

MINUTES of SERS Board Regular Meeting – Friday, April 6, 2018

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
Robert W. Godshall
Mary A. Soderberg
Joseph M. Torsella
Robin L. Wiessmann
Thomas Clancy – Designee for Treasurer Joseph M. Torsella
Bernie Gallagher – Designee for Representative Dan B. Frankel
Toni Marchowsky – Designee for Senator Vincent J. Hughes
Dan Ocko – Designee for Representative Dan B. Frankel
Monica Riddle – Designee for Senator Charles T. McIlhinney, Jr.
Ned Smith – Designee for Representative Robert W. Godshall

Consultants

Michael Elio, StepStone Group LP
Anthony Johnson, RVK, Inc.
Mikaylee O'Connor, RVK, Inc.
Matt Roche, StepStone Group LP
Jim Voytko, RVK, Inc.
Michael Yang, NEPC, LLC

Executive Staff

Bryan Lewis
N. Joseph Marcucci

Staff

Rose Agnew
Grace Bachman
Dino DeGennaro
Myisha Ebersole
Brittany Erney-Muniz
David Felix
Jason Giurintano
Phillip Greenberg
Pamela Hile
Khalfani King
Barbara Kiral
Cheryl Krchnar

Karen Lynn
Katie Mathews
Jeffrey McCormick
Sara McSurdy
Matthew Meads
Jeffrey Meyer
Ryan Morse
James Nolan
David Sedlak
Sharon Smith
Thomas Swope
David Tarsi
Joseph Torta
William Truong

Visitors

Alan Flannigan, PA Department of Banking and Securities
Christopher Houston, Special Appointment to SERS
Jim Kane, Unite Here
Terrill Sanchez, PA Public School Employees' Retirement System

Presenters

Benjamin Blakney, Mesirow Financial Real Estate Value Fund III, L.P.
Alasdair Cripps, Mesirow Financial Real Estate Value Fund III, L.P.

MINUTES of the SERS Board Regular Meeting Friday, April 6, 2018

*THIS MEETING OF THE SERS BOARD WAS ORIGINALLY SCHEDULED FOR MARCH 7, 2018
BUT DUE TO INCLEMENT WEATHER WAS POSTPONED.*

A. STANDARD MOTIONS

Action: 1. Minutes of Board Meeting – January 31, 2018

Chairman Fillman presented the minutes provided to the board (3/7/2018 Board Package, Administrative Report, Tab 2).

MOTION: 2018-10

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

RESOLVED: That the board approves the minutes of the January 31, 2018, board meeting.

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

Chairman Fillman presented the report provided to the board (3/7/2018 Board Package, Administrative Report, Tab 3).

MOTION: 2018-11

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 December 31, 2017.

B. INTRODUCTION OF SERS STAFF CHANGES AND NEW STAFF

Chairman Fillman noted that Acting Executive Director, Tony Faiola, is out of the office for this meeting and Joe Torta has been filling in as Acting Executive Director. Also, Patricia Dence has left SERS and is now with the Pennsylvania Public School Employees' Retirement System (PSERS).

Mr. Lewis introduced Khalfani King, who started in the SERS Investment Office as an Investment Analyst for Public Markets.

Chairman Fillman introduced Toni Marchowsky, designee for Senator Vincent Hughes, attending her first SERS board meeting.

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

Presentation: 1. SERS Quarterly Performance Report (as of December 31, 2017)

Messrs. Johnson and Voytko presented the report provided to the board (3/7/2018 Board Package, Investment Report, Tab 10).

Presentation: 2. Investment Office Accomplishments

Mr. Lewis presented the report provided to the board (3/7/2018 Board Package, Investment Report, Tab 3).

D. EXECUTIVE SESSION

Presentation: 1. Agenda

At 9:55 a.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.

E. LUNCH BREAKF. PUBLIC MEETING RESUMES

The public meeting resumed at 2:05 p.m.

G. PERSONNEL COMMITTEE RECOMMENDATIONS

Action 1: The following motions were presented as a result of discussion in executive session.

MOTION: 2018-12

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

RESOLVED: That the board appoints Terrill Sanchez as Board Secretary and State Employees' Retirement System Executive Director pending necessary approvals, successful salary and start date negotiations.

