

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

**Regular Meeting**

**Minutes**

**December 10, 2013**

**8:58 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. Glen S. Galante  
Ms. Lisa Taglang for Representative Glen R. Grell  
Mr. Nathan G. Mains  
Mr. Bernard Gallagher for Representative Joseph F. Markosek  
Mr. Christopher Craig for Treasurer Robert McCord  
Mr. Richard N. Rose  
Mr. James M. Sando  
Ambassador Martin J. Silverstein (telephonically)  
Ms. Sally J. Turley

**Board Members Absent**

Acting Sec. Carolyn Dumaresq  
Senator Lawrence M. Farnese

**Staff Members Present**

Ms. Barbara Book  
Mr. Brian S. Carl  
Mr. Jeffrey B. Clay  
Ms. Michele M. Ferencz  
Mr. James H. Grossman, Jr.  
Mr. Donald J. Halke, Jr.  
Ms. Allison Kester  
Ms. Terrill J. Sanchez  
Mr. Charles K. Serine  
Ms. Evelyn M. Tatkovski  
Mr. Joseph E. Wasiak, Jr.

**Guests Present**

Mr. Fred Berestecky  
Mr. Larry Breech  
Mr. David Driscoll, Buck Consultants  
Ms. Miriam Fox  
Ms. Susan Lemmo  
Mr. Sandy Leopold  
Mr. Salvador Nakar, Buck Consultants  
Mr. Ed Quinn, Buck Consultants  
Mr. Tom Weeter  
Ms. Gretchen Wisehart, OGC

- CALL TO ORDER Ms. Vogler called the meeting to order at 8:58 A.M. in the fourth floor Board Room at PSERS' headquarters.
- WELCOME GUEST AND NEW EMPLOYEE Mr. Clay welcomed guest, Mr. Weeter, PSEA-R; and new employee, Ms. Kester.
- MINUTES APPROVED Ms. Turley moved to approve the minutes of the October 4, 2013 Board meeting. Mr. Biery seconded the motion, which passed unanimously.

#### FINANCE COMMITTEE REPORT

Mr. Rose reported on the meeting held December 9, 2013.

- MINUTES Mr. Rose stated that the Committee approved the minutes of the October 3 and 4, 2013 meetings.

- PRESENTATIONS Mr. Rose stated that Mr. Grossman gave a Market Review and Comments; Mr. Smith gave the Japan Equity Review; Mr. Foreman presented Odyssey Investment Partners Fund V, L.P.; Mr. Tyler presented CVC Capital Partners Asia; Ms. Stepp presented DRA Growth and Income Fund VIII, LC and Exeter Industrial Value Fund III, L.P.; Mr. Stalter presented Blackstone Real Estate Partners Europe IV, L.P.; Lending Club – Tritium, L.P. was presented by Mr. Smith, Mr. Heppenstall and Mr. Burton; Mr. Sheva presented TPG Opportunities Partners III, L.P.; Mr. Smith presented the 3<sup>rd</sup> Quarter Public Markets Performance; Aksia gave a 3<sup>rd</sup> Quarter Performance Report; an HEK Presentation was given; and Mr. Grossman presented a Preview of Future Meetings.

- ODYSSEY INVESTMENT PARTNERS FUND V, L.P. Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in Odyssey Investment Partners Fund V, L.P., in accordance with the recommendation of Darren C. Foreman, Senior Portfolio Manager, Private Markets, dated December 9, 2013 and Portfolio Advisors LLC, dated November 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. Mr. Sando 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 \$100 million plus reasonable normal investment expenses, in CVC Capital Partners Asia Pacific Fund IV, L.P., in accordance with the recommendation of Michael J. Tyler, Senior Investment Analyst, Private Markets, dated December 9, 2013 and Portfolio Advisors LLC, dated November 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. Mr. Gallagher seconded the motion, which passed unanimously.

CVC CAPITAL PARTNERS  
ASIA PACIFIC IV, L.P.

Mr. Rose that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in DRA Growth & Income Fund VIII, L.L.C., in accordance with the recommendation of Laurann H. Stepp, Portfolio Manager, Real Estate, dated December 9, 2013 and Courtland Partners Ltd., dated November 14, 2013. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the 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 both the discussion and the vote, from Ambassador Silverstein.

