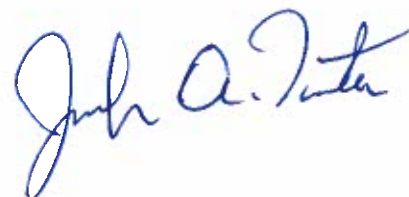


**MINUTES of SERS Board Meeting – Tuesday, June 18, 2024**

**CALLED TO ORDER: 10:28 a.m. by Chair Gregory C. Thall**

**IN-PERSON/MICROSOFT TEAMS MEETING/LIVESTREAM**



**ATTENDEES:**

**Members and Designees**

Gregory C. Thall – Chair	in Person
John M. DiSanto	in Person
Donald Enders Jr.	in Person
W. Russell Faber	in Person
Dan B. Frankel	via Teams
Stacy Garrity	Absent
J. David Henderson	in Person
Vincent J. Hughes	Absent
Brett R. Miller	in Person
Uri Monson	Absent
Wendy Spicher	in Person
Christopher Craig – Designee for Treasurer Stacy Garrity	in Person
Seamus Dubbs – Designee for Secretary Wendy Spicher	in Person
Lloyd Ebright – Designee for Treasurer Stacy Garrity	Absent
Charles Erdman – Designee for Senator John M. DiSanto	Absent
Michael Heckmann – Designee for Representative Brett R. Miller	Absent
Matt Lindsay – Designee for Senator Vincent J. Hughes	in Person
Jordan Laslett – Designee for Representative Dan B. Frankel	via Teams
Toni Marchowsky – Designee for Senator Vincent J. Hughes	via Teams
Matt McCarry – Designee for Representative Dan B. Frankel	via Teams
Dan Ocko – Designee for Representative Dan B. Frankel	via Teams
Eric Pistilli – Designee for Secretary Wendy Spicher	Absent
Jeffrey Soderstedt – Designee for Secretary Wendy Spicher	via Teams
Thomas Waters – Designee for Treasurer Stacy Garrity	via Teams

**Executive Staff**

N. Joseph Marcucci	in Person
Sara McSurdy	Absent
James Nolan	in Person
Joseph Torta	in Person

**Consultant**

Britt Murdoch, Callan LLC	via Teams
Tom Shingler, Callan LLC	via Teams
Matthew Ritter, NEPC, LLC	via Teams

**SERS Staff**

Kelly Bernhard	in Person
Beth Christian	in Person
Cindy Collins	in Person
Jo Ann Collins	in Person
Brenda Cunard	in Person
Thomas Derr	via Teams
Taylor Frey	in Person
Randy Gilson	in Person
Dan Krautheim	in Person
Katie Mathews	in Person
Ryan McCoy	in Person
Michael McGeoy	in Person
M. Catherine Nolan	in Person
Jon Ryan	in Person
Brett Shaffer	in Person
Steven Skoff	in Person
Matthew Soule	in Person
William Truong	in Person
Mark Walter	in Person
Sheila Willrich	in Person
Shannon Zimmerman	in Person

## **MINUTES of the SERS Board Meeting TUESDAY, June 18, 2024**

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### **1. CALL TO ORDER**

Chair Gregory Thall called the meeting to order at 10:28 a.m.

### **2. WELCOME AND ROLL CALL**

A. Executive Director Joseph Torta conducted a roll call of board members and designees. A quorum was met.

### **3. ADOPTION OF THE AGENDA**

#### **MOTION: 2024-30**

By motion that was moved, seconded, and approved unanimously by board members, it was

**RESOLVED:** That the board adopt the agenda for the June 18, 2024, board meeting.

### **4. APPROVAL OF CONSENT CALENDAR**

#### **MOTION: 2024-31**

By motion that was moved, seconded, and approved unanimously by board members, it was

**RESOLVED:** That the board approve the Consent Calendar items, as listed, for the June 18, 2024, board meeting.

- A. Approving Board Meeting Minutes – May 7, 2024, Regular Meeting and May 22, 2024, Special Meeting
- B. Defined Benefit Plan Statement of Changes in Fiduciary Net Position for the Period Ending – December 31, 2023, January 31, 2024, February 29, 2024
- C. Deferred Compensation Plan (DCP) Statement of Changes in Net Position Available for Benefits for the Period Ending – December 31, 2023, January 31, 2024, February 29, 2024
- D. Defined Contribution Plan Statement of Changes in Fiduciary Net Position for the Period Ending – December 31, 2023, January 31, 2024, February 29, 2024

### **5. COMMITTEE REPORTS/ACTION ITEMS**

#### **A. Finance and Member & Participant Services Committee**

Committee Chair Dan Frankel presented a report of the Finance and Member & Participant Services Committee meeting of June 11, 2024, to the board. No action was taken.

