

SERS Board Governance Policy Manual

Policy Name:	Board Education Policy
Policy Number:	2017 POL-BD-06
Effective Date:	July 26, 2017, as amended April 25, 2018, as amended September 12, 2018, as amended February 24, 2021, as amended May 2, 2023.
Reviewed Date:	April 25, 2023
Applies To:	SERS Board Members and Board Member Designees
Contact Person:	Director Governance and Strategic Initiatives

I. Purpose

Board members, as the trustees of the Pennsylvania State Employees' Retirement Fund (the "Fund"), and their designees are governing fiduciaries of the Fund and are subject to the exercise of that degree of judgment, skill, and care that a prudent investor would observe under similar circumstances. It is the purpose of this policy to provide for the educational training of Board members and their designees, in order for them to fulfill their fiduciary obligations. All Board members and their designees are required to successfully complete a specified number of hours of training as specified in the State Employees' Retirement Code ("Retirement Code") and identified below.

Pursuant to Act 2020-128 and amendments made to the Retirement Code, Board members appointed to the Audit, Risk, and Compliance Committee are also required to complete a specified number of hours of training in risk assessments, internal controls, and auditing standards, as identified below. Designees shall also be required to successfully complete the number of hours of training as required of the Board member for whom they serve as designee. In addition, Board members and designees are also required to receive one hour of ethics training annually.

Board members and designees should also individually and collectively aspire to develop an understanding of peer practices and the issues involved in managing large pools of assets. This policy sets forth the process for Board members and designees to receive such training, education, and professional development. For purposes of this policy, "Chairperson" includes the Chairperson's designee.

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II. Core Competencies

Board members and designees should aspire to develop a collective understanding of the following areas ("Core Competencies"). This policy does not contemplate that every member or designee become fully competent in each of these areas or that all Core Competencies must be represented on the Board. Rather, the Board should engage in a biennial evaluation and planning process focused on (a) identifying member skill sets and interests, (b) aspiring to foster development of individual and combined member Core Competencies that are as complete as practical, and (c) prioritizing development of any Core Competencies which are expected to be most needed over the next two to four years. The following nonexclusive list is merely for demonstration purposes and is not intended to reflect minimum competencies.

- A. Fiduciary Responsibilities and Laws Relevant to the Board
- B. Governance Structure, Practices and Policies
- C. Regulatory and Legal Issues (e.g., public records and open meetings law compliance, budget, state government oversight, tax law and plan qualification features, non-tax legal requirements etc.)
- D. Investment Strategies, Asset Allocation, Risk Assessment, and Retirement Portfolio Management (e.g., Benchmarks, performance measurement, investment risk, reporting standards, economic principles, and related concepts)
- E. Standards of Conduct, Confidentiality, Conflicts of Interest, Ethics Code Provisions,
- F. Personal Investments and Related Disclosure Requirements
- G. Internal Controls, Auditing Standards, and Financial and Accounting Standards and Practice (e.g., financial controls, audits, and compliance functions)
- H. Benefits Design and Administration (e.g., benefit plan features, risks inherent in benefits administration, basic administrative operations, and processes).
- I. Actuarial Cost Analysis, Funding and Asset-Liability concepts
- J. Communications and Stakeholder relations

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- K. Best Practices for Governing Board and the Conduct of Meetings
- L. Selection, Contracting, Monitoring and Evaluation of Advisors, Managers, Consultants and Other Service Providers
- M. Materiality of Sustainability, Environmental, Societal and Corporate Governance Factors
- N. Enterprise Risk Management and Oversight
- O. Strategic Planning Processes
- P. Pension Plan and Investment Industry Issues and Trends
- Q. Other Topics Related to Particular Issues that Arise

