

**Minutes of the Audit, Risk and Compliance Committee Meeting - Revised
Tuesday, September 29, 2020**

Attendees:

Audit, Risk and Compliance Committee Members and Designees via Skype:

Senator John DiSanto
Lloyd Ebright, Designee for Treasurer Joseph Torsella
Charles Erdman, Designee for Senator DiSanto
Dan Ocko, Designee for Representative Frankel
Patrick Shaughnessy, Designee for Representative Frankel
Mary Soderberg
Gregory Thall

Other Board Members and Designees via Skype:

Glenn Becker
James Bloom, Designee for Secretary Richard Vague
Susan Boyle, Designee for Representative Tobash
Alan Flannigan, Designee for Secretary Richard Vague
Gregory Jordan
Toni Marchowsky, Designee for Senator Vincent Hughes
Representative Michael Tobash
Jill Vecchio, Designee for Representative Tobash

SERS Staff in Person Except Where Noted:

Rose Agnew
Katie Bates
Don Bell
Kelly Bernhard
Michele Crow
Tom Derr
Britt Erney-Muniz
Randy Gilson
Christopher Houston
Seth Kelley
Dan Krautheim
Karen Lynn
N. Joseph Marcucci
Jim Nolan via Skype

Ryan McCoy via Skype
Sara McSurdy
Terrill J. Sanchez
Joseph Torta

1. Call to Order

At 9:54 a.m., Lloyd Ebright, Committee Chair Treasurer Torsella called the meeting to order.

2. Welcome and Introductions - None

3. Approval of Minutes

Action 1: Minutes of Committee Meeting – June 9, 2020

Mr. Ebright presented the minutes provided to the Committee.

Motion:

By motion that was moved by Mr. Ebright and approved unanimously by Committee members, it was;

RESOLVED: That this Committee approves the meeting minutes from the June 9, 2020, meeting.

4. Old Business – None

5. Special Presentations - None

6. New Business

Action 1: Internal Audit Update

Karen Lynn led a discussion on projects in process and upcoming for Internal Audit which include the following:

- A review of Investment Office staff travel during the periods 2017 to date.
- A Request for Proposal for independent auditor services for years 2021 through 2025.
- A review of the data conversion, user acceptance testing, and implementation of the SERIS 2.0 system. It is noted KPMG has been engaged to perform a review of the conversion and implementation effort.
- Development of queries to perform data analysis of SERS key system applications.

Action 1 – Follow Up: The Committee asked the Internal Audit Director that the following be performed:

- SERS Chief Information Officer was asked to provide an update at the December 2020 Committee meeting on cybersecurity projects.
- Mr. Ebright asked that where applicable, future Request for Proposal documents include a request for Service Organization Control (SOC) reports or similar reports attesting to the internal controls, data security, etc. of the organization.

Action 2 – Compliance Officer Update

Chris Houston led a discussion on the current status of several projects he is currently working on which includes the following.

- The committee reviewed the revised Compliance Program Charter and took action to recommend its adoption by the Board.
- The committee reviewed a revised Conflict of Interest Questionnaire, which if adopted in the future, would include a requirement for financial disclosure, to include investment holdings, by Board members and designees not currently required to file a Code of Conduct Statement of Financial Interests. If implemented, all Board members would then be filing the same investment related information, i.e., the gubernatorial appointees would be including this information in the Code of Conduct filing and non-gubernatorial appointees would be including it with the Conflict of Interest Questionnaire. Concerns were expressed over whether the questionnaire can be revised without further Board action.
- The committee reviewed the revised Insider and Personal Trading Policy and took action to recommend its adoption by the Board. The policy was revised to incorporate an edit offered by SERS CIO, Seth Kelly.
- The committee reviewed SERS' whistleblower policy and discussed the appropriateness of a Board-specific whistleblower policy. The Chief Compliance Officer provided a memo to the Board, which concluded that no practical protection can be afforded to Board members through a Board-specific whistleblower policy designed to prevent retaliation against Board members in exercising their duties. The Board's fiduciary responsibilities and the Board's Ethical Conduct Policy compel members to report any malfeasance or other wrongdoing. Accordingly, and based on the Chief Compliance Officer's recommendation, the Committee concluded that an additional Board-specific whistleblower policy is not necessary.

Action 2 – Follow Up: The committee asked the Acting Chief Compliance Officer that the following be performed:

- Pertinent to the discussion of revising the Conflict of Interest Questionnaire to require those Board members not currently required to file the Governor's Code of Conduct Statement of Financial Interests, to report financial information related to investments, Mr. Houston was asked to highlight the applicable sections of the Statement of Financial Interests that will be contained in the SERS Conflict of Interest Questionnaire.

Mr. Houston will compile this information and share it with the committee at the December 2020 meeting for review.

Motion:

By motion that was moved by Mr. Ebright and approved unanimously by Committee members, it was;

RESOLVED: That this Committee recommends the State Employees' Retirement Board adopt the State Employees' Retirement Board Compliance Program Charter, as attached.

Motion:

By motion that was moved by Mr. Ebright and approved unanimously by Committee members, it was;

RESOLVED: That this Committee recommends the State Employees' Retirement Board adopt the Insider and Personal Trading Policy, as attached, with an effective date of January 1, 2021.

7. Executive Session

At 10:40 a.m., the committee then entered into Executive Session to review and discuss committee business which, if conducted in public, would violate a lawful privilege or lead to the disclosure of information that is confidential or protected by law. The topics covered in executive session included:

- Review of the Acting Chief Compliance Officer's activities for the quarter ending June 30, 2020.
- Review of the 2020 agency risk assessment overview.
- Review of the 2020 green book based internal control audit.
- Review of due diligence performed on board approved investments for the period February 2020.

8. Committee Meeting Resumes

At 11:55 a.m., the Committee meeting resumed in public session.

9. Committee Comments/Concerns/Questions – No additional items noted

10. Motion to Adjourn

Action 1: Adjournment

Motion:

By motion that was moved by Mr. Ebright and approved unanimously by Committee members, it was;

RESOLVED: That this meeting be adjourned at 11:56 a.m.

Respectfully submitted,

Karen A. Lynn

Karen A. Lynn, CPA
Internal Audit Director