
Time and Attendance of Board Meeting Held Wednesday, September 17, 2014

Date: 09/17/2014

Call to Order: 9:30 AM

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

Next meeting of SERS Board: 10/29/2014

Time Recessed

11:35 AM

Time Resumed

12:55 PM

Adjournment

1:53 PM

ATTENDEES:

Chairman

Honorable Glenn E. Becker

Board Member

Stephen S. Aichele

Robert A. Bittenbender

David R. Fillman

Dan B. Frankel

Robert W. Godshall

Robert M. McCord

Charles T. McIlhinney, Jr.

Oliver C. Mitchell, Jr.

M. Joseph Rocks

Designee Appointed by Board Member

Charles Duncan for Senator Vincent J. Hughes

John Lisko for Treasurer Robert M. McCord

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

Kathlika Fontes StepStone Group LLC

Ruowen Ji The Townsend Group

Rob Kochis The Townsend Group

Consultant

Jim Voytko
Natalie Walker

RV Kuhns & Associates, Inc.
StepStone Group LLC

SERS Administrative Staff

Rose Agnew
Michael Beblo
Karen Damiano-Stahler
Salvatore Darigo
Dino Degennaro
Patricia Dence
Linda Engle
David Felix
Pamela Hile
William Hutcheson
Meredith Jones
David Kalman
Barbara Kiral
Cheryl Krchnar
Lauren Lenfest
Karen Lynn
Jeffrey McCormick
Brian McDonough
Mark McGrath
Jeffrey Meyer
Ryan Reed
William Riegel
Steven Rosenberry
David Sedlak
Dave Tarsi
Joseph Torta
William Truong

Visitor

Walter Cohen
Jonathan Hogstead
William Leonard
Sandy Leopold
Jan Murphy
Edward Powers
Mark Scolforo

Obermayer Rebmann Maxwell & Hippel LLP
Service Employees International Union
Obermayer Rebmann Maxwell & Hippel LLP
PA Department of Treasury
PennLive
Bank of America
Associated Press

Visitor

Shawn Smith

PA Office of General Counsel

Presenter

Patrice Etlin

Advent Latin American Private Equity Fund VI, LP

Jeffrey Goldstein

Hellman & Friedman Capital Partners VIII, LP

Robert Hays

H.I.G. Bayside Loan Opportunity Fund IV, LP

Maggie Sahlman

Advent Latin American Fund VI, LP

Gabriel Urwitz

Segulah V, LP

Minutes of Board Meeting Held Wednesday, September 17, 2014

CAPITAL MARKET REPORT

Mr. Voytko presented the report provided to the board (9/17/2014 board handouts).

SERS QUARTERLY PERFORMANCE REPORT (AS OF JUNE 30, 2014)

Mr. Voytko presented the report provided to the board (9/17/2014 Board Package, Investment Report, Tab 9). A second quarter net-of-fees return of 3.5% was reported. That return contributed to a net-of-fees return of 6.3% for the first half of the year, which added nearly \$1.7 billion to the fund.

REAL ASSETS RECOMMENDATIONS FOR FUTURE INTERVIEWS

Prudential Senior Housing Fund V, LP

Rockpoint Real Estate Fund V, LP

Ms. Ji and Messrs. Kalman and Kochis presented the report provided to the board (9/17/2014 Board Package, Investment Report, Tabs 4 and 5) identifying Prudential Senior Housing Fund V, LP and Rockpoint Real Estate Fund V, LP as potential investment opportunities for SERS.

It was the consensus of the board to interview representatives of these managers at the October 29, 2014 board meeting.

ALTERNATIVE INVESTMENTS INTERVIEWS

Advent Latin American Private Equity Fund VI, LP

Hellman & Friedman Capital Partners VIII, LP

H.I.G. Bayside Loan Opportunity Fund IV, LP

Segulah V, LP

Advent Latin American Private Equity Fund VI, LP

Mses. Lenfest, Walker, Fontes and Sahlman and Mr. Etlin presented the report provided to the board (9/17/2014 Board Package, Investment Report, Tab 10).

Motion: 2014-36

By motion that was moved, seconded, and approved by board members, except Mr. Duncan, on behalf of Senator Hughes, Mr. Mitchell, Treasurer McCord and Mr. Fillman 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 Advent Latin American Private Equity Fund VI, L.P., as a follow-on investment within the Alternative Investments 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.

Hellman & Friedman Capital Partners VIII, LP

Mses. Lenfest, Walker and Fontes and Mr. Goldstein presented the report provided to the board (9/17/2014 Board Package, Investment Report, Tab 11).

Motion: 2014-37

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

RESOLVED: That the board commits up to \$50 million, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, to Hellman & Friedman Capital Partners VIII, L.P., as a follow-on investment within the Alternative Investments 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.

