

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

Regular Meeting

Minutes

August 7, 2014

8:30 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman

Ms. Deborah J. Beck

Mr. Frederick T. Berestecky

Mr. James R. Biery

Mr. Larry B. Breech

Senator Patrick M. Browne

Mr. Charles Zogby for Acting Sec. Carolyn C. Dumaresq
(arrived at 8:52)

Mr. Anthony Mannino for Senator Lawrence M. Farnese

Ms. Lisa Taglang for Representative Glen R. Grell

Ms. Susan C. Lemmo

Mr. Craig Erdman for Mr. Nathan G. Mains

Mr. Bernard Gallagher for Representative Joseph F. Markosek

Ms. Jennifer Langan for Treasurer Robert M. McCord (arrived at 8:31)

Ambassador Martin J. Silverstein

Board Members Absent

Mr. James M. Sando

Staff Members Present

Ms. Barbara Book

Mr. Brian S. Carl

Mr. Jeffrey B. Clay

Mr. David Consevage

Mr. Steven Goldstein

Mr. Patrick Graham

Mr. James H. Grossman, Jr.

Mr. Donald J. Halke

Ms. Sarah Kachurik

Mr. Scott LaPlant

Mr. Eugene W. Robison

Ms. Terrill J. Sanchez

Mr. Steven C. Skoff

Mr. Charles Spiller

Mr. Richard Spinks

Ms. Christine Steever

Mr. Joseph E. Wasiak, Jr.

Ms. Evelyn M. Williams

Mr. David Yates

Others Present

Mr. Sandy Leopold

Mr. Tom Weeter, PSEA-R

CALL TO ORDER Ms. Vogler called the meeting to order at 8:30 A.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME VISITORS AND NEW EMPLOYEES Mr. Clay welcomed guest, Mr. Weeter and new employees, Ms. Kachurik and Mr. Graham.

MINUTES APPROVED Ms. Beck moved to approve the minutes of the June 13, 2014 Board meeting. Ms. Lemmo seconded the motion, which passed unanimously.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on August 5, 2014.

MINUTES APPROVED Ms. Beck stated that the Committee approved the minutes of the June 12, 2014 meeting.

ESRC REPORT Ms. Vogler stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the April 24 and June 9, 2014 meetings.

FINANCE COMMITTEE REPORT

Ms. Vogler, on behalf of Mr. Sando, reported on the meeting held August 5, 2014.

MINUTES Ms. Vogler stated that the Committee approved the minutes of the June 12, 2014 meeting.

PRESENTATIONS Ms. Vogler stated that Mr. Grossman gave a Market Review and Comments; Mr. Grossman proposed a revision to Exhibit E of the Investment Policy Statement, Objectives and Guidelines; Mr. Spiller gave both the Real Estate Fourth Quarter Report and the Private Markets Fourth Quarter Report; Messrs. Fludgate, Ruehl and Adelsbach, of Aksia, gave a presentation of the Hedge Fund Due Diligence Process; Mr. Little presented Oceanwood Opportunities Fund; Mr. Kumar and Ms. Shaughnessy, of HEK, gave a presentation on the Investment Staff Benchmarking Project; an Executive Session was held regarding Private Markets and Real Estate Fund Issues; Mr. Grossman gave condensed presentations on Brigade Structured Credit Offshore Fund Ltd.; Park Square – PSERS Opportunity Fund, L.P.; The Baring Asia Private Equity Fund VI, L.P.; Tenaya Capital Fund VII, L.P. and Centerbridge Capital Partners III, L.P.; Ms. Petach, of BlackRock, presented Asset/Liability Position of the Fund Through the BlackRock

Solutions Lens; Mr. Fink, of BlackRock, spoke to the Board; and Mr. Grossman presented his Preview of Future Meetings.

Mr. Biery moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed changes to Exhibit E (Public Market Investment Manager Target Ranges) of the Investment Policy Statement, Objectives, and Guidelines, as amended, for the Public School Employees' Retirement System pursuant to the recommendations of James H. Grossman, Jr., Chief Investment Officer, dated July 28, 2014. Ms. Beck seconded the motion, which passed unanimously.

