

**MINUTES of SERS Board Regular Meeting - Wednesday, December 6, 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  
Robert W. Godshall  
T. Terrance Reese  
Mary A. Soderberg  
Joseph M. Torsella  
Robin L. Wiessmann  
Charles Duncan – Designee for Senator Vincent J. Hughes  
Bernie Gallagher – Designee for Representative Dan B. Frankel  
Dan Ocko – Designee for Representative Dan B. Frankel  
Leo Pandeladis – Designee for Secretary Robin L. Wiessmann  
Monica Riddle – Designee for Senator Charles T. McIlhinney, Jr.  
Ned Smith – Designee for Representative Robert W. Godshall

**Consultants**

Perry Christie, Empower Retirement  
Shelby Dobson, Empower Retirement  
Michael Elio, StepStone Group L.P.  
Angie Holland, Empower Retirement  
Anthony Johnson, RVK, Inc.  
Matt Roche, StepStone Group L.P.  
Jim Rohlinger, Empower Retirement  
Jim Voytko, RVK, Inc.

**Executive Staff**

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

**Staff**

Rose Agnew  
Karen Damiano-Stahler  
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  
James Nolan  
M. Catherine Nolan  
Dorothy Packer  
David Sedlak  
Steven Shaffer  
David Tarsi  
Joseph Torta  
William Truong

**Visitors**

Chris Ade, Lord, Abbett & Co., LLC  
Tom Clancy, PA Treasury Department  
Peter Cunningham, BNY Mellon  
Alan Flannigan, PA Department of Banking and Securities  
Christopher Houston, PA Department of Community and Economic Development  
Jim Kane, Unite Here  
Michele Kreisler, PA Treasury Department

**Presenters**

Damien Dwin, Brightwood Capital Fund IV, L.P.  
Mark Hastings, Providence Strategic Growth III, L.P.  
Lisa Lee, Providence Strategic Growth III, L.P.  
Melody Rollins, Brightwood Capital Fund IV, L.P.  
Sengal Selassie, Brightwood Capital Fund IV, L.P.

## **MINUTES of the SERS Board Regular Meeting Wednesday, December 6, 2017**

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### A. STANDARD MOTIONS

Action: 1. Minutes of Board Meeting – November 1, 2017

Chairman Fillman presented the minutes provided to the board (12/6/2017 Board Package, Administrative Report, Tab 2).

#### **MOTION: 2017-81**

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

**RESOLVED:** That the board approves the minutes of the November 1, 2017, board meeting.

Action: 2. Statement of Changes in Fiduciary Net Position for Period Ending – September 30, 2017

Chairman Fillman presented the report provided to the board (12/6/2017 Board Package, Administrative Report, Tab 3).

#### **MOTION: 2017-82**

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 September 30, 2017.

### B. 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 (12/6/2017 board handouts).

Presentation: 2. SERS Quarterly Performance Analysis (as of September 30, 2017)

Messrs. Johnson and Voytko presented the report provided to the board (12/6/2017 Board Package, Investment Report, Tab 7).

Presentation: 3. SERS 457 Deferred Compensation Plan Quarterly Investment Performance Analysis (as of September 30, 2017)

Messrs. Johnson and Voytko presented, on behalf of Mr. Rob Palmeri and Ms. Mikaylee O'Connor, the report provided to the board (12/6/2017 Board Package, Investment Report, Tab 8).

Presentation: 4. 2018-2019 Investment Plan

Messrs. Lewis, Johnson and Voytko presented the report provided to the board (12/6/2017 Board Package, Investment Report, Tab 2).

Presentation: 5. Investment Fee Study Discussion

Messrs. Johnson and Voytko presented the report provided to the board (12/6/2017 Board Package, Investment Report, Tab 3).

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

Action: 1. Private Equity Interview – Providence Strategic Growth III, L.P.

Ms. Lee and Messrs. Felix, Elio and Hastings presented the report provided to the board (12/6/2017 Board Package, Investment Report, Tab 9).

**MOTION: 2017-83**

By motion that was moved, seconded, and approved by board members, 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 Providence Strategic Growth III, 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: LLR Equity Partners V, L.P. Messrs. Felix and Elio presented the report provided to the board (12/6/2017 Board Package, Investment Report, Tab 6).

It was the consensus of the board to interview representatives of this manager at the January 24, 2018, board meeting.

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

Action: 1. Multi-Strategy Interview – Brightwood Capital Fund IV, L.P.

Ms. Rollins and Messrs. Elio, Felix, Dwin and Selassie presented the report provided to the board (12/6/2017 Board Package, Investment Report, Tab 10).

**MOTION: 2017-84**

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

**RESOLVED:** That the board orders to commit up to \$100 million, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents to Brightwood Capital Fund IV, L.P., as an 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.

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

Presentation: 1. Global Public Equity Recommendations for Future Interviews: Emerging Investment Manager Program – FIS Group, Inc.; Leading Edge Investment Advisors, LLC

Messrs. Nolan, Truong and Johnson presented the report provided to the board (12/6/2017 Board Package, Investment Report, Tab 4).