#### **B. Audit, Risk and Compliance Committee**

Designee Christopher Craig on behalf of Committee Chair Stacy Garrity presented a report of the Audit, Risk, and Compliance Committee meeting of June 11, 2024, to the board. The following actions were taken:

### **RESULT OF THE 2023 INDEPENDENT AUDIT**

#### **MOTION: 2024-32**

By motion that was moved, seconded, and approved unanimously by board members, it was

**RESOLVED:** That the State Employees' Retirement Board accept the recommendation of the Audit, Risk and Compliance Committee to accept:

1. The audited 2023 Financial Statements with Required Supplementary Information with Independent Auditors' Report for Years Ended December 31, 2023, and December 31, 2022, of the Commonwealth of Pennsylvania State Employees' Retirement System and State Employees' Defined Contribution Plan, and

2. The audited 2023 Financial Statements with Required Supplementary Information with Independent Auditors' Report for Years Ended December 31, 2023, and December 31, 2022, of the Commonwealth of Pennsylvania Deferred Compensation Plan, as presented by our independent auditors, KPMG LLP.

John M. DiSanto		Yes
Donald Enders Jr.		Yes
W. Russell Faber		Yes
Dan B. Frankel		Yes
Stacy Garrity	Designee Christopher Craig	Yes
J. David Henderson		Yes
Vincent J. Hughes	Designee Matt Lindsay	Yes
Brett R. Miller		Yes
Uri Monson		Absent
Wendy Spicher		Yes
Gregory C. Thall		Yes

**SOC 1 TYPE 2 AUDIT VENDOR PROCUREMENT**

**MOTION: 2024-33**

By motion that was moved, seconded, and approved unanimously by board members, it was **RESOLVED:** That, based on the results of the technical evaluation and recommendation from the Issuing Officer, the State Employees' Retirement Board accept the recommendation of the Audit, Risk and Compliance Committee to approve the Issuing Officer Recommendation and authorize the Issuing Office to award the contract and to proceed with contract negotiations with the selected vendor, to be publicly named at a later date after successful contract negotiations.

John M. DiSanto		Yes
Donald Enders Jr.		Yes
W. Russell Faber		Yes
Dan B. Frankel		Yes
Stacy Garrity	Designee Christopher Craig	Yes
J. David Henderson		Yes
Vincent J. Hughes	Designee Matt Lindsay	Yes
Brett R. Miller		Yes
Uri Monson		Absent
Wendy Spicher		Yes
Gregory C. Thall		Yes

**C. Board Governance and Personnel Committee**

Committee Chair Gregory Thall presented a report of the Board Governance and Personnel Committee meeting of June 11, 2024, to the board. The following actions were taken:

**BOARD POLICIES REVIEW (PHASE EIGHT)**

**MOTION: 2024-34**

By motion that was moved, seconded, and approved unanimously by board members, it was **RESOLVED:** That the State Employees' Retirement Board accept the recommendation of the Board Governance and Personnel Committee to adopt the *Policy for Indemnification of Board Members, Designees, Officers and Employees*, as set forth in the attachment (ATTACHMENT A).

John M. DiSanto		Yes
Donald Enders Jr.		Yes
W. Russell Faber		Yes
Dan B. Frankel		Yes
Stacy Garrity	Designee Christopher Craig	Yes
J. David Henderson		Yes
Vincent J. Hughes	Designee Matt Lindsay	Yes
Brett R. Miller		Yes
Uri Monson		Absent
Wendy Spicher		Yes
Gregory C. Thall		Yes

**D. Investment Committee**

Assistant Committee Chair Wendy Spicher presented a report of the Investment Committee meeting of June 11, 2024, to the board. The following actions were taken:

**PUBLIC EQUITY MANAGER STRUCTURE STUDY**

**MOTION: 2024-35**

By motion that was moved, seconded, and approved unanimously by board members, it was

**RESOLVED:** That the State Employees’ Retirement Board accept the recommendation of the Investment Committee to:

1. Adopt the proposal to decrease the target allocation to the Emerging Markets Equity asset class by 3%, increase the U.S. Equity asset class by 3%, and approve the corresponding updates to the SERS Defined Benefit Plan’s Investment Policy Statement; and
2. Delegate authority to the Chief Investment Officer to liquidate Emerging Markets Equity portfolios that do not fit the new structure, as set forth in the attachment (ATTACHMENT B).

