

## Board Governance and Personnel Committee Minutes December 5, 2023

### Attendance at Committee Meeting:

#### Board Governance and Personnel Committee:

- Gregory Thall, Chair
- Treasurer Stacy Garrity
  - Christopher Craig, Designee for Treasurer Garrity
  - Llyod Ebright, Designee for Treasurer Garrity
  - Thomas Waters, Designee for Treasurer Garrity
- Senator Vincent Hughes, Assistant Chair
  - Matthew Lindsay, Designee for Senator Hughes
  - Antoinette Marchowsky, Designee for Senator Hughes
- Secretary Wendy Spicher
  - Seamus Dubbs, Designee for Secretary Spicher
  - Eric Pistilli, Designee for Secretary Spicher
  - Jeffrey Soderstedt, Designee for Secretary Spicher
- David Henderson

#### Other Board Members:

- Donald Enders Jr.
- Senator John DiSanto
  - Charles Erdman, Designee for Senator DiSanto
- Rep. Dan Frankel
  - Anne Baloga, Designee for Rep. Frankel
  - Daniel Ocko, Designee for Rep. Frankel
- Gregory Jordan
- Rep. Brett Miller
  - Michael Heckmann, Designee for Rep. Miller
  - Jill Vecchio, Designee for Rep. Miller
- Secretary Uri Munson

#### SERS Senior Leadership

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Elizabeth Christian<br><i>Deputy Executive Director for<br/>Administration</i>                        | <input checked="" type="checkbox"/> Jo Ann Collins<br><i>Chief Compliance Officer</i>   |
| <input checked="" type="checkbox"/> <b>Cynthia Collins (Cmte. Staff)</b><br><i>Director of Governance &amp; Strategic<br/>Initiatives</i> | <input checked="" type="checkbox"/> Brenda Cunard<br><i>Deputy Executive Director for Member &amp;<br/>Participant Services</i> |

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Thomas Derr<br><i>Director of<br/>Communications &amp; Policy</i> | <input type="checkbox"/> Michael McGeoy<br><i>Assistant Chief Financial Officer</i>          |
| <input checked="" type="checkbox"/> Pamela Hile<br><i>Press Secretary</i>                             | <input checked="" type="checkbox"/> Sara McSurdy<br><i>Chief Financial Officer</i>           |
| <input checked="" type="checkbox"/> Daniel Krauthaim<br><i>Chief Information Officer</i>              | <input checked="" type="checkbox"/> Catherine Nolan<br><i>Deputy Chief Counsel</i>           |
| <input checked="" type="checkbox"/> <b>N. Joseph Marcucci (Cmte. Counsel)</b><br><i>Chief Counsel</i> | <input checked="" type="checkbox"/> James Nolan<br><i>Chief Investment Officer</i>           |
| <input checked="" type="checkbox"/> <b>Katie Mathews (Cmte. Staff)</b><br><i>HR Director</i>          | <input checked="" type="checkbox"/> Steven Skoff<br><i>Deputy Chief Counsel</i>              |
| <input checked="" type="checkbox"/> Ryan McCoy<br><i>Internal Audit Director</i>                      | <input checked="" type="checkbox"/> Joseph Torta<br><i>Executive Director</i>                |
|   | <input checked="" type="checkbox"/> William Truong<br><i>Deputy Chief Investment Officer</i> |

**SERS Board Committee Support**

- |   |  |
|---|--|
| <input type="checkbox"/> Rose Agnew<br><i>Executive Secretary</i>                     | <input checked="" type="checkbox"/> Jonathan Ryan<br><i>IT Generalist</i>                    |
| <input checked="" type="checkbox"/> Kelly Bernhard<br><i>Administrative Assistant</i> | <input checked="" type="checkbox"/> Brett Shaffer<br><i>IT Generalist</i>                    |
| <input type="checkbox"/> Joel Burgo<br><i>Information Security Specialist</i>         | <input checked="" type="checkbox"/> Matthew Soule<br><i>IT Generalist</i>                    |
| <input checked="" type="checkbox"/> Taylor Frey<br><i>Administrative Officer</i>      | <input checked="" type="checkbox"/> Mark Walter<br><i>IT Administrator</i>                   |
| <input type="checkbox"/> Randy Gilson<br><i>Technical Support Division Director</i>   | <input checked="" type="checkbox"/> Sheila Willrich<br><i>Executive Assistant (Board Ed)</i> |

**Other SERS Staff**

- Jeffrey Meyer, Managing Director of Investment Operations
- Cara Trego, Audit Specialist
- Jay Stroup, Chief Information Security Officer

**Other Attendees**

- Brian Kimmetz, *Rock the Capital*

**1. Call to Order**

At 2:57 p.m., Matthew Lindsay, Designee for Senator Hughes, Assistant Chair of the Board Governance and Personnel Committee called the meeting to order.

