

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

Regular Meeting

Minutes

June 12, 2013

9:13 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Ms. Deborah J. Beck
Ms. Bonita Lane for Senator Patrick M. Browne
Mr. Anthony Mannino for Senator Lawrence M. Farnese
Mr. Glen S. Galante
Ms. Lisa Taglang for Representative Glen R. Grell
Mr. Stuart L. Knade
Mr. Bernard Gallagher for Representative Joseph F. Markosek
Ms. Jennifer Langan for Treasurer Robert McCord
Mr. Richard N. Rose
Mr. James M. Sando
Ambassador Martin J. Silverstein

Board Members Absent

Mr. James R. Biery
Acting Secretary William E. Harner
Ms. Sally J. Turley

Staff Members Present

Ms. Barbara Book
Ms. Sharon Christ
Mr. Jeffrey B. Clay
Ms. Michele M. Ferencz
Ms. Maryann Pavlovic
Mr. Frank Ryder
Mr. Charles K. Serine
Ms. Evelyn M. Tatkovski
Mr. Alan Van Noord
Mr. Joseph E. Wasiak, Jr.

Guests Present

Mr. Ron Conard, PASR
Ms. Jane Hess, PSEA-R
Ms. Susan Jones, PSEA-R
Ms. Angela Lutze, PSEA-R
Mr. Michael Rapp, Greenlee Partners
Mr. Don Steinmeier, PASR
Ms. Colleen Van Noord
Mr. Tom Weeter, PSEA-R

CALL TO ORDER Ms. Vogler called the meeting to order at 9:13 A.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME GUESTS AND NEW EMPLOYEE Mr. Clay welcomed guests Mr. Conard, Ms. Hess, Ms. Jones, Ms. Lutze, Mr. Rapp, Mr. Steinmeier and Mr. Weeter; and new employee, Ms. Christ.

MINUTES APPROVED Ms. Langan moved to approve the minutes of the February 12, 2013 Board meeting. Mr. Sando seconded the motion, which passed unanimously. Mr. Galante moved to approve the minutes of the April 26, 2013 Board meeting. Ms. Langan seconded the motion, which passed unanimously.

PERSONNEL COMMITTEE REPORT

Mr. Knade reported on the meeting held on June 11, 2013.

MINUTES APPROVED Mr. Knade stated that the Committee approved the minutes of the March 14, 2013 meeting.

INTERIM CHIEF INVESTMENT OFFICER Mr. Knade moved that the Public School Employees' Retirement Board (the "Board") hereby approves the Interim Chief Investment Officer, James Grossman, an annual compensation equal to the beginning step for Chief Investment Officer on the Investment Professional (IP) pay schedule for the period of time Mr. Grossman holds the interim position. Ms. Beck seconded the motion, which passed unanimously.

Mr. Knade informed the Board of the process discussed by the Committee for the upcoming Chief Investment Officer Search, and the approximate timeframes therewith.

Mr. Knade stated that the Committee held an Executive Session to discuss the Executive Director's Evaluation. He thanked Ms. Vogler for her effort in preparing the evaluation. Mr. Clay extended his appreciation for the evaluation and expressed his gratitude for his team of co-workers.

FINANCE COMMITTEE REPORT

Mr. Rose reported on the meeting held June 11, 2013.

MINUTES Mr. Rose stated that the Committee approved the minutes of the April 26, 2013 meeting.

PRESENTATIONS Mr. Rose stated that Mr. Van Noord gave a Market Review and

Comments presentation after an introduction by Mr. Clay; Mr. Sheva presented a Risk Project Update; Mr. Smith gave the First Quarter Public Market Review; Mr. Bensur gave the First Quarter Performance Review; Mr. Ruehl presented a First Quarter Performance Review; Mr. Heppenstall and Mr. Smith presented the Bank Disintermediation & Unsecured Consumer Credit report; Mr. Sheva presented Sankaty Middle Markets Opportunities Fund II, L.P.; Mr. Tyler presented Crestview Partners III, L.P.; Mr. Spiller presented DCPF VI Oil and Gas Co-Investment Fund, L.P.; Mr. Spiller presented Incline Equity Partners III, L.P.; and Mr. Van Noord presented a Preview of Future Meetings.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby invests \$200 million plus reasonable normal investment expenses, in Sankaty Middle Market Opportunities Fund II, L.P. in accordance with the recommendations of Joseph W. Sheva, Portfolio Manager, and Portfolio Advisors LLC, dated May 22, 2013. 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.

