

MINUTES of SERS Board Meeting – Wednesday, September 30, 2020

CALLED TO ORDER: 10:31 a.m. by Chair David R. Fillman

TELE-VIDEO CONFERENCE MEETING VIA SKYPE

ATTENDEES:

Members and Designees

David R. Fillman – Chairperson

Glenn E. Becker – Assistant Chairperson

John M. DiSanto

Gregory K. Jordan

Mary A. Soderberg

Gregory C. Thall

Michael G. Tobash

Richard Vague

James Bloom – Designee for Acting Secretary Richard Vague

Susan Boyle – Designee for Representative Michael G. Tobash

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

Seth Kelly

N. Joseph Marcucci

Sara McSurdy

Terrill Sanchez

MINUTES of the SERS Board Meeting

Wednesday, September 30, 2020

1. CALL TO ORDER

Chair Fillman called the meeting to order at 10:31 a.m.

2. WELCOME AND ROLL CALL

Executive Director Terri Sanchez conducted a roll call of board members and designees who were on the tele-video conference call. Senator John DiSanto initially called in on the muted telephone line and could not be heard during the roll call. The Senator was able to join the Skype call later and his affirmative votes were included on Motions 2020-54 thru 2020-58; he then could be heard for the remainder of the roll call votes.

3. ADOPTION OF THE AGENDA

MOTION: 2020-54

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

RESOLVED: That the board adopts the agenda for the September 30, 2020, board meeting.

4. APPROVAL OF CONSENT CALENDAR

A. Approving Board Meeting Minutes – July 29, 2020

B. Approving Statement of Changes in Fiduciary Net Position for the Periods Ending –May 31 and June 30, 2020

C. Approving Deferred Compensation Plan (DCP) Statement of Changes Report Ending - May 31 and June 30, 2020

D. Approving Defined Contribution Plan Statement of Changes Report Ending - May 31 and June 30, 2020

MOTION: 2020-55

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 September 30, 2020, board meeting.

5. COMMITTEE REPORTS/ACTION ITEMS

A. 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 motions:

STRESS TESTING AND RISK ASSESSMENT REPORT

MOTION: 2020-56

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 approve the 2020 Stress Testing and Risk Assessment Report prepared by SERS' Actuary, Korn Ferry.

COST AGREEMENT RELATED TO EMPLOYER PREFUNDING OF UNFUNDED ACTUARIAL LIABILITY

MOTION: 2020-57

By motion that was moved, seconded, and approved by board members, except Ms. Marchowsky, designee for Senator Hughes, who recused, it was

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

- (i) certify the board's costs to estimate, determine, calculate and/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 System of Higher Education (PASSHE) 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 #20-030);
- (ii) certify to PASSHE its proportionate share of the General Initial Implementation Costs that PASSHE must pay to the Pennsylvania State University before the board will proceed with entering into a Funding Agreement with PASSHE, as set forth in Paragraph 4(a) and Exhibits A and B of the draft Cost Agreement; and
- (iii) approve entering into a Cost Agreement with PASSHE, subject to successful completion of contract negotiations and execution and delivery of closing documents, including required Commonwealth legal approvals.

SERIS 2.0 MAINTENANCE AND SUPPORT (RFP)

MOTION: 2020-58

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:

- (i) accept the determination of the SERS Contracting Officer that the proposal submitted by BI Solutions, Inc. for SERIS 2.0 Maintenance and Support, in response to SERS-RFP001707, is most advantageous to SERS and the Commonwealth; and
- (ii) authorize staff to proceed with contract negotiations therewith.

FY 2021/2022 BUDGET

MOTION: 2020-59

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 approve for Fiscal Year 2021-2022, the following proposed budgets: (1) SERS Administrative Budget; (2) SERS Investment Budget; and (3) State Employees' Defined Contribution Plan Budget, each substantially in the same form as presented in the Chief Financial Officer's September 29, 2020 Report, and each as amended and/or approved by the Office of the Budget.

B. Audit, Risk and Compliance Committee

Designee Lloyd Ebright for 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 motions:

COMPLIANCE PROGRAM CHARTER

MOTION: 2020-60

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 adopt the State Employees' Retirement Board Compliance Program Charter, as attached (ATTACHMENT A).

INSIDER AND PERSONAL TRADING POLICY**MOTION: 2020-61**

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 adopt the Insider and Personal Trading Policy, as attached, with an effective date of January 1, 2021 (ATTACHMENT B).

C. Investment Committee

Committee Chair Becker provided a report of the Investment Committee to the board (SERS Board Handout). Chair Becker noted that new Chief Investment Officer Seth Kelly has started at SERS and welcomed him. He looks forward to working with him. The report was accepted by the board along with the following motions:

PRIVATE EQUITY – Thoma Bravo Fund XIV, L.P.**MOTION: 2020-62**

By motion that was moved, seconded, and approved by board members, except Mr. Ebright, designee for Treasurer Torsella, who abstained, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to \$50 million to Thoma Bravo Fund XIV, 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.

PRIVATE EQUITY – Thoma Bravo Discover Fund III, L.P.**MOTION: 2020-63**

By motion that was moved, seconded, and approved by board members, except Mr. Ebright, designee for Treasurer Torsella, who abstained it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to \$25 million to Thoma Bravo Discover Fund III, L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as an 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.

REBALANCE PUBLIC MARKET ASSETS**MOTION: 2020-64**

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 transactions to rebalance public market assets (using a transition manager if necessary):

- Redeem \$100 million from the MCM Russell 1000 Index Fund (U.S. Equity), all proceeds of which to be directed to SERS' Cash Account;
- Redeem \$25 million from the MCM Russell 2000 Index Fund (U.S. Small Cap Core Equity), all proceeds of which to be directed to SERS' Cash Account;
- Redeem \$75 million from the strategy managed by Harris Associates (International Developed Markets Small Cap Equity), all proceeds of which to be directed to SERS' Cash Account;
- Redeem \$130 million from the BlackRock MSCI Emerging Market Index Fund (Emerging Markets Equity), all proceeds of which to be directed to SERS' Cash Account;

- Redeem \$50 million from Brown Brothers TIPS, all proceeds of which to be directed to SERS' Cash account;
- Contribute \$450 million to the Mellon Bond Index Fund (Core Fixed Income), the funds for which to be sourced from SERS' Cash Account; and
- Contribute \$330 million to the PIMCO U.S. Treasuries Portfolio (Core Fixed Income), the funds for which to be sourced from SERS' Cash Account.

PPMAIRC #29 PUBLIC DISCLOSURE OF TRAVEL EXPENSES

MOTION: 2020-65

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 the SERS Investment Office staff to begin publishing a report, similar to the sample provided to the Investment Committee, on a prospective basis disclosing all travel or other expenses incurred by staff and/or paid for by an external investment manager, fund or consultant, beginning with the Commonwealth's fiscal year 2020/21, targeting the first report to be presented to the Investment Committee in December 2021, and at each December Investment Committee meeting thereafter. After presentation to the Investment Committee, the report is to be posted on SERS' website.

PPMAIRC #30 REPORTING FEE INFO

MOTION: 2020-66

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 the SERS Investment Office and Office of Finance and Administration to:

1. Report for each investment manager/general partner, separately as well as in the aggregate for both traditional and non-traditional investments, the fees, costs, and expenses, and in the case of non-traditional investments, carried interest, similar to the report found in the executive session materials for the most recent Investment Committee meeting. This report is to be produced on an annual basis going forward and presented to the Investment Committee in July of each year; and
2. Produce an additional report suitable for public dissemination, in accordance with confidentiality terms outlined in contractual agreements between SERS and SERS' Investment Managers/general partners, as certified by the SERS Legal Office, similar to the report provided to the Investment Committee.

D. Board Governance and Personnel Committee

Committee Chair Fillman provided a report of the Board Governance and Personnel Committee to the board (SERS Board Handout). Chair Fillman also noted the arrival of new CIO Kelly and welcomed him to SERS. The report was accepted by the board along with the following motions:

FY 2021-FY 2023 SERS Strategic Business Plan

MOTION: 2020-67

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 Personnel Committee to approve the FY 2021 – FY 2023 SERS Strategic Business Plan, as set forth in the attachment (ATTACHMENT C).

