

Minutes of Board Governance and Personnel Committee Meeting

Tuesday, December 7, 2021

Attendees:

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

Board Governance and Personnel Committee:

David Fillman, Chair (in-person, SERS Board Room)
Treasurer Stacy Garrity (in-person, SERS Board Room)
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 (in-person, SERS Board Room)
Susan Boyle (designee for Rep. Paul Schemel)
Charles Erdman (designee for Sen. John DiSanto)
Gregory Jordan
Dan Ocko (designee for Rep. Dan Frankel)
Rep. Paul Schemel (in-person, SERS Board Room)
Patrick Shaughnessy (designee for Rep. Dan Frankel)
Mary Soderberg

SERS Staff:

Rose Agnew, Executive Secretary (in person, SERS Board Room)
Katie Bates, Administrative Officer (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)
Mark Walter, IT Generalist Administrator (in person, SERS Board Room)
Jon Ryan, IT Generalist (in person, SERS Board Room)
Pam Hile, Communications Director
Christopher Houston, Committee Senior Staff (in-person, SERS Board Room)
Karen Lynn, Internal Audit Director
Dan Krautheim, Chief Information Officer (in person, SERS Board Room)

Katie Mathews, Committee Senior Staff (HR)
N. Joseph Marcucci, Chief Counsel (in-person, SERS Board Room)
Sara McSurdy, Chief Financial Officer
Jim Nolan, Chief Investment Officer (in-person, SERS Board Room)
Terrill Sanchez, Executive Director (in-person, SERS Board Room)
Joe Torta, Deputy Executive Director for Member and Participant Services

Presenter:

Joe Rice, CBIZ Talent and Compensation Solutions

1. Call to Order

At 3:13 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 September 28, 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 September 28, 2021, Board Governance and Personnel Committee meeting.

4. Previous Executive Sessions

It was reported that the Committee held executive sessions on the following dates to discuss the agenda items, as noted:

- a. October 6, 2021
 1. Discuss Executive Director Candidate Pool
 2. Select Executive Director Applicants for Interview
 3. Discuss Interview Questions and Interview Schedule
- b. October 18, 2021
 1. Executive Director Candidate Interviews and Discussion
- c. October 19, 2021
 1. Executive Director Candidate Interview and Discussion
 2. Investment Professional Pay Adjustments – Investment Office
- d. October 20, 2021
 1. Executive Director Candidate Interviews and Discussion
- e. October 26, 2021
 1. Executive Director Candidate Discussion

5. Old Business

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

The Committee received updates on recommendations from Funston’s final report that were assigned to the Committee and took specific action regarding the implementation of a number of those recommendations.

1. Committee Work Plan Procedures

The Committee reviewed the Committee Work Plan Procedures (2021 POL-BD-01), which describes the procedures to guide the development and Board approval of the Board’s standing committees’ annual work plans and 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 that the State Employees’ Retirement Board approve the Committee Work Plan Procedures (2021 POL-BD-01), 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: Bloom	Yes

2. Board Chairperson & Assistant Chair Position Description

In furtherance of Funston recommendations 6.3 and 6.6 the Board previously took action to provide that for procurements under the RFP process of the Commonwealth Procurement Code that the SERS 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.

After discussion, the Committee took the following action to amend the position description to include as a duty the role of the Chairperson in the approval of voting members of evaluation committees:

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board approve the amendment to the Pennsylvania State Employees' Retirement System Board Chairperson & 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: Bloom	Yes

3. Audi, Risk and Compliance Committee Charter

In furtherance of recommendations 9.1 and 9.2, the Audit, Risk, and Compliance Committee took action to recommend to the Board that it approve amendments to the Audit, Risk, and Compliance Committee charter, which clarify the role of the committee in the evaluation of the Internal Audit Director and the Chief Compliance Officer. This includes inserting the role of the Chief Counsel in the evaluation process, if the Chief Compliance Officer position is administratively housed in the Chief Counsel's Office.

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 concur with the recommendation of the Audit, Risk, and Compliance Committee to the State Employees' Retirement Board to approve the amendments to the Audit, Risk, and Compliance Committee charter, 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: Bloom	Yes

4. Board Governance and Personnel Committee Charter

In furtherance of recommendations 9.1 and 9.2, the Committee reviewed an amendment to the Committee's charter, which includes the role of the Committee in collaborating with the Executive Director in obtaining input from the Board in the annual employee performance review process of the Chief Counsel.

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 that the State Employees' Retirement Board approve the amendment to the Board Governance and Personnel Committee charter, 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: Bloom	Yes

Mr. Houston noted that for the Internal Audit Director, Chief Compliance Officer, and Chief Counsel positions staff will be developing a process for Board/committee involvement in performance reviews.

Mr. Houston also reviewed with the Committee the status of the remaining recommendations to be reviewed at a future meeting. During that discussion, it was noted that included in the Committee materials as an information item was an update from the Chief Counsel’s Office (CCO) on the scheduling of administrative appeals. In addition, Jim Bloom recommended adding the CFO position for succession planning consideration in the review of recommendation 8.2. Mr. Bloom also noted that the Board Chairperson & Assistant Chair Position Description references that the meeting agenda and other documents are to be circulated to the Board at least 3-5 days in advance of a meeting. Terri Sanchez noted that the materials are uploaded to BoardDocs two weeks in advance of Board and committee meetings, which is included in the Board/committee meeting procedures.

b. Classification and Compensation Study - Update

Joe Rice from CBIZ Talent & Compensation Solutions and Katie Mathews, SERS HR Director, provided an overview of the methodology and project steps involved in the compensation and classification study for investment professionals and attorneys.

c. Report on Notational Ballots for Investment Professional Pay Adjustments

Staff reported to the Committee the action taken through the submission of notational ballots for investment professional pay adjustments for three investment professionals. The Committee is delegated authority through the agency’s compensation policy to authorize the pay adjustments for Jason Burger and Ryan Morse. The action for Jeffrey Meyer required Board approval.

o **Notational Ballot - Pay adjustment for Jason Burger**

To approve and grant Portfolio Manager 1 Jason Burger a 9% hourly pay increase to \$77.67 retroactive to July 29, 2021.

