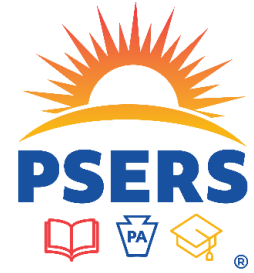


Position Specification

Pennsylvania Public School Employees' Retirement System Chief Financial Officer



PSERS, headquartered in Harrisburg, is searching for a *Chief Financial Officer* to lead this \$72.5 billion public pension fund. PSERS is the 16th largest state-sponsored public defined benefit pension plan in the nation.

The CFO will join a new executive team that has been leading PSERS through transition and organizational change and moving forward in a positive direction. In the past year, due to multiple executive retirements, a new Executive Director, Chief Investment Officer, and Chief Counsel have been hired. The CFO position is open due to the upcoming current CFO's retirement.

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 517,000, 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 (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 2023 PSERS received full actuarial funding from school employers and the Commonwealth after 15 previous years of underfunding. Full actuarial funding has continued in FY 2023-24. On an actuarial basis, the funded ratio was 61.6% at June 30, 2022, with an unfunded liability of \$44 billion. A plan is in place to achieve full funding. The actuarial funded ratio is projected to continue to rise, reaching 80% by 2031 with future improvement projected thereafter.

In FY 2022, PSERS provided approximately \$7.8 billion in pension and healthcare benefits to its members. The average annual annuitant benefit is approximately \$26,078 and there is no COLA. The System has a strong economic impact for Pennsylvania where nearly 91% of total pension benefits are distributed to annuitants who reside in the Commonwealth.

FY 2022 also marked the conclusion of the internal investigation of the shared-risk calculation and the purchase and valuation of certain directly owned properties, and the closure of the U.S. Department of Justice investigation. There were no findings of criminal conduct and no civil or criminal charges from either investigation. The SEC investigation remains ongoing and PSERS continues to fully cooperate with the SEC.

The Board hired Funston Advisory Services LLC to review their governance practices and accepted their report in December 2021. Since then, the Board and staff have been working to evaluate and implement recommendations. This past March, the Board adopted a Model Governance Manual Framework to serve as the new supporting structure for the Board's governance documents. In October 2022, the Board hired Dering Consulting Group to assist PSERS with developing a Strategic Plan.

Financial and Investment Highlights

PSERS' net position decreased \$1.3 billion from \$72.5 billion at June 30, 2021, to \$71.2 billion at June 30, 2022. The decrease was due mostly to deductions for benefits, administrative expenses, and net investment loss exceeding member and employer contributions. The 2.23% investment return for FY 2022 was below the Fund's 7.0% actuarial investment return assumption due to a challenging environment for financial markets from growing inflation concerns, tighter monetary policy, the Ukraine invasion, and uncertain economic implications. As a result, the Plan Fiduciary Net Position decreased from FY 2021 of 63.67% to 61.34% at FY 2022.

Employers have been paying their full required contributions since passage of Act 120 of 2010 as part of an effort to bring the defined benefit plans to full funding. These contributions continue to make a positive difference in the longer-term funding trends.

The System's total administrative budget is \$104 million and includes 382 staff. FY 2022 administrative expenses totaled \$91.7 million, with an increase of \$0.3 million over the prior fiscal year, attributable to increased consultant and legal fees offset by lower pension and OPEB expense for System employees. Investment expenses totaled \$525.4 million in FY 2022, a decrease of \$92.7 million from FY 2021 primarily due to lower performance-related management fees.

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 46%) and externally by institutional investment managers. In December 2021, the Board adopted an updated long-term Strategic Asset Allocation.

The time-weighted rate of return of the 25-year period ended June 30, 2022, was 7.05%, which exceeded the Fund’s long-term investment rate of return assumption of 7.00%. The following table provides historical investment returns as compared to the policy benchmark and median public funds as of March 31, 2023.

