

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

Regular Meeting

Minutes

October 12, 2018

10:32 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman

Mr. Nathan Mains, Vice Chairman

Ms. Deborah J. Beck

Senator John P. Blake

Representative Stephen Bloom

Ms. Stacey Connors for Senator Patrick M. Browne

Mr. Jason M. Davis

Ms. Susan C. Lemmo

Mr. Bernard Gallagher for Representative Joseph F. Markosek

Ms. Lori Graham for Secretary Pedro A. Rivera

Mr. Christopher SantaMaria

Ambassador Martin J. Silverstein

Mr. Christopher Craig for Treasurer Joseph M. Torsella

Mr. Leo Pandeladis for Secretary Robin L. Wiessmann

Board Members Absent

Eric O. DiTullio

Others Present

Ms. Anne Baloga

Mr. James Bloom

Mr. Thomas Clancy

Mr. Thomas Derr, SERS

Mr. Russ Diesinger, PASR

Mr. Alan Flannigan

Ms. Miriam Fox

Mr. Brian LaForme

Ms. Sharon Smith, SERS

Ms. Debbie Reeves

Ms. Lisa Taglang

Mr. Bill Truong, SERS

Staff Members Present

Mr. Thomas Bauer
Ms. Barbara Book
Mr. Michael Benson
Mr. Brian S. Carl
Ms. Marla Cattermole
Mr. James DelGaudio
Mr. Robert Devine
Ms. Kathleen Doyle
Mr. Dennis Filipovich
Mr. Darren Foreman
Mr. Glen R. Grell
Mr. James H. Grossman, Jr.

Ms. Alicia E. James
Mr. Patrick Knapp
Ms. Lynne Leopold-Sharp
Mr. Anthony Meadows
Ms. Krista Roessler
Mr. Steven Skoff
Mr. Charles J. Spiller
Mr. Joseph Sheva
Mr. Joseph E. Wasiak, Jr.
Ms. Evelyn Tatkovski Williams

CALL TO ORDER

Ms. Vogler called the meeting to order at 10:32 A.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME GUESTS
AND NEW EMPLOYEES

Mr. Grell welcomed guests, Mr. Russ Diesinger PASR, Mr. Thomas Derr, SERS, Ms. Sharon Smith, SERS, Mr. Bill Truong, SERS and Act 5 Commissioner James Bloom. Mr. Grell welcomed new employees, Ms. Jill Johns, Mr. Michael Kondas, Mr. Michael O'Toole and Ms. Lynn Wadley.

MINUTES APPROVED

Mr. Mains moved to approve the minutes of the August 10, 2018 Board meeting. Mr. Davis seconded the motion, which passed unanimously.

VISITOR COMMENTS

There were no visitor comments.

NEW BUSINESS

NEW BUSINESS

There was no new business.

OLD BUSINESS

ACT 5 UPDATE

Mr. Tony Agentowicz, Ms. Kellie Derosiers, Mr. Kevin Cox and Mr. John Morrissey from Voya provided the Board with an DC Plan Update. The presentation included an Overview of Organization and Service Team, Account Management, Technology, Data Security, Operations and Implementation Services and Communication and Education.

GOVERNOR
/TREASURER
RESOLUTIONS

Mr. Grell gave an update on the Management Fees Reduction Plan, and the PSERS/SERS collaboration.

Mr. Grossman provided the Board with a presentation on Carried Interest

Mr. Wasiak and Mr. Grell gave an update on the Fiduciary Counsel RFP. A consensus was reached to authorize the RFP Technical Evaluation Committee to finalize the RFP language and issue the RFP.

FIDUCIARY COUNSEL
RFP

Mr. Davis moved to approve the 2019 Board Meeting Dates. Mr. Pandeladis seconded the motion, which passed unanimously.

2019 BOARD MEETING
DATES

INVESTMENT COMMITTEE REPORT

Mr. Mains, as Committee Chairman, reported on the meeting held on October 11-12, 2018.

Mr. Mains stated that the Committee approved the minutes of the August 9, 2018 meeting.

MINUTES APPROVED

Mr. Mains reported that Mr. Thomas Bachner, Mr. Jeff Gardner and Ms. Pam Tholen of Bridgewater Associates, gave a one-hour Educational Presentation on Commodities. Members and Designees attending the Educational Presentation were noted in the Board Educational Log.

