

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

**Regular Meeting**

**Minutes**

**December 9, 2011**

**9:00 A.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Ms. Stacey Connors for Senator Patrick Browne  
Ms. Sally Keaveney for Senator Lawrence M. Farnese  
Mr. Glen S. Galante  
Ms. Beth Winters for Mr. Thomas J. Gentzel  
Ms. Lisa Taglang for Representative Glen R. Grell  
Mr. Bernard Gallagher for Representative Joseph F. Markosek  
Ms. Jennifer Langan for Treasurer Robert M. McCord  
Mr. Hal Moss  
Mr. Richard N. Rose  
Mr. James M. Sando  
Mr. David Donley for Secretary Ronald J. Tomalis  
Ms. Patricia A. Tozer  
Ms. Sally J. Turley

**Staff Members Present**

Mr. Jeffrey B. Clay  
Mr. Christopher Bart  
Ms. Barbara B. Book  
Mr. Brian S. Carl  
Ms. Kristina Goodling  
Mr. Gerald Gornish  
Mr. Edward Hawley  
Ms. Teresa Horting  
Ms. Maribel La Luz  
Mr. Jesse Landis  
Ms. Lynne Leopold-Sharp  
Mr. Michael Malley  
Ms. Maryann Pavlovic

Ms. Robin Pyle  
Mr. Miles Ribbans  
Ms. Terrill J. Savidge  
Ms. Evelyn Tatkovski  
Mr. Alan H. Van Noord  
Mr. Joseph E. Wasiak, Jr.

**Guests Present**

Ms. Janet Cranna, Buck Consultant  
Mr. Sandy Leopold  
Mr. Steven R. Nickol  
Ms. Donna C. Peterson  
Mr. Ed Quinn  
Ms. Dana Spangler

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

**CALL TO ORDER**

WELCOME NEW EMPLOYEES Mr. Clay welcomed guest, Ms. Peterson and new employees, Mr. Bart, Ms. Goodling, Mr. Hawley, Ms. Horting, Mr. Landis, Ms. Leopold-Sharp, Mr. Malley, Ms. Pyle and Mr. Ribbans.

PRESENTATION Mr. Clay presented Ms. Peterson with citations from the Pennsylvania House of Representatives and the Pennsylvania Senate, commending her on her service with the Commonwealth and marking her recent retirement.

MINUTES APPROVED Ms. Winters moved to approve the minutes of the October 7, 2011 Board meeting. Ms. Turley seconded the motion, which passed unanimously.

#### FINANCE COMMITTEE REPORT

Mr. Rose reported on the meeting held December 8, 2011.

MINUTES APPROVED Mr. Rose stated that the Committee approved the minutes of the October 6, 2011 meeting.

EXECUTIVE SESSION An Executive Session was held regarding the COOP Report.

PRESENTATIONS Mr. Rose stated that Mr. Van Noord gave a Market Review and Comments report; Mr. Bensur presented the Wilshire Third Quarter Performance Update; Mr. Smith updated the committee on Public Market Performance; Mr. Reuhl and Ms. Arnautovic spoke regarding Aksia Third Quarter Absolute Return Performance; Mr. Spiller gave a preliminary discussion on Internally Managed Co-Investment & Secondary Funds and an update on the name change for Five Arrows Realty Securities VI, L.P.; Mr. Mewbourne spoke regarding PIMCO Fixed Income Multi-Sector Strategy Fund; Mr. Jacobs made a presentation on Westwood Graduation; Ms. Stepp spoke regarding the Senior Housing Partnership Fund IV, LP; Mr. Spiller spoke regarding the Windjammer Senior Equity Fund IV, LP; Mr. Sheva updated the committee on Investment Objectives and Guidelines; and Mr. Van Noord presented his Preview of Future Meetings.

PIMCO MULTI-SECTOR STRATEGY FUND LTD. Mr. Rose moved that pursuant to the recommendations of Joseph W. Sheva, Senior Investment Professional – External Public Markets, Risk and Compliance and Wilshire Associates, both dated November 18, 2011, that the Public School Employees’ Retirement Board (the “Board”) hereby (i) retains Pacific Investment Management Company LLC to manage an initial amount of \$1.0 billion in the PIMCO Multi-Sector Strategy Fund Ltd. and (ii) gives the Investment Office 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/invest/guide/index.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 the implementing investment contract or by a memo to that effect appended to the implementing investment contract. Mr. Sando seconded the motion, which passed unanimously.