Board Member	Notational Ballot Response
FILLMAN	I approve
GARRITY	I approve
HUGHES	I approve
THALL	I approve
VAGUE	I approve

○ **Notational Ballot - Pay adjustment for Ryan Morse**

To approve and grant Portfolio Manager 1 Ryan Morse a 9% hourly pay increase to \$80.04 retroactive to July 29, 2021.

Board Member	Notational Ballot Response
FILLMAN	I approve
GARRITY	I approve
HUGHES	I approve
THALL	I approve
VAGUE	I approve

○ **Notational Ballot - Temporary pay adjustment for Jeffrey Meyer**

To recommend to the State Employees' Retirement Board that it approve and grant Managing Director of Investment Operations Jeffrey Meyer a temporary 6% hourly pay increase to \$139.93 retroactive to July 19, 2021, when he temporarily assumed oversight of the private market and real estate portfolios, through October 8, 2021, when he relinquished those duties.

Board Member	Notational Ballot Response
FILLMAN	I approve
GARRITY	I approve
HUGHES	I approve
THALL	I approve
VAGUE	I approve

d. SERS Strategic Plan – Update

The Committee received as an information item an update on the FY 2021-2022 strategic goals.

e. Executive Director Search – Update

The Committee received as an information item an update on the Executive Director search.

6. Special Presentations

There were no special presentations.

7. New Business

a. SERS Board Travel Policy

The Committee reviewed amendments to the SERS Board Travel Policy, which combines into one policy the guidelines for business travel for Board members, designees, and employees.

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 that the State Employees' Retirement Board approve the amendments to the SERS Board Travel Policy (2018 POL-BD-10), 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: Bloom	Yes
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b. Compensation Policy for Investment Professional Staff – Annual Pay Increase Budget

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 State Employees' Retirement Board accept the recommendation of the Board Governance and Personnel Committee to approve the annual aggregate pay increase budget for 2022 to be set at 4.5 % of the aggregate salary of all staff compensated on the investment professional pay schedule for positions below that of the Chief Financial Officer and the Chief Investment Officer, with the actual pay increases for all staff compensated on the investment professional pay schedule including the Chief Financial Officer and the Chief Investment Officer to be determined in accordance with the Compensation Policy for Investment Professional Staff – State Employees' Retirement System.

The roll call vote tabulation was as follows:

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

8. Executive Session

There was no executive session.

9. Committee Comments/Concerns/Questions

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

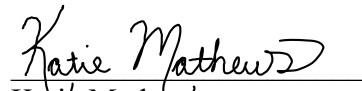
10. Motion to Adjourn

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 4:35 P.M.

Respectfully Submitted,



Katie Mathews
Director of Human Resources



Christopher C. Houston
Deputy Executive Director for
Administration

Policy Name: Committee Work Plan Procedures
Policy Number: 2021 POL-BD-01
Effective Date: December 8, 2021
Reviewed Date: N/A
Applies To: SERS Board
Contact Person: Deputy Executive Director for Administration

Purpose

The State Employees' Retirement Board (the "Board") has established the following standing committees, which may be changed from time to time by Board resolution: Audit, Risk and Compliance Committee; Investment Committee; Board Governance and Personnel Committee; Finance and Member and Participant Services Committee; and Securities Litigation Committee (each, a "Standing Committee," and collectively, the "Standing Committees"). This policy describes the procedure which the Board has established to guide the development and Board approval of the Standing Committees' annual work plans.

Work Plan Objectives

The Board has delegated to the Standing Committees duties and responsibilities described in charters established for each Standing Committee. To ensure an effective discharge of those duties and responsibilities, the Board believes that Board-approved annual committee work plans are necessary to the success of the Standing Committees in fulfilling their obligations in furtherance of Board priorities. The objectives of this policy are:

- A. To ensure the development of annual work plans which factor in SERS Strategic Business Plan priorities and other Board priorities and goals, along with (1) short-term or annual obligations, (2) biennial obligations, and (3) periodic or long-term obligations of the Board and the Standing Committees; and
- B. To assist staff and elected Chairs of each Standing Committee in the development of meeting agendas for regular committee meetings.

