

Memorandum

Date: September 12, 2012
To: Board of Retirement
Marilyn Leedom, Retirement Chief Executive Officer
From: Karen Levy, General Counsel
Subject: Revisions to Fiduciary Education Policy Pursuant to AB 1519

Recommendation

Consider and take possible action on changes to the Board's Fiduciary Education Policy to comply with AB 1519.

Background

Assembly Bill 1519 regarding mandatory education requirements of retirement board trustees has recently been enacted. Pursuant to this new law, the Board is required effective January 1, 2013, to adopt a policy regarding mandatory continuing education for trustees. The CCCERA Board already has in place a Fiduciary Education Policy. The enclosed revised Fiduciary Education Policy, for the Board's consideration, contains changes that encompass provisions now required by AB 1519.

The key changes are as follows:

- I. The policy now clearly sets forth that, as of January 1, 2013:
 - A. All retirement board members are required to receive a minimum of 24 hours of board member education within the first two years of assuming office and for every subsequent two-year period the board member continues to hold membership on the board;
 - B. The board is required to maintain a record of trustee compliance with the continuing education policy;
 - C. An annual report on board member compliance will be placed on the CCCERA Internet Web site; and
 - D. The policy will be placed on the CCCERA Internet Web site.
- II. The policy identifies appropriate topics for board member education.
- III. The policy was updated with current information regarding recommended pension fund management and investment courses, as well as educational organizations with whom CCCERA is a member.

For your convenience and ease of reference, we have enclosed clean and redlined versions of the revised Fiduciary Education Policy. We have also enclosed the text of AB 1519.



Assembly Bill 1519

Section 31522.8 is added to the Government Code, to read:

31522.8. A board of retirement and a board of investments subject to this article shall adopt a policy for providing education to board members.

The policy, at a minimum, shall do the following:

(a) Identify appropriate topics for board member education, which may include, but is not limited to, the following:

- (1) Fiduciary responsibilities.
- (2) Ethics.
- (3) Pension fund investments and investment program management.
- (4) Actuarial matters.
- (5) Pension funding.
- (6) Benefits administration.
- (7) Disability evaluation.
- (8) Fair hearings.
- (9) Pension fund governance.
- (10) New board member orientation.

(b) Establish a means for determining the programs, training, and educational sessions that qualify as board member education. Educational seminars sponsored by the state or national public pension fund organizations and seminars sponsored by accredited academic institutions shall be deemed to meet board member education requirements.

(c) Require that all board members receive a minimum of 24 hours of board member education within the first two years of assuming office and for every subsequent two-year period the board member continues to hold membership on the board.

(d) Require each board to maintain a record of board member compliance with the policy. The policy and an annual report on board member compliance shall be placed on the Internet Web site of the retirement system.



Revised
Fiduciary
Education Policy
Attached

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

FIDUCIARY EDUCATION POLICY

APPROVED: 04/09/96

AMENDED: 12/14/99, 03/12/02, __/__/12

PURPOSE

The Board of Retirement ("Board") of the Contra Costa County Employees' Retirement Association ("CCCERA") adopts this policy to provide guidelines for Trustees of CCCERA in meeting their continuing education duty as fiduciaries.

AUTHORITY

The California Constitution provides:

...the retirement board of the public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system..." and mandates that retirement board Trustees "...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. (Calif. Const. Art. XVI, Sec. 17.)

The County Employees Retirement Law of 1937 ("CERL") provides:

The board and its officers and employees shall discharge their duties with respect to the system:

(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 the system.

(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) 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 prudent not to do so. (Govt. Code § 31595.)

The CERL additionally requires, as of January 1, 2013, that all board members receive a minimum of 24 hours of board member education within the first 2 years of assuming office and for every subsequent 2-year period in which the person serves on the board. The board is required to maintain a record of each board member's compliance and to post the education policy and an annual report on board member compliance on the retirement system's Internet Web site. (Govt. Code § 31522.8.)

POLICY

The requirements and guidelines governing the Board's continuing education are set forth below:

1. The Constitution grants Trustees the sole and exclusive authority to invest trust fund money and administer the Retirement System, but in so doing it also requires that they be "familiar with these matters". Trustees must therefore make every effort reasonably possible to become educated with respect to "investment of moneys and administration of the system". Trustees must make every reasonable effort to become as educated in these matters as "a prudent person acting in a like capacity and familiar with these matters" would be.
2. Board members shall strive to develop and maintain an appropriate level of knowledge and skill necessary to administer the retirement system prudently throughout their term as members of the CCCERA Board. The following areas of education are included:
 - (i) Fiduciary responsibilities
 - (ii) Ethics (mandatory every two years pursuant to Govt. Code § 53235)
 - (iii) Pension fund investments and investment program management
 - (iv) Actuarial matters
 - (v) Pension funding
 - (vi) Benefits administration
 - (vii) Disability evaluation and process
 - (viii) Fair hearings
 - (ix) Pension fund governance
 - (x) New board member orientation, including:
 - a. Most recent Comprehensive Annual Financial Report
 - b. Most recent Actuarial Valuation, tri-ennial experience evaluation and most recent demographic and economic assumption reports
 - c. Most recent investment performance report
 - d. Most recent budget
 - e. Fiduciary responsibility
 - f. Current organization chart
 - g. Brown Act open meetings laws
 - h. Public Records Act
 - i. Board Regulations and policies
 - j. Trustee and executive staff roster

