

SERS Board Governance Policy Manual

Governing Laws, Mission, Vision, and Core Values

Introduction

This Governance Policy Manual is a collection of the principal policies and procedures governing the functions of the Board of the Pennsylvania State Employees' Retirement System ("SERS"). The contents of this Manual provide guidance regarding the proper conduct of members of the Board and its committees in performing their responsibilities to ensure that they are functioning in an effective and efficient manner and in accordance with applicable law.

Board Responsibilities and Composition

Established in 1923, SERS is one of the nation's oldest and largest statewide retirement plans for public employees. The SERS Board ("Board") is responsible for administering nearly \$38 billion in assets held in trust for nearly 240,000 members and participants as of December 31, 2022. The Board is responsible for oversight of the investments and benefit administration of the Defined Benefit Plan, established in 1923, that serves nearly 240,000 members. The Board also selects the investment options and oversees the contracted third-party administrator of the Defined Contribution Plan, established in 2019, that serves more than 25,000 participants, and the voluntary supplemental Deferred Compensation Plan, established in 1987, that serves nearly 57,000 participants. The board's administrative work is carried out by a staff of approximately 235, on behalf of more than 100 Pennsylvania public sector employers.

The Board is composed of 11 members who serve as trustees with fiduciary responsibilities for management of SERS' funds. These are:

- Five gubernatorial appointees (one of whom must be an annuitant) or a participant in the State Employees' Defined Contribution Plan ("Plan") who has terminated state service and is receiving or is eligible to receive distributions, subject to Senate confirmation.
- Four legislators (each consisting of a majority and minority member):
 - Two of whom are representatives appointed by the Speaker of the House
 - Two of whom are senators appointed by the President Pro Tempore
- The State Treasurer and the Secretary of Banking and Securities (who serve as ex-officio members during his/her term of office)

The gubernatorial appointees serve four-year terms. The legislative members serve until the expiration of their legislative terms. In addition, at least five members of the Board shall be active members of the system and at least two members shall have ten or more years of credited state service or shall have been active participants in the Plan for ten calendar years or have a combination of years of credited state service in the retirement system and calendar years as active participants in the Plan equal to ten or more years. One of the Board members is selected

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by the Governor to serve as Chairperson. The State Treasurer, Secretary of Banking and Securities, and legislative members also have the option of appointing their own designees to act in their stead on the Board.

Governing Statutes and Regulations

The SERS Board, as well as the funds and programs it administers, were created, and are governed by state statutes and law. In addition, the SERS Board is responsible for adopting and implementing those Pennsylvania Administrative Code provisions which interpret and supplement its program statutes. The primary statutes and codes that apply to the Board's responsibilities include the following:

- State Employees' Retirement Code
- Public Official and Employee Ethics Act
- Legislative Code of Ethics
- Governor's Code of Conduct
- Open Meetings Act ("Sunshine Law")
- Right-to-Know Law (a/k/a RTKL, open records, or freedom of information act)
- State Adverse Interest Act (prohibiting public official private interests in public contracts)
- State Employees' Retirement Board Administrative Code
- Administrative Code of 1929

Fiduciary Responsibilities

As trustees, members of the SERS Board have fiduciary responsibilities. These fiduciary duties establish standards of conduct that are generally stricter than those observed by other public officials or directors of corporations. The primary fiduciary responsibilities are imposed on SERS Board members and other SERS fiduciaries by 71 Pa. C.S.A. §5931, and include:

Duty of Loyalty

SERS fiduciaries are subject to the exclusive benefit standard, which requires them to act solely in the interests of the plan's participants and beneficiaries, and for the exclusive purpose of providing benefits to participants and beneficiaries.

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Duty of Care

In exercising their fiduciary responsibilities, SERS fiduciaries are governed by the "prudent investor" standard and each must perform these responsibilities "with the degree of judgment, skill and care under the circumstances then prevailing which persons of prudence, discretion and intelligence, who are familiar with such matters, exercise in the management of their own affairs not in regard to speculation, but in regard to the permanent disposition of the funds, considering the probable income to be derived therefrom as well as the probable safety of their capital."

Common Law Fiduciary Duties

In addition to the above statutory and code provisions, trust law sets forth fiduciary duties and contain the following principles:

- **Duty to Diversify:** Trustees must diversify investments so as to minimize the risk of loss, unless under the circumstances it is clearly not prudent to do so.
- **Duty to Delegate:** Trustees may delegate functions that a prudent trustee would delegate under the circumstances, provided that they exercise reasonable care in selecting, instructing and monitoring the delegated agents.
- **Duty to Control Costs:** Trustees may incur costs that are appropriate and reasonable to prudently accomplish the purposes of the trust.
- **Duty of Impartiality:** Trustees must discharge their duties impartially, taking into account any differing interests of various participants and beneficiaries.
- **Duty of Good Faith:** Trustees must exercise their responsibilities in accordance with a good-faith interpretation of applicable law and governing documents.

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Mission Statement

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

Vision Statement

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

Strategic Priorities

- (1) Enhance the member and participant experience through automated and self-service opportunities while maintaining personalized service
- (2) Enhance efficiencies through streamlined processes and aligned content management practices
- (3) Enhance efficiencies and collaboration through a centralized repository(ies) of searchable, shareable resources
- (4) Enhance the overall work experience for all employees while fulfilling the SERS mission
- (5) Assess and determine roadmap for a pension administration system in light of digital transformation

Core Values

The SERS Board and staff are committed to follow these core values.

❖ **CHAMPION THE MISSION**

We champion the mission and SERS' commitment to serve our members, their families, and beneficiaries, throughout their careers and into retirement.

❖ **ACT ETHICALLY & WITH INTEGRITY**

We embrace the qualities of trustworthiness, honesty, integrity, fairness, accountability, and ethics as an organization. Remembering to do the right thing even when no one is looking.

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❖ **EMPOWER MEMBERS**

We believe in providing our members and stakeholders with the services, tools, and information that they need, where and when they need them.

❖ **EMBRACE INNOVATION**

We strive to continuously improve by being open-minded and by encouraging, promoting, implementing, and valuing new ideas and solutions to better serve our members.

❖ **FOSTER LIFE WORK BALANCE**

We value, appreciate, and recognize our staff as individuals whose value extends beyond the workplace. We encourage and support the growth, development, and contributions of each employee outside of the workplace and seek to foster a positive balance with life and work.

❖ **MODEL AN INCLUSIVE & RESPECTFUL WORKPLACE**

We embrace different ideas, perspectives, experiences, knowledge, and opinions. We believe it's our differences that make us a better organization.

❖ **VALUE & DEVELOP TEAM MEMBERS**

We treat our members, coworkers, and others with empathy, politeness, courtesy, civility, and thoughtfulness. We provide encouragement, opportunities, and validation to our coworkers.

❖ **COLLABORATE**

We encourage communication and collaboration among and between our employees, vendors, stakeholders, and members to provide responsive and excellent service to our coworkers, members, and stakeholders.

❖ **FIND JOY**

Find joy, laughter, and fun at work with your colleagues in serving our members and stakeholders. Always remember what you do is important and makes a difference, and you'll be great at your job.