



SERS Board Meeting MINUTES - Wednesday, April 24, 2019

ATTENDEES:

Members and Designees

David R. Fillman – Chairperson

Stephen S. Aichele

John M. DiSanto

Mary A. Soderberg

Joseph M. Torsella

Robin L. Wiessmann (via phone)

Susan Boyle - Designee for Representative Michael G. Tobash

Thomas Clancy – Designee for Treasurer Joseph M. Torsella

Lloyd Ebright - Designee for Treasurer Joseph M. Torsella

Charles Erdman - Designee for Senator John M. DiSanto

Alan Flannigan - Designee for Secretary Robin L. Wiessmann

Bernie Gallagher – Designee for Representative Dan B. Frankel

Brian LaForme – Designee for Secretary Robin L. Wiessmann

Toni Marchowsky – Designee for Senator Vincent J. Hughes

Leo Pandeladis - Designee for Secretary Robin L. Wiessmann

Dan Ocko – Designee for Representative Dan B. Frankel

Jill Vecchio - Designee for Representative Michael G. Tobash

Consultants

Craig Graby, Korn Ferry Hay Group

Brent Mowery, Korn Ferry Hay Group

Jim Rohlinger, Empower Retirement

Kris Seets, Korn Ferry Hay Group

Tom Shingler, Callan, LLC

Executive Staff

Bryan Lewis

N. Joseph Marcucci

Sara McSurdy

Terrill Sanchez

Staff

Rose Agnew

Randy Albright

Don Bell
Dhanashree Chitnis
Thomas Derr
Myisha Ebersole
David Felix
Jonathan Ferrar
Brian Gilroy
Phillip Greenberg
Suzanne Hansel
Pamela Hile
Christopher Houston
Kevin Kiehl
Khalfani King
Barbara Kiral
Alan Lin
Karen Lynn
Katie Mathews
Jeffrey McCormick
Ryan McCoy
Matthew Meads
Jeffrey Meyer
Ryan Morse
James Nolan
M. Catherine Nolan
Joel Rimby
David Sedlak
Bruce Thomas
Joseph Torta
William Truong

Visitors

Alicia James, Public School Employees' Retirement System
Matt Lindsay, Senate of PA

Presenters

Marcus Friedman, S&P Dow Jones Indices
Craig Lazzara, S&P Dow Jones Indices
Lesley Nettles, Fairview Capital
JoAnn Price, Fairview Capital
Peter Ruchwa, Fairview Capital
Cynthia Tseng, Fairview Capital
Rupert Watts, S&P Dow Jones Indices

1. CALL TO ORDER

Chairperson Fillman called the meeting to order at 10:53 a.m.

2. WELCOME AND INTRODUCTIONS

A. Board Resolution for Board Member T. Terrance Reese

Chairperson Fillman acknowledged and thanked Mr. Reese for the time he served on the SERS board.

MOTION: 2019-19

By motion of Chairperson Fillman, the board unanimously agreed to recognize T. Terrance Reese with a board resolution, read by Executive Director Terrill J. Sanchez, a copy of which shall be filed with the minutes of this meeting (ATTACHMENT A).

3. ADOPTION OF THE AGENDA

MOTION: 2019-20

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

RESOLVED: That the board adopts the agenda for the April 24, 2019, board meeting.

4. APPROVAL OF CONSENT CALENDAR

A. Approving Board Meeting Minutes - February 28, 2019

B. Approving Board Special Meeting Minutes - March 15, 2019

C. Approving Statement of Changes in Fiduciary Net Position for the Periods Ending - January 31, 2019, and February 28, 2019

MOTION: 2019-21

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 April 24, 2019, board meeting.

5. SPECIAL PRESENTATION

A. SPIVA Scorecard (Educational)

Messrs. Marcus Friedman, Craig Lazzara, and Rupert Watts of S&P Dow Jones Indices presented the SPIVA Scorecard presentation. Attendees will earn educational credit for this session.

6. COMMITTEE REPORTS AND ACTION ITEMS

A. Board Governance and Personnel

Chairperson Fillman provided a report of the Board Governance and Personnel Committee to the board (SERS Board Handout). David R. Fillman was elected chairperson of the Board Governance & Personnel Committee. The policy on public participation and the use of recording devices was tabled. The report was accepted by the board.

B. Finance and Member Services

Chairperson Soderberg provided a report of the Finance and Member Services Committee to the board (SERS Board Handout). Executive Director Sanchez announced the selection of Alicia James as the new SERS Chief Financial Officer. Ms. James was attending today's meeting and will start on June 24, 2019. Mr. Torta provided an update of the Act 5 member statistics. The report was accepted by the board.

