

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

Regular Meeting

Minutes

March 13, 2009

9:00 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Ms. Debbie Reeves for Representative Dwight Evans (arrived at 9:04)
Mr. Glen S. Galante
Mr. J. Curtis Rose for Mr. Thomas J. Gentzel
Ms. Lisa Taglang for Representative Glen R. Grell
Treasurer Robert M. McCord
Mr. Hal Moss
Mr. Richard N. Rose
Mr. James M. Sando
Ms. Patricia A. Tozer
Ms. Sally J. Turley
Senator Rob Wonderling (arrived at 9:08)
Mr. Steven Kniley for Secretary Gerald L. Zahorchak

Board Members Absent

Ms. Tina Byles Williams

Staff Members Present

Mr. Jeffrey B. Clay
Ms. Sydna J. Boyer
Mr. Brian S. Carl
Ms. Barbara D. Flurie
Mr. Gerald Gornish
Mr. Donald J. Halke
Ms. Lynette L. Lebo
Ms. Donna C. Peterson
Ms. Terrill J. Savidge
Mr. Charles K. Serine
Mr. David Speck
Ms. Evelyn M. Tatkovski
Mr. Joseph E. Wasiak, Jr.

Visitors Present

Dr. John Baillie
Mr. Don Turner, on behalf of Dr. Baillie
Ms. Shannon Reilly, on behalf of Dr. Baillie
Mr. Guy A. Donatelli, Chester Co. I.U.
Ms. Beatrice G. Hines, PASR
Mr. Brad Cohen, Cogent Partners
Mr. Bill Murphy, Cogent Partners

- CALL TO ORDER Ms. Vogler called the meeting to order at 9:00 A.M. in the fourth floor Board Room at PSERS' headquarters.
- WELCOME GUESTS Mr. Clay welcomed Ms. Hines, Dr. Baillie, Mr. Turner, Ms. Reilly, and Mr. Donatelli.
- MINUTES APPROVED Mr. Richard Rose moved to approve the minutes of the January 23, 2009 Board meeting. Ms. Turley seconded the motion, which passed unanimously.

EXECUTIVE SESSION

EXECUTIVE SESSION At 9:01 A.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 the John Baillie case. According to Section 708(a) of the Sunshine Act, 65 Pa. C.S. 708(a), we are going into Executive Session to discuss quasi-judicial matters."

Mr. Sando moved that the Board enter into Executive Session. Mr. Galante seconded the motion, which passed unanimously. The meeting returned to Regular Session at 9:10 A.M.

ORAL ARGUMENT:
JOHN K. BAILLIE Ms. Vogler introduced the Oral Argument of John K. Baillie. She explained the procedure that will be followed, and the order of events pertaining to this argument.

Mr. Turner, counsel for Dr. Baillie, presented oral argument on behalf of Dr. Baillie. Mr. Speck, counsel for PSERS, presented oral argument on behalf of the agency. Discussion ensued.

EXECUTIVE SESSION At 10:15 A.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 the John Baillie case. According to Section 708(a) of the Sunshine Act, 65 Pa. C.S. 708(a), we are going into Executive Session to discuss quasi-judicial matters."

Mr. Richard Rose moved that the Board enter into Executive Session. Mr. Moss seconded the motion, which passed unanimously. The meeting returned to Regular Session at 10:47 A.M.

Ms. Tozer moved to uphold the recommendation of the Hearing Examiner on the request for overtime compensation. Mr. Sando seconded the motion, which passed unanimously.

Mr. Richard Rose moved that the Board reject the recommendation of the Hearing Examiner on the issue of emergency return to service. Mr. Clay clarified the process of a potential appeal at Senator Wonderling's request. Mr. Moss seconded the motion, which passed unanimously.

The Board agreed that the adjudication should be given to the Board members for review, and it will be discussed and voted on at the next Board meeting.

FINANCE COMMITTEE REPORT

Mr. Richard Rose reported on the meeting held March 12, 2009.

Mr. Richard Rose stated that the Committee approved the minutes of the January 22, 2009 meeting.

MINUTES APPROVED

Mr. Richard Rose stated that Mr. Van Noord gave a Market Review and Comments presentation; Mr. Smith gave a Public Markets Review; Mr. Bensus gave a 4th Quarter 2008 Performance/Asset Allocation presentation; Mr. Little gave a Private Market Guidelines Update; and Mr. Van Noord gave a preview of future meetings.

