

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

Regular Meeting

Minutes

March 8, 2019

9:42 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Mr. Nathan G. Mains, Vice Chairman
Ms. Deborah J. Beck
Senator John P. Blake
Mr. Bernard Gallagher for
 Representative Matt Bradford
Ms. Stacey Connors telephonically for
 Senator Patrick M. Browne
Mr. Jason M. Davis
Mr. Eric O. DiTullio
Representative Fred Keller
Ms. Susan C. Lemmo
Mr. Patrick Lord for
 Secretary Pedro A. Rivera
Mr. Christopher SantaMaria
Mr. Thomas Clancy
 for Treasurer Joseph M. Torsella
Mr. Leo Pandeladis for
 Secretary Robin L. Wiessmann

Others Present

Mr. Christopher Craig
Mr. Russ Diesinger, PASR
Ms. Suzanne Dugan, Cohen Millstein
Mr. Lloyd Ebright
Mr. Alan Flannigan
Mr. Luc Miron
Mr. Tom Weeter, PSEA-R

Staff Members Present

Mr. Thomas Bauer
Mr. Brian S. Carl
Mr. Dwight Decker
Mr. Steven Esack
Mr. Dennis Filipovich
Mr. Andrew Fiscus
Mr. Steven Goldstein
Mr. Glen R. Grell
Mr. James H. Grossman, Jr.
Mr. Wilhelm Gruszecki
Mr. Charles Hodge
Ms. Cayla Jakubowitz
Ms. Alicia James
Mr. Paul Joseph

Mr. John Kemp
Ms. Jennifer Mills
Ms. Melissa Quackenbush
Mr. Eugene Robison
Ms. Letitia Schubauer
Mr. Charles K. Serine
Mr. Charles J. Spiller
Mr. William Snyder
Ms. Kelly Sprenkle
Mr. Joseph E. Wasiak, Jr.
Ms. Evelyn Tatkovski Williams

CALL TO ORDER

Chairman Vogler called the meeting to order at 9:42 A.M. in the fourth floor Boardroom at PSERS Headquarters.

WELCOME GUESTS

Mr. Grell welcomed guests, Mr. Russ Diesinger, Ms. Suzanne Dugan, Mr. Lloyd Ebright, Mr. Alan Flannigan and Mr. Tom Weeter.

MINUTES APPROVED

Mr. Mains moved to approve the minutes of the January 17, 2019 Board meeting. Mr. DiTullio seconded the motion, which passed unanimously.

UNFINISHED BUSINESS

EXECUTIVE SESSION

At 9:49 A.M. Mr. Grell 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 the Investment Consultant RFP.

According to Section 708(a) of the Sunshine Act, 65 Pa. C.S. 708(a), we are going into Executive Session to discuss: 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 law. Mr. Pandeladis moved that we enter Executive Session, Mr. Mains seconded the motion which, passed unanimously.

The Executive Session adjourned at 10:38 A.M. and the regular session resumed.

Mr. DiTullio moved, that the Public School Employees' Retirement Board (the "Board"), in accordance with the recommendation of the Investment Consulting Services Request for Proposals Evaluation Committee, hereby recommends the Board retain Aon Hewitt Investment Consulting, Inc. as the Investment Consultant for the Defined Benefit component 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, or by a memo to that effect appended to, the implementing investment contract. Representative Keller seconded the motion, which passed with one opposed, being Mr. Clancy on behalf of Treasurer Torsella and one abstention, being Mr. Pandeladis on behalf of Secretary Wiessmann.

RESOLUTION RFP 2018-6
INVESTMENT
CONSULTING SERVICES
DB

Senator Blake moved, that the Public School Employees' Retirement Board (the "Board"), in accordance with the recommendation of the Investment Consulting Services Request for Proposals Evaluation Committee, hereby recommends the Board retain Aon Hewitt Investment Consulting, Inc. as the Investment Consultant for the Defined Benefit [*sic*]* component 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, or by a memo to that effect appended to, the implementing investment contract. Mr. DiTullio seconded the motion, which passed with one opposed, being Mr. Clancy on behalf of Treasurer Torsella and one abstention, being Mr. Pandeladis on behalf of Secretary Wiessmann.

RESOLUTION RFP 2018-6
INVESTMENT
CONSULTING SERVICES
DC

NEW BUSINESS

Mr. David Driscoll of Buck Global, LLC. Delivered a 60-minute presentation on Current Actuarial Events of Interest to Public Retirement Systems, a discussion followed. Board members and Designees present were noted in the Board Education Log.

BOARD EDUCATION

CORPORATE GOVERNANCE COMMITTEE REPORT

Mr. Clancy reported on the meeting held on March 7, 2019.

Mr. Clancy stated that the Committee approved the minutes of the March 8, 2018 meeting.

MINUTES

PROXY VOTING

Mr. Clancy reported that Mr. Kern McPherson, of Glass Lewis, presented a recap of the 2018 Proxy Voting Season and a preview of the 2019 Proxy Voting Season.

Mr. Clancy moved, that the Public School Employees' Retirement Board (the "Board") hereby recommends that the Board adopt 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 16, 2019. Mr. DiTullio seconded the motion, which passed unanimously.

