



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 18

MEETING DATE: October 20, 2021

SUBJECT: Board Education Policy

SUBMITTED FOR: ___ Consent X Deliberation and Action ___ Receive and File

RECOMMENDATION

Staff recommends the Board reaffirm SCERS' Board Education Policy, which was introduced in 2012 and last reaffirmed in 2017.

PURPOSE

This item supports the Strategic Management Plan to promote transparency, fairness, and compliance with laws, regulations, and policies.

DISCUSSION

Under Article XVI, Section 17 of the California Constitution, the members of SCERS' Board of Retirement must "discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims."

Under Government Code section 31522.8, "[a] board of retirement . . . shall adopt a policy for providing education to board members." Such a policy must require Board Members to complete twenty-four hours of education on various topics within the first two years of assuming office, and for every subsequent two year period thereafter.

In 2012, the SCERS Board adopted a Board Education Policy to meet its obligations under the California Constitution and Government Code section 31522.8. The objective of that Policy was to set forth "principles and guidelines for introductory and ongoing educational activities for Board Members. The Policy establishes a framework for the subject matter, and types of sessions and programs, through which Board Members can develop the skills and knowledge necessary to effectively carry out their duties and responsibilities, recognizing that such information can be obtained in a variety of formats."

The Board last reaffirmed the Policy in December 2017. Pursuant to SCERS' practice of reviewing and refreshing policies every three years, Staff has re-evaluated the Policy in light of practical experience and considered whether any amendments are necessary.

Staff recommends the Board reaffirm the Policy, with some modest amendments. These recommended amendments:

- Add standards to evaluate the appropriateness of a trustee-proposed educational opportunity. The current policy implies that trustee education opportunities are to be recommended only by the SCERS' staff;
- Streamline the Policy by deleting lengthy prefatory language and a list of the specific topics to be covered at the New Trustee Orientation;
- Correct some typographical and formatting errors; and
- Require SCERS Staff to prepare an annual report regarding each Board Member's education activities for the year, without the rigid requirement that Board Members report their education to Staff on a quarterly basis.

ATTACHMENTS

- Board Order
- Board Education Policy (redlined)
- Board Education Policy (clean)

Prepared by:

/S/

Stephen Lau
General Counsel

Reviewed by:

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

**Before the Board of Retirement
October 20, 2021**

MOTION:

Board Education Policy

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to reaffirm the Board Education Policy with amendments.

I HEREBY CERTIFY that the above order was passed and adopted on October 20, 2021 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Richard B. Fowler II
Board President

Eric Stern
Chief Executive Officer and
Board Secretary



BOARD EDUCATION POLICY

PURPOSE

The purpose of this policy is to establish a Board Education Policy (Policy) consistent with statutory requirements and the Board's fiduciary duty. Fiduciary Duty of Care or Prudence.

- A. To assure that all SCERS Board Members have access to the knowledge they need to prudently and effectively carry out their fiduciary and statutory duties.
- B. To assure that all SCERS Board Members possess a common base of knowledge relevant to pension fund administration, the investment of pension fund assets, and fiduciary practices sufficient to enable effective group discussion, debate and decision-making.
- C. To encourage all Board Members to seek and maintain up-to-date knowledge regarding the information necessary to prudently administer the retirement system.
- D. To establish a Board Education Policy that facilitates compliance with Section 31522.8 of the 1937 Act, which, effective January 1, 2013, requires Board Members to complete twenty-four (24) hours of Board Member education within the first two (2) years of assuming office, and for every subsequent two year period thereafter.

OBJECTIVE

~~This Board Education Policy sets forth principles and guidelines for introductory and ongoing educational activities for Board Members. The Policy does not impose a rigid approach to Board Member education or restrict permissible education to specific conferences or programs. Rather, the Policy establishes a framework for the subject matter, and types of sessions and programs, through which Board Members can develop the skills and knowledge necessary to effectively carry out their duties and responsibilities, recognizing that such information can be obtained in a variety of formats.~~

~~As a group, the SCERS Board will seek to bring a portfolio of skills and knowledge to the execution of their duties and responsibilities. While each Board Member is expected to have significant, relevant experience or expertise to contribute to the decisions made by the SCERS Board, it is further expected that each Board Member will possess a level of knowledge in all pertinent subjects addressed by the SCERS Board that is sufficient to allow the Board Member to participate meaningfully in discussion, debate and decision-making on the subject.~~

~~To that end, Board Members will pursue an appropriate level of education across a broad spectrum of public pension fund-related areas, rather than limiting their education to particular subjects. Board Members will also endeavor to gain knowledge that is consistent and appropriate with the SCERS Board's role as a high-level, policy-setting and oversight body.~~

APPLICATION POLICY

Relevant subjects for Board Member education include, but are not limited to the following:

- Fiduciary responsibilities
- Effective governance practices;
- Institutional investment practices, asset allocation principles and investment program management;
- Actuarial analysis;
- Pension funding policy;
- Benefits structure and administration;
- Fiscal management;
- Regulatory and legal consideration; and
- Ethics.

Board Members may receive education in these and other relevant subjects through various formats including, but not limited to the following:

- External conferences, seminars, workshops, roundtables or similar programs (collectively, 'conferences');
- Courses and programs conducted by and/or through academic institutions;
- In-house educational presentations can take place at regular SCERS Board Meetings or at special sessions;
- Programs related to professional licensing requirements or obtaining/maintaining professional credentials;
- Training programs mandated by law, including ethics training and sexual harassment prevention training;
- Electronic media, including ~~CD-ROM based education, video and~~ Internet-based education ~~and video based education~~; and
- Relevant periodicals, journals, textbooks or similar materials.

