

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

Regular Meeting

Minutes

January 23, 2014

2:48 P.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Ms. Deborah J. Beck (telephonically)
Mr. Frederick T. Berestecky
Mr. James R. Biery
Mr. Larry Breech
Ms. Stacey Connors for Senator Patrick M. Browne
Mr. Anthony Mannino for Senator Lawrence M. Farnese
Ms. Lisa Taglang for Representative Glen R. Grell
Ms. Susan C. Lemmo
Mr. Nathan G. Mains
Mr. Bernard Gallagher for Representative Joseph F. Markosek
Mr. Christopher Craig for Treasurer Robert M. McCord
Mr. James M. Sando
Ambassador Martin J. Silverstein

Board Members Absent

Acting Secretary Carolyn C. Dumaresq

Staff Members Present

Mr. Fred Alcaro
Ms. Barbara Book
Mr. Brian S. Carl
Mr. Jeffrey B. Clay
Ms. Michele M. Ferencz
Mr. James H. Grossman, Jr.
Mr. John Keck
Mr. Richard Michlovitz
Ms. Jennifer Mills
Ms. Terrill J. Sanchez
Mr. Charles K. Serine
Mr. Steven Skoff
Ms. Evelyn M. Tatkovski
Mr. Joseph E. Wasiak, Jr.

Guests Present

Mr. Jonathan Hogstad, SEIU
Mr. Sandy Leopold
Mr. Thomas Svirsko, PASR
Mr. Tom Weeter, PSEA-R
Ms. Gretchen Wisehart, OGC

- CALL TO ORDER Mr. Clay called the meeting to order at 2:48 P.M. in the fourth floor Board Room at PSERS' headquarters.
- ELECTION OF BOARD CHAIRMAN Mr. Clay called for nominations for Chairman of the Board of the Public School Employees' Retirement Board for the year 2014. Ms. Taglang moved to elect Ms. Vogler as Chairman. Mr. Gallagher seconded the motion. No additional nominations were made. The motion passed unanimously.
- ELECTION OF BOARD VICE-CHAIRMAN Mr. Clay called for nominations for Vice-Chairman of the Board of the Public School Employees' Retirement Board for the year 2014. Ms. Vogler moved to elect Mr. Sando as Vice-Chairman. Mr. Berestecky seconded the motion. No additional nominations were made. The motion passed unanimously.
- Mr. Clay turned the meeting over to Chairman Vogler.
- WELCOME GUEST AND NEW EMPLOYEE Mr. Clay welcomed guests, Mr. Hogstad, SEIU; Mr. Weeter, PSEAR; Mr. Svirsko, PASR; and new employee, Mr. Keck.
- MINUTES APPROVED Mr. Sando moved to approve the minutes of the December 9, 2013 Board meeting. Mr. Biery seconded the motion, which passed unanimously.

FINANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held January 23, 2013.

MINUTES Mr. Sando stated that the Committee approved the minutes of the December 9, 2013 meetings.

PRESENTATIONS Mr. Sando stated that Mr. Grossman gave a Market Review and Comments; an Update on the Risk Project was given by Mr. Spiller, Mr. Heppenstall and Mr. Smith; Mr. Kemp presented Operational Risk to Investments and an Overview of Fiscal Year 2013 Investment Expenses; HEK presented an Asset/Liability Study Introduction; Mr. Spiller presented both the Private Markets Second Quarter Report and the Real Estate Second Quarter Report; an Executive Session was held regarding Private Markets and Real Estate Fund Issues and Securities Lending and Custody; Mr. Kemp presented Securities Lending and Custody; Mr. Sheva presented Investment Policy Statement, Objectives and Guidelines; Mr. Little presented Anderson Global Macro Fund, Ltd.; Mr. Jacobs presented Palladium Equity Partners IV, L.P.; Ms. Stepp presented Bell Institutional Fund V, LLC; and Mr. Grossman presented a Preview of Future Meetings.

