

MINUTES of SERS Board Meeting – Tuesday, May 6, 2025

CALLED TO ORDER: 9:31 a.m. by Chair Gregory C. Thall

IN-PERSON/MICROSOFT TEAMS MEETING/LIVESTREAM

ATTENDEES:

Members and Designees

Gregory C. Thall – Chair	in Person
Donald Enders Jr.	in Person
W. Russell Faber	in Person
Dan B. Frankel	Absent
John Galuska	via Teams
Stacy Garrity	Absent
Vincent J. Hughes	Absent
Brett R. Miller	Absent
Uri Monson	in Person
Wendy Spicher	in Person
Lloyd Ebright – Designee for Treasurer Stacy Garrity	via Teams
Seamus Dubbs – Designee for Secretary Wendy Spicher	in Person
Michael Heckmann – Designee for Representative Brett Miller	Absent
Matt Lindsay – Designee for Senator Vincent J. Hughes	via Teams
Matt McCarry – Designee for Representative Dan B. Frankel	in Person
Eric Pistilli – Designee for Secretary Wendy Spicher	via Teams
Jeffrey Soderstedt – Designee for Secretary Wendy Spicher	via Teams
Jill Vecchio – Designee for Representative Brett R. Miller	in Person
Thomas Waters – Designee for Treasurer Stacy Garrity	in Person
Devlin Robinson	Absent

Executive Staff

N. Joseph Marcucci	in Person
Sara McSurdy	in Person
James Nolan	in Person
Joseph Torta	in Person

SERS Staff

Michael Altice	in Person
Kelly Bernhard	in Person
Elizabeth Christian	in Person
Cindy Collins	in Person
Jo Ann Collins	in Person
Catherine Corbin	in Person
Brenda Cunard	in Person
Thomas Derr	via Teams

Pam Hile	via Teams
Dan Krautheim	in Person
Ryan McCoy	in Person
Michael McGeoy	via Teams
M. Catherine Nolan	in Person
Michele Shaner	in Person
Brett Shaffer	in Person
Steven Skoff	in Person
William Truong	in Person
Mark Walter	in Person
Sheila Wilrich	in Person
Courtney Yurovich	in Person
Shannon Zimmerman	in Person

Visitors

Daniel Bender	in Person
David Valente	via Teams

MINUTES of the SERS Board Meeting TUESDAY, May 6, 2025

1. CALL TO ORDER

Chair Gregory Thall called the meeting to order at 9:31 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. Public Service Proclamation

Chair Thall recognized SERS employees for their hard work and dedication. Their purpose is to provide caring services and support to SERS members and participants. National Public Service Week, celebrated May 4-10, 2025, honors the men and women nationwide who serve as government employees at the federal, state, and local levels.

3. PUBLIC COMMENTS

NONE

4. ADOPTION OF THE AGENDA

MOTION: 2025-16

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

RESOLVED: That the board adopt the agenda for the May 6, 2025, board meeting.

5. APPROVAL OF CONSENT CALENDAR

MOTION: 2025-17

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

RESOLVED: That the board approves the Consent Calendar items, as listed, for the May 6, 2025, board meeting.

A. Approving Board Meeting Minutes – March 4, 2025, Regular Meeting

B. Defined Benefit Plan Statement of Changes in Fiduciary Net Position for the Periods Ending: November 30, 2024

C. Defined Contribution Plan Statement of Changes in Fiduciary Net Position for the Periods Ending: November 30, 2024

D. Deferred Compensation Plan (DCP) Statement of Changes in Net Position Available for Benefits for the Periods Ending: November 30, 2024

6. COMMITTEE REPORTS/ACTION ITEMS

A. Investment Committee

Committee Chair Uri Monson presented a report of the Investment Committee meeting of April 29, 2025, to the board. The following action was taken:

Private Equity Opportunity: Arcline Capital Partners IV LP

MOTION: 2025-18

By motion that was moved, seconded, and approved by board members, it was **RESOLVED:** That the State Employees' Retirement Board accept the recommendation of the Investment Committee to commit (i) up to \$130 million to Arcline Capital Partners IV LP, and (ii) up to \$20 million to a sidecar vehicle that will co-invest alongside Arcline Capital Partners IV (name TBD), plus investment expenses and pro rata share of partnership operating expenses, consistent with executed partnership documents, as investments 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.

