



For Immediate Release  
 Wednesday, Dec. 11, 2013

**PA SERS Board Reports Positive 3<sup>rd</sup> Quarter Investment Performance**  
*Approves \$185 Million in Investments;*  
*Authorizes Independent, Comprehensive Assessment of Allegations and*  
*Review of Investment Processes*

HARRISBURG – The Pennsylvania State Employees' Retirement System today announced earning a net-of-fees return of 4.2% for the third quarter of 2013, resulting in an 8.7% return for the calendar year through Sept. 30, 2013, and an 11.1% return for the one-year period ended Sept. 30, 2013.

"The 8.7% return through Sept. 30, puts us in good position to meet our 7.5% return assumption for the year," said SERS Board Chairman Nicholas Maiale. "With three weeks remaining, early year-end estimates look strong. Even better, while mature pension plans are often cash-flow negative by nature, SERS' fund has grown by nearly \$1 billion so far."

Led by public equity, returns for the third quarter by asset class were:

<b>Asset Class</b>	<b>Return</b>
Global Public Equity	8.7%
Real Assets <i>(including commodities)</i>	2.9
Alternative Investments	2.1
Diversifying Assets (hedge funds)	1.9
Fixed Income	0.8
Liquidity Reserve	0.2
<b>Total Fund</b>	<b>4.2%</b>

As always with SERS' investment performance reporting, all returns are net-of-fees and alternative investments and real assets returns lag by one quarter.

In other business, after discussing the possibility of delaying new investment business until they receive more information regarding the informal allegations brought to their attention just before the Thanksgiving holiday involving SERS Chief Investment Officer, the Board moved to continue with the investment interviews on the agenda. "It is important that we advance with the investment items on the agenda," said SERS Chairman Nicholas Maiale. "The need to pay benefits hasn't stopped, so it is important that we keep the portfolio working for the benefit of our members."

The Board approved \$185 million in new commitments subject to successful contract negotiations.

Up to **\$25 million** was committed to the real assets class with **Lubert-Adler Real Estate Fund VII, L.P.** as a follow-on commitment. This commitment expands the inflation hedge characteristics of the portfolio as outlined in SERS' *2012-13 Strategic Investment Plan* (pg. 28).

A total of up to \$160 million was committed to the alternative investments asset class:

- **Up to \$50 million to Capvis Equity IV, L.P.** as a new fund in SERS' portfolio focusing on middle-market companies based in the German-speaking region of Europe. This commitment broadens the geographic diversification of the alternative investments portfolio while moving the buyouts segment (approx. 62% as of 6/30/13) closer to the 65% target allocation outlined in SERS' *2012-13 Strategic Investment Plan* (pg. 21).
- **Up to \$10 million to Draper Triangle Ventures III, L.P.** as a follow-on commitment focusing on early stage investments in emerging technology companies that are located in the Midwest, with primary focus on western Pennsylvania, Ohio and Michigan. This commitment increases the fund's diversification and provides opportunities not available in the public markets, which are two objectives outlined for the asset class in SERS' *2012-13 Strategic Investment Plan* (pg. 19).
- **\$100 million to The Carlyle Group** to manage a custom investment vehicle for primary and direct co-investments across Carlyle's global platform. This initial commitment will be directed to Carlyle's buyout funds focused in the U.S., Europe and Asia, expanding the geographic diversification of the alternative investments portfolio while moving the buyouts segment (approx. 62% as of 6/30/13) closer to the 65% target allocation outlined in SERS' *2012-13 Strategic Investment Plan* (pg. 21).

In addition, the Board approved a 0.5% pay increase for SERS management employees, consistent with the Governor's anticipated increase for the Commonwealth's management employees which is expected to be effective Jan. 1, 2014.

The board also charged Sen. Charles T. McIlhinney, Jr. with responsibility for leading the search for a new Chief Investment Officer to replace Anthony S. Clark, whose retirement is effective Dec. 31, 2013.

To close the meeting, the board moved to authorize SERS' internal audit division, under supervision of the board, to identify and recommend independent professional services to the board to provide a comprehensive and timely assessment of and advice about how to proceed with regard to allegations as well as to ensure an independent and exhaustive review of SERS' due diligence process within the investment program.

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SERS' *2012-13 Strategic Investment Plan* is available at [www.SERS.state.pa.us](http://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 \$26.5 billion and nearly 230,000 members.

#### **For More Information**

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