

**MINUTES of SERS Board Meeting – Tuesday, September 24, 2024**

**CALLED TO ORDER: 9:35 a.m. by Chair Gregory C. Thall**

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

**ATTENDEES:**

**Members and Designees**

Gregory C. Thall – Chair	via Teams
John M. DiSanto	via Teams
Donald Enders Jr.	in Person
W. Russell Faber	via Teams
Dan B. Frankel	via Teams
Stacy Garrity	Absent
J. David Henderson	via Teams
Vincent J. Hughes	Absent
Brett R. Miller	in Person
Uri Monson	in Person
Wendy Spicher	via Teams
Seamus Dubbs – Designee for Secretary Wendy Spicher	in Person
Charles Erdman – Designee for Senator John M. DiSanto	via Teams
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	in Person
Eric Pistilli – Designee for Secretary Wendy Spicher	via Teams
Jeffrey Soderstedt – Designee for Secretary Wendy Spicher	via Teams
Jill Vecchio – Designee for Brett R. Miller	via Teams

**Executive Staff**

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

**SERS Staff**

Kelly Bernhard	via Teams
Beth Christian	in Person
Taylor Clark	in Person
RaChelle Coleman	in Person
Cindy Collins	in Person
Jo Ann Collins	in Person
Brenda Cunard	in Person
Thomas Derr	in Person
Randy Gilson	in Person
Pam Hile	via Teams

Dan Krautheim	in Person
Katie Mathews	in Person
Ryan McCoy	in Person
Michael McGeoy	in Person
Robert Necciai	in Person
M. Catherine Nolan	in Person
Kyle Reinfeld	in Person
Brett Shaffer	in Person
Steven Skoff	in Person
Dawn Smith	via Teams
Matthew Soule	in Person
Cara Trego	via Teams
Rae Ann Tronetti	via Teams
William Truong	in Person
Sheila Willrich	in Person
Shannon Zimmerman	in Person

**Visitors**

Eric Epstein, Rock the Capital	in Person
Brian Kimmett, Rock the Capital	in Person

## **MINUTES of the SERS Board Meeting TUESDAY, SEPTEMBER 24, 2024**

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### 1. CALL TO ORDER

Chair Gregory Thall called the meeting to order at 9:35 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. PUBLIC COMMENTS

A. Chief Counsel Marcucci went over the ground rules regarding SERS' first Public Comments session.

The speakers were as follows:

- Mr. Eric Epstein (Rock the Capital) provided a brief overview of Rock the Capital (ATTACHMENT A).
- Mr. Jacob Browell (formerly with the Department of Environmental Protection) submitted written comments (ATTACHMENT B).

### 4. ADOPTION OF THE AGENDA

#### **MOTION: 2024-46**

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

**RESOLVED:** That the board adopt the agenda for the September 24, 2024, board meeting.

### 5. APPROVAL OF CONSENT CALENDAR

#### **MOTION: 2024-47**

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 September 24, 2024, board meeting.

A. Approving Board Meeting Minutes – July 30, 2024, Regular Meeting

B. Defined Benefit Plan Statement of Changes in Fiduciary Net Position for the Period Ending – May 31, 2024, June 30, 2024

C. Defined Contribution Plan Statement of Changes in Fiduciary Net Position for the Period Ending – May 31, 2024, June 30, 2024

D. Deferred Compensation Plan (DCP) Statement of Changes in Net Position Available for Benefits for the Period Ending – May 31, 2024, June 30, 2024

### 6. COMMITTEE REPORTS/ACTION ITEMS

#### **A. Investment Committee**

Committee Chair Uri Monson presented a report of the Investment Committee meeting of September 17, 2024, to the board. The following actions were taken:

#### DEFINED BENEFIT PLAN INVESTMENT POLICY STATEMENT UPDATE

#### **MOTION: 2024-48**

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 approve the proposed updates to the SERS' Defined Benefit Plan Investment Policy Statement as set forth in the attachment (ATTACHMENT C).

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		Yes
Wendy Spicher		Yes
Gregory C. Thall		Yes

LLR EQUITY PARTNERS VII, L.P.

**MOTION: 2024-49**

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 \$75 million to LLR Equity Partners VII, L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as a follow on investment within the Private Equity 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	Yes
Brett R. Miller		Yes
Uri Monson		Yes
Wendy Spicher		Yes
Gregory C. Thall		Recused

INVESTMENT MANAGER EVALUATION QUARTERLY UPDATE

**MOTION: 2024-50**

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 approve the orderly liquidation of the Global Inflation-Linked Bonds portfolio managed by New Century Advisors, LLC and transition the assets to SERS’ cash account. Upon completion of this liquidation and transition, SERS’ relationship with New Century Advisors, LLC will terminate.

