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San Bernardino County Employees' Retirement Association

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Area	General
Applicability	SBCERA systemwide

Statement of Governance Principles and Code of Ethics

POLICY NO. 002

To ensure that the accountability and authority for governance and management of the San Bernardino County Employees' Retirement Association (SBCERA) is clearly stated, the Board of Retirement (Board) sets forth herein governing principles to identify and distinguish between the roles of the Board, the Board Chair, the Board Vice Chair, Board Committees, Committee Chairs, Board Members, and the Chief Executive Officer (CEO).

I. The Board's Role

All authority granted by the California Constitution and state statutes to the Board is retained, except as delegated by specific action. Consistent with its fiduciary role as Trustee of the Fund, the Board's principal role is to ensure that SBCERA is appropriately administered and its fund assets managed. With the overriding goal of protecting Fund assets, the Board's role is to:

A. Adopt and Monitor Policies

1. Set and oversee the long-term strategic objectives for SBCERA as recommended by the CEO or initiated by the Board, focusing on the goals against which its performance is measured and monitored.
2. Set and oversee policies for SBCERA focusing on:
 - a. General governance
 - b. Investments
 - c. Benefits
 - d. Education and training
 - e. Actuary and audit

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f. Administration

3. Select, regularly evaluate, and, provide regular management oversight of the CEO and Chief Counsel.
4. Delegate execution of established Board policy and strategic objectives to the CEO, and through him or her to his or her designees.

B. Review and Evaluate Performance of the Fund

1. Monitor performance and regularly review results as compared to:
 - a. SBCERA mission statement
 - b. Strategic plan and other long-range goals
 - c. Performance measures as established by the Board that include external and internal measures.
2. Benchmarking and incorporating measures that, if realized, clearly position SBCERA within the top quartile of comparable funds while moving toward fully funded status.
3. Strive to plan for senior management succession.
4. Review prior to adoption, approve, and monitor actuarial data and assumptions.

C. Review and Evaluate Financial and Administrative Operations

1. Review and approve the annual budget.
2. Ensure the integrity of the financial control reporting system and pension administration system through the engagement and oversight of independent auditors.
3. Oversee all financial and compliance audits, including approving the outside auditor, and assure that financial controls are adequate.
4. Monitor member and beneficiary satisfaction.
5. Monitor staff satisfaction and engagement.

D. Closed Sessions

The Board will meet in closed session where authorized by law, and when needed, including, but not limited to, meeting at least annually to review the performance of the CEO and Chief Counsel.

E. Other Board Responsibilities

1. At all times ensure that Board members fully comply with ethics, gift, reporting, and education laws and policies. To further the fulfillment of this duty, the Board has adopted a "Code of Ethics," which is attached as Exhibit 1 to this Policy.
2. Identify, articulate, prioritize and schedule matters the Board will regularly address.
 - a. Create an annual schedule for its meetings.
 - b. Identify benchmarks that trigger Board review.
 - c. Identify information needs and determine how, when and in what form

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information is to be delivered to Board members so as to enable the Board to meet its responsibilities, having regard for time available.

- d. Provide for items to be placed on the agenda in the following manner:
 - i. The Chair may place an item for discussion, either at the initiation of staff or on his or her own initiative.
 - ii. Any two or more Board members, including alternates, may place an item for discussion, by joint request to the Chair, which may be made either during an official meeting, or in other communication so long as such communication complies with the Ralph M. Brown Act. Such joint requests made outside of official meetings may be made directly to the Chair, or to the Chair through the CEO or Chief Counsel. In the event of such joint request, the Chair shall place the item on an appropriate agenda, but shall exercise reasonable discretion as to when the item will be considered, whether the item shall first be considered by a committee, and if so, which committee shall consider the item.
3. Be responsible and accountable to members, their beneficiaries, their representative organizations and all participating public employers.
 - a. Monitor relations and provide regular periodic communications with members, beneficiaries, their organizations, and others with oversight interests.
 - b. Coordinate with staff to provide for the election of employee and retired representatives on the Board.
 - c. Conduct member hearings and provide for formal administrative appeals.
4. The Board is responsible for creating and maintaining an atmosphere that encourages frank and collegial discussions both at the Board and Committee level and between the Board and senior management.
5. The Board shall exercise the prerogatives of the client with respect to legal matters, whether carried out by Chief Counsel and his or her subordinate attorneys or by outside counsel, but may delegate the exercise of such prerogatives as appropriate. The Board shall select outside counsel where appropriate, in consultation with the CEO and Chief Counsel.
6. The Board shall establish and communicate Board policies and priorities and then monitor performance in light of its established policies and priorities. The Board recognizes that the achievement of its goals requires discipline by the Board as a body and by individual Board members to live by the policies articulated herein and to govern with excellence.
7. Institute policies and procedures regarding legislation (federal and/or state), corporate governance, and shareholder voting.

