
Time and Attendance of Board Meeting Held Wednesday, September 12, 2012

Date: 09/12/2012

Call to Order: 9:30 AM

Call to Order By: Honorable Nicholas J. Maiale, Chairman

Next meeting of SERS Board: 10/24/2012

Time Recessed

12:00 PM

Time Resumed

12:50 PM

Adjournment

1:15 PM

ATTENDEES:

Chairman

Honorable Nicholas J. Maiale

Board Member

David R. Fillman

Michael F. Gerber

Robert W. Godshall

Robert M. McCord

Oliver C. Mitchell Jr.

Wallace H. Nunn

M. Joseph Rocks

Designee Appointed by Board Member

Charles Duncan for Senator Vincent J. Hughes

John Lisko for Treasurer Robert M. McCord

Monica Riddle for Senator Charles T. McIlhinney, Jr.

SERS Executive Staff

Anthony Clark

David E. Durbin

Anthony Faiola

Samuel Yun

Consultant

Anthony Johnson RV Kuhns & Associates, Inc.

Rob Kochis The Townsend Group

Michael McCabe StepStone Group LLC

Robert Palmeri RV Kuhns & Associates, Inc.

Kevin Rivchun The Townsend Group

Jim Rohlinger Great West Retirement Services

Consultant

Jim Voytko
Natalie Zar Walker

RV Kuhns & Associates, Inc.
StepStone Group LLC

SERS Administrative Staff

Rose Agnew
Todd Albaugh
Michael Beblo
Thomas Brier
Paul Brommer
Dino Degennaro
Patricia Dence
Linda Engle
Gary Glausser
Gary Green
Pamela Hile
Anthony Hines
Meredith Jones
David Kalman
Barbara Kiral
Cheryl Krehnar
Lauren Lenfest
Mark McGrath
Robert McGraw
Sara McSurdy
Neil O'Sullivan
Kyle Reinfeld
William Riegel
Trina Runkle
Joseph Torta
William Truong
Heather Tyler

Visitor

Bina Kumar	Nationwide Retirement Solutions
Sandy Leopold	PA Department of Treasury
David Schaefer	Nationwide Retirement Solutions
Julie Trent	Tiger Management

Presenter

Sean Conroy	Grosvenor Capital Management, LP
Alex Kamunya	NEPC, LLC

Presenter

Stephen Kennedy	Albourne America, LLC
Kevin Leonard	NEPC, LLC
Maggie Littlefield Sahlman	Advent International GPE VII, LP
Jim McGee	Advent International GPE VII, LP
Paul Meister	Grosvenor Capital Management, LP
James Munro	Albourne America, LLC
Katherine Rossi	Albourne America, LLC
Michael Sacks	Grosvenor Capital Management, LP
Neil Sheth	NEPC, LLC

Minutes of Board Meeting Held Wednesday, September 12, 2012

CAPITAL MARKET REPORT

Messrs. Johnson, Voytko and Palmeri presented the report provided to the Board (9/12/2012 Board Handouts).

SERS QUARTERLY PERFORMANCE REPORT (AS OF JUNE 30, 2012)

Messrs. Johnson, Voytko and Palmeri presented the report provided to the Board (9/12/2012 Board Package, Investment Report, Tab 7).

REAL ASSETS

BPG Investment Partnership IX, LP

Messrs. Kalman, Rivchun and Kochis presented the report provided to the Board (9/12/2012 Board Package, Investment Report, Tab 5).

Motion: 2012-40

By motion that was moved, seconded, and unanimously approved by all Board members, it was

RESOLVED: That the Board approves to commit up to an additional \$10 million to SERS' original commitment of \$15 million in BPG Investment Partnership IX, LP within the Real Assets Asset Class, subject to successful completion of contract negotiations.

DIVERSIFYING ASSETS CONSULTANT INTERVIEWS

Albourne America, LLC

Grosvenor Capital Management, LP

NEPC, LLC

Messrs. Clark and Brier presented the report provided to the Board (9/12/2012 Board Package, Investment Report, Tabs 8, 9 and 10).

Albourne America, LLC

Ms. Rossi and Messrs. Kennedy and Munro presented the report provided to the Board (9/12/2012 Board Package, Investment Report, Tab 8).

Grosvenor Capital Management, LP

Messrs. Conroy, Sacks and Meister presented the report provided to the Board (9/12/2012 Board Package, Investment Report, Tab 9).

NEPC, LLC

Messrs. Leonard, Sheth and Kamunya presented the report provided to the Board (9/12/2012 Board Package, Investment Report, Tab 10).

Albourne America, LLC

Motion: 2012-41

By motion that was moved, seconded, and unanimously approved by all Board members, except Rep. Godshall who voted no, it was

RESOLVED: That the Board approves to hire Albourne America, LLC for \$1.2 million over three years to act as the Diversifying Assets Investment Consultant to SERS, subject to successful completion of due diligence review and contract negotiations.

