

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

**Regular Meeting**

**Minutes**

**June 13, 2014**

**8:26 A.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Ms. Deborah J. Beck  
Mr. Frederick T. Berestecky  
Mr. James R. Biery  
Mr. Larry B. Breech  
Mr. Charles Zogby for Acting Secretary Carolyn C. Dumaresq  
(arrived at 9:49)  
Representative Glen R. Grell  
Ms. Susan C. Lemmo  
Mr. Nathan G. Mains  
Mr. Bernard Gallagher for Representative Joseph F. Markosek  
Ms. Jennifer Langan for Treasurer Robert M. McCord  
Mr. James M. Sando  
Ambassador Martin J. Silverstein

**Board Members Absent**

Senator Patrick M. Browne

**Board Member Present Telephonically**

Mr. Anthony Mannino for Senator Lawrence M. Farnese

**Staff Members Present**

Ms. Cindy Bolton  
Ms. Barbara Book  
Mr. Brian S. Carl  
Mr. Jeffrey B. Clay  
Mr. Douglas Feichtl  
Ms. Michele M. Ferencz  
Mr. Steven Goldstein  
Mr. James H. Grossman, Jr.

Mr. Eugene W. Robison  
Mr. Francis Ryder  
Ms. Terrill J. Sanchez  
Ms. Eileen Smith  
Ms. Christine Steever  
Mr. Joseph E. Wasiak, Jr.  
Ms. Evelyn M. Williams

**Others Present**

Mr. Sandy Leopold

CALL TO ORDER Ms. Vogler called the meeting to order at 8:26 A.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME NEW EMPLOYEES Mr. Clay welcomed new employees; Ms. Smith, Mr. Feichtl and Mr. Goldstein.

MINUTES APPROVED Mr. Sando moved to approve the minutes of the May 1, 2014 Board meeting. Ms. Beck seconded the motion, which passed unanimously.

PERSONNEL COMMITTEE REPORT

Representative Grell reported on the meeting held on June 12, 2014.

MINUTES APPROVED Representative Grell stated that the Committee approved the minutes of the March 14, 2014 meeting.

EXECUTIVE SESSION Representative Grell stated that an Executive Session was held regarding Personnel issues.

FINANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held June 12, 2014.

MINUTES Mr. Sando stated that the Committee approved the minutes of the May 1, 2014 meeting.

PRESENTATIONS Mr. Sando stated that Mr. Grossman gave a Market Review and Comments; Mr. Kumar and Ms. Shaughnessy, of HEK, presented the First Quarter Performance; Mr. Ruehl, of Aksia, presented his First Quarter Performance; Mr. Kivarkis, of HEK, along with Mr. Grossman, presented Asset/Liability Study and Asset Allocation; Mr. Kumar and Ms. Shaughnessy, of HEK, presented Investment Staff Benchmarking; Mr. Little presented Oceanwood Opportunities fund; Ms. Stepp presented The Varde Scratch and Dent Fund, L.P.; Mr. Devine presented Black River Inflation Opportunity Fund A; Mr. Spiller presented both Bridgepoint Europe V, L.P. and NGP Natural Resources XI, L.P.; Mr. Tyler presented Orchid Asia VI, L.P.; and Mr. Grossman presented his Preview of Future Meetings.

INVESTMENT OBJECTIVES AND GUIDELINES Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the new Exhibit B (10-Year Target Allocation) and proposed changes to Exhibits C (Current Target Allocation) and D (Policy Index) of the Investment Policy

Statement, Objectives, and Guidelines, as amended, for the Public School Employees' Retirement System pursuant to the recommendations of James H. Grossman, Jr., Chief Investment Officer, dated May 28, 2014 and Hewitt EnnisKnupp, dated June 12, 2014. Ms. Beck seconded the motion, which passed unanimously.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$150 million plus reasonable normal investment expenses, in The Vårde Scratch and Dent Fund, L.P. in accordance with the recommendations of Laurann H. Stepp, Portfolio Manager, dated June 12, 2014 and Aksia LLC, dated May 19, 2014. 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. Biery seconded the motion, which passed unanimously.

THE VARDE SCRATCH  
AND DENT FUND, L.P.

