

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

Regular Meeting

Minutes

January 22, 2010

9:00 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Ms. Stacey Connors for Senator Patrick Browne
Ms. Debbie Reeves for Representative Dwight Evans
Mr. Glen S. Galante
Ms. Beth Winters for Mr. Thomas J. Gentzel
Representative Glen R. Grell
Mr. John Raymond for Senator Shirley M. Kitchen
Treasurer Robert M. McCord
Mr. Hal Moss
Mr. James M. Sando
Ms. Patricia A. Tozer
Ms. Sally J. Turley
Mr. Steven Kniley for Secretary Zahorchak

Board Members Absent

Ms. Tina Byles Williams
Mr. Richard N. Rose

Staff Members Present

Mr. Jeffrey B. Clay
Mr. Brian S. Carl
Ms. Barbara D. Flurie
Mr. Gerald Gornish
Mr. Eugene W. Robison
Mr. Frank Ryder
Ms. Terrill J. Savidge
Mr. Charles K. Serine
Ms. Evelyn M. Tatkovski
Mr. Alan H. Van Noord
Mr. Joseph E. Wasiak, Jr.

Visitors Present

Ms. Beatrice Hines, PASR
Mr. Sandy Leopold

CALL TO ORDER Mr. Clay called the meeting to order at 9:00 A.M. in the fourth floor Board Room at PSERS' headquarters.

ELECTION OF BOARD CHAIRMAN Mr. Clay called for nominations for Chairman of the Board of the Public School Employees' Retirement Board for the year 2010. Treasurer McCord moved to elect Ms. Vogler as Chairman. Ms. Winters seconded the motion. No additional nominations were made. The motion passed unanimously.

ELECTION OF BOARD VICE-CHAIRMAN Mr. Clay called for nominations for Vice-Chairman of the Board of the Public School Employees' Retirement Board for the year 2010. Mr. Sando moved to elect Ms. Turley as Vice-Chairman. Mr. Moss seconded the motion. No additional nominations were made. The motion passed unanimously.

Mr. Clay turned the meeting over to Chairman Vogler.

WELCOME GUESTS Mr. Clay welcomed guests, Ms. Hines and Mr. Leopold; and new employee, Krista Roessler, of the Investment Office.

MINUTES APPROVED Ms. Turley moved to approve the minutes of the December 11, 2009 Board meeting. Ms. Tozer seconded the motion, which passed unanimously.

FINANCE COMMITTEE REPORT

In Mr. Rose's absence, Mr. Sando reported on the meeting held January 21, 2010.

MINUTES APPROVED Mr. Sando stated that the Committee approved the minutes of the December 10, 2009 meeting.

PRESENTATIONS Mr. Sando stated that Mr. Van Noord gave a Market Review and Comments report; Mr. Spiller gave the Private Markets and Real Estate Report; a presentation was made by Brevan Howard Asset Management, LLP; a presentation was made by Oppenheimer Absolute Return Options Strategy; a presentation was made by Blackrock Emerging Markets Macro Fund, Ltd.; a presentation was made by Mariner Residential Mortgage; a presentation on Securities Lending Guidelines was made by Mr. Kemp; an Executive Session was held regarding Fund Issues; and Mr. Van Noord gave a preview of future meetings.

BREVAN HOWARD MASTER FUND LIMITED Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") invests in the Brevan Howard Master Fund Limited, Class E shares, in an amount not to exceed the target

ranges established in Exhibit D of the Investment Policy Statement, Objectives and Guidelines pursuant to the recommendations of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance, and Wilshire Associates Incorporated, both dated January 7, 2010. 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 the implementing investment contract or by a memo to that effect appended to the implementing investment contract. Mr. Moss seconded the motion, which passed unanimously.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hires Oppenheimer Capital to manage an absolute return options portfolio in an amount not to exceed the target ranges established in Exhibit D of the Investment Policy Statement, Objectives and Guidelines pursuant to the recommendations of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance, and Wilshire Associates Incorporated, both dated January 7, 2010. 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 the implementing investment contract or by a memo to that effect appended to the implementing investment contract. Ms. Turley seconded the motion, which passed unanimously.

OPPENHEIMER CAPITAL

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") invests \$250 million in the BlackRock Emerging Markets Macro Fund Ltd. pursuant to the recommendations of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance, and Wilshire Associates Incorporated, both dated January 7, 2010. 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 the implementing investment contract or by a memo to that effect appended to the implementing investment contract. Mr. Galante seconded the motion, which passed unanimously.

