

---

**Time and Attendance of Board Meeting Held      Wednesday, January 21, 2015**

---

**Date:** 01/21/2015

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

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

**Next meeting of SERS Board:** 03/11/2015

**Time Recessed**

12:05 PM

**Time Resumed**

1:05 PM

**Adjournment**

1:15 PM

**ATTENDEES:**

---

**Chairman**

Honorable Glenn E. Becker

**Board Member**

Stephen S. Aichele

Robert A. Bittenbender

Dan B. Frankel

Robert W. Godshall

Charles T. McIlhinney, Jr.

T. Terrance Reese

M. Joseph Rocks

**Designee Appointed by Board Member**

Christopher Craig                      for Treasurer Robert M. McCord

Charles Duncan                         for Senator Vincent J. Hughes

Dan Ocko                                 for Representative Dan B. Frankel

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

Michael McCabe                         StepStone Group LLC

Jim Voytko                                RV Kuhns & Associates, Inc.

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  
Pamela Hile  
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  
David Sedlak  
Joseph Torta  
William Truong  
Shana Weinstock

**Visitor**

Kim Aspenleider	Delaware Investments
Jonathan Hogstad	Service Employees International Union
Sandy Leopold	PA Department of Treasury
Gary Lightman	PA State Troopers Association
Odetty Tineo	Service Employees International Union
Arturo Vergara	Service Employees International Union
Richard Welsh	Wells Fargo

**Presenter**

Andrew Brown	Francisco Partners IV. L.P.
--------------	-----------------------------

**Presenter**

Jill Daschle

EnTrust Capital

Gregg Hymowitz

EnTrust Capital

Christopher Keenan

EnTrust Capital

Ezra Perlman

Francisco Partners IV, L.P.

---

## Minutes of Board Meeting Held Wednesday, January 21, 2015

---

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

Messrs. Johnson and Voytko presented the report provided to the board (1/21/2015 board handouts).

### ***HEDGE FUND INDUSTRY OVERVIEW***

Ms. Daschle and Messrs. Keenan and Hymowitz presented the report provided to the board (1/21/2015 Board Package, Investment Report, Tab 7).

### ***DIVERSIFYING ASSETS PORTFOLIO REVIEW***

Messrs. Truong, Johnson and Voytko presented the report provided to the board (1/21/2015 Board Package, Investment Report, Tab 8).

### ***THE TOWNSEND GROUP PROPOSED CONTRACT EXTENSION***

Ms. Walker and Messrs. Kalman and Reinfeld presented the report provided to the board (1/21/2015 Board Package, Investment Report, Tab 3).

**Motion:** 2015-01

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

RESOLVED: That the board approves an extension of the Agreement for real estate investment advisory services between SERS and The Townsend Group, Inc. for an additional nine-month period commencing on July 1, 2015 and ending on March 31, 2016 and otherwise under the same terms and conditions as the current Agreement expiring on June 30, 2015.

### ***RFI REAL ASSET INVESTMENT CONSULTANT/ADVISORY SERVICES DISCUSSION***

Mr. Kalman presented the report provided to the board (1/21/2015 Board Package, Investment Report, Tab 4).

It was the consensus of the board to conduct a Request for Information (RFI) for Real Asset Investment Consulting and Advisory Services.

### ***REAL ASSETS INVESTMENTS RECOMMENDATION FOR FUTURE INTERVIEW***

#### ***Oaktree Power Opportunities Fund IV, L.P.***

Ms. Walker and Messrs. Kalman and Reinfeld presented the report provided to the board (1/21/2015 Board Package, Investment Report, Tab 5) identifying Oaktree Power Opportunities Fund IV, L.P. as a potential investment opportunity for SERS.

It was the consensus of the board to interview representatives of this manager at the March 11, 2015 board meeting.

### ***ALTERNATIVE INVESTMENTS INTERVIEW***

#### ***Francisco Partners IV, L.P.***

Mses. Lenfest and Walker and Messrs. McCabe, Brown, Perlman and Halm presented the report provided to the board (1/21/2015 Board Package, Investment Report, Tab 9).

**Motion:** 2015-02

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 Francisco Partners IV, 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 RECOMMENDATION FOR FUTURE INTERVIEW***

#### ***Primavera Capital Fund II, L.P.***

Mses. Lenfest and Walker and Mr. McCabe presented the report provided to the board (1/21/2015 Board Package, Investment Report, Tab 6) identifying Primavera Capital Fund II, L.P. as a potential investment opportunity for SERS.

It was the consensus of the board to interview representatives of this manager at the March 11, 2015 board meeting.

### ***ALTERNATIVE INVESTMENTS DISCUSSION***

#### ***Crestview Partners III, L.P.***

Mr. McCabe informed the board that representatives from Crestview Partners III, L.P. were at the SERS office, requesting an opportunity to present to the board. The board had not received investment analysis or recommendations in the meeting materials, pending satisfactory completion of due diligence. Because the board would not make an investment decision at the meeting, no presentation was made.

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

At 12:05 p.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 1:05 p.m.

### ***MINUTES OF BOARD MEETING - DECEMBER 10, 2014***

Chairman Becker noted that the minutes of the December 10, 2014 board meeting were provided to the board (1/21/2015 Board Package, Administrative Report, Tab 2).

**Motion:** 2015-03

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

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

***CHANGES IN PLAN NET POSITION FOR PERIODS ENDING - OCTOBER 31 AND NOVEMBER 30, 2014***

Chairman Becker noted that the Statement of Changes in Plan Net Position for the periods ending October 31, 2014 and November 30, 2014 were provided to the board (1/21/2015 Board Package, Administrative Report, Tab 3).

**Motion:** 2015-04

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 October 31, 2014 and November 30, 2014.

