

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

**Regular Meeting**

**Minutes**

**October 8, 2010**

**9:00 A.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Senator Patrick Browne (arrived at 9:30)  
Mr. Glen S. Galante  
Mr. Steven Kniley for Secretary Thomas E. Gluck  
Representative Glen R. Grell  
Mr. John Raymond for Senator Shirley M. Kitchen  
Mr. John Lisko for Treasurer Robert M. McCord  
Mr. Hal Moss  
Mr. Richard N. Rose  
Mr. James M. Sando  
Ms. Patricia A. Tozer  
Ms. Sally J. Turley

**Board Members Absent**

Ms. Tina Byles Williams  
Representative Dwight Evans  
Mr. Thomas J. Gentzel

**Staff Members Present**

Mr. Jeffrey B. Clay  
Ms. Barbara D. Flurie  
Mr. Gerald Gornish  
Ms. Terrill J. Savidge  
Ms. Evelyn M. Tatkovski  
Mr. Alan H. Van Noord  
Mr. Joseph E. Wasiak, Jr.

**Visitors Present**

Mr. Joseph Beaty  
Mr. Dave Hopkins  
Mr. Joseph Krauss, PSERS member  
Mr. Tony Meadows  
Ms. Lisa York

Ms. Vogler called the meeting to order at 9:00 A.M. in the fourth floor Board Room at PSERS' headquarters.

**CALL TO ORDER**

WELCOME GUESTS Mr. Clay welcomed guest, Mr. Joseph Krauss and new employees, Mr. Joseph Beaty, Mr. Dave Hopkins, Mr. Tony Meadows and Ms. Lisa York.

MINUTES APPROVED Mr. Rose moved to approve the minutes of the August 12, 2010 Board meeting. Mr. Sando seconded the motion, which passed unanimously.

AUDIT/BUDGET COMMITTEE REPORT

Mr. Galante reported on the meeting held on October 7, 2010.

MINUTES APPROVED Mr. Galante stated that the Committee approved the minutes of the March 12, 2010 meeting.

PRESENTATIONS Mr. Galante stated that Mr. Gwin and Ms. Boyer reported on the 2011-2012 Administrative and Directed Commissions Budget Request.

ADMINISTRATIVE AND DIRECTED COMMISSIONS BUDGET REQUEST Mr. Galante moved that the Public School Employees' Retirement Board (the "Board") approves the 2011-2012 Administrative Budget, not to exceed \$44,412,306, and the 2011-2012 Directed Commissions Recapture Program Budget, \$2,000,000, for the Public School Employees' Retirement System as more particularly set forth in the attached summaries. Ms. Tozer seconded the motion, which passed unanimously.

Mr. Galante stated that Mr. Carl presented the June 30, 2010 Financial Statements.

Mr. Galante reported that a presentation was given by Mr. Thomas Rey, of Clifton Gunderson, regarding the results of PSERS' Annual Audit.

FINANCIAL STATEMENTS/ ANNUAL AUDIT Mr. Galante moved that the Public School Employees' Retirement Board (the "Board") accepts the June 30, 2010 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, 2010.

Resolved further that, pursuant to 24 Pa. C.S. §8521(d), the Board ratifies all payments that are reflected in the June 30, 2010 Financial Statements. Mr. Moss seconded the motion, which passed unanimously.

Mr. Raymond commended Mr. Halke and his staff, and Office of Financial Management, on behalf of the Board, for their hard work and excellence in the completion of their duties.

FINANCE COMMITTEE REPORT

Mr. Rose reported on the meeting held October 7, 2010.

Mr. Rose stated that the Committee approved the minutes of the August 11, 2010 meeting.

MINUTES APPROVED

Mr. Rose stated that Mr. Van Noord gave a Market Review and Comments report; Mr. Smith presented a Public Market Performance Review; Mr. Bensur gave a Performance Review; Mr. Dubrovay, of Aksia LLC, gave a Performance Presentation; Mr. Grossman reviewed the Investment Objectives and Guidelines; Ms. Engler presented the Sudan/Iran Divestment Update; Mr. Spiller gave the Private Markets and Real Estate Quarterly Review; Mr. Van Noord gave a preview of future meetings; and an Executive Session was held in regard to Fund Issues.

PRESENTATIONS

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") invests up to 1.50% of the Fund in All Weather@12%, Ltd. pursuant to the recommendation of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance dated September 22, 2010.

