

MINUTES of SERS Board Regular Meeting - Wednesday, June 8, 2016

CALLED TO ORDER: 9:30 a.m. by Chairman David R. Fillman

ATTENDEES:

Members and Designees

David R. Fillman - Chairman
Stephen S. Aichele
Glenn E. Becker
Dan B. Frankel
Robert W. Godshall
Vincent J. Hughes
Michael V. Puppio, Jr.
Timothy A. Reese
M. Joseph Rocks
Bernie Gallagher – Designee for Representative Dan B. Frankel
Dan Ocko - Designee for Representative Dan B. Frankel
Monica Riddle – Designee for Senator Charles T. McIlhinney, Jr.
Ned Smith - Designee for Representative Robert W. Godshall

Consultants

Kathlika Fontes, StepStone Group LLC
Anthony Johnson, RVK, Inc.
Rob Kochis, The Townsend Group
Mikaylee O'Connor, RVK, Inc.
Rob Palmeri, RVK, Inc.
Matt Roche, StepStone Group LLC
Jim Rohlinger, Empower Retirement
Ryan Skubic, The Townsend Group
Jim Voytko, RVK, Inc.

Executive Staff

Thomas F. Brier
David E. Durbin
Anthony Faiola
N. Joseph Marcucci

Staff

Rose Agnew
Eric Baker
Karen Damiano-Stahler
Dino Degennaro
Patricia Dence
Linda Engle
David Felix

Pamela Hile
Tarrille Johnson
Meredith Jones
Barbara Kiral
Cheryl Krchnar
Karen Lynn
Jeffrey McCormick
Sara McSurdy
Matthew Meads
Jeffrey Meyer
James Nolan
Jay Pagni
Steven Rosenberry
David Sedlak
Sharon Smith
David Tarsi
Joseph Torta
William Truong

Visitors

Chris Ade, Lord, Abbett & Co., LLC
Amy Brown, Goldman Sachs Asset Management
Sandy Leopold, PA Department of Treasury
Bryan Lewis
Eileen O'Grady, Unite Here

MINUTES of the SERS Board Regular Meeting Wednesday, June 8, 2016

A. BOARD MEMBERS' REAPPOINTMENT TO THE BOARD – GLENN E. BECKER AND DAVID R. FILLMAN

Mr. Durbin noted that board members Glenn E. Becker and David R. Fillman have been reappointed to the board by Gov. Tom Wolf.

B. BOARD RECOGNITION FOR RETIRING CHIEF INVESTMENT OFFICER, THOMAS F. BRIER

Chairman Fillman recognized Mr. Brier as the retiring Chief Investment Officer and thanked him for his service to the board.

MOTION: 2016-29

At the motion of Chairman Fillman, the board unanimously agreed to recognize Thomas F. Brier with a board resolution, read by Jay Pagni, SERS Director of Communications and Policy, a copy of which shall be filed with the minutes of the meeting (ATTACHMENT A).

C. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND RVK, INC.

Presentation: 1. Capital Market Report

Messrs. Johnson and Voytko presented the report provided to the board (6/8/2016 board handouts).

Presentation: 2. SERS Quarterly Performance Analysis (1st Quarter 2016)

Messrs. Johnson and Voytko presented the report provided to the board (6/8/2016 Board Package, Investment Report, Tab 3).

D. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND THE TOWNSEND GROUP

Presentation: 1. Real Estate Semi-Annual Performance Report (Year-end 2015)

Messrs. Kochis and Skubic presented the report provided to the board (6/8/2016 Board Package, Investment Report, Tab 5).

E. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND STEPSTONE GROUP LLC

Presentation: 1. Alternative Investments Semi-Annual Performance Report (Year-end 2015)

Ms. Fontes and Mr. Roche presented the report provided to the board (6/8/2016 Board Package, Investment Report, Tab 6).

F. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND RVK, INC.

Presentation: 1. SERS Deferred Compensation Plan Quarterly Investment Performance Analysis (1st Quarter 2016)

Ms. O'Connor and Mr. Palmeri presented the report provided to the board (6/8/2016 Board Package, Investment Report, Tab 4).

G. STANDARD MOTIONS

Action: 1. Minutes of Board Meeting – April 27, 2016

Chairman Fillman presented the report provided to the board (6/8/2016 Board Package, Administrative Report, Tab 2).

MOTION: 2016-30

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

RESOLVED: That the board approves the minutes of the April 27, 2016 board meeting.

Action: 2. Minutes of Board Special Meeting – May 4, 2016

Chairman Fillman presented the report provided to the board (6/8/2016 Board Package, Administrative Report, Tab 3).

MOTION: 2016-31

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

RESOLVED: That the board approves the minutes of the May 4, 2016 board special meeting.

