

**Minutes of the Finance & Member Services Committee Meeting
September 29, 2020
Via Conference Call**

Attendees:

Committee Members and Designees

Ms. Mary A. Soderberg (Chair)
Senator John M. DiSanto
Mr. David R. Fillman
Mr. Gregory C. Thall
Representative Michael G. Tobash

Other Board Members and Designees

Mr. Glenn E. Becker
Mr. Charles Erdman (Designee for Senator John M. DiSanto)
Mr. Dan Ocko (Designee for Representative Dan B. Frankel)
Mr. Patrick Shaughnessy (Designee for Representative Dan B. Frankel)
Ms. Toni Marchowsky (Designee for Senator Vincent J. Hughes)
Mr. Gregory K. Jordan
Ms. Susan Boyle (Designee for Representative Michael G. Tobash)
Ms. Jill Vecchio (Designee for Representative Michael G. Tobash)
Mr. Lloyd Ebright (Designee for Treasurer Joseph M. Torsella)
Acting Secretary Richard Vague
Mr. James Bloom (Designee for Acting Secretary Richard Vague)
Mr. Alan Flannigan (Designee for Acting Secretary Richard Vague)

Executive Staff

Seth Kelly
N. Joseph Marcucci
Sara McSurdy
Terrill Sanchez, Board Secretary

Consultants

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

1. Call to Order

Chair Soderberg called the meeting to order at 8:34 A.M.

2. Welcome and Introductions

None

3. Approval of Minutes

By motion that was moved by Mr. Fillman, seconded by Mr. Thall, and approved unanimously by Committee members, it was RESOLVED: That this Committee approves the minutes of the July 29, 2020 Finance and Member Services Committee meeting.

4. Old Business

None

5. Special Presentations**a. Stress Testing and Risk Assessment Report – Korn Ferry Hay Group (via Skype)**

Kris Seets of Korn Ferry Hay Group (“Korn Ferry”), SERS’ actuary, provided a comprehensive overview of the 2020 Stress Testing and Risk Assessment Report, which is the second year that Korn Ferry has published this report for SERS. The inaugural report received praise from the PEW Charitable Trust.

The presentation included the following key elements:

- Background – the purpose of this report was to provide “What if” scenarios (referred to as Stress Tests or Scenario Tests) and determine the effect on future employer contributions and the availability of assets to pay benefits when due to members.
- Outline of Scenario Tests – the report organized the stress testing scenarios into three sections based on the major categories of risks:
 - Investment Risks
 - Demographic Risks
 - Contributions Risks
- Highlights of three scenarios related to potential effects of the ongoing global pandemic included:
 - The effect of investment liquidity
 - Reduced funding of the Actuarially Determined Contribution (ADC)
 - Changes of rates of member mortality

Mr. Seets concluded the presentation by confirming that SERS is well-positioned to withstand unfavorable conditions and that assets are available to pay benefits. Chair Soderberg commented that this is a fascinating study and thanked Korn Ferry for their work.

The Committee unanimously agreed to approve the 2020 Stress Testing and Risk Assessment Report and therefore made the following motion:

- By motion that was moved by Mr. Fillman, seconded by Mr. Thall, and approved unanimously by Committee Members, it was **RESOLVED**: That this Committee recommend that the State Employees' Retirement Board approve the 2020 Stress Testing and Risk Assessment Report prepared by SERS' actuary Korn Ferry.

The roll call vote tabulation was as follows:

Yes: Ms. Soderberg (Committee Chair), Senator DiSanto, Mr. Fillman, Mr. Thall, and Representative Tobash

6. New Business/Discussion Items Only

a. Potential Cost Agreement Related to Employer Prefunding of Unfunded Actuarial Liability

Ms. McSurdy provided details regarding this agenda topic as follows:

- The Pennsylvania State System of Higher Education (PASSHE) is interested in exploring the concept of making a lump sum payment to SERS.
- A brief refresher was provided on the background of Act 2019-105, which allows eligible employers to make a one-time lump-sum payment of 75%-100% of their respective unfunded accrued liability. The Committee was also reminded that, pursuant to this Act, the Pennsylvania State University (PSU) entered into a similar cost agreement with the Board in February 2020, executed a subsequent funding agreement with the Board, and made a lump sum payment to the Board in April 2020.
- An overview of the cost agreement with PASSHE was provided, which includes reimbursing PSU for a portion of the General Initial Implementation Costs that it paid as part of its cost and funding agreements with the Board, and noted that a draft cost agreement with PASSHE was available in the online materials.
- The next steps to be taken were provided should the Committee/Board agree to sign off on the agreement.

After some deliberation, the Committee unanimously agreed to move forward with a cost agreement with PASSHE and made the following motion:

- By motion that was moved by Mr. Fillman, seconded by Mr. Thall, and approved unanimously by Committee Members, it was **RESOLVED**: That this Committee recommend that the State Employees' Retirement Board:

(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.

