

Minutes of the Audit, Risk and Compliance Committee Meeting

Friday, June 3, 2022, 1:20 p.m.

Board Room, 30 North 3rd St., Harrisburg, PA 17101

Also available via Microsoft Teams and Livestream Access

Attendees:

Audit, Risk and Compliance Committee Members and Designees:

Glenn Becker, Assistant Committee Chair
Susan Boyle, Designee for Representative Schemel
Christopher Craig, Designee for Treasurer Garrity
Lloyd Ebright, Designee for Treasurer Garrity
Treasurer Stacy Garrity, Committee Chair
Mary Soderberg
Jill Vecchio, Designee for Representative Schemel

Other Board Members and Designees:

James Bloom, Designee for Secretary Richard Vague
Dave Fillman
Alan Flannigan, Designee for Secretary Vague
Greg Jordan
Matt Lindsay, Designee for Senator Vincent Hughes
Patrick Shaughnessy, Designee for Representative Frankel

SERS Staff:

Rose Agnew
Katie Bates
Don Bell
Kelly Bernard
Cynthia Collins
Jo Ann Collins
Tom Derr
Randy Gilson
Christopher Houston
Dan Krautheim
Karen Lynn
N. Joseph Marcucci
Katie Mathews
Jeffrey McCormick
Ryan McCoy

Michael McGeoy
Sara McSurdy
Jeffrey Meyer
James Nolan
Jay Stroup
Joseph Torta
William Truong

Presenters:

Eric Forkner, Partner, KPMG LLP
Craig Swallow, Managing Director, KPMG LLP
Madison Gertz, Manager, KPMG LLP

1. Call to Order

Prior to the meeting starting, the board members were informed that the meeting would be recorded with the exception of executive session discussion. Committee Chair Treasurer Garrity called the meeting to order.

2. Welcome and Roll Call

Ms. Lynn took roll call stating a quorum was present.

3. Approval of Minutes

Treasurer Garrity presented the minutes provided to the committee.

Motion:

By motion that was moved by the Treasurer and approved unanimously by committee members, it was;

RESOLVED: That this committee approves the meeting minutes from the February 25, 2022, Audit, Risk and Compliance Committee meeting.

4. Old Business – None**5. Special Presentations – None****6. New Business**

Action 1 – Review of Board Consultant Evaluation Procedures – Assessment of SERS Independent Auditor – Ms. Lynn reviewed a recommendation originating from a Funston Advisory review for board committees to evaluate consultants and advisors under their oversight effective in calendar year 2023. Internal Audit staff currently closely monitors the annual independent audit and auditor through a variety of methods and have drafted an evaluation checklist for the committee's review at the February 2023 committee meeting. Ms. Lynn also presented a series of next steps to accomplish the evaluation in 2023.

7. Executive Session

At 1:27 p.m., the committee then entered into executive session to review and discuss committee business which, if conducted in public, would violate a lawful privilege, or lead to the disclosure of information that is confidential or protected by law. The topics covered in executive session included:

- Results of the 2021 Independent Audit Presented by KPMG
 - Independent Auditor's Required Communications to the Committee
 - The 2021 Financial Statements of the SERS Defined Benefit and Defined Contribution Plans, and
 - The 2021 Financial Statements of SERS Deferred Compensation Plan
- Chief Information Security Officer Update Including Cybersecurity
- Chief Compliance Officer Update for Quarter Ending March 31, 2022
- Review of Due Diligence Performed on Board Approved Investments for the Period February 2022
- Internal Audit Office Charter – *Informational Item for Future Discussion*

In addition, Jim Nolan provided an update on Callan's efforts to implement a second verification of SERS investment performance calculation and revisions to the quarterly performance report with landscaping upgrades. NOTE: This item was not originally listed on the agenda and came about as a result of Investment Office staff updating the committee members on their follow up to an Internal Audit recommendation discussed at the February 25, 2022, Investment Committee meeting.

8. Committee Meeting Resumes

At 2:19 p.m., the committee meeting resumed in public session.

Motion:

By motion that was moved by Treasurer Garrity and approved unanimously by the committee members, it was;

RESOLVED: That the Audit, Risk and Compliance Committee recommend to the State Employees' Retirement Board to approve the audited 2021 Financial Statements with Required Supplementary Information with Independent Auditors' Report for Fiscal Years Ended December 31, 2021, and 2020 of the Commonwealth of Pennsylvania State Employees' Retirement System for the Defined Benefit Plan and State Employees' Defined Contribution Plan and the audited 2021 Financial Statements with Required Supplementary Information with Independent Auditors' Report for Fiscal Years Ended December 31, 2021, and 2020 of the Commonwealth of Pennsylvania Deferred Compensation Plan, as presented by our independent auditors, KPMG LLP.

9. Committee Comments/Concerns/Questions

The committee requested SERS CISO to research and report back to the committee as to which pension systems have experienced a cyber-attack as well as what Commonwealth agencies currently carry cyber insurance. Additionally, Treasurer Garrity stated that at the next meeting in September, discussion will take place on SERS' efforts to date on preparations for the upcoming

SOC audit as well as next steps. Lastly, Mr. Flannigan complimented SERS' efforts on establishing its compliance program.

10. Motion to Adjourn

By motion that was moved and approved unanimously by committee members, it was;

RESOLVED: That this meeting be adjourned at 2:22 p.m.

Respectfully submitted,

Karen A. Lynn

Karen A. Lynn, CPA
Internal Audit Director