

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

Regular Meeting

Minutes

October 5, 2017

2:31 P.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Mr. Nathan G. Mains, Vice Chairman
Ms. Deborah J. Beck
Senator John P. Blake (telephonically)
Ms. Lisa Taglang for Representative Stephen Bloom
Ms. Stacey Connors for Senator Patrick M. Browne
Mr. Jason M. Davis
Ms. Virginia M. Lastner
Ms. Susan C. Lemmo
Mr. Bernard Gallagher for Representative Joseph F. Markosek
Ms. Lori Graham for Secretary Pedro A. Rivera
Mr. Christopher SantaMaria
Ambassador Martin J. Silverstein (telephonically)
Ms. Jennifer Langan for Treasurer Joseph M. Torsella
Mr. Leo Pandeladis for Secretary Robin L. Wiessmann

Others Present

Ms. Emily Mendel, ILPA
Ms. Michele Kreisler Rubenstein
Ms. Claire Shaughnessy

Staff Members Present

Mr. Frederick Alcaro
Ms. Jennifer Austin
Mr. Tom Bauer
Mr. Daniel Bender
Ms. Barbara Book
Ms. Deborah Bugaile
Mr. Brian S. Carl
Ms. Marla Cattermole
Ms. Franca D'Agostino
Mr. Glen R. Grell
Mr. James H. Grossman, Jr.

Ms. LaTonya Hill
Ms. Alicia E. James
Ms. Patricia Lorenz
Ms. Jennifer Mills
Mr. Tony Parisi
Mr. Eugene Robison
Ms. Terrill J. Sanchez
Ms. Sarah Scheib
Mr. Charles K. Serine
Mr. Charles J. Spiller
Mr. Richard Spinks
Mr. Joseph E. Wasiak, Jr.

CALL TO ORDER Ms. Vogler called the meeting to order at 2:31 P.M. in the fourth floor Boardroom at PSERS Headquarters.

WELCOME GUESTS AND NEW EMPLOYEES Mr. Grell welcomed guest, Ms. Mendel; and new employees, Ms. Austin, Mr. Bender, Ms. Hill, Ms. Lorenz and Ms. Scheib.

MINUTES APPROVED Mr. Mains moved to approve the minutes of the September 15, 2017 Board meeting. Mr. Davis seconded the motion, which passed unanimously.

UNFINISHED BUSINESS

GOVERNOR/TREASURER INITIATIVES LETTER UPDATE Mr. Grell updated the Board on the Joint Commission, PSERS-PSERS collaboration and discussions regarding three proposed resolutions to be brought before the Board at the December meeting.

HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held October 5, 2017.

MINUTES APPROVED Ms. Lemmo stated that the Committee approved the minutes of the June 15, 2017 meeting.

PRESENTATION Ms. Lemmo reported that Ms. D'Agostino gave a presentation in Executive Session regarding the RFP results for the Health Care Consulting and Project Management Services RFP and the CMS Part D Compliance Activities Services and Pharmacy Benefit Consulting.

HEALTH CARE CONSULTING AND PROJECT MANAGEMENT SERVICES Ms. Lemmo moved, that the Public School Employees' Retirement Board (the "Board") hereby accepts the results of the Commonwealth Request for Proposals for the Health Care Consulting and Project Management Services and enters into a contract with Segal Consulting with an initial term of two (2) years beginning February 1, 2018 with options to renew the contract, upon mutual consent of the parties, annually for three additional years. The final terms and conditions of the contract must be satisfactory to the Health Insurance 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. Ms. Lastner seconded the motion, which passed unanimously.

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby accepts the results of the Commonwealth Request for Proposals for the CMS Part D Compliance Activities Services and Pharmacy Benefit Consulting and enters into a contract with BluePeak Advisors with an initial term of two (2) years beginning February 1, 2018 with options to renew the contract, upon mutual consent of the parties, annually for three additional years. The final terms and conditions of the contract must be satisfactory to the Health Insurance 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. Ms. Lastner seconded the motion, which passed unanimously.

CMS PART D
COMPLIANCE ACTIVITIES
SERVICES AND
PHARMACY BENEFIT
CONSULTING

BYLAWS/POLICY COMMITTEE REPORT

Mr. Gallagher reported on the meeting held October 5, 2017.

