

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

Regular Meeting

Minutes

December 7, 2018

11:05 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Mr. Nathan G. Mains, Vice Chairman
Ms. Deborah J. Beck
Senator John P. Blake
Representative Stephen Bloom
Ms. Stacey Connors for
 Senator Patrick M. Browne
Mr. Jason M. Davis
Mr. Eric O. DiTullio
Ms. Susan C. Lemmo
Mr. Bernard Gallagher for
 Representative Joseph F. Markosek
Ms. Lori Graham (telephonically) for
 Secretary Pedro A. Rivera
Mr. Christopher SantaMaria
Ambassador Martin J. Silverstein (telephonically)
Mr. Thomas Clancy for
 Treasurer Joseph M. Torsella

Board Members Absent

Secretary Robin L. Wiessmann

Others Present

Mr. Andrew Armagost, PASBO
Mr. Russ Diesinger, PASR
Ms. Marian Farabaugh-Aucker, ViTech
Mr. Alan Flannigan
Ms. Miriam Fox
Mr. Steve Nickol, PSEA
Mr. Mike Sanders, Cammack
Ms. Carolyn Shaw, ViTech
Ms. Lisa Taglang
Mr. Tom Weeter, PSEA-R

Staff Members Present

Mr. Brian S. Carl
Mr. Dwight Decker
Mr. Dennis Filipovich
Mr. Andrew Fiscus
Mr. Glen R. Grell
Mr. James Grossman
Mr. Ben Hagy
Ms. Alicia E. James
Ms. Patricia Lorenz
Mr. Gajendra Medatia
Ms. Jennifer Mills
Ms. Gail Mindlin
Mr. Eugene Robison
Ms. Krista Roessler

Ms. Mandy Schuchart
Mr. Charles K. Serine
Ms. Kristen Shelton
Mr. Steven Skoff
Ms. Kathrin Smith
Mr. Joseph E. Wasiak, Jr.
Ms. Beverly Weingard

CALL TO ORDER

Ms. Vogler called the meeting to order at 11:05 A.M. in the fourth floor Boardroom at PSERS Headquarters.

WELCOME GUESTS
AND NEW EMPLOYEES

Mr. Grell welcomed guests, Mr. Armagost, Mr. Diesinger, Mr. Nickol, and Mr. Weeter; and new employees, Mr. Ben Hagy, Mr. Gajendra Medatia and Ms. Mandy Schuchart. Mr. Grell also recognized Marian Farabaugh-Auker of ViTech's impending retirement and thanked her for her service to PSERS and introduced her replacement Ms. Carolyn Shaw.

MINUTES APPROVED

Mr. Mains moved to approve the minutes of the October 12, 2018 Board meeting. Ms. Lemmo seconded the motion, which passed unanimously.

VISITOR COMMENTS

There were no visitor's comments.

UNFINISHED BUSINESS

ACT 5/DC PLAN
UPDATE

Ms. Mills and Ms. Roessler gave an Act 5/DC Plan update, covering the key dates for the Defined Contribution Plan. They also reported that an Act 5 Tab was created in Diligent in the Resource Center.

ACT 5/DC INVESTMENT
MENU
RECOMMENDATIONS

Mr. Sanders of Cammack, gave a presentation outlining the recommendation on the Investment Menu and member options for the Defined Contribution Plan. A discussion followed.

Mr. DiTullio moved, that the Public School Employees' Retirement Board hereby adopts the below funds for the Tier 2 options in the PSERS' Defined Contribution Plan, pursuant to the

recommendation of Raymond Schleinkofer, Senior Manager, and Charles W. Cammack Associates, Inc., dated December 7, 2018.

ICMA-RC VT Plus
PIMCO Total Return Instl
BlackRock High Yield Bond K
Templeton Global Bond R6
Fidelity® 500 Index Premium
Fidelity® Extended Market Index Premium
American Funds Europacific Growth R6
Oppenheimer Developing Markets I
PIMCO Real Return Instl
Fidelity® Real Estate Index Premium
Calvert Balanced I

Mr. Davis seconded the motion, which passed with one opposed, being Mr. Clancy on behalf of Treasurer Torsella.

