

STATE EMPLOYEES' RETIREMENT BOARD

COMPLIANCE PROGRAM CHARTER

Adopted on September 30, 2020

I. Purpose

The State Employees' Retirement Board ("Board") Compliance Program ("Program") consists of specific policies, standards, procedures, guidelines, and responsibilities designed to:

- A. Promote and foster an organizational culture of integrity, ethical decision-making and compliance with applicable laws, policies, procedures, codes, and other legal requirements in fulfilling the Board's mission and fiduciary responsibilities to the members ("Members") and beneficiaries of the State Employees' Retirement System ("SERS"), and to the participants ("Participants") and beneficiaries in the State Employees' Defined Contribution Plan ("401(a) Plan") and the Commonwealth of Pennsylvania Deferred Compensation Plan ("457 Plan") (hereafter referred to collectively as the "DC Plans" and any reference to SERS shall include a reference to the DC Plans);
- B. Establish a compliance function, as a monitoring, advisory, review and reporting activity;
- C. Assure that the Board and its employees ("Employees") conduct business with the highest standards of ethics and integrity; and
- D. Establish an infrastructure that provides additional assurance that SERS' operating divisions are in compliance with applicable laws, policies, procedures, codes, and other legal requirements.

The Program is designed to be sustainable and continuously improving to identify and address the Board's and SERS' existing and emerging ethical and legal risks consistent with the Board's commitment to the highest ethical standards.

II. Definitions

The following terms when used in this Compliance Program Charter shall have the meanings set forth below:

- A. **Governance Policy Manual.** The compilation of the principal policies and procedures developed and used by the Board, which provide guidance regarding the manner in which members of the Board and its committees are expected to conduct themselves, in order to carry out their responsibilities in an effective and efficient manner and in accordance with applicable law.
- B. **Commonwealth Laws and Policies.** The Commonwealth statutes, codes, Management Directives and policies applicable to SERS and the Board, including, but not limited to the following, as amended from time to time:
- The Pennsylvania Public Official and Employees Ethics Act (65 Pa. C.S. §§1101 *et seq.*)
 - The Governor's Code of Conduct (4 Pa. Code §7.151 *et seq.*)
 - The State Adverse Interest Act (71 P.S. §776.1 *et seq.*)
- C. **SERS Policies.** Policies adopted by SERS or the Board that are of an administrative or operational nature, which reflect standards or rules that regulate or guide organizational action and Employee conduct.

III. Compliance Objectives and Responsibilities

The compliance objectives and responsibilities of the Program include the following, to be administered by a Chief Compliance Officer and such other staff as are necessary, in collaboration with the Internal Audit division ("Internal Audit"):

- A. Maintaining, monitoring, and periodically reviewing, the State Employees' Retirement System Employee Code of Conduct ("SERS Code of Conduct") that sets forth, among other things, the requirements as to how Employees are to conduct themselves in accordance with high ethical standards and in a manner consistent with: (i) their fiduciary obligations to the Members and Participants, and their respective beneficiaries, (ii) SERS Policies, and (iii) all laws and regulations, including Commonwealth Laws and Policies, applicable to the business of SERS and the Board;

- B. Providing objective compliance monitoring and training services to ensure compliance with applicable laws, policies, procedures, codes, and other legal requirements;
- C. Ensuring the highest ethical standards of ethical conduct, consistent with the SERS Code of Conduct, through the monitoring and periodic review of the SERS Policies;
- D. Ensuring the highest standards of ethical conduct through the monitoring and periodic review of the Governance Policy Manual relating to Board members;¹
- E. Monitoring the compliance activities of the Investment Office, with tasks including:
 - 1) identifying potential areas of compliance vulnerability and risk;
 - 2) assisting with the development and implementation of risk management and mitigation for resolution of problematic issues, and
 - 3) providing guidance on how to avoid or address similar situations in the future;
- F. Obtaining regular updates from SERS management regarding compliance matters, and collaborate with the SERS operating divisions to direct compliance issues to appropriate channels for investigation and resolution;
- G. Ensuring compliance with applicable whistleblower laws;
- H. Ensuring that compliance issues and concerns are being appropriately evaluated, investigated, and resolved;
- I. Ensuring evaluation of alleged violations of laws, policies, procedures, and codes or recommending the initiation of investigative procedures;
- J. Ensuring proper reporting of violations or potential violations to duly authorized enforcement agencies, as appropriate and/or required;

¹ References to Board members shall be deemed to refer to the authorized designees described in the *Commonwealth of Pennsylvania State Employees' Retirement System Bylaws ("Board Bylaws")*.

