



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

### Agenda Item 12

**MEETING DATE:** March 20, 2024

**SUBJECT:** CEO Delegated Authority Policy for Expenses

**SUBMITTED FOR:**  Consent  **Deliberation**  **Receive**  
 **and Action**  **and File**

### RECOMMENDATION

Approve amendments to CEO Delegated Authority Policy for Expenses regarding travel reimbursement and other clarifications.

### PURPOSE

This item supports the Strategic Management Plan by maintaining transparent communications to stakeholders and demonstrating fiscal responsibility and stewardship.

### SUMMARY

SCERS currently processes all Staff and Board travel through Sacramento County's travel expense system, abiding by the County's travel policy and guidelines. While the County's policy and guidelines are appropriate for most of SCERS' travel needs, the County's travel policy requires additional approval steps by the County Executive or Assistant County Executive for international travel. Staff is seeking authority to allow SCERS' CEO to approve travel expenses for international travel for the SCERS' investment team, as the existing process is not aligned with SCERS organizational structure and needs.

The County's Travel Policy (No. 1506), section 4A, states: "Travel outside of the United States is authorized when it involves apprehension, investigation and transportation of prisoners, dependents or wards of the Court. ...Travel outside of the United States for all other purposes must be approved in advance by the County Executive or Assistant County Executive." SCERS has a legitimate business need for Staff to travel internationally as part of investment oversight, and the County's travel policy requiring County Executive approval conflicts with SCERS' plenary authority to administer the fund under Article XVI, Section 17(a) of the California Constitution. Submitting travel requests to the County Executive in order to make a business decision about the SCERS' investment program would be an inappropriate line of authority.

Staff is also seeking amendments to clarify that the CEO can approve travel expenses for Board trustees and other non-County employees as reimbursable claims outside of the County's travel system.

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## **DISCUSSION**

### *International Travel*

SCERS manages approximately \$13 billion of invested assets of which approximately \$1.6 billion are allocated to investment managers who reside outside of the United States. Given the meaningful target allocations to non-U.S. investments across all asset classes, the exposure to international investments will continue to grow.

SCERS' Staff has not traveled internationally for more than 20 years, using SCERS' investment consultants to meet with existing and potential investment managers in their home offices. However, there is significant value in having Staff perform on-site due diligence independent of the investment consultants, including:

- More in depth face-to-face conversations with senior investment professionals of a firm and an investment strategy;
- Interaction with analysts and deal teams who perform bottom-up research (walking through individual portfolio holdings);
- Better understanding of technology systems employed by the firm;
- Demonstrations of quantitative modeling utilized to implement a strategy;
- Evaluating middle and back-office personnel and systems;
- Underwriting the risk management of a firm, both investment and non-investment related;
- Better understanding the culture within an investment manager's firm; and
- Physically seeing the office where the manager resides.

Future international travel for SCERS staff is intended for investment manager due diligence and investment manager annual investor meetings and conferences, not industry conferences. Staff contemplates travel primarily to Western Europe, where approximately 85 percent of SCERS' international plan assets are allocated. SCERS currently has nine investment managers and more than \$1 billion in assets in the United Kingdom (London, England and Edinburgh, Scotland). SCERS also has assets in other European nations, such as the Nordics (~\$100 million), as well as France, Germany, and Switzerland (~\$125 million in aggregate). In addition, SCERS has assets in the Far East and Asia (~\$225 million) that could be considered for international travel in the future.

Staff is sensitive to the importance of maintaining a balance between keeping travel expenses at a reasonable level and not creating reputational risk for SCERS. While international travel would be less frequent than travel domestically—potentially up to one time per year for 1-2 investment team members—adding investment-related international travel into the SCERS travel budget has become increasingly important as the investment portfolio grows and evolves.

It is important to note that staff currently travels to New York City, Boston, Chicago, San Francisco, and other high-cost cities for investment due diligence several times a year. When comparing the cost of travel to New York City and London for a five-night trip, the cost of a trip to London is still within reason and approximately \$1,500 more due largely to airfare.