Mr. Sando moved that pursuant to the recommendation of Bob Devine, Senior Portfolio Manager, dated May 23, 2014, the Public School Employees' Retirement Board (the "Board") hereby (i) invests the \$82.3 million in the Black River Inflation Opportunity Fund A into Black River Fixed Income Relative Value Opportunity Fund Ltd. (FIRVO), (ii) that FIRVO be included in the Black River Inflation Opportunity Fund and (iii) that the Investment Office shall have the discretion to invest additional sums within the target ranges approved by the Board in Exhibit D of the Investment Policy Statement, Objectives and Guidelines, as amended from time to time (the current version of which can be found at <http://www.psers.state.pa.us/investmenUguide/guide.htm>), provided that any investment of an additional sum by the Investment Office shall be reported to the Board in a timely manner. 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. Langan seconded the motion, which passed unanimously.

TRANSFER OF BLACK  
RIVER INFLATION  
OPPORTUNITY FUND A  
TO BLACK RIVER FIXED  
INCOME RELATIVE  
VALUE OPPORTUNITY  
FUND LTD

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed €150 million plus reasonable normal investment expenses, in Bridgepoint Europe V, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate,

BRIDGEPOINT EUROPE  
V, L.P.

dated June 12, 2014 and Portfolio Advisors LLC, dated May 19, 2014. 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. Biery seconded the motion, which passed unanimously.

NGP NATURAL  
RESOURCES XI, L.P.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in NGP Natural Resources XI, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated June 12, 2014 and Portfolio Advisors LLC, dated May 20, 2014. 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. Berestecky seconded the motion, which passed unanimously.

ORCHID ASIA VI, L.P.

Mr. Sando 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 Orchid Asia VI, LP, in accordance with the recommendation of Michael J. Tyler, Sr. Investment Analyst, Private Markets, dated June 12, 2014 and Portfolio Advisors, LLC dated April 28, 2014. 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. Beck seconded the motion, which passed unanimously.

#### APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on June 12, 2014.

MINUTES APPROVED

Ms. Beck stated that the Committee approved the minutes of the May 1, 2014 meeting.

ACCOUNT OF  
KENNETH R. MOSLEY  
(DECEASED), CLAIM OF  
HELENE DAVIS

Ms. Beck moved in the case of Kenneth R. Mosley (Deceased), Claim of Helene Davis, that the Board adopts the draft Opinion and Order of the Board, denying Claimant's Brief on Exceptions and request for oral argument, and accepting the Hearing Examiner's Proposed Opinion and Recommendation to deny Claimant's

request to void the Nomination of Beneficiaries form received by PSERS on August 31, 2011, and have the death benefits paid under the Nomination of Beneficiaries form received by PSERS on June 27, 2011. Mr. Sando seconded the motion, which passed unanimously.

Ms. Beck moved in the case of Nancy C. Bowers, that the Board adopts the draft Opinion and Order of the Board denying Claimant's request to have her final average salary set at \$93,911. Mr. Biery seconded the motion, which passed unanimously.

ACCOUNT OF  
NANCY C. BOWERS

Ms. Beck moved in the case of Kalem Calien, that the Board adopts the draft Opinion and Order of the Board granting PSERS' Motion for Summary Judgment, dismissing Claimant's Request for Administrative Hearing, and denying Claimant's request to elect multiple service membership with PSERS. Mr. Berestecky seconded the motion, which passed unanimously.

ACCOUNT OF  
KALEM CALIEN

Ms. Vogler stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Report from the March 27, 2014 meeting.

ESRC REPORT

HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held on June 12, 2014.

Ms. Lemmo stated that the Committee approved the minutes of the March 13, 2014 meeting.

MINUTES APPROVED

Ms. Lemmo reported that the Committee heard a briefing from Mr. Schafer regarding rates and benefits for the Health Care programs.

RATES AND BENEFITS

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the premium rates of the HOP Medical Plan effective January 1, 2015:

HOP MEDICAL PLAN  
BENEFITS AND RATES  
EFFECTIVE 1-1-15

Southeast Region	2014	2015	% Change
Standard Rate	\$ 199	\$ 199	0%
Age 65 Rate	170	170	0
Age 65 Rate (2 <sup>nd</sup> Year)	176	176	0
Age 65 Rate (3 <sup>rd</sup> Year)	182	182	0
Age 65 Rate (4 <sup>th</sup> Year)	N/A	188	0