**2. Welcome and Introduction**

Matthew Lindsay welcomed Committee members, designees, and other non-Committee Board members.

**3. Election of Committee Chair**

When Mr. Henderson came onto the Board, he replaced David Fillman, the former Chair of the Board Governance and Personnel Committee, on the Board. Under the Board's Bylaws, it is necessary to fill this position for the remainder of its term, which is through December 31 of this year.

Gregory Thall was the sole nomination for the position of Committee chair. Thall accepted the nomination and was appointed to the position by unanimous vote of the Committee members present.

The roll call vote tabulation was as follows:

<b>Board Member</b>	<b>Vote</b>
<b>GARRITY</b>	
Designee: Craig	Yes
<b>HENDERSON</b>	Absent
<b>HUGHES</b>	
Designee: Lindsey	Yes
<b>SPICHER</b>	
Designee: Dubbs	Yes
<b>THALL</b>	Yes

**4. Selection of Assistant Chair**

It was not necessary to take action to appoint a new Assistant Chair. Senator Hughes retains his Assistant Chair position.

**5. 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 19, 2023, continued on September 26, 2023, of the Board Governance and Personnel Committee meeting.

**6. Old Business (none)**

**7. Special Presentations (none)**

**8. New Business**

**a. Strategic Plan Update (July 1, 2023 – June 30, 2027)**

The Committee received an update from Joseph Torta and Cynthia Collins on the status of the SERS Strategic Plan (“Strategic Plan”). They reported on the planning and implementation activity that had been completed since the formal approval of the Strategic Plan by the Board at its July 25, 2023, meeting. No action was taken.

**b. 2023 SERS BG&PC Governance Review Phase Five**

Ms. Collins reviewed the status of the 2023 Governance Review and explained that the review would be extended into early 2024. Two policies were slated for review at this meeting: (1) the Securities Litigation Policy, and (2) the Actuary Replication Audit Policy. The review of the Actuary Replication audit was deferred until the Charters are approved. After a review and discussion of the Securities Litigation Policy, the Committee voted to recommend that the State Employees’ Retirement Board approve the revised Securities Litigation Policy.

By motion that was moved, seconded, and approved, it was **RESOLVED** that the Board Governance and Personnel Committee recommend that the State Employees’ Retirement Board adopt the revisions to the SERS Securities Litigation Policy as set forth in BoardDocs at Agenda Item 8.b.

The roll call vote tabulation was as follows:

<b>Board Member</b>	<b>Vote</b>
<b>THALL</b>	Yes
<b>GARRITY</b>	
Designee: Craig	Yes
<b>HENDERSON</b>	Absent
<b>HUGHES</b>	
Designee: Lindsay	Yes
<b>SPICHER</b>	
Designee: Dubbs	Yes

**c. Right-to-Know Law Policy**

Cahterine Nolan, Deputy Chief Counsel, and Cynthia Collins presented a revised SERS\_Right-to-Know Law Policy to the Committee for review and discussion. It was explained that the revisions made to the policy were to reflect new legislative changes and updated processes. After its review and a discussion, the Committee voted to recommend that the State Employees' Retirement Board approve the revised SERS Right-to Know Law Policy and delegate its administration to SERS staff but retain the authority to approve any future changes.

By motion that was moved, seconded, and approved, it was **RESOLVED** that the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board adopt the SERS Third Amended and Restated Right-To-Know Law Policy and further, that the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board deem that document to be a SERS Policy, rather than a Board Governance and Personnel Policy, and delegate the duty for maintaining a complying with the policy to SERS staff, as set form in BoardDocs at Agenda Item 8.c. The Board Governance and Personnel Committee recommends that staff present any future amendments to the Right-to-Know Policy to the Committee for review and recommendation to the Board for adoption of recommended changes and implement accordingly, as set forth in BoardDocs at Agenda Item 8.c.

The roll call vote tabulation was as follows:

<b>Board Member</b>	<b>Vote</b>
<b>THALL</b>	Yes
<b>GARRITY</b>	
Designee: Craig	Yes
<b>HENDERSON</b>	Absent
<b>HUGHES</b>	
Designee: Lindsay	Yes
<b>SPICHER</b>	
Designee: Dubbs	Yes

**d. Outside Tax Counsel RFP Status**

The existing contract for outside tax counsel ends April 2024. SERS is starting the procurement process and is seeking volunteers to serve on the Technical Evaluation Committee for bids. Interested Board members should contact Cynthia Collins, Director of Governance and Strategic Initiatives or N. Joseph Marcucci, Chief Counsel.

