

PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM
STATEMENT TO THE
HOUSE STATE GOVERNMENT COMMITTEE'S
SUBCOMMITTEE ON PUBLIC PENSIONS, BENEFITS AND RISK MANAGEMENT
THURSDAY, AUGUST 19, 2021

Thank you, Mr. Chairman, and members of the subcommittee for inviting the State Employees' Retirement System to speak with you today.

My name is Terri Sanchez. I am the Executive Director of the State Employees' Retirement System. With me are several key members of my executive leadership team, including: Jim Nolan, who was recently named Chief Investment Officer for the State Employees' Retirement System. Prior to his current position as CIO, Jim has served as Acting CIO for over a year, and previous to that, he was Deputy CIO since arriving at SERS back in 2015. We have Sara McSurdy, who became Chief Financial Officer last year. She, like Jim, is a veteran to SERS who also moved up through the ranks to the top spot in her office. Also with me is Joe Marcucci, our Chief Counsel and most experienced SERS employee. Finally, I have Joe Torta, our Deputy Executive Director for Member and

Participant Services, with 32 years of benefit administration experience here at SERS; and Chris Houston, currently our Deputy Executive Director for Administration, and previous Chief Counsel and Chief Compliance Officer for SERS.

Today, it is our pleasure to provide you with a brief overview on the topics of SERS' governance, investments, manager fees and expenses, transparency, financial overview, and pension forfeiture. We provide this information to you as practicing fiduciaries to the approximately 240,000 members and participants of the State Employees' Retirement System, the State Employees' Defined Contribution Plan, and the State Employees' Deferred Compensation Plan. As fiduciaries we are legally bound to: the duties of care, skill, prudence, and diligence; the duties of loyalty and impartiality to our members, participants, and beneficiaries; the duty to incur only reasonable and appropriate costs; and the duty to comply with governing laws. All these fiduciary duties provide a solid foundation for sound governance, decision-making, policies, and practices in all that we do. These are matters that are obviously of great importance to this committee.

Our fiduciary duties are exercised, however, inside the scope of authority granted to us by the General Assembly, as it is the General Assembly that sets the boundaries and rules for those duties. This is why we are grateful for the opportunity to share our perspective on the topics at hand with you, so they may serve to inform you in any future decisions that you may make regarding SERS.

Along with acknowledging our fiduciary duty, we completely understand and respect that SERS is an integral part of state government here in Pennsylvania and that we must operate within the administrative, statutory, and constitutional framework of the Commonwealth. As I have been told many times throughout my years of service in Pennsylvania's Public Pension systems, we are a creature of statute. Without legislation, our organization and this system simply would not exist. Unlike citizens who generally do as they please, unless there are laws restricting those actions, SERS can only do what has been granted to it through legislation - another reason we are happy to be invited here today to testify.

We are also sensitive to and appreciate the fact the Commonwealth is a "sponsor" of the retirement plan, who picks up a large part of the pension tab. We come here today to assure you that our goal is to manage our investments, costs, and expenses the best way possible, and to thank you for the

past 5 years of fully-funding the Commonwealth's share of actuarially required contributions.

As you are probably well aware, many of the most significant challenges that we continue to deal with today are the offspring of actions taken years ago that resulted in severe underfunding of the retirement systems. Your commitment to fiscal responsibility has been a tremendous help to us as we – like many public pensions across the nation – continue to grapple with the long-term challenge of paying off unfunded liabilities. Thank you again for your support and commitment.

For your interest and edification, we have provided some background information on several topics of public pension interest and how they relate to SERS, which is included in your information packet.

In addition, you will find a print-out of a PowerPoint presentation that highlights a few points for each topic that we plan to go through, if we may. After that, we will be happy to take any questions you may have.