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**Time and Attendance of Board Meeting Held      Wednesday, April 29, 2015**

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**Date:** 04/29/2015

**Call to Order:** 9:30 AM

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

**Next meeting of SERS Board:** 06/10/2015

**Time Recessed**

11:55 AM

**Time Resumed**

12:45 PM

**Adjournment**

12:50 PM

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**ATTENDEES:**

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**Chairman**

Honorable Glenn E. Becker

**Board Member**

Stephen S. Aichele

Christopher Craig

David R. Fillman

Dan B. Frankel

Robert W. Godshall

Charles T. McIlhinney Jr.

Michael V. Puppio Jr.

T. Terrance Reese

M. Joseph Rocks

**Designee Appointed by Board Member**

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

Christopher Houston

**Consultant**

Craig Graby                      Hay Group, Inc.

Anthony Johnson              RVK, Inc.

Brent Mowery                    Hay Group, Inc.

**Consultant**

Robert Palmeri

RVK, Inc.

Jim Voytko

RVK, Inc.

**SERS Administrative Staff**

Rose Agnew

Michael Beblo

Karen Damiano-Stahler

Salvatore Darigo

Dino Degennaro

Patricia Dence

Linda Engle

Pamela Hile

William Hutcheson

Meredith Jones

Barbara Kiral

Cheryl Krehnar

Lauren Lenfest

Karen Lynn

N. Joseph Marcucci

Jeffrey McCormick

Brian McDonough

Mark McGrath

Jeffrey Meyer

Jay Pagni

William Riegel

Steven Rosenberry

David Sedlak

Sharon Smith

Paul Stahlnecker

David Tarsi

Joseph Torta

William Truong

**Visitor**

Kim Aspenleider

Delaware Investments

Edgar Hernandez

Service Employees International Union

Sandy Leopold

PA Department of Treasury

Shawn Smith

PA Office of General Counsel

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## **Minutes of Board Meeting Held Wednesday, April 29, 2015**

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### ***INTRODUCTION OF NEW BOARD MEMBER, MICHAEL V. PUPPIO, JR.***

Chairman Becker introduced and welcomed new board member, Mr. Michael V. Puppio, Jr., who attended his first board meeting.

### ***INTRODUCTION OF ACTING CHIEF COUNSEL, CHRISTOPHER HOUSTON***

Chairman Becker introduced and welcomed SERS new Acting Chief Counsel, Mr. Christopher Houston.

### ***HOUSE DEMOCRATIC CAUCUS APPEARANCE***

Rep. Frankel noted that Tom Brier and staff from PSERS made an appearance before the House Democratic Caucus to explain the fee environment. He mentioned that they did a great job with the caucus in answering a lot of their questions and concerns regarding the fee issue discussion. Their appearance was appreciated.

### ***CAPITAL MARKET REPORT***

Messrs. Johnson and Voytko presented the report provided to the board (4/29/2015 board handouts).

### ***OVERVIEW OF SERS' INVESTMENT PROGRAM***

Messrs. Truong, Johnson and Voytko presented the report provided to the board (4/29/2015 Board Package, Investment Report, Tab 4).

### ***GLOBAL PUBLIC EQUITY - BOARD EDUCATION AND PORTFOLIO OVERVIEW***

Messrs. McGrath, Truong, Johnson and Voytko presented the report provided to the board (4/29/2015 Board Package, Investment Report, Tab 5).

### ***ALTERNATIVE INVESTMENTS RECOMMENDATION FOR FUTURE INTERVIEW***

#### ***Horizon Impact Fund, LP***

Ms. Lenfest presented the report provided to the board (4/29/2015 Board Package, Investment Report, Tab 3) identifying Horizon Impact Fund, LP as a potential investment opportunity for SERS.

It was the consensus of the board to interview representatives of this manager at the June 10, 2015 board meeting.

***DEFERRED COMPENSATION PROGRAM RECOMMENDATION FOR FUTURE INTERVIEWS***

***Baird Advisors***

***Lord, Abbett & Co. LLC***

***Weaver C. Barksdale & Associates, Inc.***

Ms. Engle and Messrs. Palmeri and McGrath presented the report provided to the board (4/29/2015 Board Package, Administrative Report, Tab 11) identifying candidates to be considered as managers for the new Conservative Income Fund. SERS Office of Finance and Administration and RVK recommended the investment structure and investment managers to replace the current Stable Value Fund. SERS Investment Office will assist in the new hire due diligence of investment managers.

It was the consensus of the board to interview representatives of these managers at the June 10, 2015 board meeting.

***2014 ACTUARIAL VALUATION RESULTS***

Messrs. Mowery and Graby presented the report provided to the board (4/29/2015 Board Package, Administrative Report, Tab 12).

**Motion:** 2015-19

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

RESOLVED: That the board adopts the annual assumed rate of investment return of 7.5% compounded annually together with certain other contribution rates as calculated for the year and specified purpose by the Hay Group Inc. ("SERS' consulting actuary"), and as further described in ATTACHMENT A hereto, including, in particular, the establishment of a composite employer contribution rate of 31.51% necessary for the funding of the system and a composite collared contribution rate of 25.0%.

**Motion:** 2015-20

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

RESOLVED: That the board adopts a composite final contribution rate of 25.0% and an employer contribution rate of .01% to fund the Benefits Completion Plan, as calculated for the year and specified purpose by SERS' consulting actuary, and as further described in ATTACHMENT A hereto.

***MINUTES OF BOARD MEETING - MARCH 11, 2015***

Chairman Becker noted that the minutes of the March 11, 2015 board meeting were provided to the board (4/29/2015 Board Package, Administrative Report, Tab 2).