Mr. Gallagher stated that the Committee approved the minutes of the September 14, 2017 meeting.

MINUTES APPROVED

Mr. Gallagher reported that Mr. Wasiak gave a presentation on changes to the Board Ethics Policy and proposed changes to the Board Education Policy.

PRESENTATION

Mr. Gallagher moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed changes to the Statement of Organization, Bylaws, and Other Procedures of the Public School Employees Retirement Board pursuant to the recommendations of Joseph E. Wasiak, Jr., Assistant Executive Director, contained in the memorandum dated October 3, 2017, SUBJECT: Change to the Statement of Organization, Bylaws and Other Procedures. Mr. Mains seconded the motion, which passed unanimously.

AMENDMENT TO
STATEMENT OF
ORGANIZATION, BYLAWS
AND OTHER
PROCEDURES

BUDGET/FINANCE COMMITTEE REPORT

Ms. Taglang reported on the meeting held on October 5, 2017.

As this was the first meeting of the newly formed Budget/Finance Committee, there were no minutes of prior meetings to approve.

MINUTES

PRESENTATION

Ms. Taglang reported that Mr. Carl and Mr. Fiscus presented the FY 2018-19 Administrative, Defined Contribution and Directed Commissions Budget Request.

**2018-19
ADMINISTRATIVE
BUDGET, DEFINED
CONTRIBUTION
BUDGET, & DIRECTED
COMMISSIONS
RECAPTURE
PROGRAM BUDGET**

Ms. Taglang moved that the Public School Employees' Retirement Board (the "Board") hereby approves the (i) 2018-19 Administrative Budget, not to exceed \$51,637,000, subject to adjustments by the Governor's Budget Office or the General Assembly, (ii) the 2018-19 Defined Contribution Budget, not to exceed \$4,950,000, subject to adjustments by the Governor's Budget Office or the General Assembly, and (iii) the 2018-19 Directed Commissions Recapture Program Budget, not to exceed \$2,000,000, for the Public School Employees' Retirement System as more particularly set forth in the attached summaries. Ms. Lastner seconded the motion, which passed unanimously.

CFO REPORT

Ms. Taglang reported that Mr. Carl presented his Chief Financial Officer's Report and Financial Statements.

**FINANCIAL
STATEMENTS AND
RATIFICATION OF
PAYMENTS**

Ms. Taglang moved that the Public School Employees' Retirement Board (the "Board") hereby accepts the June 30, 2017 Financial Statements prepared by the Public School Employees' Retirement System's Office of Financial Management and ratifies all payments that are reflected in the June 30, 2017 Financial Statements. Mr. Pandeladis seconded the motion, which passed unanimously.

AUDIT/COMPLIANCE COMMITTEE REPORT

Ms. Taglang reported on the meeting held on October 5, 2017.

MINUTES APPROVED

Ms. Taglang stated that the Committee approved the minutes of the September 14, 2017 meeting.

PRESENTATIONS

Ms. Taglang reported that Mr. Smith, of SB & Company, presented the Financial Audit Results.

**REPORT OF
INDEPENDENT PUBLIC
ACCOUNTANTS**

Ms. Taglang moved that the Public School Employees' Retirement Board (the "Board") hereby approves the accompanying Report of Independent Public Accountants prepared for the Public School Employees' Retirement System by SB & Company, LLC, for the fiscal year ended June 30, 2017. Mr. Davis seconded the motion, which passed unanimously.

INVESTMENT COMMITTEE REPORT

Mr. Mains reported on the meeting held on October 5, 2017.

Mr. Mains stated that the Committee approved the minutes of the September 14, 2017 meeting.

MINUTES APPROVED

Mr. Mains stated that Mr. Grossman presented the PSERS Fund and Market Overview; an Executive Session was held for Private Markets and Real Estate Fund Issues; Ms. Mendel presented ILPA – Reporting Template; Mr. Foreman, Mr. Jacobs, Mr. Tyler and Mr. Del Gaudio presented Asset Class Reviews; Mr. Grossman gave his Preview of Future Meetings; and the following action items were raised.