Donald Enders Jr.		Yes
W. Russell Faber		Yes
Dan B. Frankel	Designee Matt McCarry	Yes
John Galuska		Yes
Stacy Garrity	Designee Thomas Waters	Yes
Vincent J. Hughes	Designee Matt Lindsay	Yes
Brett R. Miller	Designee Jill Vecchio	Yes
Uri Monson		Yes
Devlin Robinson		Absent
Wendy Spicher		Yes
Gregory C. Thall		Yes

B. 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 April 29, 2025, to the board. The following action was taken:

Internal Audit Office Charter Update

MOTION: 2025-19

By motion that was moved, seconded, and approved by board members, it was **RESOLVED:** That the State Employees' Retirement Board approve the recommendation by the Audit, Risk and Compliance Committee to adopt the State Employees' Retirement System's Internal Audit Office Charter, as set forth in Attachment B.

Donald Enders Jr.		Yes
W. Russell Faber		Yes
Dan B. Frankel	Designee Matt McCarry	Yes
John Galuska		Yes
Stacy Garrity	Designee Thomas Waters	Yes
Vincent J. Hughes	Designee Matt Lindsay	Yes
Brett R. Miller	Designee Jill Vecchio	Yes
Uri Monson		Yes
Devlin Robinson		Absent
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 April 29, 2025, to the board. The following action was taken:

Ad Hoc Review of Internal Audit Office Charter Updates

MOTION:2025-20

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

RESOLVED: That the State Employees’ Retirement Board accept the concurrence of the Board Governance and Personnel Committee to adopt the Amended Internal Audit Office Charter recommended by the Audit, Risk and Compliance Committee, as attached and set forth in Attachment B.

Donald Enders Jr.		Yes
W. Russell Faber		Yes
Dan B. Frankel	Designee Matt McCarry	Yes
John Galuska		Yes
Stacy Garrity	Designee Thomas Waters	Yes
Vincent J. Hughes	Designee Matt Lindsay	Yes
Brett R. Miller	Designee Jill Vecchio	Yes
Uri Monson		Yes
Devlin Robinson		Absent
Wendy Spicher		Yes
Gregory C. Thall		Yes

D. Finance and Member and Participant Services Committee

Designee Matt McCarry, on behalf of Committee Chair Dan Frankel, presented a report of the Finance and Member and Participant Services Committee meeting April 29.2025, to the board. The following actions were taken:

Korn Ferry Contribution Rates, Actuarial Services RFP Planning Discussion

MOTION: 2025-21

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

RESOLVED: That the State Employees’ Retirement Board accept the recommendation of the Finance and Member and Participant Services Committee to:

(A) approve the results of the December 31, 2024, actuarial valuation; and for the Commonwealth’s fiscal year 2025-2026, certify the following contribution rates:

1. Shared-risk member contribution rate increase of 0.00% for A-3 and A-4 classes of service, and .09% for A-5 and A-6 classes of service;
2. Employer normal cost contribution rate of 7.65%;

- 3. Composite employer contribution rate necessary for the funding of the system of 32.34%; and
- 4. Employer contribution rates by group and class of service of employees as set forth in the actuarial valuation as calculated by SERS' consulting actuary, Korn Ferry, pursuant to Section 5508 of the State Employees' Retirement Code;
- (B) authorize SERS staff and Korn Ferry to use those rates to develop all the employer rates for the period of July 1, 2025, to June 30, 2026, pursuant to Section 5902(k) of the State Employees' Retirement Code;
- (C) establish an employer contribution rate of .04% for fiscal year 2025-2026 to fund the Benefits Completion Plan established pursuant to Section 5941 of the State Employees' Retirement Code; and
- (D) authorize the Executive Director to certify such rates to all employers with employees who are active members of SERS and to the Secretary of the Budget.

Donald Enders Jr.		Yes
W. Russell Faber		Yes
Dan B. Frankel	Designee Matt McCarry	Yes
John Galuska		Yes
Stacy Garrity	Designee Thomas Waters	Yes
Vincent J. Hughes	Designee Matt Lindsay	Yes
Brett R. Miller	Designee Jill Vecchio	Yes
Uri Monson		Yes
Devlin Robinson		Absent
Wendy Spicher		Yes
Gregory C. Thall		Yes

Actuarial Services RFP

MOTION: 2025-22

By motion that was moved, seconded, and approved by board members present, it was **RESOLVED:** That the State Employees' Retirement Board accept the recommendation of the Finance and Member and Participant Services Committee to authorize SERS Staff to initiate the procurement process for SERS' Actuarial Services.

