

**Policy Name:** Board Education Policy  
**Policy Number:** 2017 POL-BD-06  
**Effective Date:** July 26, 2017, as amended April 25, 2018  
**Reviewed Date:** July 26, 2017, April 25, 2018  
**Applies To:** SERS Board Members  
**Contact Person:** Board Education and Training Manager

### Purpose

Board members, as the trustees of the Pennsylvania State Employees' Retirement Fund (the "Fund"), 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. Board members, with the exception of designees, are required to successfully complete at least eight hours of training as specified in Act 2017-5 and identified below. Board members 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 to receive such training, education and professional development. Except as otherwise provided herein, for purposes of this policy, "Board" and "Board member(s)" include designee(s) and "Chairperson" includes the Chairperson's designee.

### Core Competencies

Board members should aspire to develop a collective understanding of the following areas ("Core Competencies"). This policy does not contemplate that every member 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.

- (1) Fiduciary Responsibilities and Laws Relevant to the Board
- (2) Governance Structure, Practices and Policies
- (3) 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.)

- (4) Investment Strategies and Retirement Portfolio Management (*e.g.*, asset allocation, benchmarks, performance measurement, investment risk, reporting standards, economic principles and related concepts)\*
- (5) Standards of Conduct, Confidentiality, Conflicts of Interest, Ethics Code Provisions, Personal Investments and Related Disclosure Requirements
- (6) Financial and Accounting Standards and Practice (*e.g.*, financial controls, audits, and compliance functions)
- (7) Benefits Design and Administration (*e.g.*, benefit plan features, risks inherent in benefits administration, basic administrative operations and processes)
- (8) Actuarial, Funding and Asset-Liability concepts\*
- (9) Communications and Stakeholder relations
- (10) Best Practices for Governing Board and the Conduct of Meetings
- (11) Selection, Contracting, Monitoring and Evaluation of Advisors, Managers, Consultants and Other Service Providers
- (12) Materiality of Sustainability, Environmental, Societal and Corporate Governance Factors
- (13) Enterprise Risk Management and Oversight
- (14) Strategic Planning Processes
- (15) Pension Plan and Investment Industry Issues and Trends
- (16) Other Topics Related to Particular Issues that Arise

### Skills Inventory and Education Plan

Section 5901(f) of the Retirement Code requires that each Board member, with the exception of designees, is required to obtain eight hours of mandatory training in investment strategies, actuarial cost analysis and retirement portfolio management on an annual basis (“Mandatory Training”). The Board should undertake, in conjunction with receipt of any Board self-assessment results and in consideration of the Mandatory Training requirement, a biennial

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\* These Core Competencies are required for Board members, with the exception of designees, pursuant to 71 Pa. C.S. § 5901(f), which provides: “Board Training.— Each Member of the Board will be required to obtain eight hours of mandatory training in investment strategies, actuarial cost analysis and retirement portfolio management on an annual basis.”

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. In addition to the required Mandatory Training, each Board member should attempt to receive or attend at least four hours of training on an annual basis ("Non-Mandatory Training"). Other than for designees, Non-mandatory Training shall be in addition to any Mandatory Training requirements. Training hours earned for any Mandatory and Non-Mandatory Training shall be determined annually on December 31, effective for the calendar year commencing January 1, 2018. Up to four qualifying hours of Mandatory Training earned in a calendar year in excess of the required eight hours may be applied to the next calendar year. For any new members, the annual training requirements shall commence on January 1 of the calendar year following their being seated on the Board. Relevant training received through attendance at presentations approved by the Pennsylvania Public School Employees' Retirement System, as part of the mandatory training requirements of Act 5 of 2017, may be counted toward the annual Mandatory Training requirements. Relevant training received for or through other entities may be counted toward the annual requirement, upon approval of the Chairperson.

#### New Member Orientation and Regular Training

1. 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. 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.
2. Prior to attending their first meeting of the Board as a trustee and to the extent practicable, new members shall be invited by the Chairperson or Executive Director to attend a meeting of the Board or a standing committee as an observer.
3. New members shall, as soon as possible, and under the direction of the Executive Director, be:
  - a. Briefed on the history, background and structure of the Pennsylvania State Employees' Retirement System ("SERS").
  - b. Briefed on current issues before the Board;
  - c. Introduced to senior management;

- d. 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
  - e. Provided with all relevant information and documentation deemed appropriate by the Chairperson or the Executive Director.
4. The Executive Director shall biennially review and, if necessary, update all orientation material and supply each member with those updates.
  5. Participation in orientation sessions shall be open to all Board members.
  6. The Executive Director shall provide regular opportunities for Board members to receive industry periodicals, books and other materials that are relevant to development and maintenance of Core Competencies.
  7. 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 in the education plan. Board members may request scheduling of training on specific relevant topics. The Chairperson may also arrange for special educational presentations in coordination with the Executive Director.

### 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.

### Educational Opportunities and Budget

1. 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 in identifying quality educational opportunities that provide relevant training, the Executive Director shall compile and maintain a list of recommended 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 may also suggest educational events for the Executive Director to consider in developing the list. Such training and educational events for Core Competencies may include those which satisfy other professional development requirements (*e.g.*, continuing legal education credits for attorneys).
2. Attendance at outside educational events shall be done in compliance with all applicable travel, business expense, budget, ethics code and standards of conduct limitations. Members attend events as fiduciary representatives of the Board and should avoid even the appearance of impropriety.

3. 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.

Approval and Reports on Outside Training

1. Pre-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 Chairperson. 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.
2. After attending an outside educational event with all or part of the costs being paid for by the Board, a Board member shall report on the event and provide copies of instructional materials received to the Executive Director within 30 calendar days of attendance. Completed reports shall be distributed to all Board members at the next regular Board meeting as an informational item. The Executive Director shall consider member reports and recommendations in evaluating events for inclusion on the list of recommended educational events.

Attachment

**Document Properties**

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

| <b>Date</b>    | <b>Version</b>        | <b>Author</b>        | <b>Summary</b>   |
|----------------|-----------------------|----------------------|--|
| July 26, 2017  | 2017<br>POL-<br>BD-06 | SERS Legal<br>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<br>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. |