Annualized Time-Weighted Returns, Net of Fees, 3/31/2023

| | 1 Year | 3 Years | 5 Years | 10 Years |
|--------------------|--------|---------|---------|----------|
| PSERS Return | -4.00% | 11.21% | 7.45% | 7.19% |
| Policy Index | -4.93% | 9.66% | 6.89% | 6.79% |
| Median Public Fund | -4.49% | 11.22% | 6.30% | 7.02% |

Each year, PSERS submits its budget requests to the Governor’s Office of the Budget. PSERS’ Administrative and Defined Contribution budgets require legislative approval. None of PSERS’ budgets are funded from the Commonwealth’s General Fund, all are from investment earnings. For FY 2024, budgets for the System’s two largest appropriations, the Administrative and Investment Related Expenses, were \$57.5 million and \$40.9 million, respectively.

CFO Responsibilities

The CFO reports to the Executive Director and is the central point of responsibility and accountability for the Office of Financial Management (OFM). The CFO’s primary responsibility is to manage the System’s financial operations, which includes the pension, two postemployment healthcare plans, and the defined contribution plan.

The CFO leads a team of ~45 with five direct reports: Directors of Employer Accounting, General & Public Market Accounting, Investment Accounting & Budget, Pension Actuarial Services, and Annuitant Accounting.

As the senior financial officer, the CFO must be committed to developing, maintaining, and continuously testing a system of internal controls that meet SOC 1, Type 2 audit compliance and testing and verifying data to ensure financial reporting integrity. Some of the CFO’s current general responsibilities and duties include:

- Ensure that PSERS’ financial operations comply with Board policy, state and federal law, and applicable policies and procedures.
- Keep informed of and interpret laws, policies and regulations affecting PSERS.
- Regularly report to the Board and liaise with the PSERS’ Finance and Actuarial Committee.
- As directed by the Executive Director, serve as the external spokesperson on financial matters to member and employer groups, testifying before legislative committees, and as required, interacting with the media.
- Provide preliminary cost analyses of proposed legislation to estimate the future effect on the actuarial liability, the employer contribution rate, and overall financial health of the Fund.
- Maintain relationships with Commonwealth stakeholders including the Appropriation Committees of the Legislative caucuses, State Treasurer’s Office, State Comptroller Office, Governor’s Budget Office, the Department of Education, and the Independent Fiscal Office.

- Oversee investment accounting, the recording and reconciliation of investment account records in relationship to custodians and with investment managers.
- Provide accurate cash forecasts, both long-term and short-term, for operational and investment cash flow requirements.
- Coordinate various U.S. and international tax matters, tax compliance filings, and is the liaison with the IRS.
- Oversee the collection of over \$6 billion of employer contributions including the collection of delinquent employer and member contributions through coordination with the Department of Education.
- Oversee the \$7 billion annuitant payroll function and the preparation of over 250,000 1099s.
- Oversee the compilation and preparation of the administrative budget and provide support and oversight of the Healthcare administrative budget, Defined Contribution administrative budget, and Investment Related Expenses budget.
- Oversee the \$3 billion Commonwealth share of Contribution Budget and coordinate with the Governor's Budget Office, the Department of Education, and the House and Senate Appropriation's staff.
- Oversee production of internal management reports and GAAP external consolidated financial reports; analyze and report results to the Executive Director and Board.
- Oversee production of the Annual Comprehensive Financial Report and submittal to the GFOA Excellence in Financial Reporting program.
- Oversee and manage the relationship with the external actuary, a Board level consultant, including the actuarial valuation and calculation of the employer contribution rate approved by the Board annually.
- Oversee the actuarial experience study and guide the Board, along with the Executive Director and Chief Investment Officer, through the setting of actuarial assumptions used to calculate PSERS actuarial liability and set employer contributions.
- Assess and identify potential financial and operational risk in coordination with PSERS enterprise risk management program.
- Coordinate with the custodian banks to ensure timely and accurate valuation and records of assets and transactions.

Key Objectives

The following are some of the CFO's Key Objectives:

- Review the investment accounting policies, procedures, and processes, and, if needed, make changes to ensure strong internal controls and necessary separation of duties exist to ensure the accuracy and integrity of data affecting or supporting financial and investment performance reporting.
- Working with the Chief Investment Officer, evaluate the work being performed in the Middle Office to determine any changes needed for the necessary separation of duties, and to improve the accuracy, integrity, and efficiency of the investment related processes that affect or facilitate financial and investment performance reporting.
- Review the internal controls, and if necessary, makes changes to strengthen controls within OFM and other departments providing data and reporting to OFM.
- Review with the senior leadership team OFM's management reporting tools and, if necessary, make changes to provide them with higher quality reporting to support their requirements.

