

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

Regular Meeting

Minutes

September 28, 2012

10:10 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Ms. Stacey Connors for Senator Patrick M. Browne
Mr. Anthony Mannino for Senator Lawrence M. Farnese
Mr. Glen S. Galante
Mr. Thomas J. Gentzel
Ms. Lisa Taglang for Representative Glen R. Grell
Mr. Bernard Gallagher for Representative Joseph F. Markosek
Ms. Jennifer Langan for Treasurer Robert M. McCord
Mr. Hal Moss
Mr. James M. Sando
Ambassador Martin J. Silverstein
Ms. Kelly Logan for Secretary Ronald Tomalis
Ms. Patricia A. Tozer

Board Members Absent

Mr. Richard N. Rose
Ms. Sally J. Turley

Staff Members Present

Mr. Jeffrey B. Clay
Ms. Barbara B. Book
Mr. Brian S. Carl
Ms. Michele M. Ferencz
Mr. Andrew Fiscus
Mr. Donald J. Halke, Jr.
Mr. David Horting
Ms. Carol Moretz
Ms. Terrill J. Sanchez
Mr. Anthony Spadaccio
Ms. Kelly L. Sprenkle
Mr. Joseph E. Wasiak, Jr.

Guests Present

Ms. Lisa Barrett, PSEA
Mr. Ron Conard, PASR
Ms. Jennifer Davis, CLA
Ms. Susan Jones, PSEA-R
Mr. Sandy Leopold
Ms. Angela Lutze, PSEA-R
Mr. Thomas Rey, CLA
Ms. Belinda Sabaka, PSEA-R
Mr. Don Steinmeier, PSEA-R

CALL TO ORDER Ms. Vogler called the meeting to order at 10:10 A.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME GUESTS AND NEW EMPLOYEES Mr. Galante introduced Ms. Barrett of PSEA; Mr. Clay welcomed guests Mr. Conard, PASR; Ms. Jones, Ms. Lutze, Ms. Sabaka and Mr. Steinmeier; and new employees Mr. Horting, Ms. Moretz and Mr. Spadaccio.

MINUTES APPROVED Ms. Tozer moved to approve the minutes of the August 9, 2012 Board meeting. Mr. Sando seconded the motion, which passed unanimously, with the exception of Mr. Galante who was not in attendance at the August meeting.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on September 27, 2012.

MINUTES APPROVED Ms. Tozer stated that the Committee approved the minutes of the August 8, 2012 meeting.

ACCOUNT OF THOMAS J. KASPER Ms. Tozer moved to adopt the recommendation of the Hearing Examiner in the case of Thomas J. Kasper and deny the appeal to purchase the out-of-state service. Mr. Moss seconded the motion, which passed unanimously.

ACCOUNT OF RONALD MENTO Ms. Tozer moved to adopt the recommendation of the Hearing Examiner in the case of Ronald Mento and grant PSERS' Motion for Summary Judgment to deny Claimant's request to include the \$39,182.03 as part of his final average salary. Mr. Moss seconded the motion, which passed unanimously.

ESRC REPORT Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the July 3 and July 31, 2012 meetings.

BENEFITS PROCESSING Ms. Tozer stated that Ms. Sanchez presented an update on the Benefits Processing Statistics.

TECHNOLOGY STEERING COMMITTEE REPORT

Chairman Sando reported on the meeting held September 27, 2012.

MINUTES APPROVED Mr. Sando stated that the Committee approved the minutes of the June 21, 2012 meeting.

Mr. Sando stated that Mr. Spinks presented information on the telephone system replacement, Vitech contract renewal, security assessment plan and wireless access.

PRESENTATIONS

FINANCE COMMITTEE REPORT

Mr. Moss reported on the meeting held September 27, 2012.

Mr. Moss stated that the Committee approved the minutes of the August 8, 2012 meeting.

MINUTES APPROVED

Mr. Moss stated that Mr. Grossman gave a Market Review and Comments; Mr. Pease, of Wilshire, gave a 2nd Quarter Fund Performance Review; Mr. Smith presented the Public Market Review; Mr. Ruehl, of Aksia, gave the 2nd Quarter Absolute Return Program Review; Mr. Spiller presented the First Quarter Private Markets Report and the First Quarter Real Estate Report; an Executive Session was held regarding Private Markets and Real Estate Issues (In House Program); Mr. Sheva gave presentations on ICG Europe Fund V, HayFin Special Opportunities Credit Fund, L.P., LBC Credit Partners III, L.P., and Cerberus Levered Loan Opportunities Fund II, LTD.; Ms. Stepp gave a presentation on RCG Longview Debt Fund V, L.P.; and Mr. Grossman presented the Preview of Future Meetings.