Notification of all implementation actions pursuant hereto shall be provided at the next regularly scheduled Investment Committee or Board meeting.

John M. DiSanto		Yes
Donald Enders Jr.		Yes
W. Russell Faber		Yes
Dan B. Frankel		Yes
Stacy Garrity	Designee Christopher Craig	Yes
J. David Henderson		Yes
Vincent J. Hughes	Designee Matt Lindsay	Yes
Brett R. Miller		Yes
Uri Monson		Absent
Wendy Spicher		Yes
Gregory C. Thall		Yes

**IPI PARTNERS III-A, L.P. REAL ESTATE RECOMMENDATION**

**MOTION: 2024-36**

By motion that was moved, seconded, and approved by board members, it was

**RESOLVED:** That the State Employees’ Retirement Board accept the recommendation of the Investment Committee to commit up to \$100 million to IPI Partners III-A, L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as an investment within the

Real Estate asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

John M. DiSanto		Yes
Donald Enders Jr.		Yes
W. Russell Faber		Yes
Dan B. Frankel		Yes
Stacy Garrity	Designee Christopher Craig	Yes
J. David Henderson		Yes
Vincent J. Hughes	Designee Matt Lindsay	No
Brett R. Miller		Yes
Uri Monson		Absent
Wendy Spicher		Yes
Gregory C. Thall		Yes

6. OLD BUSINESS – NONE

7. NEW BUSINESS - NONE

8. SPECIAL PRESENTATION - NONE

9. REPORTS OF EXECUTIVE DIRECTOR AND AGENCY STAFF

A. Executive Director Torta provided the following Legislative Updates:

(i) There has been little movement since our most recent legislative update that was provided a few weeks ago. We have noted continued public discussion regarding Cost-of-Living-Adjustment (COLA) legislation.

10. EXECUTIVE SESSION

- A. Chief Compliance Officer Report on Board Referrals
- B. Benefits Administration and Appellate Litigation Update
- C. Notational Ballot
  - Account of Zhaojin Ke
  - Docket No. 2021-04
  - Claim of Zhaojin Ke
- D. Actuarial Replication Audit Bid Protest

At 10:49 a.m., the board recessed and entered executive session to receive reports and legal advice on other executive session agenda items. The public meeting resumed at 11:10 a.m.

11. SPECIAL AUDIT, RISK AND COMPLIANCE COMMITTEE

Designee Christopher Craig on behalf of Committee Chair Stacy Garrity presented a report of the Special Audit, Risk and Compliance Committee meeting of June 18, 2024, to the board. The following actions were taken:

INDEPENDENT ACTUARY REPLICATION AUDIT – RFP 23-023

**MOTION: 2024-37**

By motion that was moved, seconded, and approved by board members, it was

**RESOLVED:** That the State Employees' Retirement Board grant the bid protest made in the procurement of Independent Actuary Replication services under Request for Proposal "SERS – RFP 23-023", have the Bid

Protester’s proposal reviewed by the SERS – RFP 23-023 technical evaluation committee, and authorize the Board Secretary to provide the appropriate written notice to the Bid Protester.

John M. DiSanto		No
Donald Enders Jr.		No
W. Russell Faber		Yes
Dan B. Frankel		Yes
Stacy Garrity	Designee Christopher Craig	Yes
J. David Henderson		Yes
Vincent J. Hughes	Designee Matt Lindsay	Yes
Brett R. Miller		No
Uri Monson		Absent
Wendy Spicher		Yes
Gregory C. Thall		Yes

**12. BOARD COMMENTS/ANNOUNCEMENTS/DATES TO REMEMBER**

July 23, 2024 – next regularly scheduled committee meetings

July 30, 2024 – next regularly scheduled board meeting

July 29-30, 2024 – Board Retreat

**13. MOTION TO ADJOURN**

**MOTION: 2024-38**

By motion of Chair Thall, the board unanimously agreed to adjourn the meeting at 11:14 a.m.

