



For Immediate Release
Wednesday, December 5, 2012

PA SERS Reports Positive Investment Performance
Approves \$690 Million in Investments

HARRISBURG – The Pennsylvania State Employees' Retirement System today announced positive third quarter returns that contributed to a net-of-fees return of 9.6% on investments for calendar year-to-date September 30, 2012.

For the quarter ended September 30, 2012, the SERS Fund returned 3.4% net of fees on investments, returns by asset class were:

- 8.9% Inflation protection (including commodities)
- 7.2% Non-U.S. stocks
- 6.5% U.S. stocks
- 5.5% Global stocks
- 4.0% Diversifying assets (fund of hedge funds)
- 3.4% Fixed income
- 2.1% Real estate
- 1.8% Venture capital
- 1.3% Private equity

As always with SERS' investment performance reporting, private equity, venture capital and real estate returns lag by one quarter.

In other business, the Board approved the following commitments, subject to successful completion of contract negotiations:

Within the fixed income asset class:

- **Up to \$200 million to PNC Capital Advisors**
- **Up to \$100 million to Stone Ridge Investment Partners LLC**

These commitments bolster SERS' liquidity reserve, which is designed to reduce capital impairment risk during periods of market distress. Transitioning funds from cash to these managers will enhance overall returns while continuing to assure that SERS maintains sufficient liquidity to cover at least three months of benefit payments and capital calls, as outlined in *SERS 2012-13 Strategic Investment Plan* (pages 9, 15, 37).

Within the global public equity asset class:

- **Up to \$250 million to Delaware Investment Advisers**
- **Up to \$125 million to Ashmore EMM, LLC**

These commitments introduce an active management component to the emerging markets segment of SERS' global equity program. This increase of actively managed investments to the overall global equity portfolio will bring the total portfolio to a nearly equal balance of actively and passively managed allocations. Achieving an optimal mix between active and passive allocations is a strategic initiative of SERS' *2012-13 Strategic Investment Plan* (page 25).

Within the alternative investments asset class:

- **Up to \$15 million to Incline Equity Partners III**, as a follow-on commitment.

This commitment takes SERS to the \$500 million per year limit articulated in its *2012-13 Strategic Investment Plan* (page 14). The move also increases the portfolio's exposure to buyouts, moving the allocation closer to the 65% exposure targeted in the *2012-13 Strategic Investment Plan* (page 22).

In addition, the Board moved to award a four-year contract to Great-West Retirement Services to continue as the third party administrator of the Commonwealth's \$2.4 billion Deferred Compensation Program. The existing contract expires on June 30, 2013.

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SERS *2012-13 Strategic Investment Plan* is available at www.SERS.state.pa.us, by clicking on "Investments" in the left-hand navigation.

About the Pennsylvania State Employees' Retirement System

Established in 1923, SERS is one of the nation's oldest and largest retirement plans for public employees, with assets of approximately \$25 billion and more than 228,000 members.

For More Information

Pamela Hile
State Employees' Retirement System
717-787-9657
phile@pa.gov