BLACKROCK EMERGING
MARKETS MACRO FUND
LTD

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") invests \$500 million in an internally-managed emerging markets equity portfolio pursuant to the recommendation of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance dated January 7, 2010. The portfolio will be managed internally by the Investment Staff with a portion of

EMERGING MAKETS
EQUITY PORTFOLIO

the proceeds invested in PSERS internally-managed LIBOR-Plus and/or STIF portfolio and the remainder to be invested in the BlackRock Emerging Markets Macro Fund Ltd. The emerging markets equity exposure of the entire allocation to this portfolio will be obtained through swaps. Ms. Tozer seconded the motion, which passed unanimously.

MARINER INVESTMENT GROUP, LLC

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hires Mariner Investment Group, LLC to manage an opportunistic residential mortgage-backed securities portfolio in an amount not to exceed the target ranges established in Exhibit D of the Investment Policy Statement, Objectives and Guidelines pursuant to the recommendations of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance, and Wilshire Associates Incorporated, both dated January 7, 2010. 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 the implementing investment contract or by a memo to that effect appended to the implementing investment contract. Mr. Moss seconded the motion, which passed unanimously.

INVESTMENT OBJECTIVES AND GUIDELINES ADDENDUM

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") adopts the proposed Investment Objectives and Guidelines Addendum listed below pursuant to the recommendation of John B. Kemp, Senior Investment Professional, dated January 7, 2010.

Addendum
Z

Addendum Title
Securities Lending Program

Ms. Tozer seconded the motion, which passed unanimously.

Mr. Sando stated that the Committee held an Executive Session regarding Private Fund Issues.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on January 21, 2010.

MINUTES APPROVED

Ms. Tozer stated that the Committee approved the minutes of the December 10, 2009 meeting.

ADJUDICATION:
JOHN C. BALKO

Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner, with one correction, and deny the request of

Janice M. Balko to change the option of John C. Balko, deceased. Mr. Galante seconded the motion, which passed unanimously.

Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner to deny the request of Daniel Damweber for multiple service membership. Ms. Turley seconded the motion, which passed unanimously.

ADJUDICATION:
DANIEL DAMWEBER

Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner to deny the request of Angela Cervo Labuda to receive annuity payments retroactive to her superannuation date, and to receive a higher monthly option. Mr. Moss seconded the motion, which passed unanimously.

ADJUDICATION:
ANGELA CERVO LABUDA

Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee Report from the November 24, 2009 and December 16, 2009 meetings.

EXECUTIVE STAFF
REVIEW COMMITTEE

Ms. Tozer stated that Mr. Robison gave a review of pending relocation of certain field offices.

FIELD OFFICE MOVES

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

BENEFITS PROCESSING
STATISTICS

BYLAWS/POLICY COMMITTEE REPORT

Ms. Connors reported on the meeting held on January 21, 2010.

Ms. Connors stated that the Committee approved the minutes of the June 11, 2009 meeting.

MINUTES APPROVED

Ms. Connors moved that the Public School Employees' Retirement Board (the "Board") adopt the proposed changes to the Public Information Policy of the Commonwealth of Pennsylvania, Public School Employees' Retirement Board pursuant to the recommendation of Richard Michlovitz, Deputy Chief Counsel, dated January 8, 2010. Mr. Sando seconded the motion. The motion passed with 12 Yes votes and 1 No vote, from Mr. Kniley, on behalf of Secretary Zahorchak.

PUBLIC INFORMATION
POLICY

Ms. Connors stated that Mr. Wasiak reviewed the proposed Ethics Policy, incorporating changes previously requested by Committee members. The Committee agreed to postpone the approval of changes until the next Committee meeting, to allow for review of the proposed changes by Committee members.

ETHICS POLICY

CORPORATE GOVERNANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held on January 21, 2010.

MINUTES APPROVED

Mr. Sando stated that the Committee approved the minutes of the December 10, 2009 meeting.

SECURITIES LITIGATION POLICY

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") approve the proposed revisions to the Board's Securities Litigation Policy in accordance with the recommendation of Gerald Gornish, Chief Counsel, dated January 8, 2010. Mr. Raymond seconded the motion, which passed unanimously.

EXECUTIVE SESSION

Mr. Sando stated that the Committee held an Executive Session regarding securities litigation.

PERSONNEL COMMITTEE REPORT

Ms. Winters reported on the meeting held on January 21, 2010.

MINUTES APPROVED

Ms. Winters stated that the Committee approved the minutes of the August 12, 2009 meeting.

