

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

**Regular Meeting**

**Minutes**

**April 30, 2015**

**2:50 P.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Mr. James R. Biery  
Representative Stephen Bloom  
Mr. Larry B. Breech  
Mr. Scott Sikorski 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  
Mr. Bernard Gallagher for Representative Joseph F. Markosek  
Ms. Lori Graham for Acting Secretary Pedro A. Rivera  
Mr. James M. Sando  
Ambassador Martin J. Silverstein (out at 3:10)

**Board Members Present Telephonically**

Ms. Deborah J. Beck  
Mr. Frederick T. Berestecky

**Staff Members Present**

Ms. Barbara Book  
Mr. Brian S. Carl  
Ms. Lenann T. Engler  
Ms. Michele Ferencz  
Mr. Justin Getz  
Mr. James H. Grossman, Jr.  
Mr. Donald J. Halke  
Mr. Frank Ryder  
Ms. Terrill J. Sanchez  
Mr. Charles K. Serine  
Ms. Christine Steever  
Mr. Joseph E. Wasiak, Jr.  
Ms. Evelyn M. Williams

**Others Present**

Ms. Judy Guise, PASR  
Mr. Sandy Leopold

CALL TO ORDER Chairman Vogler called the meeting to order at 2:50 P.M. in the fourth floor Board Room at PSERS' headquarters.

GUEST AND NEW EMPLOYEE Ms. Sanchez welcomed guest, Ms. Guise and new employee, Mr. Getz.

MINUTES APPROVED Mr. Mains moved to approve the minutes of the March 12, March 27, and April 14, 2015 Board meeting. Ms. Langan seconded the motion, which passed unanimously.

### FINANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held April 30, 2015.

MINUTES APPROVED Mr. Sando stated that the Committee approved the minutes of the March 12, 2015 meeting.

PRESENTATIONS Mr. Sando stated that the following Information Items were presented: Mr. Grossman's Market Review and Comments; Private Equity/Debt Manager Research/Evaluation Process & Risk Management. Mr. Sando also stated that the following Action Items were presented: Bridgewater Optimal Portfolio & Market Update; Asset Allocation; Investment Policy Statement; Pennsylvania Co-Invest Fund; LEM Multifamily Senior Equity Fund IV, L.P.; Stockbridge Co-Investment; Clearlake Capital Fund IV, L.P.; Collier International Partners VII, L.P. Mr. Sando stated that Mr. Grossman also presented his Preview of Future Meetings.

BRIDGEWATER OPTIMAL PORTFOLIO, LTD Mr. Sando moved that pursuant to the recommendations of Susan E. Oh, Senior Portfolio Manager, and Aon Hewitt, dated April 9, 2015, that the Public School Employees' Retirement Board (the "Board") hereby (i) invests an initial amount of \$600 million in the Bridgewater Optimal Portfolio, 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, or by a memo to that effect appended to, the

implementing investment contract. Mr. Biery seconded the motion, which passed unanimously.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby adopts proposed changes to Exhibits B (10-Year Target Allocation), C (Current Target Allocation), D (Policy Index), and E (Public Market Investment Manager Target Ranges) 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 April 20, 2015 and Aon Hewitt Investment Consulting, Inc. dated April 2015. Mr. Mains 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 \$250 million, in Private Markets and Real Estate Pennsylvania Co-Investment Program, in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated April 30, 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.

PRIVATE MARKETS AND  
REAL ESTATE  
PENNSYLVANIA CO-  
INVESTMENT

Mr. Sando 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 LEM Multifamily Senior Equity Fund IV, L.P., in accordance with the recommendation of William P. Stalter, Senior Portfolio Manager, dated April 30, 2015 and Courtland Partners recommendation dated April 8, 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 unanimously.

LEM MULTIFAMILY  
SENIOR EQUITY FUND IV,  
L.P.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby permits the remaining Stockbridge Real Estate Fund III co-investment allocation (PSERB Resolution 2007-42) to be invested in co-investment opportunities presented to the Limited Partners of Stockbridge Real Estate Fund I, Stockbridge Real Estate Fund II or Stockbridge Real Estate Fund III, in accordance with the recommendation of William P. Stalter, Senior

STOCKBRIDGE REAL  
ESTATE FUND III CO-  
INVESTMENT

Portfolio Manager, dated April 2, 2015. The final terms and conditions of the investments 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. Biery seconded the motion, which passed with three NO votes from Ms. Langan, Ms. Lemmo and Mr. Mains.

CLEARLAKE CAPITAL  
FUND IV, LP

Mr. Sando 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 Clearlake Capital Fund IV, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated April 30, 2015 and Portfolio Advisors, LLC., dated April 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. Ms. Langan seconded the motion, which passed unanimously.

