

MINUTES of SERS Board Regular Meeting - Wednesday, July 27, 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

T. Terrance Reese

Timothy A. Reese

Mary A. Soderberg

Monica Riddle – Designee for Senator Charles T. McIlhinney, Jr.

Jeff Wheeland – Designee for Representative Robert W. Godshall

Consultants

Christian Eicher, RVK, Inc.

Kathlika Fontes, StepStone Group LLC

Anthony Johnson, RVK, Inc.

Rob Kochis, The Townsend Group

Matt Roche, StepStone Group LLC

Jim Voytko, RVK, Inc.

Executive Staff

David E. Durbin

Anthony Faiola

Bryan Lewis

N. Joseph Marcucci

Staff

Rose Agnew

Karen Damiano-Stahler

Dino Degennaro

Patricia Dence

Linda Engle

David Felix

Pamela Hile

Meredith Jones

Barbara Kiral

Cheryl Krchnar

Karen Lynn

Matthew Meads

Jeff Meyer

James Nolan

Jay Pagni

Steven Rosenberry
Joseph Torta
William Truong

Visitors

Chris Ade, Lord, Abbett & Co., LLC
Kasi Boyles, Voya Financial Advisors, Inc.
Craig Fowler, HarbourVest Partners, LLC
Sandy Leopold, PA Department of Treasury
John Malady
Eileen O'Grady, Unite Here
Elizabeth Pettis, PA Office of General Counsel
Edward Powers, HarbourVest Partners, LLC
Elizabeth Rocks
Senator M. Joseph Rocks, Outgoing SERS Board Member

MINUTES of the SERS Board Regular Meeting Wednesday, July 27, 2016

A. INTRODUCTION OF CHIEF INVESTMENT OFFICER, MR. BRYAN LEWIS

Chairman Fillman introduced and welcomed SERS Chief Investment Officer, Mr. Bryan Lewis.

B. INTRODUCTION OF NEW BOARD MEMBER, MS. MARY A. SODERBERG

Chairman Fillman introduced and welcomed new board member, Ms. Mary A. Soderberg, who was attending her first board meeting.

C. BOARD RECOGNITION FOR OUTGOING BOARD MEMBER, M. JOSEPH ROCKS

Chairman Fillman recognized Senator Rocks for his experience which included political and corporate background. Chairman Fillman noted that Senator Rocks had outstanding knowledge of the investment world and board members would take his lead over the years while on the board.

Rep. Wheeland, Designee for Representative Godshall, read into the record a Pennsylvania House of Representatives Citation (ATTACHMENT A) acknowledging Senator Rocks for 35 years of dedicated service to the Commonwealth of Pennsylvania.

Ms. Riddle presented the Pennsylvania Senate Citation (ATTACHMENT B), on behalf of Senators McIlhinney, Haywood and Hughes, recognizing Senator Rocks for his more than 20 years of commitment to the SERS board.

Senator Rocks acknowledged present and past board members and staff for their support over the years. He wished them the best in the trying times and challenges ahead. He noted it was a privilege to serve SERS and to be recognized at the meeting today.

MOTION: 2016-34

At the motion of Chairman Fillman, the board unanimously agreed to recognize M. Joseph Rocks with a board resolution, read by Dave Durbin, a copy of which shall be filed with the minutes of the meeting (ATTACHMENT C).

D. 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 (7/27/2016 board handouts).

E. STRATEGIC INVESTMENT PLAN ACCOMPLISHMENTS AND GOALS – UPDATE

Mr. Lewis noted that the report was provided to the board (7/27/2016 Board Package, Investment Report, Tab 3).

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

Presentation: 1. Recommendation for Future Interview: Permira VI, L.P. 1

Ms. Fontes and Messrs. Felix and Roche presented the report provided to the board (7/27/2016 Board Package, Investment Report, Tab 4).

Presentation: 2. Recommendation for Future Interview: Vista Equity Partners Fund VI, L.P.
Ms. Fontes and Messrs. Felix and Roche presented the report provided to the board (7/27/2016 Board Package, Investment Report, Tab 5).

It was the consensus of the board to interview representatives of both managers at the September 14, 2016 board meeting.

G. STANDARD MOTIONS

Action: 1. Minutes of Board Meeting – June 8, 2016

Chairman Fillman presented the report provided to the board (7/27/2016 Board Package, Administrative Report, Tab 2).

