



PSERB Resolution 2025-72
Re: Funston Governance Review Closeout
October 23, 2025

RESOLVED, that pursuant to PSERB Resolution 2021-71, the Public School Employees' Retirement Board accepts the recommendation of the Governance and Administration Committee and adopts the final implementation of the recommendations from the Funston Governance Review, as documented in the attached.

Funston Governance Report:
Implementation Summary
October 2025

Thematic Recommendations	Individual Activities	Adopted	Adopted w/ mods	Not Adopted	Major Accomplishments
1. Develop alignment and improve the PSERB’s focus on setting direction and policy and prudent delegation.	48	33	12	3	Strategic Plan adopted; DGASE hired; Clarified direct/indirect Board reports; Developed updated evaluation process for Board direct reports
2. Improve the timeliness and insightfulness of information for decision-making and the PSERB's oversight of the executing of direction within policy.	31	24	7	0	Clear assignments of policy to each Committee; Established ERM and Compliance programs; charters for ERM and Compliance functions; Continued to clarify three lines model; and Adopted Charter for ERM function.
3. Verify then trust. Build trust by improving independent verification and the independence of the PSERB's advisors.	32	23	9	0	Bolstered Internal Audit capabilities; CCO hired and Compliance Charter adopted; Revised Board Education Policy.
4. Improve the way PSERB and its committees conduct the business of the Board in its meetings and operations.	55	39	9	7	Condensed 10 committees down to 7; Chartered all committees; Created Board position descriptions; Implemented Committee Work Plans; Created policy and procedures related to information and communication.
5. Improve PSERB's decision-making policies and processes.	17	5	12	0	Refreshed CIO report; Regularly provided Investment Compliance Reports to IC committee
6. Seek better alignment of appointed trustee terms and qualifications.	3	0	0	3	Note: Individual implementation activities were not provided for this recommendation
Totals	186	124	49	13	

Percent Adopted or Adopted w/Modifications	93.0%
Percent not Adopted	7.0%

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
1			Develop alignment and improve the PSERB’s focus on setting direction and policy and prudent delegation.				
	1.1		Develop a strategic plan and improve stakeholder communications and engagement.				
		1.1.1	Direct the Executive Director to develop a multi-year strategic plan, with PSERB and key stakeholder input, and convene an annual offsite for the PSERB to review, modify as desired, and approve the proposed plan; the strategic plan should inform annual goal-setting and plans.	ADOPTED	Strategic Planning Policy Strategic Plan	PSERS hired Dering Consulting in 2023 to assist in executing updated Mission, Vision, Values, and overarching strategic focus areas, under which projects were developed and continue to be executed.	
		1.1.2	Develop a comprehensive communications policy that clearly identifies the System’s spokespersons and includes a crisis communications plan.	ADOPTED w/MODIFICATIONS	Board Inquiry Request Policy Deliberation Policy Ethics Policy Investment Due Diligence Package Policy Policy on Referrals of Investment Opportunities and Service Provider Candidates Public Participation and Attendance in Open Meetings Policy ED Sanchez Crosswalk Memo	PSERS has implemented a myriad of communications policies as a result of the Governance review. Additionally, former ED Sanchez prepared a memo outlining how the new policies track to the recommendations. The Funston Working Group opined in May that sufficient coverage of the recommendations was achieved. Additionally, a strategic initiative to develop a comprehensive Crisis Communications Plan is underway and nearing completion.	EXO2331_Crisi Management Plan for Cybersecurity and Ransom Strategy
		1.1.3	Utilize the strategic plan to set the Executive Director's and System's annual goals.	ADOPTED	PSERS Executive Director PD Board Direct Report and Board Support Staff Evaluation Policy	Committee-driven; to the extent the Strategic Plan is a part of the ED's position expectations, HR and Bev will assist. Check for language as to whether this is incorporated into ED performance eval procedures.	
		1.1.4	Require the plan to cascade throughout PSERS by using it for annual goal setting throughout the organization.	ADOPTED	Strategic Plan	PSERS has internally posted the M-V-V, Strategic Plan Document, and several messages from the Executive Director. In March 2025, the Board Strategic Planning Policy was updated to include language requiring the Plan to be posted on the public website.	
		1.1.5	The strategic plan definition of desired outcomes should be used to guide policy development on media and stakeholder communications, as well as communication with the General Assembly and the Governor's Office.	ADOPTED	Strategic Plan Stakeholder Engagement Plan	A comprehensive Stakeholder Engagement Plan was developed as part of a Strategic Initiative.	EXO2328_Comprehensive Stakeholder Relations Plan
		1.1.6	Strategic Plan goals and outcomes should be shared publicly on the PSERS website and information should be kept refreshed and current.	ADOPTED	Strategic Plan	PSERS has made the Strategic Plan publicly available on its website. PSERS also regularly shares updates with the Board via the Executive Director report.	

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		1.1.7	Based on the strategic plan, develop a comprehensive stakeholder relations plan that leverages opportunities to meet strategic goals.	ADOPTED	Stakeholder Engagement Plan	Development of a Stakeholder Engagement Plan was a Strategic Initiative recently completed.	EXO2328_Comprehensive Stakeholder Relations Plan
		1.1.8	Use the strategic plan as a guide in setting the PSERB annual policy calendar and meeting agenda planning.	ADOPTED	Committee Charters Board Policy Development Policy Committee Work Plans		
		1.1.9	PSERS should provide all trustees with an individual PSERS email account and require trustees to conduct all PSERS-related electronic communications within their PSERS specific email account.	NOT ADOPTED	N/A	This recommendation was discussed in 2022 and declined by the Board. The option for a COPA email account specific to PSERS business is presented at Board member orientation, but not required.	
	1.2		Develop a unified direction on PSERS strategic asset allocation.				
		1.2.1	As soon as practical, the PSERSB should agree on a process to revisit and affirm or change the current strategic asset allocation. A two-day retreat might allow sufficient time for discussion provided that adequate advance preparation has occurred.	ADOPTED	Investment Policy Statement	This is captured in the IPS and highlighted in IC charter.	
		1.2.2	On a going forward basis, PSERB should adopt a multi-year asset allocation process, similar to Exhibit 1.4.	ADOPTED	Investment Policy Statement	Frequency (three year interval) set in the IC charter.	
	1.3		Revise the PSERB's Policy Development process.				
		1.3.1	Formalize and streamline the process for policy setting.	ADOPTED	Board Policy Development Policy	Policy adopted in March 2025 created a consistent approach to policy development and management.	
		1.3.2	Refine the content of PSERS' existing policies and develop new policies where there are gaps (see Figure 4. Identified Policy Gaps).	ADOPTED	Board Policy Development Policy	The work of the Funston Group assisted in prioritizing and eliminating policy gaps. Additionally, the Board Policy Development Policy includes requirements for a once every three year review of all policies.	
		1.3.3	Draft a comprehensive and user-friendly governance manual that incorporates all of PSERS governance policies (but not staff-level operating procedures).	ADOPTED	Board Governance Manual	Adopted Model Governance Framework 3/15/22 (Resolution 2022-25) as found on Funston pg. 157. In June 2025, streamlined the Manual and eliminated the bifurcated Bylaws document.	
		1.3.4	Develop a more robust process for compliance with the Ethics Policy.	ADOPTED	ACR Compliance Charter Referrals Policy SEC Pay-to-Play Compliance Policy Non-Investment Contracts and Political Contributions Policy	The executive director created and hired a Chief Compliance Officer position, and the Board adopted a Compliance Charter. G&A oversaw the drafting of new policies to address Referrals, SEC Pay-to-Play Compliance, and non-Investment Procurement conflicts.	

