

DRAFT

Minutes of Board Governance and Personnel Committee Meeting

Thursday, June 13, 2019

Attendees:

Board Governance and Personnel Committee:

Stephen Aichele, Assistant Chair
David Fillman, Chair
Antoinette Marchowsky (designee for Sen. Hughes)
Treasurer Joseph Torsella
Secretary Robin Wiessmann

Other Board Members:

Glenn Becker
Thomas Clancy (designee for Treasurer Torsella)
Lloyd Ebright (designee for Treasurer Torsella)
Alan Flannigan (designee for Secretary Wiessmann)
Bernie Gallagher (designee for Rep. Frankel) – via phone
Brian LaForme (designee for Secretary Wiessmann)
Daniel Ocko (designee for Rep. Frankel)
Leonidas Pandeladis (designee for Secretary Wiessmann)
Mary Soderberg
Rep. Mike Tobash
Jill Vecchio (designee for Rep. Tobash)

SERS Staff:

Christopher Houston
W. Bryan Lewis
N. Joseph Marcucci
Katie Mathews
Sara McSurdy
Terrill Sanchez

Outside Counsel:

Christopher Waddell, Olson, Hagel & Fishburn, LLP

1. Call to Order

At 2:47 p.m., Chair David Fillman called the meeting to order.

2. Welcome and Introduction

Chair David Fillman welcomed Committee members, designees, and other non-Committee Board members, including members of the Investment Committee.

3. Approval of Minutes

Action 1: Minutes of meeting minutes of April 23, 2019, Board Governance and Personnel Committee meeting.

Motion:

By motion that was moved, seconded, and approved unanimously by Committee members, it was:

RESOLVED: That this Committee approves the meeting minutes of the April 23, 2019, Board Governance and Personnel Committee meeting.

4. Special Presentations

There were no special presentations.

5. New Business

Mr. Houston provided an explanation as to the reasoning behind holding the Committee meeting concurrently with the Investment Committee meeting, which was to review the PPMaIRC recommendations. Mr. Houston also introduced Chris Waddell, special fiduciary counsel. It was determined that prior to the review under old business of the PPMaIRC recommendations, the one item of new business would be considered by the Committee.

a. Review of Board Governance and Personnel Committee Work Plan

The Committee was introduced to the work plan and tasked with deciding on when to initiate a Board self-assessment. The current Committee structure is still relatively new and the decision was made to initiate the self-assessment process for the 2020 calendar year, rather than the current year.

6. Old Business

a. Review of Public Pension Management Asset Investment Review Commission (PPMaIRC) Recommendations

Along with the Investment Committee, the Committee discussed the following PPMaIRC recommendations. It was noted that recommendations (1) – (2) and (4) – (6) were for the Investment Committee's consideration to possibly act on and that recommendations (3) and

(7) were for the Board Governance and Personnel Committee's consideration to possibly act on:

(1) (Investment Committee) PPM AIRC and SERS' Analysis Recommendation #28 & 30

(ILPA Reporting Template)

After discussion, the Investment Committee adopted a motion to recommend that the State Employees' Retirement Board amend Motion 2018-15 previously approved by the board on April 6, 2018, to, effective immediately, direct the SERS Investment Office, in collaboration with the SERS Office of Finance and Administration, to:

1. Require general partners of new investment opportunities approved by the board in private markets (e.g., private equity funds, private credit funds, real estate funds, hedge funds and other similarly structured vehicles) to provide SERS with the information found within the Institutional Limited Partners Association's (ILPA) Reporting Template through customized reporting or completion of the ILPA Reporting Template; and
2. Request general partners of existing investments in private markets (e.g., private equity funds, private credit funds, real estate funds, hedge funds and other similarly structured vehicles) to provide SERS with the information found within the Institutional Limited Partners Association's (ILPA) Reporting Template through customized reporting or completion of the ILPA Reporting Template.

(2) (Investment Committee) PPM AIRC and SERS' Analysis Recommendation #19

(Gross & Net-of-fee Performance Reporting)

After discussion, the Investment Committee adopted a motion to recommend that the State Employees' Retirement Board direct the SERS Investment Office, in collaboration with the SERS Office of Finance and Administration, to use commercially reasonable efforts to publish net-of-fee and gross-of-fee returns on a prospective basis when reporting quarterly investment performance to the board, effective with the 1st Quarter 2020 performance report.

