

Minutes of the Finance and Member and Participant Services Committee Meeting
June 3, 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
Representative Dan Frankel
Mr. Dan Ocko (Designee for Representative Dan Frankel)
Mr. Patrick Shaughnessy (Designee for Representative Dan Frankel)
Mr. James Bloom (Designee for Secretary Richard Vague) (In person)
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. Matt Lindsay (Designee for Senator Vincent J. Hughes)
Ms. Toni Marchowsky (Designee for Senator Vincent J. Hughes)
Mr. Greg Jordan (In person)
Ms. Susan Boyle (Designee for Representative Paul Schemel)
Ms. Jill Vecchio (Designee for Representative Paul Schemel)

Executive Staff:

Joseph A. Torta, Executive Director
Sara McSurdy, Chief Financial Officer
James Nolan, Chief Investment Officer
N. Joseph Marcucci, Chief Counsel
Cathy Nolan, Committee Counsel
Jeff 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 2:38 P.M.

2. Welcome and Roll Call

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 April 28, 2022 Finance and Member and Participant Services Committee Meeting.

4. Old Business

None.

5. Special Presentations

a. Investment Rate of Return Actuarial Assumption (Korn Ferry and Callan)

- SERS Actuary, Korn Ferry, and its investment consultant, Callan Associates, Inc., gave presentations surrounding the topic of the assumed rate of investment return actuarial assumption and its relationship to capital market expectations. The purpose of the presentation was to educate the Committee so that they could determine whether to keep the current annual assumed rate of investment return (7.000%) and the current annual inflation rate (2.5%) or make a change for the upcoming December 31, 2022 valuation. Three potential assumption options were presented along with their corresponding impacts on plan funding and projected future employer contributions.
- After some deliberation and discussion among the Committee and other Board members, 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:
 - (i) lower the current annual assumed rate of investment return to 6.875% compounded annually, and (ii) keep unchanged the annual assumed rate of inflation of 2.5%, compounded annually, with both assumptions to be effective with the December 31, 2022, Actuarial Valuation and remain in effect until further action by the Board.

The roll call tabulation was as follows:

Board Member	Vote
DISANTO	
Designee:	
Erdman	Yes
FILLMAN	Yes
FRANKEL	Yes
SODERBERG	Yes

VAGUE	
Designee: Flannigan	Yes

6. New Business/Discussion Items

a. Board Consultant Evaluation Procedures

- Ms. McSurdy spoke to the Committee about the State Employees' Retirement Board Consultant Evaluation Procedures. The procedures require that the Committee establish expectations for its contracted consultants, such as the Actuary (Korn Ferry) and the Third Party Administrator of the Defined Benefit Plan and Deferred Compensation Plan (Empower), at the first meeting of each year, that SERS staff monitor the relationship throughout the year, and that SERS staff provide a performance evaluation report to the Committee at the end of the year.

b. OFM Update

- Ms. McSurdy presented key financial highlights from the December 31, 2021 year-end financial statements for the Defined Benefit Plan, Defined Contribution Plan, and Deferred Compensation Plan. She focused on contributions, investments, and benefit payments from the Plans. She thanked her staff involved in completing the financial statements and audits for each of the three Plans.

c. Actuarial Valuation Report Distribution

- Executive Director Joseph Torta briefly provided highlights of the 2021 Actuarial Reports for the Defined Benefit Plan and the Benefits Completion Plan produced by Korn Ferry. Mr. Torta also announced that Brenda Cunard has been selected to fill his former position as Deputy Executive Director of Member and Participant Services. Ms. Cunard will assume her duties effective July 2, 2022, and Mr. Torta anticipates introducing Ms. Cunard at the July meeting.

d. Benefits and Membership Lists (March)

7. Comments/Concerns/Questions

None

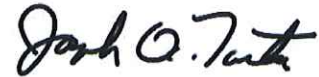
8. Motion to Adjourn

By motion that was moved, seconded, and approved unanimously by Committee members, it was RESOLVED that this meeting be adjourned at 4:10 P.M.

Respectfully submitted,



Sara McSurdy
Chief Financial Officer



Joseph Torta
Board Secretary