
Time and Attendance of Board Meeting Held Wednesday, January 22, 2014

Date: 01/22/2014

Call to Order: 10:00 AM

Call to Order By: Honorable Glenn E. Becker, Chairman

Next meeting of SERS Board: 03/12/2014

Time Recessed

10:45 AM

Time Resumed

1:35 PM

Adjournment

1:45 PM

ATTENDEES:

Chairman

Glenn E. Becker

Board Member

Robert A. Bittenbender

David R. Fillman

Robert W. Godshall

Nicholas J. Maiale

Oliver C. Mitchell Jr.

M. Joseph Rocks

Designee Appointed by Board Member

Christopher Craig for Treasurer Robert M. McCord

Charles Duncan for Senator Vincent J. Hughes

Bernie Gallagher for Representative Dan B. Frankel

Dan Ocko for Representative Dan B. Frankel

Ned Smith for Representative Robert W. Godshall

SERS Executive Staff

Thomas Brier

David E. Durbin

Anthony Faiola

Victoria Page-Wooten

Consultant

Anthony Johnson RV Kuhns & Associates, Inc.

Michael McCabe StepStone Group LLC

Robert Palmeri RV Kuhns & Associates, Inc.

Jim Voytko RV Kuhns & Associates, Inc.

Natalie Walker StepStone Group LLC

SERS Administrative Staff

Rose Agnew
Michael Beblo
Lena Bickle
Karen Damiano-Stahler
Patricia Dence
Linda Engle
David Felix
Gary Green
Brandon Halm
Whitney Harlow
Pamela Hile
Anthony Hines
William Hutcheson
Meredith Jones
David Kalman
Renee Keith
Barbara Kiral
Cheryl Krchnar
Lauren Lenfest
Karen Lynn
Jeffrey McCormick
Mark McGrath
Jeffrey Meyer
Kyle Reinfeld
William Riegel
Steven Rosenberry
David Sedlak
Sharon Smith
Paul Stahlnecker
Joseph Torta
William Truong
Heather Tyler

Visitor

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|------------------|---------------------------|
| Suzanne Bernard | Hewitt Ennis Knupp |
| Marv Damsma | Funston Advisory Services |
| Joseph DiStefano | Philadelphia Inquirer |
| Joshua Eisner | Greenlee Partners |

Visitor

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|------------------|---------------------------------------|
| Rick Funston | Funston Advisory Services |
| Kate Gammarise | Pittsburgh Post-Gazette |
| Jonathan Hogstad | Service Employees International Union |
| Keith L. Johnson | Reinhart Attorneys at Law |
| Sandy Leopold | PA Department of Treasury |
| Dawn Lim | Institutional Investor |
| Randy Miller | Funston Advisory Services |
| Charlie Thompson | Patriot-News |
| Nancy Williams | Hewitt Ennis Knupp |

Minutes of Board Meeting Held Wednesday, January 22, 2014

NEW CHAIRMAN INTRODUCTION - GLENN E. BECKER

SERS newly appointed Board Chairman, Glenn E. Becker, opened the meeting thanking board members for their travel efforts this morning; stated he looked forward to serving and working with all board members and staff on the challenges ahead; and expressed appreciation to outgoing Chairman, Nicholas J. Maiale, for his exemplary leadership and care to the SERS organization.

CAPITAL MARKET REPORT

Messrs. Brier, Johnson and Voytko presented the report provided to the board (1/22/2014 board handouts).

2014-2015 STRATEGIC INVESTMENT PLAN

Messrs. Brier, Johnson, Voytko and McCabe presented the report provided to the board (1/22/2014 Board Package, Investment Report, Tabs 3a and 3b).

PRIVATE EQUITY INVESTMENT DISCUSSION

Messrs. Brier, Johnson, Voytko and McCabe presented the report provided to the board (1/22/2014 Board Package, Investment Report, Tab 4).

THE TOWNSEND GROUP CONTRACT AMENDMENT

Messrs. Brier and Kalman presented the report provided to the board (1/22/2014 Board Package, Investment Report, Tab 5).

Motion: 2014-01

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

RESOLVED: That, subject to the successful completion of contract negotiations, the board hereby authorizes SERS to enter into a new agreement with The Townsend Group, Inc. under which Townsend will provide real estate investment advisory services to SERS for a one-year period commencing on July 1, 2014 and ending on June 30, 2015 and otherwise under all of the same terms and conditions as the current agreement expiring on June 30, 2014, except that consistent with past agreements with Townsend, there will be a three percent (3%) increase in the annual fee to \$347,783.

MINUTES OF BOARD MEETING - DECEMBER 11, 2013

Chairman Becker noted that the minutes of the December 11, 2013 board meeting were provided to the board (1/22/2014 Board Package, Administrative Report, Tab 2).

Motion: 2014-02

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

RESOLVED: That the board approves the minutes of the December 11, 2013 board meeting.

