PENNSYLVANIA STATE EMPLOYEES’ RETIREMENT SYSTEM

CHIEF INVESTMENT OFFICER

POSITION SPECIFICATIONS

CLIENT

Established in 1923, our client, the Pennsylvania State Employees’ Retirement System (SERS), is one of the nation’s oldest statewide retirement plans for public employees. SERS’ work is managed by an Executive Director and Chief Investment Officer (CIO), and guided by the 11-member State Employees’ Retirement Board (SERB).

The mission of SERS is to provide retirement, disability and survivor benefits and services to members through sound administration and prudent investments. SERS’ vision is to navigate organizational, fiscal, and legislative challenges so that SERS continues to progress toward fully-funded status while enhancing and sustaining effective and responsible member services.

SERS administers two mandatory-participation retirement plans, a defined benefit plan and a defined contribution plan. With guidance from the SERB, SERS also administers a voluntary deferred compensation plan. This year, SERS will serve 102 employers and nearly 243,000 members and participants, and administer more than 57,000 deferred compensation plan accounts.

For the defined benefit plan, most members contribute 6.25% of pay. For FY 2019-20, employers are contributing a composite rate of 33.59% of payroll. SERS holds assets under management of approximately $30.9B. Investment returns, net of manager fees, on a time-weighted basis, were 18.8%, -4.6%, and 15.1% for the years 2019, 2018, and 2017 respectively.

SERS’ Defined Benefit Plan Investment Policy Statement (IPS), which was adopted by the SERB on December 4, 2019, outlines the investment philosophy and practices of SERS and has been developed to serve as the governing policy for the management of the defined benefit plan’s State Employees’ Retirement Fund (Fund). The purpose of the IPS is to formalize the SERB’s investment objectives and policies, and to define the duties and responsibilities of the various individuals and entities involved in the investment process. It also defines the investment portfolio structure and target asset
allocations. The **IPS** is to be updated annually for **SERB** review and approval. The **IPS** provides for the investment objectives of the defined benefit plan which are to provide benefit payments to beneficiaries at the lowest cost to the commonwealth and to fund the defined benefit plan through a carefully planned and executed investment program. The defined benefit plan seeks to produce the highest return on investment that is consistent with acceptable investment risks while providing sufficient **Fund liquidity** that will permit **SERS** to meet **SERS’** benefit obligations. The current **IPS** can be found at [http://sers.pa.gov/Investments.html](http://sers.pa.gov/Investments.html).

The **defined contribution plan** was first opened to participants on January 1, 2019 pursuant to Act 2017-5. The **SERB** selects investment options available to the defined contribution plan participants. Act 2017-5 also created a hybrid retirement plan, which is the combination of the defined benefit plan and the defined contribution plan.

The **deferred compensation plan** is a voluntary deferred compensation program. Employees can choose to use payroll deductions to build additional retirement savings in investment accounts administered pursuant to Internal Revenue Code Section 457(b). Employees manage their own investments from an array of options and no employer contributions are provided to the deferred compensation plan.

**SERS’ Fund** assets are managed by external investment managers hired by the **SERB**. **SERS** strives to engage the highest quality investment managers for the most cost-effective price. Many of these managers are paid a fee based on the amount of assets under management. For private market investments, the industry practice is for the limited partners to pay fees to the general partner based on commitments to the partnership during the investment period. **SERS** pays the majority of its fees to managers within its Private Equity and Real Estate asset classes due to the complex and time-consuming nature of managing the investments.

By asset class, the total assets of $30.9B were divided as follows, based upon the preliminary 12/31/2019 valuation:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>$17.2B</td>
<td>55.6%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>$ 4.4B</td>
<td>14.2%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>$ 3.9B</td>
<td>12.8%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>$ 2.1B</td>
<td>6.8%</td>
</tr>
<tr>
<td>Short-term Investments</td>
<td>$ 1.5B</td>
<td>4.8%</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>$.04B</td>
<td>.1%</td>
</tr>
<tr>
<td>Multi-Strategy/Private Credit</td>
<td>$ 1.8B</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

Under the **2020 IPS**, **SERS** has committed to targeted asset allocations as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Targeted Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Equity</td>
<td>14.0%</td>
</tr>
<tr>
<td>Private Credit</td>
<td>4.0%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>8.0%</td>
</tr>
<tr>
<td>U.S. Equity</td>
<td>25.0%</td>
</tr>
<tr>
<td>Intl Developed Mkts Equity</td>
<td>13.0%</td>
</tr>
<tr>
<td>Emerging Markets Equity</td>
<td>4.0%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>26.0%</td>
</tr>
<tr>
<td>Inflation Protection (TIPS)</td>
<td>4.0%</td>
</tr>
<tr>
<td>Cash</td>
<td>2.0%</td>
</tr>
</tbody>
</table>
Included in the **2020 IPS** are the following initiatives for the Investment Office:

- Provide the **SERB** with a report defining the operational risks, costs, resource requirements, and benefits associated with internally managing passive equity and fixed income securities.
- Provide the **SERB** with a report defining operational risks, costs, resource requirements, and benefits associated with internally managing private market co-investments.
- Implement **SERB** approved Public Pension Management and Asset Investment Review Commission Investment-related recommendations to enhance transparency of fees and performance.
- Update investment-related policies and processes.

