Time and Attendance of Board Meeting Held Wednesday, December 10, 2014

Date:	12/10/2014
Call to Order:	9:30 AM
Call to Order By:	Honorable Glenn E. Becker, Chairman
Next meeting of SERS Board:	01/21/2015

Time Recessed	Time Resumed	Adjournment
12:00 PM	1:35 PM	1:55 PM

ATTENDEES:

Chairman

Honorable Glenn E. Becker

Board Member

Stephen S. Aichele
Robert A. Bittenbender
David R. Fillman
Dan B. Frankel
Robert W. Godshall
Charles T. McIlhinney, Jr.
T. Terrance Reese
M. Joseph Rocks

Designee Appointed by Board Member

Christopher Craig	for Treasurer Robert M. McCord
Charles Duncan	for Senator Vincent J. Hughes
Bernie Gallagher	for Representative Dan B. Frankel
Dan Ocko	for Representative Dan B. Frankel
Ned Smith	for Representative Robert W. Godshall

SERS Executive Staff

Thomas Brier
David E. Durbin
Anthony Faiola
Victoria Page-Wooten

Consultant

Ruowen Ji	The Townsend Group
Anthony Johnson	RV Kuhns & Associates, Inc.
Rob Kochis	The Townsend Group

Consultant

Michael McCabe	StepStone Group LLC
Mikaylee O'Connor	RV Kuhns & Associates, Inc.
Robert Palmeri	RV Kuhns & Associates, Inc.
Jim Voytko	RV Kuhns & Associates, Inc.
Natalie Walker	StepStone Group LLC

SERS Administrative Staff

Rose Agnew
Karen Damiano-Stahler
Dino Degennaro
Patricia Dence
Linda Engle
David Felix
Brandon Halm
Pamela Hile
Anthony Hines
William Hutcheson
Meredith Jones
David Kalman
Barbara Kiral
Cheryl Krchnar
Lauren Lenfest
N. Joseph Marcucci
Mark McGrath
Jeffrey Meyer
Kyle Reinfeld
William Riegel
Steven Rosenberry
David Sedlak
Dave Tarsi
Joseph Torta
William Truong

Visitor

Kim Aspenleider	Delaware Investments
Peter Cunningham	BNY Mellon
Jonathan Hogstad	Service Employees International Union
Jim Kane	Unite Here
Sandy Leopold	PA Department of Treasury

Minutes of Board Meeting Held Wednesday, December 10, 2014

INTRODUCTION OF NEW BOARD MEMBER, MR. T. TERRANCE REESE

Chairman Becker introduced and welcomed new board member, Mr. T. Terrance Reese, who attended his first board meeting.

CAPITAL MARKET REPORT

Messrs. Johnson and Voytko presented the report provided to the board (12/10/2014 board handouts).

SERS QUARTERLY PERFORMANCE REPORT (3RD QUARTER 2014)

Messrs. Johnson and Voytko presented the report provided to the board (12/10/2014 Board Package, Investment Report, Tab 5).

DEFERRED COMPENSATION PLAN (DCP) NEW PROFILE FUND STRUCTURE STUDY

Messrs. Hines and Palmeri presented the report provided to the board (12/10/2014 Board Package, Administrative Report, Tab 9).

Motion: 2014-55

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

RESOLVED: That the board approves the establishment of an additional Profile Fund within the Deferred Compensation Program, which Fund will target allocations of 10% to a short-term money market fund and 90% to a short-duration/intermediate-duration bond fund, to be funded from the current portfolio and proceeds of the Stable Value Fund.

FIXED INCOME AND LIQUIDITY RESERVE PORTFOLIO REVIEW

Messrs. McGrath and Johnson presented the report provided to the board (12/10/2014 Board Package, Investment Report, Tab 6).

REAL ESTATE SEMI-ANNUAL PERFORMANCE REPORT (2ND QUARTER 2014)

Ms. Ji and Messrs. Kalman and Kochis presented the report provided to the board (12/10/2014 Board Package, Investment Report, Tab 7).

