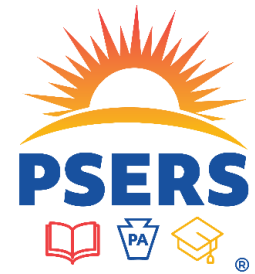


Position Specification

Pennsylvania Public School Employees' Retirement System Chief Investment Officer



PSERS, headquartered in Harrisburg, is searching for a *Chief Investment Officer* to lead this \$75 billion public pension fund. This is an exciting opportunity for an executive who values public service to lead one of the largest public plan sponsors in the country dedicated to serving public school employees for over 100 years.

System Overview

PSERS is a governmental, cost-sharing, multiple-employer defined benefit plan to which most members and employers contribute. Serving ~770 participating employers and a membership of over 515,000, the System provides retirement, disability, and death benefits for participating school employers and employees. The System also administers a defined contribution plan and two postemployment healthcare programs. Participating employers include school districts, career/technology schools, community colleges, state-owned universities/colleges, charter schools and others.

PSERS membership is mandatory for full-time employees of participating schools. School employees, who became new members on or after July 1, 2019, have a choice of three retirement plan options. These options include two hybrid plans; each consists of a defined benefit and defined contribution component. The third option is a stand-alone defined contribution plan. The legacy defined benefit plan is no longer available to new members.

PSERS, a quasi-independent agency of the Commonwealth, is governed by a 15-member Board of Trustees. The Board, an independent administrative board of the Commonwealth, comprises four ex officio members (the State Treasurer, Secretary of Banking and Securities, Secretary of Department of Education, CEO of Pennsylvania School Board Association); five appointed members; and six elected members from constituent groups.

From FY 2017 to FY 2021, PSERS received full actuarial funding from school employers and the Commonwealth after 15 previous years of underfunding. On an actuarial basis, the funded ratio was 59.6% at June 30, 2021 with an unfunded liability of \$44 billion. A plan is in place to full funding, and the actuarial funded ratio is projected to continue to rise reaching 76% by 2029.

In FY 2021, PSERS provided approximately \$7.6 billion in pension and healthcare benefits to its members. The average annual annuitant benefit is approximately \$22,000 and there is no COLA. The System has a strong economic impact for Pennsylvania where nearly 94% of total pension benefits are distributed to annuitants who reside in the Commonwealth. More than 121,000 retirees, spouses and dependents have enrolled in the PSERS Health Options Program.

As has been publicly reported in 2021, the System received subpoenas from various federal agencies regarding the certification of the shared risk member contribution rate in December 2020, as well as the purchase and valuation of certain directly held properties.

PSERS, at June 30, 2020, underperformed the 9-year investment return threshold in the Shared Risk/Shared Gain calculation used in determining employee contribution rates. Originally, a 6.38% return, net of fees, was reported and approved by the Board, which exceeded the 6.36% threshold. An error, made by PSERS consultant, was later discovered which resulted in the return being 6.34%, net of fees, which triggered increased employee contributions.

The Board retained outside counsel to conduct an independent investigation as well as external investigations were announced. The investigation did not find evidence of criminal wrongdoing. PSERS has been cooperating fully with the ongoing federal investigations. Recently, the Department of Justice closed the probe of the investment calculation error with no criminal or civil charges being filed against the System. A class action complaint has been filed against AON, of which PSERS is not a party.

The Board also hired Funston Advisory Services LLC, a nationally recognized governance consultant, to review their governance practices. Funston delivered their report in December and the Board is in the process of adopting some of the recommendations.

Financial and Investment Highlights

PSERS' net position increased by an all-time high of \$13.5 billion from \$59.0 billion at June 30, 2020, to \$72.5 billion at June 30, 2021. Employers have been paying their full required contributions since passage of HB 2497, now known as Act 120, as part of an effort to bring the defined benefit plans to full funding. Based on a 2021 experience study, the Board reduced the actuarially assumed rate of return from 7.25% to 7.0% to further strengthen the sustainability of these plans.