The roll call vote tabulation was as follows:

Yes: Ms. Soderberg (Committee Chair), Senator DiSanto, Mr. Fillman, Mr. Thall, and Representative Tobash

b. SERIS 2.0 Maintenance and Support (RFP)

Daniel Krautheim, SERS Chief Information Officer, provided details regarding this agenda topic as follows:

- Staff from SERS Office of Information Technology (Issuing Office), Executive Office, Procurement and Operations Office, and the Legal Office have been working with the assistance of Weidenhammer Systems Corporation for the past several months to draft and issue a Request for Proposals (RFP) for SERIS 2.0 application maintenance and support services. SERIS 2.0 is targeted to go live January 2021.
- Four proposals were received in response to the RFP.
- An Evaluation Committee, comprised of Finance and Member Services Committee Chair Mary Soderberg, Executive Director Terri Sanchez, Dan Krautheim, Earl Stoltzfus, Cindy Barrick, Jay Stroup (all from the SERS OIT), David Kuntch from the SERS Office of Finance, and Kevin Skura from the SERS OMS, was formed to evaluate the technical submittals.
- The Committee met on September 9, 2020, to score the submittals, with two offerors meeting the minimum technical score requirements, and being selected to proceed into the “Best and Final Offers” (BAFO) phase of the process.
- A final scoring process was completed; and, with input from the Evaluation Committee, the Issuing Office recommended that BI Solutions, Inc. be chosen for contract negotiations for SERIS 2.0 application maintenance and support services.

The Committee deliberated and unanimously decided to approve moving forward with contract negotiations with BI Solutions, Inc., and made the following motion:

- By Motion that was moved by Mr. Fillman, seconded by Mr. Thall, and approved unanimously by Committee Members, it was RESOLVED: That this Committee recommend that the State Employees Retirement Board:
 - (i) accept the recommendation of the SERS Contracting Officer that the proposal submitted by BI Solutions, Inc. for SERIS 2.0 Maintenance and Support, in response to SERS-RFP 001707, is most advantageous to SERS and the Commonwealth; and
 - (ii) authorize staff to proceed with contract negotiations therewith.

The roll call vote tabulation was as follows:

Yes: Ms. Soderberg (Committee Chair), Senator DiSanto, Mr. Fillman, Mr. Thall, and Representative Tobash

c. FY 21/22 Budget Presentation

Ms. McSurdy reviewed proposed FY 2021-2022 budgets for SERS' Administrative fund, SERS' Investment fund, and the State Employees' Defined Contribution Plan, noting and explaining reasons for

fluctuations between this year's proposed budgets and the prior fiscal year's budgets. Ms. McSurdy concluded her presentation by briefly discussing the topic of forfeiture accounts, which was discussed at a prior meeting; specifically, using non-vested employer contributions toward paying administrative costs of the Defined Contribution Plan. As indicated in a previous meeting, legislative changes would need to be made to move forward with this proposal.

The Committee deliberated and unanimously decided to approve the budgets and made the following motion:

- By Motion that was moved by Mr. Fillman, seconded by Mr. Thall, and approved unanimously by Committee Members, it was RESOLVED: That this Committee recommend that the State Employees' Retirement Board 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.

The roll call vote tabulation was as follows:

Yes: Ms. Soderberg (Committee Chair), Senator DiSanto, Mr. Fillman, Mr. Thall, and Representative Tobash

d. Office of Member Services Update

Mr. Torta provided details on the following topics within the Office of Member Services:

- Explanation of the New Employee Calculator, emphasizing how critical this tool is for prospective new employees, as well as newly-hired employees. The Calculator is anticipated to go live in the next few weeks.
- "Lunch and Learn Programs", which are facilitated by the Office of Administration, reporting that the first virtual meeting was conducted via Skype on Tuesday, September 22, 2020, with 400 members in attendance, and anticipating that two meetings will be conducted on a monthly basis through the end of the calendar year.
- Update on COVID-19 Deferred Compensation emergency withdrawal statistics, with 1,032 participants taking advantage of this opportunity as of September 15th for a total distribution of \$16.7 million. A document related to COVID-19 Distributions, prepared by Empower, was provided to the Committee to review at its convenience.
- The Five-Year Actuarial Experience Study prepared by Korn Ferry, covering the period 2015-2019, available in the online materials.

Chair Soderberg commented on the benefit of virtual meetings during these challenging times.

7. New Business/Informational Items Only

The Committee was also provided with the following informational items to review at its convenience:

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

8. Executive Session

None

9. Board Comments/Concerns/Questions

None

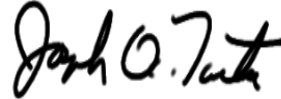
10. Motion to Adjourn

By motion that was moved, seconded, and approved unanimously by Committee members, it was:
RESOLVED: That this meeting be adjourned at 9:50 A.M.

Respectfully submitted,



Sara McSurdy
Chief Financial Officer



Joseph A. Torta, Director
Office of Member Services