CHANGES IN PLAN NET POSITION FOR PERIODS ENDING - OCTOBER 31 AND NOVEMBER 30, 2013

Chairman Becker noted that the Statement of Changes in Plan Net Position for the periods ending October 31 and November 30, 2013 were provided to the board (1/22/2014 Board Package, Administrative Report, Tab 3).

Motion: 2014-03

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 October 31 and November 30, 2013.

RECOGNITION FOR RESIGNING CHAIRMAN AND BOARD MEMBER - NICHOLAS J. MAIALE

Rep. Godshall read into the record a PA House of Representative citation (ATTACHMENT A) acknowledging Nicholas J. Maiale for 29 years of dedicated service to the SERS board.

Mr. Durbin read into the record a PA Senate citation (ATTACHMENT B), on behalf of Senator McIlhinney, congratulating Mr. Maiale's distinguished service to the residents of the Commonwealth and commitment to the SERS board.

Chairman Becker and board members Rocks, Bittenbender, Fillman and designee Ocko, on behalf of Rep. Frankel, acknowledged Nicholas J. Maiale for his long time service on the board, ability to communicate, accessibility, professionalism and his hard work for the SERS annuitants and members. They wished Mr. Maiale well in future endeavors.

Mr. Brier, on behalf of staff, thanked Mr. Maiale for the extraordinary leadership he demonstrated as Chairman.

Mr. Maiale thanked the board and staff for their support over the years and stated that he enjoyed the role and the many years of responsibility.

EXECUTIVE SESSION AND MEETING RECESS

At 10:45 a.m., the board recessed and entered executive session to receive legal advice on executive session agenda items, as attached (ATTACHMENT C). The meeting resumed at 1:35 p.m.

FINANCIAL DISCLOSURE STATEMENTS

Mr. Durbin noted that the Financial Disclosure Statements for board members and designees have been placed at their seats. The deadline to return them is May 1, 2014.

BOARD NOTATIONAL BALLOTS

Mr. Durbin provided the board with the following information on the results of the notational ballots regarding Board Adjudication.

Account of Teresa M. Koon

Docket No. 2012-16

Claim of Teresa M. Koon

The State Employees' Retirement Board DENIED Claimant's request to elect multiple service membership with SERS after the December 31, 2003 statutory deadline.

BOARD DISMISSALS

Mr. Durbin noted that the following Orders as provided to the board (1/22/2014 Board Package, Administrative Report, Tab 7) are dismissed.

Account of H. Warren Hogeland

Docket No. 2013-06

Claim of H. Warren Hogeland

Account of H. Warren Hogeland

Docket No. 2013-07

Claim of Gail B. Hogeland

AUDIT COMMITTEE MEETING MINUTES - DECEMBER 11, 2013

Mr. Durbin reported that the Audit Committee Minutes were provided to the board (1/22/2014 Board Package, Administrative Report, Tab 8). He noted the board should contact Ms. Karen Lynn, Director of Internal Audit, with any questions.

STRATEGIC BUSINESS PLAN 2014-2017

Mr. Durbin reported that the draft Strategic Business Plan for SERS was provided to the board (1/22/2014 Board Package, Administrative Report, Tab 10). He noted the board should contact him if there are comments regarding the plan; otherwise, it will become final.

PREVIEW OF 2013 ACTUARIAL VALUATION

Mr. Durbin noted that the representatives of the Hay Group will be present at the March 12, 2014 meeting to give preliminary results of the 2013 actuarial valuation.

SEARCH FOR CIO CANDIDATE

Ms. Cheryl Krchnar, SERS Human Resources Director and acting as staff resource for the CIO Search Committee, noted an Invitation to Qualify (ITQ) with DGS will be used to generate a list of qualified vendors for SERS to select a vendor.

INDEPENDENT LEGAL COUNSEL RECOMMENDATION

Chairman Becker read the succeeding statement:

Following a discussion during executive session, the board has reached a consensus that it hereby recommends to the Office of General Counsel and the SERS' Office of Chief Counsel that the law firm of Obermayer Rebmann Maxwell & Hippel LLP be selected and engaged as independent legal counsel to the board for the purposes of providing a comprehensive and timely assessment of and advice about how to proceed with regard to the allegations; that such firm report to the board and to the SERS' Audit Committee; and further, that the scope of such law firm's engagement include, at the board's option and direction, the identification, recommendation and engagement of an independent professional services firm to conduct an independent review of the due diligence processes performed by SERS' Investment Office, such firm to report to and under the direction of such law firm.

BNY MELLON SETTLEMENT AGREEMENT

Chairman Becker noted that the following motion was a result of discussion in Executive Session.

Motion: 2014-04

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

RESOLVED: That, subject to the successful completion of contract negotiations, the board hereby authorizes the Chairman to enter into a settlement agreement proposed by the Pennsylvania Treasury Department with the Bank of New York Mellon, together with such other agreements as are reasonable and necessary on the advice of SERS Office of Chief Counsel in order to effectuate the settlement, substantially consistent with the material terms and conditions outlined earlier in executive session at this board meeting and in a form satisfactory to SERS' Executive Director, Deputy Chief Investment Officer and Acting Chief Counsel.

