Retirement Board (the "Board") hereby (i) commits to invest an amount not to exceed \$150 million in Venor Capital Offshore Ltd., 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

VENOR CAPITAL  
OFFSHORE LTD.

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. Ms. Lemmo seconded the motion, which passed with one abstention from both the discussion and the vote, being Ambassador Silverstein.

### EXECUTIVE DIRECTOR'S REPORT

#### EVENTS ATTENDED

Mr. Grell reported that he attended the PSERS Employee Recognition Ceremony on June 2; made a presentation to the Lehigh Valley PASBO on June 3; and met with PASBO representatives on June 6.

#### UPCOMING EVENTS

Mr. Grell stated he will attend the PSEA-R Summer Conference in Gettysburg on July 18; and he will attend the NASRA Annual Meeting in Idaho August 5-10.

#### ONGOING ISSUES

Mr. Grell informed the Board that the work on the relocation of the Southwest Regional Office is moving forward and should be completed by Labor Day.

Mr. Grell updated the Board on Pension and PERC Legislation; announced the availability for Board members to attend the upcoming NCTR Trustee Workshop in July; and reported that three Board election processes have commenced.

#### ADDITIONAL INFORMATION

Mr. Grell stated that there is a proposed resolution from NASRA in the red file folder. He also stated that a work group was held regarding Board governance with no action resulting from the meeting.

Mr. Grell extended his appreciation to Buck Consultants for their hard work and dedication to PSERS' requests.

#### RETIREMENT

Mr. Grell announced the retirement of Mark Schafer, PSERS Health Care Administrator, effective June 30, 2016.

Mr. Grell thanked Mr. Breech for his dedicated service to the Board and wished him well.



Mr. Breech thanked Ms. Vogler for her leadership and mentoring. He extended his appreciation to PSERS Board and staff for their courtesy, patience and hard work.

BOARD MEMBER  
COMMENTS

Ms. Lastner expressed her eagerness to be involved with the Board.

VISITOR COMMENTS

Chairman Vogler adjourned the meeting at 3:46 P.M.

ADJOURNMENT

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on September 9, 2016, at PSBA Headquarters, 400 Bent Creek Blvd., Mechanicsburg, PA.

NEXT MEETING

6/30/2016

Date



Glen R. Grell  
Executive Director

## ATTACHMENT A

Value Medicare Rx Option:	2015	2016	Increase
Single	\$19	\$21	11%
Two Person	38	42	11%

	Member Pays	2016	2017
	Annual Deductible	\$ 360	\$ 400
Initial Coverage (up to \$3,310 in 2016 and \$3,700† in 2017 total Rx spend)	Generic Drugs	25%	25%
	Brand Drugs	25%	25%
	Specialty Drugs	25%	25%
Coverage Gap (Up to \$4,850 in 2016 and \$4,950† in 2017 TROOP)	Generic Drugs	58%	51%
	Brand Drugs	45%	40%
Catastrophic Coverage (no limit)	Generic Drugs	Greater of \$ 2.95 or 5%	Greater of \$ 3.30 or 5%
	Brand Drugs	Greater of \$ 7.40 or 5%	Greater of \$ 8.25 or 5%

† Thresholds established by CMS.

## ATTACHMENT B

Basic Medicare Rx Option:	2016	2017	Increase
Single	\$49	\$54	10%
Two Person	98	108	10%

	Member Pays	2016	2017
	Annual Deductible	\$ 0	\$ 0
Initial Coverage (up to \$3,310 in 2016 and \$3,700† in 2017 total Rx spend)	Generic Drugs	\$ 8 (\$24 for 90-days)	\$ 8 (\$24 for 90-days)
	Preferred Brand Drugs	30% up to \$100 (\$250 for 90-days) (\$225 for 90-days by mail)	30% up to \$100 (\$250 for 90-days) (\$225 for 90-days by mail)
	Non-Preferred Brand Drugs	40%	40%
	Specialty Drugs	33%	33%
Coverage Gap† (Up to \$4,850 in 2016 and \$4,950† in 2017 TROOP)	Generic Drugs	58%	51%
	Brand Drugs	45%	45%
Catastrophic Coverage (no limit)	Generic Drugs	Greater of \$ 2.95 or 5% up to \$100	Greater of \$ 2.95 or 5% up to \$250
	Brand Drugs	Greater of \$ 7.40 or 5% up to \$100	Greater of \$ 7.40 or 5% up to \$250

† Thresholds established by CMS.