III. Skills Inventory and Education Plan

- A. The Board has been charged by the General Assembly with the interpretation and application of the Retirement Code. The Board is authorized to interpret the Retirement Code liberally to effectuate the intention of the General Assembly. Accordingly, the Board construes the General Assembly's mandated educational requirements to cover broad instead of narrow fields of expertise and that topics and subject matter reasonably related to or included in the named categories satisfy the education requirements established in the Retirement Code. (e.g., because the Board acts in a fiduciary capacity and there is a fiduciary overlay in many of the Board's functions, training in fiduciary duties, responsibilities, or standards, in the context of institutional investing, satisfies the statutory education requirements although not explicitly contained in the Retirement Code).
- B. Pursuant to the Retirement Code, each Board member and designee is required to obtain mandatory training, as follows:
 - 1. Pursuant to Act 2020-128, effective January 1, 2022, and annually thereafter, ten (10) hours of mandatory training in investment strategies, actuarial cost analysis, asset allocation, risk assessment, fiduciary responsibilities, and retirement portfolio management on an annual basis ("Post-2021 Mandatory Core Competency Training").
 - 2. One hour of ethics training annually ("Ethics Training") (hereafter, the Pre-2022 Mandatory Core Competency Training, Post-2021 Mandatory Core Competency Training, and Ethics Training are cumulatively referred to as the "Mandatory Board Training").

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- B. Pursuant to the Retirement Code, each Audit, Risk and Compliance Committee Board member and designee is required to obtain mandatory training, as follows:
1. Pursuant to Act 2020-128, effective February 24, 2021, in order to be newly appointed to the Audit, Risk and Compliance Committee as a voting member, a Board member must complete at least sixteen (16) hours of training in risk assessments, internal controls, and auditing standards within ninety (90) days of an initial appointment to the committee. Notwithstanding a Board member having satisfied the sixteen (16) training requirement, any new designees of that Board member must satisfy this training requirement within ninety (90) days of the designee's appointment to serve as a designee. The sixteen (16) hours of training are inclusive of the hours indicated for Mandatory Board Training. The Committee on Sponsoring Organizations enterprise risk management guidelines may be considered as a guide to the training.
 2. To continue serving as a voting member of the Audit, Risk and Compliance Committee following initial appointment, a Board member and designee must complete at least eight (8) hours of continuing education in risk assessments, internal controls, and auditing standards each calendar year thereafter. (The training required for members of the Audit, Risk, and Compliance Committee is hereinafter referred to as the "Mandatory Committee Training").
- C. The Board should undertake, in conjunction with receipt of any Board self-assessment results and in consideration of the Mandatory Training requirement, a biennial planning process to identify and prioritize those Core Competencies on which training is desired and required and those which are expected to be particularly important over the following two to four years. The Chairperson may request individual member preferences for participation in future training. A proposed education plan that contains Board and individual member educational goals and Mandatory Training requirements shall be developed for Board approval. The plan shall include an education budget to cover costs associated with authorized attendance at outside conferences, classes, or training sessions.
- D. In addition to the required Mandatory Training requirements listed above, each Board member and designee and designee should attempt to receive an additional five hours of mandatory training on an annual basis for the period between January 1 and December 31 following. Board members and designees shall have the opportunity to carryover a maximum of five credit hours in the following calendar year. Training hours earned for any Mandatory Training shall be determined annually on December 31.

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- E. For any new members or designees, the Mandatory Board Training requirements shall commence on January 1 of the calendar year following their being seated on the Board or, in the case of designees, upon their designation as designee. Relevant training received through attendance at presentations approved by the Pennsylvania Public School Employees' Retirement System, may be counted toward the Mandatory Training requirements. Relevant training received for or through other entities may be counted toward the annual requirement including carryover credits if applicable, upon approval of the Chairperson.

IV. New Member and Designee Orientation

- A. A formal orientation program, covering the Core Competencies outlined above as well as any other pertinent topics, shall be developed by the Executive Director for the benefit of new members and designees. The orientation may consist of a single session or multiple sessions. It should be scheduled and completed as soon as reasonably practical. The orientation may be conducted by SERS staff or outside experts, or both, and may include attendance at conference sessions, classes, or seminars. Members and designees participating in an orientation shall receive credit for participation in Non-Mandatory Training.
- C. Prior to attending their first meeting of the Board as a trustee or as a designee, and to the extent practicable, new members and designees shall be invited by the Chair or Executive Director to attend a meeting of the Board or a standing committee as an observer.
- D. New members and designees shall, as soon as possible, and under the direction of the Executive Director, be:
1. Briefed on the history, background, and structure of the Pennsylvania State Employees' Retirement System ("SERS").
 2. Briefed on current issues before the Board;
 3. Introduced to senior management;
 4. Briefed on their fiduciary duties, conflict of interest guidelines, financial disclosure requirements, public records and open meetings laws, and other pertinent laws, policies, and regulations; and
 5. Provided with all relevant information and documentation deemed appropriate by the Chair or the Executive Director.

