

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

Regular Meeting

Minutes

April 27, 2012

9:22 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Ms. Stacey Connors for Senator Patrick M. Browne (arrived at 10:08AM)
Mr. Anthony Mannino for Senator Lawrence M. Farnese
Mr. Glen S. Galante
Mr. Thomas J. Gentzel
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
Ambassador Martin J. Silverstein
Mr. David Donley for Secretary Ronald J. Tomalis
Ms. Patricia A. Tozer
Ms. Sally J. Turley

Staff Members Present

Mr. Jeffrey B. Clay
Ms. Barbara Book
Mr. Brian S. Carl
Ms. Michele M. Ferencz
Ms. Terrill J. Savidge
Ms. Kelly L. Sprenkle
Ms. Evelyn Tatkovski
Mr. Alan H. Van Noord
Mr. Joseph E. Wasiak, Jr.

Guests Present

Mr. David Deppen
Ms. Patricia Hodgson
Ms. Andrea Miller
Mr. Avery Romain
Mr. Richard Rowland, PASR
Mr. Don Steinmeier, PASR
Mr. Roy Swaisgood
Dr. Stephen Vak, PASR

Ms. Vogler called the meeting to order at 9:22 A.M. in the fourth floor Board Room at PSERS' headquarters.

CALL TO ORDER

Mr. Clay introduced new Board member, Ambassador Martin J. Silverstein, who is an appointee of the Governor. He was welcomed by all.

NEW BOARD MEMBER

WELCOME GUESTS
AND NEW EMPLOYEES

Mr. Clay welcomed guests Mr. Steinmeier, PASR President and Dr. Vak, PASR Executive Director; and new employees David Deppen, Patricia Hodgson, Andrea Miller, Avery Romain and Roy Swaisgood.

MINUTES APPROVED

Mr. Rose moved to approve the minutes of the March 9, 2012 Board meeting. Ms. Tozer seconded the motion, which passed unanimously.

AUDIT/BUDGET COMMITTEE REPORT

Mr. Galante reported on the meeting held on April 26, 2012.

MINUTES APPROVED

Mr. Galante stated that the Committee approved the minutes of the October 6, 2011 meeting.

US AND NON-US
PROXY VOTING
POLICIES

Mr. Galante stated that Mr. Rey, of CliftonLarsenAllen, spoke regarding the upcoming annual audit.

FINANCE COMMITTEE REPORT

Mr. Rose reported on the meeting held April 26, 2012.

MINUTES APPROVED

Mr. Rose stated that the Committee approved the minutes of the March 9, 2012 meeting.

PRESENTATIONS

Mr. Rose stated that Mr. Van Noord gave a Market Review and Comments report and The Global Retirement Challenge report; Mr. Heppenstall presented Financial Repression, Interest Rates and PSERS Duration Risk; Mr. Sheva gave a Review of the Emerging Manager Program; Mr. Spiller gave both the 3rd Quarter Private Markets Review and the 3rd Quarter Real Estate Review; an Executive Session was held in regard to Private markets and Real Estate Fund Issues, PSERS In-house Program, Black River – Inflation Opportunity Fund and Brevan Howard Asset Management LP – High Yield; Mr. Heppenstall gave a presentation on Black River – Inflation Opportunity Fund; Mr. Grossman presented Brevan Howard Asset Management LLP; Mr. Little presented Aeolus Property Catastrophe Fund I, L.P. and BlueTrend Fund Limited; Mr. Grossman presented Sankaty Credit Opportunities V-D, L.P.; Mr. Spiller presented Trilantic Capital Partners V, L.P.; and Mr. Van Noord presented his Preview of Future Meetings.

Mr. Rose moved that pursuant to the recommendations of Mark E. Heppenstall, Managing Director, Fixed Income, April 11, 2012, the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of up to \$75 million in the Black River Inflation Opportunity Fund of One, and (ii) that the Investment Office shall have 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.

BLACK RIVER INFLATION
OPPORTUNITY FUND OF
ONE

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.

Mr. Rose moved that pursuant to the recommendations of James H. Grossman, Jr., Deputy Chief Investment Officer, dated April 11, 2012, and Aksia, LLC, dated April 11, 2012, the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of \$200 million in the Brevan Howard CMBS Fund Limited, and (ii) that the Investment Office shall have 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.

BREVAN HOWARD CMBS
FUND LIMITED

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. Representative Grell seconded the motion, which passed unanimously.

Mr. Rose moved that pursuant to the recommendations of Robert E. Little, Portfolio Manager of External Public Markets, Risk & Compliance, dated April 12, 2012, and Aksia, LLC, dated April 11,

AEOLUS PROPERTY
CATASTROPHE FUND I,
LP

2012, the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of \$100 million in the Aeolus Property Catastrophe Fund I, LP (the mid-year fund series), (ii) that the Board invest an initial amount of \$100 million in the Aeolus Property Catastrophe Fund I, LP (the January fund series), and (iii) that the Investment Office shall have 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. Moss seconded the motion, which passed with one NO vote, from Amb. Silverstein.

