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**Time and Attendance of Board Meeting Held      Wednesday, June 05, 2013**

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**Date:** 06/05/2013

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

**Call to Order By:** Honorable Nicholas J. Maiale, Chairman

**Next meeting of SERS Board:** 07/17/2013

**Time Recessed**

12:00 PM

**Time Resumed**

12:35 PM

**Adjournment**

1:25 PM

**ATTENDEES:**

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**Chairman**

Honorable Nicholas J. Maiale

**Board Member**

Glenn E. Becker

Dan B. Frankel

Robert M. McCord

Oliver C. Mitchell Jr.

M. Joseph Rocks

**Designee Appointed by Board Member**

Christopher Craig                      for Treasurer Robert M. McCord

John Lisko                                      for Treasurer Robert M. McCord

Dan Ocko                                        for Representative Dan B. Frankel

Monica Riddle                                for Representative Charles T. McIlhinney, Jr.

Ned Smith                                      for Representative Robert W. Godshall

**SERS Executive Staff**

Anthony Clark

Anthony Faiola

Samuel Yun

**Consultant**

Chris Cunningham                      The Townsend Group

Anthony Johnson                        RV Kuhns & Associates, Inc.

Stephen Kennedy                         Albourne America LLC

Rob Kochis                                 The Townsend Group

Michael McCabe                         StepStone Group LLC

James Munro                               Albourne America LLC

Jim Voytko                                 RV Kuhns & Associates, Inc.

**Consultant**

Natalie Walker

StepStone Group LLC

**SERS Administrative Staff**

Rose Agnew

Todd Albaugh

Michael Beblo

Thomas Brier

Karen Damiano-Stahler

Dino Degennaro

Linda Engle

Gary Green

Pamela Hile

William Hutcheson

Meredith Jones

David Kalman

Benjamin Kiekel

Barbara Kiral

Cheryl Krchnar

Lauren Lenfest

Brian Lutkewitte

Karen Lynn

N. Joseph Marcucci

Brian McDonough

Mark McGrath

Sara McSurdy

Elizabeth Pettis

Kyle Reinfeld

William Riegel

Steven Rosenberry

Jared Skotek

Sharon Smith

Joseph Torta

William Truong

Heather Tyler

**Visitor**

Jen Blatz

PAA-LCIO Pension Coordinator

Dave Felix

Sandy Leopold

PA Department of Treasury

**Presenter**

Mark Barnhill	Platinum Equity Partners Fund III, LP
Frank Benevento	Pine River Capital Management
Elizabeth Bock	Luxor Capital Group
Tom Gores	Platinum Equity Partners Fund III, LP
Robert Hays	H.I.G. Europe Capital Partners II, LP
Christian Leone	Luxor Capital Group
John Lykouratzos	Hoplite Capital Management
Phil Norment	Platinum Equity Partners Fund III, LP
Kalina Ranguelova	Pine River Capital Management
Jessica Skrinar	Hoplite Capital Management
Roger Smith	Hoplite Capital Management
Migo Terjanian	H.I.G. Europe Capital Partners II, LP
Aaron Yeary	Pine River Capital Management

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## Minutes of Board Meeting Held Wednesday, June 05, 2013

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

Messrs. Johnson and Voytko presented the report provided to the Board (6/5/2013 Board Handouts).

### ***INTRODUCTION OF NEW BOARD MEMBER, MR. GLENN E. BECKER***

Chairman Maiale introduced and welcomed new Board member, Mr. Glenn E. Becker who was recently appointed to the Board.

### ***CLARIFICATION OF ECONOMIC AND MARKET CONDITIONS REPORT***

Mr. Clark noted that manager performance figures are listed in the Economic and Market Conditions Report. He regretted any confusion the absence of the reports may have caused.

### ***QUARTERLY PERFORMANCE REPORT (1ST QUARTER 2013)***

Messrs. Johnson and Voytko presented the report provided to the Board (6/5/2013 Board Package, Investment Report, Tab 6).

### ***DIVERSIFYING ASSETS MANAGER TIGER MANAGEMENT LLC***

Treasurer McCord noted the performance of Diversifying Assets Manager, Tiger Management LLC, is below its benchmark. He asked for a report back to the Board on what the plan is for Tiger.

