

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

**Regular Meeting**

**Minutes**

**May 1, 2014**

**1:55 P.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Mr. Frederick T. Berestecky  
Mr. James R. Biery  
Mr. Larry B. Breech  
Ms. Stacey Connors for Senator Patrick M. Browne  
Mr. Charles Zogby for Acting Secretary Carolyn C. Dumaresq  
Mr. Anthony Mannino for Senator Lawrence M. Farnese  
Ms. Lisa Taglang for Representative Glen R. Grell  
Ms. Susan C. Lemmo  
Mr. Craig Erdman for 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 Member Present Telephonically**

Ms. Deborah J. Beck

**Staff Members Present**

Ms. Barbara Book  
Mr. Brian Brennemen  
Mr. Brian S. Carl  
Mr. Jeffrey B. Clay  
Ms. Michele M. Ferencz  
Mr. James H. Grossman, Jr.  
Ms. Gail Mindlin  
Ms. Terrill J. Sanchez  
Ms. Kelly Sprenkle  
Mr. Joseph E. Wasiak, Jr.

**Others Present**

Ms. Vivian Endlich  
Ms. Judith Guise  
Ms. Jane Hess  
Ms. Susan Jones  
Mr. Sandy Leopold  
Ms. Angela Lutze  
Mr. William Neugebauer  
Mr. Shawn Smith, OGC  
Mr. Tom Weeter, PSEA-R

CALL TO ORDER Ms. Vogler called the meeting to order at 1:55 P.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME GUESTS AND NEW EMPLOYEES Mr. Clay welcomed guests, Ms. Endlich, Ms. Guise, Ms. Hess, Ms. Jones, Ms. Lutze, Mr. Neugebauer and Mr. Weeter; and new employees, Ms. Mindlin and Mr. Brennemen.

MINUTES APPROVED Mr. Sando moved to approve the minutes of the March 14, 2014 Board meeting. Ms. Lemmo seconded the motion, which passed unanimously.

BYLAWS/POLICY COMMITTEE REPORT

Ms. Vogler, on behalf of Mr. Mains, reported on the meeting held on May 1, 2014.

MINUTES APPROVED Ms. Vogler stated that the Committee approved the minutes of the April 29, 2010 meeting.

PSERB GOVERNANCE INITIATIVE Ms. Vogler reported that the Committee heard a briefing from Mr. Wasiak regarding the PSERS Governance Initiative.

FINANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held May 1, 2014.

MINUTES Mr. Sando stated that the Committee approved the minutes of the March 13, 2014 meeting.

PRESENTATIONS Mr. Sando stated that Mr. Grossman gave a Market Review and Comments; Mr. Kumar, of HEK, presented the Asset/Liability Study and Asset Allocation; Mr. Spiller presented both the Private Markets Third Quarter Report and the Real Estate Third Quarter Report; an Executive Session was held regarding Private Markets and Real Estate Fund Issues; Mr. Spiller presented Internal Co-Investment Program Guidelines; Mr. Little presented Investment Objectives and Guidelines; and Mr. Grossman presented the Energy and Mineral Group Fund III, L.P.; LBC III; PSERS TAO Partners Parallel Fund, L.P.; as well as his Preview of Future Meetings.

INVESTMENT OBJECTIVES AND GUIDELINES Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby replaces Addendum X3 and adopts the proposed Private Market Policies and Guidelines Addenda listed below for the Public School Employees' Retirement System,

pursuant to the recommendation of Charles J. Spiller, Managing Director of Private Markets and Real Estate, dated May 1, 2014.

<u>Addendum</u>	<u>Addendum Title</u>
X3-PM	Private Markets In-House Co-Investment and Secondary Investment Policy

Mr. Berestecky seconded the motion, which passed with one NO vote from Ambassador Silverstein.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the Absolute Return Policy Investment Objectives and Guidelines for the Public School Employees' Retirement System, as revised, pursuant to the recommendation of Robert E. Little, Portfolio Manager, dated April 17, 2014. Mr. Gallagher seconded the motion, which passed unanimously.

