

Minutes of Board Governance and Personnel Committee Meeting

Tuesday, February 23, 2021

Attendees:

All Board Members, Designees, and SERS staff participated via Microsoft Teams, unless otherwise indicated.

Board Governance and Personnel Committee:

David Fillman, Chair
Treasurer Stacy Garrity
Christopher Craig (designee for Treasurer Stacy Garrity)
Lloyd Ebright (designee for Treasurer Stacy Garrity)
Sen. Vincent Hughes, Assistant Chair (**Absent**)
Toni Marchowsky (designee for Sen. Vincent Hughes)
Gregory Thall
Secretary Richard Vague (**Absent**)
Alan Flannigan (designee for Secretary Richard Vague)
James Bloom (designee for Secretary Richard Vague)

Other Board Members:

Glenn Becker
Susan Boyle (designee for Rep. Paul Schemel)
Charles Erdman (designee for Sen. John Disanto)
Gregory Jordan
Dan Ocko (designee for Rep. Dan Frankel)
Patrick Shaughnessy (designee for Rep. Dan Frankel)
Mary Soderberg
Jill Vecchio (designee for Rep. Paul Schemel)

SERS Staff:

Rose Agnew, Executive Secretary (in person, SERS Board Room)
Katie Bates, Administrative Officer (in person, SERS Board Room)
Don Bell, Executive Assistant (in person, SERS Board Room)
Kelly Bernhard, Administrative Assistant (in person, SERS Board Room)
Tom Derr, Communications and Policy Director
Randy Gilson, Director, Technical Support Division (in person, SERS Board Room)
Kevin Kiehl, IT Generalist (in person, SERS Board Room)
Mark Walter, IT Generalist Administrator (in person, SERS Board Room)
Pam Hile, Communications Director

Christopher Houston, Committee Senior Staff (Compliance)
Dan Krautheim, Chief Information Officer (in person, SERS Board Room)
Seth Kelly, Chief Investment Officer
Katie Mathews, Committee Senior Staff (HR)
N. Joseph Marcucci, Chief Counsel
Sara McSurdy, Chief Financial Officer
Jim Nolan, Deputy Chief Investment Officer
Terrill Sanchez, Executive Director
Joe Torta, Deputy Executive Director for Member and Participant Services

1. Call to Order

At 3:04 P.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. Election of Committee Chair

Terri Sanchez, in her capacity as Board Secretary, requested nominations for the position of Committee Chair. David Fillman was nominated and elected as Committee Chair.

4. Approval of Minutes

Minutes of December 1, 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 December 1, 2020, Board Governance and Personnel Committee meeting.

5. Old Business

a. Fiduciary Review and Board Self-Assessment - Update

Chris Houston providing an update to the Committee on the fiduciary review and self-assessment being conducted by Funston Advisory services, including:

1. Overview of the purpose, which is to:
 - a. Conduct a fiduciary and governance review of the Board's performance of its duties in four task areas (non-economic investment requirements; the asset liability matching process; legislative positioning; reactive and proactive; and investment manager selection/ due diligence/ monitoring/ termination); and
 - b. Assist the Board in its review and assessment of its performance and identify subject areas that may be appropriate for educational/training sessions.

2. The formation of a steering committee comprised of members of the Board Governance and Personnel Committee and members of SERS senior staff, which agreed upon the overall project workplan, timeframe, and deliverables.
3. Draft reports for both the fiduciary review and self-assessment will be reviewed by the Committee in the end of March for receipt of input from the Committee.
4. Final reports are anticipated to be presented at the April Committee and Board meetings.

6. Special Presentations

There were no special presentations.

7. New Business

a. Appointment of Assistant Chair

Upon unanimous consent of the Committee, Sen. Vincent Hughes was appointed as Assistant Chair.

b. Review of 2021 Board Governance and Personnel Committee Work Plan

The Committee reviewed the work plan for 2021.

c. Review of Board Governance and Personnel Committee Charter

The Committee reviewed proposed amendments to the Board Governance and Personnel Committee Charter. Any recommended changes would not be acted on by the Board at this time. Instead, the Board will be asked to vote approving the proposed changes, along with the changes to other committee charters at a future meeting.

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 approve the amendments to the Board Governance and Personnel Committee charter, as set forth in the attached.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
GARRITY	Yes
Designee:	
HUGHES	

Designee: Marchowsky	Yes
THALL	Yes
VAGUE	
Designee: Flannigan	Yes

d. Review of Board Education Policy

The Committee reviewed proposed changes to the Board Education Policy to provide for changes to the education requirement for Board members and to establish education requirement for the members of the Audit, Risk, and Compliance Committee, as required by Act 2020-128. Starting in 2022, Board members and designees will be required to successfully complete at least ten hours of total training annually in investment strategies, actuarial cost analysis, asset allocation, risk assessment, and retirement portfolio management. The new mandatory categories are asset allocation and risk assessment.

Additionally, Act 2020-128 provides that for Board members newly appointed as voting members to the Audit, Risk, and Compliance Committee on or after February 24, 2021, they must commit to complete 16 hours of training in risk assessments, internal controls, and auditing standards within 90 days of their appointment. To continue serving as a voting member, there is a requirement to complete at least eight hours of training on those topics each calendar year thereafter.

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 approve the amendments to the Board Education Policy, as set forth in the attached.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
GARRITY	Yes
Designee:	
HUGHES	

Designee: Marchowsky	Yes
THALL	Yes
VAGUE	
Designee: Flannigan	Yes

e. Review of Board Self-Assessment Policy

The Committee conducted a biennial review of the Board Self-Assessment Policy, as required by the policy, and determined that that no changes are to be made at this time.

f. Review of Board Bylaws

The Committee reviewed a proposed recommendation to amend the Bylaws for purposes of making a technical correction to Section 1.1 of the Board bylaws, so as to be consistent with the Board composition requirements of the State Employees' Retirement Code, to include language that provides that at least five members of the Board can be active participants in the State Employees' Defined Contribution Plan or, as is already stated, active members of the State Employees' Retirement System

In addition, the Committee reviewed a provision included in Act 2020-128, amending Section 5901 of the State Employees' Retirement Code, by adding subsection (g)(2), which provides as follows:

(2) The board may establish an executive committee, which shall consist of the board chair, the board vice chair, if one has been appointed, the chair of the Audit Risk and Compliance Committee, the chair of the Investment Committee and the chair of the Finance and Member Services Committee or other members of the board as determined by the board.

After discussion, the Committee deferred taking any action on further exploring the creation of an executive committee, which would otherwise require a Bylaws amendment.

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 section 1.1 of the Commonwealth of Pennsylvania State Employees' Retirement System Bylaws, as set forth in the attached.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
GARRITY	Yes
Designee:	
HUGHES	
Designee: Marchowsky	Yes
THALL	Yes
VAGUE	
Designee: Flannigan	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 April meeting.

8. Executive Session

At 3:32 P.M., the Committee entered into executive session to discuss the following personnel matter: Annual Salary Adjustments for Investment Professionals, excluding CIO.

At 3:59 P.M., the public session resumed.

Motion:

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

RESOLVED: That the Board Governance and Personnel Committee approve the salary adjustments for investment professionals effective the first full pay period of March 2021 as per the attached in BoardDocs.

The roll call vote tabulation was as follows:

Board Member	Vote
FILLMAN	Yes
GARRITY	Abstain
Designee:	

HUGHES	
Designee: Marchowsky	Yes
THALL	Yes
VAGUE	
Designee: Flannigan	Yes

9. Committee Comments/Concerns/Questions

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


10. 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 4:01 P.M.

