

**Commonwealth of Pennsylvania
Public School Employees' Retirement System
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To: PSERS Board of Trustees

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

RE: Bylaws Changes

Date: November 16, 2020

At the October 8, 2020 meeting the Audit/Compliance Committee reviewed changes to their roles and responsibilities which are contained in the Statement of Organization, Bylaws, and Procedures (Bylaws), Section 4.2.(b) Audit/Compliance Committee. These changes have been forwarded to the Bylaws/Policy Committee for their review and approval. The changes address modifications to the responsibilities of the Audit/Compliance Committee to cover the addition of investment compliance activities as well as the change of the title of the Internal Auditor to the Chief Audit Officer. A copy of Section 4.2.(b) is attached to this memo as Appendix A with the changes highlighted. At the Committee meeting, the members will review the contents of this section and, if are in agreement, will approve and forward to the Board for a vote to change the Bylaws.

Excerpt from Bylaws: Section 4.2

(b) Audit/Compliance Committee. Audit/Compliance Committee shall oversee the auditing of all financial information; shall meet with the external financial auditors each year prior to the annual financial audit to review the audit plan and to identify other areas of the operations that should be reviewed; and shall meet with the external financial auditors at the conclusion of the financial audit to review the audit results, including any recommendations, difficulties encountered and any significant adjustments proposed by the auditors; shall review the effectiveness of the System's and the Plan's methodology for assessing, monitoring, and controlling significant risks or exposures; and shall oversee the evaluation and monitoring of the internal control system by internal and external auditors; and shall review the findings and recommendations of the external auditors along with management's responses and actions taken to implement the audit recommendations; shall ensure the Internal Audit Office performs compliance reviews with applicable laws, regulations, rules, board and management policies, directives and generally accepted business practices related to benefits administration, investments, finance, healthcare, information technology and communications; shall ensure the Investment Office is complying with applicable laws, rules, regulations and the investment policies and guidelines established by the PSERS Board; and shall review the findings and recommendations of any examination by regulatory agencies, any auditor, staff and/or consultant observations related to compliance, management's responses and actions taken to implement those observations/recommendations; shall oversee special investigations and whistleblower cases, as needed; and shall provide a forum for the resolution of all disputes between management and the internal and/or external auditors regarding the financial reporting process, risk assessment, internal control and other compliance issues; and shall provide conflict resolution for all disputes between management and investment compliance staff/external consultants regarding investment related compliance issues. The Audit/Compliance Committee is responsible for the oversight of the Internal Audit Office; and shall meet with the Chief Audit Officer to review and adopt the System's and the Plan's annual audit and compliance monitoring plan and receive periodic updates on such plan; shall meet with the Chief Audit Officer to review the status of audits, review the audit findings and recommendations, management's responses, and actions taken to implement the audit recommendations; shall review and approve the Internal Audit Charter; shall ensure there are no unjustified restrictions or limitations on the internal audit function; shall review the effectiveness of the internal audit function by having an external quality assessment completed; and shall provide input to the Executive Director on the performance of the Chief Audit Officer, at least annually.