

MINUTES of SERS Board Meeting – Tuesday, February 28, 2023

CALLED TO ORDER: 10:03 a.m. by Chair David R. Fillman

IN-PERSON/MICROSOFT TEAMS MEETING/LIVESTREAM

ATTENDEES:

Members and Designees

David R. Fillman – Chairperson	In-person
Glenn E. Becker	In-person
John M. DiSanto	Absent
Dan B. Frankel	
Stacy Garrity	In-person
Sarah Hammer	In-person
Vincent J. Hughes	Absent
Gregory K. Jordan	
Mary A. Soderberg	In-person
Gregory C. Thall	In-person
Lloyd Ebright – Designee for Treasurer Stacy Garrity	In-person
Charles Erdman – Designee for Senator John M. DiSanto	
Alan Flannigan – Designee for Acting Secretary Sarah Hammer	In-person
Matt Lindsay – Designee for Senator Vincent J. Hughes	
Toni Marchowsky – Designee for Senator Vincent J. Hughes	
Dan Ocko – Designee for Representative Dan B. Frankel	
Eric Pistilli – Designee for Acting Secretary Sarah Hammer	In-person

Executive Staff

N. Joseph Marcucci	In-person
Sara McSurdy	In-person
James Nolan	In-person
Joseph Torta	In-person

Consultants

Marilyn Collister, Empower	
John Fellin, Empower	In-person
Craig Graby, Korn Ferry	
Kevin Machiz, Callan LLC	
Britt Murdoch, Callan LLC	
Stephanie O’Dear, Empower	In-person
Matthew Ritter, NEPC, LLC	
Matt Roche, StepStone Group, LP	
Kris Seets, Korn Ferry	
Tom Shingler, Callan LLC	
Liz Weber, Weber Consulting	In-person

SERS Staff

Rose Agnew	In-person
Katie Bates	In-person
Don Bell	In-person
Kelly Bernhard	In-person
Cindy Collins	In-person
Jo Ann Collins	In-person
Brenda Cunard	In-person
Tom Derr	
Randy Gilson	In-person
Pam Hile	
Dan Krautheim	In-person
Karen Lynn	
Katie Mathews	In-person
Jeffrey McCormick	
Ryan Morse	
Catherine Nolan	In-person
Kara O'Donnell	In-person
Michelle Rhizor	In-person
Jon Ryan	In-person
Brett Shaffer	In-person
Steven Skoff	In-person
Matthew Soule	In-person
Jared Snyder	
Bill Truong	In-person
Mark Walter	In-person

Visitors

Brian Kimmetz, Rock the Capital	In-person
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MINUTES of the SERS Board Meeting TUESDAY, February 28, 2023

1. CALL TO ORDER

Chair Fillman called the meeting to order at 10:03 a.m.

2. WELCOME AND ROLL CALL

Executive Director Joseph Torta conducted a roll call of board members and designees. A quorum was met. Chair Fillman introduced and welcomed Acting Secretary of Banking and Securities, Sarah Hammer to the SERS board.

3. ADOPTION OF THE AGENDA

MOTION: 2023-01

By motion that was moved, seconded, and approved unanimously by board members, it was **RESOLVED:** That the board adopts the agenda for the February 28, 2023, board meeting.

4. APPROVAL OF CONSENT CALENDAR

A. Approving Board Meeting Minutes – December 12, 2022

B. Approving Defined Benefit Plan Statement of Changes in Fiduciary Net Position for the Periods Ending – October 31, and November 30, 2022

C. Approving Deferred Compensation Plan (DCP) Statement of Changes in Net Position Available for Benefits for the Periods Ending – October 31, and November 30, 2022

D. Approving Defined Contribution Plan Statement of Changes in Fiduciary Net Position for the Periods Ending – October 31, and November 30, 2022

MOTION: 2023-02

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

RESOLVED: That the board approves the Consent Calendar items, as listed, for the February 28, 2023, board meeting.

5. COMMITTEE REPORTS/ACTION ITEMS

A. Securities Litigation Committee

Committee Chair Jordan presented a report of the Securities Litigation Committee meeting of February 21, 2023, to the board. The following action was taken:

2023 SECURITIES LITIGATION COMMITTEE WORK PLAN

MOTION: 2023-03

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

RESOLVED: That the State Employees' Retirement Board accepts the recommendation of the Securities Litigation Committee to approve the 2023 Securities Litigation Committee Work Plan, as set forth in the attachment (ATTACHMENT A).

Glenn E. Becker		YES
John M. DiSanto	Designee Charles Erdman	YES
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		YES
Sarah Hammer		YES
Vincent J. Hughes	Designee Matt Lindsay	YES

Gregory K. Jordan	YES
Mary A. Soderberg	YES
Gregory C. Thall	YES

B. Finance and Member & Participant Services Committee

Committee Chair Soderberg presented a report of the Finance and Member & Participant Services Committee meeting of February 21, 2023, to the board. Acting Secretary Sarah Hammer was appointed to the Assistant Chair position for this committee. The following action was taken:

2023 FINANCE AND MEMBER & PARTICIPANT SERVICES COMMITTEE WORK PLAN

MOTION: 2023-04

By motion that was moved, seconded, and approved unanimously by board members, it was **RESOLVED:** That the State Employees' Retirement Board accepts the recommendation of the Finance and Member & Participant Services Committee to approve the Finance and Member & Participant Services Committee Work Plan, as set forth in the attachment (ATTACHMENT B).

