

Executive Team

**Dominic D. Brown, CPA, CFE**  
Chief Executive Officer

**Daryn Miller, CFA**  
Chief Investment Officer

**Jennifer Zahry, JD**  
Chief Legal Officer

**Matthew Henry, CFE**  
Chief Operations Officer



Board of Retirement

Juan Gonzalez, Chair  
Tyler Whitezell, Vice-Chair  
Jeanine Adams  
David Couch  
Phil Franey  
Joseph D. Hughes  
Jordan Kaufman  
Rick Kratt  
Traco Matthews  
Dustin Contreras, Alternate  
Chase Nunneley, Alternate  
Robb Seibly, Alternate

April 7, 2022

Members, Board of Retirement  
Employee Bargaining Units  
Requesting News Media  
Other Interested Parties

Subject: Meeting of the Kern County Employees' Retirement Association  
Board of Retirement

Ladies and Gentlemen:

A meeting of the Kern County Employees' Retirement Association Board of Retirement will be held on Wednesday, April 13, 2022 at 8:30 a.m. via teleconference pursuant to California Government Code section 54953, subdivision (e) upon adoption of required findings.

**How to Participate: Listen to or View the Board Meeting**

To listen to the live audio of the Board meeting, please dial one of the following numbers and enter ID# 883-8205-8841:

- (669) 900-9128; U.S. Toll-free: (888) 788-0099 or (877) 853-5247

To access live audio and video of the Board meeting, please use the following:

- <https://us02web.zoom.us/j/88382058841?pwd=SXdkTlNuczI3MTF6ZmlTOHdZQ1hzUT09>
- Passcode: 291044

Items of business will be limited to the matters shown on the attached agenda. If you have any questions or require additional service, please contact KCERA at (661) 381-7700 or send an email to [administration@kcera.org](mailto:administration@kcera.org).

Sincerely,

Dominic D. Brown  
Chief Executive Officer

Attachment

**AGENDA:**

All agenda item supporting documentation is available for public review on KCERA's website at [www.kcera.org](http://www.kcera.org) following the posting of the agenda. Any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location.

**AMERICANS WITH DISABILITIES ACT  
(Government Code §54953.2)**

Disabled individuals who need special assistance to listen to and/or participate in the teleconference meeting of the Board of Retirement may request assistance by calling (661) 381-7700 or sending an email to [administration@kcera.org](mailto:administration@kcera.org). Every effort will be made to reasonably accommodate individuals with disabilities by making meeting materials and access available in alternative formats. Requests for assistance should be made at least two (2) days in advance of a meeting whenever possible.

**ROLL CALL**

**SALUTE TO FLAG**

**MOMENT OF SILENCE**

**CONSENT MATTERS**

ALL ITEMS LISTED WITH AN ASTERISK (\*) ARE CONSIDERED TO BE ROUTINE AND NON-CONTROVERSIAL BY STAFF AND WILL BE APPROVED BY ONE MOTION IF NO MEMBER OF THE BOARD OR PUBLIC WISHES TO COMMENT OR ASK QUESTIONS. IF COMMENT OR DISCUSSION IS DESIRED BY ANYONE, THE ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND WILL BE CONSIDERED IN THE LISTED SEQUENCE WITH AN OPPORTUNITY FOR ANY MEMBER OF THE PUBLIC TO ADDRESS THE BOARD CONCERNING THE ITEM BEFORE ACTION IS TAKEN. STAFF RECOMMENDATIONS ARE SHOWN IN CAPS AFTER EACH ITEM.

- \*1. [Findings and new Initial Resolution needed to utilize alternative teleconferencing requirements during a state of emergency pursuant to California Government Code section 54953 of the Ralph M. Brown Act, as amended by Assembly Bill 361 – ADOPT FINDINGS FOR THE BOARD AND ALL KCERA STANDING COMMITTEES; APPROVE 30-DAY RESOLUTION](#)

\*2. [Summary of proceedings of the following meetings:](#)

- March 9, 2022 Board of Retirement
- March 23, 2022 Administrative Committee
- March 30, 2022 Finance Committee
- March 31, 2022 Investment Committee

RECEIVE AND FILE

- \*3. [Report from the KCERA office on members retired from service for the month of March 2022 – RATIFY](#)
- \*4. [Report from the KCERA office on deceased retirees for the month of March 2022 – RECEIVE AND FILE](#)
- \*5. [Report of current disability retirement applications and appeals of KCERA Board decisions for the period ending March 31, 2022 – RECEIVE AND FILE](#)
- \*6. [Securities Lending Earnings Summary Report for the period February 1-28, 2022 from Deutsche Bank – RECEIVE AND FILE](#)
- \*7. [KCERA asset allocation, budget status, cash flow position and investment fees status report for the month of February 2022 – RECEIVE AND FILE](#)
- \*8. [Invitation from State Association of County Retirement Systems \(SACRS\) to trustees and staff to attend the SACRS Spring Conference, May 10-13, 2022, in Rancho Mirage, California – APPROVE ATTENDANCE OF TRUSTEES JEANINE ADAMS, PHIL FRANEY, JORDAN KAUFMAN, RICK KRATT AND CHASE NUNNELEY, CHIEF EXECUTIVE OFFICER DOMINIC BROWN, CHIEF OPERATIONS OFFICER MATTHEW HENRY, CHIEF LEGAL OFFICER JENNIFER ZAHRY, ADMINISTRATIVE SERVICES OFFICER AIMEE MORTON, DEPUTY CHIEF LEGAL OFFICER PHILLIP JENKINS, RETIREMENT INVESTMENT ANALYST JACK BOWMAN AND SENIOR LEGAL SECRETARY IRMA CHAVEZ](#)
- \*9. [Report on Special Pays Codes classified by the Chief Executive Officer – RECEIVE AND FILE](#)
- \*10. [Non-substantive changes to KCERA Board Policies and Charters – APPROVE PROPOSED CHANGES](#)

## **PUBLIC COMMENTS**

11. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Board. This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation.

## **ADMINISTRATIVE MATTERS**

12. [Presentation regarding Alameda Decision Phase 4 presented by Chief Executive Officer Dominic Brown and Chief Legal Officer Jennifer Zahry](#) – HEAR PRESENTATION
13. [Presentation regarding issues identified related to implementation of PEPRAs employee contribution rates presented by Chief Executive Officer Dominic Brown and Chief Legal Officer Jennifer Zahry](#) – HEAR PRESENTATION
14. [Discussion and appropriate action regarding options related to Alameda Decision Phase 4 presented by Chief Executive Officer Dominic Brown and Chief Legal Officer Jennifer Zahry](#) – CONSIDER OPTIONS AND TAKE ACTION ON ALAMEDA PHASE 4; DIRECT STAFF TO IMPLEMENT SELECTED OPTION; TAKE OTHER ACTION, AS APPROPRIATE
15. [Discussion and appropriate action regarding options related to PEPRAs Implementation presented by Chief Executive Officer Dominic Brown and Chief Legal Officer Jennifer Zahry](#) – CONSIDER OPTIONS AND TAKE ACTION ON PEPRAs IMPLEMENTATION; DIRECT STAFF TO IMPLEMENT SELECTED OPTION; TAKE OTHER ACTION, AS APPROPRIATE

## **INVESTMENT MATTERS**

16. [Discussion and appropriate action on the Capital Efficiency Program and annual Strategic Asset Allocation review presented by Scott Whalen, CFA, Verus, Chief Investment Officer Daryn Miller, CFA, Senior Retirement Investment Officer Brian Long, CFA, and the Investment Committee](#) – A) APPROVE CAPITAL EFFICIENCY PROGRAM CHANGES; B) APPROVE BENCHMARK CHANGES; AND C) APPROVE STRATEGIC ASSET ALLOCATION TARGET AND POLICY RANGES

**ADMINISTRATIVE MATTERS (continued)**

17. [Discussion and review of the 2022-2023 Chief Executive Officer Performance Evaluation Criteria](#) presented by Chief Executive Officer Dominic Brown and the Administrative Committee – APPROVE THE CHIEF EXECUTIVE OFFICER PERFORMANCE EVALUATION CRITERIA FOR EVALUATION PERIOD OF 2022-2023
18. [Discussion and appropriate action on KCERA's voting delegation for the State Association of County Retirement Systems \(SACRS\) Spring 2022 Conference](#), presented by Executive Director Dominic Brown – APPOINT VOTING DELEGATION
19. [Recommended slate of candidates for the State Association of County Retirement Systems \(SACRS\) Board of Director Elections 2022-2023](#) – DIRECT VOTING DELEGATE TO VOTE FOR SLATE OF CANDIDATES AS RECOMMENDED BY THE SACRS NOMINATING COMMITTEE

SACRS Nominating Committee recommended 2022-2023 slate and final ballot:

President – Vivian Gray, Los Angeles CERA  
Vice President – David MacDonald, Contra Costa CERA  
Treasurer – Jordan Kaufman, Kern CERA  
Secretary – Adele Tagaloa, Orange CERS  
Regular Member – Vere Williams, San Bernardino CERA  
Regular Member – David Gilmore, San Diego CERA

*No other letters of intent or submissions were received*

**STAFF REPORTS**

20. [Report from Chief Executive Officer](#)
21. [Report from Chief Investment Officer](#)
22. [Report from Chief Legal Officer](#)

**COMMITTEE REPORTS**

23. Report from Committee Chairs:
  - a. Administrative Committee: Hughes
  - b. Finance Committee: Franey
  - c. Investment Committee: Kaufman
  - d. KCERA Property, Inc. Board: Seibly

**CALL FOR PUBLIC COMMENT ON EXECUTIVE SESSION ITEM(S)**

**RECESS UNTIL 1:30 P.M.** – All remaining agenda items to be heard at this time

**EXECUTIVE SESSION**

24. PUBLIC EMPLOYMENT (pursuant to Government Code §54957) Application for service-connected disability pension benefits:

Jay Winn                      District Attorney                      Safety

25. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION (pursuant to Government Code §54956.9)

Determination of whether to initiate litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9. (Number of potential cases: one).

26. PUBLIC EMPLOYEE PERFORMANCE EVALUATION (pursuant to GOVERNMENT CODE §54957): Title: Chief Executive Officer

**RETURN TO PUBLIC SESSION**

**REPORT OF EXECUTIVE SESSION ACTIONS, IF APPLICABLE**

**REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS**

27. On their own initiative, Board members may make a brief announcement, refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities.

**NEW BUSINESS**

28. Consider, discuss, and take possible action to agendize one or more items for future meetings of the Board of Retirement – CONSIDER, DISCUSS, AND TAKE ACTION ON WHETHER TO AGENDIZE PROPOSED ITEMS, IF ANY, FOR A FUTURE MEETING
29. Adjournment

**BEFORE THE BOARD OF RETIREMENT  
KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
RESOLUTION No. 2022-04**

**In the matter of:**

**NEW INITIAL RESOLUTION RE MEETINGS OF THE KCERA BOARD OF RETIREMENT AND ITS STANDING COMMITTEES PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54953, AS AMENDED BY ASSEMBLY BILL 361.**

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**Ayes:**

**Noes:**

**Absent:**

**Dominic D. Brown,**  
Secretary to the Board of Retirement,  
Kern County Employees' Retirement Association

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**RESOLUTION**

Section 1. WHEREAS:

- (a) The Kern County Employees' Retirement Association ("KCERA") is required by the Ralph M. Brown Act (Cal. Gov. Code<sup>1</sup> 54950 – 54963) ("the Brown Act") to conduct open and public meetings, so that any member of the public may attend, participate, and watch KCERA's legislative bodies conduct their business; and

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<sup>1</sup> All statutory references are to the California Government code unless stated otherwise.

- (b) All meetings of KCERA's Board of Retirement and its standing committees are open and public in accordance with the Brown Act or other governing authority; and
- (c) KCERA is committed to preserving and encouraging public access and participation in meetings of the Board of Retirement; and
- (d) The Brown Act, at section 54953(e) (as added by Assembly Bill 361), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the teleconference requirements of section 54953(b)(3), subject to the existence of certain conditions; and
- (e) A state of emergency must have been declared by the Governor pursuant to section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions as described in section 8558; and such state of emergency must be in effect at the time of the meeting in order to conduct a meeting under section 54953(e); and
- (f) Governor Newsom proclaimed a State of Emergency on March 4, 2020, pursuant to section 8625 that remains active; and
- (g) The KCERA Board of Retirement made findings and adopted Resolution 2022-03 on March 9, 2022, by majority vote, evidencing that it reconsidered the circumstances of the state of emergency and found that the state of emergency continues to directly impact the ability of attendees to safely meet in person over the next 30 days and/or that Cal/OSHA continues to impose or

recommend measures to promote social distancing in certain circumstances;  
and

- (h) Resolution 2022-03 lapsed due to inaction as KCERA's Board of Retirement was not scheduled to meet within 30 days of March 9, 2022; and
- (i) KCERA's Board of Retirement wishes to pass this new Initial Resolution in accordance with its State of Emergency Protocols for KCERA Board Meetings adopted March 9, 2022 and after reconsidering the circumstances of the state of emergency; and
- (j) On April 6, 2022, the latest estimate of the R-effective in Kern County was .92 ("spread of COVID-19 is likely stable") –this number is up from .79 on March 1, 2022); and
- (k) The Centers for Disease Control and Prevention (CDC) updated its framework to focus on hospitalizations and hospital capacity rather than test positivity; its multi-tiered approach determines whether the level of COVID-19 and severe disease in the community is low, medium or high; as of March 31, 2022, the CDC classifies Kern County at a " low level" of COVID-19 and severe disease; and
- (l) The 7-day case rate, as reported by Kern County Public Health on March 8, 2022, is 11.3 per 100,000 with 162 new cases (the CDPH more recently reports 65 cases); and
- (m) Effective March 1, 2022, there is no longer a state mandate requiring masking indoors for anyone; however, the Public Health Officer for the CDPH strongly

recommends all individuals wear a mask in all indoor public settings regardless of vaccination status; and

- (n) the Board finds that it has reconsidered the circumstances of the state of emergency and determines that the state of emergency remains in effect and although much improved, it continues to directly impact the ability of attendees to safely meet in person over the next 30 days.

Section 2. NOW, THEREFORE BE IT RESOLVED, by the Board of Retirement for the Kern County Employees' Retirement Association as follows:

Effective April 13, 2022, the following actions are authorized and required of KCERA:

- 1) Remote Teleconference Meetings. The Chief Executive Officer and legislative bodies of KCERA are hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution including, conducting open and public meetings in accordance with Government Code section 54953(e) and other applicable provisions of the Brown Act in order to avoid directly impacting the ability of attendees to meet safely in person during the next 30 days of the current State of Emergency (proclaimed by the Governor on March 4, 2020).
- 2) Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption and shall be effective until the earlier of May 13, 2022, or such time the Board of Directors adopts a subsequent resolution in accordance with Government Code section 54953(e)(3).

## RESOLUTION HISTORY

- 1) This Resolution was:
  - a) Approved by the Board on April 13, 2022.

PROPOSED

# **Evidence in Support of Findings**

**EVIDENCE IN SUPPORT OF FINDINGS**  
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March 8, 2022

## NEWS RELEASE

Media Contact: Michelle Corson, 661-868-0288

### **Kern County Public Health Announces Latest COVID-19 Facts**

- There are 162 newly reported confirmed cases in Kern County bringing our total confirmed cases to date to 240,461.
- There are 9 new deaths being reported today and a total of 2,167 COVID-19 deaths since the start of the pandemic.
- The 7-day case rate is 11.3 per 100,000.
- As of yesterday, 1,161,058 doses of the COVID-19 vaccine have been administered to Kern County residents. 55.3% of Kern's eligible population and 51.4% of Kern's total population have been *fully* vaccinated against COVID-19.
- As of yesterday, Kern County had 78 COVID-19 related hospitalizations and 15 are in the ICU.

Last week, the State announced changes to the masking mandate for both the general public and in school and childcare settings. Public indoor masking for unvaccinated individuals is no longer required but is strongly recommended. After March 11, masks will no longer be required, but will be strongly recommended in schools and childcare settings. Masking remains required in healthcare settings, correctional facilities, long-term care facilities, emergency shelters, homeless shelters, and public transportation. Learn more on the CDPH [website](#).

Kern County Public Health continues to coordinate mobile COVID-19 testing and vaccination sites throughout the county and more information can be found on our [website](#).

Our Know Your Numbers program starts today, March 8 in at the Shafter Youth Center, 455 E. Euclid Avenue in Shafter. This traveling free program offers two health screenings informing participants of their body mass index, blood pressure, blood glucose, and cholesterol levels both before and after six weeks of nutrition coaching from our Public Health Nutritionist and fitness classes provided by our partners at In-Shape Health Clubs. Join us every Tuesday from 10am to 11am, starting March 8 through April 19.

"Public Health is traveling throughout the County to bring free health screenings and fitness and nutrition coaching to families in their neighborhoods," says David Couch, Kern County District 4 Supervisor. "I strongly encourage our residents take advantage of this opportunity."

Know Your Numbers is one of several initiatives geared at improving the overall health of Kern County available from the Department. We encourage our residents to take advantage of these life changing programs as we continue to combat COVID-19 and strive for good overall health.

- Certified Healthy – This program empowers residents to choose local restaurants that offer healthier more nutritious meal options. "Certified Healthy" restaurants have met our ten nutrition criteria. To find Certified Healthy restaurants near you, download our free Safe Diner App.
- Waste Hunger Not Food – This program rescues wholesome food from schools, restaurants, and markets that would have otherwise been wasted and distributes it to those in need.

Visit our [website](#) to learn more.



State of California—Health and Human  
Services Agency  
**California Department of  
Public Health**



February 28, 2022

**TO:** All Californians

**SUBJECT:** Guidance for the Use of Face Masks

**Related Materials:** [Face Coverings Q&A](#) | [Face Coverings Fact Sheet \(PDF\)](#) | [Face Mask Tips and Resources](#) | [Face Shields Q&A \(PDF\)](#) | [Safe Schools for All Hub](#) | [More Home & Community Guidance](#) | [All Guidance](#) | [More Languages](#)

**Changes Made on February 28, 2022:**

- Effective March 1, 2022, the requirement that unvaccinated individuals mask in indoor public settings will move to a strong recommendation that all persons, regardless of vaccine status, continue indoor masking.
- Universal masking shall remain required in specified high-risk settings.
- After March 11, 2022, the universal masking requirement for K-12 and Childcare settings will terminate. CDPH strongly recommends that individuals in these settings continue to mask in indoor settings when the universal masking requirement lifts.

**Guidance For the Use of Masks**

**Background**

California has used science to guide our health protection strategies throughout the pandemic. Data show that because of these strategies, we have saved lives. COVID-19 cases and hospitalization continue to decline across the state. Since February 14, cases have declined by 66% and hospitalizations have declined by 48%. This is due in large part to the collective efforts of Californians to get vaccinated, get boosted, and wear masks indoors.

A universal indoor masking requirement was reinstated on December 15, 2021, to add a layer of mitigation as the Omicron variant, a Variant of Concern as labeled by the World Health Organization, increased in prevalence across California, the United States, and the world and spread much more easily than the original SARS-CoV-2 virus and the Delta variant. Implementing the universal masking requirement in all indoor public settings during the winter season was an important tool to decrease community transmission and protect critical healthcare system capacity during the highly infectious Omicron surge. Since the peak in case rates during the Omicron surge in early January

2022, the dramatic surge in cases and hospitalizations due to the highly infectious Omicron variant over the last two months has declined significantly. Californians have also become increasingly knowledgeable about how to protect themselves and their loved ones with effective masks when there may be risk of COVID-19 exposure or transmission. Accordingly, CDPH amended this masking guidance to allow the universal indoor masking requirement to expire on February 15, 2022 as scheduled.

The COVID-19 vaccines remain effective in preventing serious disease, hospitalization, and death from the SARS-CoV-2 virus. Vaccination continues to remain the ultimate exit strategy out of the COVID-19 pandemic. While the percentage of Californians fully vaccinated and boosted continues to increase, we continue to have areas of the state where vaccine coverage is low, putting individuals and communities at greater risk for COVID-19. As a state, we need to remain vigilant.

Accordingly, effective March 1, 2022, the requirement for unvaccinated persons to mask in indoor public settings and businesses is being replaced by a **strong recommendation** that all persons, regardless of vaccination status, continue to mask while in indoor public settings and businesses.

As we've shown in our SMARTER Plan, masks, especially those that offer the best fit and filtration (e.g., N95s, KN95s, KF94s), remain a critical component of our multi-layered approach for protection against COVID-19 infection. A series of cross-sectional surveys in the U.S. suggested that a 10% increase in self-reported mask wearing tripled the likelihood of slowing community transmission.[1] Our recently published case-control study conducted in California from February 18 to December 1, 2021 demonstrated that consistently wearing a face mask or respirator in indoor public settings reduces the risk of acquiring SARS-CoV-2 infection. [2]. Masks also remain a critical component for protecting those that are most vulnerable in our communities, including the unvaccinated, the immunocompromised, or those at risk for severe disease and illness.

Throughout this pandemic, the masking requirement in California schools has allowed us to keep schools open when compared to other parts of the country. California accounts for roughly 12% of all U.S. students, but accounted for only 1% of COVID-19 related school closures during the Omicron surge. Nationally during the Delta surge in July and August 2021, jurisdictions without mask requirements in schools experienced larger increases in pediatric case rates, and school outbreaks were 3.5 times more likely in areas without school mask requirements. [3], [4]. Current projections show that statewide, the declines we are seeing in cases and hospitalizations will continue. Accordingly, after **March 11, 2022**, the universal masking requirement for K-12 and Childcare settings will terminate. CDPH **strongly recommends** that individuals in these settings continue to mask in indoor settings when the universal masking requirement lifts. Masking will continue to be an important layer of protection along with the continued recommendations around vaccinations, testing and ventilation, to keep schools a safe environment, even as case rates and hospitalizations decline.

CDPH is maintaining the masking requirements in specified **high-risk settings**, consistent with CDC recommendations. This allows us to continue protecting our most vulnerable populations and the workforce that delivers critical services in these settings.

Finally, CDPH is maintaining the requirement that businesses and venue operators, including K-12 school and childcare settings, must allow any individual to wear a mask if they desire to.

In workplaces, employers are subject to the CalOSHA COVID-19 Emergency Temporary Standards (ETS) or in some workplaces the Cal/OSHA Aerosol Transmissible Diseases (ATD) Standard and should consult those regulations for additional applicable requirements.

Local health jurisdictions and entities may continue to implement additional requirements that go beyond this statewide guidance based on local circumstances.

These requirements and recommendations will continue to be updated as CDPH continues to assess conditions on an ongoing basis.

## Masking Requirements

Masks are required for all individuals in the following indoor settings, regardless of vaccination status. Surgical masks or higher-level respirators (e.g., N95s, KN95s, KF94s) with good fit are highly recommended.

- Indoors in K-12 schools[6], childcare[7] (through March 11, 2022)\*
- On public transit[5] (examples: airplanes, ships, ferries, trains, subways, buses, taxis, and ride-shares) and in transportation hubs (examples: airport, bus terminal, marina, train station, seaport or other port, subway station, or any other area that provides transportation)
- Emergency[8] shelters and cooling and heating centers[9]
- Healthcare settings[10] (applies to all healthcare settings, including those that are not covered by the State Health Officer Order issued on July 26, 2021)\*\*
- State and local correctional facilities and detention centers[11]
- Homeless shelters[12]
- Long Term Care Settings & Adult and Senior Care Facilities[13]

\*After March 11, the universal masking requirement for K-12 and Childcare settings will terminate. CDPH strongly recommends that individuals in these settings continue to mask in indoor settings when the universal masking requirement lifts. For additional information on types of masks for children, the most effective masks, and ensuring a well-fitted mask, individuals should refer to CDPH Masks for Kids: Tips and Resources.

\*\*In certain healthcare situations or settings surgical masks are required. See State Health Officer Order, issued on July 26, 2021, for a full list of high-risk congregate and other specifically enumerated healthcare settings where surgical masks are required for unvaccinated workers. The Order also includes recommendations for respirator use for unvaccinated workers in healthcare and long-term care facilities in situations or settings not covered by Cal/OSHA ETS or ATD.

Additionally, masks **are strongly recommended for all persons, regardless of vaccine status**, in indoor public settings and businesses (examples: retail, restaurants, theaters, family entertainment centers, meetings, state and local government offices serving the public). Surgical masks or higher-level respirators (e.g., N95s, KN95s, KF94s) with good fit are highly recommended.

For additional information on types of masks, the most effective masks, and ensuring a well-fitted mask, individuals should refer to CDPH Get the Most out of Masking and see CDPH Masking Guidance Frequently Asked Questions for more information.

### \*Guidance for Businesses, Venue Operators or Hosts

In settings where masks are strongly recommended, businesses, venue operators or hosts should consider:

- Providing information to all patrons, guests and attendees regarding masking recommendations for all persons, regardless of vaccine status.

- Providing information to all patrons, guests and attendees to consider better fit and filtration for masks [Surgical masks or higher-level respirators (e.g., N95s, KN95s, KF94s) with good fit are recommended over cloth masks].
- Requiring all patrons to wear masks, especially when risk in the community may be high, or if those being served are at high-risk for severe disease or illness.
- Requiring attendees who do not provide proof of vaccination to enter indoor Mega Events to continue masking during the event, especially when not actively eating or drinking.

No person can be prevented from wearing a mask as a condition of participation in an activity or entry into a business.

## Exemptions to masks requirements

The following **individuals** are exempt from wearing masks at all times:

- Persons younger than two years old. Very young children must not wear a mask because of the risk of suffocation.
- Persons with a medical condition, mental health condition, or disability that prevents wearing a mask. This includes persons with a medical condition for whom wearing a mask could obstruct breathing or who are unconscious, incapacitated, or otherwise unable to remove a mask without assistance.
- Persons who are hearing impaired, or communicating with a person who is hearing impaired, where the ability to see the mouth is essential for communication.
- Persons for whom wearing a mask would create a risk to the person related to their work, as determined by local, state, or federal regulators or workplace safety guidelines.

[1] Rader B, White LF, Burns MR, et al. Mask-wearing and control of SARS-CoV-2 transmission in the USA: a cross-sectional study. *The Lancet Digital Health*. 2021;3(3):e148–e157.

[2] Andrejko KL, Pry JM, Myers JF, et al. Effectiveness of Face Mask or Respirator Use in Indoor Public Settings for Prevention of SARS-CoV-2 Infection — California, February–December 2021. *MMWR Morb Mortal Wkly Rep*. ePub: 4 February 2022

[3] Jehn M, McCullough JM, Dale AP, Gue M, Eller B, Cullen T, Scott SE. Association between K–12 school mask policies and school-associated COVID-19 outbreaks — Maricopa and Pima Counties, Arizona, July–August 2021. *MMWR Morb Mortal Wkly Rep*. 2021; 70(39);1372–1373.

[4] Budzyn SE, Panaggio MJ, Parks SE, Papazian M, Magid J, Eng M, Barrios LC. Pediatric COVID-19 cases in counties with and without school mask requirements — United States, July 1–September 4, 2021. *MMWR Morb Mortal Wkly Rep*. 2021; 70(39);1377–1378.

[5] CDC Requirement for Face Masks on Public Transportation Conveyances and at Transportation Hubs

[6] CDC Guidance for COVID-19 Prevention in K-12 Schools

[7] CDC COVID-19 Guidance for Operating Early Care and Education/Child Care Programs

[8] CDC's Interim Guidance for General Population Disaster Shelters During the COVID-19 Pandemic

[9] CDC COVID-19 and Cooling Centers

[10] CDC Interim Infection Prevention and Control Recommendations for Healthcare Personnel During the Coronavirus Disease 2019 (COVID-19) Pandemic

[11] CDC Interim Guidance on Management of Coronavirus Disease 2019 (COVID-19) in Correctional and Detention Facilities

[12] CDC Interim Guidance for Homeless Service Providers to Plan and Respond to Coronavirus Disease 2019 (COVID-19)

[13] CDC Nursing Homes and Long-Term Care Facilities

California Department of Public Health  
PO Box, 997377, MS 0500, Sacramento, CA 95899-7377  
Department Website ([cdph.ca.gov](http://cdph.ca.gov))



Kern

Latest Estimate of R-effective is:

**0.92**

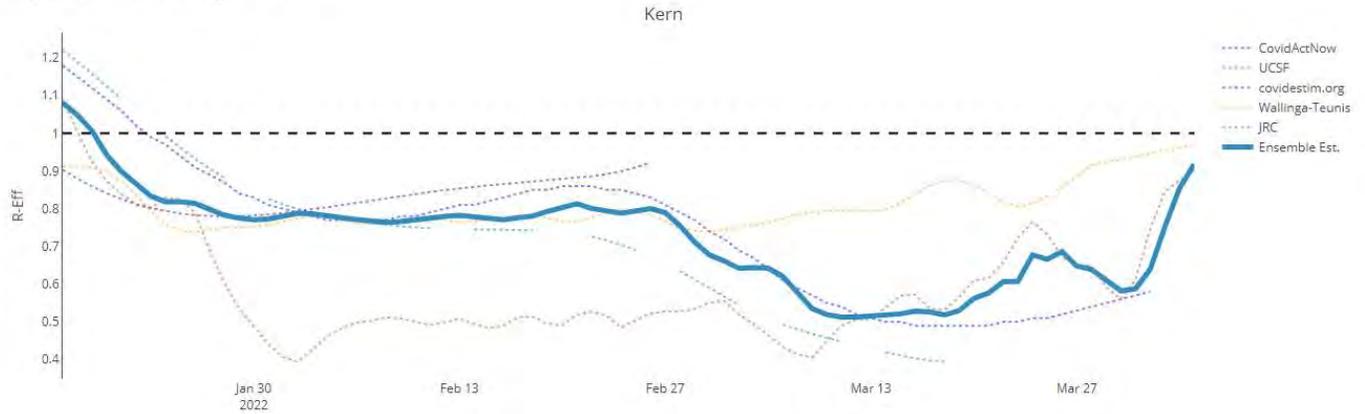
Spread of COVID-19 is likely stable

Download County R-eff Trend

NOTE: Some counties do not have sufficient case numbers in order for modelers to estimate R-effective.

### R-effective Trends by County

Select a county to see how R-effective has changed overtime



Download R-eff for Counties

### Latest R-effective in California Counties

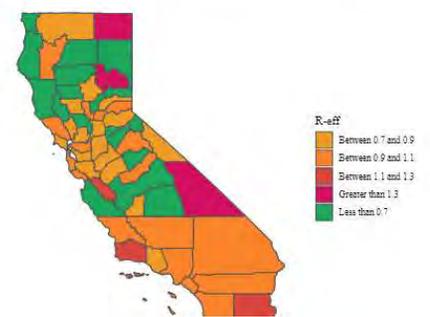
Using estimates and uncertainty intervals from Covid Act Now, the following graph presents the averaged R-effective over the last 7 days by county; (<1 decreasing spread, >1 increasing spread)



Download R-eff for Counties

### Statewide Map of R-effective by County

The following map presents the ensemble R-effective, averaged over the last 8 days by county; (<1 decreasing spread, >1 increasing spread)



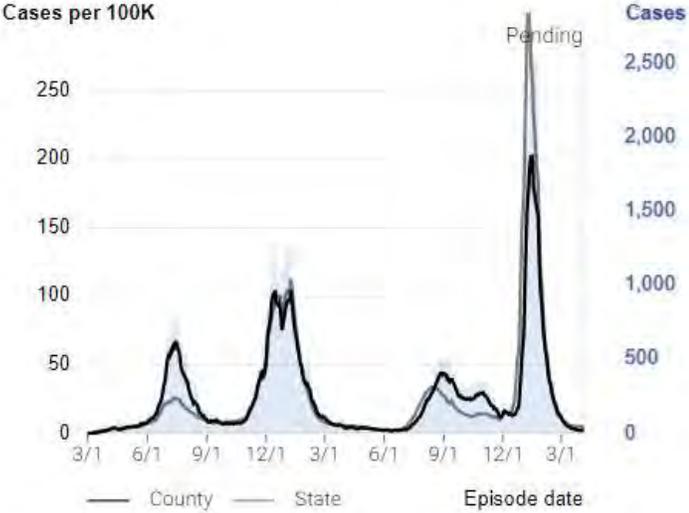
**Kern**      **Statewide**

California has 8,503,930 confirmed cases of COVID-19, resulting in 88,355 deaths.

Confirmed cases in Kern County

Episode date ▾      All time ▾

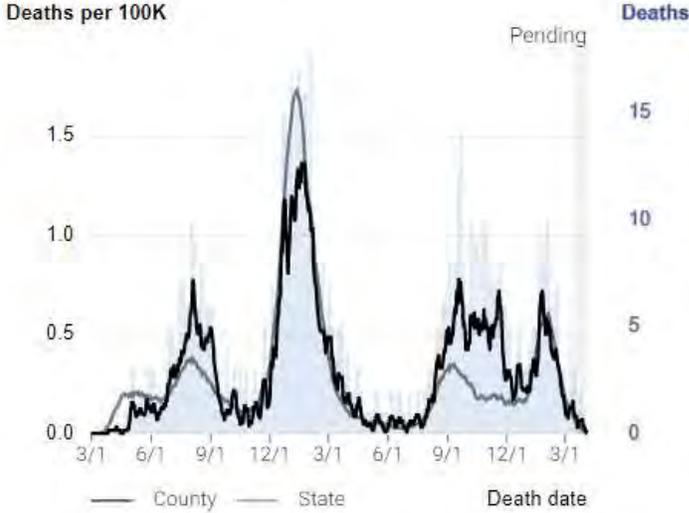
**191,449 total confirmed cases**  
 65 new cases (0.03% increase)  
 2.1 cases per 100K (7-day average)



Confirmed deaths in Kern County

Death date ▾      All time ▾

**2,234 total confirmed deaths**  
 10 new deaths (0.4% increase)  
 0.1 deaths per 100K (7-day average)



[Confirmed cases and deaths source data](#)



## COVID-19 County Check

Find community levels and prevention steps by county.

Select a Location (all fields required)

California  Kern County

< Start Over

### ● Low

In **Kern County, California**, community level is **Low**.

- Stay [up to date](#) with COVID-19 vaccines
- [Get tested](#) if you have symptoms

People may choose to mask at any time. People with symptoms, a positive test, or exposure to someone with COVID-19 should wear a mask.

If you are immunocompromised, learn more about [how to protect yourself](#).

Find out more about the COVID-19 situation in **Kern County, California** with [COVID-19 Data Tracker](#).

March 31, 2022

EXECUTIVE DEPARTMENT  
STATE OF CALIFORNIA

PROCLAMATION OF A STATE OF EMERGENCY

**WHEREAS** in December 2019, an outbreak of respiratory illness due to a novel coronavirus (a disease now known as COVID-19), was first identified in Wuhan City, Hubei Province, China, and has spread outside of China, impacting more than 75 countries, including the United States; and

**WHEREAS** the State of California has been working in close collaboration with the national Centers for Disease Control and Prevention (CDC), with the United States Health and Human Services Agency, and with local health departments since December 2019 to monitor and plan for the potential spread of COVID-19 to the United States; and

**WHEREAS** on January 23, 2020, the CDC activated its Emergency Response System to provide ongoing support for the response to COVID-19 across the country; and

**WHEREAS** on January 24, 2020, the California Department of Public Health activated its Medical and Health Coordination Center and on March 2, 2020, the Office of Emergency Services activated the State Operations Center to support and guide state and local actions to preserve public health; and

**WHEREAS** the California Department of Public Health has been in regular communication with hospitals, clinics and other health providers and has provided guidance to health facilities and providers regarding COVID-19; and

**WHEREAS** as of March 4, 2020, across the globe, there are more than 94,000 confirmed cases of COVID-19, tragically resulting in more than 3,000 deaths worldwide; and

**WHEREAS** as of March 4, 2020, there are 129 confirmed cases of COVID-19 in the United States, including 53 in California, and more than 9,400 Californians across 49 counties are in home monitoring based on possible travel-based exposure to the virus, and officials expect the number of cases in California, the United States, and worldwide to increase; and

**WHEREAS** for more than a decade California has had a robust pandemic influenza plan, supported local governments in the development of local plans, and required that state and local plans be regularly updated and exercised; and

**WHEREAS** California has a strong federal, state and local public health and health care delivery system that has effectively responded to prior events including the H1N1 influenza virus in 2009, and most recently Ebola; and

**WHEREAS** experts anticipate that while a high percentage of individuals affected by COVID-19 will experience mild flu-like symptoms, some will have more serious symptoms and require hospitalization, particularly individuals who are elderly or already have underlying chronic health conditions; and

**WHEREAS** it is imperative to prepare for and respond to suspected or confirmed COVID-19 cases in California, to implement measures to mitigate the spread of COVID-19, and to prepare to respond to an increasing number of individuals requiring medical care and hospitalization; and

**WHEREAS** if COVID-19 spreads in California at a rate comparable to the rate of spread in other countries, the number of persons requiring medical care may exceed locally available resources, and controlling outbreaks minimizes the risk to the public, maintains the health and safety of the people of California, and limits the spread of infection in our communities and within the healthcare delivery system; and

**WHEREAS** personal protective equipment (PPE) is not necessary for use by the general population but appropriate PPE is one of the most effective ways to preserve and protect California's healthcare workforce at this critical time and to prevent the spread of COVID-19 broadly; and

**WHEREAS** state and local health departments must use all available preventative measures to combat the spread of COVID-19, which will require access to services, personnel, equipment, facilities, and other resources, potentially including resources beyond those currently available, to prepare for and respond to any potential cases and the spread of the virus; and

**WHEREAS** I find that conditions of Government Code section 8558(b), relating to the declaration of a State of Emergency, have been met; and

**WHEREAS** I find that the conditions caused by COVID-19 are likely to require the combined forces of a mutual aid region or regions to appropriately respond; and

**WHEREAS** under the provisions of Government Code section 8625(c), I find that local authority is inadequate to cope with the threat posed by COVID-19; and

**WHEREAS** under the provisions of Government Code section 8571, I find that strict compliance with various statutes and regulations specified in this order would prevent, hinder, or delay appropriate actions to prevent and mitigate the effects of the COVID-19.

**NOW, THEREFORE, I, GAVIN NEWSOM**, Governor of the State of California, in accordance with the authority vested in me by the State Constitution and statutes, including the California Emergency Services Act, and in particular, Government Code section 8625, **HEREBY PROCLAIM A STATE OF EMERGENCY** to exist in California.

**IT IS HEREBY ORDERED THAT:**

1. In preparing for and responding to COVID-19, all agencies of the state government use and employ state personnel, equipment, and facilities or perform any and all activities consistent with the direction of the Office of Emergency Services and the State Emergency Plan, as well as the California Department of Public Health and the Emergency Medical Services Authority. Also, all residents are to heed the advice of emergency officials with regard to this emergency in order to protect their safety.
2. As necessary to assist local governments and for the protection of public health, state agencies shall enter into contracts to arrange for the procurement of materials, goods, and services needed to assist in preparing for, containing, responding to, mitigating the effects of, and recovering from the spread of COVID-19. Applicable provisions of the Government Code and the Public Contract Code, including but not limited to travel, advertising, and competitive bidding requirements, are suspended to the extent necessary to address the effects of COVID-19.
3. Any out-of-state personnel, including, but not limited to, medical personnel, entering California to assist in preparing for, responding to, mitigating the effects of, and recovering from COVID-19 shall be permitted to provide services in the same manner as prescribed in Government Code section 179.5, with respect to licensing and certification. Permission for any such individual rendering service is subject to the approval of the Director of the Emergency Medical Services Authority for medical personnel and the Director of the Office of Emergency Services for non-medical personnel and shall be in effect for a period of time not to exceed the duration of this emergency.
4. The time limitation set forth in Penal Code section 396, subdivision (b), prohibiting price gouging in time of emergency is hereby waived as it relates to emergency supplies and medical supplies. These price gouging protections shall be in effect through September 4, 2020.
5. Any state-owned properties that the Office of Emergency Services determines are suitable for use to assist in preparing for, responding to, mitigating the effects of, or recovering from COVID-19 shall be made available to the Office of Emergency Services for this purpose, notwithstanding any state or local law that would restrict, delay, or otherwise inhibit such use.
6. Any fairgrounds that the Office of Emergency Services determines are suitable to assist in preparing for, responding to, mitigating the effects of, or recovering from COVID-19 shall be made available to the Office of Emergency Services pursuant to the Emergency Services Act, Government Code section 8589. The Office of Emergency Services shall notify the fairgrounds of the intended use and can immediately use the fairgrounds without the fairground board of directors' approval, and

notwithstanding any state or local law that would restrict, delay, or otherwise inhibit such use.

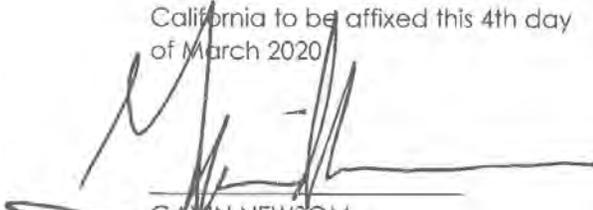
7. The 30-day time period in Health and Safety Code section 101080, within which a local governing authority must renew a local health emergency, is hereby waived for the duration of this statewide emergency. Any such local health emergency will remain in effect until each local governing authority terminates its respective local health emergency.
8. The 60-day time period in Government Code section 8630, within which local government authorities must renew a local emergency, is hereby waived for the duration of this statewide emergency. Any local emergency proclaimed will remain in effect until each local governing authority terminates its respective local emergency.
9. The Office of Emergency Services shall provide assistance to local governments that have demonstrated extraordinary or disproportionate impacts from COVID-19, if appropriate and necessary, under the authority of the California Disaster Assistance Act, Government Code section 8680 et seq., and California Code of Regulations, Title 19, section 2900 et seq.
10. To ensure hospitals and other health facilities are able to adequately treat patients legally isolated as a result of COVID-19, the Director of the California Department of Public Health may waive any of the licensing requirements of Chapter 2 of Division 2 of the Health and Safety Code and accompanying regulations with respect to any hospital or health facility identified in Health and Safety Code section 1250. Any waiver shall include alternative measures that, under the circumstances, will allow the facilities to treat legally isolated patients while protecting public health and safety. Any facilities being granted a waiver shall be established and operated in accordance with the facility's required disaster and mass casualty plan. Any waivers granted pursuant to this paragraph shall be posted on the Department's website.
11. To support consistent practices across California, state departments, in coordination with the Office of Emergency Services, shall provide updated and specific guidance relating to preventing and mitigating COVID-19 to schools, employers, employees, first responders and community care facilities by no later than March 10, 2020.
12. To promptly respond for the protection of public health, state entities are, notwithstanding any other state or local law, authorized to share relevant medical information, limited to the patient's underlying health conditions, age, current condition, date of exposure, and possible contact tracing, as necessary to address the effect of the COVID-19 outbreak with state, local, federal, and nongovernmental partners, with such information to be used for the limited purposes of monitoring, investigation and control, and treatment and coordination of care. The

notification requirement of Civil Code section 1798.24, subdivision (i), is suspended.

13. Notwithstanding Health and Safety Code sections 1797.52 and 1797.218, during the course of this emergency, any EMT-P licensees shall have the authority to transport patients to medical facilities other than acute care hospitals when approved by the California EMS Authority. In order to carry out this order, to the extent that the provisions of Health and Safety Code sections 1797.52 and 1797.218 may prohibit EMT-P licensees from transporting patients to facilities other than acute care hospitals, those statutes are hereby suspended until the termination of this State of Emergency.
14. The Department of Social Services may, to the extent the Department deems necessary to respond to the threat of COVID-19, waive any provisions of the Health and Safety Code or Welfare and Institutions Code, and accompanying regulations, interim licensing standards, or other written policies or procedures with respect to the use, licensing, or approval of facilities or homes within the Department's jurisdiction set forth in the California Community Care Facilities Act (Health and Safety Code section 1500 et seq.), the California Child Day Care Facilities Act (Health and Safety Code section 1596.70 et seq.), and the California Residential Care Facilities for the Elderly Act (Health and Safety Code section 1569 et seq.). Any waivers granted pursuant to this paragraph shall be posted on the Department's website.

**I FURTHER DIRECT** that as soon as hereafter possible, this proclamation be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this proclamation.

**IN WITNESS WHEREOF** I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 4th day of March 2020.



\_\_\_\_\_  
GAVIN NEWSOM  
Governor of California

**ATTEST:**

\_\_\_\_\_  
ALEX PADILLA  
Secretary of State

**KERN COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION (KCERA)  
Board of Retirement**

**SUMMARY OF PROCEEDINGS**

**Teleconference Meeting – Board of Retirement Meeting**

**March 9, 2022**

**8:32 a.m.**

Board Members: Adams, Contreras (Alternate), Couch, Franey, Chair Gonzalez, Hughes, Kaufman, Kratt, Matthews, Nunneley (Alternate), Seibly (Alternate), Vice-Chair Whitezell

**ROLL CALL**

Present: Adams, Contreras, Couch, Franey, Gonzalez, Kaufman, Kratt, Matthews, Seibly, Whitezell

Absent: Hughes, Nunneley

**MOMENT OF SILENCE**

NOTE: The vote is displayed in bold below each item. For example, Couch-Kaufman denotes Trustee David Couch made the motion and Trustee Jordan Kaufman seconded the motion.

1. Discussion and appropriate action regarding proposed State of Emergency Protocol for KCERA Board Meetings recommended by the Administrative Committee and presented by Chief Executive Officer Dominic Brown, Chief Legal Officer Jennifer Zahry and the Administrative Committee – CHAIR JUAN GONZALEZ HEARD; TRUSTEES PHIL FRANNEY AND JOSEPH HUGHES HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD; CHIEF LEGAL OFFICER JENNIFER ZAHRY HEARD

TRUSTEE JOSEPH HUGHES ARRIVED AT 8:39 A.M.

APPROVED PROPOSED STATE OF EMERGENCY PROTOCOL

**Franey-Hughes – 9 Ayes**

**CONSENT MATTERS**

- \*2. Evidence in support of Findings and Resolution pursuant to California Government Code section 54953 of the Ralph M. Brown Act, as amended by Assembly Bill 361 – ADOPTED FINDINGS FOR THE BOARD AND ALL KCERA STANDING COMMITTEES; APPROVED 30-DAY RESOLUTION

**Kratt-Kaufman – 9 Ayes**

- \*3. Application for non-service-connected disability pension benefits for Maria Alaniz, Public Health (General) – ADOPTED RECOMMENDATION OF SDAG TO GRANT NON-SERVICE-CONNECTED DISABILITY PENSION

**Kratt-Kaufman – 9 Ayes**

- \*4. Summary of proceedings of the following meetings:

- February 4, 2022 Investment Committee
- February 9, 2022 Board of Retirement
- February 23, 2022 Administrative Committee
- February 28, 2022 Investment Committee

RECEIVED AND FILED

**Kratt-Kaufman – 9 Ayes**

- \*5. Report from the KCERA office on members retired from service for the month of February 2022 – RATIFIED

**Kratt-Kaufman – 9 Ayes**

- \*6. Report from the KCERA office on deceased retirees for the month of February 2022 – RECEIVED AND FILED

**Kratt-Kaufman – 9 Ayes**

- \*7. Report of current disability retirement applications and appeals of KCERA Board decisions for the period ending February 28, 2022 – RECEIVED AND FILED

**Kratt-Kaufman – 9 Ayes**

- \*8. Securities Lending Earnings Summary Report for the period January 1-31, 2022 from Deutsche Bank – RECEIVED AND FILED

**Kratt-Kaufman – 9 Ayes**

- \*9. KCERA asset allocation, budget status, cash flow position and investment fees status report for the month of January 2022 – RECEIVED AND FILED

**Kratt-Kaufman – 9 Ayes**

- \*10. Review of the KCERA Legislative Policy and proposed changes from the Administrative Committee – APPROVED PROPOSED CHANGES

**Kratt-Kaufman – 9 Ayes**

- \*11. Invitation for trustees and/or staff to attend the 2022 California Association of Public Retirement Systems (CALAPRS) General Assembly, March 5-8, 2022 in San Diego, CA – RETROACTIVELY APPROVED THE ATTENDANCE OF DEPUTY CHIEF LEGAL OFFICER PHILLIP JENKINS

**Kratt-Kaufman – 9 Ayes**

### **PUBLIC COMMENTS**

12. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Board. This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation – NONE

### **INVESTMENT MATTERS**

13. Discussion and appropriate action on private market fund recommendation presented by Keirsten Lawton, Investment Managing Director, Cambridge Associates<sup>1</sup>, Chief Investment Officer Daryn Miller, CFA, and Senior Retirement Investment Officer Brian Long, CFA – KEIRSTEN LAWTON, CAMBRIDGE ASSOCIATES, HEARD; TRUSTEE JORDAN KAUFMAN HEARD; SENIOR RETIREMENT INVESTMENT OFFICER BRIAN LONG, CFA, HEARD

APPROVED UP TO \$40MM COMMITMENT TO BLUE TORCH CREDIT OPPORTUNITIES FUND III; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

**Kratt-Matthews – 9 Ayes**

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<sup>1</sup> Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code §6254.26, §6255, and §54957.5.

14. Discussion and appropriate action on private market fund recommendation presented by Keirsten Lawton, Investment Managing Director, Cambridge Associates<sup>1</sup>, Chief Investment Officer Daryn Miller, CFA, and Senior Retirement Investment Officer Brian Long, CFA – KEIRSTEN LAWTON, CAMBRIDGE ASSOCIATES, HEARD; CHAIR JUAN GONZALEZ HEARD; TRUSTEE PHIL FRANEY HEARD; SENIOR RETIREMENT INVESTMENT OFFICER BRIAN LONG, CFA, HEARD

APPROVED UP TO \$30MM COMMITMENT TO BRIGHTON PARK CAPITAL II;  
AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL  
ADVICE AND REVIEW

**Kaufman -Kratt – 9 Ayes**

### **ADMINISTRATIVE MATTERS**

15. Trustee education regarding Fiduciary Responsibility & Governance presented by Chief Executive Officer Dominic Brown and Governance Consultant Julie Becker, Partner, Aon – JULIE BECKER, AON, HEARD; CHAIR JUAN GONZALEZ HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD

RECEIVED EDUCATIONAL TRAINING (47 MINUTES TRUSTEE EDUCATION  
CREDIT)

16. Presentation regarding issues identified related to implementation of PEPPRA employee contribution rates presented by Chief Executive Officer Dominic Brown and Chief Legal Officer Jennifer Zahry – CHAIR JUAN GONZALEZ HEARD; TRUSTEES JEANINE ADAMS, PHIL FRANEY, JORDAN KAUFMAN AND RICK KRATT HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD; CHIEF LEGAL OFFICER JENNIFER ZAHRY HEARD

HEARD PRESENTATION

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<sup>1</sup> Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code §6254.26, §6255, and §54957.5.

## **FINANCIAL MATTERS**

TRUSTEE JOSEPH HUGHES LEFT AT 10:20 A.M.

17. Discussion and appropriate action on recommendation for Actuarial Services Provider presented by Chief Executive Officer Dominic Brown, Chief Operations Officer Matthew Henry and the Finance Committee – TRUSTEE PHIL FRANNEY HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD

APPROVED SEGAL AS ACTUARIAL SERVICES PROVIDER; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

**Franey- Kratt – 8 Ayes**

## **STAFF REPORTS**

18. Report from Chief Executive Officer

CHIEF EXECUTIVE OFFICER DOMINIC BROWN REPORTED THE FOLLOWING:

- OFFICE UPDATE
- RFP STATUS
- TRAVEL RESUMING
- STAFFING UPDATE
- PEPRA IMPLEMENTATION ISSUE
- ALAMEDA DECISION UPDATE
- ZOOM WEBINAR TESTING
- OPERATIONS ACTIVITY
- UPCOMING MEETINGS AND EVENTS

TRUSTEE TRACO MATTHEWS LEFT AT 10:32 A.M.

TRUSTEE JORDAN KAUFMAN HEARD; CHIEF TECHNOLOGY OFFICER BRENDA GREENWOOD HEARD

19. Report from Chief Investment Officer

CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, REPORTED THE FOLLOWING:

- FEBRUARY REBALANCING ACTIVITY
- RUSSIA/UKRAINE POSITIONING
- PORTFOLIO POSITIONING AND MARKET UPDATE
- KEY INITIATIVES
- UPCOMING INVESTMENT COMMITTEE MEETING

TRUSTEE DAVID COUCH LEFT AT 10:39 A.M.

TRUSTEE RICK KRATT LEFT AT 10:45 A.M.

CHAIR JUAN GONZALEZ HEARD; TRUSTEE JORDAN KAUFMAN HEARD

20. Report from Chief Legal Officer

CHIEF LEGAL OFFICER JENNIFER ZAHRY REPORTED THE FOLLOWING:

- UPDATE ON EXECUTIVE ORDER N-04-22
- LEGISLATIVE POLICY
- LEGISLATIVE UPDATE – AB 1944
- MARCH CALENDAR

**COMMITTEE REPORTS**

21. Report from Committee Chairs:

- a. Administrative Committee: HUGHES – NONE
- b. Finance Committee: FRANEY – NONE
- c. Investment Committee: KAUFMAN – MEETING TO BE SCHEDULED AT THE END OF MARCH
- d. KCERA Property, Inc.: SEIBLY – NONE

**REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS**

22. On their own initiative, Board members may make a brief announcement, refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities – NONE

**NEW BUSINESS**

23. Consider, discuss, and take possible action to agendaize one or more items for future meetings of the Board of Retirement – NONE

24. ADJOURNED – 10:55 A.M.

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Secretary, Board of Retirement

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Chair, Board of Retirement

**KERN COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION (KCERA)  
Board of Retirement**

**SUMMARY OF PROCEEDINGS**

**Teleconference Meeting – Administrative Committee  
March 23, 2022**

**8:36 a.m.**

Committee Members: Contreras (Alternate), Franey, Chair Hughes, Matthews,  
Seibly

**ROLL CALL**

Present: Contreras, Franey, Hughes, Seibly

Absent: Matthews

NOTE: The vote is displayed in bold below each item. For example, Seibly-Matthews denotes Trustee Robb Seibly made the motion and Trustee Traco Matthews seconded the motion.

