

MINUTES of SERS Board Meeting – Tuesday, April 21, 2020

CALLED TO ORDER: 2:05 p.m. by Chair David R. Fillman

TELE-CONFERENCE MEETING

ATTENDEES:

Members and Designees

David R. Fillman – Chairperson

Glenn E. Becker

Gregory K. Jordan

Mary A. Soderberg

Gregory C. Thall

Michael G. Tobash

Joseph M. Torsella

Richard Vague

James Bloom – Designee for Acting Secretary Richard Vague

Susan Boyle – Designee for Representative Michael G. Tobash

Charles Duncan – Designee for Senator Vincent J. Hughes

Lloyd Ebright – Designee for Treasurer Joseph M. Torsella

Charles Erdman – Designee for Senator John M. DiSanto

Alan Flannigan – Designee for Acting Secretary Richard Vague

Toni Marchowsky – Designee for Senator Vincent J. Hughes

Dan Ocko – Designee for Representative Dan B. Frankel

Patrick Shaughnessy – Designee for Representative Dan B. Frankel

Jill Vecchio – Designee for Representative Michael G. Tobash

Executive Staff

Christopher Houston

Alicia James

N. Joseph Marcucci

James Nolan

Terrill Sanchez

MINUTES of the SERS Board Meeting

Tuesday, April 21, 2020

1. CALL TO ORDER

Chair Fillman called the meeting to order at 2:05 p.m.

2. WELCOME AND ROLL CALL

Executive Director Terri Sanchez conducted a roll call of board members who were on the tele-conference call.

3. ADOPTION OF THE AGENDA

MOTION: 2020-17

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

RESOLVED: That the board adopts the agenda for the April 21, 2020, board meeting.

4. APPROVAL OF CONSENT CALENDAR

A. Approving Board Meeting Minutes – February 26, 2020

B. Approving Board Emergency Meeting Minutes – April 3, 2020

MOTION: 2020-18

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

RESOLVED: That the board approves the Consent Calendar items, as listed, for the April 21, 2020, board meeting.

5. COMMITTEE REPORTS/ACTION ITEMS

A. Investment Committee

Committee Chair Becker provided a report of the Investment Committee to the board (SERS Board Handout). The report was accepted by the board along with the following motions:

PRIVATE EQUITY – CVC CAPITAL PARTNERS VIII(A) L.P.

MOTION: 2020-19

By motion that was moved, seconded, and approved by board members, except Treasurer Torsella, who voted No, and Mr. Flannigan, designee for Acting Secretary Vague, who abstained, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to €50 million to CVC Capital Partners VIII(A) L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as a follow-on investment within the Private Equity asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

TEMPORARY EXPANDED DELEGATION OF AUTHORITY

MOTION: 2020-20

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

RESOLVED: That the board accepts the recommendation of the Investment Committee to approve a temporary expanded delegation of authority to the Chief Investment Officer until December 31, 2020 (or such earlier date that the board shall direct). The temporary expanded delegation of authority allows the Chief Investment Officer to:

- (1) make strategic withdrawals of up to a total of \$500 million from existing investment portfolios within the Public Markets asset classes, if in the opinion of the Chief Investment Officer it is fiduciarily prudent to do so;
 - (2) if The Pennsylvania State University makes a lump sum payment for the advance payment of its unfunded actuarial accrued liability, or if cash exceeds its current level, then to the extent that it is not retained as cash or needed for liquidity purposes, it may be invested in existing investment vehicles according to the ranges established in the Investment Policy Statement as is fiduciarily prudent; and
 - (3) amend investment manager guidelines where necessary to prevent forced selling of securities that may be outside of their current guidelines due to rating agency downgrades during this volatile market environment, or other similar amendments to mitigate adverse impacts on a portfolio.
- The Chief Investment Officer shall consult with the board general investment consultant, SERS Investment Committee chair, and board chair prior to executing the above expanded authority investment action. All actions taken shall be consistent with the long-term investment guidelines established by the board. In the event such action is taken, the board and the Investment Committee will be apprised as soon as practicable, but no later than the next regularly scheduled board or Investment Committee meeting, respectively.

B. Finance and Member Services Committee

Committee Chair Soderberg provided a report of the Finance and Member Services Committee to the board (SERS Board Handout). The report was accepted by the board along with the following motion:

ACTUARIAL VALUATION APPROVAL AND CONTRIBUTION RATES CERTIFICATION AND USE

MOTION: 2020-21

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

RESOLVED: That the board accepts the recommendation of the Finance and Member Services Committee to:

- (1) approve the results of the December 31, 2019 actuarial valuation for the fiscal year 2020/2021;
- (2) certify the following four contribution rates; and
- (3) authorize SERS' staff and the Korn Ferry Hay Group to use the following four contributions rates, pursuant to Section 5902(k) of the State Employees' Retirement Code, to develop all the employer rates for the period of July 1, 2020, to June 30, 2021:
 1. Shared risk contribution rate of 0.0%;
 2. Employer normal cost contribution rate of 1.67%;
 3. Composite employer contribution rate necessary for the funding of the system of 33.45%; and
 4. Employer contribution rates by groups and classes of service as calculated by the Korn Ferry Hay Group, pursuant to Section 5508 of the State Employees' Retirement Code, and set forth in the actuarial valuation for the fiscal year 2020/2021.