### ***DIVERSIFYING ASSETS INVESTMENTS***

#### ***Hoplite Capital Management***

#### ***Luxor Capital Group***

#### ***Pine River Capital Management***

Messrs. Brier, Kennedy and Munro presented the report provided to the Board (6/5/2013 Board Package, Investment Report, Tabs 7, 8 and 9).

#### ***Hoplite Capital Management***

Ms. Skrinar and Messrs. Lykouretzos and Smith presented the report provided to the Board (6/5/2013 Board Package, Investment Report, Tab 7).

#### ***Luxor Capital Group***

Ms. Bock and Mr. Leone presented the report provided to the Board (6/5/2013 Board Package, Investment Report, Tab 8).

***Pine River Capital Management***

Ms. Rangelova and Messrs. Benevento and Yeary presented the report provided to the Board (6/5/2013 Board Package, Investment Report, Tab 9).

**Motion:** 2013-29

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

RESOLVED: That the Board commits \$20 million per manager to the following manager(s): Hoplite Capital Management, Luxor Capital Group and Pine River Capital Management to manage a direct investment mandate within the Diversifying Assets Asset Class, subject to successful completion of contract negotiations.

***DIVERSIFYING ASSETS INVESTMENTS RECOMMENDATIONS FOR FUTURE INTERVIEWS***

***MKP Opportunity Master Fund  
Southpoint Fund***

Messrs. Brier, Kennedy and Munro presented the report provided to the Board (6/5/2013 Board Package, Investment Report, Tabs 3 and 4) identifying the above managers as potential investment opportunities for SERS.

It was the consensus of the board to interview representatives from these managers at the July 17, 2013 meeting.

***REAL ASSETS SEMI-ANNUAL PERFORMANCE REPORT (YEAR-END 2012)***

Messrs. Kalman, Reinfeld, Kochis and Cunningham presented the report provided to the Board (6/5/2013 Board Package, Investment Report, Tab 10).

Chairman Maiale noted that guidelines, identifying the level at which Board members would be briefed on investment activity in the real estate separate accounts, will be drawn up for future discussion.

***REAL ASSETS INVESTMENTS RECOMMENDATION FOR FUTURE INTERVIEW  
Hawkeye Scout Fund II, LP***

Messrs. Kalman and Reinfeld presented the report provided to the Board (6/5/2013 Board Package, Investment Report, Tab 5.)

It was the consensus of the board to interview representatives from this manager at the July 17, 2013 meeting.

***ALTERNATIVE INVESTMENTS SEMI-ANNUAL PERFORMANCE REPORT (YEAR-END 2012)***

Mses. Lenfest and Walker and Mr. McCabe presented the report provided to the Board (6/5/2013 Board Package, Investment Report, Tab 11).

### ***MINUTES OF BOARD MEETING - APRIL 24, 2013***

Chairman Maiale noted that the minutes of the April 24, 2013 Board meeting were provided to the Board (6/5/2013 Board Package, Administrative Report, Tab 2).

**Motion:** 2013-30

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

RESOLVED: That the Board approves the minutes of the April 24, 2013 Board meeting.

### ***CHANGES IN PLAN NET POSITION FOR PERIOD ENDING - MARCH 31, 2013***

Chairman Maiale noted that the Report of Changes in Plan Net Position for the period ending March 31, 2013 was provided to the Board (6/5/2013 Board Package, Administrative Report, Tab 3).

**Motion:** 2013-31

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

RESOLVED: That the Board accepts the State Employees' Retirement System's Report of Changes in Plan Net Position for the period ending March 31, 2013.

### ***PERSONNEL COMMITTEE RECOMMENDATION/MOTION***

Chairman Maiale presented the Personnel Committee Recommendation.

**Motion:** 2013-32

By motion that was moved, seconded, and approved by all Board members, except for Treasurer McCord who voted No, because the state general budget has not been passed, it was

RESOLVED: That the Board approves an order to grant a general pay increase as set forth in the June 5, 2013 SERS Personnel Committee Recommendation presented to the Board, a copy of which shall be filed with the minutes of this meeting (ATTACHMENT A).

### ***MEETING RECESS AND EXECUTIVE SESSION***

At 12:00 p.m., the Board recessed and entered Executive Session to receive legal advice on Executive Session agenda items, as attached (ATTACHMENT B). The meeting resumed at 12:35 p.m.

