DATE: May 5, 2017

SUBJECT: Recommendations for Changes to the PSERB Committees

TO: Bylaws/Policy Committee

FROM: Joseph E. Wasiak, Jr., Assistant Executive Director

At the last Bylaws/Policy Committee meeting on March 9, 2017 the members were briefed on potential changes to the names and duties of several of the committees of the Board. These included the Appeals/Member Services Committee, the Audit/Budget Committee, and the Finance Committee. Since that time we have added an additional committee (Technology Steering) to the list of those requiring some changes which we will address at the May meeting. This memorandum contains the initial recommendations for the committee members to consider and approve followed by a discussion of the rationale for each of those recommendations.

1. Recommendations.
   a. Rename the Appeals/Member Services Committee the Appeals and Member/Employer Services Committee and make minor changes to the duties and responsibilities contained in Paragraph 4.2.(a) of the Bylaws.
   b. Rename the Finance Committee the Investment Committee.
   c. Eliminate the Technology Steering Committee.
   d. Breakout the responsibilities of the Audit/Budget Committee into two separate committees; one that has oversight of audit and compliance issues (Audit/Compliance Committee) and one that has oversight of budget and financial issues (Budget/Finance Committee).

2. Discussion
   a. Rename the “Appeals/Member Services Committee” the “Appeals and Member/Employer Services Committee” and make minor
changes to the duties and responsibilities contained in Paragraph 4.2.(a) of the Bylaws.

Renaming this committee the Appeals and Member/Employer Services Committee more accurately reflects the work and issues this committee addresses by including the employers of the system. This change will also require minor modifications to the wording of the duties and responsibilities reflected in paragraph 4.2.(a) of the Statement of Organization, Bylaws, and Other Procedures (Bylaws). The addition of employers to this paragraph on responsibilities aligns it more closely with Section 8506-8508 of the Retirement Code. Shown below is the current paragraph from the Bylaws with the proposed modifications highlighted in red.

“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. Rename the Finance Committee the Investment Committee.

Renaming this committee the Investment Committee will more accurately reflect the work it accomplishes. The current title is misleading because it has responsibility for investments of the fund. The financial matters which the Board oversees are handled in the Audit/Budget Committee and during the full Board Meeting itself. This change to the title of the committee does not necessitate a change in the duties and responsibilities contained in paragraph 4.2.(f) of the Bylaws. Those duties and responsibilities may, however, be amended in the future after careful review by the agency committee tasked with identifying the needed updates to those duties and responsibilities.

c. Eliminate the Technology Steering Committee.

This committee was formed in 1998 to primarily oversee the fielding of the PSERS Business System (PBS) followed by the New Pension
Administration System (NPAS). In the last ten years this committee has met 8 times and has had no action items to review for presentation to the full Board. The duties and responsibilities of this committee listed in paragraph 4.2.(i) are effectively delegated to the Board Secretary in his capacity as the Executive Director. The informational reports on major agency automation and information technology related initiatives (e.g. the Classic to Browser (C2B) conversion, PACS Migration, etc.) which have only been received by the seven member committee would, with this change, be presented to all Trustees at the full Board meeting. This could be accomplished as a separate agenda item and would ensure a better understanding of the agency’s information technology initiatives by all Board members. The necessary change to paragraph 4.2.(i) is reflected below:

“(i) Technology Steering Committee. The Technology Steering Committee shall generally review and make recommendations to the Board concerning the overall direction, integration and utilization of information technology at the System to accomplish the Board’s mission statement, including the Board’s own use of information technology. Without limiting the generality of the foregoing, the Technology Steering Committee shall monitor and oversee the implementation of the System’s strategic technology plan and from time to time make recommendations for its modification. The Committee shall also review and make recommendations to the Board regarding the financial impact thereof and shall oversee all such approved initiatives and their budgets. The Committee shall keep informed of and report to the Board on current developments in automated technology. The Committee shall also review and recommend to the Board policy statements concerning the System’s use of technology and shall discharge such similar duties and responsibilities with regard to the acquisition, ongoing administration, and disposition of the System’s technology assets as set forth above. Finally, the Committee shall meet, as needed, with the System’s technology staff and consultants in the performance of duties.”

d. Breakout the responsibilities of the Audit/Budget Committee into two separate committees; one that has oversight of audit and compliance issues (Audit/Compliance Committee) and one that has oversight of budget and financial issues (Budget/Finance Committee).