- \*1. Discussion and review of the 2022-2023 Chief Executive Officer Performance Evaluation Criteria presented by Chief Executive Officer Dominic Brown – TRUSTEE PHIL FRANNEY HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD

RECOMMENDED THE BOARD OF RETIREMENT APPROVE THE CHIEF EXECUTIVE OFFICER PERFORMANCE EVALUATION CRITERIA FOR EVALUATION PERIOD OF 2022-2023

**Franey-Contreras – 4 Ayes**

*Trustee Dustin Contreras voted in place of Trustee Traco Matthews*

**PUBLIC COMMENTS**

2. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Committee. This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation – NONE

**REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS**

3. On their own initiative, Committee members may make a brief announcement refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities – NONE

**CALL FOR PUBLIC COMMENT ON EXECUTIVE SESSION ITEM(S) – NONE**

**EXECUTIVE SESSION**

4. PUBLIC EMPLOYEE PERFORMANCE EVALUATION (PURSUANT TO GOVERNMENT CODE §54957) – TITLE: CHIEF EXECUTIVE OFFICER

**RETURN TO PUBLIC SESSION**

ADMINISTRATIVE COMMITTEE RECONVENED AT 10:10 A.M.

**ROLL CALL**

*Board Clerk noted the following Trustees were present:*

Present: Contreras, Franey, Hughes, Seibly

Absent: Matthews

**REPORT OF EXECUTIVE SESSION ACTIONS, IF APPLICABLE**

ITEM 4 – NO REPORTABLE ACTION

5. ADJOURNED – 10:10 A.M.

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Secretary, Board of Retirement

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Chair, Administrative Committee

**KERN COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION (KCERA)  
Board of Retirement**

**SUMMARY OF PROCEEDINGS**

**Teleconference Meeting – Finance Committee  
March 30, 2022**

**8:31 a.m.**

Committee Members: Adams, Chair Franey, Gonzalez, Nunneley (Alternate),  
Whitezell

**ROLL CALL**

Present: Adams, Franey, Gonzalez, Nunneley, Whitezell

Absent: None

NOTE: The vote is displayed in bold below each item. For example, Gonzalez-Adams denotes Trustee Juan Gonzalez made the motion and Trustee Jeanine Adams seconded the motion.

1. Discussion and appropriate action regarding Supplemental Retiree Benefit Reserve (SRBR) structure options presented by Chief Executive Officer Dominic Brown and KCERA Actuaries, Paul Angelo and Molly Calcagno, Segal – PAUL ANGELO AND MOLLY CALCAGNO, SEGAL, HEARD; CHAIR PHIL FRANEY HEARD; TRUSTEES JEANINE ADAMS, JUAN GONZALEZ AND TYLER WHITEZELL HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD; CHIEF LEGAL OFFICER JENNIFER ZAHRY HEARD

DIRECTED STAFF TO REVISE SRBR POLICY BASED ON SELECTION OF “ALTERNATIVE B” AND RETURN TO FINANCE COMMITTEE

**Gonzalez-Adams – 4 Ayes**

2. Exception report regarding the filing of Statements of Economic Interests Form 700 by Trustees for the 2020 reporting year – CHAIR PHIL FRANEY HEARD; TRUSTEE JUAN GONZALEZ HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD; CHIEF LEGAL OFFICER JENNIFER ZAHRY HEARD

RECEIVED AND FILED; DIRECTED STAFF TO CLARIFY POLICY REQUIREMENT THROUGH RECOMMENDED POLICY REVISIONS AND RETURN TO FINANCE COMMITTEE

**Whitezell-Gonzalez – 4 Ayes**

**PUBLIC COMMENTS**

3. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Committee. This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation – NONE

**REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS**

4. On their own initiative, Committee members may make a brief announcement, refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities – NONE
5. ADJOURNED – 10:08 A.M.

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Secretary, Board of Retirement

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Chair, Investment Committee

**KERN COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION (KCERA)  
Board of Retirement**

**SUMMARY OF PROCEEDINGS**

**Teleconference Meeting – Investment Committee  
March 31, 2022**

**8:31 a.m.**

Committee Members: Couch, Gonzalez, Chair Kaufman, Kratt, Whitezell (Alternate)

**ROLL CALL**

Present: Couch, Gonzalez, Kaufman, Kratt, Whitezell

Absent: None

NOTE: The vote is displayed in bold below each item. For example, Gonzalez-Couch denotes Trustee Juan Gonzalez made the motion and Trustee David Couch seconded the motion.

1. Discussion and appropriate action on the annual asset allocation review presented by Scott Whalen, CFA, Verus, Chief Investment Officer Daryn Miller, CFA, and Senior Retirement Investment Officer Brian Long, CFA – SCOTT WHALEN, VERUS, HEARD; CHAIR JORDAN KAUFMAN HEARD; TRUSTEES JUAN GONZALEZ AND RICK KRATT HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

RECOMMENDED THE BOARD OF RETIREMENT APPROVE ASSET ALLOCATION

**Couch-Kratt – 4 Ayes**

**PUBLIC COMMENTS**

2. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Committee. This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation – NONE

**REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS**

3. On their own initiative, Committee members may make a brief announcement, refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities – NONE
4. ADJOURNED – 9:43 A.M.

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Secretary, Board of Retirement

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Chair, Investment Committee



**Kern County Employees' Retirement Association  
New Retirees- March 1, 2022 to March 31, 2022**

**Employer Name: County Of Kern**

<b>Member Last Name</b>	<b>Member First Name</b>	<b>Retirement Date</b>	<b>Membership Tier</b>	<b>Department Name</b>
Barnes	Mark	02/12/2022	Safety Tier I	2210S - Sheriff
Benson	David	01/29/2022	Safety Tier I	2210S - Sheriff
Bertrand	Christopher	02/22/2022	Safety Tier I	2415S - Fire
Enterline	Cherise	01/01/2022	General Tier I	2183 - Dept Of Child Support Svc
Figuroa	Roberto	02/12/2022	Safety Tier I	2415S - Fire
Fontaine	Matthew	01/29/2022	Safety Tier I	2340 - Probation-Safety
Garay	Luis	02/24/2022	General Tier I	8995 - Airports-Enterprise Fund
Goad	Sherri	02/18/2022	General Tier II	2210 - Sheriff
Gomez	Armando	02/07/2022	General Tier II	1160 - Information Technology Sv
Gonzales	Susan	01/29/2022	General Tier I	8954 - Public Works-Public Ways
Hamilton	Brook	02/13/2022	Safety Tier I	2210S - Sheriff
Hamilton	Martin	01/29/2022	Safety Tier I	2210S - Sheriff
Herrera	Anita	02/12/2022	General Tier I	4120 - Behavioral Health & Reco
Kelly	Sherry	02/26/2022	General Tier I	5120 - Depart Of Human Services
Ledoux-Blackshere	Jeri	02/01/2022	General Tier I	5120 - Depart Of Human Services
Lopez	Yolanda	02/12/2022	General Tier I	5120 - Depart Of Human Services



**Kern County Employees' Retirement Association  
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<b>Member Last Name</b>	<b>Member First Name</b>	<b>Retirement Date</b>	<b>Membership Tier</b>	<b>Department Name</b>
Marino	Laura	02/28/2022	General Tier I	2180 - District Attorney
Maytubby	Scott	03/27/2021	General Tier I	4120 - Behavioral Health & Reco
Medeiros	Ronald	02/12/2022	Safety Tier I	2210S - Sheriff
Neira	Delfino	02/28/2022	General Tier I	5120 - Depart Of Human Services
Nord	Damian	01/02/2022	Safety Tier I	2210S - Sheriff
Ramirez	Lorraine	02/12/2022	General Tier I	2183 - Dept Of Child Support Svc
Reed	Linda	02/12/2022	General Tier I	5923 - Employers' Train Resource
Rodriguez	Mar	01/15/2022	General Tier I	1610 - General Services Division
Sandoval	Juan	12/23/2021	Safety Tier I	2210S - Sheriff
Szczurek	Leslie	01/29/2022	General Tier I	8954 - Public Works-Public Ways
Tish	Kimberly	02/14/2022	Safety Tier I	5120 - Depart Of Human Services
Whorf	Michael	01/29/2022	Safety Tier I	2210S - Sheriff
Williams	Darryl	02/12/2022	General Tier I	5120 - Depart Of Human Services

**Employer Name: KC Superior Court**

<b>Member Last Name</b>	<b>Member First Name</b>	<b>Retirement Date</b>	<b>Membership Tier</b>	<b>Department Name</b>
Dela Cruz	Sandra	01/29/2022	General Tier II	9410 - Superior Court
Sosa	Laura	01/29/2022	General Tier I	9410 - Superior Court



**Kern County Employees' Retirement Association  
New Retirees- March 1, 2022 to March 31, 2022**

<b>Member Last Name</b>	<b>Member First Name</b>	<b>Retirement Date</b>	<b>Membership Tier</b>	<b>Department Name</b>
Stevens	Wendy	02/09/2022	General Tier I	9410E - Court Support-Civil

**Employer Name: Kern County Hospital Authority**

<b>Member Last Name</b>	<b>Member First Name</b>	<b>Retirement Date</b>	<b>Membership Tier</b>	<b>Department Name</b>
Domingo	Luz	01/29/2022	General Tier I	9460 - Kern County Hospital Authority
Flores	Jacquelyn	01/29/2022	General Tier I	9460 - Kern County Hospital Authority
Reed	Brenda	01/29/2022	General Tier I	9460 - Kern County Hospital Authority

**Employer Name: San Joaquin Valley APCD**

<b>Member Last Name</b>	<b>Member First Name</b>	<b>Retirement Date</b>	<b>Membership Tier</b>	<b>Department Name</b>
Scandura	Leonard	02/12/2022	General Tier I	0959 - San Joaquin Valley Air Pollution Control District



## Kern County Employees' Retirement Association Decedents- March 1, 2022 to March 31, 2022

### Pre-Retirement Deaths

Last Name	First Name	Membership Type	Employer Name
Maldonado	Francisco	General	County Of Kern
Mcmahon	Brian	General	County Of Kern
Stewart	Elizabeth	General	County Of Kern
Vidales	Julio	General	County Of Kern

### Post-Retirement Deaths

Last Name	First Name	Membership Type	Employer Name
Allen	Dovie	General	County Of Kern
Copus	Marion	General	County Of Kern
Daves	James	General	County Of Kern
Denison	Mary	General	County Of Kern
Fidler	Marian	General	County Of Kern
Finzel	George	General	County Of Kern
George	Alfred	Safety	County Of Kern
Grady	Bonnie	General	County Of Kern
Grady	Medelyian	General	County Of Kern
Green	Dottie	General	County Of Kern
Gutierrez	Al	Safety	County Of Kern
Hernandez	Catalina	General	County Of Kern
Layman	Zenas	Safety	County Of Kern
Lewis	John	General	County Of Kern
Loza	Daniel	General	County Of Kern
Munn	Linda	General	County Of Kern
Nelsen	Donna	General	County Of Kern
Rill	Alannah	General	Shafter Rec & Park Dist
Shuell	Wilma	General	County Of Kern
Smith	Linda	General	County Of Kern
Strickland	Joe	General	County Of Kern
Valdez	Ignacio	General	County Of Kern
Ware	Jim	General	County Of Kern
Wesbrook	Franklin	Safety	County Of Kern
Youngblood	Beckie	General	County Of Kern

**KCERA  
STATUS OF DISABILITY RETIREMENT APPLICATIONS  
AS OF 03/31/22**

<b>NAME</b>	<b>DEPARTMENT</b>	<b>DATE FILED</b>	<b>DATE OF LAST CONTACT</b>
Cano, Emma	BEHAVIORAL HEALTH & RECOVERY SERVICES	03/17/22	03/31/22
Barnes, Mark	SHERIFF	12/03/21	02/07/22
Yohn, Jacob	SHERIFF	11/30/21	03/30/22
Kauffman, Stephen	DISTRICT ATTORNEY	08/16/21	02/10/22
<b>NAME</b>	<b>DEPARTMENT</b>	<b>DATE FILED</b>	<b>MMRO ASSIGNED</b>
Fussel, Kathy	HOSPITAL AUTHORITY	11/03/21	02/24/22
Guandique, Sandra	RISK MANAGEMENT	10/29/21	03/14/22
Gardner, Stephen	FIRE	07/19/21	02/24/22
Brannan, Derek	SHERIFF	07/14/21	11/22/21
Leon, Theresa	HUMAN SERVICES	07/07/21	10/18/21
Patton, Eric	SHERIFF	06/30/21	11/22/21
Candelaria, Valerie	HUMAN SERVICES	06/23/21	09/15/21
Introuini, Jessica	SHERIFF	06/18/21	11/22/21
Williams, Theron	GENERAL SERVICES	05/12/21	09/15/21
Garcia, Judy	HOSPITAL AUTHORITY	03/29/21	10/18/21
Smith, Thomas Jr.	SHERIFF	03/16/21	11/08/21
Brandon, Bradly	SHERIFF	03/04/21	08/20/21
Bravo, Enrique	SHERIFF	03/01/21	08/20/21
Sanders-Stubblefield, Misty	AGING AND ADULT SERVICES	02/25/21	08/20/21
McAadoo, John	SHERIFF	02/24/21	08/20/21
Bankston, Josh	SHERIFF	02/09/21	08/19/21
Cushman, Harris	SHERIFF	12/22/20	08/19/21
Carrillo, Mabelle	ANIMAL CONTROL	11/18/20	04/21/21
Burchfield, James	PUBLIC WORKS	11/17/20	07/16/21
Tisinger, Douglas	KERN COUNTY WATER AGENCY	10/05/20	05/21/21
Fleeman, Justin	SHERIFF	09/17/20	02/08/21
Diffenbaugh, Anthony	FIRE	06/11/20	04/26/21
Brown, Michael	SHERIFF	04/14/20	08/31/20
Baker, Breanne	HUMAN SERVICES	04/02/20	09/29/20
Terry, Leann	SHERIFF	10/17/19	06/30/20
Martinez de Moore, Brenda	BEHAVIORAL HEALTH & RECOVERY SERVICES	12/10/18	09/08/20
Boren, Colleen	RISK MANAGEMENT	08/02/18	09/03/20
Champlin, Timothy	PROBATION	04/25/18	05/21/20
Hulsey, Jonathan	PROBATION	04/18/18	04/22/20
Coletti, John	SHERIFF	01/30/18	05/20/20
Tennison, Robyn (McClain)	BEHAVIORAL HEALTH & RECOVERY SERVICES	07/17/17	02/20/20
Rodriguez, Ted	SHERIFF	06/22/17	02/20/20

**KCERA  
STATUS OF DISABILITY RETIREMENT APPLICATIONS  
AS OF 03/31/22**

<b>NAME</b>	<b>DEPARTMENT</b>	<b>DATE FILED</b>	<b>MMRO ASSIGNED</b>
Hsu, Sue	BEHAVIORAL HEALTH & RECOVERY SERVICES	04/05/17	02/06/20
Paxson, Kalae	SHERIFF	03/15/17	11/05/19
Carvel, Scott	DISTRICT ATTORNEY	01/27/17	11/05/19
<b>COMPLETED IN 2022</b>			
<b>NAME</b>	<b>DEPARTMENT</b>	<b>FILED</b>	<b>DATE COMPLETED</b>
Lucio, Juan	PUBLIC WORKS	07/19/21	01/19/22
Haight, Anita	COURTS	05/14/20	01/19/22
Alaniz, Maria D.	PUBLIC HEALTH	04/13/18	03/09/22

KCERA  
 APPEALS PENDING  
 AS OF 03/31/22

ADMINISTRATIVE HEARING	DEPARTMENT	DATE FILED	SDAG RECOMMENDATION	APPEAL RECEIVED	SENT TO COUNTY COUNSEL	HEARING OFFICER ASSIGNED	HEARING DATE
Winn, Jay M.	DISTRICT ATTORNEY	03/16/16	SDAG to deny SCD	05/28/20	06/02/20	06/25/20	11/09/20

WRIT OF MANDATE	DEPARTMENT	DATE FILED	BOARD DECISION
Blue, Michael	SHERIFF	06/14/13	Board denied SCD
Ashley, Mark	SHERIFF	09/03/15	Board denied SCD and granted NSCD

COURT OF APPEAL	DEPARTMENT	DATE FILED	BOARD DECISION
Morgan, Gloria	SHERIFF	03/26/15	Board denied SCD

HEARINGS COMPLETED IN 2022			
NAME	DEPARTMENT	DATE FILED	DATE COMPLETED

# SECURITIES LENDING

## Summary Earnings Report

**Run Time:** 08-Mar-2022 13:00 EST  
**Date Range:** 01-FEB-2022 To 28-FEB-2022  
**Location:** New York  
**Currency:** USD  
**Client ID:** Not Specified  
**Master Client:** CAKERN  
**Grouping Type:** None  
**Level:** Individually

	Client ID	Average Contract Amount	Gross Earnings	DB Earnings	Client Earnings	Custody Account
<b>New York</b>						
<b>USD</b>						
KNCTY - Harvest Midstream	CAKE18	4,765,958.41	1,932.97	193.30	1,739.67	KNC15
KNCTY - PIMCO Midstream	CAKE19	15,097,664.21	4,576.54	457.65	4,118.89	KNC16
KNCTY PIMCO Core Plus	CAKE07	22,953,223.57	4,809.40	480.94	4,328.46	KNC11
KNCTY PIMCO EMD	CAKE08	1,589,438.84	639.00	63.90	575.10	KNC12
KNTCY - Alliance Bernstein	CAKE15	7,157,692.60	2,015.91	201.59	1,814.32	2664130
KNTCY - Geneva	CAKE16	7,100,245.69	1,901.71	190.17	1,711.54	2667336
KNTCY - Western Asset MGMT Co 01	CAKE03	34,949,462.21	8,059.12	805.91	7,253.21	KNC06
KNTCY - Western Asset MGMT Co 02	CAKE04	41,592,844.40	13,564.47	1,356.45	12,208.03	KNC08
	<b>CCY Total USD:</b>	<b>135,206,529.93</b>	<b>37,499.11</b>	<b>3,749.91</b>	<b>33,749.20</b>	
	<b>Grand Total USD:</b>		<b>37,499.11</b>	<b>3,749.91</b>	<b>33,749.20</b>	

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**KCERA ASSET ALLOCATION\***  
2/28/2022

Manager Name	Type	(\$000)	Current Allocation	Target Percentage	Variance Over Target (Under Target)	Variance Over Target (Under Target) (\$000)
AllianceBernstein	Small Cap Value	98,538	1.8%			
Geneva Capital	Small Cap Growth	52,086	1.0%			
Mellon Capital Management EB DV	Large Cap Passive	322,697	5.9%			
PIMCO StockPlus	Large Cap Enhanced	114,324	2.1%			
<b>Total Domestic Equity</b>		<b>\$587,645</b>	<b>10.7%</b>	<b>19.0%</b>	<b>(8.3%)</b>	<b>(\$451,356)</b>
American Century	International Small	96,406	1.8%			
Cevian Capital II LP	International Large	34,229	0.6%			
Mellon Capital Management-EB DV	International Large Passive	543,645	9.9%			
<b>Total International Developed Equity</b>		<b>\$674,280</b>	<b>12.3%</b>	<b>13.0%</b>	<b>(0.7%)</b>	<b>(\$36,616)</b>
AB Emerging Markets Strategic Core	Emerging Markets	100,967	1.8%			
DFA Emerging Markets Value Portfolio	Emerging Markets	84,850	1.6%			
Mellon Emerging Markets	Emerging Markets	96,213	1.8%			
<b>Total Emerging Market Equity</b>		<b>\$282,030</b>	<b>5.2%</b>	<b>5.0%</b>	<b>0.2%</b>	<b>\$8,609</b>
<b>TOTAL EQUITY</b>		<b>\$1,543,955</b>	<b>28.2%</b>	<b>37.0%</b>	<b>(8.8%)</b>	<b>(\$479,363)</b>
Mellon Capital Management Ag Bond	Core	234,296	4.3%			
PIMCO	Core Plus	205,897	3.8%			
Western Asset Management	Core Plus	220,827	4.0%			
<b>Total Core</b>		<b>\$661,020</b>	<b>12.1%</b>	<b>14.0%</b>	<b>(1.9%)</b>	<b>(\$104,560)</b>
TCW Securitized Opportunities LP	Securitized Opportunities	131,579	2.4%			
Western Asset Management	High Yield	184,117	3.4%			
<b>Total Credit</b>		<b>\$315,696</b>	<b>5.8%</b>	<b>6.0%</b>	<b>(0.2%)</b>	<b>(\$12,410)</b>
PIMCO EM Beta	Emerging Markets	148,241	2.7%			
Stone Harbor Global Funds	Emerging Markets	98,088	1.8%			
<b>Total Emerging Market Debt</b>		<b>\$246,329</b>	<b>4.5%</b>	<b>4.0%</b>	<b>0.5%</b>	<b>\$27,592</b>
<b>TOTAL FIXED INCOME</b>		<b>\$1,223,045</b>	<b>22.4%</b>	<b>24.0%</b>	<b>(1.6%)</b>	<b>(\$89,377)</b>
Gresham Commodity Builder Fund	Active	87,928	1.6%			
Wellington Trust Company (WTC)	Active	234,931	4.3%			
<b>TOTAL COMMODITIES</b>		<b>\$322,859</b>	<b>5.9%</b>	<b>4.0%</b>	<b>1.9%</b>	<b>\$104,122</b>
Aristeia International Ltd	Hedge Fund - Direct	67,395	1.2%			
Brevan Howard Fund Limited	Hedge Fund - Direct	64,289	1.2%			
D.E. Shaw Composite Fund	Hedge Fund - Direct	51,784	0.9%			
HBK Multi-Strategy Fund	Hedge Fund - Direct	58,343	1.1%			
Hudson Bay Enhanced Fund LP	Hedge Fund - Direct	73,475	1.3%			
Indus Pacific Opportunities Fund	Hedge Fund - Direct	37,008	0.7%			
Magnetar Structured Credit Fund	Hedge Fund - Direct	9,397	0.2%			
Myriad Opportunities Offshore Fund	Hedge Fund - Direct	1,208	0.0%			
PIMCO Commodity Alpha Fund LLC	Hedge Fund - Direct	61,636	1.1%			
PMF LTD	Hedge Fund - Direct	63,612	1.2%			
River Birch International Ltd	Hedge Fund - Direct	779	0.0%			
Sculptor Enhanced LP (Formerly OZ Domestic)	Hedge Fund - Direct	50,710	0.9%			
<b>TOTAL HEDGE FUND</b>		<b>\$539,636</b>	<b>9.9%</b>	<b>10.0%</b>	<b>(0.1%)</b>	<b>(\$7,207)</b>
ASB Capital Management	Core	172,835	3.2%			
JPMCB Strategic Property Fund	Core	133,541	2.4%			
<b>TOTAL CORE REAL ESTATE</b>		<b>\$306,376</b>	<b>5.6%</b>	<b>5.0%</b>	<b>0.6%</b>	<b>\$32,955</b>
Davidson Kempner	Hedge Fund - Direct	54,728	1.0%			
Garda Fixed Income	Hedge Fund - Direct	51,151	0.9%			
HBK Multi-Strategy Fund	Hedge Fund - Direct	54,659	1.0%			
HBK Spac Fund	Hedge Fund - Direct	49,830	0.9%			
Hudson Bay Enhanced Fund LP	Hedge Fund - Direct	57,060	1.0%			
<b>TOTAL CE ALPHA POOL</b>		<b>\$267,428</b>	<b>4.9%</b>	<b>5.0%</b>	<b>(0.1%)</b>	<b>(\$5,993)</b>
Harvest Midstream	Midstream	190,678	3.5%			
PIMCO Midstream	Midstream	142,359	2.6%			
<b>TOTAL MIDSTREAM ENERGY</b>		<b>\$333,037</b>	<b>6.1%</b>	<b>0.0%</b>	<b>6.1%</b>	<b>\$333,037</b>
Aristeia Select Opportunities II LP	Opportunistic	52,856	1.0%			
DB Investor's Fund IV	Opportunistic	42,078	0.8%			
TSSP Adjacent Opportunities Partners (D)	Opportunistic	67,198	1.2%			
<b>TOTAL OPPORTUNISTIC</b>		<b>\$162,132</b>	<b>3.0%</b>	<b>0.0%</b>	<b>3.0%</b>	<b>\$162,132</b>
Abbott Capital Funds	Private Equity Fund of Funds	32,021	0.6%			
Brighton Park	Private Equity	32,810	0.6%			
Level Equity Growth Partners	Private Equity	1,710	0.0%			
LGT Crown Global	Private Equity	16,502	0.3%			
Pantheon Funds	Private Equity Fund of Funds	12,863	0.2%			
Peak Rock	Private Equity	8,943	0.2%			
Vista	Private Equity	9,350	0.2%			
Warren Equity Partners	Private Equity	13,940	0.3%			
<b>TOTAL PRIVATE EQUITY</b>		<b>\$128,139</b>	<b>2.3%</b>	<b>5.0%</b>	<b>(2.7%)</b>	<b>(\$145,282)</b>
Blue Torch Credit Opportunites	Private Credit	14,092	0.3%			
Brookfield Real Estate Finance Fund V	Private Credit	23,059	0.4%			
Colony Distressed Credit Fund	Private Credit	43,190	0.8%			
Fortress Credit Opportunites Fund V	Private Credit	15,084	0.3%			
Fortress Lending Fund II (A)	Private Credit	29,822	0.5%			
H.I.G Bayside Loan Opportunity Fund	Private Credit	41,700	0.8%			
Magnetar Constellation Fund V	Private Credit	37,059	0.7%			
TSSP Adjacent Opportunites Partners (B)	Private Credit	36,784	0.7%			
<b>TOTAL PRIVATE CREDIT</b>		<b>\$240,790</b>	<b>4.4%</b>	<b>5.0%</b>	<b>(0.6%)</b>	<b>(\$32,631)</b>
Covenant Apartment Fund	Private Real Estate	21,793	0.4%			
Invesco Real Estate Funds III & IV	Private Real Estate	8,471	0.2%			
KCERA Property	Private Real Estate	4,629	0.1%			
LBA Logistics Value Fund IX	Private Real Estate	1,923	0.0%			
Landmark Real Estate Partners VIII	Private Real Estate	22,712	0.4%			
Long Wharf Real Estate Partners VI	Private Real Estate	19,974	0.4%			
Singerman Real Estate Opportunity Fund IV	Private Real Estate	1,890	0.0%			
<b>TOTAL PRIVATE REAL ESTATE</b>		<b>\$81,392</b>	<b>1.5%</b>	<b>5.0%</b>	<b>(3.5%)</b>	<b>(\$192,029)</b>
Northern Trust STIF	Short Term	31,286	0.6%			
BlackRock Short Duration	Short Term	118,773	2.2%			
Parametric	Overlay	156,276	2.9%			
Treasurers Pooled Cash	Short Term	12,340	0.2%			
Wells Fargo Bank	Short Term	583	0.0%			
<b>TOTAL CASH AND OVERLAY</b>		<b>\$319,258</b>	<b>5.8%</b>	<b>0.0%</b>	<b>5.8%</b>	<b>\$319,258</b>
Transition Accounts	Liquidation	380	0.0%			
<b>Other</b>		<b>\$380</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>\$380</b>
<b>As Allocated to Managers **</b>		<b>\$5,468,427</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(0.0%)</b>	<b>(\$0)</b>

\*This report reflects the strategic asset allocation policy adopted by the Board of Retirement April 2020.

\*\*Physical securities market value only. Does not include notional market values of the overlay or capital efficiency program

**KCERA**  
**CASH FLOW POSITION**  
**February, 2022**  
**TREASURERS POOLED CASH**

<b>Beginning Cash Balance:</b>		<b>\$ 12,548,128</b>
Employer Contributions	23,159,611	
Employee Contributions	3,307,275	
Service Purchases	82,892	
<b>Total Receipts:</b>		<b>26,549,778</b>
Operating Expenses	(755,530)	
Investment Expenses	(2,001,903)	
Transfers-out	(24,000,000)	
<b>Total Disbursements:</b>		<u><b>(26,757,433)</b></u>
<b>Ending Cash Balance:</b>		<u><b>\$ 12,340,474</b></u>

**NORTHERN TRUST**

<b>Beginning Cash Balance:</b>		<b>\$ 20,673,350</b>
Private Equity - Distributions	-	
Commingled Funds - Distributions	9,552,678	
Hedge Funds - Distributions	1,419,834	
Redemption Brevan Howard	3,920,992	
Redemption Parametric	20,000,000	
Redemption Gresham	20,000,000	
Class Action Proceeds	1,107	
Interest	2,222	
Securities Lending Earnings (NET)	33,354	
<b>Total Receipts:</b>		<b>54,930,186</b>
Capital Calls Fortress	(4,000,000)	
Capital Calls Brighton Park	(4,225,127)	
Capital Calls HIG Bayside	(4,500,000)	
Capital Calls Covenant	(1,500,000)	
Capital Calls LBA	(1,923,077)	
Capital Calls Peak Rock	(2,991,131)	
Contribution Mellon	(16,000,000)	
Other Expenses	(1,339)	
Transfers-out	(9,500,000)	
<b>Total Disbursements:</b>		<u><b>(44,640,674)</b></u>
<b>Ending Cash Balance:</b>		<u><b>\$ 30,962,862</b></u>

**WELLS FARGO BANK**

<b>Beginning Cash balance:</b>		<b>\$ 698,306</b>
Transfer-In	33,500,000	
<b>Total Receipts:</b>		<b>33,500,000</b>
Pension Payments	(32,349,394)	
Lump Sum Payments	(1,099,895)	
Bank Service Charges	(1,639)	
Cash Clearing (NET) *	(164,875)	
<b>Total Disbursements:</b>		<u><b>(33,615,803)</b></u>
<b>Ending Cash Balance:</b>		<u><b>\$ 582,504</b></u>

**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
INVESTMENT FEES CASH FLOW REPORT  
FOR THE MONTH ENDED FEBRUARY, 2022**

Description	July	August	September	October	November	December	January	February	Total
<b>Investment Base Fees:</b>									
Domestic Equity:									
AllianceBernstein	221,667.83				206,725.49		216,923.06		645,316.38
Henderson Geneva Capital		124,076.00			109,770.00			111,499.00	345,345.00
Mellon Capital	135,799.99				91,967.45				227,767.44
International Equity:									
BlackRock			65,882.31				35,612.34		101,494.65
Fidelity Institutional Asset Management									0.00
Fixed Income:									
Mellon Capital (Ag Bond)	11,876.36				12,011.39				23,887.75
Pacific Investment Management Company		284,672.90			300,372.43			665,403.95	1,250,449.28
Western Asset Management			219,911.39		223,146.49			221,199.75	664,257.63
Commodities:									
Wellington Trust Company		364,698.23			371,110.50			379,266.96	1,115,075.69
Real Estate:									
ASB Capital Management		242,926.04			323,985.26			336,566.22	903,477.52
Midstream Energy:									0.00
Harvest Midstream	187,309.24			233,263.61			274,359.19		694,932.04
Overlay									
Parametric				77,171.00	77,186.00			83,502.00	
<b>Subtotal</b>	<b>556,653.42</b>	<b>1,016,373.17</b>	<b>285,793.70</b>	<b>310,434.61</b>	<b>4,040,607.48</b>	<b>0.00</b>	<b>526,894.59</b>	<b>1,797,437.88</b>	<b>8,534,194.85</b>
<b>Investment Professional Fees:</b>									
Consulting:									
Abel Noser			7,500.00	7,500.00					
Albourne America LLC	33,333.33	33,333.33	33,333.33	33,333.33	33,333.33	44,683.33	33,333.33	33,333.33	278,016.64
Cambridge Associates				168,750.00		56,250.00		125,000.00	350,000.00
Glass, Lewis & Co.					7,950.00				7,950.00
Verus	34,166.67	34,166.67	34,166.67	34,166.67	34,166.67	34,166.67	34,166.67	34,166.67	273,333.36
Consulting - Other Expenses								9,000.00	
Custodial:									
The Northern Trust Co.	228,541.66		111,875.00			128,645.83			469,062.49
Legal:									
Foley & Lardner LLP								2,965.00	2,965.00
Hanson Bridgett LLP			2,220.00	7,380.00					9,600.00
Nossaman LLP	1,148.00		28,136.50			2,029.50			31,314.00
Due Diligence / Investment-Related Travel:									0.00
<b>Subtotal</b>	<b>297,189.66</b>	<b>67,500.00</b>	<b>217,231.50</b>	<b>251,130.00</b>	<b>75,450.00</b>	<b>265,775.33</b>	<b>67,500.00</b>	<b>204,465.00</b>	<b>1,446,241.49</b>
<b>Total Investment Fees</b>	<b>853,843.08</b>	<b>1,083,873.17</b>	<b>503,025.20</b>	<b>561,564.61</b>	<b>4,116,057.48</b>	<b>265,775.33</b>	<b>594,394.59</b>	<b>2,001,902.88</b>	<b>9,980,436.34</b>

**KCERA**  
**Operating Expense Budget Status Report**  
**For the Month Ended February 28, 2022**

Expense Type	Budget FY 2021/22	Expenses	Over (Under)
<b>Staffing</b>			
Salaries	3,000,135.00	1,692,891.48	(1,307,243.52)
Benefits	2,098,829.00	1,090,515.21	(1,008,313.79)
Temporary staff	100,000.00	23,090.88	(76,909.12)
<b>Staffing Total</b>	<b>5,198,964.00</b>	<b>2,806,497.57</b>	<b>(2,392,466.43)</b>
<b>Staff Development</b>			
Education & Professional Development	57,500.00	9,062.00	(48,438.00)
Staff Appreciation	2,500.00	1,724.38	(775.62)
<b>Staff Development Total</b>	<b>60,000.00</b>	<b>10,786.38</b>	<b>(49,213.62)</b>
<b>Professional Fees</b>			
Actuarial fees	190,000.00	49,985.00	(140,015.00)
Audit fees	49,000.00	44,812.33	(4,187.67)
Consultant fees	125,000.00	21,250.00	(103,750.00)
Legal fees	80,000.00	11,205.32	(68,794.68)
<b>Professional Fees Total</b>	<b>444,000.00</b>	<b>127,252.65</b>	<b>(316,747.35)</b>
<b>Office Expenses</b>			
Building expenses	72,000.00	63,467.54	(8,532.46)
Communications	33,100.00	18,563.80	(14,536.20)
Equipment lease	13,000.00	6,593.71	(6,406.29)
Equipment maintenance	2,000.00	2,000.00	-
Memberships	16,000.00	11,120.00	(4,880.00)
Office supplies & misc. admin.	54,540.00	21,708.94	(32,831.06)
Payroll & accounts payable fees	22,800.00	2,961.33	(19,838.67)
Other Services - Kern County	100,000.00	8,412.01	(91,587.99)
Postage	25,000.00	13,349.40	(11,650.60)
Subscriptions	13,500.00	3,820.45	(9,679.55)
Utilities	50,000.00	25,283.74	(24,716.26)
<b>Office Expense Total</b>	<b>401,940.00</b>	<b>177,280.92</b>	<b>(224,659.08)</b>
<b>Insurance</b>	<b>138,385.00</b>	<b>149,034.00</b>	<b>10,649.00</b>
<b>Member Services</b>			
Disability- legal fees	50,000.00	2,727.55	(47,272.45)
Disability – professional services	45,000.00	2,525.00	(42,475.00)
Disability- administration MMRO	130,800.00	48,850.00	(81,950.00)
Member communications	20,000.00	15,998.08	(4,001.92)
<b>Member Services Total</b>	<b>245,800.00</b>	<b>70,100.63</b>	<b>(175,699.37)</b>
<b>Systems</b>			
Audit – security & vulnerability scan	15,000.00	-	(15,000.00)
Business continuity expenses	14,700.00	8,740.00	(5,960.00)
Hardware	35,775.00	33,412.81	(2,362.19)
Licensing & support	138,415.00	117,660.49	(20,754.51)
Software	95,500.00	88,149.50	(7,350.50)
Website design & hosting	64,700.00	35,318.26	(29,381.74)
<b>Systems Total</b>	<b>364,090.00</b>	<b>283,281.06</b>	<b>(80,808.94)</b>
<b>Board of Retirement</b>			
Board compensation	12,000.00	4,840.40	(7,159.60)
Board conferences & training	30,000.00	5,901.95	(24,098.05)
Board elections	35,000.00	-	(35,000.00)
Board meetings	3,500.00	120.51	(3,379.49)
<b>Board of Retirement Total</b>	<b>80,500.00</b>	<b>10,862.86</b>	<b>(69,637.14)</b>
<b>Depreciation / Amortization</b>	<b>646,908.00</b>	<b>378,022.28</b>	<b>(268,885.72)</b>
<b>Total Operating Expenses</b>	<b>7,578,087.00</b>	<b>4,013,118.35</b>	<b>(3,564,968.65)</b>



KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Memorandum from the  
Office of the Chief Executive Officer  
*Dominic D. Brown*

**Date:** April 13, 2022  
**To:** Trustees, Board of Retirement  
**From:** Dominic D. Brown, Chief Executive Officer   
**Subject:** **SACRS Spring Conference**  
**Rancho Mirage, California**  
**May 10-13, 2022**

In accordance with the Travel Policy approved by the Board of Retirement on August 11, 2021, I have attached information concerning the above-captioned conference, as follows:

- Agenda and supporting information on the pertinence and relevance of attendance to a fiduciary – Preliminary agenda is attached
- Specific information as to whether staff or members of the Board will serve as a speaker or panel participant – None
- Specific information concerning the estimated total travel cost involved, including the estimated costs to be borne by KCERA and those costs borne by the conference sponsor

The topic list is timely and relevant to the administration of the retirement system. Accordingly, I recommend that the Board approve the attendance of Trustees Jeanine Adams, Phil Franey, Jordan Kaufman, Rick Kratt, and Chase Nunneley, Chief Executive Officer Dominic Brown, Chief Operations Officer Matthew Henry, Chief Legal Officer Jennifer Zahry, Administrative Services Officer Aimee Morton, Deputy Chief Legal Officer Phillip Jenkins, Retirement Investment Analyst Jack Bowman and Senior Legal Secretary Irma Chavez.

Attachments

**Travel Subject** SACRS Spring Conference  
**Sponsor** SACRS  
**Date(s)** May 10-13, 2022  
**Location** Rancho Mirage, CA  
**Proposed Attendee(s)** Adams, Franey, Kaufman, Kratt, Nunneley, Bowman, Brown, Chavez, Henry, Jenkins, Morton, Zahry  
**Estimated Total Travel Cost** \$16,542.06

Description	Computation		Adams	Franey	Kaufman	Kratt	Nunneley	Bowman	Brown	Chavez
Registration fees	\$120.00	=	120.00	120.00	120.00	120.00	120.00	120.00	120.00	120.00
Lodging expense	3 nights @ \$ 276.82 /night	=	830.46	830.46	830.46	830.46	830.46	830.46	830.46	830.46
Per diem meals reimbursement:	4 days @ \$ 69.00 /day	=	276.00	276.00	276.00	276.00	276.00	276.00	276.00	276.00
Less meals provided by sponsor	3 Breakfast, 2 Lunch, 1 Dinner = \$117.99	=	(\$117.99)	(\$117.99)	(\$117.99)	(\$117.99)	(\$117.99)	(\$117.99)	(\$117.99)	(\$117.99)
Total meals expense		=								
Shuttle/taxicab expense	Taxi Estimate	=								
Airfare	\$0.00	=	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Vehicle-related expenses:		=	-	-	-	-	-	-	-	-
Parking	4 days @ - /day	=	-	-	-	-	-	-	-	-
Mileage	468 miles @ 0.345 /mile (Department Head)	=	-	-	-	-	-	-	161.46	-
	468 miles @ 0.585 /mile (Staff, Trustee)	=	273.78	273.78	273.78	273.78	273.78	273.78	-	273.78
Rental car		=	-	-	-	-	-	-	-	-
Rental car gasoline		=	-	-	-	-	-	-	-	-
Totals		=	1,382.25	1,382.25	1,382.25	1,382.25	1,382.25	1,382.25	1,269.93	1,382.25

**Travel Subject** SACRS Spring Conference  
**Sponsor** SACRS  
**Date(s)** May 10-13, 2022  
**Location** Rancho Mirage, CA  
**Proposed Attendee(s)** Adams, Franey, Kaufman, Kratt, Nunneley, Bowman, Brown, Chavez, Henry, Jenkins, Morton, Zahry

**Estimated Total Travel Cost** \$16,542.06

Description	Computation		Henry	Jenkins	Morton	Zahry	Totals	Borne By	
								KCERA	Sponsor
Registration fees	\$120.00	=	120.00	120.00	120.00	120.00	1,440.00	1,440.00	
Lodging expense	3 nights @ \$ 276.82 /night	=	830.46	830.46	830.46	830.46	9,965.52	9,965.52	
Per diem meals reimbursement:	4 days @ \$ 69.00 /day	=	276.00	276.00	276.00	276.00			
Less meals provided by sponsor	3 Breakfast, 2 Lunch, 1 Dinner = \$117.99	=	(\$117.99)	(\$117.99)	(\$117.99)	(\$117.99)			\$1,415.88
Total meals expense		=					3,312.00	1,896.12	
Shuttle/taxicab expense	Taxi Estimate	=					-	-	
Airfare	\$0.00	=	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-	-
Vehicle-related expenses:		=	-	-	-	-	-	-	-
Parking	4 days @ - /day	=	-	-	-	-	-	-	-
Mileage	468 miles @ 0.345 /mile (Department Head)	=	-	-	-	-	161.46	161.46	
	468 miles @ 0.585 /mile (Staff, Trustee)	=	-	-	273.78	273.78	2,464.02	2,464.02	
Rental car		=	187.47	187.47	-	-	374.94	374.94	
Rental car gasoline		=	120.00	120.00	-	-	240.00	240.00	
Totals		=	1,415.94	1,415.94	1,382.25	1,382.25	\$ 17,957.94	\$ 16,542.06	\$ 1,415.88



# SACRS SPRING CONFERENCE

**MAY 9-12, 2022**

**OMNI RANCHO LAS PALMAS  
RESORT & SPA  
RANCHO MIRAGE, CA**

**PRELIMINARY CONFERENCE AGENDA**

## TUESDAY, MAY 10

**12:00 PM - 12:00 PM**

SACRS Conference Registration Desk

**3:00 PM - 5:00 PM**

ETHICS TRAINING FOR TRUSTEES AND STAFF

**3:00 PM - 5:00 PM**

SEXUAL HARASSMENT PREVENTION TRAINING FOR LOCAL AGENCY OFFICIALS (AB1661)

**5:30 PM - 6:30 PM**

SACRS NETWORKING RECEPTION

## WEDNESDAY, MAY 11

**7:00 AM - 8:00 AM**

SACRS WELLNESS SESSION – YOGA

**7:00 AM - 8:15 AM**

SACRS Breakfast

**8:30 AM - 10:00 AM**

WELCOME VIVIAN GRAY, SACRS PRESIDENT AND KEYNOTE SPEAKER

**10:00 AM - 10:30 AM**

GENERAL SESSION

**10:30 Am - 11:30 AM**

GENERAL SESSION

**11:30 Am - 12:30 PM**

GENERAL SESSION

**12:30 PM - 1:45 PM**

SACRS LUNCH

**2:00 PM - 4:30 PM | CONCURRENT SESSIONS**

**ADMINISTRATORS BREAKOUT**

**AFFILIATE BREAKOUT**



# SACRS SPRING CONFERENCE

**MAY 9-12, 2022**

**OMNI RANCHO LAS PALMAS  
RESORT & SPA  
RANCHO MIRAGE, CA**

**PRELIMINARY CONFERENCE AGENDA**

## WEDNESDAY, MAY 11 CONTINUED

**ATTORNEYS BREAKOUT**

**INTERNAL AUDITORS BREAKOUT** (closed session)

**INVESTMENT BREAKOUT**

**OPERATIONS/BENEFITS BREAKOUT**

**SAFETY BREAKOUT**

**TRUSTEE BREAKOUT**

**6:00 PM - 9:00 PM**

**SACRS ANNUAL WEDNESDAY NIGHT EVENT**

## THURSDAY, MAY 12

**7:00 AM - 8:00 AM**

**SACRS FUN RUN**

**7:30 AM - 8:30 AM**

**SACRS Breakfast**

**8:45 AM - 10:00 AM**

**SACRS Volunteer Award & Keynote**

**10:00 AM - 10:30 AM**

**SACRS NETWORKING BREAK**

**10:30 AM - 11:30 AM**

**GENERAL SESSION**

**11:30 AM - 12:30 PM**

**GENERAL SESSION**

**12:30 PM - 1:45 PM**

**SACRS LUNCH**



# SACRS SPRING CONFERENCE

**MAY 9-12, 2022**

**OMNI RANCHO LAS PALMAS  
RESORT & SPA  
RANCHO MIRAGE, CA**

**PRELIMINARY CONFERENCE AGENDA**

## THURSDAY, MAY 12 CONTINUED

**2:00 PM - 3:00 PM | CONCURRENT SESSIONS**

**CONCURRENT SESSION A**

**CONCURRENT SESSION B**

**CONCURRENT SESSION C**

**3:00 PM - 3:30 PM**

SACRS NETWORKING BREAK

**3:30 PM - 4:30 PM | CONCURRENT SESSIONS**

**CONCURRENT SESSION A**

**CONCURRENT SESSION B**

**CONCURRENT SESSION C**

**4:30 PM - 5:30 PM**

SACRS EDUCATION COMMITTEE MEETING

**4:30 PM - 5:30 PM**

SACRS NOMINATING COMMITTEE MEETING

**5:30 PM - 6:30 PM**

SACRS RECEPTION

## FRIDAY, MAY 13

**7:30 AM - 8:30 AM**

SACRS Breakfast

**8:45 AM - 9:45 AM**

GENERAL SESSION

**9:45 AM - 10:00 AM**

SACRS NETWORKING BREAK

**10:00 AM - 11:30 AM**

SACRS ANNUAL BUSINESS MEETING

## SPECIAL PAY CODE – PENSIONABLE/ NON-PENSIONABLE

Dept./BU	Code	Title	Details	Legal Authority
CAO	CJ	<p>CAO Certification Pay</p> <p>INCLUDED FOR LEGACY MEMBERS;</p> <p>EXCLUDED FOR PEPR MEMBERS</p>	<p>5% of base pay for employees in the Budget and Finance Division of the CAO who obtain &amp; maintain status as a Certified Public Accountant or Certified Public Finance Officer.</p>	<p><i>Not excluded by Cal. Gov. Code section 31461; 7522.34(a); 7522.34(c)(7)</i></p>

## SPECIAL PAY CODES – NON-PENSIONABLE

Dept./BU	Code	Title	Details	Legal Authority
County	EP	Extra Help Paid Time Off Payoff  EXCLUDED FOR ALL	Extra Help employees PTO balance should payout upon termination.	<i>Cal. Gov. Code sections 31461(b)(1); 7522.34(c)(5).</i>
County	EQ	Extra Help Alternate Hours Off Payoff  EXCLUDED FOR ALL	Extra Help employees AHO balance should payout upon termination.	<i>Cal. Gov. Code sections 31461(b)(1); 7522.34(c)(5).</i>

THE FOLLOWING SPECIAL ALLOWANCE DESIGNATIONS DISPLAY THE SPECIAL ALLOWANCES CLASSIFIED BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO KCERA BOARD'S ADMINISTRATION OF SPECIAL ALLOWANCES POLICY & CA SUPREME COURT ALAMEDA DECISION (7/30/2020)

**COMPENSATION EARNABLE**

THE FOLLOWING SPECIAL ALLOWANCES ARE CONSIDERED **COMPENSATION EARNABLE** FOR APPLICABLE MEMBERS (MEMBERSHIP BEFORE 1/1/2013).

<u>CODE</u>	<u>SPECIAL ALLOWANCE</u>	<u>FULL LEGEND</u>
CJ		CAO CERTIFICATION PAY

THE FOLLOWING SPECIAL ALLOWANCES ARE **NOT** CONSIDERED **COMPENSATION EARNABLE** FOR APPLICABLE MEMBERS (MEMBERSHIP BEFORE 1/1/2013).

<u>CODE</u>	<u>SPECIAL ALLOWANCE</u>	<u>FULL LEGEND</u>
EP		EXTRA HELP PAID TIME OFF PAYOFF
EQ		EXTRA HELP ALTERNATE HOURS OFF PAYOFF

**PENSIONABLE COMPENSATION**

THE FOLLOWING SPECIAL ALLOWANCES ARE **NOT** CONSIDERED **PENSIONABLE COMPENSATION** FOR APPLICABLE MEMBERS (MEMBERSHIP ON OR AFTER 1/1/2013).

<u>CODE</u>	<u>SPECIAL ALLOWANCE</u>	<u>FULL LEGEND</u>
CJ		CAO CERTIFICATION PAY
EP		EXTRA HELP PAID TIME OFF PAYOFF
EQ		EXTRA HELP ALTERNATE HOURS OFF PAYOFF



KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Memorandum from the  
Office of the Chief Executive Officer  
*Dominic D. Brown*

**Date:** April 13, 2022  
**To:** Trustees, Board of Retirement  
**From:** Dominic D. Brown, Chief Executive Officer *Dominic D. Brown*  
**Subject:** **Updated Board Charters and Policies (non-substantive changes)**

The following charters and policies contain non-substantive revisions to reflect the recent changes in titles to key management staff and updates in acronyms.

Board Charters:

1. Administrative Committee Charter
2. Board Chair Charter
3. Board of Retirement Charter
4. Chief Executive Officer Charter
5. Committee Chair Charter
6. Finance Committee Charter
7. Investment Committee Charter
8. Nominating Committee Charter
9. Secretary of the Board Charter
10. Vice-Chair Charter

Board Policies:

1. Board Communications Policy
2. Board Operations Policy
3. Board Performance Evaluation Policy
4. Chief Executive Officer Evaluation Policy
5. Chief Executive Officer Succession Policy
6. Code of Conduct
7. Due Diligence and Service Provider Selection Policy
8. Evaluation Period Policy
9. Investment Policy Statement
10. Monitoring and Reporting Policy
11. Service Provider Evaluation Policy
12. Trustee Education Policy
13. Trustee Travel Policy

Staff recommends your Board approve the proposed non-substantive policy updates.



## **ADMINISTRATIVE COMMITTEE CHARTER**

### **INTRODUCTION**

- 1) The Board is responsible for ensuring effective governance practices, and for the oversight of KCERA's operations. To assist the Board in the above, the Board has established an Administrative Committee to be comprised of not less than four trustees and one alternate member.
- 2) The duties of the Administrative Committee and the manner in which it will operate are set out below.

### **COMMITTEE OPERATIONS**

- 3) The Administrative Committee shall operate as follows:
  - a) The presence of a majority of Administrative Committee members shall constitute a quorum.
  - b) All actions of the Administrative Committee shall be by an affirmative vote of the majority of the members present at a meeting of the Administrative Committee, provided a quorum is present.
  - c) All actions of the Administrative Committee shall be approved by the Board to be effective, unless otherwise provided herein.
  - d) The Administrative Committee shall meet at least annually, or as deemed necessary by the Administrative Committee or the Chair of the Administrative Committee, in consultation with the ~~Executive Director~~Chief Executive Officer.
  - e) The meetings of the Administrative Committee shall be open to the public and noticed and held in accordance with the Brown Act.
  - f) The Administrative Committee shall keep minutes of its meetings.
  - g) The ~~Executive Director~~Chief Executive Officer shall be the staff support contact for the Committee.

### **COMMITTEE RESPONSIBILITIES**

#### Governance Function

- 4) The Administrative Committee shall:

- a) Develop and recommend governance policies and charters designed to support effective board governance practices.<sup>1</sup>
- b) Review compliance with the above policies and charters and recommend amendments, as necessary.
- c) Review any allegation of a breach of KCERA's Code of Conduct that may be referred to the Administrative Committee.
- d) Recommend to the Board any modifications to the committee structure of the Board (i.e. the addition or elimination of any committees).
- e) Coordinate and oversee the implementation of the Board's self evaluation.

### Human Resources

5) The Administrative Committee shall:

- a) Recommend to the Board any employment contracts for the positions of ~~Executive Director~~Chief Executive Officer, ~~Assistant Executive Director~~Chief Operations Officer, Chief Investment Officer, and ~~General Counsel~~Chief Legal Officer, if applicable.
- b) Recommend to the Board human resource policies applicable to the positions of ~~Executive Director~~Chief Executive Officer, ~~Assistant Executive Director~~Chief Operations Officer, Chief Investment Officer, and ~~General Counsel~~Chief Legal Officer, as necessary. (Other KCERA staff are subject to the human resources policies of the County.)
- c) Coordinate the ~~Executive Director~~Chief Executive Officer's annual performance evaluation.
- d) Review and discuss with the ~~Executive Director~~Chief Executive Officer, at least annually, any staff succession plans or issues.
- e) Coordinate any employment searches for the ~~Executive Director~~Chief Executive Officer position.
- f) Approve requests by the ~~Executive Director~~Chief Executive Officer to initiate employment searches for senior executive positions.

### Operations

6) The Administrative Committee shall:

- a) Review periodically the insurance coverage for KCERA and its covered insureds.
- b) Be available to advise the ~~Executive Director~~Chief Executive Officer on operational, administrative and member services-related matters, as appropriate.

