

MINUTES of SERS Board Meeting – Tuesday, March 5, 2024

CALLED TO ORDER: 9:30 a.m. by Chair Gregory C. Thall

IN-PERSON/MICROSOFT TEAMS MEETING/LIVESTREAM

ATTENDEES:

Members and Designees

Gregory C. Thall – Chair	
John M. DiSanto	via TEAMS
Donald Enders Jr.	via TEAMS
W. Russell Faber	
Dan B. Frankel	
Stacy Garrity	
J. David Henderson	via TEAMS
Vincent J. Hughes	Absent
Brett R. Miller	
Uri Monson	
Wendy Spicher	
Seamus Dubbs – Designee for Secretary Wendy Spicher	via TEAMS
Lloyd Ebright – Designee for Treasurer Stacy Garrity	via TEAMS
Charles Erdman – Designee for Senator John M. DiSanto	via TEAMS
Michael Heckmann – Designee for Representative Brett R. Miller	via TEAMS
Matt Lindsay – Designee for Senator Vincent J. Hughes	
Toni Marchowsky – Designee for Senator Vincent J. Hughes	via TEAMS
Dan Ocko – Designee for Representative Dan B. Frankel	
Eric Pistilli – Designee for Secretary Wendy Spicher	via TEAMS
Jeffrey Soderstedt – Designee for Secretary Wendy Spicher	via TEAMS
Thomas Waters – Designee for Treasurer Stacy Garrity	

Executive Staff

N. Joseph Marcucci	
Sara McSurdy	Absent
James Nolan	via TEAMS
Joseph Torta	

Consultants

Britt Murdoch, Callan LLC	via TEAMS
Matt Ritter, NEPC LLC	via TEAMS
Tom Shingler, Callan LLC	via TEAMS

SERS Staff

Rose Agnew
Kelly Bernhard
Beth Christian
Cindy Collins
Jo Ann Collins

Brenda Cunard
Thomas Derr
Taylor Frey
Randy Gilson
Pam Hile
Dan Krautheim
Katie Mathews
Ryan McCoy
Michael McGeoy
M. Catherine Nolan
Michelle Rhizor
Jon Ryan
Steven Skoff
Roshni Trivedi
William Truong
Mark Walter
Sheila Willrich

via TEAMS

via TEAMS

Visitors

Gregory K. Jordan, former SERS Board Member
Brian Kimmetz, Rock the Capital
Pete Tartline, Deputy Treasurer

via TEAMS

MINUTES of the SERS Board Meeting TUESDAY, March 5, 2024

1. CALL TO ORDER

Chair Gregory Thall called the meeting to order at 9:30 a.m.

2. WELCOME AND ROLL CALL

A. Executive Director Joseph Torta conducted a roll call of board members and designees. A quorum was met.

B. New board member W. Russell Faber was introduced and welcomed to the board.

C. Recognition for Departing Board Member, Gregory K. Jordan

Chair Thall recognized departing board member Mr. Gregory K. Jordan by reading a board commendation and thanked him for his long service with the Commonwealth and for his term on the board (ATTACHMENT A). Mr. Jordan thanked the Chair and the board. He stated he enjoyed his tenure on the board and noted to other members that adequate preparation is a heavy lift to make informed decisions on complicated and technical materials.

3. ADOPTION OF THE AGENDA

MOTION: 2024-02

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

RESOLVED: That the board adopts the agenda for the March 5, 2024, board meeting.

4. APPROVAL OF CONSENT CALENDAR

A. Approving Board Meeting Minutes – December 12, 2023

B. Approving Board Meeting Minutes – January 9, 2024

C. Approving Defined Benefit Plan Statement of Changes in Fiduciary Net Position for the Periods Ending – October 31 and November 30, 2023

D. Approving Deferred Compensation Plan (DCP) Statement of Changes in Net Position Available for Benefits for the Periods Ending – October 31 and November 30, 2023

E. Approving Defined Contribution Plan Statement of Changes in Fiduciary Net Position for the Periods Ending – October 31 and November 30, 2023

MOTION: 2024-03

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 March 5, 2024, board meeting.

5. COMMITTEE REPORTS/ACTION ITEMS

A. Investment Committee

Committee Chair Uri Monson presented a report of the Investment Committee meeting of February 27, 2024, to the board. The following actions were taken:

2024 INVESTMENT COMMITTEE WORK PLAN

MOTION: 2024-04

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 Investment Committee to approve the Investment Committee Work Plan as set forth in the attachment (ATTACHMENT B).

John M. DiSanto	YES	
Donald Enders Jr.	YES	
W. Russell Faber	YES	
Dan B. Frankel	YES	
Stacy Garrity	YES	
J. David Henderson	YES	
Vincent J. Hughes	Designee Matt Lindsay	YES
Brett R. Miller	YES	
Uri Monson	YES	
Wendy Spicher	YES	
Gregory C. Thall	YES	

INVESTMENT COMMITTEE CHARTER

MOTION: 2024-05

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 charter.