FIDUCIARY AND GOVERNANCE REVIEW/BOARD SELF-ASSESSMENT RFQ**MOTION: 2020-68**

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 Personnel Committee to include the following topics in the scope of work for the procurement of the consultant to assist the board in conducting a fiduciary review pursuant to the Fiduciary Review Policy:

1. Non-economic investment requirements (in-state managers, minority and women-owned programs, etc.);
2. Asset liability matching process;
3. Legislative positioning: reactive (awareness of and response to legislative proposals) and proactive (drafting and lobbying); and
4. Investment manager selection/due diligence/monitoring/termination.

COMPREHENSIVE COMPENSATION AND CLASSIFICATION STUDY**MOTION: 2020-69**

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 Personnel Committee to authorize the procurement of a consultant to conduct a comprehensive compensation and classification study of the SERS investment professional positions and attorney positions, including the Chief Compliance Officer position.

E. Securities Litigation Committee

Committee Chair Jordan provided a report of the Securities Litigation Committee to the board (SERS Board Handout). The report was accepted by the board and there were no motions for the board.

6. OLD BUSINESS - NONE7. NEW BUSINESS - NONE8. SPECIAL PRESENTATION – BOARD EDUCATION**A. The Liability as the Benchmark**

CIO Kelly presented The Liability as the Benchmark educational session. Attendees will earn educational credit for this session.

9. REPORT OF EXECUTIVE DIRECTOR**A. Executive Director Sanchez noted:**

(i) the following are the results of the notational ballots regarding the following accounts:

Account of Brian Macker**Docket No. 2015-17****Claim of Brian Macker**

The State Employees' Retirement Board has **DENIED** the State Employees' Retirement System's Motion to Dismiss Claimant's request to receive service-connected disability supplement. This matter will proceed in the administrative appeal process.

Account of Julia A. Miller**Docket No. 2018-17****Claim of Julia A. Miller**

The State Employees' Retirement Board has **DENIED** Claimant's request to elect multiple service membership after the election period ended.

(ii) the following Board Dismissal report regarding uncontested matters in which an Order was issued dismissing the following administrative appeal, as provided to the board:

Account of Angeles Roca**Docket No. 2017-02****Claim of Angeles Roca**

B. Executive Director Sanchez noted that the Administrative Update memo provided information regarding preparations to start livestreaming board meetings with the December, 2020 board meeting.

C. Executive Director Sanchez noted there are on-going meetings between SERS and the general assembly. The stop gap budget is set to expire on November 30 and assurances have been received from leadership that the intent remains to fully fund the ARC. For specific information on individual legislative bills and SERS responses refer to the Legislative Update memo.

D. Executive Director Sanchez noted the 2021 proposed meeting dates have been provided and board members are asked to let her know of any conflicts with the dates. SERS would like to have the dates finalized by November, 2020.

E. Chief Financial Officer McSurdy provided an update from the Investment Committee meeting regarding a question raised by Designee Ebright. The Investment Manager Expense and Fee Report presented as part of the PPMAIRC Progress Update does reflect values presented in the CAFR for manager related investment expenses.

10. EXECUTIVE SESSION

A. Pending Benefits Administration Appellate Litigation Update

B. Report on Referrals of Prospective or Existing Investment Transaction or Contract

At 12:45 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 12:49 p.m.

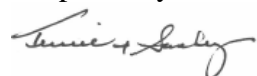
11. BOARD COMMENTS/ANNOUNCEMENTS/DATES TO REMEMBER

The next regular meeting of the SERS board is scheduled for December 1-2, 2020.

12. MOTION TO ADJOURN**MOTION: 2020-70**

By motion of Chair Fillman, the board unanimously agreed to adjourn the meeting at 12:50 p.m.

Respectfully submitted,



Terrill (Terri) J. Sanchez
Executive Director

STATE EMPLOYEES' RETIREMENT BOARD

COMPLIANCE PROGRAM CHARTER

Adopted on September 30, 2020

I. Purpose

The State Employees' Retirement Board ("Board") Compliance Program ("Program") consists of specific policies, standards, procedures, guidelines, and responsibilities designed to:

- A. Promote and foster an organizational culture of integrity, ethical decision-making and compliance with applicable laws, policies, procedures, codes, and other legal requirements in fulfilling the Board's mission and fiduciary responsibilities to the members ("Members") and beneficiaries of the State Employees' Retirement System ("SERS"), and to the participants ("Participants") and beneficiaries in the State Employees' Defined Contribution Plan ("401(a) Plan") and the Commonwealth of Pennsylvania Deferred Compensation Plan ("457 Plan") (hereafter referred to collectively as the "DC Plans" and any reference to SERS shall include a reference to the DC Plans);
- B. Establish a compliance function, as a monitoring, advisory, review and reporting activity;
- C. Assure that the Board and its employees ("Employees") conduct business with the highest standards of ethics and integrity; and
- D. Establish an infrastructure that provides additional assurance that SERS' operating divisions are in compliance with applicable laws, policies, procedures, codes, and other legal requirements.

The Program is designed to be sustainable and continuously improving to identify and address the Board's and SERS' existing and emerging ethical and legal risks consistent with the Board's commitment to the highest ethical standards.

II. Definitions

The following terms when used in this Compliance Program Charter shall have the meanings set forth below:

- A. **Governance Policy Manual.** The compilation of the principal policies and procedures developed and used by the Board, which provide guidance regarding the manner in which members of the Board and its committees are expected to conduct themselves, in order to carry out their responsibilities in an effective and efficient manner and in accordance with applicable law.
- B. **Commonwealth Laws and Policies.** The Commonwealth statutes, codes, Management Directives and policies applicable to SERS and the Board, including, but not limited to the following, as amended from time to time:
- The Pennsylvania Public Official and Employees Ethics Act (65 Pa. C.S. §§1101 *et seq.*)
 - The Governor's Code of Conduct (4 Pa. Code §7.151 *et seq.*)
 - The State Adverse Interest Act (71 P.S. §776.1 *et seq.*)
- C. **SERS Policies.** Policies adopted by SERS or the Board that are of an administrative or operational nature, which reflect standards or rules that regulate or guide organizational action and Employee conduct.

III. Compliance Objectives and Responsibilities

The compliance objectives and responsibilities of the Program include the following, to be administered by a Chief Compliance Officer and such other staff as are necessary, in collaboration with the Internal Audit division ("Internal Audit"):

- A. Maintaining, monitoring, and periodically reviewing, the State Employees' Retirement System Employee Code of Conduct ("SERS Code of Conduct") that sets forth, among other things, the requirements as to how Employees are to conduct themselves in accordance with high ethical standards and in a manner consistent with: (i) their fiduciary obligations to the Members and Participants, and their respective beneficiaries, (ii) SERS Policies, and (iii) all laws and regulations, including Commonwealth Laws and Policies, applicable to the business of SERS and the Board;

- B. Providing objective compliance monitoring and training services to ensure compliance with applicable laws, policies, procedures, codes, and other legal requirements;
- C. Ensuring the highest ethical standards of ethical conduct, consistent with the SERS Code of Conduct, through the monitoring and periodic review of the SERS Policies;
- D. Ensuring the highest standards of ethical conduct through the monitoring and periodic review of the Governance Policy Manual relating to Board members;¹
- E. Monitoring the compliance activities of the Investment Office, with tasks including:
 - 1) identifying potential areas of compliance vulnerability and risk;
 - 2) assisting with the development and implementation of risk management and mitigation for resolution of problematic issues, and
 - 3) providing guidance on how to avoid or address similar situations in the future;
- F. Obtaining regular updates from SERS management regarding compliance matters, and collaborate with the SERS operating divisions to direct compliance issues to appropriate channels for investigation and resolution;
- G. Ensuring compliance with applicable whistleblower laws;
- H. Ensuring that compliance issues and concerns are being appropriately evaluated, investigated, and resolved;
- I. Ensuring evaluation of alleged violations of laws, policies, procedures, and codes or recommending the initiation of investigative procedures;
- J. Ensuring proper reporting of violations or potential violations to duly authorized enforcement agencies, as appropriate and/or required;

¹ References to Board members shall be deemed to refer to the authorized designees described in the *Commonwealth of Pennsylvania State Employees' Retirement System Bylaws ("Board Bylaws")*.