Preparing and Approval of Work Plans

Annually, with input from the Executive Director and the Standing Committees' staff liaisons, the elected Chairs of each Standing Committee are to ensure the establishment of a committee work plan to guide the development of agendas, factoring in SERS Strategic Business Plan priorities and goals, which are within the purview of the committee. The process for the development of and approval by the Board of the work plans is as follows:

1. Annually, staff liaisons for each Standing Committee, with input from the Executive Director, shall prepare draft work plans for their respective committees. All committee work plans shall include the following:

- a. In January of even numbered years, the appointment of members to the Standing Committees by the Board Chairperson;
 - b. In the first committee meetings of the year in even numbered years, the election of committee Chairs and appointment of Assistant Chairs;
 - c. In odd numbered years, the review of committee charters, including a review of Board delegations of authority, in collaboration with the Executive Director and Chief Counsel's Office;
 - d. In odd numbered years, any required reviews of Board bylaws, policies, and procedures described in the Standing Committees' charters or otherwise overseen by the committees, in collaboration with the Executive Director and Chief Counsel's Office;
 - e. In the first meeting of the year for each Standing Committee, identification of key performance and risk metrics on matters within the purview of each Standing Committee to be reported out to the Board during the year, in addition to the establishment of tolerances for acceptable variability, as applicable, upon which each Standing Committee is to do a deeper analysis, along with any alternative strategies for Board consideration;
 - f. Any SERS Strategic Business Plan and Board policy priorities and goals, which require committee and/or Board review and/or action;
 - g. In the first meeting of the year for each Standing Committee, the establishment of any expectations and criteria, for Board approval, upon which outside advisors and external consultants that are overseen by the Standing Committees are to be evaluated on an annual basis;
 - h. An annual performance review of outside advisors and external consultants overseen by the Standing Committees, to be performed at the end of the calendar year, based on established Board expectations, with a report to the Board on the results of the review; and
 - i. Any other (1) short-term or annual obligations, (2) biennial obligations, and (3) periodic or long-term obligations of the Board and the Standing Committees.
2. In the development of the work plans, staff liaisons of the Finance and Member and Participant Services Committee shall consult with the committee Chair and Board Chairperson to determine topics for actuary presentations to the committee and those which should be presented to both the committee and the full Board.
 3. In the development of the work plans, staff liaisons of the Investment Committee shall consult with the committee Chair and Board Chairperson to determine topics for

investment consultant presentations to the committee and those which should be presented to both the committee and the full Board.

4. In the development of the work plans, each Standing Committee's staff liaison shall consult with the Executive Director.

Time Frames and Approval Process

1. The draft work plans shall be circulated to the Standing Committees for review in advance of the first committee meetings of the year. At the first meetings, the Standing Committees shall recommend to the Board to take action to approve the work plans.
2. Any revisions to committee work plans shall be presented to the Board for approval.

Document Properties

- a. **Document Owner:** Office of Administration
- b. **Document Author:** Deputy Executive Director for Administration
- c. **Summary of Changes:** N/A

Date	Version	Author	Summary
November, 10, 2021	2021 POL-BD-01	Deputy Executive Director for Administration	The procedures established by the Board for the Standing Committees of the Board to develop annual work plans for Board approval.

PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM
BOARD CHAIRPERSON & ASSISTANT CHAIR POSITION
DESCRIPTION

The duties of the Chairperson of the Board (and in the absence and inability of the Chairperson to participate by conference call, the Assistant Chair) include the following:

1. In consultation with the Executive Director and Board Members, schedule dates, times and location of meetings.
2. Organize and conduct meetings in accordance with the Bylaws and other legal requirements.
3. The Chairperson shall appoint the Board Assistant Chair after consultation with the Members and may assign specific tasks or duties to the Assistant Chair. In appointing the Assistant Chair, to the extent practical, consideration shall be given to maintaining Board leadership balance between elected State official and public Members and representation of both political parties.
4. Appoint Members to committees, taking into consideration the Members' input, Member skill sets, and the goal of rotating committee membership (*i.e.*, seeking balance between refreshment of membership and retention of experienced committee members).
5. As part of the strategic planning process, develop an issue calendar for the Board to guide the development of agendas.
6. Set aside time at each meeting to allow other Board members to raise agenda items for the next Board meeting.
7. In consultation with the Executive Director, and other Board members, establish and confirm an agenda for each meeting.
8. In coordination with the Executive Director, seek to have the meeting agenda and relevant documents consistently circulated to the Board at least 3-5 days in advance of the meeting.
9. Arrange for Board members to discuss meeting materials with SERS staff and to have any questions addressed.
10. Provide leadership and ensure committee chairs are aware of their obligations and that the Board complies with its responsibilities.
11. Ensure there is sufficient time during the meeting to fully discuss agenda items.
12. Ensure that discussion on agenda items is on topic, productive and professional.

13. In coordination with the Executive Director, oversee the taking of minutes that are complete, accurate, retained, reviewed and approved at the next meeting.
14. Chair executive session meetings as required.
15. For procurements under the request for proposals (RFP) process of the Commonwealth Procurement Code, 62 Pa.C.S. Sections 101 *et seq.*, approve 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.

PENNSYLVANIA STATE EMPLOYEES' RETIREMENT BOARD

AUDIT, RISK AND COMPLIANCE COMMITTEE CHARTER

I. PURPOSE.

The Audit, Risk and Compliance Committee's purpose is to assist the Pennsylvania State Employees' Retirement Board (the "Board") in fulfilling its oversight responsibilities in the areas of internal controls, risk assessment, audit, and compliance of the State Employees' Retirement System, the State Employees' Defined Contribution Plan, and the Commonwealth's IRC §457 Deferred Compensation Plan (collectively "SERS").

II. AUTHORITY.

The Board hereby delegates all necessary power and authority to the Audit, Risk and Compliance Committee (the "Committee") to perform the duties and responsibilities described in this Charter and as may otherwise be delegated by the Board from time to time. Except as expressly granted herein, nothing in this Charter shall be construed as giving the Committee the authority to take any action on behalf of the Board without first obtaining the approval of the Board.

