

MINUTES of SERS Board Meeting – Wednesday, December 8, 2021

CALLED TO ORDER: 1:15 p.m. by Chair David R. Fillman

MICROSOFT TEAMS MEETING/LIVESTREAM

ATTENDEES:

Members and Designees

David R. Fillman – Chairperson	In-person
Glenn E. Becker – Assistant Chairperson	In-person
John M. DiSanto	In-person
Dan B. Frankel	
Stacy Garrity	In-person
Gregory K. Jordan	In-person
Paul Schemel	In-person
Mary A. Soderberg	In-person
Gregory C. Thall	
James Bloom – Designee for Secretary Richard Vague	In-person
Susan Boyle – Designee for Representative Paul Schemel	
Christopher Craig – Designee for Treasurer Stacy Garrity	
Lloyd Ebright – Designee for Treasurer Stacy Garrity	
Charles Erdman – Designee for Senator John M. DiSanto	
Alan Flannigan – Designee for Secretary Richard Vague	
Matt Lindsay – Designee for Senator Vincent J. Hughes	
Toni Marchowsky – Designee for Senator Vincent J. Hughes	
Dan Ocko – Designee for Representative Dan B. Frankel	
Patrick Shaughnessy – Designee for Representative Dan B. Frankel	
Jill Vecchio – Designee for Representative Paul Schemel	

Executive Staff

N. Joseph Marcucci
Sara McSurdy
James Nolan
Terrill Sanchez

Consultants

Michael Elio, StepStone Group, LP
Britt Murdoch, Callan Associates Inc.
Bud Pellicchia, Callan Associates Inc.
Matthew Ritter, NEPC, LLC
Tom Shingler, Callan Associates Inc.

SERS Staff

Rose Agnew
Katie Bates
Don Bell
Kelly Bernhard
Jo Ann Collins
Tom Derr
Randy Gilson
Pam Hile
Christopher Houston
Dan Krautheim
Katie Mathews
Ryan McCoy
Catherine Nolan
Jon Ryan
Sarah Souder
Joseph Torta
Bill Truong
Mark Walter

MINUTES of the SERS Board Meeting

Wednesday, December 8, 2021

1. CALL TO ORDER

Chair Fillman called the meeting to order at 1:15 p.m.

2. WELCOME AND ROLL CALL

- A. Executive Director Terri Sanchez conducted a roll call of board members and designees.
- B. Chief Counsel Joe Marcucci announced the prior Executive Session held on December 8, 2021 for the purpose of Executive Director Interviews.
- C. Chair Fillman recognized Terrill (Terri) J. Sanchez by reading a Board Commendation and thanked her and wished her the best of luck. On behalf of the SERS agency, Messrs. Joe Torta and Christopher Houston presented the agency certificate and gift.

3. ADOPTION OF THE AGENDA

MOTION: 2021-62

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board adopts the agenda for the December 8, 2021, board meeting.

4. APPROVAL OF CONSENT CALENDAR

- A. Approving Board Meeting Minutes – September 29, 2021
- B. Approving Statement of Changes in Fiduciary Net Position for the Periods Ending – July 31 and August 31, 2021
- C. Approving Deferred Compensation Plan (DCP) Statement of Changes Report Ending – July 31 and August 31, 2021
- D. Approving Defined Contribution Plan Statement of Changes Report Ending – July 31 and August 31, 2021

MOTION: 2021-63

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board approves the Consent Calendar items, as listed, for the December 8, 2021, board meeting.

5. COMMITTEE REPORTS/ACTION ITEMS

A. Investment Committee

Committee Chair Becker presented a report of the Investment Committee to the board. The following actions were taken:

PRIVATE EQUITY OPPORTUNITY-PSG EUROPE II, L.P.

MOTION: 2021-64

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to €70 million euros (not to exceed \$75 million USD) to PSG Europe II L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as a follow-on investment within the Private Equity asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

Glenn E. Becker

YES

John M. DiSanto		YES
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		YES
Vincent J. Hughes	Designee Toni Marchowsky	YES
Gregory K. Jordan		YES
Paul Schemel		NO
Mary A. Soderberg		YES
Gregory C. Thall		YES
Richard Vague	Designee Jim Bloom	YES

PRIVATE EQUITY OPPORTUNITY-TSG9 L.P.

MOTION: 2021-65

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to \$100 million to TSG9 L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as a follow-on investment within the Private Equity asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

Glenn E. Becker		YES
John M. DiSanto		NO
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		NO
Vincent J. Hughes	Designee Toni Marchowsky	YES
Gregory K. Jordan		YES
Paul Schemel		NO
Mary A. Soderberg		YES
Gregory C. Thall		YES
Richard Vague	Designee Jim Bloom	YES

PRIVATE CREDIT-ARES PA OPPORTUNITY FUND, L.P.

