
Time and Attendance of Board Meeting Held Wednesday, June 11, 2014

Date: 06/11/2014

Call to Order: 9:35 AM

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

Next meeting of SERS Board: 07/23/2014

Time Recessed

1:30 PM

Time Resumed

3:15 PM

Adjournment

3:30 PM

ATTENDEES:

Chairman

Honorable Glenn E. Becker

Board Member

Stephen S. Aichele

Robert A. Bittenbender

David R. Fillman

Robert W. Godshall

Robert M. McCord

Charles T. McIlhinney, Jr.

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

Dan Ocko for Representative Dan B. Frankel

Monica Riddle for Senator Charles T. McIlhinney, Jr.

Ned Smith for Representative Robert W. Godshall

SERS Executive Staff

Thomas Brier

David E. Durbin

Anthony Faiola

Victoria Page-Wooten

Consultant

Kathlika Fontes StepStone Group LLC

Ruowen Ji The Townsend Group

Anthony Johnson RV Kuhns & Associates, Inc.

Consultant

Rob Kochis	The Townsend Group
Michael McCabe	StepStone Group LLC
Robert Palmeri	RV Kuhns & Associates, Inc.
Jim Rohlinger	Great West Retirement Services
Jim Voytko	RV Kuhns & Associates, Inc.
Natalie Walker	StepStone Group LLC
Michelle Williams	Great West Retirement Services

SERS Administrative Staff

Rose Agnew
Michael Beblo
Karen Damiano-Stahler
Dino Degennaro
Patricia Dence
Linda Engle
David Felix
Brandon Halm
Pamela Hile
Anthony Hines
William Hutcheson
Meredith Jones
David Kalman
Barbara Kiral
Cheryl Krchnar
Lauren Lenfest
Karen Lynn
N. Joseph Marcucci
Jeffrey McCormick
Mark McGrath
Jeffrey Meyer
William Pirilla
Kyle Reinfeld
Steven Rosenberry
David Sedlak
Joseph Torta
William Truong
Heather Tyler
Jill Vecchio

Visitor

Kim Aspenleider	Delaware Investments
Walter Cohen	Obermayer Rebmann Maxwell & Hippel LLP
Inez Daniels	J. P. Morgan
Jonathan Hogstad	Service Employees International Union
Steve Leming	PENN Capital Management
William Leonard	Obermayer Rebmann Maxwell & Hippel LLP
Sandy Leopold	PA Department of Treasury
Gary Lightman	Lightman Welby & Stoltenberg
Riddhi Mehta-Neugebauer	Unite Here
Robert O'Donnell	Weaver C. Barksdale & Associates, Inc.
Kevin Sullivan	BNY Mellon
Sean Welby	Lightman Welby & Stoltenberg

Presenter

Charles Dieveney	JMI Equity Fund VIII, LP
Paul Madera	Meritech Capital Partners V, LP
Robert Smith	JMI Equity Fund VIII, LP

Minutes of Board Meeting Held Wednesday, June 11, 2014

INTRODUCTION OF NEW BOARD MEMBER, MR. STEPHEN S. AICHELE

Chairman Becker introduced and welcomed new board member, Mr. Stephen S. Aichele, who attended his first board meeting.

CONGRATULATIONS TO MS. VICTORIA PAGE-WOOTEN

Chairman Becker congratulated Ms. Victoria Page-Wooten who was named SERS Chief Counsel from Acting Chief Counsel.

CIO SEARCH COMMITTEE UPDATE

Senator McIlhinney reported that the committee will meet twice in June since the search firms' bids have been received and are ready to be reviewed. He mentioned that for one of the meetings, the committee members would need to attend in person.

CAPITAL MARKET REPORT

Messrs. Johnson and Voytko presented the report provided to the board (6/11/2014 board handouts).

SERS QUARTERLY PERFORMANCE REPORT (1ST QUARTER 2014)

Messrs. Johnson and Voytko presented the report provided to the board (6/11/2014 Board Package, Investment Report, Tab 6). The Fund earned 2.7% on investments, net-of-fees, for the 1st Quarter 2014.