### ***ALTERNATIVE INVESTMENTS INTERVIEWS***

***Platinum Equity Partners Fund III, LP***

***H.I.G. Europe Capital Partners II, LP***

Mses. Lenfest and Walker and Mr. McCabe presented the report provided to the Board (6/5/2013 Board Package, Investment Report, Tabs 12 and 13).

***Platinum Equity Partners Fund III, L.P.***

Messrs. Gores, Norment and Barnhill presented the report provided to the Board (6/5/2013 Board Package, Investment Report, Tab 13).

**Motion:** 2013-33

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

RESOLVED: That the Board commits up to \$50 million to Platinum Equity Partners Fund III, L.P., as an investment within the Alternative Investments Asset Class, subject to successful completion of contract negotiations.

***H.I.G. Europe Capital Partners II, L.P.***

Messrs. Hays and Terjanian presented the report provided to the Board (6/5/2013 Board Package, Investment Report, Tab 12).

**Motion:** 2013-34

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

RESOLVED: That the Board commits up to \$50 million to H.I.G. Europe Capital Partners II, L.P., as an investment within the Alternative Investments Asset Class, subject to successful completion of contract negotiations.

***SERS FINANCIAL STATEMENTS 2012***

***DCP FINANCIAL STATEMENTS 2012***

***SERS KEY FINANCIAL RESULTS***

Mr. Faiola reported on the December 31, 2012 Audited Financial Statements for the State Employees' Retirement System and the Deferred Compensation Program (DCP) provided to the Board (6/5/2013 Board Package, Administrative Report, Tabs 10, 11 and 12.)

***DEFERRED COMPENSATION PROGRAM QUARTERLY REPORT - MARCH 31, 2013***

Mr. Faiola reported the DCP Quarterly Report was provided to the Board (6/5/2013 Board Package, Administrative Report, Tab 9). The balance in the program is \$2.5 billion.

***LEGISLATIVE UPDATE***

Mr. Faiola noted that the Legislative Update was provided to the Board (6/5/2013 Board Package, Administrative Report, Tab 7).

***BOARD DISMISSALS***

Mr. Faiola noted that the following Orders as provided to the Board (6/5/2013 Board Package, Administrative Report, Tab 8) are dismissed.

***Account of Barbara A. Myers (Deceased)***

***Docket No. 2012-31***

***Claim of Paul E. Myers, Jr.***

***Account of Adam M. Beloff (Deceased)***

***Docket No. 2013-04***

***Claim of Christine M. Hope***

***2012 FINAL ACTUARIAL VALUATION REORT***

Mr. Faiola presented the 2012 Final Actuarial Valuation Report to the Board (6/5/2013 Board Handouts).

***NEXT BOARD MEETING***

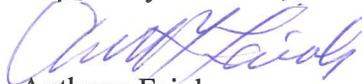
Chairman Maiale reported that the next regular meeting of the SERS Board is scheduled for July 17, 2013.

***MOTION TO ADJOURN***

**Motion:** 2013-35

By motion of Chairman Maiale, the Board unanimously agreed to adjourn the meeting at 1:25 p.m.

Respectfully submitted,



Anthony Faiola  
Chief Financial Officer

**SERS PERSONNEL COMMITTEE RECOMMENDATION**

**DATE:** June 5, 2013

**RESOLVED**, that the SERS Personnel Committee, to remain in compliance with general pay increases approved by the Governor's Office, recommends that the Board approve the following compensation action for the State Employees' Retirement System.

**ISSUE:** July 1, 2013 General Pay Increase (GPI)

**ACTION/REQUEST:** To take effect upon approval of the Executive Board Resolution that addresses pay increases for management employees anticipated to be effective July 1, 2013:  
**Management**

Adopt the Commonwealth of Pennsylvania's July 1, 2013 Management/Non-represented Pay Schedule, which is expected to be approved by the Executive Board and reflects a General Pay Increase of 0.5% to all pay ranges on the current April 1, 2013 Management/Non-represented Pay Schedule. This July 1, 2013 Management/Non-represented Pay Schedule will be used for all pay related transactions occurring on or after the July 1, 2013 implementation date (examples: promotions, demotions, appointments);