- K. Ensuring that information and reports from the SERS Executive Director and Legal Office regarding compliance matters are reviewed by the Audit, Risk and Compliance Committee (“Committee”);
- L. Ensuring that any recommendations made by external service providers regarding compliance processes are reviewed by the Committee;
- M. Ensuring that investment program compliance audits are reviewed by the Committee;
- N. Collaborating with the Committee, to:
 - 1) Oversee Board member compliance with applicable laws, Board bylaws, ethics requirements, and policies and procedures applicable to Board members, including the Governance Policy Manual;
 - 2) Periodically review the Program and risks, including the Program’s design, implementation, and effectiveness;
 - 3) Coordinate Board member education with the SERS Manager of the Board Education Program and Executive Director pursuant to the Board Education Policy (2017 POL-BD-01);
 - 4) Oversee logging and reporting of Board member referrals and communications of potential investment or service provider opportunities; and
 - 5) Review the findings and recommendations of any investigations or examinations of SERS operations.
- O. Obtaining and reviewing all Board member financial and ethical disclosure documents;
- P. Reporting quarterly to the Committee and senior management to keep them informed of the operation and progress of compliance activities; and
- Q. Working with the Human Resources division and others, as appropriate, to develop an effective compliance-related training program, including introductory training for new Employees and ongoing training for all Employees.

IV. Consulting and Advisory Objectives

The objectives of the Program's consulting and compliance services are to provide management and other division staff with assessments and advice for improving policies, procedures and practices that will advance the goals and objectives of SERS. To improve effectiveness, the objectives are assessments and advice on front-end projects so that risk may be identified and internal controls may be designed at the beginning of a project. Advice or assessments may be provided on short notice, however, to assist with compliance in unexpected or last-minute situations. Examples of advisory services include providing routine advice on policies and processes and, in collaboration with Internal Audit, providing input to management relevant to establishment of controls.

V. Authority

The activities of the Program are supervised by a Chief Compliance Officer who is administratively housed in the SERS Legal Office. The Chief Compliance Officer reports administratively to the Chief Counsel and functionally to the Committee.

The Audit, Risk and Compliance Committee Charter ("Charter") sets forth the duties and responsibilities of the Committee regarding compliance activities and in the selection and evaluation of the Chief Compliance Officer. The Charter specifically provides that the Committee is to review the Program and risks with the Chief Compliance Officer, including the Program's design, implementation, and effectiveness, and that the Committee shall have input into the candidate search process and selection of the Chief Compliance Officer.

VI. Access

To fulfill the mission and objectives of the Program, the Chief Compliance Officer shall have unrestricted access to all SERS divisions, personnel, activities, confidential and non-confidential data and records, information systems, physical property, and contractors relevant to the performance of compliance activities. Further, the Chief Compliance Officer shall be provided the necessary assistance of personnel in operational divisions of the organization where compliance activities are performed, as well as other specialized services from within or outside the organization, as appropriate. In addition, the Chief Compliance Officer shall be provided timely reports from management on actions proposed and taken pertaining to compliance related issues.

The Chief Compliance Officer may set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish the Program objectives. The Chief Compliance Officer has free and unrestricted access to the Committee Chair, Board Chairperson, and Executive Director.

VII. Objectivity

A. Organizational Placement

The Chief Compliance Officer operates within the SERS Legal Office and reports administratively to the Chief Counsel. The Chief Compliance Officer reports functionally to the Committee. In addition, the Chief Compliance Officer may report on compliance matters to other Board committees.

If the Chief Compliance Officer is a licensed attorney, he or she must adhere to the Pennsylvania Rules of Disciplinary Enforcement and Rules of Professional Conduct. These rules are designed to result in trust, accountability, integrity, and professional objectivity. It is the Board that has the authority to hire and terminate the Chief Compliance Officer. If the Chief Compliance Officer is housed in the SERS Legal Office, the Board will receive input from the Chief Counsel and the Executive Director in exercising its authority.

In carrying out his/her responsibilities, the Chief Compliance Officer will:

- 1) Ensure objectivity;
- 2) Remain free of actual and perceived conflicts of interest;
- 3) Discharge professional responsibilities with due care, competence and diligence;
- 4) Have access to all functions, records, property and personnel necessary to complete his/her responsibilities;
- 5) Have full and free access to the Board, Committee, and Executive Director; and
- 6) Have the authority to:
 - i. initiate internal investigations in consultation with the Chief Counsel and SERS Human Resources Division, upon receipt of authorization from the Executive Director or, if the Executive Director is conflicted, the Committee; and
 - ii. recommend to the Chief Counsel to hire outside legal counsel to conduct an investigation.

Upon receipt of such a recommendation, the Chief Counsel shall consult with the Executive Director or, if the Executive Director is conflicted, with the Committee. After consultation, if the Chief Counsel and the Executive Director or the Committee agree that retaining outside counsel is deemed necessary and appropriate, the Chief Counsel shall proceed with the retention of outside counsel.

B. Potential Conflict of Interest

The Chief Compliance Officer should discuss any potential issues regarding conflicts of interest with the Chief Counsel, Committee, or Executive Director, as necessary.

VIII. Charter Review

The Compliance Program Charter shall be reviewed periodically by the Committee, but no less frequently than every two (2) years. The Committee shall recommend any changes to the Board.

Document Properties

- a. Document Owner:** SERS Legal Office
- b. Document Author:** Christopher C. Houston
- c. Summary of Changes:**

| Date | Version | Author | Summary |
|-------------|----------------|------------------------|----------------|
| 9/13/20 | New | Christopher C. Houston | |

Policy Name: Insider and Personal Trading Policy
Policy Number: 2020 POL-BD-01
Effective Date: January 1, 2021
Reviewed Date: September 8, 2020
Applies To: Board Members, Designees, and Employees
Contact Person: SERS Legal Office

I. Purpose

It is the general policy of the State Employees' Retirement Board ("Board") that the highest moral and ethical standards shall prevail in the accomplishment of the work of the Board and its employees. The members of the Board serve as trustees of the following:

- A. The State Employees' Retirement Fund ("Retirement Fund"), which consists of all balances in separate accounts set apart and to be used under the direction of the Board for the sole and exclusive benefit for the members ("Members") of the State Employees' Retirement System ("SERS");
- B. The State Employees' Defined Contribution Trust ("401(a) Trust"), which is established as part of the State Employees' Defined Contribution Plan ("401(a) Plan"). The 401(a) Trust is comprised of the individual investment accounts and all assets and money in those accounts, and any assets held by the Board as part of the 401(a) Plan that are not allocated to individual investment accounts established for those state employees who participate in the 401(a) Plan, which the Board administers and manages exclusively for the benefit of the 401(a) Plan participants and their beneficiaries until such time as the funds are distributed to the participants and their beneficiaries in accordance with the 401(a) Plan;
- C. The Deferred Compensation Plan Trust for Officers and Employees of the Commonwealth of Pennsylvania ("457 Trust"), which is established as part of the Fifth Amended and Restated Deferred Compensation Plan ("457 Plan"). The 457 Trust is comprised of all property and rights purchased with compensation deferred under the 457 Plan, all income attributable thereto, and such other monies or assets as are permitted by law to be transferred to the 457 Plan, which the Board administers and manages exclusively for the benefit of the 457 Plan participants and their beneficiaries until such time as the funds are distributed to the participants and their beneficiaries in accordance with the 457 Plan; and
- D. The Benefits Completion Plan ("BPC"), which is a retirement benefit plan within the meaning of, in conformity with and then only to the extent and so long as permitted by IRC §415(m) for the purpose of providing such retirement benefits as would otherwise

have been payable under the State Employees' Retirement Code to annuitants of SERS on or after July 2, 2001, but for the application of the limitations on benefits of IRC §415.

The Board, Board member designees (“Designees”), employees of the Board (each an “Employee”), and its agents (each a “SERS Agent”) stand in a fiduciary relationship to the Members and beneficiaries of SERS, and to the participants and beneficiaries in both the 401(a) Plan and the 457 Plan (hereafter referred to collectively as the “DC Plans”). All business of SERS, the BPC, and the DC Plans is to be conducted in the best interests of the Members, participants in the DC Plans, and their respective beneficiaries, and not for the benefit or profit of any Board members, Designees, Employees, or SERS Agent or to serve the interest of any third party. Board member’s, Designee’s, and Employee’s obligations also include making full and fair disclosure of all relevant facts and any potential or actual conflicts of interest. Board members, Designees, and Employee are to act with loyalty and good faith, and place the interests of the Members, participants in the DC Plans, and their respective beneficiaries before their own. Hereinafter, any reference to SERS shall include a reference to the DC Plans.