On an ongoing basis, SCERS Staff will identify appropriate external educational opportunities and make information regarding such educational opportunities available to the SCERS Board. Standards for evaluating the appropriateness of a potential educational opportunity will include: (1) The extent to which the opportunity is expected to provide Board Members with the skills and knowledge they need to carry out their roles and responsibilities; (2) The timeliness and relevance of the education opportunity; (3) The extent to which the opportunity meets the requirements of this Policy; and (4) The cost-effectiveness of the education opportunity in light of travel, lodging, program cost and related expenses.

Members of the SCERS Board may also identify and propose external educational opportunities. The CEO will utilize his/her best professional judgment to determine the appropriateness of any such proposed opportunities. In making that determination, the CEO shall consider the four factors set forth in the previous paragraph and the fiduciary status of the trustees. In particular, the CEO shall consider whether the proposed educational opportunity presents any appearance of impropriety, due to factors such as geographic location, venue, the nature of the education, and travel/lodging costs. Upon request, the CEO's determination about the appropriateness of the educational opportunity may be reviewed by the SCERS Board.

Board Members may also gain credit for educational activity based on writing an article for a qualified publication, or teaching or presenting educational information at a qualified conference or program, on the subjects noted in this Policy. Whether an article or presentation qualifies as an educational opportunity under this Policy will be determined, in the first instance, by the Chief Executive Officer. Upon request, such a determination may be reviewed by the SCERS Board.

The Chief Executive Officer will utilize his/her best professional judgment to determine the number of hours an educational opportunity qualifies for under this Policy. Upon request, a determination regarding ~~the appropriateness of an education opportunity or~~ the number of hours the education opportunity qualifies for may be reviewed by the SCERS Board.

~~Board Members will report quarterly on their education activities during the quarter, and if the education activity occurred outside of a SCERS Board Meeting, attest to the time spent on the activity and/or if the education opportunity included multiple sessions or was held over multiple days, the number of education sessions attended.~~ SCERS Staff will prepare and present an annual report ~~to each Board member~~ regarding his/her each Board member's education activities for the year.

Beginning January 1, 2013, Board Members will acquire a minimum of twenty-four (24) hours of Board Member education within the first (2) years of assuming office and for every subsequent two (2) year period thereafter. SCERS will maintain a record of Board Members compliance with the Board Education Policy. An annual compliance report and a copy of this Policy will be posted on the SCERS website.

A formal orientation program will be developed by the Chief Executive Officer for the benefit of new Board Members. The goal of the orientation program will be to help assure that new Board Members are in a position to effectively carry out their fiduciary and statutory duties as soon as possible upon joining the Board. The orientation program will focus on the subject areas noted in this Policy.

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~~As part of the orientation process, new Board Members will be introduced to SCERS executive staff and provided with:~~

- ~~● A brief history and review of SCERS, including its mission and purpose;~~
- ~~● An overview of the role and expectation of Board Members;~~
- ~~● An overview of the organizational structure and the roles of Staff and key service providers (including investment consultants, actuary, investment managers, custodian, auditors and outside legal counsel);~~
- ~~● An overview of system operations and fiscal management;~~
- ~~● A summary of Board Member indemnity and fiduciary insurance protection;~~
- ~~● A summary of the actuarial status of the system, including actuarial assumptions and methodologies, funded status, funding policy, contribution rates, and member demographics;~~

- ~~An overview of SCERS' investment program, including asset allocation, manager structure and investment performance;~~
- ~~An overview of the benefit structure and benefit administration;~~
- ~~An overview of fiduciary responsibility, conflict of interest and ethics guidelines;~~
- ~~A summary of the laws and rules governing SCERS and the Board, including Open Meeting, Public Records, and financial disclosure laws;~~
- ~~An overview of Board policies and practices;~~
- ~~An overview of recent, current and emerging issues facing SCERS; and~~
- ~~Information regarding decisions and actions of the SCERS Board over the previous twenty four (24) months.~~

During the course of their first twenty-four (24) months on the SCERS Board, new Board Members will endeavor to attend and participate in extended programs focused on new Board Member training, the principles of pension fund management, and the principles of institutional investing.

BACKGROUND

Under Article XVI, Section 17 of the California Constitution, the SCERS Board has plenary authority and fiduciary responsibility for the investment of the SCERS pension trust and administration of the retirement system. Under the County Employees' Retirement Law, the SCERS Board and staff shall discharge their duties with respect to the retirement system with the care, skill, prudence and diligence that would be used by a prudent person, familiar with such matters.

This ~~Board Education Policy ('Policy')~~ Policy is grounded in the SCERS Board's recognition there is a unique body of knowledge that is relevant to Board Members in carrying out their distinct roles and responsibilities, and that education in such matters is necessary for Board Members to successfully carry out their fiduciary and statutory duties.

This Board Education Policy also reflects the SCERS Board's affirmation that it is incumbent on each Board Member to achieve and maintain proficiency in matters central to the administration of the retirement system, the investment of retirement system assets, and prudent fiduciary practices.

RESPONSIBILITIES

Executive Owner: Chief Executive Officer

POLICY HISTORY

Date	Description
<u>10/20/2021</u>	<u>Board affirmed policy with amendments</u>
12/20/2017	<u>Board to affirmed in revised policy format</u>
12/19/2012	Board approved new policy



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