



SERS Board Meeting MINUTES - Friday, June 14, 2019

ATTENDEES:

Members and Designees

David R. Fillman – Chairperson

Stephen S. Aichele

Glenn E. Becker

John M. DiSanto

Mary A. Soderberg

Michael G. Tobash

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

Bernie Gallagher – Designee for Representative Dan B. Frankel - VIA telephone

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

Consultants

Jay Kloepfer, Callan LLC

Brent Mowery, Korn Ferry Hay Group

Bud Pellicchia, Callan LLC

Matt Roche, StepStone Group, LP - VIA telephone

Kris Seets, Korn Ferry Hay Group

Tom Shingler, Callan, LLC

Christopher Waddell, Olson Hagel & Fishburn LLP

Executive Staff

Bryan Lewis

N. Joseph Marcucci

Sara McSurdy

Terrill Sanchez

Staff

Rose Agnew

Randy Albright

Stephen Balucha
Anbria Bates
Don Bell
Jason Burger
Dhanashree Chitnis
Thomas Derr
Myisha Ebersole
Jacob Fahnestock
David Felix
Jonathan Ferrar
Brian Gilroy
Randy Gilson
Jason Giurintano
Phillip Greenberg
Suzanne Hansel
Pamela Hile
Christopher Houston
Kevin Kiehl
Barbara Kiral
Dan Krautheim
Alan Lin
Katie Mathews
Jeffrey McCormick
Ryan McCoy
Matthew Meads
Jeffrey Meyer
Ryan Morse
M. Catherine Nolan
Kara O'Donnell
Joel Rimby
David Sedlak
Dana Shettel
Sarah Souder
Bruce Thomas
Joseph Torta
William Truong

Visitors

James Bloom, Department of Banking and Securities

1. CALL TO ORDER

Chairperson Fillman called the meeting to order at 10:50 a.m.

2. ADOPTION OF THE AGENDA

MOTION: 2019-35

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

RESOLVED: That the board adopts the agenda for the June 14, 2019, board meeting.

3. APPROVAL OF CONSENT CALENDAR

A. Approving Board Meeting Minutes - April 24, 2019

B. Approving Board Special Meeting Minutes - May 29, 2019

C. Approving Statement of Changes in Fiduciary Net Position for the Period Ending - March 31, 2019

D. Approving 457 Deferred Compensation Plan (DCP) 1st Quarter Statement of Changes Report

MOTION: 2019-36

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 June 14, 2019, board meeting.

4. COMMITTEE REPORTS AND ACTION ITEMS

A. Audit, Risk and Compliance Committee

Chairperson Aichele provided a report of the Audit, Risk and Compliance Committee to the board (SERS Board Handout). The report was accepted by the board along with the following motion.

MOTION 2019-37

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

RESOLVED: That the board accepts the recommendation of the Audit, Risk and Compliance Committee to accept the audited financial statements of the Commonwealth of Pennsylvania State Employees' Retirement System and the Pennsylvania State Employees' Retirement System Deferred Compensation Plan for years ended December 31, 2018 and 2017, as presented by our independent auditors, KPMG LLP.

B. Board Governance and Personnel Committee

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

PUBLIC DISSEMINATION OF BOARD MATERIALS (PPMAIRC RECOMMENDATION #14)

MOTION 2019-38

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

RESOLVED: That the board accepts the recommendation of the Board Governance and Personnel Committee to direct the SERS Investment Office, in collaboration with the board's consultants, to post summary board materials on SERS' public website and for the SERS Investment Office to provide the board with a sample document for its review and approval that is reflective of the summary board materials.

JOINTLY DEVELOP TRANSPARENCY CHECKLIST WITH PSERS

MOTION 2019-39

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

RESOLVED: That the board accepts the recommendation of the Board Governance and Personnel Committee to direct the SERS Investment Office to work with PSERS to develop a common standard checklist for transparency issues when evaluating managers.

C. Finance and Member Services Committee

Chairperson Soderberg provided a report of the Finance and Member Services Committee to the board (SERS Board Handout). The report was accepted by the board along with the following motion.

MOTION 2019-40

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 (i) lower the current annual assumed rate of investment return and leave unchanged the current assumed rate of inflation, and (ii) adopt an annual assumed rate of investment return of 7.125% compounded annually and an annual assumed rate of inflation of 2.6% compounded annually, with both assumptions to be effective with the December 31, 2019, Actuarial Valuation and remain in effect until further changed by the board.

D. Investment Committee

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

PRIVATE EQUITY - BLACKSTONE CAPITAL PARTNERS VIII, L.P.

MOTION 2019-41

By motion presented by Chairperson Becker, that was moved, seconded, and approved by board members, except Dan Ocko, designee for Rep. Frankel, Tom Clancy, designee for Treasurer Torsella, and Sen. DiSanto, who voted NO, and Brian LaForme, designee for Secretary Wiessmann, who abstained, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to \$75 million to Blackstone Capital Partners VIII 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.

