

MINUTES of SERS Board Regular Meeting - Wednesday, November 1, 2017

CALLED TO ORDER: 9:30 a.m. by Chairman David R. Fillman

ATTENDEES:

Members and Designees

David R. Fillman – Chairman
Stephen S. Aichele
Glenn E. Becker
Dan B. Frankel
Vincent J. Hughes
T. Terrance Reese
Mary A. Soderberg
Joseph M. Torsella
Bernie Gallagher – Designee for Representative Dan B. Frankel
Jennifer Langan – Designee for Treasurer Joseph M. Torsella
Dan Ocko – Designee for Representative Dan B. Frankel
Leo Pandeladis – Designee for Robin L. Wiessmann
Monica Riddle – Designee for Senator Charles T. McIlhinney, Jr.
Jeff Wheeland – Designee for Representative Robert W. Godshall

Consultants

Michael Elio, StepStone Group L.P.
Anthony Johnson, RVK, Inc.
Matt Roche, StepStone Group L.P.
Jim Voytko, RVK, Inc.
Michael Yang, NEPC, LLC

Executive Staff

David E. Durbin
Anthony Faiola
Bryan Lewis
N. Joseph Marcucci

Staff

Rose Agnew
Karen Damiano-Stahler
Dino Degennaro
Patricia Dence
Myisha Ebersole
Linda Engle
Brittany Erney-Muniz
David Felix
Jason Giurintano
Phillip Greenberg

Pamela Hile
Meredith Jones
Barbara Kiral
Cheryl Krchnar
Karen Lynn
Katie Mathews
Jeffrey McCormick
Matthew Meads
Jeffrey Meyer
E. James Moreno
James Nolan
David Sedlak
Steven Shaffer
David Tarsi
Joseph Torta
William Truong

Visitors

Chris Ade, Lord, Abbett & Co., LLC
David Belnick, Nationwide
Rob Borski, PA Treasury Department
Jim Kane, Unite Here
Michele Kreisler, PA Treasury Department
Steve Muller, Nationwide
Robert W. O'Donnell, Weaver Barksdale & Associates, Inc.

Presenters

Jose Feliciano, Clearlake Capital Partners V, L.P.

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A. STANDARD MOTIONS

Action: 1. Minutes of Board Meeting – September 13, 2017

Chairman Fillman presented the minutes provided to the board (11/1/2017 Board Package, Administrative Report, Tab 2).

MOTION: 2017-75

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

RESOLVED: That the board approves the minutes of the September 13, 2017, board meeting.

Action: 2. Statement of Changes in Fiduciary Net Position for Period Ending – August 31, 2017

Chairman Fillman presented the report provided to the board (11/1/2017 Board Package, Administrative Report, Tab 3).

MOTION: 2017-76

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

RESOLVED: That the board accepts the State Employees' Retirement System's Statement of Changes in Fiduciary Net Position for the period ending August 31, 2017.

B. INTRODUCTION OF NEW BOARD MEMBER SECRETARY ROBIN WIESSMANN

Presentation: 1. Introduction of New Board Member and Designee – Secretary Robin Wiessmann and Mr. Leo Pandeladis

Chairman Fillman introduced and welcomed Secretary Wiessmann's designee, Mr. Pandeladis, to his first board meeting in this role.

C. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND RVK, INC.

Presentation: 1. Capital Markets Report

Messrs. Johnson and Voytko presented the report provided to the board (11/1/2017 board handouts).

Presentation: 2. DRAFT 2018-2019 Investment Plan

Messrs. Lewis, Johnson and Voytko presented the report provided to the board (11/1/2017 Board Package, Investment Report, Tab 2).

D. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND STEPSTONE GROUP L.P.

Action: 1. Private Equity Interview – Clearlake Capital Partners V, L.P.

Messrs. Felix, Elio and Feliciano presented the report provided to the board (11/1/2017 Board Package, Investment Report, Tab 5).

MOTION: 2017-77

By motion that was moved, seconded, and approved by board members, except Mr. Pandeladis (who announced that he is generally recused from this and any vote involving entities regulated by the Department of Banking and Securities as its Chief Counsel), it was

RESOLVED: That the board orders to commit up to \$75 million, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents to Clearlake Capital Partners V, L.P., as a follow-on investment within the Private Equity 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.

Presentation: 1. Private Equity Recommendation for Future Interview: Providence Strategic Growth III, L.P.

Messrs. Felix and Elio presented the report provided to the board (11/1/2017 Board Package, Investment Report, Tab 3).

It was the consensus of the board to interview representatives of this manager at the December 6, 2017, board meeting.

E. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND STEPSTONE GROUP L.P.