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		1.3.5	The Code of Conduct, Ethics and Conflicts of Interest policies should comprehensively address the Standards of Conduct, Ethical conduct, conflicts of interest and recusal and board confidentiality (see Exhibit 1.6, Model Governance Manual Framework - Article IV, Section 4: Code of Conduct Ethics and Conflicts of Interest).	ADOPTED	ACR Compliance Charter Referrals Policy SEC Pay-to-Play Compliance Policy Non-Investment Contracts and Political Contributions Policy	The executive director created and hired a Chief Compliance Officer position, and the Board adopted a Compliance Charter. G&A oversaw the drafting of new policies to address Referrals, SEC Pay-to-Play Compliance, and non-Investment Procurement conflicts.	
		1.3.6	Develop a Strategic Policy Calendar for each Committee of the PSERB which identifies policy development priorities and should be approved by the full PSERB annually.	ADOPTED	Committee Charters Committee Work Plans	In addition to Committee Charters, each Committee annually sets a Work Plan. This Plan serves as a calendar to address each Committee's chartered responsibilities.	
		1.3.7	For complex policy matters, develop policy options with related pros and cons with links to supporting data - emphasize the full range of options available, as well as recommendations to ensure informed opinion and that dissenting opinions are hears.	ADOPTED	Board Policy Development Policy	The Policy Development Policy requires that staff provide support and assistance in identifying policy amendments, researching and drafting policy for consideration, and including policy options as may be appropriate.	
		1.3.8	The PSERB should discuss the role it wishes the ED to have regarding legislation and clearly communicate those expectations to the ED.	ADOPTED	Legislative Technical Assistance	Hired DGASE to begin work on bolstering legislative capabilities. Prepared a legislative technical assistance document to share with the General Assembly.	EXO2328_Comprehensive Stakeholder Relations Plan EXO2329_Technical Assistance Program to Support Legislators
		1.3.9	The PSERB should determine how it wants to handle pension legislation in general consultation with stakeholders.	ADOPTED	Stakeholder Engagement Plan Legislative Technical Assistance	Hired DGASE to begin work on bolstering legislative capabilities. Tied to Technical Assistance Strat Initiative	EXO2328_Comprehensive Stakeholder Relations Plan EXO2329_Technical Assistance Program to Support Legislators
		1.3.10	Revise the Governance Manual to be more comprehensive and user-friendly (see Exhibit 1.6 Model Governance Manual Framework).	ADOPTED	Board Governance Manual	Adopted Model Governance Framework 3/11/22 (Resolution 2022-25) as found on Funston pg. 157 Created a side-by-side Bylaws document to track current and future state Bylaws	
		1.3.11	Require each trustee and senior staff member to provide an annual certification of compliance with the Code of Conduct, Ethics and Conflicts of Interest policies.	ADOPTED	Board Ethics Policy		
		1.3.12	Consistent with the recommendations of the Auditor General, the PSERB should adopt a more robust process for compliance with the PSERS Ethics Policies.	ADOPTED	ACR Compliance Charter Referrals Policy SEC Pay-to-Play Compliance Policy Non-Investment Contracts and Political Contributions Policy	PSERS has created and amended numerous policies to ensure the Board adheres to a robust process for compliance.	

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		1.3.13	In addition to those already required by staff, require annual ethics/compliance affirmations from all counterparties of the investment office such as investment managers, broker/dealers and consultants.	ADOPTED w/MODIFICATIONS	Investment Compliance	Investment Compliance implemented a process to obtain Ethics Policy confirmations from external fund/investment managers during compliance certification. For Brokers/Dealers, IO relies on the required compliance program of the SEC and FINRA, which include FINRUL rules 2010, 2020, 2241, 5121, 3210, FINRA rule 2210 (regarding communication) and Reg Best Interest (regarding conflicts of interest and ethical standards). While acknowledgements are in place, in neither case do we confirm compliance with PSERS’ ethics policies.	
		1.3.14	The PSERB should require that investment counterparties, including asset managers, general partners and broker/dealers, annually affirm that they are aware of, and in compliance with, PSERS ethics policies with regard to their interactions with PSERS and PSERS personnel.	ADOPTED w/MODIFICATIONS	Investment Compliance	Investment Compliance implemented a process to obtain Ethics Policy confirmations from external fund/investment managers during compliance certification. For Brokers/Dealers, IO relies on the required compliance program of the SEC and FINRA, which include FINRUL rules 2010, 2020, 2241, 5121, 3210, FINRA rule 2210 (regarding communication) and Reg Best Interest (regarding conflicts of interest and ethical standards).While acknowledgements are in place, in neither case do we confirm compliance with PSERS’ ethics policies.	
		1.3.15	To establish clarity around the overarching fiduciary duty principles that govern the PSERB, including the duties of loyalty and prudence, the PSERS Governance Manual should include a statement of the fiduciary duties that guide all of its actions (See Exhibit 1.3 Fiduciary Duty).	ADOPTED	Governance Manual Board Orientation	The introductory section of the Governance Manual includes a description of the fiduciary duty principles.	
		1.3.16	The PSERB should designate the Chief Compliance Officer to be responsible for monitoring enterprise compliance (See Exhibit 3.2).	ADOPTED	Compliance Program Charter	The board adopted Resolution 2024-6, adopting the ACR recommended Compliance Program Charter.	
		1.3.17	The PSERB should request that the Auditor General periodically audit compliance with the PSERS ethics policies and report its findings to the Audit and Compliance Committee.	ADOPTED w/MODIFICATIONS	ACR Committee Charter	The ACR committee directs the PSERS Internal Audit Office in matters concerning audits, and through their Charter, maintain delegation to request any audits or investigations as may be required.	
		1.3.18	All legislative inquiries or study commission recommendations such as those issued by the Office of the Auditor General or other special studies such as the Act 5 report should receive a formal response.	ADOPTED w/MODIFICATIONS	DGASE PD	PSERS is responsive to all legislative inquiries through the Director of Government Affairs and Stakeholder Engagement.	

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		1.3.19	The PSERS website should be kept current regarding PSERS legislative positions to keep stakeholders informed.	NOT ADOPTED	N/A		
	1.4		Clarify roles, responsibilities, and reporting relationships to the Board.				Page
		1.4.1	Establish the Executive Director and the Chief Audit Officer as the two direct reports to the PSERB (see Exhibits 1.7.1 and 1.7.2).	ADOPTED w/MODIFICATIONS	Positions Descriptions: ED, CIO, CC, CAO ACR, IC, G&A Charter Board Direct Report and Board Support Staff Evaluation Policy	In addition to the ED, the Board has also established the CIO and Chief Counsel as direct reports. The CAO is a direct report to the ACR Committee.	
		1.4.2	Clearly define "direct" and "indirect" reporting relationships to the PSERB ad the nature of relationship (see also Figure 1.5 Lines of Relationships with the Board).	ADOPTED	Positions Descriptions: ED, CIO, CC, CAO ACR, IC, G&A Charter Board Direct Report and Board Support Staff Evaluation Policy	In addition to the ED, the Board has also established the CIO and Chief Counsel as direct reports. The CAO is a direct report to the ACR Committee.	
		1.4.3	Confer with Fiduciary Counsel regarding interpretation of the Bylaw requirements for retention of the CLC and whether any remedial action by PSERB is required in connection with the recent engagement of the new CLC.	ADOPTED w/MODIFICATIONS	Bylaws Board Direct Report and Board Support Staff Evaluation Policy CC PD	The Board established the Chief Counsel as a direct report.	
		1.4.4	Confer with the CLC and Fiduciary Counsel regarding clarification of their respective roles, who their PSERS' clients are, and their understanding of the current lines of reporting.	ADOPTED w/MODIFICATIONS	Bylaws Board Direct Report and Board Support Staff Evaluation Policy CC PD	The Board established the Chief Counsel as a direct report.	
		1.4.5	Modify the Bylaws and PSERS policies as necessary to accurately reflect arrangements for retention and supervision of the CLC and receipt of legal services by PSERB, staff and the ED.	ADOPTED w/MODIFICATIONS	Governance Manual	Current practice for hiring CLC (Board hired) exists in Bylaws as written.	
		1.4.6	For all executives with regular contact with the PSERB, the Board should be asked for input on their performance as part of their annual performance appraisal.	ADOPTED	Board Direct Report and Board Support Staff Evaluation Policy	Board conducts regular performance reviews of all direct reports.	
	1.5		See Recommendation 5.1 re: further delegation				
	1.6		Develop a new evaluation process for PSERS Executive Director and Chief Investment Officer.				
		1.6.1	The responsibility for the ED's evaluation should be assigned to the Governance and Administration Committee to coordinate input from the entire PSERB.	ADOPTED	G&A Committee Charter Board Direct Report and Board Support Staff Evaluation Policy	The responsibility for evaluations of the ED, CC, and CIO are outlined in the G&A Committee Charter. Specific procedures for evaluations are outlined in Policy.	