Respectfully submitted,

Joseph A. Torta  
Executive Director



**Policy Name:** Policy for Indemnification of Board Members, Designees, Officers and Employees  
**Policy Number:** 2018 POL-BD-01  
**Effective Date:** January 14, 2004, as amended June 18, 2024  
**Reviewed Date:** April 5, 2024; June 11, 2024  
**Applies To:** SERS Board Members, Designees, Officers and Employees  
**Contact Person:** SERS Chief Counsel's Office

Section 1: Definitions.

For purposes of this Policy for Indemnification,

(a) "Indemnitee" shall mean each current or former (i) Board member, (ii) duly appointed designee of a Board member, (iii) officer, or (iv) employee (including, without limitation, the attorneys in SERS' Office of Chief Counsel) of SERS who was or is a party to, or is threatened to be made a party to, or is otherwise involved in, any Proceeding, by reason of the fact that such person is or was a Board member, designee of a Board member, officer or employee of SERS or is or was serving in any capacity at the request of, under the supervision and control of, or for the benefit of SERS as a director, officer, employee, agent, partner, or fiduciary of, or in any other capacity for, any corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise; and

(b) "Proceeding" shall mean any threatened, pending or completed action, suit or proceeding (including, without limitation, an action, suit or proceeding by or in the right of SERS), whether civil, criminal, administrative, investigative or through arbitration or other means of alternative dispute resolution. If a Board member, officer or employee of SERS serves as a director, officer, employee, agent, partner or fiduciary of another entity and (i) SERS has at least 50% equity in such other entity and such person has no equity interest in such other entity, or (ii) such other entity is directly or indirectly controlled by SERS, such person shall be presumed (unless SERS produces clear and convincing evidence to the contrary) to be serving in the position with the other entity at the request of, under the supervision and control of, and for the benefit of SERS.

Section 2: Indemnification and Insurance.

(a) Indemnification of Board Members, Designees, Officers and Employees.

(i) Each Indemnitee shall be indemnified and held harmless by the State Employees' Retirement System ("SERS") for all actions taken by such Indemnitee and for all failures to take action (regardless of the date of any such action or failure to take action) to the fullest extent permitted by Pennsylvania law against all expense, liability and loss (including without limitation attorneys' fees, judgments, fines, taxes, penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Indemnitee in connection with any Proceeding. No indemnification pursuant to this Section 2 shall be made, however, in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court



or other tribunal to have constituted criminal conduct, fraud, gross negligence, willful misconduct or recklessness. All amounts advanced by SERS in Section 2 (b) for legal fees and expenses incurred in the defense of any Proceeding where the act or failure to act giving rise to the claim for indemnification is determined by a court or other tribunal to have constituted criminal conduct, fraud, gross negligence, willful misconduct, or recklessness shall be refunded to SERS.

(ii) The right to indemnification established in this Section 2 shall include the right to have the expenses reasonably incurred by the Indemnitee in defending any Proceeding paid by SERS in advance of the final disposition of the Proceeding, *provided*, that each such Indemnitee shall provide to SERS a written and signed acknowledgement by the Indemnitee to refund the amounts so advanced if it is ultimately determined that the Indemnitee is not entitled to indemnification under this Section 2.

(iii) Indemnification pursuant to this Section 2 shall continue as to an Indemnitee who has ceased to be a Board member, designee of a Board member, officer, or employee of SERS and shall inure to the benefit of such person's legal representatives, heirs, executors and administrators.

(b) Defense of Proceedings.

(i) Upon an Indemnitee's receipt of notice of the commencement of any Proceeding for which such Indemnitee intends to seek indemnification under this Policy for Indemnification, such Indemnitee shall give prompt written notice to SERS (to the attention of the Executive Director and the Chief Counsel) ("Indemnification Request"). In the defense of such Proceeding, the Indemnitee may either: (1) retain counsel of his or her choice at Reasonable Prevailing Market Rates, with SERS to advance the fees and expenses of such counsel, subject to Section 2 (b)(iii) ("Indemnitee Retained Counsel"), or (2) request SERS to assume the defense through counsel of SERS' choice ("SERS Counsel"). As used in this Policy, the term "Reasonable Prevailing Market Rates" shall mean the rates charged by attorneys with substantially similar experience and expertise within the particular geographic market area as Indemnitee Retained Counsel.