DRA GROWTH AND  
INCOME FUND VIII, LC

Mr. Rose 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 Exeter Industrial Value Fund III, L.P., in accordance with the recommendation of Laurann H. Stepp, Portfolio Manager, Real Estate, dated December 9, 2013 and Courtland Partners Ltd., dated November 18, 2013. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the 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. Mains seconded the motion, which passed unanimously.

EXETER INDUSTRIAL  
VALUE FUND III, L.P.

Mr. Rose moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million in Blackstone Real Estate Partners Europe IV, LP, in accordance with the recommendation of William P. Stalter,

BLACKSTONE REAL  
ESTATE PARTNERS  
EUROPE IV, L.P.

Portfolio Manager, Real Estate, dated December 9, 2013 and Courtland Partners Ltd., dated November 14, 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.

TPG OPPORTUNITIES  
PARTNERS III, L.P.

Mr. Rose moved that that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$150 million plus reasonable normal investment expenses, in TPG Opportunities Partners III (A), L.P. in accordance with the recommendations of Joseph W. Sheva, Portfolio Manager, and Portfolio Advisors LLC, dated November 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. Mr. Galante seconded the motion, which passed unanimously.

#### APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on December 9, 2013.

MINUTES APPROVED

Ms. Beck stated that the Committee approved the minutes of the October 4, 2013 meeting.

ACCOUNT OF  
PATRICIA C. WALTERS

Ms. Beck moved to adopt the recommendation of the Appeals/Member Services Committee in the case of *Patricia C. Walters* to deny Claimant's exceptions and adopt the Hearing Officer's Proposed Opinion and Recommendation to deny Claimant's request to change her effective date or retirement to September 23, 2009. Ms. Turley seconded the motion, which passed unanimously.

ACCOUNT OF  
LUKE A. LUBICH

Ms. Beck moved to adopt the recommendation of the Appeals/Member Services Committee in the case of *Luke A. Lubich* to grant PSERS' Motion for Summary Judgment, deny Claimant's Appeal and Request for Administrative Hearing, and deny Claimant's request to elect Class T-F membership after the statutory deadline. Mr. Rose seconded the motion, which passed unanimously.

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the August 29, 2013 meeting.

ESRC REPORTS

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

BENEFIT PROCESSING

#### HEALTH CARE COMMITTEE REPORT

Ms. Turley reported on the meeting held December 9, 2013.

Ms. Turley stated that the Committee approved the minutes of the August 6, 2013 meeting.

MINUTES APPROVED

Ms. Turley stated that Mr. Schafer presented the 2014 HOP Budget, the HOP Eligibility and Enrollment Policy, and the Impact of Affordable Care Act on PSERS Pre-65 Plans.

PRESENTATIONS

Ms. Turley moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed Health Options Program Budget and two supplemental budgets for the sponsor's Administrative and Medicare Prescription Drug Program (PDP) for the Plan Year 2014 in the aggregate amount of \$295,365,000 as presented by Mark F. Schafer. Mr. Galante seconded the motion, which passed unanimously.

2014 HOP BUDGET

Ms. Turley moved that the Public School Employees' Retirement Board (the "Board") hereby adopts, effective January 1, 2014, the PSERS Health Options Program Eligibility and Enrollment Policy as recommended by Mr. Mark Schafer, Director, Health Insurance Office and The Segal Company in its analysis dated May 20, 2013. Ms. Taglang seconded the motion, which passed unanimously.

HOP ELIGIBILITY AND ENROLLMENT POLICY

#### PERSONNEL COMMITTEE REPORT

Mr. Mains reported on the meeting held December 10, 2013.

Mr. Mains stated that the Committee approved the minutes of the October 3, 2013 meeting.

MINUTES APPROVED

Mr. Mains stated that an Executive Session was held to continue the Chief Investment Officer Search.

EXECUTIVE SESSION

OLD BUSINESS

NOTATIONAL BALLOT      Mr. Clay reported on the results of the Notational Ballot for Apollo Investment Fund VIII, L.P. The motion passed with 10 YES votes and 3 NO votes.

NEW BUSINESS

ANNUITANT SEAT ELECTION RESULT      Mr. Gallagher, Chairman of the Elections Committee, reported that Melva Vogler won the Annuitant Seat Election with 41.29% of the vote. Her term will commence on January 1, 2014 and she will serve until December 31, 2016. Mr. Clay, Secretary of the Board, certified these results.