MOTION: 2016-35

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

RESOLVED: That the board approves the minutes of the June 8, 2016 board meeting.

Action: 2. Statement of Changes in Fiduciary Net Position for Periods Ending – April 30 and May 31, 2016

Chairman Fillman presented the report provided to the board (7/27/2016 Board Package, Administrative Report, Tab 3).

MOTION: 2016-36

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 periods ending April 30 and May 31, 2016.

H. EXECUTIVE SESSION

Presentation: 1. Agenda

At 10:40 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 D).

I. LUNCH BREAK

J. PUBLIC MEETING RESUMES

The public meeting resumed at 11:40 a.m.

K. REPORT FROM EXECUTIVE DIRECTOR

Presentation: 1. Board Adjudication

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

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

The State Employees' Retirement Board DENIED Claimant's appeal of SERS' denial of her untimely multiple service membership election.

Presentation: 2. Administrative Update

Mr. Durbin noted that the report was provided to the board (7/27/2016 Board Package, Administrative Report, Tab 8).

Presentation: 3. Legislative Update

Mr. Durbin noted that the report was provided to the board (7/27/2016 Board Package, Administrative Report, Tab 9).

Presentation: 4. Audit Committee Minutes – June 8, 2016

Mr. Durbin noted that the report was provided to the board (7/27/2016 Board Package, Administrative Report, Tab 10).

Presentation: 5. Department of Auditor General Audit Process

Mr. Durbin noted that the board directed staff to begin preparation for a cooperative performance audit by the state's auditing agency.

L. NEXT BOARD MEETING – SEPTEMBER 14, 2016

Chairman Fillman noted that the next regular meeting of the SERS board is scheduled for September 14, 2016.

M. MOTION TO ADJOURN

Action: 1. Adjournment

MOTION: 2016-37

By motion of Chairman Fillman, the board unanimously agreed to adjourn the meeting at 11:45 a.m.

Respectfully submitted,



David E. Durbin
Executive Director

Commonwealth of Pennsylvania



The House of Representatives

Citation

Whereas, *The Honorable M. Joseph Rocks, a former member of the Senate of Pennsylvania representing the 4th Senatorial District, is being honored upon his 2016 retirement from the Board of the State Employees' Retirement System after thirty-six years of dedicated and distinguished service with this Commonwealth; and*

Whereas, *Mr. Rocks graduated from West Catholic Boys High School and earned an associates's degree from the Community College of Philadelphia in 1967. He served this nation honorably as a member of the United States Army Security Agency from 1967 to 1971. He attended the Defense Language Institute in California and the University of Maryland and earned a bachelor's from the University of Iowa. Mr. Rocks began his public service as a Legislative Assistant for the Republican Caucus in the Senate of Pennsylvania in 1973, and he continued his service as a Budget Analyst for the Republican Caucus and as the Southeast Regional Director for the Republican Legislative Field Services with the House of Representatives of Pennsylvania. He was elected to the House of Representatives of Pennsylvania, serving the 199th Legislative District, in November 1978 and again in November 1980, and he began his tenure with the Senate of Pennsylvania, representing the 4th Senatorial District, in 1982. He was reelected to that position in 1986. In addition to his elected service, Mr. Rocks was appointed to the Boards of the Pennsylvania Higher Education Assistance Agency from 1981 to 1990, the Pennsylvania Commission on Crime and Delinquency from 1989 to 1990 and the Pennsylvania Heritage Affairs Commission from 1989 to 1990. To help steward two different public retirement systems, he was appointed as a Board member to the Public School Employees' Retirement System from 1983 to 1990 and as a Gubernatorial appointee to the Board of the State Employees' Retirement System, the position from which he is retiring, in 1997.*

Now therefore, *the House of Representatives of the Commonwealth of Pennsylvania congratulates the Honorable M. Joseph Rocks upon his richly deserved retirement; affirmatively states that he served this Commonwealth and the nation with honor and distinction;*

And directs *that a copy of this citation, sponsored by the Honorable Dan Frankel on June 27, 2016, be transmitted to the Honorable M. Joseph Rocks, 9201 Eagleview Drive, Lafayette Hill, Pennsylvania 19444.*

