

David F. Maurek, CPA

David is a lead contributor to Mosaic's governance consulting team. With over two decades of senior experience in public pension fund governance and practices, David brings extensive knowledge and expertise to benefit Mosaic's clients. His areas of expertise include pension governance, operations, strategy, innovation, risk assessment, information technology, and internal audit.



David's consulting portfolio includes working with public pension fund clients both domestically and internationally, such as Ohio Public Employees Retirement System, the Los Angeles County Employees Retirement Association, North Carolina State Treasurer's Office, New Mexico PERA, and the International Seminar on Pension System Reform, Governance, and Funds Management. His work has resulted in valuable recommendations for governance and plan design changes, enhanced oversight and risk identification, improved internal controls, and increased operational efficiency.

With a diverse background encompassing both public and private sectors, David previously served as the Chief Operating Officer of Colorado PERA, where he managed member contacts, benefits administration, and played a key role in developing the board governance structure. In his role as Manager of Strategy and Innovation, he led strategic planning efforts and managed special projects. Additionally, David directed the Internal Audit function of Colorado PERA, conducting operational reviews and risk-based internal audits, including evaluations of internal controls over investments, benefit systems, accounting systems, and system development. He also has expertise in evaluating business continuity and disaster recovery structures, policies, and practices.

Before joining Colorado PERA, David held audit-related positions with the Federal Energy Regulatory Commission and ARCO Oil and Gas Company. He co-founded the Association of Public Pension Fund Auditors, supporting professional development opportunities for public pension fund internal auditors. David is an instructor in the Certificate of Achievement in Public Plan Policy program administered by the International Foundation of Employee Benefit Programs.

David holds a B.S. degree in Accounting from King's College, Wilkes Barre, Pennsylvania, and an M.B.A. from the University of Colorado. He is a Certified Public Accountant and maintains active licenses in Florida, Colorado, and Pennsylvania. David and his wife currently reside in Florida.



Governance Education Session

David F. Maurek, CPA

A Presentation to the ACERA Retirement Board | October 30, 2024

Topics

1. Why Good Governance Matters
2. Achieving Effectiveness in Governance
3. Examples of Good Governance Practices
4. Closing Remarks



Defining Governance

- The process of decision-making and the process by which decisions are implemented (or not implemented).¹
- The structure, manner, and customary practices for exercising authority or control and evaluating associated outcomes.



¹SOURCE: United Nations Economic and Social Commission for Asia and the Pacific: <https://www.unescap.org/sites/default/files/good-governance.pdf>

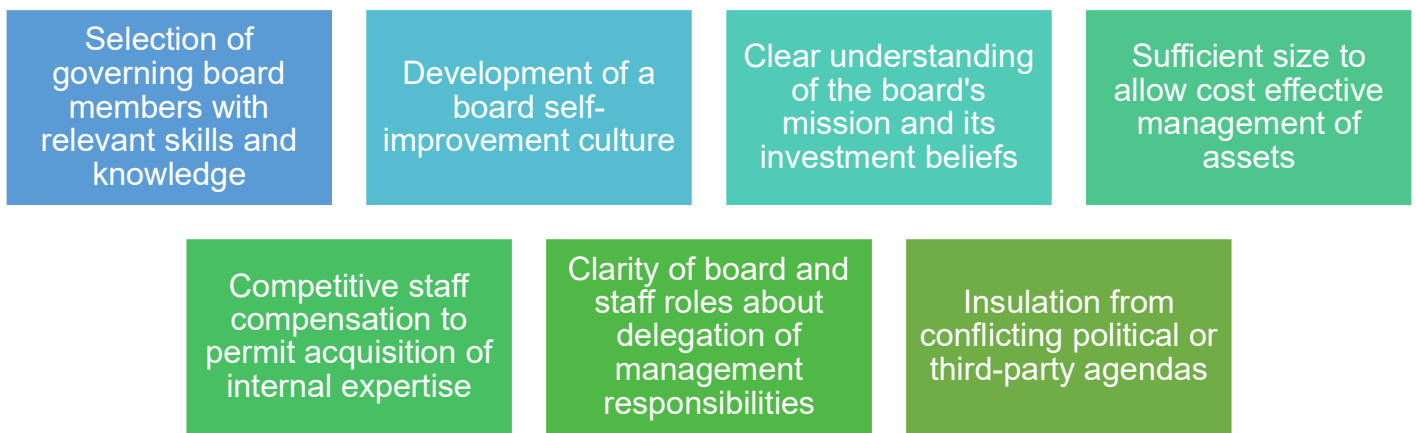


Essential Principles of Good Governance

- Compliant with law/fiduciary standards
- Accountable
- Transparent
- Responsive
- Efficient
- Consensus-oriented
- Effective
- Fair
- Knowledgeable and experienced
- Appropriate balance between retained and delegated authority