Action: 3. Statement of Changes in Fiduciary Net Position for Period Ending – March 31, 2016

Chairman Fillman presented the report provided to the board (6/8/2016 Board Package, Administrative Report, Tab 4).

MOTION: 2016-32

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

RESOLVED: That the board accepts the State Employees' Retirement System's Statement of Changes in Fiduciary Net Position for the period ending March 31, 2016.

H. REPORT FROM CHIEF FINANCIAL OFFICER

Presentation: 1. SERS Financial Statements and DCP Financial Statements (Year-end 2015)

Mr. Faiola noted that the report was provided to the board (6/8/2016 Board Package, Administrative Report, Tabs 12, 13 and 14).

I. EXECUTIVE SESSION

Presentation: 1. Agenda

At 11:45 a.m., the board recessed and entered executive session to receive legal advice and confidential performance information on executive session agenda items, as attached (ATTACHMENT B).

J. LUNCH BREAK

K. PUBLIC MEETING RESUMES

The public meeting resumed at 12:35 p.m.

L. REPORT FROM EXECUTIVE DIRECTOR

Presentation: 1. Administrative Update

Mr. Durbin noted that the report was provided to the board (6/8/2016 Board Package, Administrative Report, Tab 8).

Presentation: 2. Legislative Update

Mr. Durbin noted that the report was provided to the board (6/8/2016 Board Package, Administrative Report, Tab 9).

Presentation: 3. 2015 Final Actuarial Valuation Report

Mr. Durbin noted that the report was provided to the board (6/8/2016 board handouts).

Presentation: 4. Guide for Retiring Members

Mr. Durbin noted that the rebranded guide was provided to the board (6/8/2016 board handouts).

Presentation: 5. Governance Project Oversight

Mr. Durbin noted that Mr. Glenn Becker along with the Audit Committee members would have oversight of the Governance Project.

M. NEXT BOARD MEETING – JULY 27, 2016

Chairman Fillman noted that the next regular meeting of the SERS board is scheduled for July 27, 2016.

N. MOTION TO ADJOURN

Action: 1. Adjournment

MOTION: 2016-33

By motion of Chairman Fillman, the board unanimously agreed to adjourn the meeting at 12:40 p.m.

Respectfully submitted,



David E. Durbin
Executive Director

Commonwealth of Pennsylvania
State Employees' Retirement System



ATTACHMENT A

RESOLUTION

WHEREAS, Thomas F. Brier, is retiring as Chief Investment Officer of the Pennsylvania State Employees' Retirement System, having served the commonwealth faithfully and conscientiously for nearly twenty-four years, sixteen of which with SERS; and

WHEREAS, During Mr. Brier's tenure as Chief Investment Officer, he has recommended only best-in-class investment opportunities of more than one billion dollars to twenty-five funds, strengthened investment governance, and established a disciplined investment process where every dollar invested in active strategies has the potential to add exceptional value relative to its competing investment opportunities; and

WHEREAS, Mr. Brier enhanced the new investment due diligence and the ongoing investment manager monitoring processes, including development of an Investment Manager Monitoring Policy; and

WHEREAS, Mr. Brier developed a new Strategic Investment Plan, restructuring the real estate program to increase the total fund's expected return, liquidity, and diversification while decreasing expected risk; and

WHEREAS, Mr. Brier reduced annual investment management expenses while remaining a top-performing, large public fund, and

WHEREAS, Thomas F. Brier has represented SERS and this Board before the General Assembly, Governors Corbett and Wolf, and Auditor General DePasquale, and exhibited a high degree of dedication as a fiduciary by carrying out his duties prudently, solely in the interest and for the exclusive purpose of SERS' members, and in accordance with law and plan documents; now therefore be it

RESOLVED, That the Pennsylvania State Employees' Retirement Board expresses its sincere appreciation to Thomas F. Brier for his professional excellence in his service to SERS 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 Thomas F. Brier, and a copy included in the minutes.

June 8, 2016

Harrisburg, Pennsylvania

David R. Fillman, Chairman

Stephen S. Aichele

Glenn E. Becker

Dan B. Frankel

Robert W. Godshall

Vincent J. Hughes



Charles T. McIlhinney, Jr.

Michael V. Puppio, Jr.

T. Terrance Reese

Timothy A. Reese

M. Joseph Rocks

ATTACHMENT B

EXECUTIVE SESSION AGENDA

Meeting: June 8, 2016

Executive Session

1. Notational Ballot

**Account of Kelley M. Florence
Docket No. 2015-05
Claim of Kelley M. Florence**

2. Recent Decisions

3. HayGroup/Korn Ferry and KPMG Contract Updates

4. Pending Litigation Update

5. Fund Update

6. Preliminary Fund Performance and Risk Statistics