

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

Regular Meeting

Minutes

May 1, 2009

9:00 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Ms. Debbie Reeves for Representative Dwight Evans
Mr. Glen S. Galante
Mr. Thomas J. Gentzel
Representative Glen R. Grell
Senator Shirley M. Kitchen
Treasurer Robert M. McCord
Mr. Hal Moss
Mr. Richard N. Rose
Mr. James M. Sando
Ms. Patricia A. Tozer
Ms. Sally J. Turley
Mr. Scott Sikorski for Senator Rob Wonderling

Board Members Absent

Ms. Tina Byles Williams
Secretary Gerald L. Zahorchak

Staff Members Present

Mr. Jeffrey B. Clay
Mr. Brian S. Carl
Ms. Barbara D. Flurie
Mr. Gerald Gornish
Mr. Donald J. Halke
Ms. Lynette L. Lebo
Mr. Eugene W. Robison
Ms. Terrill J. Savidge
Mr. Charles K. Serine
Ms. Evelyn M. Tatkovski
Mr. Alan H. Van Noord
Mr. Joseph E. Wasiak, Jr.

Visitors Present

Ms. Beatrice G. Hines, PASR
Mr. Sandy Leopold
Ms. Shannon Reilly,
on behalf of Dr. John Baillie
Mr. Paul Van Oslo, WTAE

- CALL TO ORDER Ms. Vogler called the meeting to order at 9:00 A.M. in the fourth floor Board Room at PSERS' headquarters.
- INTRODUCTIONS Ms. Vogler asked all Board members to introduce themselves since there were several recently added members in attendance.
- ORIENTATION/PHOTOS Mr. Clay announced that a Board Orientation will be scheduled in the near future, and new photographs of Board members will be taken at the next meeting.
- WELCOME GUESTS AND NEW EMPLOYEES Mr. Clay welcomed Ms. Hines, Ms. Reilly, and Mr. Leopold. Mr. Clay announced the addition of PSERS' new Chief Technology Officer, Mr. Richard Spinks.
- MINUTES APPROVED Ms. Turley moved to approve the minutes of the March 13, 2009 Board meeting. Mr. Sando seconded the motion, which passed unanimously.

FINANCE COMMITTEE REPORT

- Mr. Richard Rose reported on the meeting held April 30, 2009.
- MINUTES APPROVED Mr. Richard Rose stated that the Committee approved the minutes of the March 12, 2009 meeting.
- PRESENTATIONS Mr. Richard Rose stated that Mr. Van Noord gave a Market Review and Comments presentation; Mr. Smith gave an Internal Equity-Alpha Program Review; Mr. Heppenstall gave a Federal Economic Recovery Program review and a TCW Residential Mortgage Fund Recommendation presentation; Mr. Spiller gave a Private Markets and Real Estate Quarterly Review; Partnership Updates were reviewed in Executive Session; Mr. Grossman gave a presentation on the Proposed Revisions to the Investment Policy Statement, Objectives and Guidelines; and Mr. Van Noord gave a preview of future meetings.
- TCW ASSET MANAGEMENT COMPANY Mr. Rose moved that the Public School Employees' Retirement Board hire TCW Asset Management Company to manage an opportunistic mortgage-backed securities portfolio pursuant to the recommendation of Mark E. Heppenstall, Managing Director of Fixed Income, and James H. Grossman, Jr., Managing Director of External Public Markets, Risk, and Compliance dated April 17, 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. Ms. Tozer seconded the motion, which passed unanimously.

Mr. Rose moved that the Public School Employees' Retirement Board adopt the proposed Exhibit and Investment Objectives and Guidelines Addenda listed below pursuant to the recommendation of James H. Grossman, Jr., Managing Director of External Public Markets, Risk, and Compliance, dated April 17, 2009.

INVESTMENT
OBJECTIVES AND
GUIDELINES

Exhibit **Exhibit Title**

C Policy Index

Addendum **Addendum Title**

A U.S. Style-Oriented Large Cap
Equities
B U.S. Master Limited Partnership
Index Portfolios
C U.S. Style-Oriented Small Cap
Equities
C1 U.S. Micro Cap Equities
M Non-U.S. Equities
N Non-U.S. Small Cap Equities
O Emerging Markets Equities
O1 Emerging Markets Small Cap
Equities
T U.S. Publicly Traded Real Estate
Securities
T1 Non-U.S. Publicly Traded Real
Estate Securities
T2 Global Publicly Traded Real Estate
Securities

Mr. Moss seconded the motion, which passed unanimously.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on April 30, 2009.

Ms. Tozer stated that the Committee approved the minutes of the March 12, 2009 meeting.

MINUTES APPROVED

ADJUDICATION:
ROGER L. JONES,
DECEASED

Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner, with the supplemental comments and clarification made by the Office of Chief Counsel, in the case of Roger L. Jones, deceased, Claim of Deborah Bolyard, making the death benefit payable to Debbie Bolyard, Susan Strohmeier and Erica Biddle, as designated by the Decedent in the Nomination of Beneficiaries form received at PSERS on January 4, 1999. Ms. Turley 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 March 4, 2009 meeting.

BENEFITS
PROCESSING
STATISTICS

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

BYLAWS/POLICY COMMITTEE REPORT

Mr. Sikorski reported on the meeting held on April 30, 2009, in the absence of Chairman Wonderling.

MINUTES APPROVED

Mr. Sikorski stated that the Committee approved the minutes of the January 22, 2009 meeting.

PRESENTATIONS

Mr. Sikorski stated that Mr. Gornish gave a review of a Charter School Opinion; and that Mr. Michlovitz spoke regarding a proposed amendment to the Fiduciary and D & O Coverage in the Board's Statement of Organization, Bylaws and Other Procedures for possible action at the next Board meeting.

