

**FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION CHARTER
RECOMMENDED EDITS AT DECEMBER 15, 2017**

INTRODUCTION & BACKGROUND

- 1) The Board recognizes the need to establish clear roles for the Board and, by extension, senior staff in connection with the governance, management, and oversight of the System. This Charter is intended to provide such clarification. It summarizes key responsibilities of the Board as described in the System's governing legislation. Equally important, it clarifies other responsibilities of the Board that are not contained in the governing legislation, but which the Board believes are consistent with the governing legislation and necessary to support and promote effective governance.
- 2) Given the complex and changing nature of the System, it is neither realistic nor practical to believe that a single document can address every situation or activity that may arise in the governance and management of the System. This Charter instead attempts to provide a general framework for describing the role of the Board and its relationship with senior staff. The Board expects that should uncertainty arise concerning roles and responsibilities, the matter will be discussed, resolved and, where appropriate, documented in the appropriate policy for future reference.
- 3) In establishing this Charter, the Board operates on the basis that its role should be focused primarily on setting policy and direction and overseeing the management of the System, and that senior staff will be responsible for managing the day-to-day operations of the System in accordance with policies and other controls established by the Board.
- 4) This Charter describes various responsibilities of the Board; it does not provide details or procedures prescribing how the Board is to carry out those responsibilities. Such details may be found in other relevant policies of the Board.

BOARD OPERATIONS

- 5) The Board will operate in accordance with applicable legislation, City requirements, and other rules and policies established by the Board. These include but are not limited to:
 - a) The presence of a majority of voting member seats on the Board, filled or vacant, shall be necessary to constitute a quorum for the Board to take action, although a lesser number may adjourn from time to time (3.36.330).
 - b) The Board shall hold regular monthly meetings at a time and place to be determined by the Board (3.36.330).
 - c) The meetings of the Board shall be open to the public and noticed and held in accordance with the Ralph M. Brown Act (Govt. C. §54950 et seq) and City Sunshine Requirements.
 - d) The Board shall act by resolution, order, or motion (3.36.330).
 - e) The Board shall keep minutes of its public meetings.

DUTIES & RESPONSIBILITIES

- 6) The Board has various powers and responsibilities assigned to it in the City Charter and Municipal Code. Accordingly the Board, directly or through its committees, will carry out such powers and responsibilities, including but not limited to:
 - a) Determining the time and place of its regular monthly meetings; (3.36.330)
 - b) Determining employees eligible for membership in the System; (3.36.350)
 - c) Determining, modifying, or terminating benefits for service or disability or death or any other benefits provided for in legislation (3.28.190 & 3.36.370)
 - d) Entering into contractual arrangements for medical services and investment-related services; (3.36.385)
 - e) Ensuring actuarial experience studies are performed as required. (3.36.400)
 - f) Adopting such mortality, service, and other actuarial tables as may be necessary; (3.36.410)
 - g) Fixing the rates of monthly contribution required of members and of the City. (3.36.410)
 - h) Submitting an audited annual fiscal report of the System to all parties required by law and in accordance with time frames and specifications required by law. (3.36.440)
 - i) Reviewing and considering proposed ordinances amending the relevant provisions of the Municipal Code and determining appropriate courses of action, if any. (3.36.485)
 - j) Entering into custodian arrangements, as appropriate (3.36.520)
 - k) Adopting an investment resolution or resolutions containing detailed investment guidelines, as appropriate. (3.36530)
 - l) Investing and reinvesting the moneys in the retirement fund in accordance with the fiduciary standards set out in law (3.36540)
 - m) Establishing contributions to fund the benefits for sickness, accident, hospitalization, dental, or medical expenses. (3.36575)
 - n) [SRBR no longer exists]
- 7) The Board also has certain powers and responsibilities under Article XVI section 17 of the California Constitution, the current text of which is set forth in Appendix A.
- 8) Consistent with the powers and authority set out in the City Charter, Municipal Code, and California Constitution, the Board recognizes that good governance demands that the Board, directly or through its committees, carry out the responsibilities set out below.