MOTION: 2018-13

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

RESOLVED: That the board approves the pay increase for W. Bryan Lewis, State Employees' Retirement System Chief Investment Officer, effective March 1, 2018, recommended by the State Employees' Retirement Board Personnel Committee at its meeting on March 1, 2018.

See ATTACHMENT B for the Personnel Committee Recommendation.

H. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND NEPC, LLC

Presentation: 1. Real Estate Recommendation for Future Interviews – LaSalle Investment Management and hotel Asset Value Enhancement, Inc.

Messrs. Greenberg and Yang presented the report provided to the board (3/7/2018 Board Package, Investment Report, Tabs 8 and 9).

It was the consensus of the board to interview representatives of these managers at the April 25, 2018, board meeting.

Action: 1. Real Estate Interview - Mesirow Financial Real Estate Value Fund III, L.P.

Messrs. Blakney, Cripps, Greenberg and Yang presented the report provided to the board (3/7/2018 Board Package, Investment Report, Tab 12).

MOTION: 2018-14

By motion that was moved, seconded, and approved by board members, except Mr. Clancy, designee for Treasurer Torsella, who voted No, it was

RESOLVED: That the board orders to commit \$25 million, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, to Mesirow Financial Real Estate Value Fund III, L.P., as an investment within the Real Estate 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.

I. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND STEPSTONE GROUP LP

Presentation: 1. Multi-Strategy Recommendations for Future Interviews – ICG Europe Fund VII SCSp and ICG North American Private Debt Fund II, L.P.

Messrs. Felix, Morse and Elio presented the report provided to the board (3/7/2018 Board Package, Investment Report, Tabs 4 and 5).

It was the consensus of the board to interview representatives of these managers at the April 25, 2018, board meeting.

J. Investment Presentations and Reviews: SERS INVESTMENT OFFICE AND STEPSTONE GROUP LP

Presentation: 1. Private Equity Recommendations for Future Interview – Hahn & Company III, L.P. & Hahn & Company III-S, L.P.

Messrs. Felix, Morse and Elio presented the report provided to the board (3/7/2018 Board Package, Investment Report, Tab 6).

It was the consensus of the board to interview representatives of this manager at the April 25, 2018, board meeting.

Action: 1. ILPA Template Adoption

Mr. Lewis presented the report provided to the board.

MOTION: 2018-15

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

RESOLVED: That the board directs SERS Investment Office, in collaboration with the Office of Finance and Administration to make its best efforts to:

1. To request from general partners of new investment opportunities in private markets (e.g. private equity funds, private credit funds, real estate funds and hedge funds) to adopt and complete the Institutional Limited Partners Association (ILPA) fee disclosure template. This process will apply to new opportunities approved by the board, effective immediately.
2. To request from general partners of existing investments in private markets (e.g. private equity funds, private credit funds, real estate funds and hedge funds) to adopt and complete the Institutional Limited Partners Association (ILPA) fee disclosure template. SERS will start gathering the templates with an effective date of January 1, 2019.

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

Presentation: 1. Asset Allocation Education Session - TABLED

The report was provided to the board (3/7/2018 Board Package, Investment Report, Tab 2).

L. NEXT BOARD MEETING – APRIL 25, 2018

Chairman Fillman noted that the next regular meeting of the SERS board is scheduled for April 25, 2018.

M. MOTION TO ADJOURN

Action: 1. Adjournment

MOTION: 2018-16

By motion of Chairman Fillman, the board unanimously agreed to adjourn the meeting at 2:58 p.m.

Respectfully submitted,



Joseph A. Torta
Acting Executive Director

ATTACHMENT A

EXECUTIVE SESSION MINUTES

Meeting: April 6, 2018

Executive Session

1. **Personnel Committee**

2. **Fund Update**

3. **Real Estate Discussion**

4. **Notational Ballots**

Account of Willis W. Berry, Jr.

Docket No. 2016-03

Claim of Willis W. Berry, Jr.

Account of Mary Jane L. Book

Docket No. 2016-08

Claim of Mary Jane L. Book

5. **Litigation Update**

SERS PERSONNEL COMMITTEE RECOMMENDATION

DATE: March 1, 2018

The Personnel Committee recommends that the State Employees' Retirement Board approve an 8% pay increase for W. Bryan Lewis, CIO, effective March 1, 2018. This will increase Mr. Lewis's salary to approximately \$309,457.