COLLER  
INTERNATIONAL  
PARTNERS VII, LP

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 Collier International Partners VII, L.P., in accordance with the recommendation of Charles J. Spiller, Managing Director, Private Markets and Real Estate, dated April 30, 2015 and Portfolio Advisors, LLC., dated April 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. Mains seconded the motion, which passed unanimously.

#### APPEALS/MEMBER SERVICES COMMITTEE REPORT

Mr. Sando, on behalf of Chairman Beck, reported on the meeting held on April 30, 2015.

MINUTES APPROVED

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

ESRC REPORT

Mr. Sando stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Report from the February 26, 2015 meeting.

## HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held on April 30, 2015.

Ms. Lemmo stated that the Committee approved the minutes of the March 12, 2015 meeting.

MINUTES APPROVED

Ms. Lemmo stated that an Executive Session was held regarding the Third Party Administrator RFP.

EXECUTIVE SESSION

Ms. Langan moved that the Public School Employees' Retirement Board (the "Board") in accordance with the recommendation of the Third Party Administration Services Request For Proposal Evaluation Committee, hereby selects CoreSource, Inc., as the Third Party Administrator for the Health Options Program and Premium Assistance Program for the period commencing January 1, 2016, through December 31, 2018, renewable for up to two one-year periods upon mutual written consent of the parties, subject to negotiations of terms and conditions satisfactory to the Director, Health Insurance Office, the Office of Chief Counsel and the Executive Director. Mr. Gallagher seconded the motion, which passed with one Recusal from Ms. Lemmo.

THIRD PARTY  
ADMINISTRATOR  
SERVICES

## PERSONNEL COMMITTEE REPORT

Mr. Mains reported on the meeting held on April 30, 2015.

Mr. Mains stated that the Committee approved the minutes of the January 21, February 12, March 13, March 27 and April 14, 2015 meetings.

MINUTES APPROVED

Mr. Mains reported that an Executive Session was held regarding the hiring of PSERS' Executive Director.

EXECUTIVE SESSION

Mr. Mains moved that the Public School Employees' Retirement Board hereby hires Glen R. Grell in the position of Executive Director at an annual salary of \$215,004 effective May 1, 2015. Mr. Biery seconded the motion, which passed unanimously.

EXECUTIVE DIRECTOR

## OLD BUSINESS

Ms. Sanchez informed the Board that the Notational Ballot for the Private Market Interests Secondary Sale passed with eleven YES votes and four ABSTENTIONS.

NOTATIONAL BALLOT

PROXY VOTING  
SYNOPSIS

Ms. Engler presented a brief Proxy Voting Synopsis at the Board's request.

Ambassador Silverstein left at this time.

ACTING EXECUTIVE DIRECTOR'S REPORT

INFORMATION  
AVAILABLE

Ms. Sanchez stated that the red file folder contains a copy of a letter requesting future investments in alternative energy systems.

EVENTS ATTENDED

Ms. Sanchez stated that she attended the budget hearings on March 23, 2015; and hosted a PSEA visit to PSERS' headquarters on April 24, 2015.

OTHER INFORMATION

Ms. Sanchez announced that there will be two Board elections this year. The Active Certified seat and the Active Non-Certified seat will be up for election, with petitions due at 4:30pm June 19, 2015.

Ms. Sanchez informed the Board that confirmation has been received that meals are included in the cost of the PAPERS Conference.

Ms. Sanchez stated that PSERS' has alerted its members to a telephone scam involving calls to members that falsely appear to originate from the US Treasury.

CHIEF COUNSEL REPORT

RECOGNITION

Ms. Ferencz recognized Mr. Serine for his hard work and dedication in the drafting of Legislative Amendments.

CHIEF FINANCIAL OFFICER REPORT

CFO REPORT

Mr. Carl presented the Chief Financial Officer's Report, which included information on the March 31, 2015 Financial Statements (Preliminary); 2014-2015 Administrative Budget Update as of March 31, 2015; GASB 68 Status; and Other Financial Management Activities.

VISITOR COMMENTS

Ms. Guise expressed her delight at having Mr. Grell hired in the position of Executive Director.

BOARD MEMBER  
COMMENTS

Mr. Sando extended his appreciation to Ms. Sanchez for performing the duties of Acting Executive Director. The Board concurred.

Mr. Mains proposed that the Board examine alternative schedules for the meetings. The Bylaws/Policy Committee will study the issue.

Chairman Vogler adjourned the meeting at 3:40 P.M.

ADJOURNMENT

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on June 12, 2015, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

NEXT MEETING

Date May 18, 2015

Approved

  
Terrill J. Sanchez,  
Acting Executive Director