

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

Regular Meeting

Minutes

October 4, 2013

11:07 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Ms. Deborah J. Beck
Mr. James R. Biery
Ms. Stacey Connors for Senator Patrick M. Browne
Mr. Charles Zogby (left at 11:50) for Acting Sec. Carolyn Dumaresq
Mr. Anthony Mannino for Senator Lawrence M. Farnese
Mr. Glen S. Galante
Representative Glen R. Grell
Mr. Nathan G. Mains
Ms. Miriam Fox (left at 11:50) for Representative Joseph F. Markosek
Ms. Jennifer Langan for Treasurer Robert McCord
Mr. Richard N. Rose
Mr. James M. Sando
Ambassador Martin J. Silverstein (left at 11:50)
Ms. Sally J. Turley

Staff Members Present

Ms. Barbara Book
Ms. Megan Buller
Mr. Jeffrey B. Clay
Ms. Donna Costanzi
Mr. John deGroot
Ms. Erika Dougherty
Ms. Michele M. Ferencz
Mr. James H. Grossman, Jr.
Mr. Charles K. Serine
Mr. Paul Sleek
Ms. Evelyn M. Tatkovski
Mr. Joseph E. Wasiak, Jr.

Guests Present

Mr. Fred Berestecky
Mr. Ron Conard, PASR
Mr. Stuart Knade
Ms. Susan Lemmo
Mr. Sandy Leopold
Ms. Lisa Taglang

- CALL TO ORDER Ms. Vogler called the meeting to order at 11:07 A.M. in the fourth floor Board Room at PSERS' headquarters.
- WELCOME GUESTS AND NEW EMPLOYEES Ms. Vogler welcomed new Board member, Mr. Mains, Executive Director of the Pennsylvania School Boards Association (PSBA). Mr. Clay welcomed future Board members Mr. Berestecky and Ms. Lemmo; guest, Mr. Weeter, PSEA-R; and new employees, Ms. Buller, Ms. Costanzi, Mr. deGroot, Ms. Dougherty and Mr. Sleek.
- MINUTES APPROVED Ms. Turley moved to approve the minutes of the August 7, 2013 Board meeting. Mr. Galante seconded the motion, which passed unanimously.

PERSONNEL COMMITTEE REPORT

- Mr. Mains reported on the meeting held October 3, 2013.
- MINUTES APPROVED Mr. Mains stated that the Committee approved the minutes of the June 11, July 23, August 28, and September 20, 2013 meetings.
- EXECUTIVE SESSION Mr. Mains stated that an Executive Session was held to continue the Chief Investment Officer Search.

FINANCE COMMITTEE REPORT

- Mr. Rose reported on the meeting held October 3 and 4, 2013.
- MINUTES Mr. Rose stated that the Committee approved the minutes of the August 7, 2013 meeting.
- PRESENTATIONS Mr. Rose stated that Mr. Grossman gave a Market Review and Comments; the Second Quarter Public Markets Performance Report was given by Mr. Smith; Second Quarter Performance was reported by Wilshire; Second Quarter Performance was reported by Aksia; Mr. Spiller gave both the Private Markets First Quarter Report and the Real Estate First Quarter Report; an Executive Session was held regarding the General Consultant RFP and Private Markets and Real Estate Fund Issues; Mr. Spiller reported on the PSERS In-house Program; the PSERS Investment Policy Statement was given by Mr. Grossman; Mr. Heppenstall reported on the SEI Structured Credit Portfolio; Mr. Sheva spoke regarding D.E. Shaw Orienteer Fund L.L.C.; Mr. Smith spoke regarding Lending Club – Tritium Fund, L.P.; Mr. Little spoke regarding Perry Partners, L.P.; Mr. Sheva presented International Infrastructure Finance Company Fund, L.P.; Mr. Spiller spoke regarding Apollo

Investment Fund VIII, L.P.; Mr. Sheva spoke regarding Summit Partners Credit Fund II, L.P.; Ms. Stepp spoke regarding the Sale of Land Parcel at Ft. Lauderdale Galleria; Mr. Kemp presented the General Consultant RFP; and Mr. Grossman presented a Preview of Future Meetings.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby invests an additional amount not to exceed \$100 million, in the Private Markets and Real Estate In-House Co-Investment and Secondary Program, in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated October 3, 2013. Ms. Langan seconded the motion, which passed unanimously.

