

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

Regular Meeting

Minutes

August 9, 2012

9:04 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Ms. Stacey Connors for Senator Patrick M. Browne
Mr. Anthony Mannino for Senator Lawrence M. Farnese
Ms. Beth Winters for Mr. Thomas J. Gentzel
Representative Glen R. Grell
Mr. Bernard Gallagher for Representative Joseph F. Markosek
Ms. Jennifer Langan for Treasurer Robert M. McCord
Mr. Hal Moss
Mr. James M. Sando
Ambassador Martin J. Silverstein
Ms. Patricia A. Tozer
Ms. Sally J. Turley

Board Members Absent

Mr. Glen S. Galante
Mr. Richard N. Rose
Secretary Ronald J. Tomalis

Staff Members Present

Mr. Jeffrey B. Clay
Ms. Dori Barnard
Ms. Barbara Book
Mr. Brian S. Carl
Ms. Melanie Cubias
Ms. Michele M. Ferencz
Ms. Beth Harris
Ms. Terrill J. Sanchez
Mr. Mark Schafer
Mr. Steven Skoff
Ms. Kelly L. Sprenkle
Mr. Jonathan Tallman
Ms. Evelyn Tatkovski
Mr. Joseph E. Wasiak, Jr.

Guests Present

Adam Candeub, Esq.
Ms. Helene Candeub
Mr. Ron Conard, PASR
Mr. Sandy Leopold

CALL TO ORDER Ms. Vogler called the meeting to order at 9:04 A.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME GUESTS AND NEW EMPLOYEES Mr. Clay welcomed guests Mr. Ron Conard, PASR; Ms. Helene Candeub and Adam Candeub, Esq.; and new employees Ms. Barnard, Ms. Cubias, Ms. Harris and Mr. Tallman.

MINUTES APPROVED Ms. Turley moved to approve the minutes of the June 22, 2012 Board meeting. Ms. Tozer seconded the motion, which passed unanimously.

EXECUTIVE SESSION At 9:06 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 the Oral Argument in the case of Helene Candeub. 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)), including quasi-judicial matters."

Ms. Langan moved that the Board enter into Executive Session. Ms. Turley seconded the motion, which passed unanimously. The Executive Session ended at 9:12 A.M. and the meeting immediately returned to Regular Session.

ORAL ARGUMENT Oral Argument was held in the case of Ms. Helene Candeub. Ms. Candeub was represented by Adam Candeub, Esq., and the system was represented by Jennifer Mills, Esq.

EXECUTIVE SESSION At 9:42 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 the Oral Argument in the case of Helene Candeub. 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)), including quasi-judicial matters."

Representative Grell moved that the Board enter into Executive Session. Ms. Turley seconded the motion, which passed unanimously. The Executive Session ended at 10:18 A.M. and the meeting immediately returned to Regular Session.

Representative Grell moved that the Board remand the matter of Helene Candeub to the Hearing Officer and requests the Hearing Officer issue subpoenas upon Independence Blue Cross and/or the

Philadelphia School District to obtain all information relating to the account of Helene Candeub for the purpose of establishing her status in the Independence Blue Cross group plans during all enrollment years. Mr. Sando seconded the motion, which passed with one NO vote, being Ambassador Silverstein.

AUDIT/BUDGET COMMITTEE REPORT

Vice Chairman Grell reported on the meeting held August 8, 2012.

Representative Grell stated that the Committee approved the minutes of the June 21, 2012 meeting.

MINUTES APPROVED

Representative Grell stated that Mr. Halke reported on the Health Care CMS required audit and the results of the claims processing and procedures audit performed by Segal Company.

PRESENTATIONS

Representative Grell moved that the Public School Employees' Retirement Board (the "Board") accepts the May 15, 2012 Analysis and Evaluation of Claims Processing and Payment procedures for the Public School Employees' Retirement System Health Options Program prepared by The Segal Company, for the year ended December 31, 2011.

SEGAL CLAIMS AUDIT

Ms. Tozer seconded the motion, which passed unanimously.

CORPORATE GOVERNANCE COMMITTEE REPORT

Chairman Sando reported on the meeting held August 8, 2012.

Mr. Sando stated that the Committee approved the minutes of the March 8, 2012 meeting.

MINUTES APPROVED

Mr. Sando stated that the Committee discussed the U.S. and Non-U.S. Proxy Voting policies.

PRESENTATIONS

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed amendments to PSERS' U.S. and Non-U.S. Proxy Voting Policies pertaining to corporate board diversity, pursuant to the recommendation of Jeffrey B. Clay dated July 20, 2012.

U.S. AND NON-U.S.
PROXY VOTING POLICIES

Representative Grell seconded the motion, which passed unanimously.

FINANCE COMMITTEE REPORT

Mr. Moss reported on the meeting held August 8, 2012.

