

**COMMONWEALTH OF PENNSYLVANIA  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

**Date:** May 1, 2019

**Subject:** School Employees' Defined Contribution Plan Governance Structure

**To:** Bylaws/Policy Committee

**From:** Joseph E. Wasiak Jr.  
Deputy Executive Director of Administration

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On May 23, 2019 Cammack Retirement Group ("Cammack") will present on governance related to the School Employees' Defined Contribution Plan and Trust ("Plan"). Cammack will review the Board's fiduciary responsibilities, the difference in roles as trustees of the Plan versus the Public School Employees' Retirement System, and how the Board should carry out its duties and responsibilities to the Plan.

**I. Defined Contribution Plan Committee**

Best practice is to establish a committee, typically made up of five to six members of the Board. Key responsibilities of the committee include: reviewing and recommending amendments to the Plan Document of the Plan; monitoring fees and expenses charged to plan assets and/or paid by participants; monitoring the performance, cost, and management of the investment options, investment providers, vendors, recordkeeper, consultants, and other plan service providers; and overseeing searches for and selection investment options, investment providers, vendors, recordkeeper, consultants, and other plan service providers.

Accordingly, the attached draft of the Statement of Organization, Bylaws, and Other Procedures ("Bylaws") ("Attachment A") provides the following:

- (1) establishment of a Defined Contribution Plan Committee to carry on certain fiduciary functions of the Board similar to other committees of the Board;
- (2) updates to include references to the Plan; and
- (3) updates to incorporate the provisions of Act of June 12, 2017, P.L. 11, No. 5 ("Act 5") relating to the Board.

## **II. Investment Policy Statement**

Staff and Cammack also recommend the adoption of the draft *Investment Policy Statement, Objectives, and Guidelines of the School Employees Defined Contribution Plan of the Public School Employees' Retirement Board* ("DC Investment Policy"), attached as "Attachment B."

Cammack will present on the differences between an investment policy statement ("IPS") for a defined contribution plan and an IPS for a defined benefit plan. Because the participants are making the investing decisions, an IPS for defined contribution plans, unlike an IPS for defined benefit plans, should avoid specifics that would limit the plan sponsor's discretion in selecting and monitoring investment options available for participants. The IPS need only include a summary of the purpose, the roles and responsibilities of key players, and flexible guidelines for evaluating the investment options, how they are selected, and how they are replaced.

The DC Investment Policy provides the appropriate framework for the Plan by outlining the monitoring process and creating measurable goals. To protect the participants in the event of a critical violation, the draft delegates limited authority to the Director of Defined Contribution Investments ("Director"), with concurrence from the Investment Office and the Plan consultant, to immediately terminate a fund or provider. The Director is also permitted to take advantage of reducing fees by changing share classes when available.

Questions regarding the DC Investment Policy should be forwarded to Jennifer A. Mills, Deputy Executive Director of Benefits and Director of Defined Contribution Investments ([jenmills@pa.gov](mailto:jenmills@pa.gov) or 717-720-4805).

## **III. Update to Board policies**

Staff recommends updating the following policies to include references to the Plan:

1. Election Procedures and Guidelines Policy, "Attachment C"
2. Fraud, Waste and Abuse Reporting and Investigation Policy, "Attachment D"
3. Oral Argument Policy, "Attachment E"

Drafts of the proposed minor revisions are attached. No substantive changes are recommended. Other policies of the Board will also need to be updated to include references to the Plan, but, because the policies require additional revisions as a result of Act 5, the policies will be presented at a later board meeting.