Mr. Rose moved that pursuant to the recommendations of Luke M. Jacobs, Senior Investment Analyst, dated December 8, 2011, and Wilshire Associates, dated November 15, 2011, the Public School Employees' Retirement Board (the "Board") graduates Westwood Global Investments, LLC from the Public Market Emerging Investment Manager Program to the Main Fund. Ms. Turley seconded the motion, which passed unanimously.

WESTWOOD GLOBAL INVESTMENTS, LLC

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in Senior Housing Partnership Fund IV, L.P., in accordance with the recommendation of Laurann H. Stepp, Portfolio Manager, Real Estate, dated December 8, 2011. 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 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.

SENIOR HOUSING PARTNERSHIP FUND IV, L.P.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in Windjammer Senior Equity Fund IV, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated December 8, 2011. 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

WINDJAMMER SENIOR EQUITY FUND IV, L.P.

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.

**OBJECTIVES AND GUIDELINES**

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") adopts the proposed changes to the Investment Policy Statement, Objectives, and Guidelines (specifically Exhibits C and D) and the proposed Investment Objectives and Guidelines Addenda listed below for the Public School Employees' Retirement System pursuant to the recommendation of Joseph W. Sheva, Senior Investment Professional - External Public Markets, Risk & Compliance, dated November 18, 2011.

<u>Addendum</u>	<u>Addendum Title</u>
A	U.S. Style-Oriented Large Cap Equities
B	Enhanced U.S. Master Limited Partnership Index Portfolios
C	U.S. Style-Oriented Small Cap Equities
C1	U.S. Micro Cap Equities
E	Internally Managed Indexed Equity Portfolios
E1	Internally Managed Alpha Generation Program
E2	Equity Rebalancing Program
F	{Remove}
H	Full Discretion Commodity Program
H1	Enhanced Commodity Index Program
J	Fixed Income Rebalancing Program
M	Non-U.S. Equities
N	Non-U.S. Small Cap Equities
O	Emerging Markets Equities
O1	Emerging Markets Small Cap Equities
P	Active Currency Hedging Overlay Program
P1	Active Currency Program

Mr. Galante seconded the motion, which passed unanimously.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on December 8, 2011.

**MINUTES APPROVED**

Ms. Tozer stated that the Committee approved the minutes of the October 7, 2011 meeting.

**ACCOUNT OF ORYSIA M. STANKO**

Ms. Tozer moved to grant PSERS' Motion to Deem Facts Admitted and Quash Administrative Appeal and dismiss Claimant's Appeal and Request for Administrative Hearing as being untimely in the

case of Orysia M. Stanko. Ms. Langan seconded the motion, which passed unanimously.

Ms. Tozer moved to grant PSERS' Brief on Exceptions and forfeit the Claimant's pension in the case of Ross A. Scarantino. Mr. Sando seconded the motion, which passed unanimously.

ACCOUNT OF ROSS A.  
SCARANTINO

Ms. Tozer moved to adopt the Hearing Officer's recommendation denying Claimant's request for a waiver of adjustment, but with one modification in the case of Joseph M. Kundrot. Ms. Turley seconded the motion, which passed unanimously.

ACCOUNT OF JOSEPH M.  
KUNDROT

Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Report from the September 28, 2011 meeting.

ESRC REPORT

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

BENEFITS PROCESSING

#### HEALTH CARE COMMITTEE REPORT

Ms. Turley, reported on the meeting held December 8, 2011.

Ms. Turley stated that the Committee approved the minutes of the October 6, 2011 meeting.

MINUTES APPROVED

Ms. Turley stated that Mr. Schafer gave a presentation on the 2012 HOP Budget.

PRESENTATION

Ms. Turley moved that the Public School Employees' Retirement Board (the "Board") adopts the proposed Program and Administrative Budget of the Health Options Program and the Medicare Prescription Drug Program Administrative Budget for the Plan Year 2012 in the aggregate amount of \$253,039,000, as presented by Mark F. Schafer at the December 8, 2011 Health Care Committee meeting. Mr. Galante seconded the motion, which passed unanimously.

HEALTH OPTIONS  
PROGRAM BUDGET

#### CORPORATE GOVERNANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held December 8, 2011.

Mr. Sando stated that the Committee approved the minutes of the August 10, 2011 meeting.

MINUTES APPROVED

Mr. Sando stated that Mr. Gornish gave a presentation on a revision to the Securities Litigation Policy.