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### Travel Reimbursement for Non-Employees

Staff has identified the need to clarify the CEO's authority to approve travel reimbursements for non-County employees outside of the County's travel expense system. SCERS has a limited number of non-employees that require travel on an intermittent basis. For example, SCERS provides travel on occasion for disability retirement applicants requiring specialized medical evaluation appointments, Board trustees who are not active County employees, and job candidates who live out of the region.

The County's current system requires a resource-intensive amount of Staff and traveler time to navigate. In the past, SCERS has implemented workarounds by using a simpler travel claim reimbursement process; nevertheless, establishing the formal authority for the CEO to approve travel reimbursements outside of the County's travel expense system for a small group of non-employees would help SCERS conduct the reimbursement process more efficiently.

### Other Amendments

Other amendments provide clarity to the following existing provisions of the policy:

- Clarifying that the Board President can authorize all expenses identified in the policy up to \$150,000. The current policy should be more clear that the Board President's authority also extends to legal expenses and contract amendments.
- Establishing that the quarterly disclosure report to the Board includes expenses paid to County departments related to one-time or special projects. The current policy does not specifically address disclosure of County department costs, which are exempt from the delegation limits. Adding more transparency is appropriate given SCERS' ongoing engagement with the County Department of Technology to develop and implement various IT projects.

### CONCLUSION

Staff utilizes the County's travel policy and system in most instances, and it provides a standardized approach to ensure consistency, compliance with IRS business-expense rules, and internal controls that reduce the risk of inappropriate or incorrect travel reimbursements. Staff believes that international travel and travel expense processing for non-County employees needs to be addressed as narrow exceptions and managed by the CEO Delegated Authority Policy for Expenses.

SCERS' CEO Delegated Authority Policy for Expenses was borne from a need to exercise discretionary spending practices that fit SCERS' business practices. The Department of Finance recognizes the SCERS' policy as an established delegation of authority from the retirement board and accepts the spending provisions covered by it. The proposed amendment provides explicit authority for the SCERS' CEO to approve international travel expenses and to process non-employee travel expenses as claims outside of the County's travel system.

**ATTACHMENTS**

- Board Order
- CEO Delegated Authority Policy for Expenses – redline
- CEO Delegated Authority Policy for Expenses – clean

Prepared by:

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Margo Allen  
Chief Operations Officer

Reviewed by:

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Eric Stern  
Chief Executive Officer



# Retirement Board Order

## Sacramento County Employees' Retirement System

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**Before the Board of Retirement  
March 20, 2024**

AGENDA ITEM:

### **CEO Delegated Authority Policy for Expenses**

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to approve amendments to CEO Delegated Authority Policy for Expenses regarding travel reimbursement and other clarifications.

I HEREBY CERTIFY that the above order was passed and adopted on March 20, 2024 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:

(Present but not voting)

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James Diepenbrock  
Board President

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Eric Stern  
Chief Executive Officer and  
Board Secretary



# CEO DELEGATED AUTHORITY POLICY FOR EXPENSES

## PURPOSE

The purpose of this Policy is to provide for the efficient and effective management of SCERS by delegating authority from the Board to the SCERS Chief Executive Officer (CEO) to approve payments and to settle or otherwise dispose of claims as specified.

## POLICY

The Board hereby delegates and/or confirms its delegation of authority to the CEO, on behalf of and in the name of SCERS, to approve payments for such goods and services as the CEO determine to be reasonably necessary as defined below.

### A. Delegated Authority up to \$75,000

The CEO may, without prior Board approval, approve transactions and/or enter into goods and services contracts that do not obligate SCERS to pay more than \$75,000 per vendor in a fiscal year. Under this authority, the CEO may (without limitation) approve payments for:

- Goods and services from any vendor as the CEO deems necessary and appropriate, including goods and services for which the County of Sacramento has approved vendors;
- Expenses arising from SCERS-related litigation, including expenses arising from court judgments, settlements, attorney's fees, and litigation costs; and
- Recruitment costs for exempt positions, excluding signing bonuses.

