

Minutes of Board Governance and Personnel Committee Meeting

Tuesday, September 28, 2021

Attendees:

All Board Members, Designees, and SERS staff participated virtually, unless otherwise indicated.

Board Governance and Personnel Committee:

David Fillman, Chair
Treasurer Stacy Garrity
Christopher Craig (designee for Treasurer Stacy Garrity)
Lloyd Ebright (designee for Treasurer Stacy Garrity)
Matt Lindsay (designee for Sen. Vincent Hughes)
Secretary Gregory Thall
Alan Flannigan (designee for Secretary Richard Vague)
James Bloom (designee for Secretary Richard Vague)

Other Board Members:

Glenn Becker
Susan Boyle (designee for Rep. Paul Schemel)
Charles Erdman (designee for Sen. John DiSanto)
Gregory Jordan
Rep. Paul Schemel
Mary Soderberg
Jill Vecchio (designee for Rep. Paul Schemel)

SERS Staff:

Rose Agnew, Executive Secretary (in person, SERS Board Room)
Don Bell, Executive Assistant (in person, SERS Board Room)
Kelly Bernhard, Administrative Assistant (in person, SERS Board Room)
Tom Derr, Communications and Policy Director
Randy Gilson, Director, Technical Support Division (in person, SERS Board Room)
Christopher Houston, Committee Senior Staff (Administration)
Dan Krautheim, Chief Information Officer (in person, SERS Board Room)
Cheryl Krchnar, HR Analyst
Karen Lynn, Internal Audit Director
Katie Mathews, Committee Senior Staff (HR)
N. Joseph Marcucci, Chief Counsel
Sara McSurdy, Chief Financial Officer
Jim Nolan, Chief Investment Officer

Terrill Sanchez, Executive Director
Joe Torta, Deputy Executive Director for Member and Participant Services
Mark Walter, IT Generalist Administrator (in person, SERS Board Room)

Presenters

Randall Miller, Funston
Rachel Tillman, Funston

1. Call to Order

At 1:18 P.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 27, 2021, 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 27, 2021, Board Governance and Personnel Committee meeting.

4. Old Business

Committee Chair Fillman announced that the Executive Director Search – Update agenda item would be moved to after the Executive Session.

a. SERS Fiduciary Review and Board Self-Assessment – Final Report Implementation of Recommendations

The Committee reviewed a matrix containing recommendations from Funston's final report that were assigned to the Board Governance and Personnel Committee. The Committee was provided with updates on recommendations previously reviewed, some of which included follow up Committee action. The Committee also reviewed a number of recommendations where Committee input was requested.

Updates

1.3 The Board should consider term limits of three terms of two years for Board and committee officer positions.

Draft revisions to the Board bylaws are before the Board at its September 29, 2021, meeting for adoption, which provides for two-year terms for committee members, two-year terms for Committee Chair and Assistant Chair positions, and term limits of three consecutive two-year terms for committee officer positions, commencing in 2022.

4.3 Keep a record of dissenting opinions and concerns on 'no' votes which identify the issue or reason prompting that vote to help staff address the concern and make regular use of roll call votes except for meeting minutes and consent agenda items.

Following up on the Board action taken at the July 28, 2021, Board meeting, the Board and committee meeting operating procedures have been revised to address this recommendation.

Update/Action Taken by the Committee

6.3 Require Ad Hoc Committees to be Board Committees and only Board members should vote.

6.6 Committees should recommend the selection of independent advisors to the board within their respective areas of responsibility; staff should not vote on these recommendations.

After discussion, with a focus in particular on having Board members only serving on evaluation committees for the procurement of independent outside counsel, the Committee took the following action:

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend to the State Employees' Retirement Board that for procurements under the request for proposals (RFP) process of the Commonwealth Procurement Code, 62 Pa.C.S. Sections 101 *et seq.*, the State Employees' Retirement System issuing office is directed to obtain approval from the Board Chairperson in the selection of voting members of the evaluation committees, provided that when the Board has determined a need to procure independent outside counsel, the evaluation committees shall be comprised exclusively of Board members.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
GARRITY	Yes
Designee:	
HUGHES	
Designee: Lindsay	Yes
THALL	Yes
VAGUE	
Designee: Flannigan	Yes

6.4 Have Committee Chairs set Committee agendas and work plans, with input from committee members and the Executive Director and executive liaison for the committee.