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		Yes
Wendy Spicher		Yes
Gregory C. Thall		Yes

GENERAL INVESTMENT CONSULTANT SEARCH

**MOTION: 2024-51**

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 hire RVK, Inc. to act as its nondiscretionary general investment consultant in connection with the SERS Defined Benefit Plan, Deferred Compensation Plan, and Defined Contribution Plan for a five-year term commencing at the conclusion of the Board’s current contract for general investment consulting services (set to expire as of February 25, 2025), subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, prior to the expiration of the current contract.

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

**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 September 17, 2024, to the board. The following actions were taken:

2025-26 INTERNAL AUDIT OFFICE BUDGET

**MOTION: 2024-52**

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

**RESOLVED:** That the State Employees’ Retirement Board accept the Audit, Risk, and Compliance Committee’s recommendation to approve, for Fiscal Year 2025-2026, the following proposed budgets:

- (1) A portion of the SERS Administrative Budget for the Internal Audit Office of up to \$1,345,000, inclusive of the addition of one new ST08 and one new ST09 internal auditor position;
- (2) A portion of the SERS Investment Budget for the Internal Audit Office of up to \$97,000;
- (3) A portion of the State Employees’ Defined Contribution Plan Budget for the Internal Audit Office of up to \$52,000; and

(4) A portion of the Commonwealth’s Deferred Compensation Plan Budget for the Internal Audit Office of up to \$33,000, each substantially in the same form as presented in the Internal Audit Office Director’s FY 2025-2026 Internal Audit Budget Report, and each as amended and/or ultimately approved by the Office of the Budget.

John M. DiSanto		No
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 Lindsey	Yes
Brett R. Miller		Yes
Uri Monson		Yes
Wendy Spicher		Yes
Gregory C. Thall		Yes

RECOMMENDATION OF APPROVAL OF INDEPENDENT ACTUARY REPLICATION  
AUDIT SERVICES

**MOTION: 2024-53**

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

**RESOLVED:** That the State Employees’ Retirement Board accept the Audit, Risk, and Compliance Committee’s recommendation to approve the procurement of Independent Actuary Replication services under Request for Proposal “SERS - RFP 23-023” from the Offeror selected in accordance with the Commonwealth Procurement Code and the Department of General Services’ policies, procedures, and guidelines for procurement of services. Consistent with Procurement Code requirements, the selected Offeror will be announced upon completion of successful contract negotiations.

John M. DiSanto		No
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		Yes
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 September 17, 2024, to the board. No action was taken.

**D. Finance, Member and Participant Services Committee**

Designee Matt McCarry, on behalf of Committee Chair Dan Frankel, presented a report of the Finance, Member and Participant Services Committee meeting of September 17, 2024, to the board. The following actions were taken:

STRESS TESTING AND RISK ASSESSMENT REPORT

**MOTION: 2024-54**

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 Finance and Member and Participant Services Committee to approve the 2024 Stress Testing and Risk Assessment Report prepared by SERS' Actuary, Korn Ferry.

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		Yes
Wendy Spicher		Yes
Gregory C. Thall		Yes

FY 2025-26 BUDGET PRESENTATION

**MOTION: 2024-55**

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 Finance and Member and Participant Services Committee to approve, for Fiscal Year 2025-2026, the following proposed budgets:

- (1) SERS' Administrative Budget of up to \$43,249,000 inclusive of \$1,345,000 separately approved by the Audit, Risk, and Compliance (ARC) Committee specifically for the Internal Audit Office;
- (2) SERS' Investment Budget of up to \$12,230,000 inclusive of \$97,000 separately approved by the ARC Committee specifically for the Internal Audit Office;
- (3) State Employees' Defined Contribution Plan Budget of \$4,836,000 inclusive of \$52,000 separately approved by the ARC Committee specifically for the Internal Audit Office; and
- (4) Commonwealth's Deferred Compensation Plan Budget of \$1,207,000 inclusive of \$33,000 separately approved by the ARC Committee specifically for the Internal Audit Office, each substantially in the same form as presented in the Chief Financial Officer's SERS FY 2025- 2026 Budget Report, and each as amended and/or ultimately approved by the Office of the Budget.