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		1.6.2	Annual performance expectations for the ED should be established at the beginning of each year informed by the strategic plan. Multi-year goals can also be identified at this time. Goals should be measurable and directly observable by the PSERB.	ADOPTED	Board Direct Report and Board Support Staff Evaluation Policy	The responsibility for evaluations of the ED, CC, and CIO are outlined in the G&A Committee Charter. Specific procedures for evaluations are outlined in Policy.	
		1.6.3	The PSERB, through the Governance and Administration Committee and the Board Chair, should provide feedback on performance on a regular basis and conduct a formal performance evaluation at least annually.	ADOPTED	Board Direct Report and Board Support Staff Evaluation Policy	The responsibility for evaluations of the ED, CC, and CIO are outlined in the G&A Committee Charter. Specific procedures for evaluations are outlined in Policy.	
		1.6.4	On a quarterly basis, the ED, the Governance and Administration Committee and the Board Chair should schedule a meeting for the purpose of a general check-in and opportunity to ask questions of both parties, receive feedback from both parties, and make mid-course corrections as necessary.	ADOPTED	Board Direct Report and Board Support Staff Evaluation Policy	The responsibility for evaluations of the ED, CC, and CIO are outlined in the G&A Committee Charter. Specific procedures for evaluations are outlined in Policy.	
		1.6.5	The PSERB should provide input into the selection, evaluation and compensation of the CIO although the CIO is a direct report to the ED. The PSERB should also provide input into the evaluations of all other senior executives who have frequent contact with the PSERB. The ED retains the responsibility for hiring, evaluation, compensation and succession of all direct report executives.	ADOPTED w/MODIFICATIONS	Board Direct Report and Board Support Staff Evaluation Policy	CIO is now a Direct Report to the Board. CIO is included in the Evaluation Policy as a Direct Report to the Board.	
		1.6.6	If necessary for objectivity, consider a third-party facilitator for the next ED evaluation.	NOT ADOPTED	N/A	The Board did not choose to add this provision to policy.	
		1.6.7	The Board Chair and the ED should both sign the annual evaluation documents.	ADOPTED	Board Direct Report and Board Support Staff Evaluation Policy	This is included in the Evaluation Policy.	
		1.6.8	The PSERB should retain a compensation consultation to conduct a comprehensive compensation survey that includes a review of ED compensation. A separate consultant specializing in investment compensation plans should be hired to review how and by what criteria investment professionals are compensated.	ADOPTED w/MODIFICATIONS	Classification and Compensation Plan Policy	PSERS hired Hudepohl & Associates to complete this study, which included key administrative positions and higher level investment professional classifications.	EXO_Compensation Model for Investment Professionals and Attorneys
	1.7		Build on succession planning of PSERB direct reports.				
		1.7.1	The review of the executive succession plan should be the responsibility of a Board Committee, and clearly stated in the assigned Committee's charter.	ADOPTED	G&A Committee Charter	This was both a Strategic Initiative and a focus of the SOC 1 Type 2 audit.	EXO2327_Compentency-Based Succession Planning
		1.7.2	The ED should amend the current succession plan and submit it to the committee for discussion and review.	ADOPTED	Staff Succession Planning Policy	This was both a Strategic Initiative and a focus of the SOC 1 Type 2 audit.	EXO2327_Compentency-Based Succession Planning EXO2321_Continuity of Operations Plan Update

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		1.7.3	Develop bench strength within each operational area using rotational assignments and with robust cross training to improve continuity so there are successor options within each substantive area of operation.	ADOPTED w/MODIFICATIONS	Staff Succession Planning Policy	Succession Planning was both a Strategic Initiative and a focus of the SOC 1 Type 2 audit. The Succession Planning Policy is complimented by an executive development plan, which supports continued bench strength development.	EXO2327_Competency-Based Succession Planning
		1.7.4	The Executive Director should develop a process with input from HR and Legal counsel that documents interim or temporary succession assignments.	ADOPTED	COOP Emergency Orders of Succession	This is currently both a Strategic Initiative and a focus of the SOC 1 Type 2 audit.	EXO2327_Competency-Based Succession Planning EXO2321_Continuity of Operations Plan Update
2			Improve the timeliness and insightfulness of information for decision-making and the PSERB's oversight of the executing of direction within policy.				
	2.1		Adopt exception reporting.				
		2.1.1	Broaden oversight to include all vital retirement functions (current focus is overwhelmingly on investments).	ADOPTED	Adopted Committee Vital Signs	Each Board Committee adopted Committee Vital Signs, as dictated in respective Committee Charters. Additionally, Risk Appetites and Tolerances continue to be established through ERM efforts.	EXO2334_KPI Development and Monitoring Standards
		2.1.2	The PSERB should approve vital signs and tolerances for variances between actual and expected performance for all vital retirement functions.	ADOPTED	Adopted Committee Vital Signs	Each Board Committee adopted Committee Vital Signs, as dictated in respective Committee Charters. Additionally, Risk Appetites and Tolerances continue to be established through ERM efforts.	EXO2334_KPI Development and Monitoring Standards
		2.1.3	The PSERB should require exception reporting (with appropriate escalation responses) using dashboards for all vital functions (See Exhibit 2.1).	ADOPTED	Adopted Committee Vital Signs	Each Board Committee adopted Committee Vital Signs, as dictated in respective Committee Charters. Additionally, Risk Appetites and Tolerances continue to be established through ERM efforts.	EXO2334_KPI Development and Monitoring Standards
		2.1.4	At PSERB and Committee meetings, Staff and PSERB consultants should only present highlights requiring PSERB attention based on exception reporting principles.	ADOPTED	Adopted Committee Vital Signs	Each Board Committee adopted Committee Vital Signs, as dictated in respective Committee Charters. Additionally, Risk Appetites and Tolerances continue to be established through ERM efforts.	EXO2334_KPI Development and Monitoring Standards
		2.1.5	Focus on accountability for performance and identify the executive responsible for each key metric.	ADOPTED	Adopted Committee Vital Signs	Each Board Committee adopted Committee Vital Signs, as dictated in respective Committee Charters. Additionally, Risk Appetites and Tolerances continue to be established through ERM efforts.	EXO2334_KPI Development and Monitoring Standards
		2.1.6	Identify the independent verification source for each key metric (see also Independent Verification).	ADOPTED	Audit Plan	IAO is beginning to audit all Board adopted Vital Signs in FY25-26.	
		2.1.7	Conduct a biennial review of all reports for relevance and utility and streamline or eliminate, as appropriate.	ADOPTED	Audit Plan	IAO is beginning to audit all Board adopted Vital Signs in FY25-26.	

