
Time and Attendance of Board Meeting Held Wednesday, July 23, 2014

Date: 07/23/2014

Call to Order: 9:30 AM

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

Next meeting of SERS Board: 09/17/2014

Time Recessed

11:45 AM

Time Resumed

2:00 PM

Adjournment

2:10 PM

ATTENDEES:

Chairman

Honorable Glenn E. Becker

Board Member

Stephen S. Aichele

David R. Fillman

Dan B. Frankel

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

Bernie Gallagher

for Representative Dan B. Frankel

John Lisko

for Treasurer Robert M. McCord

Dan Ocko

for Representative Dan B. Frankel

Monica Riddle

for Senator Charles T. McIlhinney, Jr.

Ned Smith

for Representative Robert W. Godshall

SERS Executive Staff

Thomas Brier

David E. Durbin

Anthony Faiola

Victoria Page-Wooten

Consultant

Anthony Johnson

RV Kuhns & Associates, Inc.

Rob Kochis

The Townsend Group

Jim Voytko

RV Kuhns & Associates, Inc.

SERS BOARD MINUTES

Wednesday, July 23, 2014

Final Report

Consultant

Natalie Walker

StepStone Group LLC

SERS Administrative Staff

Rose Agnew

Michael Beblo

Karen Damiano-Stahler

Dino Degennaro

Patricia Dence

Linda Engle

David Felix

Brandon Halm

Whitney Harlow

Pamela Hile

Anthony Hines

William Hutcheson

Meredith Jones

David Kalman

Barbara Kiral

Cheryl Krchnar

Lauren Lenfest

Karen Lynn

Jeffrey McCormick

Mark McGrath

Sara McSurdy

Jeffrey Meyer

Kyle Reinfeld

William Riegel

Steven Rosenberry

Joseph Torta

William Truong

Heather Tyler

Visitor

Walter Cohen

Obermayer Rebmann Maxwell & Hoppel LLP

Patricia Hamill

Conrad O'Brien, PC

Sandy Leopold

PA Department of Treasury

Stephen MacNett

Conrad O'Brien, PC

Robert O'Donnell

Weaver C. Barksdale & Associates, Inc.

Presenter

Jay Grossman

ABRY Partners Fund VIII, LP

Presenter

William Rahm

Centerbridge Capital Partners III, LP

Amy Schneidkraut

Centerbridge Capital Partners III, LP

Minutes of Board Meeting Held Wednesday, July 23, 2014

CAPITAL MARKET REPORT

Messrs. Johnson and Voytko presented the report provided to the board (7/23/2014 board handouts).

STATEMENT OF INVESTMENT POLICY UPDATE

Ms. Walker and Messrs. Johnson, Voytko and Kochis presented the report provided to the board (7/23/2014 Board Package, Investment Report, Tab 6 and board handout).

ALTERNATIVE INVESTMENTS INTERVIEWS

ABRY Partners Fund VIII, LP

Centerbridge Capital Partners III, LP

ABRY Partners Fund VIII, LP

Mses. Lenfest and Walker and Mr. Grossman presented the report provided to the board (7/23/2014 Board Package, Investment Report, Tab 9).

Motion: 2014-29

By motion that was moved, seconded, and approved by board members, except Mr. Lisko, on behalf of Treasurer McCord, 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 ABRY Partners Fund 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.

Centerbridge Capital Partners III, LP

Mses. Lenfest, Walker and Schneidkraut and Mr. Rahm presented the report provided to the board (7/23/2014 Board Package, Investment Report, Tab 10).

Motion: 2014-30

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 Centerbridge Capital Partners III, 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.

ALTERNATIVE INVESTMENTS RECOMMENDATIONS FOR FUTURE INTERVIEWS

Advent Latin American Fund VI, LP

Hellman & Friedman Capital Partners VIII, LP

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

Segulah V, LP

Mses. Lenfest and Walker and Messrs. Felix, Halm and Beblo presented the report provided to the board (7/23/2014 Board Package, Investment Report, Tabs 3, 4, 5 and 6) identifying Advent Latin American Fund VI, LP, Hellman & Friedman Capital Partners VIII, LP, H.I.G. Bayside Loan Opportunities Fund IV, LP and Segulah V, LP as potential investment opportunities for SERS.

It was the consensus of the board to interview representatives of these managers at the September 17, 2014 board meeting.