6.5 Each committee, with input from the Executive Director and the committee's executive liaison should develop an annual list of policy priorities to be addressed by the committee, and those recommended policy priorities should be approved by the full Board.

After discussion, the Committee took the following action:

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend to the State Employees' Retirement Board to amend the Pennsylvania State Employees' Retirement System Committee Chair & Assistant Chair Position Description, as set forth in the attachment.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes

GARRITY	Yes
Designee:	
HUGHES	
Designee: Lindsay	Yes
THALL	Yes
VAGUE	
Designee: Flannigan	Yes

Input Requested

1.4 The Board should consider hiring its own Independent Counsel in specific situations, including potentially expediting the Board's role in handling disability reviews and appeals.

The Chief Counsel reported that as far as the Chief Counsel's Office (CCO) can discern, the current organization and representational relationship is working and satisfies the needs of the Board for legal services. The Chief Counsel indicated that the CCO welcomes any Board member's comment about additional services that can be provided or provided more efficiently and noted the following:

- Board members are encouraged to contact the Chief Counsel with requests or observations about our processes or any CCO lawyer's performance so that we may enhance the CCO's representation of the Board and the retirement plans it administers.
- The Chief Counsel will continue to recommend that the Board retain specialized outside counsel when necessary. If any Board member thinks that specialized outside counsel is needed on a given topic, please let the Chief Counsel and Executive Director know, and that issue can be placed on the Board agenda.
- The CCO will continue to advance all administrative appeals, including disability appeals, through the hearing process to the most timely dispositions possible.
- The CCO will develop alternative arrangements to provide legal advice to the Board if the Chief Counsel is conflicted out in an administrative appeal or other matter.

5.1 Streamline performance reporting to the Board:

- **Performance reports should address all vital retirement functions.**

- **Ensure that each report has a concise executive summary.**
- **Each report should contain key performance metrics that are vital signs of the state of health of that function.**
- **Develop data dashboards focused on key performance and risk metrics to help reduce information overload.**
- **Establish tolerances for acceptable variability in actual compared to expected performance.**
- **Require timely variance analysis and escalation of exceptions with related policy implications**
- **Develop links to supporting information to improve trustee accessibility to underlying data.**
- **Ensure there are independent verifications of the reliability of dashboard reports and related metrics.**

Staff supports this recommendation and noted that performance reporting would go through committees to the Board. Careful attention will be given to highlighting key performance, risk metrics, exceptions and other significant items in the resulting committee reports for the Board's consideration.

Regarding reporting through the Finance and Member and Participant Services Committee and the Investment Committee, staff noted that having those committees meet at times other than the day before the Board meeting would ensure that there is sufficient time to develop committee reports that focus on these key metrics and exceptions.

Staff advised that as we look to the 2022 Board and committee meeting calendar and factor in other Funston recommendations pertaining to reporting to the Board on performance and risk and actuarial risks to the Board, staff will be surveying the Board on whether there is interest in holding Investment Committee and Finance and Member and Participant Services Committee meetings on a day other than the day before the Board meeting. The survey will be coordinated with the surveying of the Board in the development of a Board education plan.

6.1 Consider holding at least some committee meetings in between Board meetings, perhaps virtually, rather than the day before, in order to improve decision making and preparation time for Board meetings.

Staff noted that as discussed in the review of recommendation 5.1, staff will be surveying the Board on whether there is interest in holding Investment Committee and Finance and Member and Participant Services Committee meetings on a day other than the day before the Board meeting.

6.2 Ensure that each committee effectively reports out to the full Board on all key issues such as investment performance and risk and actuarial risks.

