

**Minutes of the Finance and Member and Participant Services Committee Meeting
December 5, 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 (In person)
Mr. Dan Ocko (Designee for Representative Dan Frankel)
Mr. Alan Flannigan (Designee for Secretary Richard Vague)
Mr. Eric Pistilli (Designee for Secretary Richard Vague)

Others Board Members and Designees:

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

Executive Staff:

Joseph A. Torta, Executive Director
Sara McSurdy, Chief Financial Officer
James Nolan, Chief Investment Officer
N. Joseph Marcucci, Chief Counsel
Catherine Nolan, Committee Counsel
Kara O'Donnell, Committee Counsel
Brenda Cunard, Deputy Executive Director for the Office of Member and Participant Services
Michael McGeoy, Asst. Chief Financial Officer

**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 12:33 P.M.

2. Welcome and Roll Call

Deputy Executive Director for the Office of Member and Participant Services, Brenda Cunard, 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 September 22, 2022, Finance and Member and Participant Services Committee Meeting.

4. Old Business

None.

5. Special Presentations**a. Discussion on Upcoming Shared Risk/Gain Measurement Period (Torta/J. Nolan/Korn Ferry)**

- Joseph Torta, Executive Director, led the discussion by explaining that pursuant to Act 2010-120 and Act 2017-5, most state employees hired since 2011 have a variable contribution rate, which is determined by comparing the fund's actual investment returns with the Assumed Rate of Return, used for the actuarial valuations. This test is performed every three years, with December 31, 2022 being the next measurement period. He reported on the impacts that any changes to the member's contribution rate would have operationally on SERS, as follows:
 - The financial aspect of a different amount of money coming into the System;
 - The technical aspect, which would affect benefit calculations, etc.;
 - The communications aspect which would affect the various publications and literature that are provided directly to the membership and SERS' website;
 - The customer service aspect of notifying impacted members of changes to their contribution rates, and responding to the high volume of contacts from affected members.
- SERS actuaries from Korn Ferry continued the discussion by further educating the Committee on the Shared Risk/Gain topic; specifically, how it is determined and how it works. They also provided historical data on both the actual and expected returns since 2011 and provided some background on the calculation process, which compares the annualized actual return of the plan to the annualized expected return of the plan, with member contributions being adjusted 0.5% (A-3/A-4) or 0.75% (A-5/A-6) if more than 1% difference occurs.

- They also discussed extending the upcoming calculation to 4 decimal points, from the current practice of using 2 decimal points. This change will provide a more accurate and precise calculation that will be in line with the custodial bank book of record.
- The actuaries concluded the discussion by reporting that they anticipate having the final calculation available in February, 2023, as soon as the Investment Office releases their Q4 2022 performance.

6. New Business

a. **Office of Member and Participant Services (OMPS) Update**

- Brenda Cunard, Deputy Executive Director for OMPS, spoke to the Committee regarding the closings of the Department of Human Services' Polk and White Haven Centers and the impact these closings will have on OMPS staff. A total of 642 employees between both facilities have been affected by the closings. While both facilities were scheduled to close November 30, 2022, they have not fully closed because some residents have not been placed in community-based housing.

b. **Office of Financial Management (OFM) Update**

- Sara McSurdy, Chief Financial Officer, provided updates on OFM matters including: staffing highlights; financial reporting awards received; current and upcoming projects; other accomplishments; and financial highlights of each of the plans. Michael McGeoy, Assistant Chief Financial Officer, spoke about the "Workiva" software that OFM implemented as part of the strategic plan, reporting on the benefits and highlights of this software.

c. **Benefits and Membership Lists (August and September 2022)**

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 1:14 P.M.

Respectfully submitted,



Sara McSurdy
Chief Financial Officer



Brenda Cunard
Deputy Executive Director
Member and Participant Services