**Motion:** 2015-21

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

RESOLVED: That the board approves the minutes of the March 11, 2015 board meeting.

***CHANGES IN PLAN NET POSITION FOR PERIODS ENDING - JANUARY 31, 2015 AND FEBRUARY 28, 2015***

Chairman Becker noted that the Statement of Changes in Plan Net Position for the periods ending January 31, 2015 and February 28, 2015 were provided to the board (4/29/2015 Board Package, Administrative Report, Tab 3).

**Motion:** 2015-22

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 January 31, 2015 and February 28, 2015.

***EXECUTIVE SESSION AND MEETING RECESS***

At 11:55 a.m., the board recessed and entered executive session to receive legal advice on executive session agenda items, as attached (ATTACHMENT B). The public meeting resumed at 12:45 p.m.

***AUDIT COMMITTEE MEETING AND SPECIAL MEETING MINUTES - MARCH 11, 2015 AND APRIL 1, 2015***

Mr. Durbin presented the report that was provided to the board (4/29/2015 Board Package, Administrative Report, Tab 10).

Board member David Fillman noted for the record that while SERS does not sit as a party to the union contract negotiations, there is no prohibition to attending the discussions. Only benefit eligibility and employee share of health insurance costs are provided for under the collective bargaining agreement.

***BOARD DISMISSALS***

Mr. Durbin presented the report that the following Orders regarding uncontested matters, as provided to the board (4/29/2015 Board Package, Administrative Report, Tab 7) are dismissed.

***Account of Rebecca Olewine***

***Docket No. 2015-03***

***Claim of Rebecca Olewine***

***Account of Tina A. Ragley***

***Docket No. 2014-08***

***Claim of Tina A. Ragley***

***ADMINISTRATIVE UPDATE***

Mr. Durbin presented the report that was provided to the board (4/29/2015 Board Package, Administrative Report, Tab 8).

***LEGISLATIVE UPDATE***

Mr. Durbin presented the report that was provided to the board (4/29/2015 Board Package, Administrative Report, Tab 9).

***NEXT BOARD MEETING - JUNE 10, 2015***

Chairman Becker noted that the next regular meeting of the SERS board is scheduled for June 10, 2015.

***MOTION TO ADJOURN***

**Motion:** 2015-23

By motion of Chairman Becker, the board unanimously agreed to adjourn the meeting at 12:50 p.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "David E. Durbin".

David E. Durbin  
Executive Director

## ATTACHMENT "A"

RESOLVED: That the Board hereby adopts and establishes an annual assumed rate of investment return of 7.5% compounded annually, beginning on January 1, 2015, to be used for the December 31, 2014 actuarial valuation; approves the results of the 2014 actuarial valuation; and for the 2015/2016 fiscal year certifies the following:

1. Shared risk contribution rate of 0%;
2. Employer normal contribution rate of 4.95%;
3. Composite employer contribution rate necessary for the funding of the system of 31.51%;
4. Composite collared contribution rate of 25.0%;
5. Composite final contribution rate of 25.0%; and
6. Employer contribution rates by group and class of service of employees as set forth in the actuarial valuation

as calculated by the Hay Group, Inc. ("SERS' consulting actuary") pursuant to section 5508 of the State Employees' Retirement Code; and authorizes SERS' staff and SERS' consulting actuary to use these rates to develop all the employer rates for the period July 1, 2015 to June 30, 2016, and authorizes the Executive Director to certify such rates to all employers with employees who are active members of SERS and to the Secretary of the Budget.

FURTHER RESOLVED: That, if legislation is enacted that, notwithstanding the actuarial calculation resulting in a composite final contribution rate as adopted by the Board above, establishes a maximum percentage that the contribution rate can increase or decrease over the contribution rate for the immediately prior fiscal year, then Board hereby adopts a revised composite collared and composite final contribution rate for the 2015/2016 fiscal year equal to such contribution rate, authorizes SERS' staff and SERS' consulting actuary to use the revised composite final contribution rate to develop and revise all the employer rates for the period July 1, 2015 to June 30, 2016, or such shorter period as may be established in said legislation, and authorizes the Executive Director to certify such revised rates to all employers with employees who are active members of SERS and to the Secretary of the Budget.

AND FURTHER RESOLVED: That in addition to the foregoing employer contribution rates, the Board hereby adopts and establishes an employer contribution rate of .01% for the fiscal year 2015/2016 to fund the Benefits Completion Plan established pursuant to section 5941 of the State Employees' Retirement Code and authorizes the Executive Director to certify such rate to all employers with employees who are active members of SERS and to the Secretary of the Budget.

# ATTACHMENT B

## EXECUTIVE SESSION AGENDA

Meeting: April 29, 2015

### Executive Session

#### 1. Notational Ballots

**Account of Bruce A. Edwards**

**Docket No. 2012-12**

**Claims of PA State Troopers Association and  
Bruce A. Edwards**

**Account of Joseph E. Sarkis**

**Docket No. 2012-13**

**Claims of PA State Troopers Association and  
Joseph E. Sarkis**

**Account of Joseph R. Kovel**

**Docket No. 2012-24**

**Claims of Pa State Troopers Association and  
Joseph R. Kovel**

**(These 3 consolidated cases of the PSTA Claimants were voted on at the  
March 11, 2015 Board meeting.)**

**Account of Susan J. Griesemer**

**Docket No. 2013-19**

**Claim of Susan J. Griesemer**

#### 2. Forfeiture Litigation Update

#### 3. Fund Update

#### 4. Preliminary Fund Performance and Risk Statistics