

**Minutes of the Audit, Risk and Compliance Committee Meeting
Tuesday, September 28, 2021**

Board Room, 30 North 3rd St., Harrisburg, PA 17101

Also available via Microsoft Teams and 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
Secretary Gregory Thall, Committee Chair
Jill Vecchio, Designee for Representative Schemel

Other Board Members and Designees:

James Bloom, Designee for Secretary Richard Vague
David Fillman
Alan Flannigan, Designee for Secretary Richard Vague
Gregory Jordan
Matt Lindsay, Designee for Senator Vincent Hughes

SERS Staff:

Rose Agnew
Don Bell
Jo Ann Collins
Michele Crow
Tom Derr
Britt Erney-Muniz
Pam Hile
Christopher Houston
Dan Krautheim
Karen Lynn
N. Joseph Marcucci
Ryan McCoy
Michael McGeoy
Sara McSurdy

Jeffrey Meyer
James Nolan
Terrill Sanchez
Jay Stroup
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 3:45 p.m., Committee Chair Secretary Thall called the meeting to order.

2. Welcome and Roll Call

Ms. Lynn took roll call stating a quorum was present. The Committee Chair then introduced SERS' new Chief Compliance Officer, Jo Ann Collins, to the Committee members.

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 approved the meeting minutes from the June 8, 2021, meeting.

4. Old Business – None

5. Special Presentations – None

6. New Business

Action 1 - Independent Internal Control Audit – Procurement Discussion – Ms. Lynn reviewed the requirement for SERS to undergo an internal control examination, or Service Organization Control (SOC 1, Type 2) audit, as mandated under Act 2020-128 effective November 2020. This legislation requires both PSERS and SERS to undergo a SOC audit every five years. Staff's recommendation to the Committee is that this audit take place during calendar year 2024. This timing will meet the Act's requirements while also allowing for the July 2022 implementation of SERIS 2.0, the subsequent stabilization of the system, and for staff to learn how to effectively utilize the system.

Speaking on behalf of the Committee, Chair Secretary Thall agreed with staff's recommendation to plan and budget for a SOC audit in calendar year 2024. Accordingly, Internal Audit will draft a Request for Proposal document in the future to meet this timing.

Action 2 – Review of Draft Policy – Rotation of Independent Audit Partner – Ms. Lynn reviewed a draft policy on implementing rotation requirements for SERS independent audit

partners. This policy was drafted to address questions raised by Board members during a procurement effort for independent auditor services for 2021-2025. At the evaluation committee meetings, discussion took place concerning the fact that the selected firm, KPMG LLP, was awarded the contract and will be serving SERS for a continuous 10-year period.

Chair Secretary Thall and Ms. Soderberg agreed with the intention of the policy to ensure independence as well as allow for a fresh perspective to the SERS independent audit engagement. As a result of the discussion, the policy will be further developed for review by the Committee at a future meeting for possible recommendation to the Board for action.

Action 3 – Internal Audit Office Update – Ms. Lynn reported that Item 5.2 of Funston’s Fiduciary Review report was tagged to the Audit, Risk & Compliance Committee and recommended that “This Board maintain oversight of cybersecurity performance and risks.” SERS cybersecurity program was discussed at this meeting by SERS IT officers in executive session and will be reported on periodically at future meetings.

It was also mentioned that Internal Audit’s IT Staff Auditor has accepted a position in SERS finance area and will be transferring effective November 6th.

Action 4 – Schedule of Employer Allocations and Pension Amounts by Employer as of December 31, 2020 (GASB 68 Report) – This report was provided as an informational item only.

7. Executive Session

At 4:00 p.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 2021 Independent Network Vulnerability Study
- Cybersecurity Program Plan Update
- Chief Compliance Officer Update – Quarterly Report of June 30, 2021
- Results of the 2021 Green Book Risk Assessment
- Review of Due Diligence Performed on Board Approved Investments for the Period June 2021
- Elderly and Foreign Annuitant Audit

8. Committee Meeting Resumes

At 4:45 p.m., the Committee meeting resumed in public session.

9. Committee Comments/Concerns/Questions

Action 1 – Internal Audit Staff – The draft policy regarding establishing a periodic rotation for SERS independent audit partners will be presented to the Committee for possible recommendation of the policy to the full Board for action.

Action 2 – Bureau of Information Technology Staff – Robust discussion took place on the cybersecurity program being developed by SERS Chief Information Security Officer. Although no direct action was requested of Bureau of Information Technology staff, the topics of discussion (cyber insurance, identity of cyberattack instances occurring at SERS, plans to address existing vulnerabilities, etc.) will be taken into consideration for future presentations.

10. Motion to Adjourn

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

RESOLVED: That this meeting be adjourned at 4:46 p.m.

Respectfully submitted,

Karen A. Lynn

Karen A. Lynn, CPA
Internal Audit Director