John M. DiSanto	YES	
Donald Enders Jr.	YES	
W. Russell Faber	YES	
Dan B. Frankel	YES	
Stacy Garrity	YES	
J. David Henderson	YES	
Vincent J. Hughes	Designee Matt Lindsay	YES
Brett R. Miller	YES	
Uri Monson	YES	
Wendy Spicher	YES	
Gregory C. Thall	YES	

CAPITAL MARKETS AND ASSET ALLOCATION OPTIONS

MOTION: 2024-06

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 Investment Committee to adopt the proposal to increase U.S. Equity by 3% while proportionally decreasing Fixed Income and approve the corresponding updates to the SERS Defined Benefit Plan's Investment Policy Statement.

John M. DiSanto	YES	
Donald Enders Jr.	YES	
W. Russell Faber	YES	
Dan B. Frankel	YES	
Stacy Garrity	YES	
J. David Henderson	YES	
Vincent J. Hughes	Designee Matt Lindsay	YES
Brett R. Miller	YES	
Uri Monson	YES	
Wendy Spicher	YES	

Gregory C. Thall

YES

NOMINAL U.S. TREASURY PORTFOLIO**MOTION: 2024-07**

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 Investment Committee to adopt the proposed update to the Fixed Income section of the SERS Defined Benefit Plan's Investment Policy Statement.

John M. DiSanto	YES
Donald Enders Jr.	YES
W. Russell Faber	YES
Dan B. Frankel	YES
Stacy Garrity	YES
J. David Henderson	YES
Vincent J. Hughes Designee Matt Lindsay	YES
Brett R. Miller	YES
Uri Monson	YES
Wendy Spicher	YES
Gregory C. Thall	YES

DCP STABLE VALUE FUND GUIDELINES**MOTION: 2024-08**

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 Investment Committee to approve the proposed update to Invesco's Investment Management Agreement.

John M. DiSanto	YES
Donald Enders Jr.	YES
W. Russell Faber	YES
Dan B. Frankel	YES
Stacy Garrity	YES
J. David Henderson	YES
Vincent J. Hughes Designee Matt Lindsay	YES
Brett R. Miller	YES
Uri Monson	YES
Wendy Spicher	YES
Gregory C. Thall	YES

B. Finance and Member & Participant Services Committee

Committee Chair Dan Frankel presented a report of the Finance and Member & Participant Services Committee meeting of February 27, 2024, to the board. The following action was taken:

2024 FINANCE AND MEMBER & PARTICIPANT SERVICES COMMITTEE WORK PLAN**MOTION: 2024-09**

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 Finance and Member & Participant Services Committee to approve the Finance and Member & Participant Services Committee Work Plan as set forth in the attachment (ATTACHMENT C).

John M. DiSanto	Designee Charles Erdman	YES
Donald Enders Jr.		YES
W. Russell Faber		YES
Dan B. Frankel		YES
Stacy Garrity	Designee Tom Waters	YES
J. David Henderson		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Brett R. Miller		YES
Uri Monson		YES
Wendy Spicher		YES
Gregory C. Thall		YES

C. Board Governance and Personnel Committee

Committee Chair Gregory Thall presented a report of the Board Governance and Personnel Committee meeting of February 27, 2024, to the board. It was noted that Treasurer Stacy Garrity received committee consensus to fill the Assistant Chair seat. The following actions were taken:

BOARD FIDUCIARY REVIEW POLICY

MOTION: 2024-10

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 Board Governance and Personnel Committee to approve the delegation of the board's responsibility for administering the Board Fiduciary Review Policy to the Board Governance and Personnel Committee and approve the existing draft policy containing a delegation of authority (ATTACHMENT D).

John M. DiSanto		YES
Donald Enders Jr.		YES
W. Russell Faber		YES
Dan B. Frankel		YES
Stacy Garrity	Designee Tom Waters	YES
J. David Henderson		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Brett R. Miller		YES
Uri Monson		YES
Wendy Spicher		YES
Gregory C. Thall		YES

2024 BOARD GOVERNANCE AND PERSONNEL COMMITTEE WORK PLAN

MOTION: 2024-11

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 Board Governance and Personnel Committee to approve the 2024 Board Governance and Personnel Committee Work Plan, as set forth in BoardDocs at Agenda Item 6.b. (ATTACHMENT E).

John M. DiSanto		YES
Donald Enders Jr.		YES
W. Russell Faber		YES
Dan B. Frankel		YES
Stacy Garrity	Designee Tom Waters	YES
J. David Henderson		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Brett R. Miller		YES
Uri Monson		YES
Wendy Spicher		YES
Gregory C. Thall		YES

SALARY INCREASE FOR SERS' CHIEF INVESTMENT OFFICER

MOTION: 2024-12

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 \$198.41 an hour for James Nolan, Chief Investment Officer SERS, to be effective the first full pay period of March 2024.