PRESENTATIONS

Mr. Rose moved that the Public School Employees' Retirement Board adopt the proposed changes to Exhibits B, C, and D of the Investment Policy Statement, Objectives, and Guidelines for the Public School Employees' Retirement Board as recommended by Alan H. Van Noord, Chief Investment Officer, and William G. Bensus, Jr., Managing Director, Wilshire Associates in their joint letter dated March 12, 2009. Mr. J. Curtis Rose seconded the motion, which passed unanimously.

INVESTMENT POLICY
STATEMENT,
OBJECTIVES AND
GUIDELINES

Mr. Rose moved that the Public School Employees' Retirement Board adopt the proposed Investment Objectives and Guidelines Addenda listed below pursuant to the recommendation of Robert E. Little, Senior Investment Analyst, dated February 26, 2009.

INVESTMENT
OBJECTIVES AND
GUIDELINES ADDENDA

Addendum Addendum Title

R	Pennsylvania Mortgage Program
S	Open-End Real Estate Fund Investments
U	Closed-End Opportunistic and Value-Added Real Estate Fund Investments
V	Direct Real Estate
W	Farmland Investment Program
X	Private Investment and Venture Capital Policy
X1	Private Debt Policy

Ms. Turley seconded the motion, which passed unanimously.

CORPORATE GOVERNANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held on March 12, 2009.

MINUTES APPROVED

Mr. Sando stated that the Committee approved the minutes of the August 14, 2008 meeting.

PRESENTATIONS

Mr. Sando stated that Mr. Little gave a presentation on U.S. and Non U.S. Proxy Voting Guidelines and Mr. Grossman spoke about the Council of Institutional Investors Letter Writing Campaign.

US AND NON US
PROXY VOTING
POLICIES

Mr. Sando moved that the Public School Employees' Retirement Board adopt the proposed U.S. and Non-U.S. Proxy Voting Policies pursuant to the recommendation of Robert E. Little, Senior Investment Analyst, dated February 26, 2009. Mr. Moss seconded the motion, which passed unanimously.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on March 12, 2009.

MINUTES APPROVED

Ms. Tozer stated that the Committee approved the minutes of the January 22, 2009 meeting.

EXECUTIVE SESSION

Ms. Tozer stated that the Committee held an Executive Session regarding the account of Martha O. Swartz and Michelle R. Zehala.

ADJUDICATION:
MARTHA O. SWARTZ &
MICHELLE R. ZEHALA

Ms. Tozer moved to adopt the Hearing Examiner's Opinion that Ms. Swartz and Ms. Zehala be recognized as employees of California University of Pennsylvania for purposes of participating in PSERS for the periods of time they were teaching and working in the Head

Start Program of Fayette County while it was operated under a federal grant given to California University of Pennsylvania, subject to certain modifications recommended by Chief Counsel. Ms. Turley seconded the motion. Mr. Sando abstained. The motion passed.

Ms. Tozer moved to adopt the Hearing Examiner's Opinion and Order to dismiss with prejudice the request of Lawrence A. Dalla Betta to reinstate his premium assistance. Mr. Galante seconded the motion, which passed unanimously.

ADJUDICATION:
LAWRENCE A. DALLA
BETTA

Ms. Tozer stated that the Committee discussed administrative hearing procedures and requirements. Mr. Gornish will report on this matter at a future meeting.

ADMINISTRATIVE
HEARING PROCEDURES

Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee Report from the February 5, 2009 meeting.

EXECUTIVE STAFF
REVIEW COMMITTEE

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

BENEFITS PROCESSING
STATISTICS

HEALTH CARE COMMITTEE REPORT

Ms. Turley reported on the meeting held on March 12, 2009.

Ms. Turley stated that the Committee approved the minutes of the December 11, 2008 meeting.

MINUTES APPROVED

Ms. Turley stated that Mr. Schafer gave presentations on the 2009 Market Report and the Option Selection Enrollment Report; and Mr. Kaplan discussed the failed Highmark/IBC Merger and the impact on the Health Options Program.

PRESENTATION

Ms. Turley moved that the Board allow HOP participants enrolled in managed care organization plans frozen to new enrollments, the option of remaining in these legacy plans through December 31, 2010, as recommended by the Segal Company in their memo to Mark F. Schafer, Health Insurance Administrator dated February 18, 2009. Ms. Tozer seconded the motion, which passed unanimously.

HEALTH OPTIONS
PROGRAM/LEGACY

Ms. Turley stated that Mr. Johnson discussed the proposed Premium Assistance Policy, which was tabled for further information.

