

FOR IMMEDIATE RELEASE:

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**PA SERS Fund Reports 4.7% Return In First Quarter;
Board Approves \$45 million in Alternative Investments**

HARRISBURG – The Pennsylvania State Employees’ Retirement System today announced earning 4.7% in the first quarter of the year, adding \$1.2 billion to the Fund.

The SERS Board also approved two alternative investments totaling up to \$45 million, received the complete [2010 Actuarial Valuation Report](#) and approved contracts for auditing and for actuarial services.

Staff and consultants reported the net of fees 4.7% return for the first quarter of the year and positive performance for the trailing one-, two-, five-, seven- and ten-year periods, with annualized returns of 13.8%, 17.6%, 3.3%, 6.6% and 6.0%, respectively.

As is customary, reporting of private equity, venture capital and real estate performance is lagged by one quarter, due to the additional time required to complete updated valuations of these assets. Thus the first-quarter overall Fund performance numbers actually reflect 2010 fourth-quarter performance for private equity, venture capital and real estate, officials noted.

While all asset classes earned positive returns, officials said venture capital was the Fund’s strongest performer for the quarter, earning an 8.6% return. Returns for other asset classes were: inflation protection (including commodities), 8.4%; private equity, 7.3%; U.S. stocks, 6.8%; real estate, 4.4%; global stocks, 3.4%, fixed income, 3.3%; non-U.S. stocks, 2.8% and absolute return (funds of hedge funds) 1.7%.

In other business, the Board today authorized two alternative investments follow-on commitments:

- Up to \$20 million to Cross Atlantic Technology Fund III, L.P.
- Up to \$25 million to H.I.G. Growth Buyouts & Equity Fund II, L.P.

Both investments will be funded from cash and are subject to successful completion of contract negotiations.

The Board received the complete **2010 Actuarial Valuation Report** from SERS’ actuary, Hay Group. As announced following the Board’s April 27 meeting, the Board certified the composite employer contribution rate for the Commonwealth’s 2011/12 fiscal year at 8% of payroll, as calculated by the actuary during its valuation.

SERS Executive Director Leonard M. Knepp reminded the Board that the 8% rate reflects the first statutory funding collar established by Act 2010-120 pension reform legislation. The collars are intended to moderate the long-expected steep spike in the employer rate, while gradually increasing funding to the System over the next six

years. Current projections show the rate peaking at 25.9% of payroll in FY 2016/17 and then remaining above 20% through 2027/28.

Also during this meeting, staff recommended and the Board approved retaining Hay Group as the System's actuary and hiring KPMG as the System's external auditor following two separate request-for-proposal processes. Both contracts are for five years.

In addition, SERS CIO Anthony Clark reported that he filled two vacancies in the investment office. In May, Clark hired Gary Green as Director of Global Equity. Green held a similar position with the National Railroad Retirement Investment Trust prior to his move to SERS. Clark also promoted Lauren Lenfest from Co-Director of Alternative Investments to Director of Alternative Investments, effective with current Director Bruce Feldman's June 17, 2011 retirement date.

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About the Pennsylvania State Employees' Retirement System

Established in 1923, SERS is one of the nation's oldest and largest statewide retirement plans for public employees, with assets of approximately \$26 billion and more than 226,000 members.

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