

**FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**  
**BOARD EDUCATION POLICY**

**BACKGROUND & PURPOSE**

- 1) Board members are required to carry out their responsibilities in a manner consistent with strict standards of fiduciary care imposed by law. Accordingly, the Board recognizes the need to ensure that the Board and each board member have access to an effective education program that will provide them with the knowledge they need to meet their fiduciary duties and serve as effective trustees. This policy is intended to guide such an education program.

**DEFINITIONS**

- 2) For the purposes of this policy, an "external education program" shall be defined as a conference, seminar, workshop, or similar educational activity offered by organizations other than the Plan, and relating to matters involving the governance and administration of public retirement systems.

**OBJECTIVES**

- 3) The objective of the Board's education program is to help board members gain an adequate level of knowledge and understanding of all major facets of a public retirement system, including but not limited to:
  - a) The legal and fiduciary obligations of board members including but not limited to requirements of trust law, the Political Reform Act, the California Constitution, the Public Records Act, legal status of charter cities, open meeting laws, and generally accepted ethical standards.
  - b) Roles of the Board, committees, management, and vendors; and principles of effective governance, decision-making, and conduct of meetings.
  - c) The structure and workings of the City of San Jose and how the Plan operates in relation to it.
  - d) The general design of the pension plan and health care plan.
  - e) Actuarial principles and concepts, including but not limited to:
    - i) Selection of actuarial assumptions;
    - ii) Calculation of normal cost and actuarial liability;
    - iii) Funding and determination of contributions.
  - f) Investment concepts including but not limited to asset allocation policy, asset/liability management, and investment risk management, including mean-variance and other optimization techniques.
  - g) Capital market history and efficiency, and the general characteristics of public and private market asset classes.
  - h) Investment performance measurement and evaluation.
  - i) Benefit administration and operations.
  - j) Disabilities.
  - k) Accounting and auditing.
  - l) Risk management.

## GUIDELINES

- 4) The Board's educational program shall consist of the following components:
  - a) A board member orientation program
  - b) In-house education
  - c) External education programs
  - d) Internet-based education programs
  - e) Educational reading materials and resource documents
  - f) Self-study
  - g) Mentorship
  
- 5) Further details and guidelines concerning each of the above elements are provided below:
  - a) *Trustee orientation program.* Each new board member will attend an orientation program developed or coordinated by the CEO, to be held within three months of the board member's election or appointment to the Board and again upon completion of one year of service on the Board. (See Appendix A for guidelines regarding the content of the orientation program.)
  - b) *In-house education.* Building on the concepts covered in the trustee orientation program, the CEO will be responsible for ensuring the Board receives appropriate in-house training delivered by staff or external experts as appropriate. Such training will be guided by a board education plan, to be developed by the CEO with input from the Board. Where feasible, custom or standardized education may be provided by Board advisors on a regular basis. In-house education shall not only address investment and benefit administration but shall also include formal periodic orientation and updates regarding the City's budget. Staff shall invite City management to assist in delivering any orientation and updates regarding the City's budget.
  - c) *External education programs.* To allow for education and interaction with industry peers, board members will have the opportunity to attend relevant external education programs, subject to any budgets and to any parameters contained in this policy.
  - d) *Internet-based education.* Board members are encouraged to take advantage of relevant internet-based education (e.g., webinars).
  - e) *Educational reading materials and resource documents.* Staff will ensure that Board members are provided timely and relevant educational reading materials, or access thereto. In addition, staff will ensure that board members have access to resource materials specific to the Plan.
  - f) *Self-study.* Board members may undertake self-study programs of their own design, or may enroll in academic or professional programs that, if successfully completed, may grant board members a certificate, designation, or similar recognition of accomplishment. Board members wishing to have the Plan provide funding for any self-study program (e.g., to pay for reading materials, enrollment fees, or registration fees) must submit a request for such funding to the Board for approval along with a description of the self-study program and the nature of the expenditures.
  - g) *Mentorship.* Each new Board member shall be offered a more experienced Board member to serve as a mentor for at least the first year of the new Board member's term, providing the new Board member with supplemental orientation, guidance, and background.

