

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

Regular Meeting

Minutes

August 7, 2020

9:04 A.M.

Board Members Present – (In-Person, Via MS Teams and/or Telephonically)

Mr. Christopher SantaMaria, Chairman
Representative Francis X. Ryan, Vice Chairman
Ms. Deborah J. Beck
Mr. Luc Miron for
 Senator John P. Blake (Joined at 9:50)
Ms. Stacey Connors for
 Senator Patrick M. Browne
Mr. Jason M. Davis
Mr. Eric O. DiTullio
Acting Secretary Richard Vague
Ms. Susan C. Lemmo
Mr. Nathan G. Mains (Left at 11:59)
Mr. Jonathan Berger for
 Mr. Nathan G. Mains (Joined at 11:59)
Mr. Patrick Lord for
 Secretary Pedro A. Rivera
Mr. Patrick Shaughnessy for
 Representative Matthew Bradford
Treasurer Joseph M. Torsella
Ms. Melva S. Vogler

Others Present

Ms. Anne Baloga
Mr. James Bloom
Mr. Stephen Caruso, Pa. Capital-Star
Mr. Thomas Clancy
Mr. Russ Diesinger, PASR
Ms. Suzanne Dugan, Cohen Millstein
Mr. David Driscoll, Buck
Mr. Lloyd Ebright
Mr. Alan Flannigan
Mr. Christopher Houston, SERS
Mr. Brent Mowery, SERS
Ms. Lindsay Saienni, Financial News

Ms. Terrill Sanchez, SERS
Ms. Jill Vecchio

Staff Members Present

Ms. Megan Alley
Mr. Michael Benson
Mr. Jeffrey Burton
Mr. Peter Camacci
Mr. Brian Carl
Ms. Sharon Christ
Ms. Melanie Cubias
Mr. Dwight A. Decker, Jr.
Ms. Lenann T. Engler
Mr. Steven Esack
Ms. Mercedes Evans
Mr. Dennis Filipovich
Mr. Andrew Fiscus
Ms. Kristina Goodling
Mr. Glen R. Grell
Mr. James H. Grossman, Jr.
Mr. Wilhelm Gruszecki
Ms. Carolyn Harley
Ms. Cayla B. Jakubowitz
Ms. Jill Johns
Mr. Michael Kondas
Mr. Jason Kuntz
Mr. Bradley Lamb
Ms. Patricia Lorenz
Mr. Gene Meadows
Ms. Rachel Miller
Ms. Jennifer Mills
Mr. Antonio Parisi
Mr. Christopher Parks
Mr. Troy Peechatka
Mr. Chuck Serine
Mr. Larry Shank
Mr. Steven Skoff
Ms. Kathrin Smith
Mr. Charles Spiller
Mr. Benjamin Thomas
Mr. Andrew Turner
Mr. Philip VanGraafeiland
Ms. Laura Vitale
Mr. Joseph E. Wasiak, Jr.

CALL TO ORDER

Chairman SantaMaria called the meeting to order at 9:04 A.M. Via MS Teams.

WELCOME GUESTS AND NEW EMPLOYEES

Mr. Grell welcomed guests, Mr. Diesinger, Mr. Houston, Mr. Mowery and Ms. Sanchez.

MINUTES APPROVED

Mr. Shaughnessy moved to approve the minutes of the June 12, 2020 Board meeting. Ms. Vogler seconded the motion, which passed unanimously.

UNFINISHED BUSINESS

BOARD GOVERNANCE CONSULTANT RFP

Mr. Grell gave an update on the Board Governance Consultant RFP.

NEW BUSINESS

BOARD EDUCATION

Mr. Carl introduced Mr. Driscoll, Buck, who gave a 60-minute Board education presentation on "Actuarial Hot Topics for Public Retirement Systems". A discussion followed. Members and designees attending the educational presentation were noted in the Board Education Log.

EXECUTIVE SESSION

EXECUTIVE SESSION

At 10:14 A.M. Mr. Grell 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 items listed on today's agenda, namely a Deep Executive Session of the Board and their Fiduciary Counsel. According to Section 708(a) of the Sunshine Act, 65 Pa. C.S. 708(a), we are going into Executive Session to discuss: 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 law, and Quasi-judicial matters.

Mr. DiTullio moved that the Board enter Executive Session, Ms. Connors seconded the motion, which passed unanimously.

The regular session resumed at 10:34 A.M.

PERSONNEL COMMITTEE REPORT

Ms. Vogler reported on the meeting held on August 6, 2020.