INTERIM VICE CHAIRMAN      Ms. Vogler recommended that an interim Vice Chairman be appointed as of the end of the current year due to the retirement of current Vice Chairman Sally Turley. Ms. Turley moved that Mr. Sando be appointed interim Vice-Chair. Mr. Galante seconded the motion, which passed unanimously. Mr. Sando will serve as interim Vice Chairman until the Chairman/Vice Chairman elections at the January Board meeting.

ACTUARIAL VALUATION      Mr. Carl introduced Mr. Driscoll, Mr. Nakar, and Mr. Quinn, of Buck Consultants, who presented the 2013 Actuarial Valuation. Mr. Carl then presented A Comparison of Key Projections – 2010 Valuation through 2013 Valuation.

JUNE 30, 2013 ACTUARIAL VALUATION      Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby accepts the June 30, 2013 actuarial valuation report prepared by Buck Consultants, and adopts the actuarial factors, assumptions and methodologies contained therein, which result in an employer contribution rate of 21.40% for Fiscal Year July 1, 2014 through June 30, 2015. Mr. Galante seconded the motion, which passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

INFORMATION AVAILABLE      Mr. Clay stated that the following items are available (See Board Book 373, Executive Director TAB): a list of the 2014 Committee and Board Meeting Dates; Wall Street Companies Buy-Out Proposal; Philadelphia Inquirer article regarding SERS Chief Investment Officer issue.

EVENTS ATTENDED      Mr. Clay stated that he attended the PSBA Conference on October 16<sup>th</sup>; and made a presentation to a PASR chapter in Tioga County on October 17<sup>th</sup>.

Mr. Clay stated that he plans to attend the House and Senate Budget Hearings on February 18<sup>th</sup>.

UPCOMING EVENTS

Mr. Clay commented on recent Right To Know requests.

OTHER ITEMS

Mr. Clay informed the Board that the mailing of the Statements of Account is going as expected; the Option Selection Period has been completed; the Actuarial Valuation has been completed; the budget has been submitted; the audit has been completed and the CAFR is prepared and ready for distribution.

ONGOING ITEMS

Mr. Clay noted that staff collected gifts to give to children and elderly for the holiday.

CHARITABLE DONATION

Mr. Clay stated that the next meeting of the Committees and the Board will be January 23 and 24, with both a Board Orientation and a Board Education session being held on January 22. The Board meeting will include the annual State of the Fund Report.

NEXT MEETING

Ms. Taglang extended her appreciation to PSERS staff for their willingness to provide information and assistance as needed.

THANK YOU

#### CHIEF COUNSEL REPORT

Ms. Ferencz reported on the Host Marriott case and the Bank of America matter.

#### CHIEF FINANCIAL OFFICER REPORT

Mr. Carl gave a presentation including an Overview of PSERS' FY 2013 Comprehensive Annual Financial Report (CAFR); September 30, 2013 Financial Statements; GASB 67; Other Financial Management Activities.

#### VISITOR COMMENTS

Mr. Weeter, on behalf of PSEA-R, thanked the outgoing Board members for their service and offered his congratulations to Ms. Vogler on her election.

#### BOARD MEMBER COMMENTS

Ms. Vogler noted her appreciation for the Board Recognition Dinner held the previous evening. She asked that the Minutes reflect that Ms. Turley, Mr. Galante and Mr. Rose were honored with PA House and Senate Resolutions for their service to the Board.

Mr. Clay thanked the outgoing members for their service and welcomed them back to visit.

Mr. Galante thanked Mr. Clay and his staff for their exemplary service, and fellow-Board members for their dedication.

Ms. Turley thanked the Board members for their assistance over the years.

Mr. Rose thanked the Board and staff, especially the Investment staff.

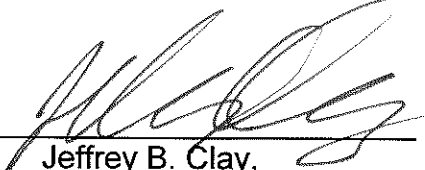
ADJOURNMENT

Chairman Vogler adjourned the meeting at 10:37 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 January 24, 2014, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

Date 12/24/13 Approved \_\_\_\_\_

  
Jeffrey B. Clay,  
Executive Director