

# Commonwealth of Pennsylvania Public School Employees' Retirement System

DATE: November 15, 2017

SUBJECT: Proposed Revisions to Investment Policy Statement, Objectives, and Guidelines

TO: Members of the Board

FROM: Joseph W. Sheva, CPA  
Senior Risk Manager

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At the December Investment Committee meeting, staff will recommend that the Board adopt the Investment Policy Statement, Objectives and Guidelines (IPS) revisions to sections V. Performance Objectives and VI. Risk Management and Controls as noted below.

## **V. Performance Objectives – Policy Index:**

Staff, Aon and Hamilton Lane recommend several key changes to the Private Markets performance benchmark calculation methodology, which are included as an attachment to this memo. In addition, Staff recommends that the benchmark change be effective July 1, 2017 for the current fiscal year, with a revision of the past 20 quarters, including the most recent quarter. The changes are expected to result in an improved performance metric for the Private Markets asset class. The Fund's overall risk profile is unchanged by this recommendation.

## **VI. Risk Management and Controls – Public Market Investment Manager Target Ranges & Private Market and Real Estate Discretionary Structure Capital Limits:**

Staff recommends increasing the limit for each initial investment from \$15 million to \$25 million for the public and private market in-house co-investment strategies. The limit is necessary to provide implementation flexibility to the various in-house co-investment programs, which have been very successful in reducing fees and adding alpha for the Fund. The Fund's overall risk profile is unchanged by this recommendation.

The blacklined excerpt and a clean copy of the above recommendations, along with information provided by Hamilton Lane and Aon, have been included in the package for your review. In addition, Also, staff from Aon will be present at the Investment Committee meeting to answer any questions regarding the recommendations.

If you have any questions or comments, please contact me at 717-720-4632.