RISK MANAGEMENT/ASSET ALLOCATION RANGES

MOTION 2019-42

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

RESOLVED: That the board accepts the recommendation of the Investment Committee to approve a temporary underweight allocation to the Multi-Strategy asset class, and an overweight allocation to the Fixed Income asset class, until the completion of the SERS Strategic Investment Plan and the asset allocation policy has been updated.

PPMAIRC RECOMMENDATION - ILPA (PPMAIRC RECOMMENDATION #28 & #30)

MOTION 2019-43

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

RESOLVED: That the board accepts the recommendation of the Investment Committee to amend Motion 2018-15 previously approved by the board on April 6, 2018, to effective immediately, direct the SERS Investment Office, in collaboration with the SERS Office of Finance and Administration to: 1) Require general partners of new investment opportunities approved by the board in private markets (e.g., private equity funds, private credit funds, real estate funds, hedge funds and other similarly structured vehicles) to provide SERS with the information found within the Institutional Limited Partners Association's (ILPA) Reporting Template through customized reporting or completion of the ILPA Reporting Template; and 2) Request general partners of existing investments in private markets (e.g., private equity funds, private credit funds, real estate funds, hedge funds and other similarly structured vehicles) to provide SERS with the information found within the Institutional Limited Partners Association's (ILPA) Reporting Template through customized reporting or completion of the ILPA Reporting Template.

PPMAIRC RECOMMENDATION - GROSS/NET PERFORMANCE REPORTING (PPMAIRC RECOMMENDATION #19)

MOTION 2019-44

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

RESOLVED: That the board accepts the recommendation of the Investment Committee to direct the SERS Investment Office, in collaboration with the SERS Office of Finance and Administration, to use commercially reasonable efforts to publish net-of-fee and gross-of-fee returns on a prospective basis when reporting quarterly investment performance to the board, effective with the 1st Quarter 2020 performance report.

PPMAIRC RECOMMENDATION - QUARTERLY PERFORMANCE REPORT UPDATE (PPMAIRC RECOMMENDATION #20 & #23)

MOTION 2019-45

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

RESOLVED: That the board accepts the recommendation of the Investment Committee to direct the SERS Investment Office, in collaboration with the SERS Office of Finance and Administration and its general investment consultant, to report total fund performance against a commonly understood reference portfolio benchmark (e.g., global 60/40 index), and include graphically rolling returns over the last five years.

PPMAIRC RECOMMENDATION - SPECIALTY CONSULTANT PERFORMANCE REPORTS (PPMAIRC RECOMMENDATION #24)

MOTION 2019-46

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

RESOLVED: That the board accepts the recommendation of the Investment Committee to direct the SERS Investment Office, to continue to publish SERS' quarterly performance reports as well as to collaborate with SERS' private market specialty consultants, to develop a semi-annual

performance report for the board's review and approval for public dissemination, beginning with the semi-annual reporting period ending 6/30/2019.

FEE REPORTING

MOTION 2019-47

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

RESOLVED: That the board accepts the recommendation of the Investment Committee to direct the SERS Investment Office, in collaboration with the SERS Office of Finance and Administration, to develop an annual report of all investment fees and expenses reported by its managers for the board's review and approval for public dissemination, with the first report being published for CY 2020.

5. EXECUTIVE SESSION/PUBLIC MEETING RESUMED

TOPIC 1 - Pending Benefits and Administration Litigation Update

TOPIC 2 - Report from the Acting Chief Compliance Officer

TOPIC 3 - Kentucky Case of Mayberry, et al. v. KKR & Co., L.P., et. al.

At 11:31 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 12:12 p.m.

6. OLD BUSINESS (None)

7. REPORTS OF EXECUTIVE DIRECTOR AND AGENCY STAFF (None)

8. NEW BUSINESS

A. Use of Roll-call Voting Discussion

Chairperson Fillman gave some background on the commencement of using roll-call voting and this process will help record the votes of the board members. Executive Director Sanchez added that this method of voting will be useful in the committee meetings.

9. BOARD COMMENTS/ANNOUNCEMENTS/DATES TO REMEMBER

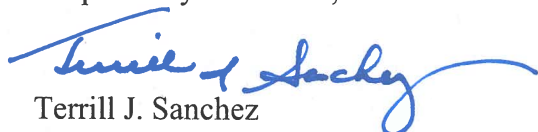
A. Next Board Meeting - July 30-31, 2019

10. MOTION TO ADJOURN

MOTION 2019-48

By motion of Chairperson Fillman, the board unanimously agreed to adjourn the meeting at 12:15 p.m.

Respectfully submitted,



Terrill J. Sanchez
Executive Director