

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

**Regular Meeting**

**Minutes**

**March 9, 2012**

**9:10 A.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Ms. Stacey Connors for Senator Patrick M. Browne (arrived at 9:32A.M.)  
Mr. Anthony Mannino for Senator Lawrence M. Farnese  
Mr. Glen S. Galante  
Mr. Thomas J. Gentzel  
Representative Glen R. Grell  
Mr. Bernard Gallagher for Representative Joseph F. Markosek  
Ms. Jennifer Langan for Treasurer Robert M. McCord  
Mr. Hal Moss  
Mr. Richard N. Rose  
Mr. James M. Sando  
Mr. David Donley for Secretary Ronald J. Tomalis  
Ms. Patricia A. Tozer  
Ms. Sally J. Turley

**Staff Members Present**

Mr. Jeffrey B. Clay  
Ms. Barbara B. Book  
Mr. Brian S. Carl  
Ms. Michele M. Ferencz  
Ms. Shannon Keister  
Mr. Erick Moyer  
Ms. Maryann Pavlovic  
Ms. Terrill J. Savidge  
Mr. Charles K. Serine  
Ms. Evelyn Tatkovski  
Mr. Alan H. Van Noord  
Mr. Joseph E. Wasiak, Jr.

**Guests Present**

Mr. Ronald Conard, PASR  
Ms. Sue Jones, PSEA  
Ms. Angela Lutze, PASR  
Mr. Don Steinmeier, PASR  
Mr. Tom Weeter, PSEA

Ms. Vogler called the meeting to order at 9:10 A.M. in the fourth floor Board Room at PSERS' headquarters.

**CALL TO ORDER**

Mr. Clay welcomed guests Ms. Jones, Ms. Lutze, Mr. Conard, Mr. Steinmeier and Mr. Weeter; and new employees Ms. Shannon Keister and Mr. Erick Moyer.

**WELCOME NEW  
EMPLOYEES**

MINUTES APPROVED

Ms. Turley moved to approve the minutes of the December 9, 2011 Board meeting. Mr. Moss seconded the motion, which passed unanimously.

#### CORPORATE GOVERNANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held on March 8, 2012.

MINUTES APPROVED

Mr. Sando stated that the Committee approved the minutes of the December 8, 2011 meeting.

US AND NON-US  
PROXY VOTING  
POLICIES

Mr. Sando stated that Ms. Engler and Mr. McCormick, of Glass Lewis, gave presentations regarding updates to the U.S. and Non-U.S. Proxy Voting Policies.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed U.S. and Non-U.S. Proxy Voting Policies pursuant to the recommendation of Lenann T. Engler, Senior Investment Analyst, dated February 23, 2012. Ms. Tozer seconded the motion, which passed unanimously.

#### FINANCE COMMITTEE REPORT

Mr. Rose reported on the meeting held March 8, 2012.

MINUTES APPROVED

Mr. Rose stated that the Committee approved the minutes of the January 19, 2012 meeting.

PRESENTATIONS

Mr. Rose stated that Mr. Van Noord gave a Market Review and Comments report; Mr. Bensur reported on the 4<sup>th</sup> Quarter/Year Total Fund Performance Review; Mr. Smith gave a presentation on the 4<sup>th</sup> Quarter/Year Public Market Performance Review; Mr. Ruehl gave a 4<sup>th</sup> Quarter/Year Absolute Return Program Review; Mr. Kemp spoke regarding an Overview of PSERS' Securities Lending Program; Mr. Sheva gave a presentation on the Harvest Fund Advisors LLC/Master Limited Partnership Primer; Mr. Bensur spoke on the Asset Allocation Discussion/Recommendation; Mr. Grossman gave presentations on the Investment Policy Statement, Objectives and Guidelines, Apollo European Principal Finance Fund II, L.P., and Carlyle Energy Mezzanine Opportunities Fund, L.P.; Mr. Spiller spoke regarding the Cerberus Institutional Partners V, L.P.; Mr. Foreman gave a presentation on the Partners Group Secondary 2011, L.P.; Mr. Jacobs spoke regarding Tenaya Capital VI, L.P.; Ms. Stepp gave presentations on both AG Core Plus Realty Fund III, L.P. and Exeter Industrial Value Fund II, L.P.; Mr.

