



Compliance Charter

Effective Date:

Review Date:

I. Purpose and Authority

The Compliance Program serves as the compliance function at the enterprise-level, and its purpose is to support the Audit, Compliance and Risk Committee (“ACR Committee”) in its oversight responsibilities with respect to compliance, compliance risk management, special investigations, and other sources of verification and independent reassurance related to compliance.

The purpose of the Compliance Program is to provide the agency with a means of considering compliance risks in a logical, standardized, and meaningful manner, and to lead compliance-related activities, including the assessment and management of compliance risk at the enterprise level. Compliance risks include risks arising from noncompliance with law, policies, contractual obligations, and standard business and benefit plan practices. By aligning the Board’s strategic priorities and initiatives with well-considered compliance risk measures and metrics, the Compliance Program is designed to increase the likelihood of the organization achieving its mission.

PSERS’ Compliance Program, led by the Chief Compliance Officer (CCO), supports PSERS’ commitment to the highest standards of ethics, integrity, and lawful conduct.

PSERS Executive Director and Chief Counsel hereby delegate all necessary power and authority to the CCO for the CCO to perform the duties and responsibilities described in this Charter. This delegation includes direct access to senior management, internal information, internal systems, contractors, subcontractors, and PSERS’ agents and consultants, including its outside counsel, regulators and other governmental officials when access to the aforementioned parties is relevant to the performance of Compliance Program and/or to meet the Compliance Program’s responsibilities and is permitted under applicable state and federal laws.

The Compliance Program functions under the governance policies established by the PSER Board (“Board”). The CCO and PSERS Executive Director shall abide by all aspects of the governance policies as they relate to the Compliance Program.

The ACR Committee shall recommend approval of the Compliance Program Charter and all future amendments to the Board. The Compliance Program Charter shall be reviewed at least every two years and updated as necessary.

II. Scope

Led by the CCO, the Compliance Program shall encompass all business units of PSERS, as well as those reporting directly to the Board, such as the Office of Chief Counsel and Internal Audit Office. The CCO shall serve as compliance counsel, if the CCO is a Pennsylvania-licensed attorney.

III. Compliance Program’s Responsibilities

A. Support the ACR Committee’s Responsibility to Conduct activities on behalf of the Board



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1. Support the ACR Committee in identifying the need for independent advisors and/or investigators for special situations, conduct a search, and make recommendations to the Board.
2. Assist the ACR Committee in evaluating the performance of all compliance service providers necessary or desirable for PSERS. The Committee should ensure that RFPs are conducted for each key service provider contract at least every five (5) years unless the Board chooses otherwise.
3. At least annually, the CCO shall meet with the ACR Committee without other staff present, to ensure there has been no undue influence on their activities or reporting to the Committee or the Board. The CCO shall request a meeting with the ACR Committee executive session meeting without staff present when appropriate.
4. At the direction of the ACR Committee and in consultation with the Chief Counsel, unless otherwise directed by the ACR Committee, conduct or support investigations into any matters within its scope of the ACR Committee's responsibility and support the ACR Committee's activities relating to obtaining advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities.
5. The CCO shall review all internal control audits and collaborate with staff to address material weaknesses and deficiencies relating to compliance.
6. Support the ACR Committee by implementing the Compliance Program, which shall include policies, procedures, measures and competencies for identifying, assessing and managing enterprise compliance risk.

B. Support the ACR Committee in Recommending direction and policy to the full Board

1. Assist the ACR Committee in annually identifying anticipated compliance policy priorities and establish a calendar of anticipated compliance policy decisions and discuss with the Board.
2. Assist the ACR Committee in reviewing and making recommendations to the Board on all policies and any amendments governing audit, compliance or risk, within the ACR Committee's responsibility by advising on compliance issues related to such policies and amendments.
3. Recommend vital signs and metrics for the Compliance function and identify tolerances for acceptable versus unacceptable variability in performance.

C. Support the ACR Committee in Recommending approval of key decisions

1. Support the ACR Committee in establishing the Compliance Charter.



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2. Provide supporting information to the ACR Committee in order for it to recommend approval of the staffing complement for the Compliance Program to the Board.
3. Recommend engagement of and budget for external consultants and advisors, as appropriate, to ensure adequate resources for the Compliance function. .
4. Support the AC&R Committee in assessing compliance risk appetite and tolerances falling within the scope of the ACR Committee .