Respectfully Submitted,


Katie Mathews
Director of Human Resources


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

PENNSYLVANIA STATE EMPLOYEES' RETIREMENT ~~SYSTEM~~BOARD

BOARD GOVERNANCE AND PERSONNEL COMMITTEE CHARTER

I. PURPOSE.

The Board Governance and Personnel Committee's purpose is to assist the ~~board~~ (the "Board") of the Pennsylvania State Employees' Retirement Board (the "Board"), which conducts business as the State Employees' Retirement System ~~(", the State Employees' Defined Contribution Plan, and as trustee of the Commonwealth's IRC §457 Deferred Compensation Plan (collectively "SERS"))~~, in fulfilling its oversight responsibilities in the areas of Board governance, Board member training and evaluation, stakeholder communications, SERS strategic planning, and oversight of select personnel.

II. AUTHORITY.

The Board hereby delegates all necessary power and authority to the Board Governance and Personnel Committee (the "Committee") for 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 or Board Chairperson without first obtaining the approval of the Board.

III. COMPOSITION.

The Committee shall consist of three (3) to five (5) current members of the Board, who may be the designees of Board members ("Committee Members"), as provided in the Bylaws.

The terms of appointment for Committee Members shall be as provided for in the Bylaws.

IV. MEETINGS.

Committee meetings shall be conducted in accordance with the Bylaws, except as otherwise provided in this Charter. The Committee shall meet at least two (2) times every year. The Committee Chair, after consulting with the Committee Members, shall fix the dates and times of the committee meetings and shall request that the Secretary of the Board provide notice of meetings in accordance with the Bylaws.

The Committee may invite the Executive Director, Deputy Executive Director for Administration, Human Resources Director, other members of SERS management, the SERS Chief Counsel's Office ~~of Chief Counsel ("OCC"("CCO"))~~, and others to attend meetings and provide pertinent information, as it deems necessary or desirable.

V. RESPONSIBILITIES.

A. Board Governance.

1. The Committee shall collaborate with the other ~~SERS~~Board committees, Executive Director and ~~OECCO~~ to review the Bylaws and committee charters on a biennial basis. The review shall include the delegation of Board authority to each committee. The Committee shall recommend any changes to the Bylaws or committee charters to the Board.
2. The Committee shall collaborate with SERS Executive Director and ~~OECCO~~ to oversee the review of Board governance policies and procedures on a biennial basis. The Committee shall recommend any changes to the Board.

B. Board Member Training & Evaluation.

1. The Committee shall collaborate with SERS staff and ~~OECCO~~ to develop Board self-assessment policies and procedures.
2. The Committee shall oversee Board self-assessment, review Board effectiveness, evaluate Board member skill sets and competencies and recommend Board member development and training.
3. The Committee shall collaborate with SERS staff to develop a Board skills matrix to identify current and needed skill sets. The Committee may recommend the approval of the matrix to the Board. Following approval, the Committee may share the matrix with appointing authorities to encourage the appointment of Board members with needed skill sets.
4. The Committee shall collaborate with SERS staff and ~~OECCO~~ to ensure that Board members are familiar with the SERS Governance Policy Manual.

C. Stakeholder Communications.

1. The Committee shall collaborate with SERS staff to develop and recommend the Board's communications plan. The communications plan shall facilitate effective communication between and among various stakeholder groups, which may include the trustees, agency staff, SERS members, retirees, legislators, employers, consultants, and other external parties.
2. The Committee shall monitor and update the stakeholder communications plan on a biennial basis.

D. SERS Strategic Planning.

1. The Committee shall oversee SERS' strategic planning process, which is to ensure that strategic investment, operations and business planning
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occurs in a rigorous, systematic and coordinated manner across the agency.

2. The Committee will be responsible for:
 - a. Providing SERS staff with input on the proposed strategic plan, including goals and strategic initiatives;
 - b. Approving strategic plan recommendations for presentation to the Board, along with any related budget and other approvals needed to support the plan;
 - c. Monitoring implementation of the strategic plan on an ongoing basis; and
 - d. Reporting to the Board regarding progress toward goals and recommended changes.
3. The Committee shall collaborate with SERS staff to review SERS' organizational structure and develop organizational performance metrics.

E. Oversight of Personnel.

1. The Committee shall collaborate with SERS staff and ~~OECCCO~~ to review personnelthe performance review processes for the Executive Director and the Chief Investment Officer and any compensation policies and proceduresfor investment professionals and attorneys on a biennial basis. The Committee shall recommend any changes to such processes and policies ~~and procedures~~ to the Board.
 2. The Committee shall collaborate with SERS staff to oversee leadership succession planning and organizational development.
 3. The Committee shall collaborate with SERS staff to oversee periodic compensation studies and recommend staff compensation as a result of such studies.
 4. The Committee shall collaborate with SERS staff to oversee executive searches for the Executive Director.
 5. The Committee shall develop quantitative performance goals for the Executive Director to be incorporated in the Executive Director's performance expectations.
 6. The Committee shall obtain input from the Board and oversee the annual evaluation process of the Executive Director. The ~~Committee Chair shall deliver results of~~ the ~~Committee's annual~~ evaluation are to be presented to the Executive Director by the Board Chairperson.
 7. The Committee may recommend discipline or the termination of the Executive Director to the Board, if appropriate.
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F. Other Responsibilities.

1. The Committee shall collaborate with SERS staff to oversee compliance with diversity policies.
2. The Committee shall perform such other activities related to the Committee's functions and duties as are reasonably appropriate or are requested by the Board from time to time.

VI. REPORTING.

- A. Following a Committee meeting, the Committee Chair shall provide a written report to the Board at the next regularly scheduled Board meeting to update the Board as to its activities, findings and recommendations and any other relevant issues. Committee meeting minutes shall be distributed to the Board.
- B. The Committee Chair shall share the agenda for an upcoming Committee meeting with the entire Board ~~at the Board meeting taking place immediately prior to the Committee meeting or, in the case of a special meeting called without the opportunity to provide the agenda at the prior Board meeting, the agenda is to be shared with the Board~~ as soon as practicable.

VII. SELF-ASSESSMENT.

- A. The Committee shall collaborate with SERS staff and ~~OECCCO~~ to review this Committee Charter and the policies and procedures described in this Charter or otherwise overseen by the Committee on a biennial basis. The Committee shall recommend any changes thereto to the Board.
- B. The Committee and each Committee Member shall comply with the Board's self-assessment policies and processes and shall participate in any independent fiduciary reviews.

VIII. MISCELLANEOUS.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bylaws.

Policy Name: Board Education Policy
Policy Number: 2017 POL-BD-06
Effective Date: July 26, 2017, as amended April 25, 2018, as amended September 12, 2018, as amended February 24, 2021
Reviewed Date: July 26, 2017, April 25, 2018, August 2, 2018, January 7, 2021
Applies To: SERS Board Members and Designees
Contact Person: Board Education and Training Manager

I. Purpose

Board members, as the trustees of the Pennsylvania State Employees' Retirement Fund (the "Fund"), and their designees are governing fiduciaries of the Fund and are subject to the exercise of that degree of judgment, skill and care that a prudent investor would observe under similar circumstances. It is the purpose of this policy to provide for the educational training of Board members and their designees, in order for them to fulfill their fiduciary obligations. All Board members are required to successfully complete at least eight a specified number of hours of training as specified in Act 2017-5 the State Employees' Retirement Code ("Retirement Code") and identified below. Although not Pursuant to Act 2020-128 and amendments made to the Retirement Code, Board members appointed to the Audit, Risk, and Compliance Committee are also required in Act 2017-5, designees to complete a specified number of hours of training in risk assessments, internal controls, and auditing standards, as identified below. Designees shall also be required to successfully complete at least eight the number of hours of ~~the~~ training as specified in Act 2017-5 for required of the Board members to complete member for whom they serve as designee. In addition, Board members and designees are also required to receive one hour of ethics training annually.

