



news release

for immediate release

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Pennsylvania SERS Announces Investment Returns, Hires Real Estate Consultant, and Retools Public Markets Portfolio

HARRISBURG – The Pennsylvania State Employees’ Retirement System today announced a 6.5% net-of-fees return on investments during 2016 that produced earnings of \$2.1 billion for retirement benefits.

“Returns that met or exceeded the benchmark in global public equity, fixed income and hedge funds contributed to our solid performance for the year,” said SERS Chief Investment Officer Bryan Lewis.

Long-term returns over the 25-year and 30-year periods ended December 31, 2016, were 8.1% and 8.6%, respectively, net of fees.

Returns by asset class were:

Asset Class	4Q 2016 Return	Calendar Year To Date Return
Private Equity	3.5%	6.8%
Hedge Funds	2.6	4.2
Global Public Equity	1.7	8.4
Cash	0.2	0.6
Real Estate	-2.0	3.2
Fixed Income	-2.1	5.6
Total Fund	1.0%	6.5%

As always with SERS’ investment performance reporting, all returns are reported net of fees and private equity and real estate returns lag by one quarter.

The year-end return will be used in the next valuation of the system to be published in June by the system’s actuary.

In other business, the board hired **NEPC, LLC** as the system’s real estate consultant, subject to successful completion of contract negotiations. The new five-year contract with NEPC will begin June 1, 2017. The current real estate consultant contract with The Townsend Group expires on June 30, 2017.

After a discussion on the Fund’s public market assets, the board moved to replace the hedge fund asset class with a multi-strategy asset class that will provide for more diversified investment opportunities. The multi-strategy asset class will include opportunistic credit-driven strategies, non-traditional opportunistic fixed income, distressed credit and equity strategies, equity and hedge funds.

The board also moved \$534 million of non-traditional fixed income portfolios to this new multi-strategy asset class and reallocated \$368 million in assets from the multi-strategy asset class to low-cost index strategies in the fixed income and global public equity asset classes.

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The board also deployed \$400 million from cash for investment in two low-cost index funds:

- **\$250 million** in the **MCM World ex US Index** within the Fund's global public equity asset class
- **\$150 million** in the **MCM Bloomberg Barclays Aggregate Bond Index** within the Fund's fixed income asset class

The reallocation and new investment actions approved today will result in a net decrease to the cash and fixed income asset classes of \$400 million and \$234 million, respectively; and a net increase to the global public equity and new multi-strategy asset classes of \$468 million and \$166 million, respectively.

The board approved adding emerging investment manager program guidelines to the [Statement of Investment Policy](#).

In business involving the commonwealth's \$3.2 billion voluntary Deferred Compensation Program (DCP), the board approved a one-year extension, through June 30, 2018, to the contract with Weaver Barksdale to manage the DCP's Stable Value Fund, subject to successful completion of contract negotiations.

As part of its ongoing policy to follow industry best practices, the board adopted revisions to the [Deferred Compensation Program Statement of Investment Policy](#). The revisions reflect new naming conventions, remove language that does not apply to deferred compensation plans and calls for performance to be compared net of fees rather than gross of fees versus their stated benchmark.

Regarding personnel, the board congratulated the investment office's David Felix on his appointment to Managing Director of Private Equity and welcomed new hire Phil Greenberg on his hire as Managing Director of Real Estate. Mr. Felix joined the SERS investment office on June 17, 2013, serving as a Director of Private Equity and then as the Acting Managing Director of Private Equity. Mr. Greenberg began with SERS on February 21, 2017.

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Pennsylvania State Employees' Retirement System

Established in 1923, SERS is one of the nation's oldest retirement plans for public employees, with more than 239,000 members and assets of more than \$26 billion. A wealth of information is available at www.SERS.pa.gov.

for more information

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