

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
Reviewed Date: July 26, 2017, April 25, 2018, August 2, 2018
Applies To: SERS Board Members and Designees
Contact Person: Board Education and Training Manager

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. Board members are required to successfully complete at least eight hours of training as specified in Act 2017-5 and identified below. Although not required in Act 2017-5, designees shall also be required to successfully complete at least eight hours of the training as specified in Act 2017-5 for Board members to complete. 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.

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.

- (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 is required to obtain eight hours of training in investment strategies, actuarial cost analysis and retirement portfolio management on an annual basis (“Act 2017-5 Core Competency Training”). Effective January

* These Core Competencies are required for Board members 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.” The Board by this policy is also requiring designees to obtain annual training in these Core Competencies.

** This Core Competency is required for Board member and designees, in order to satisfy an annual ethics training requirement.

1, 2019, the Board is requiring designees to obtain Act 2017-5 Core Competency Training. Effective January 1, 2019, both Board Members and designees are also required to obtain one hour of ethics training on an annual basis (“Ethics Competency Training”) (hereinafter the Act 2017-5 Core Competency Training and Ethics Competency Training are cumulatively referred to as the “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 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”). 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 Act 2017-5 Competency 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 or designees, the annual 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, as part of the mandatory training requirements of Act 5 of 2017, may be counted toward the annual Act 2017-5 Core Competency Training requirements. Relevant training received for or through other entities may be counted toward the annual requirement, upon approval of the Chairperson.

New Member and Designee Orientation

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 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.
2. 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 Chairperson or Executive Director to attend a meeting of the Board or a standing committee as an observer.

3. New members and designees 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 and designees.

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.

Regular Ongoing 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 and designees in identifying quality educational opportunities that provide relevant training, the Executive Director 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).
2. 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.

3. 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 and designees attend events as fiduciary representatives of the Board and should avoid even the appearance of impropriety.
4. 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.
5. 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.
6. 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.
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 and ethics training 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.
8. 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.

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 Chairperson 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.

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.

Document Properties

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