It was noted that revisions to the Investment Committee and Finance and Member Services Committee charters are before the Board at its September 29, 2021, meeting for adoption, which provide for reporting from committees on key issues, including investment performance and risk, actuarial risks, and other significant items.

It was also noted that if the Investment Committee and Finance and Member and Participant Services Committee met on a day other than the day before the Board meeting, this would ensure that there is sufficient time to develop committee reports that report on the key issues on investment performance and risk, actuarial risks, and other significant items. Over time, staff will work with the committees and the Board to determine key metrics and acceptable tolerances, which should help ensure these items of interest are reported out to the full board.

6.8 Focus Committees more on critical success drivers and deeper analysis in evaluating performance and considering alternative strategies and related policy implications.

In evaluating performance, staff advised that it will focus on having committees do a deeper analysis on performance and the drivers behind that performance and report out to the Board on those matters as well as any alternative strategies for board consideration, as necessary.

As noted in the discussion of recommendation 5.1, performance reporting would go through committees; however, careful attention will be given to highlighting significant items, including key performance, in the resulting committee reports for the Board's consideration.

7.1 Develop an overall continuing education plan:

- **Develop a core curriculum and recommended elective offerings, tied to the Board's strategic agenda and timing of key decisions;**
- **Tailor individual plans, to the extent practical, to the individual learning needs of trustees; and**
- **Streamline and curate a list of focused educational recommendations.**

7.2 Provide basic investment and actuarial fundamentals training for newer trustees and enhance opportunities for all trustees to learn more about investments, actuarial matters, fiduciary responsibilities, parliamentary procedures, etc.

7.3 Ensure all third-party education is provided by independent and unbiased parties.

In furtherance of these recommendations and pursuant to the SERS Board Education Policy, a draft continuing Education Plan development strategy was presented to the Committee.

The strategy provides for the creation of an Education Plan that will enable Board Members to acquire and expand personal knowledge and improve understanding in selected areas to include but not be limited to: Investment strategies, actuarial cost analysis, asset allocation, risk assessment, and retirement portfolio management and ethics training. The plan would be tailored to help meet the educational needs of individual Board Members. The Education Plan would be reviewed every two years in conjunction with the Board self-assessment conducted pursuant to the Board Self-Assessment Policy. Following completion of a Board survey, the goal is to have an Education Plan before the Committee in December for review.

8.2 Improve Board succession planning for direct reports as well as making sure there is good bench strength.

Staff noted that section V.E. 2. of the Board Governance and Personnel Committee charter provides that “[t]he Committee shall collaborate with SERS staff to oversee leadership succession planning and organizational development.”

For the Board’s direct reports, which include the Executive Director, Chief Investment Officer, Internal Audit Director, Chief Compliance Officer, and Chief Counsel, staff reviewed with the Committee that it will develop a succession plan strategy for each direct report, which will include:

- Developing next level of staff, as good internal candidates.
- Having direct reports identify key outside contacts to assist successors.
- Ensuring lower-level staff are in place to maintain direct report’s functions upon departure of direct report.
- Developing a deeper bench to back-fill positions being promoted.
- Embracing the strategic plan guiding principle of developing and empowering employees.

9.1 Establish a more collaborative process in setting goals, including consideration of annual goals linked to the strategic plan, and link compensation to the achievement of goals to the extent permitted by the State.

9.2 Provide more informal feedback to direct reports on an ongoing basis, e.g., semi-annually.

For the Board’s direct reports, the Committee reviewed the following recommendations from staff:

Executive Director and Chief Investment Officer –

Staff did not recommend any revisions to the performance review and goal setting processes that exist for these positions. Staff suggested deferring any further action regarding the way the CIO's compensation is established until the classification and compensation study is completed.

Internal Audit Director and Chief Compliance Officer –

Staff recommended that the Audit, Risk, and Compliance Committee charter be amended to provide that if the Chief Compliance Officer position is filled by a lawyer and is administratively housed in the Chief Counsel's Office then the Chief Counsel will seek input from the committee in the employee performance review process for the Chief Compliance Officer. It was noted that the compensation of the Internal Audit Director is within the commonwealth classification and pay structure. Staff suggested deferring any further action regarding the way the Chief Compliance Officer's compensation is established until the classification and compensation study is completed.

