

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

Regular Meeting

Minutes

January 23, 2009

9:00 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Ms. Rebecca May Cole for Representative Dwight Evans
Mr. Sandy Leopold for Senator Vincent J. Fumo
Mr. Glen S. Galante
Mr. Thomas J. Gentzel
Treasurer Robert M. McCord
Mr. Hal Moss
Representative Steven R. Nickol
Mr. Richard N. Rose
Mr. James M. Sando
Ms. Patricia A. Tozer
Ms. Sally J. Turley
Mr. Scott Sikorski for Senator Rob Wonderling
Mr. Steven Kniley for Secretary Gerald L. Zahorchak

Board Members Absent

Ms. Tina Byles Williams

Staff Members Present

Mr. Jeffrey B. Clay
Mr. Brian S. Carl
Ms. Barbara D. Flurie
Mr. Gerald Gornish
Mr. Donald J. Halke
Ms. Donna C. Peterson
Ms. Terrill J. Savidge
Mr. Charles K. Serine
Ms. Evelyn M. Tatkovski
Mr. Alan H. Van Noord
Mr. Joseph E. Wasiak, Jr.

Visitors Present

Mr. John Baillie

Others Present

Ms. Debbie Reeves, Office of
Representative Evans

CALL TO ORDER	Mr. Clay called the meeting to order at 9:00 A.M. in the fourth floor Board Room at PSERS' headquarters.
ELECTION OF BOARD CHAIRMAN	Mr. Clay called for nominations for Chairman of the Board of the Public School Employees' Retirement Board for the year 2009. Mr. Gentzel moved to elect Ms. Vogler as Chairman. Mr. Sando and Mr. Moss seconded the motion. No additional nominations were made. The motion <u>passed unanimously</u> .
ELECTION OF BOARD VICE-CHAIRMAN	Mr. Clay called for nominations for Vice-Chairman of the Board of the Public School Employees' Retirement Board for the year 2009. Ms. Tozer moved to elect Ms. Turley as Vice-Chairman. Mr. Galante seconded the motion. No additional nominations were made. The motion <u>passed unanimously</u> . Mr. Clay turned the meeting over to Chairman Vogler.
FORMATION OF BOARD COMMITTEES	Ms. Vogler stated that the listing of Committee members will be updated for the year 2009. Any members interested in serving on a committee should notify her as soon as possible.
GUEST AND NEW EMPLOYEES	Mr. Clay welcomed guest, Mr. John Baillie; and PSERS' new employees; Matthew Hartman, Kori Weiss and LaLa Khodorkovsky, all of Benefits Administration, and Blake Miller, who is on an internship rotation.
MINUTES APPROVED	Mr. Galante moved to approve the minutes of the December 12, 2008 Board meeting. Mr. Sando seconded the motion, which <u>passed unanimously</u> .
NEW BOARD MEMBER	Ms. Vogler welcomed new Board member, Treasurer Robert M. McCord.

FINANCE COMMITTEE REPORT

	Mr. Rose reported on the meeting held January 22, 2009.
MINUTES APPROVED	Mr. Rose stated that the Committee approved the minutes of the December 11, 2008 meeting.
PRESENTATIONS	Mr. Rose stated that Mr. Van Noord gave a Market Review and Comments presentation; Mr. Carson, of Alliance Bernstein, gave presentation on Global Economic Outlook; Mr. Bensus, of Wilshire Associates, gave a presentation on Investment Assumptions and Asset Allocations; Ms. Cranna, of Buck Consultants, gave a

presentation on Pension Funding Issues; Mr. Clay spoke regarding Actuarial Investment Rate of Return Assumptions; Mr. Spiller gave a Private Market and Real Estate Quarterly Report; and Mr. Van Noord gave a preview of future meetings.

Mr. Rose moved that the Board invest up to \$500 million in a loan managed account with Sankaty Advisors LLC pursuant to the recommendation of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance, and Wilshire Associates Incorporated in their memos dated January 22, 2009. 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. Moss seconded the motion, which passed unanimously.

SANKATY ADVISORS LLC

Mr. Rose moved that the Board permit the current TIPS portfolios to employ leverage up to a 2 to 1 ratio pursuant to the recommendation of Wilshire Associates Incorporated in their presentation dated January 22, 2009. Ms. Tozer seconded the motion, which passed unanimously.

