

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

POLICY ON THE ROLE OF THE RETIREMENT BOARD

I. INTRODUCTION

- A. To ensure that the accountability and authority for the governance and the management of SDCERA are clearly stated, the Board has established policies describing the roles and responsibilities of the key decision-making bodies within SDCERA.
- B. All authority granted by the California State Constitution and the 37 Act Statutes to the Board is retained, except as delegated by specific resolution. Consistent with its fiduciary role, the Board's principal role is to ensure that SDCERA is appropriately governed and managed. The overriding goal of the Board is to serve the best interests of members and beneficiaries and to protect the assets of the Association.

II. DUTIES AND RESPONSIBILITIES

A. Governance

1. The Board will:

- a) Approve the mission statement of SDCERA;
- b) Make regulations or bylaws, consistent with the Act, which will become effective when approved by the Board of Supervisors;
- c) Approve, and amend as necessary, policies to ensure appropriate governance practices;
- d) Approve policies describing the roles and responsibilities of the Board, the officers of the Board, each committee of the Board, and the Chief Executive Officer, and amend said policies as appropriate;
- e) Annually elect a Chair, Vice Chair, and Secretary to the Board;
- f) Provide for the election of employee and retired trustees to the Board;
- g) Annually establish the committee structure of the Board and, upon the recommendation of the Chair, appoint committee members and committee chairs.

B. Investments

- 1. The Board has exclusive control of the investments of the Fund. The assets of SDCERA are trust funds and, as such, the Board will manage the Fund (§31595):
 - a) 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 SDCERA;

- b) 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;
 - c) By diversifying the investments of SDCERA so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.
2. The Board will conduct a study of the relationship between the assets and liabilities of SDCERA not less than every three years.
3. The Board will approve, and at least every three years, will review and confirm or amend the following to set policy for SDCERA's investments:
- a) A written statement of investment philosophy describing the principles, beliefs, and assumptions underlying the investment policy and program.
 - b) A written statement of investment policy, including program objectives and the asset classes and strategies for achieving these objectives and will review and confirm or amend the investment policy at least every three years.
 - c) Investment objectives and strategies for achieving those investment objectives.

C. Benefits Administration

1. The Board will:
- a) Approve policies necessary to ensure effective administration of member benefits;
 - b) Approve all members who apply and qualify for service retirement (§31670);
 - c) Determine the merits of applications for disability benefits, making necessary determinations with respect to service and causation and permanency of injury (§31720);
 - d) Provide for and act on member appeals of decisions made by SDCERA staff;
 - e) Approve discretionary benefits allowed under the 1937 Act; and
 - f) Annually approve cost-of-living adjustments, as provided for in the 1937 Act.

D. Operations

1. The Board will:
- a) Approve a strategic and/or business plan and any updates thereto, as deemed appropriate;
 - b) Approve the annual Administrative Budget, including budget change proposals (BCPs), financial standards and policies, [and material capital allocations and material transactions];
 - c) Ensure that all required contributions to the Fund are collected in a timely manner;
 - d) Ensure that all required distributions from the Fund are made in a timely manner;

- e) Approve the location of SDCERA's head office and any satellite offices and the associated leases; and
 - f) Ensure appropriate operational control policies are in place to provide efficient and accurate delivery of member services.
- E. Financial, Actuarial and Accounting
- 1. The Board will:
 - a) Ensure that appropriate accounting, actuarial and internal financial control policies and reporting systems are established.
 - b) Approve the actuarial valuation and the actuarial assumptions contained therein upon the advice of the actuary and other experts as required, and recommend to the Board of Supervisors such changes in the rates of interest and in the rates of contributions for employees and employers, as necessary;
 - c) Approve the annual financial statements;
 - d) Ensure a financial audit is conducted at least annually (§31593), oversee all audits, and approve the annual internal audit plan;
 - e) Ensure an actuarial valuation and experience study are conducted at least every three (3) years; and
 - f) Ensure an actuarial audit or equivalent is conducted at least every 5-7 years.
- F. Human Resources
- 1. The Board will:
 - a) Appoint and terminate the Chief Executive Officer (§31522.2).
 - b) Ratify the appointment of assistant administrators, upon the recommendation of the Chief Executive Officer and upon satisfying itself of the appropriateness of the recruitment process used by the Chief Executive Officer.
 - c) Ensure that appropriate succession plans are in place to provide continuity among SDCERA staff.
 - d) Approve a human resources and compensation policy.
- G. Legal & Legislative Affairs
- 1. The Board will establish board policies and guidelines regarding proposed state and federal legislation and will initiate, support, or oppose legislative proposals affecting SDCERA, as it deems appropriate.

2. The Board will approve actions concerning actual, potential, and threatened lawsuits or other legal action that may affect the investments, benefits, or funding of SDCERA and such other actual, potential, or threatened lawsuits or legal action, and the strategy, settlement, and resolution of such lawsuits or other legal action, as the Chief Executive Officer may bring to the Board or as legally required.

H. Communications

1. The Board will:
 - a) Approve a SDCERA communications policy designed to ensure effective communications with plan members and all significant interest groups;
 - b) Ensure that an Annual Financial Report is issued to members and interested parties; and
 - c) Ensure the timely distribution of the Annual Member Statement to all members.

I. Vendor Appointments

1. The Board shall approve the appointment of each of the following vendors as specified in the Vendor Selection Policy:
 - a) Actuarial firms;
 - b) The financial auditor;
 - c) Outside legal counsel;
 - d) Investment consultants;
 - e) Human resource consultants retained to assist the Board with issues pertaining to the Chief Executive Officer;
 - f) The custodian
 - g) Investment managers;
 - h) Securities lending managers; and
 - i) Other vendors as may be determined by the Board.

J. Monitoring and Reporting

1. The Board will ensure that appropriate monitoring and reporting practices are established within SDCERA. In support of this task, the Board has established the Monitoring and Reporting Policy that sets out the routine reporting requirements of the Board.
2. The Board will regularly:
 - a) Monitor compliance with board policies, with the input of the Chief Executive Officer;
 - b) Review the Chief Executive Officer's job performance;
 - c) Review the funded status of SDCERA;

- d) Review progress toward the implementation of the SDCERA business plan;
 - e) Review the implementation of SDCERA's internal financial and operating controls;
 - f) Review the investment performance of the Fund and the performance of the investment managers of the Fund;
 - g) Review the levels of service quality provided to members;
 - h) Review the performance of the Board.
 - i) Review the appropriateness of the actuarial assumptions, methods, and related matters.
 - j) Review the accuracy of the actuarial valuation process, through an actuarial audit.
 - k) Review, on a regular basis, the performance of the Board's advisors and vendors including at a minimum the actuary, the financial auditor, the investment consultant, and the custodian.
 - l) Monitor compliance with the Administrative Budget.
3. The Board will review board policies over a three (3) year cycle, with a third of Board policies being reviewed each year, unless a different frequency is set out in a particular policy.
4. The Board will provide for appropriate monitoring of compliance with applicable laws and regulations.

REVIEW

This policy shall be reviewed by the Board at least every three (3) years and may be amended at any time.

HISTORY

April 1, 2004	Adopted, effective July 1, 2004
October 4, 2007	Revised, effective immediately
April 5, 2012	Revised, effective immediately
June 4, 2015	Revised, effective immediately