## STANDARDS & EXPECTATIONS

- 6) At a minimum, board members must attend ethics training for local officials, as required by Assembly Bill No. 1234.<sup>1</sup>
- 7) Board members are expected to undergo additional education over and above the required ethics training noted above. In establishing standards and expectations regarding such additional education, the Board believes that board members, as fiduciaries, should be capable of exercising discretion in determining the educational activities that will best meet their own needs, subject to budget limits and general guidelines set out below:<sup>2</sup>
  - a) Board members are expected to seek out educational opportunities that will over time provide them with a broad base of knowledge reflecting the range of topics set out in paragraph 3 herein.
  - b) Each board member is encouraged to attend at least one external education program annually.
  - c) Each board member is expected to attend all in-house education sessions that may be provided. The Board recognizes however that this guideline may not be appropriate in all circumstances; e.g., experienced board members may not need to attend in-house sessions aimed at new board members.
  - d) Attendance by board members at any external education program that will result in costs being borne by the Plan shall require approval by the Board in accordance with the Board Travel Policy.
  - e) Acceptance by board members of donations of education or travel by third parties requires approval of the Board. Board members who receive education and travel donations are subject to the disclosure requirements and limitations of the *Political Reform Act*.
  - f) Board members are encouraged to attend external education programs within the continental United States. However, given the sophisticated and internationally diversified nature of the Plan's investment portfolio, board members may attend education programs outside the continental United States, provided they can demonstrate to the Board's satisfaction that the session is expected to be of particular value to the Plan and that a comparable program is not conveniently available within the continental United States, and further provided that City rules and laws permit such travel.
  - g) In selecting external education programs, board members shall select programs that are expected to provide relevant, high quality educational content using an academic or professional teaching approach, and that in no way might reflect negatively on the reputations of the Board or the Plan due to the inclusion of excessive entertainment or leisure activities. The CEO will maintain a list of recommended external education programs as a resource for board members.
  - h) Board members shall complete and submit to the CEO a report on each external education program they attend using a standard form to be made available by the CEO. Said report is to be included in the Board agenda and packet. The purpose of the report is to share information and to help board members identify quality external education sessions in the future.
- 8) Management shall consult with each Board member on a regular basis to gain feedback on their progress and needs regarding education in order to provide personalized guidance and support regarding continuing education. Such consultations are expected to occur at least annually for experienced Board members and more frequently for new Board members.

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<sup>1</sup> The City of San José has elected to comply with Assembly Bill No. 1234, which requires state officials to complete an ethics training course within six months of being hired. If service is ongoing, the course must be completed once during each two-year period. The two-year period begins with an odd-numbered year, for example, 2017-18, 2019-20, etc. To help state officials meet this requirement, the Attorney General's Office and the Fair Political Practices Commission have developed an online training course.

<sup>2</sup> This approach is in contrast to the Board requiring that board members attend specific external education programs or limit the number of programs that may be attended.

## **REPORTING AND COMPLIANCE**

- 9) Staff will provide the Board an annual report summarizing the educational activities of board members over the prior year.
- 10) Board members must attend ethics training for local officials, as required by law. Furthermore, board members are strongly encouraged to comply with all of the guidelines contained in this policy. As provided for in the Board's Code of Conduct, the Board may take appropriate action if it determines that a board member has not made a good faith effort to do so.

## **POLICY REVIEW & HISTORY**

- 11) The Board shall review this policy at least every five years.
- 12) The Board adopted this policy on May 17, 2012. Reviewed and amended April 19, 2018; October 17, 2019; March 18, 2021; September 23, 2021.

## **APPENDIX A**

### **GENERAL OUTLINE OF BOARD MEMBER ORIENTATION PROGRAM**

The CEO will make available to new board members an orientation program of 1-2 days in duration and covering relevant topics such as those listed below:

- 1) History and background of the Plan;
- 2) An introduction to members of senior management;
- 3) A tour of the Plan's offices;
- 4) Introductory education sessions on the following:
  - a) Board and staff roles and responsibilities;
  - b) Fiduciary duties, conflict of interest laws, governing legislation and other pertinent legislation (e.g., open meeting laws), Board policies (e.g., Code of Conduct);
  - c) Plan design and funding;
  - d) Current investment policy and strategy;
  - e) Workings of the City and stakeholders and their relationship with the Plan;
  - f) Actuarial Principles;
  - g) Disabilities; and
  - h) Benefit Administration.
- 5) One-on-one sessions with the CEO and CIO to review governance and investment matters respectively,

***For Reference Purposes***

***Recommended/Suggested External Education***

Management believes the following external education programs may be of interest to board members. Management would be pleased to provide interested board members with additional information upon request.

- a) The semi-annual Conference of the State Association of County Retirement Systems (SACRS);
- b) Public Pension Investment Management Program, offered by SACRS;
- c) The General Assembly and Trustee Roundtables of California Association of Public Retirement Systems (CALAPRS);
- d) The International Foundation for Employee Benefit Plans (IFEBP) Annual Conferences, investment programs, and Trustee accreditation programs e.g., Certificate Achievement in Public Plan Policy).;
- e) CALAPRS “Principles of Pension Management for Trustees”; and
- f) CALAPRS “Principles of Pension Governance for Trustees”.

**Note: The above list is for reference purposes only and does not officially form part of the policy. The CEO is responsible for maintaining and updating this list, and making it available to board members.**