D. Oversee the Compliance Program

1. The Compliance Program responsibilities relate to the development, implementation, maintenance, monitoring, and promotion, at the enterprise level, of PSERS' compliance with law, policies, contractual obligations, and standard business and benefit plan practices including:
 - Direct and oversee the design and implementation of the Compliance Program, including the policies and procedures to help prevent and detect violations with compliance requirements and to promote ethical practices and the implementation of compliance and ethics education and training for staff, and as requested for the Board.
 - Support the ACR Committee and as appropriate the Board in the review and approval the Compliance Charter. Recommend as appropriate any changes to the ACR Committee for adoption.
 - Recommend for approval of the ACR Committee an annual Compliance Program plan and notify the ACR Committee when the Compliance Program does not have adequate resources and
 - Utilize as appropriate and when permitted by law, direct access to senior management, internal information and systems, contractors, subcontractors, and PSERS' agents and consultants when such access to the aforementioned parties is relevant to the performance of the Compliance Program and/or necessary to meet the Compliance Program's responsibilities.
 - Ensure the Compliance Program performs as appropriate compliance reviews with applicable laws, regulations, contractual obligations, rules, board and management policies, directives and generally and benefit plan accepted business practices of the System.
 - Recommend modifications and amendments to Board and Staff policies, as appropriate, to reflect: (a) changes, clarifications, or updates in applicable laws,



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policies, and contractual obligations; (b) changes in the nature or scope of PSERS' responsibilities, legal, contractual, or otherwise, and (c) if existing policies or procedures appear to have been ineffective in preventing compliance violations or where new or additional policies and procedures would be more effective in promoting best practices and preventing or avoiding future misconduct.

- Provide legal opinions to the ACR Committee and coordinate with the Chief Counsel and the ACR Committee legal opinions requested by the ACR Committee on compliance-related issues .
- Obtain legal opinions from the Chief Counsel on compliance-related issues.
- Oversee at the enterprise-level key compliance and ethics activities and reports to include: enterprise program compliance, enterprise and Board policy compliance, service provider compliance, and privacy and security compliance.
- Review the effectiveness of the Compliance Program. Provide reports, as may be requested of the CCO that are necessary and appropriate regarding the results of assessments of the Compliance Program.
- Exercise due diligence to prevent and detect criminal conduct which may constitute a breach of PSERS' fiduciary duty.
- Advise the ACR Committee on compliance risk appetite and tolerances.
- Review emerging and significant compliance risks and report those to the ACR Committee.
- Regularly meet with the Chief Investment Officer and/or the Chief Investment Officer's designee on investment compliance related issues.
- Advise on attestations and certifications requested of the System.
- As appropriate, effectuate and/or coordinate with staff the ACR Committee's recommendations to the CCO or the Executive Director regarding the results of reviews and assessments of the risk management function .

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2. Support the ACR Committee in overseeing any other PSERS audit, compliance, risk, or related activities, including:
 - Supporting the ACR Committee in overseeing PSERS' policies and procedures for the receipt and handling of allegations of suspected misconduct and receive reports on a periodic and as-needed basis regarding significant reports received.
 - Supporting the ACR Committee in overseeing special investigations and whistleblower cases, as needed, on behalf of the Board and upon the request of the ACR Committee and with the advice and consultation of the Chief Counsel conducting special investigations and whistleblower cases or supporting the Chief Counsel in doing the same. .
 - Supporting the ACR Committee in overseeing ethics-related complaints, processes, and findings and upon the request of the ACR Committee and with the advice and consultation of the Chief Counsel reviewing ethics-related complaints and making ethics related findings or supporting the Chief Counsel in doing the same.

E. Support the Committee in Obtaining independent verification.

1. As requested by the ACR Committee periodically obtain and support the ACR Committee in obtaining appropriate independent verification of the performance and exception reports issued by management and presenting the results to the Board.
2. As requested, support the ACR Committee in meeting with and seeking any information it requires from staff or external parties.

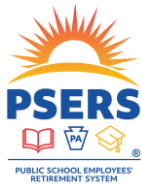
IV. Reporting to and Communication with the ACR Committee and Others

The CCO should ensure that the ACR Committee receives sufficient and reliable information regarding the Compliance Program to enable the ACR Committee to fulfill its compliance responsibilities set forth in its Charter. The CCO shall notify the ACR Committee if any of the responsibilities set forth in this Charter cannot be met by the Compliance Program and the specific constraints relating thereto. In addition, the CCO shall promptly notify the ACR Committee Chair and the Chief Counsel in writing if the CCO has an actual or potential conflict of interest in carrying out the duties of the CCO.

The CCO shall have free and unrestricted access to the ACR Committee Chair, the Board Chair, the Executive Director, and the Chief Counsel. In addition, the ACR Committee Chair, the Board Chair, and Board members and their designees shall have free, unrestricted, and unfettered access to the CCO.

V. Supporting the ACR Committee's Self-Evaluation

The CCO as appropriate and upon request of the ACR Committee shall support the ACR Committee in conducting a self-evaluation of the ACR Committee's performance as part of the Board's self-evaluation



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process. The CCO as appropriate shall seek to identify for the ACR Committee unmet trustee continuing education needs relating to compliance and ethics.

VI. Frequency of Review / History

The CCO in conjunction with the Chief Counsel shall support the ACR Committee's review of this Charter at least every three years. Upon request, the CCO shall support the ACR Committee's review and revision of its Charter.



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Document Properties

Document Owner: The Audit, Compliance and Risk Committee

Document Author: The Audit, Compliance and Risk Committee

Summary of Changes:

Date	Version	Author	Summary
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