Board members and designees should also individually and collectively aspire to develop an understanding of peer practices and the issues involved in managing large pools of assets. This policy sets forth the process for Board members and designees to receive such training, education and professional development. For purposes of this policy, "Chairperson" includes the Chairperson's designee.

II. Core Competencies

Board members and designees should aspire to develop a collective understanding of the following areas ("Core Competencies"). This policy does not contemplate that every member or designee become fully competent in each of these areas or that all Core Competencies must be represented on the Board. Rather, the Board should engage in a biennial evaluation and planning process focused on (a) identifying member skill sets and interests, (b) aspiring to foster development of individual and combined member Core Competencies that are as complete as practical, and (c) prioritizing development of any Core Competencies which are expected to be most needed over the next two to four years. The following nonexclusive list is merely for demonstration purposes and is not intended to reflect minimum competencies.

- (1) Fiduciary Responsibilities and Laws Relevant to the Board
- (2) Governance Structure, Practices and Policies
- (3) Regulatory and Legal Issues (*e.g.*, public records and open meetings law compliance, budget, state government oversight, tax law and plan qualification features, non-tax legal requirements etc.)
- (4) Investment Strategies, Asset Allocation, Risk Assessment, and Retirement Portfolio Management (*e.g.*, ~~asset allocation, benchmarks~~, Benchmarks, performance measurement, investment risk, reporting standards, economic principles and related concepts)^{*}
- (5) Standards of Conduct, Confidentiality, Conflicts of Interest, Ethics Code Provisions, Personal Investments and Related Disclosure Requirements^{**}
- ~~(6)~~ (6) Internal Controls, Auditing Standards, and Financial and Accounting Standards and Practice (*e.g.*, financial controls, audits, and compliance functions)
- (7) Benefits Design and Administration (*e.g.*, benefit plan features, risks inherent in benefits administration, basic administrative operations and processes)
- (8) Actuarial Cost Analysis, Funding and Asset-Liability concepts^{*}
- (9) Communications and Stakeholder relations
- (10) Best Practices for Governing Board and the Conduct of Meetings
- (11) Selection, Contracting, Monitoring and Evaluation of Advisors, Managers, Consultants and Other Service Providers
- (12) Materiality of Sustainability, Environmental, Societal and Corporate Governance Factors
- (13) Enterprise Risk Management and Oversight
- (14) Strategic Planning Processes

~~*-These Core Competencies are required for Board members pursuant to 71 Pa. C.S. § 5901(f), which provides: "Board Training.—Each Member of the Board will be required to obtain eight hours of mandatory training in investment strategies, actuarial cost analysis and retirement portfolio management on an annual basis." The Board by this policy is also requiring designees to obtain annual training in these Core Competencies.~~

~~** -This Core Competency is required for Board member and designees, in order to satisfy an annual ethics training requirement.~~

(15) Pension Plan and Investment Industry Issues and Trends

(16) Other Topics Related to Particular Issues that Arise

III. Skills Inventory and Education Plan

Section 5901(f) of Pursuant to the Retirement Code ~~requires that~~ each Board member and designee is required to obtain mandatory training, as follows:

- A. For the period ending December 31, 2021, eight (8) hours of mandatory training in investment strategies, actuarial cost analysis, and retirement portfolio management on an annual basis (“~~Act 2017-5~~Pre-2022 Mandatory Core Competency Training”). ~~Effective~~
- B. Pursuant to Act 2020-128, effective January 1, 2019, the Board is requiring designees to obtain ~~Act 2017-5~~2022, and annually thereafter, ten (10) hours of mandatory training in investment strategies, actuarial cost analysis, asset allocation, risk assessment, and retirement portfolio management on an annual basis (“Post-2021 Mandatory Core Competency Training- ~~Effective January 1, 2019, both~~”).
- C. One hour of ethics training annually (“Ethics Training”) (hereafter, the Pre-2022 Mandatory Core Competency Training, Post-2021 Mandatory Core Competency Training, and Ethics Training are cumulatively referred to as the “Mandatory Board Training”).

Pursuant to Act 2020-128, effective February 24, 2021, in order to be newly appointed to the Audit, Risk and Compliance Committee as a voting member, a Board member must complete at least sixteen (16) hours of training in risk assessments, internal controls, and auditing standards within ninety (90) days of an initial appointment to the committee. Notwithstanding a Board member having satisfied the sixteen (16) training requirement, any new designees of that Board member must satisfy this training requirement within ninety (90) days of the designee’s appointment to serve as a designee. The sixteen (16) hours of training are inclusive of the hours indicated for Mandatory Board Training. The Committee on Sponsoring Organizations enterprise risk management guidelines may be considered as a guide to the training. Individuals who were members (including designees of members) of the Audit Risk and Compliance Committee on February 23, 2021 shall be exempt from the initial 16-hour requirement. In order to continue serving as a voting member of the Audit, Risk and Compliance Committee following initial appointment, a Board member and designee must complete at least eight (8) hours of continuing education in risk assessments, internal controls, and auditing standards each calendar year thereafter. (The training required for members of the Audit, Risk, and Compliance Committee is hereinafter referred to as the “Mandatory Committee Training”)

Board Members and designees are also required to obtain one hour of ethics training on an annual basis (“Ethics Competency Training”) (hereinafter the ~~Act 2017-5 Core Competency~~Mandatory Board Training, Mandatory Committee Training, and Ethics Competency Training are cumulatively referred to as the “Mandatory Training”).

The Board should undertake, in conjunction with receipt of any Board self-assessment results and in consideration of the Mandatory Training requirement, a biennial planning process to identify and prioritize those Core Competencies on which training is desired and required and those which are expected to be particularly important over the following two to four years. The Chairperson may request individual member preferences for participation in future training. A proposed education plan that contains Board and individual member educational goals and Mandatory Training requirements shall be developed for Board approval. The plan shall include an education budget to cover costs associated with authorized attendance at outside conferences, classes or training sessions. In addition to the required Mandatory Training, each Board member and designee should attempt to receive or attend at least four hours of additional training on an annual basis for the period ending December 31, 2021, and at least two hours of additional training on an annual basis commencing January 1, 2022 (“Non-Mandatory Training”). Non-mandatory Training shall be in addition to any Mandatory Training requirements. Training hours earned for any Mandatory and Non-Mandatory Training shall be determined annually on December 31, ~~effective for the calendar year commencing January 1, 2018.~~ Up to ~~four~~five qualifying hours of ~~Act 2017-5 Competency Training~~ training earned in a calendar year in excess of the required eight number of Mandatory Training hours may be applied to the next calendar year.

For any new members or designees, the ~~annual training~~Mandatory Board Training requirements shall commence on January 1 of the calendar year following their being seated on the Board or, in the case of designees, upon their designation as designee. Relevant training received through attendance at presentations approved by the Pennsylvania Public School Employees’ Retirement System, as part of the mandatory training requirements of Act 5 of 2017 and Act 2020-128, may be counted toward the ~~annual Act 2017-5 Core Competency~~Mandatory Training requirements. Relevant training received for or through other entities may be counted toward the annual requirement, upon approval of the Chairperson.

IV. New Member and Designee Orientation

1. A formal orientation program, covering the Core Competencies outlined above as well as any other pertinent topics, shall be developed by the Executive Director for the benefit of new members and designees. The orientation may consist of a single session or multiple sessions. It should be scheduled and completed as soon as reasonably practical. The orientation may be conducted by SERS staff or outside experts, or both, and may include attendance at conference sessions, classes or seminars. Members and designees participating in an orientation shall receive credit for participation in Non-Mandatory Training.
2. Prior to attending their first meeting of the Board as a trustee or as a designee, and to the extent practicable, new members and designees shall be invited by the Chairperson or Executive Director to attend a meeting of the Board or a standing committee as an observer.

