

PSERS Finance and Actuarial Committee Charter

Article II Section 5

I. Purpose and Authority

The primary purpose of the Finance and Actuarial Committee (“Committee”) is to assist the Board in fulfilling its fiduciary oversight responsibilities with respect to budgeting and financial management of the system (including investment valuations), actuarial assumptions and contribution rates, the member shared risk contribution rate, and option factors.

The Board hereby delegates all necessary power and authority to the Committee for the Committee to perform the duties and responsibilities described in this Charter. 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.

II. Composition

The Committee shall consist of five (5) current members of the Board.

The Committee shall elect its Chair and Vice-Chair as provided for in the Bylaws.

The Chief Financial Officer (CFO) will be the primary staff liaison with the Committee.

III. Meetings

Committee meetings shall be conducted in accordance with the Bylaws. The Committee shall meet at least four (4) times every year. The Committee Chair, after consulting with the Committee Members, shall set the dates and times of the committee meetings and request that the Secretary of the Board provide notice of meetings in accordance with the Bylaws.

IV. Responsibilities

A. *Conduct activities on behalf of the Board*

1. Conduct the search (using any of the methods of source selection defined in the Procurement Code) for the independent external actuary, with the assistance of staff, and make recommendations to the Board. The Committee should ensure the search is conducted for the independent external actuary contract at least every five (5) years unless the Board directs otherwise.
2. At least annually, meet individually with the CFO and the independent external actuary without other staff present to ensure there has been no undue influence on their activities or reporting to the Committee or the Board.
3. Evaluate the performance of the independent external actuary annually and provide feedback regarding performance and future expectations.



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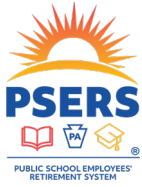
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B. Recommend direction and policy to the full Board

1. Annually identify anticipated financial, investment valuation, actuarial, contribution, and shared risk contribution policy priorities and establish a calendar of anticipated policy decisions and discuss with the Board.
2. Review and make recommendations to the Board on all policies and any amendments governing financial, investment valuation, actuarial, contribution, and shared risk contribution issues.
3. Review and make recommendations to the Board regarding funding risk through an asset liability management framework to guide investment strategy and actuarial policies.
4. Recommend to the Board positions on proposed legislation affecting anticipated financial, investment valuation, actuarial, contribution, and shared risk contribution policy.
5. Review and make recommendations to the Board on significant financial principles, asset liability management and funding risk methodologies, and actuarial methods.

C. Recommend approval of key decisions

1. Review and approve the annual fiscal year budget request prepared by the Office of Financial Management for the pension administrative, defined contribution administrative, directed commissions, healthcare-PSERS administrative and investment-related budgets for the next fiscal year prior to their submission to the Governor's Budget Office.
2. Review and recommend adoption of the actuarial factors, assumptions and methodologies included in the annual actuarial valuation to calculate the employer contribution rate.
3. Review and recommend certification, each December, of the total employer contribution rate for use by employers in the next fiscal year as recommended by PSERS' external actuary.
4. Every three (3) years, review and recommend certification of the member shared risk contribution rate for the next three fiscal years as recommended by PSERS' external actuary for class T-E, TF, T-G and T-H members.
5. Every five (5) years, review and recommend adoption of the actuarial factors, demographic and economic assumptions, and methodologies recommended by PSERS' external actuary and Agency staff.
6. Every five (5) years, review and recommend approval of new option factors, as needed, and the date to implement the factors in PSERS' benefits administration system as recommended by Agency staff and PSERS' external actuary.



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D. Oversee Board-approved direction

1. Oversee the financial soundness of the overall PSERS System and any other programs offered, including annual review of unfunded liability, overall pension soundness and sustainability.
2. Review and evaluate periodic updates on the status of the current year budget with Office of Financial Management staff; shall review and approve for publication the System's annual fiscal year financial statements prepared by the Office of Financial Management each fall and no later than December 31st.
3. Oversee financial reporting and controls over financial reporting and processes, including the preparation of the Annual Financial Statements.
4. Oversee liquidity and cash management practices of the organization to ensure sufficient cash is available to pay benefits and other PSERS obligations.
5. Ratify all payments reflected in the annual fiscal year financial statements.
6. Review the annual valuation results for the fiscal year as presented by PSERS' external actuary each fall, but no later than December 31st.
7. Oversee organizational operations and cost effectiveness.
8. Review the results of the actuarial experience study by PSERS' external actuary every five years.
9. Meet periodically with Office of Financial Management staff to discuss other financial management activities and policies on an as needed basis as determined by the Chair, Chief Financial Officer and/or Executive Director.

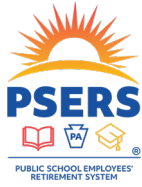
E. Obtain independent verification

1. Periodically obtain appropriate independent verification of the performance and exception reports issued by consultants, advisors, and/or management and to present the results to the Board.

V. Reporting to the Board

The Committee Chair, with the support of staff, is responsible for reporting on the Committee's activities and recommendations to the Board. Subsequent to each Committee meeting, the Chair should provide:

- Minutes summarizing the Committee's deliberations;
- Documentation in support of any recommendations to the Board; and
- The proposed agenda for the next Committee meeting.



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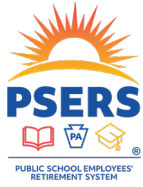
The Chair should ensure that the Board receives sufficient and reliable information to enable the Board to fulfill its fiduciary responsibility of monitoring and overseeing PSERS governance.

VI. Self-Evaluation

The committee shall conduct a self-evaluation of the Committee's performance as part of the Board's self-evaluation process. In addition to identifying opportunities for the committee to improve, the self-evaluation should also seek to identify unmet trustee continuing education needs to be communicated to the Board Governance Committee to add to the curriculum.

VII. Frequency of Review / History

The Committee shall collaborate with PSERS staff, including the Office of Chief Counsel, to review this Committee Charter at least every three years. The Committee shall recommend any changes to the Board, as appropriate.



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Document Properties

Document Owner: PSERS Board

Document Author: PSERS Board – Finance and Actuarial Committee

Summary of Changes:

Date	Version	Author	Summary
March 15, 2022	1.0	Funston Advisory Services and Finance and Actuarial Committee	
June 17, 2022	2.0	Finance and Actuarial Committee	<ul style="list-style-type: none">• Removed redundant language regarding Committee composition.• Clarified language regarding procurement of consultants.