

**Minutes of the Finance & Member Services Committee Meeting
February 25, 2020**

Attendees:

Board Members and Designees

Mr. David Fillman, (Board Chairman)
Mr. Charles Erdman (designee for Senator John Disanto)
Mr. Dan Ocko (designee for Rep. Dan Frankel)
Mr. Patrick Shaughnessy (designee for Rep. Dan Frankel)
Mr. Charles Duncan (designee for Senator Vincent Hughes)
Mr. Gregory Jordan
Ms. Mary Soderberg
Mr. Gregory Thall
Ms. Susan Boyle (designee for Rep. Michael Tobash)
Thomas Clancy (designee for Treasurer Joseph Torsella)
Lloyd Ebright (designee for Treasurer Joseph Torsella)
James Bloom (designee for Acting Secretary Richard Vague)
Alan Flannigan (designee for Acting Secretary Richard Vague)

Executive Staff

Alicia James
N. Joseph Marcucci
James Nolan
Board Secretary Terrill J. Sanchez

Staff

Rose Agnew
Randy Albright
Don Bell
Andrew Brode
Dhanashree Chitnis
Michele Crow
Thomas Derr
John Gibboney
Randy Gilson
Pamela Hile
Christopher Houston
Kevin Kiehl
Dan Krautheim
David Kuntch
Jeffrey McCormick
Sara McSurdy
M. Catherine Nolan
Kara O'Donnell
Melissa Seiders

Staff Attendees (Continued)

Dana Shettel

Jay Stroup

Kathleen Swailes

Joseph Torta

1. Call to Order

The meeting was called to order at 8:35 A.M. by Board Secretary Terrill J. Sanchez.

2. Election of Committee Chair

Upon being nominated by Mr. Fillman, Ms. Soderberg was unanimously elected to the position of Chair of the Finance and Member Services Committee.

3. Welcome and Introductions

Ms. James introduced staff members from the Office of Finance and Administration's Investment Control Division, including a new Investment Accountant, Kathleen Swailes.

4. Approval of Minutes

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

RESOLVED: That the Committee approves the minutes of the December 3, 2019, Finance and Member Services Committee meeting.

5. Old Business

None

6. Special Presentations

None

7. New Business**Discussion Items**

a. Appointment of Assistant Chairperson – By unanimous consent, Gregory Thall was appointed to serve as Assistant Chair of the Finance and Member Services Committee.

b. Review Finance and Member Services Committee Work Plan – Ms. James reviewed the Committee's Work Plan for the current year. The plan included: (1) adding the mid-year budget update to the February meeting; and (2) moving financial highlights presentation to June instead of July.

c. Office of Finance and Administration Update – Ms. James provided a high-level update on SERS' Office of Finance and Administration, which included overviews of the following items: (1) Changes in Fiduciary Net Position for the Defined Benefit Plan; (2) Changes in Plan Net Position for the Deferred Compensation Plan; and (3) Changes in Fiduciary Net Position for the Defined Contribution Plan. In addition, Ms. James noted that SERS was a Recipient of the "Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Counsel for 2018 CAFR" for the 11th consecutive year.

Ms. James also provided highlights of recent OFA activities; some of which included the relocation of the Event/Tech Hall from their current locations on the first floor to the third floor and status updates on position vacancies in OFA.

d. FY 2019-20 Mid-year Budget Update – Ms. James provided a high-level Mid-year Budget Update for FY 2019-20, as follows:

- SERS Administrative Budget (Expenditures as of 12/31/2019: \$17.645 million; budget request: \$31.808 million) SERS was granted a waiver to use funds from prior periods in current FY 2019-20. SERS anticipates using waiver funds to cover items such as SERIS 2.0 consultants, staff augmentation, additional actuary requests due to legislation, creation of new custom calculator to aid new employees, and validation of benefit calculations for SERIS 2.0 as well as some other items.
- Investment Budget (Expenditures as of 12/31/2019: \$5.107 million; budget request: \$11.084 million), which is expected to be within budget for FY 19/20.
- Defined Contribution Fund (Expenditures as of 12/31/2019: \$1.420 million; budget request: \$3.852 million), which is expected to be within budget for FY 19/20.