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- E. The Executive Director shall periodically review and, if necessary, update all orientation material and supply each member with those updates, but in any event shall at a minimum shall review and update all orientation material biennially.
- F. Participation in orientation sessions shall be open to all Board members and designees.

V. **Mentorship**

A new member may request assignment of a mentor to assist in becoming familiar with Board responsibilities. If requested, the Chairperson shall assign an experienced Board member to provide mentorship for up to a year.

VI. **Regular Ongoing Educational Opportunities and Budget**

- A. Training on many Core Competencies may be effectively taught by staff or experts from the Office of State Treasurer, Office of Attorney General, Office of General Counsel, Pennsylvania State Ethics Commission, or other local sources. To assist Board members and designees in identifying quality educational opportunities that provide relevant training, the Executive Director, with assistance from the Board Education and Training Manager, shall compile and maintain a list of pre-approved educational events, based on the feedback of SERS members and SERS staff who have attended such events. The list shall be distributed to the Board at each regular meeting. Board members and designees may also suggest educational events for the Executive Director to consider in developing the list. Such training and educational events for Core Competencies may satisfy other professional development requirements (*e.g.*, continuing legal education credits for attorneys).
- B. SERS may, with approval of the Board, record education sessions presented outside of public meetings to the Board to preserve them for future viewing by Board members. All education sessions open to the public presented as part of regularly scheduled Committee or Board meetings may be accessed through the public Committee and Board meeting recordings.
- C. Members and designees may submit requests to the Executive Director for educational credit approval for attendance at outside educational events not listed on the list of pre-approved educational events.
- D. Attendance at outside educational events shall be done in compliance with all applicable travel, business expense, budget, ethics code and standards of

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conduct limitations. Members and designees attend events as fiduciary representatives of the Board and should avoid even the appearance of impropriety.

- E. The Board with input from the Executive Director shall establish a budget to allow attendance at approved outside educational opportunities on a fair and impartial basis, pursuant to its education plan.
- F. On a periodic basis throughout the year, members and designees shall be provided with updates as to credit received for Mandatory Training and Non-Mandatory Training.
- G. The Executive Director shall provide regular opportunities for Board members and designees to receive industry periodicals, books and other materials that are relevant to development and maintenance of Core Competencies.
- H. The Executive Director shall ensure that refresher training sessions are offered on a regular basis, in Board meetings or otherwise, with attention to specific Core Competencies and ethics training in the education plan. Board members may request scheduling of training on specific relevant topics. The Chair may also arrange for special educational presentations in coordination with the Executive Director.
- I. Instructional materials for outside educational events received by the Executive Director from members or designees shall be made readily available for review by all members and designees.

VII. Approval to Attend Outside Training with All or Part of Costs Paid for by the Board

Approval to attend an educational event with all or part of the costs paid being paid for by the Board must be obtained from the Chair and from the Board member for his/her designees, in advance of attending the event. Approval requests should include a reference to how the training fits the current Board education plan and specify whether the event is on the list of recommended educational events developed by the Executive Director.

VIII. Receiving Credit for Training Hours

The Executive Director shall establish the process by which members and designees shall follow in order to receive credit for attending Mandatory and Non-Mandatory Training.

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Document Properties

- a. Document Owner:** Executive Office
- b. Document Author:** Don Bell
- c. Document Appendices:** SERS Educational Training Plan for Board Members and Designees (February 2022).
- d. Summary of Changes:**

Date	Version	Author	Summary
July 26, 2017	2017 POL-BD-06	SERS Legal Office	The policy the Board established setting forth the process for Board members to receive training, education, and professional development.
April 25, 2018		SERS Legal Office	Revised policy to allow for carryover of Mandatory Training credit hours and for utilization of Pennsylvania Public School Employees' Retirement System board training to satisfy Mandatory Training requirements.
August 2, 2018		SERS Legal Office	Revised policy to include: (1) One hour ethics training requirement, (2) Mandatory training requirements for designees, (3) Providing updates to members and designees on credits received, and (4) Credit being given for participation in member/designee orientation.
January 7, 2021		SERS Office of Administration	Revised policy to include: (1) New Mandatory Board Training hour requirements (2) New Mandatory Board Training topics, and (3) New Mandatory Committee Training requirements.
May 2, 2023	2017 POL-BD-06 (Rev. 05/02/2023)	Don Bell	Biennial Review. Updated policy to reflect inclusion of fiduciary duty in the mandatory requirements, current practices and legislative requirements.