Glenn E. Becker		YES
John M. DiSanto	Designee Charles Erdman	YES
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		YES
Sarah Hammer		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Gregory K. Jordan		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES

C. Board Governance and Personnel Committee

Committee Chair Fillman presented a report of the Board Governance and Personnel Committee meeting of February 21, 2023, to the board. The following actions were taken:

2023-2027 SERS STRATEGIC BUSINESS PLAN

MOTION: 2023-05

By motion that was moved, seconded, and approved unanimously by board members, it was **RESOLVED:** That the State Employees' Retirement Board review and provide the Board Governance and Personnel Committee with comments and feedback regarding the Preliminary SERS Strategic Business plan, as set forth in the attachment (ATTACHMENT C).

Glenn E. Becker		YES
John M. DiSanto	Designee Charles Erdman	YES
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		YES
Sarah Hammer		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Gregory K. Jordan		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES

2023 BOARD GOVERNANCE AND PERSONNEL COMMITTEE WORK PLAN**MOTION: 2023-06**

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

RESOLVED: That the State Employees' Retirement Board accepts the recommendation of the Board Governance and Personnel Committee to approve the Board Governance and Personnel Work Plan for 2023, as set forth in the attachment (ATTACHMENT D).

Glenn E. Becker		YES
John M. DiSanto	Designee Charles Erdman	YES
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		YES
Sarah Hammer		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Gregory K. Jordan		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES

CIO PAY INCREASE**MOTION: 2023-07**

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

RESOLVED: That the State Employees' Retirement Board accepts the recommendation of the Board Governance and Personnel Committee to approve a pay increase to \$187.18 an hour for James Nolan, Chief Investment Officer SERS, to be effective the first full pay period of March 2023.

Glenn E. Becker		YES
John M. DiSanto	Designee Charles Erdman	YES
David R. Fillman		YES
Dan B. Frankel		YES
Stacy Garrity		YES
Sarah Hammer		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Gregory K. Jordan		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES

D. Audit, Risk and Compliance Committee

Committee Chair Garrity presented a report of the Audit, Risk and Compliance Committee meeting of February 21, 2023, to the board. The following action was taken:

2023 AUDIT, RISK AND COMPLIANCE COMMITTEE WORK PLAN**MOTION: 2023-08**

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

RESOLVED: That the State Employees' Retirement Board accepts the recommendation of the Audit, Risk and Compliance Committee to approve the 2023 Committee's Work Plan, as set forth in the attachment (ATTACHMENT E).

Glenn E. Becker		YES
John M. DiSanto	Designee Charles Erdman	YES
David R. Fillman		YES
Dan B. Frankel	Designee Dan Ocko	YES
Stacy Garrity		YES
Sarah Hammer		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Gregory K. Jordan		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES

E. Investment Committee

Committee Chair Becker presented reports of the Investment Committee meetings of February 21, 2023 and February 28, 2023, to the board. The following actions were taken:

GENERAL CONSULTING SERVICES CONTRACT EXTENSION

MOTION: 2023-09

By motion that was moved, seconded, and approved unanimously by board members, it was **RESOLVED:** That the State Employees' Retirement Board accepts the recommendation of the Investment Committee to authorize an extension of the Agreement between SERS and Callan LLC for general consulting services for the defined benefit, 457(b) and 401(a) plans for 12 months (until February 25, 2025) 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	Designee Charles Erdman	YES
David R. Fillman		YES
Dan B. Frankel	Designee Dan Ocko	YES
Stacy Garrity		YES
Sarah Hammer		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Gregory K. Jordan		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES

2023 INVESTMENT COMMITTEE WORK PLAN

MOTION: 2023-10

By motion that was moved, seconded, and approved unanimously by board members, it was **RESOLVED:** That the State Employees' Retirement Board accepts the recommendation of the Investment Committee to approve the Investment Committee Work Plan, as set forth in the attachment (ATTACHMENT F).

Glenn E. Becker		YES
John M. DiSanto	Designee Charles Erdman	YES
David R. Fillman		YES
Dan B. Frankel	Designee Dan Ocko	YES
Stacy Garrity		YES

Sarah Hammer		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Gregory K. Jordan		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES

PRIVATE EQUITY – PSG VI L.P.

MOTION: 2023-11

By motion that was moved, seconded, and approved unanimously by board members, it was **RESOLVED:** That the State Employees’ Retirement Board accepts the recommendation of the Investment Committee to commit up to \$75 million to PSG 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 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	Designee Charles Erdman	YES
David R. Fillman		YES
Dan B. Frankel	Designee Dan Ocko	YES
Stacy Garrity		YES
Sarah Hammer		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Gregory K. Jordan		YES
Mary A. Soderberg		YES
Gregory C. Thall		YES

6. OLD BUSINESS - NONE

7. NEW BUSINESS

Information Item Only – Act 132 Russia Belarus Divestment Report of Activities (Inaugural Report)

8. SPECIAL PRESENTATIONS

A. Secure Act 2.0 Overview

Mses. Stephanie O’Dear and Marilyn Collister and Mr. John Fellin, Empower, presented an overview of the Secure Act 2.0 (Setting Every Community Up for Retirement Enhancement).

B. Education Session

Capital Markets and Economic Environment Education

Messrs. Tom Shingler, Britt Murdoch, and Kevin Machiz, Callan LLC, presented the educational sessions. Attendees will earn educational credits for this session.