BOARD EDUCATION

Mr. Mains reported that Ms. Cori English, Mr. Sean Barber, Mr. Mario Giannini and Mr. John Stake of Hamilton Lane, gave a one-hour Educational Presentation on Private Market Environment as well as the Pacing Study for Private Markets, Real Estate & High Yield. Members and Designees attending the Educational Presentation were noted in the Board Educational Log.

Mr. Grossman gave a one hour Educational Presentation on Carried Interest. Members and Designees attending the Educational Presentation were noted in the Board Educational Log.

Mr. Mains reported that an Executive Session was held to discuss Private Market issues.

EXECUTIVE SESSION

Mr. Mains reported that the following action items were discussed by the Committee.

Mr. Mains moved that pursuant to the recommendations of James F. Del Gaudio, Portfolio Manager, dated October 4, 2018, and

TULCO, LLC

Hamilton Lane Advisors, L.L.C., dated October 1, 2018, the Public School Employees' Retirement Board (the "Board"), hereby commits to invest an amount not to exceed \$100 million in Tulco, LLC. 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. Davis seconded the motion After discussion the motion was withdrawn, for further due diligence and possible future consideration.

INVESTMENT
OBJECTIVES
GUIDELINES

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby adopt the proposed changes to the "VI. Risk Management and Controls" section of the Investment Policy Statement, Objectives, and Guidelines, as amended, for the Public School Employees' Retirement System pursuant to the recommendation of Joseph W. Sheva, Senior Risk Manager, dated October 11, 2018. Mr. Gallagher seconded the motion, which passed unanimously.

BAIN CAPITAL ASIA
FUND IV, L.P.

Mr. Mains 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 Bain Capital Asia Fund IV, L.P. (and/or related investment vehicles), in accordance with the recommendation of Michael Tyler, Manager, dated September 24, 2018 and Hamilton Lane, dated August 23, 2018. 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. SantaMaria seconded the motion, which passed with two opposed, being Mr. Clancy on behalf of Treasurer Torsella and Mr. LaForme on Behalf of Secretary Wiessmann.

TCI REAL ESTATE
PARTNERS FUND III
L.P.

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$400 million plus reasonable normal investment expenses, in TCI Real Estate Partners Fund III LP (and/or related investment vehicles), in accordance with the recommendation of James F. Del Gaudio, Portfolio Manager, dated September 14, 2018 and Aksia, LLC, dated September 11, 2018. 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. Davis seconded the motion, which passed with two opposed, being Mr. Clancy on behalf of Treasurer Torsella and Mr. LaForme on behalf of Secretary Wiessmann.

Mr. Mains 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 the AKAZ Offshore Fund Ltd (and/or related investment vehicles) in accordance with the recommendation of Robert E. Little, Senior Portfolio Manager, dated September 17, 2018, and Aksia, LLC, dated September 11, 2018. 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. Davis seconded the motion, which passed with two opposed, being Mr. Clancy on behalf of Treasurer Torsella and Mr. LaForme on behalf of Secretary Wiessmann.

AKAZ OFFSHORE FUND
LTD

Mr. Mains 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 the Caspian Opportunistic Dislocation Strategy (and/or related investment vehicles), in accordance with the recommendation of Robert E. Little, Senior Portfolio Manager, dated September 11, 2018, and Aksia, LLC, dated September 7, 2018. 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. SantaMaria seconded the motion, which passed with two opposed, being Mr. Clancy on behalf of Treasurer Torsella and Mr. LaForme on behalf of Secretary Wiessmann.

CASPIAN
OPPORTUNISTIC
DISLOCATION STRATEGY

Mr. Mains 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 Triton Value Fund (Cayman) L.P. (and/or related investment vehicles), in accordance with the recommendation of Raymond J. Schleinkofer, Senior Portfolio Manager and Jeffrey R. Burton, Senior Portfolio Manager, dated September 17, 2018, and Aksia, LLC, dated September 19, 2018. The final terms and conditions of the

TRITON VALUE FUND
(CAYMAN) L.P.