PSERS IN-HOUSE PROGRAM

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$200 million plus reasonable normal investment expenses, in Apollo Investment Fund VIII, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated October 3, 2013 and Portfolio Advisors LLC, dated September 16, 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. Biery seconded the motion, which passed with 4 NO votes from Ms. Langan on behalf of Treasurer McCord, Mr. Galante, Mr. Mannino on behalf of Senator Farnese, and Mr. Sando.

APOLLO INVESTMENT FUND VIII, L.P.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed changes to Exhibits C and D of the Investment Policy Statement, Objectives, and Guidelines for the Public School Employees' Retirement System pursuant to the recommendation of James H. Grossman, Jr., Acting Chief Investment Officer, dated September 18, 2013. Mr. Mannino seconded the motion, which passed unanimously.

PSERS INVESTMENT POLICY STATEMENT

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed Investment Objectives and Guidelines for Collateralized Loan Obligation Fixed Income Portfolios (Addendum I-2) for the Public School Employees' Retirement System pursuant to the recommendation of Mark Heppenstall, Managing Director of Fixed Income, dated September 18, 2013. Mr. Biery seconded the motion, which passed unanimously.

INVESTMENT OBJECTIVES AND GUIDELINES, ADDENDUM 1-2

SEI INVESTMENT
MANAGEMENT
CORPORATION

Mr. Rose moved that pursuant to the recommendation of Mark Heppenstall, Managing Director of Fixed Income, dated September 18, 2013, that the Public School Employees' Retirement Board (the "Board") hereby (i) retains SEI Investment Management Corporation to manage an initial amount of \$100 million in a separately managed account focused on collateralized loan obligations and (ii) that the Investment Office shall have the discretion to invest additional sums within the limits established in Exhibit D of the Investment Policy Statement, Objectives and Guidelines, as amended from time to time (the current version of which can be found at <http://www.psers.state.pa.us/investment/guide/guide.htm>), provided that any investment of an additional sum by the Investment Office shall be reported to the Board in a timely manner. 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. Biery seconded the motion, which passed unanimously.

D.E. SHAW ORIENTEER
FUND, LLC

Mr. Rose moved that pursuant to the recommendations of Joseph W. Sheva, Portfolio Manager, and Aksia LLC, dated September 19, 2013, that the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of \$200 million in the D.E. Shaw Orienteer Fund, LLC, and (ii) that the Investment Office shall have the discretion to invest additional sums within the target ranges approved by the Board in Exhibit D of the Investment Policy Statement, Objectives and Guidelines, as amended from time to time (the current version of which can be found at <http://www.psers.state.pa.us/investment/guide/guide.htm>), provided that any investment of an additional sum by the Investment Office shall be reported to the Board in a timely manner. 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.

TRITIUM, L.P.

Mr. Rose moved that pursuant to the recommendation of Gerard Smith, Managing Director of Equities, Mark Heppenstall, Managing Director of Fixed Income, and Jeffrey Burton, Senior Investment Analyst, along with Aksia LLC's support of Staff's

recommendation, dated September 19, 2013, that the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of \$200 million in Tritium, L.P., and (ii) that the Investment Office shall have the discretion to invest additional sums within the limits established in Exhibit D of the Investment Policy Statement, Objectives and Guidelines, as amended from time to time (the current version of which can be found at <http://www.psers.state.pa.us/investment/guide/guide.htm>), provided that any investment of an additional sum by the Investment Office shall be reported to the Board in a timely manner. 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 and discussion followed. Ambassador Silverstein moved to table the resolution until a later date. Representative Grell seconded the motion, which passed unanimously.