9. REPORT OF EXECUTIVE DIRECTOR

A. Executive Director Torta provided the following Administrative and Legislative Updates:

- (i) Legislative outreach meetings have continued. A meeting with Rep. Brad Roae, Chair State Government Committee, has been held.
- (ii) SERS and PSERS have received invitations to appear at the House Appropriation Budget Hearings which will be held on April 13, 2023.

- (iii) Interviews for the Deputy Executive Director position vacated by Mr. Christopher Houston will be conducted in the next three weeks.
- (iv) The 2023 SERS Budget book has been uploaded in the BoardDocs Library and is available for viewing.
- (v) A reminder that board members' and designees' Financial Disclosure Statement submission is due May 1, 2023.
- (vi) Board material dissemination to the board will be two weeks prior to the committee meetings.
- (vii) There are several co-sponsorship memos in the legislature on topics that are of direct interest to SERS. There are two memos on Cost of Living Adjustments (COLAS) and another memo having new legislators mandatory enrollment in the Defined Contribution Benefit plan.
- (viii) The following Board Dismissal report regarding uncontested matters in which an Order was issued dismissing the following administrative appeals, as provided to the board:

Account of Joseph F. Siats
Docket No. 2016-16
Claim of Joseph F. Siats

10. EXECUTIVE SESSION

- A. Legal Advice on Membership and Participation Issues
- B. Chief Compliance Officer Report on Board Referrals: Prospective Investment Opportunities and Service Provider Candidates
- C. Benefits Administration and Appellate Litigation Update
- D. Benefits-Related Litigation Summary for 2022
- E. Notational Ballot

Account of Timothy G. Collins
Docket No. 2018-04
Claim of Timothy G. Collins

At 11:40 a.m., the board recessed and entered executive session to receive legal advice on the above executive session agenda items. The public meeting resumed at 12:25 p.m.

11. BOARD COMMENTS/ANNOUNCEMENTS/DATES TO REMEMBER

Next Committee and Board Meeting Dates – April 25 and May 2, 2023

12. MOTION TO ADJOURN

MOTION: 2023-12

By motion of Chair Fillman, the board unanimously agreed to adjourn the meeting at 12:26 p.m.

Respectfully submitted,



Joseph A. Torta
Executive Director

ATTACHMENT A

SERS Committee Work Plan Items

Special Notes

	February	April	June	July	September	December	
Securities Litigation							
Committee members elect Committee Chair-Committee Chair appoints Assistant Chair.							Must be completed every two years at first meeting of applicable year. Next election date is 2/2024
Review the Securities Litigation Committee Charter.		X					Must be completed every two years. Next review date is 4/2023.
Review the Securities Litigation Committee Securities Litigation Policy.					X		Must be completed every two years. Next review date is 9/2023.
Discuss processes for securities litigation and possible recommendations for improvement.				X			Staff to discuss with Committee possible recommendations for improving the securities litigation claims process.
Possibly review results of Securities Litigation Consultant RFP.						X	Based upon guidance from the Committee in the July 2023 meeting, possibly review the results of an RFP for a Securities Litigation Consultant.

ATTACHMENT B

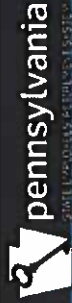
SERS 2023 Committee Work Plan Items	January	February	April	June	July	September	December	Special Notes
Finance and Member & Participant Services*								
Board Chairperson appoints Committee members. Committee members elect Committee Chair and the Committee Chair appoints Assistant Chair.								In the first committee meeting in even numbered years, conduct the election of committee Chairs and appoint Assistant Chairs. Also, in January of even numbered years, the Board Chairperson appoints committee members.
Recommend to the Board to approve the Committee work plan.		X						
Review Committee Charter, including a review of Board delegations of authority, in collaboration with the Executive Director and Chief Counsel's Office.			X					Must be completed every two years.
Review policies, and procedures described in the Committee's charter or otherwise overseen by the committee, in collaboration with the Executive Director and Chief Counsel's Office.			X					Must be completed every two years.
Actuary presents key actuarial valuation results and Committee recommends that the Board certify the annual employer contribution rate to the Defined Benefit Plan for the upcoming fiscal year.			X					
Actuary and Investment Consultant present on the actuarial assumed rate of return assumption. Committee recommends that the Board approve any changes to the rate, which will be effective with the next upcoming valuation.				X				
Office of Financial Management Update				X			X	
Office of Member and Participant Services Update				X			X	
Actuary presents the results of the Investigation of Actuarial Experience Study. Committee recommends that the Board approve any changes to assumptions, which will be effective with the next upcoming valuation.								The next year this will be completed is 2025.
Agency budgets are presented. Committee recommends that the Board approve the budgets that are being requested.						X		
Actuary presents key results from the Stress Testing and Risk Assessment on SERS Defined Benefit Plan. Committee recommends that the Board accept the report.						X		
Annual communication of external advisors and consultants performance (if warranted).							X	

* Committee will oversee the procurement of the Actuary and Third-party administrator.

SERS Strategic Planning Process for July 1, 2023 through June 30, 2027 Strategic Business Plan

Board Governance and Personnel Committee

SERS Strategic Business Plan - July 1, 2023 - June 30, 2027 | February 21, 2023 | 1.800.633.5461 | www.SERS.pa.gov



SERS Strategic Plan Framework

Effective strategic planning and oversight of the Strategic Plan is critical to SERS' success in fulfilling its responsibilities. The strategic plan:

- Ensures that strategic investment, operations and business planning occurs in a rigorous, systematic and coordinated manner across the agency;
- Keeps the planning process roles of the Board and staff clearly delineated and appropriate;
- Develops a road map that provides direction for both long-term and short-term strategies to achieve common goals and strategic initiatives;
- Facilitates the communication of SERS' strategic direction throughout the organization and to SERS' stakeholders; and
- Provides ongoing oversight, accountability, and updates throughout the entire Strategic Plan beginning on July 1, 2023 (FY 2024) through June 30, 2027 (FY 2027).