SERS management employees currently compensated on the April 1, 2013 Management/Non-represented Pay Schedule who are in an active pay status shall be placed onto the new July 1, 2013 Management/Non-represented Pay Schedule at the pay scale group and pay scale level that was in effect on the day preceding the effective date of the General Pay Increase, which will result in an expected 0.5% salary increase for SERS management employees;

Grant SERS management employees whose salary exceeds the maximum of the employees' applicable pay scale group before and after the General Pay Increase, effective July 1, 2013, a General Pay Increase in the form of a one-time cash payment of an expected 0.5% of their annual salary in effect on the day preceding the General Pay Increase effective date, rounded to the nearest dollar;

Grant SERS management employees whose salary exceeds the maximum of the employees' applicable pay scale group before the General Pay Increase, but does not exceed the maximum after the

General Pay Increase, an increase to the new maximum of the pay scale group and a one-time cash payment reduced by the amount of increase in the employees' annual rate of pay; and

Grant SERS management employees who are in an inactive pay status on July 1, 2013, the appropriate increases as described above, upon return to an active pay status.

SERS' implementation of the July 1, 2013 Management/Non-represented Pay Schedule for SERS management employees shall be consistent with the provisions of the Commonwealth's Executive Board Resolution addressing management/non-represented pay increases effective July 1, 2013, as approved by the Commonwealth Executive Board.

**ACTION/REQUEST:** To take effect in conjunction with and conditioned upon approval of the Executive Board Resolution that addresses pay increases expected to be approved for management employees to be effective on July 1, 2013:

**Investments**

Adopt a new Investment Pay Schedule effective July 1, 2013, which shall reflect a General Pay Increase of 0.5% for all pay ranges on the current April 2013 Investment Pay Schedule. This July 1, 2013 Investment Pay Schedule will be used for all pay related transactions occurring on or after July 1, 2013 (examples: promotions, demotions, appointments);

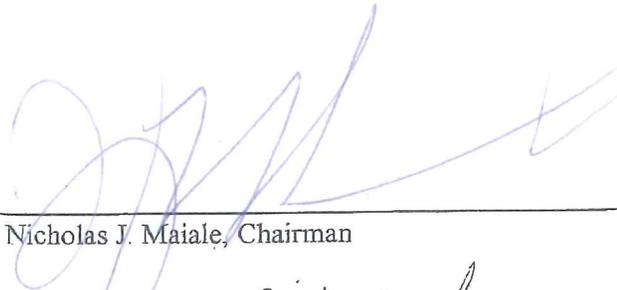
SERS' investment professionals, below the level of Chief Investment Officer, currently compensated on the April 2013 Investment Pay Schedule who are in an active pay status will be placed onto the new July 1, 2013 Investment Pay Schedule at the pay scale group and pay scale level that was in effect on the day preceding the General Pay Increase effective date, which will result in an expected 0.5% salary increase for SERS investment professionals;

Grant SERS investment professionals, below the level of Chief Investment Officer, whose salary exceeds the maximum of the employees' applicable pay scale group before and after the General Pay Increase, effective July 1, 2013, a General Pay Increase in the form of a one-time cash payment of an expected 0.5% of their annual salary in effect on the day preceding the General Pay Increase effective date, rounded to the nearest dollar;

Grant SERS investment professionals, below the level of Chief Investment Officer, whose salary exceeds the maximum of the employees' applicable pay scale group before the General Pay

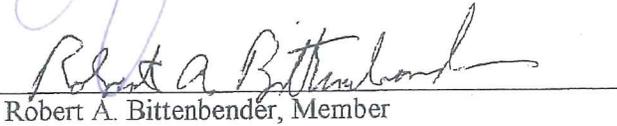
Increase, but does not exceed the maximum after the General Pay Increase, an increase to the new maximum of the pay scale group and a one-time cash payment reduced by the amount of increase in the employees' annual rate of pay; and

Grant SERS investment professionals, below the level of Chief Investment Officer, who are in an inactive pay status on July 1, 2013, the appropriate increases as described above, upon return to an active pay status.



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Nicholas J. Maiale, Chairman



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Robert A. Bittenbender, Member

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Robert M. McCord, Member

# ATTACHMENT B

## EXECUTIVE SESSION AGENDA

Meeting: June 5, 2013

### Executive Session

1. Notational Ballot Case

Account of Christopher Michael Brock

Docket No. 2012-26

Claim of Christopher Michael Brock

2. Litigation Update

3. Fund Update