

**FOR IMMEDIATE RELEASE:**

June 13, 2012

**PA SERS Reports Positive First Quarter Investment Performance  
Approves \$125 million in Investments**

HARRISBURG – The Pennsylvania State Employees’ Retirement System today announced earning a net-of-fees return of 6% on investments during the first quarter, contributing approximately \$1.5 billion to the Fund.

“Last quarter’s positive returns are certainly welcome,” said SERS Board Chairman Nicholas Maiale, “but, given current markets, we obviously remain cautious.”

All asset classes earned positive returns for the quarter:

- 13.3% Global stocks
- 13.1% U.S. stocks
- 12.6% Non-U.S. stocks
  - 5.4% Inflation protection (including commodities)
  - 3.9% Venture capital
  - 3.8% Absolute return/diversifying assets (fund of hedge funds)
- 3.1% Private equity
- 3.0% Fixed income
- 2.5% Real estate

As always with SERS’ investment performance reporting, private equity, venture capital and real estate returns lag by one quarter.

The Board also adopted a **2012-2013 Strategic Investment Plan** that focuses on reducing the number of asset classes and reorganizing assets based on their overall roles in the Fund; rebalancing the Fund to manage risk with an emphasis on mitigating capital impairment risk; and establishing a liquidity reserve.

“We will implement the new allocation in a deliberate, systematic way over time by redirecting redemptions and other activities,” explained SERS Chief Investment Officer Anthony Clark. “This work continues the Fund’s on-going shift from a legacy, endowment-like model toward a more liquid, total return strategy.”

Clark said that “organizing assets in this way provides greater transparency into the total Fund portfolio and affords greater opportunity to manage market risk by adjusting allocations within pre-determined and appropriate ranges.”

According to the new investment plan, the asset class structure, allocation targets and ranges are:

<b>Asset Class</b>	<b>Interim (5-Yr) Target</b>	<b>Long-Term (10-Yr) Target</b>	<b>Range</b>
Alternative investments	24%	16%	+/-5%
Global public equities	32%	38%	+/-4%
Real assets	12%	12%	+/-3%
Diversifying assets	12%	12%	+/-2%
Fixed income	17%	19%	+/-2%
Liquidity reserve	3%	3%	+/-2%

The Board also moved to reinvest up to \$125 million of cash distributions by authorizing two alternative investment follow-on commitments:

- **Up to \$75 million to AXA Secondary Fund V-B, L.P.**  
to increase exposure to the secondary sector with shorter-duration investments that serve to increase liquidity and vintage year diversity.
- **Up to \$50 million to Asia Alternatives Capital Partners III, L.P.**  
to increase geographic diversification while gaining exposure to emerging markets with GDP growth.

Both investments move the Fund toward the new asset allocation targets outlined in the strategic investment plan and are subject to successful completion of contract negotiations.

In other business, the Board received the complete [2011 Actuarial Valuation Report](#) from SERS' actuary, Hay Group. The valuation reflects a composite employer contribution rate of 11.5% as established by Pennsylvania law Act 2010-120; a reduced long-term rate of return assumption of 7.5% approved at the last meeting; and a funded status as of December 31, 2011 of 65.3% on an actuarial basis and 57.6% on a market basis.

In addition, the Board moved to adopt the Commonwealth of Pennsylvania's pay schedule for management employees and received an independent auditor's report from KPMG, LLP. The audit identified no material findings and the auditors provided an unqualified opinion.

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### **About the Pennsylvania State Employees' Retirement System**

Established in 1923, SERS is one of the nation's oldest and largest retirement plans for public employees, with assets of approximately \$25 billion and nearly 220,000 members.

### **For More Information**

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