

Minutes of Board Governance and Personnel Committee Meeting

Tuesday, June 9, 2020

Attendees:

Board Governance and Personnel Committee:

David Fillman, Chair – via phone
Gregory Jordan – via phone
Gregory Thall – via phone
Treasurer Joseph Torsella – via phone

Other Board Members:

Glenn Becker – via phone
Jim Bloom (designee for Acting Secretary Vague) – via phone
Sen. John DiSanto – via phone
Lloyd Ebright (designee for Treasurer Torsella) – via phone
Alan Flannigan (designee for Acting Secretary Vague) – via phone
Mary Soderberg – via phone

SERS Staff:

Christopher Houston, Committee Senior Staff (Compliance)
Katie Mathews, Committee Senior Staff (HR)
N. Joseph Marcucci, Chief Counsel
Alicia James, Chief Financial Officer
James Nolan, Acting Chief Investment Officer – via phone
Terrill Sanchez, Executive Director
Jeffrey Meyer, Managing Director of Investment Operations

1. Call to Order

At 9:03 A.M., Chair David Fillman called the meeting to order.

2. Welcome and Introduction

Chair David Fillman welcomed Committee members, designees, and other non-Committee Board members.

3. Approval of Minutes

Minutes of February 25, 2020 and February 26, 2020, Board Governance and Personnel Committee meeting.

Motion:

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

RESOLVED: That this Committee approves the meeting minutes of the February 25, 2020 and February 26, 2020, Board Governance and Personnel Committee meeting.

4. Old Business

a. PPMAIRC Recommendations Update

Staff reviewed with the Committee the status of seven PPMAIRC recommendations. Following discussion, the Committee took action and made specific recommendations to the Board regarding the following six recommendations:

- Continue the work of the PPMAIRC Commission through the establishment of a review commission – PPMAIRC Recommendation #5

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board acknowledge that it is for the legislature if they choose to do so to establish a review commission to explore questions beyond the purview of the PPMAIRC.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
HUGHES	Absent
JORDAN	Yes
THALL	Yes
TORSELLA	Yes

- **Lead an effort to form a consortium of major state pension funds to reset the balance of power between asset owners and investment managers – PPM AIRC Recommendation #6**

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board have staff continue to actively participate in ILPA, PREA, CII, and NASRA, in their efforts to reset the balance of power.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
HUGHES	Absent
JORDAN	Yes
THALL	Yes
TORSELLA	Yes

- **All investment marketing ("pitch") materials, investment agreement terms, including side letters, related to fees, costs, expenses, performance and risk be publicly available. Also, fee terms should not be redacted in contracts posted to e-contracts website, and both retirement systems should use a common standard checklist for transparency issues when evaluating managers – PPM AIRC Recommendation #16**

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board direct the investment office to include

in its staff memo to the Investment Committee for any prospective GP/Manager the responses received from the GP/Manager to the request for consent to publish the metrics found in the specialty consultants' semi-annual performance reports, as well as other information.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
HUGHES	Absent
JORDAN	Yes
THALL	Yes
TORSELLA	Yes

- **The General Assembly should enact legislation to encourage diversity and inclusion efforts to increase the use of minority- and women-owned asset management managers and firms. These initiatives include but are not limited to: Requiring the public pension systems and other investment boards to report annually on the ethnicity and gender of the members of their own staffs as well as money managers they hire – PPMAIRC Recommendation #110**

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board direct staff to include in the SERS staff recommendation memos to the Investment Committee the responses received from the manager to SERS' Master Due Diligence Questionnaire pertaining to diversity and inclusion, as well as the ILPA Team Diversity Template, if completed by the manager.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes

HUGHES	Absent
JORDAN	Yes
THALL	Yes
TORSELLA	Yes

- **Creating a Commonwealth online database of minority- and woman-owned asset managers – PPM AIRC Recommendation #112**

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board to support the efforts to create a Commonwealth online database of minority- and woman-owned asset managers, to be housed with and maintained by the Department of General Services.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
HUGHES	Absent
JORDAN	Yes
THALL	Yes
TORSELLA	Yes

- **Adopting minimum goals for the utilization of minority- and woman-owned asset management firms – PPM AIRC Recommendation #113**

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board continue to seek investment opportunities with minority- and woman-owned asset management firms, through SERS' Emerging Investment Manager Program, consistent with the Board's fiduciary duties and responsibilities.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
HUGHES	Absent
JORDAN	Yes
THALL	Yes
TORSELLA	Yes

Regarding the seventh PPM AIRC recommendation (**Recommendation #15 (IC) - Each public board and committee meeting should be live streamed, and video and audio recordings of public board proceedings be published and archived**), staff continues to explore this recommendation and anticipates being able to present to the Committee at its July 2020 meeting information sufficient to enable the Committee to make a recommendation to the Board.

5. Special Presentations

There were no special presentations.

6. New Business

a. Amendment to Bylaws

So as to ensure that committees can meet and function at the beginning of a New Year, without having to wait until the election of a new Chair, staff suggested adding language to the Board bylaws that provides that for both the committee Chairs and Assistant Chairs they stay in office until a successor is elected (for Chairs) and appointed (for Assistant Chairs).

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board amend sections 3.4 and 3.5 of the Commonwealth of Pennsylvania State Employees' Retirement System Bylaws, as set forth in the attachment.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
HUGHES	Absent
JORDAN	Yes
THALL	Yes
TORSELLA	Yes

In that the bylaws require 15 days advance written notice to all Board members of the proposed action to amend the bylaws, the recommendation from the Committee will be considered by the Board at its July meeting.

b. Board Fiduciary and Self-Assessment – Authorization to Procure Consultant

Staff led a discussion of the need to procure a consultant to assist the Board in conducting a fiduciary review pursuant to the Fiduciary Review Policy and to facilitate the Board's self-assessment pursuant to the Board Self-Assessment Policy, which was followed by the Committee taking action consistent with this discussion.

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee recommend that the State Employees' Retirement Board:

- authorize the procurement of a consultant to assist the Board in conducting a fiduciary review pursuant to the Fiduciary Review Policy and to facilitate the Board's self-assessment pursuant to the Board Self-Assessment Policy; and
- direct members of the Board Governance and Personnel Committee to serve on an evaluation committee to evaluate and score proposals for purposes of

recommending to the Board the selection of a best value consultant for the project.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
HUGHES	Absent
JORDAN	Yes
THALL	Yes
TORSELLA	Yes

7. Committee Comments/Concerns/Questions

There were no additional comments, concerns, or other questions from committee members.

8. Motion to Adjourn

Motion:

By motion that was moved by Chair David Fillman and approved unanimously by Committee members, it was;

RESOLVED: That this meeting be adjourned at 9:40 a.m.

Respectfully Submitted,



Katie Mathews
Director of Human Resources



Christopher C. Houston
Executive Deputy Chief Counsel
Acting Chief Compliance Officer