The **SERB** set the assumed rate of return at 7.125% at its June 2019 meeting, down from the previous assumed rate of return of 7.25%, with the assumption to be effective with the December 31, 2019, Actuarial Valuation, effective for employer contributions for the FY 2020-21 fiscal year. At the close of 2019, **SERS** estimated funded ratio was 56.1%.

**SERS** employs a total workforce of approximately 200.

For more detailed information about **SERS**, please visit the website at [www.sers.pa.gov](http://www.sers.pa.gov).

**ABOUT HARRISBURG**

Harrisburg is the capital city of the Commonwealth of Pennsylvania. Harrisburg lies on the east bank of the Susquehanna River, approximately 107 miles west of Philadelphia. With a metro area population of approximately 500,000, the Susquehanna Valley, which Harrisburg anchors, is the fourth most populous metro area in the Commonwealth and 96th largest in the country.

Harrisburg enjoys a 4-season climate and offers a number of area recreational opportunities with numerous parks, lakes, and a 20-mile long greenway called the Capital Area Greenbelt. Downtown Harrisburg features 2 major performing arts centers and has undergone a renaissance in the past 20 years with a surge of commercial nightlife development. This has been credited with reversing the city’s financial decline, and has made downtown Harrisburg a destination for events from jazz festivals to Top-40 nightclubs. Harrisburg is served by Harrisburg International Airport.

**RESPONSIBILITIES**

The **CIO** plans, organizes and manages the investment activities of **SERS** in accordance with the investment policies established by the **SERB** and under the provisions of governing state statutes. This position reports directly to the **Executive Director** for all administrative and personnel functions. The **CIO** will discuss investment-related issues with the **Executive Director** and will interact on a regular basis with the Investment Committee of the **SERB**, the Defined Contribution Committee of the **SERB**, and the full **SERB** with respect to all major developments in the investment portfolio and investment-related activities.
The Investment Committee of the SERB's purpose is to assist the SERB in fulfilling its responsibilities in the areas of investment policy, investment strategy, investment manager oversight, and corporate governance program oversight.

The Defined Contribution Committee of the SERB's purpose is to assist the SERB in fulfilling its responsibilities in the areas of policy, investment menu design and content, third party administration, and any relevant investment and administration decisions of the State Employees' Retirement Board's IRC §457 Deferred Compensation Plan and IRC §401(a) Defined Contribution Plan for Officers and Employees of the Commonwealth of Pennsylvania, as amended and restated.

The CIO serves as the staff liaison and primary support person to both the Defined Contribution and Investment Committees of the SERB.

The CIO researches and develops recommendations for the SERB regarding the investment objectives and policies governing the investments of the Fund through the IPS. The CIO makes recommendations to the SERB with respect to the Fund's overall investment policy guidelines, asset allocation and cash management practices. The CIO is to provide an annual update to the SERB summarizing what was accomplished over the past year and what the Fund will be doing in the next year in order to implement SERS' Policy Target Asset Allocations in the IPS. The CIO is to update the IPS on an annual basis for SERB review and approval and update investment-related policies and processes, and as appropriate, present to the SERB for approval.

The CIO continually evaluates and recommends enhancements to SERS' portfolio structure that would benefit the Fund. The CIO will keep abreast of new opportunities to improve the structure and investment performance of the Fund. This includes monitoring a variety of economic data and the financial press for use in developing recommended investment strategies.

The CIO oversees the coordination of all investment activities and matters within the deferred compensation plan and deferred contribution plan. This includes: (i) being responsible to the SERB to review, analyze, develop, recommend, and monitor the deferred compensation plan's and defined contribution plan's investment funds and securities lending activities for the SERB's consideration and approval; and (ii) ensuring that the investment goals and objectives of the deferred compensation plan and defined contribution plan are being fulfilled, by ensuring that the Investment Office also reviews and analyzes the philosophies, policies, and strategies employed by the investment managers, evaluating the appropriateness of their decision-making processes and their investment styles in relation to present and projected investment horizons. The CIO is also responsible for ensuring updating and maintaining the Deferred Compensation Plan Statement of Investment Policy and the 401 (a) Defined Contribution Plan Statement of Investment Policy and coordinating the hiring of external deferred compensation plan and defined contribution plan investment consultants to assist in investment matters of the deferred compensation plan and defined contribution plan, subject to the SERB's approval.