TIPS PORTFOLIOS

Mr. Rose moved that the Board adopt the proposed changes to the Investment Policy Statement, Objectives, and Guidelines pursuant to the recommendation of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance, dated January 9, 2009. Ms. Turley seconded the motion, which passed unanimously.

INVESTMENT POLICY
STATEMENT,
OBJECTIVES AND
GUIDELINES

Mr. Rose moved that the Board, pursuant to its authority under Section §8502 (h), (j) and (k) of the Public School Employees' Retirement Code, 24 Pa C.S. §8502 (h), (j) and (k) does hereby make the following adjustments to PSERS' actuarial investment rate of return assumption:

ACTUARIAL RATE OF
RETURN ASSUMPTION

1. Effective for the June 30, 2008 actuarial valuation the investment rate of return assumption shall be reduced from 8.50% to 8.25%.
2. Effective for the June 30, 2009 actuarial valuation the investment rate of return assumption shall be reduced from 8.25% to 8.00%.

Mr. Sando seconded the motion. The motion passed with a vote of 12 YES and 2 NO, with Mr. Leopold and Mr. Sikorski opposing. This motion supercedes and replaces the previously tabled Resolution 2008-85.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on January 22, 2009.

MINUTES APPROVED

Ms. Tozer stated that the Committee approved the minutes of the December 11, 2008 meeting.

ADJUDICATION: JOANNE M. KEGLOVITS

Ms. Tozer moved to adopt the Hearing Examiner's Opinion and Order to dismiss with prejudice the request of Joanne M. Keglovits to purchase service credit for United States Government service. Representative Nickol seconded the motion, which passed unanimously.

ADJUDICATION: REGINA G. MARSILIO

Ms. Tozer moved to adopt the Hearing Examiner's Opinion and Order to dismiss with prejudice the request of Regina G. Marsilio to purchase service credit for previously refunded service. Mr. Moss seconded the motion, which passed unanimously.

EXECUTIVE STAFF REVIEW COMMITTEE

Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee Report from the November 18, 2008 meeting.

BENEFITS PROCESSING STATISTICS

Ms. Tozer stated that Ms. Savidge presented an update on Benefits Processing Statistics. Discussion ensued, in which Ms. Savidge clarified the timeline and prioritization of Benefits Processing, and Mr. Clay explained that staffing solutions have been explored and have been utilized.

BYLAWS/POLICY COMMITTEE REPORT

Representative Nickol reported on the meeting held on January 22, 2009.

MINUTES APPROVED

Representative Nickol stated that the Committee approved the minutes of the December 11, 2008 meeting.

PRESENTATION

Representative Nickol stated that Mr. Wasiak gave a presentation on the PSERS Proposed Ethics Policy (See Board Book 339, TAB 18). Representative Nickol stated that an agency committee will be established to review the draft policy and present it to the Board at a future meeting.

ELECTIONS COMMITTEE REPORT

Ms. Vogler reported on the meeting held on January 22, 2009.

Ms. Vogler stated that the Committee approved the minutes of the January 25, 2007 meeting.

MINUTES APPROVED

Ms. Vogler stated that Mr. Wasiak gave a presentation on the Request For Proposal results to solicit the services of a third party contractor to administer the election of Board members.

ELECTIONS EVALUATION
COMMITTEE REPORT

Ms. Turley moved that the Board retain Election Services Corporation to perform member elections for the Board no earlier than the effective date of the contract and ending December 31, 2013. The final terms and conditions of the contract must be satisfactory to the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on the contract or by a memo to that effect appended to the contract. Mr. Rose seconded the motion, which passed unanimously.

ELECTION SERVICES
CORPORATION

NEW BUSINESS

Mr. Gornish reported on a modification proposed for the Signing of Contracts, Instruments and Other Documents Resolution.

SIGNING OF
CONTRACTS,
INSTRUMENTS AND
OTHER DOCUMENTS

Mr. Gentzel moved that the Board authorize any two or more of the persons occupying the following positions, namely, the Executive Director, Deputy Executive Director; Assistant Executive Director; Chief Financial Officer; Chief Investment Officer; Managing Director of External Public Markets and Risk and Compliance; and Director of Investment Accounting to execute and deliver any and all contracts, instruments, or documents that require written signatures in the name of the Public School Employees' Retirement System (the "System") or the Board, and to endorse, assign, or guarantee all such contracts, instruments, or documents in the name of the System or the Board.