(1) The first of these two committees will at a minimum perform those audit related functions currently listed in the Bylaws paragraph 4.2. (b) along with any additional functions related to compliance, and possibly risk management, which the Board is required to review and approve. The overall responsibilities of this committee could extend to the oversight of the following areas:
- Financial reporting process,
- Independent public accountant’s report,
- System of Risk Management,
- System of internal controls,
- Internal and external audit functions
- Compliance with laws, rules, regulations and policies,
- Special investigations and whistleblower

The name of this committee along with the final duties and responsibilities will be further identified within the agency committee consisting of PSERS staff and Trustees and approved at a future meeting of the Board. Below is the current Bylaws paragraph describing the duties and responsibilities of the Audit/Budget Committee. This shows those duties and responsibilities relating to the budget function being removed and only audit related functions remaining. As previously mentioned, this represents a starting point for the duties and responsibilities of the Audit/Compliance Committee which could be expanded.

“(b) Audit/Budget Compliance Committee. The Audit/Budget-Compliance Committee shall meet with the System’s financial auditors each year prior to the annual financial audit of the System to review the plan of audit and to identify other areas of the System’s operations and affairs that should be reviewed; shall meet with the System’s financial auditors to review the audited financial statements and the auditors’ draft management letter to review the initial findings and to discuss the auditors’ recommendations for change or improvement; shall meet with System staff on a timely basis to review the System’s draft administrative and directed commissions (proposed for the upcoming fiscal year and final for the preceding fiscal year) budgets for the succeeding fiscal year and to receive the views of System management as to the rationale for the budget proposals, including any reconciliation of the prior fiscal year’s directed commissions budget, prior to submission to the Governor and the General Assembly; and shall recommend the annual administrative and directed commissions budgets to the Board for adoption or ratification; and, shall monitor and review the working environment for employees of the System at the office of the Board designated in Section 1.2 hereof, and shall make recommendations to the Board on the adequacy of office space and environment relative to the current and projected future needs of the System. The Audit/Budget Compliance Committee is responsible for oversight of the Internal Audit Department and is responsible for approving the Charter of the Internal Audit Department Function to assist the internal auditors in fulfilling their mission and responsibilities; and shall receive communications on the results of audit activities performed internally or by external consultants, as the Chair of the Audit/Budget Compliance Committee determines necessary.”
(2) The second of these two committees will at a minimum perform those budget related functions currently listed in the Bylaws paragraph 4.2. (b) along with any additional finance related functions which the Board is required to review and approve. The overall responsibilities of this committee would extend to the oversight of the following areas:

-Administrative and directed commissions budgets,
-Financial statements,
-Actuarial valuations and experience reviews, and
-Employer contribution rates.

The name of this committee along with the final duties and responsibilities will be further identified within the agency committee consisting of PSERS staff and Trustees and approved at a future meeting of the Board. Below is the current Bylaws paragraph describing the duties and responsibilities of the Audit/Budget Committee. This shows those duties and responsibilities relating to the audit function being removed and only budget related functions remaining. As previously mentioned, this represents a starting point for the duties and responsibilities of the Budget/Finance Committee which could be expanded.

“(b) Audit/Budget/Finance Committee. The Audit/Budget/Finance Committee shall meet with the System's financial auditors each year prior to the annual financial audit of the System to review the plan of audit and to identify other areas of the System's operations and affairs that should be reviewed; shall meet with the System's financial auditors to review the audited financial statements and the auditors' draft management letter to review the initial findings and to discuss the auditors' recommendations for change or improvement; shall meet with System staff on a timely basis to review the System's draft administrative and directed commissions (proposed for the upcoming fiscal year and final for the preceding fiscal year) budgets for the succeeding fiscal year and to receive the views of System management as to the rationale for the budget proposals, including any reconciliation of the prior fiscal year's directed commissions budget, prior to submission to the Governor and the General Assembly; and shall recommend the annual administrative and directed commissions budgets to the Board for adoption or ratification; and, shall monitor and review the working environment for employees of the System at the office of the Board designated in Section 1.2 hereof, and shall make recommendations to the Board on the adequacy of office space and environment relative to the current and projected future needs of the System. The Audit/Budget Committee is responsible for oversight of the Internal Audit Department and is responsible for approving the Charter of the Internal Audit Department Function to assist the internal auditors...
in fulfilling their mission and responsibilities; and shall receive communications on the results of audit activities performed internally or by external consultants, as the Chair of the Audit/Budget Committee determines necessary."