***PERSONNEL COMMITTEE RECOMMENDATION***

Chairman Becker presented the Personnel Committee Recommendation.

**Motion:** 2015-05

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

RESOLVED: That the board confirms and ratifies the appointment of Thomas Brier as SERS' Chief Investment Officer effective as of the date SERS receives the required approvals from the Governor's Office of Administration; and further approves an annual salary of \$259,463 for Thomas Brier as Chief Investment Officer, effective today, January 21, 2015, in accordance with the approval of the Governor's Office of Administration, as further set forth in the January 21, 2015 Personnel Committee Recommendation presented to the board, a copy of which shall be filed with the minutes of this meeting (ATTACHMENT B).

***CONTRACT EXTENSION - WEAVER C. BARKSDALE & ASSOCIATES, INC.***

Mr. Faiola noted that the Weaver C. Barksdale & Associates, Inc. contract needs to be extended.

**Motion:** 2015-06

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

RESOLVED: That the board approves an extension of the Management Agreement for Fixed Income Portfolio Management between SERS and Weaver C. Barksdale & Associates, Inc. dated July 1, 2012 for an additional one-year period commencing on July 1, 2015 and ending on July 1, 2016 and otherwise under the same terms and conditions as the current agreement expiring on June 30, 2015.

***FINANCIAL REPORTING AWARDS***

Mr. Faiola noted that the SERS' 2013 Comprehensive Annual Financial Report received an award from the Government Finance Officers Association (GFOA) for Excellence in Financial Reporting. Also, the 2014 Public Pension Standards Award for Funding and Administration was received from the Public Pension Coordinating Council.

Chairman Becker congratulated Mr. Faiola and the SERS staff.

## ***BOARD ADJUDICATIONS***

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

### ***Account of Gerald A. Sandusky***

***Docket No. 2012-38***

#### ***Claims of Gerald A. and Dorothy Sandusky***

The State Employees' Retirement Board DENIED Claimants' requests that they not be subject to the pension forfeiture provisions of 43 P.S. §1313(a) and the other provisions of the Public Employee Pension Forfeiture Act, from the October 9, 2012 date of Gerald Sandusky's conviction of crimes related to public office or public employment. It is further ordered that the State Employees' Retirement System shall determine any adjustments required to Gerald Sandusky's pension benefits under 71 Pa. C.S. §5954(b) in conformity with the Board's Opinion, which adjustments may include, but are not limited to, additional employee and employer contributions, recalculation of benefits, and a change in Gerald Sandusky's date of termination of service or a change in his effective date of retirement.

Board members Aichele, Bittenbender and Godshall dissented and would adopt the Hearing Examiner's Opinion.

### ***Account of Sean R. Weaver***

***Docket No. 2011-24***

#### ***Claim of Sean R. Weaver***

The State Employees' Retirement Board DENIED Claimant's request to be granted retirement service credit for the period from and including November 7, 1997 through July 9, 2001.

Board member David R. Fillman dissented and would grant Claimant's request.

## ***AUDIT COMMITTEE MEETING MINUTES - DECEMBER 10, 2014***

Mr. Durbin reported that the Audit Committee Minutes were provided to the board (1/21/2015 Board Package, Administrative Report, Tab 8).

## ***ADMINISTRATIVE UPDATE***

Mr. Durbin presented the report that was provided to the board (1/21/2015 Board Package, Administrative Report, Tab 9). He also noted that over 100,000 members' 1099Rs and annuitant statements were being mailed this month.

## ***FINANCIAL DISCLOSURE STATEMENTS***

Mr. Durbin noted that the Financial Disclosure Statements have been distributed to the board members and designees. The deadline to submit them is May 1, 2015.

## ***NEXT BOARD MEETING - MARCH 11, 2015***

Chairman Becker noted that the next regular meeting of the SERS board is scheduled for March 11, 2015.

***MOTION TO ADJOURN***

**Motion:** 2015-07

By motion of Chairman Becker, the board unanimously agreed to adjourn the meeting at 1:15 p.m.

Respectfully submitted,  
  
David E. Durbin  
Executive Director

# ATTACHMENT A

## EXECUTIVE SESSION AGENDA Meeting: January 21, 2015

### Executive Session

#### 1. Notational Ballots

**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**

**(These 3 consolidated cases of the PSTA Claimants  
were tabled at the December 10, 2014 Board meeting.)**

**Account of Kevin Hussar  
Docket No. 2013-11  
Claim of Kevin Hussar**

2. **2014 Benefits and Member Related Litigation Update**
3. **Securities Litigation Update**
4. **Right-to-Know Law Update**
5. **Fund Update**
6. **Preliminary Fund Performance and Risk Statistics**

# ATTACHMENT B

## SERS PERSONNEL COMMITTEE RECOMMENDATION

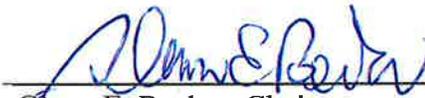
**DATE:** January 21, 2015

**RESOLVED**, that the SERS Personnel Committee recommends that the Board approve the following compensation action for the SERS' Investment Office.

**ISSUE:** Appointment of Thomas Brier to Chief Investment Officer at an annual salary of \$259,463.

**ACTION/REQUEST:** Appoint Thomas Brier to the position of SERS' Chief Investment Officer at an annual salary of \$259,463. This appointment action will be effective as of the date of SERS' receipt of all required approvals, including the satisfactory background investigation report, from the Governor's Office of Administration.

The annual salary of \$259,463 will be effective today, January 21, 2015, in accordance with the approval of the Governor's Office of Administration.



Glenn E. Becker, Chairman



Robert A. Bittenbender, Member



Robert M. McCord, Member

*on behalf of Treasurer McCord  
Chief Counsel, PA Treasury*