MOTION 2019-22

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

RESOLVED: That the board accepts the recommendation of the Finance and Member Services Committee to (A) approve the results of the 2018 actuarial valuation; and for the fiscal year 2019/2020, certify the following contribution rates: 1. Shared risk contribution rate of 0.0%; 2. Employer normal cost contribution rate of 1.25%; 3. Composite employer contribution rate necessary for the funding of the system of 33.53%; and 4. Employer contribution rates by group and class of service of employees as set forth in the actuarial valuation as calculated by the Korn Ferry Hay Group, Inc. ("SERS' Consulting Actuary") pursuant to Section 5508 of the State Employees' Retirement Code; (B) authorize SERS staff and SERS' Consulting Actuary to use these rates to develop all the employer rates for the period of July 1, 2019, to June 30, 2020, pursuant to Section 5902(k) of the State Employees' Retirement Code; (C) establish an employer contribution rate of 0.06% for the fiscal year 2019/2020 to fund the Benefits Completion Plan established pursuant to Section 5941 of the State Employees' Retirement Code; and (D) authorize the Executive Director to certify such rates to all employers with employees who are active members of SERS and to the Secretary of the Budget.

C. Investment

Assistant Chairperson Fillman provided a report of the Investment Committee to the board (SERS Board Handout). The report was accepted by the full board along with the following motions.

MULTI-STRATEGY/PRIVATE EQUITY - ARES STRATEGIC PARTNERSHIP

MOTION 2019-23

By motion presented by Assistant Chair Fillman, that was moved, seconded, and approved by board members, except Brian 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 \$70 million to Ares Special Opportunities Fund, 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 2019-24

By motion presented by Assistant Chair Fillman, that was moved, seconded, and approved by board members, except Brian 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 \$330 million to Ares PA Opportunities Fund, 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/Private Equity asset classes, 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.

PRIVATE EQUITY INVESTMENT CONSULTANT - STEPSTONE CONTRACT EXTENSION

MOTION 2019-25

By motion presented by Assistant Chair Fillman, that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to authorize an extension of the agreement between SERS and StepStone Group LLC for private equity consulting services for 18 months (until April 5, 2021), under the existing terms, services, and fee schedules, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 6 months.

PRIVATE EQUITY ASSET CLASS - ARDIAN SF VIII

MOTION 2019-26

By motion presented by Assistant Chair Fillman, that was moved, seconded, and approved by board members, except Brian LaForme, designee for Secretary Wiessmann, who abstained, and Treasurer Torsella who voted NO, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to (i) \$100 million to ASF VIII B L.P., and up to (ii) \$50 million to ASF VIII PA Co-Investment Fund, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as follow-on investments 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.

PRIVATE EQUITY ASSET CLASS - PERMIRA VII L.P. 1/PERMIRA SUSQUEHANNA (CO-INVESTMENT) FUND, L.P.

MOTION 2019-27

By motion presented by Assistant Chair Fillman, that was moved, seconded, and approved by board members, except Brian 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 (i) €67 million Euros (approximately \$75 million USD) to Permira VII L.P.1, and up to (ii) €36 million Euros (approximately \$40 million USD) to the Permira Susquehanna (Co-investment) Fund, L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as follow-on investments 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.

MULTI-STRATEGY ASSET CLASS - PERMIRA CREDIT SOLUTIONS IV MASTER (FEEDER) SCSp/PERMIRA SUSQUEHANNA (CO-INVESTMENT) FUND, L.P.

MOTION 2019-28

By motion presented by Assistant Chair Fillman, that was moved, seconded, and approved by board members, except Treasurer Torsella who abstained, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to (i) \$75 million to Permira Credit Solutions IV Master (Feeder) SCSp, and up to (ii) \$60 million to the Permira Susquehanna (Co-investment) Fund, L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as investments 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.

MULTI-STRATEGY ASSET CLASS - ICG EUROPE MID-MARKET FUND SCSp**MOTION 2019-29**

By motion presented by Assistant Chair Fillman, that was moved, seconded, and approved by board members, except Treasurer Torsella who abstained, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to €67 million Euros (approximately \$75 million USD) to ICG Europe Mid-Market Fund SCSp, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as a follow-on 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.

REAL ESTATE ASSET CLASS - BLUE MOON SENIOR HOUSING II LP/BLUE MOON SENIOR HOUSING II SIDECAR LP**MOTION 2019-30**

By motion presented by Assistant Chair Fillman, that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to (i) commit up to \$50 million to Blue Moon Senior Housing II LP, and (ii) commit \$50 million to Blue Moon Senior Housing II Sidecar LP, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as investments 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.