- Develop seminars to train the senior leadership team on various data decision making reporting available or being developed.
- Promote successful and sustainable cost reduction efforts to foster an organizational culture effective at managing and reducing costs.
- Support EY's work on PSERS' SOC 1 Type 2 audit, and, if completed by the time the new CFO starts, develop and/or finalize and lead the action plan to implement recommended changes.
- Review the OFM technology platform with consideration of changes recommended by EY in preparation for the SOC audit and, if needed, recommend new technology solutions that will improve operational efficiency and reporting accuracy.
- Become familiar with the current employer withdraw liability policies and procedures and finish the development of a collection policy for delinquent payments for Board approval.
- Engage with the senior leadership team and consultant on the development of the System's first strategic plan. Coordinate the integration of the strategic plan with the annual budgeting process to focus resources on supporting strategic initiatives.
- Lead the recruitment of the Actuary Director reporting to the CFO.

Qualifications and Experience

PSERS is searching for an experienced and strategic financial leader with a strong understanding of public sector finance (e.g., GASB, financial reporting, investment accounting, actuarial funding concepts).

A minimum of ten years of relevant accounting/finance experience, preferably in a public pension fund or public sector, and at least seven years in a senior management position are required. Other minimum requirements and preferences include:

Requirements

- Bachelor's degree in accounting, finance, or business or other relevant discipline.
- Experience with GAAP rules and standards for financial reporting, and knowledge of GASB.
- Strong leadership and organizational skills.
- Excellent communication and people skills.
- Experience hiring, coaching, mentoring, and retaining staff.

Preferences

- Master's degree in accounting, finance, or business.
- CPA or CMA.
- Public accounting experience.
- Experience overseeing investment accounting or a strong knowledge of investment accounting.
- Experience leading enterprise budget development and reporting.
- Knowledge of regulatory standards and compliance requirements in public pension plans.
- Knowledge of actuarial science and principles related to pension plans.
- Knowledge and/or experience with SOC 1, Type 2 audit compliant systems of internal controls.
- Experience reporting to boards and being the external spokesperson on financial matters.

Leadership Competencies and Characteristics

The CFO, PSERS' top financial executive, must have impeccable integrity and be a strategic and forward-thinking finance executive. The ideal candidate is a leader with a passion for public service and who will become a trusted advisor and thought leader to the Executive Director.

As a member of the senior leadership team, the CFO must work horizontally across the organization and collaboratively with other executives to advance the System's mission, always with a holistic focus on doing what is best for the organization. The CFO must be a team player who communicates in an open, honest, and ethical, transparent, and forthright manner. A leader who:

- Is comfortable raising issues, sharing their opinions, and having courageous conversations.
- Has the ability to be nimble, adapt, and agile in a changing environment.
- Has the emotional intelligence to effectively lead change.
- Is humble and respectful and leads with a participative and collaborative style.
- Fosters a high performance and customer service driven culture.
- Is optimistic, inspirational, and motivational.

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

- Calm under pressure, able to diffuse difficult situations.
- Intellectually curious and a critical thinker.
- Ability to strategize, problem solve, and present creative, practical solutions.
- Confidence to put forward and defend ideas while being open to adjusting them based on input from others.
- Being willing to accept constructive criticism and feedback.
- Social and interpersonal skills to engage and build positive relationships with the Board, other State agencies representatives, stakeholders, senior leadership team, external providers, and others.
- Interpersonal and diplomatic skills to build consensus and effectively negotiate compromise.
- Supportive of best practices and brings innovative ideas to advance efficiency and performance.
- Ability to articulate complex financial information in a clear and simple manner.
- Poise and presence to professionally and positively represent PSERS.

Compensation

The CFO position is exempt and an "at will" employee. The CFO must maintain permanent Pennsylvania residency. The compensation package is designed to attract the best-qualified finance 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.