

MINUTES of SERS Board Meeting – Wednesday, June 10, 2020

CALLED TO ORDER: 2:07 p.m. by Chair David R. Fillman

TELE-CONFERENCE MEETING (Unless noted In-Person)

ATTENDEES:

Members and Designees

David R. Fillman – Chair	In-Person
Glenn E. Becker	In-Person
John M. DiSanto	
Vincent J. Hughes	
Gregory K. Jordan	
Mary A. Soderberg	In-Person
Gregory C. Thall	
Michael G. Tobash	In-Person
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	In-Person
Alicia James	In-Person
Dan Krautheim	In-Person
N. Joseph Marcucci	In-Person
Katie Mathews	In-Person
James Nolan	
Terrill Sanchez	In-Person
Joseph Torta	In-Person

Consultants

Kevin Machiz, Callan
Britt Murdock, Callan
Bud Pellecchia, Callan
Tom Shingler, Callan

MINUTES of the SERS Board Meeting Wednesday, June 10, 2020

1. CALL TO ORDER

Chair Fillman called the meeting to order at 2:07 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

Chair Fillman noted that the June 10, 2020, agenda will be modified with the removal of Item 8 – NEW BUSINESS, CIO Appointment.

MOTION: 2020-28

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

RESOLVED: That the board adopts the agenda for the June 10, 2020, board meeting with the removal of the CIO Appointment from the New Business section.

4. ANNOUNCEMENT OF PRIOR EXECUTIVE SESSION

A. June 10, 2020

- i. CIO Search – Candidate Interviews
- ii. CIO Search - Post-interview Discussion

Chairman Fillman noted that an executive session for the purpose of conducting CIO candidate interviews and hold discussions.

5. APPROVAL OF CONSENT CALENDAR

A. Approving Board Meeting Minutes – April 21, 2020

B. Approving Board Special Meeting Minutes – May 1, 2020

MOTION: 2020-29

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 June 10, 2020, board meeting.

6. COMMITTEE REPORTS/ACTION ITEMS

A. Board Governance and Personnel Committee

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

PPMAIRC RECOMMENDATION #5 (CONTINUE THE WORK OF THE PPMAIRC COMMISSION THROUGH THE ESTABLISHMENT OF A REVIEW COMMISSION)

MOTION: 2020-30

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

RESOLVED: That the board accepts the recommendation of the Board Governance and Finance Committee to acknowledge that it is for the legislature if they choose to do so to establish a review commission to explore questions beyond the purview of the PPMAIRC.

PPMAIRC RECOMMENDATION #6 (LEAD AN EFFORT TO FORM A CONSORTIUM OF MAJOR STATE PENSION FUNDS TO RESET THE BALANCE OF POWER BETWEEN ASSET OWNERS AND INVESTMENT MANAGERS)

MOTION: 2020-31

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

RESOLVED: That the board accepts the recommendation of the Board Governance and Finance Committee to have staff continue to actively participate in ILPA, PREA, CII and NASRA, in their efforts to reset the balance of power.

PPMAIRC RECOMMENDATION #16 (ALL INVESTMENT MARKETING “PITCH” MATERIALS, INVESTMENT AGREEMENT TERMS, INCLUDING SIDE LETTERS, RELATED TO FEES, COSTS, EXPENSES, PERFORMANCE AND RISK BE PUBLICLY AVAILABLE)

MOTION: 2020-32

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

RESOLVED: That the board accepts the recommendation of the Board Governance and Finance Committee to direct the Investment Office to include in its staff memo to the Investment Committee for any prospective GP/Manager the responses received from the GP/Manager to the request for consent to publish the metrics found in the specialty consultants' semi-annual performance reports, as well as other information.

PPMAIRC RECOMMENDATION #110 (THE GENERAL ASSEMBLY SHOULD ENACT LEGISLATION TO ENCOURAGE DIVERSITY AND INCLUSION EFFORTS TO INCREASE THE USE OF MINORITY- AND WOMEN- OWNED ASSET MANAGEMENT MANAGERS AND FIRMS)

MOTION: 2020-33

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

RESOLVED: That the board accepts the recommendation of the Board Governance and Finance Committee to direct staff to include in the SERS staff recommendation memos to the Investment Committee the responses received from the manager to SERS' Master Due Diligence Questionnaire pertaining to diversity and inclusion, as well as the ILPA Team Diversity Template, if completed by the manager.

PPMAIRC RECOMMENDATION #112 (CREATING A COMMONWEALTH ONLINE DATABASE OF MINORITY- AND WOMEN- OWNED ASSET MANAGERS)

MOTION: 2020-34

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

RESOLVED: That the board accepts the recommendation of the Board Governance and Finance Committee to support the efforts to create a Commonwealth online database of minority- and women-owned asset managers, to be housed with and maintained by the Department of General Services.

PPMAIRC RECOMMENDATION #113 (ADOPTING MINIMUM GOALS FOR THE UTILIZATION OF MINORITY- AND WOMEN- OWNED ASSET MANAGEMENT FIRMS)

MOTION: 2020-35

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

RESOLVED: That the board accepts the recommendation of the Board Governance and Finance Committee to continue to seek investment opportunities with minority- and women-owned asset

management firms, through SERS' Emerging Investment Manager Program, consistent with the board's fiduciary duties and responsibilities.