3. New members and designees shall, as soon as possible, and under the direction of the Executive Director, be:
 - a. Briefed on the history, background and structure of the Pennsylvania State Employees' Retirement System ("SERS").
 - b. Briefed on current issues before the Board;
 - c. Introduced to senior management;
 - d. Briefed on their fiduciary duties, conflict of interest guidelines, financial disclosure requirements, public records and open meetings laws, and other pertinent laws, policies and regulations; and
 - e. Provided with all relevant information and documentation deemed appropriate by the Chairperson or the Executive Director.
4. The Executive Director shall biennially review and, if necessary, update all orientation material and supply each member with those updates.
5. Participation in orientation sessions shall be open to all Board members and designees.

V. Mentorship

A new member may request assignment of a mentor to assist in becoming familiar with Board responsibilities. If requested, the Chairperson shall assign an experienced Board member to provide mentorship for up to a year.

VI. Regular Ongoing Educational Opportunities and Budget

1. Training on many Core Competencies may be effectively taught by staff or experts from the Office of State Treasurer, Office of Attorney General, Office of General Counsel, Pennsylvania State Ethics Commission or other local sources. To assist Board members and designees in identifying quality educational opportunities that provide relevant training, the Executive Director shall compile and maintain a list of pre-approved educational events, based on the feedback of SERS members and SERS staff who have attended such events. The list shall be distributed to the Board at each regular meeting. Board members and designees may also suggest educational events for the Executive Director to consider in developing the list. Such training and educational events for Core Competencies may satisfy other professional development requirements (*e.g.*, continuing legal education credits for attorneys).
2. Members and designees may submit requests to the Executive Director for educational credit approval for attendance at outside educational events not listed on the list of pre-approved educational events.

3. Attendance at outside educational events shall be done in compliance with all applicable travel, business expense, budget, ethics code and standards of conduct limitations. Members and designees attend events as fiduciary representatives of the Board and should avoid even the appearance of impropriety.
4. The Board with input from the Executive Director shall establish a budget to allow attendance at approved outside educational opportunities on a fair and impartial basis, pursuant to its education plan.
5. On a periodic basis throughout the year, members and designees shall be provided with updates as to credit received for Mandatory Training and Non-Mandatory Training.
6. The Executive Director shall provide regular opportunities for Board members and designees to receive industry periodicals, books and other materials that are relevant to development and maintenance of Core Competencies.
7. The Executive Director shall ensure that refresher training sessions are offered on a regular basis, in Board meetings or otherwise, with attention to specific Core Competencies and ethics training in the education plan. Board members may request scheduling of training on specific relevant topics. The Chairperson may also arrange for special educational presentations in coordination with the Executive Director.
8. Instructional materials for outside educational events received by the Executive Director from members or designees shall be made readily available for review by all members and designees.

VII. Approval to Attend Outside Training with All or Part of Costs Paid for by the Board

Approval to attend an educational event with all or part of the costs paid being paid for by the Board must be obtained from the Chairperson and from the Board member for his/her designees, in advance of attending the event. Approval requests should include a reference to how the training fits the current Board education plan and specify whether the event is on the list of recommended educational events developed by the Executive Director.

VIII. Receiving Credit for Training Hours

The Executive Director shall establish the process by which members and designees shall follow in order to receive credit for attending Mandatory and Non-Mandatory Training.

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** SERS Legal Office
- c. **Summary of Changes:**

Date	Version	Author	Summary
July 26, 2017	2017 POL-BD-06	SERS Legal Office	The policy the Board established setting forth the process for Board members to receive training, education and professional development.
April 25, 2018		SERS Legal OFFICE	Revised policy to allow for carryover of Mandatory Training credit hours and for utilization of Pennsylvania Public School Employees' Retirement System board training to satisfy Mandatory Training requirements.
August 2, 2018		SERS Legal Office	Revised policy to include: (1) One hour ethics training requirement, (2) Mandatory training requirements for designees, (3) Providing updates to members and designees on credits received, and (4) Credit being given for participation in member/designee orientation.
<u>January 7, 2021</u>		<u>SERS Office of Administration</u>	<u>Revised policy to include: (1) New Mandatory Board Training hour requirements (2) New Mandatory Board Training topics, and (3) New Mandatory Committee Training requirements.</u>

Policy Name: Board Education Policy
Policy Number: 2017 POL-BD-06
Effective Date: July 26, 2017, as amended April 25, 2018, as amended September 12, 2018, as amended February 24, 2021
Reviewed Date: July 26, 2017, April 25, 2018, August 2, 2018, January 7, 2021
Applies To: SERS Board Members and Designees
Contact Person: Board Education and Training Manager

I. Purpose

Board members, as the trustees of the Pennsylvania State Employees' Retirement Fund (the "Fund"), and their designees are governing fiduciaries of the Fund and are subject to the exercise of that degree of judgment, skill and care that a prudent investor would observe under similar circumstances. It is the purpose of this policy to provide for the educational training of Board members and their designees, in order for them to fulfill their fiduciary obligations. All Board members are required to successfully complete a specified number of hours of training as specified in the State Employees' Retirement Code ("Retirement Code") and identified below. Pursuant to Act 2020-128 and amendments made to the Retirement Code, Board members appointed to the Audit, Risk, and Compliance Committee are also required to complete a specified number of hours of training in risk assessments, internal controls, and auditing standards, as identified below. Designees shall also be required to successfully complete the number of hours of training as required of the Board member for whom they serve as designee. In addition, Board members and designees are also required to receive one hour of ethics training annually.

Board members and designees should also individually and collectively aspire to develop an understanding of peer practices and the issues involved in managing large pools of assets. This policy sets forth the process for Board members and designees to receive such training, education and professional development. For purposes of this policy, "Chairperson" includes the Chairperson's designee.

II. Core Competencies

Board members and designees should aspire to develop a collective understanding of the following areas ("Core Competencies"). This policy does not contemplate that every member or designee become fully competent in each of these areas or that all Core Competencies must be represented on the Board. Rather, the Board should engage in a biennial evaluation and planning process focused on (a) identifying member skill sets and interests, (b) aspiring to foster development of individual and combined member Core Competencies that are as complete as practical, and (c) prioritizing development of any Core Competencies which are expected to be most needed over the next two to four years. The following nonexclusive list is merely for demonstration purposes and is not intended to reflect minimum competencies.

- (1) Fiduciary Responsibilities and Laws Relevant to the Board
- (2) Governance Structure, Practices and Policies
- (3) Regulatory and Legal Issues (*e.g.*, public records and open meetings law compliance, budget, state government oversight, tax law and plan qualification features, non-tax legal requirements etc.)
- (4) Investment Strategies, Asset Allocation, Risk Assessment, and Retirement Portfolio Management (*e.g.* Benchmarks, performance measurement, investment risk, reporting standards, economic principles and related concepts)
- (5) Standards of Conduct, Confidentiality, Conflicts of Interest, Ethics Code Provisions, Personal Investments and Related Disclosure Requirements
- (6) Internal Controls, Auditing Standards, and Financial and Accounting Standards and Practice (*e.g.*, financial controls, audits, and compliance functions)
- (7) Benefits Design and Administration (*e.g.*, benefit plan features, risks inherent in benefits administration, basic administrative operations and processes)
- (8) Actuarial Cost Analysis, Funding and Asset-Liability concepts
- (9) Communications and Stakeholder relations(10) Best Practices for Governing Board and the Conduct of Meetings
- (11) Selection, Contracting, Monitoring and Evaluation of Advisors, Managers, Consultants and Other Service Providers
- (12) Materiality of Sustainability, Environmental, Societal and Corporate Governance Factors
- (13) Enterprise Risk Management and Oversight
- (14) Strategic Planning Processes
- (15) Pension Plan and Investment Industry Issues and Trends
- (16) Other Topics Related to Particular Issues that Arise

III. Skills Inventory and Education Plan

Pursuant to the Retirement Code, each Board member and designee is required to obtain mandatory training, as follows:

- A. For the period ending December 31, 2021, eight (8) hours of mandatory training in investment strategies, actuarial cost analysis, and retirement portfolio management on an annual basis (“Pre-2022 Mandatory Core Competency Training”).
- B. Pursuant to Act 2020-128, effective January 1, 2022, and annually thereafter, ten (10) hours of mandatory training in investment strategies, actuarial cost analysis, asset allocation, risk assessment, and retirement portfolio management on an annual basis (“Post-2021 Mandatory Core Competency Training”).
- C. One hour of ethics training annually (“Ethics Training”) (hereafter, the Pre-2022 Mandatory Core Competency Training, Post-2021 Mandatory Core Competency Training, and Ethics Training are cumulatively referred to as the “Mandatory Board Training”).

