



For Immediate Release
Wednesday, March 6, 2013

PA SERS Reports Positive Investment Performance
Approves \$700 Million in Investments

HARRISBURG – The Pennsylvania State Employees' Retirement System today announced positive fourth quarter 2012 returns that helped the Fund achieve a 12% net-of-fees return on investments for calendar year 2012 and add more than \$2.9 billion to the Fund.

Returns by asset class for the quarter and the year were:

Asset Class	4Q 2012 Return	Calendar Year 2012 Return
Alternative Investments	2.6%	11.4%
Global Public Equity	3.2	17.6
Real Assets <i>(including commodities)</i>	0.5	8.6
Diversifying Assets <i>(hedge funds)</i>	1.9	8.6
Fixed Income	1.5	10.0
Liquidity Reserve	0.2	0.4
Total Fund	2.2	12.0

As always with SERS' investment performance reporting, alternative investments and real assets returns lag by one quarter.

In other business, the Board approved the following commitments, subject to successful contract negotiations:

Within the fixed income asset class, \$300 million to be allocated as:

- **\$200 million to MacKay Shields**
- **\$100 million to UBS Global Asset Management**

These commitments expand the core mandate within the fixed income asset class. Transitioning funds from cash to these managers will enhance overall returns while providing capital protection in difficult market conditions, which is a key initiative of SERS' 2012-13 Strategic Investment Plan (pages 35-36).

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Within the real assets asset class, \$300 million to be allocated as:

- **\$150 million to Harvest Fund Advisors LLC**
- **\$150 million to Kayne Anderson Capital Advisors, LP**

These commitments to publically traded master limited partnerships increase the Fund's exposure to energy infrastructure in the U.S. The commitments will be funded by reallocating overweight real estate positions in an orderly fashion as opportunities present themselves. The moves increase the Fund's exposure to the energy sector, which offers high total return opportunity and provides inflation protection, as outlined in SERS' *2012-13 Strategic Investment Plan* (pages 27-30).

Within the alternative investments asset class, \$100 million to be allocated as:

- **Up to \$50 million to H.I.G. Bayside Loan Opportunity Fund III, L.P.**, as a follow-on commitment.
- **Up to \$50 million to KPS Special Situation Fund IV, L.P.**

These commitments increase SERS' exposure to special situations and are SERS' first 2013 investments toward its \$500 million annual pacing target for alternative investments, as outlined in the *2012-13 Strategic Investment Plan* (page 14).

In addition, the Board moved to update its portfolio rebalancing policy to guide investment staff actions when assets shift outside of acceptable ranges defined by the strategic investment plan and to adopt the Commonwealth of Pennsylvania's pay schedule for management employees to allow SERS' employees to receive salary adjustments commensurate with those approved by the Commonwealth's Executive Board for employees under the Governor's jurisdiction.

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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.

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 230,000 members.

For More Information

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