Board Governance and Personnel Committee



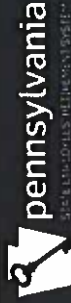
STATE GOVERNMENT

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Planning Sessions

- Engaged Liz Weber, CMC CSP, as facilitator to lead strategic planning sessions
- Created Strategic Planning Work Group (SPWG) including members of the Board Governance and Personnel Committee and Executive Staff Members
- The SPWG worked with a larger group that included direct reports during three sessions to obtain feedback and subject matter expertise
- Preliminary Strategic Plan developed to present to Board Governance Committee and full Board for its review and input at the February meetings
- Anticipate draft final plan will be presented in April for review and comments
- Final plan will be presented in May for comments and possible approval

Board Governance and Personnel Committee



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STRENGTHS

- Ethics and integrity
- Staff is resilient and adaptive
- Member focused
- Willing to innovate and improve

WEAKNESSES

- Staffing challenges
- Resource and time constrained
- Dependence on paper challenges
- Lack of digital member services
- Loss of institutional memory

SWOT

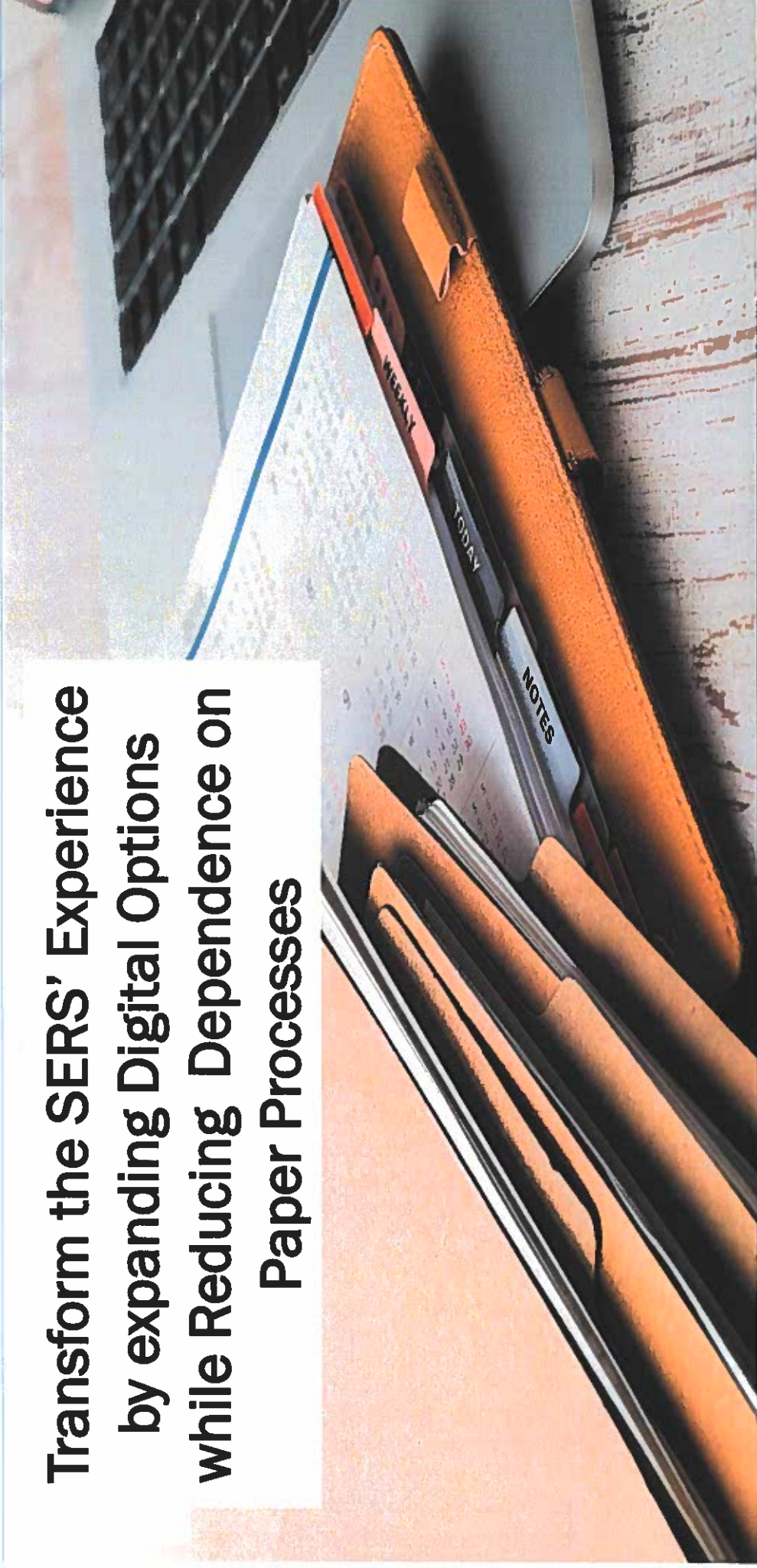
OPPORTUNITIES

- Enhance member and participant services with digital access
- Leverage technology
- Develop a collaborative and engaged hybrid workforce
- Implement best practices and innovative technologies and resources throughout the agency

THREATS

- Economic events
- Recruitment and retention
- Federal and State Legislation
- Data management and security

Transform the SERS' Experience by expanding Digital Options while Reducing Dependence on Paper Processes



Board Governance and Personnel Committee

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MISSION & VISION

Board Governance and Personnel Committee

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Draft SERS Mission and Vision

Mission

Prepare our members and participants to achieve financial security in retirement.