The System's total administrative budget is \$94 million and includes 365 staff, 293 of which administer the defined benefit, defined contribution, and health plans. PSERS continues to be a leader among large U.S. public pension funds in its effective control of expenses. Based on a recent CEM benchmarking survey, PSERS had a 13% lower pension administration cost per member than the average cost for its peer group.

PSERS is a long-term investor and manages the fund with long-term objectives in mind, including diversification among asset classes. Plan assets are managed both internally by PSERS investment staff (approximately 60%) and externally by institutional investment managers. The asset allocation as of December 31, 2021, will remain in effect until the Board determines a date for the full transition to the new asset allocation, which was approved by the Board in October 2021.

Asset Class	Target %		Actual %
	Current	New	
Equity	39.0	48.0	38.2
Fixed Income	35.0	34.0	31.2
Real Asset	28.0	26.0	28.4
Absolute Return	8.0	0.0	7.4
Cash	3.0	3.0	7.8
Explicit Leverage	-13.0	-11.0	-13.0
	100.0	100.0	100.0

For FY 2021, investment returns were 24.58%, net of fees, compared to the policy benchmark of 20.58%. For the 25-year period ended June 30, 2021, PSERS posted a positive return of 7.7%, which is above the 7.0% actuarial return assumption. The following table provides historical investment returns as compared to the policy benchmark and median public funds as of March 31, 2022.

Annualized Time-Weighted Returns, Net of Fees, 3/31/22

	1 Year %	3 Years %	5 Years %	10 Years %
PSERS Return	16.69	12.18	10.16	8.59
Policy Index	12.84	11.13	9.57	8.14
Median Public Fund	6.94	10.67	9.01	8.27

Total Investment expenses for FY 2021 were \$618 million. As a percentage of total benefits and expenses, investment expense was 7.4% in FY 2021. While investment expense has increased over FY 2020, it has decreased from its high of 8.2% in FY 2013.

CIO Responsibilities

The Board is the governing fiduciary over all aspects of the management and oversight of the System, including the investment program. The Investment Committee comprises all Board members. The Board adopts the Investment Policy and sets the strategic asset allocation plan for investments. The Board appoints the CIO, external managers, and investment consultants.

The CIO is accountable directly to the Board and administratively reports to the Executive Director. The CIO is a member of the senior leadership team and the central point of responsibility and accountability for the investment program. The CIO leads a team of ~70 with six direct reports: Deputy CIO, Non-Traditional; Deputy CIO, Traditional; Director, Fixed Income; Director, Investment Operations; Director, Investment Risk & Compliance; and an Administrative Officer.

Some of the CIO's key responsibilities and duties include:

- Act as a fiduciary with an ethical and legal obligation to prudently and exclusively act on behalf of the interest of the System's members.
- Act as an investment policy consultant to the Board, which retains final investment authority over the investment program.
- Lead the development of procedures and processes to effectively implement and enforce the Investment Policy Statement as adopted and amended by the Board.
- Ensure that policies and procedures provide adequate controls to safeguard the System's assets.
- Oversee day-to-day activities of the Investment department and develop and monitor the investment budget to ensure there are adequate internal and external resources to achieve PSERS investment objectives.
- Work with the Board and investment consultants to develop asset allocation and implementation strategies.
- Develop an effective communication strategy and standards for Board investment education that facilitates quality decision making and governance.
- Report on the strategic direction of the investment program, coordinating activities with investment consultants, and creating strong lines of communication between all parties involved in the investment program.

- Oversee the internal investment program, which includes a variety of asset classes, including public and private equities, fixed income, real estate, commodities, and infrastructure.
- Recommend investment personnel changes and salary levels and address succession planning for key investment staff.
- Oversee negotiations of the business terms in investment contracts and amendments and the related management fees.