BRIDGEWATER

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.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") adopts the proposed Investment Objectives and Guidelines Addenda listed below for the Public School Employees' Retirement System pursuant to the recommendation of James H. Grossman, Jr., Managing Director of External Public Markets, Risk & Compliance, dated September 22, 2010.

INVESTMENT OBJECTIVES AND GUIDELINES

<u>Addendum</u>	<u>Addendum Title</u>
A	U.S. Style-Oriented Large Cap Equities
C	U.S. Style-Oriented Small Cap Equities
C1	U.S. Micro Cap Equities
E	Internally Managed Indexed Equity Portfolios
E1	Internally Managed Alpha Generation Program
E2	Equity Rebalancing Program
J	Fixed Income Rebalancing Program
M	Non-U.S. Equities
N	Non-U.S. Small Cap Equities
O	Emerging Markets Equities
O1	Emerging Markets Small Cap Equities
X2	Absolute Return Policy

Ms. Tozer seconded the motion, which passed unanimously.

#### APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on October 7, 2010.

**MINUTES APPROVED**

Ms. Tozer stated that the Committee approved the minutes of the August 11, 2010 meeting.

**ADJUDICATION:  
JOEL FETTERMAN**

Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner, and dismiss with prejudice, the appeal of Joel Fetterman to purchase previous school service in order to be eligible to elect multiple service. Ms. Turley seconded the motion, which passed unanimously.

**ADJUDICATION:  
SHEILA A. EBERHARDT**

Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner, with modifications, to deny the request of Shelley Marie Eberhardt to have her mother, Sheila A. Eberhardt's, retirement application deemed incomplete and to void the option she selected. Mr. Moss seconded the motion, which passed unanimously.

**ADJUDICATION:  
PAMELA JONAS**

Ms. Tozer moved to adopt the Opinion and Order of the Hearing Examiner with modifications and deny the request of Amy Gimbel POA on behalf of Pamela A. Jonas to purchase out-of-state service credit when she was not an active PSERS member. Mr. Raymond seconded the motion, which passed unanimously.

**EXECUTIVE STAFF  
REVIEW COMMITTEE**

Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee Report from the August 20, 2010 meeting.

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

BENEFITS PROCESSING  
STATISTICS

### CORPORATE GOVERNANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held on October 7, 2010.

Mr. Sando stated that the Committee approved the minutes of the August 11, 2010 meetings.

MINUTES APPROVED

Mr. Sando reported that Mr. Grossman held an information session regarding the SEC's new Proxy Access Rules. An agency committee will be formed to research the issue and will report back to the Committee at a future meeting.

PROXY REGULATIONS

Mr. Sando reported that Executive Session was held to discuss two RFP results.

EXECUTIVE SESSION

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") retains Glass Lewis as the Fund's Proxy Research and Voting Consultant 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 the implementing contract or by a memo to that effect appended to the implementing contract. Mr. Galante seconded the motion, which passed unanimously.

PROXY VOTING RFP

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board"), retains both Reinhart Boerner Van Deuren s.c. and Lieff Cabraser Heimann and Bernstein LLP as the Board's Securities Litigation Consultants for contract terms not to exceed five-years. The final terms and conditions of the contracts 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 contracts or by a memo to that effect appended to the implementing contracts. Mr. Moss seconded the motion, which passed unanimously.

SECURITIES LITIGATION  
CONSULTANT RFP

### OLD BUSINESS

Mr. Clay informed the Board of the results of the Notational Ballot regarding the change in terms for three related opportunistic real estate funds that PSERS participates in as a limited partner. The

NOTATIONAL BALLOT

funds in question are DLJ Real Estate Capital Partners II, L.P., DLJ Real Estate Capital Partners III, L.P., and DLJ Real Estate Capital Partners IV, L.P. The term in question was the 5% General Partner co-investment requirement. The ballot passed with 11 YES votes and 4 NO RESPONSE, which will be counted as abstentions.

INDIA TAX LETTER

Mr. Clay informed the Board that PSERS' Corporate Agency Action Committee approved participating in a letter to the Government of India, drafted by NASIO, expressing concerns over proposed tax treatment of public plan investments in India.

EXECUTIVE DIRECTOR'S REPORT

DEMONSTRATION

Mr. Clay introduced Mr. Wasiak, who gave a demonstration on the use of the Ethics Policy database located on the Board's secure web site.