Vision

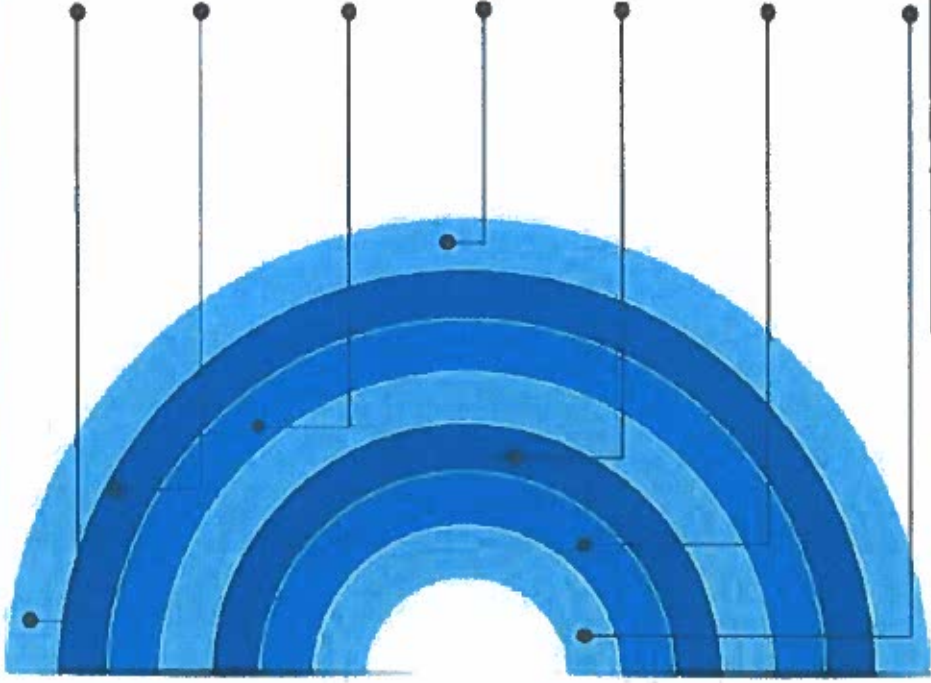
To be an employer of choice and an innovative leader among public pension organizations by providing best-in-class services and products to our members, participants, and stakeholders.

Board Governance and Personnel Committee

 **pennsylvania**
STATE EMPLOYEES' RETIREMENT SYSTEM

SERS Strategic Business Plan – July 1, 2023 – June 30, 2027 | February 21, 2023 | 1-800-633-5461 | www.SERS.pa.gov

 **pennsylvania**
GREAT PEOPLE. GREAT PLACES. GREAT IDEAS.



- Champion the mission
- Act ethically and with integrity
- Empower the customer with information and tools
- Embrace innovation and change
- Foster a positive balance with life and work
- Be inclusive and respect differing opinions
- Develop and value the expertise of all team members
- Support a collaborative environment
- Find joy and be great at your job

Draft Core Values

Board Governance and Personnel Committee

- **Develop key operational metrics from strategic reports to support board oversight of the strategic plan**
- **Consider governance dashboards for board member use**

BOARD GOALS

The ability to question, measure, manage and monitor the effectiveness and progress of the strategic plan is a primary board function. Getting strategy right is critical and oversight of the execution of that strategy is even more critical.

The Board's use of metrics to review the quantitative and qualitative reports on progress are essential to assess whether financial and non-financial metrics and milestones are being met by the organization.

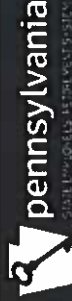
Agency Foundational Goals

- Identify current technology solutions and platforms in use at SERS
- Establish an agency wide project planning and governance process to include prioritization, risk management, and conflict resolution to provide appropriate resources based upon need including and beyond strategic plan initiative
- Analyze SERS technology solutions and the current platforms functional potential and other potentially available technical capabilities
- Complete an analysis of strategic goals contained in this plan against the technical capabilities inventory to develop a plan to leverage/expand current solutions already owned by SERS to quickly solve new problems.
- Identify gaps in the current technology architecture and develop a plan to implement and build out new technology solutions to support strategic goals.
- Implement a third-party risk management framework and monitoring program.

Deliverables

- **Year One**
 - Develop Board metrics
 - Develop agency wide project planning and governance process
 - Implement new phone system
 - Begin digital newsletter distribution
 - Initial SOC audit policies & processes drafted
 - Initiate quarterly staff updates
- **Year Two**
 - Convert to digital new member packages
 - Build Member Portal (MES) security enhancements
 - Establish Digital Knowledge Management Plan
 - Complete actuarial audit
 - Implement third-party risk management framework
- **Year Three**
 - Clean network drives
 - Complete SOC audit
 - Identify data management architecture
 - Employee resource group(s) established
- **Year Four**
 - Continue member Portal (MES) enhancements
 - E-signature expansion
 - Digital workflow solutions implemented
 - Digital knowledge transfer complete

Board Governance and Personnel Committee



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Questions


Thank you.

