

ARTICLE IV

COMMITTEES OF THE BOARD

Section 4.1. Standing Committees. The Board shall have the standing committees specified in Section 4.2, each of them to have the duties and responsibilities as therein set forth, together with such other duties and responsibilities as the Board may by resolution determine.³⁷ In each year, each such committee shall consist of such number of members as the Chair, elected at the organizational meeting of the Board that year, shall determine, and the Chair shall also then appoint the chair and designate the other members of the committee. A committee may, but is not required to, elect a vice chair from among its members by a majority vote of its membership, who if so elected shall preside at meetings of the committee in the absence or inability to act of its chair. In the absence of a vote by the members of a committee to elect a vice chair, the Chair of the Board can appoint a member of that committee to serve as the vice chair. The Chair of the Board shall be an ex-officio member of all standing committees and shall have a vote in each such committee. Any member of the Board may attend any meeting of any such committee of which he or she is not a member but shall not have a vote.

³⁷ The Public School Employees' Retirement Code does not envision the existence of committees of the Board. Nothing, however, in the Retirement Code nor in the common law of trusts applicable to fiduciary bodies prohibits the Board from devolving certain of its duties and responsibilities on committees drawn from its own membership. Section 3 of the Sunshine Act impliedly recognizes the power of an administrative board to authorize subordinate committees "to take official action or render advice on matters of agency business" (65 P.S. §273 (definition of "agency")), provided that when it does so any such committee then becomes bound to observe the provisions of the Sunshine Act to the same extent and under the same circumstances as its parent "agency" (board).

Section 4.2. Committee Duties and Responsibilities. The standing committees of the Board are, and shall have respective duties and responsibilities, as follows:

(a) Appeals and Member/Employer Services Committee. The Appeals and Member/Employer Services Committee shall conduct quasi-judicial deliberations in formal appeals under the Administrative Agency Law and make its recommendations for Board action, including the issuance of proposed opinions and orders, at meetings of the Board; and shall review, discuss, and make recommendations to the Board for their approval policies, actions, and on other matters related to the System's administration of the rights, duties, and benefits of System members and the duties of employers under the Public School Employees' Retirement Code and the procedures under which member, employer, or third-party disputes with the System are considered and resolved; and shall review, discuss and make recommendations to the Board on customer service issues relating to the System's members and employers, including, but not limited to, the dissemination of information to members, employer relations and the System's field services program.

(b) Audit/Compliance Committee. Audit/Compliance Committee shall oversee the auditing of all financial information; shall meet with the external financial auditors each year prior to the annual financial audit to review the audit plan and to identify other areas of the operations that should be reviewed; and shall, meet with the external financial auditors at the conclusion of the financial audit to review the audit results, including any recommendations, difficulties encountered and any significant adjustments proposed by the auditors; shall review the effectiveness of the Agency's

system for assessing, monitoring, and controlling significant risks or exposures; and shall oversee the evaluation and monitoring of the internal control system by internal and external auditors; and shall review the findings and recommendations of the external auditors along with management's responses and actions taken to implement the audit recommendations; shall ensure the Internal Audit Office performs compliance reviews with applicable laws, regulations, rules, board and management policies, directives and generally accepted business practices related to benefits administration, investments, finance, healthcare, information technology and communications; and shall review the findings and recommendations of any examination by regulatory agencies, any auditor's observations related to compliance, management's responses and actions taken to implement the audit observations/recommendations; shall oversee special investigations and whistleblower cases, as needed; and shall provide a forum for the resolution of all disputes between management and the internal and/or external auditors regarding the financial reporting process, risk assessment, internal control and other compliance issues. The Audit/Compliance Committee is responsible for the oversight of the Internal Audit Office; and shall meet with the Internal Auditor to review and adopt the Agency's annual audit plan and receive periodic updates on the audit plan; shall meet with the Internal Auditor to review the status of audits, review the audit findings and recommendations, management's responses, and actions taken to implement the audit recommendations; shall review and approve the Internal Audit Charter; shall ensure there are no unjustified restrictions or limitations on the internal audit function; shall review the effectiveness of the internal audit function by having an

external quality assessment completed; and shall provide input to the Executive Director on the performance of the Internal Auditor, at least annually.”

(c) Budget/Finance Committee. The Budget/Finance Committee shall The Committee shall 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 GBO; shall 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; shall ratify all payments reflected in the annual fiscal year financial statements; shall review the annual valuation results for the fiscal year as presented by PSERS’ external actuary each fall, but no later than December 31st; shall adopt the actuarial factors, assumptions and methodologies included in the valuation to calculate the employer contribution rate; shall certify, each December, the total employer contribution rate for use by employers in the next fiscal year as recommended by PSERS’ external actuary; shall certify 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; shall review the results of the actuarial experience study by PSERS’ external actuary every five years; shall adopt the actuarial factors, demographic and economic assumptions, and methodologies recommended by PSERS’ external actuary and Agency staff; shall

approve 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; shall 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.

(d) Bylaws/Policy Committee. The Bylaws/Policy Committee shall review and make recommendations to the Board on all policies and any amendments thereto governing the internal operations of the Board, with the exception of policies that come within the duties and responsibilities of another committee.