III. COMPOSITION.

The Committee shall consist of three (3) to five (5) current members of the Board, who may be the designees of Board members (the "Committee Members"), as provided in the Board's Bylaws (the "Bylaws").

The terms of appointment for Committee Members shall be as provided for in the Bylaws.

IV. MEETINGS.

Committee meetings shall be conducted in accordance with the Bylaws, except as otherwise provided in this Charter. The Committee shall meet at least four (4) times every year. The Committee Chair, after consulting with the Committee Members, shall fix the dates and times of the committee meetings and shall request that the Secretary of the Board provide notice of meetings in accordance with the Bylaws.

The Committee may invite the Executive Director, Internal Audit Director, SERS Chief Counsel's Office (the "CCO"), Chief Financial Officer, Chief Investment Officer, Chief Compliance Officer, other members of SERS management, external auditors, internal auditors, consultants, and others to attend meetings and provide pertinent information, as it deems necessary or desirable.

V. RESPONSIBILITIES.**A. Internal Controls.**

1. The Committee shall provide for and oversee the periodic assessment of internal controls by internal and external auditors.
2. The Committee shall review auditor recommendations for improving internal controls and recommend changes to the Board.
3. The Committee shall review the effectiveness of SERS' corporate governance process.
4. Except as provided under subparagraph a., SERS shall conduct an internal control audit at least every five (5) years.
 - a. If an annual independent audit prepared under section C. identifies a material weakness or significant deficiency or an internal control audit identifies a material weakness or significant deficiency, an additional internal control audit of SERS shall be conducted for the year subsequent to the report or audit in which the weakness or deficiency was identified.

B. Risk Assessment.

1. The Committee shall review SERS' annual internal audit plan and comprehensive risk assessment and recommend any changes to the Internal Audit Director and the Board.
2. The Committee shall review SERS' enterprise risk framework and management process and recommend any changes to the Board.
3. The Committee shall review the effectiveness of SERS' processes for risk management, including risk identification, assessment, mitigation and aggregate reporting and recommend any changes to the Board.
4. The Committee shall oversee the steps SERS management has taken to monitor and control such risks, including risks associated with information technology systems.

C. Audit Process and Procedures.

1. The Committee shall oversee all internal and external audits, as well as any investigations or audits conducted on SERS operations.
 2. The Committee shall oversee the annual audit of SERS by an independent certified public accountant. The audit shall include the Board's accrual and expenditure of directed commissions. The Board may use the same independent auditor for all SERS external audits. The Committee shall, with participation from the Internal Audit Director, recommend the selection and retention of the independent auditor. The Committee shall review the annual audit and present the
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annual audit to the Board along with its recommendations for Board consideration in accepting the report of the independent auditor.

3. The Committee shall meet at least annually with the Internal Audit Director to review internal audit plans, including the scope and objectives of audits and the allocation of internal audit resources.
4. The Committee shall review audit findings and recommendations. The Committee shall recommend to the Board any required actions for the implementation of such auditor recommendations.
5. The Committee shall review the effectiveness of internal audits every two (2) years and make recommendations to the Board for improving the effectiveness of such audits.

D. Compliance.

1. The Committee shall oversee SERS' system for monitoring compliance with applicable laws, policies, procedures, codes, and other legal requirements.
 2. The Committee shall oversee SERS' compliance with applicable whistleblower laws.
 3. The Committee shall oversee SERS' investigations of and responses to instances of non-compliance.
 4. The Committee shall review information and reports from the Executive Director and the CCO regarding compliance matters. The Committee shall recommend any proposed responses and/or actions that are to be taken to the Board.
 5. The Committee shall review any recommendations made by external service providers regarding SERS' compliance processes and make any recommendations for changes to the Board.
 6. The Committee shall oversee investment program compliance audits.
 7. The Committee shall collaborate with SERS staff and the CCO to oversee Board member compliance with applicable law, the Board Bylaws, ethics code provisions, and policies and procedures applicable to Board members.
 8. The Committee shall review the SERS compliance program and risks with the Chief Compliance Officer, including the program's design, implementation and effectiveness.
 9. The Committee shall oversee the Chief Compliance Officer's coordination with the SERS Manager of the Board Member Education Program of Board member education pursuant to the Board Education Policy.
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10. The Committee shall oversee the Chief Compliance Officer's logging and reporting of Board member referrals and communications of potential investment or service provider opportunities.

E. Other Responsibilities.

1. The Committee shall meet with the independent auditor at least annually to review the audited financial statements, associated management letter, and all other independent communications of the annual audit. The Committee shall also be provided an opportunity to discuss any significant issues that may have surfaced during the course of the independent audit.
2. The Committee shall review policies and procedures related to internal controls, risk assessment, audit processes and procedures and compliance. The Committee shall recommend any changes to such policies and procedures to the Board.
3. The Committee shall provide, with input from to the Executive Director in the evaluation of, ~~collaborate with SERS management to evaluate~~ the Internal Audit Director, ~~and the Committee shall report such evaluation to the Board,~~ with the input received from each member to be included in the evaluation.
4. The Committee shall have input into the candidate search process and selection of the Chief Compliance Officer. In addition, the Committee shall provide, with input from ~~input to~~ the Executive Director and, if the Chief Compliance Officer position is administratively housed in the Chief Counsel's Office, the Chief Counsel, collaborate with SERS management to evaluate in the evaluation of the Chief Compliance Officer, ~~and the Committee shall report such evaluation to the Board,~~ with the input received from each member to be included in the evaluation.
5. The Committee shall perform such other activities related to the Committee's functions and duties as are reasonably appropriate or are requested by the Board from time to time.