Pennsylvania State Employees' Retirement System
30 North 3rd Street, Suite 150
Harrisburg, PA 17101
P: 1.800.633.5461 | F: 717.237.0346
www.SERS.pa.gov

Board Governance and Personnel Committee



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 pennsylvania <small>STATE EMPLOYEES' RETIREMENT SYSTEM</small> Committee Work Plan Items	January	February	April	June	July	September	December	Special Notes
	Board Governance and Personnel Committee (BG&PC) 2023							
Board Chairperson appoints Committee members. Committee members elect Committee Chairs and the Committee Chairs appoint an Assistant Chair for each Committee.		X	X					In the first committee meeting in even numbered years, conduct the election of committee Chairs and appoint Assistant Chairs. Also, in January of even numbered years, the Board Chairperson appoints committee members. Reminder: BG&PC to review Committee assignments for resignations and appointments with the 2023 change in administration and new members of the legislature post election and coordinate with the Board Chair to properly constitute the various Committees and coordinate elections for committee chairs and assistant chairs if necessary.
Recommend to the Board to approve the BG&PC work plan.		X						Annually, staff liaisons, with input from the Executive Director, prepare draft work plans for review by the BG&PC in advance of the first Board meeting. The BG&PC shall recommend to the Board to approve the BG&PC work plan and confirm a governance review of the other Committee work plans submitted for Board approval has been completed.
Oversee and monitor the existing SERS' Strategic Plan FY 21 - 23.		X	X	X				Provide updates on the existing Strategic Business Plan (FY21-23). During the Fall of 2022, work began on the New Strategic Plan for July 2023 through June 2027 (expanded 4 Year Cycle). Existing Strategic Plan (FY21-23) will close out on June 30, 2023.

Oversee and monitor the strategic planning process for SERS' Strategic Plan FY 24 - 27. (July 2023 - June 2027).		X	X	X	X	X	X	X	Work on the SERS Strategic Business Plan for the period from July 1, 2023 through June 30, 2027. Target final Board approval of the SERS Strategic Plan by June 2023 to be effective July 1, 2023.
Work with Executive Director, the Office of Chief Counsel and Chief Compliance Officer to review Board policies and procedures.					X				Must be completed every two years. Last review was February 2021. Update BG&PC with results of review and discuss any possible action items.
Review BG&PC Charter, including a review of Board delegations, and Bylaws, in collaboration with the Executive Director, Chief Counsel's Office and Chief Compliance Officer.					X				Must be completed every two years. Last review was February 2021. Update BG&PC with results of review and discuss any possible action items.
Review all other committee Charters to make any recommendations to the other committees of revisions to their respective committee charters for consistent governance in the charters, and receive and review any requests for Charter Revisions.					X				Must be completed every two years. Last review was February 2021. Each committee should review its own Charter as well and submit suggested revisions or updates to the BG&PC. The Staff will review the other committee Charters and will coordinate with liasons from all the committees. The BG&PC will be updated with results of the review and discuss any possible action items related to the committee Charters.

<p>Consider annual salary adjustments for specific investment professionals.</p>	<p>X</p>							<p>The aggregate pay increase budget was approved at the December 2022 Board Meeting. For 2023, investments and finance have until January 31, 2023 to complete annual performance reviews of investment professionals. Individual salary adjustment discussions with BG&PC/Board will occur in February with salary adjustments being effective the first full pay period in March. Adjustments can be made retroactive if BG&PC/Board does not act timely. Salary adjustments for the CIO require Board approval.</p> <p>SERS is conducting a comprehensive Classification and Compensation Study of investment professionals and attorneys. The goal is to implement the updated comp policy resulting from the study effective July 1, 2023. SERS is working toward having materials to present at the April and/or June meeting(s). Depending on the final outcomes of the Classification and Compensation Study, compensation practices and timing of pay increases may be different in future.</p>
<p>Engage a consultant to conduct a Board self-assessment pursuant to the Board Self-Assessment Policy.</p>			<p>X</p>		<p>X</p>	<p>X</p>	<p>X</p>	<p>Must be completed annually or biennially. Last completed in 2021.</p> <p>Determine how to proceed with assessment and Committee should take steps to engage a consultant to complete the assessment by late fall of 2023.</p>
<p>Discuss Plan to engage consultant to conduct SERS Fiduciary Review in 2024.</p>			<p>X</p>		<p>X</p>	<p>X</p>	<p>X</p>	<p>Must be completed every 3-4 years. Last occurred in 2021 with the procurement process occurring during 2020.</p> <p>In order to conduct the required Fiduciary Review planning should begin in the spring of 2023. The BG&PC should review the prior reviews, discuss and establish areas of review for the 2024 project, and the scope of services. Staff will draft and prepare a procurement request for BG&PC review and approval prior to issuance during the fall of 2023. It is anticipated that consultant proposals will be received and reviewed by the technical committee and a consultant will be engaged to begin the fiduciary review process in early 2024.</p>

