

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

**Regular Meeting**

**Minutes**

**March 10, 2017  
10:36 A.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Mr. Craig Erdman for Nathan G. Mains, Vice Chairman  
Ms. Deborah J. Beck  
Mr. James R. Biery  
Senator John P. Blake  
Representative Stephen Bloom  
Ms. Stacey Connors for Senator Patrick M. Browne  
Mr. Jason M. Davis  
Ms. Virginia M. Lastner  
Ms. Susan C. Lemmo  
Representative Joseph F. Markosek (until 11:42 A.M.)  
Ms. Miriam Fox (in at 11:42 A.M.)  
    for Representative Joseph F. Markosek  
Ms. Lori Graham for Secretary Pedro A. Rivera  
Mr. Christopher SantaMaria  
Ambassador Martin J. Silverstein  
Treasurer Joseph M. Torsella

**Others Present**

Mr. Christopher Craig  
Mr. James Dunigan  
Ms. Anita Mentzer  
Mr. Luc Miron  
Mr. Michael Onofrey, DAG  
Mr. Patrick Shaughnessy  
Ms. Linda Wood  
Mr. Charles Young, DAG

Staff Members Present

Mr. Frederick Alcaro  
Ms. Megan Alley  
Ms. Barbara Book  
Mr. Brian S. Carl  
Ms. Franca D'Agostino  
Mr. Glen R. Grell  
Mr. James H. Grossman, Jr.  
Ms. Alicia James  
Ms. Jean Marie Kercher

Ms. Tammy Meshey  
Ms. Jennifer Mills  
Mr. Eugene Robison  
Ms. Terrill J. Sanchez  
Mr. Charles K. Serine  
Mr. Charles Spiller  
Ms. Kelly Sprenkle  
Mr. Joseph E. Wasiak, Jr.  
Ms. Evelyn Tatkovski Williams

CALL TO ORDER

Mr. Grell called the meeting to order at 10:36 A.M. in the fourth floor Board Room of PSERS Headquarters.

ELECTION OF BOARD CHAIRMAN

Mr. Grell called for nominations for Chairman of the Board of the Public School Employees' Retirement Board for the year 2017. Mr. Erdman moved to elect Ms. Vogler as Chairman. Ms. Lastner seconded the motion. No additional nominations were made. The motion passed unanimously.

ELECTION OF BOARD VICE-CHAIRMAN

Mr. Grell called for nominations for Vice-Chairman of the Board of the Public School Employees' Retirement Board for the year 2017. Ms. Vogler moved to elect Mr. Mains as Vice-Chairman. Ms. Connors seconded the motion. No additional nominations were made. The motion passed unanimously.

Mr. Grell turned the meeting over to Chairman Vogler.

MINUTES APPROVED

Ms. Lastner moved to approve the minutes of the December 7, 2016 Board meeting. Ms. Beck seconded the motion, which passed unanimously.

WELCOME GUESTS AND NEW EMPLOYEE

Mr. Grell welcomed guests, Ms. Mentzer and Ms. Wood; as well as Mr. Onofrey and Mr. Young of the Office of the Auditor General; and new employee, Ms. Kercher.

VISITOR COMMENTS

Mr. Grell introduced Ms. Mentzer and Ms. Wood, who made comment regarding divestment in fossil fuels.

NEW BOARD MEMBERS

Mr. Grell introduced new Board members; Mr. Davis, Mr. SantaMaria, Treasurer Torsella and Senator Blake, along with his designee Mr. Miron. Each new member spoke briefly.

## NEW BUSINESS

Mr. Grell certified that the annual review of PSERS' policies has been performed and all policies are current and accurate, per the memos from Mr. Grossman, Mr. Serine and Mr. Wasiak.

POLICY REVIEW

## HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held March 9, 2017.

Ms. Lemmo stated that the Committee approved the minutes of the December 6, 2016 meeting.

MINUTES APPROVED

Ms. Lemmo reported that Ms. D'Agostino presented the Market Comparison Report and the Enrollment Experience Report.

PRESENTATION

Ms. Lemmo stated that an Executive Session was held to discuss the results of the PBM RFP.

EXECUTIVE SESSION

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby accepts the results of the Commonwealth Request for Proposals for Direct Contract Medicare Employer Group Waiver Prescription Drug Plan And Pharmacy Benefit Management Services Effective January 1, 2018 upon mutual written consent of the parties, subject to negotiations of terms and conditions satisfactory to the Director, Health Insurance Office, the Office of Chief Counsel and the Executive Director.

RFP-3 – DIRECT  
CONTRACT MEDICARE  
EMPLOYER GROUP  
WAIVER RX DRUG PLAN  
AND PHARMACY BENEFIT  
MGMT SERVICES  
EFFECTIVE 1-1-18

Ms. Lastner seconded the motion, which passed with one recusal, being Treasurer Torsella. A copy of the recusal letter is attached to these Minutes.