Chief Counsel –

Staff recommended amending the Board Governance and Personnel Committee charter to provide that the Executive Director will seek input from the Board in the employee performance review process of the Chief Counsel. Staff suggested deferring any further action regarding the way the Chief Counsel's compensation is established until the classification and compensation study is completed.

10.1 Meet annually with the external consultants and advisors in executive session, without staff present, to obtain more independent opinions from advisors.

Staff noted that the primary driver behind this recommendation is to provide assurance to the board that the Board's consultants and advisors are in fact operating independently from staff and are not unduly influenced by staff. It was noted that there are, however, challenges to doing this in executive session. Regardless, one way or another, the Board should be given an opportunity to set expectations and confirm the relationship between its external consultants and staff and the relationship between its external consultants and the Board.

10.2 Review the performance of all outside advisors on a regular schedule, e.g., annually, and discuss Board expectations for the upcoming year.

For those committees that have oversight responsibilities for outside advisors, staff will be working with committee Chairs of those committees to include in the work plans an annual performance review. As referenced in recommendation 10.1, expectations for all outside advisors should be set by the Board, based on recommendations from the relevant committee.

10.3 – Have external advisors provide more information to the Board on several topics:

- **The actuary should spend more time advising the Board (not just the Finance and Member Services Committee) on various actuarial and investment risks and explain how they arrive at their recommendations.**
- **Have the specialty investment advisors provide general information in their investment area.**

Staff reported that it will work with the Chair of the Finance and Member and Participant Services Committee and the Board Chairperson in ensuring that the actuary will be appearing before the Board, at least annually. On some issues, appearing before both the Finance and Member and Participant Services Committee and the Board may be in order.

For topics where the actuary would appear at both meetings on the same topic, having committee meetings at times other than the day before Board meetings would give staff/committee chair time to focus on highlighting those issues which the Board should be made aware of and to focus on.

As noted in the discussion of recommendations 5.1, 6.1, and 10.3, staff will be surveying the Board on holding Investment Committee and Finance and Member and Participant Services Committee meetings on a day other than the day before the Board meeting.

Staff will also include in the survey requests for topics on which the Board would like to have the consultants focus on in any presentations to the Board.

Also noted in the discussion of recommendations 5.1 and 6.1, committee reports will highlight key performance indicators, risk metrics, exceptions and other significant items discussed in the committee meetings.

b. SERS Strategic Plan – Update

The Committee reviewed an update on the FY 2021-2022 strategic goals.

c. Classification and Compensation Study – Update

Staff provided an update on the vendor selection for the classification and compensation study of investment professionals and attorneys.

5. Special Presentations

Randy Miller and Rachel Tillman from Funston Advisory Services LLC gave an overview of Board Smart, which is a governance eLearning resources tailored for public pension trustees and executives.

6. New Business

a. Amendment of Fiduciary Review Policy

After review of a revised SERS Fiduciary Review Policy, the Committee took the following action:

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend to the State Employees' Retirement Board to amend the Fiduciary Review Policy, as set forth in the attachment.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
GARRITY	Yes
Designee:	
HUGHES	
Designee: Lindsay	Yes
THALL	Yes
VAGUE	
Designee: Flannigan	Yes

7. Executive Session

At 2:41 P.M., the Committee entered into executive session to discuss:

- a.** Executive Director search
- b.** Investment Professional Pay Adjustments – Investment Office

At 3:35 P.M., the public session resumed.

8. Executive Director Search – Update

Staff provided an update to the Committee on Executive Director recruitment efforts. The opportunity will be reopened for a 30-day period with the option to extend. SERS-Human Resource Office will conduct limited advertising with industry-specific outlets. This is not a reflection on the current candidate pool and the Committee will proceed with interviewing consistent with the original timeline. There will be an executive session of the Committee at 12:30 P.M. on October 6, 2021, to review the applications received to date.