SERS INVESTMENT POLICIES AND PROCEDURES REVIEW

Messrs. Johnson and Voytko presented the report provided to the board (6/11/2014 Board Package, Investment Report, Tab 7).

STABLE VALUE PRESENTATION

Messrs. Faiola, Hines, and Palmeri presented the report provided to the board (6/11/2014 Board Package, Administrative Report, Tab 10).

Motion: 2014-21

By motion that was moved, seconded, and approved by all board members, except Rep. Godshall, who voted No, it was

RESOLVED: That the board terminates, closes, and liquidates the Stable Value Fund within the Deferred Compensation Program, and to transfer all assets in each plan participant's Stable Value Fund Account to a newly established profile fund to be comprised of both a money market fund and a short-term bond fund or to such other existing investment option within the Deferred Compensation Program as directed by the plan participant, and to initiate a search for additional managers in a 6-12 month time frame.

REAL ESTATE SEMI-ANNUAL PERFORMANCE REPORT (YEAR-END 2013)

Ms. Ji and Messrs. Kalman and Kochis presented the report provided to the board (6/11/2014 Board Package, Investment Report, Tab 8).

ALTERNATIVE INVESTMENTS SEMI-ANNUAL PERFORMANCE REPORT (YEAR-END 2013)

Mses. Lenfest and Walker and Mr. McCabe presented the report provided to the board (6/11/2014 Board Package, Investment Report, Tab 9).

ALTERNATIVE INVESTMENTS INTERVIEWS

JMI Equity Fund VIII, LP

Meritech Capital Partners V LP

JMI Equity Fund VIII, LP

Messrs. Smith and Dieveney presented the report provided to the board (6/11/2014 Board Package, Investment Report, Tab 10).

Motion: 2014-22

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

RESOLVED: That the board commits up to \$25 million, plus investment expenses and pro rata share of partnership operating expenses consistent with executed partnership documents, to JMI Equity Fund VIII, L.P., as a follow-on investment within the Alternative Investments asset class, subject to successful completion of contract negotiations.

Meritech Capital Partners V LP

Mr. Madera presented the report provided to the board (6/11/2014 Board Package, Investment Report, Tab 11).

Motion: 2014-23

By motion that was moved, seconded, and approved by all board members, except for Treasurer McCord and Mr. Mitchell, who voted No, it was

RESOLVED: That the board commits up to \$25 million, plus investment expenses and pro rata share of partnership operating expenses consistent with executed partnership documents, to Meritech Capital Partners V L.P., as a follow-on investment within the Alternative Investments asset class, subject to successful completion of contract negotiations.

ALTERNATIVE INVESTMENTS RECOMMENDATIONS FOR FUTURE INTERVIEWS

ABRY Partners Fund VIII, LP

Centerbridge Capital Partners III, LP

Mses. Lenfest and Fontes and Messrs. McCabe and Beblo presented the report provided to the board (6/11/2014 Board Package, Investment Report, Tabs 4 and 5) identifying ABRY Partners Fund VIII, LP and Centerbridge Capital Partners III, LP as potential investment opportunities for SERS.

It was the consensus of the board to interview representatives from these managers at the July 23, 2014 board meeting.

EXECUTIVE SESSION AND MEETING RECESS

At 1:30 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 3:15 p.m.

INTERNAL INVESTIGATION UPDATE

Chairman Becker read the following statement:

In executive session, the board received an update from Obermayer Rebmann Maxwell & Hippel on the status of the internal investigation we initiated in February and currently underway under the auspices of our Audit Committee.

The board heard that good progress has been made to date. And, thus far, no information has been uncovered that would require SERS to report any activity to any federal regulatory agency. Given today's status report and barring any unanticipated developments, we expect that the investigation team will conclude work and deliver a final report to the board at its September 17 meeting.

