

PENNSYLVANIA STATE EMPLOYEES' RETIREMENT BOARD

INVESTMENT COMMITTEE CHARTER

I. PURPOSE

The Investment Committee's purpose is to assist the Pennsylvania State Employees' Retirement Board (the "Board"), which conducts business in part as the State Employees' Retirement System (the "SERS"), in fulfilling its responsibilities in the oversight of investment-related matters for SERS' Defined Benefit Plan. The Board also conducts business in part as the State Employees' Defined Contribution Plan (the "401(a) Plan"), and as trustee of the Commonwealth's IRC §457 Deferred Compensation Plan (the "457 Plan") (collectively the Defined Benefit Plan, 401(a) Plan and 457 Plan are referred to as the "Plans"). The Board administers and operates the Plans through the shared administrative staff of SERS and for which it charges the Plans appropriate cost sharing expenses.

II. AUTHORITY

The Board hereby delegates all necessary power and authority to the Investment Committee (the "Committee") to perform the duties and responsibilities described in this Charter and as may otherwise be delegated by the Board from time to time. Except as expressly granted herein, nothing in this Charter shall be construed as giving the Committee the authority to take any action on behalf of the Board or Board Chairperson without first obtaining the approval of the Board. The Committee may form subcommittees to assist the Committee and may delegate to such subcommittees such power and authority as the Committee deems appropriate to perform the duties and responsibilities described in a Board approved subcommittee charter; provided, however, that the Committee shall not delegate to a subcommittee any power or authority required to be exercised by the Committee or the Board as a whole.

III. COMPOSITION

The Committee shall consist of the Treasurer of the Commonwealth of Pennsylvania, the Secretary of Banking and Securities, and no less than five (5) other current members of the Board, who may be the designees of Board members (the "Committee Members") as provided in the Board's Bylaws (the "Bylaws").

The terms of appointment for Committee Members shall be as provided for in the Bylaws.

IV. MEETINGS

Committee meetings shall be conducted in accordance with the Bylaws, except as otherwise provided in this Charter. The Committee shall meet at least four (4) times every calendar year. The Committee Chair (after consulting with the Committee Members) shall fix the dates and times of the Committee meetings and shall request

that the Secretary of the Board provide notice of meetings in accordance with the Bylaws.

The Committee may invite SERS' employees, investment consultants, and others to attend meetings and provide pertinent information, as it deems necessary or desirable.

V. RESPONSIBILITIES

A. Investment Policies and Controls

1. The Committee shall review the Plans' Investment Policy Statements and make recommendations to the Board on an annual basis.
2. The Committee shall review the Defined Benefit Plan's policy target asset allocation on an annual basis. The Committee shall recommend any changes to the Board.
3. The Committee shall oversee, review, evaluate, and report to the Board on investment performance, strategies, costs, and risks of the Plans and recommend any changes to the Board based on recommendations from the Investment Office (IO) and investment consultant.
4. The Committee shall oversee investment menu design and investment options of the Defined Contribution Plan and Deferred Compensation Plan. The Committee shall recommend any changes to the Board.
5. The Chief Compliance Officer shall monitor SERS staff's compliance with the Plans' Investment Policy Statements and make recommendations to the Committee to improve compliance.
6. The Committee shall monitor investment policies and controls and report any findings and recommendations to the Board.

B. Investment Manager Selection and Oversight

1. The Committee shall review recommendations from the CIO and/or the IO regarding the hiring or firing of investment managers for the Plans and make recommendations to the Board for approval, except as otherwise delegated to the Committee and the CIO.
 2. The Committee shall oversee the research and due diligence performed by the IO and investment consultant to identify and evaluate qualified investment managers for the Plans and report any findings and recommendations to the Board, except as otherwise delegated to the Committee and the CIO.
 3. The Committee shall oversee the implementation of the investment manager selection process performed by the IO to identify and evaluate qualified investment managers and opportunities for the Plans and recommend any changes to the Board on at least a biennial basis.
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4. The Committee shall monitor the implementation of the investment manager monitoring process performed by the IO for the Plans, upon selection of an investment manager by the Board.

C. Investment Consultant Oversight

1. The Committee shall oversee the research and due diligence performed by the IO to identify and evaluate qualified investment consultants for the Plans and make recommendations to the Board.
2. The Committee shall review any recommendations from the CIO and/or the IO regarding the hiring or firing of investment consultants for the Plans and make recommendations to the Board.

D. Corporate Governance

1. The Committee shall oversee the corporate governance program.
2. The Committee shall monitor the implementation of SERS' Proxy Voting Policy and review the IO's recommendations for changes thereto and recommend changes to the Board on at least an annual basis.
3. The Committee may review specific proxy voting concerns and make recommendations to the Board regarding how such proxies may be voted.
4. The Committee shall oversee corporate governance developments that may affect the value of SERS' investments and report any findings and recommendations to the Board.
5. The Committee shall collaborate with the IO and the Chief Counsel's Office to recommend to the Board participation by SERS in any shareholder rights initiatives.

E. Other Responsibilities

1. The Committee shall oversee the cost effectiveness of the Plans' investment programs.
 2. The Committee shall have input into the candidate search process and selection of the CIO.
 3. The Committee, along with the Executive Director, shall develop quantitative performance goals to be incorporated in the CIO's performance expectations, and perform an annual evaluation of the CIO in correspondence with such performance expectations.
 4. The Committee shall seek input from the Board and collaborate with the Executive Director in the annual evaluation of the CIO.
 5. The Committee Chair, along with the Executive Director, shall deliver the Committee's annual evaluation to the CIO. The Committee may
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recommend discipline or the termination of the CIO to the Board and Executive Director, if appropriate.

6. The Committee shall oversee the Department of Treasury's recommendation of the selection of SERS' custodial bank.
7. The Committee shall collaborate with the IO to establish and maintain a function to evaluate and manage financial risks associated with SERS' assets and liabilities.
8. The Committee shall perform such other activities related to the Committee's functions and duties as are reasonably appropriate or requested by the Board from time to time.

VI. REPORTING

- A. Following a Committee meeting, the Committee Chair shall provide a written report to the Board at the next regularly scheduled Board meeting to update the Board as to its activities, findings, recommendations, and any other relevant issues. Committee meeting minutes shall be distributed to the Board.
- B. If a Committee meeting has been scheduled, the Committee Chair shall share the agenda for the upcoming Committee meeting with the entire Board as soon as practicable.

VII. SELF-EVALUATION

- A. The Committee shall collaborate with the IO and the Chief Counsel's Office to review this Committee Charter and the policies and procedures described herein (or otherwise overseen by the Committee) on a biennial basis. The Committee shall recommend any changes thereto to the Board.
- B. The Committee and each Committee Member shall comply with the Board's self-assessment policies and processes, and shall participate in any independent fiduciary reviews.

VIII. MISCELLANEOUS

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bylaws.
