



For Immediate Release
 Wednesday, Sept. 11, 2013

PA SERS Board Reports Investment Performance
Approves \$100 Million in Investments

HARRISBURG – The Pennsylvania State Employees' Retirement System today announced earning a net-of-fees return of 0.7% for the second quarter of 2013, resulting in a 4.3% return in the first half of 2013, and a 10.3% return for the one-year period ended June 30, 2013.

"The second quarter proved to be difficult for many markets. Equities were volatile, public real estate stalled amidst rising interest rates, and bond prices struggled." said SERS Chief Investment Officer Anthony Clark. "Overall, however, the portfolio weathered the challenges and produced a positive return."

Led by alternative investments, returns for the second quarter by asset class were:

| Asset Class | Return |
|--|---------------|
| Alternative Investments | 3.0% |
| Diversifying Assets <i>(hedge funds)</i> | 2.0 |
| Global Public Equity | 0.7 |
| Real Assets <i>(including commodities)</i> | 0.0 |
| Liquidity Reserve | -0.1 |
| Fixed Income | -3.2 |
| Total Fund | 0.7% |

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

In other business, the Board approved \$100 million in new commitments subject to successful contract negotiations.

A total of \$30 million was committed to the diversifying assets class, for two direct hedge fund investments:

- **\$15 million to Samlyn Onshore Fund L.P.** for a fundamental equity long/short fund, focused primarily on the United States;
- **\$15 million to Stelliam Fund L.P.** for a dedicated U.S. equity long/short fund.

The commitments result from an evaluation of direct hedge fund investing, as called for in SERS' *2012-13 Strategic Investment Plan* (pg. 33) and move the overall diversifying assets portfolio, which stood at approximately 7% of the total fund as of 6/30/13, closer to the long-term target of 12% (+/-2%) of the fund (pg. 11). SERS' hedge fund consultant Albourne America LLC assisted with these interviews.

Up to \$50 million was committed to the real assets class with **Regional Real Estate Investment Corporation** in a venture with Pennsylvania Real Estate Investment Trust (PREIT), to establish a real estate separate account focused on investing exclusively within the Commonwealth of Pennsylvania. The commitment further focuses investments in the separate account real estate portfolio helping to increase SERS' control and liquidity options, and reduce fees as outlined in SERS' *2012-13 Strategic Investment Plan* (pg. 30). SERS' real estate consultant The Townsend Group assisted with the interview.

Up to \$20 million was committed to the alternative investment asset class with **Eureka Capital Growth III, LP**, as a follow-on investment for a private equity buyout mandate focusing on lower middle market companies operating in the U.S. Mid-Atlantic region. This commitment will move the buyouts segment of the alternative investment portfolio (approx. 63% as of 3/31/13) closer to the 65% target allocation outlined in SERS' *2012-13 Strategic Investment Plan* (pg. 22). SERS' alternative investments consultant StepStone Group assisted with the interview.

In addition, the Board moved to amend the general investment consultant contract with RV Kuhns & Associates, Inc. to provide for the addition of performance and risk analytics reporting services. The additional cost of those services is \$8,000 per year for the remainder of the existing contract that will expire in October 2016.

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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 \$25.9 billion and nearly 230,000 members.

For More Information

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