INVESTMENT COMMITTEE REPORT

Mr. Mains reported on the meeting held on March 7, 2019.

MINUTES APPROVED

Mr. Mains stated that the Committee approved the minutes of the January 17, 2019 meeting.

BOARD EDUCATION

Mr. Mains stated that Mr. Nassim Taleb gave a 60-minute presentation on Alignment of Interests and Risk Management, a discussion followed. Mr. Mains stated that Ms. Quackenbush gave 30-minute presentation on Real Estate: Myths or Reality? Board members and Designees present were noted in the Board Education Log.

PRESENTATIONS

Mr. Mains stated that Mr. Grossman presented the PSERS Fund and Market Overview, Exeter Industrial Core Fund III, L.P., Cabot UK Core Plus Industrial Fund SCSP, Clearlake Opportunities Partners (P) II, L.P., Searchlight Capital III, L.P., Falko Regional Aircraft Opportunities Fund II, L.P. and Mr. Grossman gave his Preview of Future Meetings.

Mr. Mains stated that the following action items were discussed.

EXETER INDUSTRIAL CORE FUND III, L.P.

Mr. Mains 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 Exeter Industrial Core Fund III, L.P. (and/or related investment vehicles), in accordance with the recommendation of Melanie A. Cubias,

Senior Investment Professional, and Melissa A. Quackenbush, Senior Portfolio Manager, dated February 5, 2019, and Hamilton Lane, dated January 22, 2019. 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. DiTullio seconded the motion, which passed with one opposed, being Mr. Clancy on behalf of Treasurer Torsella and one abstention, being Mr. Pandeladis on behalf of Secretary Wiessmann.

Mr. Mains moved, that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed £50 million plus reasonable normal investment expenses in Cabot UK Core-Plus Industrial Fund SCSp (and/or related investment vehicles), in accordance with the recommendation of Melissa A. Quackenbush, Senior Portfolio Manager, dated February 8, 2019 and Hamilton Lane, dated January 29, 2019. 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 abstention, being Mr. Pandeladis on behalf of Secretary Wiessmann.

CABOT UK CORE-PLUS
INDUSTRIAL FUND SCSp

Mr. Mains 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 Clearlake Opportunities Partners (P) II, L.P. (and/or related investment vehicles), in accordance with the recommendation of James F. Del Gaudio, Portfolio Manager and G. Anthony Meadows, Senior Investment Professional, dated February 15, 2019 and Hamilton Lane, dated January 28, 2019. 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 opposed, being Mr. Lord on behalf of Secretary Rivera, and two abstentions, being Mr. Clancy on behalf of Treasurer Torsella and Mr. Pandeladis on behalf of Secretary Wiessmann.

CLEARLAKE
OPPORTUNITIES
PARTNERS (P) II, L.P.

SEARCHLIGHT
CAPITAL III, L.P.

Mr. Mains moved, that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$150 million plus reasonable normal investment expenses, in Searchlight Capital III, L.P. (and/or related investment vehicles), in accordance with the recommendation of Darren C. Foreman, Senior Portfolio Manager, Private Markets, and James F. Del Gaudio, Portfolio Manager, dated February 19, 2019 and Hamilton Lane, dated January 25, 2019. 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 opposed, being Mr. Lord on behalf of Secretary Rivera, and two abstentions, being Mr. Clancy on behalf of Treasurer Torsella and Mr. Pandeladis on behalf of Secretary Wiessmann.

FALKO REGIONAL
AIRCRAFT
OPPORTUNITIES FUND
II, L.P.

Mr. Mains 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 the Falko Regional Aircraft Opportunities Fund II L.P. (and/or related investment vehicles) in accordance with the recommendation of Robert E. Little, Senior Portfolio Manager, dated February 15, 2019, and Aksia, LLC, dated February 5, 2019. 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 two opposed, being Mr. Lord on behalf of Secretary Rivera and Mr. Clancy on behalf of Treasurer Torsella, and one abstention, being Mr. Pandeladis on behalf of Secretary Wiessmann.

APPEALS AND MEMBER/EMPLOYER SERVICES
COMMITTEE REPORT

Ms. Beck reported on the meeting held on March 7, 2019.

Ms. Beck stated that the Committee approved the minutes of the December 6, 2018 meeting.

MINUTES

Ms. Beck moved In the Account of Robert Holder, that the Board deny Claimant's exceptions, adopt the Hearing Examiner's opinion and recommendation and dismiss Claimant's appeal. Mr. Davis seconded the motion, which passed unanimously.

ACCOUNT OF
ROBERT HOLDER

Ms. Beck moved In the Account of Barbara Bess-Pashak, that the Board grant PSERS' Motion for Summary Judgment and deny Claimant's appeal. Mr. SantaMaria seconded the motion, which passed unanimously.

ACCOUNT OF BARBARA
BESS-PASHAK

Ms. Beck moved In the Account of C.S., that the Board , adopt the Hearing Examiner's opinion and recommendation and dismiss Claimant's appeal with the two modifications noted in the draft Board order. Mr. DiTullio seconded the motion, which passed unanimously.