MOTION: 2021-66

By motion that was moved, seconded, and approved by board members, except for Senator DiSanto who abstained to avoid an appearance of a conflict (ATTACHMENT A), it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to \$100 million to Ares PA Opportunities Fund L.P., to be invested in Ares Special Opportunities Fund II L.P., and related co-investments, plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as investments within the Private Credit asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

Glenn E. Becker		YES
John M. DiSanto		ABSTAIN
David R. Fillman		YES
Dan B. Frankel		YES

Stacy Garrity		YES
Vincent J. Hughes	Designee Toni Marchowsky	YES
Gregory K. Jordan		YES
Paul Schemel		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES
Richard Vague	Designee Jim Bloom	YES

REAL ESTATE-LEM MULTIFAMILY FUND VI, L.P.

MOTION: 2021-67

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to commit up to \$75 million to LEM Multifamily Fund VI, L.P., plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as a follow-on investment within the Real Estate asset class, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, within 12 months.

Glenn E. Becker		YES
John M. DiSanto		YES
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		YES
Vincent J. Hughes	Designee Toni Marchowsky	YES
Gregory K. Jordan		YES
Paul Schemel		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES
Richard Vague	Designee Jim Bloom	YES

EMERGING INVESTMENT MANAGER PROGRAM UPDATE TO DEFINED BENEFIT PLAN

MOTION: 2021-68

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to approve the updates to the Emerging Investment Manager Program section of the Defined Benefit Plan's Investment Policy Statement, which updates are provided in the attached meeting materials entitled "5h DB Plan IPS EIM Update 2021.12.7.pdf" (ATTACHMENT B).

Glenn E. Becker		YES
John M. DiSanto		YES
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		YES
Vincent J. Hughes	Designee Toni Marchowsky	YES
Gregory K. Jordan		YES
Paul Schemel		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES

Richard Vague Designee Jim Bloom YES

EXTENSION OF NEPC CONTRACT

MOTION: 2021-69

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendation of the Investment Committee to authorize an extension of the contract between SERS and NEPC, LLC for real estate consulting services for 18 months (until December 1, 2023), with an amended fee schedule, subject to successful completion of contract negotiations and execution and delivery of closing documents by all parties, including required Commonwealth legal approvals, prior to its expiration.

Glenn E. Becker		YES
John M. DiSanto		YES
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		YES
Vincent J. Hughes	Designee Toni Marchowsky	YES
Gregory K. Jordan		YES
Paul Schemel		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES
Richard Vague	Designee Jim Bloom	YES

B. Audit, Risk and Compliance Committee

Committee Chair Thall presented a report of the Audit, Risk and Compliance Committee to the board.

C. Board Governance and Personnel Committee

Committee Chair Fillman presented a report of the Board Governance and Personnel Committee to the board. The following actions were taken:

COMMITTEE WORK PLAN PROCEDURES

MOTION: 2021-70

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendation of the Board Governance and Personnel Committee to approve the Committee Work Plan Procedures (2021 POL-BD-01), as set forth in the attachment (ATTACHMENT C).

Glenn E. Becker		YES
John M. DiSanto		YES
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		YES
Vincent J. Hughes	Designee Toni Marchowsky	YES
Gregory K. Jordan		YES
Paul Schemel		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES
Richard Vague	Designee Jim Bloom	YES

BOARD CHAIRPERSON AND ASSISTANT CHAIR POSITION DESCRIPTION**MOTION: 2021-71**

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendation of the Board Governance and Personnel Committee to approve the amendment to the Pennsylvania State Employees' Retirement System Board Chairperson and Assistant Chair Position Description, as set forth in the attachment (ATTACHMENT D).

Glenn E. Becker		YES
John M. DiSanto	Designee Chuck Erdman	YES
David R. Fillman		YES
Dan B. Frankel	Designee Dan Ocko	YES
Stacy Garrity		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Gregory K. Jordan		YES
Paul Schemel		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES
Richard Vague	Designee Alan Flannigan	YES

TEMPORARY PAY ADJUSTMENT FOR JEFFREY MEYER**MOTION: 2021-72**

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendations of the Board Governance and Personnel Committee to 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.

Glenn E. Becker		YES
John M. DiSanto		YES
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		YES
Vincent J. Hughes	Designee Toni Marchowsky	YES
Gregory K. Jordan		YES
Paul Schemel		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES
Richard Vague	Designee Jim Bloom	YES

SERS BOARD TRAVEL POLICY**MOTION: 2021-73**

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the board accepts the recommendations of the Board Governance and Personnel Committee to approve the amendments to the SERS Board Travel Policy (2018 POL-BD-10), as set forth in the attachment (ATTACHMENT E).

Glenn E. Becker		YES
John M. DiSanto		YES
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		YES
Vincent J. Hughes	Designee Toni Marchowsky	YES
Gregory K. Jordan		YES
Paul Schemel		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES
Richard Vague	Designee Jim Bloom	YES

COMPENSATION POLICY FOR INVESTMENT PROFESSIONAL STAFF

MOTION: 2021-74

By motion that was moved, seconded, and approved by board members, it was **RESOLVED:** That the board accepts 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.