INVESTMENT  
OBJECTIVES AND  
GUIDELINES

Mr. Sando 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 The Energy & Minerals Group Fund III, L.P. in accordance with the recommendation of Michael J. Tyler, Sr. Investment Analyst, Private Markets, dated May 1, 2014 and Portfolio Advisors, LLC, dated April 10, 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. Biery seconded the motion, which passed unanimously.

THE ENERGY &  
MINERALS GROUP FUND  
III, LP

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby increases its commitment from \$200 million to \$240 million plus reasonable normal investment expenses, in LBC Credit Partners III, L.P. in accordance with the recommendations of James H. Grossman, Jr., Chief Investment Officer dated April 17, 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. Ms. Taglang seconded the motion, which passed with one recusal from both the discussion and the vote, from Mr. Craig on Treasurer McCord's behalf.

LBC CREDIT PARTNERS  
III, L.P.

PSERS TAO  
PARTNERS PARALLEL  
FUND, L.P.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$250 million plus reasonable normal investment expenses, in PSERS TAO Partners Parallel Fund, L.P. in accordance with the recommendations of Joseph W. Sheva, Portfolio Manager, and Portfolio Advisors LLC, dated April 10, 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. Biery seconded the motion, which passed with one recusal from both the discussion and the vote, from Ambassador Silverstein.

#### APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Vogler reported on the meeting held on May 1, 2014.

MINUTES APPROVED

Ms. Vogler stated that the Committee approved the minutes of the March 13, 2014 meeting.

ACCOUNT OF  
HARTLINE, ET AL.

Mr. Biery moved in the case of Hartline, et al., that the Board grants the PSERS Motion for Summary Judgment and denies the Claimants' request. Ms. Keaveney seconded the motion, which passed unanimously.

ESRC REPORTS

Ms. Vogler stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the December 18, 2013; January 31, 2014 and February 27, 2014 meetings.

BENEFIT PROCESSING

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

#### NEW BUSINESS

SECURE WEB UPDATE

Ms. Book gave a brief tutorial of the Board Secure Website.

#### EXECUTIVE DIRECTOR'S REPORT

RECENTLY ATTENDED

Mr. Clay stated that he recently attended the NBBO House Hearing on April 1, and gave a presentation to the Upper St. Clair School Board on April 22.

UPCOMING EVENTS

Mr. Clay stated that he plans to give a presentation to a retiree group in Lawrence County on May 7. He also stated that he will

attend the PAPERS Conference on May 28 – 29, and will give a presentation to the Bethlehem IU on June 6.

Mr. Clay stated that the PSERS Employee Recognition will be held on May 8.

OTHER INFORMATION

Mr. Clay informed the Board that the roof of the headquarters building will be replaced in the near future.

Mr. Clay stated that the next meeting will be on June 12-13, and will include the Asset Allocation.

NEXT MEETING

### CHIEF COUNSEL REPORT

Ms. Ferencz informed the Board that the Chief Counsel report will be given in Executive Session at the end of the meeting.

### CHIEF FINANCIAL OFFICER REPORT

Mr. Carl presented his report which included the 2013-2014 Administrative Budget Update as of March 31, 2014; GASB 67/68; and other Financial Management Activities.

At 2:37 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 litigation 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)), including litigation matters."

EXECUTIVE SESSION

Mr. Sando moved that the Board enter into Executive Session. Ms. Lemmo seconded the motion, which passed unanimously. The Executive Session ended at 3:06 P.M. and the meeting immediately returned to Regular Session.

Chairman Vogler adjourned the meeting at 3:06 P.M.

ADJOURNMENT

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on June 13, 2014, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

NEXT MEETING

Date 5/12/14 Approved \_\_\_\_\_

  
Jeffrey B. Clay,  
Executive Director