

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

**Regular Meeting**

**Minutes**

**August 12, 2010**

**9:00 A.M.**

**Board Members Present**

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

**Board Members Absent**

Ms. Tina Byles Williams

**Staff Members Present**

Mr. Jeffrey B. Clay  
Ms. Barbara D. Flurie  
Mr. Gerald Gornish  
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. Janet Cranna, Buck Consultants  
Mr. Brian T. Hannon, Qubit Investments, LLC  
Mr. Kenneth R. Jackson, Qubit Investments, LLC  
Mr. Sandy Leopold  
Mr. Ed Quinn, Buck Consultants  
Ms. Dana Spangler, Buck Consultants  
Ms. Olympia Stratum  
Ms. Cathy Washabaugh

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

WELCOME GUESTS Mr. Clay welcomed guests, Ms. Olympia Stratum and Ms. Cathy Washabaugh.

MINUTES APPROVED Mr. Rose moved to approve the minutes of the June 11, 2010 Board meeting. Mr. Sando seconded the motion, which passed unanimously. Ms. Turley moved to approve the minutes of the July 16, 2010 Board meeting. Mr. Moss seconded the motion, which passed unanimously. Ms. Tozer moved to approve the minutes of the July 23, 2010 Board meeting. Mr. Rose seconded the motion, which passed unanimously.

#### FINANCE COMMITTEE REPORT

Mr. Rose reported on the meeting held August 11, 2010.

MINUTES APPROVED Mr. Rose stated that the Committee approved the minutes of the April 29, 2010 meeting.

PRESENTATIONS Mr. Rose stated that Mr. Van Noord gave a Market Review and Comments report; Mr. Spiller presented a Private Markets and Real Estate Quarterly Review, and a presentation on the Stockbridge Real Estate Fund II; Mr. Pease, of Wilshire, gave a Private Real Estate Benchmark presentation; Mr. Grossman reviewed the Investment Objectives and Guidelines; and Mr. Van Noord gave a preview of future meetings.

REAL ESTATE CONSULTANT Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") retains Courtland Partners, LTD as the Fund's Real Estate Consultant for a contract term not to exceed five-years. The final terms and conditions of the contract 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 contract or by a memo to that effect appended to the implementing contract. Mr. Moss seconded the motion, which passed unanimously.

STOCKBRIDGE REAL ESTATE FUND II Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") invests an amount equal to its allocable share, plus reasonable normal investment expenses, in the Stockbridge Real Estate Fund II Recapitalization Plan, in accordance with the recommendation of Charles J. Spiller, Director of Private Markets and Real Estate, dated August 11, 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. Tozer seconded the motion, which passed unanimously.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") adopts the proposed changes to page 5 and Exhibit C of the Investment Policy Statement, Objectives, and Guidelines and Investment Objectives and Guidelines Addenda listed below for the Public School Employees' Retirement System pursuant to the recommendation of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance, dated July 23, 2010.

INVESTMENT  
OBJECTIVES AND  
GUIDELINES

<u>Addendum</u>	<u>Addendum Title</u>
B	Enhanced U.S. Master Limited Partnership Index Portfolios
H	Full Discretion Commodity Program
H1	Enhanced Commodity Index Program
P	Active Currency Hedging Overlay Program
P1	Active Currency Program

Mr. Raymond seconded the motion, which passed unanimously.

PERSONNEL COMMITTEE REPORT

Ms. Winters, in Mr. Gentzel's absence, reported on the meeting held August 11, 2010.

Ms. Winters stated that the Committee approved the minutes of the June 10, 2010 meeting.

MINUTES APPROVED

Ms. Winters moved that Public School Employees' Retirement Board approves a 1% increase in the salaries of PSERS' Chief Investment Officer and five Investment Office Managing Directors, effective as of October 1, 2010, all in accordance with the recommendation of Jeffrey B. Clay, Executive Director, dated July 30, 2010. Mr. Rose seconded the motion, which passed unanimously.

INVESTMENT OFFICE  
COMPENSATION

## CORPORATE GOVERNANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held on August 11, 2010.

### MINUTES APPROVED

Mr. Sando stated that the Committee approved the minutes of the June 10, 2010 meetings.

### SECURITIES LITIGATION LOSS THRESHOLD

Mr. Sando reported that the Committee discussed the Securities Litigation Loss Threshold. An agency committee will be formed to research the issue and will report back to the Committee at a future meeting.

