

**Pennsylvania SERS Reduces Investment Return and Inflation Assumptions,
Continues Restructuring Public Markets Portfolio
*Shifts Another \$2.1 Billion to Index Funds and Approves
\$300 Million in New Alternative Investments***

HARRISBURG – The Board of the Pennsylvania State Employees’ Retirement System today reduced the long-term investment rate of return and the inflation assumptions, continued restructuring the public markets portfolio by shifting \$2.1 billion into passive investments, and approved three alternative investments totaling up to \$300 million.

The board moved to reduce the assumed rate of return from 7.5% to 7.25% compounded annually and the annual assumed rate of inflation from 2.75% to 2.6% compounded annually, effective with the December 31, 2016, actuarial valuation to be published in June.

“Adjusting the assumed rate of return is something this board considers very carefully and reviews each year,” explained SERS Board Chairman David Fillman. “The board feels a quarter percentage point reduction in the long-term rate is right for this fund at this time and reflects a reasonable long-term target to be achieved over the next 20-30 year period.”

Turning to investment activity, the board moved to reallocate \$2.1 billion of the public markets portfolio into low-cost index funds. This action will occur over time, following the strategic initiative outlined in the [2016-2017 Strategic Investment Plan](#) (pg. 9).

The board also committed up to \$300 million in new private equity and real estate investments to be funded from cash, subject to contract negotiations.

As discussed at the March 8, 2017, board meeting, the board formally approved two private equity commitments totaling up to \$200 million with two new managers for the system:

- Up to \$100 million to **Silver Lake Partners V, L.P.**, for buyout investments focused on large-scale business in the technology, technology-enabled, and related growth industries
- Up to \$100 million to **Wind Point Partners VIII-A, L.P.**, for buyout investments across three industries: industrial products, business services, and consumer products

Within the real estate asset class, the board approved a commitment of up to \$100 million to **Oak Street Real Estate Capital Fund IV, LP**, to invest exclusively in investment grade or equivalent single-tenant, free-standing triple-net or double-net lease assets. This is a new relationship for SERS.

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All three investments further the strategic initiative to build long-term strategic partnerships in best-in-class funds as outlined in the [2016-2017 Strategic Investment Plan](#) (pg. 8).

The board also moved to retain outside counsel to review SERS-related information that arose in a recent federal court case.

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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 nearly 237,000 members and assets of nearly \$27 billion. A wealth of information is available at www.SERS.pa.gov.

for more information

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