(ii) The Indemnification Request shall clearly set forth Indemnitee's election to either retain Indemnitee Retained Counsel, along with the identity of Indemnitee Retained Counsel and their rates applicable to the engagement ("Counsel Fee Rates"), or to have SERS Counsel assume the defense.

(iii) If Indemnitee elects to retain Indemnitee Retained Counsel, SERS shall, as soon as reasonably practicable, but not more than five (5) business days after the receipt of the Indemnification Request, review the Counsel Fee Rates to determine whether said Counsel Fee Rates are Reasonable Prevailing Market Rates and give written notice to Indemnitee of SERS' determination as to whether they are Reasonable Prevailing Market Rates ("Reasonableness Determination"). If the Reasonableness Determination provides that the Counsel Fee Rates are not reasonable, SERS shall indicate the maximum Counsel Fee Rate that

it will advance, with the Indemnitee to assume responsibility for the difference. If Indemnitee is unwilling to assume responsibility for the difference, Indemnitee may, within five (5) business days of Indemnitee's receipt of the Reasonableness Determination, request SERS Counsel pursuant to Section 2 (b)(i) above.

(iv) If Indemnitee elects to request SERS Counsel to assume the defense, SERS shall notify Indemnitee of the identity of counsel appointed to represent the Indemnitee. If a Proceeding results in more than one Indemnitee electing SERS Counsel, in the absence of any apparent conflict(s) of interest, SERS in its sole discretion may choose a single SERS Counsel to represent each Indemnitee or choose separate SERS Counsel to represent one or more Indemnitees. If SERS does appoint counsel to represent an Indemnitee either individually or together with one or more other Indemnitee(s), an Indemnitee may engage other counsel to participate in the defense of such Proceeding, but the fees and expenses of such other counsel shall be paid solely by the Indemnitee and shall not be reimbursed by SERS unless SERS shall otherwise agree in writing.

(v) SERS shall have authority to settle any claim involving only monetary relief to be paid solely by SERS. SERS shall not settle any other claim without the prior written consent of the Indemnitee.

(c) Claims for Indemnification and Advancement of Expenses. To the extent that an Indemnitee has incurred actual expenses in defense of any Proceeding or in defense of any claim, issue or matter therein, and has not been determined by a court or other tribunal to have engaged in criminal conduct, fraud, gross negligence, willful misconduct, or recklessness pursuant to Section 2(a)(i) above for the acts or failure to act giving rise to said Proceeding, SERS shall indemnify such person against expenses (including attorneys' fees, but subject to the limitations in Sections 2(a)(i) and 2(b) above) actually and reasonably incurred by such person in connection therewith. If indemnification under this Section 2 or advancement of expenses are not made or paid by SERS, or on its behalf, within ninety (90) days after a written claim for indemnification or a request for an advancement of expenses by an Indemnitee has been received by SERS, such Indemnitee may, at any time thereafter, bring suit against SERS in the Commonwealth of Pennsylvania Board of Claims ("Board of Claims") to recover the unpaid amount of the claim and/or the advancement of expenses. If indemnification and/or advancement of expenses is obtained by an Indemnitee, in whole or in part, as a result of such suit in the Board of Claims, then the expenses reasonably incurred by such Indemnitee in connection with obtaining such indemnification and/or advancement of expenses shall also be indemnified by SERS.

(d) Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses provided in this Policy for Indemnification shall not be exclusive of any other rights that any person may have or hereafter may acquire under any statute, regulation, management directive, or otherwise.

(e) Insurance. SERS may self-insure or purchase and maintain insurance, at its expense, for the benefit of any person on behalf of whom insurance is permitted to be purchased by Pennsylvania law against any expense, liability, or loss, in whole or in part, whether or not SERS would have the power to indemnify such person under Pennsylvania law. SERS may also self-insure or purchase and maintain insurance to insure its indemnification obligations whether arising hereunder or otherwise.

(f) Fund for Payment of Indemnification Obligations. To the extent permitted by law, SERS may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise may secure in any manner its indemnification obligations under this Policy for Indemnification.