NEXT BOARD MEETING

Chairman Becker reported that the next regular meeting of the SERS board is scheduled for March 12, 2014.

MOTION TO ADJOURN

Motion: 2014-05

By motion of Chairman Becker, the board unanimously agreed to adjourn the meeting at 1:45 p.m.

Respectfully submitted,



David E. Durbin
Executive Director

The House of Representatives

Citation

Whereas, *The House of Representatives of Pennsylvania is always proud to acknowledge those individuals who, through professional excellence, bring great credit to themselves and this Commonwealth; and*

Whereas, *The Honorable Nicholas J. Maiale is being honored upon his retirement after twenty-nine years of dedicated service to the State Employees' Retirement System (SERS) Board; and*

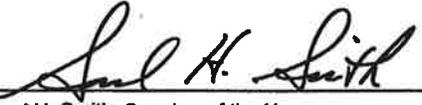
Whereas, *A former member of the House of Representatives of Pennsylvania, Mr. Maiale served the 183rd Legislative District with distinction from 1980 through 1992. A graduate of The Pennsylvania State University and the Temple University School of Law, he began his service with the SERS Board in 1985 and was appointed as Chairman in 1992. Under his guidance, the SERS fund has grown from nearly five billion dollars to more than twenty-six billion dollars. His work on the SERS Board has had an immeasurable positive impact on the economy and citizens of this Commonwealth. Mr. Maiale further serves as a Board member of the University City Science Center and the Delaware Valley Multiple Sclerosis Society. Throughout his service, he demonstrated remarkable knowledge, ability and integrity in carrying out his many responsibilities, thus earning the respect and gratitude of all those who received the benefit of his tireless devotion to duty.*

Now therefore, *the House of Representatives of the Commonwealth of Pennsylvania congratulates the Honorable Nicholas J. Maiale upon his well-deserved retirement; heartily recognizes his exemplary record of service, in keeping with the highest ideals and traditions of this Commonwealth; offers best wishes for a happy and fulfilling future;*

And directs *that a copy of this citation, sponsored by Representatives Robert W. Godshall and Dan Frankel on January 6, 2014, be transmitted to the Honorable Nicholas J. Maiale.*

Robert W. Godshall, Sponsor

Dan Frankel, Sponsor



Samuel H. Smith, Speaker of the House

Attest:



Anthony Frank Barbush, Chief Clerk of the House

Senate of Pennsylvania



HARRISBURG, PA

Congratulations

In the Senate, January 7, 2014

Whereas, The Senate of Pennsylvania is always pleased to recognize those individuals who, through their laudable tenure of service, contribute in a meaningful way toward the well-being of their communities and this Commonwealth; and

Whereas, The Honorable Nicholas J. Maiale, a former member of the House of Representatives of Pennsylvania who served the 183rd Legislative District, is being honored upon his retirement from the State Employees' Retirement System (SERS) Board as Chairman after twenty-nine years of dedicated and distinguished service; and

Whereas, Born in Philadelphia on August 1, 1951, Mr. Maiale is the son of Albert and Clementine Falcone Maiale. A graduate of The Pennsylvania State University and the Temple University School of Law, he served the City of Philadelphia as Assistant Solicitor for two years prior to becoming Assistant Counsel to the House of Representatives of Pennsylvania in 1976. A member of the House of Representatives of Pennsylvania for twelve years, serving the 183rd Legislative District, Mr. Maiale was appointed to the SERS Board in 1985 and has served as Chairman since 1992. Active in the community, he has served on the Boards of the University City Science Center and the Delaware Valley Multiple Sclerosis Society. During his career, Mr. Maiale strove to adhere to the highest standards of service and has earned the respect and admiration of his many friends and colleagues.

Now therefore, the Senate of the Commonwealth of Pennsylvania congratulates The Honorable Nicholas J. Maiale on the momentous occasion of his richly deserved retirement; proudly notes that he has demonstrated extraordinary commitment to the State Employees' Retirement System Board; offers best wishes for a most rewarding future;

And directs that a copy of this document, sponsored by Senator Charles F. McElhinney, Jr., be transmitted to The Honorable Nicholas J. Maiale, 30 North Third Street/Harrisburg, Pennsylvania.

Handwritten signature of Charles F. McElhinney, Jr.

Senator Charles F. McElhinney, Jr.

Attest:

Handwritten signature of Megan Fotino Consedine

Megan Fotino Consedine, Secretary



ATTACHMENT C

EXECUTIVE SESSION AGENDA

Meeting: January 22, 2014

Executive Session

1. Notational Ballot

Account of Allan H. Heilbrunn

Docket No. 2008-14

Claim of Allan H. Heilbrunn

2. 2013 Benefits and Member Related Litigation Update

3. Litigation Updates

4. Legal Update

5. Fund Update

6. Preliminary Fund Performance and Risk Statistics