PREMIUM ASSISTANCE
POLICY

AUDIT/BUDGET COMMITTEE REPORT

Mr. Galante reported on the meeting held on March 12, 2009.

MINUTES APPROVED

Mr. Galante stated that the Committee approved the minutes of the September 25, 2008 meeting.

UPCOMING AUDIT

Mr. Galante stated that Mr. Blair presented an update on the upcoming annual audit.

EXECUTIVE SESSION

Mr. Galante stated that the Committee held an Executive Session regarding the IRS Tax Qualification.

BENECARD AUDIT

Mr. Galante reported that Messrs. Clay and Schafer spoke regarding the Benecard Audit.

OLD BUSINESS

Senator Wonderling informed the Board that the Senate resolution concerning the study of the economic impact of limited local community spending to the Commonwealth will not be completed due to budgetary constraints.

NEW BUSINESS

BOARD MEMBER LODGING

Mr. Clay informed the Board that the Downtown Hilton was no longer approved by the Commonwealth for lodging for Board members. Ms. Vogler stated that several of the Board members visited the Hilton Garden Inn Harrisburg East and recommend it as a suitable place for Board lodging.

Mr. Clay and Ms. Boyer informed the Board that the changes in lodging are due to the implementation of the Commonwealth Lodging Card. Ms. Boyer stated that hotel orders will no longer be accepted after the end of March 2009. Ms. Boyer explained the changes in reservation procedure due to the new requirements.

EXECUTIVE DIRECTOR'S REPORT

INFORMATION AVAILABLE

Mr. Clay stated that the following information was available (See Board Book 340, Executive Director TAB):

- Letter from a member
- NIRS Pensionomics Report

Mr. Clay stated that he attended the House Budget Hearing on February 17, 2009; made a presentation at PASPA on February 27, 2009; attended the Senate Budget Hearing on March 5, 2009; and participated in a PASBO webcast on March 9th regarding the rate spike and projections.

RECENTLY ATTENDED
EVENTS

Mr. Clay stated that he is planning to give a presentation to the PFT in Philadelphia on March 14, 2009; attend the State Government/Education Committees' joint hearing with SERS on March 26, 2009; give a presentation at the Bucks County Intermediate Unit on March 30, 2009 (which was rescheduled from January 28, 2009); give a presentation at the PASBO conference in Valley Forge on April 1, 2009; give a presentation on May 12, 2009 before the PSEA-R; attend a discussion on May 14, 2009 regarding the funding with PASR at the Lackawanna County Chapter.

UPCOMING EVENTS

Mr. Clay reminded the Board that Financial Statements are due by May 1, 2009.

FINANCIAL STATEMENTS

Mr. Clay informed the Board that audio recordings of the public meetings are available to the public through the Right To Know Law.

RIGHT TO KNOW LAW

Mr. Clay stated that negotiations were held with the vendor selected for Board elections. The vendor has discounted the price by another 3%.

BOARD ELECTIONS
VENDOR

Mr. Clay reported that there have been a number of Right To Know requests made regarding state employee travel, that include PSERS' travel.

RIGHT TO KNOW
REQUESTS

Mr. Clay stated that there will be an educational session for the Board with respect to the funding situation, on April 29, 2009 at 2:00 P.M.

EDUCATIONAL SESSION

CHIEF COUNSEL REPORT

Mr. Gornish updated the Board regarding the Rivercenter/Marriott depositions. Mandatory mediation is scheduled for early April. The case is currently scheduled for trial for two weeks in the middle of June.

RIVERCENTER/
MARRIOTT CASE

Mr. Gornish updated the Board on the Royal Dutch case. The final appeal has been dismissed. Claims administration is moving forward, as expected.

ROYAL DUTCH CASE

CHIEF FINANCIAL OFFICER REPORT

PRESENTATIONS

Mr. Carl gave a presentation to the Board on the Financial Statements, Federal Tax Withholding Issue and other Financial Management Activities (See Board Book 340, CFO Report TAB).

BOARD MEMBER COMMENTS

RETIREMENT

Mr. J. Curtis Rose announced his retirement from PSBA, effective May 1, 2009. He expressed his gratitude, admiration and respect to PSERS' staff and the Board members for a positive experience over the years.

ADJOURNMENT AND
NEXT REGULARLY
SCHEDULED MEETING

Mr. Richard Rose moved to adjourn the meeting. Ms. Turley seconded the motion, which passed unanimously. Chairman Vogler adjourned the meeting at 11:53 A.M.

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on May 1, 2009, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

Date 4/13/09

Approved


Jeffrey B. Clay
Executive Director