PERFORMANCE REVIEW – EXECUTIVE DIRECTOR'S POSITION

Ms. Winters moved that the Public School Employees' Retirement Board (the "Board") adopt the proposed evaluation form for use in the annual performance review of the Executive Director's position, pursuant to the recommendation of Maribel La Luz, Director of Human Resources, dated January 13, 2010. Ms. Tozer seconded the motion, which passed unanimously.

NEW BUSINESS

POLICY REVIEW

Mr. Clay informed the Board that the Policy Review was completed for 2010. Mr. Gornish verified that he reviewed policies as noted in his memo to the Board. Mr. Van Noord also verified that he reviewed policies as noted in his memo to the Board.

GUIDELINES

Mr. Sando requested that the Board, at some point in the future, explore the effect of the Supreme Court vote regarding the unlimited funding of campaigns, and the impact this could have on PSERB guidelines in dealing with corporations.

EXECUTIVE DIRECTOR'S REPORT

Mr. Clay stated that the following information was available
(See Board Book 346, Executive Director TAB):

INFORMATION
AVAILABLE

- Center for State & Local Government Excellence Issue Brief on Pensions Obligation Bonds
- Policy Review Memos

Mr. Clay stated that since the December Board Meeting he gave a presentation to the PASBO Task Force; participated in the Senate Finance Committee Hearing; made a live appearance on PCN TV; and spoke to the School Board at Penn Hills School Board in Pittsburgh.

RECENTLY ATTENDED
EVENTS

Mr. Clay stated that he is planning to make presentations to the Bucks County Coalition of Senior Communities Forum on January 28th and the Delaware Valley PASO Regional Meeting on January 29th; the Superintendents Meeting at Midwestern IU IV in Grove City on February 10th; PA Association of School Personnel Administrators in Harrisburg on February 26th; the PSBA Governance Convention on February 28th; the East Stroudsburg School Boards and Superintendents, Monroe and Northampton Counties on March 2nd; the Berks County IU in Reading on March 4th; and the PASBO Convention in Hershey on March 9th. Mr. Clay also noted that he planned to attend and testify at the Marriott trial in San Antonio, potentially the week of February 1st;

UPCOMING EVENTS

Mr. Clay informed the Board that approximately half of the 1099's have been mailed, with the remainder being mailed by the end of the month, in accordance with IRS regulations.

1099 MAILING

Mr. Clay informed the Board that the Asset Allocation will be an agenda item for the next Finance Committee Meeting.

NEXT MEETING

Mr. Clay introduced Ms. Reiner, who will be assisting with Board Meeting duties.

INTRODUCTION

Treasurer McCord and Chairman Vogler commended Mr. Clay on the extensive travel and superior service he has provided to Pennsylvania School Districts.

COMMENDATION

CHIEF COUNSEL REPORT

Mr. Gornish stated that the Marriott trial began January 11, 2010 and was expected to continue for approximately four weeks.

MARRIOTT LITIGATION

UNION OFFICERS
CASE

Mr. Gornish informed the Board that the Supreme Court ruled unanimously in PSERS' favor in the Union Officers Case, allowing PSERS to firmly address the issues and determine the benefits of the individuals involved and all others on approved leave with collective bargaining organizations who are similarly situated.

EXECUTIVE SESSION
PROCEDURE

Mr. Gornish stated in response to the question of a Board member that all Board members, including their designees, are permitted to remain in the room during any Executive Session.

ROYAL DUTCH CASE

Mr. Gornish noted that PSERS is awaiting the administrator's completion of its determination of the individual claims in the Royal Dutch case. The Claims Administrator hopes to make distribution by early in the second quarter of this year.

ANNUAL REPORT AND
ETHICS ACT UPDATE

Mr. Gornish informed the Board that the Annual Report of the Office of Chief Counsel and the Ethics Act Update from the Office of Administration and the Office of General Counsel are included in the Board Book.

CHIEF FINANCIAL OFFICER REPORT

CFO REPORT

Mr. Carl gave a presentation to the Board containing the 2010/2011 Administrative Budget Update; 2010/2011 Commonwealth Appropriation of PSERS Contributions; December 31, 2009 Budget Status Report; 2009 1099's; Monthly Payroll; and a Ten Year History of Fund Value (See Board Book 346, CFO Report TAB).

ADJOURNMENT

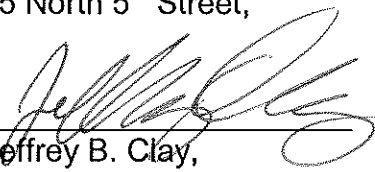
Ms. Vogler adjourned the meeting at 10:20 A.M.

NEXT MEETING

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

Date 2/25/10

Approved


Jeffrey B. Clay,
Executive Director