BYLAWS/POLICY COMMITTEE REPORT

Mr. Gallagher reported on the meeting held on December 6, 2018.

Mr. Gallagher stated that the Committee approved the minutes of the August 9, 2018 meeting.

MINUTES

Mr. Gallagher reported that Mr. Wasiak presented a Change to the Ethics Policy.

CHANGE TO THE ETHICS POLICY

Mr. Gallagher moved, that the Public School Employees' Retirement Board (the "Board") hereby adopts the changes to the Ethics Policy, pursuant to the recommendation of Joseph E. Wasiak, Jr., Deputy Executive Director, contained in the memorandum dated November 19, 2018, SUBJECT: Changes to the Ethics Policy. Ms. Connors seconded the motion, which passed unanimously.

APPEALS AND MEMBER/EMPLOYER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on December 6, 2018.

Ms. Beck stated that the Committee approved the minutes of the October 11-12, 2018 meeting.

MINUTES

Ms. Beck moved In the Account of H.B., that the Board adopt the Hearing Examiner's recommendation and dismiss Claimant's appeal. Mr. Mains seconded the motion, which passed unanimously.

ACCOUNT OF H.B.

ACCOUNT OF JOAN W.
CHALKER

Ms. Beck moved In the Account of Joan W. Chalker, that the Board deny the Claimant's request for oral argument and Claimant's Brief on Exceptions and accept the Hearing Examiner's proposed Opinion and Recommendation. Ms. Lemmo seconded the motion, which passed unanimously.

ACCOUNT OF
CHRISTIE L. FREEMAN

Ms. Beck moved In the Account of Christie L. Freeman, that the Board adopt the Hearing Examiner's recommendation and dismiss Claimant's appeal. Mr. DiTullio seconded the motion, which passed unanimously

ESRC

Ms. Beck stated that the Committee reviewed Executive Staff Review Committee Reports from August 28, 2018; September 27, 2018 and October 25, 2018.

AUDIT/COMPLIANCE COMMITTEE REPORT

Representative Bloom reported on the meeting held on December 6, 2018.

MINUTES

Representative Bloom stated that the Committee approved the minutes of the October 11-12, 2018 meeting.

PRESENTATIONS

Representative Bloom stated that Ms. James presented the Audit Plan Update.

EXECUTIVE SESSION

Representative Bloom reported that an Executive Session was held to discuss the Results of the Evaluation of the Internal Audit Office.

RESOLUTION

Representative Bloom moved that the Public School Employees' Retirement Board (the "Board") hereby accepts the report of Ernst & Young, LLP, dated December 5, 2018 of the Internal Audit Office Study and Assessment for the Public School Employees' Retirement System (PSERS) and directs PSERS staff to pursue the implementation of the recommendations, including pursuing the increase in staffing levels for the Internal Audit Office through the Office of Administration and Office of the Budget. Mr. Davis seconded the motion, which passed unanimously.

INVESTMENT COMMITTEE REPORT

Mr. Mains reported on the meeting held on December 6-7, 2018.

Mr. Mains stated that the Committee approved the minutes of the October 11, 2018 meeting. MINUTES APPROVED

Mr. Mains reported that a Board Education session was held. Ms. Claire Shaughnessy and Ms. Amanda Janusz, Aon Hewitt, gave a 70-minute Educational Presentation on "How to Measure Performance". A discussion followed. Board members and Designees present were noted in the Board Education Log. BOARD EDUCATION

Mr. Mains reported that an Executive Session was held to discuss the Southern Florida Multi-Family Acquisition, Private Market Secondary Sale, 812 Market Street and Investment Consultant RFP. EXECUTIVE SESSION

Mr. Mains stated that Mr. Grossman presented his PSERS Fund and Market Overview. Mr. Bauer gave a brief presentation on Asset Class Reviews, the Board members and viitors broke out to attend different Asset Class Review stations. Mr. Grossman gave his Preview of Future Meetings. PRESENTATIONS

Mr. Mains reported that the following action items were discussed.

