

**Minutes of the Finance and Member Services Committee Meeting  
July 27, 2021  
30 N. Third Street, Harrisburg, PA 17101-1716 & Microsoft TEAMS  
SERS LIVESTREAM ACCESS: <https://www.pacast.com/live/sers>**

**Attendees:**

**Committee Members and Designees:**

Ms. Mary Soderberg (Chair)  
Senator John DiSanto  
Representative Dan Frankel  
Mr. David Fillman  
Mr. Charles Erdman (Designee for Senator John DiSanto) – via TEAMS  
Mr. Dan Ocko (Designee for Representative Dan Frankel)  
Mr. Patrick Shaughnessy (Designee for Representative Dan Frankel) – via TEAMS  
Mr. James Bloom (Designee for Secretary Richard Vague)

**Others Board Members and Designees:**

Mr. Glenn Becker  
Treasurer Stacy Garrity  
Mr. Lloyd Ebright (Designee for Treasurer Stacy Garrity) – via TEAMS  
Mr. Christopher Craig (Designee for Treasurer Stacy Garrity)  
Mr. Matt Lindsay (Designee for Senator Vincent Hughes)  
Representative Paul Schemel  
Ms. Susan Boyle (Designee for Representative Paul Schemel)  
Mr. Gregory Jordan

**Executive Staff:**

Terri Sanchez, Board Secretary  
Sara McSurdy, Chief Financial Officer  
Joseph Torta, Deputy Executive Director for Member and Participant Services  
Christopher Houston, Deputy Executive Director for Administration  
N. Joseph Marcucci, Chief Counsel  
Catherine Nolan, Committee Counsel  
Jeff McCormick, Committee Counsel  
James Nolan, Acting Chief Investment Officer

**1. Call to Order**

Chair Soderberg called the meeting to order at 11:38 A.M.

**2. Welcome and Roll Call**

Chief Financial Officer Sara McSurdy conducted a roll call of the Committee members and designees who were present. Members and designees attended in person or via Microsoft Teams.

**3. Approval of Minutes**

By motion that was moved, seconded, and approved unanimously by Committee members, it was RESOLVED that this Committee approves the minutes of the June 8, 2021 Finance and Member Services Committee Meeting.

**4. Old Business**

None

**5. Special Presentations****a. Investment Rate of Return Actuarial Assumption Presentation (Korn Ferry and Callan)**

Chair Soderberg announced that representatives from SERS' actuary, Korn Ferry, and its general investment consultant, Callan Associates, Inc., would be presenting this topic. The following are some of the highlights of the presentation:

- Kris Seets from Korn Ferry began by explaining that the presentation included a recap of information provided during the education session at the June Committee meeting, in addition to specific information to assist the Committee in selecting an assumed rate of investment return for the December 31, 2021 actuarial valuation. This rate will help determine the actuarial status of the plan for that valuation year and the employer contribution rate beginning July 1, 2022.
- He provided general background information on the investment return assumption, specifically noting that it is long-term in nature and that it is reviewed on an annual basis. He also provided some details on the purpose of the actuarial assumption, in essence stating that among other things it helps set what is referred to as the "Actuarially Determined Contribution" (ADC) each year, which drives the employer contribution rate. This determination helps ensure that there are assets available to pay benefits when due to members.
- Representatives from Callan then provided a summary of the information contained within the 2021 Capital Market Assumptions Investment Return Projection report.
- The Committee members were presented with six potential assumption options supported by Korn Ferry, as well as their impacts on plan funding and estimated employer contributions. Options included keeping the assumptions the same as well as changing the assumed rate of investment return and/or rate of inflation.
- After some discussion and deliberation among the Committee members it was RESOLVED that this Committee recommend that the State Employees' Retirement Board: (i) leave unchanged the current annual assumed rate of investment return; and (ii) leave unchanged the current annual assumed rate of inflation; and, thus (iii) adopt an annual assumed rate of investment return of 7.000%, compounded annually, and an annual assumed rate of inflation of 2.50%, compounded annually, with both assumptions to be effective with the December 31, 2021 Actuarial Valuation and remain in effect until further action by the Board.

## **6. New Business/Discussion Items**

### **a. Office of Financial Management Update**

Ms. McSurdy provided an update on activities within the Office of Financial Management (OFM), which included the following highlights:

- Coordinated the preparation of the Annual Comprehensive Financial Report (ACFR), which was finalized by its due date of June 30, 2021. Ms. McSurdy explained that the purpose of this report is to provide key financial, investment, actuarial, and statistical information to SERS' stake holders.
- Coordinated the preparation and distribution of the Governmental Accounting Standards Board (GASB) 68 Report, noting that this report is prepared and given to all employers in the Defined Benefit Plan. The report contains employers' proportionate share of the net pension liability, pension expense, and deferred outflows/inflows, as well as other background information on the plan that is useful to the employers when they are preparing their financial statements. She further noted that this report is audited by KPMG.
- Ms. McSurdy also reported that OFM began its budget process for FY 2022-23, which will be presented to the Committee at the September meeting for approval, and then submitted to the Governor's Budget Office in October.
- She concluded by providing some highlights on the "Statement of Changes in Fiduciary Net Position" for the three plans (Defined Benefit, Defined Contribution, and Deferred Compensation), noting in particular the receipt of the \$825 million lump sum payment from PASSHE in relation to their unfunded liability, which the Board received in April. She also reported that the Defined Contribution Plan continues to grow in its third year, and that the positive trend also continues for the Deferred Compensation Plan.

### **b. Finance and Member Services Committee Charter Updates**

Ms. McSurdy provided an update on the status of proposed changes to the Committee's Charter. She referred Committee members and other attendees to documents housed in BoardDocs, including a memo addressed to the Committee and red-lined and clean versions of the revised Charter. She reported on the recommended amendments to the Charter, including that the Defined Contribution Committee be eliminated and all of the effects that such action would have on the Finance and Member Services Committee. The proposed changes were attached to this Committee's report to the Board but was ultimately not acted upon by the Board at the July Board meeting. Instead, the Board Governance and Personnel Committee considered these changes and made a recommendation to the full Board for action at a future meeting. At that future meeting, the Board will be asked to vote on approving the proposed changes.

### **c. Actuarial Services Contract Update**

Joe Torta, Deputy Executive Director for the Office of Member and Participant Services, announced that Korn Ferry has been selected as the supporting actuary for the next five-year contractual period. He provided a brief update on the status of the new contract and noted that the current contract, which was set to expire on June 30, 2021, was extended for up to three months while the new contract is being finalized.

**7. New Business/Informational Items Only**

- a. Brokerage Commissions Reports (Dec., Jan., Feb., March, and April)
- b. Membership and Benefits Lists (April)

**8. Executive Session**

None

**9. Board Comments/Concerns/Questions**

None

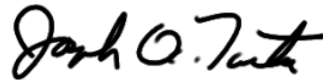
**10. Motion to Adjourn**

By motion that was moved, seconded, and approved unanimously by Committee members, it was RESOLVED that this meeting be adjourned at 12:53 P.M.

Respectfully submitted,



Sara McSurdy  
Chief Financial Officer



Joseph A. Torta, Deputy Executive Director  
Member and Participant Services