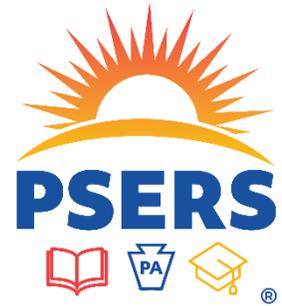


Position Specification

Pennsylvania Public School Employees' Retirement System Executive Director



PSERS, headquartered in Harrisburg, is searching for an *Executive Director* 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 of PSERS 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, five appointed members, and six elected members from constituent groups, all serving three-year terms.

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 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.

Implemented in 2018, the PSERS Member Self Service Portal has continued to be a tremendous success. Since implementation, over 200,000 members have created their online account and conducted nearly 280,000 transactions. Multiple enhancements are being added in 2022 to increase functionality and ease of use.

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. The PSERS Board retained outside counsel to conduct an independent internal investigation. The investigation did not find evidence of criminal wrongdoing. PSERS is cooperating fully with the ongoing federal investigations.

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 reviewing the recommendations, one of which was substantially adopted in March.

Financial and Investment Highlights

PSERS' total 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 51%) 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 7.70%, which is above the 7.0% actuarial assumed return assumption. The following table provides historical investment returns as compared to the policy benchmark and median public funds.

Annualized Time-Weighted Returns, Net of Fees, 6/30/21

	1 Year %	3 Years %	5 Years %	10 Years %
PSERS Return	24.58	10.35	10.10	8.04
Policy Index	20.58	10.10	9.39	7.60
Median Public Fund	26.98	10.86	10.55	8.22

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.

Executive Director Responsibilities

The Executive Director, reporting to the Board and to the Board Chair, administratively, is the central point of responsibility and accountability for the System. Leading a team of 365, the Executive Director has eight direct reports – Deputy Executive Director for Administration; Deputy Executive Director, Benefits & Director of Defined Contribution Investments; Chief Financial Officer; Chief Investment Officer; Communications Director; and Executive Secretary. The Chief Counsel reports to the Board, and administratively reports to the Executive Director. The Chief Audit Officer has a dual role and reports to the Audit, Compliance and Risk Committee and the Executive Director.

The key responsibilities and duties include:

- Ensure the System’s financial stability and long-term viability.
- Ensure operation of the System in accordance with its mission, vision and core values, and state and federal law.
- Support the Board by advising and conferring on governance, board actions, and on financial, economic, and political trends and developments affecting the System.
- Oversee planning, organization, and administration of all program areas for which the System is statutorily responsible.
- Serve as the executive sponsor for policy and key initiatives affecting the System.
- Develop administrative rules, regulations and policies for approval and promulgation by the Board.
- Monitor the performance of the investment portfolio, ensure assets are invested in accordance with established policies, and that proper controls are in place to safeguard assets.
- Ensure resources are sufficient and properly aligned to execute and accomplish the System’s Strategic Plan and goals.
- Recruit, train and retain a team of industry leading professionals to lead and manage the System.
- Maintain effective external relationships with plan sponsors, member groups, key political leaders, media, and other stakeholders.
- Represent PSERS as a subject matter expert on retirement system programs and activities to various organizations including other Commonwealth agencies, the executive and legislative branches of state and federal government, professional organizations, and members.

Key Objectives

The Executive Director will be expected to lead efforts to restore public trust and confidence stemming from recent issues described above. Some of the Key Objectives that will, in part, measure the Executive Director's performance are:

Short-term

- Provide leadership, advice, and counsel to the Board to find common ground to focus more on setting direction and policy for the System.
- Initiate and lead efforts to re-establish positive and constructive communication and working relationships between the Board and management.
- Improve internal culture and facilitate Board oversight and direction.
- Engage with employees across the organization to improve morale and employee satisfaction and increase employee engagement by renewing their confidence and trust in management and the Board.
- Engage with member groups, other external stakeholders, Legislature, and the Governor's Office to educate them on PSERS plan to restore public trust.
- Working with the Board, evaluate the Funston recommendations and advise the Board on the changes necessary to strengthen the governance structure and facilitate implementation of these changes.
- Working with the Board, investment consultants, and the Chief Investment Officer, evaluate the investment philosophy and approach to ensure it is appropriate to achieve the System's investment goals.
- Evaluate the System's risk management philosophy and practices; and if necessary, implement changes and best practices to protect the System and its assets.
- Evaluate the communication strategy and, if necessary, update it to ensure PSERS is effective in communicating its message to members and stakeholders.
- Lead the hiring of a new Chief Investment Officer and Chief Counsel.

Long-term

- Lead the strategic planning process and actively engage the Board in the process and develop the plan for approval by the Board.
- Develop overall performance goals and metrics for the System for approval by the Board.
- Evaluate the organizational structure and make changes, if necessary, to ensure the appropriate structure and resources are in place to effectively and efficiently manage the System to achieve expected performance. .
- Lead a cultural transformation to achieve greater collaboration and teamwork across all departments to improve organizational adaptability and performance .
- Develop a plan to comply with the SOC1 Type 2 Audit overseen by the Ad Hoc Subcommittee of the Audit/Compliance Committee.
- Complete the implementation of the Investment Book of Records migration to SimCorp, currently overseen by the Chief Investment Office.
- Develop succession plans for key executive positions and implement programs to identify and develop future leaders.
- Evaluate the technology platform and, if necessary, bring forward recommendations to ensure it meets the System's needs and data is protected.

Qualifications and Experience

The Board is seeking a visionary and transformational chief executive who will implement the changes necessary to restore public trust and re-build the System's reputation to be recognized as an industry leader amongst public pension funds. Other requirements and preferences include:

Requirements

- Bachelor's degree in business, finance or public administration or a related field.
- Relevant operational and administrative leadership experience in a large complex organization.

Preferences

- Advanced degree (e.g., MBA, JD).
- General knowledge of investments.
- Experience with defined benefit and defined contribution plans.
- Experience leading a cultural transformation and/or major change management initiatives.
- Proven track record of working cooperatively with Boards and a history of effectuating Board directed initiatives.

Leadership Competencies and Characteristics

The Executive Director must be smart, confident and an inspiring leader to lead a team of over 360 people dedicated to and passionate about PSERS mission. The Board is seeking a chief executive with a track record of accomplishing goals who will lead with a participative and collaborative style while establishing clear goals supported by accountabilities.

To achieve success, the Executive Director must be a proactive problem solver, have courage to make tough decisions, be willing to have candid conversations, and have the emotional intelligence to affect positive change. Key competencies/attributes also include:

- | | |
|----------------------|----------------------|
| ▪ Fortright | ▪ Humble & Unselfish |
| ▪ Honest and ethical | ▪ Diplomatic |
| ▪ Integrity | ▪ Patience |
| ▪ Transparent | ▪ Respectful |

As the System's chief executive, the ideal candidate must be a leader who values strong governance and has the social and interpersonal skills to engage and build positive relationships with trustees and to effectively lead and advise the Board. In addition to being visible, approachable and a good listener, other important skills and attributes include having the:

- Confidence to put forward ideas and recommendations while being willing to adjust them based on input from trustees and others.
- Interpersonal skills to build consensus and effectively negotiate compromise.
- Poise and presence to expertly represent PSERS.
- Ability to articulate complex and financial and investment information in a clear and simple manner that is tailored to the audience.

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

Compensation

The Executive Director is an exempt position and an “at will” employee. The Executive Director must maintain permanent Pennsylvania residency. The compensation package is designed to attract the best-qualified 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.