John M. DiSanto		No
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 Lindsey	Yes
Brett R. Miller	Yes
Uri Monson	Yes
Wendy Spicher	Yes
Gregory C. Thall	Yes

#### 7. OLD BUSINESS – NONE

#### 8. NEW BUSINESS - NONE

#### 9. SPECIAL PRESENTATION - NONE

#### 10. REPORTS OF EXECUTIVE DIRECTOR AND AGENCY STAFF

A. Executive Director Torta provided the following updates:

- (i) Executive Update: Executive Director Torta introduced Robert Necciai and Taylor Clark, two new additions to the Chief Counsel's Office; announced Empower was selected as the Third Party Administrator (TPA) for the Defined Contribution and Deferred Compensation Plans (Plans) and informed the Board that the operational transition of the Plans to a more efficient and cost effective model is underway to include the delegated sub-custodial model, with the PA Treasury acting in its capacity as custodian for the Defined Contribution and Deferred Compensation Plans, delegating its custodial duties to the TPA as the sub-custodian of the assets; and briefly discussed preparations for the SOC Audit and the ongoing IT assessment project being performed by Linea. Executive Director Torta read the recent obituary of Mr. Mark Eric Summers of Mechanicsburg, a retired member. In the obituary, the family thanked the employees of the State Employee Retirement System and the PA Employee Benefit Trust Fund who assisted with Mr. Summers' retirement and enrollment in medical care in Cumberland County.
- (ii) Legislative Update: We've had very few changes since the last update, but we anticipate more activity as the legislature rolls back into session.
- (iii) 2025 SERS Board DRAFT Meeting Dates
- (iv) Dismissals, Orders and Adjudications

#### 11. EXECUTIVE SESSION

- A. Chief Compliance Officer Report on Board Referrals
- B. Benefits Administration and Appellate Litigation Update
- C. Notional Ballot:
  - Account of Jamie Minnitte
  - Docket No. 2023-04
  - Claim of Jamie Minnitte

At 10:15 a.m. the board recessed and entered executive session to receive reports and legal advice on executive session agenda items. The public meeting resumed at 10:25 a.m.

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

- December 3, 2024 – next regularly scheduled committee meetings
- December 10, 2024 – next regularly scheduled board meeting



13. MOTION TO ADJOURN

**MOTION: 2024-56**

By motion of Chair Thall, the board unanimously agreed to adjourn the meeting at 10:27 a.m.

Respectfully submitted,



Joseph A. Torta  
Executive Director

# ROCK CAPITAL

**Rock the Capital's Comments,**  
September 23, 2024

First, I would like to thank State Employees Retirement System for providing the opportunity to present public comments. We do appreciate the efforts of Mr. Derr, Mr. Thall, Mr. Torta, and the entire Board.

I wanted to take this time to introduce you to our organization. Rock the Capital (“RTC”), is a nonpartisan, good government organization formed after the legislative pay raise in July, 2005

Rock the Capital’s work is a matter of public record since July, 2005. The overall mission of the organization is to ensure compliance with the Pennsylvania Sunshine Act, 65 Pa. C.S. §§ 701-716, and also to ensure agencies comply with Open Records law as amended under Senate Bill 554. Rock the Capital has implemented “Watching Pennsylvania’s Political Alphabet Soup,” to fulfill its mission (Enclosed please find Rock the Capital’s Mission Statement.)

We conduct informed and studied RTK Requests related to the 25 county and statewide agencies we monitor. Please refer to the Rock the Capital Facebook page, and you can view hundreds of hours of unedited public meetings. Rock the Capital attends, records, and files Right to Know Requests relating to the entities we monitor. In fact, RTC attends and live streams approximately 200 meetings a year; including; agency committee meetings.

RTC also advocates for fair and competitive contracts as well as full compliance with the Open Records and Sunshine Laws. Enclosed please find the Authorities, Boards and Commissions (“ABCs”) Rock the Capital monitors. They are not immune from political influence, and often operate without public oversight.

The ABC’s fund valuable public works and provide valuable services relating to basic utilities, communications, economic development, education, gaming, housing, pensions, sewage, tax values, transportation, and water use.

However, they ABC’s also operate out of the view of citizens, due in large part to the time and location of the meetings. In addition, many agencies do not communicate or interact with one another. We hope to develop a best practices platform that can benefit all of the agencies – and inform citizens - including peer review, Pennsylvania preferred filters, software protocols, procurement, and vendor report cards.

I would also like to take the time to acknowledge the SERS Open Records Department. SERS is the gold standard when it comes to providing timely and substantive responses.