<p>Review of compensation policies for investment professionals and attorneys which includes the Chief Compliance Officer, in collaboration with the Executive Director, CFO, CIO, and Chief Counsel.</p>		X	X	X			<p>SERS is conducting a comprehensive Classification and Compensation Study of investment professionals and attorneys. The goal is to implement the updated policy resulting from the study effective July 1, 2023. SERS is working toward having materials to present at the April and/or June meeting(s).</p>
<p>Engage Outside Tax Counsel for IRS and Regulatory Plan Operations and Compliance</p>			X	X			<p>Current outside counsel contract (3 years plus utilized 2 year extension) with Duane Morris LLP for tax counsel expires April 24, 2024. Discuss process with BG&PC and issuance of procurement by July or August of 2023.</p>
<p>Authorize pay increases for management-classified positions excluding Executive Director, Special Assistant to ED, investment professionals, and attorneys</p>			X	X			<p>The Retirement Code assigns compensation authority to the SERS Board for positions not represented by a collective bargaining agreement and consistent with the standards of compensation established by the commonwealth's Executive Board. Motion 2019-54 covered the time period of July 1, 2019 through June 30, 2023. Discussion tentatively scheduled for June or July, but may be postponed to a later meeting date depending on the status of AFSCME contract negotiations. It is anticipated that pay raises for management-classified job titles will follow the same schedule of general pay increases and service increments outlined in the AFSCME Master Agreement. The current agreement expires June 30, 2023 and a new agreement is expected to be effective July 1, 2023.</p>
<p>Executive Director provides mid-year status report.</p>			X				<p>Executive Director to provide a mid-year status report on goals to the Board Chair and the Board Governance and Personnel Committee by June 30.</p> <p>A new board evaluation process for Key Positions is under development and tentatively scheduled for presentation to the BG&PC at the September 2023 meeting which could result in changes to the process and timing of Executive Director performance evaluation-related tasks in future years.</p>

<p>Meet with Executive Director to discuss mid-year performance.</p>					<p>X</p>			<p>Board (not BG&PC) Chairperson meets with the Executive Director by July 31 to discuss any performance issues identified as a result of the mid-year report.</p> <p>A new board evaluation process for Key Positions is under development and tentatively scheduled for presentation to the BG&PC at the September 2023 meeting which could result in changes to the process and timing of Executive Director performance evaluation-related tasks in future years.</p>
<p>Discuss Executive Director salary adjustment.</p>					<p>X</p>			<p>The SERS Executive Director position does not receive automatic pay increases. Pay must be approved by SERS Board then by the Commonwealth's Executive Board.</p> <p>The Executive Director is on a calendar year performance review cycle (Jan. - Dec.).</p>
<p>Review and adopt a board evaluation process for the selected key positions of Executive Director, Chief Investment Officer, Chief Counsel, Chief Compliance Officer, and Internal Audit Director.</p>						<p>X</p>		<p>A self-assessment process of Pennsylvania SERS Board governance was conducted by Funston Advisory Services LLC during the period of January through April 2021. The scope of the self assessment included ten areas of governance, one of which was "evaluation of Board direct reports."</p> <p>Development of a process was deferred until completion of the Classification and Compensation study of investment professionals and attorneys. The goal is to implement the updated comp policy resulting from the study effective July 1, 2023.</p> <p>See materials posted on BoardDocs under the September 22, 2022 BG&PC meeting for additional explanation and background.</p>

<p>Ideally, full Board approves pay band adjustments the last meeting of the calendar year so changes timely implemented beginning of new calendar year. BG&PC and staff work has to be done in advance, but is dependent on receipt of salary data from consultant. Salary adjustment data sent from consultant to SERS-HR typically in September or October. SERS-HR meets with SERS ED, CIO, and CFO to discuss agency recommendation to BG&PC. SERS-HR prepares materials. BG&PC discusses pay band adjustments; makes recommendation to Board. SERS-HR prepares materials. Board considers pay band adjustments and approves/denies.</p> <p>Note: Band adjustments for 2024 may not be necessary. SERS is conducting a comprehensive Classification and Compensation Study of investment professionals and attorneys. The goal is to implement the updated comp policy resulting from the study effective July 1, 2023.</p>	X							<p>Review investment pay bands; recommend band adjustments to Board for approval.</p>
<p>The Executive Director may elect to prepare an end-of-year status report on goals.</p> <p>Note: The <i>Performance Review Process for SERS Executive Director</i> does not specifically reference an end-of-year status report but since the Board evaluates performance, this may be useful information to provide either through making it available at a Committee meeting or by providing to the Board outside of a planned meeting in the December/January timeframe.</p> <p>This process may change depending on the outcome of the development of a board evaluation process for selected key positions. See BG&PC September work plan item above.</p>	X						<p>Executive Director provides end-of-year status report.</p>	

<p>Obtain input from the Board on the annual evaluation of the SERS Executive Director and SERS Chief Counsel.</p> <p>Develop performance goals for the SERS Executive Director.</p>							<p>X</p>	<p>The SERS HR Director will coordinate the solicitation of performance input.</p> <p>The completed and signed annual evaluations are due to SERS-HR by January 31. The Board Chair drafts the evaluation and goals, with Board input, for the Executive Director. The Executive Director prepares the evaluation for Chief Counsel. The process does not necessarily require the BG&PC to meet.</p> <p>This process may change depending on the outcome of the development of a board evaluation process for selected key positions. See <i>BG&PC September work plan item above</i>.</p>
<p>Discuss Executive Director cost-of-living adjustment (COLA).</p>							<p>X</p>	<p>Act 51 of 1995 grants the Governor and Cabinet annual cost-of-living increases in January. The Governor's Office may extend/approve the same increase for other non-statutory agency heads (e.g., SERS Executive Director) whose salaries are set by the commonwealth's Executive Board.</p> <p>Since SERS Board approves the Executive Director's salary, a motion is necessary to authorize application of the COLA to SERS Executive Director should one be granted by the Governor's Office for the non-statutory agency heads.</p>