7. OLD BUSINESS

NONE

8. NEW BUSINESS

A. Board Self-Assessment and 2025 Board Retreat Updates:

Cynthia Collins presented an update on the status of the Board Self-Assessment and reported that the contract with the successful vendor has been fully executed and will be submitted for Commonwealth approvals at which point the vendor will be able to begin work on the project. She anticipates kicking off the project during the next Board Cycle.

B. Ms. Collins provided the Board an update on the Board Retreat that will take place over a day and a half beginning on Monday, July 28th for a full day and then wrapping up Tuesday, July 29th at noon, with a full Board meeting to follow the Retreat during the afternoon of July 29th. The

theme of this year's retreat will be Risk Management and will be an in-person event only. She encouraged all Board members and designees to attend the Retreat and take advantage of the education credits that will be available. Currently, it is anticipated that there will be 1 hour of Ethics credit and up to 8 credit hours awarded for investment and risk management.

9. SPECIAL PRESENTATION

Education Session- Risk Fundamentals Ernst & Young:

Daniel S. Bender of Ernst & Young presented an introductory session on the Board's role in risk management and a high-level discussion of the elements that comprise a formalized risk management structure.

10. REPORTS OF EXECUTIVE DIRECTOR AND AGENCY STAFF

Executive Director Torta provided the following updates:

- i. Executive Verbal Update: Employee Recognition: Executive Director Torta recognized: Jim Nolan and the Investment Committee for their strong work. Cathy Corbin from our Harrisburg Regional Counseling Center, and Jennifer Scalzo from the Wilkes-Barre Regional Counseling Center for their hard work and dedication to SERS and our members.

The upcoming Board Retreat will be in-person only. This will not be held virtually. The Board meeting will be livestreamed and recorded.

- ii. Legislative Update: In addition to the written legislative update provided, Executive Director Torta verbally noted that COLA bills HB 411 (which passed the House on April 9, 2025) and HB 408 are garnering significant interest among retired members. In addition, Rep. Brett Miller's H.B. 1375, which would require more robust and transparent management fee reporting standards from SERS and PSERS, was introduced and referred to House State Government on May 2, 2025.
- iii. Dismissals, Orders and Adjudications: Executive Director Torta provided the following Board Dismissal report regarding uncontested matters in which an Order was issued dismissing the following administrative appeal, as provided to the board:
 - a. Account of Monique Richardson
Docket No. 2024-07
Claim of Monique Richardson
 - b. Account of Anissa Wyre
Docket No. 2024-01
Claim of Anissa Wyre

11. EXECUTIVE SESSION

A. Chief Compliance Officer's Report on Board Referrals

B. Benefits Administration and Appellate Litigation Update

At 11:08 a.m. the board recessed and entered executive session to receive reports and legal advice on executive session agenda items. The public meeting resumed at 11:18 a.m.

12. BOARD COMMENTS/ANNOUNCEMENTS/DATES TO REMEMBER

June 10, 2025 – next regularly scheduled committee meetings

June 17, 2025 – next regularly scheduled board meeting

13. MOTION TO ADJOURN

MOTION: 2025-23

By motion of Chair Thall, the board unanimously agreed to adjourn the meeting at 11:21 a.m.

Respectfully submitted,



Joseph A. Torta
Executive Director

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STATE EMPLOYEES' RETIREMENT SYSTEM INTERNAL AUDIT OFFICE CHARTER

Adopted on May 6, 2025

I. Purpose

The purpose of the Pennsylvania State Employees' Retirement System's Internal Audit Office is to strengthen the Pennsylvania State Employees' Retirement System's ability to create, protect, and sustain value by providing the Audit, Risk and Compliance Committee, Board of Trustees, and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit Office enhances the Pennsylvania State Employees' Retirement System's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The Pennsylvania State Employees' Retirement System's Internal Audit Office is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards, which are set in the public interest.
- The Internal Audit Office is independently positioned with direct accountability to the Audit, Risk and Compliance Committee and Board of Trustees.
- Internal auditors are free from undue influence and committed to making objective assessments.