VI. REPORTING.

- A. Following a Committee meeting, the Committee Chair shall provide a written report to the Board at the next regularly scheduled Board meeting to update the Board as to its activities, findings, recommendations, and any other relevant issues. Committee meeting minutes shall be distributed to the Board.
- B. The Committee Chair shall share the agenda for an upcoming Committee meeting with the entire Board as soon as practicable.

VII. SELF-EVALUATION.

- A. The Committee shall collaborate with the Internal Audit Director and CCO to review this Committee Charter and the policies and procedures described in
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this Charter or otherwise overseen by the Committee on a biennial basis. The Committee shall recommend any changes to the Board.

- B. The Committee and each Committee Member shall comply with the Board's self-assessment policies and processes and shall participate in any independent fiduciary reviews.

VIII. MISCELLANEOUS.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bylaws.

PENNSYLVANIA STATE EMPLOYEES' RETIREMENT BOARD

BOARD GOVERNANCE AND PERSONNEL COMMITTEE CHARTER

I. PURPOSE.

The Board Governance and Personnel Committee's purpose is to assist the Pennsylvania State Employees' Retirement Board (the "Board"), which conducts business as the State Employees' Retirement System, the State Employees' Defined Contribution Plan, and as trustee of the Commonwealth's IRC §457 Deferred Compensation Plan (collectively "SERS"), in fulfilling its oversight responsibilities in the areas of Board governance, Board member training and evaluation, stakeholder communications, SERS strategic planning, and oversight of select personnel.

II. AUTHORITY.

The Board hereby delegates all necessary power and authority to the Board Governance and Personnel Committee (the "Committee") for the Committee to perform the duties and responsibilities described in this Charter and as may otherwise be delegated by the Board from time to time. Except as expressly granted herein, nothing in this Charter shall be construed as giving the Committee the authority to take any action on behalf of the Board or Board Chairperson without first obtaining the approval of the Board.

III. COMPOSITION.

The Committee shall consist of three (3) to five (5) current members of the Board, who may be the designees of Board members ("Committee Members"), as provided in the Bylaws.

The terms of appointment for Committee Members shall be as provided for in the Bylaws.

IV. MEETINGS.

Committee meetings shall be conducted in accordance with the Bylaws, except as otherwise provided in this Charter. The Committee shall meet at least two (2) times every year. The Committee Chair, after consulting with the Committee Members, shall fix the dates and times of the committee meetings and shall request that the Secretary of the Board provide notice of meetings in accordance with the Bylaws.

The Committee may invite the Executive Director, Deputy Executive Director for Administration, Human Resources Director, other members of SERS management, the SERS Chief Counsel's Office ("CCO"), and others to attend meetings and provide pertinent information, as it deems necessary or desirable.

V. RESPONSIBILITIES.**A. Board Governance.**

1. The Committee shall collaborate with the other Board committees, Executive Director and CCO to review the Bylaws and committee charters on a biennial basis. The review shall include the delegation of Board authority to each committee. The Committee shall recommend any changes to the Bylaws or committee charters to the Board.
2. The Committee shall collaborate with SERS Executive Director and CCO to oversee the review of Board governance policies and procedures on a biennial basis. The Committee shall recommend any changes to the Board.

B. Board Member Training & Evaluation.

1. The Committee shall collaborate with SERS staff and CCO to develop Board self-assessment policies and procedures.
2. The Committee shall oversee Board self-assessment, review Board effectiveness, evaluate Board member skill sets and competencies and recommend Board member development and training.
3. The Committee shall collaborate with SERS staff to develop a Board skills matrix to identify current and needed skill sets. The Committee may recommend the approval of the matrix to the Board. Following approval, the Committee may share the matrix with appointing authorities to encourage the appointment of Board members with needed skill sets.
4. The Committee shall collaborate with SERS staff and CCO to ensure that Board members are familiar with the SERS Governance Policy Manual.

C. Stakeholder Communications.

1. The Committee shall collaborate with SERS staff to develop and recommend the Board's communications plan. The communications plan shall facilitate effective communication between and among various stakeholder groups, which may include the trustees, agency staff, SERS members, retirees, legislators, employers, consultants, and other external parties.
2. The Committee shall monitor and update the stakeholder communications plan on a biennial basis.

D. SERS Strategic Planning.

1. The Committee shall oversee SERS' strategic planning process, which is to ensure that strategic investment, operations and business planning
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occurs in a rigorous, systematic and coordinated manner across the agency.

2. The Committee will be responsible for:
 - a. Providing SERS staff with input on the proposed strategic plan, including goals and strategic initiatives;
 - b. Approving strategic plan recommendations for presentation to the Board, along with any related budget and other approvals needed to support the plan;
 - c. Monitoring implementation of the strategic plan on an ongoing basis; and
 - d. Reporting to the Board regarding progress toward goals and recommended changes.
3. The Committee shall collaborate with SERS staff to review SERS' organizational structure and develop organizational performance metrics.