ATTACHMENT E

<u>SERS 2023 Committee Work Plan Items</u>	January	February	April	June	July	September	December	Special Notes
Audit, Risk and Compliance								
Committee members elect Committee Chair; Committee Chair appoints Assistant Chair.	X							2024 - In the first committee meeting in even numbered years, conduct the election of the Committee Chair and appoint the Assistant Chair. Also, in January of even numbered years, the Board Chairperson appoints committee members.
Recommend to the Board to approve the Committee Work Plan.		X						2024 - Annually, staff liaisons, with input from the Executive Director, prepare draft work plans for review by the committee in advance of the first meeting. The committee shall recommend to the Board to approve the work plan. NOTE: The establishment of expectations and criteria for an annual performance review of SERS' independent auditor overseen by the committee will be developed with Board input.
2023 Chief Compliance Officer and Internal Audit Director Performance Goals (informational item)		X						
Review reports of audits and accompanying recommendations undertaken by Internal Audit upon completion.		X		X		X	X	
Internal Audit's review of the 2023 Audit Universe and Risk Assessment and 2023 preliminary project plan.		X						
Internal Audit Office, Chief Compliance Officer, and Chief Information Security Officer updates.		X		X		X	X	
Review Audit, Risk & Compliance Committee charter.				X				Must be completed every two years and is to include a review of Board delegations of authority in collaboration with the Executive Director and Chief Counsel's Office. (Next review to occur in 2/2025)
Review of audited financial statements and audit results with independent (external) auditor, KPMG. Recommendation to the Board to accept the audited financial statements.				X				
Review of State Employees' Retirement Board Compliance Program Charter.				X				In collaboration with the Executive Director and Chief Counsel's Office, Director of Board Governance, and Chief Compliance Officer.
Review of State Employees' Retirement Board Internal Audit Office Charter.				X				In collaboration with the Executive Director and Chief Counsel's Office, Director of Board Governance, and Internal Audit Director.
Internal Audit's review of the agency's Enterprise Risk Management Assessment prior to submission to the Office of Budget.						X		
Report by the Chief Information Security Officer on the results of the agency's independent network vulnerability assessment.						X		Meeting date for discussion subject to change contingent upon completion of report and mitigation of findings.
Independent auditor KPMG's review of the upcoming 2023 independent audit work plan.							X	
Internal Audit's review of the COSO/Green Book internal control testing results.							X	
The Committee members provide input to the Executive Director into the January performance evaluation of the Internal Audit Director and Chief Compliance Officer (informational item).							X	

SERS 2023 Committee Work Plan Items	January	February	April	June	July	September	December	Special Notes
Audit, Risk and Compliance								
Progress report on 2023 Performance Goals for the Internal Audit Director and Chief Compliance Officer (informational item)							X	
Conduct an annual performance review of the independent auditor based on Board expectations with a report to the Board on results.							X	
Procurement/RFP effort for an independent accounting firm to perform an assessment of SERS policies and procedures readiness for a future Service Organization Control (SOC) audit. NOTE: It is anticipated that the firm will perform a considerable amount of policy and procedure original drafting.							X	2023 - Following a year-long RFP procurement process, including several Evaluation Committee meetings , an ARC Committee meeting in late 2023 will be required for the Committee to recommend a firm to the Board for approval. Services will be performed in the first six months of 2024.
Procurement/RFP effort for an independent actuary to perform an audit of SERS actuarial methods, procedures, and assumptions being utilized by Korn Ferry.				X				2024 - Following a 12-month RFP procurement process, including several Evaluation Committee meetings , an ARC Committee meeting in June 2024 will be required for the Committee to recommend a firm to the Board for approval. Services will be performed in the first last months of 2024.
Procurement/RFP effort for an independent accounting firm to perform a readiness assessment and Service Organization Control (SOC) audit of SERS.						X		2024 - Following a 12-month RFP procurement process, including several Evaluation Committee meetings , an ARC Committee meeting in September 2024 will be required for the Committee to recommend a firm to the Board for approval. Services will be performed in calendar 2025.

ATTACHMENT F

SERS 2023 Committee Work Plan Items	February	April	June	July	September	December	Special Notes
Investment Committee							
Recommend to the Board to approve the Committee work plan	X						Annually, staff liaisons, with input from the Executive Director, prepare draft work plans for review by the Committee in advance of the first meeting. The Committee shall recommend to the Board to approve the work plan. NOTE: The establishment of expectations and criteria for an annual performance review of consultants overseen by the committee (Callan, StepStone, NEPC) will be developed with Board input.
Annual update to Board summarizing prior year Investment Office accomplishments and outline goals for the upcoming year	X						Annually per IPS requirement.
DB, DC, DCP Plan IPS Review (inclusive of Asset Allocation/Asset Liability, etc.) and Updates						X	Annually; Asset Liability Study every 3-5 years.
Proxy Voting Policy Review		X					Annually.
Board Educational Presentations	X	X	X	X	X	X	Presented at Main Board meetings.
Review Quarterly Performance of Total Fund	X		X		X	X	Four times per year.
Review Quarterly Real Estate Performance to IC	X		X		X	X	Four times per year.
Review Quarterly Private Equity Performance to IC	X		X		X	X	Four times per year.
Investment Manager Expense and Fee Report					X		Annually.
Performance review/report to Board of consultant/third parties overseen by Committee/Board	X						Annually.
Review IC Charter in collaboration with ED & CCO		X					Must be first meeting of the year; every two years (odd years).
General Consulting Services Candidate Review				X	X		TBD – extension possible for DC/DCP TPA services.
Real Estate Consulting Services Candidate Review		X	X				
Target Date Fund Suitability Analysis by Callan						X	