

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

Regular Meeting

Minutes

October 1, 2009

3:51 P.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Senator Patrick M. Browne
Ms. Rebecca May Cole for Representative Dwight Evans
Mr. Glen S. Galante
Ms. Beth Winters for Mr. Thomas J. Gentzel
Ms. Lisa Taglang for Representative Glen R. Grell
Mr. John Raymond for Senator Shirley M. Kitchen
Treasurer Robert M. McCord
Mr. Hal Moss
Mr. James M. Sando
Ms. Patricia A. Tozer
Ms. Sally J. Turley
Mr. Steven Kniley for Secretary Zahorchak

Board Members Absent

Ms. Tina Byles Williams
Mr. Richard N. Rose

Staff Members Present

Mr. Jeffrey B. Clay
Ms. Sydna J. Boyer
Mr. Brian S. Carl
Ms. Barbara D. Flurie
Mr. Gerald Gornish
Ms. Lynette L. Lebo
Mr. Richard D. Michlovitz
Mr. Eugene W. Robison
Ms. Terrill J. Savidge
Mr. Charles K. Serine
Ms. Evelyn M. Tatkowski
Mr. Alan H. Van Noord
Mr. Joseph E. Wasiak, Jr.

Visitors Present

Ms. Beatrice Hines, PASR
Mr. Sandy Leopold
Mr. and Mrs. Seely

CALL TO ORDER

Ms. Vogler called the meeting to order at 3:51 P.M. in the fourth floor Board Room at PSERS' headquarters.

MINUTES APPROVED

Mr. Moss moved to approve the minutes of the August 12, 2009 Board meeting. Mr. Galante seconded the motion, which passed unanimously.

FINANCE COMMITTEE REPORT

Ms. Vogler reported, in Mr. Rose's absence, on the meeting held October 1, 2009.

MINUTES APPROVED

Ms. Vogler stated that the Committee approved the minutes of the August 12, 2009 meeting.

PRESENTATIONS

Ms. Vogler stated that Mr. Van Noord gave a Market Review and Comments report; Mr. Smith gave a presentation on Public Market Equity Performance; Messrs. Bensur and Pease, of Wilshire Associates, gave a presentation on the 3rd Quarter 2009 performance; Mr. Grossman and Mr. Levine, of Sankaty Middle Market Opportunities Fund, L.P., gave a brief overview of potential investment; Mr. Grossman gave a presentation on Millennium Asset management Limited; Mr. Grossman gave a presentation on Pareto Investment Management Limited; Mr. Spiller presented a review of the Private Markets and Real Estate for the 1st Quarter 2009; and Mr. Van Noord gave a preview of future meetings.

SANKATY MIDDLE
MARKET
OPPORTUNITIES
FUND, L.P.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") invest \$250 million plus management fees and reasonable normal investment expenses, in Sankaty Middle Market Opportunities Fund, L.P. (the "Fund"), in accordance with the recommendations of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance, and Portfolio Advisors, LLC, both dated September 18, 2009.

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.

MILLENNIUM ASSET
MANAGEMENT LIMITED

Ms. Tozer moved that the Public School Employees' Retirement Board (the "Board") hire Millennium Asset Management Limited to

manage an active currency portfolio in a notional amount within the target ranges established in Exhibit D of the Investment Policy Statement, Objectives and Guidelines pursuant to the recommendations of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance, and Wilshire Associates Incorporated, both dated September 18, 2009.

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. Galante seconded the motion. The motion passed with one NO vote from Mr. Raymond.

Mr. Moss moved that the Public School Employees' Retirement Board (the "Board") hire Pareto Investment Management Limited to manage an active currency portfolio in a notional amount within the target ranges established in Exhibit D of the Investment Policy Statement, Objectives and Guidelines pursuant to the recommendations of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance, and Wilshire Associates Incorporated, both dated September 18, 2009.

PARETO INVESTMENT
MANAGEMENT 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.

Ms. Turley seconded the motion. The motion passed with one NO vote from Mr. Raymond.

Ms. Vogler stated that the Board requests an informational education session on currency as part of the next regular Board Meeting.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on October 1, 2009.