John M. DiSanto		YES
Donald Enders Jr.		YES
W. Russell Faber		YES
Dan B. Frankel		YES
Stacy Garrity	Designee Tom Waters	YES
J. David Henderson		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Brett R. Miller		YES
Uri Monson		YES
Wendy Spicher		YES
Gregory C. Thall		YES

D. Audit, Risk, and Compliance Committee

Designee Tom Waters on behalf of Committee Chair Stacy Garrity presented a report of the Audit, Risk, and Compliance Committee meeting of February 27, 2024, to the board. The following action was taken:

2024 AUDIT, RISK, AND COMPLIANCE COMMITTEE WORK PLAN

MOTION: 2024-13

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 Audit, Risk, and Compliance Committee Work Plan as set forth in the attachment (ATTACHMENT F).

John M. DiSanto		YES
Donald Enders Jr.		YES
W. Russell Faber		YES
Dan B. Frankel		YES
Stacy Garrity	Designee Tom Waters	YES

J. David Henderson		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Brett R. Miller		YES
Uri Monson		YES
Wendy Spicher		YES
Gregory C. Thall		YES

E. Securities Litigation Committee

Committee Chair Brett Miller presented a report of the Securities Litigation Committee meeting of February 27, 2024, to the board. The following action was taken:

2024 SECURITIES LITIGATION COMMITTEE WORK PLAN

MOTION: 2024-14

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 Securities Litigation Committee Work Plan as set forth in the attachment (ATTACHMENT G).

John M. DiSanto		YES
Donald Enders Jr.		YES
W. Russell Faber		YES
Dan B. Frankel		YES
Stacy Garrity	Designee Tom Waters	YES
J. David Henderson		YES
Vincent J. Hughes	Designee Matt Lindsay	YES
Brett R. Miller		YES
Uri Monson		YES
Wendy Spicher		YES
Gregory C. Thall		YES

6. OLD BUSINESS – NONE

7. NEW BUSINESS - NONE

8. SPECIAL PRESENTATION - NONE

9. REPORT OF EXECUTIVE DIRECTOR AND AGENCY STAFF

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

- (i) The highlight since the last meeting was the January 4, 2024, announcement of the server outage at the Office of Administration. There was no lost or exposed data. Account access information for members' estimates was erased. SERS was back online by January 16, 2024, thanks to the efforts of Roshni Trivedi and Dan Krautheim, who were recognized at the meeting.
- (ii) Legislative outreach meetings continue. A meeting was held with Rep. Carol Hill-Evans, Democratic Chair of the House State Government Committee.
- (iii) Financial Disclosures are due May 1.
- (iv) The Third-Party Administrator (457 and 401a plans) RFP was posted on February 2, 2024, which is on schedule.

(v) On February 7, 2024, a public hearing of the Joint Senate Communication and Technology and State Government Committees was held regarding the server outage. SERS did not have to testify but provided written testimony which is provided in BoardDocs.

(vi) The following are the results of the notational ballots regarding the following accounts:

Account of Stephen H. Stetler

Docket No. 2020-01

Claim of Stephen H. Stetler

The State Employees' Retirement Board DENIED Claimant's Motion for Oral Argument by a vote of 6 to 5. How the board voted is listed below. The merits of this case will be decided at a future board meeting.

The following board members voted to DENY Stephen H. Stetler's request for oral argument:

1. John DiSanto
2. Donald Enders
3. David Henderson
4. Gregory K. Jordan
5. Brett R. Miller
6. Chairman Gregory C. Thall

The following board members voted to GRANT Stephen H. Stetler's request for oral argument:

1. Dan B. Frankel
2. Stacy Garrity
3. Vincent J. Hughes
4. Uri Monson
5. Wendy Spicher

Account of Gary E. Patterson, Jr.

Docket No. 2021-03

Claim of Gary E. Patterson, Jr.

The State Employees' Retirement Board unanimously DENIED Claimant's appeal of SERS' denial to become a Class AA member.

(vii) The following Board Dismissal reports regarding uncontested matters in which an Order was issued dismissing the following administrative appeals, as provided to the board:

Account of David R. Rasmus

Docket No. 2022-04

Claim of David R. Rasmus

10. EXECUTIVE SESSION

A. Cyber Security Discussion

B. Chief Compliance Officer Report on Board Referrals: Prospective Investment Opportunities and Service Provider Candidates

C. Benefits Related Litigation Summary for 2023

D. Benefits Administration and Appellate Litigation Update

E. Administrative Adjudications

Account of Stephen H. Stetler

Docket No. 2020-01

Claim of Stephen H. Stetler

Account of Michael H. Miholics (Dec'd)
Docket No. 2019-07
Claim of Morgan L. Miholics

At 10:10 a.m., the board recessed and entered executive session to receive a report and have a discussion on Cyber Security and to receive legal advice on other executive session agenda items. The public meeting resumed at 10:57 a.m.