PUBLIC MARKET - RUSSELL 3000 INDEX RECOMMENDATION**MOTION 2019-31**

By motion presented by Assistant Chair Fillman, that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to liquidate the Mellon Capital Management Russell 3000 Index portfolio and transfer the proceeds to cash.

D. Securities Litigation

Chairperson Wiessmann provided a report of the Securities Litigation Committee to the board (SERS Board Handout). Senator Vincent J. Hughes was elected assistant chairperson of the Securities Litigation Committee. The report was accepted by the board.

7. EXECUTIVE SESSION/LUNCH SESSION/PUBLIC MEETING RESUMED

TOPIC 1 - Pending Benefits and Administration Litigation Update

TOPIC 2 - Report from the Acting Chief Compliance Officer

TOPIC 3 - PPMARC Recommendations

At 11:55 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 1:05 p.m.

8. OLD BUSINESS (None)9. REPORTS OF EXECUTIVE DIRECTOR AND AGENCY STAFF

A. Executive Director

Executive Director Sanchez provided a report on Senate Bill 113 which amended the Public Employee Pension Forfeiture Act. She noted that this bill was introduced by fellow board member, Sen. John DiSanto. The bill was passed in both chambers and signed by Governor Wolf. She noted that SERS is beginning to engage with the General Assembly on PPMAIRC recommendations alluding to full funding, a dedicated funding source and implementing stress testing. It was the consensus of the board to negotiate a long term fiduciary counsel contract and a meeting will be scheduled in the future.

B. Chief Investment Officer - CII and PRI Memberships; Transition Update
Mes. Lesley Nettles, JoAnn Price, Cynthia Tseng and Mr. Peter Ruchwa provided a report to the board regarding Fairview Capital.

Chief Investment Officer Lewis provided a report on SERS' memberships with Council of Institutional Investors (CII) and Principles for Responsible Investment (PRI). The board recommended that the Investment and Board Governance & Personnel Committees should work with staff to conduct further due diligence on a membership with PRI.

MOTION 2019-32

By motion that was moved, seconded, and approved by board members, it was **RESOLVED:** That the board orders to continue SERS' membership with the Council of Institutional Investors under the existing terms, services, and fee schedules, 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.

C. Acting Chief Financial Officer

Acting Chief Finance Officer McSurdy noted that the 2018/2019 SERS' budget was on target. She also noted that the Statement of Changes ending net asset balance in February increased \$2 billion from the end of 2018.

10. NEW BUSINESS - NONE

11. BOARD COMMENTS/ANNOUNCEMENTS/DATES TO REMEMBER

A. Next Board Meeting - June 13-14, 2019

12. MOTION TO ADJOURN

MOTION 2019-33

By motion of Chairperson Fillman, the board unanimously agreed to adjourn the meeting at 1:53 p.m.

Respectfully submitted,



Terrill J. Sanchez
Executive Director

Commonwealth of Pennsylvania
State Employees' Retirement System



RESOLUTION

WHEREAS, T. Terrance Reese became a member of the State Employees' Retirement Board effective October 14, 2014, by appointment of Governor Corbett and confirmation by the State Senate; and


WHEREAS, T. Terrance Reese has contributed to Board deliberations by providing the State Employees' Retirement Board with perspectives derived from his background as a private sector business leader; and


WHEREAS, T. Terrance Reese also has served the Board as the Chair of the Governance and Personnel Committee, and as a member of the Defined Contribution Committee, Investment Committee and the former Deferred Compensation Plan Committee; now therefore be it

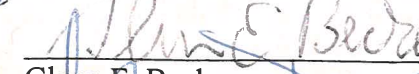
RESOLVED, That the Pennsylvania State Employees' Retirement Board expresses its sincere appreciation to T. Terrance Reese for his professional excellence and dedication to the retirement system and its members, and wishes him the best of health, happiness and success in all his future endeavors; and be it further

RESOLVED, That the original resolution be transmitted to T. Terrance Reese, and a copy included in the minutes.

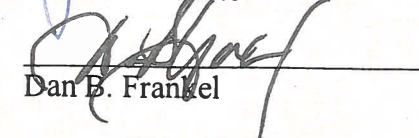
April 24, 2019
Harrisburg, Pennsylvania


David R. Fillman, Chairman

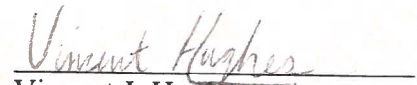

Stephen S. Aichele

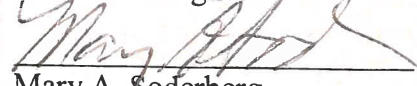

Glenn E. Becker



John M. DiSanto


Dan B. Frankel





Vincent J. Hughes


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