Global Internal Audit Standards - Commitment to Adherence

The Pennsylvania State Employees' Retirement System's Internal Audit Office will strive to adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Internal Audit Director will report at least annually to the Audit, Risk and Compliance Committee and senior management regarding the Internal Audit Office's conformance with the Standards, which will be assessed through a quality assurance and improvement program. The Internal Audit function may report that its operations are conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, only if the results of the quality assurance and improvement program support the statement.

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II. Mandate

Authority

The Pennsylvania State Employees' Retirement System's Internal Audit Office mandate is represented through the Board of Trustees' Bylaws which establish the Audit, Risk and Compliance Committee. The Board of Trustees provides authority to Audit, Risk and Compliance Committee through its charter, which states *"The Board hereby delegates all necessary power and authority to the Audit, Risk and Compliance Committee (the "Committee") to perform the duties and responsibilities described in this Charter and as may otherwise be delegated by the Board from time to time. Except as expressly granted herein, nothing in this Charter shall be construed as giving the Committee the authority to take any action on behalf of the Board without first obtaining the approval of the Board."*

The Internal Audit Office's authority is provided by its direct reporting relationship to the Audit, Risk and Compliance Committee, and through SERS' Internal Audit Office Charter as approved by the Board of Trustees upon the Committee's recommendation. Such authority allows for unrestricted access to the Audit, Risk and Compliance Committee.

The Audit, Risk and Compliance Committee authorizes the Internal Audit Office to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of Pennsylvania State Employees' Retirement System and other specialized services from within or outside the agency to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The Internal Audit Director will be positioned at a level in the agency that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the Internal Audit Office. The Internal Audit Director will report functionally to the Audit, Risk and Compliance Committee and administratively (for example, day-to-day operations) to the Executive Director. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Audit, Risk and Compliance Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Internal Audit Director will confirm to the Audit, Risk and Compliance Committee, at least

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annually, the organizational independence of the Internal Audit Office. The Internal Audit Director will disclose to the Audit, Risk and Compliance Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the Internal Audit Office's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Consistent with SERS' Bylaws, Board Governance, and the Audit, Risk, and Compliance Committee Charter, if circumstances require any amendments to the Internal Audit Office Charter, those amendments shall be considered in the manner proscribed by the existing governance structure. Examples may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the agency.
- Significant changes to the Internal Audit Director role, Audit, Risk and Compliance Committee, and/or senior management.
- Significant changes to the agency's strategies, objectives, risk profile, or the environment in which the agency operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

III. Audit, Risk and Compliance Committee Oversight

To establish, maintain, and ensure that the Pennsylvania State Employees' Retirement System's Internal Audit Office has sufficient authority to fulfill its duties, the Audit, Risk and Compliance Committee will:

- Discuss with the Internal Audit Director and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Internal Audit Office.
- Ensure the Internal Audit Director has unrestricted access to and communicates and interacts directly with the Audit, Risk and Compliance Committee, including in private meetings without senior management present.
- Discuss with the Internal Audit Director and senior management other topics that should be included in the Internal Audit Office Charter.
- Participate in discussions with the Internal Audit Director and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective Internal Audit Office.

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- Recommend Board approval of the Audit, Risk and Compliance Committee charter and the Internal Audit Office Charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the Internal Audit Office Charter annually, with the Internal Audit Director to consider changes affecting the agency, such as the employment of a new Internal Audit Director or changes in the type, severity, and interdependencies of risks to the agency; and approve the Internal Audit Office Charter every four years, or when changes become immediately necessary.
- Approve the risk-based internal audit plan.
- Provide input to the Internal Audit Office's human resources administration and budgets.
- Review the Internal Audit Office's expenses.
- Consent with management on the appointment and removal of the Internal Audit Director, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to senior management on the Internal Audit Director's performance.
- Receive communications from the Internal Audit Director about the Internal Audit Office including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the Internal Audit Director to determine whether scope or resource limitations are inappropriate.

IV. Internal Audit Director Roles and Responsibilities

Ethics and Professionalism

The Internal Audit Director will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the agency and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the agency.
- Report agency behavior that is inconsistent with the agency's ethical expectations, as described in applicable policies and procedures.

