

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

**Regular Meeting**

**Minutes**

**October 6, 2015**

**11:19 A.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman

Ms. Deborah J. Beck

Mr. Frederick T. Berestecky

Mr. James R. Biery

Ms. Lisa Taglang for Representative Stephen Bloom

Mr. Larry B. Breech

Ms. Stacey Connors for Senator Patrick M. Browne

Mr. John Callahan for Mr. Nathan G. Mains

Mr. Bernard Gallagher for Representative Joseph F. Markosek

Mr. John Lisko for Treasurer Timothy A. Reese

Ms. Lori Graham for Secretary Pedro A. Rivera

**Board Members Absent**

Ms. Susan C. Lemmo

Mr. James M. Sando

Ambassador Martin J. Silverstein

**Board Members Present Telephonically**

Ms. Sally Keaveney for Senator Lawrence M. Farnese

**Others Present**

Mr. Sandy Leopold

Mr. Tom Weeter, PSEA-R

Staff Members Present

Mr. Frederick Alcaro	Ms. Jessica Obrock
Ms. Barbara Book	Ms. Terrill J. Sanchez
Mr. Brian S. Carl	Ms. Letitia Schubauer
Mr. James Del Gaudio	Mr. Charles K. Serine
Mr. Thomas Dubelle	Mr. Todd Shaffer
Ms. Lenann Engler	Mr. Steven Skoff
Ms. Michele M. Ferencz	Ms. Kathrin Smith
Mr. Glen R. Grell	Ms. Christine Steever
Mr. James H. Grossman, Jr.	Mr. Michael Tyler
Ms. Lori Koch	Mr. Joseph E. Wasiak, Jr.
Mr. Richard Michlovitz	Ms. Evelyn M. Williams
Ms. Jennifer Mills	

CALL TO ORDER

Chairman Vogler called the meeting to order at 11:19 A.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME GUESTS  
AND NEW EMPLOYEES

Mr. Grell welcomed new employees, Mr. Dubelle, Ms. Koch, Ms. Obrock and Mr. Shaffer; and guest, Mr. Weeter.

MINUTES APPROVED

Mr. Lisko moved to approve the minutes of the August 6, 2015 Board meeting. Ms. Connors seconded the motion, which passed unanimously.

OLD BUSINESS

EXECUTIVE SESSION

At 11:21 A.M., Mr. Grell 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 the Proxy Voting RFP. The Committee 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 agency business which, if conducted in public would violate a privilege or lead to the disclosure of information or confidentiality protected by law."

Mr. Biery moved that the Committee enter into Executive Session. Mr. Lisko seconded the motion, which passed unanimously.

The Executive Session ended at 11:43 A.M. and the meeting immediately returned to Regular Session.

Mr. Breech moved that the Public School Employees' Retirement Board retains Glass Lewis & Co., as Proxy Research and Voting Consultant for a contract term not to exceed five years. The final

terms and conditions of the purchase order 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. Ms. Taglang seconded the motion which passed with one NO vote, being Mr. Biery.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck, reported on the meeting held on October 5, 2015.

Ms. Beck stated that the Committee approved the minutes of the August 5, 2015 meeting.

MINUTES APPROVED

Ms. Beck moved in the case of Joseph C. Abraham, that the Board adopt the draft Opinion and Order of Board granting PSERS' Motion for Summary Judgment and dismiss the Claimant's appeal to reinstate his pension following forfeiture under the Forfeiture Act. Should the Claimant receive a pardon, he may resubmit his request to the Board for reinstatement of his pension. Mr. Lisko seconded the motion, which passed unanimously.

ACCOUNT OF  
JOSEPH C. ABRAHAM

Ms. Beck moved in the case of Kathleen J. Casner, that the Board adopt the draft Opinion and recommendation of the Hearing Examiner, denying the claimant's request to rescind the Member's retirement and the nomination of beneficiaries contained in the application. Mr. Callahan seconded the motion, which passed unanimously.

ACCOUNT OF  
KATHLEEN J. CASNER

Ms. Beck moved in the case of Sandra N. Lapcevic, that the Board adopt the Hearing Examiner's opinion and recommendation as its own in finding that a confidential relationship did not exist during the relevant time period; finds that the Interveners' failed to timely file exceptions thereby waiving of all objections to the Proposed Opinion and Recommendation; and denies Interveners' request to incorporate the entire record that was before the Commonwealth Court because the documents relied upon by Interveners are not part of the evidentiary record in this matter, and, therefore, cannot be relied upon in making a find of fact. Mr. Berestecky seconded the motion, which passed unanimously.

ACCOUNT OF  
SANDRA N. LAPCEVIC

Ms. Beck moved in the case of Bernard J. Ridgeley, that the Board adopt the Hearing Examiner's recommendation, with the two technical modifications that are set forth in the attached draft Board Order, and deny Claimant's request to purchase service credit

ACCOUNT OF  
BERNARD J. RIDGELEY

while in a work-study position at Clarion State College. Mr. Breech seconded the motion, which passed unanimously.