### B. Delegated Authority for Contract Amendments

The CEO has the authority to amend existing Board-approved contracts for goods and services that do not obligate SCERS to pay more than \$75,000 per vendor in a fiscal year.

### C. Delegated Authority in Excess of \$75,000

With written approval of the Board President (which may include approval by electronic mail or facsimile transmission), the CEO may approve payments ~~and/or enter into goods and services contracts or contract amendments~~under Paragraphs A and B that do not obligate SCERS to pay more than \$150,000 per vendor in a fiscal year.

#### **D. Delegated Authority to Obtain a Commercial Credit Card**

The CEO has the authority to obtain a commercial credit card for use in the purchase of governmental goods and services. The CEO is hereby directed to develop internal procedures with the appropriate safeguard and control measures for using (purchasing), reviewing (reconciling), and processing (paying) cardholder accounts.

Purchases shall not include the following:

- Cash Advances or Withdrawals
- Alcohol
- Gift Cards
- Fixed Assets
- Money Orders
- Other excluded items identified in the internal procedures

Cardholders will be limited to the following three (3) individuals:

- Executive Secretary or Equivalent Office Specialist Series Classification
- Chief Operations Officer
- Officer Manager/Administrative Services Officer II

#### **E. Delegated Authority for Travel Expenses**

The CEO has the authority to approve travel requests and travel expenses for domestic and international travel for SCERS' Staff. Travel reimbursements shall follow County travel policies and procedures for County employees.

The CEO or designee has the authority to authorize processing of travel reimbursement claims outside of Sacramento County's travel expense system for non-County employee travel, including but not limited to Board trustees, disability retirement applicants, and job candidates, consistent with documentation requirements and limits in County travel policy and procedures.

#### **E.F. Exceptions to Delegated Authority**

The CEO has the authority to approve payments and secure services and service providers up to an amount that the CEO deems necessary and appropriate for the following items:

- ~~Evaluating~~ Evaluation of disability retirement applications;
- ~~Service C~~harges from County departments;
- Insurance costs (e.g., fiduciary insurance); and
- Emergency management costs in response to a force majeure event or a government-declared state of emergency impacting SCERS and its employees and members.

#### **APPLICATION**

Any approved expenses and contracts or contract amendments for goods and services entered into pursuant to this policy shall comply with the budget adopted by the Board.

SCERS' General Counsel shall review any contracts or contract amendments entered into pursuant to this delegation of an amount or complexity, as determined by the CEO or his or her designee, to warrant such review, and any claims settled pursuant to this delegation.

The CEO shall provide a quarterly report to the Board of any approved expenses ~~and contracts or contract amendments~~ entered into pursuant to Sections A through ~~D-F~~ of this policy for an amount greater than \$5,000. The report shall include only one-time or special project expenses related to service charges from County departments that are not regular or recurring.

### **BACKGROUND AUTHORITY**

~~The CEO has been appointed by the Board in accordance with Government Code Sections 31522.1, and 31522.2, 31580.2, 31588.2, 31589 and 31590 and is responsible for the management of SCERS including the retirement fund, operating budget, appointment and management of personnel, and the other day to day activities of the retirement system.~~

~~The CEO serves as Secretary of the Retirement Board in its management of the retirement system. Pursuant to Government Code Sections 31522.2 and 31590, the CEO has authority on behalf of the Board: to sign or authorize all warrants, checks, and electronic fund transfers drawn on the retirement fund, and to sign all documents, including contracts, necessary to carry out any decision, including investment decisions, made or approved by the Board; to negotiate and sign contracts with vendors, consultants, and payees of the system as required by contract or applicable law; and any other decision made or approved by the CEO pursuant to a delegation of authority granted by the Board to the CEO for such decisions.~~