Spiller spoke regarding Bell Institutional Fund IV, LLC; and Mr. Van Noord presented his Preview of Future Meetings.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby graduates Harvest Fund Advisors, LLC from the Public Market Emerging Investment Manager Program to the Main Fund. Ms. Turley seconded the motion, which passed unanimously.

HARVEST FUND  
ADVISORS, LLC

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed changes to Exhibits B, C, and D of the Investment Policy Statement, Objectives, and Guidelines, and the proposed Investment Objectives and Guidelines Addendum listed below for the Public School Employees' Retirement System pursuant to the recommendations of James H. Grossman, Jr., Deputy Chief Investment Officer, and Wilshire Associates, in their respective presentations dated March 8, 2012, as well as the revised policy regarding Placement Agents, as approved by the Board's Finance Committee at its March 8, 2012 meeting (attached hereto).

INVESTMENT  
OBJECTIVES AND  
GUIDELINES

<u>Addendum</u>	<u>Addendum Title</u>
I-1	Internally Managed U.S. Long Treasuries Fixed Income Portfolio

Mr. Moss seconded the motion, which passed unanimously.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$200 million plus reasonable normal investment expenses, in Apollo European Principal Finance Fund II, L.P., in accordance with the recommendations of James H. Grossman, Jr., Deputy Chief Investment Officer, dated March 8, 2012, and Portfolio Advisors, dated February 16, 2012. 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. Gallagher seconded the motion, which passed unanimously.

APOLLO EUROPEAN  
PRINCIPAL FINANCE  
FUND II, L.P.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$200 million plus reasonable normal investment expenses, in Carlyle Energy Mezzanine Opportunities Fund, L.P., in accordance with the

CARLYLE ENERGY  
MEZZANINE  
OPPORTUNITIES FUND,  
L.P.

recommendations of James H. Grossman, Jr., Deputy Chief Investment Officer, dated March 8, 2012, and Portfolio Advisors, dated February 16, 2012. 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. Gentzel seconded the motion, which passed unanimously.

CERBERUS  
INSTITUTIONAL  
PARTNERS V, L.P.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$200 million plus reasonable normal investment expenses, in Cerberus Institutional Partners V, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated March 8, 2012. 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. Turley seconded the motion, which passed unanimously.

PARTNERS GROUP  
SECONDARY 2011, L.P.

Mr. Rose 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 Partners Group Secondary 2011, L.P., in accordance with the recommendation of Darren C. Foreman, Portfolio Manager, Private Markets, dated March 8, 2012. 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. Tozer seconded the motion, which passed unanimously.

TENAYA CAPITAL VI,  
L.P.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby invests \$50 million plus reasonable normal investment expenses, in Tenaya Capital VI, L.P., in accordance with the recommendation of Luke Jacobs, Senior Investment Analyst, Private Markets, dated March 8, 2012. 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. Sando seconded the motion, which passed unanimously.

Mr. Rose 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 AG Core Plus Realty Fund III, L.P., in accordance with the recommendation of Laurann H. Stepp, Portfolio Manager, Real Estate, dated March 8, 2012. 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. Galante seconded the motion, which passed unanimously.

AG CORE PLUS REALTY  
FUND III, L.P.

Mr. Rose 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 Exeter Industrial Value Fund II, L.P., in accordance with the recommendation of Laurann H. Stepp, Portfolio Manager, Real Estate, dated March 8, 2012. 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. Ms. Turley seconded the motion, which passed unanimously.

EXETER INDUSTRIAL  
VALUE FUND II, L.P.

Mr. Rose 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 Bell Institutional Fund IV, LLC, in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated March 8, 2012. 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. Moss seconded the motion, which passed unanimously.

BELL INSTITUTIONAL  
FUND IV, LLC

#### APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on March 9, 2012.

MINUTES APPROVED Ms. Tozer stated that the Committee approved the minutes of the January 19, 2012 meeting.

ACCOUNT OF STANLEY L. DRAPER Ms. Tozer moved to adopt the Hearing Officer's recommendation to grant the System's Motion to Dismiss for Stanley L. Draper's failure to appear and deny Claimant's exception. Ms. Langan seconded the motion, which passed unanimously.

ACCOUNT OF RUTH F. MARTIN Ms. Tozer moved to adopt the recommendation of the Appeals/Member Services Committee in the case of Ruth F. Martin to grant PSERS Motion to Dismiss. Mr. Gentzel seconded the motion, which passed unanimously.