MINUTES APPROVED

Ms. Tozer stated that the Committee approved the minutes of the August 12, 2009 meeting.

EXECUTIVE STAFF
REVIEW COMMITTEE

Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee Report from the August 4, 2009 meeting.

BENEFITS
PROCESSING
STATISTICS

Ms. Tozer stated that Ms. Savidge presented an update on Benefits Processing Statistics.

AUDIT/BUDGET COMMITTEE REPORT

Mr. Galante reported on the meeting held on October 1, 2009.

MINUTES APPROVED

Mr. Galante stated that the Committee approved the minutes of the March 12, 2009 meeting.

PRESENTATIONS

Mr. Galante stated that the Committee heard a presentation regarding the results of the Segal claims audit by Mr. Johnson, of The Segal Company; Ms. Boyer gave a presentation on the 2010-2011 Administrative and Directed Commissions Budget Request; Mr. Carl gave an overview of the June 30, 2009 Financial Statements and the Projected Employer Contribution Rates; and Mr. Rey, of Clifton Gunderson, spoke regarding the Results of the Annual Audit.

APPROVAL OF
FINANCIAL
STATEMENTS

Mr. Galante moved that the Public School Employees' Retirement Board (the "Board") accepts the June 30, 2009 Financial Statements and approves the accompanying Independent Auditor Report prepared for the Public School Employees' Retirement System by Clifton Gunderson LLP, for the year ended June 30, 2009.

Resolved further that, pursuant to 24 Pa. C.S. §8521(d), the Board ratifies all payments that are reflected in the June 30, 2009 Financial Statements.

Ms. Tozer seconded the motion, which passed unanimously.

HOP CLAIMS AUDIT

Mr. Galante moved that the Public School Employees' Retirement Board (the "Board") accepts the June 19, 2009 Electronic Claims

Analysis for the Public School Employees' Retirement System Health Options Program prepared by The Segal Company, for the year ended December 31, 2008.

Mr. Moss seconded the motion, which passed unanimously.

Mr. Galante moved that the Public School Employees' Retirement Board (the "Board") approves the 2010-2011 Administrative Budget (not to exceed \$45,197,322) and the 2010-2011 Directed Commissions Recapture Program Budget (\$1,000,000) for the Public School Employees' Retirement System as more particularly set forth in the attached summaries.

2010-2011
ADMINISTRATIVE AND
DIRECTED COMMISSIONS
BUDGET REQUEST

Mr. Raymond seconded the motion, which passed unanimously.

NEW BUSINESS

Mr. Clay announced that Mr. Galante has been "elected by acclamation" for the Certified Member Seat on the PSERB.

ELECTION
ANNOUNCEMENTS

Mr. Clay informed the Board that an election will be held for the Non-Certified Seat on the Board. Ballots for Ms. Patricia Tozer and Mr. George Longridge will be mailed November 4, 2009. The results will be announced at the December Board Meeting.

Mr. Clay announced the notational ballot results in favor of the D & O Fiduciary Insurance for the Board, with 12 Yes votes, 0 No votes, and 3 Abstentions.

NOTATIONAL BALLOTS

Mr. Clay announced the notational ballot results in favor of the Premium Assistance Plan Approval Policy with 11 Yes votes, 0 No votes, and 4 Abstentions.

EXECUTIVE DIRECTOR'S REPORT

Mr. Clay stated that the following information was available (See Board Book 344, Executive Director TAB):

INFORMATION
AVAILABLE

- Contribution Rate Projections

Mr. Clay stated that he recently gave a presentation at IU#5 (Edinboro) on September 18; gave a presentation at the PAPERS Fall Workshop on September 23; attended the PASBO Board Meeting on September 24; and attended a meeting of the League of Urban Schools in Harrisburg on September 28.