SANKATY MIDDLE
MARKET
OPPORTUNITIES FUND II,
L.P.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$150 million plus reasonable normal investment expenses, in Crestview Partners III, L.P. in accordance with the recommendations of Michael Tyler, Senior Investment Analyst, Private Markets, dated June 11, 2013, and Portfolio Advisors LLC, dated May 22, 2013. 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. Mannino seconded the motion, which passed unanimously.

CRESTVIEW PARTNERS
III, L.P.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$25 million plus reasonable normal investment expenses, in DCPF VI Oil and Gas Co-Investment Fund, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated June 11, 2013. The final terms and conditions of the investment must be satisfactory to the

DCPF VI OIL AND GAS
CO-INVESTMENT FUND,
L.P.

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. Knade seconded the motion, which passed unanimously.

INCLINE EQUITY PARTNERS III, L.P.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$15 million plus reasonable normal investment expenses, in Incline Equity Partners III, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated June 11, 2013. 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. Beck seconded the motion, which passed with one recusal from Ms. Langan, who abstained from both the discussion and the vote, on behalf of Treasurer McCord.

HEALTH CARE COMMITTEE REPORT

Mr. Galante reported on the meeting held June 11, 2013.

MINUTES APPROVED

Mr. Galante stated that the Committee approved the minutes of the April 26, 2013 meeting.

PRESENTATIONS

Mr. Galante stated that Mr. Schafer gave a presentation on the 2014 Premium Rates for Self-funded Plans and Mr. Johnson reported on the Health Options Program Eligibility Study.

HOP MEDICAL PLAN BENEFITS AND RATES EFFECTIVE 1-1-2014

Mr. Galante moved that the Public School Employees' Retirement Board (the "Board") hereby approves the monthly premium rates of the HOP Medical Plan effective January 1, 2014 for calendar year 2014:

HOP MEDICAL PLAN

Southeast Region	2013	2014	\$ Change	% Change
Standard Rate	\$199	\$199	\$0	0%
Age 65 Rate	170	170	0	0
Age 65 Rate (2 nd Year)	176	176	0	0
Age 65 Rate (3 rd Year)	N/A	182	N/A	N/A

Southwest Region	2013	2014	\$ Change	% Change
Standard Rate	\$195	\$195	\$0	0%
Age 65 Rate	166	166	0	0

Age 65 Rate (2 nd Year)	172	172	0	0
Age 65 Rate (3 rd Year)	N/A	178	N/A	N/A

North and Central Region	2013	2014	\$ Change	% Change
Standard Rate	\$164	\$169	\$5	3.0%
Age 65 Rate	140	144	4	2.9
Age 65 Rate (2 nd Year)	145	149	4	2.8
Age 65 Rate (3 rd Year)	N/A	154	N/A	N/A

Mr. Rose seconded the motion, which passed unanimously.

Mr. Galante moved that the Public School Employees' Retirement Board (the "Board") hereby approves the monthly premium rates of the HOP Pre-65 Medical Plan effective January 1, 2014 for calendar year 2014:

HOP PRE-65 MEDICAL PLAN BENEFITS AND RATES EFFECTIVE 1-1-2014

All Regions	2013	2014	\$ Change	% Change
Pre-65 Medical Plan	\$ 676	\$ 717	\$41	6%
Pre-65 Medical Plan w/ Prescription Drugs	780	827	47	6

Ms. Beck seconded the motion, which passed unanimously.