II. Board/CEO Relationship

The Board has delegated to the CEO the responsibility for the day-to-day administration and management of SBCERA. Policy and direction set by the Board is implemented through the CEO so that a strong relationship between the Board and CEO exists. A clear delineation of authority is critical to the accomplishment of the Board's objectives.

III. Individual Board Member Responsibilities

- A. Board members have no obligation to meet with or communicate with advisors, managers, consultants, contractors or vendors. Any contacts and communications between individual Board members and advisors, managers, consultants, contractors and vendors to SBCERA shall be at the option, discretion, and judgment of each Board member. Individual Board members shall avoid favoritism, conflicts and disclosure of privileged information.
- B. At all times individual Board members shall act in the best interest of SBCERA's members and plan sponsors, and consistent with their fiduciary duties, applicable law, and SBCERA's By-Laws and policies. Individual Board members shall act in the collective interests of all of SBCERA's members, beneficiaries, and plan sponsors, without regard to which constituency or authority elected or appointed them.
- C. Individual Board members shall not unilaterally make commitments or representations, nor give the appearance of doing so to any external party, unless specifically authorized or directed by Board action.
- D. Individual Board members are not to become involved in operational management, except as requested by the CEO or specifically directed by the Board. For purposes of this Policy, "operational management" shall mean the carrying out of any duty, function or task by management, staff, vendor, consultant, contractor or other party on behalf of SBCERA and consistent with the delegation, general direction, and vision of the Board.
- E. Individual Board members shall refer proposals or other communications regarding potential or existing investments or other contracts or actions proposed to be taken by SBCERA directly to the CEO.
- F. Whenever the Board or the CEO is involved in the selection or employment of advisors, managers, consultants, contractors and vendors, individual Board members shall not communicate with regard to that contract with any person who may be under consideration in such a selection or hiring process prior to the consideration of the actual selection or hiring at an agendaized public meeting.
- G. Prepare for meetings by familiarizing themselves with the material to be covered on the agenda.

IV. Chief Executive Officer Authority

The Board has delegated to the CEO responsibility for the administration and management of SBCERA consistent with Board policy and delegation of authority. This includes broad responsibility for: (1) investment decisions and the hiring of outside advisors and asset managers, as delegated; (2) hiring, supervising, monitoring, evaluating, and, when necessary, taking disciplinary action or terminating staff

as delegated; (3) services to members and beneficiaries; (4) budgeting; (5) government affairs/media relations; (6) employee training and development; (7) succession planning; and (8) actuarial valuations.

The CEO's duties are defined by the Board and include the following:

- A. With advice and counsel from the Board, achieve the long-term policies and strategic objectives established for SBCERA by the Board, including as necessary:
 1. Determining the appropriate methods for attaining the Board-established policies and strategic objectives.
 2. Directing SBCERA employees in furtherance of those objectives.
 3. Ensuring that management activities and decisions are within Board-approved policies.
 4. Developing and implementing plans for senior management succession.
- B. Represent SBCERA, or designate other staff representatives, to outside parties and organizations, including serving as primary and sole spokesperson for SBCERA to the public and/or media, except:
 1. To the extent he or she delegates a specific matter to a member of the staff; or
 2. When the Board determines that the Chair or another specified Board member should serve as spokesperson on a particular matter.
- C. Provide leadership to SBCERA employees in terms of collegiality and ethical conduct.
- D. Act as the liaison for communication and information flow between the Board and SBCERA employees.
- E. Sign all documents, including contracts, necessary to carry out any decision, including investment decisions, made or approved by the Board, 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 decision.
- F. With input from the Board regarding the frequency, subjects and format of information to be provided to Board members and Committees prior to meetings, ensure that information is comprehensive and timely.
- G. Provide the Board regular reports as directed, to enable the Board to monitor member and beneficiary satisfaction and employee satisfaction and engagement.

V. Board Chair Authority

The Board Chair's principal role is to lead the Board in the conduct of Board business by managing the affairs of the Board and ensuring the integrity of the Board's process. The Chair's specific duties, delegated by the Board, are to:

- A. Provide leadership to the Board in terms of collegiality and ethical conduct.
- B. Ensure that Board operations and Board members' activities are consistent with its own policies and those legally imposed upon it from outside SBCERA.
- C. Work with the CEO to develop and approve the Board agenda prior to each meeting,

considering input and requests from Board members, articulating, prioritizing and scheduling agenda items as appropriate.