9. Committee Comments/Concerns/Questions

There were no additional comments, concerns, or other questions from committee members.


10. 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 3:40 P.M.

Respectfully Submitted,


Katie Mathews
Director of Human Resources


Christopher C. Houston
Deputy Executive Director for
Administration

PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM

COMMITTEE CHAIR & ASSISTANT CHAIR POSITION DESCRIPTION

The duties of the Committee Chair (and in the absence of the Committee Chair, the Committee Assistant Chair) include the following:

1. In consultation with the Executive Director and other committee members, schedule dates, times and location for meetings.
2. Organize and conduct meetings in accordance with the terms of reference and Bylaws.
3. The Chair shall appoint an Assistant Chair in consultation with and the approval of Committee members.
4. As part of the strategic planning process, develop an issue calendar for the Committee to guide the development of agendas. Annually, with input from the Executive Director and the committee executive liaison, establish a committee work plan to guide the development of agendas, factoring in SERS strategic plan goals and Board policy priorities, which are within the purview of the committee, with the work plans submitted to the Board for approval.
5. In consultation with the Executive Director, committee executive liaison, and other committee members, establish and confirm an agenda for each meeting.
6. In coordination with the Executive Director, seek to have the meeting agenda and relevant documents consistently circulated to the members of the committee at least 3-5 days in advance of the meeting.
7. Arrange for committee members to discuss meeting materials with SERS staff and have any questions addressed.
8. Share planned meeting agendas with the full Board at the Board meeting prior to the committee meeting.
9. Provide leadership and ensure that the committee performs its responsibilities described in the committee charter.
10. Ensure there is sufficient time during the meeting to fully discuss agenda items.
11. Ensure that discussion on agenda items is on topic, productive and professional.
12. In coordination with the Executive Director, oversee the taking of minutes that are complete, accurate, retained, reviewed and approved at the next meeting.
13. Keep the Board Chairperson and Board informed of committee actions and present recommendations to the Board.

14. Chair executive session meetings as required.

[Rev.8.10.21](#)

Policy Name: **Fiduciary Review Policy**
Policy Number: 2018 POL-BD-14
Effective Date: December 5, 2018
Reviewed Date: January 9, 2018, August 9, 2021
Applies To: SERS Board Members
Contact Person: SERS Legal Office Deputy Executive Director for Administration

Purpose

The members of the Board (the "Board") of the State Employees' Retirement System ("SERS") stand in a fiduciary relationship to the members of SERS and have legal duties imposed by statute and common law to ensure that the funds they oversee are invested with the same degree of care that persons of prudence, discretion and intelligence would use when investing their own money. Board governance, policies and practices are the structures and processes through which these duties are implemented. In order to minimize liability exposure and to promote success in achieving its goals, the Board has determined it should obtain regular, independent reviews of its fiduciary and governance practices.

Policy

Every 3-4 years, the Board shall select and contract with a qualified independent consultant ("Consultant") to conduct a review of the Board's performance of its duties, identify developing best practices and make recommendations to the Board for improving its governance, policies and procedures. The Board may delegate the process of researching and identifying Consultant candidates to the Board Governance and Personnel Committee, which committee shall make a recommendation to the Board regarding the selection of the Consultant. The Board shall exercise reasonable discretion in setting the scope of the Consultant's review and should include examination of identified risks or issues which have come to its attention.

The Consultant shall be selected through a competitive process aimed at identifying independent experts with knowledge of public pension fund practices and experience in conducting similar reviews at a reasonable cost. In particular, the Consultant should have the following qualifications, in addition to other qualifications which the Board may determine are needed for the particular review:

- The Consultant shall be independent both in fact and in appearance. The independence of the Consultant is paramount to ensure objectivity and unbiased recommendations.

- The Consultant shall be knowledgeable about the fiduciary duties and governance practices of public pension funds. The Consultant's review may include topics from the list attached hereto as Exhibit A.
- The Consultant shall have experience providing similar reviews to public pension funds of similar size to SERS.

