

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

**Regular Meeting**

**Minutes**

**June 11, 2010**

**9:00 A.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman

Senator Patrick Browne

Ms. Toni Marchowsky for Representative Dwight Evans

Mr. Glen S. Galante

Ms. Beth Winters for Mr. Thomas J. Gentzel

Mr. Steven Kniley for Secretary Thomas E. Gluck

Representative Glen R. Grell

Mr. John Raymond for 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

**Board Members Absent**

Ms. Tina Byles Williams

**Staff Members Present**

Mr. Jeffrey B. Clay

Ms. Ashley Adams

Ms. Cindy Bolton

Ms. Barbara D. Flurie

Mr. Gerald Gornish

Ms. Amber Moll

Ms. Terrill J. Savidge

Ms. Alycia Stokes

Ms. Evelyn M. Tatkovski

Mr. Alan H. Van Noord

Mr. Joseph E. Wasiak, Jr.

CALL TO ORDER

Ms. Vogler called the meeting to order at 9:00 A.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME NEW  
EMPLOYEE  
MINUTES APPROVED

Mr. Clay welcomed Alycia Stokes, intern to the Press Secretary.

Mr. Moss moved to approve the minutes of the April 5, 2010 Board meeting. Mr. Rose seconded the motion, which passed unanimously. Ms. Turley moved to approve the minutes of the April 30, 2010 Board meeting. Ms. Tozer seconded the motion, which passed unanimously.

PERSONNEL COMMITTEE REPORT

Ms. Winters, in Mr. Gentzel's absence, reported on the meeting held June 10, 2010.

MINUTES APPROVED

Ms. Winters stated that the Committee approved the minutes of the March 11, 2010 meeting.

EXECUTIVE SESSION

Ms. Winters reported that an Executive Session was held to discuss the Executive Director's Performance Review.

FINANCE COMMITTEE REPORT

Mr. Rose reported on the meeting held June 10, 2010.

MINUTES APPROVED

Mr. Rose stated that the Committee approved the minutes of the April 29, 2010 meeting.

PRESENTATIONS

Mr. Rose stated that Mr. Van Noord gave a Market Review and Comments report; Mr. Smith presented a Public Market Performance Review; Mr. Bensus gave a Wilshire First Quarter Performance Update; Mr. Grossman presented a Revision to the PIMCO EM Debt Mandate; Mr. Grossman reviewed the Investment Objectives and Guidelines; and Mr. Van Noord gave a preview of future meetings.

INVESTMENT  
OBJECTIVES AND  
GUIDELINES

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") adopts the proposed Investment Objectives and Guidelines Addenda listed below for the Public School Employees' Retirement System pursuant to the recommendation of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance, dated May 24, 2010.

Addendum      Addendum Title

- K U.S. High Yield Fixed Income Portfolios
- K1 Mortgage and Asset Backed Securities Portfolios
- L Internally-Managed Treasury Inflation Protection Securities Portfolios
- Q Global Core Plus Fixed Income Portfolios
- Q1 Emerging Markets Fixed Income Portfolios
- Y Internally-Managed Short-Term Investment Pool
- Y1 LIBOR-Plus Short-Term Investment Pools

Internally-Managed Premium Assistance Program Portfolio

Mr. Raymond seconded the motion, which passed unanimously.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on June 10, 2010.

Ms. Tozer stated that the Committee approved the minutes of the April 29, 2010 meeting.

MINUTES APPROVED

Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner, and deny the request of John F. Yocklovich to change his date of retirement. Representative Grell seconded the motion, which passed unanimously.

ADJUDICATION:  
JOHN F. YOCKLOVICH

Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee Reports from the April 20, 2010 meeting.

EXECUTIVE STAFF  
REVIEW COMMITTEE

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

BENEFITS PROCESSING  
STATISTICS

CORPORATE GOVERNANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held on June 10, 2010.

Mr. Sando stated that the Committee approved the minutes of the March 11 and April 5, 2010 meetings.

MINUTES APPROVED

Mr. Sando reported that Executive Session was held to discuss litigation.

EXECUTIVE SESSION

MASSEY ENERGY  
COMPANY

Mr. Sando reported that the committee discussed correspondence regarding the Massey Energy Company.

HEALTH CARE COMMITTEE REPORT

Ms. Turley reported on the meeting held on June 10, 2010.

MINUTES APPROVED

Ms. Turley stated that the Committee approved the minutes of the April 29, 2010 meeting.

PRESENTATIONS

Ms. Turley stated that Mr. Johnson, of Segal, gave an update on the Legacy Plan.

EXECUTIVE SESSION

Ms. Turley stated that the committee went into Executive Session to discuss the results of the Third Party Administrator's Request for Proposal.

TPA RFP RESULTS

Ms. Turley moved that the Public School Employees' Retirement Board (the "Board") in accordance with the recommendation of the Third Party Administration Services Request For proposal Evaluation Committee, selects CoreSource, Inc., as the Third Party Administrator for the Health Options program and Premium Assistance program for the period commencing January 1, 2011, through December 31, 2013, renewable for up to two one-year periods upon mutual written consent of the parties, subject to negotiations of terms and conditions satisfactory to the Director, Health Insurance Office, the Office of Chief Counsel and the Executive Director, as evidenced either by the appropriate signatures on the implementing contract or by a memo to that effect appended to the implementing contract. Mr. Sando seconded the motion, which passed with 11 Yes votes, and abstentions from Representative Grell, Mr. John Raymond on behalf of Senator Kitchen, and Ms. Marchowsky on behalf of Representative Evans.

