

DRAFT

**Minutes of the Finance and Member Services Committee Meeting
September 28, 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
Mr. Charles Erdman (Designee for Senator John DiSanto)
Mr. David Fillman
Mr. Dan Ocko (Designee for Representative Dan Frankel)
Mr. James Bloom (Designee for Secretary Richard Vague)
Mr. Alan Flannigan (Designee for Secretary Richard Vague)

Others Board Members and Designees:

Mr. Glenn Becker
Treasurer Stacy Garrity
Mr. Christopher Craig (Designee for Treasurer Stacy Garrity)
Mr. Lloyd Ebright (Designee for Treasurer Stacy Garrity)
Mr. Gregory Jordan
Mr. Matt Lindsay (Designee for Senator Vincent J. Hughes)
Representative Paul Schemel
Ms. Jill Vecchio (Designee for Representative Paul Schemel)

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
Jeffrey McCormick, Committee Counsel
James Nolan, Chief Investment Officer

1. Call to Order

Chair Soderberg called the meeting to order at 9:06 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 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 July 27, 2021 Finance and Member Services Committee Meeting.

4. Old Business

None

5. Special Presentations**a. Stress Testing and Risk Assessment Report (Korn Ferry)**

- Assistant Chief Financial Officer Michael McGeoy began the presentation by announcing that the Korn Ferry team were present to provide a summary presentation of the 2021 Risk Assessment Report, noting that the full report and presentation are available on BoardDocs. Mr. McGeoy also provided some background information on the report, stating that this was the third such report produced for SERS, with the initial report being issued in December 2019, in response to recommendations made in the “PPMAIRC” report. The initial test was reviewed by the Pew Charitable Trusts, who regarded it as a “leading example of pension stress tests.” Mr. McGeoy further explained that Act 2020-128, which was passed in November 2020, legislatively mandates that SERS perform stress tests annually and submit the results to the Governor, the General Assembly, and the Independent Fiscal Office.
- Kris Seets from Korn Ferry continued with the presentation by providing a brief introduction and background on the purpose of the report, explaining that the report provides “What if?” scenarios referred to as “stress tests” or “scenario tests” that are used to determine the effect on future employer contributions and the availability of assets to pay benefits when due to members.
- He provided some details on observations made when comparing the 2020 and 2021 reports, and noted that, in general, the results are more favorable than the prior report, and that the employer contribution rates are projected to be lower while the funded ratio is projected to be higher than was reported in 2020.
- He indicated that three scenarios would be highlighted, and then turned the presentation over to his colleague Craig Graby to provide the Committee with the highlights of these scenarios as follows:
 - The effect of investment liquidity – the risk that assets would need to be sold at unfavorable values to meet the cash flow needs of the plan.
 - Simulated future investment performances and volatility “Stochastic Analysis” - the risk of differences in future contribution needs due to investment market volatility.

- Reduced Funding of the Actuarially Determined Contribution (ADC) – the risk that severe changes in budgetary needs and availability would prevent employers from fully funding the ADC.
- Mr. Graby concluded the presentation by confirming that SERS is well-positioned to adapt to any changes; and, furthermore, assets are available to pay benefits when they are due.
- Chair Soderberg thanked the team for their work and noted that the report is very helpful for planning purposes.
- By motion that was moved, seconded, and approved, it was: **RESOLVED** that this Committee recommend that the State Employees' Retirement Board approve the 2021 Stress Testing and Risk Assessment Report prepared by SERS' Actuary, Korn Ferry.

The full 2021 Stress Testing and Risk Assessment Report is available on BoardDocs and will be published on SERS' website for public viewing.

6. New Business/Discussion Items

a. FY2022-23 Budget Presentation

- Chief Financial Officer Sara McSurdy began the presentation by announcing that Office of Financial Management (OFM) employee Thomas Inners, who played a critical role in the process of developing the budget, was on hand to introduce himself to the Committee. After introducing himself, Mr. Inners described some of the key duties that he performs as Fiscal Management Specialist with OFM, as well as some of the duties he performed in his previous positions. Ms. McSurdy then proceeded to provide a high-level overview of the proposed FY 2022-23 budgets for the Administrative Fund, the Investment Fund, the Defined Contribution Plan, and the voluntary Deferred Compensation Plan. Her presentation also included some background regarding the budget process, noting that SERS complies with Manual 110.01 - Budget Instructions, and that this year's budgets are due to the Governor's Budget Office by October 6, 2021. She also noted that SERS provides information to the House and Senate Appropriations Committee in January of each year.
- By motion that was moved, seconded, and approved it was: **RESOLVED** that this Committee recommend that the State Employees' Retirement Board approve, for Fiscal Year 2022-2023, the following proposed budgets: (1) SERS Administrative Budget; (2) SERS Investment Budget; (3) State Employees' Defined Contribution Plan Budget; and (4) Commonwealth's State Employees Deferred Compensation Plan Budget, each substantially in the same form as presented in the Chief Financial Officer's September 28, 2021 Report, and each as amended and/or ultimately approved by the Office of the Budget.

b. Office of Financial Management Update

- Ms. McSurdy began by providing some key highlights of activities within the OFM. She also provided a high-level overview of the Statements of Changes in Fiduciary Net Positions for each of the three plans – the Defined Benefit Plan, the Defined Contribution Plan, and the Deferred Compensation Plan.

c. Office of Member and Participant Services Update

- Joe Torta, Deputy Executive Director for Member and Participant Services , introduced himself to the Committee and provided some highlights of activities within the Office of Member and Participant Services (OMPS). His presentation included the following:
 - Introductions of Leah Woodward, Director of the Bureau of Member and Participant Services, and Kevin Skura, Director of the Bureau of Benefit Administration. He provided a brief description of the key duties overseen by both bureau directors.
 - An update on the re-opening of the seven SERS Regional Counseling Centers to the public on September 7, 2021, after being closed the previous year-and-a-half due to COVID-19 restrictions. In-person counseling is available for members and participants when requested, and 30% of these individuals have requested in-person counseling, as of the re-opening date.
 - An update on the Direct Deposit Initiative for those annuitants who are still receiving their annuity payments in the form of a paper check each month. He reported that on September 15, 2021, SERS mailed approximately 6,700 letters to those annuitants still receiving a paper check; and that, to date, the response has been favorable.
 - Highlights of the current working environment and how COVID-19 has impacted OMPS, noting that it has produced a higher volume of work for staff within OMPS. He concluded by reporting that staff performance has been exemplary.

6. New Business/Informational Items Only

- a. Brokerage Commissions Reports (May and June)
- b. Membership and Benefits Lists (May and June)

7. Executive Session

The Committee then entered Executive Session to review the issue of Compensatory Time Pay-Out. If conducted in public session, such discussion would lead to the disclosure of information that is confidential or otherwise protected by law, and, thus was appropriate for Executive Session.

8. Committee Comments/Concerns/Questions

None

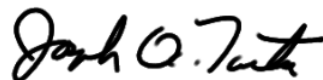
9. Motion to Adjourn

By motion that was moved, seconded, and approved unanimously by Committee members, it was RESOLVED that this meeting be adjourned at 10:40 A.M.

Respectfully submitted,



Sara McSurdy
Chief Financial Officer



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