MINUTES OF BOARD MEETING - APRIL 30, 2014

Chairman Becker noted that the minutes of the April 30, 2014 board meeting were provided to the board (6/11/2014 Board Package, Administrative Report, Tab 2).

Motion: 2014-24

By motion that was moved, seconded, and approved by all board members, except for Mr. Aichele, who abstained, it was

RESOLVED: That the board approves the minutes of the April 30, 2014 board meeting.

CHANGES IN PLAN NET POSITION FOR PERIOD ENDING - MARCH 31, 2014

Chairman Becker noted that the Statement of Changes in Plan Net Position for the period ending March 31, 2014 was provided to the board (6/11/2014 Board Package, Administrative Report, Tab 3).

Motion: 2014-25

By motion that was moved, seconded, and unanimously 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 period ending March 31, 2014.

2013 FINANCIAL HIGHLIGHTS

SERS FINANCIAL STATEMENTS 2013

DCP FINANCIAL STATEMENTS 2013

Mr. Faiola reported on the December 31, 2013 Audited Financial Statements for the State Employees' Retirement System and the Deferred Compensation Program (DCP) provided to the board (6/11/2014 Board Package, Administrative Report, Tabs 13, 14, and 15).

DEFERRED COMPENSATION PROGRAM QUARTERLY REPORT - MARCH 31, 2014

Mr. Faiola reported the DCP Quarterly Report was provided to the board (6/11/2014 Board Package, Administrative Report, Tab 11). The balance in the program is at \$2.8 billion.

GASB STATEMENTS 67 AND 68

Mr. Faiola presented the report provided to the board (6/11/2014 Board Package, Administrative Report, Tab 12). He mentioned to contact him if any board members have questions on these statements.

BOARD ADJUDICATION

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

Account of Leona M. Caviston (Deceased)

Docket No. 2011-31

Claim of the Estate of Leona M. Caviston

Jennifer Rought, Administratrix

The State Employees' Retirement Board DENIED the Estate's request to disregard Leona Caviston's final beneficiary designation nominating Paul Sokalsky as her full primary beneficiary. The disposition of Ms. Caviston's SERS retirement death benefit to Paul Sokalsky as Ms. Caviston's properly designated beneficiary, which has already been completed by SERS, is SUSTAINED.

ADMINISTRATIVE UPDATE

Mr. Durbin presented the report provided to the board (6/11/2014 Board Package, Administrative Report, Tab 8).

LEGISLATIVE UPDATE

Mr. Durbin presented the report provided to the board (6/11/2014 Board Package, Administrative Report, Tab 9 and board handouts).

2013 FINAL ACTUARIAL VALUATION REPORT

Mr. Durbin presented the 2013 Final Actuarial Valuation Report to the board (6/11/2014 board handouts).

NEXT BOARD MEETING - JULY 23, 2014

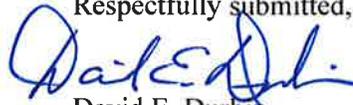
Chairman Becker reported that the next regular meeting of the SERS board is scheduled for July 23, 2014.

MOTION TO ADJOURN

Motion: 2014-26

By motion of Chairman Becker, the board unanimously agreed to adjourn the meeting at 3:30 p.m.

Respectfully submitted,



David E. Durbin
Executive Director

ATTACHMENT A

EXECUTIVE SESSION AGENDA

Meeting: June 11, 2014

Executive Session

1. **Internal Investigation Update**
2. **Notational Ballot Cases**
 - a. **Account of Ross C. Cioppa**
Docket Nos. 2012-29 and 2012-30
Claims of Ross C. Cioppa and Maureen Cioppa
 - b. **Motion to Dismiss**

Account of Theodore R. Robinson
Docket No. 2014-05
Claim of Theodore R. Robinson
3. **Whitewood v. Wolf**
4. **Consumer Protection Lawsuit against Standard and Poor's Financial Services, LLC**
5. **Fund Update**
6. **Preliminary Fund Performance and Risk Statistics**
7. **Alternative Investments Update**