

**MINUTES of SERS Finance & Member Services Committee Meeting – Wednesday, April 24, 2019**

**Attendees:**

**Committee Members and Designees**

Stephen S. Aichele

David R. Fillman

John DiSanto

Mary A. Soderberg

Michael G. Tobash

**Other Board Members and Designees**

Joseph M. Torsella

Charles Erdman – Designee for Senator John DiSanto

Jill Vecchio – Designee for Representative Michael G. Tobash

Dan Ocko – Designee for Representative Dan B. Frankel

Bernie Gallagher – Designee for Representative Dan B. Frankel

Toni Marchowsky – Designee for Senator Vincent J. Hughes

Thomas Clancy – Designee for Treasurer Joseph M. Torsella

Brian LaForme – Designee for Secretary Robin Wiessmann

Leo Pandeladis – Designee for Secretary Robin Wiessmann

Alan Flannigan – Designee for Secretary Robin Wiessmann

Lloyd Ebright – Designee for Treasurer Joseph M. Torsella

**State Officials and Visitors**

Alicia James, Public School Employees' Retirement System

Craig Graby, Korn Ferry Hay Group

Brent Mowery, Korn Ferry Hay Group

Kris Seets, Korn Ferry Hay Group

Jim Rohlinger, Empower Retirement

**Staff**

Rose Agnew

Bryan Lewis

Randy Albright

N. Joseph Marcucci

Terrill Sanchez

Joseph Torta

Don Bell

Thomas Derr

Karen Lynn

Randy Gilson

Pam Hile

Kevin Kiehl

Christopher Houston

Barbara Kiral

Jeffrey McCormick

Ryan McCoy

Sara McSurdy

James Nolan  
Jason Giurintano  
M. Catherine Nolan  
David Sedlak  
Sharon Smith  
Dhanashree Chitnis  
Myisha Ebersole  
David Felix  
Jonathan Ferrar  
Phillip Greenberg  
Khalfani King  
Dan Krautheim  
Katie Mathews  
Matthew Meads  
Ryan Morse  
Joel Rimby  
Bruce Thomas  
William Troung  
David Kuntch

**1. Call to Order**

9:30 a.m. by Chairperson of the Committee, Mary A. Soderberg

**2. Welcome and Introductions**

**a. New Members**

The Committee has two new members, State Senator John DiSanto and House Representative Mike Tobash.

**3. Approval of Minutes**

By motion that was moved, seconded, and approved by Committee members, it was RESOLVED: That the Committee approves the minutes of the February 27, 2019 and March 15, 2019, Finance and Member Services Committee meetings.

**4. Old Business**

**a. Statement of Changes**

Statement of Changes in Fiduciary Net Position for the periods ending January 31 and February 28, 2019 were submitted to be included on the Consent Calendar.

**5. Special Presentation**

**a. Korn Ferry presentation of 2018 actuarial valuation results and the fiscal year 2019/2020 certification of contribution rates.**

Korn Ferry presented the 2018 actuarial valuation results. The total actuarial accrued liability was approx. \$51.8B, actuarial value of assets was approx. \$29.0B, with the resulting unfunded liability totaling \$22.8B. Funded Status dropped from 59.4% in 2017 to 56.0% in 2018, mainly

due to the investment return of -4.6% being significantly lower than the long-term investment rate of return of 7.25%. The Committee also certified the Fiscal Year 2019/2020 contribution rates via Committee motion.

By motion that was moved, seconded, and approved by Committee members, it was RESOLVED That the State Employees' Retirement Board:

(A) approve the results of the 2018 actuarial valuation; and for the fiscal year 2019/2020, certify the following contribution rates:

1. Shared risk contribution rate of 0.0%;
2. Employer normal cost contribution rate of 1.25%;
3. Composite employer contribution rate necessary for the funding of the system of 33.53%; and
4. Employer contribution rates by group and class of service of employees as set forth in the actuarial valuation as calculated by the Korn Ferry Hay Group, Inc. ("SERS' Consulting Actuary") pursuant to Section 5508 of the State Employees' Retirement Code.

(B) authorize SERS' staff and SERS' Consulting Actuary to use these rates to develop all the employer rates for the period of July 1, 2019, to June 30, 2020, pursuant to Section 5902(k) of the State Employees' Retirement Code;

(C) establish an employer contribution rate of 0.06% for the Fiscal Year 2019/2020 to fund the Benefits Completion Plan established pursuant to Section 5941 of the State Employees' Retirement Code; and

(D) authorize the Executive Director to certify such rates to all employers with employees who are active members of SERS and to the Secretary of the Budget.

## **6. New Business**

### **Discussion Items**

#### **a. Office of Finance and Administration Update**

Sara McSurdy, Assistant CFO and current Acting CFO presented an Office of Finance and Administration update. OFA is currently focusing on the 2018 year-end financial close - producing draft statements for the Defined Benefit Plan and Deferred Compensation Plan as well as working with other SERS bureaus on CAFR preparation. OFA as a whole has been working very well as a team during this very busy time and continues to fill vacancies.

- i. Terri Sanchez, Executive Director, announced selection of the Chief Financial Officer Alicia James, who is currently the Internal Auditor at PSERS' with a start date of 6/24/19.

#### **b. Office of Member Services Update**

Joe Torta, Director of the Office of Member Services, provided an update to the Act 5 Member Statistics. As of 4/2/19 only 1.5% of the new hires since 1/1/19 had opted into the Defined Contribution Plan, and 2.5% opted into the Class A-6 Hybrid Plan. Out of the approximately 81,000 active members hired before 12/31/2018 who were eligible to opt into one of the Class A5 and A6 Hybrid tiers, or the Defined Contribution Plan only 70 elected to do so. Per the new strategic model effective 7/1/19, the responsibility for customer service needs for all new hires would be shifted from Office of Finance and Administration to Office of Member services. This is in an effort to better serve their Defined Benefit Plan and

Defined Contribution Plan needs. SERS recently contracted with Parker Phillips to conduct webinars and outreach to new hires.

**c. Looking Ahead to Future Meetings**

Sara McSurdy provided an outline of key topics for future Committee meetings.

**7. Board Comments/Concerns/Questions**

Monitor progress made on full funding and stress testing PPM AIRC recommendations. Address any additional recommendations when SERS staff finds it appropriate to move forward.

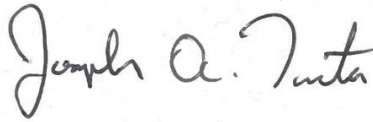
**8. Motion to Adjourn**

By motion that was moved by Mary Soderberg and approved unanimously by Committee members, it was RESOLVED: That this meeting is adjourned at 10:42 a.m.

Respectfully submitted,



Sara McSurdy  
Acting Chief Financial Officer



Joseph Torta  
Director of Member Services