
Time and Attendance of Board Meeting Held Wednesday, September 11, 2013

Date: 09/11/2013

Call to Order: 9:30 AM

Call to Order By: Honorable Nicholas J. Maiale, Chairman

Next meeting of SERS Board: 10/23/2013

Time Recessed

12:00 PM

Time Resumed

1:20 PM

Adjournment

1:50 PM

ATTENDEES:

Chairman

Honorable Nicholas J. Maiale

Board Member

Glenn E. Becker

Robert A. Bittenbender

Dan B. Frankel

Robert W. Godshall

Vincent J. Hughes

Oliver C. Mitchell Jr.

M. Joseph Rocks

Designee Appointed by Board Member

Bernie Gallagher for Representative Dan B. Frankel

John Lisko for Treasurer Robert M. McCord

Dan Ocko for Representative Dan B. Frankel

Ned Smith for Representative Robert W. Godshall

SERS Executive Staff

Anthony Clark

David E. Durbin

Anthony Faiola

Victoria Page-Wooten

Consultant

Chris Cunningham The Townsend Group

Kathlika Fonts StepStone Group LLC

Anthony Johnson RV Kuhns & Associates, Inc.

Stephen Kennedy Albourne America LLC

Rob Kochis The Townsend Group

Consultant

Michael McCabe

StepStone Group LLC

Jim Voytko

RV Kuhns & Associates, Inc.

Natalie Walker

StepStone Group LLC

SERS Administrative Staff

Rose Agnew

Michael Beblo

Lena Bickle

Thomas Brier

Karen Damiano-Stahler

Dino Degennaro

Linda Engle

Gary Green

Brandon Halm

Pamela Hile

William Hutcheson

Meredith Jones

David Kalman

Barbara Kiral

Cheryl Krchnar

Lauren Lenfest

Karen Lynn

Mark McGrath

Jeffrey Meyer

Catherine Nolan

Kyle Reinfeld

William Riegel

Steven Rosenberry

Joseph Torta

William Truong

Heather Tyler

Visitor

Kim Aspenleider

Delaware Investments

Joseph DiStefano

The Philadelphia Inquirer

Matthew Ferry

Senator Hughes' Office

Keith Graham

Advent Capital Management

Sandy Leopold

PA Department of Treasury

Kay Nederostek

Guest of Mr. Mitchell

Peter Speaks

Senator Hughes' Office

Visitor

Julie Trent

Tiger Management

Presenter

Dan Donley

Regional Real Estate Investment Corporation

Paul Gilbert

Regional Real Estate Investment Corporation

Christopher Hanssens

Eureka Growth Capital III, LP

Kristie Hoban

Eureka Growth Capital III, LP

Richard Layman

Regional Real Estate Investment Corporation

Ross Margolies

Stelliam Fund

Rob Pohly

Samlyn Capital Fund

David Reiner

Regional Real Estate Investment Corporation

George Rubin

Regional Real Estate Investment Corporation

Kimberly Sales

Stelliam Fund

Frode Strand-Nielsen

FSN Capital IV, LP

Jennifer Victoria

Samlyn Capital Fund

Steven Wagshal

Samlyn Capital Fund

Morten Welo

FSN Capital IV, LP

Jonathan Zimbalist

Eureka Growth Capital III, LP

Minutes of Board Meeting Held Wednesday, September 11, 2013

CAPITAL MARKET REPORT

Messrs. Johnson and Voytko presented the report provided to the board (9/11/2013 board handouts).

SERS QUARTERLY PERFORMANCE REPORT (AS OF JUNE 30, 2013)

Messrs. Johnson and Voytko presented the report provided to the board (9/11/2013 Board Package, Investment Report, Tab 12). They announced the SERS fund earning a net-of-fees return of 0.7% for the second quarter of 2013, resulting in a 4.3% return in the first half of 2013, and a 10.3% return for the one-year period ended June 30, 2013.

DIVERSIFYING ASSETS MANAGER REVIEW

Mr. Voytko presented the report provided to the board (9/11/2013 Board Package, Investment Report, Tab 5). Chairman Maiale noted that Tiger Management LLC and Tiger Keystone Partners, L.P. will continue to be monitored closely and that a fee structure review of these entities will be undertaken by RV Kuhns.