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. Davis seconded the motion, which passed with two opposed, being Mr. Clancy on behalf of Treasurer Torsella and Mr. LaForme on behalf of Secretary Wiessmann.

**BROOKFIELD
STRATEGIC REAL
ESTATE PARTNERS III-
A L.P.**

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$300 million plus reasonable normal investment expenses in Brookfield Strategic Real Estate Partners III – A L.P. (and/or related investment vehicles), in accordance with the recommendation of Melissa A. Quackenbush, Senior Portfolio Manager, dated September 28, 2018 and StepStone Real Estate, dated September 25, 2018. 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. Davis seconded the motion, which passed with two opposed, being Mr. Clancy on behalf of Treasurer Torsella and Mr. LaForme on behalf of Secretary Wiessmann. Ambassador Silverstein recused himself from participation on this matter and filed appropriate papers with the Board..

**AGENCY COMMITTEE
ON FEE
TRANSPARENCY**

Mr. Mains moved that the PSERS Board Chair shall establish and appoint an ad hoc Agency Committee, comprised of 5 Board Members and supported by relevant staff, to review and assess current policies, practices and standards regarding the reporting of investment management performance and fees, charges, expenses and profit-sharing arrangements, and to make recommendations to the Board, with the goal of making PSERS a national public pension fund leader in fee and performance disclosure and transparency.

The Agency Committee should receive relevant information from staff in advance of meeting and should consider current practices and emerging best industry practices with respect to performance, manager fee structures and public disclosure of compensation arrangements.

The Agency Committee should hold its first meeting prior to the December 2018 Board Meeting and should endeavor to report and make its recommendations to the Board at the January or March 2019 Board Meeting. Ms. Lemmo seconded the motion which passed unanimously. Chairman Vogler named Mr. Mains to Chair the Committee, with Treasurer Torsella, Ms. Connors, Mr. Davis and Mr. Gallagher.

BUDGET/FINANCE COMMITTEE REPORT

Mr. Davis reported on the meeting held on October 11-12, 2018.

Mr. Davis stated that the Committee approved the minutes of the May 24, 2018 meeting.

Mr. Davis moved that the Public School Employees' Retirement Board (the "Board") hereby approves the (i) 2019-20 Administrative Budget, not to exceed \$51,644,000, subject to adjustments by the Governor's Budget Office or the General Assembly; (ii) the 2019-20 Defined Contribution Budget, not to exceed \$2,450,000, subject to adjustments by the Governor's Budget Office or the General Assembly; (iii) the Investment Related Expenses Budget, not to exceed \$35,278,000 and (iv) the 2019-20 Directed Commissions Recapture Program Budget, not to exceed \$2,000,000, for the Public School Employees' Retirement System as more particularly set forth in the attached summaries. Senator Blake seconded the motion which passed unanimously with the following exception, Mr. Clancy requested the record to reflect that Treasurer Torsella supports the resolution with the exception of article(iii), Investment Related Expenses Budget.

Mr. Davis moved that Public School Employees' Retirement Board (the "Board") hereby accepts the June 30, 2018 and 2017 Financial Statements prepared by the Public School Employees' Retirement System's Office of Financial Management and ratifies all payments that are reflected in the June 30, 2018 and 2017 Financial Statements. Mr. Mains seconded the motion which passed unanimously.

AUDIT/COMPLIANCE COMMITTEE REPORT

Representative Bloom reported on the meeting held on October 11-12, 2018.

Representative Bloom stated that the Committee approved the minutes of the August 9, 2018 meeting.

Representative Bloom stated that Mr. Thomas Rey, Clifton Larson Allen, LLP gave a Risk Assessment presentation and presented the Financial Audit Results.

MINUTES

2019-20
ADMINISTRATIVE,
DEFINED CONTRIBUTION,
INVESTMENT RELATED
EXPENSES AND
DIRECTED COMMISSIONS
RECAPTURE PROGRAM
BUDGETS

FINANCIAL STATEMENTS
AND RATIFICATION OF
PAYMENTS

MINUTES

PRESENTATIONS

INDEPENDENT
AUDITORS REPORT

Representative Bloom moved that the Public School Employees' Retirement Board (the "Board") hereby approves the accompanying Independent Auditors' Report prepared for the Public School Employees' Retirement System by CliftonLarsonAllen, LLP, for the fiscal year ended June 30, 2018. Mr. Mains seconded the motion, which passed unanimously.