Board members, Designees, and Employees are subject to various policies which relate to standards of conduct, some of which are either statutory or promulgated by other Commonwealth entities (“Commonwealth Policies”).

Commonwealth Policies that may apply to an Employee, Board member, and Designee include the following:

- The Pennsylvania Public Official and Employees Ethics Act (65 Pa. C.S. §§1101 *et seq.*), which prohibits a public official or public employee from engaging in “...conduct that constitutes a conflict of interest.” 65 Pa. C.S. §1103(a). A conflict of interest includes using “...any confidential information received through his holding public office or employment for the private pecuniary benefit of himself, a member of his immediate family or a business with which he or a member of his immediate family is associated.” 65 Pa. C.S. §1102.
- The Governor’s Code of Conduct (4 Pa. Code §7.151 *et seq.*), which provides that an employee, appointee or official in the Executive Branch of the Commonwealth shall not:
 - (1) Engage directly or indirectly in business transactions or private arrangement for profit which accrues from or is based upon his official position or authority.
 - (2) Participate in the negotiation of or decision to award contracts, the settlement of claims or charges in contracts, the making of loans, the granting of subsidies, the fixing of rates, or the issuance of permits, certificates, guarantees or other things of value to, with or for an entity in which he has a financial or personal interest.

4 Pa. Code §7.151.

The Governor's Code of Conduct further provides that:

No employe[e], appointee or official in the Executive Branch of the Commonwealth may represent or act as agent for a private interest, whether for compensation or not, in a transaction in which the State has a direct and substantial interest and which could be reasonably expected to result in a conflict between a private interest of the official or employe[e] and his official State responsibility.

4 Pa. Code §7.152.

Board members who are members of the General Assembly and their Designees are subject to the Legislative Code of Ethics (46 P.S. §§143.1 *et seq.*), which provides that no member shall:

- (1) Accept employment or engage in any business or professional activity which will require him to disclose confidential information which he has gained by reason of his official position or authority.
- (2) Improperly disclose confidential information required by him in the course of his official duties nor use such information to further his personal interests,
- (3) Use or attempt to use his official position to secure unwarranted privileges or exemptions for himself or others.

As a general policy, a Board member, Designee and Employee shall comply with all laws and regulations, including the Commonwealth Policies, applicable to the business of SERS. On March 6, 2008, the Securities and Exchange Commission issued a *Report of Investigation Pursuant to Section 21 (e) of the Securities Exchange Act of 1934*, Release No. 57446 (March 6, 2008). Then-SEC Chair Christopher Cox said, "While public pension funds are exempt from most of the federal securities laws governing money managers, they are not exempt from important anti-fraud provisions that prohibit insider trading and other manipulative and dishonest behavior that threatens the integrity of the market."

Moreover, members of professional organizations that promulgate standards of conduct are subject to those professional standards, as applicable. For example, members of the Chartered Financial Analyst Institute (the "CFA Institute") who are responsible for the Board's investment decisions or who are involved in the management of SERS' assets shall be governed in their personal investment activities by the Standards of Professional Conduct established by the CFA Institute and applicable State statutes, and shall sign a yearly affirmation of compliance with the Code of Ethics of the CFA Institute.

To preserve the value of integrity and applicable laws and regulations, the Board adopts this Insider and Personal Trading Policy (this "Policy") to create safeguards against the misuse of insider information (as defined below).

Each Board member, Designee, and Employee who is covered by this Policy is required to be familiar with this Policy and adhere to it. Strict adherence to this Policy is mandatory, and any questions should be discussed with the Employee's supervisor, the Chief Counsel, Executive Director, and/or Chief Compliance Officer of SERS. Violations of this Policy may lead to disciplinary action for Employees up to and including termination.

Although strict adherence to the specific requirements of this Policy is mandatory, this Policy cannot and is not intended to address all circumstances that may arise. Every Board member, Designee, and Employee must perform their duties in a manner designed to minimize even the appearance of impropriety or a conflict of interest. This Policy is intended to demonstrate to stakeholders and the general public that each Board member, Designee, and Employee is dedicated to transparency, accountability, and the highest ethical behavior, and that adequate controls are in place to ensure compliance with all legal, regulatory, and policy requirements.

II. Coverage

This Policy applies to: (i) each Employee who holds any of the "SERS Covered Employee Positions" identified in Exhibit A (SERS Covered Employee Positions) attached to this document; each such Employee will be referred to herein as a "Covered Employee" or the "Covered Employees;" and (ii) Board members and Designees. Covered Employees are those Employees, who have access to material, non-public information ("MNPI") about proposed trading, trading strategies or holdings of SERS and includes individuals involved in recommending or making investment decisions, or who have access to systems containing Confidential SERS Investment-Related Information, as hereinafter defined. Covered Employees also include those working with or in close proximity to an Employee involved in decision-making and who regularly have the opportunity to see MNPI written information or hear MNPI discussions relating to SERS' previous, current and/or potential investments.

The insider trading and front running prohibitions established in this Policy continue to apply to Board members, Designees, and Covered Employees who are in possession of MNPI or Confidential SERS Investment-Related Information even after: (i) termination of employment for Employees, or (ii) a Board member's or Designee's position on the Board ceases, until such time, if ever, that such MNPI information or Confidential SERS Investment Related Information becomes generally available to the public other than through the direct or indirect actions of the Board member, Designee, or Covered Employee.

III. Definitions

The following terms when used in this Policy shall have the meanings set forth below:

- A. "Confidential SERS Investment-Related Information" shall mean any confidential and/or proprietary commercial and/or financial information relating to SERS investments in any asset class, investment management practices and/or

investment strategies that is not generally available to the public, the disclosure of which would be detrimental to SERS' investments or potential investments or to the party to which the information pertains.

- B. "Exempt Transactions" shall mean transactions in any of the following:
1. direct obligations of the U.S. government (*e.g.*, Treasury securities);
 2. bankers' acceptances, bank certificates of deposit, commercial paper, and high-quality short-term debt obligations, including repurchase agreements;
 3. shares issued by money market funds;
 4. shares issued by open-end mutual funds;
 5. shares of closed-end funds and exchange-traded funds;
 6. options on index-replicating exchange-traded funds;
 7. normal dividend reinvestment plans limited to the periodic reinvestment of the dividend amount. Note: Additions of capital to a dividend reinvestment plan are reportable;
 8. investment transactions in the DC Plans, excluding, however, Personal Securities Transactions in self-directed brokerage accounts that are not otherwise exempt;
 9. investment transactions in 529 plans (established pursuant to 26 U.S.C.§529) and the Pennsylvania ABLE Savings Program (established pursuant to 72 P.S. §4666.101 *et seq.*);
 10. purchases of securities by an exercise of rights issued to the holders of a class of securities pro rata, to the extent those rights are issued with respect to securities of which a Covered Employee or Related Parties have beneficial ownership;
 11. acquisitions or dispositions of securities as a result of a stock dividend, stock split, reverse stock split, merger, consolidation, spin-off or other similar corporate action distributions or reorganization applicable to all holders of a class of securities of which you have beneficial ownership;
 12. investment transactions in blind trusts;
 13. broker controlled or investment advisor-controlled transactions;

14. investment transactions resulting from automated rebalancing; and

15. currency transactions.

- C. “Personal Securities Transaction” shall mean a discretionary transaction involving the purchase or sale of a security in which a Board member, Designee, or Covered Employee, or any Related Party, had or gained, directly or indirectly, a pecuniary interest, and in which the Board member, Designee, or Covered Employee or any Related Party had influence or control, directly or indirectly, over the timing of such transaction. Exempt Transactions shall not be considered a Personal Securities Transaction.
- D. “Prohibited Securities List” shall mean a restricted list of companies for which trading of public securities by Covered Employees is restricted.
- E. “Related Party” shall mean a spouse, domestic partner, dependent child, and other related persons of the Board member, Designee, or Covered Employee residing in the same household as a Board member, Designee, or Covered Employee.