(g) Limitations on Indemnification. Notwithstanding the foregoing provisions,

(i) indemnification of an Indemnitee for any one claim or series of related claims based on the same action or failure to take action shall be limited to twenty-five million dollars (\$25,000,000); no indemnification shall be provided to the extent an Indemnitee receives reimbursement under insurance policies or state programs of self-insurance, but in the event that such a claim is covered under an insurance policy maintained by SERS or a self-insurance plan established by SERS, the twenty-five million (\$25,000,000) dollar limit of indemnification stated in this section 1(g) shall be applied to cover any liability that is in excess of the limit of liability of such insurance policy or self-insurance plan; and

(ii) no indemnification shall be provided in cases involving any personal profit or advantage to which an Indemnitee was not legally entitled.

(h) Indemnitee Responsibility.

(i) SERS will not provide a defense to an Indemnitee whose failure to notify SERS promptly of a Proceeding giving rise to a claim of Indemnification has jeopardized the defense of such Proceeding, and SERS will not indemnify the Indemnitee for the expense of a judgment under these circumstances.

(ii) If SERS provides a defense to an Indemnitee, the Indemnitee shall cooperate fully in the defense of the Proceeding.

(iii) To the extent SERS is indemnifying and Indemnitee, the Indemnitee is deemed to authorize SERS to settle the Proceeding as it deems appropriate and is deemed to authorize SERS to make other legal and strategy decisions relating to defense of the Proceeding as it determines to be appropriate.

(i) Employee Liability Self-Insurance Program (ELSIP). In the event that an Indemnitee makes a claim for indemnification or reimbursement for the defense of a Proceeding under this Policy, and such Proceeding involves a claim of personal injury liability to be borne by the Indemnitee, SERS may first initiate a claim with the Commonwealth of Pennsylvania, Department of General Services (DGS), for coverage under ELSIP. To the extent that DGS approves eligibility of coverage under ELSIP, the claim for indemnification under section 2 of this Policy shall be limited to any remaining claims not covered by ELSIP.

### Section 3. Amendment.

(a) The provisions of this Policy for Indemnification shall constitute a contract between SERS and each Indemnitee that may be modified as to any Indemnitee only with that person's consent or as specifically provided in this Section 3. This Policy for Indemnification may be repealed or amended without the consent of an Indemnitee for whom such repeal or amendment is adverse so long as such repeal or amendment applies to such Indemnitee only on a prospective basis and does not limit the rights of such Indemnitee to indemnification or to the advancement of expenses with respect to any action or failure to act occurring prior to the time of such repeal or amendment.

**Document Properties**

- a. **Document Owner:** Executive Office
- b. **Document Author:** SERS Chief Counsel's Office
- c. **Summary of Changes:**

<b>Date</b>	<b>Version</b>	<b>Author</b>	<b>Summary</b>
January 14, 2004	2004 POL- EO-01	SERS Legal Office	Adopted January 14, 2004 and assigned Policy Number November 10, 2015
January 9, 2018	2018 POL- BD-01	SERS Legal Office	Amendment to policy and assigned new policy number.
September 19, 2023	2018 POL- BD-02	SERS Chief Counsel's Office	Amendment to policy and assigned new policy number.
June 11, 2024	2018- POL- BD-02	SERS Chief Counsel's Office	Amendment to policy

## U.S. Equity

### Objective

The objective of U.S. Equity is to generate returns through capital appreciation, income from dividend payments and to generate returns comparable to its public equity benchmark (Russell 3000 Index) over 5-year periods (annualized, net of fees).

### Structure

U.S. Equity investments are equity investments made in the form of separate accounts and commingled funds. U.S. Equity contributes to a higher expected long-term return to the fund and is also a material contributor to volatility.

Strategy	Description	% of Total Plan	Allocation Range
U.S. Large/Mid Cap	Investments in U.S. large-cap and mid-cap companies as benchmarked to the Russell 1000 Index.	<del>33.0%</del> 30%	<del>30.0% - 36.0%</del> 27% - 33%
U.S. Small Cap	Investments in U.S. small-cap companies as benchmarked to the Russell 2000 Index.	4%	1% - 7%

### Guidelines

- The U.S. Equity strategies should be within the ranges established by this policy. If the range is breached, the CIO must follow the IPS' Rebalancing Policy to restore compliance.
- The aggregate U.S. Equity allocation must be +/- 5% of its target allocation as a share of the total portfolio value. If the range is breached, the CIO must follow the IPS' Rebalancing Policy to restore compliance.
- Focus on cost control by utilizing passive strategies as the first option.
- Focus on active management only when there is conviction in, and empirical data support for the use of active management.