Objectivity

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The Internal Audit Director will ensure that the Internal Audit Office remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Internal Audit Director determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties, including the Audit, Risk and Compliance Committee.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the Pennsylvania State Employees' Retirement System or its affiliates.
- Initiating or approving transactions external to the Internal Audit Office.
- Directing the activities of any Pennsylvania State Employees' Retirement System employee that is not employed by the Internal Audit Office, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Internal Audit Director, the Audit, Risk and Compliance Committee, Board of Trustees, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Office

The Internal Audit Director has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit, Risk and Compliance Committee and senior management. Discuss the plan with the Audit, Risk and Compliance Committee and senior management and submit the plan to the Audit, Risk and Compliance Committee for review and approval.

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- Communicate the impact of resource limitations on the internal audit plan to the Audit, Risk and Compliance Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Pennsylvania State Employee' Retirement System's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit, Risk and Compliance Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and any applicable laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit, Risk and Compliance Committee and senior management annually and for each engagement as appropriate.
- Ensure the Internal Audit Office collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the Pennsylvania State Employees' Retirement System and communicate to the Audit, Risk and Compliance Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the Internal Audit Office.
- Ensure adherence to the Pennsylvania State Employees' Retirement System's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Office Charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit, Risk and Compliance Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Internal Audit Director cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit, Risk and Compliance Committee.
- Assist the Executive Office, from an advisory standpoint, with the Commonwealth of Pennsylvania Office of the Budget's Enterprise Risk Management Assessment.
- Facilitate agency requests from Comptroller Operation's Bureau of Audits in support of their Annual Comprehensive Financial Report requirements.
- Act as the liaison between the Pennsylvania State Employees' Retirement System and its external auditors, including administratively assisting both SERS staff and the external auditors during the

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annual independent audit or other audit related engagements that reside under the Internal Audit Office.

- Assist the agency in facilitating Commonwealth of Pennsylvania Auditor General's Office audits being conducted on the Pennsylvania State Employees' Retirement System.
- Draft the Request for Proposal (RFP) document for the procurement of the independent auditor and other applicable vendors as the need arises. Coordinate the associated evaluation committee activity needed for these RFPs.

Communication with the Audit, Risk and Compliance Committee and Senior Management

The Internal Audit Director will report annually to the Audit, Risk and Compliance Committee and senior management regarding:

- The Internal Audit Office's mandate.
- The internal audit plan and performance relative to its plan.
- The Audit, Risk and Compliance Committee's Work Plan.
- The Internal Audit Office budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the Internal Audit Office's conformance with The IIA's Global Internal Audit Standards and action plans to address the Internal Audit Office's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit, Risk and Compliance that could interfere with the achievement of the Pennsylvania State Employees' Retirement System's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the Internal Audit Office determines may be unacceptable or acceptance of a risk that is beyond the Pennsylvania State Employees' Retirement System's risk appetite.

Quality Assurance and Improvement Program

The Internal Audit Director will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Office. The program will include external and internal assessments of the Internal Audit Office's conformance with the Global Internal Audit

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Standards, as well as performance measurement to assess the Internal Audit Office's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the Internal Audit Office's deficiencies and opportunities for improvement.

Annually, the Internal Audit Director will communicate with the Audit, Risk and Compliance Committee and senior management about the Internal Audit Office's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Pennsylvania State Employees' Retirement System; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

V. Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the agency including all of the Pennsylvania State Employees' Retirement System's activities, assets, and personnel. This includes the Executive Office, Office of Administration including its underlying bureau's (Operations/Procurement, Human Resources, and the Bureau of Information Technology), the Chief Counsel's Office, the Communications and Policy Office, the Investment Office, the Office of Financial Management, and the Office of Membership and Participant Services. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit, Risk and Compliance Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the agency.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the Internal Audit Office does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Pennsylvania State Employees' Retirement System's strategic objectives are appropriately identified and managed.
- The actions of the Pennsylvania State Employees' Retirement System's officers, directors, management, employees, and contractors or other relevant parties comply with the agency's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.

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- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Pennsylvania State Employees' Retirement System.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

VI. Document Properties

- a. Document Owner: Internal Audit Office
- b. Document Author: Ryan McCoy, CIA
- c. Summary of Changes:

Date	Version	Author	Summary
5/7/2024	1	Ryan McCoy	Internal Audit Office Charter - 1 st Edition – Board Approved May 7 2024
10/7/2024	2	Ryan McCoy	Updated to incorporate the Institute of Internal Auditors (IIA's) Global Internal Audit Standard changes that go into effect January 2025
05/6/2025	2	Ryan McCoy	Board approval of amended Internal Audit Office Charter

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