- D. Conduct Board meetings, controlling the process of Board deliberations pursuant to any rules that may be adopted by the Board.
 - 1. Limit meeting discussion content to those issues that, according to Board policy, are within the Board's responsibility and have been properly agendized pursuant to the Ralph M. Brown Act.
 - 2. Ensure timely, fair, orderly, thorough and efficient deliberations, including enforcement of any Rules of Order that may be established by the Board.
- E. Make decisions in those areas for which the Board has expressly delegated the Chair decision-making authority.
 - 1. Convene and chair meetings of the Board.
 - 2. Appoint Committee membership and Committee Chairs with consideration given the particular knowledge and experience and the express desires of individual Board members, and the value of periodic rotation of Committee members so as to provide direct exposure to differing Board responsibilities.
 - 3. Certify actions taken by the Board.
- F. Represent SBCERA, or designate other Board representatives, to outside parties and organizations, when so directed by the Board.
- G. Act as the liaison for communications between the Board and CEO and/or Chief Counsel.
- H. Recommend Board and Committee meeting calendars, with the advice of the CEO and Committee Chairs.
- I. Lead the Board's ongoing assessment of Board performance, process and organization, recognizing that continuing improvement will require periodic change to meet future needs and conditions.
- J. Implement the Board's Conflict of Interest, Reporting and Education Policies.
- K. The Board Chair and Vice Chair will each be elected by members of the Board in open session at the January meeting of the Board for a term of one calendar year.

While it is the Board to whom the CEO and Chief Counsel are accountable, it is expected that the Board Chair will have the most frequent contact with the CEO and Chief Counsel.

VI. Board Vice Chair Authority

In the absence or incapacity of the Board Chair, the Vice Chair shall fulfill the duties and responsibilities delegated and established by Board policy established in Section V above.

VII. Committees and Committee Chairs

- A. Standing Board Committees have an important role in assisting the Board to carry out its responsibilities. In fulfilling this role they make recommendations to the Board.
 - 1. Assist the Board by considering policy alternatives and implications for Board

deliberations and actions.

2. Act for the Board when formally delegated such authority for specific purposes with care to avoid conflict with authority delegated to the CEO.
- B. Non-committee members may attend open meetings of committees, but shall not participate in the discussion, sit on the dais, or vote on issues before the Committee unless they have been designated by the Board Chair or the Chair of the committee as an acting member for that meeting in order to ensure participation of a full complement of committee members.

All committee meeting minutes shall properly identify all the Board members in attendance as either a committee member, an acting committee member, or a Board member in attendance as a member of the public.

- C. Committee Chairs are responsible for organizing the work of the Committees. In fulfilling this function they:
1. In consultation with the Board Chair and/or the CEO or his or her designee, set the Committee agenda.
 2. Convene and chair meetings of the Committee.
 3. Ensure that the Committee operates to assist the Board by:
 - a. Limiting meeting discussion content to those issues that, according to Board policy and delegation, are within the Committee's responsibility and not within management's responsibility, and which have been properly agendaized according to applicable law.
 - b. Ensuring timely, fair, orderly, thorough but efficient deliberations, and enforcing any rules of order that the Board may adopt.
 4. Work directly with the staff person(s) assigned by the CEO on matters that fall in the Committee's purview.
 5. Act as a liaison between the Committee, the Board Chair, and the Board.
 6. Report to the full Board all actions and deliberations of the Committee.

VIII. Remedies

If a Board member believes that another Board member has violated a governing principle related to their duties owed to SBCERA and its members, as set forth in this document or elsewhere as applicable, the matter should be scheduled on the agenda of the next Administrative Committee meeting for discussion by the Chair of the Administrative Committee at the request of the initiating Board member. The Board member in question should be invited to attend and observe, but shall not comment, pursuant to section VII(B). If the Board member in question is a member of the Administrative Committee, he or she shall leave the dais during the discussion, and shall not participate in the discussion, but may remain in the room to observe. If, after discussion in open session, the Administrative Committee believes that further investigation is necessary, the Chair of the Administrative Committee shall advise the Board member in question, in writing, and the matter shall be set for discussion at the next meeting of the Board. If the Administrative Committee does not recommend further action, the Chair of the Administrative Committee shall so report at the next regular meeting of the full Board, and the Board

may, by majority vote of those Board members eligible to attend and vote (excluding the Board member in question), decide to consider action notwithstanding the Administrative Committee's declining to recommend further action.

If, after a full discussion of the matter in open session with the Board member in question, the Board believes that a governing principle has been violated, the Board may, by majority vote of those Board members eligible to attend and vote (excluding the Board member in question), publicly censure that Board member and the censure will be recorded in the minutes of the Board meeting. Censure may include the Board member's removal from any position of authority and/or committee membership, and such other actions as the Board may approve, consistent with applicable law.

Attachments

[Exhibit 1 to SBCERA General Policy NO. 002](#)

Approval Signatures

Step Description	Approver	Date
Policy Owner	Debby Cherney: Chief Executive Officer	Pending

Applicability

SBCERA, SBCERA Internal