IV. Prohibition on Insider Trading; Confidentiality of Insider Information

This Policy is intended to prohibit “insider trading.” Board members, Designees, and Covered Employees may be provided or have access to Confidential SERS Investment-Related Information, which might include MNPI about a company. Any Confidential SERS Investment-Related Information not publicly available must be treated as confidential by Board members, Designees, and Covered Employees even if it is not designated as confidential. Neither MNPI about publicly traded companies acquired through SERS, nor Confidential SERS Investment-Related Information may be used by Board members, Designees, or Covered Employees for personal gain or to benefit any third party, including without limitation Related Parties or friends. In addition, Board Members, Designees, and Covered Employees may not undertake Personal Securities Transactions to which such information pertains. If there is uncertainty about whether a piece of information is Confidential SERS Investment-Related Information or constitutes MNPI, Board members, Designees, and Covered Employees should consult with the Chief Compliance Officer.

Federal, state and foreign securities laws, rules and regulations regarding “insider trading” are constantly changing. The description of “insider trading” below should be used merely as guidance. Board members, Designees, and Covered Employees are encouraged to consult with SERS’ Chief Compliance Officer when attempting to apply such laws, rules and regulations to specific circumstances.

Insider Trading

“Insider trading” is not defined in the securities laws, but the term is used broadly to refer to buying or selling securities on the basis of MNPI relating to those securities. Any person who possesses MNPI is considered an “insider” as to that information. The scope of insider trading liability has been extended to “controlling persons,” which includes any entity or person with power of influence or control over the management, policies or activities of another person (such as the Board in regard to an Employee) who is responsible for taking steps to implement policies to prevent insider trading. It has also been extended to “tippees” who receive MNPI from an insider when the “tipper” (the “insider”) breaches a fiduciary duty for his or her personal benefit, and the “tippee” knows or has reason to know of the breach. Liability also has been extended to employees who trade securities based on MNPI they misappropriated from their employer (such as a Covered Employee making a Personal Securities Transaction based on insider information it obtained as an Employee). The law provides civil and criminal penalties for insider trading violations.

Material Information

What constitutes “material” is determined by examination of all of the facts and circumstances; however, it is generally such information that would be considered important by a reasonable investor in deciding whether to buy, sell, or refrain from any activity regarding that company's securities. Common examples of “material information” include, but are not limited to: (i) financial results and projections, (ii) news of a merger or acquisition, (iii) stock splits, (iv) public or private securities/debt offerings, (v) changes in dividend policies or amounts, (vi) gain or loss of a major customer or supplier, (vii) major product announcements, (viii) significant changes in senior management, (ix) a change in accounting policies, (x) actions of regulatory agencies, and (xi) major problems or successes of the business.

Non-public Information

“Non-public” information is information that has not achieved broad dissemination to the investing public generally, typically through a press release or filing with the U.S. Securities and Exchange Commission. Information may be considered “non-public” despite early or preferential disclosure to Board members, Designees, and Covered Employees or financial analysts in the investment industry. Board members, Designees, and Covered Employees should exercise special caution with information provided to SERS pursuant to a non-disclosure or confidentiality agreement or information that has been expressly or impliedly designated as confidential by the provider of the information. Further, Board members, Designees, and Covered Employees must also exercise caution with information that has been provided to SERS if the person receiving the information knows or should know that the provider of the information received the information in confidence. Questions regarding non-disclosure or confidentiality agreements should be addressed to the SERS Legal Office. After the information becomes public, it loses its status as “insider” information.

Board members, Designees, and Covered Employees must regard MNPI about publicly traded securities as highly confidential and use information barriers to protect the confidentiality of such information. Further, such information shall not be shared with any other individual, without the written approval of the Chief Counsel and the Chief Compliance Officer. Board members, Designees, and Covered Employees in possession of MNPI also must take proactive steps to preserve the confidentiality of that information and prevent its intentional or inadvertent disclosure.

Federal and state securities laws generally prohibit SERS from trading in a security while in possession of MNPI related to the traded security or issuer. The federal securities laws, however, permit institutional investors to trade while one or more of its employees possesses MNPI if the individual or group of individuals making the investment decision on behalf of the institutional investor is not aware of that information.

Further, the institutional investor must have implemented reasonable policies and procedures that ensure that the individual or group of individuals making an investment decision on behalf of the institutional investor is not aware of MNPI related to that investment decision.

Prohibited Securities List and Information Barriers

Any Covered Employee who believes that he or she has obtained MNPI, whether obtained through their employment with SERS or otherwise, must communicate such information and the circumstances surrounding the Employee's acquisition of MNPI to the Chief Compliance Officer or his or her designee.¹ Upon notification of a Covered Employee's acquisition of such information, the Chief Compliance Officer will promptly review and reach a determination as to whether the information received is MNPI under applicable laws and regulations; such determination shall be documented in writing to the Covered Employee providing such information (the "Insider Person"). It is not contemplated that Board members or Designees would regularly receive MNPI; however, Board members and Designees shall notify the Chief Compliance Officer if they do come into possession of MNPI other than from Employees and, in such event, they are deemed to be an Insider Person. If the information is determined to be MNPI:

- An Insider Person may not use or disclose MNPI with any other individual, including without limitation Related Parties or friends, (i) whether or not obtained as a result of their position as a Board member or Designee or employment with SERS (including information obtained from Advisory Board meetings or materials, regardless of whether such information is received by the Board

¹ In the event the Chief Compliance Officer has obtained MNPI to be communicated and reviewed, he/she is to communicate such information to the Chief Counsel and the Chief Counsel shall: (i) solely determine whether the information is MNPI, the use or disclosure of the MNPI, and if any other information barriers or other actions are warranted; (ii) direct the Chief Investment Officer to add the security to the Prohibited Securities List; and/or (iii) monitor the security as to its continuing MNPI status.

member, Designee, or Covered Employee directly or indirectly), and (ii) not available to the general public, in connection with the direct or indirect purchase or sale of a security, without the approval of the Chief Compliance Officer. Such approval shall be documented in writing.

- The Chief Compliance Officer shall add the security to the Prohibited Securities List. It is anticipated that, with the use of external investment managers, the Prohibited Securities List may contain few or no securities since manager reporting of transactions and Insider Person knowledge typically occurs after the fact.
- The Chief Compliance Officer shall promptly establish an “information barrier” by informing the Insider Person that they may not participate, directly or indirectly, in investment decisions regarding the security on behalf of SERS, themselves, or others. The Chief Compliance Officer will further advise the Insider Person that the MNPI is to be disclosed solely upon the written approval of the Chief Compliance Officer. The Chief Compliance Officer will further advise the Insider Person, who shall adhere to such advice, that they should take the following precautions to protect the integrity of the information barrier and the confidentiality of the MNPI:
 - Do not discuss confidential information in public places such as elevators, hallways, or social gatherings;
 - To the extent practical, limit access to areas of SERS where confidential information can be observed or overheard to individuals with a business need for being in the area;
 - Avoid using speaker phones to discuss or receive confidential information;
 - Where appropriate, use code names or numbers for confidential projects;
 - If feasible, excuse persons involved in making investment decisions in securities on behalf of SERS from meetings or portions of meetings where confidential information is discussed; and
 - Avoid placing documents (including electronic documents) with confidential information in places where they may be read by unauthorized persons and store such documents in secure locations.

If there is a need for disclosure of MNPI related to a particular security to an Employee who is not an Insider Person with regard to that Security, the disclosing Insider Person shall promptly inform the Chief Compliance Officer. The Chief Compliance Officer shall promptly provide the new Insider Person with the information and advice described above and establish an information barrier as described above. In the event of an inadvertent disclosure of MNPI to an Employee who was not an Insider Person with regard to a particular security, the Chief Compliance Officer shall be promptly informed of the disclosure by the Insider Person who is responsible for protecting the MNPI and/or by the Employee who

received the disclosed information. The Chief Compliance Officer shall promptly establish an information barrier as described above.

- The Chief Compliance Officer shall monitor the security put on the Prohibited Securities List due to MNPI.
- The Chief Compliance Officer shall be responsible for determining when the MNPI no longer meets the definition of material, non-public information and will remove the information barrier or trading restrictions accordingly.