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<sup>1</sup> The Board approves other types of policies that do not fall under the purview of the Administrative Committee; these include but are not limited to investment and financial policies.

### Service Provider Selection

7) The Administrative Committee shall:

- a) Select and appoint, as necessary, human resources consultants to assist with the recruitment of candidates for the ~~Executive Director~~Chief Executive Officer position.
- b) Review recommendations of staff concerning the appointment of service providers that involve material technology or operational projects or a value greater than \$50,000, and provide recommendations to the Board.
- c) Select and appoint, as necessary, other specialists to assist the Administrative Committee in carrying out its charter.

### Other Duties

8) The Administrative Committee shall:

- a) Be available to advise the Board and staff as required.
- b) Report regularly to the Board on its activities.
- c) Perform any other duties assigned to it by the Board.

## POLICY REVIEW AND HISTORY

9) This charter shall be reviewed at least every five years.

10) This charter was:

- a) Adopted by the Board on September 12, 2012.
- b) Amended on April 13, 2016; ~~and~~ August 11, 2021; and April 13, 2022.-

DRAFT



## **ADMINISTRATIVE COMMITTEE CHARTER**

### **INTRODUCTION**

- 1) The Board is responsible for ensuring effective governance practices, and for the oversight of KCERA's operations. To assist the Board in the above, the Board has established an Administrative Committee to be comprised of not less than four trustees and one alternate member.
- 2) The duties of the Administrative Committee and the manner in which it will operate are set out below.

### **COMMITTEE OPERATIONS**

- 3) The Administrative Committee shall operate as follows:
  - a) The presence of a majority of Administrative Committee members shall constitute a quorum.
  - b) All actions of the Administrative Committee shall be by an affirmative vote of the majority of the members present at a meeting of the Administrative Committee, provided a quorum is present.
  - c) All actions of the Administrative Committee shall be approved by the Board to be effective, unless otherwise provided herein.
  - d) The Administrative Committee shall meet at least annually, or as deemed necessary by the Administrative Committee or the Chair of the Administrative Committee, in consultation with the Chief Executive Officer.
  - e) The meetings of the Administrative Committee shall be open to the public and noticed and held in accordance with the Brown Act.
  - f) The Administrative Committee shall keep minutes of its meetings.
  - g) The Chief Executive Officer shall be the staff support contact for the Committee.

### **COMMITTEE RESPONSIBILITIES**

#### **Governance Function**

- 4) The Administrative Committee shall:
  - a) Develop and recommend governance policies and charters designed to support effective board governance practices.<sup>1</sup>

<sup>1</sup> The Board approves other types of policies that do not fall under the purview of the Administrative Committee; these include but are not limited to investment and financial policies.

- b) Review compliance with the above policies and charters and recommend amendments, as necessary.
- c) Review any allegation of a breach of KCERA's Code of Conduct that may be referred to the Administrative Committee.
- d) Recommend to the Board any modifications to the committee structure of the Board (i.e. the addition or elimination of any committees).
- e) Coordinate and oversee the implementation of the Board's self evaluation.

#### Human Resources

5) The Administrative Committee shall:

- a) Recommend to the Board any employment contracts for the positions of Chief Executive Officer, Chief Operations Officer, Chief Investment Officer, and Chief Legal Officer, if applicable.
- b) Recommend to the Board human resource policies applicable to the positions of Chief Executive Officer, Chief Operations Officer, Chief Investment Officer, and Chief Legal Officer, as necessary. (Other KCERA staff are subject to the human resources policies of the County.)
- c) Coordinate the Chief Executive Officer's annual performance evaluation.
- d) Review and discuss with the Chief Executive Officer, at least annually, any staff succession plans or issues.
- e) Coordinate any employment searches for the Chief Executive Officer position.
- f) Approve requests by the Chief Executive Officer to initiate employment searches for senior executive positions.

#### Operations

6) The Administrative Committee shall:

- a) Review periodically the insurance coverage for KCERA and its covered insureds.
- b) Be available to advise the Chief Executive Officer on operational, administrative and member services-related matters, as appropriate.

#### Service Provider Selection

7) The Administrative Committee shall:

- a) Select and appoint, as necessary, human resources consultants to assist with the recruitment of candidates for the Chief Executive Officer position.
- b) Review recommendations of staff concerning the appointment of service providers that involve material technology or operational projects or a value greater than \$50,000, and provide recommendations to the Board.
- c) Select and appoint, as necessary, other specialists to assist the Administrative Committee in carrying out its charter.

Other Duties

- 8) The Administrative Committee shall:
- a) Be available to advise the Board and staff as required.
  - b) Report regularly to the Board on its activities.
  - c) Perform any other duties assigned to it by the Board.

PROPOSED

**POLICY REVIEW AND HISTORY**

- 9) This charter shall be reviewed at least every five years.
- 10) This charter was:
- a) Adopted by the Board on September 12, 2012.
  - b) Amended on April 13, 2016; August 11, 2021; and April 13, 2022.

## **BOARD CHAIR CHARTER**

### **INTRODUCTION**

- 1) The Board shall elect one (1) trustee as Chair to hold office for a period of one (1) year. The Chair will exercise the powers and will perform the duties and functions specified herein.

### **DUTIES AND RESPONSIBILITIES**

- 2) The Chair shall:
  - a) Appoint chairs of standing committees of the Board;
  - b) Appoint trustees to standing committees of the Board<sup>1</sup>;
  - c) Preside at meetings of the Board, ensuring that such meetings are conducted in an efficient manner and in accordance with the Brown Act and the Board's *Simplified Rules of Order* (see *Board Operations Policy*);
  - d) Guide the Board in achieving, when possible, a consensus on decisions, while allowing full and open debate;
  - e) Ensure coordination of meetings, agendas, schedules and presentations, in consultation with the ~~Executive Director~~Chief Executive Officer;
  - f) Facilitate effective and open communications between the Board and the ~~Executive Director~~Chief Executive Officer;
  - g) Work to ensure cohesion within the Board;
  - h) Work to ensure that the Board discharges its duties and responsibilities as set forth in the Act, the Board charter, the Regulations, and the governance policies of the Board;
  - i) Confer with KCERA spokespersons (i.e., the ~~Executive Director~~Chief Executive Officer or ~~Assistant Executive Director~~Chief Operations Officer) on significant communication issues;
  - j) Serve as spokesperson for KCERA when the Board determines it would be inappropriate for the ~~Executive Director~~Chief Executive Officer or ~~Assistant Executive Director~~Chief Operations Officer to do so;
  - k) Review travel and, if applicable, other job-related expenditures of the ~~Executive Director~~Chief Executive Officer;
  - l) Discuss and assess the concerns of any trustee about the conduct of the Board

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<sup>1</sup> As per Article 1 of the Regulations, in the case of the Nominating Committee, two committee members are appointed by the Chair, while two committee members are appointed by the full Board.

or the conduct of individual trustees, and take appropriate action, - consulting with ~~General Counsel~~Chief Legal Officer, if necessary;

- m) Sign subpoenas if the Secretary to the Board is unavailable; (§31535)
- n) Execute all agreements with a value in excess of \$50,000 on behalf of KCERA; and
- o) Carry out such other functions and duties as may be prescribed by the Board.

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### **POLICY REVIEW AND HISTORY**

- 3) This charter shall be reviewed at least every five years.
- 4) This charter was:
  - a) Adopted by the Board on November 14, 2001.
  - b) Amended on June 23, 2004; September 27, 2006; July 28, 2010; December 12, 2012;

April 13, 2016; ~~and~~ August 11, 2021; ~~and~~ April 13, 2022.

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## **BOARD CHAIR CHARTER**

### **INTRODUCTION**

- 1) The Board shall elect one (1) trustee as Chair to hold office for a period of one (1) year. The Chair will exercise the powers and will perform the duties and functions specified herein.

### **DUTIES AND RESPONSIBILITIES**

- 2) The Chair shall:
  - a) Appoint chairs of standing committees of the Board;
  - b) Appoint trustees to standing committees of the Board<sup>1</sup>;
  - c) Preside at meetings of the Board, ensuring that such meetings are conducted in an efficient manner and in accordance with the Brown Act and the Board's *Simplified Rules of Order* (see *Board Operations Policy*);
  - d) Guide the Board in achieving, when possible, a consensus on decisions, while allowing full and open debate;
  - e) Ensure coordination of meetings, agendas, schedules and presentations, in consultation with the Chief Executive Officer;
  - f) Facilitate effective and open communications between the Board and the Chief Executive Officer;
  - g) Work to ensure cohesion within the Board;
  - h) Work to ensure that the Board discharges its duties and responsibilities as set forth in the Act, the Board charter, the Regulations, and the governance policies of the Board;
  - i) Confer with KCERA spokespersons (i.e., the Chief Executive Officer or Chief Operations Officer) on significant communication issues;
  - j) Serve as spokesperson for KCERA when the Board determines it would be inappropriate for the Chief Executive Officer or Chief Operations Officer to do so;
  - k) Review travel and, if applicable, other job-related expenditures of the Chief Executive Officer;
  - l) Discuss and assess the concerns of any trustee about the conduct of the Board or the conduct of individual trustees, and take appropriate action, consulting

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<sup>1</sup> As per Article 1 of the Regulations, in the case of the Nominating Committee, two committee members are appointed by the Chair, while two committee members are appointed by the full Board.

- with Chief Legal Officer, if necessary;
- m) Sign subpoenas if the Secretary to the Board is unavailable; (§31535)
  - n) Execute all agreements with a value in excess of \$50,000 on behalf of KCERA;  
and
  - o) Carry out such other functions and duties as may be prescribed by the Board.

PROPOSED

#### **POLICY REVIEW AND HISTORY**

- 3) This charter shall be reviewed at least every five years.
- 4) This charter was:
  - a) Adopted by the Board on November 14, 2001.
  - b) Amended on June 23, 2004; September 27, 2006; July 28, 2010; December 12, 2012; April 13, 2016; August 11, 2021; and April 13, 2022.

## **BOARD OF RETIREMENT CHARTER**

### **INTRODUCTION**

- 1) The Board consists of nine members and two alternates. Subject to the provisions of the Act, the Board is responsible for the administration and oversight of KCERA and is committed to carrying out its responsibilities in a manner consistent with the highest standards of fiduciary practice. In keeping with this commitment, the Board has established this charter to guide its conduct and operations.

### **DUTIES AND RESPONSIBILITIES**

- 2) The Board has various powers and responsibilities under the Act. These include but are not limited to:
  - a) Making Regulations, consistent with the Act, which will become effective when approved by the Board of Supervisors. (§31525, §31526, & §31527)
  - b) Approving all qualified members who apply for service retirement or delegating the authority for such approvals to the ~~Executive Director~~Chief Executive Officer or other personnel<sup>1</sup>. (§31670)
  - c) Determining the merits of applications for disability benefits, making necessary determinations of service and permanency of injury. (§31720)
  - d) Annually approving cost-of-living adjustments. (§31870.1 & *Ventura* Settlement Agreement)
  - e) Approving the distribution of supplemental funds pursuant to the SRBR Policy. (§31618)
  - f) Approving the annual actuarial valuation and the actuarial assumptions contained therein, and the determination of supplemental funds, upon the advice of the actuary and other experts as required, and recommend adoption by the Board of Supervisors of such changes in the rates of interest, in the rates of contributions of members, and in county and district appropriations, as necessary. (§31611)
  - g) Ensuring a financial audit is conducted at least annually. (§31593)
  - h) Appointing an ~~Executive Director~~Chief Executive Officer. (§31522.2)
  - i) Appointing a custodian. (§31596)

<sup>1</sup> The Board has elected to delegate such authority to the ~~Executive Director~~Chief Executive Officer. See ~~Executive Director~~Chief Executive Officer Charter.

- 3) The Board also has certain powers and responsibilities under Article XVI section 17 of the California Constitution.
- 4) The Board believes that effective governance demands that the Board, directly or through its committees, also carry out the added responsibilities set out in the remainder of this charter.

### **POLICY & DECISION MAKING**

- 5) The Board can most effectively oversee KCERA through the establishment of prudent policies and controls. Accordingly, the Board is responsible for adopting policies pertaining to material aspects of KCERA's activities. Examples of such policies appear throughout the remainder of this Charter.

### **GOVERNANCE**

- 6) The Board shall:
  - a) Approve, and amend as necessary, Regulations and governance policies to support and promote appropriate governance practices.
  - b) Approve charters describing the roles and responsibilities of key parties involved in the governance and management of KCERA.
  - c) Elect a Chair and a Vice Chair.
  - d) Designate a Secretary to the Board.<sup>2</sup>
  - e) Establish the committee structure of the Board.
  - f) Provide appropriate opportunities and resources for board education.
  - g) Evaluate the performance of the Board on a regular basis.

### **INVESTMENTS**

- 7) The Board has exclusive control of the administration and investment of the Fund and shall invest the assets of the Fund in accordance with the fiduciary standards imposed by law. In keeping with this requirement, the Board will:
  - a) Approve a written investment policy statement and all other material investment policies of the Fund.
  - b) Approve investment manager mandates (i.e. dollar amount and asset class).
  - c) Regularly review that any delegation of authority or discretion to investment staff, investment managers, the Investment Committee, and investment advisors is prudent and consistent with industry best practices.
- 8) The Board shall participate in asset allocation studies as required.

### **BENEFITS ADMINISTRATION**

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<sup>2</sup> Under the Regulations, the Board has designated the ~~Executive Director~~ Chief Executive Officer to serve as Secretary to the Board.

9) The Board shall:

- a) Provide staff with strategic direction concerning the nature and quality of services and communications to be provided to plan members and beneficiaries.
- b) Ensure appropriate processes and procedures are in place to provide for disability benefit hearings and appeals.
- c) Approve policies and review any service quality benchmarks that may be established to guide the effective administration and delivery of member services.
- d) Act on member appeals of decisions made by Management, as applicable.

### **PLANNING AND OPERATIONS**

10)The Board shall:

- a) Review and approve the strategic plan, and other material plans of KCERA, including for example, those pertaining to stakeholder relations and plan sustainability.
- b) Approve the annual Operating Budget and any changes thereto.
- 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 KCERA's operations and associated leases or purchase agreements.
- f) Monitor that appropriate operational control policies are in place to provide secure, efficient and accurate delivery of member services and protect the confidentiality of member data.

### **FINANCIAL, ACTUARIAL AND ACCOUNTING**

11)The Board shall:

- a) Approve the establishment of accounting and actuarial policies and any changes thereto.
- b) Approve the annual financial statements.
- c) Review the qualifications and independence of the financial auditor.
- d) Ensure actuarial valuations, experience studies, and audits are conducted on a regular basis.
- e) Ensure special investigations or audits are performed, as necessary.

## **RISK MANAGEMENT**

12)The Board is responsible for ensuring Management establishes an appropriate system of risk management that addresses risks including but not limited to those pertaining to investments, funding, insurance, and technology.

## **LITIGATION**

13)The Board shall be responsible for approving the commencement, conduct, settlement, and termination of all material litigation involving KCERA, with the advice of the ~~Executive Director~~Chief Executive Officer and legal counsel.

## **HUMAN RESOURCES**

14)The Board shall:

- a) Appoint and may terminate the ~~Executive Director~~Chief Executive Officer.
- b) When it believes it would be appropriate to do so, meet with finalist candidates identified by the ~~Executive Director~~Chief Executive Officer for the positions of ~~Assistant Executive Director~~Chief Operations Officer, Chief Investment Officer, and ~~General Counsel~~Chief Legal Officer and advise the ~~Executive Director~~Chief Executive Officer when he or she is selecting individuals for such positions.
- c) Approve any human resource policies that may be developed and recommended to the Board by the ~~Executive Director~~Chief Executive Officer.
- d) Regularly review with the ~~Executive Director~~Chief Executive Officer the staffing, compensation, and succession planning needs of KCERA.
- e) Periodically review the performance of the ~~Executive Director~~Chief Executive Officer.

## **STAKEHOLDER COMMUNICATIONS**

15)The Board shall be responsible for adequate and appropriate communications between KCERA and its stakeholders. Accordingly, the Board will:

- a) Establish a spokesperson for KCERA or otherwise authorize individuals to communicate on behalf of the Board.
- b) Establish policies or plans to guide material communications and disclosure to stakeholders.
- c) Establish policies to guide Board proposals on state or local legislation.
- d) Approve the Comprehensive Annual Financial Report.

## **SERVICE PROVIDERS**

16)The Board shall appoint, and may terminate the:

- a) Actuary.
- b) Actuarial auditor.

- c) Financial auditor.
- d) Legal counsel.
- e) Custodian. (§31596)
- f) Investment managers (including investment managers and partners, transition managers, securities lending managers, and commission recapture brokers).
- g) Investment consultants retained to advise the Board.
- h) Other service providers where the total value of the services to be rendered during a 12-month period exceeds \$50,000.

### **MONITORING AND REPORTING**

17)The Board shall work with staff to develop a system of reporting that effectively supports the Board in exercising its oversight responsibilities.

18)As part of the above, the Board shall establish a monitoring and reporting policy and any other necessary policies to set out the nature and frequency of reports to be provided to the Board and its committees by staff and service providers.

~~19)This charter shall be reviewed at least every five years.~~

### **POLICY REVIEW AND HISTORY**

~~19)This charter shall be reviewed at least every five years.~~

20)This ~~policy charter~~ was:

- a) Adopted by the Board on November 14, 2001.
- b) Amended on January 28, 2004; June 23, 2004; September 27, 2006; August 27, 2008; July 28, 2010; December 12, 2012; April 13, 2016; March 11, 2020; ~~and~~ August 11, 2021; and April 13, 2022.-

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## **BOARD OF RETIREMENT CHARTER**

### **INTRODUCTION**

- 1) The Board consists of nine members and two alternates. Subject to the provisions of the Act, the Board is responsible for the administration and oversight of KCERA and is committed to carrying out its responsibilities in a manner consistent with the highest standards of fiduciary practice. In keeping with this commitment, the Board has established this charter to guide its conduct and operations.

### **DUTIES AND RESPONSIBILITIES**

- 2) The Board has various powers and responsibilities under the Act. These include but are not limited to:
  - a) Making Regulations, consistent with the Act, which will become effective when approved by the Board of Supervisors. (§31525, §31526, & §31527)
  - b) Approving all qualified members who apply for service retirement or delegating the authority for such approvals to the Chief Executive Officer or other personnel<sup>1</sup>. (§31670)
  - c) Determining the merits of applications for disability benefits, making necessary determinations of service and permanency of injury. (§31720)
  - d) Annually approving cost-of-living adjustments. (§31870.1 & *Ventura* Settlement Agreement)
  - e) Approving the distribution of supplemental funds pursuant to the SRBR Policy. (§31618)
  - f) Approving the annual actuarial valuation and the actuarial assumptions contained therein, and the determination of supplemental funds, upon the advice of the actuary and other experts as required, and recommend adoption by the Board of Supervisors of such changes in the rates of interest, in the rates of contributions of members, and in county and district appropriations, as necessary. (§31611)
  - g) Ensuring a financial audit is conducted at least annually. (§31593)
  - h) Appointing an Chief Executive Officer. (§31522.2)
  - i) Appointing a custodian. (§31596)

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<sup>1</sup> The Board has elected to delegate such authority to the Chief Executive Officer. See *Chief Executive Officer Charter*.

- 3) The Board also has certain powers and responsibilities under Article XVI section 17 of the California Constitution.
- 4) The Board believes that effective governance demands that the Board, directly or through its committees, also carry out the added responsibilities set out in the remainder of this charter.

### **POLICY & DECISION MAKING**

- 5) The Board can most effectively oversee KCERA through the establishment of prudent policies and controls. Accordingly, the Board is responsible for adopting policies pertaining to material aspects of KCERA's activities. Examples of such policies appear throughout the remainder of this Charter.

### **GOVERNANCE**

- 6) The Board shall:
  - a) Approve, and amend as necessary, Regulations and governance policies to support and promote appropriate governance practices.
  - b) Approve charters describing the roles and responsibilities of key parties involved in the governance and management of KCERA.
  - c) Elect a Chair and a Vice Chair.
  - d) Designate a Secretary to the Board.<sup>2</sup>
  - e) Establish the committee structure of the Board.
  - f) Provide appropriate opportunities and resources for board education.
  - g) Evaluate the performance of the Board on a regular basis.

### **INVESTMENTS**

- 7) The Board has exclusive control of the administration and investment of the Fund and shall invest the assets of the Fund in accordance with the fiduciary standards imposed by law. In keeping with this requirement, the Board will:
  - a) Approve a written investment policy statement and all other material investment policies of the Fund.
  - b) Approve investment manager mandates (i.e. dollar amount and asset class).
  - c) Regularly review that any delegation of authority or discretion to investment staff, investment managers, the Investment Committee, and investment advisors is prudent and consistent with industry best practices.
- 8) The Board shall participate in asset allocation studies as required.

### **BENEFITS ADMINISTRATION**

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<sup>2</sup> Under the Regulations, the Board has designated the Chief Executive Officer to serve as Secretary to the Board.

9) The Board shall:

- a) Provide staff with strategic direction concerning the nature and quality of services and communications to be provided to plan members and beneficiaries.
- b) Ensure appropriate processes and procedures are in place to provide for disability benefit hearings and appeals.
- c) Approve policies and review any service quality benchmarks that may be established to guide the effective administration and delivery of member services.
- d) Act on member appeals of decisions made by Management, as applicable.

### **PLANNING AND OPERATIONS**

10)The Board shall:

- a) Review and approve the strategic plan, and other material plans of KCERA, including for example, those pertaining to stakeholder relations and plan sustainability.
- b) Approve the annual Operating Budget and any changes thereto.
- 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 KCERA's operations and associated leases or purchase agreements.
- f) Monitor that appropriate operational control policies are in place to provide secure, efficient and accurate delivery of member services and protect the confidentiality of member data.

### **FINANCIAL, ACTUARIAL AND ACCOUNTING**

11)The Board shall:

- a) Approve the establishment of accounting and actuarial policies and any changes thereto.
- b) Approve the annual financial statements.
- c) Review the qualifications and independence of the financial auditor.
- d) Ensure actuarial valuations, experience studies, and audits are conducted on a regular basis.
- e) Ensure special investigations or audits are performed, as necessary.

## **RISK MANAGEMENT**

- 12)The Board is responsible for ensuring Management establishes an appropriate system of risk management that addresses risks including but not limited to those pertaining to investments, funding, insurance, and technology.

## **LITIGATION**

- 13)The Board shall be responsible for approving the commencement, conduct, settlement, and termination of all material litigation involving KCERA, with the advice of the Chief Executive Officer and legal counsel.

## **HUMAN RESOURCES**

- 14)The Board shall:
- a) Appoint and may terminate the Chief Executive Officer.
  - b) When it believes it would be appropriate to do so, meet with finalist candidates identified by the Chief Executive Officer for the positions of Chief Operations Officer, Chief Investment Officer, and Chief Legal Officer and advise the Chief Executive Officer when he or she is selecting individuals for such positions.
  - c) Approve any human resource policies that may be developed and recommended to the Board by the Chief Executive Officer.
  - d) Regularly review with the Chief Executive Officer the staffing, compensation, and succession planning needs of KCERA.
  - e) Periodically review the performance of the Chief Executive Officer.

## **STAKEHOLDER COMMUNICATIONS**

- 15)The Board shall be responsible for adequate and appropriate communications between KCERA and its stakeholders. Accordingly, the Board will:
- a) Establish a spokesperson for KCERA or otherwise authorize individuals to communicate on behalf of the Board.
  - b) Establish policies or plans to guide material communications and disclosure to stakeholders.
  - c) Establish policies to guide Board proposals on state or local legislation.
  - d) Approve the Comprehensive Annual Financial Report.

## **SERVICE PROVIDERS**

- 16)The Board shall appoint, and may terminate the:
- a) Actuary.
  - b) Actuarial auditor.
  - c) Financial auditor.
  - d) Legal counsel.

- e) Custodian. (§31596)
- f) Investment managers (including investment managers and partners, transition managers, securities lending managers, and commission recapture brokers).
- g) Investment consultants retained to advise the Board.
- h) Other service providers where the total value of the services to be rendered during a 12-month period exceeds \$50,000.

### **MONITORING AND REPORTING**

- 17)The Board shall work with staff to develop a system of reporting that effectively supports the Board in exercising its oversight responsibilities.
- 18)As part of the above, the Board shall establish a monitoring and reporting policy and any other necessary policies to set out the nature and frequency of reports to be provided to the Board and its committees by staff and service providers.

### **POLICY REVIEW AND HISTORY**

- 19)This charter shall be reviewed at least every five years.
- 20)This charter was:
  - a) Adopted by the Board on November 14, 2001.
  - b) Amended on January 28, 2004; June 23, 2004; September 27, 2006; August 27, 2008; July 28, 2010; December 12, 2012; April 13, 2016; March 11, 2020; August 11, 2021; and April 13, 2022.



## EXECUTIVE DIRECTOR/CHIEF EXECUTIVE OFFICER CHARTER

### INTRODUCTION

- 1) The Board of Retirement will appoint an ~~Executive Director~~Chief Executive Officer who will serve at its pleasure. The ~~Executive Director~~Chief Executive Officer is the most senior executive of KCERA and is not subject to county civil service and merit system rules.

### DUTIES AND RESPONSIBILITIES

#### Leadership and Policy Analysis

- 2) The ~~Executive Director~~Chief Executive Officer will provide leadership for staff in implementing the programs necessary to achieve the goals and objectives established by the Board. The ~~Executive Director~~Chief Executive Officer will manage the day-to-day affairs of KCERA in accordance with policies established by the Board, and may delegate duties to senior management and staff as necessary. In so doing, the ~~Executive Director~~Chief Executive Officer will solicit advice and counsel from the Board, the Chair, or individual trustees, as appropriate.
- 3) The ~~Executive Director~~Chief Executive Officer will provide support to the Board and its committees in establishing all policies of the Board including identifying and analyzing issues requiring Board policies or strategies, and providing well-supported recommendations for consideration by the Board or its committees. The ~~Executive Director~~Chief Executive Officer will be responsible for ensuring that all policies and strategies are properly implemented.

#### Authority

- 4) The ~~Executive Director~~Chief Executive Officer shall operate in a manner consistent with all Board policies and applicable legislation. Subject to any limitation set out in such policies and legislation, the ~~Executive Director~~Chief Executive Officer is authorized to:
  - a) Manage the day-to-day operations of KCERA;
  - b) Select and terminate the senior executives of KCERA including the ~~Assistant Executive Director~~Chief Operations Officer, Chief Investment Officer, and

~~General Counsel~~Chief Legal Officer; and, subject to review by legal counsel, offer employment to such personnel (see paragraph 12 below);

- c) Hire service providers where:
  - i) The Board has not specifically retained the authority to hire such service providers; and
  - ii) The total value of the services to be rendered by the service provider over a 12-month period is not more than \$50,000 (see paragraph 16 below);
- d) Approve all qualified members who apply for service retirement and report such retirements to the Board at the next public meeting of the Board after retirement (§31670);
- e) Resolve and settle disputes involving the over- or under-payment of:
  - i) Benefit payments to a member, provided such payment does not exceed \$20,000, consistent with the *Overpayment and Underpayment of Member Benefits Policy* and subject to review by Legal Counsel.
  - ii) Contributions made by a member, provided such payment does not exceed \$5,000, consistent with the *Overpayment and Underpayment of Member Contributions Policy* and subject to review by Legal Counsel.
- f) Settling and compromising claims and controversies (not directly involving over or under payments) on behalf of the Board and/or KCERA relating to benefits, personnel, and other legal matters.
- g) Notwithstanding f) above, if the present value of the settlement, claim, or compromise to be made by KCERA exceeds \$20,000, or the settlement or compromise involves multiple current or future KCERA members or beneficiaries, then such settlement or compromise shall require Board approval.

#### Governance

5) The ~~Executive Director~~Chief Executive Officer will:

- a) Recommend governance policies and charters to ensure appropriate board governance practices.
- b) Assist the Board in implementing its governance policies, charters, and the Regulations.
- c) Coordinate trustee education and travel.
- d) Serve as Secretary to the Board.

#### Risk Management

6) The ~~Executive Director~~Chief Executive Officer is responsible for monitoring, managing, and/or mitigating material risks to KCERA, including those pertaining to investments, funding, and operations. In keeping with this responsibility, the ~~Executive~~

~~Director~~Chief Executive Officer will recommend risk management policies concerning all material aspects of KCERA, and oversee staff's implementation of such policies. The ~~Executive Director~~Chief Executive Officer will furthermore approve and implement any necessary risk management procedures to support the above policies.

#### Investments

- 7) The ~~Executive Director~~Chief Executive Officer is responsible for the KCERA investment program and for providing oversight of investment staff.
- 8) The ~~Executive Director~~Chief Executive Officer, delegating to the Chief Investment Officer as appropriate, will:
  - a) Recommend to the Board a written investment policy statement and other material investment policies necessary to properly invest the assets of KCERA.
  - b) Coordinate asset allocation studies.
  - c) Execute portfolio rebalancing and portfolio transitions.
  - d) Ensure appropriate due diligence is performed in connection with investment managers and other investment-related service providers.
  - e) Remain abreast of investment trends, issues and opportunities that may have implications for the investment program of KCERA.

#### Benefits Administration

- 9) The ~~Executive Director~~Chief Executive Officer will:
  - a) Recommend to the Board, as necessary, policies and service quality benchmarks to ensure effective administration of member benefits.
  - b) Ensure accurate payment of benefits to members, and address problems or errors in accordance with established policies and procedures (e.g. *Overpayment and Underpayment of Member Benefits Policy*).
  - c) Prepare or oversee the preparation of all member communications in accordance with applicable policies and plans.
  - d) Manage the disability application and appeal processes in accordance with applicable policies and procedures.
  - e) Recommend annual cost-of-living adjustments to the Board.
  - f) Maintain accurate records of member accounts.

#### Operations

- 10) The ~~Executive Director~~Chief Executive Officer will:
  - a) Recommend to the Board, as appropriate, policies to ensure effective operations.

- b) Develop and recommend a strategic plan and other material plans to the Board, including updates, as necessary.
- c) Recommend the annual Operating Budget to the Board.
- d) Authorize payments related to the administration of KCERA, consistent with the Operating Budget and internal controls of KCERA.
- e) Account for and ensure appropriate collection, deposit and distribution of funds as required.
- f) Develop and implement operational controls, and procedures.
- g) Ensure the appropriate design, acquisition, implementation, and maintenance of all technological systems required to administer KCERA.
- h) Maintain the records of KCERA in a permanent and readily accessible format.

#### Finance, Actuarial and Accounting

11) The ~~Executive Director~~ Chief Executive Officer will:

- a) Recommend to the Board, as appropriate, financial, accounting, and actuarial policies.
- b) Implement appropriate internal financial controls to safeguard the assets of KCERA.
- c) Coordinate financial audits, actuarial valuations, actuarial experience studies, actuarial audits, and any other audits that may be required.
- d) File in the office of the County Auditor and with the Board of Supervisors an ~~Comprehensive~~ Annual Comprehensive Financial Report which will exhibit the financial condition of KCERA at the close of the preceding June 30th and its financial transactions for the fiscal year ending on that day (§31597.1).

#### Human Resources

12) The ~~Executive Director~~ Chief Executive Officer is responsible for hiring, directing, and terminating all personnel of KCERA. This includes but is not limited to:

- a) Selecting and terminating the ~~Assistant Executive Director~~ Chief Operations Officer, Chief Investment Officer, and ~~General Counsel~~ Chief Legal Officer, providing an opportunity to the Board to interview candidates and provide input.
- b) When appropriate, and subject to review by legal counsel, offering employment to the above personnel.
- c) Ensuring KCERA's human resource practices are consistent with applicable legislation, agreements, and County requirements.
- d) Regularly assessing the human resource needs of KCERA and establishing appropriate human resource programs, succession plans, and procedures to address them.

### Litigation

13) The ~~Executive Director~~Chief Executive Officer will:

- a) Determine settlements and compromises within his/her authority as specified in paragraphs 4 e) and f) above and report to the Board accordingly.
- b) In consultation with the ~~General Counsel~~Chief Legal Officer, advise the Board concerning the commencement, conduct, settlement, and termination of all litigation involving KCERA that exceeds the authority of the ~~Executive Director~~Chief Executive Officer.
- c) Coordinate with the ~~General Counsel~~Chief Legal Officer on all legal proceedings involving KCERA.
- d) Develop and implement plans to comply with court rulings.

### Communications

14) The ~~Executive Director~~Chief Executive Officer will:

- a) Ensure effective and timely communications with stakeholders on matters relating to the administration of KCERA.
- b) Recommend communications and disclosure-related plans or policies to the Board for approval.
- c) Serve as spokesperson for KCERA, conferring with the Chair in advance if the issue in question is significant.
- d) In consultation with the ~~General Counsel~~Chief Legal Officer, recommend for Board approval any legislative proposals to be initiated, supported or opposed by the Board.

### Appointment of Service Providers

15) The ~~Executive Director~~Chief Executive Officer will perform or cause to be performed all due diligence for Board-appointed service providers, as listed in paragraph 16 of the Board Charter, and will provide the Board with appropriate recommendations.

16) The ~~Executive Director~~Chief Executive Officer may hire other service providers, consistent with the Operating Budget and other policies of the Board, provided that:

- a) The Board has not specifically retained the authority to hire such service providers; and
- b) The total value of the services to be rendered by the service provider over a 12-month period is not more than \$50,000.

## Monitoring and Reporting

- 17) The ~~Executive Director~~Chief Executive Officer will provide the Board with relevant, appropriate and timely information to enable it to properly carry out its oversight responsibilities. Furthermore, the ~~Executive Director~~Chief Executive Officer will apprise the Board in a timely manner of all significant issues, concerns, or developments pertaining to KCERA, and provide recommended courses of action as appropriate.
- 18) The ~~Executive Director~~Chief Executive Officer will regularly monitor and report to the Board on the following issues:
- a) Implementation and continued appropriateness of all KCERA policies.
  - b) The funded status of KCERA and all issues that may reasonably have a significant impact on such status.
  - c) The investment performance of the Fund, the component asset classes, and the investment managers retained to manage the assets of the Fund.
  - d) The findings of any internal audits that may be performed.
  - e) Compliance by employees and KCERA service providers with the policies of KCERA.
  - f) The activities and performance of key service providers including the actuary, the financial auditor, the investment consultant, legal counsel, and the custodian.
  - g) The performance of Management.
  - h) The accuracy and timeliness of all payments due to and payable by KCERA.
  - i) KCERA's compliance with applicable laws and regulations.
  - j) In conjunction with the ~~General Counsel~~Chief Legal Officer, the status of all legal proceedings involving KCERA.
  - k) The status of the strategic plan, and any other material plans.

## POLICY REVIEW AND HISTORY

19) This charter will be reviewed at least every five years.

20) This charter was:

- a) Adopted by the Board on November 14, 2001.
- b) Amended on January 28, 2004; June 23, 2004; September 27, 2006; July 28, 2010; December 12, 2012; April 13, 2016; March 11, 2020; ~~and August 11, 2021;~~ and April 13, 2022.

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## **CHIEF EXECUTIVE OFFICER CHARTER**

### **INTRODUCTION**

- 1) The Board of Retirement will appoint a Chief Executive Officer who will serve at its pleasure. The Chief Executive Officer is the most senior executive of KCERA and is not subject to county civil service and merit system rules.

### **DUTIES AND RESPONSIBILITIES**

#### Leadership and Policy Analysis

- 2) The Chief Executive Officer will provide leadership for staff in implementing the programs necessary to achieve the goals and objectives established by the Board. The Chief Executive Officer will manage the day-to-day affairs of KCERA in accordance with policies established by the Board, and may delegate duties to senior management and staff as necessary. In so doing, the Chief Executive Officer will solicit advice and counsel from the Board, the Chair, or individual trustees, as appropriate.
- 3) The Chief Executive Officer will provide support to the Board and its committees in establishing all policies of the Board including identifying and analyzing issues requiring Board policies or strategies, and providing well-supported recommendations for consideration by the Board or its committees. The Chief Executive Officer will be responsible for ensuring that all policies and strategies are properly implemented.

#### Authority

- 4) The Chief Executive Officer shall operate in a manner consistent with all Board policies and applicable legislation. Subject to any limitation set out in such policies and legislation, the Chief Executive Officer is authorized to:
  - a) Manage the day-to-day operations of KCERA;
  - b) Select and terminate the senior executives of KCERA including the Chief Operations Officer, Chief Investment Officer, and Chief Legal Officer; and, subject to review by legal counsel, offer employment to such personnel (see paragraph 12 below);
  - c) Hire service providers where:

- i) The Board has not specifically retained the authority to hire such service providers; and
- ii) The total value of the services to be rendered by the service provider over a 12-month period is not more than \$50,000 (see paragraph 16 below);
- d) Approve all qualified members who apply for service retirement and report such retirements to the Board at the next public meeting of the Board after retirement (§31670);
- e) Resolve and settle disputes involving the over- or under-payment of:
  - i) Benefit payments to a member, provided such payment does not exceed \$20,000, consistent with the *Overpayment and Underpayment of Member Benefits Policy* and subject to review by Legal Counsel.
  - ii) Contributions made by a member, provided such payment does not exceed \$5,000, consistent with the *Overpayment and Underpayment of Member Contributions Policy* and subject to review by Legal Counsel.
- f) Settling and compromising claims and controversies (not directly involving over or under payments) on behalf of the Board and/or KCERA relating to benefits, personnel, and other legal matters.
- g) Notwithstanding f) above, if the present value of the settlement, claim, or compromise to be made by KCERA exceeds \$20,000, or the settlement or compromise involves multiple current or future KCERA members or beneficiaries, then such settlement or compromise shall require Board approval.

#### Governance

5) The Chief Executive Officer will:

- a) Recommend governance policies and charters to ensure appropriate board governance practices.
- b) Assist the Board in implementing its governance policies, charters, and the Regulations.
- c) Coordinate trustee education and travel.
- d) Serve as Secretary to the Board.

#### Risk Management

6) The Chief Executive Officer is responsible for monitoring, managing, and/or mitigating material risks to KCERA, including those pertaining to investments, funding, and operations. In keeping with this responsibility, the Chief Executive Officer will recommend risk management policies concerning all material aspects of KCERA, and oversee staff's implementation of such policies. The Chief Executive Officer will

furthermore approve and implement any necessary risk management procedures to support the above policies.

### Investments

- 7) The Chief Executive Officer is responsible for the KCERA investment program and for providing oversight of investment staff.
- 8) The Chief Executive Officer, delegating to the Chief Investment Officer as appropriate, will:
  - a) Recommend to the Board a written investment policy statement and other material investment policies necessary to properly invest the assets of KCERA.
  - b) Coordinate asset allocation studies.
  - c) Execute portfolio rebalancing and portfolio transitions.
  - d) Ensure appropriate due diligence is performed in connection with investment managers and other investment-related service providers.
  - e) Remain abreast of investment trends, issues and opportunities that may have implications for the investment program of KCERA.

### Benefits Administration

- 9) The Chief Executive Officer will:
  - a) Recommend to the Board, as necessary, policies and service quality benchmarks to ensure effective administration of member benefits.
  - b) Ensure accurate payment of benefits to members, and address problems or errors in accordance with established policies and procedures (e.g. *Overpayment and Underpayment of Member Benefits Policy*).
  - c) Prepare or oversee the preparation of all member communications in accordance with applicable policies and plans.
  - d) Manage the disability application and appeal processes in accordance with applicable policies and procedures.
  - e) Recommend annual cost-of-living adjustments to the Board.
  - f) Maintain accurate records of member accounts.

### Operations

- 10) The Chief Executive Officer will:
  - a) Recommend to the Board, as appropriate, policies to ensure effective operations.
  - b) Develop and recommend a strategic plan and other material plans to the Board, including updates, as necessary.
  - c) Recommend the annual Operating Budget to the Board.

- d) Authorize payments related to the administration of KCERA, consistent with the Operating Budget and internal controls of KCERA.
- e) Account for and ensure appropriate collection, deposit and distribution of funds as required.
- f) Develop and implement operational controls, and procedures.
- g) Ensure the appropriate design, acquisition, implementation, and maintenance of all technological systems required to administer KCERA.
- h) Maintain the records of KCERA in a permanent and readily accessible format.

#### Finance, Actuarial and Accounting

11)The Chief Executive Officer will:

- a) Recommend to the Board, as appropriate, financial, accounting, and actuarial policies.
- b) Implement appropriate internal financial controls to safeguard the assets of KCERA.
- c) Coordinate financial audits, actuarial valuations, actuarial experience studies, actuarial audits, and any other audits that may be required.
- d) File in the office of the County Auditor and with the Board of Supervisors an Annual Comprehensive Financial Report which will exhibit the financial condition of KCERA at the close of the preceding June 30th and its financial transactions for the fiscal year ending on that day (§31597.1).

#### Human Resources

12)The Chief Executive Officer is responsible for hiring, directing, and terminating all personnel of KCERA. This includes but is not limited to:

- a) Selecting and terminating the Chief Operations Officer, Chief Investment Officer, and Chief Legal Officer, providing an opportunity to the Board to interview candidates and provide input.
- b) When appropriate, and subject to review by legal counsel, offering employment to the above personnel.
- c) Ensuring KCERA's human resource practices are consistent with applicable legislation, agreements, and County requirements.
- d) Regularly assessing the human resource needs of KCERA and establishing appropriate human resource programs, succession plans, and procedures to address them.

#### Litigation

13)The Chief Executive Officer will:

- a) Determine settlements and compromises within his/her authority as specified in paragraphs 4 e) and f) above and report to the Board accordingly.
- b) In consultation with the Chief Legal Officer, advise the Board concerning the commencement, conduct, settlement, and termination of all litigation involving KCERA that exceeds the authority of the Chief Executive Officer.
- c) Coordinate with the Chief Legal Officer on all legal proceedings involving KCERA.
- d) Develop and implement plans to comply with court rulings.

#### Communications

14) The Chief Executive Officer will:

- a) Ensure effective and timely communications with stakeholders on matters relating to the administration of KCERA.
- b) Recommend communications and disclosure-related plans or policies to the Board for approval.
- c) Serve as spokesperson for KCERA, conferring with the Chair in advance if the issue in question is significant.
- d) In consultation with the Chief Legal Officer, recommend for Board approval any legislative proposals to be initiated, supported or opposed by the Board.

#### Appointment of Service Providers

15) The Chief Executive Officer will perform or cause to be performed all due diligence for Board-appointed service providers, as listed in paragraph 16 of the Board Charter, and will provide the Board with appropriate recommendations.

16) The Chief Executive Officer may hire other service providers, consistent with the Operating Budget and other policies of the Board, provided that:

- a) The Board has not specifically retained the authority to hire such service providers; and
- b) The total value of the services to be rendered by the service provider over a 12-month period is not more than \$50,000.

#### Monitoring and Reporting

17) The Chief Executive Officer will provide the Board with relevant, appropriate and timely information to enable it to properly carry out its oversight responsibilities. Furthermore, the Chief Executive Officer will apprise the Board in a timely manner of all significant issues, concerns, or developments pertaining to KCERA, and provide recommended courses of action as appropriate.

- 18) The Chief Executive Officer will regularly monitor and report to the Board on the following issues:
- a) Implementation and continued appropriateness of all KCERA policies.
  - b) The funded status of KCERA and all issues that may reasonably have a significant impact on such status.
  - c) The investment performance of the Fund, the component asset classes, and the investment managers retained to manage the assets of the Fund.
  - d) The findings of any internal audits that may be performed.
  - e) Compliance by employees and KCERA service providers with the policies of KCERA.
  - f) The activities and performance of key service providers including the actuary, the financial auditor, the investment consultant, legal counsel, and the custodian.
  - g) The performance of Management.
  - h) The accuracy and timeliness of all payments due to and payable by KCERA.
  - i) KCERA's compliance with applicable laws and regulations.
  - j) In conjunction with the Chief Legal Officer, the status of all legal proceedings involving KCERA.
  - k) The status of the strategic plan, and any other material plans.

## **POLICY REVIEW AND HISTORY**

19) This charter will be reviewed at least every five years.

20) This charter was:

- a) Adopted by the Board on November 14, 2001.
- b) Amended on January 28, 2004; June 23, 2004; September 27, 2006; July 28, 2010; December 12, 2012; April 13, 2016; March 11, 2020; August 11, 2021; and April 13, 2022.

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## **COMMITTEE CHAIR CHARTER**

### **INTRODUCTION**

- 1) The Chair shall designate trustees to serve as standing committee chairs for a period of one (1) year. Committee chairs will coordinate the activities of their assigned committees with the assistance of Management.

### **DUTIES AND RESPONSIBILITIES**

- 2) With regard to their assigned committees, committee chairs shall:
  - a) Review the committee meeting agenda with Management;
  - b) Preside at all meetings, ensuring that such meetings are conducted in an efficient manner and in accordance with the Brown Act and the Board's *Simplified Rules of Order* (see *Board Operations Policy*);
  - c) Appoint a committee member to serve as committee chair in the event the committee chair is unavailable to chair a committee meeting, failing which the remaining committee members may appoint a committee chair from among themselves;
  - d) Appoint additional alternate trustees to the committee when necessary to satisfy quorum requirements;
  - e) Guide the committee in achieving a consensus on decisions, when possible, while allowing full and open debate;
  - f) Ensure coordination of meetings, agendas, schedules and presentations, in consultation with Management;
  - g) Work to ensure cohesion within the committee;
  - h) Work to ensure that the committee discharges its duties and responsibilities as set forth in its charter, the Regulations, and the governance policies of the Board;
  - i) Facilitate effective and open communications between the committee, the Board and the ~~Executive Director~~Chief Executive Officer;
  - j) On behalf of the committee, report to the Board on the activities of the committee; and
  - k) Carry out such other functions and duties that may be prescribed by the Board.

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### **POLICY REVIEW AND HISTORY**

- 3) This charter shall be reviewed at least every five years.
- 4) This charter was:
  - a) Adopted by the Board on November 14, 2001.
  - b) Amended on November 14, 2001; June 23, 2004; December 12, 2012; April 13, 2016; ~~and~~ August 11, 2021; and April 13, 2022.

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## **COMMITTEE CHAIR CHARTER**

### **INTRODUCTION**

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### **DUTIES AND RESPONSIBILITIES**

- 2) With regard to their assigned committees, committee chairs shall:
  - a) Review the committee meeting agenda with Management;
  - b) Preside at all meetings, ensuring that such meetings are conducted in an efficient manner and in accordance with the Brown Act and the Board's *Simplified Rules of Order (see Board Operations Policy)*;
  - c) Appoint a committee member to serve as committee chair in the event the committee chair is unavailable to chair a committee meeting, failing which the remaining committee members may appoint a committee chair from among themselves;
  - d) Appoint additional alternate trustees to the committee when necessary to satisfy quorum requirements;
  - e) Guide the committee in achieving a consensus on decisions, when possible, while allowing full and open debate;
  - f) Ensure coordination of meetings, agendas, schedules and presentations, in consultation with Management;
  - g) Work to ensure cohesion within the committee;
  - h) Work to ensure that the committee discharges its duties and responsibilities as set forth in its charter, the Regulations, and the governance policies of the Board;
  - i) Facilitate effective and open communications between the committee, the Board and the Chief Executive Officer;
  - j) On behalf of the committee, report to the Board on the activities of the committee; and
  - k) Carry out such other functions and duties that may be prescribed by the Board.

PROPOSED

### **POLICY REVIEW AND HISTORY**

- 3) This charter shall be reviewed at least every five years.
- 4) This charter was:
  - a) Adopted by the Board on November 14, 2001.
  - b) Amended on November 14, 2001; June 23, 2004; December 12, 2012; April 13, 2016; August 11, 2021; and April 13, 2022.



## **FINANCE COMMITTEE CHARTER**

### **INTRODUCTION**

- 1) The Board is responsible for the oversight of the financial and operational controls of KCERA, the accuracy of financial and actuarial reporting released by KCERA, the budgeting of KCERA's resources, and the general safekeeping of KCERA's assets. To assist the Board with the above responsibilities, the Board has established a Finance Committee, to be comprised of not less than four trustees and one alternate member.
- 2) The duties of the Finance Committee and the manner in which it will operate are set out below.

### **COMMITTEE OPERATIONS**

- 3) The Finance Committee shall operate as follows:
  - a) The presence of a majority of Finance Committee members shall constitute a quorum.
  - b) All actions of the Finance Committee shall be by an affirmative vote of the majority of the members present at a meeting of the Finance Committee, provided a quorum is present.
  - c) All actions of the Finance Committee shall be approved by the Board to be effective, unless otherwise provided herein.
  - d) The Finance Committee shall meet at least annually or as deemed necessary by the Finance Committee or Chair of the Finance Committee, in consultation with the ~~Executive Director~~Chief Executive Officer.
  - e) The meetings of the Finance Committee shall be open to the public and noticed and held in accordance with the Brown Act.
  - f) The Finance Committee shall keep minutes of its meetings.
  - g) The ~~Executive Director~~Chief Executive Officer shall serve as the staff contact for the Committee.

### **COMMITTEE RESPONSIBILITIES**

#### Risk Management

- 4) The Finance Committee shall require Management to implement and maintain appropriate internal controls pertaining to financial statements, actuarial valuation

reports, operating budgets, and operational risk. The Finance Committee shall meet regularly with Management to discuss the effectiveness of such controls and procedures.

#### Accounting and Audit Functions

##### 5) The Finance Committee shall:

- a) Recommend material accounting, financial, and operational control policies to the Board for approval.
- b) Examine and approve the objectives and scope of financial audits, including the audit plans of the financial auditor, the duties and responsibilities of the financial auditor, and the timing and estimated budget of the annual financial audit.
- c) At least annually, meet with the financial auditors and Management to review the audit process.
- d) Meet with the financial auditor to discuss the annual financial statements, review the findings of the financial auditor, and review any response thereto by Management.
- e) Review and recommend to the Board for approval the Management Discussion and Analysis section of the Plan's ~~Comprehensive~~ Annual Comprehensive Financial Report (~~CACFR~~) and all other financial information contained in the CAFRACFR.
- f) Review the engagement of the financial auditor at least every five (5) years with regards to performance, internal quality control procedures, fees, qualifications, and independence; and make recommendations to the Board.
- g) Serve as the primary liaison, on behalf of the Board, for all matters related to financial audits, examinations, investigations, or inquiries from financial authorities.
- h) Review and respond to the findings or comments of any regulatory agencies concerning financial information of KCERA and management's response thereto.
- i) Review any claims or contingencies that could have a material effect on the financial condition of KCERA and the manner in which they have been disclosed in the financial statements.
- j) Review the appropriateness of accounting policies and financial reporting practices, any significant proposed changes thereto, and any new or pending developments in accounting and reporting standards that may have an impact on KCERA.
- k) Pre-approve all non-audit services, if any, to be provided by the financial auditor.
- l) Coordinate special investigations or audits of KCERA, as necessary, and ensure the Board is kept informed of such investigations or audits.
- m) Review any internal audit plans that may be established.

## Actuarial and Funding Matters

6) The Finance Committee shall:

- a) Recommend to the Board any actuarial or funding-related policies requiring Board approval.
- b) Review the objectives, scope, and process for actuarial valuations, including the actuarial plans of the actuary, and meet with the actuary to review and discuss the annual actuarial valuation report.
- c) Recommend to the Board the annual actuarial valuation.
- d) Annually recommend to the Board, upon the advice of the actuary or other experts, as necessary, changes in the rates of interest, in the rates of contributions of members, and in county and district appropriations as necessary (§31453).
- e) Review the triennial actuarial experience of KCERA.
- f) Initiate and coordinate an actuarial audit periodically.<sup>1</sup>
- g) Review any significant changes in actuarial practices or policies that may have an impact on KCERA.

## Budgeting

7) The Finance Committee shall:

- a) Review the Operating Budget and recommend it to the Board for approval.<sup>2</sup>
- b) Authorize, at its discretion, transfers from any approved contingency allocations and report to the Board on any such transfers in a timely manner.
- c) Periodically review the budget process and format with Management.

## Service Providers

8) The Finance Committee shall:

- a) Recommend to the Board for approval, the appointment of the financial auditor and the actuarial auditor.
- b) Select and appoint, as necessary, other specialists to advise the Finance Committee or assist in the conduct of any special audits or investigations.

## Other Duties

9) The Finance Committee shall receive exception reports from Counsel regarding the filing of Statements of Economic Interests by trustees and shall advise the Board accordingly.

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<sup>1</sup> The *Reporting & Monitoring Policy* requires that actuarial audits occur every 3-5 years.

<sup>2</sup> The Board annually adopts an Operating Budget that is comprised of two components: the administrative budget and non-administrative expenses. Both components will be charged against the earnings of the Fund. The administrative expenses incurred in any year, however, shall not exceed 0.21% of actuarial accrued liabilities, unless the Board finds that additional expenditures are necessary to meet its fiduciary obligations.

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10) The Finance Committee shall:

- a) Be available to advise the Board and Management as required.
- b) Report regularly to the Board on its activities.
- c) Perform any other duties assigned to it by the Board.

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#### **POLICY REVIEW AND HISTORY**

11) This charter shall be reviewed at least every five years.

12) This charter was:

- a) Adopted by the Board on September 12, 2012.

b) Amended on April 13, 2016; ~~and~~ August 11, 2021; and April 13, 2022.

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## **FINANCE COMMITTEE CHARTER**

### **INTRODUCTION**

- 1) The Board is responsible for the oversight of the financial and operational controls of KCERA, the accuracy of financial and actuarial reporting released by KCERA, the budgeting of KCERA's resources, and the general safekeeping of KCERA's assets. To assist the Board with the above responsibilities, the Board has established a Finance Committee, to be comprised of not less than four trustees and one alternate member.
- 2) The duties of the Finance Committee and the manner in which it will operate are set out below.