Policy & Decision-making

- 9) The Board can most effectively direct the System and exert control over the System by establishing prudent policies and controls. Accordingly, the Board is responsible for adopting policies pertaining to material aspects of the System. Examples of such policies appear throughout the balance of this Charter. Such examples however are not intended to limit the generality of the Board's policy-setting responsibilities.
- 10) The Board is required by law to make certain decisions involving the management of the CEO and CIO of Retirement Services jointly with the Board of the Police and Fire Department Retirement Plan. The two boards have approved guidelines for dealing with situations where the Joint Personnel Committee and/or the two boards cannot come to an agreement. Said

guidelines are contained in the Charter of the Joint Personnel Committee. (See Joint Personnel Committee Charter)

Board Governance

- 11) The Board is responsible for ensuring that the Board and its committees are organized to operate effectively. Accordingly, the Board will be responsible for among other things:
 - a) Adopting rules and other governance policies to ensure consistency with State and local legal requirements and effective meetings and functioning of the Board and its committees.
 - b) Electing the officers of the Board.
 - c) Establishing a committee structure for the Board.
 - d) Ensuring clear roles for the Board, its officers and committees, and senior staff.
 - e) Ensuring sufficient opportunities for the effective education and training of the Board and individual board members.
 - f) Evaluating the performance of the Board on a regular basis.

Vendors

- 12) The Board will appoint the following vendors:
 - a) The custodian
 - b) Actuary
 - c) Actuarial auditor
 - d) Investment consultants
 - e) Investment managers
 - f) Proxy voting services
 - g) Counsel
 - h) Other vendors as the Board may determine in consultation with the CEO.

- 13) The Board may appoint the financial auditor for the System, or it may use the services of the financial auditor appointed by the City Auditor. [NOTE: Raised at P&F meeting]

See Roles in Vendor Selection for further details.

Human Resources

- 14) The scope of the Board's authority regarding human resources management is largely limited to the positions of CEO and CIO. The CEO in turn is responsible for hiring and managing all other professional, technical, and clerical employees of the Department, subject to City personnel rules and law.
- 15) The Board's responsibilities regarding human resources management are further described below, while the CEO's responsibilities pertaining to human resources management are detailed in the CEO of Retirement Services Charter.
- 16) The Board, jointly with the Board of Administration of the Policy and Fire Department Retirement Plan, and subject to City personnel rules and regulations, shall:
 - a) Appoint and prescribe the duties of the CEO and CIO. (810.1 (a))
 - b) Approve the creation or elimination of staff positions.
 - c) Approve human resources and compensation policies.

- d) Approve an overall compensation structure for the positions of CEO, CIO and the investment professional staff, which shall include a description of the base salary structure, and, if applicable, incentive and/or bonus compensation structure.
 - e) Recommend to City Council the total compensation for the CEO, CIO, or such equivalent positions, and investment professional staff. (810.1 (e))
- 17) The Board, in conjunction with the Board of Administration of the Police and Fire Department Retirement Plan, shall:
- a) Approve a CEO Performance Evaluation Policy
 - b) Approve a CIO Performance Evaluation Policy [Note: yet to be developed]
 - c) Approve evaluation criteria and associated weights to be used in evaluating the performance of the CEO and CIO.
 - d) Evaluate the performance of the CEO in accordance with the CEO Performance Evaluation Policy and participate in the evaluation of the CIO as may be prescribed in the CIO Performance Evaluation Policy.
- 18) The Board shall approve:
- a) Strategies for providing retirement and health benefits to staff who serve in unclassified positions.
 - b) A compensation disclosure policy (yet to be developed)
 - c) Other human resources policies deemed necessary by the Board and that fall within the Board's authority.
- 19) The Board shall periodically review staff succession planning and related risks, and take action as appropriate

Planning

- 20) The Board is responsible for setting broad direction for the System and for the general allocation of resources within the System. Accordingly, the Board will:
- a) Review with senior staff the long term strategies and plans of the System and, where appropriate, concur with or approve said strategies and plans.
 - b) Approve and forward the operating and capital budgets of the System to the City Budget Office and City Council.

Finance & Accounting

- 21) The Board is responsible for ensuring the integrity of the financial information and reports released by the System. Accordingly, the Board will be responsible for:
- a) Establishing policies relating to material accounting, actuarial, and audit matters.
 - b) Approving the scope of the financial audit.
 - c) Ensuring the qualifications and independence of the financial auditor.
 - d) Approving the annual and quarterly financial statements of the System and related audit reports or management letters.
 - e) Ensuring special investigations or audits of the System are performed, as necessary.

Funding

- 22) The Board will be responsible for:
- a) Adopting actuarial valuations as required.
 - b) In consultation with the System's Actuary, approving any assumptions and methodologies employed in preparing actuarial valuations for the System.

- c) Fixing the rates of monthly contribution required of members and of the City. (3.36.410)
- d) Ensuring actuarial experience studies are performed as required. (3.36.400)
- e) Adopting such mortality, service, and other actuarial tables as may be necessary; (3.36.410)
- f) Establishing contributions to fund the benefits for sickness, accident, hospitalization, dental, or medical expenses. (3.36575)
- g) [SRBR no longer exists]
- h) Ensuring actuarial audits are performed on a periodic basis

Member Service

23) The Board will be responsible for:

- a) Providing strategic direction to staff in ensuring members and beneficiaries of the System receive appropriate levels of service.
- b) Ensuring appropriate processes are in place to provide for effective disability benefit hearings and appeals.
- c) Approving significant policies pertaining to the administration of benefits, including for example those pertaining to over- or under-payment of benefits, and member privacy and confidentiality.

