

**Minutes of the Finance & Member Services Committee Meeting
April 21, 2020**

Attendees:

Committee Members and Designees

Ms. Mary Soderberg (Chair)
Mr. Charles Erdman (Designee for Senator John DiSanto)
Mr. David Fillman
Mr. Gregory Thall
Ms. Jill Vecchio (Designee for Representative Michael Tobash)

Other Board Members and Designees

Mr. Gregory Jordan
Mr. Lloyd Ebright (Designee for Treasurer Joseph Torsella)
Mr. James Bloom (Designee for Acting Secretary Vague)
Mr. Alan Flannigan (Designee for Acting Secretary Vague)

Executive Staff

Terrill Sanchez
Alicia James
N. Joseph Marcucci
Christopher Houston
Jeffrey McCormick

Consultants

Brent Mowery, Korn Ferry Hay Group
Kris Seets, Korn Ferry Hay Group

1. Call to Order

Chair Soderberg called the meeting to order at 12:17 P.M.

2. Welcome and Introductions

None

3. Approval of Minutes

Minutes of the February 25, 2020 Finance and Member Services Committee meeting.

Motion:

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

RESOLVED: That this Committee approves the minutes of the February 25, 2020 Finance and Member Services Committee meeting.

4. Old Business

None

5. Special Presentations**a. Finalization of December 31, 2019 Actuarial Valuation and Fiscal Year 2020/2021 Costs**

SERS' Actuary Korn Ferry Hay Group presented actuarial valuation results and highlights for calendar year 2019. Included in the presentation were proposed Employer Contribution Rates by Group for FY 2020/2021 for certification by the Board. The next steps to be taken were also identified, which included conducting the five-year experience study and the evaluation of the assumed rate of return in July.

Motion:

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

RESOLVED: That the Finance and Member Services Committee recommend that the State Employees' Retirement Board:

- (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.

Motion:

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

RESOLVED: That the Finance and Member Services Committee recommend that the State Employees' Retirement Board 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.

Motion:

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

RESOLVED: That the Finance and Member Services Committee recommend that the State Employees' Retirement Board 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.

6. New Business/Discussion Items**a. PSU Pre-Funding Agreement**

Ms. James provided an overview of the following materials regarding this agenda topic which were also provided to the Committee:

- Background Information on Act 2019-105
- PSU Cost Agreement Recap
- Overview of the PSU Funding Agreement
- Proposed Setoff Schedule Allocation for FY 20/21
- Next Steps
- A blank copy of the Funding Agreement to be executed by the parties

Motion:

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

RESOLVED: That the Finance and Member Services Committee recommend that the State Employees' Retirement Board:

- (1) enter into the 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; and
- (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.
- (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.

b. Frequency of Stress Testing Report

A discussion was held regarding the frequency of Stress Testing. The report would normally be presented in the June/July timeframe following the valuation year. However, this year there is an option to have the report generated in June which would reflect the December 31, 2019 valuation results. The scenarios would be the same with limited changes. There was also the option to generate the report for the September Committee meeting, which would include assumption changes that were implemented as a result of the 5-year experience study and any advance contributions that were received. After a lengthy discussion, the Committee agreed to have this report presented at the September 2020 meeting.

c. Member & Participant Services Update

Mr. Torta provided the Committee with a detailed synopsis of the weekly chronology of steps that were taken to resume complete operational status for Office of Member Services (OMS) central office staff and field office staff in light of the Covid-19 Virus mitigation office closing. He provided all of the production activity that OMS staff accomplished during this time period. Mr. Torta also indicated that the “targeted” mailing date for Member Statements of Account is May 15, 2020. Furthermore, he reported that as of April 17, 2020, 15 participants of the 457(b) Deferred Compensation Plan had made application for emergency Covid-19 withdrawals from that plan, and that the average distribution was \$15,760.

7. New Business/Informational Items Only

The Committee was also provided with the following informational items:

- a. Directed Commissions (December)
- b. Total Commissions (December)
- c. Membership and Benefits lists (December)

8. Executive Session

None

9. Board Comments/Concerns/Questions

None

10. Motion to Adjourn

Motion:

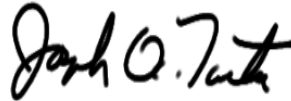
By motion that was moved, seconded, and approved unanimously by Committee members, it was:

RESOLVED: That this meeting be adjourned at 1:54 P.M.

Respectfully submitted,



Alicia E. James
Chief Financial Officer



Joseph A. Torta
Director of Member Services