

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

**Regular Meeting**

**Minutes**

**March 9, 2018**

**10:39 A.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Ms. Deborah J. Beck (telephonically)  
Mr. Luc Miron for Senator John P. Blake  
Ms. Lisa Taglang (telephonically) for  
Representative Stephen Bloom  
Ms. Stacey Connors for Senator Patrick M. Browne  
Mr. Jason M. Davis  
Mr. Eric O. DiTullio  
Ms. Susan C. Lemmo  
Representative Joseph F. Markosek (out at 2:05 P.M.)  
Mr. Bernard Gallagher for  
Representative Joseph F. Markosek  
Ms. Lori Graham for Secretary Pedro A. Rivera  
Mr. Christopher SantaMaria (telephonically)  
Ambassador Martin J. Silverstein (telephonically)  
Treasurer Joseph M. Torsella (left at 12:15 P.M.)  
Mr. Thomas Clancy for Treasurer Joseph M. Torsella  
(arrived at 12:15 P.M.)  
Mr. Leo Pandeladis for Secretary Robin L. Wiessmann

**Board Members Absent**

Mr. Nathan G. Mains, Vice Chairman

**Others Present**

Mr. Jim Baker, PESP  
Mr. Thomas Clancy  
Mr. Russ Diesinger, PASR  
Ms. Judy Guise, PASR  
Mr. Mike Sanders, Cammack Retirement  
Mr. Tom Weeter, PSEA-R

Staff Members Present

Ms. Barbara Book	Ms. Melissa Quackenbush
Mr. Brian S. Carl	Mr. Donald Ressler
Mr. Glen R. Grell	Ms. Terrill J. Sanchez
Mr. James H. Grossman, Jr.	Mr. Charles K. Serine
Ms. Alicia E. James	Mr. Charles J. Spiller
Mr. Patrick Knapp	Ms. Kelly Sprenkle
Ms. Sandra Kurtz	Mr. Andrew Turner
Mr. Tony Parisi	Mr. Joseph E. Wasiak, Jr.
Mr. Christopher Parks	Ms. Evelyn Tatkovski Williams

CALL TO ORDER Ms. Vogler called the meeting to order at 10:39 A.M. in the fourth floor Boardroom at PSERS Headquarters.

WELCOME GUESTS AND NEW EMPLOYEES Mr. Grell welcomed guests, Mr. Baker, Mr. Diesinger, Ms. Guise and Mr. Weeter; and new employees, Ms. Quackenbush, Mr. Knapp, Mr. Parks, Mr. Ressler and Mr. Turner.

MINUTES APPROVED Mr. Gallagher moved to approve the minutes of the January 18, 2018 Board meeting. Mr. DiTullio seconded the motion, which passed unanimously.

VISITOR COMMENTS Mr. Baker, of the Private Equity Stakeholder Project, spoke to the Board regarding opposition to TPG and Blackstone foreclosing on reverse mortgages in Puerto Rico.

Mr. Weeter extended his appreciation to PSERS for posting a bulletin on the public web notifying members of a scam.

NEW BUSINESS

MEMORIAL RESOLUTION Mr. Grell read a Memorial Resolution for James Perry, PSERS former Executive Director, who passed away in February. Ms. Vogler recommended the resolution be passed. Treasurer Torsella moved the resolution. Mr. DiTullio seconded the resolution, which passed unanimously. The resolution will be sent to Mrs. Perry and a copy forwarded to NCTR.

SYMPATHY Mr. Grell extended his sympathy to Mr. Erdman, PSERS Designee, on the passing of his wife, and also noted the recent passing in December 2017 of Andrew Sheffler, PSERS Executive Director 1977 – 1984.

CORPORATE GOVERNANCE COMMITTEE REPORT

Ms. Connors reported on the meeting held on March 8, 2018.

Ms. Connors stated that the Committee approved the minutes of the March 10, 2017 meeting. MINUTES

Ms. Connors reported that Mr. Kern McPherson, of Glass Lewis, presented a recap of the 2017 Proxy Voting Season and a preview of the 2018 Proxy Voting Season. PROXY VOTING

Ms. Connors moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed U.S. and Non-U.S. Proxy Voting Policies pursuant to the recommendation of Lenann T. Engler, Manager of Investment Processes, dated February 16, 2018. Mr. DiTullio seconded the motion, which passed unanimously.

#### AUDIT/COMPLIANCE COMMITTEE REPORT

Ms. Vogler, in Representative Bloom's absence, reported on the meeting held on March 8, 2018.