PRESENTATIONS

Mr. Moss moved that the Public School Employees' Retirement Board (the "Board") hereby invests €200 million plus reasonable normal investment expenses, in ICG Europe Fund V in accordance with the recommendations of Joseph W. Sheva, Portfolio Manager, and Portfolio Advisors, dated September 7, 2012. 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, which passed unanimously.

ICG EUROPE FUND V

Mr. Moss moved that the Public School Employees' Retirement Board (the "Board") hereby invests €200 million plus reasonable normal investment expenses, in HayFin Special Opportunities Credit Fund, L.P. in accordance with the recommendations of Joseph W. Sheva, Portfolio Manager, and Portfolio Advisors, dated September 7, 2012. 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

HAYFIN SPECIAL
OPPORTUNITIES CREDIT
FUND, L.P.

investment contract or by a memo to that effect appended to the implementing investment contract. Ms. Tozer seconded the motion, which passed unanimously.

LBC CREDIT
PARTNERS III, L.P.

Mr. Moss moved that the Public School Employees' Retirement Board (the "Board") hereby invests \$200 million plus reasonable normal investment expenses, in LBC Credit Partners III, L.P. in accordance with the recommendations of Joseph W. Sheva, Portfolio Manager, and Portfolio Advisors, dated September 7, 2012. 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. Gentzel seconded the motion, which passed with one recusal, from both the discussion and the vote, from Ms. Langan, on behalf of Treasurer McCord.

CERBERUS LEVERED
LOAN OPPORTUNITIES
FUND II, L.P.

Mr. Moss moved that the Public School Employees' Retirement Board (the "Board") hereby invests \$225 million plus reasonable normal investment expenses, in Cerberus Levered Loan Opportunities Fund II, L.P. in accordance with the recommendations of Joseph W. Sheva, Portfolio Manager, and Portfolio Advisors, dated September 7, 2012. 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. Sando seconded the motion, which passed unanimously.

RCG LONGVIEW DEBT
FUND V, L.P.

Mr. Moss moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$75 million plus reasonable normal investment expenses, in RCG Longview Debt Fund V, L.P., in accordance with the recommendation of Laurann H. Stepp, Portfolio Manager, Real Estate, and Courtland Partners, dated September 27, 2012. 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. Langan seconded the motion, which passed with one recusal from both the discussion and the vote, from Amb. Silverstein.

HEALTH CARE COMMITTEE REPORT

Ms. Tozer, in Ms. Turley's absence, reported on the meeting held on September 27, 2012.

Ms. Tozer stated that the Committee approved the minutes of the August 8, 2012 meeting.

MINUTES APPROVED

Ms. Tozer stated that an executive session was held regarding the results of RFP's for both the Health Care Consulting & Project Management Services and the Pharmacy Benefit Consulting & Medicare Part D Compliance Services (See Board Book 365, TABS 26 and 27).

EXECUTIVE SESSION

Ms. Tozer stated that Mr. Schafer gave presentations on the Health Care Consulting & Project Management Services RFP and the Pharmacy Benefit Consulting & Medicare Part D Compliance Services RFP. Ms. Tozer also reported that Mr. Schafer gave an update on the Reading School District and School District of Philadelphia Post-65 Retiree Health Plan Terminations.

PRESENTATIONS

Ms. Tozer moved that the Public School Employees' Retirement Board (the "Board") hereby accepts the results of the Commonwealth Request for Proposals for the Health Care Consulting and Project Management Services and enters into a contract with the Segal Company with an initial term of three (3) years beginning February 1, 2013 with options to renew the contract, upon mutual consent of the parties, annually for two additional years. The final terms and conditions of the contract must be satisfactory to the Health Insurance 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.

HEALTH CARE
CONSULTING AND
PROJECT MANAGEMENT
SERVICES

Ms. Tozer moved that the Public School Employees' Retirement Board (the "Board") hereby accepts the results of the Commonwealth Request for Proposals for the Pharmacy Benefit Consulting and Medicare Part D Compliance Services and enters into a contract with IPC/EvergreenRx with an initial term of three (3) years beginning February 1, 2013 with options to renew the contract, upon mutual consent of the parties, annually for two additional years. The final terms and conditions of the contract must be satisfactory to the Health Insurance Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced

PHARMACY BENEFIT
CONSULTING AND
MEDICARE PART D
COMPLIANCE SERVICES

either by the appropriate signatures on the implementing contract or by a memo to that effect appended to the implementing contract. Ms. Taglang seconded the motion, which passed unanimously.

AUDIT/BUDGET COMMITTEE REPORT

Mr. Galante reported on the meeting held September 28, 2012.

MINUTES APPROVED

Mr. Galante stated that the Committee approved the minutes of the August 8, 2012 meeting.