### **RESPONSIBILITIES**

— Executive Owner: Chief Executive Officer

### **POLICY HISTORY**

<b>Date</b>	<b>Description</b>
<u>03-20-2024</u>	<u>Board amended CEO Delegated Authority Policy for Expenses</u>
09-20-2023	Board amended CEO Delegated Authority Policy for Expenses
01-18-2023	Board amended CEO Delegated Authority Policy for Expenses
03-18-2020	Board approved the revised CEO Delegated Authority Policy for Expenses
03-20-2019	Board approved the revised CEO Delegated Authority Policy for Expenses



04-18-2018	Board combined and amended all three delegations in revised policy format
04-17-2013	Board approved Delegation of Claims Settlement Authority in Resolution 2013-06
07-15-2010	Amended Delegation of Contract Authority in Resolution 2010-12
10-21-2004	Board approved Delegation of Contract Authority for Services for Disability Retirement Application Processing and Evaluation in Resolution 2004-06
06-21-2001	Board approved Delegation of Contract Authority in Resolution 2001-02



# CEO DELEGATED AUTHORITY POLICY FOR EXPENSES

CLEAN VERSION AS AMENDED

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The Board hereby delegates and/or confirms its delegation of authority to the CEO, on behalf of and in the name of SCERS, to approve payments for such goods and services as the CEO determine to be reasonably necessary as defined below.

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- Goods and services from any vendor as the CEO deems necessary and appropriate, including goods and services for which the County of Sacramento has approved vendors;
- Expenses arising from SCERS-related litigation, including expenses arising from court judgments, settlements, attorney's fees, and litigation costs; and
- Recruitment costs for exempt positions, excluding signing bonuses.

### B. Delegated Authority for Contract Amendments

The CEO has the authority to amend existing Board-approved contracts for goods and services that do not obligate SCERS to pay more than \$75,000 per vendor in a fiscal year.

### C. Delegated Authority in Excess of \$75,000

With written approval of the Board President (which may include approval by electronic mail or facsimile transmission), the CEO may approve payments under Paragraphs A and B that do not obligate SCERS to pay more than \$150,000 per vendor in a fiscal year.

#### **D. Delegated Authority to Obtain a Commercial Credit Card**

The CEO has the authority to obtain a commercial credit card for use in the purchase of governmental goods and services. The CEO is hereby directed to develop internal procedures with the appropriate safeguard and control measures for using (purchasing), reviewing (reconciling), and processing (paying) cardholder accounts.

Purchases shall not include the following:

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The CEO or designee has the authority to authorize processing of travel reimbursement claims outside of Sacramento County's travel expense system for non-County employee travel, including but not limited to Board trustees, disability retirement applicants, and job candidates, consistent with documentation requirements and limits in County travel policy and procedures.

#### **F. Exceptions to Delegated Authority**

The CEO has the authority to approve payments and secure services and service providers up to an amount that the CEO deems necessary and appropriate for the following items:

- Evaluation of disability retirement applications;
- Service charges from County departments;
- Insurance costs (e.g., fiduciary insurance); and
- Emergency management costs in response to a force majeure event or a government-declared state of emergency impacting SCERS and its employees and members.

#### **APPLICATION**

Any approved expenses and contracts or contract amendments for goods and services entered into pursuant to this policy shall comply with the budget adopted by the Board.

SCERS' General Counsel shall review any contracts or contract amendments entered into pursuant to this delegation of an amount or complexity, as determined by the CEO or his or her designee, to warrant such review, and any claims settled pursuant to this delegation.

The CEO shall provide a quarterly report to the Board of any approved expenses entered into pursuant to Sections A through F of this policy for an amount greater than \$5,000. The report shall include only one-time or special project expenses related to service charges from County departments that are not regular or recurring.

## **AUTHORITY**

Government Code Sections 31522.1, 31522.2, 31580.2, 31588.2, 31589 and 31590.

## **RESPONSIBILITIES**

Executive Owner: Chief Executive Officer

## **POLICY HISTORY**

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06-21-2001	Board approved Delegation of Contract Authority in Resolution 2001-02