Resolved further, that (i) in the case of investment contracts, the Chief Investment Officer, Managing Director of External Public Markets and Risk and Compliance or Director of Investment Accounting must be one of the two signatories, and the Executive Director, Deputy Executive Director, Assistant Executive Director or Chief Financial Officer must be one of the two signatories, except

in exigent circumstances when the only authorized signatories who are available hold Investment Office positions; and (ii) in the case of all other contracts, the Executive Director, Deputy Executive Director, Assistant Executive Director or Chief Financial Officer must be one of the two signatories, except in exigent circumstances when none of the designated individuals is available. Ms. Tozer seconded the motion, which passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

INFORMATION AVAILABLE

Mr. Clay stated that the following information was available (See Board Book 339, Executive Director TAB):

- Class Action Revenue Recovery Program
- Office of Chief Counsel Annual Report 2008
- Letter to Mary Soderberg, Secretary of the Budget, certifying the Employer Contribution Rate for FY 2009-2010
- Certification of Investment Policies by Mr. Van Noord
- Certification of Code, Regulations, Bylaws and Policies by Mr. Gornish

RECENTLY ATTENDED EVENTS

Mr. Clay stated that he attended the PASBO Board meeting on January 22, 2009.

UPCOMING EVENTS

Mr. Clay stated that he is planning to give a presentation at the Bucks County Intermediate Unit meeting on January 28, 2009; the PFT Retirees meeting in Philadelphia on March 14, 2009; Budget meetings, as follows: House – February 17, 2009, Senate – March 5, 2009; PASPA meeting on February 27, 2009.

1099 STATUS

Mr. Clay stated that the mailing of the 1099's is progressing well, and scheduled to be completed by January 26, 2009.

STATEMENTS OF ACCOUNT

Mr. Clay stated that 737 employers have had their member statements generated, printed and mailed, with 3 employers outstanding.

EVANS RE-APPOINTMENT

Mr. Clay stated that Representative Evans was re-appointed to the Board for another two year term.

NCTR DVD'S

Mr. Clay informed the Board that there are DVD's from the 2008 NCTR Conference available upon request.

FAMILY NEWS

Mr. Clay congratulated Mr. Sikorski on his recent marriage. Mr. Clay reported that he recently became a grandfather for the third

time. He also stated that Ms. May Cole will be on maternity leave before the next regular Board meeting. Ms. Reeves will be attending the meetings in Ms. May Cole's absence.

Mr. Clay stated that this is the last meeting Representative Nickol and Mr. Leopold will attend. Mr. Clay read Resolutions (attached) in honor of both gentlemen. The Board, as a whole, made a motion to accept and second the Resolutions.

SERVICE RESOLUTIONS

CHIEF COUNSEL REPORT

Mr. Gornish presented the Office of Chief Counsel Annual Report for 2008 (See Board Book 339, Executive Director's TAB).

ANNUAL REPORT

Mr. Gornish gave a status report on the Rivercenter/Marriott case. The case is currently scheduled for trial in mid-June in San Antonio, Texas.

RIVERCENTER/
MARRIOTT CASE

Mr. Gornish updated the Board on the Royal Dutch case. Claims administration is moving forward, as expected.

ROYAL DUTCH CASE

Mr. Gornish informed the Board that over \$12.5 million in settlement has been received to date from the Enron case.

ENRON CASE

Mr. Gornish stated that PSERS has not received a great number of Right-To-Know requests since the inception of the new law on January 1, 2009. The Office of General Counsel has been working to coordinate the uniform handling of requests.

RIGHT-TO-KNOW LAW

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl gave a presentation to the Board on the 2008 1099's, Monthly Payroll, December 31, 2008 Budget Update and December 31, 2008 Fund Values; and reviewed the Class Action Revenue Recovery Program (See Board Book 339, Executive Director's TAB).

PRESENTATIONS

BOARD MEMBER COMMENTS

Mr. Sikorski relayed Senator Wonderling's regret that he was not able to attend the meeting due to family matters. He had hoped to be present to cast a vote in support of Ms. Vogler and Ms. Turley, as well as to extend his appreciation to Representative Nickol and Mr. Leopold.