Pursuant to Act 2020-128, effective February 24, 2021, in order to be newly appointed to the Audit, Risk and Compliance Committee as a voting member, a Board member must complete at least sixteen (16) hours of training in risk assessments, internal controls, and auditing standards within ninety (90) days of an initial appointment to the committee. Notwithstanding a Board member having satisfied the sixteen (16) training requirement, any new designees of that Board member must satisfy this training requirement within ninety (90) days of the designee’s appointment to serve as a designee. The sixteen (16) hours of training are inclusive of the hours indicated for Mandatory Board Training. The Committee on Sponsoring Organizations enterprise risk management guidelines may be considered as a guide to the training. Individuals who were members (including designees of members) of the Audit Risk and Compliance Committee on February 23, 2021 shall be exempt from the initial 16-hour requirement. In order to continue serving as a voting member of the Audit, Risk and Compliance Committee following initial appointment, a Board member and designee must complete at least eight (8) hours of continuing education in risk assessments, internal controls, and auditing standards each calendar year thereafter. (The training required for members of the Audit, Risk, and Compliance Committee is hereinafter referred to as the “Mandatory Committee Training”)

Board Members and designees are also required to obtain one hour of ethics training on an annual basis (“Ethics Competency Training”) (hereinafter the Mandatory Board Training, Mandatory Committee Training, and Ethics Competency Training are cumulatively referred to as the “Mandatory Training”).

The Board should undertake, in conjunction with receipt of any Board self-assessment results and in consideration of the Mandatory Training requirement, a biennial planning process to identify and prioritize those Core Competencies on which training is desired and required and those which are expected to be particularly important over the following two to four years. The Chairperson may request individual member preferences for participation in future training. A proposed education plan that contains Board and individual member educational goals and Mandatory Training requirements shall be developed for Board approval. The plan shall include an education budget to cover costs associated with authorized attendance at outside conferences, classes or training sessions. In addition to the required Mandatory Training, each Board member

and designee should attempt to receive or attend at least four hours of additional training on an annual basis for the period ending December 31, 2021, and at least two hours of additional training on an annual basis commencing January 1, 2022 ("Non-Mandatory Training"). Non-mandatory Training shall be in addition to any Mandatory Training requirements. Training hours earned for any Mandatory and Non-Mandatory Training shall be determined annually on December 31. Up to five qualifying hours of training earned in a calendar year in excess of the required number of Mandatory Training hours may be applied to the next calendar year.

For any new members or designees, the Mandatory Board Training requirements shall commence on January 1 of the calendar year following their being seated on the Board or, in the case of designees, upon their designation as designee. Relevant training received through attendance at presentations approved by the Pennsylvania Public School Employees' Retirement System, as part of the mandatory training requirements of Act 5 of 2017 and Act 2020-128, may be counted toward the Mandatory Training requirements. Relevant training received for or through other entities may be counted toward the annual requirement, upon approval of the Chairperson.

IV. New Member and Designee Orientation

1. A formal orientation program, covering the Core Competencies outlined above as well as any other pertinent topics, shall be developed by the Executive Director for the benefit of new members and designees. The orientation may consist of a single session or multiple sessions. It should be scheduled and completed as soon as reasonably practical. The orientation may be conducted by SERS staff or outside experts, or both, and may include attendance at conference sessions, classes or seminars. Members and designees participating in an orientation shall receive credit for participation in Non-Mandatory Training.
2. Prior to attending their first meeting of the Board as a trustee or as a designee, and to the extent practicable, new members and designees shall be invited by the Chairperson or Executive Director to attend a meeting of the Board or a standing committee as an observer.
3. New members and designees shall, as soon as possible, and under the direction of the Executive Director, be:
 - a. Briefed on the history, background and structure of the Pennsylvania State Employees' Retirement System ("SERS").
 - b. Briefed on current issues before the Board;
 - c. Introduced to senior management;
 - d. Briefed on their fiduciary duties, conflict of interest guidelines, financial disclosure requirements, public records and open meetings laws, and other pertinent laws, policies and regulations; and

- e. Provided with all relevant information and documentation deemed appropriate by the Chairperson or the Executive Director.
4. The Executive Director shall biennially review and, if necessary, update all orientation material and supply each member with those updates.
5. Participation in orientation sessions shall be open to all Board members and designees.

V. Mentorship

A new member may request assignment of a mentor to assist in becoming familiar with Board responsibilities. If requested, the Chairperson shall assign an experienced Board member to provide mentorship for up to a year.

VI. Regular Ongoing Educational Opportunities and Budget

1. Training on many Core Competencies may be effectively taught by staff or experts from the Office of State Treasurer, Office of Attorney General, Office of General Counsel, Pennsylvania State Ethics Commission or other local sources. To assist Board members and designees in identifying quality educational opportunities that provide relevant training, the Executive Director shall compile and maintain a list of pre-approved educational events, based on the feedback of SERS members and SERS staff who have attended such events. The list shall be distributed to the Board at each regular meeting. Board members and designees may also suggest educational events for the Executive Director to consider in developing the list. Such training and educational events for Core Competencies may satisfy other professional development requirements (*e.g.*, continuing legal education credits for attorneys).
2. Members and designees may submit requests to the Executive Director for educational credit approval for attendance at outside educational events not listed on the list of pre-approved educational events.
3. Attendance at outside educational events shall be done in compliance with all applicable travel, business expense, budget, ethics code and standards of conduct limitations. Members and designees attend events as fiduciary representatives of the Board and should avoid even the appearance of impropriety.
4. The Board with input from the Executive Director shall establish a budget to allow attendance at approved outside educational opportunities on a fair and impartial basis, pursuant to its education plan.
5. On a periodic basis throughout the year, members and designees shall be provided with updates as to credit received for Mandatory Training and Non-Mandatory Training.

6. The Executive Director shall provide regular opportunities for Board members and designees to receive industry periodicals, books and other materials that are relevant to development and maintenance of Core Competencies.
7. The Executive Director shall ensure that refresher training sessions are offered on a regular basis, in Board meetings or otherwise, with attention to specific Core Competencies and ethics training in the education plan. Board members may request scheduling of training on specific relevant topics. The Chairperson may also arrange for special educational presentations in coordination with the Executive Director.
8. Instructional materials for outside educational events received by the Executive Director from members or designees shall be made readily available for review by all members and designees.

VII. Approval to Attend Outside Training with All or Part of Costs Paid for by the Board

Approval to attend an educational event with all or part of the costs paid being paid for by the Board must be obtained from the Chairperson and from the Board member for his/her designees, in advance of attending the event. Approval requests should include a reference to how the training fits the current Board education plan and specify whether the event is on the list of recommended educational events developed by the Executive Director.

VIII. Receiving Credit for Training Hours

The Executive Director shall establish the process by which members and designees shall follow in order to receive credit for attending Mandatory and Non-Mandatory Training.