11. BOARD COMMENTS/ANNOUNCEMENTS/DATES TO REMEMBER

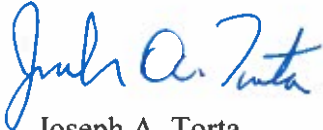
Next Committee Meeting and Regular Meeting Dates – April 30 and May 7, 2024

12. MOTION TO ADJOURN

MOTION: 2024-15

By motion of Chair Thall, the board unanimously agreed to adjourn the meeting at 10:59 a.m.

Respectfully submitted,



Joseph A. Torta
Executive Director

*Commonwealth of Pennsylvania
State Employees' Retirement System*



COMMENDATION

WHEREAS, Gregory K. Jordan became a member of the State Employees' Retirement Board effective October 23, 2019, by appointment of Governor Tom Wolf; and

WHEREAS, Mr. Jordan has contributed to Board deliberations by providing the State Employees' Retirement Board with insights and knowledge derived from his extensive background of public service and personal commitment to the citizens and taxpayers of the Commonwealth of Pennsylvania; and

WHEREAS, Mr. Jordan has an extensive record of community and professional service in addition to his tenure on the SERS Board, including service as Executive Director of the Senate Committee on Appropriations; as an appointee of the Senate Pro Tempore to the Legislative Audit and Advisory Commission; as a designee of the Senate Republican caucus to the Public School Employees' Retirement System Board; and as Chairman of the State Board of Funeral Directors; and

WHEREAS, Mr. Jordan has conscientiously served on this Board's Investment Committee; the Board Governance and Personnel Committee; and the Securities Litigation Committee, clearly exhibiting throughout his tenure a commitment to the best interests of the System and its members and participants; now therefore be it

RESOLVED, that the Pennsylvania State Employees' Retirement Board expresses its appreciation to Gregory K. Jordan for his service as a member of this Board, and wishes him good health and happiness in all his future endeavors; and be it further

RESOLVED, that the original resolution be transmitted to Mr. Jordan and a copy included in the minutes.


Gregory E. Thall, Chairman



March 5, 2024
Harrisburg, Pennsylvania



memo

To: SERS Investment Committee
 From: James G. Nolan, Chief Investment Officer
 Date: February 27, 2024
 Re: **Review of SERS 2024 Investment Committee Work Plan**

SERS is providing a work plan to the Investment Committee, which summarizes discussion items that staff and consultants plan to present in 2024. Non-recurring items are highlighted in green.

Work Plan for SERS Defined Benefit Plan

SERS DB Plan 2024 Investment Committee Work Plan Items	February	April	June	July	September	December	Special Notes
Recommend to the Board to approve the Committee work plan	X						Annually, staff liaisons with the Executive Director to 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.
Annual update to IC summarizing prior year Investment Office accomplishments and outline goals for the upcoming year	X						Annually per IPS requirement.
Performance review/report to IC of consultant/third parties overseen by Committee	X						Annually.
IC 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.
Proxy Voting Policy Review		X					Annually.
CIO Status Reports				X		X	Mid-year and year-end status reports.
DB, DC, DCP Plan IPS Review (Inclusive of Asset Allocation/Asset Liability, etc.) and Updates						X	Annually; Asset Liability Study every 3-5 years.
General Consultant Capital Market Assumption Updates and Asset Allocation Review	X						
Private Equity and Real Estate Pacing Review	X						
Core Fixed Income and TIPS Education		X					
Core Fixed Income and TIPS Manager Interviews			X				Contingent on IC's decision at April education session.
Public Equity Manager Structure Study				X			
General Consultant Search				X	X		
Proxy Voting Consultant Search				X	X		

Work Plan for SERS Defined Contribution and Deferred Compensation Plans

SERS DC and DCP Plans 2024 Investment Committee Work Plan Items	February	April	June	July	September	December	Special Notes
DC and DCP Managed Accounts Review		X					
DCP Stable Value Fund Review			X				
DC and DCP Target Date Fund Suitability Study			X				

SERS 2024 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.	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 Chair may appoint committee members as required. Finally, the Chair may assign new Board Members to committees as needed throughout the year.
Review Committee Charter, including a review of Board delegations of authority, in collaboration with the Executive Director, Director of Governance and Strategic Initiatives and the Chief Counsel's Office.		X						Must be completed every four years.
Recommend to the Board to approve the Committee work plan.		X						This is done during the first full Committee meeting of the new year.
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					
Third-Party Administrator and Recordkeeper RFP Search. FMPS Committee delegated oversight of the TPA RFP. FMPS Committee to present final search findings and recommendation of RFP Technical Committee and SERS Issuing Officer once a successful Offorer has been selected through the process. The FMPS Committee will present the findings and a recommendation to the Board at the May 7, 2024 Board meeting.			X					Existing TPA contract expires 12/31/2024. TPA RFP Issued February 2, 2024; Proposals Due March 15, 2024; Finalist Presentations and Technical Demonstrations to be held April 15-18th; Final Recommendation materials presented to Committee at the April 30, 2024 meeting for consideration.
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				
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		