### **COMMITTEE OPERATIONS**

- 3) The Finance Committee shall operate as follows:
  - a) The presence of a majority of Finance Committee members shall constitute a quorum.
  - b) All actions of the Finance Committee shall be by an affirmative vote of the majority of the members present at a meeting of the Finance Committee, provided a quorum is present.
  - c) All actions of the Finance Committee shall be approved by the Board to be effective, unless otherwise provided herein.
  - d) The Finance Committee shall meet at least annually or as deemed necessary by the Finance Committee or Chair of the Finance Committee, in consultation with the Chief Executive Officer.
  - e) The meetings of the Finance Committee shall be open to the public and noticed and held in accordance with the Brown Act.
  - f) The Finance Committee shall keep minutes of its meetings.
  - g) The Chief Executive Officer shall serve as the staff contact for the Committee.

### **COMMITTEE RESPONSIBILITIES**

#### **Risk Management**

- 4) The Finance Committee shall require Management to implement and maintain appropriate internal controls pertaining to financial statements, actuarial valuation reports, operating budgets, and operational risk. The Finance Committee shall meet

regularly with Management to discuss the effectiveness of such controls and procedures.

#### Accounting and Audit Functions

##### 5) The Finance Committee shall:

- a) Recommend material accounting, financial, and operational control policies to the Board for approval.
- b) Examine and approve the objectives and scope of financial audits, including the audit plans of the financial auditor, the duties and responsibilities of the financial auditor, and the timing and estimated budget of the annual financial audit.
- c) At least annually, meet with the financial auditors and Management to review the audit process.
- d) Meet with the financial auditor to discuss the annual financial statements, review the findings of the financial auditor, and review any response thereto by Management.
- e) Review and recommend to the Board for approval the Management Discussion and Analysis section of the Plan's Annual Comprehensive Financial Report (ACFR) and all other financial information contained in the ACFR.
- f) Review the engagement of the financial auditor at least every five (5) years with regards to performance, internal quality control procedures, fees, qualifications, and independence; and make recommendations to the Board.
- g) Serve as the primary liaison, on behalf of the Board, for all matters related to financial audits, examinations, investigations, or inquiries from financial authorities.
- h) Review and respond to the findings or comments of any regulatory agencies concerning financial information of KCERA and management's response thereto.
- i) Review any claims or contingencies that could have a material effect on the financial condition of KCERA and the manner in which they have been disclosed in the financial statements.
- j) Review the appropriateness of accounting policies and financial reporting practices, any significant proposed changes thereto, and any new or pending developments in accounting and reporting standards that may have an impact on KCERA.
- k) Pre-approve all non-audit services, if any, to be provided by the financial auditor.
- l) Coordinate special investigations or audits of KCERA, as necessary, and ensure the Board is kept informed of such investigations or audits.
- m) Review any internal audit plans that may be established.

### Actuarial and Funding Matters

#### 6) The Finance Committee shall:

- a) Recommend to the Board any actuarial or funding-related policies requiring Board approval.
- b) Review the objectives, scope, and process for actuarial valuations, including the actuarial plans of the actuary, and meet with the actuary to review and discuss the annual actuarial valuation report.
- c) Recommend to the Board the annual actuarial valuation.
- d) Annually recommend to the Board, upon the advice of the actuary or other experts, as necessary, changes in the rates of interest, in the rates of contributions of members, and in county and district appropriations as necessary (§31453).
- e) Review the triennial actuarial experience of KCERA.
- f) Initiate and coordinate an actuarial audit periodically.<sup>1</sup>
- g) Review any significant changes in actuarial practices or policies that may have an impact on KCERA.

### Budgeting

#### 7) The Finance Committee shall:

- a) Review the Operating Budget and recommend it to the Board for approval.<sup>2</sup>
- b) Authorize, at its discretion, transfers from any approved contingency allocations and report to the Board on any such transfers in a timely manner.
- c) Periodically review the budget process and format with Management.

### Service Providers

#### 8) The Finance Committee shall:

- a) Recommend to the Board for approval, the appointment of the financial auditor and the actuarial auditor.
- b) Select and appoint, as necessary, other specialists to advise the Finance Committee or assist in the conduct of any special audits or investigations.

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<sup>1</sup> The *Reporting & Monitoring Policy* requires that actuarial audits occur every 3-5 years.

<sup>2</sup> The Board annually adopts an Operating Budget that is comprised of two components: the administrative budget and non-administrative expenses. Both components will be charged against the earnings of the Fund. The administrative expenses incurred in any year, however, shall not exceed 0.21% of actuarial accrued liabilities, unless the Board finds that additional expenditures are necessary to meet its fiduciary obligations.

### Other Duties

9) The Finance Committee shall receive exception reports from Counsel regarding the filing of Statements of Economic Interests by trustees and shall advise the Board accordingly.

10) The Finance Committee shall:

- a) Be available to advise the Board and Management as required.
- b) Report regularly to the Board on its activities.
- c) Perform any other duties assigned to it by the Board.

### **POLICY REVIEW AND HISTORY**

11) This charter shall be reviewed at least every five years.

12) This charter was:

- a) Adopted by the Board on September 12, 2012.
- b) Amended on April 13, 2016; August 11, 2021; and April 13, 2022.



## **INVESTMENT COMMITTEE CHARTER**

### **INTRODUCTION**

- 1) The Board is responsible by law for the investment of the assets of KCERA and in doing so is subject to fiduciary duties. In keeping with its responsibilities, the Board will retain authority over all major investment policy decisions. It has, however, established the Investment Committee of the Board to assist in the development of investment policies and the selection and oversight of investment managers and investment consultants. The Investment Committee will be comprised of not less than four trustees and one alternate member.
- 2) This charter provides additional detail concerning the duties and operations of the Investment Committee.

### **COMMITTEE OPERATIONS**

- 3) The Investment Committee shall operate as follows:
  - a) The presence of a majority of Investment Committee members shall constitute a quorum.
  - b) All actions of the Investment Committee shall be approved by the Board to be effective, unless otherwise provided herein.
  - c) All actions of the Investment Committee shall be by an affirmative vote of a majority of the members present at a meeting of the Investment Committee, provided a quorum is present.
  - d) The Investment Committee shall meet as deemed necessary by the Investment Committee or Chair of the Investment Committee, in consultation with the ~~Executive Director~~Chief Executive Officer.
  - e) The meetings of the Investment Committee shall be open to the public and noticed and held in accordance with the Brown Act.
  - f) The Investment Committee shall keep minutes of its meetings.
  - g) The ~~Executive Director~~Chief Executive Officer will serve as the staff contact for the Committee.

## COMMITTEE RESPONSIBILITIES

### Investment Policy

- 4) The Investment Committee shall periodically review the investment policy statement and all other material investment policies of the Fund and provide recommendation to the Board, as appropriate.
- 5) The Investment Committee shall oversee periodic asset allocation studies.

### Selection and Termination of Investment Managers

- 6) The Investment Committee:
  - a) Shall review from time-to-time staff's procedures describing the criteria and processes to be used in conducting investment manager due diligence.
  - b) Shall review recommendations by staff and the investment consultant concerning the appointment and termination of investment managers and provide recommendations to the Board.
  - c) May meet with any investment manager of the Fund to review any concerns about the manager's continued suitability to manage the assets of the Fund. Such meetings may be prompted by the Board, staff, investment consultant or the Investment Committee.

### Selection of Investment Consultants

- 7) The Investment Committee shall determine investment consultant finalists to be interviewed by the Board after considering the recommendations and analysis of staff.

### Emergency Situations

- 8) Notwithstanding paragraph 6 b) above, the Investment Committee may terminate an investment manager after considering the analysis and recommendations of the Chief Investment Officer, with concurrence of the Investment Consultant, if it is reasonable to expect that delaying such decision pending a Board meeting would likely put the Fund at undue risk.
- 9) The Investment Committee or staff shall promptly report to the Board any investment manager termination carried out in accordance with paragraph 8 above.

### Other Duties

- 10) The Investment Committee shall:
  - a) Be available to advise the Board and staff as required.
  - b) Report regularly to the Board on its activities.
  - c) Perform any other duties assigned to it by the Board.

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### **POLICY REVIEW AND HISTORY**

11) This charter will be reviewed at least every five years.

12) This charter was:

- a) Adopted by the Board on March 24, 2004.
- b) Amended on June 23, 2004; September 27, 2006; September 12, 2012; April 13, 2016; ~~and~~ August 11, 2021; and April 13, 2022.



## **INVESTMENT COMMITTEE CHARTER**

### **INTRODUCTION**

- 1) The Board is responsible by law for the investment of the assets of KCERA and in doing so is subject to fiduciary duties. In keeping with its responsibilities, the Board will retain authority over all major investment policy decisions. It has, however, established the Investment Committee of the Board to assist in the development of investment policies and the selection and oversight of investment managers and investment consultants. The Investment Committee will be comprised of not less than four trustees and one alternate member.
- 2) This charter provides additional detail concerning the duties and operations of the Investment Committee.

### **COMMITTEE OPERATIONS**

- 3) The Investment Committee shall operate as follows:
  - a) The presence of a majority of Investment Committee members shall constitute a quorum.
  - b) All actions of the Investment Committee shall be approved by the Board to be effective, unless otherwise provided herein.
  - c) All actions of the Investment Committee shall be by an affirmative vote of a majority of the members present at a meeting of the Investment Committee, provided a quorum is present.
  - d) The Investment Committee shall meet as deemed necessary by the Investment Committee or Chair of the Investment Committee, in consultation with the Chief Executive Officer.
  - e) The meetings of the Investment Committee shall be open to the public and noticed and held in accordance with the Brown Act.
  - f) The Investment Committee shall keep minutes of its meetings.
  - g) The Chief Executive Officer will serve as the staff contact for the Committee.

## COMMITTEE RESPONSIBILITIES

### Investment Policy

- 4) The Investment Committee shall periodically review the investment policy statement and all other material investment policies of the Fund and provide recommendation to the Board, as appropriate.
- 5) The Investment Committee shall oversee periodic asset allocation studies.

### Selection and Termination of Investment Managers

- 6) The Investment Committee:
  - a) Shall review from time-to-time staff's procedures describing the criteria and processes to be used in conducting investment manager due diligence.
  - b) Shall review recommendations by staff and the investment consultant concerning the appointment and termination of investment managers and provide recommendations to the Board.
  - c) May meet with any investment manager of the Fund to review any concerns about the manager's continued suitability to manage the assets of the Fund. Such meetings may be prompted by the Board, staff, investment consultant or the Investment Committee.

### Selection of Investment Consultants

- 7) The Investment Committee shall determine investment consultant finalists to be interviewed by the Board after considering the recommendations and analysis of staff.

### Emergency Situations

- 8) Notwithstanding paragraph 6 b) above, the Investment Committee may terminate an investment manager after considering the analysis and recommendations of the Chief Investment Officer, with concurrence of the Investment Consultant, if it is reasonable to expect that delaying such decision pending a Board meeting would likely put the Fund at undue risk.
- 9) The Investment Committee or staff shall promptly report to the Board any investment manager termination carried out in accordance with paragraph 8 above.

### Other Duties

- 10) The Investment Committee shall:
  - a) Be available to advise the Board and staff as required.
  - b) Report regularly to the Board on its activities.
  - c) Perform any other duties assigned to it by the Board.

PROPOSED

### **POLICY REVIEW AND HISTORY**

11) This charter will be reviewed at least every five years.

12) This charter was:

- a) Adopted by the Board on March 24, 2004.
- b) Amended on June 23, 2004; September 27, 2006; September 12, 2012; April 13, 2016; August 11, 2021; and April 13, 2022.

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## **NOMINATING COMMITTEE CHARTER**

### **INTRODUCTION**

- 1) The Board is responsible for the annual election of a Board Chair and Board Vice-Chair, each to serve for a term of one year. To assist the Board in this responsibility, the Board has established a Nominating Committee to be comprised of two members designated by the Board Chair and two members designated by the full Board. The members are annually designated at a regular Board meeting in October.
- 2) The duties of the Nomination Committee and the manner in which it will operate are set out below.

### **COMMITTEE OPERATIONS**

- 3) The Nominating Committee shall operate as follows:
  - a) The presence of a majority of Nominating Committee members shall constitute a quorum.
  - b) All actions of the Nominating Committee shall be by an affirmative vote of the majority of the members present at a meeting of the Nominating Committee, provided a quorum is present.
  - c) All actions of the Nominating Committee shall be approved by the Board to be effective, unless otherwise provided herein.
  - d) The Nominating Committee shall meet annually, or as deemed necessary by the Nominating Committee or the Chair of the Nominating Committee, in consultation with the ~~Executive Director~~Chief Executive Officer.
  - e) The meetings of the Nominating Committee shall be open to the public and noticed and held in accordance with the Brown Act.
  - f) The Nominating Committee shall keep minutes of its meetings.
  - g) The ~~Executive Director~~Chief Executive Officer shall be the staff support contact for the Committee.

### **COMMITTEE RESPONSIBILITIES**

- 4) The Nominating Committee shall:
  - a) Select one member of the Board as its nominee for Chair and one member as its nominee for Vice-Chair to hold office during the ensuing year.

- |
- b) Present its slate of nominees to the full Board at its regular meeting in December. At the time of election of officers in December, the Chair shall call for other nominations, which may be made by any member of the Board.

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#### **POLICY REVIEW AND HISTORY**

- 5) This charter will be reviewed at least every five years.
  - 6) This charter was:
    - a) Adopted by the Board on August 11, 2021.
- |

a)b) Amended on April 13, 2022.

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## **NOMINATING COMMITTEE CHARTER**

### **INTRODUCTION**

- 1) The Board is responsible for the annual election of a Board Chair and Board Vice-Chair, each to serve for a term of one year. To assist the Board in this responsibility, the Board has established a Nominating Committee to be comprised of two members designated by the Board Chair and two members designated by the full Board. The members are annually designated at a regular Board meeting in October.
- 2) The duties of the Nomination Committee and the manner in which it will operate are set out below.

### **COMMITTEE OPERATIONS**

- 3) The Nominating Committee shall operate as follows:
  - a) The presence of a majority of Nominating Committee members shall constitute a quorum.
  - b) All actions of the Nominating Committee shall be by an affirmative vote of the majority of the members present at a meeting of the Nominating Committee, provided a quorum is present.
  - c) All actions of the Nominating Committee shall be approved by the Board to be effective, unless otherwise provided herein.
  - d) The Nominating Committee shall meet annually, or as deemed necessary by the Nominating Committee or the Chair of the Nominating Committee, in consultation with the Chief Executive Officer.
  - e) The meetings of the Nominating Committee shall be open to the public and noticed and held in accordance with the Brown Act.
  - f) The Nominating Committee shall keep minutes of its meetings.
  - g) The Chief Executive Officer shall be the staff support contact for the Committee.

### **COMMITTEE RESPONSIBILITIES**

- 4) The Nominating Committee shall:
  - a) Select one member of the Board as its nominee for Chair and one member as its nominee for Vice-Chair to hold office during the ensuing year.

- b) Present its slate of nominees to the full Board at its regular meeting in December. At the time of election of officers in December, the Chair shall call for other nominations, which may be made by any member of the Board.

PROPOSED

#### **POLICY REVIEW AND HISTORY**

- 5) This charter will be reviewed at least every five years.
- 6) This charter was:
  - a) Adopted by the Board on August 11, 2021.
  - b) Amended on April 13, 2022.



## **SECRETARY TO THE BOARD CHARTER**

### **BACKGROUND**

- 1) In accordance with the Regulations, the ~~Executive Director~~Chief Executive Officer shall fulfill the role of Secretary to the Board.

### **DUTIES AND RESPONSIBILITIES**

- 2) The Secretary to the Board shall:
  - a) Coordinate meetings, agendas, schedules and presentations for both Board and committee meetings in a manner consistent with the Brown Act;
  - b) Maintain minutes of Board and committee meetings;
  - c) Sign minutes upon approval of the Board;
  - d) Sign subpoenas; and
  - e) Carry out such other functions and duties as may be prescribed by the Board.

### **POLICY REVIEW AND HISTORY**

- 3) This charter shall be reviewed at least every five years.
- 4) This charter was:
  - a) Adopted by the Board on November 14, 2001.
  - ~~b) Amended on June 23, 2004; April 13, 2016; and August 11, 2021;~~ and April 13, 2022.-



## **SECRETARY TO THE BOARD CHARTER**

### **BACKGROUND**

- 1) In accordance with the Regulations, the Chief Executive Officer shall fulfill the role of Secretary to the Board.

### **DUTIES AND RESPONSIBILITIES**

- 2) The Secretary to the Board shall:
  - a) Coordinate meetings, agendas, schedules and presentations for both Board and committee meetings in a manner consistent with the Brown Act;
  - b) Maintain minutes of Board and committee meetings;
  - c) Sign minutes upon approval of the Board;
  - d) Sign subpoenas; and
  - e) Carry out such other functions and duties as may be prescribed by the Board.

### **POLICY REVIEW AND HISTORY**

- 3) This charter shall be reviewed at least every five years.
- 4) This charter was:
  - a) Adopted by the Board on November 14, 2001.
  - b) Amended on June 23, 2004; April 13, 2016; August 11, 2021; and April 13, 2022.



## VICE-CHAIR CHARTER

### INTRODUCTION

- 1) The Board shall elect one trustee as Vice-Chair to hold office for a period of one year.

### DUTIES AND RESPONSIBILITIES

- 2) The Vice-Chair shall assume the duties of the Chair in the event the Chair is unable to fulfill the duties of the position.
- 3) The Vice-Chair shall discuss and assess the concerns of any trustee about the conduct of the Chair, and take appropriate action, consulting with ~~General Counsel~~Chief Legal Officer, if necessary.

### POLICY REVIEW AND HISTORY

- 4) This charter shall be reviewed at least every five years.
- 5) This charter was:
  - a) Adopted by the Board on November 14, 2001.
  - b) Amended on June 23, 2004; December 12, 2012; April 13, 2016; ~~and August 11, 2021;~~  
and April 13, 2022.-



## **VICE-CHAIR CHARTER**

### **INTRODUCTION**

- 1) The Board shall elect one trustee as Vice-Chair to hold office for a period of one year.

### **DUTIES AND RESPONSIBILITIES**

- 2) The Vice-Chair shall assume the duties of the Chair in the event the Chair is unable to fulfill the duties of the position.
- 3) The Vice-Chair shall discuss and assess the concerns of any trustee about the conduct of the Chair, and take appropriate action, consulting with Chief Legal Officer, if necessary.

### **POLICY REVIEW AND HISTORY**

- 4) This charter shall be reviewed at least every five years.
- 5) This charter was:
  - a) Adopted by the Board on November 14, 2001.
  - b) Amended on June 23, 2004; December 12, 2012; April 13, 2016; August 11, 2021; and April 13, 2022.



## **BOARD COMMUNICATIONS POLICY**

### **PURPOSE**

- 1) This policy is intended to encourage and facilitate open and effective communications among and between the trustees and Plan Members, staff, and external parties.

### **BACKGROUND**

- 2) The Board's communication efforts shall be guided by the following principles:
  - a) *One Voice*: The Board shall promote a diversity of views in its internal deliberations, but shall strive to communicate externally as a unified body to promote clear and consistent communications.
  - b) *Policy Focus*: The Board's role in communications shall focus on establishing communications-related policies, providing input into communication plans or other strategic communications, and overseeing implementation. Day-to-day communications involving Plan Members, service providers and stakeholders shall occur primarily through staff.
  - c) *Transparency*: The Board shall be transparent in its communications with stakeholders, and shall act at all times in a manner consistent with the Brown Act.
  - d) *Risk Control*: In all of its communication activities, the Board shall strive to minimize the risk of inaccurate or inconsistent communications, as such communications may cause harm to KCERA, Plan Members, or stakeholders; or may negatively impact KCERA's credibility. The need to control such risks shall not limit the right of trustees to freely express themselves in their individual capacities.

### **GUIDELINES**

#### **General**

- 3) Trustees shall be familiar with and comply with all applicable open meeting legislation including the Brown Act, which requires that, among other things:
  - a) Trustees shall not conduct or participate in serial meetings one at a time or in a group that in total constitutes a quorum of the Board or committee of the Board either directly or through intermediaries or electronic devices, and

- b) Trustees shall not disclose to others any confidential information provided to them in closed session.
- 4) Trustees shall communicate with all parties in a professional and constructive manner.
- 5) Trustees shall share any information of a fiduciary nature pertinent to the affairs of KCERA with the Board and Management in a timely manner. Similarly, the ~~Executive Director~~Chief Executive Officer shall make every effort to ensure that trustees are made aware of all relevant and available information in a timely manner.
- 6) As a courtesy, trustees are encouraged to provide advance notice, if possible, to a fellow trustee, staff member, or outside advisor as to any questions or concerns they intend to raise with that party at a board or committee meeting.

#### Spokesperson

- 7) The ~~Executive Director~~Chief Executive Officer shall serve as the spokesperson for KCERA.
- 8) In the absence of the ~~Executive Director~~Chief Executive Officer, the ~~Assistant Executive Director~~Chief Operations Officer shall serve as the spokesperson for KCERA. In the absence of the ~~Assistant Executive Director~~Chief Operations Officer, the ~~General Counsel~~Chief Legal Officer shall serve as the spokesperson for KCERA.
- 9) The spokesperson for KCERA shall confer with the Chair beforehand on significant issues.
- 10) In situations where the Board determines it would be inappropriate for the ~~Executive Director~~Chief Executive Officer or, in his or her absence, the ~~Assistant Executive Director~~Chief Operations Officer or ~~General Counsel~~Chief Legal Officer to serve as spokesperson, then the Chair shall serve as spokesperson.
- 11) Spokespersons shall only communicate positions that have been decided by the Board or that reflect the official views or policies of the Board.

#### Trustee Communications with Staff

- 12) The Board recognizes that its authority rests with the Board itself and not with individual trustees. Accordingly, requests by individual trustees for information that require a material expenditure of staff time or external resources should be requested at board or committee meetings and require board or committee authorization.

Information requests authorized by a committee must be consistent with the committee's charter.

- 13) To support transparency and coordination of activities and resources, material communications between trustees and staff are expected to occur through the ~~Executive Director~~Chief Executive Officer, ~~Assistant Executive Director~~Chief Operations Officer, Chief Investment Officer, and/or ~~General Counsel~~Chief Legal Officer. Trustees are expected to inform the ~~Executive Director~~Chief Executive Officer of all material communications they may have with his or her subordinates.

#### Trustee Communications with Plan Members

- 14) Trustees shall not attempt to educate or counsel Plan Members with respect to their individual benefit entitlements, but instead shall direct Plan Members with personal benefit-related questions to the KCERA office or website, or directly to senior management of KCERA. KCERA staff have access to member files and possess the necessary training to provide Plan Members with accurate information concerning their personal benefit entitlements.
- 15) A trustee shall not have ex-parte communications on the merits of a quasi-adjudicative application made to the Board, such as an application for disability retirement, with any party or their attorney.
- 16) The Board may establish the purpose, objectives, and other guiding parameters of KCERA member and stakeholder communication programs. Staff shall be responsible for implementing such programs, which shall include the preparation and delivery of communication materials and content.
- 17) KCERA member and stakeholder communication programs shall not be used to promote:
- a) Positions on legislation that would enhance or reduce retirement benefits or alter the structure of KCERA's defined benefit system, or add a hybrid defined contribution/defined benefit retirement system as KCERA believes that such decisions fall within the purview of the plan sponsor; and
  - b) Approaches to funding KCERA that differ from the official funding policies of KCERA reflected in the 1937 Act or other applicable legislation or regulations, the requirements of the Governmental Accounting Standards Board (GASB), the latest actuarial valuation adopted by the Board, or other funding policies adopted by the Board.

### Communication with Service Providers and the Media

- 18) Press releases concerning KCERA shall generally be the responsibility of the ~~Executive Director~~Chief Executive Officer. Such releases shall be shared beforehand with the Board or, if time does not permit, with the Chair.
- 19) Material communication by trustees with service providers should be limited to Board or committee meetings or arranged through Management. Any material communications pertaining to the business of KCERA between a trustee and a service provider outside of this context should be disclosed to the Chair and the ~~Executive Director~~Chief Executive Officer. Where the material communication is between the Chair and a service provider, such disclosure shall be made to the Vice Chair and the ~~Executive Director~~Chief Executive Officer.
- 20) In any communication with service providers, trustees shall refrain from disclosing privileged information, or other information that may be perceived as granting special treatment or favoritism.
- 21) Trustees shall refer investment opportunities or other proposals they receive from service providers to the Chief Investment Officer and the ~~Executive Director~~Chief Executive Officer for investigation.
- 22) Board members shall abide by the Evaluation Period Policy, which restricts Board member communications with current and prospective service providers under specified circumstances. (See Evaluation Period Policy for details.)

### Communication with Other External Parties

- 23) All communications with regulatory authorities, civil grand juries, or investigators shall be directed to the ~~Executive Director~~Chief Executive Officer for coordination and response, unless under the circumstances it would not be prudent to do so, in which case they shall be directed to the Chair or the ~~General Counsel~~Chief Legal Officer.
- 24) When communicating with external parties on matters pertaining to KCERA:
- a) Unless authorized by the Board, Trustees shall not communicate on behalf of the Board or KCERA, nor shall they make any remarks that a person might reasonably assume or infer represent the official position of the Board or KCERA; and
  - b) Trustees shall not make any unilateral commitments on behalf of the Board or KCERA, nor give the impression of making such commitments.

25)The Board recognizes that while trustees are not authorized by the Board to communicate on its behalf, they may nevertheless wish to communicate publicly about issues pertaining directly or indirectly to KCERA in a capacity other than as a member of the KCERA Board; for example, at conferences, in newspapers, or in newsletters. In such situations, trustees shall preface their written or verbal comments with the following disclaimer (modified as appropriate for verbal versus written communications):

*I am speaking today [or writing] in my personal capacity [or in my capacity as X]. All opinions expressed [herein or in my presentation] are strictly my own [or made in my capacity as X] and do not necessarily reflect the official positions or views of KCERA.*

26)Under no circumstances may trustees use KCERA resources to communicate their personal views or positions to Plan Members or stakeholders.

27)If a trustee wishes to make a public presentation or distribute information about KCERA, such presentation and information shall be consistent with this policy, and the trustee shall ensure that the ~~Executive Director~~Chief Executive Officer or the ~~General Counsel~~Chief Legal Officer have reviewed and approved the accuracy of such presentation or information beforehand.

28)Trustees should consult the Chair, ~~Executive Director~~Chief Executive Officer, or the ~~General Counsel~~Chief Legal Officer if they have any question about this policy or if an issue or situation arises about which the trustee is uncertain how to communicate or respond.

## POLICY REVIEW AND HISTORY

29) This policy shall be reviewed at least every five years.

30) This policy was:

- a) Adopted by the Board on October 25, 2000.
- b) Amended on June 23, 2004; February 8, 2006; June 28, 2006; December 12, 2012; April 13, 2016; ~~and August 11, 2021~~; and April 13, 2022.

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## **BOARD COMMUNICATIONS POLICY**

### **PURPOSE**

- 1) This policy is intended to encourage and facilitate open and effective communications among and between the trustees and Plan Members, staff, and external parties.

### **BACKGROUND**

- 2) The Board's communication efforts shall be guided by the following principles:
  - a) *One Voice*: The Board shall promote a diversity of views in its internal deliberations, but shall strive to communicate externally as a unified body to promote clear and consistent communications.
  - b) *Policy Focus*: The Board's role in communications shall focus on establishing communications-related policies, providing input into communication plans or other strategic communications, and overseeing implementation. Day-to-day communications involving Plan Members, service providers and stakeholders shall occur primarily through staff.
  - c) *Transparency*: The Board shall be transparent in its communications with stakeholders, and shall act at all times in a manner consistent with the Brown Act.
  - d) *Risk Control*: In all of its communication activities, the Board shall strive to minimize the risk of inaccurate or inconsistent communications, as such communications may cause harm to KCERA, Plan Members, or stakeholders; or may negatively impact KCERA's credibility. The need to control such risks shall not limit the right of trustees to freely express themselves in their individual capacities.

### **GUIDELINES**

#### **General**

- 3) Trustees shall be familiar with and comply with all applicable open meeting legislation including the Brown Act, which requires that, among other things:
  - a) Trustees shall not conduct or participate in serial meetings one at a time or in a group that in total constitutes a quorum of the Board or committee of the Board either directly or through intermediaries or electronic devices, and

- b) Trustees shall not disclose to others any confidential information provided to them in closed session.
- 4) Trustees shall communicate with all parties in a professional and constructive manner.
- 5) Trustees shall share any information of a fiduciary nature pertinent to the affairs of KCERA with the Board and Management in a timely manner. Similarly, the Chief Executive Officer shall make every effort to ensure that trustees are made aware of all relevant and available information in a timely manner.
- 6) As a courtesy, trustees are encouraged to provide advance notice, if possible, to a fellow trustee, staff member, or outside advisor as to any questions or concerns they intend to raise with that party at a board or committee meeting.

#### Spokesperson

- 7) The Chief Executive Officer shall serve as the spokesperson for KCERA.
- 8) In the absence of the Chief Executive Officer, the Chief Operations Officer shall serve as the spokesperson for KCERA. In the absence of the Chief Operations Officer, the Chief Legal Officer shall serve as the spokesperson for KCERA.
- 9) The spokesperson for KCERA shall confer with the Chair beforehand on significant issues.
- 10) In situations where the Board determines it would be inappropriate for the Chief Executive Officer or, in his or her absence, the Chief Operations Officer or Chief Legal Officer to serve as spokesperson, then the Chair shall serve as spokesperson.
- 11) Spokespersons shall only communicate positions that have been decided by the Board or that reflect the official views or policies of the Board.

#### Trustee Communications with Staff

- 12) The Board recognizes that its authority rests with the Board itself and not with individual trustees. Accordingly, requests by individual trustees for information that require a material expenditure of staff time or external resources should be requested at board or committee meetings and require board or committee authorization. Information requests authorized by a committee must be consistent with the committee's charter.

13) To support transparency and coordination of activities and resources, material communications between trustees and staff are expected to occur through the Chief Executive Officer, Chief Operations Officer, Chief Investment Officer, and/or Chief Legal Officer. Trustees are expected to inform the Chief Executive Officer of all material communications they may have with his or her subordinates.

#### Trustee Communications with Plan Members

14) Trustees shall not attempt to educate or counsel Plan Members with respect to their individual benefit entitlements, but instead shall direct Plan Members with personal benefit-related questions to the KCERA office or website, or directly to senior management of KCERA. KCERA staff have access to member files and possess the necessary training to provide Plan Members with accurate information concerning their personal benefit entitlements.

15) A trustee shall not have ex-parte communications on the merits of a quasi-adjudicative application made to the Board, such as an application for disability retirement, with any party or their attorney.

16) The Board may establish the purpose, objectives, and other guiding parameters of KCERA member and stakeholder communication programs. Staff shall be responsible for implementing such programs, which shall include the preparation and delivery of communication materials and content.

17) KCERA member and stakeholder communication programs shall not be used to promote:

- a) Positions on legislation that would enhance or reduce retirement benefits or alter the structure of KCERA's defined benefit system, or add a hybrid defined contribution/defined benefit retirement system as KCERA believes that such decisions fall within the purview of the plan sponsor; and
- b) Approaches to funding KCERA that differ from the official funding policies of KCERA reflected in the 1937 Act or other applicable legislation or regulations, the requirements of the Governmental Accounting Standards Board (GASB), the latest actuarial valuation adopted by the Board, or other funding policies adopted by the Board.

#### Communication with Service Providers and the Media

18) Press releases concerning KCERA shall generally be the responsibility of the Chief Executive Officer. Such releases shall be shared beforehand with the Board or, if time does not permit, with the Chair.

- 19) Material communication by trustees with service providers should be limited to Board or committee meetings or arranged through Management. Any material communications pertaining to the business of KCERA between a trustee and a service provider outside of this context should be disclosed to the Chair and the Chief Executive Officer. Where the material communication is between the Chair and a service provider, such disclosure shall be made to the Vice Chair and the Chief Executive Officer.
- 20) In any communication with service providers, trustees shall refrain from disclosing privileged information, or other information that may be perceived as granting special treatment or favoritism.
- 21) Trustees shall refer investment opportunities or other proposals they receive from service providers to the Chief Investment Officer and the Chief Executive Officer for investigation.
- 22) Board members shall abide by the Evaluation Period Policy, which restricts Board member communications with current and prospective service providers under specified circumstances. (See Evaluation Period Policy for details.)

#### Communication with Other External Parties

- 23) All communications with regulatory authorities, civil grand juries, or investigators shall be directed to the Chief Executive Officer for coordination and response, unless under the circumstances it would not be prudent to do so, in which case they shall be directed to the Chair or the Chief Legal Officer.
- 24) When communicating with external parties on matters pertaining to KCERA:
  - a) Unless authorized by the Board, Trustees shall not communicate on behalf of the Board or KCERA, nor shall they make any remarks that a person might reasonably assume or infer represent the official position of the Board or KCERA; and
  - b) Trustees shall not make any unilateral commitments on behalf of the Board or KCERA, nor give the impression of making such commitments.
- 25) The Board recognizes that while trustees are not authorized by the Board to communicate on its behalf, they may nevertheless wish to communicate publicly about issues pertaining directly or indirectly to KCERA in a capacity other than as a member of the KCERA Board; for example, at conferences, in newspapers, or in newsletters. In such situations, trustees shall preface their written or verbal comments with the

following disclaimer (modified as appropriate for verbal versus written communications):

*I am speaking today [or writing] in my personal capacity [or in my capacity as X]. All opinions expressed [herein or in my presentation] are strictly my own [or made in my capacity as X] and do not necessarily reflect the official positions or views of KCERA.*

- 26) Under no circumstances may trustees use KCERA resources to communicate their personal views or positions to Plan Members or stakeholders.
- 27) If a trustee wishes to make a public presentation or distribute information about KCERA, such presentation and information shall be consistent with this policy, and the trustee shall ensure that the Chief Executive Officer or the Chief Legal Officer have reviewed and approved the accuracy of such presentation or information beforehand.
- 28) Trustees should consult the Chair, Chief Executive Officer, or the Chief Legal Officer if they have any question about this policy or if an issue or situation arises about which the trustee is uncertain how to communicate or respond.

## **POLICY REVIEW AND HISTORY**

29) This policy shall be reviewed at least every five years.

30) This policy was:

- a) Adopted by the Board on October 25, 2000.
- b) Amended on June 23, 2004; February 8, 2006; June 28, 2006; December 12, 2012; April 13, 2016; August 11, 2021; and April 13, 2022.



## **BOARD OPERATIONS POLICY**

### **PURPOSE**

- 1) This Board Operations Policy contains various provisions regarding how the Board will administer its own activities. The policy includes but is not limited to relevant provisions of State law and Article I of the Regulations (formerly called By-laws). Provisions drawn from the Regulations and State law are so noted.

### **POLICY GUIDELINES**

#### Election of Members of the Board of Retirement

- 2) The Board of Retirement delegates responsibility for conducting Board of Retirement elections in a manner set forth in the *Election Procedures for Elected Positions on KCERA's Board of Retirement* to the Board of Supervisors through its Chief Registrar of Voters. Appendix B contains a copy of the Election Procedures, which have been approved by the Board of Retirement. Appendix B is included for reference purposes only and does not form part of the Board Operations Policy.

#### Committee Structure

- 3) The standing committees of the Board shall be as follows:
  - a) Administrative Committee
  - b) Finance Committee
  - c) Investment Committee
  - d) Nominating Committee
- 4) In consultation with the ~~Executive Director~~Chief Executive Officer, the Board may approve the establishment of ad hoc committees, and the Board shall appoint the chair and members of such committees.
- 5) The Board supports the use of committees to enhance the efficiency and effectiveness of Board decision-making. Accordingly, the Board may assign or delegate to any committee the task of reviewing policies and decisions and providing recommendations to the Board for its consideration. Notwithstanding any such direction or delegation, the Board reserves the option to adopt any decision or policy

without considering committee analysis and recommendations if the Board determines that it is prudent and appropriate to do so under the circumstances.

### Rules of Order

- 6) The conduct of Board and committee meetings shall be determined in accordance with:
  - a) This Board Operations Policy, including the Simplified Rules of Order set out in Appendix A;
  - b) The Regulations; and
  - c) Open meeting laws and other applicable laws.
- 7) Any question regarding the conduct of a meeting that is not addressed in paragraph 6 above, shall be determined by the Board Chair or applicable committee chair. In making such determination, the Board Chair or applicable committee chair may consult with Counsel. Any such determinations shall apply only to the meeting in question; the Board however may subsequently refer the question to the Administration Committee, which may recommend changes to the Board Operations Policy or Regulations to address the question for future meetings. Any resulting changes to the Board Operations Policy or Regulations shall not nullify the original determination by the Chair or committee chair. A Board member may, however, seek reconsideration of any decision that resulted from the original determination of the Chair or committee chair, consistent with the rules for reconsideration contained in Appendix A.
- 8) The Chair shall be entitled to vote, if applicable, on all questions and shall not be required to relinquish the chair in order to participate in discussions. (Regulations: Article I.B.3)
- 9) The order of business shall be at the discretion of the ~~Executive Director~~Chief Executive Officer in the absence of instructions from the Board. (Regulations: Article I.B.4)
- 10) The order of business shall normally be as follows:
  - a) Roll Call
  - b) Flag salute and moment of silence
  - c) Consent Agenda Items for Board Action (routine and non-controversial)
  - d) Public Comments
  - e) Non-consent Agenda Items for Board Action
  - f) Report from ~~Executive Director~~Chief Executive Officer

- g) Report from Chief Investment Officer
- h) Report from the ~~General Counsel~~Chief Legal Officer
- i) Reports from Committee Chairs
- j) Board Member Announcements or Reports
- k) Executive session
- l) Adjournment

#### Officers

- 11) The Board shall annually elect a Board Chair and a Board Vice-Chair, each to serve for a term of one year.
- 12) Any trustee may be elected to the position of Board Chair or Board Vice-Chair for up to two consecutive terms, before vacating the position for at least one year.
- 13) The ~~Executive Director~~Chief Executive Officer shall serve as Secretary to the Board.

#### Nomination and Election of Board Officers

- 14) Annually at the regular meeting in October, a Nominating Committee shall be formed, consisting of two (2) members designated by the Chair of the Board and two (2) members designated by the full Board. The Chair of the Board shall appoint the Chair of the Nominating Committee. The Nominating Committee shall select one member of the Board as its nominee for Board Chair and one member as its nominee for Board Vice-Chair to hold office during the ensuing year. The Nominating Committee shall present its slate of nominees to the full Board at its regular meeting in December. At the time of election of officers in December, the Board Chair shall call for other nominations, which may be made by any member of the Board.
- 15) Annually, at the end of the regular meeting in December, the Board shall elect one of its members as Board Chair, and one of its members as Board Vice-Chair, each to hold office for a term of one year. Should a vacancy occur in the Chair position, the Vice-Chair will be the successor. Should a vacancy occur in the Vice-Chair position, the Board shall select a successor for the balance of the unexpired term at its next regular meeting.
- 16) Should the Chair or Vice-Chair be unavailable to chair a meeting, then the most recent past Chair who is available and serving on the Board shall assume the role of the Chair for the meeting in question.

### Quorum

- 17) Five members of the Board shall constitute a quorum. No official act of the Board shall be valid unless five of the members concur therein. (Regulations: Article I.A.5)
- 18) With the exception of the Nominating Committee, standing committees shall be composed of four regular members and one committee alternate member. The composition of the Nominating Committee shall be as specified in paragraph 14 herein.
- 19) Three members of a standing committee shall constitute a quorum. The committee chair may designate an additional temporary member for purposes of constituting a quorum.

### Alternates

- 20) An alternate shall be elected by the safety members and may vote in place of the 7th member when a member of the same service as the alternate is before the Board. The alternate shall vote as a member of the Board only in the event the second, third, seventh, or eighth member is absent from a board meeting for any cause, or if there is a vacancy with respect to the second, third, seventh, or eighth member, the alternate shall fill such vacancy until a successor qualifies (§31520.1).
- 21) An alternate shall also be elected by the retired members in the same manner and at the same time as the 8th member is elected. The term of office of the alternate retired member shall run concurrently with the term of office of the 8th member. The alternate retired member shall vote as a member of the Board only in the event the 8th member is absent from a board meeting for any cause. If there is a vacancy with respect to the 8th member, the alternate retired member shall fill that vacancy until a successor qualifies (§31520.5). Consistent with §31520.6, notwithstanding any provision to the contrary in §31520.5, if the eighth member is present, the alternate retired member may also vote as a member of the board in the event both the second and third, or both the second and seventh, or both the third and seventh members are absent for any cause.
- 22) Except as provided in paragraphs 20 and 21 above, alternates shall not vote as members of the Board, nor shall they have the ability to make a motion or second a motion, as the Board deems such actions to be integral to the voting process.
- 23) Except as otherwise provided in paragraphs 20 through 22, the above alternates shall have the same rights, privileges, responsibilities, and access to closed sessions as the 7<sup>th</sup> and 8<sup>th</sup> members respectively.

## Communications and Public Comment

24) Every agenda for a regular board or committee meeting shall provide the public an opportunity to address the Board or committee at each meeting during posted public comment sessions, on any item under the jurisdiction of the body. At the discretion of the presiding officer, the duration of any address may be limited to two (2) minutes. With respect to any item that is already on the agenda, the public will be given the opportunity to comment before or during the Board's or committee's hearing of the item. When a member of the public raises an issue not yet before the Board or committee, the item may be discussed, but no action may be taken at that meeting, except as provided below:

- a) The Board may request that Management or other advisors provide the Board factual information;
- b) The Board may request Management to report back to the Board at a subsequent meeting concerning any matter;
- c) The Board may take action to direct Management to place a matter of business on a future agenda.

25) Communications and requests to the Board shall be made in writing, and the substance of such requests and the action of the Board thereon shall be noted in the minutes. (Regulations: Article I.B.6)

26) Trustees may attend any standing committee meeting as observers, but only committee members may deliberate and vote on matters before the committee. (Government Code Section 54952.2(c)(6))

## Agenda

27) The Secretary to the Board shall prepare, distribute, and post a written agenda for all regular meetings of the Board and standing committees. The agenda and related materials for board meetings will generally be distributed to trustees at least five (5) calendar days in advance of the board meeting except for non-agenda items, as permitted by the Brown Act. Said materials shall also be made available for public viewing prior to board and standing committee meetings in accordance with the Brown Act. Members of the public wishing to obtain copies of the materials may do so, and may be charged an appropriate fee, as determined by the Board, to recover any costs incurred by KCERA.

28) Committee meeting agendas will be posted seventy-two (72) hours prior to committee meetings, except under circumstances permitted by the Brown Act, and materials for committee meetings generally will be distributed no later than the day before the meeting. (Government Code Section 54954.2)

29) Items may be placed on the board agenda by any of the following means:

- a) By action of the Board at a previous meeting;
- b) By the Chair; or
- c) By the ~~Executive Director~~ Chief Executive Officer.

#### Minutes

30) The Secretary shall cause to be recorded in the minutes the time and place of each meeting of the Board, the names of members present, all official acts of the Board and votes given by members of the Board. The Secretary shall cause the minutes to be written and presented for approval at the next monthly meeting of the Board. The minutes, or a true copy thereof, approved by the Board and signed by the Secretary and the Chair, shall form part of the permanent records of the Board.

31) Minutes of committee meetings shall be similarly prepared and placed in the Board's public record at the next month's regular board meeting.

32) Board members who vote against a motion are encouraged, but not required, to provide their reasons for doing so; such reasons may be included in the minutes.

#### Committee Operations

33) At the first regular meeting following the election of officers, the Chair shall appoint committee members, a committee chair, and a committee alternate to each standing committee, with the exception of the Nominating Committee (See paragraph 14 for policy regarding the Nominating Committee). Factors to be considered in determining committee appointments include:

- a) Trustees' areas of expertise and experience;
- b) Trustees' varying interests; and
- c) The need to rotate trustees between committees to ensure their exposure to KCERA's various functions.

34) The function of committee alternates is to attend committee meetings when necessary to satisfy quorum requirements.

35) If the committee chair is unavailable to attend a meeting, then the committee chair may designate another committee member to serve as committee chair in his or her absence, failing which the remaining committee members may appoint a committee chair from among themselves.

- 36) In the event of a vacancy in a committee chair position, the Chair shall appoint a replacement.
- 37) The ~~Executive Director~~Chief Executive Officer shall ensure board committees receive adequate support from staff and shall assign a staff contact to each committee.
- 38) The Board shall approve a charter for each standing committee. Unless authorized by the Board, Committees shall not undertake committee work or analysis, nor direct Management, staff, or advisors to undertake any work, that falls outside the scope of the committee's charter.
- 39) To take effect, all actions of a committee must be approved by the Board at a scheduled board meeting, unless the committee's charter authorizes such independent action by the committee or the Board has otherwise granted such authority to the committee.

#### Schedule of Meetings

- 40) Regular meetings of the Board shall be held on the second Wednesday of each month at 8:30 a.m. The Administrative, Finance, and Investment Committees of the Board shall meet on a scheduled basis or ad hoc basis, as determined by the ~~Executive Director~~Chief Executive Officer, Chairman of the Board, the relevant committee, or Chairman of the relevant committee. Such meetings will be held in the KCERA Board Room, located at 11125 River Run Boulevard, Bakersfield, California unless an alternate location is authorized under Sections 54953 or 54954 of the Brown Act. If a scheduled meeting of the full Board needs to be moved for any reason, the ~~Executive Director~~Chief Executive Officer in coordination with the Chair, shall set a new date for the Board meeting. Any scheduled Board meeting may, in consultation with the ~~Executive Director~~Chief Executive Officer, be canceled by the Board Chair or, if the Board Chair is unavailable, the Vice-Chair. Any scheduled committee meeting may be canceled by the committee chair in consultation with the ~~Executive Director~~Chief Executive Officer. If the committee chair is unavailable, the ~~Executive Director~~Chief Executive Officer will consult with the committee member who is both available and has the longest tenure on the Board to discuss canceling the meeting.
- 41) Special meetings may only be called as provided in California Government Code Section 54956 (Regulations: Article I.B.2). At its first meeting each year, standing committees shall establish a forward yearly schedule of meetings and agendas, and provide such schedules to the full Board for review.

## Policy Development

- 42) Both the Board and the ~~Executive Director~~Chief Executive Officer shall be responsible for identifying issues requiring a board policy or decision, and for initiating the development of board policy. Committees wishing to develop a new policy or position for the Board's consideration shall obtain Board approval prior to initiating any work or directing staff or advisors to initiate any work. The ~~Executive Director~~Chief Executive Officer shall be responsible for ensuring all necessary research and analysis is performed to support the Board's decision-making and policy-setting responsibilities. The ~~Executive Director~~Chief Executive Officer shall further ensure that staff provides the Board and its committees with recommendations and supporting information in connection with all material decisions before the Board or its committees. Where appropriate, such information should include the strengths and weaknesses of viable alternatives that were considered.
- 43) Board policies and decisions shall generally be limited to issues of a high level or strategic nature. The ~~Executive Director~~Chief Executive Officer is authorized to approve staff-level procedures to support the proper implementation of board policies, and to guide the day-to-day operations of KCERA.
- 44) The Board shall abide by all board policies, unless under the circumstances it would be imprudent to do so. Material deviations from policy shall be noted in the minutes of the meeting along with the reasons for doing so; and, if appropriate, the Board shall direct the ~~Executive Director~~Chief Executive Officer to review the policy in question. Minor deviations in procedures are not required to be noted in the minutes; examples include, but are not limited, to:
- a) Minor deviations in the timing of reports; and
  - b) Presenting reports directly to the Board rather than to a committee when, in consultation with the chair of the committee, it is agreed that there would be no benefit to having the committee consider the matter before it is presented to the Board.
- 45) All policies of the Board shall be reviewed with a frequency to be specified in each policy, though more frequent reviews may be initiated by the Board or the ~~Executive Director~~Chief Executive Officer if deemed necessary.
- 46) Board policies shall be maintained in up-to-date form within the offices of KCERA and shall be accessible to trustees and staff.

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Compensation and Expense Reimbursement of Members of the Board

47) Pursuant to §31521 of the Act, the fourth, fifth, sixth, eighth, ninth, and the alternate eighth member shall receive compensation at the rate of one hundred dollars (\$100) for each Board or Board-authorized committee meeting, for not more than five meetings per month. In addition, all member of the Board shall receive reimbursement for actual and necessary expenses in accordance with rules and regulations adopted by the County of Kern for reimbursement of expenses incurred by County employees set forth in the Kern County Administrative Procedures Manual and the Trustee Travel Policy. Board members and alternate trustees eligible for the \$100-per-meeting compensation may decline that compensation at any time.

## POLICY REVIEW AND HISTORY

48) This policy shall be reviewed at least every five years.

49) This policy was:

- a) Adopted by the Board on September 27, 2000.
- b) Amended on November 19, 2002; June 23, 2004; August 26, 2009; December 12, 2012; April 13, 2016; March 11, 2020; February 10, 2021; ~~and August 11, 2021;~~ and April 13, 2022.-

## APPENDIX A

### SIMPLIFIED RULES OF ORDER

- 1) In conducting Board and committee meetings, the primary goals of the Board are to ensure that:
  - a) decisions are made prudently, efficiently, and without confusion;
  - b) all Board members have appropriate opportunities to be heard;
  - c) members of the public have opportunities to address the Board, consistent with open meeting laws; and
  - d) all applicable laws are followed.
- 2) Board actions shall be carried out using motions. Examples of common motions include:
  - a) Motion to approve [insert item presented for approval].
  - b) Motion to approve/adopt based on Staff's recommendation.
  - c) Motion to refer matter to Staff/Committee for [insert direction from Board].
  - d) Motion to return matter to the Board on [insert date/month certain].
- 3) The general process for arriving at a Board or committee decision shall be as follows:
  - a) Staff and/or advisors shall provide background information and/or recommendations regarding the matter in question.
  - b) The chair shall then ask for discussion from the Board/committee.
  - c) The chair shall moderate any discussion to ensure open but orderly deliberations among Board members.
  - d) When discussion has ended, the chair shall request a motion and a second on the matter; if there is no second, the motion dies.
  - e) The chair shall take public comment at any time prior to moving to a vote.
  - f) Voting shall occur by one of the following methods:
    - i) By electronic means, though such votes may not be anonymous;

ii) By Roll Call – Each member answers “yes” or “no” as his or her name is called.

- 4) *Consent agenda.* Items placed on a consent agenda may be approved together without discussion or individual motions. A Board member may, however, request that one or more items be removed from the consent agenda for discussion and individual action, and such request may not be denied.
- 5) *Reconsidering a motion.* A board member may move that a motion to reconsider a board/committee action be placed on a future meeting agenda, but only if said board member voted on the prevailing side when the matter was first considered. If said board member did not vote on the prevailing side, he or she may briefly state reasons for wishing that such a motion be made by a qualified Board member, and no other discussion may ensue unless a motion is made and seconded. The motion may be seconded by any board member.

Notwithstanding the above, a request for reconsideration made within 90 days of when the matter was first considered may only be approved if information not previously considered is available.

- 6) *Tie votes.* Motions that result in a tie vote are considered to have failed. In the event of a tie vote, any member of the Board/committee may move to have the matter decided once again at the same meeting. If a tie vote occurs a second time, the motion dies, or the Board may continue the matter to a future meeting(s) or take other appropriate action.
- 7) Any question regarding the conduct of a meeting that is not addressed by the Board Operations Policy, the Regulations, or Open meeting laws or other applicable laws, shall be determined by the Board Chair or applicable committee chair. In making such determination, the Board Chair or applicable committee chair may consult with Counsel. Any such determinations shall apply only to the meeting in question; the Board however may subsequently refer the question to the Administration Committee, which may recommend changes to the Board Operations Policy or Regulations to address the question for future meetings. Any resulting changes to the Board Operations Policy or Regulations shall not nullify the original determination by the Chair or committee chair. A Board member may, however, seek reconsideration of any decision that resulted from the original determination of the Chair or committee chair, consistent with the rules for reconsideration contained in paragraph 5 above.

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### Other Expectations

- 8) The following meeting practices are desirable but not required:
- a) Board members seeking to gain the attention of the chair should use the electronic meeting system or say, “Mr. Chair” or “Madame Chair”.
  - b) Board members should refrain from addressing the Board or committee until recognized by the chair.
  - c) Motions should be stated in the affirmative; i.e., “I move that we ...” rather than, “I move that we do not....”

### **APPENDIX B**

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**[INSERT KCERA ELECTIONS PROCEDURES POLICY]**



## **BOARD OPERATIONS POLICY**

### **PURPOSE**

- 1) This Board Operations Policy contains various provisions regarding how the Board will administer its own activities. The policy includes but is not limited to relevant provisions of State law and Article I of the Regulations (formerly called By-laws). Provisions drawn from the Regulations and State law are so noted.

### **POLICY GUIDELINES**

#### **Election of Members of the Board of Retirement**

- 2) The Board of Retirement delegates responsibility for conducting Board of Retirement elections in a manner set forth in the *Election Procedures for Elected Positions on KCERA's Board of Retirement* to the Board of Supervisors through its Chief Registrar of Voters. Appendix B contains a copy of the Election Procedures, which have been approved by the Board of Retirement. Appendix B is included for reference purposes only and does not form part of the Board Operations Policy.

