

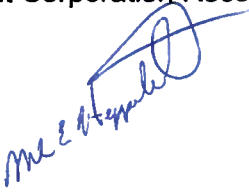
Commonwealth of Pennsylvania Public School Employees' Retirement System

DATE: September 18, 2013

SUBJECT: SEI Investments Management Corporation Recommendation

TO: Members of the Board

FROM: Mark E. Heppenstall, CFA
Managing Director, Fixed Income



At the October Finance Committee meeting, staff will recommend that PSERS invest \$100 million in a separate account Collateralized Loan Obligations (CLO) mandate to be managed by David Aniloff, Portfolio Manager at SEI Investments along with the associated Investment Objectives and Guidelines (Addendum I-2) for this mandate.

CLOs invest in a broadly diversified pool of senior secured loans and represent one of the best performing sectors within the structured credit markets since the beginning of the financial crisis in 2007/2008. We believe Mr. Aniloff will be able to source attractive investment opportunities within both the primary and secondary CLO markets due to his experience analyzing CLO collateral in addition to well established relationships with CLO collateral managers.

A well-run and conservatively managed CLO portfolio will improve the return potential within the PSERS Core Domestic Bond Allocation, especially in a rising interest rate environment as most CLO debt tranches have floating rate coupons.

SEI is a Pennsylvania based manager with headquarters in Oaks, Pennsylvania and employs over 2,100 in the Commonwealth.

Included for your review are Wilshire's analysis of SEI and the CLO portfolio management team, a PowerPoint presentation prepared by staff, a PowerPoint presentation prepared by SEI, proposed Investment Objectives and Guidelines for Collateralized Loan Obligation Fixed Income Portfolios (Addendum I-2), and the resolutions recommending an investment in the strategy and approval of the guidelines. Representative from SEI will be here to present this investment opportunity to the Committee.

If you have any questions or comments regarding this recommendation, please contact me at 717-720-4726.