Investments

24) The Board has exclusive control of the administration and investment of the Fund and shall invest the assets of the Fund in accordance with the fiduciary standards imposed on the Board by law. In keeping with this requirement, the Board will:

- a) Approve a Statement of Investment Policy and all other material investment policies of the System.
- b) Ensure the investment objectives of the System are adequately aligned with the funding and actuarial assumptions of the System.
- c) Approve the portfolio and investment manager structures of the Fund and of each asset class of the Fund.
Ensure prudent and appropriate delegation of investment authority and discretion levels to the CEO and CIO and investment staff and external advisors and managers.
- d) Ensure prudent processes are in place for the selection and termination of investment managers and consultants
- e) Approve the acquisition and disposition of real properties and, in the case of dispositions, any listing prices or ranges to be set.

Risk Management

25) The Board is responsible for monitoring, managing, and/or mitigating material risks to the System, including those pertaining to investments, funding, and operations.

Stakeholder Communications

26) The Board is responsible for adequate and appropriate communications between the System and its stakeholders. Accordingly, the Board will be responsible for:

- a) Establishing general policies to guide material stakeholder communications.
- b) Establishing a spokesperson(s) for the Board and providing said individual(s) with guidance as to official positions of the Board, or other guidance as appropriate.

- 27) The Board may notify the City Council of Board concerns with respect to state and federal legislation relating to the System, in a manner consistent with Council Policy 0-4, *Involvement in the Legislative Process*.
- 28) The Board will review proposed ordinances amending the Federated City Employees' Retirement System and may provide recommendations to the City Council (3.36.485).

Litigation

- 29) The Board will be responsible for approving the commencement, conduct, settlement, and termination of all litigation involving the System, based upon the advice of the CEO and legal counsel.

Reporting & Monitoring

- 30) The Board is responsible for collaborating with staff to develop a system of reporting and information that serves the needs of the Board. Accordingly, the Board will be responsible for:
 - a) Approving a reporting and monitoring policy and related policies prescribing the nature and frequency of reports to be provided to the Board and its committees by management and service providers.
 - b) Ensuring the system of reporting addresses at a minimum:
 - i) The performance of the member services and benefit delivery functions.
 - ii) The performance of the investment function.
 - iii) Implementation of, or compliance with:
 - (1) Applicable legislation
 - (2) Policies of the System
 - (3) Strategic plans, business plans, or similar planning documents
 - (4) Risk management processes
 - (5) Operating and capital budgets
 - (6) The Board's Code of Conduct.
 - iv) The morale and effectiveness of the System's human resources.
 - v) The performance of key vendors, as appropriate.

POLICY REVIEW & HISTORY

- 31) This policy will be reviewed at least every three years.
- 32) This policy was approved by the Board on April 19, 2012; amended [~~month, day, year~~]-December 21, 2017,
- 33) This policy was approved by the Board on December 21, 2017.

Appendix A
California Pension Protection Act, 1992
(California Constitution, Article 16 Public Finance, excerpt from Section 17)

Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:

(a) 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. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

(b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

(c) The members of the retirement board of a public pension or retirement system shall 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.

(d) The members of the retirement board of a public pension or retirement system shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

(e) The retirement board of a public pension or retirement system, consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the public pension or retirement system.

(f) With regard to the retirement board of a public pension or retirement system which includes in its composition elected employee members, the number, terms, and method of selection or removal of members of the retirement board which were required by law or otherwise in effect on July 1, 1991, shall not be changed, amended, or modified by the Legislature unless the change, amendment, or modification enacted by the Legislature is ratified by a majority vote of the electors of the jurisdiction in which the participants of the system are or were, prior to retirement, employed.

(g) The Legislature may by statute continue to prohibit certain investments by a retirement board where it is in the public interest to do so, and provided that the prohibition satisfies the standards of fiduciary care and loyalty required of a retirement board pursuant to this section.

(h) As used in this section, the term "retirement board" shall mean the board of administration, board of trustees, board of directors, or other governing body or board of a public employees' pension or retirement system; provided, however, that the term "retirement board" shall not be interpreted to mean or include a governing body or board created after July 1, 1991 which does not administer pension or retirement benefits, or the elected legislative body of a jurisdiction which employs participants in a public employees' pension or retirement system.