HEALTH CARE COMMITTEE REPORT

Ms. Turley reported on the meeting held on April 30, 2009.

MINUTES APPROVED

Ms. Turley stated that the Committee approved the minutes of the March 12, 2009 meeting.

PRESENTATION

Ms. Turley stated that Mr. Johnson and Ms. Swisher, of the Segal Company, gave a presentation on the future plans for the Health Options Program website; and Mr. Schafer and Mr. Johnson presented the Premium Assistance Approval Policy Plan.

PREMIUM ASSISTANCE
PROGRAM – PLAN
APPROVAL POLICY

Ms. Turley moved that the Public School Employees' Retirement Board adopt, effective January 1, 2010, the *Premium Assistance Plan Approval Policy of the Commonwealth of Pennsylvania* as recommended by the Segal Company in its analysis dated

November 26, 2008. Mr. Rose seconded the motion, which passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

Mr. Clay stated that the following information was available (See Board Book 341, Executive Director TAB):

INFORMATION
AVAILABLE

- E-mail from a member complimenting staff
- Legislative Report
- Correspondence from Dr. Baillie's Counsel concerning Dr. Baillie's case before the Board
- Letter from a member requesting expansion of the Silver Sneakers Program to a local gym
- New Board member lists

Mr. Clay stated that he gave a presentation to the PFT in Philadelphia on March 14, 2009; gave a presentation to the State Government/Education Committees' joint hearing with SERS on March 26, 2009; gave a presentation at the Bucks County Intermediate Unit on March 30, 2009; and gave a presentation at the PASBO conference in Valley Forge on April 1, 2009.

RECENTLY ATTENDED
EVENTS

Mr. Clay stated that he is planning to attend the PAPERS Conference on May 5-6; address a PASR retiree group in Montgomery County on May 7; give a presentation to the IU #8 Superintendents in Altoona, PA on May 8, 2009; attend the Mt. Lebanon School Board Meeting on May 11; give a presentation to the PSEA-R group in Bucks County on May 12; give a presentation to the CIU #10 Superintendents in Port Matilda on May 13; address a PASR retiree group in Scranton on May 14; and give multiple presentations to various Legislative Committees/Groups. Mr. Clay stated that he will also be attending the Marriott/River Center trial in San Antonio, Texas in mid-June.

UPCOMING EVENTS

Mr. Clay informed the Board that the approved lodging for Board members is only approved through June 30. He will update the Board at that time as to whether the same hotel will be used in the next fiscal year.

LODGING ISSUE

Mr. Clay informed the Board that PSERS staff donated 70 Spring baskets of items to the Middletown Home for the Elderly, the Dauphin County Children & Youth and the Feed The Lambs Project at St. John's Lutheran Church in Steelton.

STAFF DONATION

DIRECT DEPOSIT

Mr. Clay stated that direct deposit of financial reimbursement from the Commonwealth is available to Board members. The necessary form is available from Barbara Flurie, Board Liaison.

ELECTIONS

Mr. Clay stated that the election for the active certified member and the non-certified member of the Board have been advertised in the spring issue of the PSERS Active Member Newsletter.

CHIEF COUNSEL REPORT

NOTICE OF HEARING LETTERS

Mr. Gornish informed the Board that changes have been made to the letters used in the administrative hearing process to notify claimants that failure to attend a hearing, without a continuance being granted, will cause dismissal with prejudice. The letters also inform non-represented claimants how to seek a continuance, if needed.

ATTORNEYS AS MEMBERS

Mr. Gornish informed the Board that PSERS staff reviewed the issue of solicitors, working as independent contractors, claiming to be eligible for employee retirement benefits. PSERS found no instance of such abuse in Pennsylvania.

CHIEF FINANCIAL OFFICER REPORT

PRESENTATION

Mr. Carl gave a presentation to the Board on the Federal Tax Withholding Update, Finance Transformation Project, and the March 31, 2009 PSERS Budget Update. Mr. Carl also spoke about the article "Making Work Pay". (See Board Book 341, CFO Report TAB)

VISITOR COMMENTS

DR. JOHN BAILLIE CASE

Ms. Reilly, Counsel for Dr. Baillie, spoke briefly regarding the case of Dr. John Baillie.

EXECUTIVE SESSION

At 9:48 A.M., Mr. Clay stated that "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 the River Center Update and the Dr. John Baillie case, in addition to an informational item of potential litigation. According to Section 708(a) of the Sunshine Act, 65 Pa. C.S. 708(a), we are going into Executive Session to discuss quasi-judicial matters and agency business, which if conducted in public would violate a privilege, and also a pending litigation."

Mr. Rose moved that the Board enter into Executive Session. Mr. Sando seconded the motion, which passed unanimously. The meeting returned to Regular Session at 10:40 A.M.

Ms. Vogler asked that counsel draft an adjudication to be brought before the Appeals/Member Services Committee at the next meeting. The adjudication will then be brought before the full Board at the next Board meeting.

DR JOHN BAILLIE CASE

Mr. Gornish stated that the six pages requested by Dr. Baillie's counsel are PSERS Counsel's memo to the Board, which is covered by the attorney-client privilege, and therefore will not be released.

Ms. Turley moved to adjourn the meeting. Ms. Tozer seconded the motion, which passed unanimously. Chairman Vogler adjourned the meeting at 10:43 A.M.

ADJOURNMENT AND
NEXT REGULARLY
SCHEDULED MEETING

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on June 12, 2009, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

Date 5/27/09

Approved


Jeffrey B. Clay
Executive Director