ESRC REPORT Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Report from the December 15, 2011 meeting.

BENEFITS PROCESSING Ms. Tozer stated that Ms. Savidge presented an update on Benefits Processing Statistics.

NEW BUSINESS

COMMITTEE ASSIGNMENTS Ms. Vogler informed the Board that she completed the Committee assignments for the upcoming year. Copies of the Committee lists were distributed to the members. Ms. Vogler also stated that she appointed a vice chair for both the Health Care Committee and the Technology/Steering Committee to assist with the heavy workload of these committees.

NEW COMMITTEES Ms. Vogler notified the Board that she created two additional agency committees to deal with specific matters. The newly created Salary Committee will be chaired by Mr. Gentzel and comprised of herself, Representative Grell, Mr. Sando, Secretary Tomalis, and several members of staff. The newly created Strategic Planning Committee will include Ms. Vogler, Ms. Savidge, Mr. Galante, Mr. Sando and several staff members.

Ms. Connors arrived at this time.

EXECUTIVE DIRECTOR'S EVALUATION Ms. Vogler stated that the Executive Director's evaluation will be held over the next few weeks. Board members, as well as staff and satellite members of the system, will be contacted.

TRAVEL REGULATIONS Ms. Vogler reminded Board members of the new travel reimbursement regulations regarding itemized receipts.

## EXECUTIVE DIRECTOR'S REPORT

Mr. Clay stated that the following information was available (See Board Book 361, Executive Director TAB):

INFORMATION  
AVAILABLE

- Talking points
- March 8, 2012 Press Release
- Cumberland Valley School District resolution
- Government Accountability Office Highlights

Mr. Clay reported that he attended the following events: Montgomery County School District's Legislative Committee on February 15; House Appropriations presentation by Mr. Van Noord on February 21; House and Senate Budget Hearings on February 23; PSBA Leadership Conference in State College on February 25 along with Mr. Van Noord.

RECENTLY ATTENDED  
EVENTS

Mr. Clay stated that he plans to present the State of the Fund to staff on March 14; attend a Town Hall Meeting on March 18 with Representative Kampf; and attend an informational meeting on Pension Funding Issue and Status of Funds with SERS before the House State Government Committee on April 4.

UPCOMING EVENTS

Mr. Clay informed the Board that the next meeting will include the annual HOP Migration and Competitive Analysis reports.

NEXT MEETING

## CHIEF COUNSEL REPORT

Ms. Ferencz reported on the Rivercenter/Marriott litigation; Bank of America securities litigation; and the Lyondell Chemical Company litigation.

## CHIEF FINANCIAL OFFICER REPORT

Mr. Carl made a presentation to the Board including the December 31, 2011 Financial Statements; December 31, 2011 Administrative Budget Update; Budget Hearing Materials; GASB Pension Project Update (See Board Book 361, CFO Report TAB).

Mr. Steinmeier commented on the pension crisis. Ms. Jones thanked the Board for their hard work.

VISITOR COMMENTS

Mr. Sando commented on the sustainability of public pensions. Mr. Gallagher thanked PSERS staff for the preparation done for the budget hearings. Ms. Vogler extended appreciation to Mr. Clay

BOARD MEMBER  
COMMENTS

and Mr. Van Noord for their exemplary presence at the hearings. Mr. Gentzel thanked Mr. Clay and Mr. Van Noord for their attendance at the PSBA Leadership Conference in State College.

EXECUTIVE SESSION

At 10:42 A.M., Mr. Clay stated: "In accordance with Section 5.13 of the Bylaws of the Public School Employees' Retirement Board, we are going into an Executive Session to discuss the item listed on today's agenda, namely litigation matters. 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)), including agency business which, if conducted in public would violate a privilege or lead to the disclosure of information or confidentiality protected by law, including matters related to the initiation and conduct of investigations of possible or certain violations of laws."

Mr. Rose moved that the Board enter into Executive Session. Mr. Galante seconded the motion, which passed unanimously. The Executive Session ended at 11:08 A.M. and the meeting immediately returned to Regular Session.

ADJOURNMENT

Chairman Vogler adjourned the meeting at 11:08 A.M.

NEXT MEETING

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on April 29, 2012, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

Date 3/27/12

Approved

  
Jeffrey B. Clay,  
Executive Director