

for immediate release

December 4, 2019

SERS' Board Takes "Significant Steps" Toward Improved Transparency and Stress Testing

Announces 12.39% YTD Investment Return, \$150 Million in New Commitments; Approves Search Firm for CIO Recruitment, New Investment Policy Statement and Asset Allocation Plan

HARRISBURG – The Pennsylvania State Employees' Retirement System (SERS) board today announced significant steps in its ongoing efforts to address a number of the transparency and stress testing-related objectives outlined in last year's Public Pension Management and Asset Investment Review Commission (PPMAIRC) final report.

Transparency/Stress Testing

Working closely with investment staff, the SERS board reviewed and approved standard formats for specialty consultant performance reports, staff memos, consultant memos and a recommended template for manager presentations that ultimately will be posted on SERS' website.

In addition, the board approved a *Stress Testing and Risk Assessment* report, developed by SERS' actuarial firm, Korn Ferry, in coordination with SERS' investment consultant, Callan. The report reviewed a wide range of investment-related, contribution-related, and demographic-related risks that could affect the long-term health and stability of the fund.

"The need for greater transparency and stress testing were among the key findings of the pension review commission's final report last December," said Terrill (Terri) J. Sanchez, Executive Director for SERS. "Since then, our board members have worked closely with staff to review, prioritize and act on those recommendations. We believe the actions taken today represent significant steps in the ongoing effort toward greater public transparency and accountability." The pension review commission was created as part of Act 2017-5.

Investment Returns

In other business, the SERS board announced a year-to-date investment return of 12.39% and a return of 0.32% for the third quarter period ending September 30, 2019.

Returns generated by the defined benefit fund, by asset class for the third quarter and calendar year to date were:

-more-

Asset Class	3rd Quarter 2019	Calendar Year To Date 9/30/19
Private Equity	0.97%	7.16%
Multi-Strategy	0.57	11.70
Global Public Equity	(0.47)	16.27
Fixed Income	1.80	8.90
Real Estate	2.06	8.76
Cash	0.57	1.82
Total Fund	0.32%	12.39%

All returns are reported net of fees. Both private equity and real estate returns are reported on a quarter lag and are adjusted for cash flows.

New Private Equity Commitments

The SERS board also approved new commitments of up to \$150 million in new private equity investments, including **up to \$75 million** with **Clearlake Capital Partners VI, L.P.** and **up to \$75 million** with **Insight Partners XI, L.P.**, subject to successful completion of contract negotiations. In both cases, the commitments are follow-on opportunities with existing general partners that have evidenced strong returns in previous investments on behalf of SERS.

Executive Search Firm/New CIO

The SERS board moved to hire **CBIZ Benefits and Insurance Services, DBA EFL Associates**. The recommendation to hire CBIZ was the result of an RFP process initiated in October with the goal of naming a Chief Investment Officer during the summer of 2020.

Investment Policy Statement/Target Asset Allocations

Acting on the recommendation of the Investment Committee, the board adopted the *SERS Defined Benefit Plan Investment Policy Statement*. Its purpose is to outline the investment philosophy and practices of SERS and serve as the governing policy for the management of the system's defined benefit assets. In addition, the board moved to adopt the policy target asset allocation set forth in the new statement.

The target asset allocation is projected to achieve SERS' investment return assumption, reduce investment management fees, and increase liquid assets. The purpose of increasing liquid assets is to maintain a level of funds sufficient to pay retirement benefits and obligations during prolonged periods of market decline and potential budgetary constraints.

-more-

Compensation Adjustments

Following a review of existing industry standards for 2019 investment salary adjustment data, the board approved a two percent upward adjustment to existing pay band values for SERS investment professionals. It should be noted that adjusting the bands does not result in automatic pay increases for existing staff, except for staff whose salaries fall below a newly established band minimum.

In addition, the board approved a six percent increase for the aggregate pay increase for 2020 for investment professional staff in positions below that of the Chief Financial Officer and the Chief Investment Officer. Again, the increase is for the pooled pay increase budget, not for individual staff.

Finally, consistent with the pay increase approved by the Governor's Office pursuant to Act 51 of 1995, the board approved a cost of living increase for the SERS Executive Director.

###

Pennsylvania State Employees' Retirement System

Established in 1923, SERS is one of the nation's oldest retirement plans for public employees, with nearly 241,000 members and assets of approximately \$29.6 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. Follow us on [Facebook](#) | [Twitter](#)

For more information

Thomas Derr | 717.787.9657 | tderr@pa.gov