

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

Regular Meeting

Minutes

**December 7, 2016
9:24 A.M.**

Board Members Present

Ms. Melva S. Vogler, Chairman
Mr. James M. Sando, Vice Chairman
Ms. Deborah J. Beck
Mr. Frederick T. Berestecky
Mr. James R. Biery
Representative Stephen Bloom
Ms. Stacey Connors for Senator Patrick M. Browne
Ms. Sally Keaveney for Senator Lawrence M. Farnese
Ms. Virginia M. Lastner
Ms. Susan C. Lemmo
Mr. Nathan G. Mains
Mr. Bernard Gallagher for Representative Joseph F. Markosek
Ms. Jennifer Langan for Treasurer Timothy A. Reese
Ms. Lori Graham for Secretary Pedro A. Rivera

Board Members Absent

Ambassador Martin J. Silverstein

Others Present

Ms. Diane Arnold
Mr. Michael Bagdes-Canning
Mr. Sam Bernhardt
Mr. Richard Dreyfus
Mr. David Driscoll, Buck Consultants
Ms. Miriam Fox
Ms. Ellen Gerhart
Mr. Michael Kamandoulis
Mr. Steven Nickol
Mr. Michael Onofrey, DAG
Mr. Ed Quinn, Buck Consultants
Mr. Mark Ryan, IFO
Ms. Lisa Taglang
Mr. Tom Weeter, PSEA-R
Mr. Charles Young, DAG

Staff Members Present

Mr. Frederick Alcaro
Mr. Christopher Baker
Mr. Thomas Bauer
Ms. Megan Alley
Ms. Barbara Book
Mr. Brian S. Carl
Ms. Marla Cattermole
Ms. Franca D'Agostino
Mr. Andrew Fiscus
Mr. Glen R. Grell
Mr. James H. Grossman, Jr.

Ms. Alicia James
Ms. Jennifer Mills
Mr. Tony Parisi
Mr. Russell Robbins
Ms. Terrill J. Sanchez
Mr. Charles K. Serine
Mr. Steven Skoff
Ms. Kathrin Smith
Mr. Charles J. Spiller
Ms. Christine Steever
Mr. Joseph E. Wasiak, Jr.
Ms. Evelyn Tatkovski Williams

CALL TO ORDER

Chairman Vogler called the meeting to order at 9:24 A.M. in the fourth floor Board Room of PSERS Headquarters.

MINUTES APPROVED

Ms. Connors moved to approve the minutes of the October 7, 2016 Board meeting. Ms. Langan seconded the motion, which passed unanimously.

NEW EMPLOYEE

Mr. Grell welcomed new employee, Mr. Robbins.

VISITOR COMMENTS

Mr. Grell introduced Ms. Arnold, Ms. Gerhart, Mr. Bagdes-Canning and Mr. Kamandoulis, who made comment regarding divestment in fossil fuels.

WELCOME GUESTS

Mr. Grell introduced additional guests; Mr. Nickol, Mr. Weeter, Mr. Ryan, Mr. Onofrey and Mr. Young.

NEW BUSINESS

ACTUARIAL
VALUATION

Mr. Carl introduced Mr. Driscoll, who along with Mr. Quinn, presented the June 30, 2016 Actuarial Valuation. Mr. Carl followed with a supplemental information report.

CHIEF FINANCIAL OFFICER'S REPORT

CFO REPORT

Mr. Carl gave an update, which included PSERS' FY 2016 Comprehensive Annual Financial Report (CAFR); September 30, 2016 Financial Statements; and Other Financial Management Activities.

DEPUTY EXECUTIVE DIRECTOR'S REPORT

DED REPORT

Ms. Sanchez gave an update, which included Member Self Service Marketing Campaign, Review of the Full Scope of C2B, Future

Opportunities with V3, and Questions from the Previous Board Meeting.

CHIEF COUNSEL REPORT

Mr. Serine updated the Board on the Schneider v. PSERB case and the Bank of America case.

CC REPORT

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on December 6, 2016.

Ms. Beck stated that the Committee approved the minutes of the October 7, 2016 meeting.

MINUTES APPROVED

Ms. Beck moved in the case of DR, that the Board denies the motion for summary judgment. Ms. Lastner seconded the motion, which passed with one NO vote, being Representative Bloom.

