

Minutes of Board Governance and Personnel Committee Meeting

Wednesday, September 30, 2020

Attendees:

Board Governance and Personnel Committee:

David Fillman, Chair – via Skype
Sen. Vincent Hughes (Absent)
Antoinette Marchowsky (designee for Sen. Hughes) – via Skype
Gregory Jordan – via Skype
Gregory Thall – via Skype
Treasurer Joseph Torsella (Absent)
Lloyd Ebright (designee for Treasurer Torsella) – via Skype

Other Board Members:

Glenn Becker – via Skype
Jim Bloom (designee for Acting Secretary Vague) – via Skype
Richard Vague – via Skype
Lloyd Ebright (designee for Treasurer Torsella) – via Skype
Alan Flannigan (designee for Acting Secretary Vague) – via Skype
Mary Soderberg – via Skype
Patrick Shaughnessy (designee for Rep. Frankel) – via Skype
Jill Vecchio (designee for Rep. Tobash) – via Skype
Dan Ocko (designee for Rep. Frankel) – via Skype
Rep. Michael Tobash – via Skype

SERS Staff:

Rose Agnew, Executive Secretary
Randy Albright, Special Assistant
Katie Bates, Administrative Officer
Don Bell, Executive Assistant
Kelly Bernhard, Administrative Assistant
Tom Derr, Communications and Policy Director
Randy Gilson, Director, Technical Support Division
Christopher Houston, Committee Senior Staff (Compliance)
Dan Krautheim, Chief Information Officer

Karen Lynn – via Skype
Katie Mathews, Committee Senior Staff (HR)
N. Joseph Marcucci, Chief Counsel
Seth Kelly, Chief Investment Officer
Kevin Kiehl, Information Technology Generalist
Sara McSurdy, Chief Financial Officer
Jim Nolan, Deputy Chief Investment Officer – via Skype
Pam Pheasant, HR Analyst – via Skype
Terrill Sanchez, Executive Director
Joe Torta, Director, Office of Member and Participant Services
Roshni Trivedi, Database Administrator – via Skype
Bill Truong, Managing Director – via Skype

Guests:

Liz Weber, Weber Business Services, LLC

1. Call to Order

At 9:01 A.M., Chair David Fillman called the meeting to order.

2. Welcome and Introduction

Chair David Fillman welcomed Committee members, designees, and other non-Committee Board members.

3. Approval of Minutes

Minutes of July 29, 2020, Board Governance and Personnel Committee meeting.

Motion:

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

RESOLVED: That this Committee approves the meeting minutes of the July 29, 2020, Board Governance and Personnel Committee meeting.

4. Old Business

a. Strategic Plan

A presentation of the SERS Draft Strategic Business Plan FY 2021 – FY 2023 was given to the Committee. This included a general overview provided by Liz Weber, who serves as the Board's consultant, on the development of the strategic plan, including:

- Strategic Plan Framework.
- Mission, Vision, Strategic Priorities and Guiding Principles.

There was also a review of the steps taken in the development of the plan's Strategic Priorities and Goals, followed by a discussion led by staff of each of the following Strategic Priorities and the Goals that have been developed within each Strategic Priority.

- Modernized Systems
- Leverage External Engagement
- Invest Efficiently and Accountably
- Improve Member Services
- Cultivate Workforce Transformation

This was followed by discussion and an overview of next steps, including the public release of the plan in December.

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board approve the FY 2021 – FY 2023 SERS Strategic Business Plan, as set forth in the attachment.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
HUGHES	
Designee: Marchowsky	Yes
JORDAN	Yes
THALL	Yes
TORSELLA	
Designee: Ebright	Yes

b. Fiduciary and Governance Review/Board Self-Assessment RFQ

In anticipation of the issuance of a request for quotations ("RFQ") for the procurement of a consultant to assist the Board in conducting a fiduciary review pursuant to the Board's

Fiduciary Review Policy, staff reviewed with the Committee the following topics for inclusion in the scope of work:

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.

Mr. Ebright inquired as to the breadth and scope of the fiduciary review. Mr. Houston explained that since Funston had conducted a comprehensive governance review four years ago, which culminated in the Board Governance Policy Manual, that staff is recommending that the scope of fiduciary review would be focused on these four topics.

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board 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.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
HUGHES	
Designee: Marchowsky	Yes
JORDAN	Yes
THALL	Yes
TORSELLA	
Designee: Ebright	Yes

5. Special Presentations

There were no special presentations.

6. New Business

a. Compensation and Classification Study

Staff provided an overview of a proposed course of action to initiate the procurement process of engaging an expert consultant to conduct a comprehensive compensation and classification study of our investment professional positions and our attorney positions, including the Chief Compliance Officer position.

The intended scope of work for this project will likely include, but is not limited to:

- conducting comparative market analysis and salary surveys
- evaluating positions for internal and external equity
- updating, modifying and/or creating the compensation structure
- updating, modifying and/or creating the classification structure
- updating, modifying and/or creating job specifications and position descriptions
- updating, modifying and/or creating comprehensive compensation policy(ies)

The tentative 2021 RFQ timeline for the procurement process would be:

Posting Date	Response Receipt Date	Scoring Completion Date	Contract Completion (Award) Date	Start Date
Late January Early February	Mid-February	Mid-April	Mid-June	Early July

Ms. Soderberg suggested that the study should factor in the pension and benefits package.

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board 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.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
HUGHES	
Designee: Marchowsky	Yes
JORDAN	Yes
THALL	Yes
TORSELLA	
Designee: Ebright	Yes

7. Committee Comments/Concerns/Questions

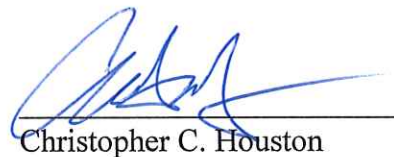
There were no committee comments, concerns, or questions.

8. Motion to Adjourn**Motion:**

By motion that was moved by Chair David Fillman and approved unanimously by Committee members, it was;

RESOLVED: That this meeting be adjourned at 9:56 a.m.

Respectfully Submitted,


Katie Mathews
Director of Human Resources
Christopher C. Houston
Executive Deputy Chief Counsel
Acting Chief Compliance Officer

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.

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- 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.