Mr. Sando moved that pursuant to the recommendation of John B. Kemp, Managing Director, Investment Operations, the Public School Employees' Retirement Board (the "Board") hereby authorizes PSERS' staff to enter into a settlement agreement with the Bank of New York Mellon consistent with the material terms and conditions outlined in executive session at the Finance Committee's meeting on January 23, 2014. The final terms and conditions of the settlement 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 agreement or by a memo to that effect appended to the agreement. Mr. Beresteky seconded the motion, which passed unanimously.

BANK OF NEW YORK
MELLON AGREEMENT

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the Investment Policy Statement, Objectives, and Guidelines for the Public School Employees' Retirement System, as revised, pursuant to the recommendation of Joseph W. Sheva, Portfolio Manager, dated January 9, 2014. Mr. Mains seconded the motion, which passed unanimously.

INVESTMENT
OBJECTIVES AND
GUIDELINES

Mr. Sando moved that pursuant to the recommendations of Robert E. Little, Portfolio Manager, and Aksia, LLC, dated January 3, 2014, the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of \$150 million in the Anderson Global Macro Fund, Ltd., 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, or by a memo to that effect appended to, the implementing investment contract. Mr. Biery seconded the motion, which passed with three NO votes from Mr. Breech, Mr. Craig on behalf of Treasurer McCord and Ms. Lemmo.

ANDERSON GLOBAL
MACRO FUND, LTD.

Mr. Sando 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 Palladium Equity Partners IV, L.P., in accordance with the recommendation of

PALLADIUM EQUITY
PARTNERS IV, L.P.

Luke M. Jacobs, Senior Investment Analyst, Private Markets, dated January 23, 2014 and Portfolio Advisors, LLC., dated January 2, 2014. 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, or by a memo to that effect appended to, the implementing investment contract. Mr. Gallagher seconded the motion, which passed with one recusal, from both the discussion and the vote, from Ambassador Silverstein.

**BELL INSTITUTIONAL
FUND V, LLC**

Mr. Sando 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 Bell Institutional Fund V, LLC, in accordance with the recommendation of Laurann H. Stepp, Portfolio Manager, Real Estate, dated January 23, 2014 and Courtland Partners Ltd., dated January 2, 2014. 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, or by a memo to that effect appended to, the implementing investment contract. Mr. Mannino seconded the motion, which passed unanimously.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Vogler reported on the meeting held on January 23, 2014.

MINUTES APPROVED

Ms. Vogler stated that the Committee approved the minutes of the December 9, 2013 meeting.

ESRC REPORTS

Ms. Vogler stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Report from the September 26, 2013 meeting.

BENEFIT PROCESSING

Ms. Vogler stated that Ms. Sanchez presented a brief overview of the Benefit and Member Services Statistics.

NEW BUSINESS

**ANNUAL POLICY
REVIEW**

Mr. Clay stated that all policies have been reviewed and certified true by the responsible parties.

**COMMITTEE
ASSIGNMENTS**

Ms. Vogler informed the Board that the Committee Member assignments have been made for 2014.

EXECUTIVE DIRECTOR'S REPORT

Mr. Clay stated that the State of the Fund will be presented at a future meeting.

STATE OF THE FUND

Mr. Clay stated that he will attend the House and Senate Budget Hearings on February 18th.

UPCOMING EVENTS

CHIEF COUNSEL REPORT

Ms. Ferencz informed the Board that the Office of Chief Counsel Annual Report is included in the red file folder.

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl stated that his report is in the red file folder. He informed the Board that the 1099's are on schedule and the Actuarial Valuation has been published to the website.

At 3:02 P.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)), litigation matters."

EXECUTIVE SESSION

Mr. Sando moved that the Board enter into Executive Session. Mr. Breech seconded the motion, which passed unanimously. The Executive Session ended at 3:30 P.M. and the meeting immediately returned to Regular Session.

Chairman Vogler adjourned the meeting at 3:30 P.M.

ADJOURNMENT

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on March 14, 2014, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

NEXT MEETING

Date 2/19/14 Approved _____


Jeffrey B. Clay,
Executive Director