
Time and Attendance of Board Meeting Held Wednesday, January 23, 2013

Date: 01/23/2013

Call to Order: 9:30 AM

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

Next meeting of SERS Board: 03/06/2013

Time Recessed

11:45 AM

Time Resumed

1:00 PM

Adjournment

1:08 PM

ATTENDEES:

Chairman

Honorable Nicholas J. Maiale

Board Member

Robert A. Bittenbender

Dan B. Frankel

Robert W. Godshall

Robert M. McCord

Charles T. McIlhinney Jr.

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

Dan Ocko for Representative Dan B. Frankel

SERS Executive Staff

Anthony Clark

David E. Durbin

Anthony Faiola

Samuel Yun

Consultant

Anthony Johnson R V Kuhns & Associates, Inc.

Stephen Kennedy Albourne America LLC

Rob Kochis The Townsend Group

Michael McCabe StepStone Group LLC

James Munro Albourne America LLC

Consultant

Jim Voytko

RV Kuhns & Associates, Inc.

Natalie Walker

StepStone Group LLC

SERS Administrative Staff

Rose Agnew

Todd Albaugh

Michael Beblo

Thomas Brier

Karen Damiano-Stahler

Dino Degennaro

Patricia Dence

Linda Engle

Gary Green

Pamela Hile

Anthony Hines

William Hutcheson

Meredith Jones

David Kalman

Barbara Kiral

Cheryl Krchnar

Lauren Lenfest

N. Joseph Marcucci

Brian McDonough

Mark McGrath

Neil O'Sullivan

Elizabeth Pettis

Kyle Reinfeld

William Riegel

Steven Rosenberry

Sharon Smith

Monica Solus

Joseph Torta

William Truong

Heather Tyler

Visitor

Jim Baker

Unite Here

Sandy Leopold

PA Department of Treasury

Edward Smith

Pennsylvania House of Representatives

Presenter

Henry Davis
Averell Mortimer

Arden Asset Management LLC
Arden Asset Management LLC

Minutes of Board Meeting Held Wednesday, January 23, 2013

INTRODUCTION OF NEW BOARD MEMBER, REPRESENTATIVE DAN B. FRANKEL

Chairman Maiale introduced and welcomed new Board member, Representative Dan Frankel who was appointed by the Speaker of the House.

PRELIMINARY 2012 INVESTMENT RETURNS

Mr. Clark noted that the preliminary 2012 Investment return is 12 percent; this added approximately \$3 billion to the Fund from the previous year.

CAPITAL MARKET REPORT

Messrs. Johnson and Voytko presented the report provided to the Board (1/23/2013 Board Handout).

DISCUSSION ON PORTFOLIO REBALANCING POLICY

Messrs. Johnson and Voytko presented the report provided to the Board (1/23/2013 Board Package, Investment Report, Tab 7). After discussion by the Board, the Portfolio Rebalancing Policy was tabled until the March 6, 2013 meeting.

FIXED INCOME RECOMMENDATIONS FOR FUTURE INTERVIEWS

J.P. Morgan Columbus Style (J. P. Morgan)

Logan Circle Partners (Logan Circle)

MacKayShields

Messrs. McGrath, Johnson and Voytko presented the report provided to the Board (1/23/2013 Board Package, Investment Report, Tab 3) identifying J.P. Morgan Columbus Style (J.P. Morgan), Logan Circle Partners (Logan Circle) and MacKayShields as potential investment opportunities for SERS.

It was the consensus of the Board to interview representatives from these companies at the March 6, 2013 meeting.

DIVERSIFYING ASSETS INTERVIEW

Arden Asset Management LLC

Messrs. Brier, Johnson, Kennedy, Mortimer and Davis presented the report provided to the Board (1/23/2013 Board Package, Investment Report, Tab 8). The Board was notified per Arden Asset Management LLC's (Arden) due diligence submission that Christiansen Investment Partners, an affiliate of Joseph Grace, Inc., acted as a solicitor for Arden.

It was also noted during the Board discussion that Arden was the last Fund of One recommendation to be made to the Board under the current Diversifying Assets (DA) program, and that prospectively investment staff will be working collaboratively with SERS' direct hedge fund consultant Albourne America LLC to recommend for Board consideration direct hedge fund investments only. It was further noted that the SERS 2014-2015 Strategic Investment Plan will specifically address the DA program structure and the ultimate allocation of assets between Fund of One managers and direct hedge fund managers.

Motion: 2013-01

By motion that was moved, seconded, and approved by all Board members, except Treasurer McCord, who voted No, it was

RESOLVED: That the Board commits up to \$150 million, consisting of in-kind assets and cash, to Arden Asset Management LLC, within the Diversifying Assets Investments Asset Class, subject to successful completion of contract negotiations.