Glenn E. Becker		YES
John M. DiSanto		YES
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		YES
Vincent J. Hughes	Designee Toni Marchowsky	YES
Gregory K. Jordan		YES
Paul Schemel		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES
Richard Vague	Designee Jim Bloom	YES

D. Securities Litigation Committee

Chief Counsel, Joe Marcucci, introduced Sarah Souder, to the board as the staff representative for the Securities Litigation Committee.

6. OLD BUSINESS - NONE

7. NEW BUSINESS

- A. 2021 Annual Divestment Report (Informational Item Only)
- B. Executive Director Search

EXECUTIVE DIRECTOR APPOINTMENT

MOTION: 2021-75

By motion that was moved, seconded, and approved by board members, it was

RESOLVED: That the State Employees’ Retirement Board appoint Joseph A. Torta as Secretary and Executive Director subject to: (1) Board Chair approval of a completed Pennsylvania Office of State Inspector General background investigation, (2) successful salary and start date negotiations, (3) salary approval by the Governor’s Executive Board, and (4) any other necessary clearances and approvals.

Glenn E. Becker		YES
John M. DiSanto		YES
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		YES
Vincent J. Hughes	Designee Toni Marchowsky	YES
Gregory K. Jordan		YES
Paul Schemel		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES
Richard Vague	Designee Jim Bloom	YES

EXECUTIVE SESSION

At 2:01 p.m., the board recessed and entered executive session to receive legal advice on the following executive session agenda item. The public meeting resumed at 2:51 p.m.

C. 5-Day Verification Leave

MOTION: 2021-76

By motion that was moved and seconded, but with five board members voting YES and six board members voting NO, the motion failed:

That the State Employees’ Retirement Board

(1) Excludes from the “Five-Day Verification Leave,” as identified in any future Executive Board resolution, the following SERS employees:

- Employees subject to the *Compensation Policy for Investment Professional Staff – State Employees’ Retirement System*, effective January 1, 2017, amended Effective January 1, 2019;
- Counsel in the Office of Chief Counsel; and

(2) Excludes from the “Five-Day Verification Leave,” as identified in any future Executive Board resolution, the payout of any remaining balance of the five-day paid leave if not used by March 31, 2022, for all A-3 management employees, excluding employees subject to the *Compensation Policy for Investment Professional Staff – State Employees’ Retirement System* and counsel in the Office of Chief Counsel; and

(3) Direct the Secretary and SERS administrative staff to take such actions as necessary to effectuate this motion.

Glenn E. Becker		YES
John M. DiSanto		YES
David R. Fillman		NO
Dan B. Frankel		NO
Stacy Garrity		YES
Vincent J. Hughes	Designee Toni Marchowsky	NO

Gregory K. Jordan	YES	
Paul Schemel	YES	
Mary A. Soderberg	NO	
Gregory C. Thall	NO	
Richard Vague	Designee Jim Bloom	NO

8. SPECIAL PRESENTATION

A. Board Education: Private Markets Distribution Waterfall Overview

The special presentation was tabled and will be rescheduled for another meeting.

9. REPORT OF EXECUTIVE DIRECTOR AND AGENCY STAFF

A. Executive Director Sanchez provided the following reports:

- (i) The Administrative Update including her 2021 Progress Report can be reviewed on BoardDocs.
- (ii) Executive Director Sanchez noted that the Legislative Update is available on BoardDocs and to contact the office with any questions.
- (iii) Executive Director Sanchez noted that the 2022 board meeting schedule has been finalized.
- (iv) The following Board Dismissal report regarding uncontested matters in which an Order was issued dismissing the following administrative appeal, as provided to the board:

Account of Priscilla Jackson

Docket No. 2019-08

Claim of Priscilla Jackson

Account of Michael J. Heintzelman

Docket No. 2019-08

Claim of Michael J. Heintzelman

- (v) Messrs. Christopher Houston, Deputy Executive Director for Administration, and Dan Krautheim, Chief Information Officer, presented a SERIS 2.0 update.
- (vi) Executive Director Sanchez noted that a request to appear before the Subcommittee on Public Pensions, Benefits and Risk Management of the House State Government Committee on January 20, 2022, was received.

B. Chief Financial Officer Sara McSurdy noted that the Office of Financial Update is on BoardDocs. If anyone has any questions, they are to contact her. She also congratulated Terri on her retirement and thanked her for her leadership.

10. EXECUTIVE SESSION

- A. Benefits Administration and Appellate Litigation Update
- B. Report on Referrals of Prospective or Existing Investment Transaction or Contract
- C. RTKL Legal Issues

At 3:22 p.m., the board recessed and entered executive session to receive legal advice on the above executive session agenda items. The public meeting resumed at 3:42 p.m.

11. BOARD COMMENTS/ANNOUNCEMENTS/DATES TO REMEMBER

An organizational meeting of the SERS board is scheduled for January 14, 2022.

12. MOTION TO ADJOURN**MOTION: 2021-77**

By motion of Chair Fillman, the board unanimously agreed to adjourn the meeting at 3:48 p.m.

Respectfully submitted,

Terrill (Terri) J. Sanchez
Executive Director