MINUTES OF BOARD MEETING - JUNE 11, 2014

Chairman Becker noted that the minutes of the June 11, 2014 board meeting were provided to the board (7/23/2014 Board Package, Administrative Report, Tab 2).

Motion: 2014-31

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

RESOLVED: That the board approves the minutes of the June 11, 2014 board meeting.

MINUTES OF BOARD SPECIAL MEETING - JULY 10, 2014

Chairman Becker noted that the minutes of the July 10, 2014 board special meeting were provided to the board (7/23/2014 Board Package, Administrative Report, Tab 3).

Motion: 2014-32

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

RESOLVED: That the board approves the minutes of the July 10, 2014 board special meeting.

CHANGES IN PLAN NET POSITION FOR PERIODS ENDING - APRIL 30 AND MAY 31, 2014

Chairman Becker noted that the Statement of Changes in Plan Net Position for the periods ending April 30 and May 31, 2014 was provided to the board (7/23/2014 Board Package, Administrative Report, Tab 4).

Motion: 2014-33

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 April 30, 2014 and May 31, 2014.

EXECUTIVE SESSION AND MEETING RECESS

At 11:45 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 2:00 p.m.

RVK CONTRACT AMENDMENT

Mr. Faiola presented the report provided to the board (7/23/2014 Board Package, Administrative Report, Tab 12).

Motion: 2014-34

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

RESOLVED: That the board approves an amendment to the Agreement for General Investment Consultant between SERS and R.V. Kuhns & Associates, Inc. dated October 10, 2011, to provide additional consulting services relating to the Commonwealth's Deferred Compensation Program, subject to successful completion of contract negotiations.

BOARD ADJUDICATIONS

Mr. Durbin provided the board with the following information on the results of the notational ballots regarding Board Adjudications.

Account of Ross C. Cioppa

Docket Nos. 2012-29 and 2012-30

Claims of Ross C. Cioppa and Maureen Cioppa

The State Employees' Retirement Board DENIED the Claimants' requests to reinstate the forfeited pension benefits payable to Ross C. Cioppa as a member of SERS and Maureen Cioppa as Ross Cioppa's survivor annuitant.

Account of Theodore R. Robinson

Docket No. 2014-15

Claim of Theodore R. Robinson

The State Employees' Retirement Board GRANTED SERS' Motion to Dismiss this appeal because there are no legal grounds upon which the Retirement Board can grant Claimant the relief he seeks. Claimant's appeal is Dismissed with Prejudice.

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

The State Employees' Retirement Board GRANTED Claimants' motion for oral argument which will take place before the State Employees' Retirement Board on September 17, 2014 at 2:00 p.m. in the Board Room of the State Employees' Retirement System.

BOARD DISMISSALS

Mr. Durbin noted that the following Orders as provided to the board (7/23/2014 Board Package, Administrative Report, Tab 8) are dismissed.

Account of John S. Bartnikowski III

Docket No. 2014-06

Claim of John S. Bartnikowski III

Account of Larry E. Bell

Docket No. 2012-33

Claim of Larry E. Bell

ADMINISTRATIVE UPDATE

Mr. Durbin presented the report provided to the board (7/23/2014 Board Package, Administrative Report, Tab 9).

LEGISLATIVE UPDATE

Mr. Durbin presented the report provided to the board (7/23/2014 Board Package, Administrative Report, Tab 10).

AUDIT COMMITTEE MINUTES - JUNE 11, 2014

Mr. Durbin presented the report provided to the board (7/23/2014 Board Package, Administrative Report, Tab 11).

NEXT BOARD MEETING - SEPTEMBER 17, 2014

Chairman Becker reported that the next regular meeting of the SERS board is scheduled for September 17, 2014.

MOTION TO ADJOURN

Motion: 2014-35

By motion of Chairman Becker, the board unanimously agreed to adjourn the meeting at 2:10 p.m.

Respectfully submitted,



David E. Durbin
Executive Director

ATTACHMENT A

EXECUTIVE SESSION AGENDA

Meeting: July 23, 2014

Executive Session

1. Notational Ballot Case

Account of John D. Stouder (Deceased)

Docket No. 2013-12

Claim of Maria L. Stouder

2. Update on Halliburton Litigation

3. Update on TL Ventures and Impact of “Pay-to-Play” on SERS

4. Preparation for Oral Argument

5. Internal Investigation Update

6. Right-to-Know Law Overview

7. Fund Update

8. Preliminary Fund Performance and Risk Statistics