MINUTES

Ms. Vogler stated that the Committee approved the minutes of the January 16, 2020 meetings.

EXECUTIVE SESSION

Ms. Vogler reported that an Executive Session was held to discuss the Executive Director's Evaluation.

Ms. Vogler reported that the Executive Director's Evaluation was tabled until the October meetings.

HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the Health Care Committee meeting held on August 6, 2020.

MINUTES

Ms. Lemmo reported that the Committee approved the minutes from June 11, 2020.

PRESENTATIONS

Ms. Lemmo reported that Mr. Camacci and Ms. Clark from Segal, presented an update on MetLife Dental Renewal, the EyeMed vision plan and the MCO Medicare Advantage Approved Plans.

APPEALS AND MEMBER/EMPLOYER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on August 6, 2020.

MINUTES

Ms. Beck stated that the Committee approved the minutes of the June 11, 2020 meeting.

ACCOUNT OF
WILLIAM B. JACKSON, III

Ms. Beck moved in the Account of William B. Jackson, III, that the Committee recommend that the Board grant PSERS' Motion for Dismissal and dismiss Claimant's appeal. Ms. Vogler seconded the motion, which passed unanimously.

ESRC REPORTS

Ms. Beck reported that the Committee reviewed the Executive Staff Review Committee Reports from May 27 and July 7, 2020.

BYLAWS/POLICY COMMITTEE REPORT

Mr. Shaughnessy reported on the meeting held on July 28, 2020.

MINUTES

Mr. Shaughnessy stated that the Committee deferred the approval of the minutes to the next Committee meeting.

RESOLUTIONS 2020-26

Treasurer Torsella moved that the Public School Employees' Retirement Board (PSERB) hereby adopts the accompanying Travel Policy.

**Public School Employees' Retirement Board
Travel Policy**

WHEREAS, the Board of Trustees of the Pennsylvania Public School Employees' Retirement System (System), each, individually in their capacity as a fiduciary, owe a duty of loyalty to the beneficiaries of the Public School Employees' Retirement Fund (Fund) and therefore are obligated to render decisions that are informed, without bias and in the sole interest of the Fund's beneficiaries.

WHEREAS, the Board of Trustees, the Executive Director, the Chief Investment Officer and investment staff of the Fund may occasionally be required to travel on behalf of the System to attend meetings, educational seminars, due diligence reviews and satisfy such other fiduciary oversight and public outreach responsibilities.

WHEREAS, the Board of Trustees hereby desires to ensure all investment advice and recommendations rendered to and resulting from decisions of the Board of Trustees are free from undue influence, bias or conflict, whether actual or perceived, that may result from persons or entities with a direct or indirect financial interest in Fund investments paying for System travel expenses.

WHEREAS, the Board of Trustees hereby desires to formally adopt a policy providing for the formal review, written approval and disclosure of all System related travel and travel expenses as being prudent, necessary, and in the interest of Fund beneficiaries.

RESOLVED, all intrastate travel by Trustees, the Executive Director, the Chief Investment Officer and investment staff of the Fund related to the management and fiduciary oversight of the Fund shall be submitted to, reviewed, and approved by the Executive Director.

RESOLVED, all travel by Trustees, the Executive Director, the Chief Investment Officer and designated investment staff of the Fund within the continental United States related to the management and fiduciary oversight of the Fund, having an estimated cost of \$2,000 or more, shall be submitted to, reviewed, and approved by the Chair of the Board of Trustees, or in the absence of the Chair, the Vice Chair of the Board.

RESOLVED, all travel by Trustees, the Executive Director, the Chief Investment Officer and designated investment staff of the Fund outside the continental United States related to the management and fiduciary oversight of the Fund shall be submitted to, reviewed, and approved by the Chair of the Board of Trustees, or in the absence of the Chair, the Vice Chair of the Board.

RESOLVED, all Trustees, Officers, and employees who are responsible for or contribute to the decision to hire, retain, or terminate any investment fund, manager, management company, partnership, consultant or other third-party who does, seeks or may seek to do business with the system shall be prohibited from accepting gifts, entertainment, or travel funding from such third parties. In fulfilling obligations pertaining to business of the System, all travel-related expenses, including transportation, lodging and subsistence, among others, incurred by Trustees, Officers, and employees, shall be paid by the System. Where appropriate, the System shall seek to minimize any costs from potential "double-billing" for travel, and shall report to the Board within ninety (90) days on mechanisms for doing so.

