



## news release

for immediate release

September 13, 2017

### **Pennsylvania SERS Announces Investment Returns, Approves \$700 million in New Investments, Establishes Transition Manager Pool**

HARRISBURG – The Pennsylvania State Employees’ Retirement System today announced a 3.3% return for the second quarter of 2017, resulting in a 7.2% net-of-fees return on investments that added nearly \$1.9 billion in earnings to the SERS Fund during the first half of 2017. For the one-year period ended June 30, 2017, the SERS Fund earned 12% net of fees.

“Strong performance from the Public and Private Equity asset classes contributed to the solid returns,” said SERS Chief Investment Officer Bryan Lewis. “We continue to focus on identifying and bringing to the board investment strategies that provide the highest opportunity of positive returns with an appropriate level of risk to meet our long-term, expected return.”

Returns by asset class were:

<b>Asset Class</b>	<b>Quarter ended 6/30/17</b>	<b>Calendar Year ended 6/30/17</b>
Global Public Equity	4.8%	12.0%
Private Equity	4.5	5.1
Real Estate	0.8	0.9
Hedge Funds	0.8	2.2
Fixed Income	1.0	3.0
Cash	0.6	0.8
<b>Total Fund</b>	<b>3.3%</b>	<b>7.2%</b>

As always with SERS’ investment performance reporting, all returns are reported net of fees and private equity and real estate returns lag by one quarter.

In other business, the board approved up to \$700 million in new commitments to the private equity, multi-strategy and real estate asset classes. The investments will be funded from cash subject to successful completion of contract negotiations.

Within the Private Equity asset class, the board approved a commitment of **up to \$50 million to GTCR Fund XII L.P.** as a follow-on investment to focus on middle market buyout investments in high-growth companies in North America.

Within the Multi-Strategy asset class, the board approved a commitment of **up to \$150 million to TSSP Adjacent Opportunities Partners, L.P.** to focus on the purchase or origination of opportunistic credit, special situations and distressed investments, and to engage in direct lending across the credit cycle through adjacent and crossover opportunities within the TSSP platform.

-more-

Within the Real Estate asset class, the board approved commitments of:

- **Up to \$50 million to SRE Opportunity Fund III, L.P.**, with **up to an additional \$50 million to a discretionary co-investment fund**. The strategy will focus on opportunistic commercial real estate properties located in the U.S. This is a new relationship for SERS.
- **Up to \$100 million to C-III Recovery Fund III L.P.**, to invest in value-add commercial real estate properties located in the U.S. This is a new relationship for SERS.
- **Up to \$300 million to Blackstone Property Partners L.P.**, to invest in core-plus commercial real estate properties located in the U.S. and Canada.

The board approved reallocating **\$200 million** from cash to the **Mellon Capital Management U.S. Aggregate Bond Index** within the Fixed Income asset class.

The board also approved retaining **Northern Trust** and contracting with **Loop Capital Markets, Penserra** and **Russell Investments** to establish a pool of transition managers that the system can utilize for asset restructuring on an as-needed basis.

Finally, the board directed staff to conduct three studies:

- One in partnership with the system's general investment consultant, RVK, to result in a three-year plan to reduce total investment fees, for the board's consideration later this year.
- One in cooperation with the Public School Employees' Retirement system and an independent expert consultant, to identify potential cost savings from operational and contracting consolidation with the school employees' system, and present them to the board for consideration within the next six months.
- One in partnership with the administrator of the commonwealth's voluntary 457 Deferred Compensation Plan for state employees, Empower Retirement, to develop a plan to increase participation in the program among currently eligible employees and to identify the steps necessary to expand eligibility to municipal employees across the commonwealth for the board's consideration within the next three months.

###

#### **Pennsylvania State Employees' Retirement System**

Established in 1923, SERS is one of the nation's oldest retirement plans for public employees, with more than 239,000 members and assets of more than \$27.6 billion. A wealth of information is available at [www.SERS.pa.gov](http://www.SERS.pa.gov).

#### **for more information**

Pamela Hile | 717.787.9657 | [phile@pa.gov](mailto:phile@pa.gov)