

news release

for immediate release

September 17, 2014

PA SERS Receives Reports on Independent Investigation and Second Quarter Investment Performance; Commits \$100 Million to Alternatives

HARRISBURG – The Board of the Pennsylvania State Employees' Retirement System meeting here today, received a report on the independent investigation of allegations involving the system's former CIO and a report on the fund's second quarter investment performance, and approved \$100 million in alternative investments.

During executive session, the board received a report from Walter Cohen of Obermayer, Rebmann, Maxwell and Hippel, LLP, the firm retained in January to examine the allegations. After executive session, Board Chairman Glenn Becker provided the following statement:

“On behalf of the board, I'd like to express our thanks for the patience and support that has been extended to us during this comprehensive, independent investigation and to those who refrained from drawing any conclusions before facts were known.

We felt strongly that the quarter of a million SERS members and the state's taxpayers deserved no less than a systematic, thorough examination. Today, we have received a report from Obermayer, Rebmann, Maxwell and Hippel, LLP, on the results of their investigation. [The letter of transmittal from Obermayer, summarizing their report](#), will be made available through the normal SERS news release following this meeting's adjournment.

We view this challenging experience as an opportunity to enhance our review processes and revisit internal policies and practices to ensure that all reflect best practices.”

In other business, investment office staff and general investment consultant RVK reported a second quarter net-of-fees return of 3.5%. That return contributed to a net-of-fees return of 6.3% for the first half of the year, which added nearly \$1.7 billion to the fund.

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Returns by asset class for the second quarter were:

| Asset Class | Quarterly Return |
|--|------------------|
| Global Public Equity | 4.5 |
| Real Assets | 3.6 |
| Alternative Investments | 3.5 |
| Fixed Income | 2.8 |
| Diversifying Assets (<i>hedge funds</i>) | 2.1 |
| Liquidity Reserve | 0.2 |
| Total Fund | 3.5% |

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

The board moved to commit:

- **Up to \$25 million to Advent Latin America Fund VI, LP** as a follow-on investment to target control buyout investments across Latin America, focusing on Brazil, Mexico, and Colombia, that supports the fund's initiative to increase geographic diversification to improve overall fund diversification and risk-adjusted return as outlined in the [2014-2015 Strategic Investment Plan](#) (pg. 13).
- **Up to \$50 million to Hellman & Friedman Capital Partners Fund VIII, L.P.** as a follow-on investment for a control-oriented buyout fund focusing on North America and Europe, that supports the fund's initiative to make fewer, larger commitments to top-tier managers to reduce over-diversification and administrative burden as outlined in the [2014-2015 Strategic Investment Plan](#) (pg. 13).
- **Up to \$25 million to H.I.G. Bayside Loan Opportunity Fund IV, L.P.** as a follow-on investment to make non-control stressed/distressed credit investments in small cap U.S. borrowers, and supports the fund's initiative to enhance liquidity through shorter term strategies as outlined in the [2014-2015 Strategic Investment Plan](#) (pg. 13).

The investments are subject to contract negotiations and will be funded from cash.

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Pennsylvania State Employees' Retirement System

Established in 1923, SERS is one of the nation's oldest and largest retirement plans for public employees, with nearly 230,000 members and assets of nearly \$28 billion. A wealth of information is available at www.SERS.pa.gov.

for more information

Pamela Hile | 717.787.9657 | phile@pa.gov