Cooperation with Consultant.

Board members and appropriate SERS employees shall cooperate with the review and promptly provide all information required by the Consultant. An individual shall be identified by the Executive Director to serve as SERS' liaison with the Consultant.

Exhibit A

1. Frameworks

1.1. Legal and Regulatory Framework e.g.,

- 1.1.1. Governance structure (trustee board, sole fiduciary, other)
- 1.1.2. Funding policies and mechanisms
- 1.1.3. Fiduciary responsibilities and authorities
- 1.1.4. Oversight authorities
- 1.1.5. Statutory authority/limitations
- 1.1.6. Trustee qualifications and selection criteria
- 1.1.7. Investment limitations (prudent expert, prudent person, legal list)
- 1.1.8. ~~Non-economic investment~~Investment requirements for (in-state managers, minority and women-owned programs, etc.)
- 1.1.9. Resource authorities (budget, staffing and compensation)
- 1.1.10. Custodian and selection of custodial bank
- 1.1.11. Selection of external auditor
- 1.1.12. Selection of external actuary
- 1.1.13. Selection of outside counsel
- 1.1.14. Transparency requirements (freedom of information and open meetings laws, contracting, reporting)
- 1.1.15. Trustee indemnification
- 1.1.16. Plan participation requirements
- 1.1.17. Member eligibility and benefit calculation requirements

1.2. Governance Framework e.g.,

- 1.2.1. Powers reserved for the board/fiduciary
- 1.2.2. Direct reports to the board/sole fiduciary
- 1.2.3. Delegations to staff and third parties
- 1.2.4. Role of board officers
- 1.2.5. Board committee structure
- 1.2.6. Board and committee charters
- 1.2.7. Use of advisory boards
- 1.2.8. Board/fiduciary focus on strategy
- 1.2.9. Access to information and reporting to the board/fiduciary
- 1.2.10. Board/fiduciary performance
- 1.2.11. Board/fiduciary self-assessment

- 1.2.12. Board/fiduciary self-development
- 1.2.13. Trustee time commitments
- 1.2.14. Management of/response to litigation
- 1.2.15. Enterprise risk oversight
- 1.2.16. Independent reinsurance

2. Strategies and Risks

2.1. Enterprise Strategies and Policies e.g.,

- 2.1.1. Setting asset allocation strategies
- 2.1.2. Setting investment return assumptions
- 2.1.3. Asset-liability matching process
- 2.1.4. Investment beliefs
- 2.1.5. Investment objectives and plans
- 2.1.6. Selection and use of benchmarks
- 2.1.7. Manager fee reporting policies and practices
- 2.1.8. Corporate governance and proxy voting
- 2.1.9. Ethics/conflicts of interest policies
- 2.1.10. Board/fiduciary/employee financial disclosure
- 2.1.11. Employee confidentiality policy
- 2.1.12. Benefit program strategy development
- 2.1.13. Health care provider strategy development
- 2.1.14. Staff organization structure
- 2.1.15. Organizational and resourcing strategies
- 2.1.16. Staff compensation policies
- 2.1.17. Procurement policies
- 2.1.18. Stakeholder relations and communications
- 2.1.19. Legislative positioning: reactive (awareness of and response to legislative proposals) and proactive (drafting and lobbying)

2.2. Enterprise Risks e.g.,

- 2.2.1. Risk appetite/tolerance
- 2.2.2. Return and risk objectives
- 2.2.3. Risk management policies and metrics (incl. investment guidelines and limits)
- 2.2.4. Enterprise risk management and reporting

3. Operations

3.1. Investment Operations e.g.,

- 3.1.1. Investment manager selection/due diligence/monitoring/termination
- 3.1.2. Use and governance of strategic partnerships
- 3.1.3. Roles and authorities of internal investment staff
- 3.1.4. Contracting process
- 3.1.5. Use of outside counsel
- 3.1.6. Internal investment management
- 3.1.7. Investment management reporting, risk, and support systems
- 3.1.8. Investment research
- 3.1.9. Investment cost management
- 3.1.10. Use of general investment consultant
- 3.1.11. Use of specialty consultants
- 3.1.12. Use of custodial services
- 3.1.13. Securities lending policies and practices
- 3.1.14. Foreign exchange practices
- 3.1.15. Use and monitoring of brokers
- 3.1.16. Transition management
- 3.1.17. Investment funding policies and practices