HEALTH OPTIONS  
PROGRAM

Ms. Turley moved that the Public School Employees' Retirement Board (the "Board") approves, effective January 1, 2011, the monthly premium rates and benefits as recommended in the report: 2011 Premium Rates and Benefits HOP Medical Plan, Pre-65 Medical Plan, Basic and Enhanced Medicare Rx Options. Mr. Moss seconded the motion, which passed unanimously.

## NEW BUSINESS

Mr. Rose moved to accept the proposed 2011 Board Meeting calendar. Treasurer McCord seconded the motion, which passed unanimously.

2011 BOARD MEETING  
CALENDAR

## EXECUTIVE DIRECTOR'S REPORT

Mr. Clay stated that the following information was available (See Board Book 349, Executive Director TAB):

INFORMATION  
AVAILABLE

- Letter to Mr. Clay from Mr. Richard St. Clair
- Royal Dutch articles

Mr. Clay stated that the PSERS Employee Recognition Program was held on May 5; he gave a presentation to the Board of the Riverside School District on May 6; made a presentation to the Board of the Greater Latrobe School District on May 11; made a presentation to Westinghouse retirees in conjunction with Tom Gentzel on May 12; gave a presentation at IU 17 in Canton, PA on May 13; made a presentation at IU 8 in Altoona, PA on May 14; gave a presentation to the Philadelphia PASR chapter on May 27; made a presentation to the Board of the South Butler School District on June 2; and made a presentation to the House Democratic Caucus on June 7. All the presentations pertained to PSERS funding challenges.

RECENTLY ATTENDED  
EVENTS

Mr. Clay informed the Board that a Board Education Session will be held before the next regular meeting. Ms. Vogler encouraged all Board members and designees to attend the session.

BOARD EDUCATION

Ms. Vogler expressed gratitude to Mr. Clay, on behalf of the Board, for the extensive travel and education he has done.

THANK YOU

## CHIEF COUNSEL REPORT

Mr. Gornish introduced two externs working in the Legal Office, Miss Ashley Adams and Miss Amber Moll. Both are students at Widener Law School.

INTRODUCTION

Mr. Gornish reported on our victory in the Commonwealth Court in this case, which was argued by Dave Speck. Of significance to the Board is that the Court upheld its fiduciary authority and responsibility to review whether a public school employer's decision to declare an emergency and rehire a retired employee is in fact made on the basis of an emergency as defined in the Retirement

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Code. The Court also upheld the Boards' decision in this case that the facts did not support an emergency. The Court upheld the Boards' decision that an executive director of an IU has a 260-day work-year and that the reduction of that work year to 230 days with a per diem payment for any extra days was not proper and that including the per diem payments in compensation for retirement purposes is not permitted. The Court finally held that due process was not violated by the fact that Chief Counsel advises the Board whereas a non-directly supervised attorney handles cases before the Board.

SECURITIES  
LITIGATION  
CONSULTANT

Mr. Gornish reminded the Board that there will be an RFP for a securities litigation consultant that will come before the Board in October.

MERCK CASE

Mr. Gornish reported on the *Merck* case in the Supreme Court of the United States in which PSERS had joined in an amicus brief on behalf of the Plaintiffs. The Supreme Court held that a statute of limitations for a securities litigation suit had not run based on Merck's alleged material misrepresentations of the cardiovascular risks associated with Vioxx, where Plaintiffs could not have reasonably discovered all of the elements of Merck's fraud, including the fact that it knowingly misrepresented the safety of Vioxx.

SNIZASKI CASE

Mr. Gornish reported that the Supreme Court of Pennsylvania has agreed to accept the *Snizaski* case, stating the question as "Whether the Commonwealth Court correctly interpreted 24 Pa.C.S. §8507(e) to require in this case that a Public School Employees' Retirement System nomination of benefits form must have been completed entirely in the hand of the member/decedent in order to effectuate a valid change of beneficiary designation." Mr. Gornish pointed out that the issue in the Commonwealth Court was not actually whether the entire application had to be completed in the hand of the member/decedent, but the fact that the form was returned to PSERS with percentages whited-out and new percentages inserted, but with no additional signature or initials, and the Commonwealth Court did not specify in what way the corrected form was not "written." PSERS will file a brief in the case.

RIGHT TO KNOW

Mr. Gornish reported on a recent right-to-know case in the Commonwealth Court where the Court held (5-2) that agencies that receive reports of wages paid to employees of third-party contractors that work for these state agencies on various projects may redact the names and addresses of those employees when

producing documents under the exemption for a "record containing all or part of a person's financial information."

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl gave a presentation to the Board containing the GASB Pension Reporting Project; Other Financial Management issues; Financial Statements as of March 31, 2010; Benefit Payments vs. Contributions; and PSERS' Contribution Rate History (See Board Book 348, CFO Report TAB).

CFO REPORT

At 9:55 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 Securities Litigation. The Board may hold an executive session for any one or more of the reasons enumerated in Section 8(a) of the Sunshine Act (65 P.S. 278(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."

EXECUTIVE SESSION

Mr. Rose moved that the Committee enter into Executive Session. Mr. Raymond seconded the motion, which passed unanimously. The Executive Session ended at 10:04 A.M. and the meeting immediately returned to Regular Session.

Ms. Vogler adjourned the meeting at 10:44 A.M.

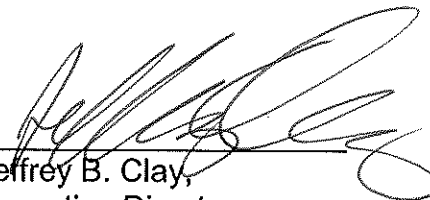
ADJOURNMENT

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on August 12, 2010, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

NEXT MEETING

Date 7/29/10

Approved

  
Jeffrey B. Clay,  
Executive Director