- k. Fair Political Practices Commissions regulations
 - l. CERL booklet and CCCERA Lawbook
 - m. Board travel reimbursement forms and travel guidelines
3. All trustees are encouraged to attend one or more of the comprehensive courses on pension fund management and investing such as those offered by the Wharton School, University of Pennsylvania ("Pension Funds and Money Management"), the California Association of Public Retirement Systems ("Principles of Pension Management"), and the State Association of County Retirement Systems ("Public Pension Investment Management Program"). These classes ensure that all members are familiar with their fiduciary responsibility and are active participants in the system. All new trustees are expected to attend one or more of the above as soon as possible after becoming a trustee.
 4. The Board holds regular membership in several state and national organizations devoted to trust fund investment and accounting, and pension benefits design and delivery. The Board encourages trustees' regular attendance at conferences and meetings sponsored by these organizations:
 - SACRS - State Assoc. of County Retirement Systems
 - CALAPRS - Calif. Assoc. of Public Retirement Systems
 - NCPERS - National Council of Public Employee Retirement Systems
 - IFEBP - International Foundation of Employee Benefits Plans
 - CII - Council of Institutional Investors
 - NIRS - National Institute on Retirement Security
 5. Educational opportunities designed to help Trustees achieve and maintain proficiency include in-house educational seminars, presentations and orientations on relevant topics.
 6. The board maintains a library containing books, articles, videotapes and monographs on subjects pertinent to pension fund investing and pension benefit administration.
 7. In addition, each Trustee shall be provided access to Pensions and Investments Magazine as part of their continuing education.
 8. Each educational seminar, meeting or conference which appears pertinent to public plan benefits administration or fund investing will be placed on the Retirement Board's meeting agenda for determination by individual Trustees as to its value in meeting his/her specific educational or interaction needs and for approval by the Board.
 9. Finally, as Trustees strive to attain the level of excellence demanded by the law, the cost to do so, within reason, constitutes an expense properly incurred in connection with the performance of the Trustees' duties with the System. The

Board shall therefore establish an annual budget to cover the cost to provide continuing fiduciary education for its Trustees and for those staff members selected by the Retirement Chief Executive Officer and Trustees.

10. Board members shall provide to the Retirement Chief Executive Officer a record of Board member training hours in compliance with this Policy. The Retirement Chief Executive Officer or designee shall maintain for all Board members a record of training hours. An annual report on Board member compliance shall be placed on the CCCERA website.



Redlined
Fiduciary
Education Policy
Attached

CONTRA COSTA COUNTY ~~EMPLOYEES'~~ EMPLOYEES' RETIREMENT
ASSOCIATION

SUBJECT: ~~FIDUCIARY EDUCATION POLICY~~

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APPROVED: 04/09/96
AMENDED: 12/14/99, 03/12/02, / /12

PURPOSE

The ~~purpose~~ Board of Retirement ("Board") of the Contra Costa County Employees' Retirement Association ("CCCERA") adopts this policy ~~is to provide guidelines for Trustees of the Contra Costa County Employees' Retirement Association CCCERA in meeting their continuing education duty as fiduciaries.~~

AUTHORITY

The California Constitution provides that "...;

...the retirement board of the public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system..." and "... and mandates that retirement board Trustees "... 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". (Calif. Const. Art. XVI, Sec. 17).

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The County Employees Retirement Law of 1937 ("CERL") provides:

The board and its officers and employees shall discharge their duties with respect to the system:

(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 the system.

(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.

GUIDELINES/POLICIES

(c) 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 prudent not to do so. (Govt. Code § 31595.)

The CERL additionally requires, as of January 1, 2013, that all board members receive a minimum of 24 hours of board member education within the first 2 years of assuming office and for every subsequent 2-year period in which the person serves on the board. The board is required to maintain a record of each board member's compliance and to post the education policy and an annual report on board member compliance on the retirement system's Internet Web site. (Govt. Code § 31522.8.)