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 Tulco, LLC (and/or related investment vehicles), in accordance with the recommendation of James F. Del Gaudio, Portfolio Manager, dated October 4, 2018 and November 15, 2018 and Hamilton Lane Advisors, L.L.C., dated October 1, 2018. 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. Davis seconded the motion, which passed one opposed, being Ambassador Silverstein and two abstentions, being Mr. Clancy on behalf of Treasurer Torsella and Ms. Graham on behalf of Secretary Rivera. TULCO, LLC

Mr. Mains 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 Lindsay Goldberg V L.P. (and/or related investment vehicles), in LINDSAY GOLDBERG V L.P.

accordance with the recommendation of Luke M. Jacobs, Portfolio Manager, dated November 21, 2018 and Hamilton Lane, dated November 2, 2018. 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 abstention, being Mr. Clancy on behalf of Treasurer Torsella.

**CEDERBERG GREATER
CHINA EQUITY FUND**

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 the Cederberg Greater China Equity Fund (and/or related investment vehicles), in accordance with the recommendation of Raymond J. Schleinkofer, Senior Portfolio Manager and Jeffrey R. Burton, Senior Portfolio Manager, dated November 15, 2018 and Aksia, LLC dated November 8, 2018. 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. SantaMaria seconded the motion, which passed with one abstention, being Mr. Clancy on behalf of Treasurer Torsella.

**SOUTHERN FLORIDA
MULTI-FAMILY
ACQUISITION**

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$70 million plus reasonable normal investment expenses in a to-be-formed LLC (100% owned by the Pennsylvania Public School Employees' Retirement System) to acquire a certain 240 unit multi-family garden style apartment property in southern Florida, in accordance with the recommendation of Melissa A. Quackenbush, Senior Portfolio Manager, dated November 28, 2018 and StepStone Real Estate, dated November 26, 2018. 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 abstention, being Mr. Clancy on behalf of Treasurer Torsella, and one recusal, Ambassador Silverstein.

**PRIVATE MARKETS
SECONDARY SALE**

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby authorizes the sale of the Public School

Employees' Retirement System's interests in select private market funds that the Chief Investment Officer determines to make up the most efficient grouping for such a sale, provided that the sale price of said grouping in the aggregate shall be no less than 100% of the June 30, 2018 net asset value of the selected funds. 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. Davis seconded the motion, which passed unanimously.

Mr. Mains moved that the Public School Employees' Retirement Board (Board) hereby invests an amount not to exceed \$1 million, via its interest in 812 Market, Inc., for the purpose of acquiring real property located at 23, 27, and 31 N. 10th Street in Harrisburg, Pennsylvania, in accordance with the recommendation of Charles J. Spiller, Deputy Chief Investment Officer, Non-Traditional Investments, dated December 5, 2018. 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. Representative Bloom seconded the motion, which passed with one abstention, being Mr. Clancy on behalf of Treasurer Torsella.

812 MARKET, INC.
PARKING LOT
ACQUISITION

Mr. Mains moved that the Public School Employees' Retirement Board (Board) hereby invests an amount not to exceed \$2 million, via its interest in 812 Market, Inc., for the purpose of acquiring real property known as the Publications Building in Harrisburg, Pennsylvania, pursuant to Act 128 of 2018, and in accordance with the recommendation of Charles J. Spiller, Deputy Chief Investment Officer, Non-Traditional Investments, dated December 5, 2018. 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. Ms. Connors seconded the motion, which passed with one abstention, being Mr. Clancy on behalf of Treasurer Torsella.

812 MARKET, INC.
PUBLICATIONS BUILDING
ACQUISITION

HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held on December 6, 2018.

MINUTES

Ms. Lemmo stated that the Committee approved the minutes of the August 9, 2018 meeting.

PRESENTATIONS

Ms. Lemmo reported that Mr. Camacci presented the Health Options Program Budget to the Committee.

RESOLUTION

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 2019 in the aggregate amount of \$463,470,000 as presented by Peter Camacci at the December 6, 2018 Health Care Committee meeting. Mr. DiTullio seconded the motion, which passed unanimously.

BUDGET/FINANCE COMMITTEE REPORT

Mr. Davis reported on the meeting held December 7, 2018.

MINUTES

Mr. Davis stated that the Committee approved the minutes of the October 10-11, 2018 meeting.