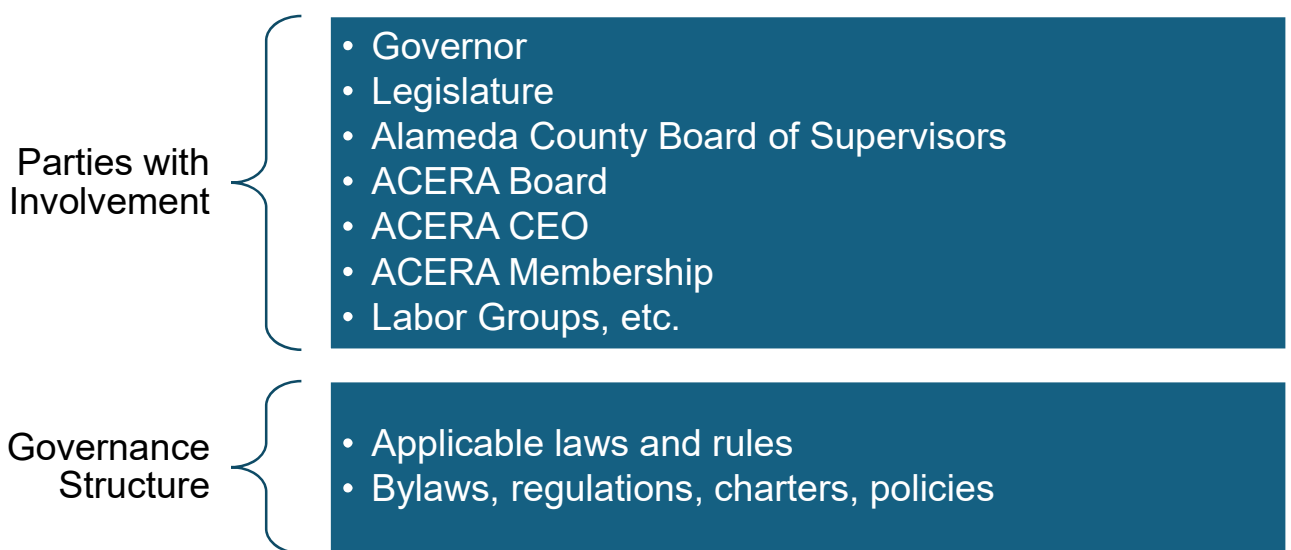
Key Factors Associated With Good Governance



SOURCE: Johnson, Keith L. and Frank Jan de Graf., "Modernizing Pension Fund Legal Standards for the 21st Century," Network for Sustainable Financial Markets: Consultation Paper No. 2, February 2009.



U.S. Public Pensions Have a Distributed Governance Framework



Good Governance Requires Navigation

- Public pensions generally do not “compete” with each other, except for talent and investment opportunities.
- Public pensions are trusts; therefore, fiduciary duty attaches.
- Fiduciary duties and applicable legal standards are different from those typically applicable to other types of governmental agencies.
- Consequences can be significant for failure to perform fiduciary duties.
- Best practices research in pension governance advocate to align authority with those who have the fiduciary responsibility.*
- It is up to each public pension fund to navigate the requirements of its legal governance framework to be successful, or if and when appropriate, seek to influence change.