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	2.2		Adopt an Enterprise Performance and Risk Management (EPRM) process for operational risk.				
		2.2.1	The EPRM process should be overseen by the Audit, Compliance and Risk Committee and by each committee for each of the functions within its respective mandate.	ADOPTED	Committee Charters ERM Charter		
		2.2.2	Oversight of each vital function and its vital signs should be assigned to a specific committee of the PSERB.	ADOPTED	Committee Charters	Each Board Committee adopted Committee Vital Signs, as dictated in respective Committee Charters. Additionally, Risk Appetites and Tolerances continue to be established through ERM efforts.	EXO2334_KPI Development and Monitoring Standards
		2.2.3	Vital signs for vital functions should be recommended by relevant committees for PSERB approvals.	ADOPTED	Committee Charters	Each Board Committee adopted Committee Vital Signs, as dictated in respective Committee Charters. Additionally, Risk Appetites and Tolerances continue to be established through ERM efforts.	EXO2334_KPI Development and Monitoring Standards
		2.2.4	Risk tolerances (acceptable vs unacceptable variability) should be clearly defined and approved by the respective committee and the PSERB in advance.	ADOPTED w/MODIFICATIONS	Committee Motions	G&A and IC have completed vital sign approval and tolerances; other Committee work continues to progress.	
		2.2.5	Oversight reporting should be exception-based, i.e., as expected or normal, unless otherwise notified.	ADOPTED	Adopted Committee Vital Signs	Each Board Committee adopted Committee Vital Signs, as dictated in respective Committee Charters. Additionally, Risk Appetites and Tolerances continue to be established through ERM efforts.	EXO2334_KPI Development and Monitoring Standards
		2.2.6	Exceptions should require root cause analysis, actions taken or to be taken by management and identification of policy implications if the variance continues/increases.	ADOPTED w/MODIFICATIONS	Adopted Committee Vital Signs	These implementation steps are written as recommendations that are contemplated in the Vital Sign adoption.	EXO2334_KPI Development and Monitoring Standards
		2.2.7	The reliability of management's reports should be independently verified.	ADOPTED	Audit Plan	IAO is beginning to audit all Board adopted Vital Signs in FY25-26.	
		2.2.8	Responsibilities and accountabilities should be clear for the PSERB, its committees, staff and consultants.	ADOPTED	Board Position Descriptions Committee Charters	The Board adopted Board Chair and Vice Chair Position Descriptions as well as Committee Charters.	
		2.2.9	Incorporate the identification and management of strategic threats and opportunities into the PSERS strategic plan.	ADOPTED	Strategic Planning Policy		
		2.2.10	Identify PSERS critical dependencies and maximum allowable recovery times. Develop plans to test and ensure recovery capabilities (RTOs and RPOs) are within defined limits.	ADOPTED	COOP Plan	Reinvigorating the COOP plan is a Strategic Initiative. This work would occur as part of that planning.	EXO2321_Continuity of Operations Plan Update

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		2.2.11	Adopt the definition of risk as the <u>potential</u> for an <u>unacceptable</u> difference between actual and expected <u>performance</u> regardless of cause.	ADOPTED w/MODIFICATIONS	ERM Framework (COSO)	PSERS has adopted the COSO ERM Framework and accordingly, that definition for Risk: <i>Risk is the possibility that events will occur and affect the achievement of our strategy and business objectives.</i>	EXO2317_PSERS Enterprise Risk Management Framework and Governance
		2.2.12	Treat performance and risk as inseparable and embed in board reporting using exception reporting dashboards.	ADOPTED	Adopted Committee Vital Signs	Vital signs consider both the performance of key functions and the risks associated with underperformance of key functions.	EXO2334_KPI Development and Monitoring Standards
		2.2.13	PSERS should perform three types of risk assessment (strategic, operational, and business continuity).	ADOPTED	Risk Register COOP Plan		EXO2317_PSERS Enterprise Risk Management Framework and Governance EXO2321_Continuity of Operations Plan Update
		2.2.14	Make more systematic use of performance and risk management tools such as Root Cause Analysis and Failure Modes and Effects Analysis (see Exhibit 2.2).	ADOPTED w/MODIFICATIONS	Adopted Committee Vital Signs Risk Register	PSERS has adopted Root Cause Analysis, but has not considered Failure Modes and Effects Analysis (as of this time).	
		2.2.15	Assign each new committee of the PSERB oversight responsibility for performance and risk, the review and approval of vital signs and tolerances for vital functions within the committee's scope.	ADOPTED	Committee Charters		
		2.2.16	Assign the Audit, Compliance and Risk Committee (ACR) responsibility for oversight of the overall utilization of the EPRM process as a tool for the PSERB and the staff.	ADOPTED	ACR Charter ERM Charter	Assignment of EPRM oversight found in Committee Charter. A separate ERM Program Charter also exists.	EXO2317_PSERS Enterprise Risk Management Framework and Governance
		2.2.17	Communicate the results of the CEM benchmarking surveys to the relevant committees.	ADOPTED	Various Board Presentations	Committee Charters indicates "Independent Benchmarking," and results are shared annually.	
		2.2.18	Conduct Control Environment Surveys to assess staff attitudes toward internal control.	ADOPTED w/MODIFICATIONS	PSERS Employee Culture Survey	PSERS issued its first Employee Culture Survey between X and Y. Results continue to be reviewed and acted upon by Executive Staff and leadership.	EXO2326_Workplace Culture Survey
		2.2.19	Establish a comprehensive Incident Management System including an executive Incident Management Team comprised of a cross-functional group of executives representing all major PSERS functions. There should be identified alternates for each lead role on the team.	ADOPTED	Crisis Communications Plan COOP Plan Cyber Incident Response Plan	PSERS has an incident response plan for COOP and for IT Security.	EXO2331_Crisi Management Plan for Cybersecurity and Ransom Strategy
		2.2.20	Train all executives and staff re the above and include the approach to enterprise performance and risk management as part of the orientation for new trustees/designees.	ADOPTED w/MODIFICATIONS	Risk Tolerance Training Risk Appetite Training	The Board receives ongoing training about risk and performance management topics.	EXO2317_PSERS Enterprise Risk Management Framework and Governance

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		2.2.21	Assign the position of Deputy Executive Director for Administration to lead the EPRM process - this position is to support management and will not be independent. The DD should have dotted line relationship to the Audit, Compliance and Risk Committee. The Chief Information Security Officer should have direct (solid line) reporting to DED position and Investment Compliance should have indirect (dotted line) reporting to this position (see Exhibit 1.7 Enterprise Performance and Risk Management Reporting Chart).	ADOPTED w/MODIFICATIONS	CRO PD	Position of Chief Risk Officer was established as a direct report of the Executive Director and serves as liaison to the ACR Committee. CISO is a direct report to the DED-Admin. No changes in the Investment Compliance reporting construct have implemented; they report to the Chief Investment Officer.	EXO2317_PSERS Enterprise Risk Management Framework and Governance
	2.3		Assign oversight of cyber security and information security to a specific committee of the PSERB.				
		2.3.1	The responsibility for the oversight of cybersecurity should be assigned to a specific committee of the PSERB. The Committee should be briefed on PSERS cybersecurity and information security plans and, as appropriate, make recommendations to the PSERB for approval.	ADOPTED	G&A Committee Charter	Responsibility for oversight of Cybersecurity is assigned to the Governance and Administration Committee (Resolution 2022-25). Consider addition of detail when Charter is reviewed.	
		2.3.2	The committee should receive key performance and risk indicators which address cybersecurity and information security in its regular board books.	ADOPTED	Various Board Presentations	The Gov & Admin Committee approved operational vital signs including those for cybersecurity in June 2025, via Committee Motion.	
		2.3.3	There should be more systematic improvements in vendor and contract management and oversight by the PSERB.	ADOPTED	Contract Log		
3			Verify then trust. Build trust by improving independent verification and the independence of the PSERB's advisors.				
	3.1		Strengthen independent Verification and Internal Audit Capabilities.				
		3.1.1	Formalize the Lines of Relationship to the PSERB (see Figure 3.1).	ADOPTED	Positions Descriptions: ED, CIO, CC, CAO ACR, IC, G&A Charter Board Direct Report and Board Support Staff Evaluation Policy	In addition to the ED, the Board has also established the CIO and Chief Counsel as direct reports. The CAO is a direct report to the ACR Committee.	
		3.1.2	The annual Internal Audit plan should continue to be approved by the Audit, Compliance and Risk Committee to ensure it includes adequate internal audit activities and has adequate staffing or plans for outsourcing to enable the plan to be completed.	ADOPTED w/MODIFICATIONS	Board Resolution	The ACR committee collaborates with the CAO to prepare the annual audit plan, which is adopted by the Board.	

