



September 4, 2013

To: Members of the Governance Committee

From: George Wood, Governance Committee

Subject: Summary of the September 4, 2013, Governance Committee Agenda Items

Governance Committee Chair George Wood called the September 4, 2013 Joint Meeting of the Operations Committee and Governance Committee to order at 9:23 a.m. The Governance Committee members present were George Wood, Annette Cain-Darnes, George Dewey, and Liz Kopenhagen. The other Board members present were Dale Amaral, Supervisor Keith Carson, Elizabeth Rogers, and alternate member David Safer. Staff Members present were Vincent P. Brown, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Margo Allen, Fiscal Services Officer; Latrena Walker, Project and Information Systems Manager; Rose Kwong, Benefits Manager; Harsh Jadhav, Chief of Internal Audit; and Victoria Arruda, Human Resource Officer. The Governance Committee presented its agenda items first.

ACTION ITEM

1. Review, Discussion, and Motion to renew, with revisions, the Chief Executive Officer Job Description and Delegation of Authority

The Committee reviewed Staff's September 4, 2013, memorandum and its recommendation regarding the Chief Executive Officer Job Description and Delegation of Authority (CEO Job Description). Marguerite Malloy, Associate Counsel, advised the Committee that Vincent P. Brown, ACERA CEO, consulted with staff and discussed his interest in securing the Board's authorization to vote the Board's proxy to handle a number of general business items that come before organizations that ACERA is a member of, including the State Association of County Retirement Systems (SACRS) and Council of Institutional Investors (CII), and to select an alternate for such proxy voting to address general business transactions **ONLY** (*i.e.*, approval of budgets, minutes, and/or unaudited financial statements).

It was noted that the ACERA CEO is not seeking authority to exercise the proxy on matters that usually come before the Board for approval, such as election of board members of the organizations or voting on legislative positions proposed or advanced by the member organizations. Based on the CEO's request, Staff recommended that the CEO Job Description be revised to include language stating that the Board authorized use of its proxy by the ACERA CEO to vote the agency's proxy on general business transactions only and to select an alternate for such proxy voting to avoid bringing such operational matters to the Board of Retirement annually to secure a vote of the Board to delegate the power to vote ACERA's proxy.

After an in-depth discussion, Staff expressed its intent to bring further proposed amendment back to the Committee with clarifications which would separate out the SACRS and CII proxy matters, and provide for the Board's delegation of proxy vote authority at the Board's discretion. Additionally, staff expressed intent to address the proxy matters in a separate subsection of the existing policy. The Committee further directed Staff to bring the revised CEO Job Description to the full Board for further review and possible approval under "New Business" at the Board's September 19, 2013 meeting. No action was taken.

2. Review, Discussion, and Motion to renew, with revisions, the Conflict of Interest Code

The Committee reviewed Staff's September 4, 2013, memorandum and its recommendation regarding ACERA's Conflict of Interest Code. Lori Schnall, Associate Counsel, advised the Committee that the Conflict of Interest Code was revised to include ACERA's two new positions: 1) Senior Investment Officer and 2) Investment Officer. Ms. Schnall also advised the Committee that the Chief Financial Officer (CFO) and Internal Auditor (IA) positions were re-titled in the Code to reflect the new titles of Fiscal Services Officer (FSO) and Chief of Internal Audit (CIA), respectively, and that the Code also requires Board of Supervisors (BOS) approval.

Mr. George Dewey moved, and Ms. Elizabeth Rogers seconded that the Committee recommend to the Board of Retirement that the Board renew the Conflict of Interest Code, with revisions, as recommended by the Committee and Staff and that Staff forward the Code to the Alameda County BOS for approval. The motion passed unanimously.

3. Review, Discussion, and Motion to renew, with revisions, the Conflict of Interest Policy

The Committee reviewed Staff's September 4, 2013, memorandum and its recommendation regarding the Conflict of Interest Policy. Lori Schnall, Associate Counsel, advised the Committee that the Conflict of Interest Policy was revised to include ACERA's two new positions: 1) Senior Investment Officer and 2) Investment Officer. Ms. Schnall also advised the Committee that the CFO position was re-titled in the Policy to reflect the new title of FSO.

It was noted that while the position of IA (re-titled CIA) was listed in the Conflict of Interest Code, it was inadvertently omitted from the Conflict of Interest Policy. The position of CIA is now included in the revised Policy.

Mr. George Dewey moved, and Ms. Liz Koppenhaver seconded that the Committee recommend to the Board of Retirement that the Board renew the Conflict of Interest Policy, with revisions, as recommended by the Committee and Staff. The motion passed unanimously.

4. Review, Discussion, and Motion to renew, with revisions, the Trustee Education Policy

The Committee reviewed Staff's September 4, 2013, memorandum and its recommendation regarding the Trustee Education Policy. Lori Schnall and Marguerite Malloy, Associate Counsels, advised the Committee that the Trustee Education Policy was revised for clarity and to reflect the new requirements under Government Code (GC) Section 31522.8 (AB 1519).

It was noted that under the new law, 1) trustees are required to complete twenty-four (24) hours of education/training every two (2) years; 2) Each board must maintain a record of board member compliance with the board's trustee education policy; and 3) that each board's trustee education policy and an annual report on board member compliance be placed on the retirement system's Internet Web site.

In order to implement the new law, Staff proposed a form for trustees to certify that all education requirements have been met as part of the Trustee Education Policy. After an in-depth discussion, Staff concluded a revision was necessary to the proposed compliance certification form. Staff determined the need to bring the revised Policy/Certification Form back to the next Governance Committee meeting for review and possible approval by the Committee. No action was taken.

5. Review, Discussion, and Motion to Reassign the Trustee Education Policy to the Operations Committee to Review Annually with the Board Travel Policy

The Committee reviewed Staff's September 4, 2013, memorandum and its recommendation regarding the Board Travel Policy. Lori Schnall, Associate Counsel, explained that, currently, the Trustee Education Policy is assigned to the Governance Committee and the Travel Policy is assigned to the Operations Committee. The Board requested that both the Trustee Education Policy and Board Travel Policy be assigned to the Operations Committee as the two policies are interrelated. Therefore, Staff recommended that the Trustee Education Policy be reassigned to the Operations Committee for drafting and to review annually with the Board Travel Policy.

After discussion, Mr. George Dewey moved, and Ms. Annette Cain-Darnes seconded that the Committee recommend to the Board of Retirement that the Board reassign the Trustee Education Policy to the Operations Committee to draft and review annually with the Board Travel Policy. The motion passed unanimously.

INFORMATION ITEMS

- None

TRUSTEE / PUBLIC INPUT

- None

RECOMMENDATIONS

1. The Committee recommends, and I move, that the full Board renew the Conflict of Interest Code, with revisions, and that Staff forward the Code to the Alameda County Board of Supervisors for approval, as recommended by the Committee and Staff.
2. The Committee recommends, and I move, that the full Board renew the Conflict of Interest Policy, with revisions, as recommended by the Committee and Staff.
3. The Committee recommends, and I move, that the full Board reassign the Trustee Education Policy to the Operations Committee for drafting and to review annually with the Board Travel Policy.

FUTURE DISCUSSION ITEMS

- Board Governance and Policy Development Process
- Board Operations Policy
- Chief Executive Officer Annual Performance Evaluation Policy
- Committee Operations Policy
- Senior Management Contingency Plan

ESTABLISHMENT OF NEXT MEETING DATE

- To Be Determined

MEETING ADJOURNED

The meeting adjourned at approximately 11:25 a.m.