Ms. Vogler stated that the Committee approved the minutes of the December 7, 2017 meeting. MINUTES

Ms. Vogler stated that Mr. Thomas Rey, of CliftonLarsonAllen, gave a presentation on Financial Audit Planning; Ms. James presented the Audit Plan Update; and Ms. James reviewed the AG Audit Dashboard and updated the Committee on the status of the AG recommendations. PRESENTATIONS

#### INVESTMENT COMMITTEE REPORT

Ms. Lemmo, as Committee Vice Chairman, reported on the meeting held on March 8, 2018.

Ms. Lemmo stated that the Committee approved the minutes of the January 18, 2018 meeting. MINUTES APPROVED

Ms. Lemmo reported that a Board Education session was held. Mr. Bob Prince, of Bridgewater, spoke about investing in China. Board members present were credited with 1 hour of Education. BOARD EDUCATION

Ms. Lemmo stated that Mr. Spiller gave an introduction to Hamilton Lane; Mr. Grossman presented his PSERS Fund and Market Overview; Asset Class Reviews were given by Mr. Foreman, PRESENTATIONS

Mr. Jacobs, Mr. Del Gaudio, Mr. Tyler, Mr. Stalter and Mr. Little; and Mr. Grossman gave his Preview of Future Meetings.

Ms. Lemmo reported that the following action items were discussed.

**INVESTMENT POLICY STATEMENT, OBJECTIVES AND GUIDELINES**

Ms. Lemmo moved that the Public School Employees' Retirement Board (the "Board") adopts proposed changes to sections V. Performance Objectives and VI. Risk Management and Controls of the Investment Policy Statement, Objectives, and Guidelines, as amended, for the Public School Employees' Retirement System pursuant to the recommendations of Joseph W. Sheva, Senior Risk Manager, dated March 8, 2018. Mr. DiTullio seconded the motion, which passed unanimously.

**PLATINUM EQUITY SMALL CAP FUND, L.P.**

Ms. Lemmo 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 Platinum Equity Small Cap Fund, L.P. (and/or related investment vehicles), in accordance with the recommendation of Luke M. Jacobs, Portfolio Manager, dated February 8, 2018 and Hamilton Lane Advisors, L.L.C., dated February 7, 2018. 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. Davis seconded the motion, which passed with one recusal, being Mr. Pandeladis on behalf of Secretary Wiessmann.

**WEBSTER CAPITAL IV, L.P.**

Ms. Lemmo 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 Webster Capital IV, L.P. (and/or related investment vehicles), in accordance with the recommendation of Luke M. Jacobs, Portfolio Manager, dated February 9, 2018 and Hamilton Lane Advisors, L.L.C., dated January 29, 2018. 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. Davis seconded the motion, which passed with one recusal, being Mr. Pandeladis on behalf of Secretary Wiessmann.

**K4 PRIVATE INVESTORS, L.P.**

Ms. Lemmo 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 K4 Private Investors, L.P. (and/or related investment vehicles), in accordance with the recommendation of Darren C. Foreman, Senior Portfolio Manager and Michael J. Tyler, Portfolio Manager, dated February 12, 2018 and Hamilton Lane Advisors, L.L.C., dated February 7, 2018. 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. Grossman provided additional information regarding the involvement of a placement agent, in response to questions in the Investment Committee consideration. Mr. DiTullio seconded the motion, which passed with one NO vote, being Treasurer Torsella, and one recusal, being Mr. Pandeladis on behalf of Secretary Wiessmann.

Ms. Lemmo 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 ICG Europe Fund VII SCSp (and/or related investment vehicles), in accordance with the recommendation of James F. Del Gaudio, Portfolio Manager, dated February 12, 2018 and Hamilton Lane Advisors, L.L.C., dated January 29, 2018. 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. Staff noted that the collaboration between PSERS and SERS in connection with this investment resulted in significantly reduced management fees for both funds. Mr. Davis seconded the motion, which passed with one recusal, being Mr. Pandeladis on behalf of Secretary Wiessmann.

ICG EUROPE FUND VII,  
SCSP

Ms. Lemmo 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 Cabot Industrial Core Fund II, L.P. (and/or related investment vehicles), in accordance with the recommendation of William P. Stalter, Senior Portfolio Manager, dated February 7, 2018 and Courtland Partners, Ltd. recommendation dated February 1, 2018. 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, or by a memo to that effect appended to, the implementing investment contract. Mr. DiTullio seconded the motion, which

CABOT INDUSTRIAL  
CORE FUND II, L.P.

passed with one recusal, being Mr. Pandeladis on behalf of Secretary Wiessmann.

HS GROUP SPONSOR  
FUND II, LTD.