DIRECT HEDGE FUND PROGRAM DISCUSSION

Messrs. Brier, Johnson, Kennedy and Munro presented the report provided to the Board (1/23/2013 Board Package, Investment Report, Tab 9).

REAL ASSETS RECOMMENDATION FOR FUTURE INTERVIEWS

Harvest Fund Advisors

Kayne Anderson Capital Advisors

Messrs. Kalman, Reinfeld and Johnson presented the report provided to the Board (1/23/2013 Board Package, Investment Report, Tab 4) identifying Harvest Fund Advisors and Kayne Anderson Capital Advisors as potential investment opportunities for SERS.

It was the consensus of the Board to interview representatives from these companies at the March 6, 2013 meeting.

ALTERNATIVE INVESTMENTS RECOMMENDATIONS FOR FUTURE INTERVIEWS

H.I.G. Bayside Loan Opportunity Fund III (Europe)

KPS Special Situations Fund IV

Mses. Lenfest and Walker and Mr. McCabe presented the report provided to the Board (1/23/2013 Board Package, Investment Report, Tabs 5 and 6) identifying H.I.G. Bayside Loan Opportunity Fund III (Europe) and KPS Special Situations Fund IV as potential investment opportunities for SERS.

It was the consensus of the Board to interview representatives from these companies at the March 6, 2013 meeting.

CONTRACT RENEWALS/EXTENSIONS

Artisan Partners LP - Global ex-US

Harris Associates LP

Mr. Clark noted that the above contracts are eligible for renewals or extensions. It was the consensus of the Board to renew or extend the contracts.

MINUTES OF BOARD MEETING - DECEMBER 5, 2012

Chairman Maiale noted that the minutes of the December 5, 2012 Board meeting were provided to the Board (1/23/2013 Board Package, Administrative Report, Tab 2).

Motion: 2013-02

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

RESOLVED: That the Board approves the minutes of the December 5, 2012 Board meeting.

CHANGES IN ASSETS AVAILABLE FOR BENEFITS FOR THE PERIODS ENDING - OCTOBER 31 AND NOVEMBER 30, 2012

Chairman Maiale noted that the Report of Changes in Assets Available for Benefits for the periods ending October 31 and November 30, 2012 were provided to the Board (1/23/2013 Board Package; Administrative Report, Tab 3).

Motion: 2013-03

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 October 31 and November 30, 2012.

MEETING RECESS AND EXECUTIVE SESSION

At 11:45 a.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 1:00 p.m.

PERSONNEL COMMITTEE RECOMMENDATION

The Personnel Committee recommended that the Board approve the following compensation action for the SERS' Investment Office.

Treasurer McCord noted that this is an ill time to be giving pay raises given the unfunded liability and the very important debate we are having about pensions; and second although some progress is being made, we can do much more on fees, particularly in areas of the double layering of fees or the unnecessary number of active managers.

Motion: 2013-04

By motion that was moved, seconded, and approved by all Board members, except Treasurer McCord and Senator McIlhinney, who voted No, and Charles Duncan on behalf of Senator Hughes, and Dan Ocko on behalf of Rep. Frankel, who abstained; it was

RESOLVED: That the Board approves to grant a pay increase of 8 percent to SERS' Chief Investment Officer, Anthony Clark, effective April 6, 2013, his second anniversary, as set forth in the Personnel Committee Recommendation, a copy of which shall be filed with the minutes of this meeting (ATTACHMENT B).

BUDGET HEARINGS

Mr. Durbin noted that the Senate and House Appropriation Committee Hearings are scheduled for Wednesday, February 27, 2013 at 9:30 and 1:00, respectively.

ADMINISTRATIVE UPDATE

Mr. Durbin noted that the Administrative Update was provided to the Board (1/23/2013 Board Package, Administrative Report, Tab 7).

LEGISLATIVE UPDATE

Mr. Durbin noted that the Legislative Update was provided to the Board (1/23/2013 Board Package, Administrative Report, Tab 8). He indicated that the SERS staff is providing assistance to a wide range of pension reform proposals. There has been special interest in the Rhode Island's pension benefit provisions and lawsuit.

PREVIEW OF 2012 ACTUARIAL VALUATION

Mr. Durbin noted that representatives of the Hay Group will be present at the March 6, 2013 meeting to give a joint presentation with R V Kuhns & Associates on the preliminary results of the 2012 actuarial valuation.

BOARD ADJUDICATIONS

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

Account of John Paul Kravitz

Docket No. 2011-22

Claim of John Paul Kravitz

The State Employees' Retirement Board DENIED Claimant's request to receive an increased service connected disability supplement from the State Employees' Retirement System.

Account of Theodore R. Robinson

Docket No. 2011-28

Claim of Theodore R. Robinson

The State Employees' Retirement Board DENIED Claimant's request to continue receiving a service connected disability supplement after his workers' compensation benefits terminated on August 1, 2011.