V. Front Running Prohibition

The following description should be used merely as guidance on what constitutes “front running.” Like insider trading, “front running” may subject Board members, Designees, or Covered Employees to criminal and/or civil proceedings. Front running involves doing a trade of securities with advance knowledge of pending orders from SERS or another investor. It could occur, for example, when any Board member, Designee, or Covered Employee trades, or facilitates trading by a third party, with the knowledge that a trade is pending on behalf of SERS.

Front running may also constitute a misappropriation of SERS’ proprietary information for private or personal gain, in violation of policies governing SERS’ standards of behavior. Accordingly, front running by Board members, Designees, and Covered Employees is prohibited.

Board members, Designees, and Covered Employees may not commit to placing an order for a Personal Securities Transaction when they have advance knowledge that a securities transaction being made by a third-party on behalf of SERS (“SERS Transaction”) is pending in a security of the company that is the subject of the Personal Securities Transaction. The Board member, Designee, or Covered Employee shall not transact a Personal Securities Transaction in the security: (i) during the period of time (“Blackout Period”) three (3) business days prior to the SERS Transaction in that security is executed, unless the commitment to place an order to transact occurred before they had knowledge of the SERS Transaction and more than three (3) business days prior to the SERS Transaction in that security, and must wait until three (3) business days after the SERS Transaction is executed before placing an order for a Personal Securities Transaction involving securities of the same company, unless the commitment to place an order to transact occurred before they had knowledge of the SERS Transaction and more than three (3) business days prior to the SERS transaction in that security, or (ii) if the Board member, Designee, or Covered Employee is aware of MNPI regarding such asset.

Similarly, Board members, Designees, and Covered Employees may not knowingly delay, hinder, modify, or cancel any SERS Transaction with the intent of facilitating a Personal Securities Transaction.

VI. Compliance, Implementation, and Enforcement

The Chief Compliance Officer will be responsible for developing and maintaining formal procedures, including any requisite forms, needed for compliance with this Policy.

A. Annual Acknowledgement Form

A copy of this Policy shall be provided to each Board member, Designee, and Covered Employee. To assure compliance with this Policy, Board members, Designees, and Covered Employees are required to familiarize themselves with this Policy. The Chief Compliance Officer will provide training on this Policy for all Board members, Designees, and Covered Employees to which the Policy applies. To acknowledge their understanding of and intent to comply with this Policy, each Board member, Designee, and Covered Employee will be required within thirty (30) days of the adoption of this Policy or, (i) in the case of Covered Employees, thirty (30) days of hire for new employees or of transition from a non-Covered Employee position with SERS to a Covered Employee position, and (ii) for new Board members and Designees, prior to their commencement of service on the Board, and annually thereafter on or before May 1, to execute an acknowledgement form (“Acknowledgement Form”), substantially in the form attached hereto as Exhibit B, which shall include an acknowledgment that failure to act in conformance with this Policy may, for Covered Employees, lead to disciplinary action up to and including termination. For Covered Employee’s, the original of the Acknowledgement Form will be retained in a Covered Employee’s personnel file, with a copy provided to the Chief Compliance Officer. For Board members and Designees, the original of the Acknowledgement Form will be retained by the Chief Compliance Officer.

B. Board member’s, Designee’s, and Covered Employee’s Personal Securities Transactions

Board members, Designees, and Covered Employees must comply with the following Personal Securities Transactions restrictions:

1. A Board member, Designee, and Covered Employee may not undertake a Personal Securities Transaction of a security that is included on the Prohibited Securities List, which are those securities directed to be placed on the list by the Chief Compliance Officer pursuant to Section IV of this Policy. The Prohibited Securities List will be developed and maintained by the Chief Compliance Officer and/or his or her designee and will be available to Board members, Designees, and Covered Employees on an access-controlled repository (“List Repository”). The Chief Compliance Officer or his or her designee shall maintain the List Repository as follows:

a. Upon an addition to or removal of a security from the Prohibited Securities List, the Chief Compliance Officer or his or her designee shall provide notice via email to Board members, Designees, and Covered Employees of the addition or

removal.

b. The Prohibited Securities List shall include the date a security was added to (“Date Added”) or removed from (“Date Removed”) the list and shall set forth the date upon which the list was revised (“Revision Date”).

c. A Personal Securities Transaction of a security on the Prohibited Securities List is prohibited until the Date Removed.

The Prohibited Securities List shall be maintained confidentially on the List Repository, with access limited to Board members, Designees, Covered Employees, Internal Audit, Chief Counsel, and the Chief Compliance Officer and his or her designee, and such other persons as the Chief Compliance Officer shall authorize in writing. Board members, Designees, and Covered Employees may not tip or disclose the Prohibited Securities List to others, including other SERS Employees, unless the recipient is duly authorized to receive this information and upon receipt of written approval from the Chief Compliance Officer.

This provision is not intended to be punitive. If a Board member, Designee, or Covered Employee currently holds a position at the time it is placed on the Prohibited Securities List, the Board member, Designee, and Covered Employee may submit a written request to the Chief Compliance Officer or his or her designee for permission to liquidate that position. The written request shall include the reasons justifying the liquidation request. The Chief Compliance Officer or his or her designee shall promptly review the liquidation request and issue a written determination to the Covered Employee.

2. No Covered Employees will engage in any trading activity that interferes with their job responsibilities.

C. Transaction Report

Except as otherwise provided in this section, each Board member, Designee, and Covered Employee shall file annually with the Chief Compliance Officer a transaction report on the form attached hereto as Exhibit C (“Transaction Report”), which shall either: (i) certify that the Board member, Designee, or Covered Employee did not have any Personal Securities Transactions (including Personal Securities Transactions known to a Board member, Designee, or Covered Employee of his or her Related Parties) for the prior year in any securities on the Prohibited Securities List, or (ii) list Personal Securities Transactions (including Personal Securities Transactions known to a Board member, Designee, or Covered Employee of his or her Related Parties) for the prior year of any securities included on the Prohibited Securities List, along with any statements or other supporting documentation requested by the Chief Compliance Officer for transactions engaged in during the prior year. The Chief Compliance Officer shall file his/her

Transaction Report with the Chief Counsel, along with any statements or other supporting documentation requested by the Chief Counsel. The due date for filing the Transaction Report, with respect to Personal Securities Transactions during the prior calendar year, shall be May 1 of each year that a Covered Employee is employed at SERS or a Board member or Designee holds such a position and of the year after a Covered Employee leaves SERS employment or the Board member or Designee vacates the position.

Exempt Transactions are excluded from the reporting requirements. In the event no securities are included on the Prohibited Securities List at any point in time during a calendar year, the Chief Compliance Officer or his or her designee shall provide notice via email to the Board member, Designee, and Covered Employees at the end of the calendar year that Transaction Reports are not required to be filed for the prior year.

After review by the Chief Compliance Officer or Chief Counsel, as applicable, is completed, the Transaction Reports and any statements or other supporting documentation submitted will be given to SERS Human Resources to file with the Covered Employee's personnel file. Transaction Reports of Board members and Designees shall be retained by the Chief Compliance Officer.

D. Application of Right-to-Know Law

Under the Right-to-Know Law, Act of February 14, 2008, P.L. 6, 65 P.S. §§67.101-67.3104, Transaction Reports and any statements or other supporting documentation submitted are "personal financial information" and exempt from access by a requester pursuant to 65 P.S. §67.708(b)(6)(i)(A).

VII. Additional Information

This Policy should be read in conjunction with any applicable federal and state laws, rules and regulations, as well as other Commonwealth Policies. If this Policy imposes different or greater obligations than those imposed therein, then the requirements of this Policy are deemed to be in addition to and not in conflict with such other obligations. Any questions regarding the application of multiple requirements should be addressed to the Chief Compliance Officer.