#### **Committee Structure**

- 3) The standing committees of the Board shall be as follows:
  - a) Administrative Committee
  - b) Finance Committee
  - c) Investment Committee
  - d) Nominating Committee
- 4) In consultation with the Chief Executive Officer, the Board may approve the establishment of ad hoc committees, and the Board shall appoint the chair and members of such committees.
- 5) The Board supports the use of committees to enhance the efficiency and effectiveness of Board decision-making. Accordingly, the Board may assign or delegate to any committee the task of reviewing policies and decisions and providing recommendations to the Board for its consideration. Notwithstanding any such direction or delegation, the Board reserves the option to adopt any decision or policy

without considering committee analysis and recommendations if the Board determines that it is prudent and appropriate to do so under the circumstances.

#### Rules of Order

- 6) The conduct of Board and committee meetings shall be determined in accordance with:
  - a) This Board Operations Policy, including the Simplified Rules of Order set out in Appendix A;
  - b) The Regulations; and
  - c) Open meeting laws and other applicable laws.
- 7) Any question regarding the conduct of a meeting that is not addressed in paragraph 6 above, shall be determined by the Board Chair or applicable committee chair. In making such determination, the Board Chair or applicable committee chair may consult with Counsel. Any such determinations shall apply only to the meeting in question; the Board however may subsequently refer the question to the Administration Committee, which may recommend changes to the Board Operations Policy or Regulations to address the question for future meetings. Any resulting changes to the Board Operations Policy or Regulations shall not nullify the original determination by the Chair or committee chair. A Board member may, however, seek reconsideration of any decision that resulted from the original determination of the Chair or committee chair, consistent with the rules for reconsideration contained in Appendix A.
- 8) The Chair shall be entitled to vote, if applicable, on all questions and shall not be required to relinquish the chair in order to participate in discussions. (Regulations: Article I.B.3)
- 9) The order of business shall be at the discretion of the Chief Executive Officer in the absence of instructions from the Board. (Regulations: Article I.B.4)
- 10) The order of business shall normally be as follows:
  - a) Roll Call
  - b) Flag salute and moment of silence
  - c) Consent Agenda Items for Board Action (routine and non-controversial)
  - d) Public Comments
  - e) Non-consent Agenda Items for Board Action
  - f) Report from Chief Executive Officer
  - g) Report from Chief Investment Officer

- h) Report from the Chief Legal Officer
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- k) Executive session
- l) Adjournment

#### Officers

- 11) The Board shall annually elect a Board Chair and a Board Vice-Chair, each to serve for a term of one year.
- 12) Any trustee may be elected to the position of Board Chair or Board Vice-Chair for up to two consecutive terms, before vacating the position for at least one year.
- 13) The Chief Executive Officer shall serve as Secretary to the Board.

#### Nomination and Election of Board Officers

- 14) Annually at the regular meeting in October, a Nominating Committee shall be formed, consisting of two (2) members designated by the Chair of the Board and two (2) members designated by the full Board. The Chair of the Board shall appoint the Chair of the Nominating Committee. The Nominating Committee shall select one member of the Board as its nominee for Board Chair and one member as its nominee for Board Vice-Chair to hold office during the ensuing year. The Nominating Committee shall present its slate of nominees to the full Board at its regular meeting in December. At the time of election of officers in December, the Board Chair shall call for other nominations, which may be made by any member of the Board.
- 15) Annually, at the end of the regular meeting in December, the Board shall elect one of its members as Board Chair, and one of its members as Board Vice-Chair, each to hold office for a term of one year. Should a vacancy occur in the Chair position, the Vice-Chair will be the successor. Should a vacancy occur in the Vice-Chair position, the Board shall select a successor for the balance of the unexpired term at its next regular meeting.
- 16) Should the Chair or Vice-Chair be unavailable to chair a meeting, then the most recent past Chair who is available and serving on the Board shall assume the role of the Chair for the meeting in question.

#### Quorum

- 17) Five members of the Board shall constitute a quorum. No official act of the Board shall be valid unless five of the members concur therein. (Regulations: Article I.A.5)

18)With the exception of the Nominating Committee, standing committees shall be composed of four regular members and one committee alternate member. The composition of the Nominating Committee shall be as specified in paragraph 14 herein.

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20)An alternate shall be elected by the safety members and may vote in place of the 7th member when a member of the same service as the alternate is before the Board. The alternate shall vote as a member of the Board only in the event the second, third, seventh, or eighth member is absent from a board meeting for any cause, or if there is a vacancy with respect to the second, third, seventh, or eighth member, the alternate shall fill such vacancy until a successor qualifies (§31520.1).

21)An alternate shall also be elected by the retired members in the same manner and at the same time as the 8th member is elected. The term of office of the alternate retired member shall run concurrently with the term of office of the 8th member. The alternate retired member shall vote as a member of the Board only in the event the 8th member is absent from a board meeting for any cause. If there is a vacancy with respect to the 8th member, the alternate retired member shall fill that vacancy until a successor qualifies (§31520.5). Consistent with §31520.6, notwithstanding any provision to the contrary in §31520.5, if the eighth member is present, the alternate retired member may also vote as a member of the board in the event both the second and third, or both the second and seventh, or both the third and seventh members are absent for any cause.

22)Except as provided in paragraphs 20 and 21 above, alternates shall not vote as members of the Board, nor shall they have the ability to make a motion or second a motion, as the Board deems such actions to be integral to the voting process.

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#### Communications and Public Comment

24)Every agenda for a regular board or committee meeting shall provide the public an opportunity to address the Board or committee at each meeting during posted public

comment sessions, on any item under the jurisdiction of the body. At the discretion of the presiding officer, the duration of any address may be limited to two (2) minutes. With respect to any item that is already on the agenda, the public will be given the opportunity to comment before or during the Board's or committee's hearing of the item. When a member of the public raises an issue not yet before the Board or committee, the item may be discussed, but no action may be taken at that meeting, except as provided below:

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- b) The Board may request Management to report back to the Board at a subsequent meeting concerning any matter;
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- a) By action of the Board at a previous meeting;

- b) By the Chair; or
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- 30) The Secretary shall cause to be recorded in the minutes the time and place of each meeting of the Board, the names of members present, all official acts of the Board and votes given by members of the Board. The Secretary shall cause the minutes to be written and presented for approval at the next monthly meeting of the Board. The minutes, or a true copy thereof, approved by the Board and signed by the Secretary and the Chair, shall form part of the permanent records of the Board.
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- a) Trustees' areas of expertise and experience;
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  - c) The need to rotate trustees between committees to ensure their exposure to KCERA's various functions.
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#### Policy Development

- 42) Both the Board and the Chief Executive Officer shall be responsible for identifying issues requiring a board policy or decision, and for initiating the development of board policy. Committees wishing to develop a new policy or position for the Board's consideration shall obtain Board approval prior to initiating any work or directing staff or advisors to initiate any work. The Chief Executive Officer shall be responsible for

ensuring all necessary research and analysis is performed to support the Board's decision-making and policy-setting responsibilities. The Chief Executive Officer shall further ensure that staff provides the Board and its committees with recommendations and supporting information in connection with all material decisions before the Board or its committees. Where appropriate, such information should include the strengths and weaknesses of viable alternatives that were considered.

- 43) Board policies and decisions shall generally be limited to issues of a high level or strategic nature. The Chief Executive Officer is authorized to approve staff-level procedures to support the proper implementation of board policies, and to guide the day-to-day operations of KCERA.
- 44) The Board shall abide by all board policies, unless under the circumstances it would be imprudent to do so. Material deviations from policy shall be noted in the minutes of the meeting along with the reasons for doing so; and, if appropriate, the Board shall direct the Chief Executive Officer to review the policy in question. Minor deviations in procedures are not required to be noted in the minutes; examples include, but are not limited, to:
  - a) Minor deviations in the timing of reports; and
  - b) Presenting reports directly to the Board rather than to a committee when, in consultation with the chair of the committee, it is agreed that there would be no benefit to having the committee consider the matter before it is presented to the Board.
- 45) All policies of the Board shall be reviewed with a frequency to be specified in each policy, though more frequent reviews may be initiated by the Board or the Chief Executive Officer if deemed necessary.
- 46) Board policies shall be maintained in up-to-date form within the offices of KCERA and shall be accessible to trustees and staff.

#### Compensation and Expense Reimbursement of Members of the Board

- 47) Pursuant to §31521 of the Act, the fourth, fifth, sixth, eighth, ninth, and the alternate eighth member shall receive compensation at the rate of one hundred dollars (\$100) for each Board or Board-authorized committee meeting, for not more than five meetings per month. In addition, all member of the Board shall receive reimbursement for actual and necessary expenses in accordance with rules and regulations adopted by the County of Kern for reimbursement of expenses incurred by County employees set forth in the Kern County Administrative Procedures Manual and the Trustee Travel

Policy. Board members and alternate trustees eligible for the \$100-per-meeting compensation may decline that compensation at any time.

PROPOSED

#### **POLICY REVIEW AND HISTORY**

48) This policy shall be reviewed at least every five years.

49) This policy was:

- a) Adopted by the Board on September 27, 2000.
- b) Amended on November 19, 2002; June 23, 2004; August 26, 2009; December 12, 2012; April 13, 2016; March 11, 2020; February 10, 2021; August 11, 2021; and April 13, 2022.

## APPENDIX A

### SIMPLIFIED RULES OF ORDER

- 1) In conducting Board and committee meetings, the primary goals of the Board are to ensure that:
  - a) decisions are made prudently, efficiently, and without confusion;
  - b) all Board members have appropriate opportunities to be heard;
  - c) members of the public have opportunities to address the Board, consistent with open meeting laws; and
  - d) all applicable laws are followed.
  
- 2) Board actions shall be carried out using motions. Examples of common motions include:
  - a) Motion to approve [insert item presented for approval].
  - b) Motion to approve/adopt based on Staff's recommendation.
  - c) Motion to refer matter to Staff/Committee for [insert direction from Board].
  - d) Motion to return matter to the Board on [insert date/month certain].
  
- 3) The general process for arriving at a Board or committee decision shall be as follows:
  - a) Staff and/or advisors shall provide background information and/or recommendations regarding the matter in question.
  - b) The chair shall then ask for discussion from the Board/committee.
  - c) The chair shall moderate any discussion to ensure open but orderly deliberations among Board members.
  - d) When discussion has ended, the chair shall request a motion and a second on the matter; if there is no second, the motion dies.
  - e) The chair shall take public comment at any time prior to moving to a vote.
  - f) Voting shall occur by one of the following methods:
    - i) By electronic means, though such votes may not be anonymous;
    - ii) By Roll Call – Each member answers “yes” or “no” as his or her name is called.
  
- 4) *Consent agenda.* Items placed on a consent agenda may be approved together without discussion or individual motions. A Board member may, however, request that one or more items be removed from the consent agenda for discussion and individual action, and such request may not be denied.
  
- 5) *Reconsidering a motion.* A board member may move that a motion to reconsider a board/committee action be placed on a future meeting agenda, but only if said board

member voted on the prevailing side when the matter was first considered. If said board member did not vote on the prevailing side, he or she may briefly state reasons for wishing that such a motion be made by a qualified Board member, and no other discussion may ensue unless a motion is made and seconded. The motion may be seconded by any board member.

Notwithstanding the above, a request for reconsideration made within 90 days of when the matter was first considered may only be approved if information not previously considered is available.

- 6) *Tie votes.* Motions that result in a tie vote are considered to have failed. In the event of a tie vote, any member of the Board/committee may move to have the matter decided once again at the same meeting. If a tie vote occurs a second time, the motion dies, or the Board may continue the matter to a future meeting(s) or take other appropriate action.
- 7) Any question regarding the conduct of a meeting that is not addressed by the Board Operations Policy, the Regulations, or Open meeting laws or other applicable laws, shall be determined by the Board Chair or applicable committee chair. In making such determination, the Board Chair or applicable committee chair may consult with Counsel. Any such determinations shall apply only to the meeting in question; the Board however may subsequently refer the question to the Administration Committee, which may recommend changes to the Board Operations Policy or Regulations to address the question for future meetings. Any resulting changes to the Board Operations Policy or Regulations shall not nullify the original determination by the Chair or committee chair. A Board member may, however, seek reconsideration of any decision that resulted from the original determination of the Chair or committee chair, consistent with the rules for reconsideration contained in paragraph 5 above.

#### Other Expectations

- 8) The following meeting practices are desirable but not required:
  - a) Board members seeking to gain the attention of the chair should use the electronic meeting system or say, “Mr. Chair” or “Madame Chair”.
  - b) Board members should refrain from addressing the Board or committee until recognized by the chair.
  - c) Motions should be stated in the affirmative; i.e., “I move that we ...” rather than, “I move that we do not....”

## APPENDIX B



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11125 River Run Boulevard  
Bakersfield, CA 93311  
Tel (661) 381-7700 • Fax (661) 381-7799  
Toll Free (877) 733-6831  
TTY Relay (800) 735-2929  
[www.kcera.org](http://www.kcera.org)

### **ELECTION PROCEDURES POLICY**

The Board of Retirement delegates responsibility for conducting Board of Retirement elections in a manner set forth in these Election Procedures for Elected Positions on KCERA's Board of Retirement to the Board of Supervisors through its Chief Registrar of Voters.

#### **APPLICABILITY**

1. These procedures shall govern the election of the second, third, seventh, eighth and seventh and eighth alternate members to the Kern County Employees' Retirement Association ("KCERA") Board of Retirement.

#### **ELECTION DATE; COSTS; TIME REQUIREMENTS**

2. Elections shall be held on the third Tuesday in November to fill the positions for terms expiring December 31 of that year. Elections shall be conducted by the Auditor-Controller-County Clerk (hereafter "elections official"). All costs associated with any election for membership on the KCERA's Board of Retirement shall be paid by the KCERA. If any day on which action is required pursuant to these procedures falls on a weekend or holiday, the election official's next scheduled work day shall be the day on which such action must occur.

#### **NOTICE OF ELECTION; ELIGIBILITY OF CANDIDATES**

3. No later than the 76th day prior to the election date, written notice as to the election and candidacy filing procedures shall be given as follows:
  - a. For all members, notices shall be mailed to the last known address of such member on file with the KCERA.
  - b. For member organizations, notices shall be furnished to any organization of active or retired members.

The notice shall include a statement to the member that additional information regarding the election, including election results, will be posted on the KCERA website. The notice shall be mailed utilizing postal address correction notification

## APPENDIX B

services. Upon receipt, address correction information shall be provided to the KCERA to allow for updates prior to ballot mailing.

Any active general member who is not employed in the office of the KCERA,<sup>1</sup> or any deferred general member of the KCERA, is eligible to run for the position of second or third member of the Board. To be eligible to run as a safety member, the member must be among the group defined in Government Code sections 31470.2 or 31470.4. The alternate safety member shall be that candidate for the seventh member from the group under sections 31470.2 or 31470.4, which is not represented by the seventh member who received the highest number of votes of all candidates in that group.

Candidates for the eighth member and alternate eighth member on the Board of Retirement shall be retired members of the KCERA. The alternate eighth member of the Board shall be elected separately by the retired members of the KCERA in the same manner and at the same time as the eighth member is elected.

These eligibility standards shall be deemed to be amended to comply with current provisions of the County Employees' Retirement Law of 1937 or other applicable law relating to eligibility requirements for members of the Board of Retirement, or as determined by a court of competent jurisdiction.

### **NOMINATION OF CANDIDATES; FILING PERIOD; STATEMENT OF CANDIDATES**

4. At least 53 but not more than 69 days prior to the election date, the elections official shall receive nominations of candidates. The number of eligible members required to sign a nomination paper for the respective office is not less than 15, nor more than 20. Only those members qualified to vote in the election for the office may sign a nomination paper. No member may sign more than one nomination paper for the same office, and in the event a member does so, the member's signature shall count only on the first nomination paper filed which contains that member's signature. Any member eligible to vote at the election may circulate a nomination paper for the candidate for whom the member is eligible to vote, substantially in the following form:

*We, the undersigned members of the Kern County Employees' Retirement Association hereby nominate \_\_\_\_\_ for the office of the \_\_\_\_\_ member on the Kern County Employees' Retirement Association Board of Retirement.*

*Name of Circulator*

*Circle one: Active General Member, Active Safety Member, Deferred  
General Member, Retiree*

*Circulator's Employing Department or Entity*

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<sup>1</sup> Kern County Employees' Retirement Association v. Bellino (2005) 126 Cal.App.4th 781

## APPENDIX B

### *Affidavit of Circulator*

*I, \_\_\_\_\_, solemnly swear (or affirm) that the signatures on this nomination paper were obtained between \_\_\_\_\_, 20\_\_\_\_, and \_\_\_\_\_, 20\_\_\_\_; that I circulated the petition and I saw the signatures on this section of the nomination papers being written; and that, to the best of my information and belief, each signature is the genuine signature of the person whose name it purports to be. I declare under penalty of perjury that the foregoing is true and correct.*

\_\_\_\_\_  
*Signature of Circulator*

The circulator's affidavit may either be notarized or signed in the presence of authorized staff of the elections official. Within 10 days after the close of the nomination period, the elections official shall verify that the individuals listed on the nomination papers are eligible to sign the candidate's nomination form based on a report of eligible members provided by KCERA. Any nominee whose nomination papers do not contain an adequate number of verified members shall be so notified by the elections official, and his or her name shall not be placed on the ballot.

Each nomination petition shall include a declaration of the nominee, substantially in the following form:

*I, \_\_\_\_\_, am the above-named nominee for the office of the \_\_\_\_\_ member of the Kern County Employees' Retirement Association Board of Retirement. I am a (General, Safety, General Deferred or Retired) member of the Kern County Employees' Retirement Association and if elected I will qualify and serve to the best of my ability. I request my name be placed on the official ballot for election to the Board of Retirement for the election to be held on the \_\_\_\_\_ day of November, \_\_\_\_\_.*

*I desire my name and designation to appear on the ballot as follows: (Name and designation).*

*I declare under penalty of perjury that the foregoing is true and correct. Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.*

\_\_\_\_\_  
*Signature of Nominee*

The nominee's declaration may either be notarized or signed in the presence of authorized staff of the elections official.

The ballot shall not contain the name of any candidate unless duly nominated as provided herein. No later than 53 days prior to the election, a candidate may also submit a candidate's statement which shall be mailed with the ballot to each member. The statement, which shall not exceed 200 words, shall include the name and

## APPENDIX B

occupation, including identification of the candidate's employing department or special district, and a brief description of the candidate's education and qualifications expressed by the candidate. The statement may not make reference to any other candidate's qualifications, character, or activities, and the candidate shall declare under penalty of perjury that the contents of his or her candidate statement are true and correct. The elections official shall not cause to be printed or circulated any statement which is not so limited and declared under penalty of perjury.

No later than 40 days prior to the election, the elections official shall publish a list of all candidates who are eligible to be voted for at the election. The list of candidates shall be posted at the Elections Office and at the office of the Kern County Employees' Retirement Association.

### EXTENSION OF FILING PERIOD IF INCUMBENT FAILS TO FILE

5. Notwithstanding any other provision of these regulations, if nomination papers and a declaration of candidacy for an incumbent trustee is not filed by 5 p.m. on the 53<sup>rd</sup> day prior to the election, any person (other than the person who was the incumbent on the 53<sup>rd</sup> day) shall have until 5 p.m. on the 46<sup>th</sup> day before the election to file nomination papers and a declaration of candidacy as provided in paragraph 4 above. This paragraph 5 is not applicable where there is no incumbent to be elected or the incumbent is not eligible for re-election to the trustee position in which he or she holds at the time the filing period closes.

### WITHDRAWAL

6. A candidate may withdraw his or her declaration of candidacy no later than 53 days prior to the election date, or in the event Paragraph 5 above is applicable, 46 days prior to the election date.

### WRITE-IN CANDIDATES

7. A member may declare his or her candidacy as a write-in candidate no later than 14 days, nor earlier than 46 days, prior to the date of the election by filing nomination papers as provided in Rules 4 herein and a declaration of candidacy substantially in the following form, and signed under penalty of perjury:

*I, \_\_\_\_\_, am the above-named nominee for the office of the \_\_\_\_\_ member of Kern County Employees' Retirement Association Board of Retirement. I am a (General, Safety, or Retired) member of the Kern County Employees' Retirement Association and if elected I will qualify and serve to the best of my ability. I do hereby declare myself as a write-in candidate for election to the Board of Retirement of the Kern County Employees' Retirement Association as its \_\_\_\_\_ Member. If elected I will qualify and serve to the best of my ability.*

\_\_\_\_\_  
*Signature of Write-In Nominee*

## APPENDIX B

### ELECTION RESULT IF NO MORE THAN ONE CANDIDATE

8.
  - a. No later than 46 days prior to the election, if only one member has filed nomination papers and a declaration of candidacy pursuant to paragraph 4 or 5 above, no election shall be held and the elections official shall prepare an appointment in lieu of election declaring such member elected to the office for which he or she was nominated. If the Seventh is appointed in lieu of election, an election may be held for the Seventh Alternate member if an eligible candidate timely files as a Write-in Candidate.
  - b. Election of Seventh Alternate Member. The elections official shall inform KCERA of any appointment in lieu of election for the Seventh Member. Once informed, KCERA shall direct a notice regarding the Write-in Candidate process to County Departments employing eligible Seventh Alternate Member candidates, eligible member candidates, and member groups representing the Seventh Alternate Member candidates.
  - c. If no eligible candidate for the Seventh Alternate position files as a Write-in Candidate, the Board of Retirement may elect not to fill the alternate member seat, or may elect to receive applications for appointment. Applications for appointment to an alternate member seat shall be placed on a Regular Board of Retirement Meeting Agenda.

### BALLOTS; STATEMENT BY BOARD OF RETIREMENT; VOTING DEADLINE

9. No later than 15 days prior to the election, ballots shall be prepared by the elections official and shall be mailed to each member eligible to vote. Ballots shall be mailed in forwardable envelopes utilizing postal address correction notification services. Upon receipt, address correction information shall be provided to the KCERA.

Members eligible to vote for the second and third members of the Board of Retirement are all active and deferred members of the KCERA. Only retired members are eligible to vote for the eighth member of the Board. All members designated as safety members are eligible to vote for the seventh member.

The names of all candidates who have timely filed the required nomination papers and declaration of intent to serve shall be printed on the ballot. At the option of the candidate, the title of the public service position he or she holds or from which he or she is retired may be printed immediately after or below his or her name on the ballot. In lieu of the public service position designation, a candidate may have the name of his or her appointing authority's department or division printed on the ballot. A candidate for the same seat which he or she presently holds may also have the word "Incumbent" printed immediately after or below his or her name on the ballot. Any title or designation provided to the elections official to print on the ballot, as indicated above, shall be declared by the candidate to be true and correct under penalty of perjury.

## APPENDIX B

The order in which the candidates appear on the ballot shall be determined by a random drawing conducted by the elections official. Voting instructions, similar to those provided in Exhibit "A", shall be included with the ballots mailed to the members. The ballot will be void and shall not be counted if the member fails to comply with voting instructions. Instead of voting for a candidate listed on the ballot, a member may cast a vote for a write-in candidate who has timely filed a valid nomination petition and declaration of candidacy by writing in the name of that member in the space provided.

In addition to the ballot, the voting instructions, and the Candidate's Statements (if any), each member shall receive a statement from the KCERA Board of Retirement substantially in the following form:

*The Board of Retirement consists of nine members and two alternates, \_\_\_\_ of whom will be selected as a result of this election. The Board manages investments of the retirement fund, which has assets of approximately \$\_\_\_\_\_. In addition, the Board makes decisions on applications for disability retirement and on many other matters vital to its members. We urge you to take the time to learn about the candidates and to vote.*

In order to be processed and counted, voted ballots must be received by the Elections Division of the Auditor-Controller-County Clerk's Office no later than 5 p.m. on the day of the election.

### CAMPAIGN

10. No member may use County time or resources to campaign for a member seeking election to the Board of Retirement, including dissemination of campaign information via the County's electronic communications system; provided, however, that department heads shall permit each candidate, upon request, to post reasonable campaign material on the department bulletin board. Posted items shall be no larger than 8 ½" by 11 ½". Department heads may reasonably refuse to post any offensive or defamatory material. Nothing herein shall be deemed to make any campaign material or statement or the authors thereof free or exempt from any civil or criminal action or penalty because of any false, slanderous or libelous statements offered for distribution or posting.

### TALLY OF VOTES; TIE VOTE

11. The elections official shall verify the names on all returned envelopes against the members' mailing list or roster and ready ballots for counting. Staff from the Elections Office shall serve as the canvassing board. The canvassing board shall meet at 8:00 a.m. in the Elections Office on the third day of the election, no later than the 1<sup>st</sup> Thursday following the election, for the counting of ballots and determination of any questionable ballots. Any person may observe the tally of votes.

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The candidate for the second, third, seventh, eighth and eighth alternate member offices who receives the highest number of votes cast for such office shall be elected to such office for the term next succeeding. In the event of a tie vote, the procedures set forth in Elections Code section 15651(a) shall be used to determine the election results. The elections results shall be filed with the Board of Retirement, and the Chief Executive Officer of the KCERA shall file a certificate of the election results with the Board of Supervisors.

### **POSTING CERTIFICATE OF ELECTION RESULTS; ELECTION CONTEST; RETENTION OF BALLOTS**

12. A certificate of election results shall be posted on the KCERA's Web page and on the door at the entrance to the KCERA's office for one week commencing with the day following the day election results are certified by the elections official.

Any member of the KCERA desiring to contest the results of any election shall file a written statement of contest not later than the 30<sup>th</sup> day following the date of the election. The grounds for contest shall be those specified in California Elections Code section 16100-16101. The procedures for contests of general elections contained in the California Elections Code shall control except that the contestant and the candidate-elect whose election is being contested shall file all statements, affidavits and other papers with the Board of Retirement. The Board of Retirement shall take such action upon any election contest as it shall deem just and proper. The provisions of Code of Civil Procedure section 1094.6 (relating to limitations on time to commence proceedings in mandate) are applicable to petitions for writs of mandate filed to review final decisions of the Board on the election contest.

All envelopes containing voted ballots and all voted ballots (whether or not counted) shall be retained for 30 days in the offices of the elections official or until such further time as is required to settle any contest concerning the election.

### **SPECIAL ELECTIONS**

13. A special election shall be called by the Board of Retirement within 30 days of the occurrence of the vacancy if a vacancy occurs for any reason during the term of office of an elected board member, other than alternate members, unless the term of office will end less than 365 days from the occurrence of the vacancy; provided, however, that if the term of office will end less than 365 days from the occurrence of the vacancy, the Board may call a special election to fill such vacancy of the Board, in its discretion, determines that such action is in the best interests of the KCERA. The Board of Retirement may call a special election to fill a vacancy occurring in the office of any alternate member if the Board, in its discretion, determines that such action is in the best interests of the KCERA.

### **RETIREMENT BOARD DISCRETION**

14. The purpose of these election procedures is to ensure an orderly, fair and impartial

## APPENDIX B

process for the conduct of elections of trustees to the Board of Retirement. In the event there is any ambiguity or uncertainty regarding the application of these procedures to a particular election issue, or there is no procedure specifically addressing the election issue, the Board of Retirement shall decide the issue upon application by any person, or on its own motion. In exercising its administrative discretion under these procedures, the Board shall be mindful of the purpose of these procedures and may be guided by general principles of California elections or other applicable law.

PROPOSED

### POLICY REVIEW AND HISTORY

- 1) This policy was:
  - a) Adopted by the Board on August 8, 2018.

---

## **BOARD PERFORMANCE EVALUATION POLICY**

### **INTRODUCTION**

- 1) The objective of this policy is to set out a process whereby the Retirement Board may engage in self-evaluation for the purposes of continuously developing and improving its own effectiveness.
- 2) The scope of the evaluation process and any resulting actions should be strictly limited to the operations and decision-making practices of the Board itself. Issues pertaining to the operations of KCERA or to Management and staff will fall within the scope of other appropriate Board policies, such as the ~~Executive Director~~Chief Executive Officer Performance Evaluation Policy.
- 3) The Administrative Committee shall be responsible for coordinating the implementation of this policy, and making recommendations to the Board for addressing any issues arising from the evaluation.
- 4) The Board's performance evaluation will be completed on an annual basis, although the Board may defer or cancel the evaluation in any year if extenuating circumstances arise (e.g., when significant turnover on the Board occurs).

### **PROCEDURES**

- 5) The Board performance evaluation process will consist of a short survey administered to Board members followed by optional one-on-one interviews with each board member.
  - a) The Board performance evaluation survey will be administered by a third-party designated by the Administrative Committee or the ~~Executive Director~~Chief Executive Officer. The survey will provide Board members a framework for reviewing the performance of the Board and for raising, in an anonymous manner, any concerns or suggestions they may have. The Administrative Committee will from time-to-time review the Board performance evaluation survey and make modifications, as appropriate.
  - b) After completing the Board performance evaluation survey, board members shall be invited to participate in optional one-on-one interviews with the third-party

administrator of the survey. Such interviews will serve as an opportunity for board members to provide additional detail about their survey responses, or to raise any issues not noted in the survey.

- 6) The third-party administrator of the survey shall provide the Administrative Committee with a Report of Findings summarizing Board members' input and suggestions raised in the survey and follow-up interviews. In preparing such Report, the third party may edit Board members' responses or comments, as appropriate (e.g. to maintain the anonymity).
- 7) The Chair of the Administrative Committee will facilitate discussion of the Report of Findings by the Administrative Committee and will report to the Board on the discussions, conclusions, and recommendations of the Administrative Committee. Alternatively, the Administrative Committee may direct the third-party administrator of the survey to report the Committee's findings and recommendations to the Board.
- 8) The Board shall consider the Administrative Committee's findings and recommendations and approve any resulting actions or initiatives.

## POLICY REVIEW AND HISTORY

- 9) ~~The Board~~This policy shall ~~be reviewed~~ed this policy at least every five years.
- 10) This policy was:
  - a) Adopted by the Board on April 13, 2016.
  - b) Amended on August 11, 2021 and April 13, 2022.

---

## **BOARD PERFORMANCE EVALUATION POLICY**

### **INTRODUCTION**

- 1) The objective of this policy is to set out a process whereby the Retirement Board may engage in self-evaluation for the purposes of continuously developing and improving its own effectiveness.
- 2) The scope of the evaluation process and any resulting actions should be strictly limited to the operations and decision-making practices of the Board itself. Issues pertaining to the operations of KCERA or to Management and staff will fall within the scope of other appropriate Board policies, such as the *Chief Executive Officer Performance Evaluation Policy*.
- 3) The Administrative Committee shall be responsible for coordinating the implementation of this policy, and making recommendations to the Board for addressing any issues arising from the evaluation.
- 4) The Board's performance evaluation will be completed on an annual basis, although the Board may defer or cancel the evaluation in any year if extenuating circumstances arise (e.g., when significant turnover on the Board occurs).

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  - a) The Board performance evaluation survey will be administered by a third-party designated by the Administrative Committee or the Chief Executive Officer. The survey will provide Board members a framework for reviewing the performance of the Board and for raising, in an anonymous manner, any concerns or suggestions they may have. The Administrative Committee will from time-to-time review the Board performance evaluation survey and make modifications, as appropriate.
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administrator of the survey. Such interviews will serve as an opportunity for board members to provide additional detail about their survey responses, or to raise any issues not noted in the survey.

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- 7) The Chair of the Administrative Committee will facilitate discussion of the Report of Findings by the Administrative Committee and will report to the Board on the discussions, conclusions, and recommendations of the Administrative Committee. Alternatively, the Administrative Committee may direct the third-party administrator of the survey to report the Committee's findings and recommendations to the Board.
- 8) The Board shall consider the Administrative Committee's findings and recommendations and approve any resulting actions or initiatives.

## **POLICY REVIEW AND HISTORY**

- 9) This policy shall be reviewed at least every five years.
- 10) This policy was:
  - a) Adopted by the Board on April 13, 2016.
  - b) Amended on August 11, 2021 and April 13, 2022.



## **EXECUTIVE DIRECTOR/CHIEF EXECUTIVE OFFICER EVALUATION POLICY**

### **INTRODUCTION**

- 1) One of the most important functions of the Board is to effectively direct and oversee the ~~Executive Director~~Chief Executive Officer. To assist in carrying out this function, the Board has adopted this ~~Executive Director~~Chief Executive Officer Performance Evaluation Policy.
- 2) The objectives of this policy are to help ensure:
  - a) The Board communicates to the ~~Executive Director~~Chief Executive Officer clear and meaningful performance goals and expectations;
  - b) The ~~Executive Director~~Chief Executive Officer receives useful and timely feedback from the Board; and
  - c) There is proper alignment between the ~~Executive Director~~Chief Executive Officer's performance and compensation.

### **ROLES AND RESPONSIBILITIES**

- 3) The Board shall be responsible for evaluating the performance of the ~~Executive Director~~Chief Executive Officer and all trustees shall have an opportunity to provide input.
- 4) The Administrative Committee shall coordinate the evaluation process.

### **EVALUATION CRITERIA**

- 5) The ~~Executive Director~~Chief Executive Officer's annual evaluation shall be based on the following minimum criteria:
  - a) The Board's satisfaction with the ~~Executive Director~~Chief Executive Officer's general leadership, management, and administrative skills, as determined by the results of a performance evaluation survey (i.e. the ~~Executive Director~~Chief Executive Officer Performance Evaluation Survey); and

- b) Objective criteria that the Board may establish from time-to-time, as appropriate measurement methodologies are established (e.g. service quality targets, implementation of specified business plan initiatives).
- 6) In addition to the above minimum criteria, the Board may establish in advance, special one-time criteria covering unique issues or circumstances that may arise in a given year.
  - 7) To the extent possible, evaluation criteria shall be:
    - a) Objective, realistic, and measurable; and
    - b) Pertain only to outcomes over which the ~~Executive Director~~Chief Executive Officer has a high degree of control. For example, it would be inappropriate to evaluate the ~~Executive Director~~Chief Executive Officer on total fund performance, given that the ~~Executive Director~~Chief Executive Officer does not have the authority to set the asset allocation of the Fund, which is a key determinant of total fund performance.

#### **THE EVALUATION PERIOD & FREQUENCY**

- 8) The Board shall review the performance of Employee at least annually; provided, however, that Employee timely provides the Board with the evaluation materials and places the matter on a Regular Board meeting agenda. Annual evaluations shall be performed in accordance with the process set out herein. The Board may perform interim evaluations of the ~~Executive Director~~Chief Executive Officer at any time, using any methods it deems appropriate.
- 9) The period of performance to be evaluated each year shall be referred to as the evaluation period ("Evaluation Period") and will consist of 12 consecutive months typically commencing with the ~~Executive Director~~Chief Executive Officer's month of hire (i.e., if the ~~Executive Director~~Chief Executive Officer was hired in August, the Evaluation Period will be August to July).

#### **PROCESS – ESTABLISHING ANNUAL EVALUATION CRITERIA**

- 10) Approximately one month prior to the start of each Evaluation Period, the ~~Executive Director~~Chief Executive Officer shall meet with the Administrative Committee to review the performance evaluation criteria to be used in evaluating the ~~Executive Director~~Chief Executive Officer's performance for the coming Evaluation Period, including reviewing or confirming:
  - a) Agreed-upon minimum evaluation criteria;

- b) The ~~Executive Director~~Chief Executive Officer Performance Evaluation Survey (the “Survey”) and any other surveys that may be used as part of the evaluation;
  - c) Special, one-time criteria if applicable;
  - d) The relative weightings of the various criteria;
  - e) If applicable, the details of any performance incentive structure (e.g., criteria, bonus structure, etc.).
- 11) The Administrative Committee shall recommend for board approval all evaluation criteria and, if applicable, any performance incentive structures for the ~~Executive Director~~Chief Executive Officer. The Administrative Committee shall, however, have the authority to approve changes to the Survey and any other surveys that may be used as part of the evaluation.

### PROCESS – THE EVALUATION

- 12) Approximately two months prior to the end of each Evaluation Period, the ~~Executive Director~~Chief Executive Officer shall distribute an Evaluation Package to each member of the Board to assist the Board in evaluating the performance of the ~~Executive Director~~Chief Executive Officer over the previous Evaluation Period. The Evaluation Package shall include:
- a) All agreed-upon criteria (all criteria would have normally been approved approximately one year earlier);
  - b) The ~~Executive Director~~Chief Executive Officer’s own assessment of his or her performance relative to the above criteria, along with supporting documentation and information (e.g. a copy of the financial audit results);
  - c) A blank copy of the Survey<sup>1</sup>; and
  - d) Any additional supporting documentation that the ~~Executive Director~~Chief Executive Officer believes may assist the Board in its evaluation.
- 13) Trustees shall treat the Evaluation Package as confidential, and shall complete the Survey within a time frame to be specified in the Survey. Completed Surveys shall be tabulated by the Administrative Committee, or by a designated third-party. Trustees may be given the opportunity to expand on their survey responses during brief, one-on-one follow-up discussions with a designated third-party. Any tabulation or summary of the completed Surveys shall maintain the anonymity of trustees’ input. If tabulated by a third-party, said party shall provide the results to the Chair of the Administrative

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<sup>1</sup> The Survey may instead be distributed to trustees using on-line technology.

Committee prior to being reviewed by the Committee. The Chair may direct the third-party to also forward the results to the ~~Executive Director~~Chief Executive Officer.

- 14) The Administrative Committee shall meet in executive session to review the results of the Survey and any other information related to the evaluation, and prepare a Summary of Results and Recommendations.<sup>2</sup> Once the Summary of Results and Recommendations is completed, the Committee shall invite the ~~Executive Director~~Chief Executive Officer to join the meeting and participate in a discussion of the ~~Executive Director~~Chief Executive Officer's performance.
- 15) The Chair of the Administrative Committee shall report to the Board on the Administrative Committee's Summary of Results and Recommendations. The meeting shall be held in executive session and the ~~Executive Director~~Chief Executive Officer shall be invited to attend and to address the Board. The results of the Board's evaluation, and any decisions concerning compensation adjustments or incentive pay, shall be placed in the ~~Executive Director~~Chief Executive Officer's personnel file.
- 16) Following the above meeting with the Board, the ~~Executive Director~~Chief Executive Officer may meet with individual trustees to discuss any specific comments or concerns raised during the evaluation.
- 17) An allowance for potential adjustments in the ~~Executive Director~~Chief Executive Officer's compensation shall be established by the Board during the annual budget process.
- 18) The ~~Executive Director~~Chief Executive Officer shall schedule the Administrative Committee to meet and review the results of the Survey and any other information related to the evaluation, not more than two months after the Evaluation Period ends.

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<sup>2</sup> This requires the Administrative Committee to meet at least twice each fiscal year.

## POLICY REVIEW AND HISTORY

19) The Board shall review this policy at least every five years.

20) This policy was:

- a) Adopted by the Board on January 12, 2005.
- b) Amended on December 12, 2007; December 12, 2012; April 13, 2016; June 13, 2018;  
~~and~~ August 11, 2021; and April 13, 2022.-

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## **CHIEF EXECUTIVE OFFICER EVALUATION POLICY**

### **INTRODUCTION**

- 1) One of the most important functions of the Board is to effectively direct and oversee the Chief Executive Officer. To assist in carrying out this function, the Board has adopted this Chief Executive Officer Performance Evaluation Policy.
- 2) The objectives of this policy are to help ensure:
  - a) The Board communicates to the Chief Executive Officer clear and meaningful performance goals and expectations;
  - b) The Chief Executive Officer receives useful and timely feedback from the Board; and
  - c) There is proper alignment between the Chief Executive Officer's performance and compensation.

### **ROLES AND RESPONSIBILITIES**

- 3) The Board shall be responsible for evaluating the performance of the Chief Executive Officer and all trustees shall have an opportunity to provide input.
- 4) The Administrative Committee shall coordinate the evaluation process.

### **EVALUATION CRITERIA**

- 5) The Chief Executive Officer's annual evaluation shall be based on the following minimum criteria:
  - a) The Board's satisfaction with the Chief Executive Officer's general leadership, management, and administrative skills, as determined by the results of a performance evaluation survey (i.e. the Chief Executive Officer Performance Evaluation Survey); and
  - b) Objective criteria that the Board may establish from time-to-time, as appropriate measurement methodologies are established (e.g. service quality targets, implementation of specified business plan initiatives).

- 6) In addition to the above minimum criteria, the Board may establish in advance, special one-time criteria covering unique issues or circumstances that may arise in a given year.
- 7) To the extent possible, evaluation criteria shall be:
  - a) Objective, realistic, and measurable; and
  - b) Pertain only to outcomes over which the Chief Executive Officer has a high degree of control. For example, it would be inappropriate to evaluate the Chief Executive Officer on total fund performance, given that the Chief Executive Officer does not have the authority to set the asset allocation of the Fund, which is a key determinant of total fund performance.

### **THE EVALUATION PERIOD & FREQUENCY**

- 8) The Board shall review the performance of Employee at least annually; provided, however, that Employee timely provides the Board with the evaluation materials and places the matter on a Regular Board meeting agenda. Annual evaluations shall be performed in accordance with the process set out herein. The Board may perform interim evaluations of the Chief Executive Officer at any time, using any methods it deems appropriate.
- 9) The period of performance to be evaluated each year shall be referred to as the evaluation period (“Evaluation Period”) and will consist of 12 consecutive months typically commencing with the Chief Executive Officer’s month of hire (i.e., if the Chief Executive Officer was hired in August, the Evaluation Period will be August to July).

### **PROCESS – ESTABLISHING ANNUAL EVALUATION CRITERIA**

- 10) Approximately one month prior to the start of each Evaluation Period, the Chief Executive Officer shall meet with the Administrative Committee to review the performance evaluation criteria to be used in evaluating the Chief Executive Officer’s performance for the coming Evaluation Period, including reviewing or confirming:
  - a) Agreed-upon minimum evaluation criteria;
  - b) The Chief Executive Officer Performance Evaluation Survey (the “Survey”) and any other surveys that may be used as part of the evaluation;
  - c) Special, one-time criteria if applicable;
  - d) The relative weightings of the various criteria;
  - e) If applicable, the details of any performance incentive structure (e.g., criteria, bonus structure, etc.).

11)The Administrative Committee shall recommend for board approval all evaluation criteria and, if applicable, any performance incentive structures for the Chief Executive Officer. The Administrative Committee shall, however, have the authority to approve changes to the Survey and any other surveys that may be used as part of the evaluation.

### **PROCESS – THE EVALUATION**

12)Approximately two months prior to the end of each Evaluation Period, the Chief Executive Officer shall distribute an Evaluation Package to each member of the Board to assist the Board in evaluating the performance of the Chief Executive Officer over the previous Evaluation Period. The Evaluation Package shall include:

- a) All agreed-upon criteria (all criteria would have normally been approved approximately one year earlier);
- b) The Chief Executive Officer's own assessment of his or her performance relative to the above criteria, along with supporting documentation and information (e.g. a copy of the financial audit results);
- c) A blank copy of the Survey<sup>1</sup>; and
- d) Any additional supporting documentation that the Chief Executive Officer believes may assist the Board in its evaluation.

13)Trustees shall treat the Evaluation Package as confidential, and shall complete the Survey within a time frame to be specified in the Survey. Completed Surveys shall be tabulated by the Administrative Committee, or by a designated third-party. Trustees may be given the opportunity to expand on their survey responses during brief, one-on-one follow-up discussions with a designated third-party. Any tabulation or summary of the completed Surveys shall maintain the anonymity of trustees' input. If tabulated by a third-party, said party shall provide the results to the Chair of the Administrative Committee prior to being reviewed by the Committee. The Chair may direct the third-party to also forward the results to the Chief Executive Officer.

14)The Administrative Committee shall meet in executive session to review the results of the Survey and any other information related to the evaluation, and prepare a Summary of Results and Recommendations.<sup>2</sup> Once the Summary of Results and Recommendations is completed, the Committee shall invite the Chief Executive

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<sup>1</sup> The Survey may instead be distributed to trustees using on-line technology.

<sup>2</sup> This requires the Administrative Committee to meet at least twice each fiscal year.

Officer to join the meeting and participate in a discussion of the Chief Executive Officer's performance.

- 15) The Chair of the Administrative Committee shall report to the Board on the Administrative Committee's Summary of Results and Recommendations. The meeting shall be held in executive session and the Chief Executive Officer shall be invited to attend and to address the Board. The results of the Board's evaluation, and any decisions concerning compensation adjustments or incentive pay, shall be placed in the Chief Executive Officer's personnel file.
- 16) Following the above meeting with the Board, the Chief Executive Officer may meet with individual trustees to discuss any specific comments or concerns raised during the evaluation.
- 17) An allowance for potential adjustments in the Chief Executive Officer's compensation shall be established by the Board during the annual budget process.
- 18) The Chief Executive Officer shall schedule the Administrative Committee to meet and review the results of the Survey and any other information related to the evaluation, not more than two months after the Evaluation Period ends.

#### **POLICY REVIEW AND HISTORY**

- 19) The Board shall review this policy at least every five years.
- 20) This policy was:
  - a) Adopted by the Board on January 12, 2005.
  - b) Amended on December 12, 2007; December 12, 2012; April 13, 2016; June 13, 2018; August 11, 2021; and April 13, 2022.



## EXECUTIVE DIRECTOR/CHIEF EXECUTIVE OFFICER SUCCESSION POLICY

### INTRODUCTION

- 1) While the Board has delegated to the ~~Executive Director~~Chief Executive Officer the authority to manage KCERA personnel on a day-to-day basis, the Board is nevertheless responsible for providing oversight of the human resources function. An important element of this responsibility involves succession planning.
- 2) The Board recognizes that, compared to larger or private sector organizations, succession planning within KCERA may be constrained due to limited resources and the statutory environment in which KCERA operates (e.g. the Brown Act). Despite such constraints, the Board has established this policy to provide general guidelines around succession planning at KCERA.

### GUIDELINES

- 3) The ~~Executive Director~~Chief Executive Officer shall develop an internal Succession Plan for key staff positions, including provisions that would apply in the event of concurrent vacancies in the positions of ~~Executive Director~~Chief Executive Officer and ~~Assistant Executive Director~~Chief Operations Officer. The ~~Executive Director~~Chief Executive Officer shall periodically review this plan with the Chair of the Administrative Committee, in addition to providing an annual verbal report to the Administrative Committee on such matters.
- 4) In order to help ensure support to, and continuity in, the position of ~~Executive Director~~Chief Executive Officer, the Board has established the position of ~~Assistant Executive Director~~Chief Operations Officer. The ~~Assistant Executive Director~~Chief Operations Officer shall be familiar with all aspects of the administration of KCERA including investments, benefit administration, and stakeholder relations.
- 5) As a risk management precaution, the ~~Executive Director~~Chief Executive Officer and the ~~Assistant Executive Director~~Chief Operations Officer shall, where feasible, avoid travelling together for significant distances.
- 6) In the event the ~~Executive Director~~Chief Executive Officer is unable to carry out his/her duties (e.g. due to illness or incapacity), and is unable to appoint an Acting ~~Executive~~

~~Director~~Chief Executive Officer, the ~~Assistant Executive Director~~Chief Operations Officer shall assume the position of Acting ~~Executive Director~~Chief Executive Officer and all the duties of the ~~Executive Director~~Chief Executive Officer until the ~~Executive Director~~Chief Executive Officer returns or the Board determines otherwise.

- 7) In the event of a vacancy in the position of ~~Executive Director~~Chief Executive Officer, the ~~Assistant Executive Director~~Chief Operations Officer shall serve as Acting ~~Executive Director~~Chief Executive Officer and assume the duties of the ~~Executive Director~~Chief Executive Officer until the Board selects a successor and that person assumes the duties of the position, or until the Board determines otherwise. When the ~~Assistant Executive Director~~Chief Operations Officer serves as the Acting ~~Executive Director~~Chief Executive Officer due to a vacancy in the ~~Executive Director~~Chief Executive Officer position, he/she shall receive salary and benefits consistent with the County of Kern's out-of-class pay provisions for a vacancy in a County Department Head position. Alternatively, the Board may appoint the ~~Assistant Executive Director~~Chief Operations Officer to the position of Interim ~~Executive Director~~Chief Executive Officer; in which case, the salary paid to the Interim ~~Executive Director~~Chief Executive Officer shall be set by the Board to fall within the salary range applicable to the position of ~~Executive Director~~Chief Executive Officer and the ~~Assistant Executive Director~~Chief Operations Officer position shall become vacant.
- 8) In the event of a vacancy in the position of ~~Executive Director~~Chief Executive Officer, or in the event the ~~Executive Director~~Chief Executive Officer provides notice of resignation or intent to retire, the Board shall meet as soon as practical to determine if a search process should be conducted and, if so, how.
- 9) Trustees cannot be considered for employment as the ~~Executive Director~~Chief Executive Officer at KCERA unless they have been off the Board for at least one year. Any Board member interested in applying for a staff position within KCERA is strongly advised to consult Legal Counsel immediately, refrain from discussing the matter with any other Board or staff member, and refrain from participating in Board or committee deliberations from the very inception of the matter. Failure to do so would give rise to a disqualifying conflict of interest.

## POLICY REVIEW AND HISTORY

10) The Board shall review this policy at least every five years.

11) This policy was:

- a) Adopted by the Board on December 12, 2012.
- b) Amended on April 13, 2016; October 10, 2018; ~~and~~ August 11, 2021; and April 13, 2022.

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## **CHIEF EXECUTIVE OFFICER SUCCESSION POLICY**

### **INTRODUCTION**

- 1) While the Board has delegated to the Chief Executive Officer the authority to manage KCERA personnel on a day-to-day basis, the Board is nevertheless responsible for providing oversight of the human resources function. An important element of this responsibility involves succession planning.
- 2) The Board recognizes that, compared to larger or private sector organizations, succession planning within KCERA may be constrained due to limited resources and the statutory environment in which KCERA operates (e.g. the Brown Act). Despite such constraints, the Board has established this policy to provide general guidelines around succession planning at KCERA.

### **GUIDELINES**

- 3) The Chief Executive Officer shall develop an internal Succession Plan for key staff positions, including provisions that would apply in the event of concurrent vacancies in the positions of Chief Executive Officer and Chief Operations Officer. The Chief Executive Officer shall periodically review this plan with the Chair of the Administrative Committee, in addition to providing an annual verbal report to the Administrative Committee on such matters.
- 4) In order to help ensure support to, and continuity in, the position of Chief Executive Officer, the Board has established the position of Chief Operations Officer. The Chief Operations Officer shall be familiar with all aspects of the administration of KCERA including investments, benefit administration, and stakeholder relations.
- 5) As a risk management precaution, the Chief Executive Officer and the Chief Operations Officer shall, where feasible, avoid travelling together for significant distances.
- 6) In the event the Chief Executive Officer is unable to carry out his/her duties (e.g. due to illness or incapacity), and is unable to appoint an Acting Chief Executive Officer, the Chief Operations Officer shall assume the position of Acting Chief Executive

Officer and all the duties of the Chief Executive Officer until the Chief Executive Officer returns or the Board determines otherwise.

- 7) In the event of a vacancy in the position of Chief Executive Officer, the Chief Operations Officer shall serve as Acting Chief Executive Officer and assume the duties of the Chief Executive Officer until the Board selects a successor and that person assumes the duties of the position, or until the Board determines otherwise. When the Chief Operations Officer serves as the Acting Chief Executive Officer due to a vacancy in the Chief Executive Officer position, he/she shall receive salary and benefits consistent with the County of Kern's out-of-class pay provisions for a vacancy in a County Department Head position. Alternatively, the Board may appoint the Chief Operations Officer to the position of Interim Chief Executive Officer; in which case, the salary paid to the Interim Chief Executive Officer shall be set by the Board to fall within the salary range applicable to the position of Chief Executive Officer and the Chief Operations Officer position shall become vacant.
- 8) In the event of a vacancy in the position of Chief Executive Officer, or in the event the Chief Executive Officer provides notice of resignation or intent to retire, the Board shall meet as soon as practical to determine if a search process should be conducted and, if so, how.
- 9) Trustees cannot be considered for employment as the Chief Executive Officer at KCERA unless they have been off the Board for at least one year. Any Board member interested in applying for a staff position within KCERA is strongly advised to consult Legal Counsel immediately, refrain from discussing the matter with any other Board or staff member, and refrain from participating in Board or committee deliberations from the very inception of the matter. Failure to do so would give rise to a disqualifying conflict of interest.

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- 10) The Board shall review this policy at least every five years.
- 11) This policy was:
  - a) Adopted by the Board on December 12, 2012.
  - b) Amended on April 13, 2016; October 10, 2018; August 11, 2021; and April 13, 2022.

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## **CODE OF CONDUCT**

### **INTRODUCTION AND BACKGROUND**

- 1) The success and effectiveness of the Board require that all trustees abide by the highest standards of professionalism, ethics, and integrity. To confirm and support its commitment to such standards, the Board has established this Code of Conduct.

### **GENERAL EXPECTATIONS**

- 2) Trustees shall:
  - a) Act with decorum, integrity, and professionalism in all aspects of their duties and in any interaction with fellow trustees, staff, vendors, and stakeholders.
  - b) Refrain from any behavior or activity that may reflect poorly on the image or reputation of the Board or KCERA.
  - c) Comply with all policies and rules of the Board.
  - d) Make a good faith effort to attend, in their entirety, all meetings of the Board and committees on which they serve, and to be sufficiently prepared for all such meetings.
  - e) Be engaged and constructive in all meetings of the Board and committees on which they serve.
  - f) Build and maintain the knowledge necessary to fulfill their fiduciary responsibilities.
- 3) Should a trustee fail to attend, in their entirety, 75% of all Board meetings and/or 75% of all meetings of committees on which they serve, the trustee's attendance may be reviewed and may be deemed to fall short of the above general expectations.
- 4) Any trustee who believes the conduct of a fellow trustee falls short of the above expectations is encouraged to discuss the matter directly with the trustee in question or ask the Chair or the Vice-Chair to address the matter. Alternatively, the trustee may request that the concern be placed on the Board's agenda for consideration.
- 5) If the Board determines that the conduct of a trustee falls short of the above expectations, the Board may take any action it deems appropriate, including but not

limited to:

- a) Referring the matter to the Administrative Committee for further consideration.
  - b) Removing the trustee in question from the position of Chair, Vice-Chair, or committee chair, or from any committee on which the trustee serves.
  - c) Prohibiting the trustee in question from serving as Chair, Vice-Chair, committee chair, or a member of any committee for a specified period of time.
  - d) Limiting the trustee's travel privileges, if the violation relates to travel.
  - e) Censuring the trustee in question.
  - f) Communicating the Board's concerns to any party and by any means the Board deems appropriate.
  - g) Any other lawful action the Board deems appropriate.
- 6) Prior to taking any of the above actions, the Board shall provide the trustee in question an opportunity at a board meeting to respond to the allegation. Furthermore, the trustee shall be asked to recuse himself from any board or committee discussions in relation to the allegation, except when invited to respond.