RESOLVED, all travel expenses incurred by Trustees, the Executive Director, the Chief Investment Officer and designated investment staff of the Fund shall be publicly disclosed and reported to all members of the Board of

Trustees quarterly. The quarterly travel disclosure report shall include, at a minimum, the full name of the person traveling, the approved purpose of the travel, the dates of travel, the locations of travel, a description of the travel, including identification of any investment or fund managers, partnership, consultants, investment properties visited or investment operations reviewed. The quarterly travel disclosure report shall also include a detailed account of all individual expenses incurred in excess of fifty dollars (\$50) and the source or sources of payment or reimbursement of any such expenses, including any such payment or reimbursement by any investment fund, manager, management company, partnership, consultant or sponsoring association, trade group other profit or non-profit entity, without regard as to whether or not the incurring of the expense, or the payment or reimbursement, is made directly by or to the traveler or the System if not otherwise paid by the System without reimbursement from another source.

RESOLVED, that the System shall prepare a report to be submitted to the members of the Audit Committee of the Board providing the information specified in the paragraph above for travel expenses incurred by the Executive Director, the Chief Investor Officer, and investment staff of the System, for the period of calendar years 2017-2019, not later than the December 4, 2020 Board Meeting.

RESOLVED, that all due diligence reports provided to the Board of Trustees on any proposed investments or contracts shall include disclosure of all travel expense information as set forth above that may be related to, or paid by, the proposed investment manager, fund, partnership or vendor.

RESOLVED, this resolution shall be in addition to and supersede any inconsistent resolution, policy or portion thereof previously adopted by the System pertaining to travel expenses.

PASSED AND APPROVED by the Board of Trustees of the Pennsylvania Public School Employees' Retirement System on this 7th day of August, 2020.

Treasurer Torsella accepted 3 friendly amendments.

Representative Ryan seconded the motion, which as amended passed unanimously.

AUDIT/COMPLIANCE COMMITTEE REPORT

Representative Ryan reported on the meeting held on August 4, 2020.

MINUTES

Representative Ryan stated that the Committee approved the minutes of the June 11, 2020 meetings.

PRESENTATIONS

Representative Ryan stated that Ms. Lanius presented the final Audit plan update for FY 20/21; and a travel expense review update. Representative Ryan led a discussion on Shared Risk calculation procedures and processes.

EXECUTIVE SESSION

Representative Ryan reported that an Executive Session was held to discuss the Internal Control Assessment Results and Monitoring Plan.

RESOLUTION 2020-27

Representative Ryan moved, that the Public School Employees' Retirement Board (the "Board") hereby accepts the results of the Internal Control Assessments for the fiscal year ending June 30, 2020 and the Monitoring Plan for the period July 1, 2020 through June 30, 2021 for the Public School Employees' Retirement System pursuant to the recommendation of Stephanie L. Lanius, Acting Internal Auditor, dated July 24, 2020. Mr. Shaughnessy seconded the motion, which passed unanimously.

INVESTMENT COMMITTEE REPORT

Mr. Davis reported on the meeting held on August 6, 2020.

MINUTES

Mr. Davis stated that the Committee approved the minutes of the June 11, 2020 meeting.

PRESENTATIONS

Mr. Davis stated that Mr. Grossman gave presentations on, PSERS Fund and Market Overview, LLR Equity Partners VI, L.P., PGIM Real Estate Capital VII, SCSp, ISQ Global Infrastructure Fund III, L.P., New Mountain Partners VI, L.P. and a preview of future Investment Committee meetings.

Mr. Sheva gave a presentation on Clearlake Flagship Plus Partners, L.P. Mr. Bauer gave a presentation on China Bonds.

Mr. Davis reported that an Executive Session was held to discuss Absolute Return/Private Credit RFP results.

Mr. Davis presented the following action items:

RESOLUTION 2020-28

Mr. Davis 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 Clearlake Flagship Plus Partners L.P. (and/or related investment vehicles), in accordance with the recommendation of James F. Del Gaudio, Senior Portfolio Manager, and Sean T. Sarraf, Investment Professional, dated July 14, 2020 and Hamilton Lane LLC, dated July 13, 2020. 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. DiTullio seconded the motion, which passed with one opposed, being Representative Ryan and two abstentions, being Mr. Ebright on behalf of Treasurer Torsella and Acting Secretary Vague.