SERS Board Governance Policy Manual

Policy Name: Fiduciary Review Policy
Policy Number: 2018-POL-BD-14
Effective Date: December 5, 2018, as amended September 29, 2021, and March 4, 2024
Reviewed Date: February 9, 2018, August 9, 2021, April 25, 2023, February 27, 2024
Applies To: SERS Board Members and Board Member Designees
Responsible Office: Executive Office
Contact Person: Director Governance and Strategic Initiatives

I. Purpose

The members of the Board (the "Board") of the State Employees' Retirement System ("SERS") stand in a fiduciary relationship to the members of SERS and have legal duties imposed by statute and common law to ensure that the funds they oversee are invested with the same degree of care that persons of prudence, discretion and intelligence would use when investing their own money. Board governance, policies and practices are the structures and processes through which these duties are implemented. In order to minimize liability exposure and to promote success in achieving its goals, the Board has determined it should obtain regular, independent reviews of its fiduciary and governance practices.

II. Policy Statement

The Board shall select and contract with a qualified independent consultant ("Consultant") to conduct a fiduciary review. The Board as a whole is responsible for evaluating the Board's performance of its duties, identifying developing best practices, and making recommendations to the Board for improving its governance, policies, and procedures. The Board Governance and Personnel Committee will oversee coordinating the implementation of this policy.

1. The Board Fiduciary Review shall be initiated by the Board Governance and Personnel Committee with assistance from staff every 3 to 4 years, but in no event any less than every 4 years.
2. The Board Governance and Personnel Committee and the Board, with assistance from staff, will develop the scope of the fiduciary review. After input and direction from the Board, the Board Governance Committee, shall exercise reasonable discretion in setting the scope of the Consultant's review

SERS Board Governance Policy Manual

which should include examination of identified risks or issues which have come to the Board's attention. Once the Board Governance Committee has developed the scope of the fiduciary review it will present the scope of review to the Board for approval.

3. Subject to the Commonwealth Attorney's Act, and budget and procurement requirements, and existing Board policies, the Board Governance and Personnel Committee may, with Board authorization, engage the services of an independent consultant, as it determines is appropriate to facilitate the Board's fiduciary review and any follow-up recommendations.
4. The Consultant shall be selected through a competitive process aimed at identifying independent experts with knowledge of public pension fund practices and experience in conducting similar reviews at a reasonable cost. In particular, the Consultant should have the following qualifications, in addition to other qualifications which the Board may determine are needed for the review:
 - a. The Consultant shall be independent both in fact and in appearance. The independence of the Consultant is paramount to ensure objectivity and unbiased recommendations;
 - b. The Consultant shall be knowledgeable about the fiduciary duties and governance practices of public pension funds. The Consultant's review may include, but not be limited by, topics from the list attached hereto as Exhibit A, and
 - c. A preferred qualification contained in the procurement should include that the Consultant has had experience providing similar reviews to public pension funds of similar size or larger than SERS.

III. Cooperation with Selected Consultant

Board members, designees, and appropriate SERS staff shall cooperate with the review and promptly provide all information required by the Consultant. The Director of Governance and Strategic Initiatives will serve as SERS' liaison with the Consultant.

SERS Board Governance Policy Manual

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** Director of Governance and Strategic Initiatives
- c. **Related Documents:** Exhibit A – Fiduciary Review Topics *attached*
- d. **Summary of Changes:**

Date	Version	Author	Summary
January 9, 2018	2018 POL- BD-14	SERS Legal Office	The process established by the Board to obtain regular, independent reviews of its fiduciary and governance practices, to minimize liability exposure and to promote success in achieving its goals.
August 9, 2021		Deputy Executive Director for Administration	Revised Exhibit A, 1.1.8, to remove the term “non-economic” in reference to describing SERS’ in-state managers, minority, and women-owned programs, etc. Also revised the Contact Person, Document Owner, and Document Author.
March 5, 2024	2018-POL- BD-14	Director Governance and Strategic Initiatives	Biennial review. Updated to reflect the current process, contains a new delegation from the Board to the Committee to initiate and oversee the process of hiring a consultant to conduct the fiduciary review, and to add new position of Director of Governance and Strategic Initiatives and change document owner to the Executive office.

Exhibit A
Fiduciary Review Topics

I. Frameworks

1.1.1. Legal and Regulatory Framework e.g.,

- 1.1.2. Governance structure (trustee board, sole fiduciary, other)
- 1.1.3. Funding policies and mechanisms
- 1.1.4. Fiduciary responsibilities and authorities
- 1.1.5. Oversight authorities
- 1.1.6. Statutory authority/limitations
- 1.1.7. Trustee qualifications and selection criteria
- 1.1.8. Investment limitations (prudent expert, prudent person, legallist)
- 1.1.9. Investment requirements for in-state managers, minority, and women-owned programs, etc.
- 1.1.10. Resource authorities (budget, staffing and compensation)
- 1.1.11. Custodian and selection of custodial bank
- 1.1.12. Selection of external auditor
- 1.1.13. Selection of external actuary
- 1.1.14. Selection of outside counsel
- 1.1.15. Transparency requirements (freedom of information and open meetings laws, contracting, reporting)
- 1.1.16. Trustee indemnification
- 1.1.17. Plan participation requirements
- 1.1.18. Member eligibility and benefit calculation requirements