#### **EXPECTATIONS REGARDING LEGAL COMPLIANCE**

- 7) Trustees shall comply with all applicable federal, state, and local law including the requirement to carry out their duties in accordance with applicable fiduciary standards.
- 8) Any trustee who believes the conduct of a fellow trustee contravenes applicable law shall report the matter to the ~~Executive Director~~Chief Executive Officer and ~~General Counsel~~Chief Legal Officer in a timely manner. The ~~Executive Director~~Chief Executive Officer and ~~General Counsel~~Chief Legal Officer shall take appropriate steps to address the matter, conferring with the Chair and Vice-Chair and external legal counsel, as necessary
- 9) Trustees are expected to seek advice or clarification from the ~~Executive Director~~Chief Executive Officer or ~~General Counsel~~Chief Legal Officer regarding this Code of Conduct, as needed.

#### **POLICY REVIEW AND HISTORY**

- 10) This policy shall be reviewed at least every five years.
- 11) This policy was:
  - a) Adopted by the Board on December 12, 2012.

b) Amended on April 13, 2016; ~~and~~ August 11, 2021; and April 13, 2022.

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## **CODE OF CONDUCT**

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- 2) Trustees shall:
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  - b) Refrain from any behavior or activity that may reflect poorly on the image or reputation of the Board or KCERA.
  - c) Comply with all policies and rules of the Board.
  - d) Make a good faith effort to attend, in their entirety, all meetings of the Board and committees on which they serve, and to be sufficiently prepared for all such meetings.
  - e) Be engaged and constructive in all meetings of the Board and committees on which they serve.
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- 3) Should a trustee fail to attend, in their entirety, 75% of all Board meetings and/or 75% of all meetings of committees on which they serve, the trustee's attendance may be reviewed and may be deemed to fall short of the above general expectations.
- 4) Any trustee who believes the conduct of a fellow trustee falls short of the above expectations is encouraged to discuss the matter directly with the trustee in question or ask the Chair or the Vice-Chair to address the matter. Alternatively, the trustee may request that the concern be placed on the Board's agenda for consideration.
- 5) If the Board determines that the conduct of a trustee falls short of the above expectations, the Board may take any action it deems appropriate, including but not

limited to:

- a) Referring the matter to the Administrative Committee for further consideration.
  - b) Removing the trustee in question from the position of Chair, Vice-Chair, or committee chair, or from any committee on which the trustee serves.
  - c) Prohibiting the trustee in question from serving as Chair, Vice-Chair, committee chair, or a member of any committee for a specified period of time.
  - d) Limiting the trustee's travel privileges, if the violation relates to travel.
  - e) Censuring the trustee in question.
  - f) Communicating the Board's concerns to any party and by any means the Board deems appropriate.
  - g) Any other lawful action the Board deems appropriate.
- 6) Prior to taking any of the above actions, the Board shall provide the trustee in question an opportunity at a board meeting to respond to the allegation. Furthermore, the trustee shall be asked to recuse himself from any board or committee discussions in relation to the allegation, except when invited to respond.

### **EXPECTATIONS REGARDING LEGAL COMPLIANCE**

- 7) Trustees shall comply with all applicable federal, state, and local law including the requirement to carry out their duties in accordance with applicable fiduciary standards.
- 8) Any trustee who believes the conduct of a fellow trustee contravenes applicable law shall report the matter to the Chief Executive Officer and Chief Legal Officer in a timely manner. The Chief Executive Officer and Chief Legal Officer shall take appropriate steps to address the matter, conferring with the Chair and Vice-Chair and external legal counsel, as necessary
- 9) Trustees are expected to seek advice or clarification from the Chief Executive Officer or Chief Legal Officer regarding this Code of Conduct, as needed.

### **POLICY REVIEW AND HISTORY**

- 10) This policy shall be reviewed at least every five years.
- 11) This policy was:
  - a) Adopted by the Board on December 12, 2012.
  - b) Amended on April 13, 2016; August 11, 2021; and April 13, 2022.

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## **DUE DILIGENCE & SERVICE PROVIDER SELECTION POLICY**

### **BACKGROUND**

- 1) KCERA retains many different types of service providers to assist with the investment and administration functions. Given the different services involved and their relative importance, the role of the Board and staff in selecting, appointing, and terminating service providers will differ. This policy is intended to provide general guidance concerning these roles.

### **GUIDELINES**

- 2) The roles involved in the procurement of service providers will be allocated in the manner illustrated in Table I.
- 3) In general, the Board or its committees will play a relatively more active role in the selection of those service providers that:
  - a) Advise or work with the Board directly; e.g. the actuary and independent fiduciary counsel.
  - b) Serve as an independent check on the operations of KCERA; e.g. the financial auditor.
  - c) May have a material impact on the performance of KCERA; e.g. investment managers.
- 4) In the interest of organizational efficiency and effectiveness, the Board recognizes that the ~~Executive Director~~Chief Executive Officer should be allowed autonomy and authority to select service providers that do not meet the criteria in paragraph 3 above, provided the ~~Executive Director~~Chief Executive Officer complies with applicable laws, policies, controls, and procedures.
- 5) The Board may depart from the prescribed allocation of roles (set out in Table 1) by formal motion when it determines that it is in the best interests of KCERA to do so.
- 6) In cases when the Board or a board committee appoints a service provider, staff will nevertheless be expected to provide the Board or committee with a recommendation.

Staff may employ the services of consultants and advisors to assist staff in performing any due diligence supporting its recommendations.

- 7) When recommending service providers for appointment, staff shall provide adequate background information and analysis to demonstrate that sufficient due diligence was performed, consistent with applicable policies, procedures, and fiduciary standards. In the case of investment manager recommendations, such information shall include a discussion of any relevant drawbacks of finalist firms that were not recommended, as appropriate. Any trustee seeking additional information about a finalist firm that was not recommended may review any available staff documentation and analysis at KCERA's office.
- 8) Staff or consultants will conduct follow-up on-site due diligence for certain service providers that have been retained by KCERA with the general frequencies set out below:
  - a) Investment consultant – approximately every five years.
  - b) Investment managers – approximately every three years.
  - c) Other service providers – as deemed necessary by staff or the Board, reflecting perceived risk exposure.
- 9) Staff shall annually provide the Board with a three-year calendar of scheduled on-site due diligence visits, and shall ensure the Board is provided a summary report on the results of each visit.
- 10) Every investment manager that the Staff and Investment Consultant recommend be appointed by the Board must have undergone an on-site due diligence visit, to be conducted jointly by the CIO and Investment Consultant. Exceptions to this requirement are as follows:
  - a) The CIO and the Investment Consultant shall not be required to jointly hold an on-site due diligence meeting with a manager if they each have already independently performed on-site due diligence with the manager in question (in accordance with established procedures for on-site due diligence) not more than six months prior to recommending the manager to the Investment Committee for appointment.
  - b) The CIO and the Investment Consultant, with the concurrence of the ~~Executive Director~~Chief Executive Officer, may hold separate on-site due diligence meetings with a prospective investment manager if they are unable to jointly do so for scheduling or other reasons, and re-scheduling the on-site due diligence meeting would unduly delay the search process.

11) Notwithstanding the above, Investment staff may:

- a) In consultation with the ~~Executive Director~~ Chief Executive Officer, and independently of the Investment Consultant, conduct on-site due diligence meetings with investment managers already retained by KCERA, for the purposes of ongoing oversight and monitoring;
- b) Independently meet with any investment manager, outside of the context of a formal manager search, in order to become familiar with the manager's products, methods, or capabilities.

12) Staff will develop procedures describing the criteria and processes to be used in conducting investment manager due diligence, including on-site due diligence visits, and arriving at staff recommendations; and will review said procedures with the Investment Committee from time to time.

13) Where staff has the authority to appoint a service provider, staff shall nevertheless be responsible for ensuring:

- a) All reasonable due diligence is performed reflecting the materiality of the services in question, and
- b) All applicable policies and procedures are followed.

14) The Board or the ~~Executive Director~~ Chief Executive Officer shall establish an evaluation period in cases when it would be prudent to limit communications between current or prospective service providers and KCERA board members. (See the Board's *Evaluation Period Policy* for details.)

## POLICY REVIEW AND HISTORY

15) This policy will be reviewed at least every five years.

16) This policy was:

- a) Adopted by the Board on March 14, 2001.

- b) Amended on June 23, 2004; July 13, 2005; September 26, 2007; August 27, 2008; August 26, 2009; June 15, 2011; December 12, 2012; April 13, 2016; October, 10, 2018; ~~and~~ August 11, 2021; and April 13, 2022.

TABLE I: ROLES IN SERVICE PROVIDER SELECTION					
SERVICE PROVIDER	CONDUCT DUE DILIGENCE	IDENTIFY INTERVIEW CANDIDATES	INTERVIEW FINALISTS, IF REQUIRED	RECOMMEND (APPOINTMENT & TERMINATION)	APPOINT/ TERMINATE
<b>AUDIT, ACTUARIAL, AND LEGAL</b>					
Legal Counsel (Fiduciary)	Staff	Staff	Board	Staff	Board
Financial Auditor	Staff	Finance Committee	Finance Committee	Finance Committee	Board
Plan Actuary	Staff	Staff	Board	Staff	Board
Actuarial auditor	Staff	Staff	Staff	Finance Committee	Board
Accountants for special investigations by Finance Committee	Staff or Finance Committee	Staff or Finance Committee	Finance Committee	N/A	Finance Committee
<b>INVESTMENTS</b>					
Custodian (incl. securities lending & commission recapture)	Staff/Inv. Consultant	Staff/ Inv. Consultant	Staff/Inv. Consultant	Staff	Board
Investment Consultants (incl. proxy voting)	Staff	Investment Committee	Board	Staff	Board
Investment Mgrs. (public & private markets)	Staff/ Inv. Consultant <sup>1</sup>	Staff/Inv. Consultant	Investment Committee	Staff/Consultant to IC IC to Board	Board
<b>HUMAN RESOURCES &amp; LEGAL</b>					
HR Consultant (Director-related projects)	Staff	Staff	Admin. Committee	N/A	Admin. Committee
HR Consultant (Other projects)	Staff	Staff	<del>Executive Director</del> Chief Executive Officer	N/A	<del>Executive Director</del> Chief Executive Officer
<b>OPERATIONS</b>					
IT Consultants (material projects)	Staff	Staff	Staff	Staff to Admin. Comm. Admin. Comm. to Board	Board
IT Consultants (non-material) <sup>2</sup>	Staff	Staff	Staff	Staff	<del>Executive Director</del> Chief Executive Officer
Other Service providers (non-material) <sup>2</sup>	Staff	Staff	Staff	Staff	<del>Executive Director</del> Chief Executive Officer

<sup>1</sup> To be performed jointly for prospective managers; staff may do so independently subsequent to the appointment of managers and outside of formal search processes.

<sup>2</sup> "Non-material" to include contracts with a cost not to exceed \$50,000.

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## **DUE DILIGENCE & SERVICE PROVIDER SELECTION POLICY**

### **BACKGROUND**

- 1) KCERA retains many different types of service providers to assist with the investment and administration functions. Given the different services involved and their relative importance, the role of the Board and staff in selecting, appointing, and terminating service providers will differ. This policy is intended to provide general guidance concerning these roles.

### **GUIDELINES**

- 2) The roles involved in the procurement of service providers will be allocated in the manner illustrated in Table I.
- 3) In general, the Board or its committees will play a relatively more active role in the selection of those service providers that:
  - a) Advise or work with the Board directly; e.g. the actuary and independent fiduciary counsel.
  - b) Serve as an independent check on the operations of KCERA; e.g. the financial auditor.
  - c) May have a material impact on the performance of KCERA; e.g. investment managers.
- 4) In the interest of organizational efficiency and effectiveness, the Board recognizes that the Chief Executive Officer should be allowed autonomy and authority to select service providers that do not meet the criteria in paragraph 3 above, provided the Chief Executive Officer complies with applicable laws, policies, controls, and procedures.
- 5) The Board may depart from the prescribed allocation of roles (set out in Table 1) by formal motion when it determines that it is in the best interests of KCERA to do so.
- 6) In cases when the Board or a board committee appoints a service provider, staff will nevertheless be expected to provide the Board or committee with a recommendation. Staff may employ the services of consultants and advisors to assist staff in performing any due diligence supporting its recommendations.

- 7) When recommending service providers for appointment, staff shall provide adequate background information and analysis to demonstrate that sufficient due diligence was performed, consistent with applicable policies, procedures, and fiduciary standards. In the case of investment manager recommendations, such information shall include a discussion of any relevant drawbacks of finalist firms that were not recommended, as appropriate. Any trustee seeking additional information about a finalist firm that was not recommended may review any available staff documentation and analysis at KCERA's office.
- 8) Staff or consultants will conduct follow-up on-site due diligence for certain service providers that have been retained by KCERA with the general frequencies set out below:
  - a) Investment consultant – approximately every five years.
  - b) Investment managers – approximately every three years.
  - c) Other service providers – as deemed necessary by staff or the Board, reflecting perceived risk exposure.
- 9) Staff shall annually provide the Board with a three-year calendar of scheduled on-site due diligence visits, and shall ensure the Board is provided a summary report on the results of each visit.
- 10) Every investment manager that the Staff and Investment Consultant recommend be appointed by the Board must have undergone an on-site due diligence visit, to be conducted jointly by the CIO and Investment Consultant. Exceptions to this requirement are as follows:
  - a) The CIO and the Investment Consultant shall not be required to jointly hold an on-site due diligence meeting with a manager if they each have already independently performed on-site due diligence with the manager in question (in accordance with established procedures for on-site due diligence) not more than six months prior to recommending the manager to the Investment Committee for appointment.
  - b) The CIO and the Investment Consultant, with the concurrence of the Chief Executive Officer, may hold separate on-site due diligence meetings with a prospective investment manager if they are unable to jointly do so for scheduling or other reasons, and re-scheduling the on-site due diligence meeting would unduly delay the search process.
- 11) Notwithstanding the above, Investment staff may:

- a) In consultation with the Chief Executive Officer, and independently of the Investment Consultant, conduct on-site due diligence meetings with investment managers already retained by KCERA, for the purposes of ongoing oversight and monitoring;
  - b) Independently meet with any investment manager, outside of the context of a formal manager search, in order to become familiar with the manager's products, methods, or capabilities.
- 12) Staff will develop procedures describing the criteria and processes to be used in conducting investment manager due diligence, including on-site due diligence visits, and arriving at staff recommendations; and will review said procedures with the Investment Committee from time to time.
- 13) Where staff has the authority to appoint a service provider, staff shall nevertheless be responsible for ensuring:
- a) All reasonable due diligence is performed reflecting the materiality of the services in question, and
  - b) All applicable policies and procedures are followed.
- 14) The Board or the Chief Executive Officer shall establish an evaluation period in cases when it would be prudent to limit communications between current or prospective service providers and KCERA board members. (See the Board's *Evaluation Period Policy* for details.)

## **POLICY REVIEW AND HISTORY**

- 15) This policy will be reviewed at least every five years.
- 16) This policy was:
- a) Adopted by the Board on March 14, 2001.
  - b) Amended on June 23, 2004; July 13, 2005; September 26, 2007; August 27, 2008; August 26, 2009; June 15, 2011; December 12, 2012; April 13, 2016; October, 10, 2018; August 11, 2021; and April 13, 2022.

<b>TABLE I: ROLES IN SERVICE PROVIDER SELECTION</b>					
<b>SERVICE PROVIDER</b>	<b>CONDUCT DUE DILIGENCE</b>	<b>IDENTIFY INTERVIEW CANDIDATES</b>	<b>INTERVIEW FINALISTS, IF REQUIRED</b>	<b>RECOMMEND (APPOINTMENT &amp; TERMINATION)</b>	<b>APPOINT/ TERMINATE</b>
<b>AUDIT, ACTUARIAL, AND LEGAL</b>					
<b>Legal Counsel (Fiduciary)</b>	Staff	Staff	Board	Staff	Board
<b>Financial Auditor</b>	Staff	Finance Committee	Finance Committee	Finance Committee	Board
<b>Plan Actuary</b>	Staff	Staff	Board	Staff	Board
<b>Actuarial auditor</b>	Staff	Staff	Staff	Finance Committee	Board
<b>Accountants for special investigations by Finance Committee</b>	Staff or Finance Committee	Staff or Finance Committee	Finance Committee	N/A	Finance Committee
<b>INVESTMENTS</b>					
<b>Custodian (incl. securities lending &amp; commission recapture)</b>	Staff/Inv. Consultant	Staff/ Inv. Consultant	Staff/Inv. Consultant	Staff	Board
<b>Investment Consultants (incl. proxy voting)</b>	Staff	Investment Committee	Board	Staff	Board
<b>Investment Mgrs. (public &amp; private markets)</b>	Staff/ Inv. Consultant <sup>1</sup>	Staff/Inv. Consultant	Investment Committee	Staff/Consultant to IC IC to Board	Board
<b>HUMAN RESOURCES &amp; LEGAL</b>					
<b>HR Consultant (Director-related projects)</b>	Staff	Staff	Admin. Committee	N/A	Admin. Committee
<b>HR Consultant (Other projects)</b>	Staff	Staff	Chief Executive Officer	N/A	Chief Executive Officer
<b>OPERATIONS</b>					
<b>IT Consultants (material projects)</b>	Staff	Staff	Staff	Staff to Admin. Comm. Admin. Comm. to Board	Board
<b>IT Consultants (non-material)<sup>2</sup></b>	Staff	Staff	Staff	Staff	Chief Executive Officer
<b>Other Service providers (non-material)<sup>2</sup></b>	Staff	Staff	Staff	Staff	Chief Executive Officer

<sup>1</sup> To be performed jointly for prospective managers; staff may do so independently subsequent to the appointment of managers and outside of formal search processes.

<sup>2</sup> "Non-material" to include contracts with a cost not to exceed \$50,000.

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## **EVALUATION PERIOD POLICY**

### **INTRODUCTION**

- 1) The Board has established this Evaluation Policy to help ensure that decisions involving the selection, retention, or termination of KCERA service providers are consistent with fiduciary standards of conduct, that all service providers being considered by KCERA are treated fairly, and that KCERA trustees are not subjected to inappropriate influence by service providers.

### **GUIDELINES**

- 2) The Board shall institute an “evaluation period” when the Board, a Board committee, or the ~~Executive Director~~Chief Executive Officer believes it is prudent to limit communications between current or prospective service providers so as to promote fair and objective decisions regarding the selection or retention of a KCERA service provider. Examples of situations that *may* call for an evaluation period to be instituted include, but are not limited, to the following:
  - a) A request for proposals (RFP) has been issued by KCERA or a short list of candidate firms has been identified for consideration by KCERA, whichever occurs first;
  - b) Material concerns have been identified about the performance and continued suitability of a KCERA service provider; and
  - c) The Board otherwise deems it to be in the best interest of KCERA and its members and beneficiaries to do so.
- 3) The use of evaluation periods shall normally be limited to investment managers and partners, investment consultants, legal counsel, and actuarial firms. The Board may, however, initiate an evaluation period for any other service providers as circumstances warrant.
- 4) Evaluation periods shall normally be instituted at a board meeting, and written notification shall be issued to all trustees not present at said meeting. An evaluation period may also be instituted between board meetings at the discretion of the ~~Executive Director~~Chief Executive Officer or a committee of the Board, subject to ratification by the Board at its next meeting. The ~~Executive Director~~Chief Executive

Officer or ~~General Counsel~~Chief Legal Officer shall provide written notification to all trustees of all evaluation periods instituted by the ~~Executive Director~~Chief Executive Officer or by a committee as soon as possible, and trustees shall comply with the evaluation period restrictions upon receipt of such notification.

5) The initiation of an evaluation period, and the service providers or types of service providers to which it applies, shall be specified in the minutes of the board meeting at which it was approved or ratified by the Board.

6) During evaluation periods, trustees shall not communicate with the specified service providers, except during board meetings, committee meetings, or KCERA-authorized due diligence visits; nor shall they accept meals, travel, hotel, or other types of gifts from the specified service providers. Notwithstanding the above, Trustees who need to communicate with such service providers for reasons unrelated to KCERA business agree to disclose such need to the Board beforehand. If circumstances do not permit timely disclosure to the Board, the trustee shall provide disclosure of the intended communication to the ~~Executive Director~~Chief Executive Officer and to the Chair or Vice-Chair.

6)7) During evaluation periods, KCERA staff may communicate with the service providers in question only in the context of normal ongoing business or due diligence. Face-to-face meetings between staff and the service providers in question shall take place in normal office settings.

7)8) Nothing in this policy shall limit a service provider currently engaged by KCERA from participating in meetings and communications with the KCERA Board, its committees, and staff that are required for the service provider to effectively conduct business and provide services under the existing engagement.

8)9) Evaluation periods shall cease:

- a) When a service provider has been appointed by the Board, or when the search process in question is otherwise ended; or
- b) When the evaluation period is otherwise ended by action of the Board.

9)10) All requests for proposals or similar documents issued by KCERA shall incorporate this policy.

10)11) Service providers that breach this policy may be terminated by KCERA or disqualified from consideration in a search process. Board members who breach this policy may be sanctioned in accordance with the KCERA Code of Conduct.

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**POLICY REVIEW AND HISTORY**

11)12) This policy shall be reviewed at least every five years.

12)13) This policy was:

- a) Adopted by the Board on December 12, 2012.
- b) Amended on April 13, 2016; March 11, 2020; ~~and~~ August 11, 2021; and April 13, 2022.

DRAFT

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## **EVALUATION PERIOD POLICY**

### **INTRODUCTION**

- 1) The Board has established this Evaluation Policy to help ensure that decisions involving the selection, retention, or termination of KCERA service providers are consistent with fiduciary standards of conduct, that all service providers being considered by KCERA are treated fairly, and that KCERA trustees are not subjected to inappropriate influence by service providers.

### **GUIDELINES**

- 2) The Board shall institute an “evaluation period” when the Board, a Board committee, or the Chief Executive Officer believes it is prudent to limit communications between current or prospective service providers so as to promote fair and objective decisions regarding the selection or retention of a KCERA service provider. Examples of situations that *may* call for an evaluation period to be instituted include, but are not limited, to the following:
  - a) A request for proposals (RFP) has been issued by KCERA or a short list of candidate firms has been identified for consideration by KCERA, whichever occurs first;
  - b) Material concerns have been identified about the performance and continued suitability of a KCERA service provider; and
  - c) The Board otherwise deems it to be in the best interest of KCERA and its members and beneficiaries to do so.
- 3) The use of evaluation periods shall normally be limited to investment managers and partners, investment consultants, legal counsel, and actuarial firms. The Board may, however, initiate an evaluation period for any other service providers as circumstances warrant.
- 4) Evaluation periods shall normally be instituted at a board meeting, and written notification shall be issued to all trustees not present at said meeting. An evaluation period may also be instituted between board meetings at the discretion of the Chief Executive Officer or a committee of the Board, subject to ratification by the Board at its next meeting. The Chief Executive Officer or Chief Legal Officer shall provide

written notification to all trustees of all evaluation periods instituted by the Chief Executive Officer or by a committee as soon as possible, and trustees shall comply with the evaluation period restrictions upon receipt of such notification.

- 5) The initiation of an evaluation period, and the service providers or types of service providers to which it applies, shall be specified in the minutes of the board meeting at which it was approved or ratified by the Board.
- 6) During evaluation periods, trustees shall not communicate with the specified service providers, except during board meetings, committee meetings, or KCERA-authorized due diligence visits; nor shall they accept meals, travel, hotel, or other types of gifts from the specified service providers. Notwithstanding the above, Trustees who need to communicate with such service providers for reasons unrelated to KCERA business agree to disclose such need to the Board beforehand. If circumstances do not permit timely disclosure to the Board, the trustee shall provide disclosure of the intended communication to the Chief Executive Officer and to the Chair or Vice-Chair.
- 7) During evaluation periods, KCERA staff may communicate with the service providers in question only in the context of normal ongoing business or due diligence. Face-to-face meetings between staff and the service providers in question shall take place in normal office settings.
- 8) Nothing in this policy shall limit a service provider currently engaged by KCERA from participating in meetings and communications with the KCERA Board, its committees, and staff that are required for the service provider to effectively conduct business and provide services under the existing engagement.
- 9) Evaluation periods shall cease:
  - a) When a service provider has been appointed by the Board, or when the search process in question is otherwise ended; or
  - b) When the evaluation period is otherwise ended by action of the Board.
- 10) All requests for proposals or similar documents issued by KCERA shall incorporate this policy.
- 11) Service providers that breach this policy may be terminated by KCERA or disqualified from consideration in a search process. Board members who breach this policy may be sanctioned in accordance with the KCERA Code of Conduct.

PROPOSED

### **POLICY REVIEW AND HISTORY**

12) This policy shall be reviewed at least every five years.

13) This policy was:

- a) Adopted by the Board on December 12, 2012.
- b) Amended on April 13, 2016; March 11, 2020; August 11, 2021; and April 13, 2022.



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## **INVESTMENT POLICY STATEMENT**

~~December 2020~~ April 2022

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## **MISSION STATEMENT AND PURPOSE**

### **Mission Statement**

The mission of the Kern County Employees' Retirement Association is to prudently administer the retirement benefits, invest the assets of the Association, and provide quality membership services for eligible public employees, retirees and their beneficiaries.

### **Purpose**

This Investment Policy Statement establishes policies for the administration and investment of the Kern County Employees' Retirement Association's assets ("Plan"). This policy formally documents the goals, objectives, and guidelines of the Investment Program, and is intended to allow for sufficient flexibility in the investment process to capture opportunities, yet ensure prudence, consistency, and care.

The purpose of this policy is to set forth in writing:

1. An appropriate set of objectives and goals regarding the investment of the Plan; and
2. The position of the Board with respect to the Plan's investment risk/return posture, including asset allocation, and
3. The establishment of investment guidelines.

Further, this policy seeks to ensure the investment of the Plan in a manner consistent with the County Employees Retirement Law of 1937 (Government Code Section 31450 et seq.) and other applicable state and federal statutes.

### **BACKGROUND**

The Kern County Employees' Retirement Association ("KCERA") is governed by the County Employees Retirement Law of 1937. It is also governed by California Government Code Sections 31594 and 31595, which provide for prudent person governance of the Plan. Under this law, the type and amount of Plan investments as well as the quality of securities is not specifically delineated, rather the investments made are assumed to be in the best interest of the Plan such that others with similar information would acquire similar investments. These statutory provisions are set forth below:

It is the intent of the Legislature, consistent with the mandate of the voters in passing Proposition 21 at the June 5, 1984, Primary Election, to allow the Board of any retirement system governed by this chapter to invest in any form or type of investment deemed prudent by the Board pursuant to the requirements of Section 31595. It is also the intent of the Legislature to repeal, or amend as appropriate, certain statutory provisions, whether substantive or procedural in nature, that restrict the form, type, or amount of investments that would otherwise be considered prudent under the terms of that section. This will increase the flexibility

and range of investment choice available to these retirement systems, while ensuring protection of the interests of their beneficiaries.  
(Cal. Gov. Code §31594).

The Board has exclusive control of the investment of the employees' retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of KCERA through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board.

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.

(Cal. Gov. Code §31595).

KCERA was established under the provisions of the County Employees' Retirement Law on January 1, 1945, by the Kern County Board of Supervisors, and its management is vested in a Board of retirement.

### **INVESTMENT OBJECTIVES**

The primary investment objectives and goals for the Plan shall be:

1. Earn a long-term net of fees rate of return which is equal to or exceeds the assumed rate of return.
2. Earn a long-term net of fees rate of return which is equal to or exceeds the established benchmark ("Policy Benchmark"). The Policy Benchmark is identified in Appendix B.
3. Earn a long-term net of fees rate of return which exceeds the long-term rate of inflation.

Rates of return are to be time-weighted total return.

## LONG-TERM STRATEGIC ASSET ALLOCATION

The long-term strategic asset allocation (herein referred to as “asset allocation”, “target asset allocation”, or “strategic asset allocation”) is the single most important investment decision the Board makes. The primary objective of the asset allocation policy is to provide an asset allocation which produces the highest expected investment return within a prudent risk tolerance.

The Board selects an asset allocation that is predicated on a number of factors, including:

1. Actuarial considerations of the Plan, including current and projected contributions, benefit payments, assets, liabilities, and funded status;
2. Appropriate levels of risk and return, as evidenced by various quantitative techniques, including mean-variance optimization, stress testing, and scenario analysis;
3. An assessment of potential future economic conditions;
4. Long-term capital market assumptions; and
5. Liquidity considerations.

The Board’s selected strategic asset allocation, including approved asset classes, target weights, and allowable ranges are illustrated in Appendix A.

### Rebalancing

From time to time the Plan’s actual asset allocation will deviate from the strategic asset allocation. Rebalancing can occur between asset classes, within an asset class, and between investment managers, with the objective of maintaining the strategic asset allocation exposures, or in response to specific risks or anticipated changes in markets. The Chief Investment Officer shall determine appropriate rebalancing actions, and obtain the expressed written consent of the ~~Executive Director~~Chief Executive Officer. The ~~Executive Director~~Chief Executive Officer has authority to sign and execute any trade authorization, subscription, redemption, or related documentation in order to implement rebalancing actions. When rebalancing activity occurs, the Board shall be notified of such activity at the next regularly scheduled meeting.

Rebalancing may occur through the buying and selling of physical investments or through the use of fully collateralized derivatives.

### Cash Flow Management

The Chief Investment Officer will monitor cash flow activity and maintain a cash flow forecast in order to ensure the payment of benefits, expenses, capital calls, and other investment activity, while also reducing friction from excess levels of cash. When liquidations of assets are necessary to meet cash flow needs, the Chief Investment Officer will determine appropriate sources of liquidity, and will obtain the expressed written consent of the ~~Executive Director~~Chief Executive Officer. The ~~Executive Director~~Chief Executive Officer has authority to sign and execute any trade authorization,

redemption, or related documentation in order to implement cash flow management actions. Investment managers should receive adequate notification so that cash can be raised efficiently.

## **INVESTMENT GUIDELINES**

The Board has adopted the following guidelines to be used in limiting exposure to an investment manager (herein referred to as manager). The Board may override these policies under special circumstances:

1. The maximum allocation to a single active manager is 12% of the Plan.
2. The maximum allocation to a single active management product is 8% of the Plan.
3. No investment with any single investment strategy may exceed 10% of that manager's total assets under management.

There is no maximum allocation limitation for passive managers or their passive investment products.

It is the intention of the Board to allow managers full discretion within the scope of this policy, the operative fund documents, any Investment Management Agreement or side letter agreement, and any laws or applicable federal and state statutes or regulations that supersede these documents. Specific investment guidelines for individual mandates are contained in each manager's Investment Management Agreement.

Unless specifically provided for in the manager's operative fund documents or investment guidelines, the following transactions are generally prohibited: purchase of non-negotiable securities, short sales, transactions on margin, use of leverage and use of options.

## **RISK MANAGEMENT**

The Board recognizes it must accept risk to sufficiently grow assets to meet promised benefit payment obligations, and that taking risk needs to be balanced with capital preservation. The Board's risk tolerance is a function of this perspective.

### **Risk**

Risk is a broad concept and can generally be thought of as the likelihood of an unfavorable outcome. Investment management is a process in taking risk (i.e. exposing assets to potentially unfavorable outcomes). A key component of taking risk is the understanding of the relationship between positive outcomes and negative outcomes, both in terms of likelihood and magnitude.

The Plan is exposed to numerous risks, and no single metric or measure encompasses the complexity of those risks. The risk management process identifies, measures, and evaluates risks, so that risks taken are intentional, measured, understood, and prudent.

## **Risk Management Process**

The risk management process includes

1. identifying risk;
2. understanding risk;
3. measuring risk; and
4. evaluating risk.

This process assists in determining what risks are acceptable and how to appropriately size them. The risk management process is integral to all aspects of the investment process, whether it be selecting a strategic asset allocation, structuring an asset class, hiring a manager, rebalancing the portfolio, or managing cash flows.

## **Risk Metrics**

The Board uses various metrics and tools to measure and understand risk. These are important elements in evaluating risk, and include standard deviation, tracking error, beta, upside capture, downside capture, stress testing, scenario analysis, and liquidity. In addition to specific metrics, various risk concepts can help understand and evaluate risk, including counterparty risk, operational risk, and execution risk.

## **Risk Reporting**

Risk metrics are included in the quarterly investment performance report. In addition, other measures of risk are presented to the Board on an ad hoc basis when deemed necessary by the Chief Investment Officer and the Investment Consultant. To appropriately evaluate risk, an understanding of economic, political, and financial market environments is helpful, thus an investment landscape with this type of information is presented to the Board in conjunction with the quarterly investment performance report.

## **INVESTMENT PERFORMANCE REVIEW**

The Board will review the investment results of the Plan quarterly. Investment performance reports will be prepared by the Plan's Investment Consultants. Performance will primarily be evaluated within the context of the Investment Objectives as set forth in this policy. Manager performance is to be evaluated as set forth in Appendix D.

## **CAPITAL EFFICIENCY**

The capital efficiency program seeks to improve the returns of the Plan by using derivatives in place of physical securities in traditional markets (equity, fixed income, commodities, etc.), and then utilizing a portion of the unencumbered cash to fund investments in the alpha pool. The capital efficiency program will add value when the alpha pool achieves net of fees and expenses returns that are above the cash funding rate. The Plan can use a third party overlay provider to manage derivative exposure. The derivative exposure is collateralized with a combination of cash and investments.

## ASSET CLASSES

The Board has decided to invest in the following asset classes:

**PUBLIC EQUITY**: Publicly traded global equities is a core asset class and serves the primary objective of return generation. Regional exposures include domestic, international developed, and emerging markets (including frontier markets).

**FIXED INCOME**: Fixed income securities are a core asset class and serves the primary objectives of liquidity as well as risk mitigation, at least to the extent that the inverse relationship between stocks and bonds of the past few decades continues to hold. A secondary objective is income generation and diversification.

Fixed income includes 3 broad sub-asset classes; core, credit, and emerging market debt. The core allocation emphasizes the primary fixed income objective of liquidity and risk mitigation, while credit and emerging market debt emphasize the secondary objectives of income generation, and diversification.

**COMMODITIES**: The primary objectives of the commodities allocation are return generation, inflation sensitivity and diversification.

**HEDGE FUNDS**: The primary objectives of the hedge funds allocation are diversification, return generation, and downside protection. The hedge funds allocation will diversify across hedge fund strategies (relative value, event driven, equity long/short, and directional), and will have a low expected correlation to core asset classes including equities and bonds. The hedge fund allocation will be semi-liquid, with the majority of assets liquid within 1 year, and will generally not be considered as a short-term liquidity source.

### Objectives

1. Sharpe Ratio greater than 1.0
2. Annualized forecast volatility between 4% and 7%
3. Forecast Beta to MSCI All Country World Index less than 0.3

### Guidelines

- |                      |          |
|----------------------|----------|
| 1. Strategy          | Ranges   |
| a. Relative Value    | 20 - 40% |
| b. Event Driven      | 15 - 35% |
| c. Equity Long/Short | 10 - 30% |
| d. Directional       | 15 - 35% |

*For purposes of investment strategy ranges, funds are decomposed into their underlying strategies.*

2. No investment with any single manager can represent more than 15% of the hedge fund allocation.

**ALPHA POOL:** The primary objective of the alpha pool is to generate a cash plus return through strategies that have low beta exposure, medium to high alpha, and expectations for good downside protection. The alpha pool will have a low expected correlation to core asset classes including equities and bonds. The alpha pool is a key component of the capital efficiency program.

### **Objectives**

1. Annualized return expectation of 3-Month Treasury Bill + 400bps
2. Annualized forecast volatility between 3% and 6%
3. Forecast Beta to MSCI All Country World Index less than 0.2

**MIDSTREAM:** The primary objectives of the midstream allocation are return generation, income generation, and diversification. A secondary objective is the potential for inflation sensitivity.

**CORE REAL ESTATE:** The primary objectives of the core real estate allocation are income generation, inflation sensitivity, and diversification.

**OPPORTUNISTIC:** The primary objective of the opportunistic allocation is return generation. Such investments are intended to take advantage of specific market conditions, or investments that are opportunistic in nature, and may include expansion of investments in the current asset allocation or entry into strategies outside of the asset allocation following education regarding the potential investment.

### **Objectives**

1. Return expectation at least 3% higher than the assumed rate of return

### **Guidelines**

1. Individual investments may not exceed 3% of Plan at time of purchase.

**PRIVATE MARKETS:** The primary objectives of the private markets allocation are generally consistent with their public market counterparts, with the additional expectation of higher returns. The expectation for higher returns is a function of the illiquidity, differentiated sources of return, increased complexity, and administrative burden in private markets versus public markets. Private market investments are illiquid and investment horizons can reach 10-15 years or more.

Private markets include 3 broad areas; private equity, private credit, and private real assets (including private real estate).

**CASH:** The primary objectives of cash are liquidity and operational efficiency. Cash exposure is defined as physical cash adjusted by the net notional exposure of (a) overlay positions, and (b) derivative positions for the capital efficiency program. Holding some

level of physical cash is necessary for the smooth operation of the Plan. The cash exposure should be minimized and an overlay program may be utilized to reduce the potential drag on performance. Holding physical cash is an important component of the capital efficiency program.

## ADMINISTRATIVE PRACTICES

### Review and Revisions

The Investment Consultant or the Chief Investment Officer shall first advise the ~~Executive Director~~Chief Executive Officer and then the Board of any restrictions within this policy which may prevent the Investment Program from obtaining the objectives and goals set forth herein. Any violation of the investment guidelines or other sections of this policy discovered by the Investment Consultant or the Chief Investment Officer shall be reported first to the ~~Executive Director~~Chief Executive Officer and subsequently to the Board.

The Board reserves the right to amend this policy at any time deemed necessary, or to comply with changes in state or federal law, or regulations.

## POLICY REVIEW AND HISTORY

- 1) This policy was:
  - a) Adopted by the Board on April 9, 2014.

- b) Amended by the Board on March 9, 2016; March 13, 2019; May 1, 2019; April 1, 2020; ~~and December 9, 2020;~~ and April 13, 2022.

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## APPENDIX A – ASSET ALLOCATION AND ALLOWABLE RANGES

Asset Class	Target	Range
Public Equity	37%	32 - 46%
Domestic		16 - 27%
International Developed		8 - 18%
Emerging Market		1 - 9%
Fixed Income	24%	20 - 34%
Core	14%	12 - 25%
Credit	6%	3 - 9%
Emerging Market Debt	4%	1 - 7%
Commodities	4%	0 - 6%
Hedge Funds	10%	5 - 15%
Alpha Pool	5%	0 - 7%
Midstream	5%	0 - 7%
Core Real Estate	5%	3 - 7%
Opportunistic	0%	0 - 10%
Private Markets	15%	0 - 30%
Private Equity	5%	0 - 10%
Private Credit	5%	0 - 10%
Private Real Estate	5%	0 - 10%
Cash	-5%	-7 - 5%

## APPENDIX B – POLICY BENCHMARK

Asset Class	Weight	Benchmark
Equity	37.0%	MSCI All Country World Investable Market Index (Total Return Gross)
Fixed Income	24.0%	Blend †
Core	14.0%	Bloomberg Barclays US Aggregate Index
Credit	6.0%	Intercontinental Exchange Bank of America US High Yield Master II Index
Emerging Market Debt	4.0%	50% J.P. Morgan Emerging Market Bond Index Global Diversified (Total Return Gross) & 50% J.P. Morgan Government Bond Index-Emerging Markets (Total Return Gross)
Commodities	4.0%	Bloomberg Commodity Index
Hedge Funds	10.0%	75% 3-Month Treasury Bill + 400bps & 25% MSCI All Country World Index (Total Return Gross)
Alpha Pool	5.0%	3-Month Treasury Bill + 400bps
Midstream	5.0%	Alerian Midstream Energy Index
Core Real Estate	5.0%	NCREIF-Open End Diversified Core Equity
Opportunistic	0.0%	Assumed rate of return + 300bps
Private Equity	5.0%	actual time-weighted Private Equity returns ††
Private Credit	5.0%	actual time-weighted Private Credit returns ††
Private Real Estate	5.0%	actual time-weighted Private Real Estate returns ††
Cash	-5.0%	3-Month Treasury Bill

† Fixed Income Benchmark is a blend of the fixed income sub-asset class benchmarks and corresponding target weights.

†† The Policy Benchmark uses actual private market asset class weights each rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market's public market "equivalent" (private equity to equity; private credit and private real estate to core fixed income).

## APPENDIX C – INVESTMENT PHILOSOPHY

### Governance

- Governance is the process of establishing and maintaining effective decision-making authority, responsibility, and accountability
- Effective governance adds value and is a critical element of a successful investment program
- An effective governance framework includes delegation of decision-making authority to the most capable resources
- The most important role of the Board is to establish, maintain, and monitor clear and consistent policies of operation
- The investment program requires adequate resources, expertise, focus, and consistency in approach

### Risk

- The primary investment risk for the Plan is that long-term investment returns, together with reasonable and sustainable contributions, are insufficient to meet financial obligations over the long-term
- Achieving investment goals requires investment risk taking and accepting that losses can and will likely occur
- Investment management is risk management and the two are inherently linked; risk and long-term returns are strongly correlated
- Risk is multi-faceted and not fully quantifiable
- Financial asset returns are fueled by multiple sources of risk

### Asset Allocation

- The long-term strategic asset allocation is the key determinant of the Plan's overall risk and return; structure and investment manager selection impact returns on the margin
- The liability profile, sponsor position, funded status, and tolerance for adverse outcomes, should form the basis for establishing appropriate risk and return objectives for the Plan
- The global opportunity set is dynamic, and a tactical approach to identifying opportunities can add value; however, a well-defined and adequately resourced process needs to be present

### Investment Horizon

- The long-term nature of the liabilities generally implies a long-term investment horizon; that said, at times short-term market conditions should be considered and balancing the short-term with the long-term is appropriate
- Having a long-term investment horizon is an advantage, if utilized appropriately
- A long-term investment horizon can lend itself to investing in illiquid assets and the opportunity to earn higher returns

## **Diversification**

- Diversification improves the stability of investment returns and the long-term risk-adjusted return of the portfolio
- Diversification means that at any given time a particular asset class or market, as a standalone investment, performed better than a diversified portfolio
- Diversification spreads risk across many dimensions including, asset class, strategy, industry, market, style, geography, time-frame, and economic sensitivity

## **Market Efficiency, Structure, and Manager Selection**

- Structure should not cause an asset class to meaningfully deviate from intended role or purpose
- Markets are competitive and dynamic; different markets have varying levels of efficiency, and some markets are more conducive to excess returns than others
- Skill to generate active risk-adjusted returns over a benchmark (alpha) is rare and difficult to identify in advance and consistently capture
- Value can be added through manager selection, provided that manager selection is well resourced with skill, experience, and focus, and utilizes a rigorous and consistent manager due diligence process
- Passive investments reduce some forms of risk and cost, and potentially improve net returns; utilizing passive investments in both efficient and inefficient markets, can be an appropriate decision

## **Costs**

- Fees and expenses can have a significant impact on long-term compounded returns and must be clearly justified and carefully managed
- Investments should be evaluated on an expected net of fees basis; however, an understanding that fees are certain, while returns are not, should be appreciated
- Transaction costs can be impactful, and a clear philosophy, and process can help mitigate unwarranted costs

## **Other**

- Value is created by building an organization with in-depth knowledge and experience in global markets, and draws on the expertise of a network of external partners
- Internal resources are constrained; determining appropriate areas to focus and deploy resources is critical to adding value
- The Plan's people and partners drive success; develop and retain internal capital; foster a collaborative team-oriented culture, that values integrity, excellence, and humility
- Seek arrangements which ensure alignment of interest with agents and partners and collaborate broadly
- Attractive risk-adjusted returns can be achieved by being an early adopter in strategies, assets, markets, technologies, and approaches
- Derivatives and leverage can be efficient tools when utilized prudently

## **APPENDIX D – MANAGER DUE DILIGENCE, SELECTION, MONITORING AND TERMINATION**

This policy establishes the guidelines for selecting, monitoring, and terminating managers. This policy aims to retain a high degree of flexibility in how it is applied to managers. The goal is to implement a process which finds a balance between two undesirable outcomes:

1. Retaining managers with no value-adding capabilities
2. Terminating managers with value-adding capabilities

Due to the significant costs involved in replacing managers, and due to the substantial probability of selecting a value-detracting manager as a replacement for an existing manager, this policy is somewhat biased toward avoiding terminating managers with value-adding capabilities.

### **Manager Search Process – Public Markets**

1. Initiation: The Chief Investment Officer will coordinate with the Investment Consultant to initiate a search process.
2. Evaluation: The Investment Consultant will produce investment due diligence materials for all managers to be considered. Every manager that the Chief Investment Officer and Investment Consultant recommend to the Board must have undergone on-site due diligence not more than one year prior to the recommendation to the Investment Committee. On-site due diligence is to be conducted by the Investment Consultant. The Investment Consultant will produce a written summary recommendation report, which is to be presented to the Investment Committee. The Investment Consultant's report will provide the rationale for retaining the recommended manager, and will also indicate the manager's role in the portfolio.
3. Investment Committee Approval: With the guidance of the Chief Investment Officer and Investment Consultant, the Investment Committee will determine whether or not to approve the recommendation and to recommend the investment to the Board. At times, timing considerations will require that an investment recommendation is recommended directly to the Board, and will not be presented to the Investment Committee.
4. Final Approval: The Investment Committee's recommendation will be presented to the Board for final approval. It is generally understood that the approval is subject to negotiating acceptable terms and conditions with the manager.

### **Manager Search Process – Private Markets**

The Private Markets program will be managed according to an annual business plan produced by the Investment Consultant whose main components will encompass an analysis of the investment environment, a review of the investment strategy, a review of the annual pacing plan, and a forward calendar of prospective managers. The annual plan will serve as a guide to ensure that target allocations are managed, proper

diversification is implemented, and overall private market investments are in line with portfolio goals. It is recognized that market environments can change and deviations from the annual plan may be necessary,

The overall search process will be in line with public markets:

1. **Initiation and Evaluation:** Guided by the pacing plan and forward calendar, the Chief Investment Officer will coordinate with the Investment Consultant to move forward with a recommendation for a private market investment. The Investment Consultant will produce an investment due diligence report, which should contain at minimum, rationale for committing to the manager and the role the investment will play within the private markets allocation.
2. **Investment Committee Approval:** With the guidance of the Chief Investment Officer and Investment Consultant, the Investment Committee will determine whether or not to approve the recommendation and to recommend the investment to the Board. At times, timing considerations will require that an investment recommendation is recommended directly to the Board, and will not be presented to the Investment Committee.
3. **Final Approval:** The Investment Committee's recommendation will be presented to the Board for final approval. It is generally understood that the approval is subject to negotiating acceptable terms and conditions with the manager.

### **Contracting – Public and Private Markets**

Managers shall acknowledge in writing their recognition and adherence to an industry-accepted standard of care to which the manager will be held to a fiduciary relationship between the manager and the Board, which may be established by contract or operation of law (e.g., by registration of the manager as an investment advisor with the U.S. Securities and Exchange Commission). Managers must further agree to adhere to appropriate federal and state legislation governing the Plan and agree to be covered by appropriate and adequate insurance coverages.

Manager's retained by the Board shall be compensated by a formula contained in the manager's operative fund documents or Investment Management Agreement. No public markets manager retained by the Board shall receive a payment of commission or other fees on a particular investment transaction. Further, managers must disclose to Staff any indirect compensation received in addition to its fees as a result of servicing the Plan. Additionally, alternative investment managers will be required to disclose fee information per §6254.26 and §7514.7.

### **Ongoing Monitoring – Public and Private Markets**

Manager evaluation relies on the ongoing review of qualitative and quantitative factors. These factors will be monitored on an ongoing basis in order for the Chief Investment Officer and the Investment Consultant to apprise the Board of changes which could warrant a change in the manager's suitability. A key objective of this policy is the timely identification of signs of adverse changes in a manager's organization or investment

process. Factors to monitor include performance, attribution, key contributors and detractors from performance, portfolio positioning and exposures, key positions and investment thesis, changes in the investment team or process, changes in investment product line-up, assets under management and capital flows, administrative or operational changes, and other potential changes in the business.

No less than quarterly the Investment Consultant reviews each public market investment of the Plan and produces a written summary, which is provided to Staff. In the case of private market investments, a review and written summary is produced annually. The Investment Consultant will also meet on-site with each manager at least once every three years.

Value-adding managers will experience adverse circumstances, such as underperformance, personnel changes, and loss of assets under management. When managers experience such events, Staff and the Investment Consultant will evaluate whether appropriate action was taken by the manager, what impact the action could have upon the portfolio in the future, and what other actions may be considered.

### **Watch-List – Public Markets**

The Board desires to hold managers accountable for the performance of the assets over which they exercise discretion. The Board shall establish and maintain an official manager watch-list (“Watch-List). If a manager fails to accomplish the investment objectives over a full market cycle (typically three to five years), the manager may be placed on the Watch-List or terminated.

The Chief Investment Officer or Investment Consultant may recommend to the Investment Committee if a manager should be placed on the Watch-List. Managers that the Board places on the Watch-List will continue to be monitored by the Board until it is determined that removal from the Watch-List or termination of the manager is warranted.

Factors that may warrant being placed on the Watch-List include but are not limited to, changes within a manager’s organization, significant deviations in performance from expectations, changes in investment philosophy or process, and style drift.

### **Termination – Public Markets**

The Board may terminate a manager for any reason. The Chief Investment Officer or Investment Consultant may recommend to the Investment Committee if a manager should be terminated, and upon approval by the Investment Committee, a recommendation for termination will be presented to the Board for final approval.

Should a situation arise whereby a manager is no longer deemed appropriate for the Plan for any reason by the Chief Investment Officer, with concurrence from the Investment Consultant, and there is insufficient time to present the issue to the Investment Committee or Board, pursuant to the Board of Retirement Charter or Investment Committee Charter, the Board authorizes the Chief Investment Officer, with

the expressed written consent of the ~~Executive Director~~Chief Executive Officer and advice from the Investment Consultant, to terminate and replace the manager with an appropriate “alternate strategy” as expeditiously as possible and in accordance with reasonable due diligence procedures. The “alternate strategy” is intended to be employed temporarily until a permanent replacement can be presented to the Board. When such activity occurs, the Investment Committee and the Board shall be notified at the next regularly scheduled meeting. For purposes of this document, “alternate strategy” refers to cash or a low-cost index fund employing a similar investment objective as the terminated manager.

## **Manager reporting requirements**

### *All managers*

- Updated Form ADV - Part 2 on an annual basis

### *All public markets*

- Monthly account statement and NAV
- Monthly gross and net performance
- Performance letter at least quarterly
- Positioning, exposure or risk report at least quarterly
- Audited Annual Financial Statements

### *Public market investments through separately managed accounts*

- Each quarter, managers shall provide a letter certifying compliance with the portfolio guidelines from the Investment Management Agreement, and compliance with regulatory requirements. Managers are required to advise Staff and the Investment Consultant in writing of any violation;
- Annually, managers shall provide a written report detailing the name of each brokerage institution which received commissions from the Plan as the result of the discretionary trading authority bestowed upon the manager by the Board. The report shall also include for each brokerage firm: the number of shares, average cost per share traded, and the commissions paid.
- Managers are required to advise Staff and the Investment Consultant in writing of any need for changes to the portfolio guidelines; and
- Managers are required to comply with the reporting requirements of the Trading Policy, as detailed in Appendix E
- Managers are required to comply with the reporting requirements of the Asset Pricing Policy, as detailed in Appendix G

### *Private markets*

- Quarterly account statement and NAV
- Quarterly performance measures including IRR, and multiples
- Quarterly update of contributions, distributions, and uncalled capital
- Quarterly performance letter
- Quarterly fund composition, positioning, or exposure reports
- Audited Annual Financial Statements

## APPENDIX E – TRADING POLICY

The Board has determined that trading costs represent a significant expense to the Plan. The Board has therefore established policies in order to control these costs, and to monitor the level and effectiveness of the trading activity of the Plan.