INVESTMENT
OBJECTIVES AND
GUIDELINES

Mr. Berestecky moved that pursuant to the recommendations of Robert E. Little, Portfolio Manager, and Aksia, LLC, dated July 22, 2014, the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of \$200 million in the Oceanwood Opportunities Fund, 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/investment/guide/guide.htm>), provided that any investment of an additional sum by the Investment Office shall be reported to the Board in a timely manner.

OCEANWOOD
OPPORTUNITIES FUND

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. Breech seconded the motion, which passed unanimously.

Ms. Langan moved that pursuant to the recommendations of Robert E. Little, Portfolio Manager, and Aksia, LLC, dated July 22, 2014, the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of \$200 million in the Brigade Structured Credit Offshore Fund Ltd., 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/investment/guide/guide.htm>), provided that any investment of an additional sum by the Investment Office shall be reported to the Board in a timely manner.

BRIGADE STRUCTURED
CREDIT OFFSHORE FUND
LTD

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. Mannino seconded the motion, which passed unanimously.

PARK SQUARE –
PSERS CREDIT
OPPORTUNITIES, L.P.

Mr. Gallagher moved that pursuant to the recommendations of Laurann H. Stepp, Portfolio Manager dated August 5, 2014, and Portfolio Advisors, LLC, dated July 16, 2014, the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of \$200 million in Park Square-PSERS Credit Opportunities, L.P., 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/investment/guide/guide.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, or by a memo to that effect appended to, the implementing investment contract. Mr. Biery seconded the motion, which passed unanimously.

TENAYA CAPITAL VII,
LP

Mr. Berestecky 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 Tenaya Capital VII, L.P., in accordance with the recommendation of Luke M. Jacobs, Senior Investment Analyst, Private Markets, dated August 5, 2014 and Portfolio Advisors, LLC., dated July 10, 2014. 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. Beck seconded the motion, which passed unanimously.

CENTERBRIDGE
CAPITAL PARTNERS III,
LP

Ms. Lemmo moved that Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in Centerbridge Capital Partners III, L.P., in accordance with the recommendation of Darren Foreman, Senior Portfolio Manager,

Private Markets, dated August 5, 2014 and Portfolio Advisors, LLC., dated July 16, 2014. 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. Langan seconded the motion, which passed with one abstention from both the discussion and the vote, from Ambassador Silverstein.

HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held on August 5, 2014.

Ms. Lemmo stated that the Committee approved the minutes of the June 12, 2014 meeting.

MINUTES APPROVED

Ms. Lemmo reported that the Committee heard a briefing from Mr. Schafer regarding 2015 Medicare Advantage Plans, and Pre-65 Managed Care Plans Premium Rates and Benefits Compared to the Self-Funded Plans.

RATES AND BENEFITS

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby accepts the Medicare Advantage and Pre-65 Managed Care Plans Premium Rates and Benefits proposals from:

MEDICARE ADVANTAGE
AND PRE-65 MANAGED
CARE PLANS – PREMIUM
RATES AND BENEFITS
EFFECTIVE
JANUARY 1, 2015

- Aetna,
- Capital Blue Cross/Keystone Health Plan – Central,
- Geisinger Health Plan,
- Highmark, Inc. / Keystone Health Plan West, Inc.,
- Independence Blue Cross/Keystone Health Plan – East, and
- University of Pittsburgh Medical Center (UPMC) Health Plan.

Final contracts are subject to negotiations of terms and conditions satisfactory to the Director, Health Insurance Office, the Office of Chief Counsel and the Executive Director. Mr. Gallagher seconded the motion, which passed unanimously.

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the following monthly premium rates of the Basic Medicare Rx Option effective January 1, 2015 for calendar year 2015:

BASIC MEDICARE RX
OPTION BENEFITS AND
RATES EFFECTIVE
JANUARY 1, 2015

Basic Medicare Rx Option:	2014	2015	\$ Increase	%
Single	\$32	\$38	\$6	19%
Two Person	64	76	12	19%

This Resolution supersedes the second chart in Resolution 2014-27.

Ms. Taglang seconded the motion, which passed unanimously.