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		3.1.3	As soon as practical (within two years) and every three years thereafter, schedule a Quality Assurance Review of the Internal Audit function as currently required by PSERS Bylaws.	ADOPTED w/MODIFICATIONS	Audit Charter	The frequency was changed to every five years on the charter in 2023. Target for the first assessment in FY27-28 (begin planning and procurement process planning after SOC1 Type 2 audit).	
		3.1.4	Given the staff shortages and the historical lack of internal audits, make immediate use of outsourced resources to improve audit coverage and for specialty audits, such as investments and cybersecurity until such time as PSERS can develop its internal audit capabilities.	ADOPTED w/MODIFICATIONS	Audit Charter	The audit office is now fully staffed.	
		3.1.5	Develop a professional education and development plan for IA staff.	ADOPTED	IAO Charter IAO Staff Performance Standards	Performance standards are established for IAO staff, which include professional development requirements.	
		3.1.6	Any remaining compliance activities should be reassigned from IA to the function responsible for the policy as soon as possible.	ADOPTED	Compliance Program Charter	HOP/PDP compliance program needs to be transitioned out of IAO. Quarterly PST compliance testing.	
		3.1.7	Create the position of Chief Compliance Officer. This position should report to the Chief Counsel and indirectly to the Audit, Compliance and Risk Committee (see Exhibit 3.2).	ADOPTED	Compliance Program Charter		
		3.1.8	Conduct an annual staff survey to assess the control environment on a department-by-department basis and overall, e.g., Control Environment Survey (see Exhibit 3.5).	ADOPTED w/MODIFICATIONS	PSERS Employee Culture Survey	The Chief Risk Officer meets at least annually with each Director (and staff as needed) to discuss business functions and current risk environment.	EXO2326_Workplace Culture Survey
		3.1.9	Obtain annual affirmations of compliance with required disclosures, code of conduct and conflicts of interest by trustees, executives and third parties.	ADOPTED	Ethics Policy		
		3.1.10	The Chief Audit Officer (CAO), Chief Information Security Officer (CISO) and the Senior Investment Risk Manager should annually certify their freedom from undue influence to the ACR Committee.	ADOPTED w/MODIFICATIONS	ACR Charter	The CAO, CCO, and CRO have had independent meetings with the ACR Committee.	
		3.1.11	Designate one person (the DED Administration) to be responsible for the oversight of performance reporting integrity and the internal and external controls thereof. That person should not have responsibilities for any aspect of performance calculation.	ADOPTED w/MODIFICATIONS	F&A Charter ACR Charter	The CFO has been assigned portions of this task, along with the CAO.	
	3.2		Enhance the mandate of the Audit, Compliance ad Risk Committee to include, among other things, provisions from Act 128 of 2020.				
		3.2.1	Expand the mandate of the Audit/Compliance Committee to include Risk and rename it to the Audit, Compliance and Risk Committee (ACR).	ADOPTED	ACR Charter		

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		3.2.2	In the future, the Audit, Compliance and Risk Committee should hire, evaluate and plan for the succession of the Chief Audit Officer (CAO) who administratively reports to the Executive Director.	ADOPTED	ACR Charter	The CAO position is now report directly to the ACR Committee and the ACR Committee's responsibility for this task is updated in the committee charter.	
		3.2.3	The ACR should set the performance objectives for the CAO and provide annual and interim feedback on performance.	ADOPTED	ACR Charter	The CAO position is now report directly to the ACR Committee and the ACR Committee's responsibility for this task is updated in the committee charter.	
		3.2.4	The ACR should continue to improve communications with, clarify expectations for and monitor the performance of the external auditor.	ADOPTED	ACR Charter	ACR Chair and Vice Chair will participate in the RFP for the new Financial Audit contractor.	
		3.2.5	The ACR should ensure that an internal control audit of the system and the plan is conducted at least every five years.	ADOPTED	ACR Charter	ACR Chair and Vice Chair directed the procurement of a SOC1 Type 2 Audit. The ACR Committee oversaw the SOC1 Type 2 Audit.	
		3.2.6	If an annual financial report identifies a material weakness or significant deficiency or an internal control audit identifies a material weakness or significant deficiency, the PSERB should ensure that an additional internal control audit of the system and the plan for the year is conducted subsequent to the report or audit in which the weakness or deficiency was identified.	ADOPTED w/MODIFICATIONS	ACR Charter Audit Plan	The ACR Charter enables the ACR committee to request an audit, review, or investigation at any time.	
		3.2.7	The ACR Committee should continue to routinely hold separate executive sessions with the internal and external auditor.	ADOPTED	ACR Charter	This is in the Work Plan and Charter.	
		3.2.8	The ACR should oversee the development of a comprehensive independent verification plan for vital signs for each vital function and all reports received and issued by the PSERB (see Exhibit 3.3).	ADOPTED	Audit Plan	IAO is beginning to audit all Board adopted Vital Signs in FY25-26.	
		3.2.9	Update the Internal Audit Charter to include the latest IAO structure, titles and reporting relationships (see Exhibit 1.7).	ADOPTED	IAO Charter		
		3.2.10	The ACR should continue to oversee compliance but these responsibilities should be reassigned from Internal Audit to a Chief Compliance Officer (see Exhibit 3.2).	ADOPTED	Compliance Program Charter	Compliance functions assigned to the Chief Compliance Officer.	
		3.2.11	The ACR minutes should reflect whether there was discussion of IAO's plans before adoption.	ADOPTED	ACR Charter	Review of the Internal Audit Plan occurs annually, and the Plan is reviewed quarterly at each ACR meeting.	
		3.2.12	Review and revise the ACR charter to incorporate leading practices (see Exhibit 3.4).	ADOPTED	ACR Charter	The ACR has adopted a Committee Charter based on both Audit best practices and Funston recommendations.	
		3.2.13	The ACR should conduct an annual self-evaluation of its performance.	ADOPTED	ACR Charter	While this has been adopted, it has not yet been implemented.	

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		3.2.14	Require specialized training for ACR Committee members within 90 days of their appointment (see recommendation 4.10.8)	ADOPTED	Retirement Code Board Education Policy	The Board Education Policy contains all statutory requirements.	
	3.3		Not included in FAS Scope (Investment Risk and Compliance)				
	3.4		Strengthen enterprise compliance by creating the position of the Chief Compliance officer and establishing an enterprise-wide compliance function.	ADOPTED	Compliance Program Charter	ED and G&A Committee has directed the creation of a Chief Compliance position description and Compliance Charter. (See 3.2.10)	
	3.5		Reinforce and ensure the independence of External Advisors.				
		3.5.1	Separate independent advice from independent reassurance (verification).	ADOPTED	Committee Charters		
		3.5.2	Reinforce/ensure independence (advice/verification) by the PSERB taking a more active role in selecting consultants/advisors and managing the relationship. Consistent with Commonwealth procurement requirements, the relevant PSERB Committee should select respective PSERB consultants/advisors with staff support, but with only the appropriate Committee Members/PSERB Members voting.	ADOPTED	Committee Charters Contract Log		
		3.5.3	Specify which advisors are PSERB consultants and which are staff consultants.	ADOPTED	Contract Log	Ongoing efforts to refine and improve the Contract Log contribute to this work item.	
		3.5.4	Committees should meet with consultants/advisors and communicate expectations, perform annual evaluations, and review and amend contracts/service level agreements as warranted.	ADOPTED w/MODIFICATIONS	Contract Log Committee Charters Committee Work Plans	Committees refined their preferences in this regard in the Contract Log. Ongoing efforts to refine and improve the Contract Log contribute to this work item.	
		3.5.5	Committees should meet at least annually with consultants without staff present, in executive session as permitted by Commonwealth law.	ADOPTED w/MODIFICATIONS	Committee Charters	Each Committee determined which consultants they wish to meet with individually as noted on the Contract Log.	
		3.5.6	The PSERB or appropriate committee should ensure that the contract for each PSERB consultant or advisor is subject to an RFP process at least every five years.	ADOPTED	Committee Charters Contract Log	Contract Log contributes to this work item. Committee Charters currently provide for procurement of new consultants at least every five years.	
4			Improve the way PSERB and its committees conduct the business of the Board in its meetings and operations.				
	4.1		Clarify PSERB leadership roles, responsibilities and terms of office.				
		4.1.1	Clarify the roles of the chair and vice chair of the PSERB.	ADOPTED	Board Chair and Vice Chair Position Descriptions	PSERSB adopted position descriptions for Board Chairperson and Vice Chairperson as well as Committee Chair and Vice Chair.	
		4.1.2	Chairs/Vice-Chairs should insist on mutual respect and decorum at all times.	ADOPTED	Board Deliberation Policy	G&A adopted a Board Deliberation Policy.	

