



news release

for immediate release

March 11, 2015

Investments Earned \$1.7 billion for the SERS Fund in 2014; SERS Board Invests \$50 Million in Alternatives

HARRISBURG – The Pennsylvania State Employees’ Retirement System today announced that investment earnings generated \$1.7 billion in investment earnings net of fees in 2014, despite a difficult second half of the year. According to staff and investment consultant RVK, the SERS portfolio returned 0.3% net-of fees for the fourth quarter, resulting in a 6.4% net-of-fees return for the calendar year.

“The alternative investments portfolio led returns for the year,” explained Chief Investment Officer Tom Brier. “The last half of 2014 was difficult for any U.S. investor in foreign markets. That said, we are seeing positive results from the global equity portfolio during the first two months of 2015.”

Net of fees, the portfolio returned 10.6%, 9.2%, 6.6%, 8.8% and 9.6% for the three, five, 10, 20 and 30 years respectively.

Returns by asset class for the fourth quarter and the year were:

Asset Class	4Q 2014 Return	Calendar Year 2014 Return
Alternative Investments	-0.3%	13.1%
Diversifying Assets (<i>hedge funds</i>)	0.9	6.7
Real Assets	-1.4	6.3
Fixed Income	1.0	6.1
Global Public Equity	1.1	3.3
Liquidity Reserve	0.1	0.5
Total Fund	0.3%	6.4%

As always with SERS’ investment performance reporting, all returns are reported net of fees and alternative investments and real assets returns lag by one quarter.

The board committed up to **\$50 million to Primavera Capital Fund II, L.P.**, for a private equity investment focused on growth equity and control oriented investments in China.

This investment supports the fund’s initiatives of increasing the geographic diversification to improve overall fund diversification and risk-adjusted return, and making fewer, larger commitments to top-tier managers thus reducing over-diversification and administrative burden as outlined in the [2014-2015 Strategic Investment Plan](#) (pg. 13).

In other business, the board moved to extend the current contract for audit and related services with KPMG LLP, approving the second one-year extension provided in the current contract approved on August 29, 2011, at the fixed fee negotiated cost of \$168,368.

The board also moved to extend the current agreement for Real Estate Investment Advisory Services with Townsend Holdings LLC, through March 31, 2017, and to extend the scope of advisory services to include certain day-to-day oversight and administrative responsibilities on a short-term, as needed basis. The annual compensation paid under the expanded agreement will be \$728,000, subject to successful completion of contract negotiations.

The board also moved to increase the annual salary for SERS Executive Director David Durbin to \$196,890, effective upon approval of the Governor's Executive Board. Last reviewed in 2004, the salary increase recognizes David's leadership guiding the agency through recent state and federal legislative changes, designing and implementing a new automated system for the agency's core business processes, and handling high-profile administrative hearings in recent years. The salary remains lower than the \$230,305 average annual salary for the executive director position at comparable pension systems.

Additionally, the board moved to amend the audit committee charter to allow board members, following a break of one year, to be reappointed to the committee.

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Pennsylvania State Employees' Retirement System

Established in 1923, SERS is one of the nation's oldest and largest retirement plans for public employees, with nearly 230,000 members and assets of more than \$27 billion. A wealth of information is available at www.SERS.pa.gov.

for more information

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