BLUETREND FUND
MITED

Mr. Rose moved that pursuant to the recommendations of Robert E. Little, Portfolio Manager of External Public Markets, Risk & Compliance, dated April 12, 2012, and Aksia, LLC, dated April 11, 2012, the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of \$250 million in the BlueTrend Fund Limited, and (ii) that the Investment Office shall have 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 the Public School Employees' Retirement Board (the "Board") invests an amount not to exceed \$350 million plus reasonable normal investment expenses, in Sankaty Credit Opportunities V-D, L.P., in accordance with the recommendations of James H. Grossman, Jr., Deputy Chief Investment Officer, dated April 26, 2012, and Portfolio Advisors, dated April 2012. 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. Gallagher seconded the motion, which passed unanimously.

SANKATY CREDIT
OPPORTUNITIES V-D, L.P.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") invests \$100 million plus reasonable normal investment expenses, in Trilantic Capital Partners V (North America), L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated April 26, 2012. 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. Turley seconded the motion, which passed with two abstentions from Mr. Moss and Mr. Sando, and one recusal from both the discussion and vote by Amb. Silverstein.

TRILANTIC CAPITAL
PARTNERS V (NORTH
AMERICA), L.P.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on April 26, 2012.

Ms. Tozer stated that the Committee approved the minutes of the March 9, 2012 meeting.

MINUTES APPROVED

Ms. Tozer moved to adopt the Hearing Officer's recommendation to deny Claimant's request to change the survivor annuitant of Clair J. Manning from Linda Susan Munley to Claimant, Mary Ann Manning. Ms. Langan seconded the motion, which passed with one recusal, from Chairman Vogler.

ACCOUNT OF
CLAIR J. MANNING (D)

Ms. Tozer moved to adopt the recommendation of the Appeals/Member Services Committee and grant PSERS' Motion for Summary Judgment denying Cynthia L. Wilson's request to reinstate her retirement benefit that was lost due to the Public Employee Forfeiture Act, 32 P.S. § 1311 et seq. Mr. Moss seconded the motion, which passed unanimously.

ACCOUNT OF
CYNTHIA L. WILSON

SRC REPORT

Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Report from the January 27 and February 29, 2012 meetings.

BENEFITS
PROCESSING

Ms. Tozer stated that Ms. Savidge presented an update on Benefits Processing Statistics and Ms. Cattermole gave a presentation on PSERS Annuity Payroll/Deceased File Match Processes.

HEALTH CARE COMMITTEE REPORT

Ms. Turley reported on the meeting held on April 26, 2012.

MINUTES APPROVED

Ms. Turley stated that the Committee approved the minutes of the December 8, 2011 meeting.

PRESENTATIONS

Ms. Turley stated that Mr. Schafer gave presentations on the 2012 Market Comparison and the HOP Enrollment Report.

TECHNOLOGY STEERING COMMITTEE REPORT

Vice-Chairman Sando reported on the meeting held on April 27, 2012.

MINUTES APPROVED

Mr. Sando stated that the Committee approved the minutes of the May 1, 2008 meeting.

PRESENTATIONS

Mr. Sando stated that Mr. Spinks presented an Update on Key Technology Issues.

EXECUTIVE DIRECTOR'S REPORT

INFORMATION
AVAILABLE

Mr. Clay stated that the following information was available (See Board Book 362, Executive Director TAB):

- House Resolution 649

RECENTLY ATTENDED
EVENTS

Mr. Clay reported that he presented the State of the Fund to staff on March 14; and attended an informational meeting on Pension Funding Issue and Status of Funds with SERS before the House State Government Committee on April 4.

UPCOMING EVENTS

Mr. Clay stated that he plans to attend the following events: a presentation at Milton Area School District on May 15; a presentation at Delaware County Intermediate Unit on May 17;

speaking at the PAPERS Conference May 23-24; and an appearance on PCN's Live Call-In show on Pension Funding on May 29.

Mr. Clay informed the Board that they are invited to attend the Agency Employee Recognition event on May 10th and that their Code of Conduct/Ethics Statements are due May 1st.

OTHER NEWS

Mr. Clay informed the Board that the June meeting will include the HOP plan design and rates.

NEXT MEETING

CHIEF COUNSEL REPORT

Ms. Ferencz provided updates on the Rivercenter/Marriott litigation; Bank of America securities litigation; and the Lyondell Chemical Company litigation.

LEGAL UPDATES

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl gave a presentation including the 2011-0212 Administrative Budget Update as of March 31, 2012; the Employer Payroll Trend; and the GASB Pension Project Update (See Board Book 362, CFO Report TAB).

Mr. Rowland spoke briefly to the Board regarding House Resolution 649 of 2012.

VISITOR COMMENTS

Ms. Connors arrived at this time.

Mr. Steinmeier commended PSERS on the outstanding work done by the PSERS Retirement Counselors.

At 10:18 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."

EXECUTIVE SESSION

Mr. Rose moved that the Board enter into Executive Session. Representative Grell seconded the motion, which passed

unanimously. The Executive Session ended at 10:21 A.M. and the meeting immediately returned to Regular Session.


ADJOURNMENT

Chairman Vogler adjourned the meeting at 10:21 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 June 22, 2012, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

Date 5/1/12

Approved 
Jeffrey B. Clay,
Executive Director