Mr. Rose moved that pursuant to the recommendations of Robert E. Little, Portfolio Manager, and Aksia, LLC, dated September 19, 2013, the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of \$200 million in Perry Partners, LP, and (ii) that the Investment Office shall have the discretion to invest additional sums within the target ranges approved by the Board in Exhibit D of the Investment Policy Statement, Objectives and Guidelines, as amended from time to time (the current version of which can be found at <http://www.psers.state.pa.us/investment/guide/guide.htm>), provided that any investment of an additional sum by the Investment Office shall be reported to the Board in a timely manner. 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 unanimously.

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 International Infrastructure Finance Company Fund, L.P. in accordance with the recommendations of Joseph W. Sheva, Portfolio Manager, and Portfolio Advisors LLC, dated September 16, 2013. The final terms and conditions of the investment must be

PERRY PARTNERS L.P.

INTERNATIONAL
INFRASTRUCTURE
FINANCE COMPANY
FUND, L.P.

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. Biery seconded the motion, which passed with one recusal from Ms. Langan on behalf of Treasurer McCord and one abstention from Mr. Maninno on behalf of Senator Farnese.

SUMMIT PARTNERS
CREDIT FUND II, L.P.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$200 million plus reasonable normal investment expenses, in Summit Partners Credit Fund II, L.P. in accordance with the recommendations of Joseph W. Sheva, Portfolio Manager, and Portfolio Advisors LLC, dated September 16, 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. Turley seconded the motion, which passed unanimously.

FT. LAUDERDALE
GALLERIA MALL

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board"), in its capacity as the sole shareholder of the Keystone-Florida Property Holding Corp., approves the sale of Parcel A of the Ft. Lauderdale Galleria Mall in accordance with the recommendations of Laurann H. Stepp, Portfolio Manager, Real Estate, dated October 3, 2013. The final terms and conditions of the sale must be satisfactory to the directors of the Keystone-Florida Property Holding Corp. Representative Grell seconded the motion, which passed unanimously.

INVESTMENT
CONSULTING
SERVICES

Mr. Rose that the Public School Employees' Retirement Board (the "Board"), in accordance with the recommendation of the Investment Consulting Services Request for Proposal Evaluation Committee, retains Hewitt EnnisKnupp, Inc. as the Fund's Investment Services 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. Representative Grell seconded the motion, which passed unanimously.

AUDIT/BUDGET COMMITTEE REPORT

Mr. Galante reported on the meeting held October 4, 2013.

Mr. Galante stated that the Committee approved the minutes of the March 14, 2013 meeting.

MINUTES APPROVED

Mr. Galante moved that the Public School Employees' Retirement Board (the "Board") hereby accepts the June 30, 2013 Financial Statements and approves the accompanying Independent Auditor Report prepared for the Public School Employees' Retirement System by SB & Company LLC, for the year ended June 30, 2013. Further that, pursuant to 24 Pa. C.S. §8521(d), the Board ratifies all payments that are reflected in the June 30, 2013 Financial Statements. Mr. Sando seconded the motion, which passed unanimously.

FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITOR'S REPORT

Mr. Galante moved that the Public School Employees' Retirement Board (the "Board") hereby recommends that the Board approve the 2014-15 Administrative Budget, not to exceed \$42,523,000 and the 2014-15 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. Rose seconded the motion, which passed with one No vote from Secretary Zogby on behalf of Acting Secretary Dumaresq and one abstention from Ms. Fox on behalf of Representative Markosek.

2014-15 ADMINISTRATIVE
BUDGET AND DIRECTED
COMMISSIONS
RECAPTURE PROGRAM
BUDGET

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on October 4, 2013.

Ms. Beck stated that the Committee approved the minutes of the August 7, 2013 meeting.

MINUTES APPROVED

Ms. Beck moved to adopt the recommendation of the Appeals/Member Services Committee in the case of Vlacía Z. Campbell to adopt the recommendation of the hearing officer to deny Claimant's request to purchase service credit for the period October 1985 through August 1987. Ms. Turley seconded the motion, which passed unanimously.

