

**Penn SERS Board Approves 2021 Stress Testing Report;  
Announces Second Quarter Investment Performance,  
Approves Investments of \$225 Million**

HARRISBURG – The Pennsylvania State Employees’ Retirement System Board, meeting here today, approved its third annual [Stress Testing and Risk Assessment](#) report, which reviews a wide range of investment-related, contribution-related, and demographic-related risks and “what if” scenarios that could affect the long-term health and stability of the State Employees’ Retirement Fund.

The board also announced a second quarter 6.01% net-of-fees return for the fund and approved up to \$225 million in private equity and private credit investments for the fund.

**Stress Test**

“We were pleased to note that the results of our third stress testing report continue the trend of showing steady improvement over previous analyses,” said Terrill (Terri) J. Sanchez, Executive Director for SERS. The report, which was prepared by SERS’ Actuary, Korn Ferry, includes future projections of lower employer contribution rates, as well as a higher funded ratio.

In addition, Korn Ferry noted that the total market value of SERS’ assets has grown substantially since the report was first issued in 2019, growing from \$31 billion as of December 31, 2019, to an anticipated value of more than \$37 billion by the end of 2021.

“We welcome this good news, as the report suggests we remain on the right track to achieving those important long-term objectives,” Ms. Sanchez noted.

**Investment Returns**

The board also received a report on the returns generated by the fund. Returns by asset class for the second quarter 2021 were:

<b>Asset Class</b>	<b>2<sup>nd</sup> Quarter 2021</b>	<b>Year to Date as of 6/30/21</b>
Private Equity	12.11%	25.94%
U.S. Equity	7.65	15.00
International Developed Markets Equity	6.31	10.66
Emerging Mkts Equity	5.93	9.07
Private Credit	5.50	11.52
Real Estate	4.29	6.96
Inflation Protection (TIPS)	3.25	1.45
Fixed Income	2.53	(1.15)
Cash	0.02	0.04
<b>Total Fund</b>	<b>6.01%</b>	<b>9.75%</b>

All returns are reported net of fees. Private equity, private credit and real estate returns are reported on a quarter lag and are adjusted for cash flows. Additional information, including benchmark data, is listed in the quarterly investment performance reports at [SERS.pa.gov/Investments.html](https://www.sers.pa.gov/Investments.html).

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### **New Investment Commitments**

In business related to the pension plan, the board approved follow-on commitments of up to **\$100 million to Clearlake Capital Partners VII, L.P.** within the private equity asset class, as well as **\$75 million to Clearlake Opportunities Partners III, L.P.**, and **\$50 million to Sixth Street Opportunities Partners V, L.P.** within the private credit asset class.

### **Rebalancing Initiative**

In addition, in furtherance of SERS' current rebalancing initiative, the board authorized SERS staff to move the BAAM Keystone portfolio from the Private Credit asset class to the Opportunistic Fixed Income sub-asset class, where it will be a better fit given the fund's objectives.

### **Budget Approval FY 2022-23**

The board approved, for Fiscal Year 2022-2023, the SERS Administrative Budget; the SERS Investment Budget; the State Employees' Defined Contribution Plan Budget; and the Commonwealth's State Employees Deferred Compensation Plan Budget.

### **Member and Participant Services Update**

The board was advised that as of September 7th, all seven of SERS' regional counseling centers and the Harrisburg Empower Office are open and fully operational. Members and participants have the option of receiving either "in-person" counseling, or phone counseling. In addition, it was reported that there has been positive response to a recent initiative designed to persuade annuitants who are still receiving paper checks for their monthly payments to transition to Direct Deposit.

### **Fiduciary Review**

The board moved to accept a number of recommendations emanating from the recently completed SERS Fiduciary Review and Board Self-Assessment report, including: a revision to the board's Fiduciary Review Policy; the establishment of term limits for committee officer positions; and the board's role in the engagement of independent fiduciary consultants and independent counsel, as necessary. Other recommendations, including the establishment of a continuing education plan for board members, succession planning, and streamlining of performance reporting are being implemented.

### **Compensation Study**

The board received a report from SERS' Human Resources Director, Katie Mathews, that staff is in the process of finalizing contract negotiations with its selected vendor for a classification and compensation study of investment professionals and attorneys.

### **ESG / Diversity**

The board also heard several educational presentations from consultants and staff regarding objectives and standards in the investment industry with regard to Environmental, Social and Governance (ESG) and diversity, and SERS' policies and practices with regard to ESG and diversity considerations.

### **Executive Director Search**

SERS will be reopening the opportunity for additional applicants for a new Executive Director for a minimum of 30-days. The board stressed that this action is not a reflection on the existing candidates, but rather taken to maximize outreach efforts to as broad and diverse a pool of candidates as possible. The Board Governance and Personnel Committee will proceed with interviewing in keeping with the original timeline.

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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 more than 240,000 members. As of Dec. 31, 2020, SERS' Defined Benefit Plan had net assets of \$35 billion and the Defined Contribution Plan, which launched on Jan. 1, 2019, had \$40.5 million. SERS also administers a voluntary supplemental Deferred Compensation Plan with more than 57,600 participants and net assets of nearly \$4.4 billion as of Dec. 31, 2020. A wealth of information is available at [www.SERS.pa.gov](http://www.SERS.pa.gov).

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