**ENHANCED MEDICARE
RX OPTION BENEFITS
AND RATES
EFFECTIVE
JANUARY 1, 2015**

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") hereby approves the following monthly premium rates of the Enhanced Medicare Rx Option effective January 1, 2015 for calendar year 2015:

Enhanced Medicare Rx Option: w/Benefit Changes	2014	2015	\$ Increase
Single	\$84	\$91	\$7
Two Person	168	182	14

This Resolution supersedes the second chart in Resolution 2014-28.

Mr. Berestecky seconded the motion, which passed unanimously.

NEW BUSINESS

IPAD ROLLOUT

Mr. Clay introduced Mr. Spinks, who spoke to the Board regarding the issuance of iPads in preparation for the conversion to electronic Board packages. Mr. Spinks distributed iPads to the Board members, explained the proposed timeline and asked for volunteers for a committee to view web-ex demonstrations of proposed electronic Board package facilitators.

**DC PLAN TAX
DEFERRALS**

Mr. Biery spoke regarding a recent PSERS Members' Newsletter on pension plan designs. He suggested that we also should have noted the benefit of tax deferred contribution to defined contribution plans.

EXECUTIVE DIRECTOR'S REPORT

**INFORMATION
AVAILABLE**

Mr. Clay informed the Board that the following information is available in the red file folders: Letter from Treasury re: system conversion; Moneyline Report; FastHugs update on Coleen Van Noord; schedule of 2014-2015 meeting dates. The Board, by concensus, gave Mr. Clay permission to send flowers to Ms. Van Noord out of the Flower Fund.

UPCOMING EVENTS

Mr. Clay stated that he will be: making a presentation to the MidEast PASBO – Berks IU on September 5; making a presentation to the York Suburban School Board on September 9; participating in the Georgia Association of Public Pension Trustees on September 23-26; and making a presentation to the Bucks,

Chester, Delaware and Montgomery Business Managers on October 3.

Mr. Clay stated that a committee is being formed by staff and Board member volunteers to review the Agency Bylaws and Policies. An Agency Succession Committee is also being formed.

FORMATION OF COMMITTEES

Mr. Clay stated that ongoing items for the agency at this time are: peak retirement season, financial audit, financial statements, budget preparation, Statements of Account, Actuarial Valuation, and the upcoming option selection period.

ONGOING ITEMS

Mr. Clay informed the Board that two Notational Ballots will be sent out in the near future, namely The Baring Asia Private Equity Fund VI, LP and Pro-Logis North American Industrial Fund. Results of the Notational Ballots will be announced at the next Board Meeting.

NOTATIONAL BALLOTS

Mr. Clay extended his appreciation to PSERS Investment Office for making the arrangements for the very successful Board Education trip.

THANK YOU

Mr. Clay stated that the next meeting will be October 6-7, 2014 and will include the FY 2013-2014 audited financial statements and the presentation of the 2015-2016 Budget.

NEXT MEETING

CHIEF COUNSEL REPORT

Mr. Skoff, in Ms. Ferencz's absence, presented the Chief Counsel Report, which included an update to the 2013 Annual Report, as well as new litigation.

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl presented the Chief Financial Officer's Report, which included his Year End Schedule, PSERS' Enacted FY 2014-2015 Administrative Budget, Commonwealth's Enacted 2014-2015 Employer Retirement Contribution Budget, Employer Contribution Rate Changes, Treasury System Project Update, GASB 67 Update, 10 Year NAV History, and Other Financial Management Activities.

CFO REPORT

At 9:42 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 Executive Session to discuss the item listed on today's agenda, namely agency business. The Board may hold an Executive Session for any one or more of the reasons enumerated

EXECUTIVE SESSION

in Section 708(a) of the Sunshine Act (65 Pa C.S. §708(a)), including litigation matters.”

Ms. Taglang moved that the Board enter into Executive Session. Ms. Lemmo seconded the motion, which passed unanimously. The Executive Session ended at 9:52 A.M. and the meeting immediately returned to Regular Session.

ADJOURNMENT

Chairman Vogler adjourned the meeting at 9:52 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 October 7, 2014, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

Date 9/9/14

Approved


Jeffrey B. Clay,
Executive Director