Key Objectives

The following are the CIO's Key Objectives:

- Achieve returns which meet or exceed benchmarks established by the Board.
- Evaluate, and if necessary, make changes in the investment organizational structure to ensure the efficient and cost-effective management of the investment program.
- Review, and if necessary, make changes to ensure the Investment department is properly resourced to internally manage assets.
- Oversee the implementation of the asset allocation adopted by the Board in October 2021.
- Review external manager fees to ensure PSERS is paying fees that are competitive and provide value for the System.
- Manage the deployment of capital and capital commitments to achieve and maintain alternative asset class target allocations within minimum and maximum ranges.
- Evaluate the investment program to reduce complexity and expense while still being structured to achieve the risk adjusted investment return objectives.
- Promote a departmental culture that encourages engagement and collaboration with other PSERS departments to execute the System's strategic plan and achieve its mission.
- Recommend strategies and develop and implement plans to retain key investment staff.

Qualifications and Experience

A strategic investment leader with broad asset class knowledge and institutional experience is desired. Significant experience in investment asset management, portfolio construction, asset allocation and risk management is required. Excellent interpersonal, communication and management skills are also required. Additional requirements and preferences include:

Requirements

- Alignment to PSERS investment policy and beliefs.
- Bachelor's degree, preferably in finance, economics, or related field.
- Ten years of progressively responsible experience in institutional investment management or consulting and experience in a senior role managing large investment teams.
- An experienced understanding of capital markets, investment strategies, principles and practices of institutional investing, investment operations, and investment policy development.
- Positive track record of investment returns as compared to policy benchmarks for applicants having/had an investment program, asset class or portfolio responsibility.
- Experience investing in different economic cycles.
- Experience hiring, coaching, mentoring, and retaining staff.

Preferences

- Advanced degree.
- Chartered Financial Analyst (CFA).
- Chartered Alternative Investment Analyst (CAIA).
- In-depth understanding of private markets.
- Experience in working with and providing information to a Board.
- Experience managing a large investment team in different types of institutional investment models and structures.
- Experience managing or leading investment professionals internally managing assets.

Leadership Competencies and Characteristics

The CIO should be a strategic and forward-thinking investment executive dedicated to public service. The CIO must be a leader who takes ownership of the investment program and be committed to delivering investment results that meet or exceed benchmarks. The CIO must create a culture of accountability, value transparency, believe in open communication and strong Board governance.

The CIO is a key member of the PSERS leadership team. The CIO must lead with a participative and collaborative style. Key competencies include being:

Forthright	Humble
Honest and ethical	Diplomatic
Integrity	Patience
Transparent	Respectful

In addition to being approachable and a good listener, other important skills and attributes include:

- Being calm under pressure, able to diffuse difficult situations.
- Being intellectually curious and a critical thinker.
- Willing to challenge the status quo and be effective leading cultural change.
- Excellent judgment and strong analytical and critical thinking skills to identify issues and present creative, practical solutions.
- Willing to have candid conversations with the courage to make tough decisions.
- Confidence to put forward and defend ideas and recommendations while being open to adjusting them based on input from others.
- Being responsive to Board direction and oversight, and willing to accept constructive criticism and feedback from trustees.
- Social and interpersonal skills to engage and build positive relationships with the Board, across the organization, consultants, investment managers, and others.
- Interpersonal skills to build consensus and effectively negotiate compromise.
- Ability to articulate complex financial and investment information in a clear and simple manner that is tailored to a particular audience.
- Poise and presence to professionally and positively represent PSERS.

This is a highly visible position, and the CIO must understand and respect the requirements of operating in a public environment.

Compensation

The CIO position is exempt and an “at will” employee. The CIO must maintain permanent Pennsylvania residency. The compensation package is designed to attract the best-qualified investment executive and includes an attractive benefits package. PSERS employees are members of the Pennsylvania State Employees’ Retirement System. PSERS employees also participate in Social Security and are eligible for benefits.

For additional information about the position or to apply, please contact Hudepohl & Associates at info@hudepohl.com or (614) 854-7300.