Action: 1. Multi-Strategy Recommendation – TSSP Adjacent Opportunities Partners

Messrs. Elio, Felix and Meads presented the report provided to the board (11/1/2017 Board Package, Investment Report, Tab 6).

MOTION: 2017-78

By motion that was moved, seconded, and approved by board members, except Mr. Pandeladis (who announced that he is generally recused from this and any vote involving entities regulated by the Department of Banking and Securities as its Chief Counsel), it was

RESOLVED: That the board orders to commit up to \$150 million, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents to TSSP Adjacent Opportunities Partners, as a follow-on investment within the Multi-Strategy 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.

F. SERS 457 Deferred Compensation Plan: SERS INVESTMENT OFFICE

Action: 1. SERS 457 and 401(a) Investment Consulting Services Update

Messrs. Truong and Nolan presented the report provided to the board (11/1/2017 Board Package, Investment Report, Tab 4).

MOTION: 2017-79

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

RESOLVED: That the board orders to enter into an Amendment to the Amended and Restated Agreement for General Investment Consultant with RVK to provide (i) additional investment consulting services for the new 401(a) Defined Contribution Plan, (ii) compensation for such additional services, and (iii) a corresponding reduction in fees for consulting services for the existing 457 Deferred Compensation Plan, subject to successful completion of contract negotiations, and the provision of necessary funds by appropriate statutory measure.

G. EXECUTIVE SESSION

Presentation: 1. Agenda

At 10:50 a.m., the board recessed and entered executive session to receive legal advice and confidential performance information on executive session agenda items, as attached in ATTACHMENT A.

H. LUNCH BREAK

I. PUBLIC MEETING RESUMES

The public meeting resumed at 11:50 a.m.

J. REPORT FROM EXECUTIVE DIRECTOR

Presentation: 1. Second Board Package Copy and BoardDocs

Mr. Durbin noted that any board member who would rather not receive a second copy of the board package to let him know. In addition, BoardDocs, which is a paperless solution, will be introduced to board members.

Presentation: 2. Board Adjudication

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

Account of Willis W. Berry, Jr.

Docket No. 2016-03

Claim of Willis W. Berry, Jr.

The State Employees' Retirement Board **DENIED** Claimant's Motion for Oral Argument. The merits of this case will be decided at a future board meeting.

Presentation: 3. Board Dismissals

Mr. Durbin presented the report regarding uncontested matters that an Order was issued dismissing the following administrative appeals, as provided to the board (11/1/2017 Board Package, Administrative Report, Tab 7).

Account of Brian M. Getz

Docket No. 2016-01

Claim of Brian M. Getz

Account of Denise McIntosh

Docket No. 2016-13

Claim of Denise McIntosh

Presentation: 4. Legislative Update

Mr. Durbin noted that the report was provided to the board (11/1/2017 Board Package, Administrative Report, Tab 9).

Presentation: 5. Audit Committee Meetings Minutes – September 13 and October 4, 2017

Mr. Durbin noted that the Audit Committee meetings minutes were provided to the board (11/1/2017 Board Package, Administrative Report, Tab 10).

Presentation: 6. 457 Deferred Compensation Program Committee Meeting Minutes – October 20, 2017

Mr. Durbin noted that the 457 Deferred Compensation Program Committee meeting minutes were provided to the board (11/1/2017 Board Package, Administrative Report, Tab 11).

Presentation: 7. FINAL 2018 Board Meeting Dates

Mr. Durbin noted that the schedule was provided to the board (11/1/2017 Board Package, Administrative Report, Tab 12). The 2018 board meeting dates are as follows: January 24, March 7, April 25, June 13, July 25, September 12, October 24 and December 5.

Presentation: 8. Administrative Update – DRAFT SERS 2018-2020 Strategic Business Plan

Mr. Durbin noted that the report was provided to the board (11/1/2017 Board Package, Administrative Report, Tab 8).

Presentation: 9. Retirement Announcement

Mr. Durbin announced that he plans to retire effective January 6, 2018.

K. NEXT BOARD MEETING – DECEMBER 6, 2017

Chairman Fillman noted that the next regular meeting of the SERS board is scheduled for December 6, 2017.

L. MOTION TO ADJOURN

Action: 1. Adjournment

MOTION: 2017-80

By motion of Chairman Fillman, the board unanimously agreed to adjourn the meeting at 12:00 p.m.

Respectfully submitted,



David E. Durbin
Executive Director

ATTACHMENT A

EXECUTIVE SESSION MINUTES Meeting: November 1, 2017

Executive Session

1. Pending Litigation Report
2. Securities Litigation
3. Fund Update
4. Board Update with StepStone
5. SERS 2018-2020 Strategic Business Plan Discussion