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		4.1.3	Misnumbered; no recommendation.				
		4.1.4	The PSERB Chair should make Committee appointments based on the skills and interests of the trustees and the needs of the System.	ADOPTED w/MODIFICATIONS	Bylaws	Committee preferences are collected from all Board Members and Committee assignments are overseen by the Board Chair.	
		4.1.5	Elect the PSERB officers and appoint committee members to two-year terms.	ADOPTED w/MODIFICATIONS	Governance Manual	PSERB Chairperson and Vice Chairperson elected in accordance with current Bylaws, one year. Committee Chairs and Vice Chairs elected to two-year terms as recommended. NOTE: Consider Bylaw change to two-year terms for Board Chairperson and Vice Chairperson.	
		4.1.6	Plan for the succession of the Chair for both the full PSERB and each committee.	ADOPTED	Bylaws		
		4.1.7	Committee chairs/vice chairs should be elected to two-year terms by each committee.	ADOPTED	Governance Manual	Committee Chair/Vice Chair elected pursuant to Article I, Section 4.5, 4.6.	
		4.1.8	Establish a term limit of two terms for the PSERB Chair and Vice Chair and three terms for committee officers.	ADOPTED w/MODIFICATIONS	Governance Manual	Committee Chairs and Vice Chairs three-term limit adopted. NOTE: Consider Bylaw change to two-term limits for Board Chairperson and Vice Chairperson.	
		4.1.9	Establish a policy and process for prioritizing and tracking trustee requests for information from staff or PSERB consultants/advisors.	ADOPTED	Board Inquiry Request Policy Board Inquiry Tracker Investment Due Diligence Package Policy Investment Transparency Policy BIO PD	The Executive Director created the role of Board Information Officer and established policy and procedures for collecting and responding to Trustee inquiries.	
		4.1.10	Monitor the change management process and implementation of the accepted recommendations from this review.	ADOPTED	Committee Charters Funston Working Group	Additionally, a Funston Working Group was established in early 2025 to review all remaining recommendations and to assist in policy drafting to close remaining recommendations.	
	4.2		Reset the timing, format and content of the PSERB's meeting agendas, minutes, and related materials.				
		4.2.1	Establish and maintain discipline on cut-off dates for timely receipt of reports to the PSERB, e.g., 10 business days in advance of meeting. Acknowledge that this means some information about the latest performance will be unavailable.	ADOPTED w/MODIFICATIONS	Bylaws Investment Due Diligence Package Policy Liaison Procedures	Committee Liaisons work with the Board Liaison and BIO to ensure timely materials. Materials presented after two weeks prior to the meeting are updated and communicated with Board members via regular email updates from the Board Liaison.	
		4.2.2	Develop a procedure for the inclusion of materials with less than the minimum notice on an emergency-only basis if approved by the Chair.	ADOPTED	Investment Due Diligence Package Policy Liaison Procedures	Committee Liaisons work with the Board Liaison and BIO to ensure timely materials. Materials presented after the cut-off are updated and communicated with Board members via email from the Board Liaison.	

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		4.2.3	The PSERB Chair should annually and before each meeting, set the agenda in consultation with ED. Reinforce that it is the PSERB's agenda, not staff nor any individual member's agenda.	ADOPTED	Board Chair and Vice Chair Position Descriptions	The executive director meets regularly with Board leadership to plan for Board agenda planning and meeting schedules.	
		4.2.4	The ED should keep the PSERB calendar and populate the agenda in conformance with the calendar and PSERB member requests. See also Recommendation 4.1.3 re: advance distribution of materials and our recommendations in Section 2 regarding more insightful presentations of information for PSERB decision making.	ADOPTED	Board Chair and Vice Chair Position Descriptions	The executive director meets regularly with Board leadership to plan for Board agenda planning and meeting schedules.	
		4.2.5	Realign PSERB meetings with the Powers Reserved for the PSERB. Clearly identify policy and action items and place them towards the beginning of the PSERB meeting.	NOT ADOPTED	N/A	While the Board adopted Committee Charters that align to the Powers Reserved, we have not adopted this model in agenda setting.	
		4.2.6	Use consent agendas to utilize PSERSB time more effectively.	ADOPTED w/MODIFICATIONS		PSERS has begun to implement block voting to facilitate meeting pace and efficiency, but has not yet fully implemented the use of Consent Agendas.	
		4.2.7	Set time expectations for each agenda item.	ADOPTED	Board Deliberation Policy	The ED and Board Liaison works with Committee Liaisons to establish timeframes for each portion of the Board Meeting agenda in accordance with policy.	
		4.2.8	Presenters should assume the PSERB/Committee has read the materials and use their limited time to highlight key points and enable informed discussion.	ADOPTED	Board Deliberation Policy	Committee Liaisons communicate/plan with leadership to review key information in advance of full board meetings to answer questions and ensure timeliness of information.	
	4.3		Recommendations to improve the PSERB's use of executive sessions as related to the Sunshine Act (No recommendations).	ADOPTED	Governance Manual	ED reviews with CC the use of Executive Session and ensures compliance with the Sunshine Act as appropriate.	
	4.4		Stream, record and archive PSERB public meetings (no implementation guidance).	ADOPTED w/MODIFICATIONS	Bylaws	PSERS streams, records, and archives all Sunshined Board and Committee meetings. Archived recordings are used for the sole purpose of creating minutes and are not retained thereafter, in accordance with the Bylaws.	
	4.5		Recommendations to improve PSERB meeting frequency and duration (See 4.8)	ADOPTED	Governance Manual Committee Charters Committee Workplans	Related to items found in 4.8.	
	4.6		Significantly improve the functionality of the PSERB portal to improve trustee insight and access to information.				
		4.6.1	Create a functional, user-friendly and searchable PSERB portal.	ADOPTED	Diligent Board Platform		