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** SERS Legal Office
- c. **Summary of Changes:**

Date	Version	Author	Summary
July 26, 2017	2017 POL- BD-06	SERS Legal Office	The policy the Board established setting forth the process for Board members to receive training, education and professional development.

April 25, 2018		SERS Legal OFFICE	Revised policy to allow for carryover of Mandatory Training credit hours and for utilization of Pennsylvania Public School Employees' Retirement System board training to satisfy Mandatory Training requirements.
August 2, 2018		SERS Legal Office	Revised policy to include: (1) One hour ethics training requirement, (2) Mandatory training requirements for designees, (3) Providing updates to members and designees on credits received, and (4) Credit being given for participation in member/designee orientation.
January 7, 2021		SERS Office of Administration	Revised policy to include: (1) New Mandatory Board Training hour requirements (2) New Mandatory Board Training topics, and (3) New Mandatory Committee Training requirements.

COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
BYLAWS

BYLAWS
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COMMONWEALTH OF PENNSYLVANIA
STATE EMPLOYEES' RETIREMENT SYSTEM
BYLAWS

ARTICLE I
BOARD COMPOSITION AND POWERS

Section 1.1. Composition. As provided in the State Employees' Retirement Code (71 Pa. C.S. §5101 *et seq.*) (the "Retirement Code"), the State Employees' Retirement Board (the "Board") shall consist of the following persons: two Senators, two members of the House of Representatives, five members appointed by the Governor, one of whom shall be an annuitant of the State Employees' Retirement System (the "System") or a participant in the State Employees' Defined Contribution Plan (the "Plan") who has terminated state service and is receiving or is eligible to receive distributions, subject to confirmation by the Senate, the Treasurer of the Commonwealth of Pennsylvania (the "Treasurer"), ex officio, and the Secretary of Banking and Securities, ex officio (hereafter, the Treasurer and the Secretary of Banking and Securities shall be collectively referred to as the "Ex officio Members"). At least five members of the Board (each a "Member") shall be active members of the System [or active participants in the Plan](#) 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 System and calendar years as active participants in the Plan equal to ten or more years. By written notice to the Board, the Ex officio Members and each Member who is a member of the General Assembly (each a "Legislative Member") may appoint one or more duly authorized designees who shall have authority to act in such Member's stead. In the event that a Member, who is designated as an active participant or as a participant in the Plan who is receiving or is eligible to receive distributions, receives a total distribution of his interest in the plan, that Member may continue to serve on the Board for the remainder of his term.

The two Members who are Senators shall be appointed by the President pro tempore of the Senate and shall consist of a majority and a minority member. The two Members who are members of the House of Representatives shall be appointed by the Speaker of the House of Representatives and shall consist of a majority and a minority member. The Legislative Members shall serve on the Board for the duration of their legislative terms and shall continue to serve until 30 days after the convening of the next regular session of the General Assembly after the expiration of their respective legislative terms or until a successor is appointed for the new term, whichever occurs first. Each Member appointed by the Governor shall serve for a term of four years or until such Member's successor is duly appointed and qualified, with the terms of those Members appointed by the Governor and serving on the date of adoption of these Bylaws to have the expiration dates in effect on such date.

Section 1.2. Powers. Except as otherwise provided by law and these Bylaws, all powers of the System shall be exercised by or under the authority of, and the business and affairs of the System shall be managed under the direction of, the Board.

Section 1.3. Vacancies. Each Member shall hold office until such Member's resignation, removal, death or, in the case of Members serving ex officio or as legislative appointees, ceasing to hold office. Any vacancy occurring during the term of an appointed Member shall be filled for the unexpired term by the appointment and confirmation of a successor in the same manner as the predecessor.

Section 1.4. Ex officio Members' and Legislative Members' Designees. The Ex officio Members and each Legislative Member may at any time and from time to time appoint one or more duly authorized designees (and if more than one, either in priority preference or as alternates) to act in his or her stead at any meeting of the Board or of any committee thereof or with respect to official business and activities of the Board conducted outside of meetings. Each appointment shall be made in writing signed by the appointing Member and filed with the Secretary. Designees of an Ex officio Member shall be an officer or employee of the Ex officio Member's agency. The appointment of a designee in the foregoing manner shall remain in full force and effect unless and until revoked in a writing signed by the Member by whom such designee was appointed and filed with the Secretary, or until the earlier removal or resignation of such designee from the office or employment that qualified that person for appointment, or until the Member who appointed such designee ceases to be a Member. Each designee shall have the same rights, duties and obligations as a Member, and shall be subject to the same standard of care as a Member, when acting in the stead of a Member. In these Bylaws, any committee charter, policy or procedure adopted by the Board, any reference to Board "members," "committee members," or "trustees," including the defined terms "Members" or "Committee Members" in these Bylaws, shall be deemed to refer to the authorized designees described in this section where the context permits such interpretation.

Section 1.5. Oath of Office. Each Member shall, before exercising any power or privilege of office as a Member, take and subscribe to the oath of office in the form prescribed by law. Such oath shall be certified to by the officer before whom it is taken and immediately filed in the office of the Secretary of the Commonwealth. Designees of the Ex officio Members or the Legislative Members shall take and subscribe to the same oath of office as Members do. No person shall be allowed to take the oath of office or enter or continue upon his or her duties as a Member or as a designee of the Ex officio Members or Legislative Members unless that person has filed a statement of financial interests for the preceding calendar year pursuant to the Public Official and Employee Ethics Act, 65 Pa. C.S. §§ 1101-1113 and, if applicable, pursuant to the Governor's Code of Conduct, promulgated by Executive Order 1980-18, as amended, in accordance with State Employees' Retirement System policies or other applicable law and has filed copies thereof (through the Chief Compliance Officer) with the Board.

Section 1.6. Removal and Resignation from Office. A Member shall be subject to removal from office only in accordance with the provisions of Article VI of the Constitution of

Pennsylvania or other applicable law. Any Member may resign at any time. Such resignation shall be in writing filed with the Secretary, but acceptance thereof by the Secretary or by any other party shall not be necessary to make it effective.

Section 1.7. Compensation. Members who are members of the System or participants in the Plan shall serve without compensation. Members who are not members of the System or participants in the Plan shall receive \$100 per day when attending meetings of the Board or committees established by the Board. All Members shall be reimbursed for any necessary expenses while attending to official business.

Section 1.8. Attendance. Each Member, or the Member's duly appointed designee, is expected to attend substantially all Board meetings and committee meetings for the committees to which such Member has been appointed. The Board may establish a process to grant excused absences for good cause. Non-committee Members are invited to participate in committee meetings as non-voting observers. Absences shall be noted in the minutes of the Board or committee meeting.

ARTICLE II MEETINGS OF THE BOARD AND COMMITTEES

Section 2.1. Place of Meetings. Meetings of the Board and any committee of the Board shall be held at the main office of the System, 30 North Third Street, Harrisburg, PA, unless another place within the Commonwealth of Pennsylvania is designated in the notice of the meeting. When determined necessary by the Chairperson in his/her sole discretion either to achieve a quorum or due to special circumstances, Members may participate in regular or special meetings of the Board by means of conference telephone or similar communications equipment, provided that during the conduct of such meeting all persons participating therein can hear each other and the meeting is conducted in accordance with the Pennsylvania Sunshine Act (65 Pa. C.S. §701 *et seq.*) (the "Sunshine Act"). Any Member may participate in a committee meeting by means of conference telephone or similar communications equipment, provided that during the conduct of such meeting all persons participating therein can hear each other and the meeting is conducted in accordance with the Sunshine Act. A roll call shall be taken for all votes during the attendance of any Members by telephone or teleconferencing. In the event there is a technical problem with the connection at any time during the meeting, or during a vote, the meeting will be temporarily held in abeyance until the connection has been restored or three unsuccessful attempts have been made to restore the connection. Participation in a meeting pursuant to this section shall constitute a presence in person at such meeting.

