

DRAFT

**Minutes of the Finance and Member & Participant Services Committee Meeting
April 28, 2022**

**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 (Committee Chair) (In person)
Senator John DiSanto
Mr. Charles Erdman (Designee for Senator John DiSanto)
Mr. David Fillman
Mr. Patrick Shaughnessy (Designee for Representative Dan Frankel)
Mr. James Bloom (Designee for Secretary Richard Vague)
Mr. Alan Flannigan (Designee for Secretary Richard Vague) (In person)

Others Board Members and Designees:

Mr. Glenn Becker (In person)
Mr. Christopher Craig (Designee for Treasurer Stacy Garrity)
Mr. Matt Lindsay (Designee for Senator Vincent J. Hughes)
Mr. Greg Jordan
Representative Paul Schemel
Ms. Susan Boyle (Designee for Representative Paul Schemel)
Ms. Jill Vecchio (Designee for Representative Paul Schemel)
Mr. Gregory Thall

Executive Staff:

Christopher Houston, Deputy Executive Director for Administration (for Executive Director Joseph Torta)
N. Joseph Marcucci, Chief Counsel
Michael McGeoy, Assistant Chief Financial Officer (for Chief Financial Officer Sara McSurdy)
James Nolan, Chief Investment Officer
Catherine Nolan, Committee Counsel
Jeffrey McCormick, Committee Counsel

***Committee members, other Board members, and their designees attended via Microsoft Teams unless otherwise noted.**

1. Call to Order

Chair Soderberg called the meeting to order at 9:02 A.M.

2. Welcome and Roll Call

Assistant Chief Financial Officer Michael McGeoy, who attended the meeting on behalf of Chief Financial Officer Sara McSurdy, conducted a roll call of the Committee members and designees.

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 February 25, 2022 Finance and Member & Participant Services Committee Meeting.

4. Old Business

None.

5. Special Presentations**a. Korn Ferry Presentation of Key 2021 Actuarial Valuation Results and the Fiscal Year 2022/2023 Certification of Defined Benefit Plan Employer Contribution Rates.**

- Chair Soderberg announced that SERS' actuaries from Korn Ferry would be presenting actuarial valuation results and highlights for calendar year 2021.
- The actuaries began the presentation by providing some background information on the purpose of the actuarial valuation, noting in particular that it establishes the employer contribution rates to be effective beginning July 1, 2022. Key highlights of the presentation included:
 - The effects of the advance lump sum payment of \$825 million from the Pennsylvania State System of Higher Education in April 2021 and the advance lump sum payment of just over \$1 billion from The Pennsylvania State University the previous calendar year.
 - The impact of Act 5 on the actuarial cost method used to determine how liabilities are allocated between past and future costs. The effect of the required methodology change resulted in a decrease to the unfunded actuarial liability and an increase to the employer contribution rates in 2021.
 - The potential effects of shared-risk, which was introduced in Act 120, or shared-gain, which was introduced in Act 5, noting that 2022 is a measurement year for both A-3/A-4 and A-5/A-6 membership classes.
 - The effects of asset smoothing.
 - A comparison of member demographics from the previous year, noting in particular that the active member population has decreased by 3%.
 - An explanation of the amortization liability, which is the amount used to determine the amortization payments due from all employers prior to recognizing any impacts from the advance lump sum payments.

- The actuaries concluded their presentation by identifying the next steps to be taken, which will include a discussion of the investment assumed rate of return at the June, 2022 Board meeting. They will co-present that topic with Callan, SERS' Investment Consultant.
- After some deliberation, by motion that was moved, seconded, and approved unanimously by Committee members, it was RESOLVED that this Committee recommend that the State Employees' Retirement Board:

(A) approve the results of the December 31, 2021, actuarial valuation; and for the Commonwealth's fiscal year 2022-23, certify the following contribution rates:

1. Shared-risk contribution rate of 0.0%;
2. Employer normal cost contribution rate of 8.32%;
3. Composite employer contribution rate necessary for the funding of the system of 34.10%; and
4. Employer contribution rates by group and class of service of employees as set forth in the actuarial valuation as calculated by SERS' consulting actuary, Korn Ferry, pursuant to Section 5508 of the State Employees' Retirement Code;

(B) authorize SERS staff and Korn Ferry to use the above rates to develop all the employer rates for the period of July 1, 2022, to June 30, 2023, pursuant to Section 5902(k) of the State Employees' Retirement Code;

(C) establish an employer contribution rate of 0.06% for fiscal year 2022-23 to fund the Benefits Completion Plan established pursuant to Section 5941 of the State Employees' Retirement Code; and

(D) authorize the Executive Director to certify such rates to all employers with employees who are active members of SERS and to the Secretary of the Budget.

6. New Business/Informational Items Only

- a. Membership and Benefits Lists (December, January, and February).

7. Board Comments/Concerns/Questions

None.

8. Motion to Adjourn

By motion that was moved, seconded, and approved unanimously by Committee members, it was RESOLVED that this meeting be adjourned at 9:49 A.M.

Respectfully submitted,



Michael McGeoy
Assistant Chief Financial Officer
(for Chief Financial Officer Sara McSurdy)



Christopher Houston
Deputy Executive Director for Administration
(for Executive Director Joseph Torta)