GLOBAL PUBLIC EQUITY RECOMMENDATIONS FOR FUTURE INTERVIEWS

American Century Investments

Delaware Investments

Franklin Templeton Institutional

Gryphon International Investment Corporation

Mr. Green presented the report provided to the board (9/11/2013 Board Package, Investment Report, Tab 6).

It was the consensus of the board to interview representatives from these managers at the October 23, 2013 meeting.

DIVERSIFYING ASSETS INVESTMENTS INTERVIEWS

Southpoint Qualified Fund LP

Samlyn Capital Fund

Stelliam Fund

Southpoint Qualified Fund LP

Messrs. Brier and Kennedy presented the report provided to the board (9/11/2013 Board Package, Investment Report, Tab 13).

Motion: 2013-45

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

RESOLVED: That the board rescinds the July 17, 2013 commitment of up to \$15 million to Southpoint Qualified Fund L.P. (Southpoint Fund).

Samlyn Capital Fund

Ms. Victoria and Messrs. Brier, Kennedy, Pohly, and Wagshal presented the report provided to the board (9/11/2013 Board Package, Investment Report, Tab 13).

Stelliam Fund

Ms. Sales and Messrs. Brier, Kennedy, and Margolies presented the report provided to the board (9/11/2013 Board Package, Investment Report, Tab 14).

Motion: 2013-46

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

RESOLVED: That the board commits \$15 million to each of the following manager(s): Samlyn Onshore Fund L.P. and/or Stelliam Fund L.P. to manage a direct investment mandate within the Diversifying Assets Asset Class, subject to successful completion of contract negotiations.

REAL ASSETS - SEPARATE ACCOUNT DISCUSSION

Messrs. Kalman, Kochis, and Cunningham presented the report provided to the board (9/11/2013 Board Package, Investment Report, Tab 8 and board handouts).

REAL ASSETS INVESTMENTS INTERVIEW

Regional Real Estate Investment Corporation

Messrs. Kalman, Kochis, Cunningham, Layman, Gilbert, and Donley presented the report provided to the board (9/11/2013 Board Package, Investment Report, Tab 15).

Motion: 2013-47

By motion that was moved, seconded, and approved by all board members, except Mr. Lisko, who recused on behalf of Treasurer McCord, because of political contributions from law firm associated with RREIC firm; and Chairman Maiale, who recused because of being life long friends with the PREIT CEO and consulting for the Gallery project in Philadelphia City Council, it was

RESOLVED: That the board commits up to \$50 million to Regional Real Estate Investment Corporation (RREIC), in a venture with Pennsylvania Real Estate Investment Trust (PREIT), to establish a real estate separate account focused upon investing exclusively in the Commonwealth of Pennsylvania within the Real Assets Investments Asset Class, subject to successful completion of contract negotiations.

DEFERRED COMPENSATION PROGRAM (DCP) QUARTERLY REPORT - JUNE 30, 2013

Mr. Faiola reported that the DCP Quarterly Report was provided to the board (9/11/2013 Board Package, Administrative Report, Tab 10). He noted that the total assets available for benefits were \$2.5 billion and the program has 50,000 members.

FISCAL YEAR 2014-15 ADMINISTRATIVE BUDGET PROPOSAL

Mr. Faiola presented the report provided to the board (9/11/2013 Board Package, Administrative Report, Tab 11 and board handouts).

Motion: 2013-48

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

RESOLVED: That the board approves the proposed, or as may be amended by permission of the Office of the Budget, SERS Administrative Budget for Fiscal Year 2014-15.

ALTERNATIVE INVESTMENTS INTERVIEW

Eureka Growth Capital III, LP

Mses. Lenfest, Fonts, and Hoban and Messrs. McCabe, Halm, Hanssens, and Zimbalist presented the report provided to the board (9/11/2013 Board Package, Investment Report, Tab 16).

Motion: 2013-49

By motion that was moved, seconded, and approved by all board members, except Mr. Lisko, who recused on behalf of Treasurer McCord, because of political contributions from principal prior to Treasurer's election in 2008, it was

RESOLVED: That the board commits up to \$20 million to Eureka Growth Capital III, L.P. as a follow-on investment within the Alternate Investments Asset Class, subject to successful completion of contract negotiations.