PRESENTATIONS

Mr. Galante stated that Mr. Carl gave his Chief Financial Officer's report which included the June 30, 2012 Financial Statements; Mr. Rey, of CliftonLarsonAllen LLP, gave the Audit Report Review; and Mr. Carl and Mr. Fiscus presented the 2013-14 Administrative and Directed Commissions Budget Request.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Mr. Galante moved that the Public School Employees' Retirement Board (the "Board") accepts the June 30, 2012 Financial Statements and approve the accompanying Independent Auditor Report prepared for the Public School Employees' Retirement System by CliftonLarsonAllen LLP, for the year ended June 30, 2012. Resolved further that the Board ratifies all payments that are reflected in the June 30, 2012 Financial Statements. Mr. Gallagher seconded the motion, which passed unanimously.

2013-14 ADMINISTRATIVE BUDGET AND DIRECTED COMMISSIONS RECAPTURE PROGRAM BUDGET

Mr. Galante moved that the Public School Employees' Retirement Board (the "Board") hereby approves the 2013-14 Administrative Budget, not to exceed \$41,179,000 and the 2013-14 Directed Commissions Recapture Program Budget, \$2,000,000, for the Public School Employees' Retirement System as more particularly set forth in the attached summaries. Mr. Moss seconded the motion, which passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

INFORMATION AVAILABLE

Mr. Clay stated that the following information was available (See Board Book 365, Executive Director TAB):

- Social Security Administration response to the system in regard to the death match issue
- Legislative summary of the Heart Act.

RECENTLY ATTENDED EVENTS

Mr. Clay reported that he attended the following events:

- Hearing on Pension Reform before House State Government and House Finance Committee - August 14

- Town hall meeting in Uniontown at the request of Representative Mahoney - August 20
- Meeting with Erie Times News, together with Ms. Tatkovski – September 11
- Presentation at the Mid-Western IU - September 12
- Meeting with the Scranton Times Tribune with Ms. Tatkovski - September 18
- Presentation at the PAPERS Conference - September 19-20

Mr. Clay stated that he plans to attend the following events:

UPCOMING EVENTS

- October 3 – the PERC Hearing on pension reform
- October 9 – Ms. Sanchez will attend the PASR banquet on Mr. Clay's behalf
- October 16 – the PSBA Dinner in Hershey, PA
- October 17-18 – make a presentation at the BOCC conference
- October 24 – make a presentation to the PSEA-R in the Poconos with Ms. Tatkovski
- November 12 – make a presentation to the Seneca Valley School Board in Harmony, PA with Ms. Tatkovski
- December 13 –PSBA Webinar presentation on pension reform

Mr. Clay informed the Board that this is a busy time for staff in regard to retirement processing, preparation of the financial statements, CAFR, budget, statements of account, plus the Health Options Program options selection period, Philadelphia health care plan termination, actuarial valuation, and the 1099 preparation.

ONGOING ITEMS

Mr. Clay extended his appreciation to Mr. Carl and Mr. Halke and their staff on the timely preparation of the budget and successful completion of the FY 2011-2012 Independent Audit of PSERS' Financial Statements.

Mr. Clay stated that the next meeting of the Committees and the Board will be December 6 and 7. These meetings will include the FY 2011-2012 actuarial valuation and the Health Options Program budget.

Mr. Clay informed the Board, with much regret, that Mr. Gentzel will be leaving the PSBA effective December 1, 2012 to accept a position with the NSBA. As an ex officio member of the Board, his resignation from his Board seat will be accepted at that time.

BOARD MEMBER
COMMENT

Mr. Gentzel extended his appreciation to the Board for the pleasure of working with them over the years.

CHIEF COUNSEL REPORT

LEGAL UPDATES

Ms. Ferencz provided updates on the Host/Marriott litigation; and the Bank of America securities litigation.

VISITOR COMMENTS

Mr. Steinmeier, of PSEA-R, commended the Board on their work on the budget. He also commented on pension reform.

Ms. Jones, President PSEA-R, thanked the Board for their hard work and diligence in dealing with member issues.

BOARD MEMBER
COMMENTS

Mr. Sando and Ms. Tozer each extended their gratitude to Mr. Gentzel for his service to the Board.

Ms. Vogler congratulated Mr. Gentzel on his new position and thanked him for his hard work, his friendship and his dedication to the members of the system.

EXECUTIVE SESSION

At 10:47 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 personnel matters. 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 Pa C.S. §708(a)), including quasi-judicial matters."

Ms. Langan moved that the Board enter into Executive Session. Ms. Tozer seconded the motion, which passed unanimously. The Executive Session ended at 11:02 A.M. and the meeting immediately returned to Regular Session.

ADJOURNMENT

Chairman Vogler adjourned the meeting at 11:02 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 7, 2012, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

Date 10/12/12

Approved


Jeffrey B. Clay,
Executive Director