E. Oversight of Personnel.

1. The Committee shall collaborate with SERS staff and CCO to review the performance review processes for the Executive Director and the Chief Investment Officer and any compensation policies for investment professionals and attorneys on a biennial basis. The Committee shall recommend any changes to such processes and policies to the Board.
 2. The Committee shall collaborate with SERS staff to oversee leadership succession planning and organizational development.
 3. The Committee shall collaborate with SERS staff to oversee periodic compensation studies and recommend staff compensation as a result of such studies.
 4. The Committee shall collaborate with SERS staff to oversee executive searches for the Executive Director.
 5. The Committee shall develop quantitative performance goals for the Executive Director to be incorporated in the Executive Director's performance expectations.
 6. The Committee shall obtain input from the Board and oversee the annual evaluation process of the Executive Director. The results of the annual evaluation are to be presented to the Executive Director by the Board Chairperson.
 - ~~7. -The Committee shall collaborate with the Executive Director in obtaining input from the Board in the annual employee performance~~
-

review process of the Chief Counsel, with the input received from each member to be included in the evaluation.

78. The Committee may recommend discipline or the termination of the Executive Director to the Board, if appropriate.

F. Other Responsibilities.

1. The Committee shall collaborate with SERS staff to oversee compliance with diversity policies.
2. The Committee shall perform such other activities related to the Committee's functions and duties as are reasonably appropriate or are requested by the Board from time to time.

VI. REPORTING.

- A. Following a Committee meeting, the Committee Chair shall provide a written report to the Board at the next regularly scheduled Board meeting to update the Board as to its activities, findings and recommendations and any other relevant issues. Committee meeting minutes shall be distributed to the Board.
- B. The Committee Chair shall share the agenda for an upcoming Committee meeting with the entire Board as soon as practicable.

VII. SELF-ASSESSMENT.

- A. The Committee shall collaborate with SERS staff and CCO to review this Committee Charter and the policies and procedures described in this Charter or otherwise overseen by the Committee on a biennial basis. The Committee shall recommend any changes thereto to the Board.
- B. The Committee and each Committee Member shall comply with the Board's self-assessment policies and processes and shall participate in any independent fiduciary reviews.

VIII. MISCELLANEOUS.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bylaws.

Policy Name: SERS Board Travel Policy
Policy Number: 2018 POL-BD-10
Effective Date: September 12, 2018
Reviewed Date: July 17, 2018; October 27, 2021
Applies To: All SERS Board Members, Designees, and SERS Employees
Contact Person: Deputy Executive Director for Administration

Purpose:

The State Employees' Retirement Board (the "Board"), Board member designees, and its employees stand in a fiduciary relationship to the members and beneficiaries of the State Employees' Retirement System, and to the participants and beneficiaries in the State Employees' Defined Contribution Plan and the Commonwealth of Pennsylvania Deferred Compensation Plan (which System and Plans shall collectively be referred to herein as "SERS").

Board members and their designees are authorized to travel in the performance of their duties and responsibilities to the Board and to SERS.

Employees may from time to time be required to travel on behalf of SERS for various business-related reasons, including, but not limited to, conducting investment-related due diligence reviews and other fiduciary oversight responsibilities, as well as attending meetings and educational seminars.

This policy establishes guidelines for all Board members, designees, and employees traveling on official SERS business ("Business Travel").

The SERS Board Travel Policy supplements and operates in conjunction with:

- Manual 230.1 Amended (the "Commonwealth Travel Procedures Manual") and Commonwealth Management Directive 230.10 Amended (the "Commonwealth Travel Policy"), as each may be amended from time to time;
- Executive Resolution ER-86-064 ("ER-86-064"), attached hereto, as Appendix A;
- SERS Ethical Conduct Policy (2018 POL-BD-11) (applicable to Board members);
- Public Official and Employee Ethics Act;
- Governor's Code of Conduct (applicable to gubernatorial appointees and employees);
- Legislative Code of Ethics (applicable to legislative members);
- State Employees' Retirement System Gifts & Gratuities Policy (2015 POL-EO-01) (applicable to employees);

- State Employees' Retirement System Employee Code of Conduct (2020-POL-OA-02) (applicable to employees);
- Travel Reimbursement Policy (2015 POL-OFA-BPO-06);
- Out-of-State Travel Submissions Memo from the Office of the Governor (May 29, 2019) ("Out-of-State Travel Memo"), attached hereto, as Appendix B; and
- Any other regulations, directives, and executive orders as applicable to each Board member, designee, and employee.

The above-listed items, along with this SERS Board Travel Policy, shall be collectively referred to herein as the "Travel Rules."

This policy is not intended to modify or supersede the terms of any current commonwealth policy, collective bargaining agreement, or memorandum of understanding (MOU) with the union. Where any conflicts may exist between this policy or the terms of any current commonwealth policy, collective bargaining agreement, or MOU, the commonwealth policy, collective bargaining agreement, or MOU shall prevail.

Policy and Guidelines:

- A.** Prior to arranging Business Travel, all employees are encouraged to explore opportunities to participate virtually, subject to supervisor approval, in any meetings, conferences, seminars, and other gatherings, particularly where SERS business needs and the purpose of the attendance can be met through virtual participation.
- B.** Prior to arranging and embarking on Business Travel, all Board members, designees, and employees are to familiarize themselves with the Travel Rules.
- C.** In accordance with established policies, all Board members, designees, and employees are expected to exercise care in incurring expenses and accomplishing Business Travel as a prudent person would exercise, not inconsistent with the Travel Rules.
- D.** In general, Business Travel transportation, lodging, and rental vehicle arrangements for Board members, designees, and employees shall be the most economical to SERS in consideration of the individual's schedule and efficient use. All flights, hotels, train, and rental cars booked in conjunction with flights must be reserved online using SAP Concur or any successor online booking system established by the Commonwealth (collectively referred to herein as "SAP Concur"). Board members and designees shall make all arrangements for Business Travel through the SERS Executive Office, including Business Travel approvals, booking and expense reimbursements. The SERS Executive Director is to be notified of requests for arrangements for Business Travel for Board members and designees. Board members, designees, and employees in need of automotive transportation that is not associated with a flight must choose the least