Section 2.2. Regular Meetings. The Board shall hold at least six regular meetings annually. The committees shall hold as many meetings as may be required in their respective committee charters. The Chairperson, after consulting with Members, shall establish the agenda for each regular meeting of the Board and shall give notice of the agenda to the Members prior to the meeting. The committee chair, after consulting with the Members of the committee, shall establish the agenda for each regular meeting of the committee. The Board and each committee

required to have regular meetings shall give public notice of its first regular meeting in each year as required by the Sunshine Act and other applicable law and, prior thereto or immediately thereafter, shall give public notice of other scheduled regular meetings for the year in compliance with the Sunshine Act and other applicable law.

Section 2.3. Special Meetings. Special meetings of the Board shall be held whenever called by the Chairperson or two-thirds of Members. Special meetings of committees shall be held whenever called by the committee chair or two-thirds of the committee members. Notice of a special meeting shall be given to the public as required by the Sunshine Act and other applicable law.

Section 2.4. Emergency Meetings. The Chairperson may call an emergency meeting of the Board for the purpose of dealing with a real or potential emergency involving a clear and present danger to life or property.

Section 2.5. Notice of Meetings.

(a) Regular Meetings. No notice shall be required to be given of any regular meeting held on the date specified in the public notice referred to in Section 2.2 and at the location established for holding the meeting. In the event any regular meeting is to be held on a date which has not been so advertised or at a different location, notice shall be given as required by the Sunshine Act or other applicable law.

(b) Special Meetings. Notice of special meetings shall be given as required by the Sunshine Act or other applicable law.

(c) Emergency Meetings. Advance public notice of an emergency meeting of the Board is not required; but, to the extent practicable, the Chairperson shall attempt to give actual advance notice of such meeting, especially to individuals or organizations with a direct and substantial interest in the official action scheduled for consideration.

Section 2.6. Quorum and Voting. A majority of the Members or Committee Members in office shall be necessary to constitute a quorum for the transaction of business at a Board or committee meeting, and the acts of a majority of the Members or Committee Members present and voting at a meeting at which a quorum is present (so long as such majority constitutes a majority of a quorum) shall be the acts of the Board or committee. If there is no quorum present at a duly convened meeting of the Board or committee, a majority of those present may adjourn the meeting from time to time.

Section 2.7. Open Meetings. Official actions and deliberations by a quorum of the Board or any committee shall take place at a meeting open to the public unless permitted otherwise by the Sunshine Act or other applicable law.

Section 2.8. Executive Sessions. The Board or any committee may hold an executive session for any one or more of the reasons enumerated in the Sunshine Act or as permitted by other applicable law, including, without limitation, the discussion of personnel matters, the purchase or lease of real property, pending or expected litigation, agency business which, if conducted in public, would violate a privilege or lead to the disclosure of information or confidentiality protected by law, or quasi-judicial deliberations. “Information or confidentiality protected by law” shall include, without limitation, any information submitted to the Board under the terms of an express confidentiality agreement with a business entity offering any security for sale to and purchase by the Board in a non-public offering; deliberations with respect to the purchase, holding or sale of, or the exercise of voting rights with respect to, the publicly traded securities of any business entity, which deliberations, if conducted in public, may or might have a material bearing on the market for such securities; and any other deliberations with respect to any proposed or actual investment of the Board which, if conducted in public, may or might so substantially affect the price or terms of any transaction concerning such investment, or the value thereof, as to adversely affect the System and its participants.

Section 2.9. Voting Conflicts. Any Member who by voting would be voting on a matter that would result in a conflict of interest shall abstain from voting on such matter, refrain from participating in any discussions concerning such matter, and, prior to the vote being taken on such matter, publicly announce and disclose the nature of his or her interest as a matter of public record. A conflict of interest does not arise in connection with an action which would have an insignificant economic effect on any interest of the Member or which affects the Member only as a member of the general public or of a not de minimus subclass of the general public, or as a member of the System, Plan, or Commonwealth Deferred Compensation Plan as a whole; provided, however, that no Member shall vote on any quasi-judicial matter to which such Member or a member of his or her immediate family is a party; and provided, further, that this Section 2.9 applies only to the possible use by a Member of his or her vote for private pecuniary benefit and does not in any way affect the Member’s other fiduciary responsibilities to the members of the System in connection with official actions in which the Member has no private interest.

Section 2.10. Notational Voting. Members may cast votes by notational voting by ballot whereby a vote is taken of members individually upon a recommended written motion, resolution, rule, proposal, regulation, report or order prepared by the staff of the System or an individual Member and circulated for approval to all Members. Absent unusual circumstances to be determined by the Chairperson, the Board will resort to notational voting only in quasi-judicial matters to promote timely decision-making after full deliberations have been completed in executive session, or in certain financial or investment transactions in which a resolution or other similar formal action of the Board is required to expedite or complete the appropriate documentation. In quasi-judicial matters, the Chairperson or the Secretary shall, at the first open meeting after the adoption of written opinions or orders by notational voting, announce the substance of matters so decided and cause the record of the votes cast by individual members on each such matter to be entered in the minutes of the meeting.

Section 2.11. Rules of Order; Construction. Except to the extent otherwise provided by law or by these Bylaws, the rules of order for meetings of the Board and committees thereof shall follow as closely as practicable those prescribed for small assemblies or similar small bodies in the most recently published revision of Robert's Rules of Order. Such rules of order shall be construed to promote the orderly and efficient conduct of business and to avoid procedural complexity which may delay or hinder the taking of action required by law or advisable in the prudent exercise of the Board's fiduciary responsibility to members of the System.

Section 2.12. Minutes of Meetings. Written minutes shall be kept of each open meeting; and after approval by the Board or committee, such minutes shall be made available for public inspection and copying. The minutes shall be prepared as required by Section 6 of the Sunshine Act or other applicable law. Audio tape recordings of open Board meetings may be made solely for the purpose of facilitating the preparation of written minutes. Such tape recordings shall be retained until Board approval of the minutes to which they relate.

ARTICLE III COMMITTEES

Section 3.1. Board Committees. The Board may establish by resolution one or more standing or special committees, each to consist of two or more Members. In addition, the Chairperson may establish special advisory or review committees. Any committee, to the extent, but only to the extent, provided in an applicable resolution of the Board, committee charter or in these Bylaws, shall have and may exercise any of the powers and authority of the Board. The Board has established the following standing committees, which may be changed from time to time by Board resolution: Audit, Risk and Compliance Committee; Investment Committee; Board Governance and Personnel Committee; Finance and Member Services Committee; Defined Contribution Committee; and Securities Litigation Committee (collectively, the "Standing Committees"). The Board shall delegate to the Standing Committees the authority to take such actions and perform such duties as expressly stated in the Standing Committees' committee charters; provided that no committee shall have the power to amend, modify or repeal a resolution of the Board or to amend these Bylaws or to take any action on matters committed by Board resolution or applicable law to the full Board under terms or provisions that make such action non-delegable.

Section 3.2. Committee Membership. Unless designated by resolution, the Members of any committee ("Committee Members") shall be appointed by the Chairperson, with the Board's advice. The Chairperson may appoint a Member to multiple committees. The Chairperson shall appoint each Member to a committee as the Chairperson may reasonably determine.