3.2. Pension and Insurance Operations e.g.,

- 3.2.1. Member contact center
- 3.2.2. Member self-service opportunities
- 3.2.3. New member enrollment
- 3.2.4. Member data management and data security
- 3.2.5. Member education and communication
- 3.2.6. Member statements
- 3.2.7. Dispute resolution
- 3.2.8. Adjustments and exception handling
- 3.2.9. Appeals handling
- 3.2.10. Service credit handling
- 3.2.11. Court settlement processing
- 3.2.12. Regular payment processing
- 3.2.13. Pension reporting
- 3.2.14. Pension plan design and development
- 3.2.15. Health care provider contracting

- 3.2.16. Third party provider compliance monitoring
- 3.2.17. Health care cost monitoring and cost controls
- 3.2.18. Employer contact center
- 3.2.19. Employer data management and security
- 3.2.20. Employer education and communication
- 3.2.21. Employer statements and reporting
- 3.2.22. Actuarial reporting practices and valuations

3.3. Administrative Operations e.g.,

- 3.3.1. Investment accounting, performance reporting and fund valuation
- 3.3.2. Financial accounting operations and reporting
- 3.3.3. Planning, budgeting and performance reporting
- 3.3.4. Recruitment, hiring and organizational development
- 3.3.5. Employee training and development
- 3.3.6. Succession planning
- 3.3.7. Human resources administration
- 3.3.8. Legal support
- 3.3.9. Information systems planning, governance and support
- 3.3.10. Facilities management and support
- 3.3.11. Procurement
- 3.3.12. Business resumption
- 3.3.13. Policies and procedures documentation and review
- 3.3.14. IT Security

4. Compliance and Controls

4.1. Compliance e.g.,

- 4.1.1. Internal audit effectiveness
- 4.1.2. Ethics compliance
- 4.1.3. Compliance with laws and regulations
- 4.1.4. Policy compliance
- 4.1.5. Compliance with delegations
- 4.1.6. Board and/or committee operations compliance to charters and policies
- 4.1.7. Contractual compliance
- 4.1.8. Trust and custody compliance
- 4.1.9. Compliance with compensation policies
- 4.1.10. Compliance with open meeting laws

- 4.1.11. Disclosure and Pennsylvania Right-to-Know Law compliance
- 4.1.12. Compliance with federal statutes and regulations – e.g., OFAC (Office of Foreign Asset Control), NACHA (National Automated Clearing House Association)
- 4.1.13. Compliance with documentation management policies

4.2. Controls e.g.,

- 4.2.1. Externally-managed assets
- 4.2.2. Internally-managed portfolio
- 4.2.3. Cash transfers and funding
- 4.2.4. Cash equitization
- 4.2.5. Securities lending
- 4.2.6. Foreign exchange
- 4.2.7. Performance calculations
- 4.2.8. Investment management fee validation

Document Properties

- a. **Document Owner:** ~~Executive~~Office of Administration
- b. **Document Author:** ~~SERS Legal Office~~Deputy Executive Director for Administration
- c. **Summary of Changes:**

Date	Version	Author	Summary
January 9, 2018	2018 POL-BD-14	SERS Legal Office	The process established by the Board to obtain regular, independent reviews of its fiduciary and governance practices, in order to minimize liability exposure and to promote success in achieving its goals.
<u>August 9, 2021</u>		<u>Deputy Executive Director for Administration</u>	<u>Revised Exhibit A, 1.1.8, to remove the term “non-economic” in reference to describing SERS’ in-state managers, minority and women-owned programs, etc. Also revised the Contact Person, Document Owner, and Document Author.</u>