

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

Regular Meeting

Minutes

December 9, 2014

9:11 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
Ms. Stacey Connors for Senator Patrick M. Browne
Mr. Anthony Mannino for Senator Lawrence M. Farnese
Representative Glen R. Grell
Ms. Susan C. Lemmo
Mr. Craig C. Erdman for Mr. Nathan G. Mains
Mr. Bernard Gallagher for Representative Joseph F. Markosek
Ms. Jennifer Langan for Treasurer Robert M. McCord
Mr. James M. Sando

Board Member Present Telephonically

Ambassador Martin J. Silverstein

Board Member Absent

Acting Sec. Carolyn C. Dumaresq

Staff Members Present

Mr. Michael Benson
Ms. Barbara Book
Ms. Marjorie Botchie
Ms. Deborah Bugaile
Mr. Brian S. Carl
Mr. Jeffrey B. Clay
Mr. Donald J. Halke
Mr. John Kemp
Ms. Glenda Lopez-Rodriguez
Mr. Eugene W. Robison
Ms. Sandra Rowland
Mr. Frank Ryder
Ms. Terrill J. Sanchez

Mr. Mark F. Schafer
Ms. Danielle Schiffgens
Mr. Charles Serine
Ms. Kelly Sprenkle
Mr. Joseph E. Wasiak, Jr.
Ms. Evelyn M. Williams

Others Present

Ms. Miriam Fox
Mr. Sandy Leopold
Mr. Steve Nickol, PSEA
Ms. Lisa Taglang
Mr. Tom Weeter, PSEA-R
Mr. Carl Wolfe

CALL TO ORDER

Ms. Vogler called the meeting to order at 9:11 A.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME VISITORS
AND NEW EMPLOYEES

Mr. Clay welcomed guests, Mr. Weeter, Mr. Nickol and Mr. Wolfe; and new employees, Mr. Benson, Ms. Botchie, Ms. Lopez-Rodriguez, Ms. Rowland and Ms. Schiffgens.

MINUTES APPROVED

Mr. Gallagher moved to approve the minutes of the October 7, 2014 Board meeting. Mr. Berestecky seconded the motion, which passed unanimously.

Mr. Sando moved to approve the minutes of the November 14, 2014 Board meeting. Ms. Lemmo seconded the motion, which passed unanimously.

FINANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held December 8, 2014.

MINUTES APPROVED

Mr. Sando stated that the Committee approved the minutes of the October 6, 2014 meeting.

PRESENTATIONS

Mr. Sando stated that Mr. Grossman gave a Market Review and Comments; Mr. Kemp presented the Investment Expenses Report, and along with Mr. Sheva presented the Risk Management Initiative Update; Macro Risk Factors & Sizing Illiquids was presented by representatives of BlackRock Solutions; an Executive Session was held regarding Private Markets and Real Estate Fund Issues; Mr. Little presented Public Markets In-House Co-Investment Program; Mr. Grossman spoke regarding the Investment Policy Statement; Ms. Stepp presented the following: Senior Housing Partnership Fund V, L.P., Almanac Realty Securities VII, L.P., Carlyle Energy Mezzanine Opportunities Fund II, L.P., Avenue Energy Opportunities Fund, L.P.; Mr. Derr presented PIMCO Commodity Alpha Fund Ltd.; and Mr. Grossman presented his Preview of Future Meetings.

PUBLIC MARKETS IN-
HOUSE CO-
INVESTMENT
PROGRAM

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million, in the Public Markets In-House Co-Investment Program, in accordance with the recommendation of Robert E. Little, Portfolio Manager, dated November 20, 2014. Mr. Biery seconded the motion, which passed unanimously.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed new Addenda and updated Addenda listed below for the Public School Employees' Retirement System, pursuant to the recommendation of Joseph W. Sheva, Portfolio Manager, dated November 17, 2014.