## ATTACHMENT C

Enhanced Medicare Rx Option:	2015	2016	Increase
Single	\$99	\$109	10%
Two Person	198	218	10%

	Member Pays	2016	2017
	Annual Deductible	\$0	\$0
Initial Coverage (up to \$3,310 total Rx spend in 2016 and \$3,700† in 2017 total Rx)	Generic Drugs	\$7 (\$21 for 90-days)	\$7 (\$21 for 90-days)
	Preferred Brand Drugs	25% up to \$65 (\$130 for 90-days) (\$120 for 90-days by mail)	25% up to \$75 (\$150 for 90-days) (\$140 for 90-days by mail)
	Non-Preferred Brand Drugs	35% up to \$75 (\$150 for 90-days) (\$140 for 90-days by mail)	35% up to \$100 (\$200 for 90-days) (\$190 for 90-days by mail)
	Specialty Drugs	33%	33%
Coverage Gap (Up to \$4,850 in 2016 and \$4,950† in 2017 TROOP)	Generic Drugs	\$7	25%
	Brand Drugs	45%	40%
Catastrophic Coverage (no limit)	Generic Drugs	Greater of \$2.95 or 5% up to \$100	Greater of \$3.30 or 5% up to \$100
	Brand Drugs	Greater of \$7.40 or 5% up to \$100	Greater of \$8.25 or 5% up to \$100

† Thresholds established by CMS.

**ATTACHMENT D**

**VALUE MEDICAL PLAN**

<b>Southeast Region (Out of State Zone 1)</b>	<b>2016</b>	<b>2017</b>	<b>\$ Increase</b>	<b>% Increase</b>
Single	\$117	\$117	\$0	0%
Two Person	231	231	0	0%

<b>Southwest Region (Out of State Zone 2)</b>	<b>2016</b>	<b>2017</b>	<b>\$ Increase</b>	<b>% Increase</b>
Single	\$115	\$115	\$0	0%
Two Person	227	227	0	0%

<b>North &amp; Central Region (Out of State Zone 3)</b>	<b>2016</b>	<b>2017</b>	<b>\$ Increase</b>	<b>% Increase</b>
Single	\$102	\$102	\$0	0%
Two Person	199	199	0	0%

**ATTACHMENT E**

**HOP MEDICAL PLAN**

<b>Southeast Region (Out of State Zone 1)</b>		<b>2016</b>	<b>2017</b>	<b>\$ Increase</b>	<b>% Increase</b>
Standard Rates	Single	\$199	\$199	\$0	0%
	Two Person	392	392	0	0%
Age 65 Rates	Single	170	170	0	0%
	Two Person	334	334	0	0%
Age 65 Rates (2 <sup>nd</sup> Year)	Single	176	176	0	0%
	Two Person	347	347	0	0%
Age 65 Rates (3 <sup>rd</sup> Year)	Single	182	182	0	0%
	Two Person	359	359	0	0%
Age 65 Rates (4 <sup>th</sup> Year)	Single	188	188	0	0%
	Two Person	371	371	0	0%
Age 65 Rates (5 <sup>th</sup> Year)	Single	194	194	0	0%
	Two Person	383	383	0	0%
<b>Southwest Region (Out of State Zone 2)</b>		<b>2016</b>	<b>2017</b>	<b>\$ Increase</b>	<b>% Increase</b>
Standard Rates	Single	\$195	\$190	-\$5	-3%
	Two Person	384	375	-9	-2%
Age 65 Rates	Single	166	162	-4	-2%
	Two Person	327	319	-8	-2%
Age 65 Rates (2 <sup>nd</sup> Year)	Single	172	168	-4	-2%
	Two Person	339	332	-7	-2%
Age 65 Rates (3 <sup>rd</sup> Year)	Single	178	173	-5	-3%
	Two Person	351	342	-9	-3%
Age 65 Rates (4 <sup>th</sup> Year)	Single	184	179	-5	-3%
	Two Person	363	354	-9	-2%
Age 65 Rates (5 <sup>th</sup> Year)	Single	190	185	-5	-3%
	Two Person	376	367	-9	-2%
<b>North &amp; Central Region (Out of State Zone 3)</b>		<b>2016</b>	<b>2017</b>	<b>\$ Increase</b>	<b>% Increase</b>
Standard Rates	Single	\$172	\$172	\$0	0%
	Two Person	335	335	0	0%
Age 65 Rates	Single	147	147	0	0%
	Two Person	285	285	0	0%
Age 65 Rates (2 <sup>nd</sup> Year)	Single	152	152	0	0%
	Two Person	297	297	0	0%
Age 65 Rates (3 <sup>rd</sup> Year)	Single	157	157	0	0%
	Two Person	307	307	0	0%
Age 65 Rates (4 <sup>th</sup> Year)	Single	162	162	0	0%
	Two Person	317	317	0	0%
Age 65 Rates (5 <sup>th</sup> Year)	Single	167	167	0	0%
	Two Person	326	326	0	0%

**ATTACHMENT F**

**Pre-65 MEDICAL PLAN**

<b>All Regions</b>	<b>2016</b>	<b>2017</b>	<b>% Change</b>
Pre-65 Medical Plan – Single	\$ 836	\$ 889	6%
Two-Person	1,839	1,956	6%
Pre-65 Medical Plan w/ Prescription Drugs	964	1,001	4%
Two-Person	2,120	2,201	4%