### Best Price and Execution Standard

1. Notwithstanding anything to the contrary, all trading of securities will be placed by managers with broker-dealers with the aim of obtaining the best price and best execution, taking into account all factors influencing best execution, as well as the value of all services received or savings obtained by the Plan related thereto, or by the managers, for the benefit of the Plan.
  - a. The policy of best price and best execution is intended to mean that managers shall use professional judgment in the selection of broker-dealers and the commissions paid. Managers should be prepared to provide evidence that they are attempting to deliver investment results at the lowest possible level of transaction costs, including the market impact of their trades, and considering the value of all services provided to the Plan for its commission dollars.
  - b. The policy of best price and best execution is intended to provide the most favorable overall results for the Plan.
  - c. Broker-dealers, as referenced herein, include firms which customarily perform trades for an institutional clientele. Such broker-dealers may trade on the floor of the various national and regional stock exchanges, or may trade in the third and fourth markets performing transactions outside of the securities exchanges.
2. Inasmuch as trading costs contribute to the gains and losses on the securities held by the Plan, and therefore contribute to the portfolio performance of each manager, all trades will be placed by managers at their discretion. Such trades may include fixed income transactions placed on an agency basis. All such trades will be placed within the following general guidelines, consistent with the best price and best execution standard.
  - a. Managers may direct a portion of total annual transactions to broker-dealers who provide the managers with research. In selecting among these broker-dealers to execute transactions, the managers shall consider all factors relative to best execution. Such factors should include, but are not limited to, the following:
    - i. price of security
    - ii. the commission rate
    - iii. size and difficulty of the order
    - iv. reliability, integrity, and financial condition of broker-dealer
    - v. general execution and operational capabilities or competing broker-dealers
    - vi. manager's investment style
    - vii. brokerage and research services provided.
3. When placing trades with broker/dealers, managers will emphasize minimizing commission costs directly and not seeking sources of value to the Plan through

ancillary research services. In selecting these broker/dealers to execute transactions, the manager will consider all factors relative best execution. Such factors should include, but are not limited to, the following:

- a. price of security
- b. the commission rate
- c. size and difficulty of the order
- d. reliability, integrity, and financial condition of broker-dealer
- e. general execution and operational capabilities or competing broker-dealers
- f. the manager's investment style.

## **Trading Analysis**

For separately managed account investments, managers will allow to be performed an analysis of the trading costs of their respective account with the various classes of trading described herein. The Board may engage third parties to independently evaluate manager's trading costs and practices to assess whether or not they are achieving best execution. This analysis will be provided to Staff no less than every three years.

1. The analysis will summarize and evaluate the cost effectiveness of the various broker-dealers utilized by the manager, specifically reporting commissions charged per share traded, and an estimate of the total costs incurred in these transactions.
2. The analysis will evaluate instances of higher commissions per share with respect to the many factors affecting best execution, and shall consider other services or research provided to the manager.
3. The analysis will report trading performance by broker-dealer and by investment management account.

## APPENDIX F – PROXY VOTING POLICY

Because the proxy vote (“Proxy”) is an asset of the Plan, it must be managed prudently and for the exclusive benefit of the Plan. It is the intent of this policy to lay out a broad set of guidelines within which Proxies must be voted to maximize shareholder value.

### Guidelines

For all equity oriented separately managed accounts, a proxy voting service provider is retained to vote all proposals submitted to stockholders in accordance with this policy. All commingled investment fund Proxies are voted by the respective manager of each fund in accordance with the manager’s proxy guidelines.

Due to the significant resources required to properly manage a proxy voting program, the Board has chosen to delegate the proxy voting decision to a third-party provider of proxy voting services and to follow that provider’s detailed proxy voting guidelines.

The obligations of the third-party provider are as follows:

1. With regard to timely execution of specified proxy votes on the Plan’s behalf, including corporate account set up, vote execution reporting and record keeping, and compliance with U.S. SEC and Department of Labor ERISA standards, as applicable, the third party shall carry out its duties and obligations to vote the Plan’s proxies in accordance with the standards of fiduciary responsibility set forth in the CERL;
2. The third-party shall cast votes after careful consideration of the issues; and
3. The third-party shall describe the rationale for its votes.

The overarching and universal guideline is that proxies must be voted in the best interest of the Plan and its beneficiaries and in order to maximize shareholder value. In following this broad, all-encompassing guideline, the third-party provider shall follow its own detailed guidelines, which provide specific instruction on how to vote proxies in alignment with and support of the following key principles:

1. A board of directors that serves shareholder interests;
2. Transparency and integrity in financial reporting;
3. A strong link between compensation and performance; and
4. A governance structure that clearly supports shareholder interests.

The third-party provider’s detailed guidelines may change over time. A copy of the current guidelines shall be maintained by Staff.

### Monitoring

The third-party service provider shall provide monthly reports to Staff, which include a list of all proxies voted on behalf of the Plan, along with the rationale for the votes. On

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an annual basis, Staff will provide the Board with a consolidated report summarizing the previous year's proxy voting activity.

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## APPENDIX G – ASSET PRICING POLICY

This policy provides a process for the valuation of securities in separately managed accounts where the prices listed by the Plan's master custodian bank ("Custodian") are substantially different from the manager's prices for those same securities. The Board recognizes that there are coverage limitations for security prices as provided by the Custodian's pricing matrix and third party pricing provider prices. In those situations, where pricing is disputed between the manager and the Custodian, the approach outlined in this policy will be implemented.

The Custodian will provide official pricing for all of the Plan's separately managed accounts with the following exceptions:

1. issue specific market values may be priced by the manager where no reliable third party pricing source is available; and
2. disputed issue prices may use the price provided by the manager when the manager provides the average of at least three dealer prices (bid-side).

In the case of disputed issue prices, Staff may, in accordance with this policy, direct the manager to provide its price to the Custodian and may direct the Custodian to accept the manager's price as the official price for that issue. Valuation documentation should contain the following:

1. sources and/or quantitative calculation used to determine the respective issue prices;
2. percentage difference between manager's price relative to the price generated by the master trustee bank; and
3. aggregate percentage of the portfolio's market value for the securities priced by the manager.

Monthly reports including the above documentation must be sent by the manager to Staff, the Custodian, and the Investment Consultant five days after receipt of the statement from the Custodian.

Securities held in commingled accounts are valued according to the pricing policy of the individual commingled fund manager.

All managers shall provide a copy of their pricing policy and pricing matrix to Staff.

## APPENDIX H – MANAGER RECONCILIATION REQUIREMENTS

The Board seeks to ensure greater accuracy through the implementation of a reconciliation reporting process. The Plan's separately managed account managers shall provide written acknowledgment of the accuracy of the Custodian's records, and it is the responsibility of the manager to reconcile with the Custodian all discrepancies in cash and holdings. The reconciliation report will list the assets and liabilities of the account that have discrepancies for both the number of shares/par value and pricing. The manager's reconciliation report must be received by Staff within 30 days of the close of the reporting month.

For traditional managers who charge incentive fees, the managers are responsible for reconciling its portfolio return and benchmark calculation to the Investment Consultant. The reconciliation report will provide the manager's monthly returns, the Investment Consultant's monthly returns as well as the incentive fee calculation for the quarter. The report will show both gross and net-of-fees returns. The manager's reconciliation report must be received by Staff along with the invoice billed for the quarter.

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## **INVESTMENT POLICY STATEMENT**

*April 2022*

PROPOSED

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PROPOSED

## **MISSION STATEMENT AND PURPOSE**

### **Mission Statement**

The mission of the Kern County Employees' Retirement Association is to prudently administer the retirement benefits, invest the assets of the Association, and provide quality membership services for eligible public employees, retirees and their beneficiaries.

### **Purpose**

This Investment Policy Statement establishes policies for the administration and investment of the Kern County Employees' Retirement Association's assets ("Plan"). This policy formally documents the goals, objectives, and guidelines of the Investment Program, and is intended to allow for sufficient flexibility in the investment process to capture opportunities, yet ensure prudence, consistency, and care.

The purpose of this policy is to set forth in writing:

1. An appropriate set of objectives and goals regarding the investment of the Plan; and
2. The position of the Board with respect to the Plan's investment risk/return posture, including asset allocation, and
3. The establishment of investment guidelines.

Further, this policy seeks to ensure the investment of the Plan in a manner consistent with the County Employees Retirement Law of 1937 (Government Code Section 31450 et seq.) and other applicable state and federal statutes.

### **BACKGROUND**

The Kern County Employees' Retirement Association ("KCERA") is governed by the County Employees Retirement Law of 1937. It is also governed by California Government Code Sections 31594 and 31595, which provide for prudent person governance of the Plan. Under this law, the type and amount of Plan investments as well as the quality of securities is not specifically delineated, rather the investments made are assumed to be in the best interest of the Plan such that others with similar information would acquire similar investments. These statutory provisions are set forth below:

It is the intent of the Legislature, consistent with the mandate of the voters in passing Proposition 21 at the June 5, 1984, Primary Election, to allow the Board of any retirement system governed by this chapter to invest in any form or type of investment deemed prudent by the Board pursuant to the requirements of Section 31595. It is also the intent of the Legislature to repeal, or amend as appropriate, certain statutory provisions, whether substantive or procedural in nature, that restrict the form, type, or amount of investments that would otherwise be considered prudent under the terms of that section. This will increase the flexibility

and range of investment choice available to these retirement systems, while ensuring protection of the interests of their beneficiaries.  
(Cal. Gov. Code §31594).

The Board has exclusive control of the investment of the employees' retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of KCERA through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board.

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.

(Cal. Gov. Code §31595).

KCERA was established under the provisions of the County Employees' Retirement Law on January 1, 1945, by the Kern County Board of Supervisors, and its management is vested in a Board of retirement.

## **INVESTMENT OBJECTIVES**

The primary investment objectives and goals for the Plan shall be:

1. Earn a long-term net of fees rate of return which is equal to or exceeds the assumed rate of return.
2. Earn a long-term net of fees rate of return which is equal to or exceeds the established benchmark ("Policy Benchmark"). The Policy Benchmark is identified in Appendix B.
3. Earn a long-term net of fees rate of return which exceeds the long-term rate of inflation.

Rates of return are to be time-weighted total return.

## LONG-TERM STRATEGIC ASSET ALLOCATION

The long-term strategic asset allocation (herein referred to as “asset allocation”, “target asset allocation”, or “strategic asset allocation”) is the single most important investment decision the Board makes. The primary objective of the asset allocation policy is to provide an asset allocation which produces the highest expected investment return within a prudent risk tolerance.

The Board selects an asset allocation that is predicated on a number of factors, including:

1. Actuarial considerations of the Plan, including current and projected contributions, benefit payments, assets, liabilities, and funded status;
2. Appropriate levels of risk and return, as evidenced by various quantitative techniques, including mean-variance optimization, stress testing, and scenario analysis;
3. An assessment of potential future economic conditions;
4. Long-term capital market assumptions; and
5. Liquidity considerations.

The Board’s selected strategic asset allocation, including approved asset classes, target weights, and allowable ranges are illustrated in Appendix A.

### Rebalancing

From time to time the Plan’s actual asset allocation will deviate from the strategic asset allocation. Rebalancing can occur between asset classes, within an asset class, and between investment managers, with the objective of maintaining the strategic asset allocation exposures, or in response to specific risks or anticipated changes in markets. The Chief Investment Officer shall determine appropriate rebalancing actions, and obtain the expressed written consent of the Chief Executive Officer. The Chief Executive Officer has authority to sign and execute any trade authorization, subscription, redemption, or related documentation in order to implement rebalancing actions. When rebalancing activity occurs, the Board shall be notified of such activity at the next regularly scheduled meeting.

Rebalancing may occur through the buying and selling of physical investments or through the use of fully collateralized derivatives.

### Cash Flow Management

The Chief Investment Officer will monitor cash flow activity and maintain a cash flow forecast in order to ensure the payment of benefits, expenses, capital calls, and other investment activity, while also reducing friction from excess levels of cash. When liquidations of assets are necessary to meet cash flow needs, the Chief Investment Officer will determine appropriate sources of liquidity, and will obtain the expressed written consent of the Chief Executive Officer. The Chief Executive Officer has authority to sign and execute any trade authorization, redemption, or related documentation in

order to implement cash flow management actions. Investment managers should receive adequate notification so that cash can be raised efficiently.

## **INVESTMENT GUIDELINES**

The Board has adopted the following guidelines to be used in limiting exposure to an investment manager (herein referred to as manager). The Board may override these policies under special circumstances:

1. The maximum allocation to a single active manager is 12% of the Plan.
2. The maximum allocation to a single active management product is 8% of the Plan.
3. No investment with any single investment strategy may exceed 10% of that manager's total assets under management.

There is no maximum allocation limitation for passive managers or their passive investment products.

It is the intention of the Board to allow managers full discretion within the scope of this policy, the operative fund documents, any Investment Management Agreement or side letter agreement, and any laws or applicable federal and state statutes or regulations that supersede these documents. Specific investment guidelines for individual mandates are contained in each manager's Investment Management Agreement.

Unless specifically provided for in the manager's operative fund documents or investment guidelines, the following transactions are generally prohibited: purchase of non-negotiable securities, short sales, transactions on margin, use of leverage and use of options.

## **RISK MANAGEMENT**

The Board recognizes it must accept risk to sufficiently grow assets to meet promised benefit payment obligations, and that taking risk needs to be balanced with capital preservation. The Board's risk tolerance is a function of this perspective.

### **Risk**

Risk is a broad concept and can generally be thought of as the likelihood of an unfavorable outcome. Investment management is a process in taking risk (i.e. exposing assets to potentially unfavorable outcomes). A key component of taking risk is the understanding of the relationship between positive outcomes and negative outcomes, both in terms of likelihood and magnitude.

The Plan is exposed to numerous risks, and no single metric or measure encompasses the complexity of those risks. The risk management process identifies, measures, and evaluates risks, so that risks taken are intentional, measured, understood, and prudent.

### **Risk Management Process**

The risk management process includes

1. identifying risk;
2. understanding risk;
3. measuring risk; and
4. evaluating risk.

This process assists in determining what risks are acceptable and how to appropriately size them. The risk management process is integral to all aspects of the investment process, whether it be selecting a strategic asset allocation, structuring an asset class, hiring a manager, rebalancing the portfolio, or managing cash flows.

### **Risk Metrics**

The Board uses various metrics and tools to measure and understand risk. These are important elements in evaluating risk, and include standard deviation, tracking error, beta, upside capture, downside capture, stress testing, scenario analysis, and liquidity. In addition to specific metrics, various risk concepts can help understand and evaluate risk, including counterparty risk, operational risk, and execution risk.

### **Risk Reporting**

Risk metrics are included in the quarterly investment performance report. In addition, other measures of risk are presented to the Board on an ad hoc basis when deemed necessary by the Chief Investment Officer and the Investment Consultant. To appropriately evaluate risk, an understanding of economic, political, and financial market environments is helpful, thus an investment landscape with this type of information is presented to the Board in conjunction with the quarterly investment performance report.

## **INVESTMENT PERFORMANCE REVIEW**

The Board will review the investment results of the Plan quarterly. Investment performance reports will be prepared by the Plan's Investment Consultants. Performance will primarily be evaluated within the context of the Investment Objectives as set forth in this policy. Manager performance is to be evaluated as set forth in Appendix D.

## **CAPITAL EFFICIENCY**

The capital efficiency program seeks to improve the returns of the Plan by using derivatives in place of physical securities in traditional markets (equity, fixed income, commodities, etc.), and then utilizing a portion of the unencumbered cash to fund investments in the alpha pool. The capital efficiency program will add value when the alpha pool achieves net of fees and expenses returns that are above the cash funding rate. The Plan can use a third party overlay provider to manage derivative exposure. The derivative exposure is collateralized with a combination of cash and investments.

## ASSET CLASSES

The Board has decided to invest in the following asset classes:

**PUBLIC EQUITY:** Publicly traded global equities is a core asset class and serves the primary objective of return generation. Regional exposures include domestic, international developed, and emerging markets (including frontier markets).

**FIXED INCOME:** Fixed income securities are a core asset class and serves the primary objectives of liquidity as well as risk mitigation, at least to the extent that the inverse relationship between stocks and bonds of the past few decades continues to hold. A secondary objective is income generation and diversification.

Fixed income includes 3 broad sub-asset classes; core, credit, and emerging market debt. The core allocation emphasizes the primary fixed income objective of liquidity and risk mitigation, while credit and emerging market debt emphasize the secondary objectives of income generation, and diversification.

**COMMODITIES:** The primary objectives of the commodities allocation are return generation, inflation sensitivity and diversification.

**HEDGE FUNDS:** The primary objectives of the hedge funds allocation are diversification, return generation, and downside protection. The hedge funds allocation will diversify across hedge fund strategies (relative value, event driven, equity long/short, and directional), and will have a low expected correlation to core asset classes including equities and bonds. The hedge fund allocation will be semi-liquid, with the majority of assets liquid within 1 year, and will generally not be considered as a short-term liquidity source.

### Objectives

1. Sharpe Ratio greater than 1.0
2. Annualized forecast volatility between 4% and 7%
3. Forecast Beta to MSCI All Country World Index less than 0.3

### Guidelines

- |                      |          |
|----------------------|----------|
| 1. Strategy          | Ranges   |
| a. Relative Value    | 20 - 40% |
| b. Event Driven      | 15 - 35% |
| c. Equity Long/Short | 10 - 30% |
| d. Directional       | 15 - 35% |

*For purposes of investment strategy ranges, funds are decomposed into their underlying strategies.*

2. No investment with any single manager can represent more than 15% of the hedge fund allocation.

**ALPHA POOL:** The primary objective of the alpha pool is to generate a cash plus return through strategies that have low beta exposure, medium to high alpha, and expectations for good downside protection. The alpha pool will have a low expected correlation to core asset classes including equities and bonds. The alpha pool is a key component of the capital efficiency program.

### **Objectives**

1. Annualized return expectation of 3-Month Treasury Bill + 400bps
2. Annualized forecast volatility between 3% and 6%
3. Forecast Beta to MSCI All Country World Index less than 0.2

**MIDSTREAM:** The primary objectives of the midstream allocation are return generation, income generation, and diversification. A secondary objective is the potential for inflation sensitivity.

**CORE REAL ESTATE:** The primary objectives of the core real estate allocation are income generation, inflation sensitivity, and diversification.

**OPPORTUNISTIC:** The primary objective of the opportunistic allocation is return generation. Such investments are intended to take advantage of specific market conditions, or investments that are opportunistic in nature, and may include expansion of investments in the current asset allocation or entry into strategies outside of the asset allocation following education regarding the potential investment.

### **Objectives**

1. Return expectation at least 3% higher than the assumed rate of return

### **Guidelines**

1. Individual investments may not exceed 3% of Plan at time of purchase.

**PRIVATE MARKETS:** The primary objectives of the private markets allocation are generally consistent with their public market counterparts, with the additional expectation of higher returns. The expectation for higher returns is a function of the illiquidity, differentiated sources of return, increased complexity, and administrative burden in private markets versus public markets. Private market investments are illiquid and investment horizons can reach 10-15 years or more.

Private markets include 3 broad areas; private equity, private credit, and private real assets (including private real estate).

**CASH:** The primary objectives of cash are liquidity and operational efficiency. Cash exposure is defined as physical cash adjusted by the net notional exposure of (a) overlay positions, and (b) derivative positions for the capital efficiency program. Holding some level of physical cash is necessary for the smooth operation of the Plan. The cash

exposure should be minimized and an overlay program may be utilized to reduce the potential drag on performance. Holding physical cash is an important component of the capital efficiency program.

## **ADMINISTRATIVE PRACTICES**

### **Review and Revisions**

The Investment Consultant or the Chief Investment Officer shall first advise the Chief Executive Officer and then the Board of any restrictions within this policy which may prevent the Investment Program from obtaining the objectives and goals set forth herein. Any violation of the investment guidelines or other sections of this policy discovered by the Investment Consultant or the Chief Investment Officer shall be reported first to the Chief Executive Officer and subsequently to the Board.

The Board reserves the right to amend this policy at any time deemed necessary, or to comply with changes in state or federal law, or regulations.

PROPOSED

## **POLICY REVIEW AND HISTORY**

- 1) This policy was:
  - a) Adopted by the Board on April 9, 2014.
  - b) Amended by the Board on March 9, 2016; March 13, 2019; May 1, 2019; April 1, 2020; December 9, 2020; and April 13, 2022.

## APPENDIX A – ASSET ALLOCATION AND ALLOWABLE RANGES

Asset Class	Target	Range
Public Equity	37%	32 - 46%
Domestic		16 - 27%
International Developed		8 - 18%
Emerging Market		1 - 9%
Fixed Income	24%	20 - 34%
Core	14%	12 - 25%
Credit	6%	3 - 9%
Emerging Market Debt	4%	1 - 7%
Commodities	4%	0 - 6%
Hedge Funds	10%	5 - 15%
Alpha Pool	5%	0 - 7%
Midstream	5%	0 - 7%
Core Real Estate	5%	3 - 7%
Opportunistic	0%	0 - 10%
Private Markets	15%	0 - 30%
Private Equity	5%	0 - 10%
Private Credit	5%	0 - 10%
Private Real Estate	5%	0 - 10%
Cash	-5%	-7 - 5%

## APPENDIX B – POLICY BENCHMARK

Asset Class	Weight	Benchmark
Equity	37.0%	MSCI All Country World Investable Market Index (Total Return Gross)
Fixed Income	24.0%	Blend †
Core	14.0%	Bloomberg Barclays US Aggregate Index
Credit	6.0%	Intercontinental Exchange Bank of America US High Yield Master II Index
Emerging Market Debt	4.0%	50% J.P. Morgan Emerging Market Bond Index Global Diversified (Total Return Gross) & 50% J.P. Morgan Government Bond Index-Emerging Markets (Total Return Gross)
Commodities	4.0%	Bloomberg Commodity Index
Hedge Funds	10.0%	75% 3-Month Treasury Bill + 400bps & 25% MSCI All Country World Index (Total Return Gross)
Alpha Pool	5.0%	3-Month Treasury Bill + 400bps
Midstream	5.0%	Alerian Midstream Energy Index
Core Real Estate	5.0%	NCREIF-Open End Diversified Core Equity
Opportunistic	0.0%	Assumed rate of return + 300bps
Private Equity	5.0%	actual time-weighted Private Equity returns ††
Private Credit	5.0%	actual time-weighted Private Credit returns ††
Private Real Estate	5.0%	actual time-weighted Private Real Estate returns ††
Cash	-5.0%	3-Month Treasury Bill

† Fixed Income Benchmark is a blend of the fixed income sub-asset class benchmarks and corresponding target weights.

†† The Policy Benchmark uses actual private market asset class weights each rounded to the nearest whole percentage point. The difference in actual weight versus target is allocated to the private market's public market "equivalent" (private equity to equity; private credit and private real estate to core fixed income).

## APPENDIX C – INVESTMENT PHILOSOPHY

### Governance

- Governance is the process of establishing and maintaining effective decision-making authority, responsibility, and accountability
- Effective governance adds value and is a critical element of a successful investment program
- An effective governance framework includes delegation of decision-making authority to the most capable resources
- The most important role of the Board is to establish, maintain, and monitor clear and consistent policies of operation
- The investment program requires adequate resources, expertise, focus, and consistency in approach

### Risk

- The primary investment risk for the Plan is that long-term investment returns, together with reasonable and sustainable contributions, are insufficient to meet financial obligations over the long-term
- Achieving investment goals requires investment risk taking and accepting that losses can and will likely occur
- Investment management is risk management and the two are inherently linked; risk and long-term returns are strongly correlated
- Risk is multi-faceted and not fully quantifiable
- Financial asset returns are fueled by multiple sources of risk

### Asset Allocation

- The long-term strategic asset allocation is the key determinant of the Plan's overall risk and return; structure and investment manager selection impact returns on the margin
- The liability profile, sponsor position, funded status, and tolerance for adverse outcomes, should form the basis for establishing appropriate risk and return objectives for the Plan
- The global opportunity set is dynamic, and a tactical approach to identifying opportunities can add value; however, a well-defined and adequately resourced process needs to be present

### Investment Horizon

- The long-term nature of the liabilities generally implies a long-term investment horizon; that said, at times short-term market conditions should be considered and balancing the short-term with the long-term is appropriate
- Having a long-term investment horizon is an advantage, if utilized appropriately
- A long-term investment horizon can lend itself to investing in illiquid assets and the opportunity to earn higher returns

## **Diversification**

- Diversification improves the stability of investment returns and the long-term risk-adjusted return of the portfolio
- Diversification means that at any given time a particular asset class or market, as a standalone investment, performed better than a diversified portfolio
- Diversification spreads risk across many dimensions including, asset class, strategy, industry, market, style, geography, time-frame, and economic sensitivity

## **Market Efficiency, Structure, and Manager Selection**

- Structure should not cause an asset class to meaningfully deviate from intended role or purpose
- Markets are competitive and dynamic; different markets have varying levels of efficiency, and some markets are more conducive to excess returns than others
- Skill to generate active risk-adjusted returns over a benchmark (alpha) is rare and difficult to identify in advance and consistently capture
- Value can be added through manager selection, provided that manager selection is well resourced with skill, experience, and focus, and utilizes a rigorous and consistent manager due diligence process
- Passive investments reduce some forms of risk and cost, and potentially improve net returns; utilizing passive investments in both efficient and inefficient markets, can be an appropriate decision

## **Costs**

- Fees and expenses can have a significant impact on long-term compounded returns and must be clearly justified and carefully managed
- Investments should be evaluated on an expected net of fees basis; however, an understanding that fees are certain, while returns are not, should be appreciated
- Transaction costs can be impactful, and a clear philosophy, and process can help mitigate unwarranted costs

## **Other**

- Value is created by building an organization with in-depth knowledge and experience in global markets, and draws on the expertise of a network of external partners
- Internal resources are constrained; determining appropriate areas to focus and deploy resources is critical to adding value
- The Plan's people and partners drive success; develop and retain internal capital; foster a collaborative team-oriented culture, that values integrity, excellence, and humility
- Seek arrangements which ensure alignment of interest with agents and partners and collaborate broadly
- Attractive risk-adjusted returns can be achieved by being an early adopter in strategies, assets, markets, technologies, and approaches
- Derivatives and leverage can be efficient tools when utilized prudently

## **APPENDIX D – MANAGER DUE DILIGENCE, SELECTION, MONITORING AND TERMINATION**

This policy establishes the guidelines for selecting, monitoring, and terminating managers. This policy aims to retain a high degree of flexibility in how it is applied to managers. The goal is to implement a process which finds a balance between two undesirable outcomes:

1. Retaining managers with no value-adding capabilities
2. Terminating managers with value-adding capabilities

Due to the significant costs involved in replacing managers, and due to the substantial probability of selecting a value-detracting manager as a replacement for an existing manager, this policy is somewhat biased toward avoiding terminating managers with value-adding capabilities.

### **Manager Search Process – Public Markets**

1. Initiation: The Chief Investment Officer will coordinate with the Investment Consultant to initiate a search process.
2. Evaluation: The Investment Consultant will produce investment due diligence materials for all managers to be considered. Every manager that the Chief Investment Officer and Investment Consultant recommend to the Board must have undergone on-site due diligence not more than one year prior to the recommendation to the Investment Committee. On-site due diligence is to be conducted by the Investment Consultant. The Investment Consultant will produce a written summary recommendation report, which is to be presented to the Investment Committee. The Investment Consultant's report will provide the rationale for retaining the recommended manager, and will also indicate the manager's role in the portfolio.
3. Investment Committee Approval: With the guidance of the Chief Investment Officer and Investment Consultant, the Investment Committee will determine whether or not to approve the recommendation and to recommend the investment to the Board. At times, timing considerations will require that an investment recommendation is recommended directly to the Board, and will not be presented to the Investment Committee.
4. Final Approval: The Investment Committee's recommendation will be presented to the Board for final approval. It is generally understood that the approval is subject to negotiating acceptable terms and conditions with the manager.

### **Manager Search Process – Private Markets**

The Private Markets program will be managed according to an annual business plan produced by the Investment Consultant whose main components will encompass an analysis of the investment environment, a review of the investment strategy, a review of the annual pacing plan, and a forward calendar of prospective managers. The annual plan will serve as a guide to ensure that target allocations are managed, proper

diversification is implemented, and overall private market investments are in line with portfolio goals. It is recognized that market environments can change and deviations from the annual plan may be necessary,

The overall search process will be in line with public markets:

1. **Initiation and Evaluation:** Guided by the pacing plan and forward calendar, the Chief Investment Officer will coordinate with the Investment Consultant to move forward with a recommendation for a private market investment. The Investment Consultant will produce an investment due diligence report, which should contain at minimum, rationale for committing to the manager and the role the investment will play within the private markets allocation.
2. **Investment Committee Approval:** With the guidance of the Chief Investment Officer and Investment Consultant, the Investment Committee will determine whether or not to approve the recommendation and to recommend the investment to the Board. At times, timing considerations will require that an investment recommendation is recommended directly to the Board, and will not be presented to the Investment Committee.
3. **Final Approval:** The Investment Committee's recommendation will be presented to the Board for final approval. It is generally understood that the approval is subject to negotiating acceptable terms and conditions with the manager.

### **Contracting – Public and Private Markets**

Managers shall acknowledge in writing their recognition and adherence to an industry-accepted standard of care to which the manager will be held to a fiduciary relationship between the manager and the Board, which may be established by contract or operation of law (e.g., by registration of the manager as an investment advisor with the U.S. Securities and Exchange Commission). Managers must further agree to adhere to appropriate federal and state legislation governing the Plan and agree to be covered by appropriate and adequate insurance coverages.

Manager's retained by the Board shall be compensated by a formula contained in the manager's operative fund documents or Investment Management Agreement. No public markets manager retained by the Board shall receive a payment of commission or other fees on a particular investment transaction. Further, managers must disclose to Staff any indirect compensation received in addition to its fees as a result of servicing the Plan. Additionally, alternative investment managers will be required to disclose fee information per §6254.26 and §7514.7.

### **Ongoing Monitoring – Public and Private Markets**

Manager evaluation relies on the ongoing review of qualitative and quantitative factors. These factors will be monitored on an ongoing basis in order for the Chief Investment Officer and the Investment Consultant to apprise the Board of changes which could warrant a change in the manager's suitability. A key objective of this policy is the timely identification of signs of adverse changes in a manager's organization or investment

process. Factors to monitor include performance, attribution, key contributors and detractors from performance, portfolio positioning and exposures, key positions and investment thesis, changes in the investment team or process, changes in investment product line-up, assets under management and capital flows, administrative or operational changes, and other potential changes in the business.

No less than quarterly the Investment Consultant reviews each public market investment of the Plan and produces a written summary, which is provided to Staff. In the case of private market investments, a review and written summary is produced annually. The Investment Consultant will also meet on-site with each manager at least once every three years.

Value-adding managers will experience adverse circumstances, such as underperformance, personnel changes, and loss of assets under management. When managers experience such events, Staff and the Investment Consultant will evaluate whether appropriate action was taken by the manager, what impact the action could have upon the portfolio in the future, and what other actions may be considered.

### **Watch-List – Public Markets**

The Board desires to hold managers accountable for the performance of the assets over which they exercise discretion. The Board shall establish and maintain an official manager watch-list (“Watch-List). If a manager fails to accomplish the investment objectives over a full market cycle (typically three to five years), the manager may be placed on the Watch-List or terminated.

The Chief Investment Officer or Investment Consultant may recommend to the Investment Committee if a manager should be placed on the Watch-List. Managers that the Board places on the Watch-List will continue to be monitored by the Board until it is determined that removal from the Watch-List or termination of the manager is warranted.

Factors that may warrant being placed on the Watch-List include but are not limited to, changes within a manager’s organization, significant deviations in performance from expectations, changes in investment philosophy or process, and style drift.

### **Termination – Public Markets**

The Board may terminate a manager for any reason. The Chief Investment Officer or Investment Consultant may recommend to the Investment Committee if a manager should be terminated, and upon approval by the Investment Committee, a recommendation for termination will be presented to the Board for final approval.

Should a situation arise whereby a manager is no longer deemed appropriate for the Plan for any reason by the Chief Investment Officer, with concurrence from the Investment Consultant, and there is insufficient time to present the issue to the Investment Committee or Board, pursuant to the Board of Retirement Charter or Investment Committee Charter, the Board authorizes the Chief Investment Officer, with

the expressed written consent of the Chief Executive Officer and advice from the Investment Consultant, to terminate and replace the manager with an appropriate “alternate strategy” as expeditiously as possible and in accordance with reasonable due diligence procedures. The “alternate strategy” is intended to be employed temporarily until a permanent replacement can be presented to the Board. When such activity occurs, the Investment Committee and the Board shall be notified at the next regularly scheduled meeting. For purposes of this document, “alternate strategy” refers to cash or a low-cost index fund employing a similar investment objective as the terminated manager.

## **Manager reporting requirements**

### *All managers*

- Updated Form ADV - Part 2 on an annual basis

### *All public markets*

- Monthly account statement and NAV
- Monthly gross and net performance
- Performance letter at least quarterly
- Positioning, exposure or risk report at least quarterly
- Audited Annual Financial Statements

### *Public market investments through separately managed accounts*

- Each quarter, managers shall provide a letter certifying compliance with the portfolio guidelines from the Investment Management Agreement, and compliance with regulatory requirements. Managers are required to advise Staff and the Investment Consultant in writing of any violation;
- Annually, managers shall provide a written report detailing the name of each brokerage institution which received commissions from the Plan as the result of the discretionary trading authority bestowed upon the manager by the Board. The report shall also include for each brokerage firm: the number of shares, average cost per share traded, and the commissions paid.
- Managers are required to advise Staff and the Investment Consultant in writing of any need for changes to the portfolio guidelines; and
- Managers are required to comply with the reporting requirements of the Trading Policy, as detailed in Appendix E
- Managers are required to comply with the reporting requirements of the Asset Pricing Policy, as detailed in Appendix G

### *Private markets*

- Quarterly account statement and NAV
- Quarterly performance measures including IRR, and multiples
- Quarterly update of contributions, distributions, and uncalled capital
- Quarterly performance letter
- Quarterly fund composition, positioning, or exposure reports
- Audited Annual Financial Statements

## APPENDIX E – TRADING POLICY

The Board has determined that trading costs represent a significant expense to the Plan. The Board has therefore established policies in order to control these costs, and to monitor the level and effectiveness of the trading activity of the Plan.

### Best Price and Execution Standard

1. Notwithstanding anything to the contrary, all trading of securities will be placed by managers with broker-dealers with the aim of obtaining the best price and best execution, taking into account all factors influencing best execution, as well as the value of all services received or savings obtained by the Plan related thereto, or by the managers, for the benefit of the Plan.
  - a. The policy of best price and best execution is intended to mean that managers shall use professional judgment in the selection of broker-dealers and the commissions paid. Managers should be prepared to provide evidence that they are attempting to deliver investment results at the lowest possible level of transaction costs, including the market impact of their trades, and considering the value of all services provided to the Plan for its commission dollars.
  - b. The policy of best price and best execution is intended to provide the most favorable overall results for the Plan.
  - c. Broker-dealers, as referenced herein, include firms which customarily perform trades for an institutional clientele. Such broker-dealers may trade on the floor of the various national and regional stock exchanges, or may trade in the third and fourth markets performing transactions outside of the securities exchanges.
2. Inasmuch as trading costs contribute to the gains and losses on the securities held by the Plan, and therefore contribute to the portfolio performance of each manager, all trades will be placed by managers at their discretion. Such trades may include fixed income transactions placed on an agency basis. All such trades will be placed within the following general guidelines, consistent with the best price and best execution standard.
  - a. Managers may direct a portion of total annual transactions to broker-dealers who provide the managers with research. In selecting among these broker-dealers to execute transactions, the managers shall consider all factors relative to best execution. Such factors should include, but are not limited to, the following:
    - i. price of security
    - ii. the commission rate
    - iii. size and difficulty of the order
    - iv. reliability, integrity, and financial condition of broker-dealer
    - v. general execution and operational capabilities or competing broker-dealers
    - vi. manager's investment style
    - vii. brokerage and research services provided.
3. When placing trades with broker/dealers, managers will emphasize minimizing commission costs directly and not seeking sources of value to the Plan through

ancillary research services. In selecting these broker/dealers to execute transactions, the manager will consider all factors relative best execution. Such factors should include, but are not limited to, the following:

- a. price of security
- b. the commission rate
- c. size and difficulty of the order
- d. reliability, integrity, and financial condition of broker-dealer
- e. general execution and operational capabilities or competing broker-dealers
- f. the manager's investment style.

## **Trading Analysis**

For separately managed account investments, managers will allow to be performed an analysis of the trading costs of their respective account with the various classes of trading described herein. The Board may engage third parties to independently evaluate manager's trading costs and practices to assess whether or not they are achieving best execution. This analysis will be provided to Staff no less than every three years.

1. The analysis will summarize and evaluate the cost effectiveness of the various broker-dealers utilized by the manager, specifically reporting commissions charged per share traded, and an estimate of the total costs incurred in these transactions.
2. The analysis will evaluate instances of higher commissions per share with respect to the many factors affecting best execution, and shall consider other services or research provided to the manager.
3. The analysis will report trading performance by broker-dealer and by investment management account.

## APPENDIX F – PROXY VOTING POLICY

Because the proxy vote (“Proxy”) is an asset of the Plan, it must be managed prudently and for the exclusive benefit of the Plan. It is the intent of this policy to lay out a broad set of guidelines within which Proxies must be voted to maximize shareholder value.

### Guidelines

For all equity oriented separately managed accounts, a proxy voting service provider is retained to vote all proposals submitted to stockholders in accordance with this policy. All commingled investment fund Proxies are voted by the respective manager of each fund in accordance with the manager’s proxy guidelines.

Due to the significant resources required to properly manage a proxy voting program, the Board has chosen to delegate the proxy voting decision to a third-party provider of proxy voting services and to follow that provider’s detailed proxy voting guidelines.

The obligations of the third-party provider are as follows:

1. With regard to timely execution of specified proxy votes on the Plan’s behalf, including corporate account set up, vote execution reporting and record keeping, and compliance with U.S. SEC and Department of Labor ERISA standards, as applicable, the third party shall carry out its duties and obligations to vote the Plan’s proxies in accordance with the standards of fiduciary responsibility set forth in the CERL;
2. The third-party shall cast votes after careful consideration of the issues; and
3. The third-party shall describe the rationale for its votes.

The overarching and universal guideline is that proxies must be voted in the best interest of the Plan and its beneficiaries and in order to maximize shareholder value. In following this broad, all-encompassing guideline, the third-party provider shall follow its own detailed guidelines, which provide specific instruction on how to vote proxies in alignment with and support of the following key principles:

1. A board of directors that serves shareholder interests;
2. Transparency and integrity in financial reporting;
3. A strong link between compensation and performance; and
4. A governance structure that clearly supports shareholder interests.

The third-party provider’s detailed guidelines may change over time. A copy of the current guidelines shall be maintained by Staff.

### Monitoring

The third-party service provider shall provide monthly reports to Staff, which include a list of all proxies voted on behalf of the Plan, along with the rationale for the votes. On

an annual basis, Staff will provide the Board with a consolidated report summarizing the previous year's proxy voting activity.

PROPOSED

## APPENDIX G – ASSET PRICING POLICY

This policy provides a process for the valuation of securities in separately managed accounts where the prices listed by the Plan's master custodian bank ("Custodian") are substantially different from the manager's prices for those same securities. The Board recognizes that there are coverage limitations for security prices as provided by the Custodian's pricing matrix and third party pricing provider prices. In those situations, where pricing is disputed between the manager and the Custodian, the approach outlined in this policy will be implemented.

The Custodian will provide official pricing for all of the Plan's separately managed accounts with the following exceptions:

1. issue specific market values may be priced by the manager where no reliable third party pricing source is available; and
2. disputed issue prices may use the price provided by the manager when the manager provides the average of at least three dealer prices (bid-side).

In the case of disputed issue prices, Staff may, in accordance with this policy, direct the manager to provide its price to the Custodian and may direct the Custodian to accept the manager's price as the official price for that issue. Valuation documentation should contain the following:

1. sources and/or quantitative calculation used to determine the respective issue prices;
2. percentage difference between manager's price relative to the price generated by the master trustee bank; and
3. aggregate percentage of the portfolio's market value for the securities priced by the manager.

Monthly reports including the above documentation must be sent by the manager to Staff, the Custodian, and the Investment Consultant five days after receipt of the statement from the Custodian.

Securities held in commingled accounts are valued according to the pricing policy of the individual commingled fund manager.

All managers shall provide a copy of their pricing policy and pricing matrix to Staff.

## **APPENDIX H – MANAGER RECONCILIATION REQUIREMENTS**

The Board seeks to ensure greater accuracy through the implementation of a reconciliation reporting process. The Plan's separately managed account managers shall provide written acknowledgment of the accuracy of the Custodian's records, and it is the responsibility of the manager to reconcile with the Custodian all discrepancies in cash and holdings. The reconciliation report will list the assets and liabilities of the account that have discrepancies for both the number of shares/par value and pricing. The manager's reconciliation report must be received by Staff within 30 days of the close of the reporting month.

For traditional managers who charge incentive fees, the managers are responsible for reconciling its portfolio return and benchmark calculation to the Investment Consultant. The reconciliation report will provide the manager's monthly returns, the Investment Consultant's monthly returns as well as the incentive fee calculation for the quarter. The report will show both gross and net-of-fees returns. The manager's reconciliation report must be received by Staff along with the invoice billed for the quarter.

PROPOSED



## **MONITORING AND REPORTING POLICY**

### **BACKGROUND AND PURPOSE**

- 1) In keeping with the duty of the Board to oversee the activities and performance of KCERA, the Board has established this Monitoring and Reporting Policy, which sets out the Board's expectations concerning the routine reports it is to receive on a regular basis.

### **GUIDELINES**

- 2) The Board shall be provided with the routine reports outlined in Appendix 1 with a frequency also set out in Appendix 1. The Board may be provided other ad hoc reports as determined by Management or as directed by the Board.
- 3) Requests for the Board to be provided additional routine reports on a regular basis shall require board approval and an amendment to Appendix 1 of this policy.

### **POLICY REVIEW AND HISTORY**

- 4) This policy shall be reviewed at least every five years.
- 5) This policy was:
  - a) Adopted by the Board on July 13, 2005.

- b) Amended on September 26, 2007; August 26, 2009; December 12, 2012; April 13, 2016; October 10, 2018; March 11, 2020; February 10, 2021; ~~and~~ August 11, 2021; and April 13, 2022.

## APPENDIX 1

### GOVERNANCE

Report Name	Frequency	Prepared By	Description
1. Board Performance Evaluation	Annually	Governance Consultant	Summarizes the results of the Board's performance self-evaluation, including follow-up actions.
2. <del>Executive Director</del> <u>Chief Executive Officer</u> Evaluation	Annually	Admin. Committee	Summarizes the performance assessment of the <del>Executive Director</del> <u>Chief Executive Officer</u> .
3. Annual Governance Report	Annually	Governance Consultant	A summary confirmation of compliance with governance policies of the Board.
4. Trustee Education Report	Semi-Annually	<del>Executive Director</del> <u>Chief Executive Officer</u> and Governance Consultant	Summarizes the activities of the Board with respect to education, including trustee compliance with the Board Education policy. Will be posted to the KCERA website as required by law.
5. Service Provider Evaluations	Periodically <sup>1</sup>	Varies according to provider	Where feasible, performance evaluations of key service providers will be performed by staff or outside experts.

### INVESTMENTS AND FUNDING

Report Name	Frequency	Prepared By	Description
6. Investments Reports	Monthly (consent agenda)	<del>Executive Director</del> <u>Chief Executive Officer</u>	Report showing KCERA asset allocation, cash flow position, and investment fees for the month.
7. Investment Performance	Quarterly	Investment Consultant	Report on investment performance for total fund, for each asset class, and by investment manager. Provides analysis based on return over various periods (3 months, 1 year, 5 year, etc.), and seeks to identify sources of returns.

<sup>1</sup> See the *Service Provider Evaluation Policy* for details on the time frame.

8. Investment Manager Compliance	Annually	Investment Managers	Affirmation by investment managers that they are investing the plan assets in accordance with their mandate, investment agreement, regulatory requirements, and KCERA policy.
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Report Name	Frequency	Prepared By	Description
9. Trading Cost Analysis	Every 3 years	3 <sup>rd</sup> party provider	Analysis of trading costs of manager accounts.
10. Report of the CIO	Monthly	CIO	Report on the status of the portfolio.
11. Proxy Voting	Annually	<del>Executive Director</del> Chief Executive Officer	Confirms compliance with the Board's Proxy Voting Policy, and summarizes how KCERA exercised its voting rights in public companies.
12. Securities Lending	Monthly (consent agenda)	Custodian	Summary of KCERA's securities lending activities, including additional income earned, collateral received, and risk factors impacting collateral.
13. Class Action Securities Litigation and Proceeds Report	Quarterly (consent agenda)	Custodian	Summary of securities litigation class actions filed and of the proceeds received.
14. Actuarial Valuation	Annually	Actuary	Summarizes the results of the actuarial valuation for KCERA, together with any recommendations.
15. Asset/Liability Study	Every 3-5 years	Investment Consultant	A study of the relationship between KCERA's assets and liabilities.
16. Actuarial Experience Study	Every 3 years	Actuary	Review of appropriateness of long-term economic assumptions (e.g. investment return, wage & price inflation) and demographic assumptions (e.g. disability/mortality rates).
17. Actuarial Audit	Every 3-5 years**	3 <sup>rd</sup> party actuary	An independent review of the validity of the analyses and methodologies used in preparing KCERA's actuarial valuation.

\*\* And/or when a significant benefit or assumption change is adopted. A change in actuaries, however, shall satisfy the requirement for an actuarial audit.

**ADMINISTRATION AND OPERATIONS**

<b>Report Name</b>	<b>Frequency</b>	<b>Prepared By</b>	<b>Description</b>
18. Benefits & Activities Report	Monthly (consent agenda)	<del>Executive Director</del> <del>Chief Executive Officer</del>	Report on a) members retired from service, deceased retirees, and deceased active members; and b) production statistics concerning member service activities.
19. Service Retirement Application Approvals Report	At the next public meeting of the Board after retirement	<del>Executive Director</del> <del>Chief Executive Officer</del>	Report on service retirement applications approved by the <del>Executive Director</del> <del>Chief Executive Officer</del> . (§31670)
20. Strategic/ Business Plan Status	Annually	<del>Executive Director</del> <del>Chief Executive Officer</del>	Summarizes the status of each initiative contained in business plan.
21. Budget Variance	Monthly (consent agenda)	<del>Executive Director</del> <del>Chief Executive Officer</del>	Compares actual spending to the operating budget, including explanations for material variances.
22. External Financial Audit	Annually	Auditor	Confirms that the financial statements present fairly, in all material respects, the financial status of KCERA, in accordance with generally accepted accounting principles.
23. <del>Annual Comprehensive Annual</del> Financial Report ( <del>CAFR</del> <del>ACFR</del> )	Annually	<del>Executive Director</del> <del>Chief Executive Officer</del>	Reviews the operations and activities of KCERA during the last fiscal year. The financial statements shall be part of the <del>CAFR</del> <del>ACFR</del> and indicate the financial position of KCERA
24. Cost Effectiveness	Annually	<del>Executive Director</del> <del>Chief Executive Officer</del>	Reporting on cost effectiveness will include: <ul style="list-style-type: none"> <li>• KCERA’s administrative costs in relation to the limits set out in the Act (i.e. the 21 basis point limit); and</li> <li>• Excerpt from the <del>Annual Comprehensive Annual</del> Financial Report detailing all investment costs incurred by KCERA.</li> </ul>

<b>Report Name</b>	<b>Frequency</b>	<b>Prepared By</b>	<b>Description</b>
25. Report of the <del>Executive Director</del> <u>Chief Executive Officer</u>	Monthly	<del>Executive Director</del> <u>Chief Executive Officer</u>	Update on all significant activities occurring within KCERA.
26. Report of the <del>General Counsel</del> <u>Chief Legal Officer</u>	Monthly	<del>General Counsel</del> <u>Chief Legal Officer</u>	Update on significant litigation, potential litigation, and on changes or potential changes to legislation affecting KCERA; updates on lawsuits involving the other 37 Act Systems.
27. Corrections of Errors in Benefit Payments	At least annually	<del>Executive Director</del> <u>Chief Executive Officer</u>	A summary of corrections made to benefit payments exceeding \$500.
28. Due Diligence Schedule	At least annually (consent agenda)	<del>Executive Director</del> <u>Chief Executive Officer</u>	A three-year schedule of on-site due diligence visits of KCERA's service providers, as required by the Due Diligence & Service Provider Selection Policy.
29. Due Diligence Report	After each due diligence visit (consent agenda)	Investment Consultant or <del>Executive Director</del> <u>Chief Executive Officer</u>	A report on each due diligence visit, undertaken by staff and/or the investment consultant, of KCERA's key service providers.
30. Reports on internal controls	Annually	Auditor or <del>Executive Director</del> <u>Chief Executive Officer</u>	Update on KCERA financial and operational internal controls, including any significant changes and improvements to such over the year.
31. Disabilities Report	Monthly (consent agenda)	<del>Executive Director</del> <u>Chief Executive Officer</u>	Report of current disability retirement applications and appeals of KCERA board decisions.



## **MONITORING AND REPORTING POLICY**

### **BACKGROUND AND PURPOSE**

- 1) In keeping with the duty of the Board to oversee the activities and performance of KCERA, the Board has established this Monitoring and Reporting Policy, which sets out the Board's expectations concerning the routine reports it is to receive on a regular basis.

### **GUIDELINES**

- 2) The Board shall be provided with the routine reports outlined in Appendix 1 with a frequency also set out in Appendix 1. The Board may be provided other ad hoc reports as determined by Management or as directed by the Board.
- 3) Requests for the Board to be provided additional routine reports on a regular basis shall require board approval and an amendment to Appendix 1 of this policy.

### **POLICY REVIEW AND HISTORY**

- 4) This policy shall be reviewed at least every five years.
- 5) This policy was:
  - a) Adopted by the Board on July 13, 2005.
  - b) Amended on September 26, 2007; August 26, 2009; December 12, 2012; April 13, 2016; October 10, 2018; March 11, 2020; February 10, 2021; August 11, 2021; and April 13, 2022.

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5. Service Provider Evaluations	Periodically <sup>1</sup>	Varies according to provider	Where feasible, performance evaluations of key service providers will be performed by staff or outside experts.

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<sup>1</sup> See the *Service Provider Evaluation Policy* for details on the time frame.

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\*\* And/or when a significant benefit or assumption change is adopted. A change in actuaries, however, shall satisfy the requirement for an actuarial audit.

## ADMINISTRATION AND OPERATIONS

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24. Cost Effectiveness	Annually	Chief Executive Officer	Reporting on cost effectiveness will include: <ul style="list-style-type: none"> <li>• KCERA's administrative costs in relation to the limits set out in the Act (i.e. the 21 basis point limit); and</li> <li>• Excerpt from the Annual Comprehensive Financial Report detailing all investment costs incurred by KCERA.</li> </ul>
25. Report of the Chief Executive Officer	Monthly	Chief Executive Officer	Update on all significant activities occurring within KCERA.

<b>Report Name</b>	<b>Frequency</b>	<b>Prepared By</b>	<b>Description</b>
26. Report of the Chief Legal Officer	Monthly	Chief Legal Officer	Update on significant litigation, potential litigation, and on changes or potential changes to legislation affecting KCERA; updates on lawsuits involving the other 37 Act Systems.
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## **SERVICE PROVIDER EVALUATION POLICY**

### **BACKGROUND**

- 1) In keeping with good fiduciary practice, KCERA recognizes the need to ensure mechanisms exist for regularly evaluating the performance of its service providers. This policy sets out various guidelines intended to facilitate evaluations.
- 2) While KCERA shall exercise prudence and care in overseeing all of its service providers, this policy applies to those service providers which KCERA deems to be "Key Service Providers". These include:
  - a) The consulting actuary
  - b) The auditor
  - c) The investment consultants
  - d) The custodian
  - e) Legal counsel
- 3) Investment managers shall be evaluated according to investment policies and practices that have been developed by KCERA in consultation with its investment consultants.

### **GUIDELINES**

- 4) KCERA's Key Service Providers provide sophisticated services and advice. Accordingly, overseeing such service providers is complex and requires a combination of subjective and objective methods.
- 5) With the exception of the auditor, Management shall be responsible for determining the most effective methods for evaluating Key Service Providers and for performing the evaluations, and shall regularly inform the Board of the methods and results. The Finance Committee, consistent with its Charter, shall be responsible for reviewing the engagement of the financial auditor approximately every five (5) years with regards to performance, internal quality control procedures, fees, qualifications, and independence; and for making recommendations to the Board. In so doing, the Finance Committee may seek appropriate support from Management.

- 6) Notwithstanding anything contained herein, the frequency of service provider evaluations shall be subject to the limitations of staff time and resources.

#### Subjective Evaluation Methods

- 7) Key service providers shall periodically be evaluated on the basis of subjective criteria such as responsiveness, communications, quality of advice, and service quality.
- 8) KCERA Management may use surveys, discussion guides, or other tools it deems appropriate to help conduct such evaluations. The ~~Executive Director~~Chief Executive Officer shall determine which staff members shall participate in the evaluation of each service provider.
- 9) KCERA Management may solicit input from the Board regarding the performance of Key Service Providers using surveys or other appropriate tools.
- 10) It is expected that some of KCERA's Key Service Providers will occasionally administer their own proprietary surveys to assess their clients' satisfaction levels. In such cases, KCERA Management may elect to participate in the service provider's survey and may consider the results of such an assessment as part of the Service Provider's periodic evaluation.
- 11) The Chair and the ~~Executive Director~~Chief Executive Officer may meet with the service provider in question to review evaluations and discuss any actions that may arise from the evaluation. Committee chairs may also participate in the meetings as set out below:
  - a) Review of investment consultant – Investment Committee Chair
  - b) Review of actuary – Finance Committee Chair
  - c) Review of auditor – Finance Committee Chair
  - d) Review of custodian – Administrative Committee Chair
  - e) Review of Legal counsel – Administrative Committee Chair

#### Objective Evaluations

- 12) In addition to subjective evaluations, Management may periodically undertake objective evaluations of Key Service Providers, as appropriate, and will inform the Board of its findings.
- 13) Objective evaluations of Key Service Providers may address issues including, but not limited to, technical proficiency, accuracy, cost effectiveness, and independence.