1.2. Governance Framework e.g.,

- 1.2.1. Powers reserved for the board/fiduciary
- 1.2.2. Direct reports to the board/sole fiduciary
- 1.2.3. Delegations to staff and third parties
- 1.2.4. Role of board officers
- 1.2.5. Board committee structure
- 1.2.6. Board and committee charters
- 1.2.7. Use of advisory boards
- 1.2.8. Board/fiduciary focus on strategy
- 1.2.9. Access to information and reporting to the board/fiduciary
- 1.2.10. Board/fiduciary performance
- 1.2.11. Board/fiduciary self-assessment

- 1.2.12. Board/fiduciary self-development
- 1.2.13. Trustee time commitments
- 1.2.14. Management of/response to litigation
- 1.2.15. Enterprise risk oversight
- 1.2.16. Independent reassurance

2. Strategies and Risks

2.1.1. Enterprise Strategies and Policies e.g.,

- 2.1.2. Setting asset allocation strategies
- 2.1.3. Setting investment return assumptions
- 2.1.4. Asset-liability matching process
- 2.1.5. Investment beliefs
- 2.1.6. Investment objectives and plans

- 2.1.7. Selection and use of benchmarks
- 2.1.8. Manager fee reporting policies and practices
- 2.1.9. Corporate governance and proxy voting
- 2.1.10. Ethics/conflicts of interest policies
- 2.1.11. Board/fiduciary/employee financial disclosure
- 2.1.12. Employee confidentiality policy
- 2.1.13. Benefit program strategy development
- 2.1.14. Health care provider strategy development
- 2.1.15. Staff organization structure
- 2.1.16. Organizational and resourcing strategies
- 2.1.17. Staff compensation policies
- 2.1.18. Procurement policies
- 2.1.19. Stakeholder relations and communications
- 2.1.20. Legislative positioning: reactive (awareness of and response to legislative proposals) and proactive (drafting and lobbying)

2.2. Enterprise Risks e.g.,

- 2.2.1. Risk appetite/tolerance
- 2.2.2. Return and risk objectives
- 2.2.3. Risk management policies and metrics (incl. investment guidelines and limits)
- 2.2.4. Enterprise risk management and reporting
- 2.2.5. Cyber security risk management

- 2.2.6. Strategic plan implementation risk management
- 2.2.7. Data maintenance
- 2.2.8. Artificial intelligence

3. Operations

3.1.1. Investment Operations e.g.,

- 3.1.2. Investment manager selection/due diligence/monitoring/termination
- 3.1.3. Use and governance of strategic partnerships
- 3.1.4. Roles and authorities of internal investment staff
- 3.1.5. Contracting process
- 3.1.6. Use of outside counsel
- 3.1.7. Internal investment management
- 3.1.8. Investment management reporting, risk, and support systems
- 3.1.9. Investment research
- 3.1.10. Investment cost management
- 3.1.11. Use of general investment consultant
- 3.1.12. Use of specialty consultants
- 3.1.13. Use of custodial services
- 3.1.14. Securities lending policies and practices
- 3.1.15. Foreign exchange practices
- 3.1.16. Use and monitoring of brokers
- 3.1.17. Transition management
- 3.1.18. Investment funding policies and practices

3.2. Pension and Insurance Operations e.g.,

- 3.2.1. Member contact center
- 3.2.2. Member self-service opportunities
- 3.2.3. New member enrollment
- 3.2.4. Member data management and data security

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- 3.2.5. Member education and communication
 - 3.2.6. Member statements
 - 3.2.7. Dispute resolution
 - 3.2.8. Adjustments and exception handling
 - 3.2.9. Appeals handling
 - 3.2.10. Service credit handling

 - 3.2.11. Court settlement processing
 - 3.2.12. Regular payment processing
 - 3.2.13. Pension reporting
 - 3.2.14. Pension plan design and development
 - 3.2.15. Health care provider contracting
 - 3.2.16. Third party provider compliance monitoring
 - 3.2.17. Health care cost monitoring and cost controls
 - 3.2.18. Employer contact center
 - 3.2.19. Employer data management and security
 - 3.2.20. Employer education and communication
 - 3.2.21. Employer statements and reporting
 - 3.2.22. Actuarial reporting practices and valuations

3.3. Administrative Operations e.g.,

- 3.3.1. Investment accounting, performance reporting and fund valuation
- 3.3.2. Financial accounting operations and reporting
- 3.3.3. Planning, budgeting, and performance reporting
- 3.3.4. Recruitment, hiring and organizational development
- 3.3.5. Employee training and development
- 3.3.6. Succession planning
- 3.3.7. Human resources administration
- 3.3.8. Legal support
- 3.3.9. Information systems planning, governance and support
- 3.3.10. Facilities management and support
- 3.3.11. Procurement
- 3.3.12. Business resumption
- 3.3.13. Policies and procedures documentation and review
- 3.3.14. IT Security