(3) (Board Governance & Personnel Committee) PPM AIRC and SERS' Analysis Recommendation: #14

(Public Dissemination of Board Materials)

Other systems post materials publicly, but upon review, the materials seem to be high-level summaries rather than the detailed information which is being provided to the SERS

Board. SERS-Investment Office will work to prepare a sample document for the Committee's consideration and feedback. The proposed motion before this Committee is to recommend that the Board direct the SERS-Investment Office to prepare the sample document and to begin posting summary board materials to the public website.

(4) (Investment Committee) PPMAIRC and SERS' Analysis Recommendation #20 & #23

(Quarterly Performance Reporting Update)

After discussion, the Investment Committee adopted a motion to recommend that the State Employees' Retirement Board direct the SERS Investment Office, in collaboration with the SERS Office of Finance and Administration and its General Investment Consultant, to report total fund performance against a commonly understood reference portfolio benchmark (e.g., global 60/40 index), and include graphically rolling returns over the last five years.

(5) (Investment Committee) PPMAIRC and SERS' Analysis Recommendation #24

(Publicly Release Specialty Consultant Performance Reporting)

After discussion, the Investment Committee adopted a motion to recommend that the Board direct the SERS Investment Office, to continue to publish SERS' quarterly performance reports as well as to collaborate with SERS' private market specialty consultants, to develop a semi-annual performance report for the board's review and approval for public dissemination, beginning with the semi-annual reporting period ending 6/30/19.

(6) (Investment Committee) PPMAIRC and SERS' Analysis Recommendation DAG Issue Area 2 Items 1 & 2 (Fee Reporting)

After discussion, the Investment Committee adopted a motion to recommend that the Board direct the SERS Investment Office, in collaboration with the SERS Office of Finance and Administration, to develop an annual report of all investment fees and expenses reported by its managers for the board's review and approval for public dissemination, with the first report being published for CY 2020.

(7) (Board Governance & Personnel Committee) PPMAIRC and SERS' Analysis Recommendation #16

(Publicly Release Marketing Materials, Legal docs, Investment Contracts)

Making all materials publicly available would put the retirement system at a competitive disadvantage. Efforts on other recommendations are going to partially fulfill this specific recommendation. SERS is prepared to engage in conversations with PSERS on the

development of a transparency checklist, which will then be presented to the Committee. The proposed motion before this Committee is to recommend that the Board direct SERS to initiate conversations with PSERS on the transparency checklist.

Action 1: Public Dissemination of Board Materials – In Response to PPMAIRC Recommendation #14

Motion:

By motion that was moved by Assistant Chair Stephen Aichele and approved unanimously by Committee members, it was;

RESOLVED: That the Committee recommends that the State Employees' Retirement Board accept the recommendation of the Board Governance and Personnel Committee to direct the SERS Investment Office, in collaboration with the board's consultants, to post summary board materials on SERS' public website and for SERS' IO to provide the board with a sample document for its review and approval that is reflective of the summary board materials.

Action 2: Jointly Develop Transparency Checklist with PSERS – In Response to PPMAIRC Recommendation #16

Motion:

By motion that was moved by Assistant Chair Stephen Aichele and approved unanimously by Committee members, it was;

RESOLVED: That the Committee recommends that the State Employees' Retirement Board accept the recommendation of the Board Governance and Personnel Committee to direct the SERS Investment Office to work with PSERS to develop a common standard checklist for transparency issues when evaluating managers.

Executive Session

At 3:46 p.m., the Committee entered into executive session to:

- (1) consider the fiduciary implications of the Public Pension Management and Asset Investment Review Commission final report and recommendations consolidating investment operations with the Public School Employees' Retirement System. The Board received advice from its staff and its lawyers on these implications, and
- (2) discuss personnel evaluation of performance.

At 5:06 p.m., the public meeting resumed.

7. Committee Comments/Concerns/Questions

There were no additional comments, concerns, or other questions from committee members.

8. Motion to Adjourn

Action 1: Adjournment


Motion:

By motion that was moved by Committee Chair David Fillman and approved unanimously by Committee members, it was;

RESOLVED: That this meeting be adjourned at 5:06 p.m.

Respectfully Submitted,


Katie Mathews
Director of Human Resources


Christopher C. Houston
Executive Deputy Chief Counsel
Acting Chief Compliance Officer