Mr. Galante moved that the Public School Employees' Retirement Board (the "Board") hereby approves the following benefit modifications to the Basic Medicare Rx Option effective January 1, 2014 for calendar year 2014:

BASIC MEDICARE RX OPTION BENEFITS AND RATES EFFECTIVE 1-1-2014

The Member Pays in Initial Tier:	2013 Basic Medicare Rx Option	2014 Basic Medicare Rx Option
Retail Preferred Brand Rx	30% (\$50 maximum for up to 33-day supply & \$100 maximum for a 34 to 90-day supply)	30% (\$60 maximum for up to 30-day supply & \$120 maximum for a 31 to 90-day supply)
Mail Service Preferred Brand Rx	30% (\$100 maximum for a 34 to 90-day supply)	30% (\$100 maximum for a 31 to 90-day supply)
Non-Preferred Brand Rx	40% (no maximum)	40% (no maximum)

The Member Pays in Coverage Gap:	2013 Basic Medicare Rx Option	2014 Basic Medicare Rx Option
Generic Rx	79%	72%

And further, 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, 2014 for calendar year 2014:

Basic Medicare Rx Option:	2013	2014	\$ Increase	%
Single	\$28	\$29	\$1	3.6%
Two Person	56	58	2	3.6%

Ms. Langan seconded the motion, which passed unanimously.

**ENHANCED MEDICARE
RX OPTION BENEFITS
AND RATES
EFFECTIVE 1-1-2014**

Mr. Galante moved that the Public School Employees' Retirement Board (the "Board") hereby approves the following benefit modifications to the Enhanced Medicare Rx Option effective January 1, 2014:

The Member Pays in Initial Tier:	2013 Enhanced Medicare Rx Option	2014 Enhanced Medicare Rx Option
Retail Brand Rx	25% (\$50 maximum for up to 33-day supply & \$90 maximum for a 34 to 90-day supply)	25% (\$50 maximum for up to 30-day supply & \$100 maximum for a 31 to 90-day supply)
Mail Service Brand Rx	25% (\$90 maximum for a 34 to 90-day supply)	25% (\$90 maximum for a 31 to 90-day supply)

The Member Pays in Coverage Gap:	2013 Enhanced Medicare Rx Option	2014 Enhanced Medicare Rx Option
Generic Rx	\$7 or 50% whichever is less	\$7

And further, 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, 2014 for calendar year 2014:

Enhanced Medicare Rx Option: w/Benefit Changes	2013	2014	\$ Increase	%
Single	\$ 82	\$82	0	0
Two Person	164	164	0	0

Ms. Beck seconded the motion, which passed unanimously.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on June 12, 2013.

MINUTES APPROVED

Ms. Beck stated that the Committee approved the minutes of the April 26, 2013 meeting.

**ACCOUNT OF
ESMERALDA MATOS**

Ms. Beck moved to adopt the recommendation of the Appeals/Member Services Committee in the case of

Esmeralda Matos and deny the claimant's request to change the terms of her retirement plan. Mr. Rose seconded the motion, which passed unanimously.

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the February 28 and April 3, 2013 meetings.

ESRC REPORTS

Ms. Beck stated that Ms. Sanchez presented an update on the Benefit and Member Services Statistics.

BENEFIT PROCESSING

NEW BUSINESS

Discussion was held regarding the proposed Signing Resolution. Ambassador Silverstein moved to amend the resolution, as presented. Ms. Langan seconded the motion, which passed unanimously.

Mr. Rose moved that the Public School Employees' Retirement Board authorizes any two or more of the persons occupying the following positions, namely, the Executive Director, Deputy Executive Director; Assistant Executive Director; Chief Financial Officer; Chief Investment Officer; Deputy Chief Investment Officer; Investment Operations Manager; Managing Director of Private Markets and Real Estate; Managing Director of Equities; Managing Director of Fixed Income; and Director of Investment Accounting and Budget to execute and deliver any and all contracts, instruments, or documents that require written signatures in the name of the Public School Employees' Retirement System (the "System"), and to endorse, assign, or guarantee all such contracts, instruments, or documents in the name of the System.