4. Compliance and Controls

- 4.1.1. Compliance e.g.,**
 - 4.1.2. Internal audit effectiveness
 - 4.1.3. Ethics compliance
 - 4.1.4. Compliance with laws and regulations
 - 4.1.5. Policy compliance

 - 4.1.6. Compliance with delegations
 - 4.1.7. Board and/or committee operations compliance to charters and policies
 - 4.1.8. Contractual compliance
 - 4.1.9. Trust and custody compliance
 - 4.1.10. Compliance with compensation policies
 - 4.1.11. Compliance with open meeting law
 - 4.1.12. Disclosure and Pennsylvania Right-to-Know Law compliance
 - 4.1.13. Compliance with federal statutes and regulations – e.g., OFAC (Office of Foreign Asset Control), NACHA (National Automated Clearing House Association)


4.1.14. Compliance with documentation management policies

4.2. Controls e.g.,

- 4.2.1. Externally-managed assets
- 4.2.2. Internally-managed portfolio
- 4.2.3. Cash transfers and funding
- 4.2.4. Cash equitization
- 4.2.5. Securities lending
- 4.2.6. Foreign exchange
- 4.2.7. Performance calculations
- 4.2.8. Investment management fee validation

5. Other issues as identified by the Board Governance Committee or the Board.

ATTACHMENT E

 pennsylvania <small>STATE EMPLOYEES' RETIREMENT SYSTEM</small>	Committee Work Plan Items							Special Notes
	January	February	April	June	July	September	December	
DRAFT Board Governance and Personnel Committee (BG&PC)								
2024								
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. Committee appointed January 2024. Reminder: BG&PC to review Committee assignments for resignations and appointments 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.

<p>Consider annual salary adjustments for specific investment professionals.</p>	X								<p>Individual salary adjustment discussions with BG&PC/Board typically 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. BG&PC has delegated authority for salaries of the other investment professionals.</p> <p>Reference: The aggregate pay increase budget was approved at the December 2023 Board meeting through Motion 2023-56.</p>
<p>Oversee and monitor the existing SERS' Strategic Plan July 1, 2023 through June 30, 2027.</p>	X	X	X	X	X	X	X	X	<p>Provide updates on the existing Strategic Business Plan (July 1, 2023 - June 30, 2027). During the Summer of 2022, work began on the New Strategic Plan for July 2023 through June 2027 (expanded 4 Year Cycle).</p> <p>Reference: Board adopted the new Strategic Plan in July 2023 through Motion 2023-34.</p>
<p>Work with Executive Director, the Office of Chief Counsel and Chief Compliance Officer to review Board policies and procedures.</p>	X			X	X	X			<p>To be completed every two years. Last review was February 2021. Update BG&PC with results of review and discuss any possible action items. Review is continuing from 2023 and review should be complete by June of 2024.</p> <p>Reminders: Reviews will now be conducted every four-years from every two years.</p>
<p>Board Self Evaluation</p>	X			X	X	X	X	X	<p>Must be completed annually or biennially, last review was completed in 2021. Committee to engage a consultant to conduct, facilitate and finalize the Board's self- assessment pursuant to the Board Self-Assessment Policy to be completed by December of 2024.</p>

<p>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.</p>			X	X				<p>To be completed every two years. Last review was February 2021. Update BG&PC with results of review and discuss any possible action items. Review is continuing from 2023 and review should be complete by June of 2024. Reminder: Reviews will be changed from every two years to every four-years.</p>
<p>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.</p>			X	X				<p>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. Review is continuing from 2023 and Charter reviews should be forwarded to the Board during the April/May 2024 board cycle.. Reminder: Reviews will now be conducted every four-years instead of every two every two years.</p>
<p>Engage a consultant to conduct a Board self-assessment pursuant to the Board Self-Assessment Policy.</p>			X			X	X	<p>To be completed annually or biennially. Last completed in 2021. Discuss with BG&PC in February/April and take steps to engage a consultant to complete the assessment by late fall of 2024.</p>

<p>To be completed every 3-4 years. Last occurred in 2021 with the the procurement process occurring during 2020.</p> <p>If the Board delegates the oversight of the Fiduciary Review to the BG&PC then in order to conduct the required Fiduciary Review planning should begin in early 2024. The BG&PC should establish areas of review for the 2024 project, and the scope of services with input from the full board. Staff will draft and prepare a procurement request for the spring of 2024. 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 2024.</p>	X							<p>Discuss plan to engage consultant to conduct SERS Fiduciary Review in 2024.</p>
<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.</p> <p>Note: Motion 2023-26 addresses management pay for the period of July 1, 2023 through June 30, 2024. The AFSCME contract for the period of July 1, 2023 through June 30, 2027 had not yet been finalized when Motion 2023-26 passed. An additional motion is required to authorize management pay increases after June 30, 2024. Following past practice, the management pay increase motion would align with the duration of the current AFSCME contract. Management raises usually match the raises detailed in the AFSCME contract.</p>								<p>Authorize pay increases for management-classified positions excluding Executive Director, Special Assistant to ED, investment professionals, and attorneys</p>
<p>Current outside counsel contract (3 years plus utilized 2 year extension) with Duane Morris LLP for tax counsel expires April 24, 2024. Discussed process with BG&PC in December of 2023 and issuance of procurement in Spring of 2024.</p>			X	X				<p>Engage Outside Tax Counsel for IRS and Regulatory Plan Operations and Compliance</p>