**For example, see: The Uniform Management of Public Employee Retirement Systems Act (UMPERSA), an effort by the Commissioners on Uniform State Laws to impose consistent fiduciary standards among public funds.*



Type and Degree of Board Authority Varies



Budget



Hiring internal staff



Compensating internal staff



Procurement and Contracting



Hiring outside advisors



Open Meetings and Public Records Laws



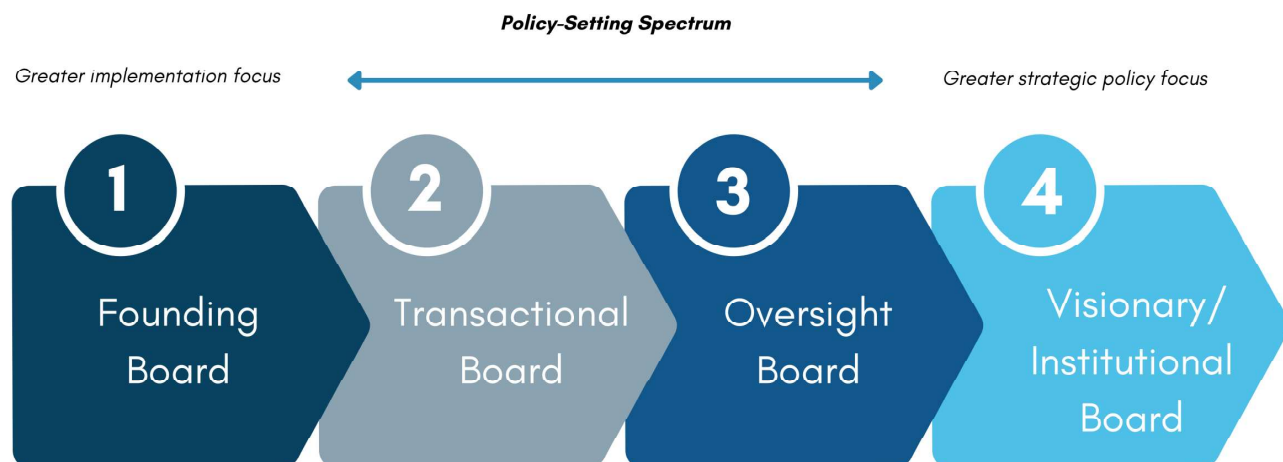
Setting actuarial assumptions and contribution rates



Determining permissible investments



Pension Board Work Evolves*



**Not every board will evolve through all stages of the lifecycle. Public pension organizations develop and grow differently. Given their long-term horizon, they may spend years at one stage or straddle multiple stages at the same time.*



Decoding the Term “Policy Board”

- Any board that primarily directs an organization by developing policies that guide decisions rather than making actual yes or no decisions themselves.
- The CEO is then expected to implement the board’s policies.
- The term is more about how a board does its work than a specific type of board.



Techniques to Balance a Strategic Focus

Revisit and reconfirm preferences for:

- Role of the board and management, and delegations of authority.
- Committee structure.
- Annual calendar/meeting agendas and workplans.
- Norms and expectations for information flow between meetings.
- Templates for board materials (e.g., exceptions-based reports, risk heat maps).
- Cultural expectations for reviewing board materials in advance.
- Board presentations (e.g., time allocation – 1/3 presentation and 2/3 discussion).
- Board education (e.g., onboarding and ongoing development).
- Frequency of interactions to cultivate effective board culture and board/management partnership.



Examples of Best Practices in Board Governance

- Electing board leadership from among the board members.
- Establishing and refreshing a long-range strategic plan.
- Conducting evaluations of board/committee/trustee performance.
- Engaging in new trustee onboarding, mentoring, and continuing education.
- Conducting periodic evaluations of board consultants and service providers.
- Reviewing and updating governance policies and the board policy manual regularly.
- Adopting an annual board and committee workplan to shape agenda development.
- Conducting annual evaluations of the CEO.
- Engaging in succession readiness for the CEO position; overseeing the CEO's succession readiness for the organization.



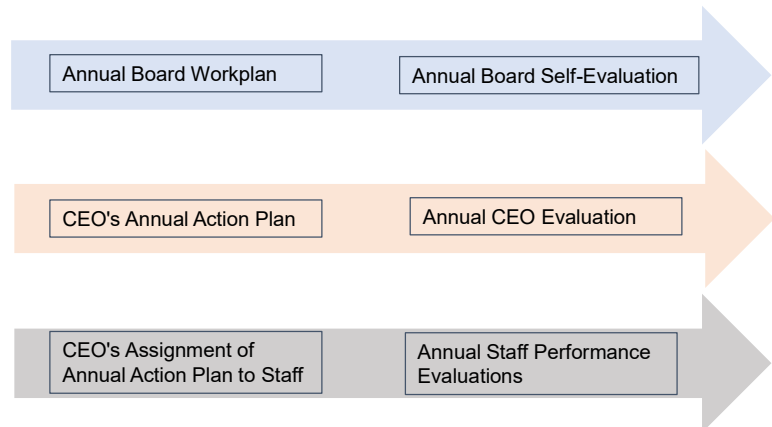
Example: Governance Practices Thread Together

***Addresses the “What” –
Purpose, Direction, Desired
Outcomes***



Addresses the “How”

Addresses the “How Well”



An Increasing Number of U.S. Public Pension Boards Are...