BOARD DISMISSALS

Mr. Durbin noted that the following Orders as provided to the Board (1/23/2013 Board Package, Administrative Report, Tab 9) are dismissed.

Account of Tonya Bass

Docket No. 2010-23

Claim of Tonya Bass

Account of Gina M. Poland

Docket No. 2012-32

Claim of Gina M. Poland

Account of Anjam N. Bhatti
Docket No. 2012-34
Claim of Anjam N. Bhatti

Account of Elizabeth M. Snyder
Docket No. 2012-06
Claim of Elizabeth M. Snyder

Account of Roberta Levine
Docket No. 2010-31
Claim of Roberta Levine

Account of Gwendolyn R. Thompson
Docket No. 2010-27
Claim of Gwendolyn R. Thompson

STRATEGIC BUSINESS PLAN 2013-2015

Mr. Durbin reported that the draft Strategic Business Plan for SERS was provided to the Board (1/23/2013 Board Package, Administrative Report, Tab 10). He noted to contact him if there are comments regarding the plan as this plan will be implemented on February 1, 2013.

MINUTES OF AUDIT COMMITTEE - DECEMBER 5, 2012

Mr. Durbin reported that the Audit Committee Minutes were provided to the Board (1/23/2013 Board Package, Administrative Report, Tab 11).

FINANCIAL DISCLOSURE STATEMENTS

Mr. Durbin noted that the Financial Disclosure Statements have been distributed to the Board Members and Designees. The deadline to return them is May 1, 2013.

INTRODUCTION OF THE NEW DIRECTOR OF THE OFFICE OF MEMBER SERVICES - JOSEPH TORTA

Mr. Durbin introduced Joe Torta as the new Director of the Office of Member Services.

NEXT BOARD MEETING

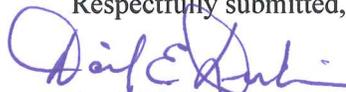
Chairman Maiale reported that the next regular meeting of the SERS Board is scheduled for March 6, 2013.

MOTION TO ADJOURN

Motion: 2013-05

By motion of Chairman Maiale, the Board unanimously agreed to adjourn the meeting at 1:08 p.m.

Respectfully submitted,



David E. Durbin
Executive Director

ATTACHMENT A

EXECUTIVE SESSION AGENDA Meeting: January 23, 2013

Executive Session

1. Notational Ballot Cases

Account of Delores McDowell (Deceased)
Docket No. 2011-17
Claim of Jason O'Neill Kates

Account of Patricia L. Yorty
Docket No. 2011-27
Claim of Patricia L. Yorty
2. 2012 Benefits and Member Related
Litigation Update
3. SERS' IRS Determination Letter Application –
Status Report
4. Fund Update
5. Accounting Procedure Update
6. Manager Update
7. Personnel Committee Discussion

ATTACHMENT B

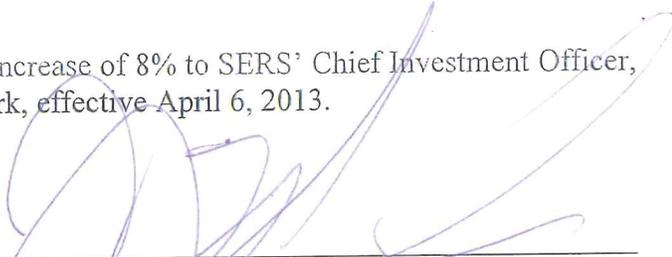
SERS PERSONNEL COMMITTEE RECOMMENDATION

DATE: January 23, 2013

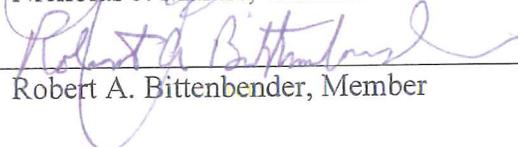
RESOLVED, that the SERS Personnel Committee recommends that the Board approve the following compensation action for the SERS' Investment Office.

ISSUE: Pay increase for SERS' Chief Investment Officer, Anthony Clark.

ACTION/REQUEST: Grant a pay increase of 8% to SERS' Chief Investment Officer, Anthony Clark, effective April 6, 2013.

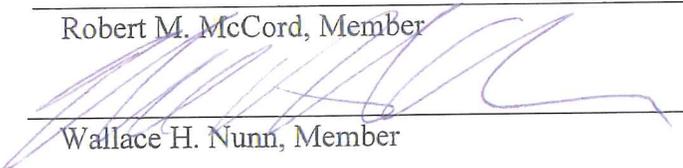


Nicholas J. Maiale, Chairman



Robert A. Bittenbender, Member

Robert M. McCord, Member



Wallace H. Nunn, Member