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby rejects all bids submitted in response to PSERS RFP 2016-2 – Medicare Employer Group Waiver (Indirect Contract) Prescription Drug Plan and Pharmacy Benefit Management Services Effective January 1, 2018. Ms. Lastner seconded the motion, which passed with one recusal, being Treasurer Torsella. A copy of the recusal letter is attached to these Minutes.

RFP 2016-2 – MEDICARE  
EMPLOYER GROUP  
WAIVER (INDIRECT  
CONTRACT) RX DRUG  
PLAN AND PHARMACY  
BENEFIT MGMT SVCS

## PERSONNEL COMMITTEE REPORT

Treasurer Torsella reported on the meeting held March 9, 2017.

Treasurer Torsella stated that the Committee approved the minutes of the December 6, 2016 meeting.

MINUTES APPROVED

**EXECUTIVE SESSION**

Treasurer Torsella reported that an Executive Session was held to discuss a salary increase for the Executive Director.

The Board Chairman proposed that the Public School Employees' Retirement Board of Trustees approves a salary increase for PSERS' Executive Director, Glen Grell, from an annual salary of \$215,004 to an annual salary of \$230,045. The increase will be effective March 10, 2017. Mr. Erdman seconded the motion. Consensus was reached by roll call vote with 2 NO votes, being Ms. Graham on behalf of Secretary Rivera and Representative Bloom, and 1 Abstention due to lack of familiarity by Treasurer Torsella.

**FINANCE COMMITTEE REPORT**

Ms. Vogler, in Mr. Mains' absence, reported on the meeting held March 9, 2017.

**MINUTES APPROVED**

Ms. Vogler stated that the Committee approved the minutes of the December 6, 2016 meeting.

**PRESENTATIONS**

Ms. Vogler stated that Mr. Grossman presented his Fund and Market Overview; an Educational Session on Good Governance was given by Ms. Jeanna Cullins of AON Hewitt; action was proposed on IPS, Ares US Real Estate Fund IX, L.P., and Carlyle CRP VIII, L.P.; an Operations Update was given by Mr. Kemp; several Asset Class Reviews were given and Mr. Grossman presented his Preview of Future Meetings.

**INVESTMENT OBJECTIVES AND GUIDELINES**

Mr. Erdman moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the amendment to the Investment Policy Statement, Objectives, and Guidelines for the Public School Employees' Retirement System pursuant to the recommendation of Joseph W. Sheva, Senior Risk Manager, dated February 17, 2017. Ms. Lastner seconded the motion, which passed unanimously.

**ARES U.S. REAL ESTATE FUND IX, L.P.**

Mr. Biery moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in Ares U.S. Real Estate Fund IX, L.P. (and/or related investment vehicles), in accordance with the recommendation of William P. Stalter, Senior Portfolio Manager, dated February 10, 2017 and Courtland Partners, Ltd. recommendation dated February 3, 2017. 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. Beck seconded the motion, which passed unanimously.

Mr. Erdman 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 Carlyle Realty Partners VIII, L.P. (and/or related investment vehicles), in accordance with the recommendation of William P. Stalter, Senior Portfolio Manager, dated February 10, 2017 and Courtland Partners, Ltd. recommendation dated February 3, 2017. 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. Lastner seconded the motion, which passed unanimously.

CARLYLE REALTY PARTNERS VIII, L.P.

CORPORATE GOVERNANCE COMMITTEE REPORT

Ms. Connors reported on the meeting held March 10, 2017.

Ms. Connors stated that the Committee approved the minutes of the March 10, 2016 meeting.

MINUTES APPROVED

Ms. Connors stated that Ms. Engler presented the Proxy Guideline Update, and Mr. Bertinetti, of Glass Lewis, presented an Overview of Current Proxy Issues.

PRESENTATIONS

Ms. Connors moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed U.S. and Non-U.S. Proxy Voting Policies pursuant to the recommendation of Lenann T. Engler, Manager of Investment Processes, dated February 21, 2017. Ms. Beck seconded the motion, which passed unanimously.

U.S. AND NON-U.S. PROXY VOTING POLICIES

AUDIT/BUDGET COMMITTEE REPORT

Representative Bloom reported on the meeting held March 10, 2017.

Representative Bloom stated that the Committee approved the minutes of the October 6, 2106 meeting.

MINUTES APPROVED

PRESENTATIONS

Representative Bloom reported that Ms. James updated the Committee on the Actuarial Audit and the Auditor General's Performance Audit; and Mr. Seymour, of SB & Co., presented the Audit Planning Report.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on March 10, 2017.

MINUTES APPROVED

Ms. Beck stated that the Committee approved the minutes of the December 6, 2016 meeting.

ACCOUNT OF  
PATRICIA L. PALOTAS

Ms. Beck moved in the case of Patricia L. Palotas, that the Board deny the Claimant's appeal and dismiss her request for an Administrative Hearing. Mr. SantaMaria seconded the motion, which passed unanimously.

