



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 11

MEETING DATE: September 20, 2023

SUBJECT: CEO Delegated Authority Policy for Expenses

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

RECOMMENDATION

Recommendation to amend CEO Delegated Authority Policy for Expenses to include authorization for use of a SCERS commercial credit card.

PURPOSE

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

SUMMARY

SCERS transfers funds from its State Street custodial account to pay for operating expenses through the County treasury and banking service. Though SCERS maintains complete budgetary authority over its operational spending, this practice subjects SCERS to the County's internal controls and procedures. Despite the occasional bureaucratic hurdle, the additional County oversight to ensure payments from SCERS are properly made is generally beneficial to the organization.

SCERS staff is seeking authority to provide a credit card purchasing method to directly pay for web-based services and products, association memberships and registrations, periodicals, and other expenses. While SCERS' existing CEO Delegated Authority Policy for Expenses appears to capture the ability to make credit-card payments for any expense under the policy thresholds, a SCERS' credit card would deviate from the County policy for department credit cards, as described below. Board of Retirement approval to explicitly authorize a credit card for SCERS would provide the necessary and clear delegation to the CEO in order for the County to process a credit card payment. Similar exceptions have been provided for other special districts in the County that have independent operating authority but also process payments through the County treasury.

DISCUSSION

The current practice for paying vendors requires setting up a vendor profile in the County's payment system and making payments once an invoice has been submitted. However, an increasing number of firms insist on receiving payment by credit card instead of filing the paperwork to be established as a County vendor.

Consequently, staff will frequently use their personal credit cards and submit reimbursement claims to make work-related purchases that are necessary to conduct business on behalf of SCERS. The practice of using personal credit cards evolved into an acceptable alternative work-around for small, one-off purchases that are easily reimbursed, such as an annual periodical subscription or an unexpected travel expense while out-of-town on business.

While credit card payments are convenient and efficient, the growing practice of using personal credit cards is risky and fiscally unsound for staff and for the organization. For example, SCERS spent several months this year attempting to engage an email delivery service to establish a new communication channel with retirees (SCERS does not currently send email notices to retirees). The preferred vendor – a large online-marketing firm with hundreds of thousands of clients globally – would not submit the required forms to be established as a County vendor because it only accepts credit card payments. The cost for the service, about \$300/month, was deemed too high by SCERS management for a staff member to charge to his or her credit card. SCERS is continuing to identify another vendor to provide this needed service.

Though the County maintains a credit card option for departments, the Procurement Card Program (Pcard or Pcard program), SCERS has determined that Pcard program administration is excessive from both a compliance and an administrative perspective. Between the State of California's (State) regulatory compliance and the County's auditing requirements, purchasing restrictions, spending limits, card deployment (mandatory training), and general policy and procedural guidelines, the Pcard program is undesirable and overly interferes with SCERS' plenary authority to maintain financial and budgetary control over its operations.

The following explanations illustrate reasoning why SCERS is opting to pursue a credit card provider independent of the County's Pcard program:

State Compliance and Administrative Requirements: The County's credit card program stems from the State of California's (State) contract with US Bank, adding layers of compliance and complexity to the County's structure; nonetheless, these shared government service structures are normal. Levels Four, Five and Six are operationally applicable to SCERS, as well as other County departments.

Approval levels of the County of Sacramento's Pcard Program:

1. Level One US Bank Government Services
2. Level Two State of California (Cal-Card) Department of General Services
3. Level Three County of Sacramento (Departments of General Services and Finance)
4. **Level Four County of Sacramento Departments**
5. **Level Five Approving Official (Division/Section Supervisors)**
6. **Level Six Cardholders**

In the structure, SCERS would be situated as a department or an operating unit in Level Four, and as such would be required to have one or more Level Five Approving Officials, as well as a secondary key personnel structure consisting of the following positions of responsibility:

-
- a) Unit Program Coordinator
 - b) Unit Billing Office Contact
 - c) Unit Deputy Auditor-Controller
 - d) Approving Official
 - e) Cardholders

While checks and balances and audits are integral to any sound accounting function, oversight for the County Pcard is excessive and goes beyond practical application for a small entity such as SCERS. Additionally, County compliance standards are set necessarily high to encompass all the spending rigor associated with established procurement contracts and other broad county department purchasing restrictions, to which SCERS is not subject.

Purchasing Restrictions: While the list of permitted and prohibited Pcard purchases is reasonable, the Pcard is primarily intended for use with established County contracts; however, there are several one-time, routine, low-cost purchases SCERS regularly requires. One example is lunches for trustees during Board meetings, which is not specifically allowable for purchase with the Pcard. And while SCERS could request and possibly be granted a waiver for these purchases, the staff time expended versus the rigor of the process seems unnecessary. Authorization for purchases outside the established realm can be tedious and time consuming, to further render the P-card program undesirable.

Spending Limits: There is a single transaction spending limit of \$2,500 for Pcards, which limits spending flexibility for most web-based service and product purchases. Exceptions to the single transaction spending limit are subject to an approval process with the Department of Finance. There is also a daily transaction limit of \$5,000. Of less concern, but still a consideration, is the fact that a 30-day spending limit must be imposed by the operating unit based on anticipated spending, which eliminates flexibility and responsiveness for necessary, time-sensitive purchases.

Under Article XVI, Public Finance, Section 17(a) of the Constitution of the State of California, "The retirement board of a public pension or retirement system shall have the sole and exclusive fiduciary responsibility over the assets of the public pension or retirement system...to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries." Inasmuch as staff would like to utilize the County's Pcard program, there are too many obstacles and burdens to overcome in making the Program fit the need.

The 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 obtain a commercial credit card. The policy also directs the CEO to develop internal procedures with the appropriate safeguard and control measures for using (purchasing), reviewing (reconciling), and processing (paying) cardholder accounts, comparable to the controls currently used for other forms of payment processing.

ATTACHMENT

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

Prepared by:

Reviewed by:

/S/

/S/

Margo Allen
Chief Operations Officer

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
September 20, 2023

AGENDA ITEM:

CEO Delegated Authority Policy for Expenses

THE BOARD OF RETIREMENT hereby accepts the recommendation to amend CEO Delegated Authority Policy for Expenses to include authorization for use of SCERS commercial credit card.

I HEREBY CERTIFY that the above order was passed and adopted on September 20, 2023 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:
(Present but not voting)

James Diepenbrock
Board President

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 that do not obligate SCERS to pay more than \$150,000 per vendor in a fiscal year.

D. Delegated Authority to attain 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

D.E. Exception 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 disability retirement applications;
- 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 and contracts or contract amendments entered into pursuant to Sections A through C of this policy for an amount greater than \$5,000.

BACKGROUND

The CEO has been appointed by the Board in accordance with Government Code Sections 31522.1 and 31522.2 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

Date	Description
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

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 that do not obligate SCERS to pay more than \$150,000 per vendor in a fiscal year.

D. Delegated Authority to attain 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. Exception 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 disability retirement applications;
- 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 and contracts or contract amendments entered into pursuant to Sections A through C of this policy for an amount greater than \$5,000.

BACKGROUND

The CEO has been appointed by the Board in accordance with Government Code Sections 31522.1 and 31522.2 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

Date	Description
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