ACCOUNT OF  
CATHY E. ROBERTSON

Ms. Beck moved in the case of Cathy E. Robertson, that the Board adopt the draft Opinion and Order, and the recommendation of the Hearing Examiner on the break in service issue, denying the claimant's request to approve her employment as an Independent Contractor following her retirement. Mr. Breech seconded the motion, which passed unanimously.

ACCOUNT OF  
MARY JANE  
SCHNEIDER

Ms. Beck moved in the case of Mary Jane Schneider, that the Board adopt the draft Opinion and Order to reflect the appropriate factual considerations and analysis and deny Claimant's request to purchase two years of out-of-state service in Ohio. Mr. Biery seconded the motion, which passed unanimously.

ESRC REPORT

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the July 14 and August 24, 2015 meetings.

FINANCE COMMITTEE REPORT

Ms. Vogler, in Mr. Sando's absence, reported on the meeting held October 5, 2015.

MINUTES APPROVED

Ms. Vogler stated that the Committee approved the minutes of the August 5, 2015 meeting.

PRESENTATIONS

Ms. Vogler stated that: Mr. Grossman presented his Market Review and Comments; Mr. Stalter and representatives of Courtland Partners gave an Introduction to Infrastructure; the following action items were presented: Investment Policy Statement, OWS Credit Opportunity Offshore Fund III, Ltd., Searchlight Capital Partners II, L.P., PSERS TAO Partners Parallel Fund, L.P., Avenue Europe Special Situations Fund III, L.P., Catterton Growth Partners III, L.P.; information items included Second Quarter Performance Reports from both HEK and Aksia; an Executive Session was held regarding Private Markets and Real Estate Fund Issues; and Mr. Grossman also presented his Preview of Future Meetings.

INVESTMENT  
OBJECTIVES AND  
GUIDELINES

Mr. Biery moved that the Public School Employees' Retirement Board (the "Board") hereby discontinues the use of Addenda T, T1, T2 and B1 and adopts changes to Addendum E of the Investment Objectives and Guidelines and Exhibits B (10-Year Target Allocation), C (Current Target Allocation) and D (Policy Index) of

the Investment Policy Statement, Objectives, and Guidelines, as amended, for the Public School Employees' Retirement System, pursuant to the recommendation of Joseph W. Sheva, dated September 22, 2015. Mr. Gallagher seconded the motion, which passed unanimously.

OWS CREDIT  
OPPORTUNITY  
OFFSHORE FUND III, LTD

Mr. Sando moved that pursuant to the recommendations of Robert E. Little, Portfolio Manager, dated September 22, 2015, and Aksia, LLC, dated September 15, 2015, the Public School Employees' Retirement Board (the "Board") hereby (i) invests \$200 million in the OWS Credit Opportunity investment strategy, within which One William Street Capital Management, LP will create the OWS Credit Opportunity Offshore Fund III, 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 E 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. Lisko seconded the motion, which passed unanimously.

SEARCHLIGHT CAPITAL  
II, L.P.

Mr. Lisko 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 Searchlight Capital II, L.P., in accordance with the recommendation of James F. Del Gaudio, Senior Investment Professional, dated September 22, 2015 and Portfolio Advisors LLC, dated September 14, 2015. 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 unanimously.

PSERS TAO  
PARTNERS PARALLEL  
FUND, L.P.

Mr. Gallagher moved that pursuant to the recommendations of James F. Del Gaudio, Senior Investment Professional, dated September 22, 2015, and Portfolio Advisors LLC, dated September 14, 2015, the Public School Employees' Retirement Board (the "Board") hereby (i) invests an additional amount of up to \$250 million, plus reasonable normal investment expenses, in PSERS TAO Partners Parallel Fund, L.P., 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. Berestecky seconded the motion, which passed unanimously.

AVENUE EUROPE  
SPECIAL SITUATIONS  
FUND III (U.S.), L.P.

Mr. Callahan 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 Avenue Europe Special Situations Fund III (U.S.), L.P., in accordance with the recommendation of James F. Del Gaudio, Senior Investment Professional, dated September 21, 2015 and Portfolio Advisors LLC, dated September 11, 2015. 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. Lisko seconded the motion, which passed unanimously.

CATTERTON GROWTH  
PARTNERS III, L.P.

Mr. Biery 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 Catterton Growth Partners III L.P., in accordance with the recommendation of Darren C. Foreman, Senior Portfolio Manager, Private Markets, dated October 5, 2015 and Portfolio Advisors LLC, dated September 14, 2015. 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. Breech seconded the motion, which passed unanimously.