ALTERNATIVE INVESTMENTS SEMI-ANNUAL PERFORMANCE REPORT (2ND QUARTER 2014)

Mses. Lenfest and Walker and Mr. McCabe presented the report provided to the board (12/10/2014 Board Package, Investment Report, Tab 8).

ALTERNATIVE INVESTMENTS RECOMMENDATION FOR FUTURE INTERVIEWS

Crestview Partners III, L.P.
Francisco Partners IV, L.P.

Ms. Lenfest presented the report provided to the board (12/10/2014 Board Package, Investment Report, Tabs 3 and 4).

EXECUTIVE SESSION AND MEETING RECESS

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 1:35 p.m.

MINUTES OF BOARD MEETING - OCTOBER 29, 2014

Chairman Becker noted that the minutes of the October 29, 2014 board meeting were provided to the board (12/10/2014 Board Package, Administrative Report, Tab 2).

Motion: 2014-56

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

RESOLVED: That the board approves the minutes of the October 29, 2014 board meeting.

MINUTES OF BOARD SPECIAL MEETING - NOVEMBER 21, 2014

Chairman Becker noted that the minutes of the November 21, 2014 board special meeting were provided to the board (12/10/2014 Board Package, Administrative Report, Tab 3).

Motion: 2014-57

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

RESOLVED: That the board approves the minutes of the November 21, 2014 board special meeting.

CHANGES IN PLAN NET POSITION FOR PERIOD ENDING - SEPTEMBER 30, 2014

Chairman Becker noted that the Statement of Changes in Plan Net Position for the period ending September 30, 2014 was provided to the board (12/10/2014 Board Package, Administrative Report, Tab 4).

Motion: 2014-58

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

RESOLVED: That the board accepts the State Employees' Retirement System's Statement of Changes in Plan Net Position for the period ending September 30, 2014.

PERSONNEL COMMITTEE RECOMMENDATION

Chairman Becker presented the Personnel Committee recommendation.

Motion: 2014-59

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

RESOLVED: That the board grants the longevity increments set forth in the December 10, 2014 SERS Personnel Committee Recommendation presented to the board, a copy of which shall be filed with the minutes of this meeting (ATTACHMENT B).

CIO SEARCH COMMITTEE REPORT

Senator McIlhinney reported on behalf of the CIO Search Committee that they recommend Thomas Brier be appointed SERS Chief Investment Officer. He and other committee members thanked Korn/Ferry International for a very thorough process which brought forth many qualified candidates. Congratulatory notes were extended to Mr. Brier.

Motion: 2014-60

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

RESOLVED: That the board appoints Thomas F. Brier as the Chief Investment Officer, subject to the completion of successful salary negotiations, completion of a satisfactory background investigation, and receipt of all required commonwealth approvals; and further, to confirm that such Chief Investment Officer shall have all of the powers and duties enumerated in the State Employees' Retirement Code in addition to those powers which have been or will be conferred by the board upon such office.

DCP QUARTERLY REPORT - SEPTEMBER 30, 2014

Mr. Faiola presented the report provided to the board (12/10/2014 Board Package, Administrative Report, Tab 10).

BOARD ADJUDICATION

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

Account of Joseph A. Greene
Docket No. 2010-14
Claim of Joseph A. Greene

The State Employees' Retirement Board DENIED Claimant's request for a disability annuity.

BOARD DISMISSALS

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

Account of Michael T. Toole
Docket No. 2011-30
Claim of Michael T. Toole

Account of Michael T. Toole
Docket No. 2011-32
Claim of Michael T. Toole

Account of Gregory W. Grove
Docket No. 2014-09
Claim of Gregory W. Grove

LEGISLATIVE UPDATE

Mr. Durbin presented the report provided to the board (12/10/2014 Board Package, Administrative Report, Tab 11).