***ALTERNATIVE INVESTMENTS RECOMMENDATION FOR FUTURE INTERVIEW
LLR Equity Partners IV, LP***

Mses. Lenfest and Zar and Mr. McCabe presented the report provided to the Board (9/12/2012 Board Package, Investment Report, Tab 6) identifying LLR Equity Partners IV, LP as a potential investment opportunity for SERS.

It was the consensus of the Board to interview representatives from the company at the October 24, 2012 meeting.

***ALTERNATIVE INVESTMENTS INTERVIEW
Advent International GPE VII, LP***

Mses. Lenfest and Littlefield-Sahlman and Messrs. McGee, Glausser and McCabe presented the report provided to the Board (9/12/2012 Board Package, Investment Report, Tab 11).

Motion: 2012-42

By motion that was moved, seconded, and unanimously approved by all Board members, it was

RESOLVED: That the Board approves to commit up to \$50 million to Advent International GPE VII, LP as a follow-on investment within the Alternative Investments Asset Class, subject to successful completion of contract negotiations.

MINUTES OF BOARD MEETING - JULY 25, 2012

Chairman Maiale noted that the minutes of the July 25, 2012 Board meeting were provided to the Board (9/12/2012 Board Package, Administrative Report, Tab 2).

Motion: 2012-43

By motion that was moved, seconded, and unanimously approved by all Board members, it was

RESOLVED: That the Board approves the minutes of the July 25, 2012 Board meeting.

***CHANGES IN ASSETS AVAILABLE FOR BENEFITS FOR THE PERIODS ENDING -
JUNE 30 AND JULY 31, 2012***

Chairman Maiale noted that the Report of Changes in Assets Available for Benefits for the periods ending June 30 and July 31, 2012 were provided to the Board (9/12/2012 Board Package, Administrative Report, Tab 3).

Motion: 2012-44

By motion that was moved, seconded, and unanimously approved by all Board members, it was

RESOLVED: That the Board accepts the State Employees' Retirement System's Report of Changes in Assets Available for Benefits for the periods ending June 30 and July 31, 2012.

MEETING RECESS AND EXECUTIVE SESSION

At 12:00 p.m., the Board recessed and entered Executive Session to receive legal advice on Executive Session agenda items, as attached (ATTACHMENT A). The meeting resumed at 12:50 p.m.

RECOGNITION FOR RETIRING INTERNAL AUDIT DIRECTOR, MR. ROBERT P. MCGRAW

Chairman Maiale recognized Mr. Robert P. McGraw as the retiring Internal Audit Director. The Chairman thanked Mr. McGraw for his service to the Board.

Motion: 2012-45

At the motion of the Chairman, the Board unanimously agreed to recognize Mr. Robert P. McGraw with a Board Resolution, read by Mr. Durbin, a copy of which shall be filed with the minutes of this meeting (ATTACHMENT B).

FISCAL YEAR 2013-14 ADMINISTRATIVE BUDGET PROPOSAL

Mr. Faiola presented the report provided to the Board (9/12/2012 Board Package, Administrative Report, Tab 7 and Board Handouts).

Motion: 2012-46

By motion that was moved, seconded, and unanimously approved by all Board members, it was

RESOLVED: That the Board approves the proposed, or as may be amended by permission of the Office of the Budget, SERS Administrative Budget for Fiscal Year 2013-14.

ADMINISTRATIVE UPDATE

Mr. Durbin reported that the Administrative Update was provided to the Board (9/12/2012 Board Package, Administrative Report, Tab 8).

LEGISLATIVE UPDATE

Mr. Durbin reported that the Legislative Update was provided to the Board (9/12/2012 Board Package, Administrative Report, Tab 9).

He noted that SERS will be appearing before the Public Employee Retirement Commission on September 19, 2012 to discuss the SERS annual valuation and potential pension reform.

BOARD ADJUDICATIONS

Mr. Durbin provided the Board with the following information on the results of the notational ballots regarding Board Adjudications.

Account of Paul F. Dschuhan

Docket No. 2011-20

Claim of Paul F. Dschuhan

The State Employees' Retirement Board DENIED Claimant's request to reinstate his pension benefits forfeited due to his guilty plea to federal criminal charges. Board member Robert Godshall dissented.

Account of Linda D. Templin

Docket No. 2011-13

Claim of Linda D. Templin

The State Employees' Retirement Board DENIED Claimant's untimely request to elect multiple service.

BOARD DISMISSALS

Mr. Durbin noted that the following Orders as provided to the Board (9/12/2012 Board Package, Administrative Report, Tab 10) are dismissed.

Account of Richard D. Olasz, Sr.