**e. Performance Evaluations for Select Key SERS Positions**

At the September meeting, the Board, upon recommendation, from this Committee, adopted a new policy which addresses Performance Management for Select Key SERS Positions. The policy covers the positions of Executive Director, Chief Investment Officer, Chief Counsel, Chief Compliance Officer, and Internal Audit Director. The HR Director will send an email with links to an online survey form for each position to collect the Board's performance input. Please respond by December 29, 2023.

**f. Compensation Policy for Investment Professionals**

The Committee addressed two annually occurring processes under the Compensation Policy for Investment Professionals.

**i. Pay Band Adjustments**

The compensation policy references annually reviewing market data to determine whether adjustments should be made to salary pay bands. Reviewing the pay bands annually and adjusting them as needed helps keep our pay structure relevant and competitive in between the periods of time when more extensive, tailored compensation studies are conducted.

By motion that was moved, seconded, and approved, it was **RESOLVED** that the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board:

(i) approve a 3.6% upward adjustment, actual values may vary slightly in accordance with standard calculations for commonwealth pay, to the salary bands for investment professionals, to be effective January 1, 2024; and

(ii) that the values in the Compensation Policy for Investment Professional Staff – State Employees' Retirement System be updated accordingly.

The roll call vote tabulation was as follows:

Board Member	Vote

<b>THALL</b>	Yes
<b>GARRITY</b>	
Designee: Craig	Yes
<b>HENDERSON</b>	Absent
<b>HUGHES</b>	
Designee: Lindsay	Yes
<b>SPICHER</b>	
Designee: Dubbs	Yes

**ii. Pay Increase Budget**

Employees covered under the investment compensation policy are eligible for an annual, individual, merit-based pay adjustment effective the first full pay period of March 2024. Before individual investment professional employee increases can be considered, a pay increase budget needs to be approved. The budget is the pool of money that the Chief Investment Officer and Chief Financial Officer allocate across their teams for individual pay increases based on merit, subject to Committee approvals. After considering market data, the Committee voted on a recommended pay increase budget.

By motion that was moved, seconded, and approved, it was **RESOLVED** that the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board approve the annual aggregate pay increase budget for 2024 to be set at 5% of the aggregate salary of all staff compensated on the investment professional pay schedule for positions below that of the Chief Financial Officer and the Chief Investment Officer, with the actual pay increases for all staff compensated on the investment professional pay schedule including the Chief Financial Officer and the Chief Investment Officer to be determined in accordance with the Compensation Policy for Investment Professional Staff – State Employees' Retirement System.

The roll call vote tabulation was as follows:

<b>Board Member</b>	<b>Vote</b>
<b>THALL</b>	Yes

<b>GARRITY</b>	
Designee: Craig	Yes
<b>HENDERSON</b>	Absent
<b>HUGHES</b>	
Designee: Lindsay	Yes
<b>SPICHER</b>	
Designee: Dubbs	Yes

**The Committee entered into Executive Session at 3:45 p.m.**

During Executive Session, the Committee received a year-end report from the Executive Director and discussed a 2024 cost-of-living adjustment for the Executive Director position.

**The Committee exited Executive Session at 3:57 p.m. and resumed the public session of the meeting.**

Once in public session, the Committee took action to authorize a salary increase for the Executive Director position.

By motion that was moved, seconded, and approved, it was **RESOLVED** that the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board grant the Executive Director, SERS, a 2024 cost-of-living increase of the same percentage and with the same effective date as the annual cost-of-living adjustment approved by the Governor pursuant to the Act of October 19, 1995, P.L.324, No. 51

The roll call vote tabulation was as follows:

<b>Board Member</b>	<b>Vote</b>
<b>THALL</b>	Yes
<b>GARRITY</b>	
Designee: Craig	Yes
<b>HENDERSON</b>	Absent
<b>HUGHES</b>	
Designee: Lindsay	Yes



<b>SPICHER</b>	
Designee: Dubbs	Yes

The meeting adjourned at 4:00 p.m. on Tuesday, December 5, 2023

Respectfully Submitted,



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Katie Mathews  
Human Resources Director



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Cynthia L. Collins  
Director of Governance and  
Strategic Initiatives