MINUTES APPROVED

Mr. Moss stated that the Committee approved the minutes of the June 21, 2012 meeting.

PRESENTATIONS

Mr. Moss stated that Mr. Van Noord gave a Market Review and Comments; Mr. Spiller presented the Fourth Quarter Private Markets Report and the Fourth Quarter Real Estate Report; an Executive Session was held regarding Private Markets and Real Estate Issues; Mr. Smith, Ms. Oh and Mr. Sheva reported on the PSERS Emerging Markets Equity Index Portfolio; Mr. Grossman gave a presentation on Bridgewater All-Weather @ 15%; Mr. Little gave a presentation on PIMCO Multi-Asset Volatility Fund; Mr. Forman gave a presentation on Versa Capital Fund III, L.P.; and Mr. Van Noord presented his Preview of Future Meetings.

INVESTMENT OBJECTIVES AND GUIDELINES

Mr. Moss moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed changes to the Addendum listed below for the Public School Employees' Retirement System pursuant to the recommendation of Joseph W. Sheva, Portfolio Manager, dated July 20, 2012.

<u>Addendum</u>	<u>Addendum Title</u>
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E	Internally Managed Indexed Equity Portfolios
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Mr. Gallagher seconded the motion, which passed unanimously.

BRIDGEWATER ALL WEATHER 15%, LTD. FUND

Mr. Moss moved that the Public School Employees' Retirement Board (the "Board") hereby transitions its investment All Weather@12%, Ltd. to All Weather@15%, Ltd. pursuant to the recommendation of James H. Grossman, Jr., Deputy Chief Investment Officer, dated July 25, 2012.

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. Moss moved that pursuant to the recommendations of Robert E. Little, Portfolio Manager, dated July 26, 2012, and Aksia, LLC, dated July 24, 2012, the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of \$220 million in the PIMCO Multi-Asset Volatility Offshore 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/invest/guide/index.htm>), provided that any investment of an additional sum by the Investment Office shall be reported to the Board in a timely manner.

PIMCO MULTI-ASSET
VOLATILITY OFFSHORE
FUND LTD.

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 with one recusal, from both the discussion and the vote, from Mr. Gallagher, on behalf of Representative Markosek.

Mr. Moss 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 Versa Capital Fund III, L.P., in accordance with the recommendation of Darren C. Foreman, Portfolio Manager, Private Markets, dated August 8, 2012. 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. Tozer seconded the motion, which passed with one recusal from both the discussion and the vote, from Ms. Langan, on behalf of Treasurer McCord.

VERSA CAPITAL FUND III,
L.P.

HEALTH CARE COMMITTEE REPORT

Ms. Turley reported on the meeting held on August 8, 2012.

Ms. Turley stated that the Committee approved the minutes of the June 21, 2012 meeting.

MINUTES APPROVED

PRESENTATIONS

Ms. Turley stated that Mr. Schafer gave presentations on the Managed Care Plan Rates and the Prescription Drug Plan Benefit Changes (See Board Book 364, TAB 18 and 19).

MEDICARE ADVANTAGE AND PRE-65 MANAGED CARE PLANS – PREMIUM RATES AND BENEFITS

Ms. Turley moved that the Public School Employees’ Retirement Board (the “Board”) hereby accepts the Medicare Advantage and Pre-65 Managed Care Plans Premium Rates and Benefits proposals from:

- Aetna,
- Capital Blue Cross/Keystone Health Plan – Central,
- Geisinger Health Plan,
- Highmark, Inc. / Keystone Health Plan West, Inc.,
- Independence Blue Cross/Keystone Health Plan – East, and
- University of Pittsburgh Medical Center (UPMC) Health Plan.

Final contracts are subject to negotiations of terms and conditions satisfactory to the Director, Health Insurance Office, the Office of Chief Counsel and the Executive Director, as evidenced either by the appropriate signatures on the implementing contracts or by a memo to that effect appended to the implementing contracts.

Mr. Moss seconded the motion, which passed with three recusals, from both the discussion and the vote, from Mr. Gallagher, on behalf of Representative Markosek; Mr. Mannino, on behalf of Representative Farnese; and Ambassador Silverstein.

BASIC AND ENHANCED MEDICARE OPTIONS - BENEFITS

Ms. Turley moved that the Public School Employees’ Retirement Board (the “Board”) hereby approves the following benefit modifications to the Basic Medicare Rx Option effective January 1, 2013:

The Member Pays in the Coverage Gap:	2012 Basic Medicare Rx Option	Proposed Basic Medicare Rx Option for 2013
Brand	100% (50% Manufacturers Discount)	97.5% (50% Manufacturers Discount)

Further , that the Public School Employees’ Retirement Board (the “Board”) hereby approves the following benefit modifications to the Enhanced Medicare Rx Option effective January 1, 2013:

The Member Pays in the Coverage Gap:	2012 Enhanced Medicare Rx Option	Proposed Enhanced Medicare Rx Option for 2013
Brand	100% (50% Manufacturers Discount)	97.5% (50% Manufacturers Discount)

Representative Grell seconded the motion, which passed unanimously.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Tozer reported on the meeting held on August 8, 2012.