### CORRESPONDENCE

Mr. Sando stated that two letters were presented to the Committee, both written on behalf of the Board, regarding proxy access rules and a U.S. Supreme Court decision relating to foreign investments.

### EXECUTIVE SESSION

Mr. Sando reported that Executive Session was held to discuss RFP results.

### PROXY VOTING

Mr. Sando moved that the Public School Employees' Retirement Board rejects all Proxy Research and Voting Services proposals pursuant to the recommendation of John B. Kemp, Investment Operations Manager. Ms. Tozer seconded the motion, which passed unanimously.

## APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on August 11, 2010.

### MINUTES APPROVED

Ms. Tozer stated that the Committee approved the minutes of the June 10, 2010 meeting.

### ADJUDICATION: ROBERT A. CARR

Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner, with one clarification as noted in the order of the Board, and deny the request of Robert A. Carr for membership with PSERS for his work as an elected tax collector. Mr. Sando seconded the motion, which passed unanimously.

### ADJUDICATION: CHARLES P. GRIFFIN

Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner, and dismiss with prejudice the appeal of Charles P. Griffin for additional service credit. Ms. Turley seconded the motion, which passed unanimously.

Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner, and dismiss with prejudice the appeal of Carolin M. Petka to be eligible for a regular retirement. Mr. Raymond seconded the motion, which passed unanimously.

ADJUDICATION:  
CAROLIN M. PETKA

Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner, and deny the request of Lyn Segal for reimbursement of the cost of twenty-three additional physical therapy sessions. Ms. Turley seconded the motion, which passed unanimously.

ADJUDICATION:  
LYN SEGAL

Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner, and deny the request of Ruth A. Landry to have her retirement application considered as timely filed. Mr. Rose seconded the motion, which passed unanimously.

ADJUDICATION:  
RUTH A. LANDRY

Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee Reports from the May 25 and July 6, 2010 meetings.

EXECUTIVE STAFF  
REVIEW COMMITTEE

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

BENEFITS PROCESSING  
STATISTICS

#### HEALTH CARE COMMITTEE REPORT

Ms. Turley reported on the meeting held on August 11, 2010.

Ms. Turley stated that the Committee approved the minutes of the June 10, 2010 meeting.

MINUTES APPROVED

Ms. Turley stated that Mr. Schafer gave presentations on Managed Care Rates and Open Enrollment Updates (See Board Book 350, TAB 27, 28).

PRESENTATIONS

#### NEW BUSINESS

Ms. Cranna, Mr. Quinn and Ms. Spangler, of Buck Consultants, presented the Four Year Experience Study to the Board (See Board Book 350, New Business TAB).

EXPERIENCE STUDY

## EXECUTIVE DIRECTOR'S REPORT

### INFORMATION AVAILABLE

Mr. Clay stated that the following information was available (See Board Book 350, Executive Director TAB):

- Letter to US Attorney General re: PA Divestment activities
- Letter from Buck Consultants concerning the use of life insurance as a means to meet PSERS' funding issues. Mr. Clay provided a brief review of the issues raised by the concept and an outline of the proposal.

### RECUSAL

Mr. Clay reported that there is a listing of individuals and corporations, for recusal purposes, listed on the Board's website. A demonstration will be given at the next Board meeting.

### AG MATRIX

Mr. Clay stated that the Auditor General Matrix will be updated on the Board's website before the October meeting.

### UPCOMING PSERS ITEMS

Mr. Clay reported that the following items are upcoming:

- 2011-2012 Administrative and Directed Commissions Budgets will be presented at the next meeting
- Financial statements will be brought to the Board for approval
- Completion of PSERS independent auditors' audit
- Completion of the Comprehensive Annual Financial Report for December publication
- Annual Statement of Accounts
- HOP option selection period
- HOP open enrollment
- Five Year Experience Study results

## CHIEF COUNSEL REPORT

### SECURITIES LITIGATION RFP

Mr. Gornish reported that the Securities Litigation Consultant RFP was published on August 3, 2010. Responses are due by September 17, 2010. Inquiries from ten firms have been received to date. A decision will be made in October.