ACCOUNT OF DR

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the August 31, September 29, and October 27, 2016 meetings.

ESRC REPORTS

HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held December 6, 2016.

Ms. Lemmo stated that the Committee approved the minutes of the September 9, 2016 meeting.

MINUTES APPROVED

Ms. Lemmo reported that Ms. D'Agostino presented the Health Options Program Budget and alerted the Committee to an upcoming Prescription Benefit Manager RFP.

PRESENTATION

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 2017 in the aggregate amount of \$390,443,000 as presented by Franca M. D'Agostino at the December 6, 2016 Health Care Committee meeting. Mr. Berestecky seconded the motion, which passed unanimously.

HOP BUDGET

ELECTIONS COMMITTEE REPORT

Ms. Connors reported on the meeting held December 6, 2016.

MINUTES APPROVED

Ms. Connors stated that the Committee approved the minutes of the October 7, 2016 meeting.

**ELECTION
CERTIFICATION**

Ms. Connors stated that Ms. Melva Vogler was certified the winner of the Annuitant Seat election for a term commencing January 1, 2017 and ending December 31, 2019.

FINANCE COMMITTEE REPORT

Mr. Mains reported on the meeting held December 6, 2016.

MINUTES APPROVED

Mr. Mains stated that the Committee approved the minutes of the October 6, 2016 meeting.

PRESENTATIONS

Mr. Mains stated that Mr. Grossman presented his Fund and Market Overview; and updates were given, which include the following: Risk Management Update & IPS Updates by Mr. Sheva; GCM Grosvenor Customized Infrastructure Strategies II, L.P. by Mr. Stalter; LLR Equity Partners V, L.P. by Mr. Jacobs; HgCapital 8 and HGGC Fund III by Mr. Foreman; Two Sigma Risk Premia Enhanced Fund, L.P. by Mr. Little; Penn Mutual Asset Management, LLC by Mr. Devine; Manager Updates were given by Mr. Spiller; the Annual Investment Expenses Report by Mr. Bauer, Mr. Kemp and Mr. Spiller; Operations Update by Mr. Kemp; and several Asset Class Reviews were given.

**INVESTMENT
OBJECTIVES AND
GUIDELINES**

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the Investment Policy Statement, Objectives, and Guidelines for the Public School Employees' Retirement System pursuant to the recommendation of Joseph W. Sheva, Risk Manager, dated November 18, 2016. Mr. Gallagher seconded the motion, which passed unanimously.

**GCM GROSVENOR
CUSTOMIZED
INFRASTRUCTURE
STRATEGIES II, L.P.**

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in GCM Grosvenor Customized Infrastructure Strategies II, L.P. (and/or related investment vehicles), in accordance with the recommendation of William P. Stalter, Senior Portfolio Manager, dated November 8, 2016 and Courtland Partners, Ltd. recommendation dated November 2, 2016. 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.

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 LLR Equity Partners V, L.P. (and/or related investment vehicles), in accordance with the recommendation of Luke M. Jacobs, Portfolio Manager, Private Markets, dated November 18, 2016 and Portfolio Advisors, LLC., dated October 27, 2016. 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. Lastner seconded the motion, which passed with 3 NO votes, being Ms. Lemmo, Mr. Berestecky and Mr. Sando.

LLR EQUITY PARTNERS
V, L.P.

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed £95 million plus reasonable normal investment expenses, in HgCapital 8, L.P. (and/or related investment vehicles), in accordance with the recommendation of Darren C. Foreman, Senior Portfolio Manager, Private Markets, dated November 4, 2016 and Portfolio Advisors LLC, dated October 20, 2016. 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.

HGCAPITAL 8, L.P.

Mr. Mains 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 HGGC Fund III, L.P. (and/or related investment vehicles), in accordance with the recommendation of Darren C. Foreman, Senior Portfolio Manager, Private Markets, dated November 4, 2016 and Portfolio Advisors LLC, dated October 20, 2016. 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. Lastner seconded the motion, which passed unanimously.

HGGC FUND III, L.P.