Ms. Tozer stated that the Committee approved the minutes of the June 21, 2012 meeting.

MINUTES APPROVED

Ms. Tozer moved to adopt the recommendation of the Hearing Examiner in the case of Bettyjean Kling and grant PSERS' Motion for Summary Judgment to deny claimant's request to change her retirement option. Ms. Langan seconded the motion, which passed with two NO votes, from Ms. Turley and Ambassador Silverstein.

ACCOUNT OF
BETTYJEAN KLING

Ms. Tozer moved to adopt the recommendation of the Hearing Examiner in the case of Leonard Wurst and grant PSERS' Motion for Summary Judgment to deny Claimant's request to change his retirement option. Mr. Moss seconded the motion, which passed unanimously.

ACCOUNT OF
LEONARD WURST

Ms. Tozer stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Report from the May 1 and May 29, 2012 meetings.

ESRC REPORT

Ms. Tozer stated that Ms. Sanchez presented an update on the Benefits Processing Statistics.

BENEFITS PROCESSING

PERSONNEL COMMITTEE REPORT

Ms. Vogler, on behalf of Mr. Gentzel, reported on the meeting held on August 9, 2012.

Ms. Vogler stated that the Committee approved the minutes of the June 21, 2012 meeting.

MINUTES APPROVED

Ms. Vogler stated that an executive session was held regarding an Executive staff update.

EXECUTIVE SESSION

NEW BUSINESS

Ms. Vogler informed the Board that she appointed Representative Grell to be the Vice Chairman of the Audit/Budget Committee.

Ms. Winters moved that the Board approves the proposed 2013 Board Meeting Schedule. Mr. Sando seconded the motion, which passed unanimously.

EXECUTIVE DIRECTOR'S REPORT

RECENTLY ATTENDED EVENTS

Mr. Clay reported that he attended the following events: the NAPPA Conference in Philadelphia on June 27-29; gave a presentation to a Shippensburg University graduate class regarding pension funding issues; gave a presentation at Rutgers School of Business on July 18; recorded a TV interview with Fox 43 News to be aired on August 13th.

UPCOMING EVENTS

Mr. Clay stated that he plans to attend the Hearing on Pension Reform before the House State Government Committee and House Finance Committee on August 14th; an August 20th Town hall meeting in Uniontown; meet with the Editorial Board of the Altoona Mirror on August 21st; give a presentation at the Midwestern IU on September 12th; and meet with the Editorial Board of the Scranton Times on September 20th.

MEETING CHANGE

Mr. Clay reminded the Board that the October meetings have been changed to September 27-28. He informed the Board that a photograph of the Board will be taken at that time.

Mr. Clay stated that the Administrative and Directed Commissions Budget for FY 2013-14, as well as the Annual Financial Statements, will be presented at the next meeting.

BOARD ELECTION

Mr. Clay stated that Friday, June 15, 2012, was the deadline for submitting petitions for candidates in the 2012 Election for the Active Certified Member Seat and the Active Non-Certified member seat on the Public School Employees' Retirement Board.

Ms. Deborah Beck was the only candidate who submitted the proper information for the Active Non-Certified Member Seat. The PSERB Election Guidelines state that if an election has only one candidate who qualifies to appear on the ballot, no election will be conducted. Therefore, Ms. Beck is "elected by acclamation" in accordance with Section 46 of Robert's Rules of Order.

Mr. Glen Galante was the only candidate who submitted the proper information for the Active Certified Member Seat. The PSERB

Election Guidelines state that if an election has only one candidate who qualifies to appear on the ballot, no election will be conducted. Therefore, Mr. Galante is "elected by acclamation" in accordance with Section 46 of Robert's Rules of Order.

CHIEF COUNSEL REPORT

Ms. Ferencz provided updates on the Rivercenter/Marriott litigation; Bank of America securities litigation and the Lyondell Chemical Company litigation.

LEGAL UPDATES

CHIEF FINANCIAL OFFICER REPORT

Mr. Carl gave a presentation including the Administrative and School Employees' Retirement Contribution Budget Updates; Year-End Schedule; Fund Asset Value History; and the GASB Pension Standards Follow-Up (See Board Book 364, CFO Report TAB).

Ms. Tozer extended her thanks to Ms. Tatkovski for addressing her PSEA group and providing an informative presentation.

BOARD MEMBER COMMENT

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

ADJOURNMENT

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on September 28, 2012, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

NEXT MEETING

Date 8/23/12

Approved


Jeffrey B. Clay,
Executive Director