

PA SERS Approves New Investments Reports Quarterly Investment Performance

HARRISBURG – The Board of the Pennsylvania State Employees' Retirement System today approved four investments and announced the fund's investment performance through June 30.

The board approved up to \$200 million in alternative investment commitments to be funded from cash, subject to contract negotiations:

- **Up to \$50 million to RRJ Capital Master Fund III, L.P.**, for equity and equity-related investments in China and countries within the Association of Southeast Asian Nations. The commitment supports the strategic initiatives of increasing geographic diversification and risk-adjusted returns, as outlined in the [2014-2015 Strategic Investment Plan](#) (pg. 13).
- **Up to \$50 million to Audax Private Equity Fund V, L.P.**, focusing on lower middle market companies in North America. The commitment supports the fund's initiative to make fewer, larger commitments to top-tier managers, as outlined in the [2014-2015 Strategic Investment Plan](#) (pg. 13).
- **Up to \$50 million to Blackstone Capital Partners VII, L.P.**, focusing on private equity opportunities on a global basis. The commitment supports the strategic initiative of making fewer, larger commitments to top-tier managers as outlined in the [2014-2015 Strategic Investment Plan](#) (pg. 13).
- **Up to \$50 million to Ridgmont Equity Partners II, L.P.**, focusing on middle market buyout commitments and growth equity investments in the U.S. The commitment, the first SERS has made to this manager, supports the strategic initiative of making fewer, larger commitments to top-tier managers as outlined in the [2014-2015 Strategic Investment Plan](#) (pg. 13).

Reporting on performance, officials said investments earned 2.8% net of fees in the first half of the 2015 fiscal year, adding \$764 million to the fund. Most of the gain, however, was in the first quarter, as a previously reported 1.9% gain in the first quarter was followed with a 0.9% increase in the second quarter as financial markets weakened.

“The recent total fund performance ranked SERS in the top quartile for both the current quarter and calendar year to date time periods,” said Jim Voytko with RVK, Inc., SERS' general investment consultant. “The fund benefited from both strong public and private equity, as well as hedge fund investment performance, in addition to effective risk control achieved by a highly diversified portfolio.”

Returns by asset class were:

Asset Class	2Q 2015 Return
Real Assets <i>(real estate, private energy & commodities)</i>	2.3%
Alternative Investments	1.9
Global Public Equity	0.9
Diversifying Assets <i>(hedge funds)</i>	0.8
Liquidity Reserve	0.3
Fixed Income	-1.2
Total Fund	0.9%

As always with SERS' investment performance reporting, all returns are reported net of fees. Alternative investments and real estate returns are lagged by one quarter due to the availability of data.

“The fund is well situated to hold up against the recent volatility,” said SERS Executive Director David Durbin. “We have cash on hand that allows us to pay benefits and to remain disciplined to our long-term investment strategy, which has historically served our members well during similar periods of volatility.”

In other business, the board approved an amendment to the State Employees' Retirement System Securities Litigation Policy that replaces the established securities litigation counsel pool with the Office of General Counsel's newly established securities litigation counsel pool.

The board also moved to engage Funston Advisory Services, LLC, to conduct a board and organizational governance review, subject to contract negotiations. Funston was selected through a [request for quote](#) process administered by the Pennsylvania Department of General Services.

In business involving the commonwealth's \$3 billion voluntary Deferred Compensation Program, the board approved amendments to two prior motions, holding action on the new profile fund established as an option to the Stable Value Fund, and delaying the closure of the Stable Value Fund, until final confirmation by the board.

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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 more than \$27 billion. A wealth of information is available at www.SERS.pa.gov.

for more information

Pamela Hile | 717.787.9657 | phile@pa.gov