e. PSU Cost Agreement – Ms. McSurdy and Mr. Houston provided details to the Committee regarding the Pennsylvania State University's (PSU) request to take advantage of Act 2019-105. Ms. McSurdy briefly discussed background information of Act 2019-105, which was signed into law on November 27, 2019 and provides that eligible employers may enter into an agreement with SERS Board to make a one-time lump sum payment of all or part of the eligible employer's portion of the present value of future accrued liability contributions to the defined benefit plan. Ms. McSurdy provided an overview of the Pre-Funding Agreement with PSU, and Mr. Houston summarized the terms of the Cost Agreement. Ms. McSurdy identified the next steps to be taken. N. Joseph Marcucci noted that the Pennsylvania Attorney General's office has been very helpful by working on the Pre-Funding Agreement.

By motion that was moved, seconded, and approved by Committee members, it was **RESOLVED**: That the Committee recommends that the State Employees' Retirement Board certify the Board's costs to estimate, determine, calculate or administer the amount of any lump sum payment and annual setoff potentially or actually resulting from an advance payment of accrued liability contributions to be paid by The Pennsylvania State University on whose behalf the costs were or will be incurred, pursuant to Act 2019-105, as set forth in Exhibit A of the draft Cost Agreement (SERS #20-004) and further to approve entering into a Cost Agreement between The Pennsylvania State University and the State Employees' Retirement Board subject to successful completion of contract negotiations and execution and delivery of closing documents, including required Commonwealth legal approvals.

Upon a unanimous roll call vote, the Finance and Member Services Committee adopted a motion that the PSU Cost Agreement be presented to the Board. The roll call tabulation was as follows:

Yes – Ms. Mary Soderberg (chair), Mr. David Fillman, Mr. Charles Erdman (designee for Senator John Disanto), Mr. Gregory Thall, Ms. Susan Boyle (designee for Rep. Tobash)

f. Office of Member and Participate Services Update - Mr. Torta provided updates on various items and activities in the Office of Member Services, which include the following:

- Membership Composition – the vast majority of pre-Act 5 active members remain in Class AA. Post Act 5 “new hires” are electing or deferring into the Class A5 hybrid plan at a rate of 93%.
- A brief overview of Secure Act as it relates to SERS’ members and participants.
- Active Member Statements are scheduled to be released March 17, 2020. Mr. Torta emphasized that this is the first time that the statements will feature account information for members/participants in the Defined Benefit, Defined Contribution, Hybrid, and Deferred Compensation retirement plans.
- In the first month, the Retirement Solutions Group (RSG) initiative has resulted in the “rolling in” of over \$300,000 and the retention of \$19 million dollars in participant Deferred Compensation / 457 accounts.
- There was also a discussion of a new member calculator, to assist new employees in determining the benefits the various plans will offer. We are working in conjunction with Korn Ferry to accomplish this. SERS is also working with Commonwealth Media Services (CMS) on the production of a video to assist new employees select the appropriate SERS class of service.

Informational Items Only

The Committee was also provided with the following informational items to review at their leisure:

- g. Directed Commissions (September, October and November)
- h. Total Commissions (September, October and November)
- i. Membership and Benefits lists (September, October and November)
- j. Membership Class Breakdown
- k. Empower Secure Act synopsis

8. Executive Session

None

9. Board Comments/Concerns/Questions

None

10. Motion to Adjourn

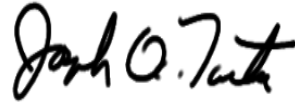
By motion of Chair Soderberg, it was

RESOLVED: That the Finance & Member Services Committee unanimously agrees to adjourn the meeting at 9:40 A.M.

Respectfully submitted,



Alicia James
Chief Financial Officer



Joseph Torta
Director of Member Services