Document Properties

- a. **Document Owner:** SERS Legal Office
- b. **Document Author:** SERS Legal Office
- c. **Summary of Changes:**

| Date | Version | Author | Summary |
|-------------------|-----------------------|----------------------|--|
| September 8, 2020 | 2020 POL- BD-01 | SERS Legal Office | Policy established to create safeguards against the misuse of insider information. |

Exhibit A - SERS COVERED EMPLOYEE POSITIONS

**INSIDER AND PERSONAL TRADING
POLICY**

- A. All Investment Office Personnel
- B. All Executive Office Personnel
- C. All Internal Audit Division Personnel
- D. All Communications and Policy Office Personnel
- E. Office of Finance and Administration
 - a. Chief Financial Officer
 - b. Assistant Chief Financial Officer
 - c. All Investment Control Division Personnel
 - d. All Compliance and Quality Control Division Personnel
 - e. All General Accounting, Deferred Compensation Program, and Defined Contribution Plans Division Personnel (excluding the General Accounting section)
- F. All Legal Office Personnel
- G. Office of Member and Participant Services
 - a. Director of Office of Member and Participant Services
- H. Human Resources Division
 - a. Human Resources Director
- I. Office of Information Technology
 - a. Chief Information Officer
 - b. Chief Information Security Officer
 - c. Director of Applications Division
 - d. Director of Technical Support Division
 - e. Director of Database Administration Division

Exhibit B – ACKNOWLEDGEMENT FORM

**INSIDER AND PERSONAL TRADING
POLICY**

I hereby acknowledge that:

1. I have read and understand the Insider and Personal Trading Policy (“Policy”) and agree to adhere strictly to the Policy.
2. I have had the opportunity to speak with and ask questions to the Chief Compliance Officer about any provisions of the Policy that are unclear to me.
3. If I am a SERS employee, I further understand that failure to act in strict conformance with the Policy may lead to disciplinary action up to and including termination.

Signature: _____

Printed Name: _____

Date: _____

Exhibit C

**TRANSACTION REPORT
INSIDER AND PERSONAL TRADING POLICY**

In accordance with the Insider and Personal Trading Policy (2020 POL-BD-) (the “Policy”), for each year where securities are included on the Prohibited Securities List, you must either: (i) certify that you did not have any Personal Securities Transactions (including Personal Securities Transactions known to you of your Related Parties) for the prior year in any securities on the Prohibited Securities List, or (ii) list Personal Securities Transactions (including Personal Securities Transactions known to you of your Related Parties) for the prior year of any securities included on the Prohibited Securities List, along with any statements or other supporting documentation requested by the Chief Compliance Officer for transactions engaged in during the year.

This report must be submitted on this form to the Chief Compliance Officer annually, no later than May 1, with respect to Personal Securities Transactions during the prior calendar year. Capitalized terms used but not defined in this form have the meanings given to them in the Policy.

1. Name: _____

2. Job Title: _____

3. Reporting Period: 20____

Check ONE of the two boxes below and Sign where applicable:

I certify that during the calendar year specified above, there were no reportable Personal Securities Transactions engaged in by me or any reportable Personal Securities Transactions known to me of my Related Parties in any securities on the Prohibited Securities List.

Signature:

Printed Name:

Date:

I certify that this report constitutes all of the reportable Personal Securities Transactions engaged in by me or any reportable Personal Securities Transactions known to me of my Related Parties in any securities on the Prohibited Securities List during the calendar year specified above

Signature:

Printed Name:

Date:

SERS Draft Strategic Plan FY 2021 – FY 2023

Vision

To become fully funded and the recognized leader among pension organizations providing innovative, best-in-class services and products to our customers and stakeholders.

Mission

Prepare our members and participants to achieve financial success and security in retirement.

Strategic Priorities

- Modernize Systems
- Leverage External Engagement
- Invest Efficiently and Accountably
- Improve Member and Participant Experiences
- Cultivate Workforce Transformation

Guiding Principles

Demonstrate Integrity

- Commit to honesty, respect, professionalism and truth in every facet of behavior
- Act ethically

Develop and Empower Employees

- Delegate meaningful responsibility, mentor and foster employee growth and development
- Provide and seek constructive feedback and clear expectations to facilitate employee success
- Celebrate success
- Work as a team
- Be accountable and hold others accountable

Focus on the Customer Experience

- Provide accurate, complete and timely information
- Provide quality service at a reasonable cost
- Know and support our customers
- Educate members, participants and employers as to their responsibilities

Fulfill Fiduciary Obligations

- Act solely and exclusively in the interest of the members and participants
- Comply with the Retirement Code and other applicable laws, policies and procedures
- Exercise prudence

SERS Draft Strategic Plan FY 2021 – FY 2023

Lead Innovation and Improvement

- Cultivate Best Practices
- Enhance operational efficiencies
- Consider digital as our first option
- Pursue innovation and continuous improvement in all services
- Identify operational issues and pursue desirable changes
- Monitor and assess service delivery through continuous communication and feedback channels
- Utilize qualitative and quantitative information to enhance operations wherever possible

Learn from Mistakes

- Focus on solving problems, not on assigning blame
- Improve processes to prevent recurrence of problems and mistakes

Safeguard Information, Facilities, and Staff

- Understand the importance of information and physical security
- Continuously assess information security
- Comply with the policies for system security, access and use
- Enforce information and physical security
- Comply with internal controls

Share Knowledge

- Share information with others to enhance their knowledge and add value to business operations and processes
- Support and encourage collaboration among internal program areas
- Support and encourage collaboration with customers and stakeholders

Think Strategically

- Envision future opportunities from internal and external sources, that support SERS in its mission
- Keep abreast of changing trends, market opportunities and competitive threats
- Identify strategic responses to issues facing SERS and its members and participants

SERS Draft Strategic Plan FY 2021 – FY 2023

Strategic Priorities and Goals

Modernize Systems

1. Complete the transition to SERIS 2.0

- a. By 11/01/2020, complete an RFP process to establish a 5-year maintenance agreement with a reputable IT Services vendor for the ongoing maintenance and enhancement of SERIS 2.0.
- b. By 01/31/2021, complete the technical implementation of SERIS 2.0.
- c. By 06/30/2021, complete the business and cultural transition to SERIS 2.0.

2. Extend and enhance the technology infrastructure

- a. By 06/30/2021, develop a plan to address standby battery capacity limitations and implement a datacenter power monitoring and alerting solution.
- b. By 06/30/2021, develop a comprehensive cybersecurity program that provides a robust security posture.
- c. By 06/30/2021, evaluate technology deployed to SERS customer-facing staff based on job requirements, perform a gap analysis, and implement necessary remediation to ensure proper alignment of technology to staff needs.
- d. By 03/31/2022, conduct a study of SERS phone system to produce a roadmap for technology upgrade and service improvements accounting for both onsite and remote workers as well as providing for integrated web/video conferencing technology across all SERS' offices.
- e. By 06/30/2022, conduct a holistic study on the consumption and utilization of insourced, outsourced, production, disaster recovery, intranet, internet, and cloud IT infrastructure services to ensure that critical resources and service levels are sufficient for current and 5-year anticipated demands and that industry best practices are understood and identified.
- f. By 06/30/2022, fully implement the cybersecurity program across the agency.
- g. By 12/31/2022, define and implement continuous improvement processes in the cybersecurity program to maintain a robust and responsive security posture.
- h. By 06/30/2023, develop a plan to implement appropriate recommendations from the IT infrastructure services and best practices study which includes a fully determined scope and timeline of the project and start to make progress on implementing the plan according to established project scope and timeline.
- i. By 06/30/2023, implement SERS phone system modernization and web/video conferencing roadmap for technology upgrade and service improvements.

3. Modernize and enhance financial systems

- a. By 03/31/2021, conduct a study on the flow of money, paper checks, and data within SERS and between participants, employers, Empower, and Treasury.
- b. By 04/30/2021, utilizing the flow of money study and peer comparisons, present a plan to the Board for reducing administrative and record keeping fees and have participants share in those costs.
- c. By 06/30/2021, complete implementation of the Workiva solution in OFA.

SERS Draft Strategic Plan FY 2021 – FY 2023

- d. By 06/30/2021, complete a Request for Information (RFI) for a new Private Equity accounting solution.
- e. By 12/31/2021, require employer payments to be issued via ACH directly from the employers and in real time with their payroll transaction submissions.
- f. By 12/31/2021, complete the upgrade of the current Oracle General Ledger system to maintain vendor support per the maintenance contract.
- g. By 12/31/2021, develop a plan to acquire and implement a new private equity accounting system.
- h. By 06/30/2022, in coordination with OMS and OFA, engage employers and initiate work to develop a plan and high-level design for enhancing the employer data reporting interfaces to drive increased quality of information exchanged and establish an Employer Service Center incorporating results of the data and money flow study.
- i. By 12/31/2022, progress on the private equity accounting solution implementation according to the approved plan.
- j. By 06/30/2023, finalize the plan and determine high-level implementation framework for enhancing employer data reporting interfaces and establishing an Employer Service Center.