THANK YOU

ADDITIONAL FAMILY
NEWS

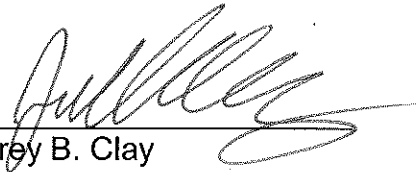
Mr. Clay informed the Board that Mr. Robison, of the Bureau of Communications and Counseling, became a father on January 19, 2009. He also updated the Board on the condition of Mr. Dickerson, PSERS' security guard. Mr. Dickerson is doing well and expects to be back at PSERS before the next regular Board meeting.

ADJOURNMENT AND
NEXT REGULARLY
SCHEDULED MEETING

Ms. Vogler moved to adjourn the meeting. Mr. Turley seconded the motion, which passed unanimously. Chairman Vogler adjourned the meeting at 10:04 A.M.

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on March 13, 2009, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

Date 2/20/09

Approved 
Jeffrey B. Clay
Executive Director

Commonwealth of Pennsylvania Public School Employees' Retirement System

WHEREAS, State Representative Steven R. Nickol has honorably served on the Board of the Public School Employees' Retirement System for 17 years, commencing in January 1991.

WHEREAS, Representative Nickol served continuously as Vice Chairman of the Board commencing on January 28, 2005 to present; and,

WHEREAS, Representative Nickol has served on virtually every Board committee and has served as Chairman of the Bylaws/Policy Committee and Chairman of the Health Care Committee; and

WHEREAS, during his tenure as the Chairman of the Health Care Committee has led the Board to its decision to change the course of the Health Options Program to become a self-funded program; and

WHEREAS, Representative Nickol has displayed courage and commitment by working tirelessly as a thoughtful, courageous champion for the Members of the System; and

WHEREAS, Representative Nickol has served the Board, Staff, and Members with vision, loyalty, dedication; and

WHEREAS Representative Nickol's 36 years of dedicated service to the Commonwealth have been a testimony to exemplary public service; and

WHEREAS, it is with pride that Staff has worked with him and has been rewarded by his thoughtful participation in all matters that have faced the Fund, for which Staff expresses their deep gratitude for such; and,

WHEREAS, PSERS' Board and Staff are appreciative that during his tenure on the Board, Representative Nickol appointed designees who performed admirably under his direction. Each designee added different perspectives to the business of the Board and served Representative Nickol well; and

THEREFORE BE IT RESOLVED that the Public School Employees' Retirement Board of Trustees hereby extends congratulations to Steven R. Nickol on his outstanding service to the Board, and to the Commonwealth of Pennsylvania, and offers its best wishes for his future endeavors.

Presented to **THE HONORABLE STEVEN R. NICKOL,**
on behalf of the Board of Trustees,
this 23rd day of January, 2009.



Jeffrey B. Clay, Executive Director

Melva Vogler, Chairman

Commonwealth of Pennsylvania

Public School Employees' Retirement System

WHEREAS, Honorable Vincent J. Fumo has honorably served on the Board of the Public School Employees' Retirement System with distinction for the past 17 years, commencing in January 1991.

WHEREAS, Senator Fumo appointed Sandy Leopold as his designee to serve in his stead in January 1992 and Sandy has served continuously in that position; and,

WHEREAS, Mr. Leopold is to be commended regarding his leadership in resolving numerous major policy issues that have faced the Board and Staff during his tenure on the Board; and

WHEREAS, Mr. Leopold was appointed Chairman of the Board's Technology Steering Committee in 2001 and has been intricately involved in the development and implementation of PSERS' New Pension Administration System since its inception; and

WHEREAS, Mr. Leopold has distinguished himself with his knowledge of the intricacies of the investments of the System, asking questions of Staff and Managers, which were insightful, demanding, and always on point.

WHEREAS, Mr. Leopold's 38 years of dedicated service to the Commonwealth have been a testimony to exemplary public service; and

NOW THEREFORE BE IT RESOLVED that the Public School Employees' Retirement Board of Trustees hereby extends congratulations to Sandy Leopold on his outstanding service to the Board, and to the Commonwealth of Pennsylvania, and offers its best wishes for his future endeavors.



Presented to SANDY LEOPOLD
on behalf of the Board of Trustees,
this 23rd day of January, 2009.

Jeffrey B. Clay, Executive Director

Melva Vogler, Chairman