

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

Regular Meeting

Minutes

March 12, 2015

2:28 P.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Ms. Deborah J. Beck
Mr. Frederick T. Berestecky
Mr. James R. Biery
Representative Stephen Bloom
Mr. Larry B. Breech
Ms. Stacey Connors for Senator Patrick M. Browne
Ms. Jennifer Langan for Acting Treasurer Christopher B. Craig
Ms. Sally Keaveney for Senator Lawrence M. Farnese
Ms. Susan C. Lemmo
Mr. Nathan G. Mains
Ms. Miriam Fox for Representative Joseph F. Markosek
Ms. Lori Graham for Acting Secretary Pedro A. Rivera
Mr. James M. Sando
Ambassador Martin J. Silverstein (out at 3:05)

Staff Members Present

Mr. Steven Beatty
Ms. Barbara Book
Mr. Brian S. Carl
Mr. Jeffrey B. Clay
Ms. Michele Ferencz
Mr. Donald J. Halke
Mr. Jason Rutledge
Mr. Frank Ryder
Ms. Terrill J. Sanchez
Mr. Charles K. Serine
Ms. Kelly Sprenkle
Mr. Joseph E. Wasiak, Jr.
Ms. Evelyn M. Williams

Others Present

Representative Glen R. Grell
Mr. Edgar Hernandez, SEIU
Mr. Jim Kane, Unite Here
Mr. Randy Hanoko, Unite Here
Mr. Sandy Leopold
Mr. Tom Weeter, PSEA-R

CALL TO ORDER Chairman Vogler called the meeting to order at 2:28 P.M. in the fourth floor Board Room at PSERS' headquarters.

WELCOME NEW EMPLOYEES AND VISITORS Mr. Clay welcomed new employees, Mr. Beatty and Mr. Rutledge; and guests, Mr. Weeter, Mr. Kane and Mr. Hanoko.

UNITE HERE STATEMENT Mr. Kane spoke briefly and introduced Mr. Hanoko who spoke to the Board regarding PSERS' investments.

MINUTES APPROVED Mr. Breech moved to approve the minutes of the January 21, 2015 Board meeting. Mr. Mains seconded the motion, which passed unanimously.

AUDIT/BUDGET COMMITTEE REPORT

Mr. Berestecky reported on the meeting held on March 12, 2015.

MINUTES APPROVED Mr. Berestecky stated that the Committee approved the minutes of the October 7, 2014 meeting.

2014-15 FINANCIAL AUDIT Mr. Berestecky stated that Mr. Seymour, of SB & Co., LLC, gave a preview of the 2014-15 Financial Audit for PSERS.

CORPORATE GOVERNANCE COMMITTEE REPORT

Mr. Lisko reported on the meeting held on March 12, 2015.

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

PROXY ISSUES Mr. Lisko stated that Ms. Engler gave a Proxy Guideline Update and Mr. McCormick, of Glass Lewis, presented an Overview of Current Proxy Issues.

US AND NON-US PROXY VOTING POLICIES Mr. Lisko 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, Senior Investment Professional, dated March 5, 2015. Mr. Mains seconded the motion, which passed with one abstention from Mr. Biery.

FINANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held January 21, 2015.

Mr. Sando stated that the Committee approved the minutes of the January 21, 2015 meeting.

Mr. Sando stated that the following Information Items were presented: Mr. Grossman's Market Review and Comments; Investment Risk; Fourth Quarter Performance Reports by both HEK and Aksia. Mr. Sando also stated that the following Action Items were presented: Pennsylvania Co-Invest Fund; Investment Policy Statement; Partners Group Secondary 2015 (USD), L.P.; Venor Special Situations Fund II, L.P.; ICG Europe Fund VI, L.P.; Blackstone Real Estate Partners VIII, L.P. Mr. Sando stated that Mr. Grossman also presented his Preview of Future Meetings.

PRESENTATIONS

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby adopts proposed changes to Addendums P and Exhibits C, D, and E of the Investment Policy Statement, Objectives, and Guidelines, as amended, for the Public School Employees' Retirement System, pursuant to the recommendation of James H. Grossman, Jr., Chief Investment Officer, dated March 2, 2015. Ms. Beck 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 Partners Group Secondary 2015 (USD), L.P., in accordance with the recommendation of Darren Foreman, Senior Portfolio Manager, Private Markets, dated March 12, 2015 and Portfolio Advisors LLC, dated February 18, 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 with one recusal from both the discussion and the vote from Ambassador Silverstein.

PARTNERS GROUP SECONDARY 2015 (USD), L.P.