APPEALS AND MEMBER/EMPLOYER SERVICES
COMMITTEE REPORT

Ms. Beck reported on the meeting held on October 12, 2018.

MINUTES

Ms. Beck stated that the Committee approved the minutes of the August 9, 2018 meeting.

ACCOUNT OF M.W.

Ms. Beck moved In the account of M.W, that the Board adopt the Hearing Examiner's recommendation and dismiss Claimant's appeal. Mr. SantaMaria seconded the motion, which passed unanimously.

ESCR

Ms. Beck stated that the Committee reviewed Executive Staff Review Committee Reports from May 1, 2018; May 30, 2018; June 27, 2018 and July 27, 2018.

DEPUTY EXECUTIVE DIRECTORS' REPORT

DED REPORT

Ms. Mills presented her Deputy Executive Director's Report, which included, Impact of Act 5 implementation, personnel and an update on Benefit Activities.

CHIEF FINANCIAL OFFICER'S REPORT

CFO REPORT

In the interest of time Mr. Carl did not present his full report but invited the Board to review the report on the Diligent site.

CHIEF COUNSEL REPORT

CC REPORT

Mr. Serine reported that they are in the process of hiring a new attorney.
Mr. Skoff reported that the Bank of America Class Action Suit was coming to an end.

EXECUTIVE DIRECTOR'S REPORT

Mr. Grell reported that he attended the NCPERS Public Pension Funding Forum, September 16-18, 2018 in Cambridge MA; The Mountain Ridges PSEA-R as the luncheon speaker, October 4, 2018 in Boalsburg, PA; NCTR Annual Conference, October 7-9, 2018 in Washington D.C; and PSERS Committee/Board meetings, October 11-12, 2018.

ED REPORT

Mr. Grell reported that he will be speaking at PA Principals Association Retiree Conference, October 15, 2018 at Hershey Lodge, and at PASR PA Leadership Development Conference, October 16, 2018 at Toftrees Resort in State College, Pa. He will also be speaking at the BOCC conference on October 17, 2018 at the Best Western, Harrisburg, Pa. Mr. Grell will be attending the PSBA Excellence in Public Education Leadership Awards dinner on October 17, 2018 at Hershey Lodge. Mr. Grell will be giving a presentation to Berks County IU Superintendents on October 25, 2018. Mr. Grell will also be presenting testimony with Mr. Grossman, to the Public Pension Management and Asset Investment Review Commission Public Hearing on October 25, 2018. Plans to attend the 2018 Leadership Development Institute graduation ceremony in support of 2 PSERS coworkers who completed the 9-month course, November 2, 2018 at the Farm Show complex and the 12th Annual PAPERS Fall Workshop, November 27-28, 2018, in Philadelphia.

Mr. Grell reported to the Board regarding the impending departure of Ms. Marla Cattermole; Act 5 update, House Bill 1460 on fee transparency, PSERS/SERS Governance issues and DGS land transfer.

BOARD EDUCATION

Mr. Grell reported that updated Board Education hours for each Member were updated on Diligent and asked members to submit the 2019 Training Input Form, to note their preference for educational sessions in 2019.

REPORT

MEMBER COMMENTS

Discussion was held on possibly changing the Board meeting times to accommodate all the discussion.

COMMENTS

Mr. Gallagher proposed that the new Transparency Committee should have a mandate from the Board on its Mission. A discussion followed.

FEE TRANSPARENCY
AGENCY COMMITTEE

Mr. Gallagher moved that the Public School Employees Retirement System recommends that the newly established ad hoc Agency Committee on Fee Transparency collaborate with other public pension funds and national organizations who serve public pension funds, to work towards a nationwide goal of establishing uniform reporting guidelines for ensuring improved transparency in public pension reporting of pension plan fees and reporting of carried interest. Mr. SantaMaria seconded the motion which passed unanimously.

ADJOURNMENT

No further business appearing, Chairman Vogler adjourned the meeting at 1:42 P.M.

NEXT MEETING

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on December 7, 2018 in the fourth floor Boardroom at PSERS Headquarters.

11/20/2018
Date


Glen R. Grell
Executive Director