BOARD FIDUCIARY REVIEW AND SELF-ASSESSMENT-AUTHORIZATION TO PROCURE CONSULTANT

MOTION: 2020-36

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

RESOLVED: That the board accepts the recommendation of the Board Governance and Finance Committee to:

- authorize the procurement of a consultant to assist the board in conducting a fiduciary review pursuant to the Fiduciary Review Policy and to facilitate the board's self-assessment pursuant to the Board Self-Assessment Policy; and
- direct members of the Board Governance and Personnel Committee to serve on an evaluation committee to evaluate and score proposals for purposes of recommending to the board the selection of a best value consultant for the project.

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. There were no formal motions brought before the board from this committee.

C. Audit, Risk and Compliance Committee

Committee Chair Torsella provided a report of the Audit, Risk and Compliance Committee to the board (SERS Board Handout). The report was accepted by the board along with the following motion:

2019 INDEPENDENT AUDIT

MOTION: 2020-37

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

RESOLVED: That the board accepts the recommendation of the Audit, Risk and Compliance Committee to accept the audited financial statements of the Commonwealth of Pennsylvania State Employees' Retirement System, and the Pennsylvania State Employees' Retirement System Deferred Compensation Plan for years ended December 31, 2019 and 2018, as presented by our independent auditors, KPMG LLP.

D. 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:

PPMAIRC RECOMMENDATION #100 (PROCUREMENT OF INVESTMENT MANAGERS)

MOTION: 2020-38

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 implement the following to enhance the current process for hiring public market managers:

- Post an announcement in a timely manner to SERS' website that SERS is seeking a manager with a certain mandate, e.g. large cap value manager.

- Post a similar announcement on the website of SERS' general investment consultant requesting managers to enter/update such consultant's database by a certain agreed upon date.
- Advertise the announcement using Twitter, LinkedIn and industry publications.

PPMAIRC RECOMMENDATIONS #101-106 (PROCUREMENT OF INVESTMENT CONSULTANTS)

MOTION: 2020-39

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 amend the Investment Policy Statement to provide that a Request for Information (RFI) process is to be used for the hiring of general and specialty investment consultants, with the following requirements:

- (a) All RFIs are to be posted on SERS' website; and
- (b) Once a contract has been entered into with the selected consultant, post on SERS' website the selected consultant's proposal received in response to the RFI, with redactions consistent with those made for proposals received pursuant to the Procurement Code, as set forth in the *Procurement Handbook - Part I Chapter 50 - Public Access to Procurement Information*.

PPMAIRC RECOMMENDATION #107 (EVALUATION/DUE DILIGENCE PROCESS FOR INVESTMENT MANAGERS)

MOTION: 2020-40

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 direct SERS' Investment Office staff to include in the due diligence questionnaire for prospective investment managers an inquiry as to whether a firm is compliant with the CFA Institute Asset Manager Code.

7. OLD BUSINESS - NONE

8. NEW BUSINESS - NONE

9. SPECIAL PRESENTATION – BOARD EDUCATION

A. Investment Implementation Considerations

Messrs. Kevin Machiz, Britt Murdoch and Tom Shingler of Callan presented the Investment Implementation Considerations presentation. Attendees will earn educational credit for this session.

10. REPORT OF EXECUTIVE DIRECTOR

A. Executive Director Sanchez noted the following:

- i. Following are the results of the notational ballot from the April board meeting regarding the following accounts.

Account of Michael F. Kissell

Docket No. 2016-07

Claim of Michael F. Kissell

The State Employees' Retirement Board has **DENIED** Claimant Michael F. Kissell's appeal, requesting SERS to stop withholding a portion of his monthly annuity to satisfy his agency debt to the Commonwealth. The board also remanded the case to SERS administrative staff to determine the amount of contributions Claimant made at the Class AA contribution rate for service prior to January 1, 2002 and to make any necessary adjustments to his benefit.

Account of Mark A. Lilly**Docket No. 2018-13****Claim of Mark A. Lilly**

The State Employees' Retirement Board has **DENIED** Claimant's appeal requesting to elect Multiple Service membership after the statutory time to do so had expired.

ii. Executive Director Sanchez presented the report regarding uncontested matters in which an Order was issued dismissing the following administrative appeal, as provided to the board.

Account of Joseph C. Waters**Docket No. 2018-18****Claim of Joseph C. Water**

iii. Executive Director Sanchez noted that staff is seeking participation of the Finance and Member Services Committee members on an RFP evaluation committee for a 5-year maintenance contract for the State Employees Retirement Information System (SERIS 2.0). This contract will result in system enhancements, maintenance and support of SERIS 2.0 after it goes live.

11. EXECUTIVE SESSION/PUBLIC MEETING RESUMED**A. Brief Discussion Regarding Planned Changes to the Organizational Structure****B. Notational Ballots****Account of Brian Macker****Docket No. 2015-17****Claim of Brian Macker****Account of Julia A. Miller****Docket No. 2018-17****Claim of Julia A. Miller**

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

C. Pending Benefits and Administration Litigation Update**D. Report on Referrals of Prospective or Existing Investment Transaction or Contract**

At 3:23 p.m., the board recessed and entered executive session to receive legal advice on the above executive session agenda items. The public meeting resumed at 3:40 p.m.

12. BOARD COMMENTS/ANNOUNCEMENTS/DATES TO REMEMBER

The next regular meeting of the SERS board is scheduled for July 28-29, 2020.

13. MOTION TO ADJOURN

MOTION: 2020-41

By motion of Chair Fillman, the board unanimously agreed to adjourn the meeting at 3:45 p.m.

Respectfully submitted,



Terrill (Terri) J. Sanchez
Executive Director