

**MINUTES of SERS Finance & Member Services Committee Meeting – Tues., September 24,
2019**

Attendees:

Committee Members and Designees

Charles Erdman – Designee for Senator John DiSanto
David R. Fillman
Mary A. Soderberg
Jill Vecchio – Designee for Representative Michael G. Tobash

Other Board Members and Designees

Glenn Becker
James Bloom – Designee for Secretary Robin Wiessmann
Thomas Clancy – Designee for Treasurer Joseph M. Torsella
Lloyd Ebright – Designee for Treasurer Joseph M. Torsella
Alan Flannigan – Designee for Secretary Robin Wiessmann
Bernie Gallagher – Designee for Representative Dan B. Frankel
Dan Ocko – Designee for Representative Dan B. Frankel
Treasurer Joseph M. Torsella
Secretary Robin Wiessmann

Staff

Rose Agnew
Randy Albright
Don Bell
Dhanashree Chitnis
Thomas Derr
Jonathan Ferrar
Brian Gilroy
Randy Gottshall
Pam Hile
Christopher Houston
Alicia James
Dan Krautheim
David Kuntch
Alan Lin
Karen Lynn
Katie Mathews
N. Joseph Marcucci
Jeffrey McCormick
Ryan McCoy
Sara McSurdy
James Nolan
M. Catherine Nolan
Upen Pandya

David Sedlak
Joe Torta
Anwar Saleh
Terrill Sanchez
Edward Vaz
Judy Wertz

State Officials and Visitors

Kris Seets, Korn Ferry
Tom Farias, Empower Retirement
John Fellin, Empower Retirement
Jim Rohlinger, Empower Retirement
Chris Waddell, Fiduciary Counsel, via phone

1. Call to Order

2:30 p.m. by Chairperson of the Committee, Mary A. Soderberg

2. Welcome and Introductions

Alicia James, CFO, introduced staff members from the Office of Finance and Administration's Deferred Compensation and Defined Contribution Sections, including a new Accountant I, Edward Vaz.

3. Approval of Minutes

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

RESOLVED: That the Committee approves the minutes of the July 30, 2019, Finance and Member Services Committee meeting.

4. Old Business (none)**5. Special Presentations (none)****a. Empower Retirement Services Group**

Joe Torta, Director of the Office of Member and Participant Services, introduced Tom Farias and John Fellin from Empower Retirement. Empower, SERS Third-Party Administrator for the defined contribution plan and deferred compensation plan, spoke about their Retirement Services Group and what they can do to take a more active role in supporting participants' retirement journey. They described their customer care center, retirement solutions group, and their field offices. They also discussed their team of over 300 associates, their collective experience, and certifications, including FINRA, Insurance, and financial planning. Empower noted several ways in which they can engage both active and terminated employees. One of the key outcomes of this outreach is an increased rate at which participants leave their money in the plan as opposed to rolling it into another plan or cashing it out. Empower mentioned that the services that they presented have been offered to retail and corporate segments for some time and they have recently expanded the offering to their government clients. Joe mentioned that he intends to have Empower start utilizing all these additional services, which come at no additional cost to SERS or the participants.

b. Korn Ferry – Stress Testing

Sara McSurdy, Assistant CFO, co-presented with SERS actuary, Korn Ferry, on the upcoming Stress Testing and Risk Analysis Report. SERS staff is working with consultants to produce a user-friendly tool for decision makers to use in evaluating risk. The report outline and several scenarios have been identified for the inaugural report. Scenarios will be organized by key risks into three distinct sections; investment risk, demographic risk, and contribution risk. The main goal of the report is to follow the previously adopted motion of the Committee and create a report that is in line with the broad overall objectives of the PPMARC recommendations. A draft report is scheduled for distribution at the December 2019 Committee meeting. The Committee was informed that several decisions, such as report frequency and public consumption, will need to be made regarding the report once the draft is available.

6. New Business**Discussion Items****a. Office of Finance and Administration Update**

Alicia James, CFO, presented an Office of Finance and Administration update to the Committee.

She presented key financial statement information for the defined benefit plan as of June 30, 2019. She stated that compared to the same period in 2018, the overall net position increased by \$365 million to \$29.6 billion. The main reason for the increase was stronger performance in the current year. She also compared the current June statements to the December 31, 2018 audited balances, noting that the net position increased by \$2.6 billion. She noted that strong investment performance was also the main driver for this fluctuation.

The deferred compensation plan statements of net position were presented as of June 30, 2019, noting an ending net position balance of \$3.7 billion. Current activity was compared to June 30, 2018 and December 31, 2018, noting that the current period net position is higher in relation to both comparison periods mainly due to strong investment returns.

Finally, Alicia presented the most current information available for the new defined contribution plan, including cumulative value of participant accounts of approximately \$3.4 million. She also noted that the plan recorded approximately \$1 million of employer contributions, \$1.6 million of employee contributions, and \$0.8 million of employee transfers into the plan. She stated that staff is currently working on producing formal financial statements for inclusion in future updates.

b. FY 2020-21 Budget

Alicia presented SERS' budgets for Commonwealth Fiscal Year 2020-21.

The budgets for the administrative fund was \$30.7 million, which was down approximately 3% over the FY 2019-20 budget. The main driver of the decrease was IT consulting offset by increases in Non-EDP consultants and personnel costs. Information related to the directed commission account associated with the administrative fund was also provided.

Alicia stated that the budget for the investment fund was \$11.4 million, which is up approximately 3% over the FY 2019-20 budget. The increase is due to personnel costs offset by decreased costs for the general investment consultant.

Alicia then presented the budget of \$4.6 million for the new defined contribution plan, which is approximately 18% higher than the FY 2019-20 budget. The increase is mainly due to third-party administrator costs in the specialized services and IT consulting costs.

The budget of \$4.7 million for the deferred compensation plan was then presented. Alicia stated that this was the first year that a budget for this plan was prepared and presented. The most significant costs are third-party administrator costs in specialized services and personnel. These costs are paid through the fee that Empower charges to participants.

By motion that was moved, seconded, and approved by Committee members, it was:
RESOLVED: That the Committee recommends that the State Employees' Retirement Board approve, for Fiscal Year 2020-2021, the following proposed budgets: (1) SERS Administrative Budget; (2) SERS Investment Budget; (3) State Employees' Defined Contribution Plan Budget; and (4) State Employees' Retirement System Deferred Compensation Plan Budget, each substantially in the same form as presented in the Chief Financial Officer's September 10, 2019, Budget Update, and each as amended as permitted by the Office of the Budget.

The roll call tabulation is as follows:

Yes - Mary Soderberg (chair), David Fillman, Charles Erdman (designee for John DiSanto), Jill Vecchio (designee for Mike Tobash)

Informational Items Only

The Committee was also provided with following informational items:

- c. **Directed Commissions (June)**
- d. **Total Commissions (June)**
- e. **Membership and Benefits lists (June)**

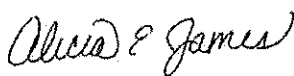
7. Board Comments/Concerns/Questions

Continue to provide information on the Stress Testing and Risk Analysis Report.

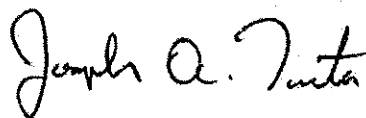
8. Motion to Adjourn

By motion that was moved by Mary Soderberg and approved unanimously by Committee members, it was **RESOLVED:** That this meeting is adjourned at 3:35 p.m.

Respectfully submitted,



Alicia E. James
Chief Financial Officer



Joseph A. Torta
Director of Member Services