ACCOUNT OF C.S.

Ms. Beck moved In the Account of Cecelia H. Yauger, that the Board grant PSERS' Motion for Summary Judgment and deny Claimant's appeal. Ms. Lemmo seconded the motion, which passed unanimously.

ACCOUNT OF CECELIA H.
YAUGER

Ms. Beck moved In the Account of Bath, et al., that the Board grant PSERS' Motion for Summary Judgment and deny Claimant's appeal. Mr. SantaMaria seconded the motion, which passed unanimously.

ACCOUNT OF BATH, ET
AL.

Ms. Beck stated that the Committee reviewed Executive Staff Review Committee Reports from November 20, 2018, December 19, 2018 and January 29, 2019.

ESRC

HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held on March 7, 2019.

Ms. Lemmo stated that the Committee approved the minutes of the December 6, 2018 meeting.

MINUTES

Ms. Lemmo reported that Mr. Camacci gave presentations on Market Report Comparison and Enrollment Experience 2018/19 to the Committee.

PRESENTATIONS

PRESENTATION AND ACTION

Ms. Lemmo reported that Mr. Kaplan of the Segal Co., updated the Committee on the Proposed Changes to the Health and Human Services regulations for prescription rebates. The changes would prohibit formulary rebates for Medicare plans after January 1, 2020. The immediate effect on regulations could result in a significant increase in future premiums for HOP members. The Medicare Drug Formularies could also be impacted. It is unclear, however, what the long term impact would be to the HOP as well as other plans. Because we would need time to prepare implementation of increased premiums and to determine the long term impact, the Committee asked staff to:

Reach out to other plans and organizations to find out how others are responding to the proposed regulations.

Request that the comment period and effective date of the regulations be delayed.

AUDIT/COMPLIANCE COMMITTEE REPORT

Representative Keller reported on the meeting held on March 8, 2019.

MINUTES

Representative Keller stated that the Committee approved the minutes of the December 6, 2018 meeting.

PRESENTATIONS

Representative Keller stated that Ms. James presented the Audit Plan Update and a brief final update on the AG Audit Recommendations. Mr. Rey of Clifton, Larson and Allen gave a presentation on Financial Audit Planning.

BYLAWS/POLICY COMMITTEE REPORT

Mr. Gallagher reported on the meeting held on March 8, 2019.

MINUTES

Mr. Gallagher stated that the Committee approved the minutes of the December 6, 2018 meeting.

CHANGE TO THE PSERS PUBLIC INFORMATION POLICY

Mr. Gallagher reported that Mr. Wasiak presented Changes to the PSERS Public Information Policy.

Mr. Gallagher moved, that the Public School Employees' Retirement Board (the "Board") hereby recommends the Board adopt the changes to the Public Information Policy, pursuant to the recommendation of Joseph E. Wasiak, Jr., Deputy Executive Director, contained in the memorandum dated February 21, 2019,

SUBJECT: Changes to the Public Information Policy. Ms. Lemmo seconded the motion, which passed unanimously.

CHIEF FINANCIAL OFFICER'S REPORT

CFO REPORT

Mr. Carl presented his Chief Financial Officer's Report, which included: an update on the December 31, 2018 Financial Statements, December 2018 Budget Update, Governor's 2019/20 Budget Proposal, Budget Hearing Materials and Other Financial Management Activities.

DEPUTY EXECUTIVE DIRECTOR'S REPORT

DED REPORT

Ms. Mills presented her report, which included an Act 5 Update focusing on key dates and key decisions for the implementation of Act 5.

CHIEF COUNSEL REPORT

CC REPORT

Mr. Serine gave a status update of the IRS Approval of Document for the DC Plan.

At 1:19 P.M. Mr. Grell 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 the Fiduciary Counsel.

EXECUTIVE SESSION

According to Section 708(a) of the Sunshine Act, 65 Pa. C.S. 708(a), we are going into Executive Session to discuss: 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 law. Mr. Mains moved that we enter Executive Session, Mr. DiTullio seconded the motion which, passed unanimously.

The Executive Session adjourned at 2:34 P.M. and the regular session resumed.

EXECUTIVE DIRECTOR'S REPORT

ED REPORT

Mr. Grell gave an update on the following current issues: Board Room improvements; 2019 Committee assignments; the Budget Hearing; Act 5 implementation; the PPMAIRC report including a statement of Guiding Principles regarding possible Investment

Office consolidation; Board Elections; 812 Market Street lease opportunity; NCTR/NASRA/NIRS Winter conference and the Congressional Delegation visits with Mr. Parisi.

BOARD MEMBER
COMMENTS

Ms. Vogler reported that she attended NCTR and NASRA and that along with Mr. Mains they attended a CII conference.

Mr. Grell also reminded the Board that the PAPERS Conference would be in Harrisburg May 28-30

ADJOURNMENT

Chairman Vogler adjourned the meeting at 2:49 P.M.

NEXT MEETING

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on May 23, 2019, at PSERS' Headquarters, 5 N. 5th Street, Harrisburg, PA.

5/8/2019
Date


Glen R. Grell
Executive Director