- Becoming more engaged in shaping and updating the organizational vision.
- Reviewing and adjusting board responsibilities to balance strategy and oversight.
- Strengthening the board/management partnership and authority delegation.
- Developing effective succession readiness practices.
- Dedicating more time to board education and trustee self-development.
- Deciding how to address and continually evaluate ESG factors considering fiduciary duties.
- Seeking greater insight into organizational culture issues.
- Enhancing oversight and risk monitoring of technology projects and cybersecurity.
- Gaining a deeper understanding of the needs and preferences of members, retirees and employers.



Example: Defining the Board's Lane

Governance Scope

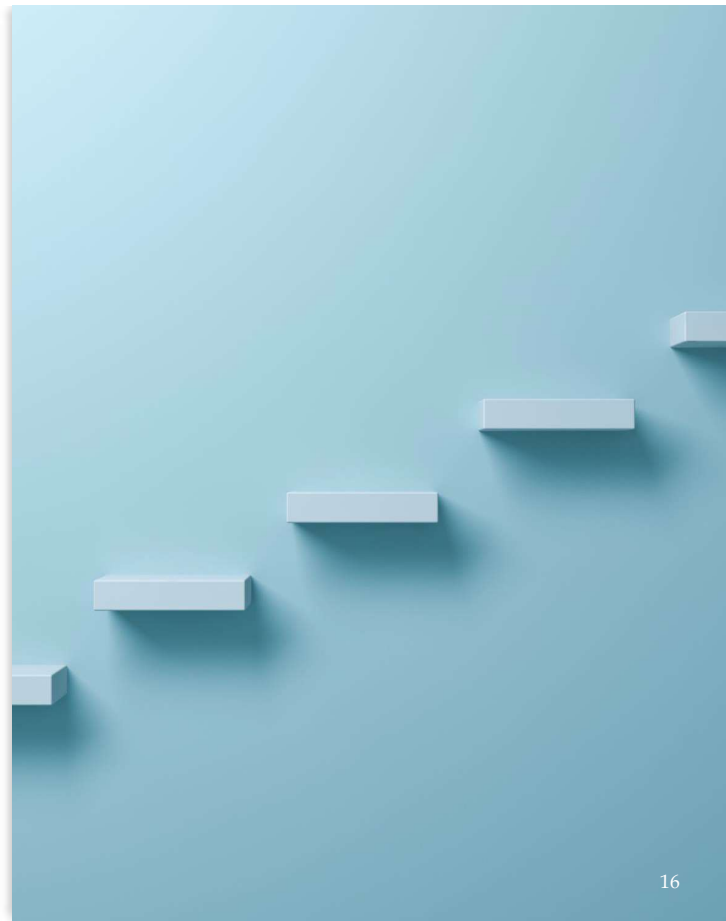
Focus Areas

	Board Governance	Organizational Governance	Governance of Plans, Programs and Services
Strategy 	Ex.: Determine type, number, and composition of committees	Ex.: Approve strategic plan	Ex.: Approve investment policy, including delegations to staff; set actuarial assumptions
Risk 	Ex.: Monitor compliance with governance policies and manual	Ex.: Approve organization risk management policy	Ex.: Ensure management administers plans, programs, and services in compliance with applicable law
Performance 	Ex.: Conduct self-evaluation of the board and its committees	Ex: Monitor and evaluate CEO	Ex.: Oversee portfolio and administrative performance and expenses
People 	Ex.: Elect board chair and vice-chair	Ex: Approve organization compensation philosophy	Ex.: Monitor System and benefit effectiveness and trends



Wrapping Up

- Good governance translates into value for the members and beneficiaries of your pension fund.
- Assessing governance effectiveness and understanding where improvements can be made is a key board responsibility.
- Reviewing and enhancing governance practices is an ongoing process.





Thank you for your time.

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