PRESENTATION

SECURITIES  
LITIGATION POLICY

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed changes to the Board's Securities Litigation Policy, in accordance with the recommendation of Gerald Gornish, Chief Counsel, dated November 21, 2011. Mr. Rose seconded the motion, which passed unanimously.

NEW BUSINESS

SCHOOL BOARD SEAT  
MEMBER ELECTION

Mr. Moss stated that as Chairman of the Elections Committee, I hereby notify you of the results of the School Board member election. Richard N. Rose has won the election with 56% of the vote. Dick's three-year term will commence on January 1, 2012 and end December 31, 2014.

Mr. Clay stated that as Secretary of the Public School Employees' Retirement Board, I hereby certify that Richard N. Rose has won the School Board election, which was conducted in November 2011. Mr. Rose has been duly elected to serve on the Board for three years commencing January 1, 2012.

ACTUARIAL  
VALUATION

Mr. Carl introduced Ms. Cranna, Ms. Spangler and Mr. Quinn, of Buck Consultants, who presented the Actuarial Valuation.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board"), hereby accepts the June 30, 2011 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 12.36% for Fiscal Year July 1, 2012 through June 30, 2013. Mr. Moss seconded the motion, which passed unanimously.

COMPARISON OF KEY  
PROJECTIONS AND  
PREVIOUS  
ASSUMPTIONS

Mr. Carl spoke regarding a Comparison of Key Projections and Previous Assumptions. He also raised the question as to whether the Board wanted to revisit the assumptions. The Board agreed, by consensus, to not revisit the assumptions at this time.

EXECUTIVE DIRECTOR'S REPORT

INFORMATION  
AVAILABLE

Mr. Clay stated that the following information was available (See Board Book 359, Executive Director TAB):

- PAPERS Fall 2011 Newsletter

Mr. Clay had no recently attended events to report.

RECENTLY ATTENDED  
EVENTS

Mr. Clay stated that he has no upcoming events scheduled for the immediate future.

UPCOMING EVENTS

Mr. Clay informed the Board that the Commonwealth has instituted new travel regulations, effective January 1, 2012. Ms. Book reviewed the new regulations with the Board. Discussion followed.

TRAVEL REGULATIONS

Mr. Clay updated the Board on the status of the following items:

ONGOING ITEMS

- 1099's – on schedule
- CAFR - completed and ready for distribution at this meeting
- The Statements of Account – on schedule for completion by the end of December
- Option Selection Period for HOP - completed
- The Actuarial Valuation - completed, full report to be available in January 2012
- V-3 build - completed

Mr. Clay informed the Board that PSERS staff has collected items for donation to the Toys for Tots, Spring Creek Nursing Home and the YWCA Women's Shelter.

DONATIONS

Mr. Clay announced that Ms. Book has been promoted to the position of Administrative Officer, vacated by Ms. Peterson in October.

PROMOTION

Mr. Clay presented Ms. La Luz with citations from the Pennsylvania House of Representatives and the Pennsylvania Senate, commending her on her service with the Commonwealth and marking her pending retirement.

PRESENTATION

Mr. Clay stated that the next meeting will include a Board Education Session, consisting of Fiduciary Duty and Strategic Planning, among other topics.

#### CHIEF COUNSEL REPORT

Mr. Gornish explained the reason for the language in Resolution 2011-39 by which the Board ratified all payments that were reflected in the June 30, 2011 financial statements as being in order to comply with 24 Pa. C.S. §8521(d).

RESOLUTION 2011-39  
CLARIFICATION

Mr. Gornish reported on the decision of the Texas Court of Appeals in the Rivercenter/Marriott case; the status of the Citigroup Opt-Out

CASE UPDATES

Case; a lawsuit commenced by Telwell against PSERS and its manager Grandbridge, which is currently in the Board of Claims; and he advised the Board about a letter that PSERS will write to the SEC regarding the *Morrison* case.

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl made a presentation to the Board including the September 30, 2011 Financial Statements, the September 30, 2011 Statement of Plan Net Assets and Statement of Changes in Plan Net Assets (See Board Book 359, CFO Report TAB).

EXECUTIVE SESSION

At 10:50 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 litigation matters. 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 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."

Ms. Tozer moved that the Board enter into Executive Session. Mr. Rose seconded the motion, which passed unanimously. The Executive Session ended at 10:58 A.M. and the meeting immediately returned to Regular Session.

ADJOURNMENT

Chairman Vogler adjourned the meeting at 10:58 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 January 20, 2012, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

Date 12/22/11

Approved

  
Jeffrey B. Clay,  
Executive Director