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		4.6.2	Consider using alternative software to supplement or replace the existing board portal platform.	ADOPTED	Diligent Board Platform	PSERS recently reviewed the platform and implemented several new features, namely secure send and secure file technology.	
		4.6.3	Reassign responsibility within the Executive Team for responsibility for administration of the portal to elevate its significance (Implemented). See also Recommendation 4.10.6 re: orientation on how to use the portal as part of the initial onboarding of new trustees.	ADOPTED	Board Information Officer PD	ED directed the development of a new position description for Board Information Officer, who leads in implementation of this recommendation.	
	4.7		Clarify designee participation especially in online meetings.				
		4.7.1	Apply the plain meaning of the Retirement Code provision which states that a designee serves for the appointment member at meetings "in his stead" rather than in addition to the member.	NOT ADOPTED	N/A	While no significant change in policy has occurred, operationally, the participation of designees better aligns with the "in their stead" definition in the existing Bylaws.	
		4.7.2	Consider relevant skill sets, experience and time availability in appointing designees.	NOT ADOPTED	N/A		
		4.7.3	In order to assure as smooth process and minimize disruption, the Chair should consider each request to substitute a member by a primary designee or of the primary designee by the alternate designee during a meeting based on its own merit.	NOT ADOPTED	N/A		
		4.7.4	Include compliance with designee Bylaw procedures in PSERB self-evaluations.	NOT ADOPTED	N/A		
	4.8		Streamline PSERB's committees, establish clear charters and institute new procedures.				
		4.8.1	Improve the efficiency and effectiveness of PSERB's committees by consolidating the current 10 committees into 7 committees with enhanced oversight responsibilities. See Figure 4.8 and Exhibit 4.6, Proposed Committee Consolidation.	ADOPTED	Governance Manual Committee Charters	New committee structure, Model Governance Framework, and Charters adopted 3/15/2022 (Resolution 2022-25).	
		4.8.2	Develop committee charters to include standard elements. See Exhibit 4.2, Model Committee Charter	ADOPTED	Committee Charters	New committee structure, Model Governance Framework, and Charters adopted 3/15/2022 (Resolution 2022-25).	
		4.8.3	Eliminate agency committees that include trustees, as well as ad hoc RFP committees.	ADOPTED w/MODIFICATIONS	Governance Manual	Agency Committees not included in Model Governance Framework, Article I, Section 4.	
		4.8.4	Reduce the size of each committee (e.g., not more than five members, although the Investment Committee can be larger) and schedule concurrent committee meetings to improve utilization of trustee time.	ADOPTED	Governance Manual	Committee membership reduced to 5 members (pursuant to Charters) except Investment Committee (remains a committee of the whole); however, concurrent meetings not established.	

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		4.8.5	Annually, each Committee should identify its proposed policy priorities for approval by the PSERB, based on the PSERB's strategic calendar and the Committee's oversight responsibilities. The annual workplan of each committee should be reported to the PSERB by the Committee Chair and approved by the PSERB.	ADOPTED	Committee Charters Committee Work Plans		
		4.8.6	Selection of each external consultant/advisor to the PSERB should be assigned to the appropriate PSERB committee and Ad Hoc RFP Committees should be eliminated.	ADOPTED	Committee Charters Contract Log	Contract Log contributes to this work item. Each Committee Charter assigns responsibility for procuring Board consultants.	
		4.8.7	External PSERB consultants/advisors should be evaluated annually by the relevant committee; in addition, the committee should meet with each consultant/advisor in executive session (to the extent allowed under public meetings law) at least annually without staff present.	ADOPTED	Committee Charters Committee Work Plans	Each Committee Charter assigns responsibility for evaluating Board consultants.	
		4.8.8	Committees should elect their Chairs and Vice Chairs.	ADOPTED	Governance Manual Committee Charters	Adopted via Article I, Section 4.5, 4.6 (Resolution 2022-25).	
		4.8.9	Consistent with Recommendation 4.4.1, public committee meetings should be streamed, recorded and archived.	ADOPTED w/MODIFICATIONS	Public Streaming/Minutes Webpage	As noted above, PSERS streams, records, and archives all Sunshined Board and Committee meetings. Archived recordings are used for the sole purpose of creating minutes and are not retained thereafter, in accordance with the Bylaws.	
		4.8.10	New committee members should receive an orientation to the purpose, background and issues likely to be considered by the committee.	ADOPTED	Board Education Policy Board Orientation	Board Orientation is executed by the Executive Director, Chief Counsel, and members of executive staff in accordance with the Board Education Policy.	
		4.8.11	Each committee, with the support from staff and external consultants/advisors, should develop checklists and a list of relevant questions that should be regularly asked by that committee; for example, ten questions the Audit Compliance and Risk Committee should always ask.	NOT ADOPTED	N/A	While this recommendation has not formally been adopted, staff liaisons meet regularly with Committee leadership to address Committee issues, plan for meeting content, and review materials.	
	4.9		Streamline PSERS Bylaws.				
		4.9.1	Clarify and streamline by-laws (simplify/plain language) and incorporate the approved recommendations from this review (see Exhibit 4.1, Model Bylaws Matrix).	ADOPTED	Governance Manual		
	4.10		Enhance trustee education and development.				
		4.10.1	Develop an inventory of trustee skills, learning priorities and learning preferences (see Exhibit 4.4).	NOT ADOPTED	N/A		

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		4.10.2	Following the initial implementation period, the PSERB should conduct a biennial self-evaluation process (see Exhibit 4.5), potentially with external assistance. The Self-Evaluation should help to inform educational priorities.	ADOPTED	Committee Charters	While language exists in Charters for self-evaluation, Committees and the Board have not yet implemented a self-evaluation process.	
		4.10.3	Create an intranet directory of PSERS specific orientation materials for rapid trustee access.	ADOPTED w/MODIFICATIONS	Board Education Policy Board Orientation Diligent Resource Library	PSERS Senior Staff serving as Committee Liaisons have prepared orientation/onboarding materials used for purposes of introductory training for board members and designees. Materials are updated as appropriate and include policies and procedures, where relevant. Additional training and resource documentation are housed within the Diligent platform.	
		4.10.4	Consider also including an overview of where the information is located and how to access/navigate the directory.	ADOPTED	Board Education Policy Board Orientation	The Board Liaison and BIO provide assistance to new Board members in navigating the Diligent platform.	
		4.10.5	The orientation should include how to use Diligent/Portal software.	ADOPTED	Board Education Policy Board Orientation	The Board Liaison and BIO provide assistance to new Board members in navigating the Diligent platform.	
		4.10.6	Improve onboarding/orientation to emphasize the fiduciary duties, code of conduct, PSERS mission and strategy, and an orientation to the portal.	ADOPTED	Board Education Policy Board Orientation	Board Orientation is executed by the Executive Director, Chief Counsel, and members of executive staff.	
		4.10.7	Expand knowledge requirements beyond investment to include all vital retirement functions.	ADOPTED	Board Education Policy Board Education Plan		
		4.10.8	Ensure Audit Committee members complete at least 16 hours of training in risk assessments, internal controls and auditing standards within 90 days of appointment to the committee.	ADOPTED	Board Education Policy Board Education Plan	Board Education Policy was updated in 2025 with clear requirements that align to those found in the Retirement Code.	
		4.10.9	Ensure education is received in adequate time before a decision relating to that topic is required (see ALM cycle example).	ADOPTED	Board Education Policy Board Education Plan	The Board Education Plan is managed by the BIO and Board Liaison. It is planned based upon recommendations from each Committee. Courses are tracked and reported.	
		4.10.10	The PSERB Governance Committee should develop a Continuing Education plan using internal and external sources tied to PSERSB's policy agenda, e.g., the strategic plan and the Asset Liability Management (ALM) cycle (see Exhibit 1.4).	ADOPTED	Board Education Policy Board Education Plan	The Board Education Plan is managed by the BIO and Board Liaison. It is planned based upon recommendations from each Committee. Courses are tracked and reported.	