- expensive option that meets business needs. Employees must receive prior approval from their supervisor before making any Business Travel arrangements.
- E.** Notwithstanding the exception in ER-86-064 providing for an exemption from the monetary limits of the Commonwealth Travel Policy relating to travel and subsistence allowances for Board members, Executive Director, and Chief Investment Officer, the exemption shall not be utilized, and the monetary limits of the Commonwealth Travel Policy shall apply for any Business Travel.
- F.** For any out-of-state and international Business Travel, the following shall apply:
1. All employees must receive prior written approval from the Executive Director, Board Chairperson and the Chief Investment Officer prior to making any international investment-related Business Travel arrangements.
 2. Pursuant to ER-86-064, for travel outside the Commonwealth of Pennsylvania, but within the United States, employees are not required to use the Commonwealth Out-of-State Travel Application (COSTA) system, or successor system thereto (collectively referred to herein as “COSTA”), to request approval prior to making any reservations or incurring any costs related to the Business Travel. For international travel, all employees are required to use COSTA to request approval prior to making any reservations or incurring any costs related to the international travel.
 3. Pursuant to the Out-of-State Travel Memo, all gubernatorial appointees to the Board are required to use COSTA to request approval prior to making any reservations or incurring any costs related to any out-of-state and international Business Travel. The Executive Office will assist gubernatorial appointees in the use of COSTA for this purpose.
 4. Pursuant to ER-86-064, for travel outside the Commonwealth of Pennsylvania, but within the United States, Board members not appointed by the Governor and designees are not required to use COSTA to request approval prior to making any reservations or incurring any costs related to the travel. For international travel, Board members not appointed by the Governor and designees are required to use COSTA to request approval prior to making any reservations or incurring any costs related to the international travel. The Executive Office will assist Board members not appointed by the Governor and designees in the use of COSTA for this purpose.
- G.** It is acknowledged and understood that certain investment vehicles that SERS is subscribed to, and/or various third-party investment managers that have been engaged by SERS, pursuant to applicable contract provisions, are to furnish transportation,
-

lodging, and/or meals in whole or in part to designated representatives of SERS from time to time. Notwithstanding the foregoing, such representatives of SERS that participate in Business Travel shall coordinate their travel through the SERS Investment Office and they shall: (i) either directly, if an employee, or through the SERS Executive Office, if a Board member or designee, make all Business Travel arrangements through SAP Concur, and, thus, not permit any person or entity other than the Commonwealth to make Business Travel arrangements on their behalf, nor accept any Business Travel arrangements made by any parties other than the Commonwealth (which arrangements shall not be reimbursed by SERS); and (ii) either directly, if an employee, or through the SERS Investment Office, if a Board member or designee, seek reimbursement of such Business Travel costs and expenses from outside parties where applicable/permissible. Any contracts entered into by SERS or the Board after January 1, 2022 shall provide for the policy positions listed in items (i) and (ii) above. Any reimbursements owed to SERS pursuant to item (ii) above shall be payable to the Commonwealth of Pennsylvania and delivered directly to the Bureau of Commonwealth Payroll Operations.

All pre-investment due diligence Business Travel expenses must be paid by SERS and/or the employee for reimbursement by SERS. No reimbursement from investment managers for any pre-investment due diligence Business Travel shall be permitted or accepted.

Board members, designees, and employees are not permitted to seek out or receive extraordinary services from outside parties (e.g., entertainment, on-demand private car service, tickets to sporting events, etc.) under any circumstances.

- H.** Business Travel is intended to fulfill *bona fide* business and fiduciary requirements, not the personal desires of the traveling Board member, designee, or employee. Business Travel may be extended to accommodate a personal side trip, provided all expenses of the personal side trip are borne entirely by the traveling Board member, designee, or employee. Employees shall obtain the prior written approval of his or her supervisor to accommodate personal side trips. Travel arrangements must be made to accommodate business duties and not personal preference. Strictly personal travel cannot be confirmed using SAP Concur. For employees, should the personal portion of a business-related trip fall on business days/non-Holidays, use of annual leave will be required.

Roles and Responsibilities:

- A)** N/A

Related Information:

A) Consequences:

- 1) Any employee found to have violated this policy is subject to appropriate disciplinary action, up to and including termination from employment.

B) Related Policies:

- 1) Manual 230.1 Amended – Commonwealth Travel Procedures Manual
- 2) Commonwealth Management Directive 230.10 Amended – Commonwealth Travel Policy
- 3) SERS Ethical Conduct Policy (2018 POL-BD-11) (applicable to Board members)
- 4) Public Official and Employee Ethics Act
- 5) Governor's Code of Conduct (applicable to gubernatorial appointees and employees)
- 6) Legislative Code of Ethics (applicable to legislative members)
- 7) State Employees' Retirement System Gifts & Gratuities Policy (2015 POL-EO-01) (applicable to employees)
- 8) State Employees' Retirement System Employee Code of Conduct (2020-POL-OA-02) (applicable to employees)
- 9) Travel Reimbursement Policy (2015 POL-OFA-BPO-06)
- 10) Executive Resolution ER-86-064
- 11) Out-of-State Travel Submissions Memo from the Office of the Governor (May 29, 2019)

C) Related Processes:

- 1) N/A

D) Definitions:

- 1) N/A

E) Special Notes:

- 1) Board members, designees, and employee supervisors should seek clarification from the Chief Compliance Officer when application of this SERS Board Travel Policy is unclear. Clarification of the specifics of the Commonwealth Travel Procedures should also be sought from the SERS travel coordinators. The Chief Compliance Officer or travel coordinators shall notify the Executive Director

when advice and counsel or clarification from Board members or designees is solicited.