RESOLUTION 2020-29

Mr. Davis 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 LLR Equity Partners VI, L.P. (and/or related investment vehicles), in accordance with the recommendation of Patrick G. Knapp, Portfolio Manager, and Darren C. Foreman, Director, dated July 16, 2020 and Hamilton Lane, dated June 3, 2020. 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. DiTullio seconded the motion, which passed with one opposed, being Representative Ryan and two recusals, being Treasurer Torsella and Acting Secretary Vague, who filed appropriate recusal forms with the Board Secretary.

RESOLUTION 2020-30

Mr. Davis moved, that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$125 million plus reasonable normal investment expenses, in PGIM Real Estate Capital VII, SCSp (and/or

related investment vehicles), in accordance with the recommendation of William P. Stalter, Senior Portfolio Manager, and Jarrett B. Richards, Intermediate Investment Professional, dated July 9, 2020 and Hamilton Lane, dated June 26, 2020. 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. DiTullio seconded the motion, which passed with two opposed being, Representative Ryan, and Lloyd Ebright on behalf of Treasurer Torsella.

RESOLUTION 2020-31

Mr. Davis 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 ISQ Global Infrastructure Fund III, L.P. (and/or related investment vehicles), in accordance with the recommendation of William P. Stalter, Senior Portfolio Manager, and Jarrett B. Richards, Intermediate Investment Professional, dated June 30, 2020 and Hamilton Lane, dated June 11, 2020. 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. DiTullio seconded the motion, which passed unanimously.

RESOLUTION 2020-32

Mr. Davis moved, that the Public School Employees' Retirement Board (the "Board") hereby increases its investment from \$175 million plus reasonable normal investment expenses as approved by Resolution 2020-06 on March 6, 2020, to \$250 million plus reasonable investment expenses in New Mountain Partners VI, L.P. (and/or related investment vehicles), in accordance with the recommendation of Darren C. Foreman, Director, and Luke M. Jacobs, Manager, and Hamilton Lane dated June 23, 2020. 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. Vogler seconded the motion, which passed with three opposed, being Representative Ryan. Mr. Ebright on behalf of Treasurer Torsella and Acting Secretary Vague.

CHIEF FINANCIAL OFFICER'S REPORT

CFO REPORT

Mr. Carl presented his Chief Financial Officer's Report, which included: Fiscal year end schedule, Preliminary June 30, 2020 financial update, Private Market fiscal year end valuation procedure, FY2021/22 Budget preview, and other finance-related activities.

CHIEF COUNSEL'S REPORT

CC REPORT

Mr. Skoff presented his report which included a report on Nonparticipating Employer Withdrawal Liability and a Kentucky Retirement System case of a breach of fiduciary duty. Mr. Skoff also thanked Kathrin Smith and Gloria Mack for their help in transitioning into his current role as Acting Chief Counsel.

DEPUTY EXECUTIVE DIRECTOR'S REPORT

DED REPORT

Ms. Mills gave her Deputy Executive Director's Report, which included: updates on small balance sweep, fiduciary insurance, operational gains, and a review of the webinar survey.

EXECUTIVE DIRECTOR'S REPORT

ED REPORT

Mr. Grell stated that he attended the following:
June 17, NCTR Webinar: Governing in a Time of Crisis – Panelist – Virtual
June 24, NCTR System Directors' Roundtable – Virtual
July 28, Bylaws/Policy Committee Meeting - Virtual
July 31, Investment Committee Meeting - Virtual
August 4, Audit/Compliance Committee Meeting

Mr. Grell reported that he will be a panelist or attend the following:
August 10-12, NASRA Annual Conference - Virtual
August 24-28, The Pension Bridge Meeting – Virtual
October 1-2, Voya Client Summit – Virtual
October 13-14, NCTR Annual Conference - Virtual

Mr. Grell reported on current issues, including: Coronavirus re-opening work group; withdrawal liability; Pension Administration – Vitech release; Internal controls; HB 1964 (Investment Fee Reporting); a letter from House Appropriation Chair Saylor dealing with DC Plan fees; and a status report on the Agency goals.

BOARD EDUCATION

Mr. Grell reported that Registration will soon be open for the NCTR (Virtual) Annual meeting October 11-13, 2020.

ADJOURNMENT

Chairman SantaMaria adjourned the meeting at 1:35 P.M.

NEXT MEETING

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on October 9, 2020, via MS Teams at PSERS' Headquarters, 5 N. 5th Street, Harrisburg, PA.

Date 9/25/2020


Glen R. Grell
Executive Director