



SERS Board Meeting MINUTES - Thursday, February 28, 2019

ATTENDEES:

Members and Designees

David R. Fillman – Chairman

Stephen S. Aichele

John M. DiSanto

Dan B. Frankel

Mary A. Soderberg

Michael G. Tobash

Joseph M. Torsella

Susan Boyle - Designee for Representative Michael G. Tobash

Thomas Clancy – Designee for Treasurer Joseph M. Torsella

Charles Erdman - Designee for Senator John M. DiSanto

Bernie Gallagher – Designee for Representative Dan B. Frankel

Brian LaForme – Designee for Secretary Robin L. Wiessmann

Toni Marchowsky – Designee for Senator Vincent J. Hughes

Dan Ocko – Designee for Representative Dan B. Frankel

Leo Pandeladis – Designee for Secretary Robin L. Wiessmann

Consultants

Jed Drake, NEPC, LLC

Anthony Johnson, RVK, Inc.

Bud Pellecchia, Callan, LLC

Matthew Ritter, NEPC, LLC

Matt Roche, StepStone Group LP

Thomas Shingler, Callan, LLC

Executive Staff

Anthony Faiola

Bryan Lewis

N. Joseph Marcucci

Terrill Sanchez

Staff

Rose Agnew

Randy Albright

Stephen Balucha

Don Bell
Jason Burger
Dhanashree Chitnis
Thomas Derr
Myisha Ebersole
Linda Engle
David Felix
Jason Giurintano
Phillip Greenberg
Suzanne Hansel
Pamela Hile
Christopher Houston
Barbara Kiral
Karen Lynn
Katie Mathews
Jeffrey McCormick
Ryan McCoy
Sara McSurdy
Matthew Meads
Jeffrey Meyer
Ryan Morse
James Nolan
M. Catherine Nolan
Joel Rimby
David Sedlak
Sharon Smith
Joseph Torta
Bruce Thomas
William Truong

Visitors

James Bloom, Public Pension Management and Asset Investment Review Commission
Lloyd Ebright, PA Treasury
Alan Flannigan, PA Dept. of Banking & Securities

1. CALL TO ORDER

Chairman Fillman called the meeting to order at 9:43 a.m.

2. WELCOME AND INTRODUCTIONS

a. Resolution for Retirement of Linda Engle, Assistant Chief Financial Officer

MOTION: 2019-02

By motion of Chairman Fillman, the board unanimously agreed to recognize Linda Engle, Assistant Chief Financial Officer, with a board resolution, read by Executive Director Terrill Sanchez, a copy of which shall be filed with the minutes of this meeting (ATTACHMENT A).

b. Introduction of Senator John DiSanto and his designee, Charles Erdman
Chairman Fillman introduced and welcomed Senator DiSanto and his designee, Charles Erdman, to their first SERS board meeting.

3. ADOPTION OF THE AGENDA

MOTION: 2019-03

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board adopts the agenda for the February 28, 2019, board meeting.

4. APPROVAL OF CONSENT CALENDAR

MOTION: 2019-04

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board approves the Consent Calendar items, as listed, for the February 28, 2019, board meeting.

5. EXECUTIVE SESSION AND PUBLIC MEETING RESUMED

TOPIC 1 - 2018 Litigation Summary

TOPIC 2 - Report from Acting Chief Compliance Officer, Christopher Houston

At 9:47 a.m., the board recessed and entered executive session to receive legal advice on the above executive session agenda items. The public meeting resumed at 10:19 a.m.

6. OLD BUSINESS

a. Transparency Presentation

Representative Tobash and Treasurer Torsella presented the Transparency Presentation to the board.

7. COMMITTEE REPORTS AND ACTION ITEMS

a. Audit, Risk and Compliance

The Audit, Risk and Compliance Committee elected Mr. Stephen S. Aichele to the position of Chair and the committee consented to the appointment of Treasurer Joseph Torsella to Assistant Chair. Chair Aichele provided a report of the Audit, Risk and Compliance Committee meeting to the board (SERS 2/28/2019 Board Handout).

b. Board Governance and Personnel

Mr. Stephen S. Aichele, Assistant Chair, provided a report of the Board Governance and Personnel Committee meeting to the board (SERS 2/28/2019 Board Handout).

c. Defined Contribution

The Defined Contribution Committee elected Ms. Mary Soderberg to the position of Chair.

Chairperson Soderberg would take further consideration for the appointment of an Assistant Chair and provided a report of the Defined Contribution Committee meeting to the board (SERS 2/28/2019 Board Handout).

d. Finance and Member Services

The Finance and Member Services Committee consented to the appointment of Mr. Stephen S. Aichele to Assistant Chair. Chair Soderberg provided a report from the Finance and Member Services Committee meeting to the board (SERS 2/28/2019 Board Handout). The following actions were recommended:

MOTION: 2019-05

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the State Employees' Retirement System's Statement of Changes in Fiduciary Net Position for the periods ended October 31, 2018, November 30, 2018 and December 31, 2018.