Southwest Region	2014	2015	% Change
Standard Rate	\$195	\$195	0%
Age 65 Rate	166	166	0
Age 65 Rate (2 <sup>nd</sup> Year)	172	172	0
Age 65 Rate (3 <sup>rd</sup> Year)	178	178	0
Age 65 Rate (4 <sup>th</sup> Year)	N/A	184	0

North and Central Region	2014	2015	% Change
Standard Rate	\$ 169	\$ 169	0%
Age 65 Rate	144	144	0
Age 65 Rate (2 <sup>nd</sup> Year)	149	149	0
Age 65 Rate (3 <sup>rd</sup> Year)	154	154	0
Age 65 Rate (4 <sup>th</sup> Year)	N/A	159	0

Mr. Breech seconded the motion, which passed unanimously.

HOP PRE-65 MEDICAL  
PLAN BENEFITS AND  
RATES EFFECTIVE  
1-1-15

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the premium rates of the HOP Pre-65 Medical Plan effective January 1, 2015:

All Regions	2014	2015	\$ Change	% Change
Pre-65 Medical Plan	\$ 717	\$ 761	\$ 44	6%
Pre-65 Medical Plan w/ Prescription Drugs	827	877	50	6

Mr. Gallagher seconded the motion, which passed unanimously.

BASIC MEDICARE RX  
OPTION BENEFITS AND  
RATES EFFECTIVE  
1-1-15

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the following benefit modifications to the Basic Medicare Rx Option effective January 1, 2015 for calendar year 2015:

BASIC Rx OPTION		2014 Benefits	2015 Benefits
Annual Deductible		\$0	\$0
Initial Coverage	Generic Drugs	\$7 (\$21 for 90-days)	\$8 (\$24 for 90-days)
	Preferred Brand Drugs	30% up to \$60 (\$120 for 90-days) (\$100 for 90-days by mail)	30% up to \$100 (\$250 for 90-days) (\$225 for 90-days by mail)
	Non-Preferred Brand Drugs	40%	40%
	Specialty Drugs	33%	33%

Coverage Gap	Generic Drugs	72%	65%
	Brand Drugs	47.5%	45%
	Specialty Drugs		
	Generic Drugs	72%	65%
	Brand Drugs	47.5%	45%
Catastrophic	Generic Drugs	Greater of \$2.55 or 5% up to \$100	Greater of \$2.65 or 5% up to \$100
	Brand Drugs	Greater of \$6.35 or 5% up to \$100	Greater of \$6.60 or 5% up to \$100

And further, that the Public School Employees' Retirement Board (the Board") hereby approves the following monthly premium rates of the Basic Medicare Rx Option effective January 1, 2015 for calendar year 2015:

Basic Medicare Rx Option:	2014	2015	Increase
Single	\$32	\$35	9%
Two Person	64	70	9%

Mr. Breech seconded the motion, which passed unanimously.

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the following benefit modifications to the Enhanced Medicare Rx Option effective January 1, 2015:

ENHANCED MEDICARE  
RX OPTION BENEFITS  
AND RATES EFFECTIVE  
1-1-15

ENHANCED Rx OPTION		2014 Benefits	2015 Benefits
Annual Deductible		\$0	\$0
Initial Coverage	Generic Drugs	\$7 (\$21 for 90-days)	\$7 (\$21 for 90-days)
	Preferred Brand Drugs	25% up to \$50 (\$100 for 90-days) (\$90 for 90-days by mail)	25% up to \$65 (\$130 for 90-days) (\$120 for 90-days by mail)
	Non-Preferred Brand Drugs	Same as Preferred Brand	35% up to \$75 (\$150 for 90-days) (\$140 for 90-days by mail)
	Specialty Drugs	33%	33%
o	Generic Drugs	72%	65%

	Brand Drugs	47.5%	45%
	Specialty Drugs		
	Generic Drugs	72%	65%
	Brand Drugs	47.5%	45%
Catastrophic	Generic Drugs	Greater of \$2.55 or 5% up to \$100	Greater of \$2.65 or 5% up to \$100
	Brand Drugs	Greater of \$6.35 or 5% up to \$100	Greater of \$6.60 or 5% up to \$100

And further, that the Public School Employees' Retirement Board (the "Board") hereby approves the following monthly premium rates of the Enhanced Medicare Rx Option effective January 1, 2015 for calendar year 2015:

Enhanced Medicare Rx Option: w/Benefit Changes	2014	2015	Increase
Single	\$ 84	\$ 89	6%
Two Person	168	178	6

Mr. Schafer gave a presentation on The Affordable Care Act Premium Assistance and Policies Available through the Individual Insurance Exchanges.

