

OBERMAYER

REBMAN MAXWELL & HIPPEL LLP

ATTORNEYS AT LAW

September 17, 2014

Glenn Becker
Chairman, SERS Board
State Employees' Retirement System (SERS)
30 North 3rd Street, Suite 150
Harrisburg, PA 17101

Dear Chairman Becker:

On January 22, 2014, this firm was retained by the Board of Trustees of the State Employees' Retirement System to investigate allegations against its former Chief Investment Officer, Anthony Clark (hereinafter "Clark"). We were charged with (1) determining whether Clark engaged in misconduct as alleged, and (2) recommending any necessary corrective action.

Obermayer examined three (3) specific categories of allegations: (1) possible misrepresentations and omissions submitted to the Board by Clark, specifically regarding Tiger Management Advisors, LLC (hereinafter "Tiger"); (2) "day trading" by Clark during the work week; and (3) failure of Clark to devote a full work week to his SERS position.

Obermayer representatives initially met with representatives of the Governor's Office of General Counsel (hereinafter "OGC") and the Office of Inspector General (hereinafter "OIG"). Both of these Commonwealth agencies did extensive investigative work on this matter and turned over their investigative files, which included interview reports and a variety of relevant documents. All of this information was examined in detail. In addition, Clark's Commonwealth computer images and electronic files were reviewed in depth.

Following the examination of all of this information, Obermayer began the lengthy process of conducting comprehensive interviews of current and former SERS personnel, Board members, Board designees, consultants, and other interested individuals. Throughout many of the twenty-two (22) interviews, the discussion wandered to characterization of Clark's personality, his confrontational style of leadership, and his perceived investment biases.

In the end, the major focus of Obermayer's investigation became the circumstances surrounding the investment and then eventual dissolution of Tiger. The investment in Tiger was made pursuant to the development of a diversifying assets program approved by the Board as part of Clark's proposed investment strategy. Obermayer found no evidence of illegality in what turned into an underperforming investment mainly due to its gold component. Whether Clark intentionally misled the Board by seeking to conceal Tiger's poor performance is open to question but the Board remained vigilant in monitoring the Tiger investment until its dissolution.

Neither the OGC nor the OIG reached a conclusion that Clark performed any "day trading" in violation of any Commonwealth rules or regulations or that his work schedule was inadequate to meet Commonwealth requirements. No one interviewed by Obermayer could substantiate the "day trading" allegation and the former SERS Chairman, who presided during Clark's hiring and throughout his tenure, indicated that Clark's presence in or absence from the office was in accordance with the understanding reached prior to his employment.

To the best of our knowledge, there is no pending investigation underway by any prosecuting agency. Obermayer agrees with the conclusion reached last December in the Stradley Report that the Board was not required to report any activity of Clark's to the U.S. Securities and Exchange Commission ("SEC"). Mr. Clark submitted his resignation in December 2013 and it was appropriately accepted. What remains to be done is for the Board to consider undertaking a due diligence and governance evaluation of the investment office's practices and procedures and consider retaining an independent expert to compare the office to the best practices in the public pension industry.

Thank you for the opportunity to undertake this important task with the support and cooperation of the entire SERS Board.

Sincerely,



Walter W. Cohen

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