<u>Addendum</u>	<u>Addendum Title</u>
B1	Internally-managed U.S. Master Limited Partnership Index Portfolios
X4	Public Markets In-House Co-Investment Policy
K1	Residential Mortgage Backed Securities Portfolios
Y3	Ultra-Short High Yield Portfolios

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 \$100 million plus reasonable normal investment expenses, in Senior Housing Partnership Fund V, L.P., in accordance with the recommendation of Laurann H. Stepp, Senior Portfolio Manager, Real Estate, dated December 8, 2014 and Courtland Partners Ltd., dated November 11, 2014. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract. Mr. Gallagher seconded the motion, which passed unanimously.

INVESTMENT POLICY
STATEMENT

SENIOR HOUSING
PARTNERSHIP FUND V,
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 Almanac Realty Securities VII, L.P., in accordance with the recommendation of Laurann H. Stepp, Senior Portfolio Manager, Real Estate, dated December 8, 2014 and Courtland Partners, LLC dated November 11, 2014. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the 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.

ALMANAC REALTY
SECURITIES VII, L.P.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$250 million plus reasonable normal investment expenses, in Carlyle Energy Mezzanine Opportunities Fund II, L.P. in accordance with the recommendations of Laurann H. Stepp, Senior Portfolio Manager, dated December 8, 2014 and Portfolio Advisors LLC,

CARLYLE ENERGY
MEZZANINE
OPPORTUNITIES FUND II,
L.P.

dated November 12, 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. Erdman seconded the motion, which passed with one recusal from both the discussion and the vote, from Ms. Lemmo.

AVENUE ENERGY
OPPORTUNITIES
FUND, L.P.

Ms. Lemmo moved that Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$200 million plus reasonable normal investment expenses, in Avenue Energy Opportunities Fund, L.P. in accordance with the recommendations of Laurann H. Stepp, Portfolio Manager, dated December 8, 2014 and Portfolio Advisors LLC, dated November 12, 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 with one recusal from both the discussion and the vote, from Ms. Langan, on Treasurer McCord's behalf.

PIMCO COMMODITY
ALPHA FUND LTD.

Ms. Lemmo moved that pursuant to the recommendations of Steven M. Derr, Senior Portfolio Manager, and Aksia, LLC, dated November 14, 2014, the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of \$200 million in the PIMCO Commodity Alpha Fund Ltd., and (ii) 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/investment/guide/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. Mr. Breech seconded the motion, which passed with one NO vote from Mr. Sando.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on December 8, 2014.

Ms. Beck stated that the Committee approved the minutes of the October 6, 2014 meeting. MINUTES APPROVED

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the August 13, August 27 and September 16, 2014 meetings. ESRC REPORT

HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held on December 8, 2014.

Ms. Lemmo stated that the Committee approved the minutes of the August 5, 2014 meeting. MINUTES APPROVED

Ms. Lemmo reported that the Committee previewed a short video for the HOP Benefits website. HOP BENEFITS VIDEO

Ms. Lemmo stated that Mr. Schafer presented the Health Options Program 2015 Budget. HOP 2015 BUDGET

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed Health Options Program Budget and two supplemental budgets for the sponsor's Administrative and Medicare Prescription Drug Program (PDP) for the Plan Year 2015 in the aggregate amount of \$333,716,000.00 as presented by Mark F. Schafer at the December 8, 2014 Health Care Committee meeting. Ms. Beck seconded the motion, which passed unanimously. HEALTH OPTIONS PROGRAM BUDGET

PERSONNEL COMMITTEE REPORT

Representative Grell reported on the meeting held on December 9, 2014.

Representative Grell stated that the Committee approved the minutes of the June 12, 2014 meeting. MINUTES APPROVED

Representative Grell stated that an Executive Session was held to discuss the Executive Director Search. EXECUTIVE SESSION

NEW BUSINESS

Ms. Vogler proposed that the Board change the dates of the October 1 and 2, 2015 meetings to October 5 and 6. A vote will be held at the next meeting. MEETING DATE CHANGE

ACTUARIAL
VALUATION

Mr. Carl and representatives of Buck Consultants presented the Actuarial Valuation.