H.I.G. Bayside Loan Opportunity Fund IV, LP

Mses. Lenfest, Walker and Fontes and Mr. Hays presented the report provided to the board (9/17/2014 Board Package, Investment Report, Tab 12).

Motion: 2014-38

By motion that was moved, seconded, and unanimously approved by 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 H.I.G. Bayside Loan Opportunity Fund IV, L.P., as a follow-on investment within the Alternative Investments 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.

Segulah V, LP

Mses. Lenfest, Walker and Fontes and Mr. Urwitz presented the report provided to the board (9/17/2014 Board Package, Investment Report, Tab 13).

The motion to commit up to \$30 million to Segulah V, L.P. was tabled for further consideration.

ALTERNATIVE INVESTMENTS RECOMMENDATIONS FOR FUTURE INTERVIEWS

Hahn & Company II, LP

Insight Venture Partners IX, LP

Wynnchurch Capital Partners IV, LP

Mses. Lenfest, Walker and Fontes presented the report provided to the board (9/17/2014 Board Package, Investment Report, Tabs 6, 7 and 8) identifying Hahn & Company II, LP, Insight Venture Partners IX, LP and Wynnchurch Capital Partners IV, LP as potential investment opportunities for SERS.

It was the consensus of the board to interview representatives of these managers at the October 29, 2014 board meeting.

EXECUTIVE SESSION #1 AND MEETING RECESS

At 11:35 a.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 12:55 p.m.

INTERNAL INVESTIGATION UPDATE

Chairman Becker read the following statement:

On behalf of the board, I'd like to express our thanks for the patience and support that has been extended to us during this comprehensive, independent investigation and to those who refrained from drawing any conclusions before facts were known.

We felt strongly that the quarter of a million SERS members and the state's taxpayers deserved no less than a systematic, thorough examination. Today, we have received a report from Obermayer, Rebmann, Maxwell & Hippel, LLP, on the results of their investigation. The letter of transmittal from Obermayer, summarizing their report, will be made available through the normal SERS news release following this meeting's adjournment.

We view this challenging experience as an opportunity to enhance our review processes and revisit internal policies and practices to ensure that all reflect best practices.

MINUTES OF BOARD MEETING - JULY 23, 2014

Chairman Becker noted that the minutes of the July 23, 2014 board meeting were provided to the board (9/17/2014 Board Package, Administrative Report, Tab 2).

Motion: 2014-39

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

RESOLVED: That the board approves the minutes of the July 23, 2014 board meeting.

CHANGES IN PLAN NET POSITION FOR PERIODS ENDING - JUNE 30, 2014 AND JULY 31, 2014

Chairman Becker noted that the Statement of Changes in Plan Net Position for the periods ending June 30, 2014 and July 31, 2014 was provided to the board (9/17/2014 Board Package, Administrative Report, Tab 3).

Motion: 2014-40

By motion that was moved, seconded, and unanimously approved by 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 June 30, 2014 and July 31, 2014.

FISCAL YEAR 2015-16 BUDGET PROPOSAL

Mr. Faiola presented the report provided to the board (9/17/2014 Board Package, Administrative Report, Tab 9).

Motion: 2014-41

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

RESOLVED: That the board approves both the SERS' Administrative Budget for Fiscal Year 2015-16, substantially in the form proposed with such amendments as are permitted by the Office of the Budget, and the SERS' Investment Budget for Fiscal 2015-16 in the form proposed.

BOARD DISMISSAL

Mr. Durbin noted that as provided to the board (9/17/2014 Board Package, Administrative Report, Tab 8) the appeal in the following matter was dismissed.

Account of Elizabeth K. McGowan

Docket No. 2014-01

Claim of Elizabeth K. McGowan

DRAFT 2015 BOARD MEETING DATES

Mr. Durbin referenced the above-mentioned schedule provided to the board (9/17/2014 Board Package, Administrative Report, Tab 10). He asked that board members contact the executive office concerning any conflicts with the proposed dates before the schedule is finalized at the October 29, 2014 board meeting.

EXECUTIVE SESSION #2

At 1:00 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 1:51 p.m.

NEXT BOARD MEETING - OCTOBER 29, 2014

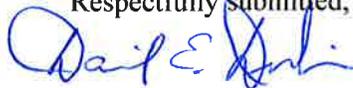
Chairman Becker noted that the next regular meeting of the SERS board is scheduled for October 29, 2014.

MOTION TO ADJOURN

Motion: 2014-42

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

Respectfully submitted,



David E. Durbin
Executive Director

ATTACHMENT A

EXECUTIVE SESSION AGENDA Meeting: September 17, 2014

Executive Session #1

Internal Investigation Update

Executive Session #2

1. Notational Ballot Case

Account of John D. Stouder (Deceased)
Docket No. 2013-12
Claim of Maria L. Stouder
2. Guidelines (Revised) for Oral Argument
3. Fund Update
4. Preliminary Fund Performance and Risk Statistics