It was the consensus of the board to interview representatives of these managers at the January 24, 2018, board meeting.

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

Presentation: 1. Fixed Income Recommendation for Future Interview: Eaton Vance Global Macro Absolute Return Advantage Strategy

Messrs. Nolan, Truong and Johnson presented the report provided to the board (12/6/2017 Board Package, Investment Report, Tab 5).

It was the consensus of the board to interview representatives of this manager at the January 24, 2018, board meeting.

G. Investment Presentations and Reviews: SERS INVESTMENT OFFICE

Presentation: 1. Real Estate

Mr. Greenberg presented an update to the board on upcoming Real Estate reports.

H. EXECUTIVE SESSION

Presentation: 1. Agenda

At 12:05 p.m., the board recessed and entered executive session to receive legal advice and confidential performance information on executive session agenda items, as provided in ATTACHMENT A.

I. LUNCH BREAK

J. PUBLIC MEETING RESUMES

The public meeting resumed at 1:30 p.m.

K. SERS 457 Deferred Compensation Plan: EMPOWER RETIREMENT

Presentation: 1. 457 Deferred Compensation Plan Communications

Mses. Engle and Dobson and Messrs. Rohlinger, Christie and Sedlak presented the report provided to the board (12/6/2017 Board Package, Administrative Report, Tab 17).

L. BOARD GOVERNANCE

Presentation: 1. Project Update

Mr. Durbin noted that the Board Governance project needs input from the board to complete the manual (12/6/2017 Board Package, Administrative Report, Tab 11).

M. PERSONNEL COMMITTEE

Action: 1. The following motion is a result of discussion in executive session.

**MOTION: 2017-85**

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

**RESOLVED:** That the board orders to direct the Personnel Committee to conduct a statewide search with advertisement in national trade organizations as determined by the Committee for executive director candidates with an application deadline of January 12, 2018.

N. REPORT FROM EXECUTIVE DIRECTOR

Action: 1. Final 2018-2020 Strategic Business Plan

Mr. Durbin noted that the report was provided to the board (12/6/2017 Board Package, Administrative Report, Tab 15).

**MOTION: 2017-86**

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

**RESOLVED:** That the board orders to adopt the State Employees' Retirement System Strategic Business Plan for the period 2018-2020, which establishes the agency's strategic goals and plan for operational and investment direction.

**Presentation: 1. Legislative Update**

Mr. Durbin noted that the report was provided to the board (12/6/2017 Board Package, Administrative Report, Tab 10).

**Presentation: 2. Audit Committee Meeting Minutes – November 1, 2017**

Mr. Durbin noted that the Audit Committee meeting minutes were provided to the board (12/6/2017 Board Package, Administrative Report, Tab 12).

**Presentation: 3. Personnel Committee Meeting Minutes – November 20, 2017**

Mr. Durbin noted that the Personnel Committee meeting minutes were provided to the board (12/6/2017 Board Package, Administrative Report, Tab 13).

**Presentation: 4. Board Adjudication**

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

**Account of Robert J. Mellow****Docket Nos. 2012-19 and 2012-20****Claim of Robert J. Mellow and Diane Mellow**

By a vote of 6 to 5, the State Employees' Retirement Board has GRANTED Claimants' request to reinstate their benefit payments. Two Dissenting Opinions were filed with the Board Order.

**O. RECOGNITION FOR RETIRING EXECUTIVE DIRECTOR – DAVID E. DURBIN**

Chairman Fillman noted that this was the last meeting for retiring Executive Director, David E. Durbin. He read the SERS agency certificate and email from the Korn Ferry Hay Group, wishing him the best of health and happiness in his retirement.

Mr. Durbin addressed the meeting, "Thank you. This is very kind and thank you for this opportunity. I am mindful of the fact that for 38 years, my family has something to count on. My work. And the work we do here matters a great deal.

To this board - please always keep in front of your thinking the members of the plan, they're the reason you're here. Their benefit.... what's in their best interest.... ought to be your first thoughts.

Lastly, let me commend to you, members of the board, the women and men of the State Employees' Retirement System staff. There simply is no finer, more professional group anywhere. Thank you."

**P. NEXT BOARD MEETING – JANUARY 24, 2018**

Chairman Fillman noted that the next regular meeting of the SERS board is scheduled for January 24, 2018.

**Q. MOTION TO ADJOURN**

Action: 1. Adjournment

**MOTION: 2017-87**

By motion of Chairman Fillman, the board unanimously agreed to adjourn the meeting at 2:30 p.m.

Respectfully submitted,



David E. Durbin  
Executive Director

# ATTACHMENT A

## EXECUTIVE SESSION MINUTES Meeting: December 6, 2017

### *Executive Session*

1. **Litigation Update**
2. **Fund Update**
3. **Manager Update**
4. **Potential Employer Rate Change**
5. **Personnel Committee**