(e) Corporate Governance Committee. The Corporate Governance Committee shall inform itself about and review issues of corporate performance, corporate governance, and shareholder rights as they affect the System's legal or beneficial ownership of voting securities and the value of its investments; shall recommend proxy voting policies and, from time to time, policy revisions for adoption by the Board; shall monitor the System's implementation of proxy voting policies generally and advise the Board on particular proxy voting or portfolio company matters of significance; shall conduct relations with select portfolio companies to promote the performance of Fund investments; and shall conduct relations with other institutional investors and shareholder organizations. The Corporate_Governance Committee shall also recommend securities litigation policies and, from time to time, policy revisions for adoption by the Board; shall

monitor the System's implementation of its securities litigation policy generally and advise the Board on particular security litigation matters of significance.

(f) Elections Committee. The Elections Committee shall review and make recommendations to the Board on the manner in which elections of the elective members of the Board are conducted and on the selection of providers of goods and services deemed necessary for the conduct of such elections, and shall report on and cause to be certified to the Board the results of each election.

(g) Investment Committee. The Investment Committee shall generally oversee the implementation of the Board's mission statement in its relation to the investments of the Fund in accordance with the prudent investor standard set forth in 24 Pa. C.S. §8521(a). Without limiting the generality of the foregoing, the Investment Committee shall annually review and recommend to the Board the asset allocation for the Fund in the ensuing one-year period; shall oversee searches for new investment managers and consultants, conduct interviews as it deems necessary or advisable, and make recommendations to the Board thereon; shall monitor the performance of investment managers and make recommendations to the Board in cases of under performance or other unsatisfactory performance; shall keep abreast of and review and report on current developments in financial instruments and other asset classes as to their suitability for investment by the Fund, as well as new investment techniques which may be compatible with the Board's investment policy and practices; shall in general review and oversee the implementation of the Board's investment objectives and guidelines and from time to time make recommendations for their modification; develop and recommend policy statements

covering particular aspects of the investment program such as property types in the case of real estate and investment structures; meet as needed with System investment staff and consultants; receive, review and make recommendations to the Board regarding investment proposals presented as required by the Board's standard specifications; review the annual investment plan reports of each investment manager for consistency with the Board's real estate investment objectives; and discharge similar duties and responsibilities with regard to the acquisition, ongoing administration of, and disposition of the Fund's assets.

(h) Health Care Committee. The Health Care Committee shall monitor and review the operations of (i) the health insurance programs which the System offers to its retirees and their dependents, and (ii) the Premium Assistance Program which the System administers for the purpose of reimbursing eligible retirees for out-of-pocket health insurance premium expenses; shall make recommendations to the Board regarding changes to the health insurance programs and to the Premium Assistance Program, including, but not limited to, changes to the type or level of benefits offered to retirees and the scope of the health insurance programs; and shall recommend the annual administrative budgets for the health insurance and Premium Assistance Programs.

(i) Personnel Committee. The Personnel Committee shall review all matters concerning the classification, pay, and other terms and conditions of employment for employees of the Board, including total personnel complement, as such matters bear on the accomplishment of the Board's mission, shall interview candidates for filling newly

created or vacant senior management positions in the System, and shall report and make recommendations to the Board on the foregoing matters.

Section 4.3. Delegations of Authority by the Board. Except as may be prohibited by or inconsistent with law, the Board may by resolution delegate to any standing committee of the Board any power, authority, duty or responsibility conferred on the Board by law. In the case of any such delegation, the decision or action of the committee within the scope of its delegated authority shall constitute the decision or action of the Board. The Board may at any time rescind the delegated authority as a whole or in part, except that a rescission of authority with respect to quasi-judicial matters delegated to a committee shall not operate to affect the proceedings or the final action of any such matter pending before the committee when the Board acts to rescind.³⁸

Section 4.4. Ad hoc Committees. In addition to the standing committees specified in Section 4.2, the Chair or the Board may at any time establish an ad hoc committee of the Board and fix its duties and responsibilities for any purpose which in the judgment of the Chair or the Board is better served by a temporary rather than standing committee. Each such committee shall consist of such number of members as the Chair shall determine, and the Chair shall also then appoint the chair and designate the other members of the Committee.

³⁸ The exception set forth in the last sentence of this Section 4.3 is designed to preclude the full Board from using its authority to rescind a delegation to interfere with the process or outcome of a quasi-judicial proceeding then in progress before a committee which had properly commenced the proceeding within the scope of its authority.

Section 4.5. Agency Committees. The Chair may at any time appoint one or more members of the Board to serve as members of an agency committee otherwise consisting of employees of the System appointed by the Executive Director. An agency committee shall not be deemed a committee of the Board nor shall it otherwise be subject to these Bylaws, except that a member of the Board who serves on any such committee shall be reimbursed for any necessary expenses of participation on such a committee as provided in Section 2.7.

Section 4.6. Limitations on Authority. No committee shall have any power or authority, nor shall the Board delegate to it power or authority, as to any of the following:

- (a) The adoption, amendment or repeal of Bylaws.
- (b) The amendment or repeal of any Board resolution.
- (c) Action on other matters committed by Board resolution or by Pennsylvania law (including the common law of trusts respecting the delegation or the non-delegation of fiduciary responsibilities) to the full Board under terms or provisions which make such action non-delegable.