PRESENTATIONS

Mr. Davis reported that Mr. David Driscoll, Mr. Ed Quinn and Mr. Sal Naksr from Buck Consultants, presented the June 30, 2018 Actuarial Valuation, and that Mr. Brian Carl presented the Pension Funding and Employer Contribution Rates.

RESOLUTION

Mr. Davis moved that the Public School Employees' Retirement Board (PSERB) hereby accepts the June 30, 2018 actuarial valuation report prepared by Buck, and adopts the actuarial factors, assumptions, and methodologies contained therein, which result in an employer contribution rate of 34.29% for Fiscal Year July 1, 2019 through June 30, 2020. Mr. DiTullio seconded the motion, which passed unanimously.

CHIEF FINANCIAL OFFICER'S REPORT

CFO REPORT

Mr. Carl presented his Chief Financial Officer's Report, which included; September 30, 2018 Financial Statements, PSERS' FY 2018 Comprehensive Annual Financial Report, State Share of Employer Contributions FY 19-20 and Other Financial Management Activities.

DEPUTY EXECUTIVE DIRECTOR'S REPORT

Ms. Mills presented her Deputy Executive Director's Report, which included; an overview of Knowledge Management for Benefit Administration, an update on Member Self-Service Portal statistics, updates on the HOP schedule and the Act 5 summary being placed in Diligent.

DED REPORT

CHIEF COUNSEL REPORT

Mr. Serine presented his report, which included an update on the Fiduciary Counsel RFP and an update on the hiring of a new attorney.

CC REPORT

EXECUTIVE DIRECTOR'S REPORT

Mr. Grell stated that Ms. Mills gave a presentation to Berks County IU Superintendents on October 25, 2018, on behalf of Mr. Grell, while Mr. Grell presented testimony with Mr. Grossman, to the Public Pension Management and Asset Investment Review Commission Public Hearing on October 25, 2018. Mr. Grell reported that he attended the 2018 Leadership Development Institute graduation ceremony in support of 2 PSERS coworkers, Tracey Burns and Lisa York who completed the 9-month course, November 2, 2018 at the Farm Show complex and the 12th Annual PAPERS Fall Workshop, November 27-28, 2018, in Philadelphia. Mr. Grell reported that he and Terri Sanchez were the Introductory Speakers at the National Conference of Public Pension Fund Auditors in Philadelphia.

ED REPORT

Mr. Grell reported that he and Ms. Sanchez met with new House Democratic Appropriations Committee Chairman, Matt Bradford, November 28, 2018.

Mr. Grell reported that he will be attending the following upcoming events; Executive Director Holiday Reception, December 17, 2018 in the Boardroom, the Board Organizational Meeting on, January 17, 2019, House Appropriations Committee Budget Hearing on, February 12, 2019 and the NCTR/NASRA/NIRS Legislative Policy Conference on, February 23-26, 2019 in Washington, D.C.

Mr. Grell reported on the retirements of key PSERS staff; Lori Koch, Lynne Leopold-Sharp, Tammy Meshey and Deb Bressler.

Mr. Grell also recognized and thanked Representative Markosek and Representative Bloom for their contributions and service to the PSERS Board.

Mr. Grell gave a brief update on the Act 5 Commission Report, and that in anticipation of the report the PSERS staff was planning an in-depth session with the Board to discuss and review the findings. Mr. Grell discussed the possibility of adding a second day to the January meeting to accommodate any additional needs.

BOARD EDUCATION
ANDMEMBER
COMMENTS

Ms. Beck informed the Board that she attended the 12th Annual PAPERS Conference along with; Senator Blake, Mr. Callahan, Mr. Mains, Mr. Miron and Ms. Vogler.

Trustees and Designees were presented with an individual listing of 2018 Board Education credit status and encouraged to review for accuracy and complete any outstanding education requirements by December 31, 2018.

Mr. Mains informed the Board that Mr. Grossman was named in CIO Magazine "Power 100" of asset managers in the world, and presented a cake in recognition of the accomplishment to Jim and the Investment Office Professionals.

ADJOURNMENT

Chairman Vogler adjourned the meeting at 1:02 P.M.

NEXT MEETING

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on January 17, 2019, at PSERS' Headquarters, 5 N. 5th Street, Harrisburg, PA.

1/17/2019
Date


Glen R. Grell
Executive Director