Ms. Lemmo moved that pursuant to the recommendations of Robert E. Little and Raymond J. Schleinkofer, Senior Portfolio Managers, dated February 27, 2018, and Aksia, LLC, dated February 26, 2018, the Public School Employees' Retirement Board (the "Board") hereby (i) commits to invest an amount not to exceed \$200 million in the HS Group Sponsor Fund II Ltd., and (ii) that the Investment Office shall have the discretion to invest additional sums within the target ranges approved by the Board in 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. Davis seconded the motion, which passed with one recusal, being Mr. Pandeladis on behalf of Secretary Wiessmann.

#### APPEALS AND MEMBER/EMPLOYER SERVICES COMMITTEE REPORT

Mr. Davis reported on the meeting held on March 9, 2018.

MINUTES

Mr. Davis stated that the Committee approved the minutes of the January 18, 2018 meeting.

ACCOUNT OF  
RYAN A. LUBIN

Mr. Davis moved in the case of Ryan A. Lubin, that the Board grant PSERS' Motion for Summary Judgment and dismiss Claimant's appeal. Mr. DiTullio seconded the motion, which passed unanimously.

ACCOUNT OF  
JOHN P. MURPHY

Mr. Davis moved in the case of John P. Murphy, that the Board grant PSERS' Motion for Summary Judgment and dismiss Claimant's appeal. Mr. DiTullio seconded the motion, which passed unanimously.

#### HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held on March 9, 2018.

Ms. Lemmo stated that the Committee approved the minutes of the December 7, 2017 meeting. MINUTES

Ms. Lemmo reported that Mr. Schafer presented the Migration Report and Marketing Study to the Committee. There were no action items. PRESENTATIONS

PERSONNEL COMMITTEE REPORT

Mr. Gallagher reported on the meeting held on March 9, 2018.

Mr. Gallagher stated that the Committee approved the minutes of the June 16, 2017 meeting. MINUTES

Mr. Gallagher reported that the Committee discussed the procedure for the Executive Director's Performance Evaluation. A procedure was established for years going forward. EXECUTIVE DIRECTOR EVALUATION

CHIEF FINANCIAL OFFICER'S REPORT

Mr. Carl presented his Chief Financial Officer's Report, which included; December Financial Statements, Governor's Budget Update and Other Financial Management Activities. CFO REPORT

DEPUTY EXECUTIVE DIRECTOR'S REPORT

Ms. Sanchez presented her Deputy Executive Director's Report, which included; C2B Update, Member Self-Service (MSS) introductory video and roll-out activities, and Act 5 Update. Mr. Sanders gave an introduction to Cammack Retirement, PSERS' Act 5 consultant, and reported on progress achieved to date. DED REPORT

CHIEF COUNSEL REPORT

Mr. Serine presented his report, which included; Act 5 Implementation, the hiring of an additional attorney to handle expanding Investment duties, and the attendance of Mr. Serine and Ms. Mills at PASBO, where Mr. Serine spoke regarding Act 5 and Ms. Mills spoke regarding Return to Service. CC REPORT

Treasurer Torsella left at this time and Mr. Clancy was seated at the table.

EXECUTIVE DIRECTOR'S REPORT

ED REPORT

Mr. Grell stated that he gave a presentation to the Midwest IU4 Superintendent Advisory Committee in Grove City on December 13; attended the George Mason University Law & Economics Center Pension Symposium on February 22-24 in New Orleans; and attended the NASRA/NIRS joint Winter Meeting February 24-27 in Washington DC.

Mr. Grell reported that he will attend the Annual PAPERS Forum May 22-23 in Harrisburg.

RESOLUTION 2017-43

Mr. Grell reported on the staff report prepared pursuant to Board Resolution 2017-43, pertaining to Voluntary Supplemental Retirement Plans in PA, and provided copies of the report to the Board for review and future consideration.

Mr. Grell updated the Board on C2B final steps; Act 5 Implementation; Act 5 Investment Commission; Agency Budget; 812 Market Street; elevator issues at PSERS Headquarters; Continuity of Operations; 2018 Board Election schedule; and current Legislation.

BOARD MEMBER  
COMMENTS

Ms. Vogler informed the Board that she attended the NCTR/NASRA/NIRS conferences in Washington DC, and plans to attend the Council of Institutional Investors conference in Washington DC later in March.

ADJOURNMENT

Chairman Vogler adjourned the meeting at 12:36 P.M.

NEXT MEETING

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on May 24, 2018, at PSERS' Headquarters, 5 N. 5<sup>th</sup> Street, Harrisburg, PA.

4/4/2018  
Date

  
Glen R. Grell  
Executive Director