

## **news release**

**for immediate release**

August 10, 2017

### **SERS' Recent Governance Work and Fee Reduction Efforts Validated by State Auditors**

HARRISBURG – The Pennsylvania State Employees' Retirement System today received the final report on the performance audit of the system conducted by the Department of the Auditor General.

"Auditors found no violations of law, Retirement Code provisions, regulations, board by-laws or any policy. Nor did it identify waste, fraud or abuse of public funds," explained SERS Executive Director David Durbin. "In most cases, the auditors' observations validated our work over the past two years to examine current processes and develop ways to improve the effectiveness of Board oversight and enhance the delivery of services through our due diligence and governance review.

"The audit team, as members of this system, have a vested interest in ensuring that the system operates as efficiently, effectively and transparently as possible," added Durbin. "I appreciate the auditors' thorough and thoughtful review of our business processes and practices, and their professional conduct throughout the audit."

As part of the year-long audit, SERS staff responded to 55 separate detailed requests for information from the audit team and participated in multiple meetings, and board members and designees were asked to respond to a survey.

According to comments in the audit report:

- The auditors found the investment-related policies appear to be thorough and provide a strong foundation for good governance.
- The draft Education Policy appears to establish a solid foundation to implement an education program. (The board finalized the education policy in July, including provisions established in the recently enacted Act 2017-5 pension reform legislation.)
- While SERS' reporting of investment expenses surpasses some peer public pension systems, the system has taken efforts to reduce these expenses over the audit period.
- SERS' strategic approach to investing, specifically the key decision of whether it is most prudent to actively or passively manage portfolios within its asset allocation policy, appears to be reasonable.
- SERS' reporting of fund performance is comprehensive.
- SERS adequately monitored and documented its monitoring of its public investment managers, including specialized processes for the underperforming managers, in accordance with its written monitoring policy and procedures.

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- SERS adequately monitored its private investment managers.
- SERS appears to have adequately designed its internal controls over investment operations to ensure a clear segregation of duties for key investment decision-making.
- The diversity of SERS' investment portfolio appears to be determined by an investment strategy which is prudent to minimize risk based on market conditions.
- SERS appears to have made accurate pension forfeiture determinations in compliance with Act 140 and sought recoupment of annuity payments made after the date of conviction.

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**Pennsylvania State Employees' Retirement System**

Established in 1923, SERS is one of the nation's oldest retirement plans for public employees, with approximately 240,000 members and assets of more than \$27.5 billion. A wealth of information is available at [www.SERS.pa.gov](http://www.SERS.pa.gov).

**for more information**

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