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 Venor Special Situations Fund II, L.P., in accordance with the recommendation of Darren Foreman, Senior Portfolio Manager, Private Markets, dated March 12, 2015 and Portfolio Advisors LLC, dated February 18, 2015. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office

VENOR SPECIAL SITUATIONS FUND II, L.P.

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.

ICG EUROPE FUND VI,
L.P.

Mr. Sando 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 VI, L.P. in accordance with the recommendations of Laurann H. Stepp, Senior Portfolio Manager, dated March 12, 2015 and Portfolio Advisors LLC, dated February 18, 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.

BLACKSTONE REAL
ESTATE PARTNERS
FUND VIII, L.P.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$300 million plus reasonable normal investment expenses, in Blackstone Real Estate Partners Fund VIII, L.P., in accordance with the recommendation of William P. Stalter, Senior Portfolio Manager, dated March 12, 2015 and Courtland Partners Ltd., dated February 10, 2015. 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. Mains seconded the motion, which passed with one recusal from both the discussion and the vote from Ambassador Silverstein.

HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held on March 12, 2015.

MINUTES APPROVED

Ms. Lemmo stated that the Committee approved the minutes of the December 8, 2014 meeting.

PRESENTATIONS

Ms. Lemmo stated that Mr. Schafer presented both the Market Analysis and the Enrollment Eligibility Report.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck reported on the meeting held on March 12, 2015.

Ms. Beck stated that the Committee approved the minutes of the January 21, 2015 meeting.	MINUTES APPROVED
Ms. Beck moved in the case of Kathy J. Kelly, that the Board adopts the draft Order of the Board to grant PSERS' Preliminary Objections and dismiss claimant's appeal and request for administrative hearing. Mr. Mains seconded the motion, which <u>passed unanimously</u> .	ACCOUNT OF KATHY J. KELLY
Ms. Beck moved in the case of Sandra N. Lapcevic, that the Board adopts the draft Opinion and Order of the Board, to 1) Dismiss, without prejudice, Interveners' exceptions to the Hearing Examiner's order dated January 26, 2015, and 2) Deny Interveners' request to remove Hearing Examiner Lutz. Mr. Mains seconded the motion, which <u>passed unanimously</u> .	ACCOUNT OF SANDRA N. LAPCEVIC
Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Report from the January 29, 2015 meeting.	ESRC REPORTS
<u>NEW BUSINESS</u>	
Ms. Vogler informed the Board that she has completed the 2015 committee assignments.	COMMITTEE ASSIGNMENTS
Ms. Ferencz briefed the Board on the details of the Governor's Executive Order 2015-01 which applies to the gift ban.	EXECUTIVE ORDER 2015-01
<u>EXECUTIVE DIRECTOR'S REPORT</u>	
Mr. Clay stated that the budget hearings will take place on March 23, 2015. Ms. Sanchez will be representing PSERS, along with Mr. Grossman and Ms. Vogler.	UPCOMING EVENTS
Mr. Clay informed the Board of the passing of PSERS' Security Guard, Bob Dickerson. The Board agreed to have a financial donation made in Bob's memory.	SAD NEWS
Mr. Clay announced that this will be his final meeting and extended his appreciation to the Board for their support during his tenure as Executive Director.	INFORMATION
<u>CHIEF FINANCIAL OFFICER REPORT</u>	
Mr. Carl presented the Chief Financial Officer's Report, which included information on the December 31, 2014 Financial Statements; December 31, 2015 Administrative Budget Update;	CFO REPORT

Impact of \$3 Billion Cash Infusion; GASB 68 Update; and the Payroll Update and PA Map. He also presented the December 2014 Financial Report and the Fitch Report.

VISITOR COMMENTS

Mr. Weeter thanked the Board for the work they have done and continue to do for the members of the system.

BOARD MEMBER COMMENTS

Representative Grell presented Mr. Clay with a Citation from the House of Representatives for his years of distinguished service.

Ms. Vogler presented Mr. Clay with a Citation from the Board of Trustees for his years of hard work and dedicated service.

Ms. Connors and Ms. Keaveney presented Mr. Clay with a Citation from the Senate for his years of exemplary service.

Mr. Clay extended his utmost appreciation.

EXECUTIVE SESSION

At 3:30 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 a tax qualification issue and a personnel matter. 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))."

Mr. Lisko moved that the Board enter into Executive Session. Mr. Sando seconded the motion, which passed unanimously. The Executive Session ended at 3:44 P.M. and the meeting immediately returned to Regular Session.

ADJOURNMENT

Chairman Vogler adjourned the meeting at 3:44 P.M.

NEXT MEETING

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on May 1, 2015, in PSERS Board Room, 5 North 5th Street, Harrisburg, PA.

Date 3/25/15 Approved _____


Jeffrey B. Clay,
Executive Director