BENEFITS COMPLETION PLAN

MOTION: 2020-22

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

RESOLVED: That the board accepts the recommendation of the Finance and Member Services Committee to establish an employer contribution rate of 0.03% for the fiscal year 2020/2021 to fund the Benefits Completion Plan that the board established pursuant to Section 5941 of the State Employees' Retirement Code.

NOTIFICATION TO EMPLOYERS AND SECRETARY OF THE BUDGET**MOTION: 2020-23**

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

RESOLVED: That the board accepts the recommendation of the Finance and Member Services Committee to authorize the Executive Director to notify all employers with employees who are active members of SERS and the Secretary of the Budget of the certified rates.

PSU FUNDING AGREEMENT**MOTION: 2020-24**

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

RESOLVED: That the board accepts the recommendation of the Finance and Member Services Committee to:

- (1) enter into the attached Funding Agreement between the State Employees' Retirement Board and The Pennsylvania State University pursuant to section 5508.1 (a) of the State Employees' Retirement Code, 71 Pa. C.S. §§5101 *et seq.*, including the Annual Setoff schedule contained in Exhibit A to the Funding Agreement, subject to required Commonwealth legal approvals;
- (2) accept The Pennsylvania State University's lump sum payment in the amount of \$1,061,000,000 to be applied towards its unfunded actuarial accrued liability pursuant to the Funding Agreement, provided the payment is received by May 1, 2020, and that the opinion of counsel required in paragraph 6.b. of the Funding Agreement has been provided to the board in a form acceptable to the board and to board counsel;
- (3) certify that the Annual Setoff amount for The Pennsylvania State University under the Funding Agreement for fiscal year July 1, 2020 – June 30, 2021, is \$93,258,976, effective upon the receipt of a lump sum payment of \$1,061,000,000 pursuant to the Funding Agreement;
- (4) certify that for fiscal year beginning July 1, 2020, for the first eleven Pay Periods of the monthly Payroll Cycle, the Annual Setoff credit shall be \$6,697,690, and that for the first twenty-five Pay Periods of the bi-weekly Payroll Cycle, the Annual Setoff credit shall be \$783,375, subject to any modification as provided for in the Funding Agreement; and
- (5) delegate to the Secretary of the Board and administrative staff of the State Employees' Retirement System to: (1) determine annually the amount of the Annual Setoff credit allocated to each Pay Period under each Payroll Cycle to The Pennsylvania State University for fiscal years beginning on or after July 1, 2021; and (2) annually certify those credits to The Pennsylvania State University.

Committee Chair Soderberg noted that a stress testing update may be expected from SERS' actuary, Korn Ferry Hay Group, at the September meeting. Also, she acknowledged all of the SERS offices for the good work they have been doing to service and answer questions of all active members and retirees during these critical times.

6. OLD BUSINESS - NONE**7. NEW BUSINESS****A. Board Notification – Manager Redemption**

Investment Committee Chair Becker provided an update to the board of the results of the March 26, 2020, SERS Investment Committee special meeting that \$300M from PIMCO was transferred into cash for liquidity purposes.

8. REPORT OF EXECUTIVE DIRECTOR

A. Executive Director Sanchez noted the following: (i) Board Dismissal report regarding uncontested matters in which an Order was issued dismissing the following administrative appeals, as provided to the board.

Account of Tonya J. Stone

Docket No. 2018-01

Claim of Larry J. Stone

B. Executive Deputy Chief Counsel Chris Houston reminded board members and designees that the deadline for the Financial Disclosure Statements and Annual Conflict of Interests forms is approaching.

9. EXECUTIVE SESSION - NONE

A. Notational Ballot

Chief Counsel Joe Marcucci reminded board members that a completed ballot should be mailed or emailed to Executive Director Terri Sanchez or him.

10. BOARD COMMENTS/ANNOUNCEMENTS/DATES TO REMEMBER

The next regular meeting of the SERS board is scheduled for June 9-10, 2020.

11. MOTION TO ADJOURN

MOTION: 2020-25

By motion of Chair Fillman, the board unanimously agreed to adjourn the meeting at 2:37 p.m.

Respectfully submitted,



Terrill (Terri) J. Sanchez
Executive Director