SIGNING OF
CONTRACTS,
INSTRUMENTS, AND
OTHER DOCUMENTS

Further, that (i) in the case of investment contracts, the Chief Investment Officer, Deputy Chief Investment Officer, Investment Operations Manager, Managing Director of Private Markets and Real Estate, Managing Director of Equities, or Managing Director of Fixed Income must be one of the two signatories, and the Executive Director, Deputy Executive Director, Assistant Executive Director, Chief Financial Officer, or Director of Investment Accounting and Budget must be one of the two signatories, except in exigent circumstances when the only authorized signatories who are available hold Investment Office positions; and (ii) in the case of all other contracts, the Executive Director, Deputy Executive Director, Assistant Executive Director, Chief Financial Officer, or Director of Investment Accounting must be

one of the two signatories, except in exigent circumstances when none of the designated individuals is available. Mr. Sando seconded the motion, which passed unanimously.

MEETING DATE
CHANGE

Ms. Langan moved to change the date of the December 5 and 6, 2013 meetings to December 9 and 10, 2013. Mr. Sando seconded the motion, which passed unanimously.

PROPOSED 2014
MEETING DATES

Ms. Vogler asked the Board members to review the proposed 2014 meeting dates. The dates will be voted on at the next meeting.

PSERS EMPLOYEE
RECOGNITION
CEREMONY

Ms. Vogler reported that she attended the PSERS Employee Recognition Ceremony, and urged the other Board members to attend in the future. Mr. Clay gave a brief overview of PSERS' LAMP program.

INVESTMENT AWARD

Mr. Van Noord informed the Board that PSERS received the International Pension Real Estate Investment Award. The award will be displayed in the Board Room.

EXECUTIVE DIRECTOR'S REPORT

INFORMATION
AVAILABLE

Mr. Clay stated that the Legislative Score Card, Heart Act information, Pension Reform proposal information, and Employee Recognition information are available (See Board Book 370, Executive Director TAB).

RECENTLY ATTENDED
EVENTS

Mr. Clay reported that he attended the following events: May 1 – presentation to PSEA-R retirees in the Poconos, May 2 – presentation to the Lancaster/Lebanon School Business Managers, May 6 – spoke at the Association of Public Pension Fund Auditors in Philadelphia, May 14 – presentation at IU#3 in Pittsburgh, May 22 – participated in a PCN call-in program on pension issues, May 30 – PSBA panel discussion in the Philadelphia area.

UPCOMING EVENTS

Mr. Clay stated that he plans to attend the following event: Keystone Teachers Association (KEYTA) in Hershey – June 27

ONGOING ITEMS

Mr. Clay stated that updates will be sent to Board members via e-mail regarding the Chief Investment Officer Search and spoke briefly regarding the upcoming Pension Reform. He informed the Board that PSERS staff continues their charitable giving, most recently taking a collection for deployed troops.

Mr. Clay stated that the next meeting of the Committees and the Board will be August 7 and 8, 2013 with Board Education on August 6, 2013. UNITE HERE will appear at the August 8, 2013 Board meeting and will briefly address the Board.

NEXT MEETING

CHIEF COUNSEL REPORT

Ms. Ferencz stated that her report will be given in Executive Session.

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl presented his Chief Financial Officer's Report (See Board Book 370, CFO Report TAB).

Mr. Clay recognized Mr. Van Noord for his years of service as PSERS' Chief Investment Officer. Mr. Mannino presented Mr. Van Noord with a Senate Resolution. Ms. Taglang presented Mr. Van Noord with a House of Representatives Resolution. Ms. Vogler extended her appreciation to both Mr. and Mrs. Van Noord and congratulated them on their retirement from their respective careers.

CIO RETIREMENT

At 11:28 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 litigation and 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)), litigation matters."

EXECUTIVE SESSION

Mr. Rose moved that the Board enter into Executive Session. Ms. Langan seconded the motion, which passed unanimously. The Executive Session ended at 11:35 A.M. and the meeting immediately returned to Regular Session.

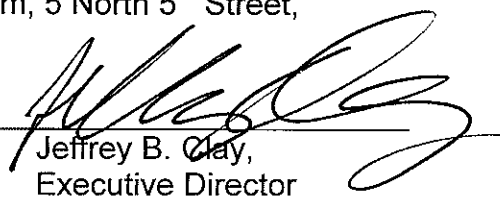
Chairman Vogler adjourned the meeting at 11:35 A.M.

ADJOURNMENT

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on August 8, 2013, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

NEXT MEETING

Date 6/24/13 Approved _____


Jeffrey B. Clay,
Executive Director