

## SERS Board Governance Policy Manual

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**Policy Name:** Actuarial Services Policy  
**Policy Number:** 2018 POL-BD-02  
**Effective Date:** September 12, 2018; as amended July 25, 2023  
**Reviewed Date:** April 25, 2023, July 18, 2023  
**Applies To:** SERS Board Members and Board Member Designees  
**Contact Person:** SERS Office of Financial Management and Office of Member and Participant Services

### **I. Purpose**

The Board is required to act prudently in management of the Pennsylvania State Employees' Retirement Fund (the "Fund") and to exercise its responsibilities for the exclusive benefit of the members of the Pennsylvania State Employees' Retirement System ("SERS"). Under the State Employees' Retirement Code, the Board is charged with overseeing actuarial valuations for the Fund and the Benefits Completion Plan (the "BCP"), which is established for members who are or will be receiving benefit payments from the Fund that would otherwise be limited by IRC Section 415(b), and making calculations for contributions, annuities, and other benefits for the Fund and the BCP. The Board is authorized to contract for the services of actuaries and such other professional personnel as it deems advisable to assist with these tasks. This policy describes the Board's process for performing its actuarial and funding duties. For purposes of this policy, "Board" and "Board member(s)" include designee(s).

### **II. Selection of Independent Actuary.**

The Board Finance and Member and Participant Services Committee shall collaborate with the Executive Director and adhere to the Commonwealth Procurement Code and other Board directives in selecting and recommending a qualified and independent actuarial firm with public pension fund experience for engagement by the Board. Actuarial contracts should generally not exceed an initial term of five years, with options to renew for a complete term of no more than ten years. Except as otherwise legislatively mandated, actuarial assumptions, calculations, and methodologies used by SERS' actuaries shall be in accordance with standards of practice prescribed by the Actuarial Standards Board and with generally accepted actuarial principles and procedures.

### **III. Annual Actuarial Valuations**

As part of its services, the independent actuary shall conduct an annual actuarial valuation and review the reasonableness of assumptions being used in SERS' actuarial valuations. The independent actuary shall advise SERS on methodology for the

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valuation. The firm shall also assist SERS in: (a) determining the actuarial valuation of the Fund and its accounts, (b) determining the actuarial valuation of the BCP, and (c) making actuarial calculations for contributions, annuities, and other benefits for the Fund and the BCP. The firm shall provide the employer (and member contributions if shared-risk or gain is applicable) annual contribution rates to the Finance and Member and Participant Services Committee, which is responsible for recommending that the Board adopt the contribution rates. The actuary shall approve, in writing, all computational procedures used in the calculation of contributions and benefits. The actuarial assumptions, methods, and procedures used in making annual contribution rate calculations shall also be reviewed by SERS' independent auditor as part of the annual financial audit.

#### **IV. Stress Testing and Risk Assessment Report**

As part of its services, the independent actuary shall produce a Stress Testing and Risk Assessment Report and present it to the Finance and Member and Participant Services Committee. The Committee will recommend that the Board accept or approve the report.

#### **V. Five-Year Actuarial Experience Study**

An actuarial investigation and evaluation shall be conducted by SERS' independent actuary every five years. Interim evaluations of specific assumptions may be ordered on occasion, if the Board determines that the circumstances so merit. The study shall include an evaluation of past and expected future experience. Demographic, service, and economic assumptions, as well as relevant administrative factors, should be included. The independent actuary shall advise SERS on methodology and recommend assumptions to the Finance and Member and Participant Services Committee. The Committee will recommend that the Board approve any assumption changes.

#### **VI. Website Posting**

Transparency of actuarial information is an important component of accountability to beneficiaries and stakeholders. In addition to other reporting requirements, SERS shall post annual actuarial valuations, five-year actuarial experience studies, stress testing and risk assessment reports, and actuarial audits on its public website.

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### Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** Sara McSurdy, CFO, OFM  
Brenda Cunard, Deputy Director, OMPS
- c. **Document Appendices:** none
- d. **Summary of Changes:**

<b>Date</b>	<b>Version</b>	<b>Author</b>	<b>Summary</b>
January 9, 2018	2018 POL-BD-02	SERS Legal Office	The process the Board has established for performing its actuarial and funding duties.
July 18, 2023	2018 POL-BD-02	Sara McSurdy, SERS OFM and Brenda Cunard, OMPS	Updates made to represent FMPS/Board responsibilities. Include Stress Testing. Remove reference to Actuarial Audit since it is a responsibility of SERS IA and ARC Committee.