### RIGHT TO KNOW REQUESTS

Mr. Gornish reported on two RTKL requests filed with PSERS, seeking the home addresses of members. In the first case, involving three members, PSERS denied the request. It was appealed to the Office of Open Records (OOR) and PSERS prevailed, based on a provision in the Public School Employees' Retirement Code that requires the Board to protect the confidentiality of its members. PSERS also argued for the personal

security exception and the constitutional right of privacy. The requestor has now filed a second RTKL request seeking the names of fourteen members, which PSERS likewise denied. This case has also been appealed to the OOR. We have responded that the OOR should admonish the requestor for trying the same case a second time after having received a decision by OOR in favor of PSERS, as well as a decision by OOR in favor of SERS with respect to its denial based on the constitutional right of privacy.

Mr. Gornish informed the Board that PSERS is joining a group action against Fortis SA/NV which has been initiated in the courts in Brussels, Belgium. A U.S. federal court class action was dismissed, leaving U.S. investors no recourse under federal law in the U.S federal courts. The only way to obtain any damages is through joining the Belgium action. PSERS negotiated an agreement with a financial services company in Belgium that acts as an agent for foreign plaintiffs for purposes of joint actions. That company has retained a Belgium law firm to prosecute the action. PSERS will be joined to the proceedings via a voluntary intervention in the proceedings. The agent's fee is contingent and it will pay all attorneys' fees and costs. PSERS will incur no upfront costs. Our estimated loss is in the amount of \$10,991,891.

FORTIS SA/NV

Mr. Gornish stated that the Supreme Court of Pennsylvania has agreed to accept the *Snizaski* case, stating the question as "Whether the Commonwealth Court correctly interpreted 24 Pa.C.S. §8507(e) to require in this case that a Public School Employees' Retirement System nomination of benefits form must have been completed entirely in the hand of the member/decedent in order to effectuate a valid change of beneficiary designation." The two parties seeking the benefit had discussed settlement and obtained an extension of the briefing schedule. While a report was due August 9, 2010, PSERS has not yet received anything. If the matter does not settle, there will likely be a new briefing schedule established and PSERS will file a brief in support of its position.

SNIZASKI CASE

#### CHIEF FINANCIAL OFFICER REPORT

Mr. Carl gave a presentation to the Board containing the Administrative Budget Update, the School Employees' Retirement Appropriation, the Five Year Projections, and the Year End Schedule (See Board Book 350, CFO Report TAB).

CFO REPORT

Mr. Carl stated that PSERS has received the GFOA Award for Excellence in Financial Reporting for the 27th consecutive year.

GFOA AWARD

VISITOR COMMENTS

QUBIT INVESTMENTS      Mr. Hannon, of Qubit Investments, introduced himself to the Board. Mr. Hannon attended the meeting as an observer, with an interest in possible future retention by the System as an investment advisor.

BOARD MEMBER COMMENTS

ELECTIONS                      Mr. Clay stated that Ms. Turley is running for re-election for her position. Mr. Sando has no opposition and will be declared elected by acclamation at the October Board Meeting. Voting will be in November, with results reported at the December meeting.

BOARD EDUCATION              Glen Galante extended thanks for the informative Board Education Session. Ms. Vogler concurred.

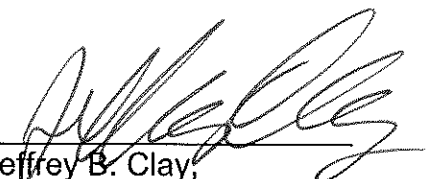
EXECUTIVE SESSION              At 10:46 A.M., Mr. Clay stated: "In accordance with Section 5.13 of the Bylaws of the Public School Employees' Retirement Board, we are going into an Executive Session to discuss the item listed on today's agenda, namely a litigation update. The Board may hold an executive session for any one or more of the reasons enumerated in Section 8(a) of the Sunshine Act (65 P.S. 278(a)), including agency business which, if conducted in public would violate a privilege or lead to the disclosure of information or confidentiality protected by law, including matters related to the initiation and conduct of investigations of possible or certain violations of laws."

Mr. Sando moved that the Committee enter into Executive Session. Mr. Raymond seconded the motion, which passed unanimously. The Executive Session ended at 11:02 A.M. and the meeting immediately returned to Regular Session.

ADJOURNMENT                      Ms. Vogler adjourned the meeting at 11:02 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 October 8, 2010, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

Date 9/8/10

Approved   
Jeffrey B. Clay,  
Executive Director