STRATEGIC BUSINESS PLAN

Mr. Durbin presented the report provided to the board (12/10/2014 Board Package, Administrative Report, Tab 12).

NEXT BOARD MEETING - JANUARY 21, 2015

Chairman Becker noted that the next regular meeting of the SERS board is scheduled for January 21, 2015.

MOTION TO ADJOURN

Motion: 2014-61

By motion of Chairman Becker, the board unanimously agreed to adjourn the meeting at 1:55 p.m.

Respectfully submitted,

David E. Durbin
Executive Director

ATTACHMENT A

EXECUTIVE SESSION AGENDA
Meeting: December 10, 2014

Executive Session

1. Notational Ballots

Account of Bruce A. Edwards
Docket No. 2012-12
Claims of PA State Troopers Association and Bruce A. Edwards

Account of Joseph E. Sarkis
Docket No. 2012-13
Claims of PA State Troopers Association and Joseph E. Sarkis

Account of Joseph R. Kovel
Docket No. 2012-24
Claims of Pa State Troopers Association and Joseph R. Kovel

Account of Sean R. Weaver
Docket No. 2011-24
Claim of Sean R. Weaver

Account of Gerald A. Sandusky
Docket No. 2012-38
Claims of Gerald A. and Dorothy Sandusky

2. Fund Update

3. Preliminary Fund Performance and Risk Statistics

4. Personnel Discussion

ATTACHMENT B

SERS PERSONNEL COMMITTEE RECOMMENDATION

DATE: December 10, 2014

RESOLVED, that the SERS Personnel Committee, to remain consistent with pay increases approved by the Governor's Office, recommends that the Board approve the following compensation action for the State Employees' Retirement System.

ISSUE: January 2015 One-Step Longevity Increment

ACTION/REQUEST: To take effect upon the effectiveness of Executive Board Resolution No. CN-14-023:

Management

Grant SERS management employees who are compensated on the July 1, 2014 Management/Nonrepresented Pay Schedule and who have been employed continuously by the Commonwealth since January 31, 2014, a one-step longevity increment effective on the first day of the first full pay period in January 2015;

Grant SERS management employees who are compensated on the July 1, 2014 Management/Nonrepresented Pay Schedule who are at or above the maximum salary for their pay range, and who are otherwise eligible to receive longevity increments, the one-step longevity increment in the form of a one-time cash payment of 2.25% of their annual salary in effect on the day preceding the first day of the first full pay period in January 2015, rounded to the nearest dollar; and

Grant SERS management employees who are in an inactive pay status on the effective date of the longevity increment, the appropriate increase as described above, upon return to an active pay status.

The one-step longevity payment listed above for SERS management employees is consistent with the provisions of the Commonwealth's Executive Board Resolution #CN-14-023, approved by the Commonwealth Executive Board on November 3, 2014.

ACTION/REQUEST: To take effect upon the effectiveness of Executive Board Resolution
Investments No. CN-14-023:

Grant SERS investment professionals who are compensated on the July 1, 2014 Investment Pay Schedule and who have been employed continuously by the Commonwealth since January 31, 2014, a one-step longevity increment effective on the first day of the first full pay period in January 2015;

Grant SERS investment professionals who are compensated on the July 1, 2014 Investment Pay Schedule who are at or above the maximum salary for their pay range, and who are otherwise eligible to receive longevity increments, the one-step longevity increment in the form of a one-time cash payment of 2.5% of their annual salary in effect on the day preceding the first day of the first full pay period in January 2015, rounded to the nearest dollar; and

Grant SERS investment professionals who are in an inactive pay status on the effective date of the longevity increment, the appropriate increase as described above, upon return to an active pay status.

Glenn E. Becker, Chairman

Robert A. Bittenbender, Member

Robert M. McCord, Member

Christopher B. Craig, Chief Counsel
on behalf of Treasurer McCord