INFORMATION AVAILABLE

Mr. Clay stated that the following information was available (See Board Book 358, Executive Director TAB):

- Letter from the Rose Tree Media complimenting PSERS' staff on the service they provide.
- Office of Administration Report regarding the timely filing of employee performance evaluations.
- Three letters regarding the GASB preliminary review.

UPCOMING EVENTS

Mr. Clay reported that the following items are upcoming:

- October 12 – PSBA Conference in Hershey, PA
- October 13 – Office of General Counsel University
- October 20 – Retiree Presentation in Media, PA
- October 27 – Retiree Presentation in Johnstown, PA

OTHER INFORMATION

Mr. Clay informed the Board that PSERS' Staff created a team to walk in the Heart Walk. The t-shirt worn by the team was created by PSERS' employee, Lauren Shutt.

ADJUDICATIONS ONLINE

Mr. Clay stated that Board Adjudications have been, and will continue to be, placed on the public web site.

OPEN ENROLLMENT

Mr. Clay informed the Board that the Open Enrollment period has begun for the Health Options Program. Information meetings are scheduled to be held in Pennsylvania, New Jersey, Delaware and Florida.

Mr. Clay stated that the Actuarial Valuation will be the main topic for the December meeting, as well as the continued discussion of the 5 Year Experience Study. PSERS' June 30, 2010 Comprehensive Annual Financial Report will also be available.

DECEMBER MEETING

CHIEF COUNSEL REPORT

Mr. Gornish advised the Board that PSERS won a significant victory (handled by Dave Speck) in this case, supporting the Board's interpretation of the provision in the Retirement Code that allows the Board to waive benefit adjustments under certain circumstances. One of these is that the Claimant relied on an erroneous record to his/her detriment without knowledge or notice that there was an error, which the Board has determined the Claimant did not meet.

RAY WHITE  
COMMONWEALTH  
COURT APPEAL

The Court expressly did not address PSERS' alternative argument that the waiver provision does not apply to estimates, which in this case the Claimant knew were erroneous, because estimates are not in "records" for purpose of the waiver.

The Court's opinion is designated as not to be reported. Mr. Gornish stated that even though PSERS contends that an estimate is not a record to which the waiver should apply, he believes that the Court's analysis in the opinion showing how an individual failed to meet the criterion of not having knowledge is very cogent. In light of the well-written opinion, PSERS will ask the Court to change the designation of the opinion to a reported opinion.

Mr. Gornish reported on the Commonwealth Court decision in the *PSEA* case, in which PSEA had originally been granted an injunction against the Office of Open Records (OOR) precluding the release of the home address of any school teacher in the Commonwealth. The Commonwealth Court did not reach the merits, but held that the action, which was brought against OOR rather than against a school district, was not against a proper Commonwealth agency with a cognizable interest in the outcome; it was like suing a court seeking an order how it must decide a certain category of cases. The Court therefore dismissed the action and dissolved the injunction. This, of course, does not change PSERS' position regarding home address records in its possession, which are protected under statute, as well as the Pennsylvania Constitution.

HOME ADDRESS ISSUE

Nevertheless, the PSEA decision has instigated others to begin seeking records of all retirees since 2004 directly from school districts, who may not have the same statutory protection for their teachers as PSERS does. In the past, several school districts have turned over the home addresses of teachers, which was, in fact, the reason the PSEA brought its action.

In one case, PSERS has been asked to verify the list, but will decline to do so. It is unclear what the school districts will do. PSERS cannot advise them what they should do, only tell them our position. Perhaps PSEA will get involved, and if the matter is litigated, PSERS may want to consider whether to file an amicus brief.

EXECUTIVE SESSION

At 9:43 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 an Executive Session to discuss the item listed on today's agenda, namely a litigation update. The Board may hold an executive session for any one or more of the reasons enumerated in Section 708(a) of the Sunshine Act (65 P.S. 708(a)), including 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 laws."

Mr. Rose moved that the Committee enter into Executive Session. Mr. Moss seconded the motion, which passed unanimously. The Executive Session ended at 9:53 A.M. and the meeting immediately returned to Regular Session.

ADJOURNMENT

Ms. Vogler adjourned the meeting at 9:53 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 December 10, 2010, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

Date

11/10/11

Approved

  
Jeffrey B. Clay,  
Executive Director