

Minutes of the Audit, Risk and Compliance Committee Meeting

Tuesday, June 8, 2021

Meeting held via Microsoft Teams with Livestream Access

Attendees:

Audit, Risk and Compliance Committee Members and Designees:

Glenn Becker
Susan Boyle, Designee for Representative Schemel
Christopher Craig, Designee for Treasurer Garrity
Lloyd Ebright, Designee for Treasurer Garrity
Treasurer Stacy Garrity, Committee Assistant Chair
Representative Paul Schemel
Mary Soderberg
Gregory Thall, Committee Chair
Jill Vecchio, Designee for Representative Schemel

Other Board Members and Designees:

James Bloom, Designee for Secretary Vague
Charles Erdman, Designee for Senator DiSanto
David Fillman
Alan Flannigan, Designee for Secretary Vague
Gregory Jordan
Toni Marchowski, Designee for Senator Hughes
Matt Lindsey, Designee for Senator Hughes
Dan Ocko, Designee for Representative Frankel

Presenters:

Eric Forkner, Partner, KPMG LLP
Lindsey Hoff, Manager, KPMG LLP
Craig Swallow, Senior Manager, KPMG LLP

SERS Staff:

Rose Agnew
Kathrine Bates
Don Bell
Kathleen Bernhard
Michele Crow
Tom Derr

Pam Hile
Chris Houston
Seth Kelly
Dan Krautheim
Karen Lynn
Joe Marcucci
Ryan McCoy
Michael McGeoy
Sara McSurdy
Terri Sanchez
Joseph Torta

1. Call to Order

Prior to the meeting starting, the Board members were informed that the meeting would be recorded with the exception of executive session discussion. At 9:31 a.m., Committee Chair Thall called the meeting to order.

2. Welcome and Roll Call

Ms. Lynn took roll call stating a quorum was present.

3. Approval of Minutes

Committee Chair Thall presented the minutes provided to the Committee.

Motion:

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

RESOLVED: That this Committee approves the meeting minutes from the February 23, 2021, meeting.

4. Old Business – None

5. Special Presentations – None

6. New Business

1. **Action 1** – Ms. Lynn reviewed Act 2020-128 which was enacted in November 2020. This legislation imposes increased requirements on both the PSERS and SERS systems. Specific to the Committee is the requirement for an internal control audit of the system and the plan at least every five years. Ms. Lynn stated that additional insight into how comprehensive the internal control audit is intended to be needs to be obtained from the original sponsors of the bill so that SERS can properly plan and budget for this effort.

Treasurer Garrity, who serves on PSERS board, offered to provide insight into how PSERS approaches this effort as their organization plans to pursue such an audit in the near future.

7. Executive Session

At 9:40 a.m., the Committee then entered into executive session to review and discuss committee business which, if conducted in public, would violate a lawful privilege, or lead to the disclosure of information that is confidential or protected by law. The topics covered in executive session included:

- Results of the 2020 audit by SERS independent auditors, KPMG, including:
 - Required Communications to the Audit, Risk and Compliance Committee – Auditing Standard No. 16
 - Commonwealth of Pennsylvania State Employees' Retirement System 2020 Financial Statements with Required Supplementary Information
 - Commonwealth of Pennsylvania Deferred Compensation Financial Statements for December 31, 2020 and 2019
- Acting Chief Compliance Officer Update – Quarterly Report as of March 31, 2021
- Internal Audit Projects in Process
- Review of Due Diligence Performed on Board Approved Investments for the Period February-April 2021

8. Committee Meeting Resumes

At 10:18 a.m., the Committee meeting resumed in public session.

Motion:

By motion that was moved and approved unanimously by the committee members, it was;

RESOLVED: That this Committee recommend to the State Employees' Retirement Board to accept the audited financial statements of the Commonwealth of Pennsylvania State Employees' Retirement System, and the Pennsylvania State Employees' Retirement System Deferred Compensation Plan for years ended December 31, 2020 and 2019, as presented by our independent auditors, KPMG LLP.

9. Committee Comments/Concerns/Questions

Action 1 – Mr. Houston will be transitioning his compliance-related work to a newly hired attorney. JoAnn Collins has accepted the position of Chief Compliance Officer with a start date of July 6, 2021. She will be reporting to the Committee at the upcoming September meeting.

Action 2 – Committee Chair Thall requested that Internal Audit staff determine how SERS staff addresses cybersecurity with our investment managers. Mr. McCoy noted that an understanding of an investment manager's cybersecurity program is obtained by Investment Office staff during the due diligence process. Internal Audit staff will discuss with the SERS Chief Counsel Office it's approach with regard to cybersecurity when drafting contracts with our investment manager partners and report that information back to Committee members.

10. Motion to Adjourn

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

RESOLVED: That this meeting be adjourned at 10:23 a.m.

Respectfully submitted,



Karen A. Lynn, CPA
Internal Audit Director