4. Reduce Dependency on Paper

- a. By 06/30/2022, conduct a study of current document imaging and mail handling processes.
- b. By 06/30/2022, review production printing infrastructure and processes, including post-processing, to develop a roadmap that tightly aligns technology with business needs and processing constraints to streamline operations, promote efficiency, and reduce cost.
- c. By 06/30/2023, develop plan to implement the findings of the document imaging and mail handling study.
- d. By 06/30/2023, make progress on implementing printing process improvements, centralization, and technology integrations as indicated by the approved plan. (Refer to item b. 6/30/2022)

5. Increase member and participant access to their data and create avenues to enable online account management through mobile applications and secure transactions.

- a. By 06/30/2022, conduct member/participant outreach and peer research to determine opportunities for enhancement then develop a plan to increase member and participant access to their data and create avenues to enable online account management through mobile applications and secure transactions.
- b. By 06/30/2023, make progress on the approved plan to increase member and participant access to their data and create avenues to enable online account management through mobile applications and secure transactions. Review and refine goals for subsequent years.

6. Establish a formal IT/project governance process

- a. By 03/31/2021, initiate an evaluation of the current IT/project governance process at SERS and across the enterprise including a review of industry best practice.

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- b. By 09/30/2021, develop a SERS IT/Project Governance Roadmap that addresses the results of the evaluation and considers lessons learned from the SERIS 2.0 implementation.
- c. By 12/31/2022, implement IT/project governance in accordance with the accepted and approved roadmap.

7. Modernize the SERS Continuity of Operations Plan (COOP)

- a. By 12/31/2021, evaluate and modernize the SERS Continuity of Operations Plan (COOP).

Leverage External Engagement

1. By 12/31/2020, develop an annual Engagement Plan to systematically engage and educate caucuses, the administration, and stakeholders to promote SERS' priorities.
 - a. By 12/31/2020, develop and implement a plan to engage Board members to identify their unique qualifications and experience to promote SERS' priorities.
 - b. By 3/31/2021, seek outreach opportunities to SERS' members and participants, legislative and administration decision makers, and the general public, to accurately report SERS investment performance, investment and administrative costs, and funded status, while ensuring comparisons with other pension systems are fairly and appropriately represented.
2. By 12/31/2020, broaden SERS' social media presence on various platforms to promote SERS' priorities.
3. By 12/31/2021, develop and implement a plan to utilize external subject-matter experts or organizations to promote operational innovation and improvement.
 - a. By 12/31/2020, identify internal point people to prioritize operational areas of focus that may benefit from external subject matter expert input.
 - b. By 06/30/2021 identify external subject-matter experts or organizations to promote operational innovation and improvement.
4. By 12/31/2021, confirm the Board's position on Legislative Positioning.

Invest Efficiently and Accountably

1. By 12/31/2020, finalize a format for an annual report of manager fees for Board approval and public view.
2. By 12/31/2020, update the Proxy Voting Guidelines.
3. By 02/28/2021, conduct an additional analysis on rebalancing.
4. By 03/31/2021, complete a study on the DC/DCP investment fees and Target Date Fund Suitability Analysis.
5. By 04/30/2021, finalize Board review of the PPM AIRC recommendations.
6. By 06/30/2021, develop an approach to benchmark against our peers (i.e., Callan, CEM).
7. By 09/30/2021, complete a Board fiduciary review and self-assessment.
8. By 12/31/2021, evaluate ESG/Sustainable investing to determine policy direction.

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9. By 12/31/2021, update the Investment Manager Monitoring Policy for Defined Benefit, Defined Contribution, and Deferred Compensation plans.
10. By 12/31/2021, refine the process of asset/liability review.
 - a. By 02/28/2021, implement asset/liability concepts within the fixed income portfolio.
 - b. By 12/31/2021, using the results of the fiduciary review, make further refinements to the asset/liability review process.
11. By 06/30/2023, continue with opportunities to achieve investment objectives while reducing costs.
 - a. By 12/31/2021, determine the feasibility of an internal trading platform.
 - b. By 06/30/2023, continue to expand the Internal Co-Invest Program to a meaningful size.
12. By 06/30/2023, complete the deployment of new IT services for the Investment Office.
 - a. By 12/31/2021, conduct a study of Investment Office technology needs.
 - b. By 06/30/2022, develop a plan and roadmap to deliver additional products and services to support the Investment Office mission.

Improve Member and Participant Experiences

1. By 03/31/2021, create and release a new employee video (subject to Commonwealth media services availability).
2. By 06/30/2021, determine a strategy for educating members and participants in coordination with the third-party administrator.
3. By 09/30/2021, determine a strategy for providing counseling sessions for retiring members.
4. By 01/31/2022, issue the annuitant statements with deferred comp balances stated.
5. By 12/31/2023, produce additional videos content of which to be determined.
6. By 12/31/2024, synthesize Member and Participant services by SERS/TPA by enhancing the "One Stop Shop" capability for inquiries to create a better overall experience.
 - a. By 12/31/2020, create an on-line calculator for new employees to include all Act 2017-5 benefit classes and the defined contribution plan. (new member plan comparison calculator)
 - b. By 06/30/2021, add Act 2010-120 and Act 2017-5 defined benefit class calculations to the On-Line Member Services Calculator and determine the future direction of the on-line calculators including deferred compensation plan.
 - c. By 12/31/2021, finalize and implement the on-line calculator strategy.
 - d. By 12/31/2022, conduct study and develop an implementation plan to develop and improve real-time access to data, account information, and functionality.
 - e. By 12/31/2023, progress according to the plan to provide real-time access to data and account functionality to Members and Participants.

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Cultivate Workforce Transformation

1. By 09/30/2020, complete the 2020 SERS structural reorganization.
2. By 12/31/2021, develop and promote comprehensive guidelines for employee training, development, and certifications.
3. By 12/31/2021, initiate a study to determine the most appropriate virtual training development products and delivery platform for remote staff.
 - a. By 12/31/2021, develop a roadmap and implementation plan to deploy a more robust appropriate virtual training development products and delivery platform for remote staff based on study outcomes.
4. By 06/30/2023, develop and implement a SERS-specific attraction and retention plan.
 - a. By 12/31/2020, initiate quarterly meetings with the Executive Director and new employees hired in the previous quarter. (first session with new hires since April 2020; develop standard agenda)
 - b. By 12/31/2020, survey new hires (within the last two years) for suggested agency-wide enhancements to the on-boarding process to make a positive, strong first impression.
 - c. By 12/31/2020, conduct a study to determine remote work options.
 - d. By 06/30/2021, revamp and restart the State of SERS gatherings. (requires additional discussion to determine scope)
 - e. By 09/30/2021, survey staff regarding desired workplace culture enhancements. (allowing time for strategic plan roll out and transitioning to new normal/permanent telework may result in responses that are more reflective of direction we need to head and potentially less focused on some of the initial issues when rapidly transitioned to temporary telework)
 - f. By 06/30/2022, conduct a study to determine flexible work schedule options.
 - g. By 12/31/2022, implement compensation policies for attorney, compliance, and investment professional positions.
 - i. By 12/31/2021, complete classification and compensation study of attorney, compliance, and investment professional positions.
 - ii. By 06/30/2022, have draft compensation policies for attorney, compliance, and investment professional positions to SERS Board for consideration.
5. By 06/30/2023, integrate SERS's Guiding Principles and Code of Conduct into the SERS culture.
 - a. By 12/31/2020, develop and introduce an employees' Code of Conduct policy.
 - b. By 12/31/2020, roll-out the strategic plan to SERS including a virtual agency meeting, updating SERS website, onboarding welcome packet materials, and general performance standards. (date dependent upon plan adoption by the Board)
 - c. By 03/31/2021, develop language to include on job announcements.
 - d. By 06/30/2021, update interview question bank to add categories of questions aligned with guiding principles.
 - e. By 12/31/2022, overhaul the agency's recognition program to focus on recognition alignment with the guiding principles.