

PA SERS Approves Two-Year Strategic Investment Plan; Reports Investment Performance

HARRISBURG – The Board of the Pennsylvania State Employees’ Retirement System today approved a new two-year investment plan and reported the fund’s investment performance through September 30.

SERS Investment Office staff, in consultation with the SERS board and investment consultants, prepared the [2016-2017 Strategic Investment Plan](#) based on analysis of the long-term outlook for the capital markets and the system’s unique needs, preferences, objectives and constraints.

This detailed investment plan manifests itself in the development of an asset allocation framework designed to achieve the ongoing commitment to diversification. It provides guidance in the investment decision-making process including advancing investment strategies, the hiring and monitoring of external investment managers, and meeting liquidity needs.

The most notable changes from the current two-year plan include a realignment of asset classes, in which real estate is reestablished as a stand-alone asset class with an annual pacing range of new commitments between \$100 million and \$200 million, an increase in the annual pacing of new commitments for private equity from \$500 million to \$750 million, and performing a review of all investment manager fees to determine if they are aligned with SERS’ best interests and are reasonable relative to market rates for comparable strategies.

Reporting on performance, SERS’ general investment consultant RVK explained that during a third quarter marked by declines in several asset classes, strong performance by SERS’ private equity investments helped offset the effects from a fall in the public equity markets — outperforming other public pension plans. SERS’ total fund performance ranked in the top decile for both the quarter-to-date and calendar year-to-date time periods.

The fund reported a -3.2% net of fees return for the third quarter and a -0.5% net of fees return for the calendar year ending Sept. 30. Returns by asset class were:

Asset Class	3Q 2015 Return
Alternative Investments	5.4%
Liquidity Reserve	0.2
Fixed Income	-0.2
Real Assets <i>(real estate, private energy & commodities)</i>	-3.2
Diversifying Assets <i>(hedge funds)</i>	-3.3
Global Public Equity	-9.6
Total Fund	-3.2%

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.

In other business, the board moved to grant a pay increase for SERS' management employees beginning in January 2016, consistent with increases approved by the Governor's Executive Board.

###

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 market value of assets of nearly \$26.5 billion. A wealth of information is available at www.SERS.pa.gov.

for more information

Pamela Hile | 717.787.9657 | phile@pa.gov