- K. Ensuring that information and reports from the SERS Executive Director and Legal Office regarding compliance matters are reviewed by the Audit, Risk and Compliance Committee (“Committee”);
- L. Ensuring that any recommendations made by external service providers regarding compliance processes are reviewed by the Committee;
- M. Ensuring that investment program compliance audits are reviewed by the Committee;
- N. Collaborating with the Committee, to:
 - 1) Oversee Board member compliance with applicable laws, Board bylaws, ethics requirements, and policies and procedures applicable to Board members, including the Governance Policy Manual;
 - 2) Periodically review the Program and risks, including the Program’s design, implementation, and effectiveness;
 - 3) Coordinate Board member education with the SERS Manager of the Board Education Program and Executive Director pursuant to the Board Education Policy (2017 POL-BD-01);
 - 4) Oversee logging and reporting of Board member referrals and communications of potential investment or service provider opportunities; and
 - 5) Review the findings and recommendations of any investigations or examinations of SERS operations.
- O. Obtaining and reviewing all Board member financial and ethical disclosure documents;
- P. Reporting quarterly to the Committee and senior management to keep them informed of the operation and progress of compliance activities; and
- Q. Working with the Human Resources division and others, as appropriate, to develop an effective compliance-related training program, including introductory training for new Employees and ongoing training for all Employees.

IV. Consulting and Advisory Objectives

The objectives of the Program's consulting and compliance services are to provide management and other division staff with assessments and advice for improving policies, procedures and practices that will advance the goals and objectives of SERS. To improve effectiveness, the objectives are assessments and advice on front-end projects so that risk may be identified and internal controls may be designed at the beginning of a project. Advice or assessments may be provided on short notice, however, to assist with compliance in unexpected or last-minute situations. Examples of advisory services include providing routine advice on policies and processes and, in collaboration with Internal Audit, providing input to management relevant to establishment of controls.

V. Authority

The activities of the Program are supervised by a Chief Compliance Officer who is administratively housed in the SERS Legal Office. The Chief Compliance Officer reports administratively to the Chief Counsel and functionally to the Committee.

The Audit, Risk and Compliance Committee Charter ("Charter") sets forth the duties and responsibilities of the Committee regarding compliance activities and in the selection and evaluation of the Chief Compliance Officer. The Charter specifically provides that the Committee is to review the Program and risks with the Chief Compliance Officer, including the Program's design, implementation, and effectiveness, and that the Committee shall have input into the candidate search process and selection of the Chief Compliance Officer.

VI. Access

To fulfill the mission and objectives of the Program, the Chief Compliance Officer shall have unrestricted access to all SERS divisions, personnel, activities, confidential and non-confidential data and records, information systems, physical property, and contractors relevant to the performance of compliance activities. Further, the Chief Compliance Officer shall be provided the necessary assistance of personnel in operational divisions of the organization where compliance activities are performed, as well as other specialized services from within or outside the organization, as appropriate. In addition, the Chief Compliance Officer shall be provided timely reports from management on actions proposed and taken pertaining to compliance related issues.

The Chief Compliance Officer may set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish the Program objectives. The Chief Compliance Officer has free and unrestricted access to the Committee Chair, Board Chairperson, and Executive Director.

VII. Objectivity

A. Organizational Placement

The Chief Compliance Officer operates within the SERS Legal Office and reports administratively to the Chief Counsel. The Chief Compliance Officer reports functionally to the Committee. In addition, the Chief Compliance Officer may report on compliance matters to other Board committees.

If the Chief Compliance Officer is a licensed attorney, he or she must adhere to the Pennsylvania Rules of Disciplinary Enforcement and Rules of Professional Conduct. These rules are designed to result in trust, accountability, integrity, and professional objectivity. It is the Board that has the authority to hire and terminate the Chief Compliance Officer. If the Chief Compliance Officer is housed in the SERS Legal Office, the Board will receive input from the Chief Counsel and the Executive Director in exercising its authority.

In carrying out his/her responsibilities, the Chief Compliance Officer will:

- 1) Ensure objectivity;
- 2) Remain free of actual and perceived conflicts of interest;
- 3) Discharge professional responsibilities with due care, competence and diligence;
- 4) Have access to all functions, records, property and personnel necessary to complete his/her responsibilities;
- 5) Have full and free access to the Board, Committee, and Executive Director; and
- 6) Have the authority to:
 - i. initiate internal investigations in consultation with the Chief Counsel and SERS Human Resources Division, upon receipt of authorization from the Executive Director or, if the Executive Director is conflicted, the Committee; and
 - ii. recommend to the Chief Counsel to hire outside legal counsel to conduct an investigation.

Upon receipt of such a recommendation, the Chief Counsel shall consult with the Executive Director or, if the Executive Director is conflicted, with the Committee. After consultation, if the Chief Counsel and the Executive Director or the Committee agree that retaining outside counsel is deemed necessary and appropriate, the Chief Counsel shall proceed with the retention of outside counsel.

B. Potential Conflict of Interest

The Chief Compliance Officer should discuss any potential issues regarding conflicts of interest with the Chief Counsel, Committee, or Executive Director, as necessary.

VIII. Charter Review

The Compliance Program Charter shall be reviewed periodically by the Committee, but no less frequently than every two (2) years. The Committee shall recommend any changes to the Board.

Document Properties

- a. Document Owner:** SERS Legal Office
- b. Document Author:** Christopher C. Houston
- c. Summary of Changes:**

Date	Version	Author	Summary
9/13/20	New	Christopher C. Houston	