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		4.10.11	Provide common continuing education on key topics with an opportunity for full PSERB discussion, including performance and risk management, actuarial processes, code of conduct, governance, and institutional investing.	ADOPTED	Board Education Policy Board Education Plan	The Board Education Plan is managed by the BIO and Board Liaison. It is planned based upon recommendations from each Committee. Courses are tracked and reported.	
		4.10.12	Explore multiple ways to deliver continuing education, taking into account the individual preferences of trustees and designees, e.g., online, in person, in meeting, hybrid, etc.	ADOPTED	Board Education Policy Board Education Plan	The Board Education Plan contemplates facilitated online training; recorded training; and in-person training.	
		4.10.13	PSERS should continue to track trustee/designee participation in and completion of continuing education.	ADOPTED	Board Education Policy Board Education Plan	The Board Education Plan is managed by the BIO and Board Liaison. It is planned based upon recommendations from each Committee. Courses are tracked and reported.	
		4.10.14	Ensure the independence of PSERS education/training providers (should not be sales pitches).	ADOPTED	Board Education Policy Board Education Plan	PSERS has leveraged the staff, the Ethics Commission, the external Auditor, and other sources for diversified, topic-specific training.	
		4.10.15	Develop guidelines for education sessions by existing or potential future service providers. The requirement to provide education services should be included in service agreements.	ADOPTED	Board Education Policy Board Education Plan	PSERS has leveraged the staff, the Ethics Commission, the external Auditor, and other sources for diversified, topic-specific training.	
		4.10.16	Fiduciary education should be conducted annually.	ADOPTED	Board Education Policy Board Education Plan	The Board receives annual Fiduciary education from internal and external counsel, annually.	
5			Improve PSERB's decision-making policies and processes.				
	5.1		Develop decision diligence standards and processes for each key PSERB decision.				
		5.1.1	Clarify due diligence and verification requirements and processes for each PSERB approval.	ADOPTED w/MODIFICATIONS	Committee Charters	In addition to Committee Charters, Board Liaisons work with the Executive Director to maintain levels of uniformity across Committee motions and board resolutions, further ensuring consistency across due diligence and verification requirements.	
		5.1.2	Identify and confirm criteria for decisions requiring PSERB approval and assign them to the appropriate committee.	ADOPTED w/MODIFICATIONS	Committee Charters		
	5.2		Delegate manager selection and termination once fundamental governance improvements have been made.				

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		5.2.1	When appropriate, the PSERB should consider delegating manager selection to professional staff, with limits, but only when certain conditions have been met and the PSERB is satisfied that necessary checks and balances are in place (see Exhibit 5.1).	ADOPTED w/MODIFICATIONS	Board (IC) Policies IC Materials/Meetings		
		5.2.2	Any new portfolios, whether internal or external, and material changes to the portfolio (large new allocations, terminations) should be documented and presented to the Investment Committee of the PSERB as an informational item at the next IC meeting following the decision to proceed.	ADOPTED w/MODIFICATIONS	Board (IC) Policies IC Materials/Meetings	A condensed report-out would replace the existing process of reviewing each transaction for approval	
		5.2.3	Risk measurement of any new portfolio, whether internal or external, should be modeled both as stand-alone, vis-à-vis the asset class, and in terms of its portfolio impact on the entire PSERS portfolio.	ADOPTED w/MODIFICATIONS	Board (IC) Policies IC Materials/Meetings	PSERS CIO has begun the practice of a pre-investment meeting to discuss upcoming investments. This would be replaced by a watchlist process if delegation to IO on certain investment decisions occurs	
		5.2.4	Standard risk scenarios (e.g., parallel or twist interest rate shocks, the 2008 financial crisis, etc., liquidity) should be specified and provided to the Allocation Implementation Committee (AIC) prior to any new portfolio approval.	ADOPTED w/MODIFICATIONS	Board (IC) Policies IC Materials/Meetings	PSERS CIO has begun the practice of a pre-investment meeting to discuss upcoming investments. This would be replaced by a watchlist process if delegation to IO on certain investment decisions occurs	
		5.2.5	Annual updated investment and operational due diligence reports should be presented to the AIC. Any member of the AIC may "flag" that portfolio for further investigation and potential termination (or other mitigation) by the AIC based on those reports.	ADOPTED w/MODIFICATIONS	Board (IC) Policies IC Materials/Meetings	PSERS CIO has begun the practice of a pre-investment meeting to discuss upcoming investments. This would be replaced by a watchlist process if delegation to IO on certain investment decisions occurs	
		5.2.6	The CIO should provide a report at each Investment Committee (IC) meeting that identifies which investment managers and/or general partners are being considered for upcoming investments for informational purposes, as well as reporting on what has occurred since the previous IC meeting.	ADOPTED	Board (IC) Policies IC Materials/Meetings	PSERS CIO has begun the practice of a pre-investment meeting to discuss upcoming investments. This would be replaced by a watchlist process if delegation to IO on certain investment decisions occurs	
		5.2.7	A discussion of the due diligence process should be included in all annual asset class reviews.	ADOPTED	Board (IC) Policies IC Materials/Meetings	PSERS CIO has begun the practice of a pre-investment meeting to discuss upcoming investments. This would be replaced by a watchlist process if delegation to IO on certain investment decisions occurs	
		5.2.8	The general investment consultant (and relevant specialty consultant) should opine to the PSERB/IC regarding any potential improvements to the PSERS due diligence processes based upon industry leading practices.	ADOPTED w/MODIFICATIONS	Board (IC) Policies IC Materials/Meetings	The general investment consultant attends IC meetings and provides information in response to board questions as well as regular presentations on leading practices.	

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
		5.2.9	The Audit and Compliance Committee, with input from the IC, should ensure that the internal audit plan includes appropriate reviews of investment processes and controls.	ADOPTED	Audit Plan	CAO annually discuss risks and proposed areas for the audit plan. CAO also obtains input from the Chair of ACR and CIO to ensure concerned IO areas are in scope for the audit plan.	
		5.2.10	if necessary, to obtain adequate specialized internal auditing skills, the Chief Auditor should be authorized to engage third-party auditor resources to supplement internal resources.	ADOPTED w/MODIFICATIONS	ACR Charter Audit Plan	CAO has previously outsourced certain audit functions (SOC1 Type 2 audit), and understands outsourcing as an option when circumstances may require.	
		5.2.11	Compliance should regularly report to the IC regarding investment compliance results, on an exception reporting basis.	ADOPTED w/MODIFICATIONS	ACR Materials/Meetings	The Investment Compliance and CCO regularly report through the ACR Committee.	
		5.2.12	Compliance to affirm to the PSERB IC that all new portfolios have been established in accordance with policies and procedures.	ADOPTED w/MODIFICATIONS	ACR Materials/Meetings	The Investment Compliance and CCO regularly report through the ACR Committee.	
		5.2.13	General investment consultant opines to the PSERB IC on proposed changes to investment policies.	ADOPTED	IC Materials/Meetings	The general investment consultant and asset class consultants attend IC meetings and provide information in response to board questions as well as regular presentations on leading practices.	
		5.2.14	CEM or other such reports should be provided to the IC of the PSERB.	ADOPTED	Various Board Presentations	Committee Charters indicates "Independent Benchmarking," and results are shared annually.	
		5.2.15	All external managers and broker/dealers should affirm compliance with PSERS rules annually.	ADOPTED w/MODIFICATIONS	Investment Compliance	Investment Compliance implemented a process to obtain Ethics Policy confirmations from external fund/investment managers during compliance certification. For Brokers/Dealers, IO relies on the required compliance program of the SEC and FINRA, which include FINRA rules 2010, 2020, 2241, 5121, 3210, FINRA rule 2210 (regarding communication) and Reg Best Interest (regarding conflicts of interest and ethical standards).	
	5.3		Board Role in Handling of Disability Reviews and Appeals (No recommendations).				
6			Seek better alignment of appointed trustee terms and qualifications.				
	6.1		If legislative changes in PSERB membership are made, requires that staggering of appointed member terms be included to the extent feasible.	NOT ADOPTED			

			Implementation Recommendation	Status	If Adopted, supporting documentation	Implementation Notes	Aligned Strategic Initiative
	6.2		Include a provision in the charter of the PSERB Board Governance committee that provides for annual or biennial recommendations to the Board of a PSERB communication to appointing authorities that identifies preferred experience, skills, and diversity attributes that would improve overall composition of the PSERB.	NOT ADOPTED			
	6.3		Alternatively, if legislative changes are made to PSERB, request that appointing authorities be required to select appointees with relevant expertise, experience or other characteristics that would improve PSERB's overall competence.	NOT ADOPTED			