Docket No. 2010-29

***Claim of Richard D. Olasz, Jr., Individually
and as Administrator of the Estate of Richard D. Olasz, Sr.***

Account of L. Scott Vogin

Docket No. 2012-04

Claim of L. Scott Vogin

Account of Michael S. Yarnell

Docket No. 2012-17

Claim of Michael S. Yarnell

DRAFT 2013 BOARD MEETING DATES

Mr. Durbin referenced the above-mentioned schedule provided to the Board (9/12/2012 Board Package, Administrative Report, Tab 11). He asked Board Members to contact the Executive Office concerning any conflicts with the dates before the schedule is finalized at the October 24, 2012 Board meeting.

NEXT BOARD MEETING

Chairman Maiale reported that the next regular meeting of the SERS Board is scheduled for October 24, 2012.

MOTION TO ADJOURN

Motion: 2012-47

By motion of Chairman Maiale, the Board unanimously agreed to adjourn the meeting at 1:15 p.m.

Respectfully submitted,



David E. Durbin
Executive Director

ATTACHMENT A

EXECUTIVE SESSION AGENDA Meeting: September 12, 2012

Executive Session

1. Notational Ballot Case

**Account of Brett C. Paulhamus (Deceased)
Docket No. 2010-28
Claim of Minor Children By and Through
Their Guardian, Melissa Paulhamus,
And the Estate of Brett C. Paulhamus**

Commonwealth of Pennsylvania
State Employees' Retirement System



ATTACHMENT B

RESOLUTION

WHEREAS, Robert P. "Bob" McGraw, CPA is retiring as Internal Audit Director of the Pennsylvania State Employees' Retirement System in September 2012, having been appointed as Director on March 16, 2011; and

WHEREAS, in more than 37 years with the Commonwealth, 10 years in service to SERS and its members, Bob McGraw served faithfully and conscientiously and provided SERS with exceptional leadership; and

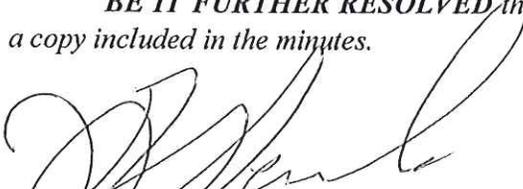
WHEREAS, Bob McGraw developed SERS' first audit program for on-site examinations of investment managers, established the SERS fraud hotline, initiated SERS' quarterly audit warning system and introduced SERS to the peer-review auditing standard; and

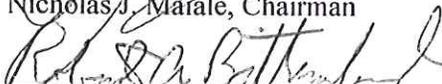
WHEREAS, Bob McGraw was instrumental in establishing the SERS audit committee and has exhibited an exceptional degree of dedication and diligence in his role supporting the work of the committee, including ensuring that Board members were consistently well-informed regarding developments of importance to the Commonwealth's retirees and pension fund;

NOW, THEREFORE, BE IT RESOLVED that the Pennsylvania State Employees' Retirement Board expresses its sincere appreciation to Bob McGraw for unparalleled excellence in his service to the System and its members and wishes him the best of health, happiness and success in all his future endeavors; and

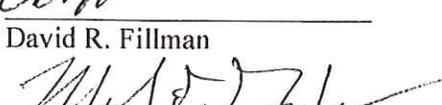
BE IT FURTHER RESOLVED that the original resolution be transmitted to Bob McGraw and a copy included in the minutes.

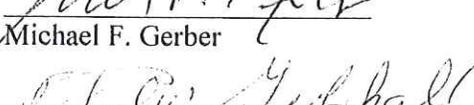
September 12, 2012
Harrisburg, Pennsylvania

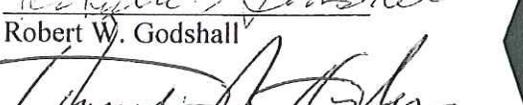

Nicholas J. Maiale, Chairman


Robert A. Bittenbender


David R. Fillman

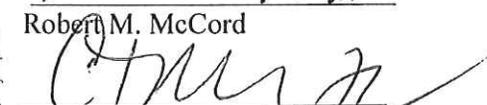

Michael F. Gerber

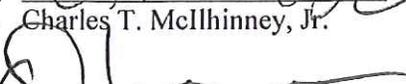

Robert W. Godshall

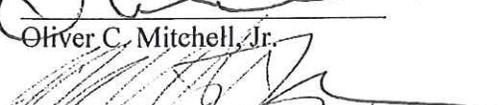

Vincent J. Hughes

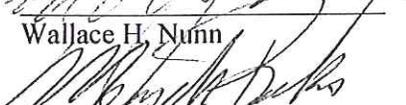



Robert M. McCord


Charles T. McIlhinney, Jr.


Oliver C. Mitchell, Jr.


Wallace H. Nunn


M. Joseph Rocks