MOTION: 2019-06

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the State Employees' Retirement System's Deferred Compensation Plan Statement of Changes in Fiduciary Net Position for the quarter ended December 31, 2018.

e. Investment

Assistant Chair Fillman provided reports from the Investment Committee 2/19/2019 and 2/27/2019 meetings to the board (SERS 2/28/2019 Board Handouts). The following actions were recommended:

MOTION: 2019-07

By motion that was moved, seconded, and approved by board members, except Mr. LaForme, designee for Secretary Wiessmann and Treasurer Torsella, who abstained, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to \$75 million to Clearlake Opportunities Partners II, L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as an investment within the Multi-Strategy asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

MOTION: 2019-08

By motion that was moved, seconded, and approved by board members, except Mr. LaForme, designee for Secretary Wiessmann and Treasurer Torsella, who abstained, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to \$75 million to Primavera Capital Fund III L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as a follow-on investment within the Private Equity asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

MOTION: 2019-09

By motion that was moved, seconded, and approved by board members, except Mr. LaForme, designee for Secretary Wiessmann and Treasurer Torsella, who abstained, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to \$75 million to Providence Strategic Growth IV L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as a follow-on investment within the Private Equity asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

MOTION: 2019-10

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit \$300 million to Henderson Park Enhanced Income Fund, LP, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as an investment within the Real Estate asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

MOTION: 2019-11

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to \$100 million to Senior Housing Partnership Fund VI, L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as a follow-on investment within the Real Estate asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

f. Securities Litigation

The Securities Litigation Committee elected Secretary Robin Wiessmann to the position of Chair. Executive Director Sanchez on behalf of Chair Wiessmann provided a report of the Securities Litigation Committee meeting to the board (SERS 2/28/2019 Board Handout).

8. REPORTS OF EXECUTIVE DIRECTOR AND AGENCY STAFF

a. Executive Director's Report

Executive Director Sanchez noted that SERS is scheduled for the House Appropriations Committee Budget Hearing on Tuesday, March 5, 2019 at 1:00 p.m. in Room 140, Main Capitol Building.

Ms. Sanchez provided a legislative update on Senate Bill 113, House Bill 60 and Senate Bill 240.

b. Chief Investment Officer's Report

CIO Bryan Lewis noted that diversified 401(a) contribution options were established by January 1 for the new Defined Contribution Plan. The defined benefit plan had a down 4th quarter and the 2018 total plan return was -4.6%. Mr. Lewis added that the Investment Office continues to work for better transparency.

c. Chief Financial Officer's Report

CFO Tony Faiola noted that with Linda Engle's upcoming retirement, Sara McSurdy has been promoted to the Assistant Chief Financial Officer position. Ms. McSurdy has been at SERS for 7 years. Mr. Faiola provided mid-year administrative budget and GASB 75 updates. He further noted that SERS was awarded the 2018 Public Pension Standards Award for Funding and Administration and the 2017 Certificate of Achievement for Excellence in Financial Reporting.

9. NEW BUSINESS - NONE**10. BOARD COMMENTS/ANNOUNCEMENTS/DATES TO REMEMBER**

- a. Retreat Dates - March 14-15, 2019 (More information will be provided.)
- b. Next Committee and Board Meeting Dates - April 23-24, 2019

11. MOTION TO ADJOURN

MOTION: 2019-12

By motion of Chairman Fillman, the board unanimously agreed to adjourn the meeting at 11:41 a.m.

Respectfully submitted,



Terrill J. Sanchez
Executive Director

Commonwealth of Pennsylvania
State Employees' Retirement System



RESOLUTION

WHEREAS, Linda Engle is retiring after approximately twelve years with the Commonwealth of Pennsylvania State Employees' Retirement System; and

WHEREAS, Linda has served with the highest degree of professionalism and expertise in key leadership positions with both SERS' Audit, Reporting, and Compliance Bureau, and the Office of Finance and Administration; and

WHEREAS, Linda has championed promotion of the commonwealth's Deferred Compensation Program, including implementing lunch-and-learn sessions through collaboration with the Office of Administration to help expand knowledge of the program with potential participants; and


WHEREAS, Linda oversaw procurement of a third-party administrator for the new Defined Contribution Plan established by Act 2017-5 and played a leading role in implementing the new plan within a very short timeframe; and

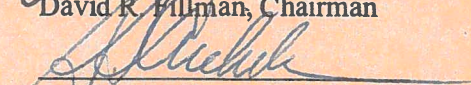
WHEREAS, Linda was instrumental in the successful implementation of a new investment data warehouse system that is expected to save nearly \$1 million over the five-year contract for the system;

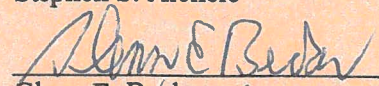
NOW THEREFORE, the Pennsylvania State Employees' Retirement System commends Linda Engle for her dedication to this agency and the more than 240,000 members we serve, and wishes her good health and happiness in retirement; and be it further

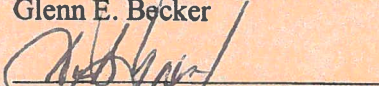
RESOLVED, that the original resolution be transmitted to Linda Engle and a copy included in the minutes.

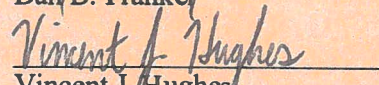
February 28, 2019
Harrisburg, Pennsylvania


David R. Fillman, Chairman

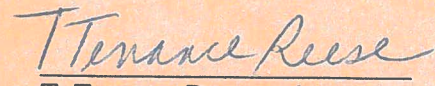

Stephen S. Aichele


Glenn E. Becker

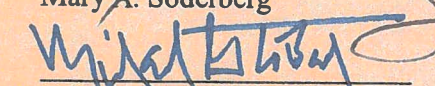

Dan B. Frankel

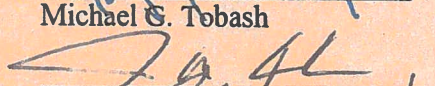

Vincent J. Hughes

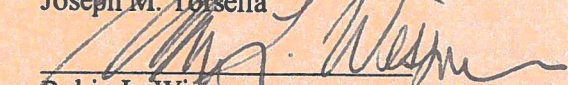



T. Terrance Reese


Mary A. Soderberg


Michael G. Tobash


Joseph M. Torsella


Robin L. Wiessmann