ACCOUNT OF  
BEATRICE SALAZAR

Ms. Beck moved in the case of Beatrice Salazar, that the Board grant PSERS' Motion for Summary Judgment and deny the Claimant's appeal. Mr. Davis seconded the motion, which passed unanimously.

ACCOUNT OF  
DIANE M. ZEIGER

Ms. Beck moved in the case of Diane M. Zeiger, that the Board grant PSERS' Motion for Summary Judgment and deny the Claimant's appeal. Ms. Lemmo seconded the motion, which passed unanimously.

ESRC REPORTS

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the November 22 and December 20, 2016 and January 26, 2017 meetings.

BYLAWS/POLICY COMMITTEE REPORT

Representative Markosek reported on the meeting held on March 10, 2017.

MINUTES APPROVED

Representative Markosek stated that the Committee approved the minutes of the June 9, 2016 meeting.

PRESENTATION

Representative Markosek reported that Mr. Wasiak presented proposed changes to the Bylaws. There was no action taken.

DEPUTY EXECUTIVE DIRECTOR'S REPORT

DED REPORT

Ms. Sanchez gave an update, which included the Regional Office Realignment and a C2B Update.

## CHIEF FINANCIAL OFFICER'S REPORT

Mr. Carl gave an update, which included the December 31, 2016 Financial Statements and Budget; Governor's Budget Proposal; PA County Economic Impact Map and Other Financial Management Activities.

CFO REPORT

## CHIEF COUNSEL REPORT

Mr. Serine stated that his Annual Report was sent by e-mail mid-January, and that a general overview of how PSERS uses placement agents has been made available in the Diligent Red File Folder.

CC REPORT

Mr. Serine reported that PSERS has received a \$708K settlement in the Olympus Corporation Class Action; PSERS will receive a \$13.7M settlement in the Moody's Class Action in a few weeks; PSERS will receive a \$161K settlement in the Barclays Class Action in a couple weeks; and PSERS has agreed to sign as a friend of the court brief in the ANZ Securities matter in the US Supreme Court along with 75 other pension funds and institutional investors.

## EXECUTIVE DIRECTOR'S REPORT

Mr. Grell stated that he gave a presentation on pension issues to a Shippensburg Finance Doctorate Course at Dixon University Center on February 18 and attended the Budget Hearing on February 22.

ED REPORT

Mr. Grell reported that he will tape a program for PCN on March 14; give a presentation to PSEA-R – Lehigh Valley on March 16; attend the Pensions & Investments East Coast Defined Contribution Conference in Miami March 19-22; tape a PLS podcast on March 28; make a presentation to the PA Farm Bureau at the Harrisburg Hilton on April 4; make a presentation to the Montgomery County Superintendents Spring Retreat in Hershey on April 20; and make PSEA-R presentations in Luzerne County on May 4, in Juniata Rails/Altoona on May 9, and in Lycoming County on May 23.

Mr. Grell updated the Board on current complement challenges, agency reorganization, the Auditor General Performance Audit, Legislative Activity, and new member Orientations.

Mr. Grell reported that an RFP will be held in the near future for a General Consultant. He asked for one or two volunteers from the Board to serve on the evaluation committee.

Mr. Grell stated that the May Board Meeting will be held in conjunction with the PAPERS Meeting at the Harrisburg Hilton on May 25, and a retreat in Gettysburg is being proposed for the August meeting.

Ms. Vogler thanked Mr. Grell for his report, and commended staff on their performance. Ms. Vogler also alerted the Board that she will be contacting them in regard to the Executive Director's performance evaluation.

#### BOARD EDUCATION

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Ms. Vogler stated that she recently attended the NIRS Conference along with Ms. Sanchez. The focus of the conference was concern over the lack of retirement security for baby boomers and the repeal of Dodd Frank.

Ms. Vogler also stated that she recently attended the CII Conference with Ms. Engler, where the focus was climate risk, Board diversity and the repeal of Dodd Frank.

Mr. Grell informed the new members that conference materials are brought back and available for reference.

Mr. Grell also thanked Ms. Sanchez for representing PSERS at the NASRA Conference in Washington DC.

#### BOARD COMMENTS

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Ms. Vogler informed that Board that the changes in Committee assignments are effective following the meeting. She also stated that she won't be attending the HOP Meetings in the future but will delegate to Ms. Lemmo and Ms. Lastner.

Ms. Vogler announced the commencement of the Executive Director's performance evaluation. She stated that the Personnel Committee will be responsible for the evaluation beginning in 2018.

Ms. Vogler thanked the new members for their willingness to serve on the PSERS Board of Trustees.



Chairman Vogler adjourned the meeting at 12:32 P.M.

ADJOURNMENT

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on May 25, 2017, at the Hilton Harrisburg, 1 N. 2nd Street, Harrisburg, PA.

NEXT MEETING

4/17/2017  
Date

Glen R. Grell  
Glen R. Grell  
Executive Director