Ms. Langan moved that the Public School Employees' Retirement Board (PSERB) hereby accepts the June 30, 2014 Actuarial Valuation report prepared by Buck Consultants, and adopts the actuarial factors, assumptions and methodologies contained therein, which result in an employer contribution rate of 25.84% for Fiscal Year July 1, 2015 through June 30, 2016. Resolved further, that the PSERB certifies and retains the current T-E member contribution rate of 7.5% and T-F member contribution rate of 10.3% for the three year period from July 1, 2015 to June 30, 2018 in accordance with the "shared risk" provisions of Act 120 of 2010. Mr. Breech seconded the motion, which passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

THANK YOU

Mr. Clay extended thanks on behalf of PSERS' staff for the Employee Appreciation luncheon provided by the Board.

INFORMATION
AVAILABLE

Mr. Clay informed the Board that the obituary of Susan Clapper, former Board member is available in the red file folder.

NOTATIONAL BALLOTS

Mr. Clay stated that two Notational Ballots, Blue Point Capital Partners III (B), L.P. and Private Markets Secondary Sale, were approved by the Board.

EVENTS ATTENDED

Mr. Clay stated that he attended a PASBO meeting in Altoona on November 6, 2014.

UPCOMING EVENTS

Mr. Clay stated that he will be making a presentation to the IU #4 in Grove City on January 13-14, 2015.

ELECTRONIC BOARD
PACKAGE

Mr. Clay stated that the conversion to the electronic Board package is in process. Paper copies of the January Board package will not be distributed in advance of the next meeting.

GIFT DONATIONS

Mr. Clay stated that PSERS' staff has donated gifts for the United Methodist Home for Children, the YWCA of Harrisburg, and the Middletown Home for the Elderly.

DEPARTING MEMBER
AND DESIGNEE

Mr. Clay informed the Board that the Education Secretary, Ms. Dumaresq, and her designee, Budget Secretary, Mr. Zogby, will not be serving on the Board after January 20th due to the change in administration.

Mr. Clay stated that the Statements of Account will be completed by the end of the year; the HOP Options Selection period has closed; peak retirement season has passed; and the 1099's are on schedule to be sent out by the January 31, 2015 deadline.

ONGOING ITEMS

Mr. Clay stated that the next meetings will be January 21 and 23, 2015 with a Board Education session on January 22, 2015.

NEXT MEETING

CHIEF COUNSEL REPORT

Ms. Ferencz stated that her report would be given in Executive Session at the conclusion of the meeting.

DEPUTY EXECUTIVE DIRECTOR'S REPORT

Ms. Sanchez presented her report regarding the "Client Server to Browser" Initiative and a Review of the Operation Performance of PSERS Benefit Areas.

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl presented the Chief Financial Officer's Report, which included an Overview of PSERS' FY 2014 Comprehensive Annual Financial Report (CAFR); September 30, 2014 Financial Statements; and Cost Saving Initiatives.

CFO REPORT

At 11:22 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 agency business. 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."

EXECUTIVE SESSION

Representative Grell moved that the Board enter into Executive Session. Mr. Erdman seconded the motion, which passed unanimously. The Executive Session ended at 11:52 A.M. and the meeting immediately returned to Regular Session.

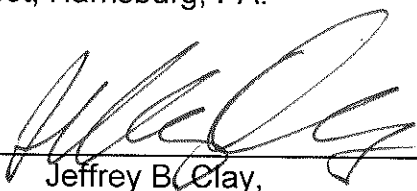
Chairman Vogler adjourned the meeting at 11:52 A.M.

ADJOURNMENT

NEXT MEETING

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on January 23, 2015, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

Date 1/6/15

Approved 
Jeffrey B. Clay,
Executive Director