PRESENTATIONS

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount not to exceed \$125 million plus reasonable normal investment expenses, in Portfolio Advisors Secondary Fund III, L.P. (and/or related investment vehicles "the Fund"), and (ii) the creation of a separately managed account through which PSERS is authorized to invest, paripassu with the Fund, additional capital in an amount not to exceed \$200 million to exploit market dislocations if and when they occur, in accordance with the recommendation of Luke M. Jacobs, Manager, Private Markets, dated September 20, 2017 and Hamilton Lane, LLC dated September 7, 2017. Any additional capital deployed through the separately managed account 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, or by a memo to that effect appended to, the implementing investment contract. Mr. SantaMaria seconded the motion, which passed with two recusals, being Mr. Pandeladis on behalf of Secretary Wiessmann and Ambassador Silverstein.

PORTFOLIO ADISORS
SECONDARY FUND III,
L.P.

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed €125 million plus reasonable normal investment expenses, in PAI Europe VII, L.P. (and/or related investment vehicles), in accordance with the recommendation of Darren C. Foreman, Senior Portfolio Manager, dated September 8, 2017 and Hamilton Lane, dated September 5, 2017. 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, or by a memo to that effect appended to, the implementing investment contract. Ms. Lastner seconded the motion, which passed with one recusal, being Mr. Pandeladis on behalf of Secretary Wiessmann.

PAI EUROPE VII, L.P.

ORCHID ASIA VII, L.P.

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$75 million plus reasonable normal investment expenses, in Orchid Asia VII, L.P. (and/or related investment vehicles), in accordance with the recommendation of Michael J. Tyler, Portfolio Manager, dated September 18, 2017 and Hamilton Lane, dated September 5, 2017. 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, or by a memo to that effect appended to, the implementing investment contract. Mr. Davis seconded the motion, which passed with one recusal, being Mr. Pandeladis on behalf of Secretary Wiessmann.

PIMCO BRAVO FUND III, L.P.

Mr. Mains moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$250 million plus reasonable normal investment expenses, in PIMCO BRAVO Fund III, L.P. (and/or related investment vehicles), in accordance with the recommendation of James F. Del Gaudio, Portfolio Manager, dated September 18, 2017 and Aksia, LLC, dated September 6, 2017. 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, or by a memo to that effect appended to, the implementing investment contract. Ms. Lastner seconded the motion, which passed with two recusals, being Mr. Pandeladis on behalf of Secretary Wiessmann and Ambassador Silverstein.

CHIEF COUNSEL REPORT

CC REPORT

Mr. Serine updated the Board regarding his continued work on Independent Counsel. He stated that he will give a detailed report at the December meeting.

DEPUTY EXECUTIVE DIRECTOR'S REPORT

DED REPORT

Ms. Sanchez presented her update on the Implementation of new mortality rates/option factor tables; and the V3 Benefit Administration System upgrade from the existing Classic version to the new Browser version (C2B).

EXECUTIVE DIRECTOR'S REPORT

Mr. Grell stated that he attended the NAGDCA Annual Conference in Milwaukee September 24-27 and gave a presentation at the PASR Conference at the Lancaster Eden Resort on October 2.

ED REPORT

Mr. Grell reported that he and three Trustees will attend the NCTR Annual Conference in Tucson October 7-10; will testify at the Senate Finance Committee hearing on PSERS/SERS management fees on October 18; make a presentation and conduct Q&A at the BOCC annual conference on October 18; and attend the PAPERS Fall Workshop in Pittsburgh on November 14-15.

Mr. Grell updated the Board on current issues including Act 5 Implementation, the Governance Working Group meeting, School District sponsored 403(b) plans, the RFP for IBOR Consultant and Act 5 Consultant, Board Education tracking on Diligent, and the upcoming School Board Seat election. He asked for Board Members to volunteer to serve on two RFP Evaluation Committees in November.

Mr. Davis gave a short review of the Governance Working Group meeting held October 4, 2017 and also the focus of future meetings.

Chairman Vogler adjourned the meeting at 3:13 P.M.

ADJOURNMENT

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on December 8, 2017, at PSERS' Headquarters, 5 N. 5th Street, Harrisburg, PA.

NEXT MEETING

11/8/2017
Date


Glen R. Grell
Executive Director