Respectfully,

Eric Epstein, Coordinator  
4100 Hillsdale Road  
Harrisburg Pa 17112

## Attachment B

September 24, 2024

Greetings and thank you for the opportunity to comment on the newly implemented comment policy with the SERS board. I was an employee of the PA Commonwealth at the DEP and a SERS member for 2 years. I have since left the DEP in April.

During my time as a SERS member with a PCRA trust account, I ran into a few problems with the service offered by Charles Schwab, who is the broker that was chosen at the time. Initially, my problem was that I couldn't seem to find a fund I could actually invest in! The options available on the account restricted me from many funds I was interested in.

I set about to try and research options to identify more funds that I could invest in. I asked Schwab and SERS for a "list of what is available" with the options on the accounts and the service agreement. Schwab initially pointed me towards a tool on their website. I tried to use the tool and called Schwab several times. What it ultimately came down to was that the tool doesn't have all the options to filter out funds through the website that have been restricted with the PCRA trust account service agreement. So, it doesn't work.

During a phone call a representative from Schwab eventually admitted that it didn't work, but that I could get a fund manager to get the list for me. Essentially telling me I have to pay a fund manager to get that list. I found this offensive.

I attempted to contact SERS representatives about this issue previously and received no response that offered a solution or even an opportunity to bring it to the board's attention.

So, my money sat in cash only for my entire 2 years at the DEP in that brokerage account. I didn't get any returns on investment over that time. And initially while I wanted to invest in normal stocks like for example Blackrock (currently up \$300 a share), eventually after researching funds and knowing the current market situation I tried to invest in NAIL which is basically one of the few (if only) housing construction investment funds. The PCRA Trust didn't allow that because apparently it doesn't meet the requirements.

So, while the board may think that the current options with the PCRA trust account are acceptable, I would strongly disagree. You've created a situation where I could not access the market in the way that I wanted to, and that's dangerous in a bear market. Exposing me to the broader market could lead to losses, and that same lack of flexibility in the market is also not the way you all at the board choose to handicap yourselves. I've seen the numbers; you all have access to private and foreign investments. So why can't I do the same?

I don't need protection from decisions that could potentially be seen as "more risky" but then you all don't even offer the safest investment right now which is just to put the money in a bank note CD at 5% interest. Even the SERS government bonds option is just a derivative of those bonds exposing me to the broader market, which was a bear market.

I firmly believe, as a retail investor for myself at times, that restricting a person's access to the market, for one thing restricts their freedom of speech, because money is speech, but also it handicaps and severely threatens the ability to achieve a positive rate of return - in a bear market especially.

What's more, by preventing me from essentially making my own index fund by investing in stocks like Lowes, you force customers to do more research, waste more time, and in the case of Schwab, literally prevent people from doing so with misdirection and tools that don't work. So, the PCRA trust is basically useless to a savvy retail investor who doesn't want to spend weeks researching how a certain index or mutual fund is set up to meet requirements set up in the service agreement. In my case, the fund doesn't exist anyways. There are no other NAIL funds.

And the other alternative, hiring a fund manager, is frankly almost cartel-like behavior. Why should SERS customers be punished with paying more just to use the PCRA trust account effectively? Not to mention, that going through a fund manager and having to research funds slows any person's ability to make trades and adjust with the market. It directly hinders flexibility and timing is everything.

To summarize, I strongly urge the board to consider the PCRA trust option to allow for more funds to be invested in for customers, or to seriously consider a different brokerage other than Charles Schwab that has tools included in the agreement for customer support in choosing funds that are actually available within the confines of the agreement to invest in.

Thank you for your time. I'd be more than happy to discuss this further, time permitting, but I will say I'm not an employee at PA DEP anymore of my choice, and I can't say that the situation I encountered with SERS and Charles Schwab wasn't at least a factor in that decision. I have nothing but criticism of the PCRA Trust implementation during my time of use. The easiest thing I did with SERS was withdraw my money through Empower when I left.

Good day to you,

Jacob Browell

[REDACTED]

## 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.	33%	30%—36%
U.S. Small-Cap	Investments in U.S. small-cap companies as benchmarked to the Russell 2000 Index.	4%	1%—7%

### Guidelines

- ~~a.~~ 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.
- ~~b.a.~~ 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. Maintain an allocation to U.S. Equity within +/- 5% of its target allocation as stated in this policy.
- ~~c.b.~~ Focus on cost control by utilizing passive strategies as the first option.
- ~~d.c.~~ Focus on active management only when there is conviction in, and empirical data support for the use of active management.