Other duties include:
 Authorizes receipt or payment for the acquisition or disposition of investments in the Fund.
 Acts as an investment policy consultant to the SERB by maintaining continual contact with the Fund’s external investment consultants, managers and advisors.
 Acts as a liaison between the SERB and the SERS’ investment consultants, investment advisors, investment broker/dealers, investment-related contractors, and other representatives of the financial and regulatory community in all matters concerning investments of the Fund.
 In coordination with the Executive Director, acts as a liaison between the SERB and the State Treasurer’s Office, the Legislature, and the Governor’s Office in all matters concerning investments of the Fund.
 Coordinates and monitors the investment activities of SERS’ external investment advisors in the implementation of SERB approved guidelines and investment strategies.
 Oversees investment transaction activity for the SERB by delegating responsibility for the review of investment transactions to the investment staff, thereby assuring compliance with applicable law, policy, regulations, each manager’s investment strategy statement, and the IPS.
 Oversees the resolution of investment settlement issues that arise through contact and negotiation with the State Treasurer’s office, Attorney General’s office, Comptroller’s office, investment managers, brokers and the Fund’s settlement agent.
 Monitors and evaluates the performance of investment managers and makes recommendations regarding the allocation of assets among managers and asset types.
 Identifies, evaluates and makes recommendations to the SERB regarding the hiring and termination of investment managers, advisors and consultants.
 Researches, develops, and administers management systems to facilitate analysis and maintain control of investment-related financial data regarding the Fund.
 Reviews and summarizes for the SERB pertinent information from relevant publications, discussions, meetings, and research on current investment related topics.
 Responds to inquiries from the SERB and Pennsylvania Legislature, the membership, the press, other governmental representatives, and the public concerning the investments of the Fund.
 Provides overall supervision of the staff of the Investment Office (19 investment professionals and 2 administrative personnel), including development of an investment office succession plan, and staff development initiatives.
 Participates in the Agency Strategic Planning Activities.
 Develops and adheres to the department’s budget and ensures goals are met within designated time frames.
 Serves as staff liaison to the SERB Investment Committee and Defined Contribution Committee.
 Represents SERS to external asset managers, legislative bodies, national and international organizations concerning investment issues.
EDUCATION AND EXPERIENCE

- Bachelor's degree from an accredited college or university, preferably in business administration with an emphasis in finance, economics and/or accounting.
- MBA and CFA designations are preferred.
- Significant experience (ideally six or more years) with a public fund is highly desirable.
- Substantial experience (ideally eight or more years) managing investment portfolios, both domestic and international, with a demonstrated track record of success.
- Extensive experience working closely with a Board of Trustees.
- Extensive experience working with external investment managers, advisors and consultants.
- Strong experience (ideally five years) managing a diverse group of investment professionals.
- Broad and deep knowledge of institutional investing strategies and practices and strong systems understanding in the analysis and use of investment-related financial data.

PERSONAL CHARACTERISTICS

- High level of ethics and demonstrated commitment to transparency, accountability, efficiency and performance reporting.
- Demonstrated leadership and management capabilities.
- Effective and persuasive oral and written communication, presentation, and negotiation skills.
- Visionary capabilities beyond the functions of the investments arena, and the desire to participate in organization-wide strategic and policy decisions.
- Gravitas to effectively represent SERS with investment managers and advisors, representatives of the State Treasurer’s office, members of the Legislature, brokers/dealers, and other financial community representatives.
- Strong work ethic and dedication.
- Commitment to the mission and vision of SERS.
- Common sense and good judgment; deliberative and thoughtful, not impulsive; understands and embraces implementing the SERB’s risk tolerances.

COMPENSATION

Compensation will be commensurate with qualifications. The total compensation package includes a competitive base salary and SERS’ comprehensive benefits package. Benefits include health, medical, dental, prescription drug, hearing, and vision insurance plans, enrollment in SERS “hybrid” retirement plan (part defined benefit, part defined contribution), life insurance, employee assistance program, and additional benefits, as well as generous paid time off.

APPLICATION PROCESS

EFL Associates, an executive search firm, is assisting SERS with this important search. All calls and inquiries should be made through the search firm. Nominations and applications will be held in confidence. Review of applications will begin immediately and will continue until the position is filled.
NON-DISCRIMINATION

Our client and EFL Associates firmly support the principle and philosophy of equal opportunity for all individuals, regardless of age, race, gender, creed, national origin, disability, veteran status or any other protected category pursuant to applicable federal, state or local law.

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