MEETING RECESS AND EXECUTIVE SESSION

At 12:00 p.m., the board recessed and entered executive session to receive legal advice on executive session agenda items, as attached (ATTACHMENT A). The meeting resumed at 1:20 p.m.

MINUTES OF BOARD MEETING - JULY 17, 2013

Chairman Maiale noted that the minutes of the July 17, 2013 board meeting were provided to the board (9/11/2013 Board Package, Administrative Report, Tab 2 and board handouts).

Motion: 2013-50

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

RESOLVED: That the board approves the minutes of the July 17, 2013 board meeting.

CHANGES IN PLAN NET POSITION FOR PERIODS ENDING - MAY 31, JUNE 30, AND JULY 31, 2013

Chairman Maiale noted that the Statement of Changes in Plan Net Position for the periods ending May 31, June 30, and July 31, 2013 were provided to the board (9/11/2013 Board Package, Administrative Report, Tab 3).

Motion: 2013-51

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

RESOLVED: That the board accepts the State Employees' Retirement System's Statement of Changes in Plan Net Position for the periods ending May 31, June 30, and July 31, 2013.

ALTERNATIVE INVESTMENTS INTERVIEW

FSN Capital IV, LP

Mses. Lenfest and Fonts and Messrs. McCabe, Strand-Nielsen, and Welo presented the report provided to the board (9/11/2013 Board Package, Investment Report, Tab 17).

ALTERNATIVE INVESTMENTS RECOMMENDATIONS FOR FUTURE INTERVIEWS

Asia Alternatives Penn Asia Co-Investment Fund

GTCR Fund XI, LP

Horizon Impact Fund

Mses. Lenfest and Fonts and Messrs. McCabe and Beblo presented the report provided to the board (9/11/2013 Board Package, Investment Report, Tabs 9, 10, and 11).

It was the consensus of the board to interview representatives from these managers at the October 23, 2013 meeting.

CONTRACT AMENDMENT - RV KUHNS AND ASSOCIATES, INC.

Mr. Clark noted that the above contract needs to be amended.

Motion: 2013-52

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

RESOLVED: That the board authorizes staff to amend the agreement between PA SERS and R.V. Kuhns and Associates, Inc. to facilitate an addition of a monthly performance and risk analytics report. The additional cost associated with this action is \$8,000.00 per year for the remainder of the current contract.

BOARD DISMISSALS

Mr. Durbin noted that the following Orders as provided to the board (9/11/2013 Board Package, Administrative Report, Tab 7) are dismissed.

Account of Stacy L. Hill

Docket No. 2013-01

Claim of Stacy L. Hill

Account of Cheri P. Rinkevich

Docket No. 2013-10

Claim of Cheri P. Rinkevich

ADMINISTRATIVE UPDATE

Mr. Durbin presented the report provided to the board (9/11/2013 Board Package, Administrative Report, Tab 8).

LEGISLATIVE UPDATE

Mr. Durbin presented the report provided to the board (9/11/2013 Board Package, Administrative Report, Tab 9).

DRAFT 2014 BOARD MEETING DATES

Mr. Durbin referenced the above-mentioned schedule provided to the board (9/11/2013 Board Package, Administrative Report, Tab 12). He asked board members to contact the executive office concerning any conflicts with the dates before the schedule is finalized at the October 23, 2013 board meeting.

NEXT BOARD MEETING

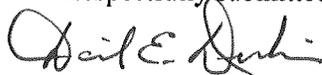
Chairman Maiale reported that the next regular meeting of the SERS board is scheduled for October 23, 2013.

MOTION TO ADJOURN

Motion: 2013-53

By motion of Chairman Maiale, the board unanimously agreed to adjourn the meeting at 1:50 p.m.

Respectfully submitted,



David E. Durbin
Executive Director

ATTACHMENT A

EXECUTIVE SESSION AGENDA

Meeting: September 11, 2013

Executive Session

1. **Litigation Update**
2. **Notational Ballot Case**

Account of Frank R. Williams
Docket No. 2012-35
Claim of Frank R. Williams
3. **Fund Update**
4. **Preliminary Fund Performance and Risk Statistics**
5. **Portfolio Restructuring Opportunities**