F) Business Continuity Significance

- 1) N/A

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** David E. Durbin, as amended by the Executive Office.
- c. **Summary of Changes:**

Date	Version	Author	Summary
July 17, 2018	2018 POL- BD-10	David E. Durbin	The policy established by the Board providing guidance to the Board members and establishing guidelines for all SERS Board members and designees traveling on official SERS business.
October 27, 2021		Christopher C. Houston	The policy has been revised to merge the Board policy with the SERS Travel Policy (2015 POL-EO-02) applicable to employees, as well as to make other revisions pertaining to Business Travel arrangements included in certain investment and procurement-related contracts.

APPENDIX A

RESOLUTION # ER-86-064

March 27, 1986

WHEREAS, pursuant to 4 Pa. Code §40.3(c), the following agency has requested approval of guidelines relating to travel and subsistence, in the form of exceptions to the provisions of Management Directive 230.10 (Travel and Subsistence Allowances); and

WHEREAS, this agency has adopted the provisions of Management Directive 230.10, with the exceptions requested; therefore, be it

RESOLVED, that the board members, executive director, assistant executive director, and chief investment officer of the State Employees' Retirement System are exempt from the monetary limits of Management Directive 230.10; and be it further

RESOLVED, that with respect to Section 05b of Management Directive 230.10, officials and employes of the State Employees' Retirement System will not need prior authorization to travel out of the state; and be it further

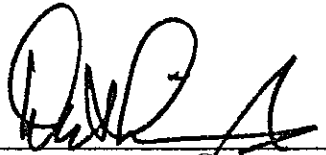
RESOLVED, that exceptions approved herein are effective March 1, 1986.

RECEIVED

MAR 29 1986

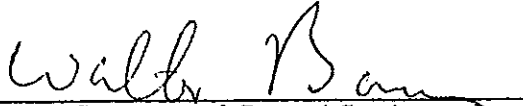
COMPTROLLERS OFFICE
EDUCATION & COM. SERVICES

Gary
4/1/86
n



Governor


ER-86-064




Secretary of General Services



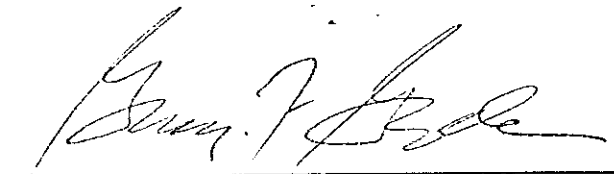
Secretary of Banking



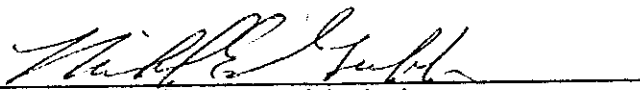
Secretary of Environmental Resources




Secretary of Revenue



Insurance Commissioner



Secretary of Agriculture



Secretary

APPENDIX B


COMMONWEALTH OF PENNSYLVANIA OFFICE OF THE GOVERNOR

MEMO

DATE: May 29, 2019

SUBJECT: Out-of-State Travel Submissions

TO: Terrill Sanchez, Executive Director
Pennsylvania State Employees' Retirement System

FROM: Kalie Snyder 
Executive Assistant
Office of Governor Tom Wolf

The Governor's Office has conducted a review of the current Out-of-State Travel Policy. There is presently no process in place for members of the Pennsylvania State Employees' Retirement System to submit requests for review of out-of-state travel. Per the Management Directive 230.10, Commonwealth Travel Policy, all departments, boards, commissions, and councils under the Governor's jurisdiction, must submit form STD 189 and STD 190, for review, prior to making any arrangements to travel out of state or internationally.

Effective as of the date of this memorandum, the Governor's Office will require that only those employees/members of the Pennsylvania State Employees' Retirement System, appointed by the Governor, be required to submit an STD 189 form and STD 190 form, through the Commonwealth Out of State Travel Application (COSTA) system, for approval prior to making plans for out of state and international travel.

You can access the COSTA system at the following link: <https://costa.pa.gov/>. We are happy to assist in familiarizing all appointed employees/members of the Pennsylvania State Employees' Retirement System, with how to navigate the COSTA system.

Thank you for your assistance and cooperation. For your convenience, below are links to the Commonwealth Travel Procedures Manual, the Commonwealth Travel Policy, and the Out-of-State Travel Policy (for your reference). If there are any questions or concerns, please do not hesitate to contact me.

Manual 230.1, Commonwealth Travel Procedures Manual –
https://www.oa.pa.gov/Policies/Documents/m230_1.pdf

Management Directive 230.10, Commonwealth Travel Policy –
https://www.oa.pa.gov/Policies/md/Documents/230_10.pdf

Out-of-State Travel Policy –
<https://www.budget.pa.gov/Services/ForCommonwealthTravelers/Documents/out-of-state-travel-policy.pdf>

Governor Appointed Members:

1. Stephen Aichele
2. Glenn Becker
3. David Fillman
4. Mary Soderberg
5. Melanie DePalma
6. Greg Thall
7. Greg Jordan