POLICY

The requirements and guidelines governing the Board's continuing education are set forth below:

1. The Constitution grants Trustees the sole and exclusive authority to invest trust fund money and administer the Retirement System, but in so doing it also requires that they be "familiar with these matters", "familiar with these matters". Trustees must therefore make every effort reasonably possible to become educated with respect to "investment of moneys and administration of the system". Trustees must make every reasonable effort to become as educated in these matters as "a prudent person acting in a like capacity and familiar with these matters" would be.

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2. Trustees must therefore make Board members shall strive to develop and maintain an appropriate level of knowledge and skill necessary to administer the retirement system prudently throughout their term as members of the CCCERA Board. The following areas of education are included:

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(i) Fiduciary responsibilities

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(iii) Pension fund investments and investment of moneys and program management

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(iv) Actuarial matters

(v) Pension funding

~~(vi) Benefits administration of the system"~~

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Trustees must make every reasonable effort to become as educated in these matters as "a prudent person acting in a like capacity and familiar with these matters" would be.

To develop the same degree of expertise concerning "investment of moneys" and "administration of the system" as a "prudent person" who is "familiar with these matters" would have, trustees should attend seminars, conferences, classes, meetings and any and all other gatherings and courses of education concerning these subjects.

GUIDELINES/POLICIES

Attendance at such events is expected to accomplish two concurrent goals. First, trustees will have the opportunity to learn and develop expertise with respect to macroeconomics, microeconomics, financial markets and instruments, as well as administrative procedures for operating a retirement system, and laws and regulations concerning these matters. In addition, trustees will have the opportunity to meet and network with others familiar with these matters in order to effectively share communications concerning these matters with other "prudent persons acting in a like capacity and familiar with these matters", and thereby increase their own expertise in these matters.

To this end, each educational seminar, meeting or conference which appears pertinent to public plan benefits administration or fund investing will be placed on the Retirement Board's meeting agenda for determination by individual Trustees as to its value in meeting his/her specific educational or interaction needs and for approval by the Board.

In addition, each Trustee shall be provided with a subscription to Pensions and Investments Magazine as part of their continuing education.

- (vii) Disability evaluation and process
- (viii) Fair hearings
- (ix) Pension fund governance
- (x) New board member orientation, including:
 - a. Most recent Comprehensive Annual Financial Report
 - b. Most recent Actuarial Valuation, tri-ennial experience evaluation and most recent demographic and economic assumption reports
 - c. Most recent investment performance report
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 - l. CERL booklet and CCCERA Lawbook
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3. All trustees are encouraged to attend one or more of the comprehensive courses on pension fund management and investing such as those offered by the Wharton School, University of Pennsylvania ("Pension Funds and Money Management"), the California Association of Public Retirement Systems ("Principles of Pension Management"), and the Institute for Fiduciary Education ("State Association of County Retirement Systems (Public Pension Fund Investing Investment Management Program)"). These classes ensure that all members are familiar with their fiduciary responsibility and are active participants in the system. All new trustees are expected to attend one or more of the above as soon as possible after becoming a trustee.

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GUIDELINES/POLICIES

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- SACRS - State Assoc. of County Retirement Systems
- CALAPRS - Calif. Assoc. of Public Retirement Systems
- NCPERS - National Council of Public Employee Retirement Systems
- IFEBP - International Foundation of Employee Benefits Plans
- ~~GFOA - Government Financial Officers Association, USA and Canada~~
- ~~CII - Council of Institutional Investors~~
- ~~PREA - Pension Real Estate Association~~
- NIRS - National Institute on Retirement Security

5. Educational opportunities designed to help Trustees achieve and maintain proficiency include in-house educational seminars, presentations and orientations on relevant topics.

6. The board maintains a library containing books, articles, videotapes and monographs on subjects pertinent to pension fund investing and pension benefit administration. ~~To keep trustees apprised of recent additions to the library, copies of the title page and table of contents of all new materials are provided as an informational item in Board meeting packets.~~

7. In addition, each Trustee shall be provided access to Pensions and Investments Magazine as part of their continuing education.

8. Each educational seminar, meeting or conference which appears pertinent to public plan benefits administration or fund investing will be placed on the Retirement Board's meeting agenda for determination by individual Trustees as to its value in meeting his/her specific educational or interaction needs and for approval by the Board.

9. Finally, as Trustees strive to attain the level of excellence demanded by the law, the cost to do so, within reason, constitutes an expense properly ~~and actually~~ incurred in connection with the performance of the ~~Trustees'~~ Trustees' duties with the System. The Board shall therefore establish an annual budget to cover the cost to provide continuing fiduciary education for its Trustees and for those staff members selected by the ~~Administrator~~ Retirement Chief Executive Officer and Trustees.

10. Board members shall provide to the Retirement Chief Executive Officer a record of Board member training hours in compliance with this Policy. The Retirement Chief Executive Officer or designee shall maintain for all Board members a

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