



For Immediate Release  
 Wednesday, March 12, 2014

## PA SERS Reports Strong Investment Performance

*Discusses Assumed Rate of Return; Addresses Personnel and Administrative Matters*

HARRISBURG – The Pennsylvania State Employees' Retirement System today announced earning a net-of-fees return of 4.5% for the fourth quarter of 2013, resulting in a return of 13.6% for the calendar year, which added more than \$3.3 billion to the fund.

"Even after paying nearly \$2.9 billion in benefits to our members in 2013, the SERS Fund ended the year \$1.6 billion larger than it started," said David E. Durbin, Executive Director. "That's certainly good news. The investment portfolio outperformed the assumed rate by more than six percentage points."

Led by public equity, returns by asset class for the fourth quarter and year were:

| Asset Class                                | 4Q<br>2013 Return | Calendar Year<br>2013 Return |
|--|-------------------|------------------------------|
| Global Public Equity                       | 7.4%              | 26.3%                        |
| Alternative Investments                    | 4.8               | 12.8                         |
| Diversifying Assets <i>(hedge funds)</i>   | 3.6               | 11.2                         |
| Real Assets <i>(including commodities)</i> | 3.4               | 8.0                          |
| Liquidity Reserve                          | 0.1               | 0.3                          |
| Fixed Income                               | -0.2              | -2.2                         |
| <b>Total Fund</b>                          | <b>4.5%</b>       | <b>13.6%</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.

SERS' actuary, Hay Group, Inc., and SERS' general investment consultant, R.V. Kuhns & Associates, Inc., reported that they concur that the system's 7.5% annual investment return assumption remains appropriate for 2014. Hay Group will use the assumption in preparing the system's 2013 valuation. The board will receive a number of key results from the valuation at its April meeting, when it annually certifies the coming year's employer contribution rate.

Regarding personnel matters, the board moved to appoint Deputy Chief Investment Officer Thomas F. Brier as Acting Chief Investment Officer until a new CIO is hired.

The board approved a 2.25% pay increase effective March 1, 2014 for eligible SERS management employees, consistent with the governor's actions to address pay disparities resulting from the commonwealth's 2008 management pay freeze. The board also approved a 2.25% general pay increase for SERS management employees effective the first full pay in April, consistent with treatment of state employees under the Governor's jurisdiction.

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In other business, the board approved a one-year extension, through June 30, 2015, to its existing contract with KPMG LLP for audit and related services.

Prior to closing the meeting, the board reported that, during its executive session, it was briefed by Walter Cohen of Obermayer, Rebmann, Maxwell & Hipple, the firm retained to probe informal allegations related to the system's former chief investment officer. According to Mr. Cohen, investigation work has begun and is expected to be carried out over the next several months.

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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 \$27 billion and nearly 230,000 members.

**For More Information**

Pamela Hile  
State Employees' Retirement System  
717-787-9657  
[phile@pa.gov](mailto:phile@pa.gov)