

news release

for immediate release

June 14, 2019

PA SERS Board Reduces Assumed Rate of Investment Return Approves Asset Allocation Adjustments and \$75 Million Private Equity Investment, Receives 2018 Actuarial Report

HARRISBURG – The Pennsylvania State Employees' Retirement Board, meeting here today, approved several actions designed to enhance the long-term health and viability of the system, including the adoption of specific recommendations from last year's public pension review commission report.

The board moved to lower the assumed rate of investment return to 7.125% (from 7.25%), effective with the December 31, 2019, actuarial valuation.

"The assumed rate of return is something we consider very carefully each year," explained SERS Executive Director Terrill (Terri) J. Sanchez. "Given the present market environment, the board sought to establish an assumed rate of return that would provide an opportunity to reduce risk while maintaining the potential for achieving a reasonable long-term rate of investment return. The board concluded that a 0.125 percentage point reduction in the rate is appropriate for this fund at this time."

Following an asset allocation discussion, the board approved a temporary underweight allocation to the Multi-Strategy asset class and an overweight allocation to the Fixed Income asset class. The [2018-2019 Investment Plan](#) targets 10% +/-3% of the total fund to the Multi-Strategy and 11% +/-3% to Fixed Income. The current plan and board-approved temporary adjustments will remain in effect until a new plan is approved by the board.

The board also approved a commitment of up to **\$75 million** to **Blackstone Capital Partners VIII L.P.**, as a follow-on investment within the Private Equity asset class. The fund will focus on making large cap control and control-oriented private equity investments on a global basis.

In other business, the board received the complete [2018 Actuarial Report](#) from SERS' actuary, Korn Ferry. The results of the actuarial report are used to determine employer contribution rates and provide valuable information on the assets, liabilities, and funded status of the system.

Continuing its work through the recommendations issued by the public pension review commission established by Act 2017-5, the board directed staff to work toward the transparency objectives outlined in several recommendations, including:

- Amending a previous motion from April 2018, the board moved to require, rather than request, that general partners of new private market investment opportunities provide SERS with the information found within the Institutional Limited Partners Association's (ILPA) Reporting Template, either through customized reporting or completion of the ILPA Reporting Template, and to request general partners of existing investments in private markets to provide the same information, effective immediately.

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- Using commercially reasonable efforts to publish quarterly gross-of-fees investment performance data in addition to the already reported net-of-fees data on a prospective basis beginning in 2020.
- Developing summary board materials that may be posted on SERS' public website in advance of each board meeting.
- Reporting total fund performance against a commonly understood reference portfolio benchmark (e.g., 60% global equity /40% bond index), and include a graph showing rolling returns over the last five years.
- Developing semi-annual performance reports that can be released to the public along with the already published total fund quarterly performance reports beginning with the report ending 6/30/19.
- Developing an annual report of all investment fees and expenses for public release beginning with calendar year 2020.
- Developing, in conjunction with the Pennsylvania Public School Employees' Retirement System, a common standard checklist for transparency issues when evaluating managers.

The board also received a report on first quarter investment performance for the SERS pension fund. Returns generated by asset class were:

Asset Class	1st Quarter 2019
Global Public Equity	12.9%
Multi-Strategy	7.1
Real Estate	4.3
Fixed Income	3.7
Private Equity	0.6
Cash	0.4
Total Fund	8.2%

All returns are reported net of fees, and the Private Equity and Real Estate returns are reported on a quarter lag and are adjusted for cash flows.

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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 241,000 members and assets of approximately \$29 billion. SERS also administers, through a partnership with a third-part administrator, a voluntary deferred compensation plan with nearly 56,000 participants and assets of more than \$3.6 billion. A wealth of information is available at www.SERS.pa.gov.

For more information

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