Dan Frankel, Sponsor

Mike Turzai, Speaker of the House

Attest:

David Reddecliff, Chief Clerk of the House



Senate of Pennsylvania



HARRISBURG, PA

Congratulations

In the Senate, June 23, 2016

Whereas, The Senate of Pennsylvania takes great pleasure in recognizing those citizens who, through dedication and excellence, contribute in a meaningful way to the well-being of their communities and ultimately to all the people of this great Commonwealth; and

Whereas, The Honorable M. Joseph Rocks, a former member of the Senate of Pennsylvania who served the 4th Senatorial District in Philadelphia County, is being honored for providing more than twenty years of dedicated service to the State Employees' Retirement System Board (SERS); and

Whereas, Born on June 6, 1947, Mr. Rocks was the son of the late Joseph F. and Catherine Silchrist Rocks and a graduate of West Catholic Boys' High School, the Community College of Philadelphia and the University of Iowa. He served this country with honor and distinction as a member of the United States Army Security Agency from 1967 to 1971. Mr. Rocks was elected to the House of Representatives of Pennsylvania in 1978, serving until his election to the Senate of Pennsylvania in 1982. He served the 4th Senatorial District of Philadelphia County until 1990. Appointed to the SERS Board by former Governor Thomas G. Ridge on February 18, 1996, Mr. Rocks has been a member of its Audit, Personnel, Securities Litigation, Alternative Investments Consultant and Real Estate Consultant Committees, and he played a vital role in the Board's expansion into new investment types. He further served the public as a member of the Public School Employees' Retirement System Board. Any definition of a full and productive life must include service to others. Through his many initiatives to benefit his community and by his personal example, Mr. Rocks clearly reflects the true spirit of this Commonwealth.

Now therefore, the Senate of the Commonwealth of Pennsylvania congratulates The Honorable M. Joseph Rocks upon his richly deserved recognition; affirmatively states that he is a shining example of community spirit whose many contributions are worthy of deep gratitude and respect;

And directs that a copy of this document, sponsored by Senators Charles F. McElhinney, Jr., Art Haywood and Vincent J. Hughes, be transmitted to The Honorable M. Joseph Rocks.



Attest:

Megan Martin, Secretary

**Commonwealth of Pennsylvania
State Employees' Retirement System**



RESOLUTION

WHEREAS, Senator M. Joseph Rocks became a member of the State Employees' Retirement Board effective February 13, 1996, by appointment of Governor Thomas J. Ridge; and

WHEREAS, Senator M. Joseph Rocks was reappointed by Governors Rendell and Corbett; and

WHEREAS, Senator M. Joseph Rocks has exhibited throughout his tenure, a focus on the best interests of the System and its members with perspectives derived from his distinguished public sector career; and

WHEREAS, Senator M. Joseph Rocks served on the board's Audit, Personnel, Securities Litigation, Alternative Investments Consultant, and Real Estate Consultant committees; and

WHEREAS, over the course of his service, Senator M. Joseph Rocks played a vital role in the board's expansion into new investment types that were, at the time, groundbreaking for public pension funds and have helped the board to maintain a well-diversified portfolio for the benefit of all SERS members; now therefore be it

RESOLVED, That the Pennsylvania State Employees' Retirement Board expresses its sincere appreciation to Senator M. Joseph Rocks for his more than 20 years of dedication 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 Senator M. Joseph Rocks and a copy included in the minutes.

July 27, 2016

Harrisburg, Pennsylvania

David R. Fillman, Chairman

Stephen S. Aichele

Glenn E. Becker

Dan B. Franke

Robert W. Godshall

Vincent J. Hughes

Charles T. Mellhinney, Jr.

WILL SECURE SIGNATURE PRIOR TO APPROVAL

Michael V. Puppio, Jr.

T. Terrance Reese

Timothy A. Reese

ATTACHMENT D

EXECUTIVE SESSION AGENDA

Meeting: July 27, 2016

Executive Session

1. Notational Ballot

**Account of Kendall Knight
Docket No. 2016-02
Claim of Sandra M. Bryant-Knight**

**Account of Joseph D. Ober
Docket No. 2014-10
Claim of Joseph D. Ober**

2. Recent Decisions

3. Pending Litigation

4. Fund Update

5. Preliminary Fund Performance and Risk Statistics