## Emerging Markets Equity

### Objective

The objective of Emerging Markets Equity is to generate returns through capital appreciation and income from dividend payments that exceed the MSCI Emerging Markets Index over 5-year periods (annualized, net of fees).

### Structure

Emerging Markets Equity investments are traditional equity investments generally made in the form of commingled funds since there are legal challenges for SERS to use separate accounts to open sub-custodial trading accounts in certain emerging market countries. Emerging Markets Equity contributes to a higher expected long-term return to the fund and is also a material contributor to volatility.

Emerging markets are generally regarded as less efficient than developed markets and historically have been more volatile than developed markets. Returns have been influenced by capital flows into and out of these markets; however, longer term, emerging markets can be attractive to those investors seeking to access the financial returns derived from rapidly expanding economies. Due to the high return volatility associated with emerging markets, the SERS Fund takes a diversified approach using a variety of investment strategies. The SERS Fund employs a structure diversified by investment advisor, style, and type.

### Guidelines

- a. Maintain an allocation to Emerging Markets Equity within +/- ~~2%~~4% of its target allocation as stated in this Policy.
- b. Contain tracking error, maintain cost control, and the ability to efficiently rebalance to the Emerging Markets Equity asset class by keeping a passive strategy.
- c. The percentage allocation to the actively managed segment, which could make up the majority of the Emerging Markets Equity asset class, will be determined by conviction in and the availability of actively managed investment strategies.

## 21. SERS' Policy Target Asset Allocation, Benchmarks and Liquidity

### SERS' Policy Target Asset Allocation, Asset Class and Total Fund Benchmarks

Asset Class	Asset Class Benchmarks	Policy Target Asset Allocation %	Policy Ranges
Private Equity	75% Russell 3000 Index / 25% MSCI World ex U.S. Index plus 300 basis points	16.0%	+/- 2%
Real Estate	NCREIF Fund Index – Open End Diversified Core Equity (“NFI-ODCE”)	7.0%	N/A
U.S. Equity	Russell 3000 Index	<del>37.0%</del> 34.0%	+/- 5%
International Developed Markets Equity	MSCI World ex U.S. Index	14.0%	+/- 5%
Emerging Markets Equity	MSCI Emerging Markets Index	<del>2.0%</del> 5.0%	+/- <del>2.0%</del> 4%
Fixed Income	Bloomberg U.S. Aggregate Bond Index	19.0%	+/- 5%
Inflation Protection (TIPS)	Bloomberg U.S. TIPS Index	3.0%	+/- 3%
Cash	ICE BofAML U.S. 3-Month Treasury Bill Index	2.0%	7% max

#### Total Fund Benchmark

The total fund benchmark is calculated monthly using asset class benchmark returns and policy target asset allocation weights, respectively (as shown in the table above).



## Projected Liquidity of Policy Target Asset Allocation

	Capital Preservation Assets				Return Seeking Assets					
	Cash	Inflation Protection (TIPS)	Treasuries	Core Fixed Income	U.S. Equity	Int. Dev. Mkts Equity	Emerging Mkts Equity	Opp. Fixed Income	Real Estate	Private Equity
<b>Policy Target Asset Allocation</b>	2%	3%	5%	12%	37%	14%	2%	2%	7%	16%
<b>Expected Return (Geometric)*</b>	3.00%	5.05%	4.70%	5.25%	7.65%	7.50%	7.70%	7.40%	7.65%	8.75%
<b>Expected Volatility*</b>	0.90%	5.40%	5.55%	4.25%	17.40%	20.15%	25.60%	15.70%	15.75%	27.60%
<b>Liquidity</b>	High	High	High	High	High	High	Medium	Low	Low	Low
<b>Correlation to U.S. Equity*</b>	-0.03	-0.03	-0.05	0.08	1.00	0.73	0.84	0.68	0.68	0.80
<b>Months of Benefit Payments**</b>	2.2	3.3	5.5	13.1						
<b>Months of Benefit Payments (Includes EE &amp; ER Contributions)**</b>	6.6	9.9	16.5	39.6						
<b>Cumulative Months of Benefit Payments (Includes EE &amp; ER Contributions)**</b>	72.6									

\*Collin 2024 Capital Market Projections

\*\*Provided by SERS IO as of 12/31/2023

### Assumptions:

- Total fund assets as of 12/31/2023 at \$36.4 billion
- Gross monthly benefit payments at \$333 million
- Monthly benefit payments net of contributions at \$110 million