TWO SIGMA RISK
PREMIA ENHANCED
FUND, LP

Mr. Mains moved that pursuant to the recommendations of Robert E. Little, Senior Portfolio Manager, dated November 21, 2016, and Aksia, LLC, dated October 26, 2016, the Public School Employees' Retirement Board (the "Board") hereby (i) commits to invest an amount not to exceed \$200 million in Two Sigma Risk Premia Enhanced Fund, LP, and (ii) that the Investment Office shall have the discretion to invest additional sums within the target ranges approved by the Board in Exhibit E 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. Sando seconded the motion, which passed unanimously.

PENN MUTUAL ASSET
MANAGEMENT, LLC

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby (i) retains Penn Mutual Asset Management, LLC to manage an initial amount of \$100 million, in PSERS LIBOR Plus portfolio in accordance with the recommendation of Robert J. Devine, Managing Director of Fixed Income, dated November 18, 2016 and Aon Hewitt Investment Consulting, Inc., dated November 16, 2016, and (ii) the Investment Office shall have the discretion to allocate additional sums within the target ranges approved by the Board in the Investment Policy Statement, Objectives and Guidelines. 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 with 13 affirmative votes and one RECUSAL from both the discussion and the vote, being Ms. Connors. A written statement of the basis for the recusal was filed with the Board Secretary.

PERSONNEL COMMITTEE REPORT

Ms. Langan reported on the meeting held December 6, 2016.

MINUTES APPROVED

Ms. Langan stated that the Committee approved the minutes of the October 7, 2016 meeting.

Ms. Langan reported that an Executive Session was held regarding the Policy Manual for Investment Professional Staff.

EXECUTIVE SESSION

Ms. Langan moved that the Public School Employees' Retirement Board (the Board), hereby repeals, *ab initio*, PSERB Resolution 2016-11 and replaces it, in its entirety, with this resolution; and that the Board approves, effective January 1, 2017, the updates and changes set forth in the PSERS' Policy Manual for Investment Professional Staff dated December 7, 2016. Mr. Sando seconded the motion, which passed with 12 affirmative votes and 2 NO votes, being Ms. Connors and Representative Bloom.

REVISED POLICY
MANUAL FOR
INVESTMENT
PROFESSIONAL STAFF

TECHNOLOGY STEERING COMMITTEE REPORT

Ms. Graham reported on the meeting held December 7, 2016.

Ms. Graham stated that the Committee approved the minutes of the December 7, 2015 meeting.

MINUTES APPROVED

Ms. Graham reported the Mr. Spinks presented updates to the V3 Browser Project and PSERS Cybersecurity.

UPDATES

EXECUTIVE DIRECTOR'S REPORT

Mr. Grell presented his Year (and a half) In Review, which included System Statistics, Major Priorities/Initiatives, bureau updates and 2017 Agency Priorities.

YEAR IN REVIEW

Ms. Vogler thanked Mr. Grell for his report, and commended staff on their performance. Ms. Vogler also alerted the Board that she will be contacting them in regard to the Executive Director's performance evaluation.

BOARD EDUCATION

Ms. Vogler stated that Ms. Beck, Ms. Lastner and Ms. Lemmo attended the Pennsylvania Association of Public Employee Retirement Systems (PAPERS) Workshop held in Philadelphia November 15-16.

PAPERS WORKSHOP

Ms. Vogler presented Mr. Gallagher with the Certified Public Pension Trustee Certificate earned through the Pennsylvania Association of Public Employee Retirement Systems.

Congratulations were also extended to Ms. Lemmo, who was presented with the certificate at the workshop.

LAST MEETING

Mr. Grell thanked Mr. Berestecky and Mr. Sando for their service to the Board, as this is their last meeting. He wished them the best in their future endeavors. Both Mr. Berestecky and Mr. Sando expressed their gratitude to the Board and PSERS' staff for their dedication.

Mr. Grell recognized Treasurer Reese, in his absence, for his service and dedication to the Board.

Ms. Langan read a letter, on behalf of Treasurer Reese, thanking the Board and PSERS' staff for their dedication and professionalism.

Ms. Keaveney notified the Board that Senator Farnese submitted his resignation from the Board to the Senate leadership.

ADJOURNMENT

Chairman Vogler adjourned the meeting at 12:03 P.M.

NEXT MEETING

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on March 10, 2017, at PSERS Headquarters, 5 N. 5th Street, Harrisburg, PA.

1/9/2017
Date


Glen R. Grell
Executive Director