Ms. Beck seconded the motion, which passed unanimously.

#### BYLAWS/POLICY COMMITTEE REPORT

Mr. Mains reported on the meeting held on June 13, 2014.

#### MINUTES APPROVED

Mr. Mains stated that the Committee approved the minutes of the May 1, 2014 meeting.

#### POLICY UPDATES

Mr. Mains reported that the Committee heard a briefing from Mr. Wasiak regarding proposed updates to three PSERS' policies.

#### EDUCATION POLICY

Mr. Mains moved that the Public School Employees' Retirement Board adopts the proposed changes to Education Policy for the Public School Employees' Retirement Board pursuant to the recommendation of Joseph E. Wasiak Jr., Assistant Executive Director dated May 27, 2014. Representative Grell seconded the motion, which passed unanimously.



Mr. Mains moved that the Public School Employees' Retirement Board adopts the proposed changes to Public Information Policy for the Public School Employees' Retirement Board pursuant to the recommendation of Joseph E. Wasiak Jr., Assistant Executive Director dated May 27, 2014. Mr. Biery seconded the motion, which passed unanimously.

PUBLIC INFORMATION  
POLICY

Mr. Mains moved that the Public School Employees' Retirement Board adopts the proposed changes to Articles I through III and V through X of the Statement of Organization, Bylaws, and Other Procedures for the Public School Employees' Retirement Board pursuant to the recommendation of Joseph E. Wasiak Jr., Assistant Executive Director dated May 27, 2014. Mr. Berestecky seconded the motion, which passed unanimously.

STATEMENT OF  
ORGANIZATION,  
BYLAWS, AND OTHER  
PROCEDURES

### NEW BUSINESS

Mr. Sando moved to change the date of the October 2014 meetings from October 2-3 to October 6-7. Ms. Lemmo seconded the motion, which passed unanimously.

DATE CHANGE

Representative Grell moved to approve the proposed 2015 meeting dates (See Board Book 377). Ms. Lemmo seconded the motion, which passed unanimously.

2015 MEETINGS

### EXECUTIVE DIRECTOR'S REPORT

Mr. Clay stated that he gave a presentation to a retiree group in Lawrence County on May 7. He also stated that he attended the PAPERS Conference on May 28 – 29, and gave a presentation to the Bethlehem IU on June 6.

RECENTLY ATTENDED

Mr. Clay stated that he has no speaking engagements planned at this time.

UPCOMING EVENTS

Mr. Clay informed the Board that Board Education will be held on Wednesday, August 6, and will include a trip to Wayne, PA and Paulsboro, NJ.

BOARD EDUCATION

Mr. Clay informed the Board that the roof of the headquarters building has been replaced.

NEW ROOF

Mr. Clay informed the Board that former Buck Actuary Lynn Hill recently passed away.

SAD NEWS

CONGRATULATIONS

Mr. Clay announced that Ms. Tatkovski, PSERS' Press Secretary, was recently married and is now Mrs. Williams.

EXECUTIVE DIRECTOR'S EVALUTION

Mr. Clay thanked the Board for his evaluation and extended his appreciation to staff for their support and hard work.

CHIEF COUNSEL REPORT

Ms. Ferencz informed the Board that the Chief Counsel report will be given in Executive Session at the conclusion of the meeting.

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl presented the Chief Financial Officer's Report (See Board Book 377 - CFO Report Tab).

EXECUTIVE SESSION

At 9:32 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 Executive Session to discuss the item listed on today's agenda, namely litigation matters. The Board may hold an Executive Session for any one or more of the reasons enumerated in Section 708(a) of the Sunshine Act (65 Pa C.S. §708(a)), including litigation matters."

Representative Grell moved that the Board enter into Executive Session. Mr. Mains seconded the motion, which passed unanimously. The Executive Session ended at 10:05 A.M. and the meeting immediately returned to Regular Session.

ADJOURNMENT

Chairman Vogler adjourned the meeting at 10:05 A.M.

NEXT MEETING

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on August 7, 2014, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

Date 6/24/14

Approved   
Jeffrey B. Clay,  
Executive Director