



Commonwealth of Pennsylvania
State Employees' Retirement System
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PA SERS Commits \$150 million to Diversifying Assets Portfolio

Reports Preliminary 2012 Performance; Increases CIO Compensation

HARRISBURG – The Pennsylvania State Employees' Retirement System meeting here today approved a \$150 million commitment to a custom, event-driven equity investment within its new Diversifying Assets portfolio.

The Board approved the \$150 million commitment to **Arden Asset Management LLC**, to be funded by redirecting approximately \$100 million in assets currently held by Arden in a legacy Absolute Return Strategies mandate and approximately \$50 million cash.

The move is another step toward the transition of the former Absolute Return Strategies program to the new Diversifying Assets program that has a target allocation of 12% (+/- 2%) of the total Fund. The program's low correlation of the underlying strategies to public capital markets provides significant diversification to the total Fund. Diversification is achieved through long/short equity, global macro, managed futures, long/short credit and event-driven strategies as outlined in SERS 2012-2013 Strategic Investment Plan (pages 31-33).

In other business, SERS' Chief Investment Officer, Anthony Clark, reported preliminary 2012 investment returns.

"While we are in the process of closing our books for the year, early estimates are showing that the total Fund earned approximately 12% net-of-fees on investments last year," reported Clark. "At that rate of return, performance appears to have well exceeded the Fund's 7.5% target and investments added approximately \$3 billion to the Fund."

Clark went on to say, "While it's cautiously good news, it is important to evaluate this performance in the overall context of the system, which continues to have an unfunded liability in excess of \$14 billion. We remain committed to implementing our strategic investment plan, reducing investment fees, and taking whatever other steps we can to ensure the long-term fiscal health of the system."

The Board voted to accept the Personnel Committee recommendation to grant an 8% pay increase to SERS CIO Anthony Clark, effective April 6, 2013.

"Today's news of an estimated 12% return is most welcome. Clearly it's not enough to get the commonwealth through its current fiscal crisis, but it is a help," said SERS Chairman,

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Nicholas J. Maiale. "Mr. Clark's leadership in developing and implementing a new strategic plan, carefully changing the direction of SERS' investment portfolio, and reorganizing the staffing in the investment office had some bearing on this success. A recent Bloomberg article noted that, compared to his peers, Mr. Clark had been undervalued. Today's step acknowledges the good work he has accomplished in a short time and seeks to bring his compensation closer to industry standards."

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SERS 2012-13 Strategic Investment Plan is available at www.SERS.state.pa.us, by clicking on "Investments" in the left-hand navigation.

Read Bloomberg's coverage at <http://www.bloomberg.com/news/2012-12-13/texas-pension-manager-paid-1-million-trails-peers-who-make-less.html>. Chart below excerpted from print edition.

Higher Compensation Doesn't Always Equal Best Returns

Britt Harris, chief investment officer of the Teacher Retirement System of Texas, made more in 2011 than executives at other public pension funds. Some funds that paid executives far less posted better returns over 3 and 5 years, net of fees, as of June 30, 2012.

STATE	HIGHEST PAID, 2011/FUND	TOTAL PAY, 2011	3-YEAR INVESTMENT RETURN ¹	5-YEAR
Texas	T. Britton (Britt) Harris IV Teacher Retirement System of Texas	\$1,046,272	13.17%	2.12%
Ohio	Mary Ellen Grant State Teachers Retirement System of Ohio	678,291	12.40	0.97
Va.	Charles Grant Virginia Retirement System	660,820	11.3	0.8
Ga.	Nancie H. Boedy² Teachers Retirement System of Georgia Employees' Retirement System of Georgia	573,389	11.24 11.22	2.95 2.93
Calif.	Joseph A. Dear California Public Employees' Retirement System	522,540	10.62	0.10
Ohio	John C. Lane Ohio Public Employees Retirement System	486,766	11.96	1.58
Calif.	Christopher J. Ailman California State Teachers' Retirement System	486,310	11.78	0.08
Texas	Jacqueline M. Johnson Employees Retirement System of Texas	382,667	10.82	2.15
Ill.	R. Stanley Rupnik Teachers' Retirement System of the State of Ill.	341,250	12.03	0.67
N.Y.	Thomas K. Lee New York State Teachers' Retirement System	330,800	12.4	1.1
Fla.	Ashbel C. Williams State Board of Administration	325,000	11.77	1.56
N.C.	Shawn Wischmeier North Carolina Retirement Systems	320,461	10.68	2.64
Pa.	Alan H. Van Noord Public School Employees' Retirement System	269,302	12.57	0.37
Ohio	William J. Estabrook Ohio Police & Fire Pension Fund	231,614	13.25	1.94
Ill.	William R. Atwood Illinois State Board of Investment	228,001	10.0	-0.1
Ill.	William E. Mabe State Universities Retirement System of Illinois	221,346	12.7	1.9
Ohio	Robert Cowman School Employees Retirement System of Ohio	218,794	10.21	-0.40
N.J.	Timothy Walsh New Jersey Division of Investment	191,791	11.11	2.46
Pa.	Anthony S. Clark State Employees' Retirement System	186,937	10.9	0

¹ - Results after deduction of fees ² - One investment department serves both Georgia funds
 Source: State payroll data compiled by Bloomberg News
 Graphic: Rachel J. Yu/BGOVgraphics@bloomberg.com



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 more than 228,000 members.

For More Information

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