ACCOUNT OF
VLACIA Z. CAMPBELL

Ms. Beck moved to adopt the recommendation of the Appeals/Member Services Committee in the case of Karl R. Scheibenhofer to grant PSERS' motion for summary judgment and deny Claimant's request to purchase service he rendered to YSA during the 1999-2000 school year through the 2005-2006 school year. Ms. Langan seconded the motion, which passed unanimously.

ACCOUNT OF KARL R.
SCHEIBENHOFER

ACCOUNT OF
WILLIAM HOFFMAN

Ms. Beck moved to adopt the recommendation of the Appeals/Member Services Committee in the case of William Hoffman to adopt the recommendation of the Hearing Officer with modifications and deny the Claimant's request to purchase service he rendered from Trenton State College. Mr. Sando seconded the motion, which passed unanimously.

ESRC REPORTS

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the June 26 and July 31, 2013 meetings.

BENEFIT PROCESSING

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

NEW BUSINESS

WIRELESS ACCESS

Mr. Spinks informed the Board that wireless access is now available in the Boardroom.

EXECUTIVE DIRECTOR'S REPORT

INFORMATION
AVAILABLE

Mr. Clay stated that the following items are available (See Board Book 372, Executive Director TAB): a copy of Representative Grell's press release on pension reform; a copy of a letter to Senator Teplitz, as well as a copy of the e-mail sent to all staff in regard to the same issue; and a copy of a letter from Marie Torrito concerning the need for Act 9 equity for certain retirees.

UPCOMING EVENTS

Mr. Clay stated that he will be attending the PASR Banquet in Lancaster on October 8th; making a presentation at the PSBA Conference on October 16th; and making a presentation to a PASR chapter in Tioga County on October 17th.

OTHER ITEMS

Mr. Clay commended PSERS staff member, John Tucker, for his excellent handling of a situation between a PSERS member and the Social Security System. Mr. Clay also stated that he has been contacted regarding requests for pension forfeiture in an ongoing case in Coatesville, Pa. He stated, for the record, that the System has no power for take any action in the case since the parties involved have not been charged with any crime. Mr. Clay also reported that the Actuarial Valuation and the HOP Option Selection Period are in process.

SECURE WEBSITE

Mr. Clay informed the Board members that they have been assigned new passwords for the secure website.

Mr. Clay stated that Ethics Policy Acknowledgements have been distributed to the members and their designees, and should be signed and returned as soon as possible.

ETHICS POLICY
ACKNOWLEDGEMENTS

Mr. Clay informed the Board that the budget and the annual audit have been completed, and extended his gratitude to Mr. Carl and Mr. Halke and their staff. He stated that the Statements of Account are progressing as expected. The CAFR is being prepared and will be ready for the December Board meeting.

ONGOING ITEMS

Mr. Clay stated that the next meeting of the Committees and the Board will be December 9 and 10, 2013 and will include the Actuarial Valuation and the announcement of the election results for the Board's annuitant seat.

NEXT MEETING

CHIEF COUNSEL REPORT

Ms. Ferencz stated that the Chief Counsel Report would be presented in Executive Session due to litigation matters.

At 11:50 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 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

Ms. Langan moved that the Board enter into Executive Session. Mr. Rose seconded the motion, which passed unanimously. The Executive Session ended at 11:56 A.M. and the meeting immediately returned to Regular Session.

Chairman Vogler adjourned the meeting at 11:56 A.M.

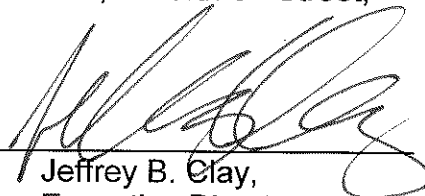
ADJOURNMENT

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on December 10, 2013, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

NEXT MEETING

Date 11/6/13

Approved


Jeffrey B. Clay,
Executive Director