Section 3.3. Committee Member Terms. Except for the Treasurer of the Commonwealth of Pennsylvania and the Secretary of Banking and Securities, who are permanent Committee Members on the Investment Committee, in January of each year, the Chairperson shall appoint the Committee Members, who shall have terms through December 31st of that year, with service at the pleasure of the Chairperson. In the event of a vacancy on a

committee, the Chairperson shall appoint a replacement Committee Member for the balance of the term of the vacating Committee Member. Except as to membership on the Audit, Risk and Compliance Committee, there shall be no limitation on the number of full terms for which a Committee Member may be reappointed. No Member shall serve on the Audit, Risk and Compliance Committee for more than four consecutive full terms, except that a Committee Member may be reappointed to the Audit, Risk and Compliance Committee by the Chairperson following a one-year absence from the committee. Notwithstanding the foregoing, each Committee Member shall serve until his or her successor is duly appointed or until his or her earlier death, resignation or removal, it being understood that termination of membership on the Board shall constitute a resignation from the committee.

Section 3.4. Committee Chairs. Annually, Committee Members shall elect a chair of the committee ("Committee Chair") at such time as the first committee meeting of the year or at such time as the Committee Chair position becomes vacant. The Chairperson may not serve as a Committee Chair, except that the Chairperson may serve as the Committee Chair for the Board Governance and Personnel Committee. The Committee Chair shall take office effective as of the day of his or her election and shall serve as Committee Chair through December 31st or until the Committee Chair's successor is duly elected or such officer's earlier death, resignation or removal. If the Committee Chair does not complete his or her term, then the Committee Members shall elect an interim Committee Chair at the Committee meeting following the Committee Chair's departure from the Committee. The interim Committee Chair shall serve until the new Committee Chair takes office according to the procedures outlined above. The Committee Chair shall preside at all meetings of the committee. The Committee Chair shall have such other powers and perform such other duties as may be delegated by the Board and as described in the Committee Chair Position Description.

Section 3.5. Committee Assistant Chairs. Annually, the Committee Chair shall appoint a committee assistant chair with the advice and consent of the Committee ("Committee Assistant Chair"). The Committee Assistant Chair shall preside at all meetings of the committee in the absence of the Committee Chair. The Committee Assistant Chair shall have such other powers and perform such other duties as may be delegated by the Committee Chair and as described in the Committee Assistant Chair Position Description. The Committee Assistant Chair shall serve through December 31st or until the Assistant Chair's successor is duly appointed or such officer's earlier death, resignation or removal, with service at the pleasure of the Committee Chair.

Section 3.6. Committee Officers. Except as otherwise provided in these Bylaws or by Board resolution, Committee Members may, in their discretion, elect such other officer(s) for the committee as they shall determine from time to time.

Section 3.7. Bylaws Apply to Committee Governance. The term "Board," when used in any provision of these Bylaws relating to the organization or procedures of, or the manner of taking action by, the Board, shall be construed to include and refer to any committee of the Board. Any provision of these Bylaws relating or referring to action to be taken by the Board or the procedure required therefor shall be satisfied by the taking of corresponding action by a

committee of the Board to the extent authority to take the action has been delegated to such committee pursuant a resolution of the Board, committee charter or these Bylaws.

ARTICLE IV OFFICERS

Section 4.1. Officers and Terms. The System shall have a Chairperson, Assistant Chair, and a Secretary. The Secretary also shall serve as Executive Director. The Chairperson shall be designated by the Governor from among the Members. The Assistant Chair shall be appointed by the Chairperson after consulting with the Board. The Secretary shall be appointed by the Board. The Board may appoint one or more other officers or assistant officers having such powers and duties as may be assigned to such officers by the Board. Each officer other than the Chairperson and the Assistant Chair shall serve at the pleasure of the Board, until such officer's earlier death, resignation or removal.

Section 4.2. Powers and Duties of the Chairperson. The Chairperson shall preside at all meetings of Board. In the absence of the Chairperson at a duly convened meeting of the Board, or the inability of the Chairperson to participate in a meeting telephonically, the Assistant Chair shall preside at such meeting of the Board. The Chairperson shall have such other powers and perform such other duties as may be assigned to such officer by the Board or as described in the Chairperson Position Description.

Section 4.3. Powers and Duties of the Assistant Chair. The Assistant Chair shall preside at all meetings of the Board in the absence of the Chairperson, as described in Section 4.2. The Assistant Chair shall have such other powers and perform such other duties as may be delegated by the Chairperson or as described in the Assistant Chair Position Description. The Assistant Chair shall serve a nominal two-year term, with service at the pleasure of the Chairperson, or until such officer's earlier death, resignation or removal.

Section 4.4. Powers and Duties of the Secretary/Executive Director. The Executive Director in his or her capacity as Secretary, shall have the powers and duties set out in Section 5902(a.1) of the Retirement Code and such other powers and duties as have been or are assigned to the Secretary and the Executive Director by the Board and generally shall have the usual duties of an executive officer with general supervision over and direction of the affairs of the System. The Executive Director/Secretary shall serve as the primary point of contact between the Board and the System. Except as otherwise established by Board approved policy, the Executive Director/Secretary shall be responsible for providing and/or delivering all information, reports, documents and communications from the System, other than from the Chief Counsel or the Chief Compliance Officer, but including from the Investment Office, to the Board. Notwithstanding the foregoing, the Executive Director/Secretary may delegate such responsibilities to System staff, agents and independent contractors as the Executive Director/Secretary may reasonably determine, provided that the Executive Director/Secretary shall remain responsible for overseeing such reporting to the Board.

ARTICLE V AMENDMENTS

The Board (but not a committee thereof) shall have the power to modify, amend and repeal these Bylaws or any committee charter by a two thirds (2/3) vote of the Members present and voting at any open meeting at which a quorum is present after 15 days advance written notice to all Members. Such notice shall set forth the proposed modifications or amendments or specify the provisions proposed to be repealed. The text of each modification, amendment or repeal of the Bylaws or committee charter shall be attached to the Bylaws or committee charter (as appropriate) with a notation of the date of such modification, amendment or repeal. At any time and from time to time, the Chairperson may direct the Executive Director/Secretary to certify and publish a restatement of these Bylaws or any committee charter, as amended as of the date of such certification.

ARTICLE VI INDEMNIFICATION

The System shall, to the extent required by applicable law or policy adopted by the Board, indemnify each Member against any and all liabilities and advance any and all reasonable expenses (including attorneys' fees) as incurred by such person, arising out of or in connection with any proceeding to which such person is a party because such person is or was a Member.

Annual Salary Adjustments for Investment Professionals, excluding CIO

	<u>Name</u>	<u>Title</u>	<u>New Hourly Rate</u>
FINANCE	Dhanashree Chitnis	Senior Investment Accountant	\$50.23
	David Kuntch	Senior Investment Accountant	\$44.74
	Kathleen Swailes	Investment Accountant	\$43.70
INVESTMENT	James Nolan	Deputy Chief Investment Officer	\$143.78
	David Felix	Portfolio Manager 2	\$142.86
	Jeffrey Meyer	Managing Director of Investment Operations	\$132.01
	William Truong	Portfolio Manager 2	\$119.64
	Jared Snyder	Portfolio Manager 1	\$79.24
	Ryan Morse	Portfolio Manager 1	\$73.43
	Jason Burger	Portfolio Manager 1	\$71.26
	Matthew Meads	Portfolio Manager 1	\$70.30
	Marianna Fazylova	Investment Analyst 2	\$61.59
	Meredith Jones	Investment Analyst 1	\$60.03
	Jonathan Ferrar	Investment Analyst 1*	\$45.90
	Stephen Balucha	Investment Analyst 1*	\$45.84
	Alan Lin	Investment Analyst 1*	\$45.84
	Brian Gilroy	Jr. Investment Analyst	\$41.25

*As of upload date to BoardDocs (February 9, 2021), these employees were classified as Jr. Investment Analysts. SERS-Investment Office has already or intends to submit reclassification requests for these employees to promote to Investment Analyst 1 prior to the February 23, 2021, Board Governance and Personnel Committee meeting. The annual pay increase recommendations for these employees have been prepared factoring in, and are conditioned on, the promotion to Investment Analyst 1.