Receive mid-year status report from Executive Director.				X		Executive Director to provide a mid-year status report to the BG&PC. Reference: SERS Board Governance Policy Manual, Performance Management for Select Key SERS Positions Policy, 2023-POL-BD-02.
Discuss Executive Director salary adjustment.				X		The Executive Director position does not receive automatic pay increases. Pay must be approved by SERS Board then by the commonwealth's Executive Board. The Executive Director is on a calendar year performance review cycle (Jan. - Dec.).
Review investment pay bands; recommend band adjustments to Board for approval.					X	Salary band adjustments are authorized by the full Board upon recommendation from the BG&PC. Notes: SERS-HR typically receives salary data around September/October. Data is discussed with the ED, CIO, and CFO before presentation to the BG&PC. Ideally, pay band adjustment considerations go before the Committee in December so any adopted pay band updates are timely authorized for a January 1 effective date.
Receive year-end status report from Executive Director.					X	Executive Director to provide a year-end status report to the BG&PC. Reference: SERS Board Governance Policy Manual, Performance Management for Select Key SERS Positions Policy, 2023-POL-BD-02.
Obtain input from the Board on the annual evaluation of the Executive Director and Chief Counsel. Develop performance goals for the Executive Director.					X	The HR Director will coordinate the solicitation of performance input. References: BG&PC Charter assigns responsibility to the Committee to solicit full Board input for the ED and Chief Counsel positions. Further detail is found in the SERS Board Governance Policy Manual, Performance Management for Select Key SERS Positions Policy, 2023-POL-BD-02.

<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., 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 for the Executive Director should one be granted by the Governor's Office for the non-statutory agency heads.</p>
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ATTACHMENT F

<u>SERS 2024 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 was developed with Board input.
2024 Chief Compliance Officer and Internal Audit Director Performance Goals (informational item)		X						
Review reports of internal audit and consulting engagements, and their accompanying recommendations issued by the Internal Audit Office upon completion.		X		X		X	X	
ARC Committee's preliminary review of the Internal Audit's 2025 Audit Universe, Risk Assessment, and Audit Plan.							X	ARC Committee to receive the Internal Audit Plan for the following year in December, review the audit plan, and propose changes or recommendations at the audit plan at the following February meeting (Next review to occur in 12/2024)
ARC Committee's proposed changes to, and acceptance of annual Audit Universe, Risk Assessment, and Audit Plan		X						Initially provided during the December ARC Committee Meeting (Next review to occur in 2/2024)
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 2/2024)
Review Internal Audit Office charter.				X				Must be completed annually (Next review to occur in 6/2024)
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.
ARC Committee's review of the agency's Enterprise Risk Management Assessment prior to submission to the Office of Budget.						X		Previously conducted by Internal Audit, but agency will appoint a Risk Officer to take management responsibility over this project for the purpose of audit objectivity.

SERS 2024 Committee Work Plan Items	January	February	April	June	July	September	December	Special Notes
Audit, Risk and Compliance								
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	
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	
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	
Oversee the independent accounting firm selected 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	X	X				2024 - Ernst & Young was selected as the vendor to complete the SOC related policy and procedure gap/readiness assessment. The Internal Audit Director will provide frequent status updates to the ARC Committee Chair through out the course of the engagement, and will provide a formal update on the engagement's progress at each scheduled ARC Committee meeting until the project is complete and the final report can be distributed to the Committee
Procurement/RFP effort for an independent actuary to perform an audit of SERS actuarial methods, procedures, and assumptions being utilized by Korn Ferry. The ARC Committee will provide direction and oversight for this engagement when it take place during 2024/2025				X				2024 - Following the procurement process which is currently underway, an ARC Committee meeting will be required for the Committee to recommend a firm to the Board for approval. Services will be performed in the last months of 2024 into the early months of 2025.
Procurement/RFP effort for an independent accounting firm to perform a readiness assessment and Service Organization Control (SOC) audit of SERS. The ARC Committee will provide direction and oversight for this engagement when it take place during 2025						X		2024 - Following a 12-month RFP procurement process, including several potential technical 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 during calendar 2025.

2024 Securities Litigation Committee Work Plan

Tasks	January	February	April	June	July	September	December	Special Notes
Committee Members elect Committee Chair	X							Must be completed every two years at first meeting of the applicable year.
Committee Chair appoints Assistant Chair								
Review Securities Litigation Committee Charter		X						
Review Securities Litigation Committee Work Plan		X						Completed annually.