## BYLAWS/POLICY COMMITTEE REPORT

Mr. Gallagher reported on the meeting held on October 5, 2015.

Mr. Gallagher stated that the Committee approved the minutes of the August 6, 2015 meeting.

MINUTES APPROVED

Mr. Gallagher stated that Mr. Wasiak led a discussion regarding Committee and Board meeting structure.

MEETING RESTRUCTURE

## PERSONNEL COMMITTEE REPORT

Mr. Callahan reported on the meeting held on October 6, 2015.

Mr. Callahan stated that the Committee approved the minutes of the April 30, 2015 meeting.

MINUTES APPROVED

Mr. Callahan stated that an Executive Session was held regarding the Policy Manual for Investment Professional Staff. No action was taken.

POLICY MANUAL FOR  
INVESTMENT  
PROFESSIONAL STAFF

## AUDIT/BUDGET COMMITTEE REPORT

Mr. Berestecky reported on the meeting held on October 6, 2015.

Mr. Berestecky stated that the Committee approved the minutes of the March 12, 2015 meeting.

MINUTES APPROVED

Mr. Berestecky stated that Mr. Fiscus presented the 2016-17 Administrative and Directed Commissions Budget Request.

BUDGET

Mr. Berestecky moved that the Public School Employees' Retirement Board (the "Board") hereby approves the 2016-17 Administrative Budget, not to exceed \$45,115,000 and the 2016-17 Directed Commissions Recapture Program Budget, \$2,000,000, for the Public School Employees' Retirement System. Ms. Beck seconded the motion, which passed unanimously.

Mr. Berestecky stated that Mr. Carl gave his Chief Financial Officer's Report, including an overview of the June 30, 2015 Financial Statements.

CFO REPORT

Mr. Berestecky stated that the Audit Review Report was given by SB & Company.

AUDIT

Mr. Berestecky moved that Public School Employees' Retirement Board (the "Board") hereby accepts the June 30, 2015 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, 2015. Further, that the Board ratifies all payments that are reflected in the June 30, 2015 Financial Statements. Ms. Beck seconded the motion, which passed unanimously.

#### EXECUTIVE DIRECTOR'S REPORT

#### EVENTS ATTENDED

Mr. Grell reported that he made a presentation at the Leadership Development Institute event on September 24; and gave a presentation to the Montgomery County Intermediate Unit on October 1.

#### UPCOMING EVENTS

Mr. Grell stated that he will be attending the NCTR Conference October 9-15, speaking to the Westmoreland County PASR on October 20, attending the BOCC training conference in Mechanicsburg on October 21, making a presentation to Educational Leadership Grad students at Shippensburg University on October 21, and making a presentation to the PA Association of Intermediate Units in State College on November 6.

#### OTHER INFORMATION

Mr. Grell made note of current budgetary issues, including the hiring freeze and travel restrictions; gave a status update on Technology/Security Issues; recognized employee accomplishments and retirements; and updated the Board on legislative activity.

#### CHIEF COUNSEL REPORT

Ms. Ferencz updated the Board on the continuing Pension Reform effort, and an upcoming Office of Chief Counsel Request For Proposal for standing counsel.

#### NEW BUSINESS

#### SIGNATURE AUTHORITY

Ms. Ferencz proposed an update to the Signing of Contracts, Instruments and Other Documents resolution.

Mr. Lisko 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;



Managing Director of Investment Operations and Risk; 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.

Further, that (i) in the case of investment contracts, the Chief Investment Officer, Deputy Chief Investment Officer, Managing Director of Investment Operations and Risk, 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 and Budget must be one of the two signatories, except in exigent circumstances when none of the designated individuals is available.

Further, that the members of System staff shall be authorized to execute and deliver forms and other non-contractual documents relating to either investment or benefit matters in the course of their assigned ministerial duties (e.g., tax forms, confirmations of the System's tax exempt status, verifications of account information, workers' compensation and unemployment compensation forms, and other documents that do not require the exercise of discretion or judgment on the part of the staff member who executes the document).

Mr. Berestecky seconded the motion which passed unanimously

Mr. Weeter extended his appreciation to the Board and staff for their hard work.

VISITOR COMMENTS

Mr. Breech made a request for a COLA on behalf of PSERS' members.

BOARD MEMBER  
COMMENTS

At 12:31 P.M., Mr. Grell 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

EXECUTIVE SESSION

today's agenda, namely Litigation Matters. The Committee 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 pending or expected litigation."

Mr. Biery moved that the Committee enter into Executive Session. Ms. Beck seconded the motion, which passed unanimously.

The Executive Session ended at 12:42 P.M. and the meeting immediately returned to Regular Session.

ADJOURNMENT

Chairman Vogler adjourned the meeting at 12:43 P.M.

NEXT MEETING

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on December 8, 2015, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

10/16/2015  
Date

  
Glen R. Grell  
Executive Director