Global Private Equity Portfolio Review
Staff presented a review of SERS’ $1.37 billion global private equity portfolio.

The role of the broadly-diversified portfolio is to provide risk adjusted returns in excess of those provided by publicly traded equities, with the objective of outperforming the Burgiss All Private Equity (BAPE) benchmark.

Since 2013, the private equity portfolio has been self-funded, meaning distributions from existing investments have been high enough to provide capital for new investments. In fact, distributions have been so good that the private equity portfolio has generated positive cash flow for the total fund. Net of fees, the private equity portfolio has realized returns of more than 11% over the one-, three-, five-, and ten-year periods.

Currently, investments in the private equity portfolio consist of 75% buyouts, 20% special situations, and 5% venture capital. SERS has been successful in the middle market buyout strategy and has been growing the special situations strategy. Because of the difficulty in getting exposure to the top quartile of venture capital funds and because of the high risk associated with this strategy, staff expects SERS’ exposure to venture capital to be completely eliminated in the near future.

Staff continues to focus on fee structure and fee-saving opportunities when appropriate. In certain cases, SERS gets reduced fees for being early investors, when participating in co-investments, and for being a large investor. Private equity fees have stabilized at 1.5%, which is down from 2% in 2013.

The FY2019 objectives include researching and identifying new managers that offer compelling opportunities and return expectations; actively seeking co-investment opportunities with current SERS private equity partners that meet SERS’ current co-investment criteria; and continuing SERS’ active participation in the Institutional Limited Partners Association and encouraging general partners to conform as well.

SERS Commits to Two Investments
The SERS Staff Investment Committee approved two commitments within the System’s multi-asset strategies portfolio.

The investments include a $30 million commitment to Parametric Defensive Equity Fund, a multi-strategy fund, and a $30 million commitment to PineBridge Global Dynamic Asset Allocation, a global dynamic asset allocation fund.

These investments will be funded from cash reserves.
Total Fund Update

**TOTAL FUND BALANCE**

<table>
<thead>
<tr>
<th></th>
<th>July 31</th>
<th>August 31</th>
<th>Difference</th>
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<tbody>
<tr>
<td></td>
<td>$14.45 billion</td>
<td>$14.46 billion</td>
<td>▲ $10 million</td>
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**TOTAL FUND RETURN (net of fees)**

<table>
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<th>Fiscal Year</th>
<th>Calendar Year</th>
<th>3-Year</th>
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<tr>
<td>▲ 1.83%</td>
<td>▲ 3.21%</td>
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**TOTAL FUND RETURN vs. BENCHMARK**

<table>
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<tr>
<th>Fiscal Year</th>
<th>Calendar Year</th>
<th>3-Year</th>
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</thead>
<tbody>
<tr>
<td>▲ 0.02%</td>
<td>▲ 0.37%</td>
<td>▲ 1.00%</td>
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Aetna Medicare Advantage Contract Approved

The Board approved execution of a new Aetna Medicare Advantage PPO contract.

In November 2017, Nicole Bianco, senior consultant from independent consultant Willis Towers Watson, offered analysis of the current state of the SERS health care program. Along with its overview, Willis Towers Watson presented a strategic multi-year action plan and priority list which included a recommendation that the Aetna contract be maintained on the basis of low claims trend and positive CMS revenue delivered to SERS.

At the April 2018 Board Meeting, SERS’ former health care director shared the department’s plan to re-contract with Aetna beginning in 2019. In June, the SERS Board approved a reduction in the Medicare specialist co-pay and approved a reduction for the 2019 Medicare premium rates.

The new five-year Aetna contract is effective January 1, 2019.

Executive Director’s Update

*Positive Messaging Campaign Continues*

In August, SERS’ staff began a “Get to Know SERS” campaign to graphically highlight some important organizational accomplishments. Staff continues to share facts twice per week via SERS’ social media channels and website. Our most popular infographic reached over 15,000 people on Facebook.

The infographics can be viewed on [Facebook](https), [Twitter](https), and [SERS’ website](https).

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SERS’ Investment staff is **Working for You**

Over the last five years, staff has reduced investment fees by 17%, saving SERS more than **$61 million**.
Monthly Retirement and Survivor Benefit Transactions
For October, the SERS Board approved 364 active members for service retirements, and 14 survivor benefits for spouses and/or dependents.

November Meeting Dates
The next Board meeting will take place Thursday, November 15, and Friday, November 16, at 8:30 a.m.