RECENTLY ATTENDED
EVENTS

UPCOMING EVENTS	Mr. Clay stated that he is planning to speak at the Montgomery County IU regarding the funding of the System on October 8 th ; make a presentation at the PSBA Convention in Hershey on October 15; give a presentation at the South Hills Area School District Association on October 22; give a presentation on the funding of the system at Central Susquehanna IU #16 on November 11; and address the Education class students at Shippensburg University December 2 nd .
MEMBER CLASSIFICATION	Mr. Clay stated that the PSERS' Staff has completed it's review of the records to ensure the proper classification of certified/non-certified members, all in preparation for the pending Board election.
IT STAFF COMMENDATION	Mr. Clay commended PSERS' IT Staff for the efficient completion of the relocation of the imaging servers.
CORESOURCE COMMENDATION	Mr. Clay commended CoreSource for the completion of the premium assistance verification project in such a timely manner.
STATEMENTS OF ACCOUNT	Mr. Clay stated that the Employer Statements of Account are now available electronically.
UPDATED FIDUCIARY AUDIT	Mr. Clay stated that the Auditor General was provided an update to his fiduciary audit, as requested. As of the date of the meeting, 88% of the recommendations made to the System by both IFS and the Auditor General have been resolved.
CAFR	Mr. Clay informed the Board that the CAFR was being prepared and would be presented to the Board at the December 2009 Board meeting.
HEALTH OPTIONS PROGRAM	Mr. Clay stated that the HOP website would be available to the membership by the end of October, 2009. Also, the HOP option selection period began October 1, 2009.
PREMIUM ASSISTANCE PLAN APPROVAL	Mr. Clay stated that the Premium Assistance Plan Approval Policy has been sent to PSERS' School employers for certification.
NEXT MEETING	Mr. Clay informed the Board that the June 30, 2009 Actuarial Valuation would be presented at the next Board Meeting. The HOP Budget will also be presented, as well.

CHIEF COUNSEL REPORT

MARRIOTT/ RIVERCENTER TRIAL	Mr. Gornish stated that the Marriott/Rivercenter trial had been postponed until January 11, 2010.
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Mr. Gornish informed the Board that a Judge of the Commonwealth Court has issued an opinion that the home addresses of public school employees should not be released under the Right To Know Law. Preliminary objections have been filed, and the Office of Open Records has filed an appeal to the Supreme Court of Pennsylvania from the injunction.

OPINION REGARDING
HOME ADDRESSES

Mr. Gornish stated that school districts, whose receipt of the Commonwealth's portion of the employer's contributions to PSERS were delayed because of the budget impasse, cannot delay the payment of their own portion of the employer's contribution to PSERS. The school districts are obligated to turn over to PSERS the Commonwealth portion of the employer's contribution within five days of receipt.

EMPLOYER
CONTRIBUTIONS

BOARD MEMBER COMMENTS

Ms. Vogler announced the formation of a small working group to address the matter of the Executive Director's evaluation. Mr. Gentzel, Treasurer McCord and Ms. Vogler are members of the Personnel Committee who will be serving as the working group. Ms. Maribel La Luz will work with the group. An evaluation instrument will be developed and brought to the Board for approval at the January Board Meeting.

WORKING GROUP

Mr. Galante expressed his gratitude to Mr. Clay for his assistance in dealing with a matter with his district.

THANK YOU

Mr. Sando offered congratulations to Mr. Galante on his new term, and wishing Ms. Tozer well in her upcoming election.

CONGRATULATIONS

Ms. Vogler officially welcomed Senator Browne to the Board.

WELCOME

At 4:20 P.M., Mr. Clay stated that "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 legal issues. According to Section 708(a) of the Sunshine Act, 65 Pa. C.S. 708(a), we are going into Executive Session to discuss agency matters, which if conducted in public would violate a privilege."

EXECUTIVE SESSION

Mr. Galante moved that the Board enter into Executive Session. Ms. Tozer seconded the motion, which passed unanimously. The meeting returned to Regular Session at 4:25 P.M.

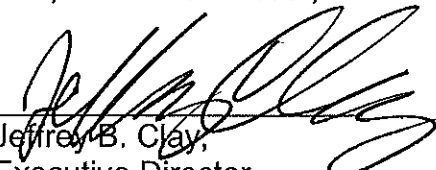
ADJOURNMENT

Ms. Vogler adjourned the meeting at 4:25 P.M.

NEXT MEETING

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on December 11, 2009, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

Date 11/18/09

Approved 
Jeffrey B. Clay,
Executive Director