

SERS Board Governance Policy Manual

| | |
|------------------------|--|
| Policy Name: | Board Consultant Evaluation Procedures |
| Policy Number: | 2022-POL-BD-01 |
| Effective Date: | July 25, 2022, as amended July 25, 2023 |
| Reviewed Date: | July 18, 2023 |
| Applies To: | SERS Board |
| Contact Person: | Director of Board Governance and Strategic Initiatives |

I. Purpose

Consultants play a key role in assisting the State Employees' Retirement Board (the "Board") in fulfilling its governance and oversight of the State Employees' Retirement System, the Benefits Completion Plan, the State Employees' Defined Contribution Plan, and the Commonwealth's IRC §457 Deferred Compensation Plan (collectively "SERS"). The Board retains consultants (the "Board Consultants") to provide independent information and advice to the Board or its Standing Committees (Audit, Risk, and Compliance Committee; Board Governance and Personnel Committee; Finance and Member and Participant Services Committee; Investment Committee; and Securities Litigation Committee)¹. It is essential that Board Consultants be routinely evaluated during their contract terms because of their high impact on SERS.

II. Standards

The Board has adopted the *Committee Work Plan Procedures* (2021 POL-BD-01), which provides, as follows:

- A. Prior to the first meeting of the calendar year for each Standing Committee, the Standing Committee is to establish expectations and criteria, for Board approval, upon which outside advisors and external consultants that are overseen by the Standing Committees are to be evaluated on an annual basis; and
- B. The Standing Committees are to conduct an annual performance review of outside advisors and external consultants overseen by the Standing Committees, to be performed at the end of the calendar year, based on established Board expectations, with a report to the Board on the results of the review. The first annual reviews shall begin during calendar year 2023.

¹ As needed, other Board Consultants may be engaged and will be subject to these Board Consultant Evaluation Procedures.

SERS Board Governance Policy Manual

III. Annual Assessment

The Standing Committees shall follow these procedures to annually assess the performance of the Board Consultant which they oversee and continually optimize the value of the services provided to SERS.²

IV. Responsibility

The Standing Committee Chair and Standing Committee staff are responsible for implementing these procedures.

IV. Process

- A. The Standing Committee work plans are to provide for an annual performance review of the Board Consultants that they oversee. That review shall include a review of: (i) Board approved performance expectations, which are established prior to the beginning of the calendar year; and (ii) such other contractual duties and requirements, as identified by the Standing Committee Chair, in consultation with the respective Standing Committee staff.
- B. Throughout the year, staff shall track activities and deliverables against any Board Consultant contract requirements and Board Consultant performance expectations. Staff shall document results for each of the Board consultants and provide ongoing feedback to the Standing Committee Chair. The Standing Committee Chair shall determine if the full committee is to be provided with progress reports at regularly scheduled committee meetings throughout the year. If the Board Consultant's progress keeps on track throughout the year, no interim updates may be required, and a staff report to the Standing Committee and full Board shall be provided prior to the end of each calendar year showing an evaluation of the deliverables required from each Board Consultant, and their progress throughout on each delivery time period (e.g., monthly, quarterly, etc.).
- C. Any progress reports and annual evaluations shall be provided to the Board Consultant. The Standing Committee Chair shall determine if any discussions, including possible oral presentations from the Board Consultant, shall be conducted.

² As of July 1, 2022, the existing Board Consultants and Standing Committees that oversee them are as follows:

Actuary - (Finance and Member and Participant Services Committee)

Investment consultants - (Investment Committee)

Independent auditor - (Audit, Risk, and Compliance Committee)

Third-party administrator for the defined contribution and deferred compensation plans - (Finance and Member and Participant Services Committee)

SERS Board Governance Policy Manual

- D. The objective of the Board Consultant monitoring process is to track deliverables throughout each year based on clearly defined and measurable objectives, and for staff to take action immediately in consultation with the Standing Committee Chair and Board Chairperson if the Board Consultant is failing to meet or deliver the required products or services. Action may include exercising any remedies available to the Board pursuant to the Board Consultant contract. The Board is best served by a continuous monitoring process, to ensure identification of any material issues as they arise and to, if necessary, take the appropriate action to ensure a Board Consultant's compliance with its contractual terms in a timely manner. The monitoring process and evaluation shall also serve to convey forward-looking expectations to the Board Consultant.

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Authors:** Director Board Governance and Strategic Initiatives
- c. **Summary of Changes:**

| Date | Version | Author | Summary |
|---------------|----------------|---|--|
| July 25, 2022 | 2022-POL-BD-01 | Director Board Governance and Strategic Initiatives | The policy establishes the procedures for the evaluation of Board Consultants. |
| July 18, 2023 | 2022-POL-BD-01 | Director Board Governance and Strategic Initiatives | Biennial Review. No substantive changes made. |