Where feasible, such evaluations may involve assistance from independent third-party experts.

14) Methods for evaluating technical proficiency may include, but are not limited to, the following:

- a) Periodically retaining an actuarial auditor to audit the actuarial methods and accuracy of the consulting actuary;
- b) Periodically reviewing peer assessments of the financial auditor; and
- c) Obtaining independent evaluations of the investment consultant and the custodian. For example, the investment consultant may assist in evaluating the custodian, and other specialized consultants may exist that evaluate investment consultants.<sup>1</sup> Alternatively, KCERA may consider any independent evaluations that may be published by industry trade journals such as Plan Sponsor Magazine or Pension and Investments Magazine.

15) Management will strive to periodically evaluate the independence and objectivity of Key Service Providers by requesting that Key Service Providers:

- a) Disclose actual or potential conflicts of interest;
- b) Indicate compliance with industry or regulatory standards or guidelines concerning conflicts of interest (e.g. the guidelines for independence set out by the U.S. Securities and Exchange Commission concerning investment consultants);<sup>2</sup> or
- c) Disclose any other information that may indicate an impediment to the service provider's objectivity.

#### Requests for Proposals (RFP) for Current Service Providers

16) All relationships with Key Service Providers will be formally reviewed from time-to-time to determine whether a RFP or other suitable undertaking (e.g. issuing requests for information or undertaking other research) should be initiated to confirm the suitability of the current relationship or to seek an alternative supplier. The timing of such reviews will be staggered to reflect available time and resources within KCERA, but should generally occur approximately every five years. In each case, following such reviews, Management will provide a recommendation to the Board as to whether an RFP or other undertaking should be initiated.

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<sup>1</sup> Management is currently unaware of any consultants that specialize in evaluating investment consultants, but will monitor the marketplace for such services.

<sup>2</sup> U.S. Securities and Exchange Commission, Selecting & Monitoring Pension Consultants: Tips for Plan Fiduciaries.

17) Notwithstanding paragraph 16 above, the following provisions specifically address audit and actuarial services:

- a) In the case of audit services, the Board and Finance Committee wish to periodically obtain a fresh perspective on the preparation and presentation of the annual financial statements and review of internal controls. To do so, a request for proposals for audit services may be issued approximately every six (6) years, or more often if appropriate. The audit firm currently providing services to the Board need not be excluded from consideration, but, if selected, shall be required to change the partner supervising the KCERA audit and the firm's audit manager on the KCERA account. In deciding whether a change in audit firms is indicated, the Board's primary consideration shall be to obtain the most qualified and independent firm with experience in conducting audits for public pension systems of comparable size and composition to KCERA.
- b) In the case of actuarial services, KCERA may issue a request for proposal for actuarial services approximately every six (6) years, or more often as it deems appropriate. The actuarial firm currently providing services to the Board need not be excluded from consideration. In deciding whether a change in actuarial firms is indicated, the Board's primary consideration shall be to obtain the most qualified and independent firm with experience in providing actuarial services for public pension systems of comparable size and composition to KCERA. In accordance with the Monitoring and Reporting Policy, an actuarial audit will be performed every three to five (3-5) years and/or when a significant benefit or assumption change is adopted. A change in actuaries, however, shall satisfy the requirement for an actuarial audit.

18) Notwithstanding anything contained herein, the Board or a committee of the Board may initiate a review of a KCERA service provider at any time if it believes it is prudent to do so under the circumstances.

## **POLICY REVIEW AND HISTORY**

19) This policy will be reviewed at least every five years.

20) This policy was:

- a) Adopted by the Board on December 13, 2006.
- b) Amended on June 27, 2007; September 26, 2007; December 12, 2012; April 13, 2016;  
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19) This policy will be reviewed at least every five years.

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## **TRUSTEE EDUCATION POLICY**

### **INTRODUCTION**

- 1) This policy is intended to comply with §31522.8 of the County Employees Retirement Law of 1937 (the Act) and addresses certain educational requirements contained in said statute. In addition, this policy sets out further policy guidelines established by the Board concerning the education of KCERA trustees.
- 2) Effective January 1, 2013, trustees are required by statute to undergo a minimum of 24 hours of trustee education within the first two years of assuming office and for every subsequent two-year period the trustee continues to hold membership on the Board. (§31522.8).
- 3) Appropriate topics for trustee education may include, but are not limited to, the following (§31522.8):
  - a) Fiduciary responsibilities
  - b) Ethics
  - c) Pension fund investments and investment program management
  - d) Actuarial matters
  - e) Pension funding
  - f) Benefits administration
  - g) Disability evaluation
  - h) Fair hearings
  - i) Pension fund governance
  - j) New trustee orientation

### **DEFINITIONS**

- 4) "External Education Programs" shall refer to education sessions sponsored by third parties and may include conferences, workshops, seminars, courses, and other similar events that take place in a physical location such as a hotel, conference center, or academic institution.

## DETERMINING QUALIFYING EDUCATION

- 5) By statute, education seminars sponsored by the state or national public pension fund organizations, and seminars sponsored by accredited academic institutions shall be deemed to meet trustee education requirements.
- 6) As provided for in the applicable statute, External Education Programs sponsored by entities other than the state or national public fund organizations or accredited academic institutions may also be deemed by the Board to meet the statutory trustee education requirements.
- 7) Other types of educational activities the Board may determine meet the statutory trustee education requirements include but are not limited to:
  - a) In-house continuing education sessions delivered by KCERA management, staff, advisors, or other external experts.
  - b) In-house new trustee orientation sessions delivered by KCERA management, staff, advisors, or other external experts.
  - c) On-line or computer-based education programs, such as webinars.
  - d) Academic or self-study programs based on academic or professional reading materials, journals, books, textbooks, etc.
  - e) Credits earned from educational activities required to maintain a trustee's related professional designation.
- 8) Any educational activity undertaken by a trustee that requires the expenditure of KCERA funds shall require Board approval. Any activity so approved shall be deemed to meet trustee education requirements. The ~~Executive Director~~Chief Executive Officer shall include a recommendation as to the maximum number of qualifying hours associated with the activity in the Board packet.
- 9) With respect to in-house education, and any education activities undertaken by trustees that do not require expenditure of KCERA funds (e.g. free External Education Programs, and certain self-study programs and on-line education programs), the Chair and ~~Executive Director~~Chief Executive Officer shall together determine if such education may count towards meeting a trustee's education requirements as well as the number of hours that may be credited.
- 10) The Board and Management shall continually seek to identify appropriate External Education Programs. Programs currently recommended for trustees' consideration include:

- a) The semi-annual Conference of the State Association of County Retirement Systems (SACRS);
  - b) Public Pension Investment Management Program, offered by SACRS;
  - c) The General Assembly and Trustee Roundtables of California Association of Public Retirement Systems (CALAPRS);
  - d) The International Foundation for Employee Benefit Plans (IFEBC) Annual Conferences and Trustee accreditation programs;
  - e) CALAPRS “Principles of Pension Management for Trustees”; and
  - f) CALAPRS “Principles of Pension Governance for Trustees”.
- 11) Management shall inform the Board of appropriate on-line education and other External Education Programs for trustees’ consideration.
- 12) Trustees are especially encouraged to attend appropriate on-line education programs, such as webinars, as the Board believes such programs may represent an effective and low-cost means of obtaining education.
- 13) In approving trustee attendance at External Education Programs, the Board shall give preference to events that are within close proximity to Kern County, and that are sponsored by academic institutions or pension industry associations (such as SACRS, CALAPRS and the National Conference on Public Employee Retirement Systems) as distinct from programs sponsored by for-profit entities.
- 14) Trustees may request Board approval to attend External Education Programs not identified by Management. When doing so, trustees shall provide supporting background information about such Programs.
- 15) In addition to, and consistent with, the statutory requirements set out in paragraph 2 above, Trustees shall endeavor to attend:
- a) At least one External Education Program annually.
  - b) One intensive, multi-day External Education Program of an academic nature and classroom-format every two years.
  - c) All dedicated annual in-house planning and educational initiatives organized by Management with input from the Board, as well as any additional in-house educational briefings or presentations.
  - d) Education related to the mandates of trustees’ assigned committees.

## ORIENTATION PROGRAM

16) The ~~Executive Director~~Chief Executive Officer shall develop a formal orientation program for new trustees, the aim of which shall be to ensure that new trustees are in a position to contribute fully to board and committee deliberations and effectively carry out their fiduciary duties as soon as possible upon joining the Board. If more than one new trustee requires orientation, the orientation sessions may take place in a group setting rather than one-on-one. Furthermore, orientation need not take place in a single session, but rather in multiple sessions, based on the needs and preferences of the trustees in question.

17) As part of the orientation, new trustees shall, within 45 days following their election or appointment to the Board:

- a) Be assigned a trustee mentor by the Chair;
- b) Be briefed on the contents of the KCERA Trustee Handbook by Management;
- c) Be introduced to all members of Management and staff;
- d) Be provided a tour of the KCERA offices by Management;
- e) Be briefed by the Chair and/or the ~~Executive Director~~Chief Executive Officer on matters before the Board;
- f) Be briefed on their fiduciary duties by legal counsel; and
- g) Receive other relevant information and documentation from Management or the Chair.

18) Within six months of joining the Board, the ~~Executive Director~~Chief Executive Officer shall hold a follow-up discussion with each new trustee to address any questions they may have regarding their positions and duties.

~~18~~19) During the course of their first year on the Board, new trustees shall endeavor to attend the CALAPRS Principles of Pension Management for Trustees program. New trustees shall also meet separately with the ~~Assistant Executive Director~~Chief Operations Officer, Chief Investment Officer, and ~~General Counsel~~Chief Legal Officer to learn about their respective functional areas within KCERA.

~~19~~20) Prior to their first meeting of the Board, new trustees shall endeavor to attend a meeting of the Board or a standing committee as an observer.

~~20~~21) A KCERA Trustee Handbook and other relevant materials shall be provided to each new trustee including, at a minimum:

- a) The '37 Act, the Brown Act, and the By-laws;

- b) List of '37 Act provisions adopted applicable to KCERA;
- c) Most recent Plan Member handbook;
- d) Copies of KCERA board policies;
- e) Most recent actuarial valuation and financial statements;
- f) Most recent asset/liability study;
- g) Most recent quarterly investment performance report;
- h) Most recent business plan and Operating Budget;
- i) Organizational chart;
- j) Names and phone numbers of other trustees and the ~~Executive Director~~Chief Executive Officer;
- k) Listing of current committee assignments;
- l) Listing of service providers;
- m) List of recommended External Education Programs; and
- n) Copies of other KCERA publications/brochures deemed relevant and appropriate by Management.

21)22) Management shall review and update the Trustee Handbook as needed.

#### Reporting and Disclosure

22)23) All trustees attending an External Education Program shall complete and submit to the ~~Executive Director~~Chief Executive Officer an Education Program Attendance Report. Similarly, trustees seeking credit towards the statutory education requirement by attending an on-line education program, such as webinars, shall also complete and submit an Education Program Attendance Report.

23)24) Management shall maintain a record of trustee compliance with this policy and shall file a semi-annual report with the Board regarding such compliance.

24)25) Consistent with §31522.8 of the Act, this policy and an annual report on trustee compliance shall be placed on the KCERA website.

### **POLICY REVIEW AND HISTORY**

25)26) This policy shall be reviewed at least every five years.

26)27) The policy was:

- a) Adopted by the Board on September 27, 2000;

- b) Amended on June 23, 2004; July 13, 2005; September 26, 2007; June 15, 2011; December 12, 2012; April 10, 2013; April 13, 2016; February 10, 2021; ~~and~~ August 11, 2021; and April 13, 2022.-

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## **TRUSTEE EDUCATION POLICY**

### **INTRODUCTION**

- 1) This policy is intended to comply with §31522.8 of the County Employees Retirement Law of 1937 (the Act) and addresses certain educational requirements contained in said statute. In addition, this policy sets out further policy guidelines established by the Board concerning the education of KCERA trustees.
- 2) Effective January 1, 2013, trustees are required by statute to undergo a minimum of 24 hours of trustee education within the first two years of assuming office and for every subsequent two-year period the trustee continues to hold membership on the Board. (§31522.8).
- 3) Appropriate topics for trustee education may include, but are not limited to, the following (§31522.8):
  - a) Fiduciary responsibilities
  - b) Ethics
  - c) Pension fund investments and investment program management
  - d) Actuarial matters
  - e) Pension funding
  - f) Benefits administration
  - g) Disability evaluation
  - h) Fair hearings
  - i) Pension fund governance
  - j) New trustee orientation

### **DEFINITIONS**

- 4) "External Education Programs" shall refer to education sessions sponsored by third parties and may include conferences, workshops, seminars, courses, and other similar events that take place in a physical location such as a hotel, conference center, or academic institution.

## **DETERMINING QUALIFYING EDUCATION**

- 5) By statute, education seminars sponsored by the state or national public pension fund organizations, and seminars sponsored by accredited academic institutions shall be deemed to meet trustee education requirements.
- 6) As provided for in the applicable statute, External Education Programs sponsored by entities other than the state or national public fund organizations or accredited academic institutions may also be deemed by the Board to meet the statutory trustee education requirements.
- 7) Other types of educational activities the Board may determine meet the statutory trustee education requirements include but are not limited to:
  - a) In-house continuing education sessions delivered by KCERA management, staff, advisors, or other external experts.
  - b) In-house new trustee orientation sessions delivered by KCERA management, staff, advisors, or other external experts.
  - c) On-line or computer-based education programs, such as webinars.
  - d) Academic or self-study programs based on academic or professional reading materials, journals, books, textbooks, etc.
  - e) Credits earned from educational activities required to maintain a trustee's related professional designation.
- 8) Any educational activity undertaken by a trustee that requires the expenditure of KCERA funds shall require Board approval. Any activity so approved shall be deemed to meet trustee education requirements. The Chief Executive Officer shall include a recommendation as to the maximum number of qualifying hours associated with the activity in the Board packet.
- 9) With respect to in-house education, and any education activities undertaken by trustees that do not require expenditure of KCERA funds (e.g. free External Education Programs, and certain self-study programs and on-line education programs), the Chair and Chief Executive Officer shall together determine if such education may count towards meeting a trustee's education requirements as well as the number of hours that may be credited.
- 10) The Board and Management shall continually seek to identify appropriate External Education Programs. Programs currently recommended for trustees' consideration include:

- a) The semi-annual Conference of the State Association of County Retirement Systems (SACRS);
  - b) Public Pension Investment Management Program, offered by SACRS;
  - c) The General Assembly and Trustee Roundtables of California Association of Public Retirement Systems (CALAPRS);
  - d) The International Foundation for Employee Benefit Plans (IFEBC) Annual Conferences and Trustee accreditation programs;
  - e) CALAPRS “Principles of Pension Management for Trustees”; and
  - f) CALAPRS “Principles of Pension Governance for Trustees”.
- 11) Management shall inform the Board of appropriate on-line education and other External Education Programs for trustees’ consideration.
- 12) Trustees are especially encouraged to attend appropriate on-line education programs, such as webinars, as the Board believes such programs may represent an effective and low-cost means of obtaining education.
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- a) At least one External Education Program annually.
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- 17) As part of the orientation, new trustees shall, within 45 days following their election or appointment to the Board:
- a) Be assigned a trustee mentor by the Chair;
  - b) Be briefed on the contents of the KCERA Trustee Handbook by Management;
  - c) Be introduced to all members of Management and staff;
  - d) Be provided a tour of the KCERA offices by Management;
  - e) Be briefed by the Chair and/or the Chief Executive Officer on matters before the Board;
  - f) Be briefed on their fiduciary duties by legal counsel; and
  - g) Receive other relevant information and documentation from Management or the Chair.
- 18) Within six months of joining the Board, the Chief Executive Officer shall hold a follow-up discussion with each new trustee to address any questions they may have regarding their positions and duties.
- 19) During the course of their first year on the Board, new trustees shall endeavor to attend the CALAPRS Principles of Pension Management for Trustees program. New trustees shall also meet separately with the Chief Operations Officer, Chief Investment Officer, and Chief Legal Officer to learn about their respective functional areas within KCERA.
- 20) Prior to their first meeting of the Board, new trustees shall endeavor to attend a meeting of the Board or a standing committee as an observer.
- 21) A KCERA Trustee Handbook and other relevant materials shall be provided to each new trustee including, at a minimum:
- a) The '37 Act, the Brown Act, and the By-laws;
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- c) Most recent Plan Member handbook;
- d) Copies of KCERA board policies;
- e) Most recent actuarial valuation and financial statements;
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- g) Most recent quarterly investment performance report;
- h) Most recent business plan and Operating Budget;
- i) Organizational chart;
- j) Names and phone numbers of other trustees and the Chief Executive Officer;
- k) Listing of current committee assignments;
- l) Listing of service providers;
- m) List of recommended External Education Programs; and
- n) Copies of other KCERA publications/brochures deemed relevant and appropriate by Management.

22) Management shall review and update the Trustee Handbook as needed.

#### Reporting and Disclosure

23) All trustees attending an External Education Program shall complete and submit to the Chief Executive Officer an Education Program Attendance Report. Similarly, trustees seeking credit towards the statutory education requirement by attending an on-line education program, such as webinars, shall also complete and submit an Education Program Attendance Report.

24) Management shall maintain a record of trustee compliance with this policy and shall file a semi-annual report with the Board regarding such compliance.

25) Consistent with §31522.8 of the Act, this policy and an annual report on trustee compliance shall be placed on the KCERA website.

#### **POLICY REVIEW AND HISTORY**

26) This policy shall be reviewed at least every five years.

27) The policy was:

- a) Adopted by the Board on September 27, 2000;
- b) Amended on June 23, 2004; July 13, 2005; September 26, 2007; June 15, 2011; December 12, 2012; April 10, 2013; April 13, 2016; February 10, 2021; August 11, 2021; and April 13, 2022.

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## **TRUSTEE TRAVEL POLICY**

### **PURPOSE**

- 1) This Trustee Travel Policy is intended to encourage and facilitate the pursuit of relevant educational and/or business-related travel by trustees of KCERA. The policy is intended to ensure that travel expenditures incurred are prudent and reasonable, and mitigate the risk of improprieties arising from such travel.

### **DEFINITIONS**

- 2) "External Education Programs" shall refer to education sessions sponsored by third parties and may include conferences, workshops, seminars, courses, and other similar events that take place in a physical location such as a hotel, conference center, or academic institution.

### **PRINCIPLES**

- 3) The Trustee Travel Policy rests on the following important assumptions:
  - a) Prudent oversight of a public sector pension plan requires that trustees occasionally travel to business meetings and External Education Programs. Travel and related costs incurred in doing so represent legitimate expenses of KCERA and are a sound investment in the success of KCERA in meeting the needs of the membership.
  - b) Notwithstanding the above, any expenditures relating to travel and reimbursement by KCERA trustees must be consistent with the Board's fiduciary duties.
  - c) The most appropriate means of assessing whether expenditures incurred by trustees are appropriate is through the application of a reasonableness test. This is in contrast to setting out specific, detailed expenditure guidelines and limits that may or may not be appropriate in many circumstances.
  - d) This policy shall reflect the unique needs and circumstances of KCERA, but shall be generally consistent with the standards set out in the travel policy of Kern County.
  - e) The most effective means of ensuring that trustees comply with the letter and spirit of the Trustee Travel Policy is to require full disclosure of all covered expenditures.

## POLICY GUIDELINES

- 4) Trustees shall only be reimbursed for expenses relating to travel that has been approved by the Board. Whenever possible, trustees shall seek to obtain pre-approval by the Board for any travel to be undertaken.
- 5) All requests by trustees to attend External Education Programs will be placed on the next board meeting agenda as a consent item, and shall:
  - a) Include an agenda and supporting information on the pertinence and relevance of attendance to a fiduciary;
  - b) Provide specific information as to whether trustees will serve as a speaker or panel participant; and
  - c) Contain specific information concerning the attendance fees and estimated travel cost involved. Such estimated costs shall be conservative, reflecting the higher cost travel options that might reasonably be undertaken.
- 6) KCERA shall only pay for, or reimburse, travel or business-related expenses incurred that are in compliance with the provisions contained herein, the Trustee Education Policy, and the Conflict of Interest Policy of KCERA.
- 7) KCERA shall only pay for, or reimburse, travel or business-related expenses relating directly to KCERA trustees (as opposed to family members or other acquaintances that may be traveling with the trustee).
- 8) Trustees shall notify the ~~Executive Director~~Chief Executive Officer of any changes in travel or accommodation arrangements made on their behalf in a timely manner. Failure to do so may result in the trustee being responsible for additional costs incurred as a direct result of late changes and cancellations, at the option of the Board.
- 9) Trustees shall have the option to extend a trip only if such extension incurs no additional expense for KCERA.
- 10) All arrangements for airline tickets and hotel accommodations shall be made through the office of the ~~Executive Director~~Chief Executive Officer.
- 11) KCERA business-related expenses that may be reimbursed to trustees or paid on their behalf, include, but are not limited to, the following:
  - a) Air fare;
  - b) Fares relating to taxis, airport shuttles, trains, subways, etc.;

- c) Rental cars and personal automobile use (in accordance with the travel policy of Kern County);
  - d) Hotel accommodations (single occupancy);
  - e) Meals and beverages consistent with County per diem amounts, which exclude alcoholic beverages; and
  - f) Telephone calls and business services (photocopies, faxes, computer services, etc.) incurred in the service of KCERA business.
- 13) Trustees are expected to obtain receipts pertaining to expenses incurred in connection with KCERA business (excluding receipts for meals and beverages) and, at their earliest convenience, submit the receipts to the office of the ~~Executive Director~~Chief Executive Officer for reimbursement. Trustees shall receive reimbursement for expenses as promptly as possible.
- 14) Where trustees attend External Education Programs sponsored by KCERA's service providers or attend due diligence visits, KCERA shall directly pay, or reimburse attendees for, the associated travel, lodging and meal costs in accordance with this policy. Notwithstanding paragraphs 11 (d) and (e) above, reimbursement limits for hotel accommodations, meals, and non-alcoholic beverages that may be provided at such External Education Programs or due diligence visits shall not be subject to the county per diem limits, and shall be reimbursed to the service provider at fair market value.<sup>1</sup>
- 15) When deciding among closely similar External Education Programs or identical programs offered in different locations, KCERA trustees shall favor those programs that minimize travel, participation, and related fees and expenses.
- 16) The ~~Executive Director~~Chief Executive Officer shall recommend to the Board a travel policy for staff that is generally consistent with the provisions of the Trustee Travel Policy set forth herein.
- 17) Board or staff members may receive or accrue ancillary benefits while traveling on KCERA business (for example, rewards for frequent flying, hotel stays, or car rentals), provided that no incremental costs are incurred by KCERA. When making travel arrangements, however, trustees and staff members shall seek the most economical travel arrangements, without consideration of ancillary or other benefits the trustee or staff member may receive.

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<sup>1</sup> KCERA shall request that the service provider provide an invoice for the fair market value of all meals and non-alcoholic beverages provided to participating trustees. Alcoholic beverages may not be reimbursed by KCERA, and may need to be recorded by the trustee as a gift pursuant to the Fair Political Practices Commission's Regulations.

DRAFT

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PROPOSED

#### **POLICY REVIEW AND HISTORY**

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19) This policy was:

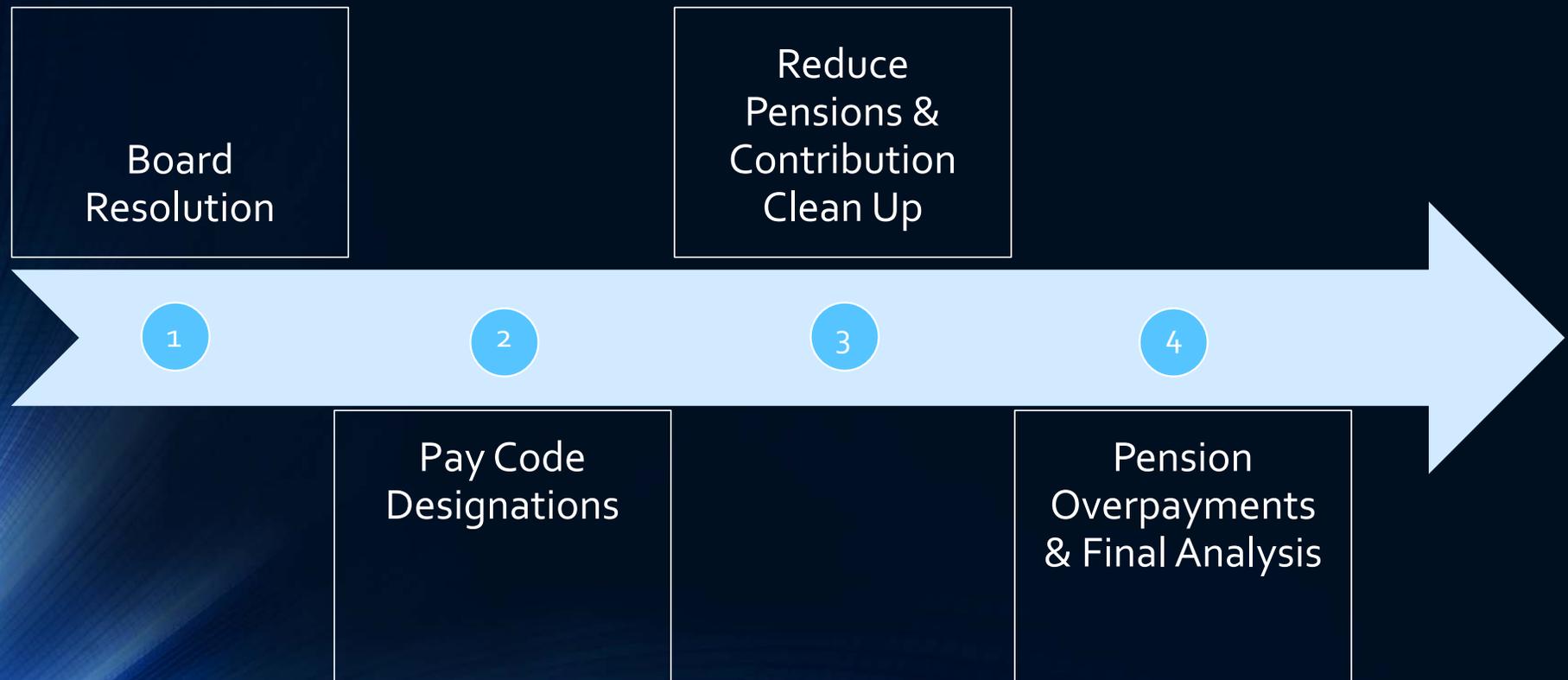
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# Implementation of *Alameda* Decision Phase 4 – Final Analysis

PRESENTED BY DOMINIC D. BROWN, CHIEF EXECUTIVE OFFICER  
& JENNIFER ZAHRY, CHIEF LEGAL OFFICER  
APRIL 13, 2022



# Alameda Decision Implementation Flowchart



# Phases of *Alameda* Decision Project

- Phase 1 – Resolution by Board of Retirement to implement the California Supreme Court decision. (Completed August 24, 2020)
- Phase 2 – Review all special pay allowances used by all KCERA plan sponsors and make changes to designations based on *Alameda* Decision. (Completed December 9, 2020)
- Phase 3 – Make appropriate adjustments, including Corrective Distributions (refunded contributions), to all active and deferred member contribution accounts impacted by the *Alameda* decision. Adjust pensions for retired members on a go-forward basis.
  - Active/Deferred members with PEPPRA Implementation contribution correction questions were set aside, pending Board action.
  - For members who retired between January 1, 2013 and August 30, 2020 with PEPPRA exclusions, action on collection of net overpayment of benefits and payment of Corrective Distributions for net overpayment of contributions was set aside, pending Phase 4 analysis.
- Phase 4 – Perform actuarial analysis to determine total net impact to Plan and whether further action is necessary.

# Phase 3 Status

- Much of the work for this phase is complete. However, there are repayment plans for underpaid contributions and overpaid benefits that will extend into future years.
  - Corrective Distributions (Contribution Refunds) – Over 2,000 done
  - Collection of Overpaid Contributions – Over 2,000 done
  - Staff prioritized members with larger corrections and those entering retirement.
  - IRS guidelines and KCERA policy do not require repayment of overpaid contributions under \$10 or recovery of overpaid benefits under \$250.
  - Letters were sent to applicable members with the opportunity to change tax withholdings before payments were issued.
  - Per IRS requirements, 1099s will be issued for Corrective Distributions (refunded contributions).

# Members retired between January 1, 2013 and August 30, 2020 (PEPRA Exclusions)

- Members with net benefit overpayments:
  - Total: 240 members, \$2,747,161 (Average \$11,446)
    - 3 - >\$100,000
    - 11 - \$50,000-100,000
    - 54 - \$10,000-50,000
    - 147 - \$251 - 10,000
    - 25 - \$0 - 250
- Members with net overpaid contributions:
  - Total: 17 members, \$7,506 (Average \$441)
    - 1 - >\$1,500
    - 1 - \$1,000-1,500
    - 4 - \$500-1,000
    - 9 - \$10-500
    - 2 - \$0 - 10

Note: All 257 of these members already had pensions adjusted on go-forward basis and all impacts have been updated to reflect interest as of December 31, 2021.

## Elements of Phase 4

- Segal has conducted actuarial analysis of the impact of the *Alameda* Decision and has issued a letter to KCERA.
- Total Actuarial Impact of the *Alameda* Decision:
  - Total Actuarial Accrued Liability reduced by ~\$29,000,000
  - Total Valuation Value of Assets reduced by ~\$2,200,000
  - Funded Ratio increased by .23% from 64.36% to 64.59%

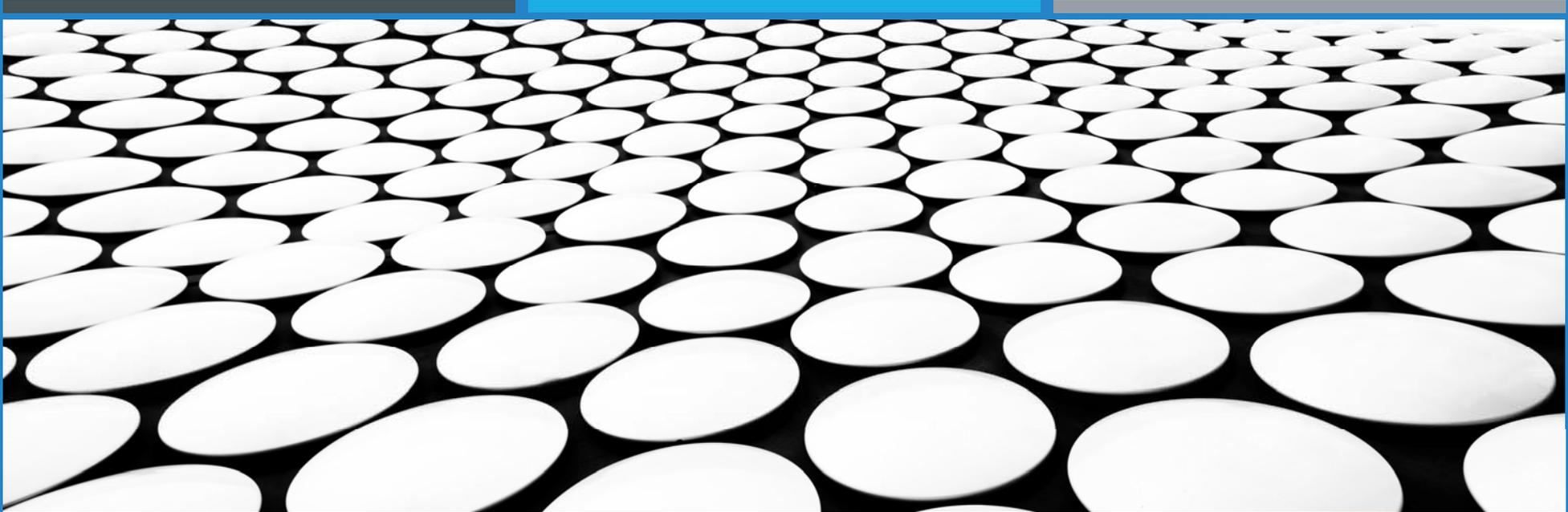
# LEGAL CONSIDERATIONS

## NET BENEFIT OVERPAYMENTS

- Federal Compliance
  - Make plan whole
    - Collect from members
    - Collect from plan sponsors

## NET OVERPAID CONTRIBUTIONS

- Federal Compliance
  - Corrective Distribution – tax elections



# PEPRA IMPLEMENTATION ISSUE

Presented by Dominic D. Brown, Chief Executive Officer  
and Jennifer Zahry, Chief Legal Officer  
April 13, 2022



## FACT PATTERN

The Public Employee Pension Reform Act of 2013 (PEPRA) went into effect 1/1/2013.

MOUs in effect at that time began in 2012 and most expired in 2015.

MOUs in place as of 1/1/2013 generally charged Tier II employees 100% of the employee cost (based on the member's age at entry into KCERA).

PEPRA set contribution rates for "new members" (PEPRA members) at 50% of normal cost (flat rate).

Contribution rates from MOUs in place as of 1/1/2013 were to apply to new PEPRA members until the existing MOU expired.

PEPRA members were charged the 50% of Normal Cost Rate beginning 1/1/2013 rather than the 100% of normal cost rate in their MOU.

Between 1/1/2013 and the expiration of the then-existing MOUs, some PEPRA members overpaid contributions, while others underpaid contributions (when comparing the 100% employee cost rate to the 50% of normal cost rate).

## PEPRA CONTRIBUTION RATES FOR “NEW MEMBERS” (ENTERING KCERA MEMBERSHIP BETWEEN 1/1/2013 AND 2015)

Pre 2013

Contribution Rates Were Correctly Charged for All Members

1/1/2013 – MOU  
Expiration Date

Contribution Rates Were Correctly Charged for Legacy Members.

Contribution Rates were incorrect for PEPRA Members who entered KCERA membership between 1/1/2013 and the expiration of the then-existing MOU (in or around 2015).

MOU Expiration  
Date to Current

Contribution Rates Were Correct for All Members

## MEMBER IMPACTS



Total Impacted Members:  
1,222 (258 also have pending  
impacts from *Alameda*  
Decision)



Members Who Underpaid  
Contributions: 350 for a total  
of \$293,141 with interest

Average per Member: \$838  
Highest single Member \$8,726

12 Members owe < \$10, totaling  
\$57, which will be written off per our  
policy



Members Who Overpaid  
Contributions: 872 for a total  
of \$1,197,231 with interest

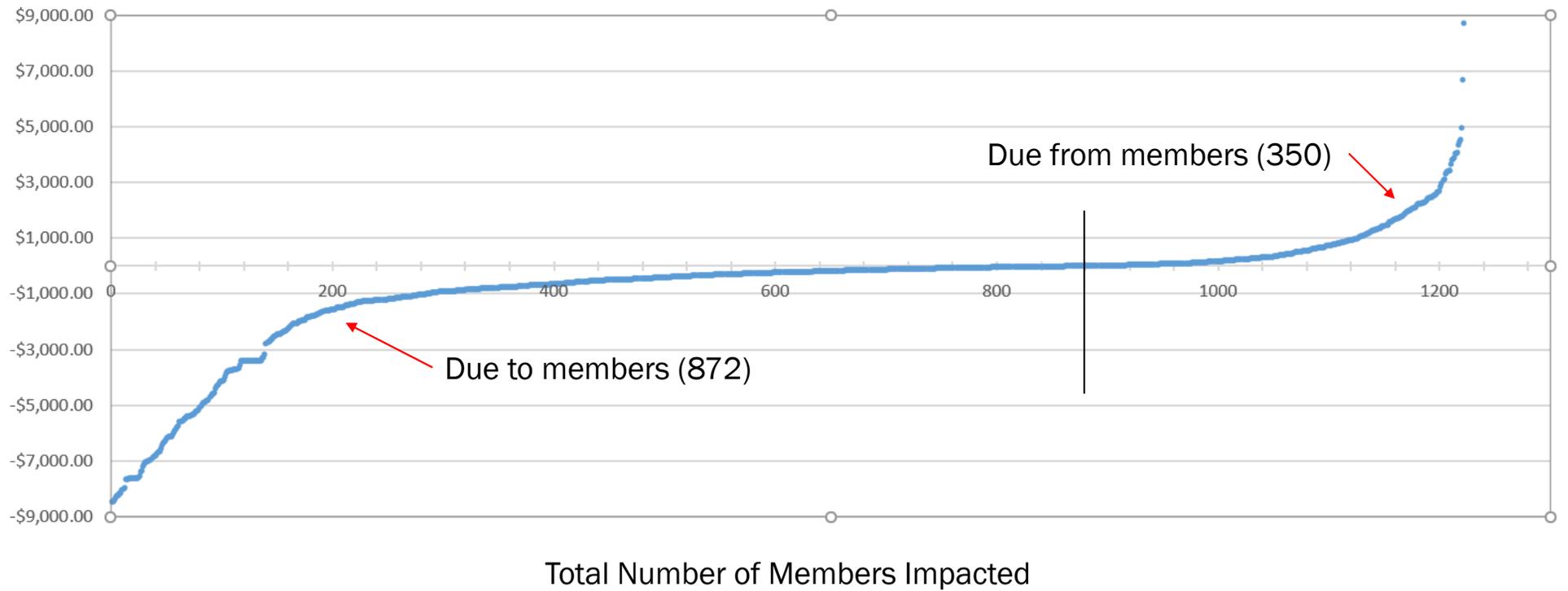
Average per Member: \$1,373  
Highest single Member: \$8,462

19 Members are owed < \$10,  
totaling \$93, which will be written  
off per our policy



Net Impact to KCERA:  
\$904,090 reduction in assets  
if every member who overpaid  
contributions received a  
corrective distribution (refund  
of contributions) and every  
contribution owed to KCERA  
was collected

# MEMBER IMPACTS (WITH INTEREST)



## IMPACTS BY BARGAINING UNIT/LABOR GROUP (WITH INTEREST)

<u>Bargaining Unit/Labor Group</u>	<u>Member Overcharged</u>	<u>Member Undercharged</u>	<u>Minimum Undercharged</u>	<u>Maximum Overcharged</u>
CFI (California Federation of Interpreters)	2	4	\$ (1,140.45)	\$ 4,477.36
KCDOA (Kern County Detention Officers' Association)	41	0	\$ (7,656.11)	\$ -
KCFFU (Kern County Firefighters' Union)	50	0	\$ (8,462.29)	\$ -
KCPA (Kern County Prosecutors' Association)	19	0	\$ (2,510.13)	\$ -
KCPOA (Kern County Probation Officers' Association)	56	0	\$ (8,027.10)	\$ -
KCSCA (Kern County Sheriff's Command Association)	1	0	\$ (1,156.06)	\$ -
KLEA (Kern Law Enforcement Association)	36	0	\$ (8,343.75)	\$ -
Kern County Water Agency	3	0	\$ (1,246.23)	\$ -
SEIU (Service Employees' International Union)	647	338	\$ (3,187.39)	\$ 8,726.03
San Joaquin Valley APCD	17	8	\$ (1,724.37)	\$ 3,653.60
<b>Total:</b>	<b>872</b>	<b>350</b>		

# LEGAL CONSIDERATIONS

## PEPRA Members Who Overpaid Contributions

- Public Disclosure of Contributions Rates
  - Valuations 2013 – present
    - Contribution rates published annually
- State Statute of Limitations
- Federal IRS Compliance

## PEPRA Members Who Underpaid Contributions

- State Statute of Limitations
- Federal IRS Compliance - guidance on restoration of plan assets and recovery of contributions owed to the Plan

**OPERATIONAL  
CONSIDERATIONS**

Members' future pension benefit is not affected



Staff cannot complete *Alameda* Decision corrections for approximately 258 members until this issue is resolved

KCERA's pension administration system cannot have two recalculations for same time period

Members can not use 457 plan funds to pay amounts due to KCERA

# *Alameda* Decision Phase 4 Decision Matrix

PRESENTED BY DOMINIC D. BROWN, CHIEF EXECUTIVE OFFICER  
& JENNIFER ZAHRY, CHIEF LEGAL OFFICER  
APRIL 13, 2022



# Alameda Phase 4 & PEPRA Implementation Decision Matrix

	Option 1	Option 2	Option 3
<b>Alameda Phase 4</b> (Special Pays)	<b>Net Overcollection of Contribution &gt; Benefit Overpayment</b>		
	Pay Member Principal & Interest	Pay Member Principal & Interest	Pay Member Principal & Interest
	<b>Net Benefit Overpayment &gt; Overcollection of Contribution</b>		
	Collect Total Balance from Plan Sponsor	Collect Principal from Member Collect Interest from Plan Sponsor	Collect Total Balance from Member
	Option A	Option B	Option C
<b>PEPRA Implementation</b> (Contribution Rates)	<b>Contributions Overcollected</b>		
	Pay Member Principal & Interest	Pay Member Principal & Interest	Pay Member Principal & Interest
	<b>Contributions Undercollected</b>		
	Collect Total Balance from Plan Sponsor	Collect Principal from Member Collect Interest from Plan Sponsor	Collect Total Balance from Member

# Alameda Phase 4 (Special Pays)

## Option 1

**Overcollection of Contribution >  
Benefit Overpayment**

Pay Member Principal & Interest

**Benefit Overpayment >  
Overcollection of Contribution**

Collect Total Balance from Plan Sponsor

## CONSIDERATIONS

- Dollar Impact to Members
  - 17 Members Receive \$7,506
- Dollar Impact to Plan Sponsors
  - Charged \$2,747,161 over 10-year amortization layer

# Alameda Phase 4 (Special Pays)

## Option 2

Overcollection of Contribution >  
Benefit Overpayment

Pay Member Principal & Interest

Benefit Overpayment >  
Overcollection of Contribution  
Collect Principal from Member  
Collect Interest from Plan Sponsor

## CONSIDERATIONS

- Dollar Impact to Members
  - 17 Members Receive \$7,506
  - 240 Members Pay \$2,212,615
- Dollar Impact to Plan Sponsors
  - Charged \$534,546 over 10-year amortization

# Alameda Phase 4 (Special Pays)

## Option 3

**Overcollection of Contribution >  
Benefit Overpayment**

**Pay Member Principal & Interest**

**Benefit Overpayment >  
Overcollection of Contribution  
Collect Total Balance from Member**

## CONSIDERATIONS

- Dollar Impact to Members
  - 17 Members Receive \$7,506
  - KCERA will attempt to collect \$2,747,161 from 240 members
- Dollar Impact to Plan Sponsors
  - The amount KCERA cannot collect from 240 members

# Alameda Phase 4 & PEPRA Implementation Decision Matrix

	Option 1	Option 2	Option 3
<b>Alameda Phase 4</b> (Special Pays)	<b>Net Overcollection of Contribution &gt; Benefit Overpayment</b>		
	Pay Member Principal & Interest	Pay Member Principal & Interest	Pay Member Principal & Interest
	<b>Net Benefit Overpayment &gt; Overcollection of Contribution</b>		
	Collect Total Balance from Plan Sponsor	Collect Principal from Member Collect Interest from Plan Sponsor	Collect Total Balance from Member

# PEPRA Implementation Decision Matrix

PRESENTED BY DOMINIC D. BROWN, CHIEF EXECUTIVE OFFICER  
& JENNIFER ZAHRY, CHIEF LEGAL OFFICER  
APRIL 13, 2022



# Alameda Phase 4 & PEPRA Implementation Decision Matrix

	Option 1	Option 2	Option 3
<b>Alameda Phase 4</b> (Special Pays)	<b>Net Overcollection of Contribution &gt; Benefit Overpayment</b>		
	Pay Member Principal & Interest	Pay Member Principal & Interest	Pay Member Principal & Interest
	<b>Net Benefit Overpayment &gt; Overcollection of Contribution</b>		
	Collect Total Balance from Plan Sponsor	Collect Principal from Member Collect Interest from Plan Sponsor	Collect Total Balance from Member
	Option A	Option B	Option C
<b>PEPRA Implementation</b> (Contribution Rates)	<b>Contributions Overcollected</b>		
	Pay Member Principal & Interest	Pay Member Principal & Interest	Pay Member Principal & Interest
	<b>Contributions Undercollected</b>		
	Collect Total Balance from Plan Sponsor	Collect Principal from Member Collect Interest from Plan Sponsor	Collect Total Balance from Member

# PEPRA Implementation (Contribution Rates)

Option A
<b>Contributions Overcollected</b> Pay Member Principal & Interest
<b>Contributions Undercollected</b> Collect Total Balance from Plan Sponsor

## CONSIDERATIONS

- Dollar Impact to Members
  - 872 members receive \$1,197,000
- Dollar Impact to Plan Sponsors
  - Charged \$293,000 over 10-year amortization layer

# PEPRA Implementation (Contribution Rates)

## Option B

**Contributions Overcollected**

**Pay Member Principal & Interest**

**Contributions Undercollected**

**Collect Principal from Member**

**Collect Interest from Plan Sponsor**

## CONSIDERATIONS

- Dollar Impact to Members
  - 872 members receive \$1,197,000
  - 350 Members Pay \$190,000
- Dollar Impact to Plan Sponsors
  - Charged \$103,000 over 10-year amortization

# PEPRA Implementation (Contribution Rates)

Option C
Contributions Overcollected Pay Member Principal & Interest
Contributions Undercollected Collect Total Balance from Member

## CONSIDERATIONS

- Dollar Impact to Members
  - 872 members receive \$1,197,000
  - KCERA will attempt to collect \$293,000 from 350 members
- Dollar Impact to Plan Sponsors
  - Whatever amount KCERA cannot collect in full from 350 members

# Alameda Phase 4 & PEPRA Implementation Decision Matrix

	Option A	Option B	Option C
PEPRA Implementation (Contribution Rates)	<b>Contributions Overcollected</b>		
	Pay Member Principal & Interest	Pay Member Principal & Interest	Pay Member Principal & Interest
	<b>Contributions Undercollected</b>		
	Collect Total Balance from Plan Sponsor	Collect Principal from Member Collect Interest from Plan Sponsor	Collect Total Balance from Member



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**



**APRIL 2022**

Capital Efficiency and Strategic Asset Allocation

**Kern County Employees' Retirement Association**

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VERUSINVESTMENTS.COM

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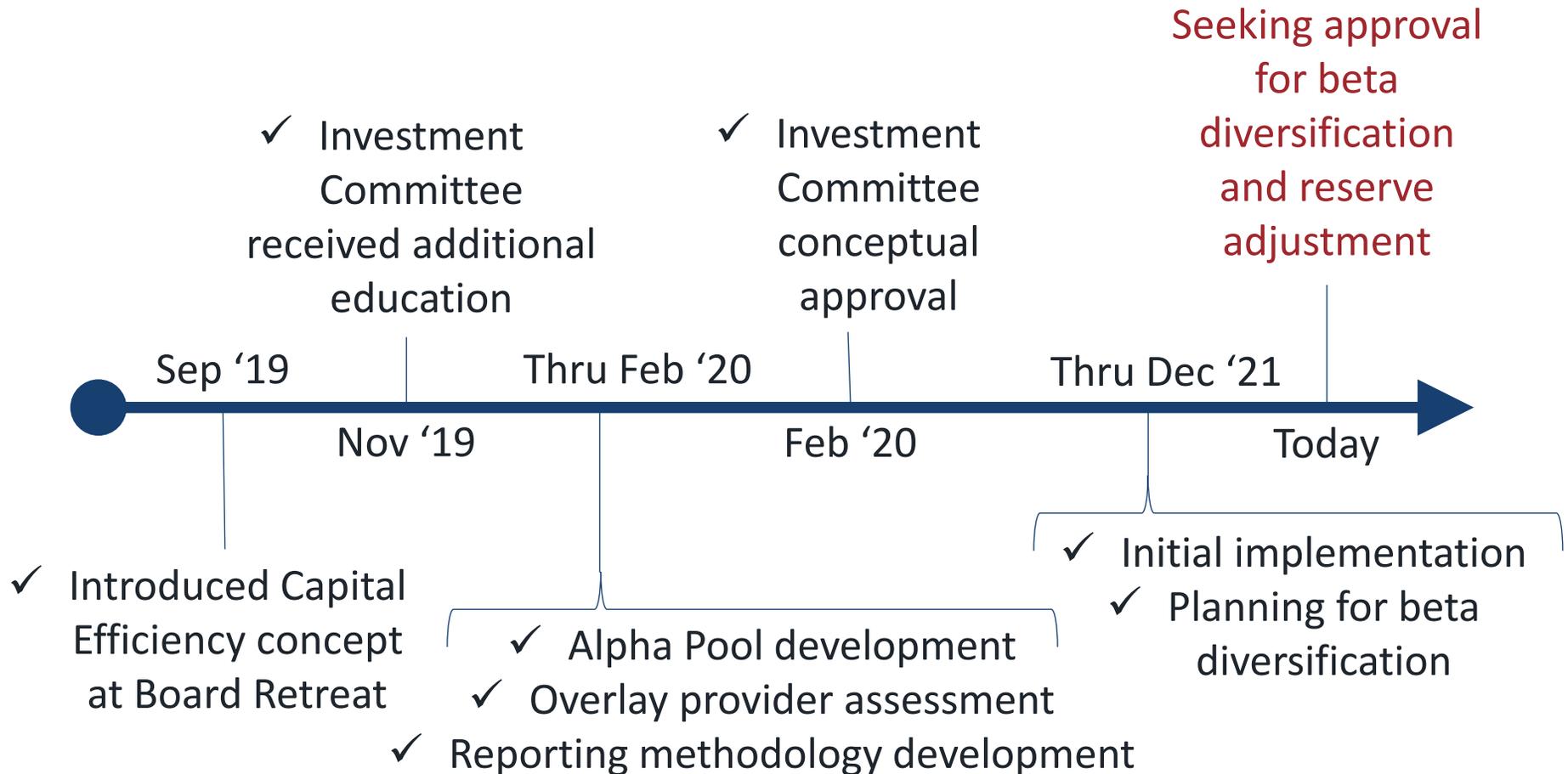
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# Session objectives

- Approve modifications to Capital Efficiency Program
  - Beta exposure diversification
  - Commodities beta implementation
- Review 2022 Capital Market Assumptions
- Approve revised SAA targets and allocation ranges
- Approve benchmark adjustments
- Review potential next steps

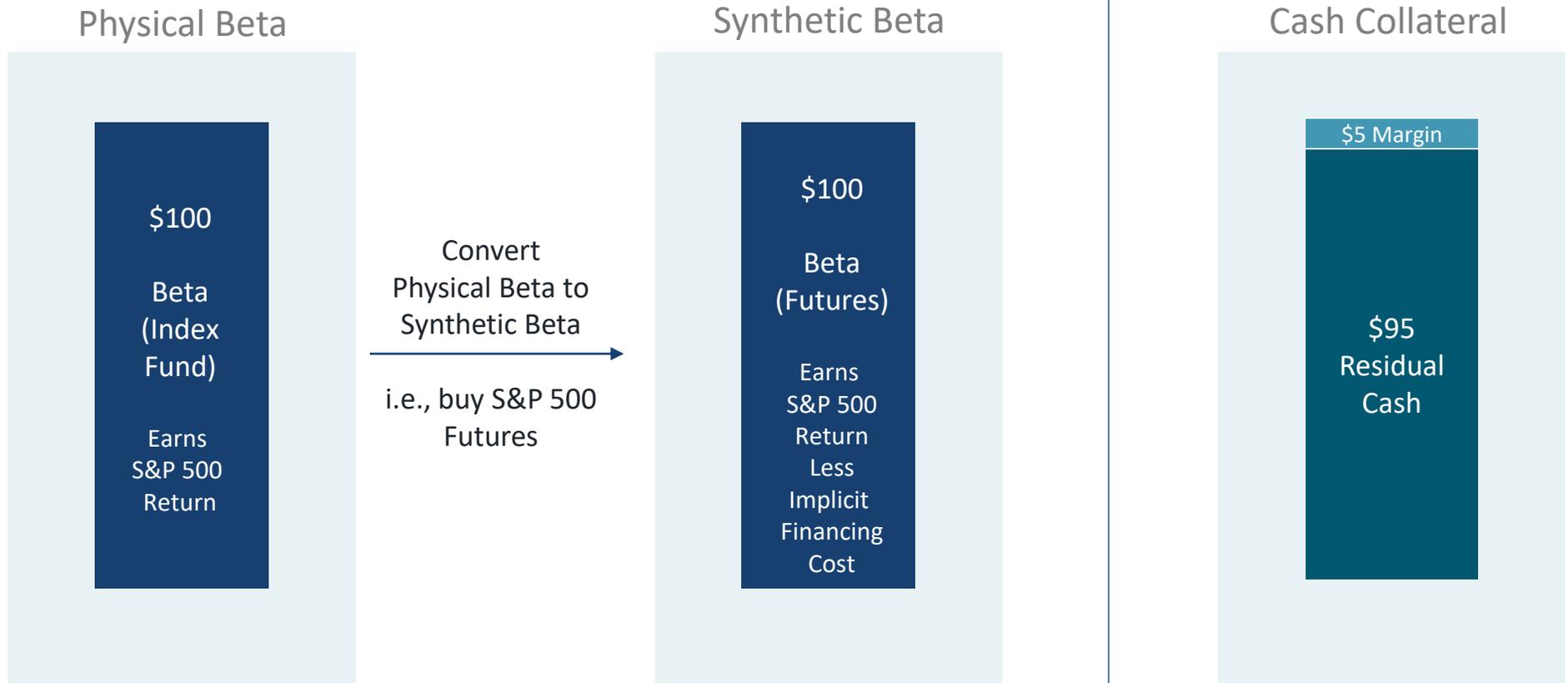
# Capital efficiency program adjustments

# Program timeline



# Capital efficiency mechanics

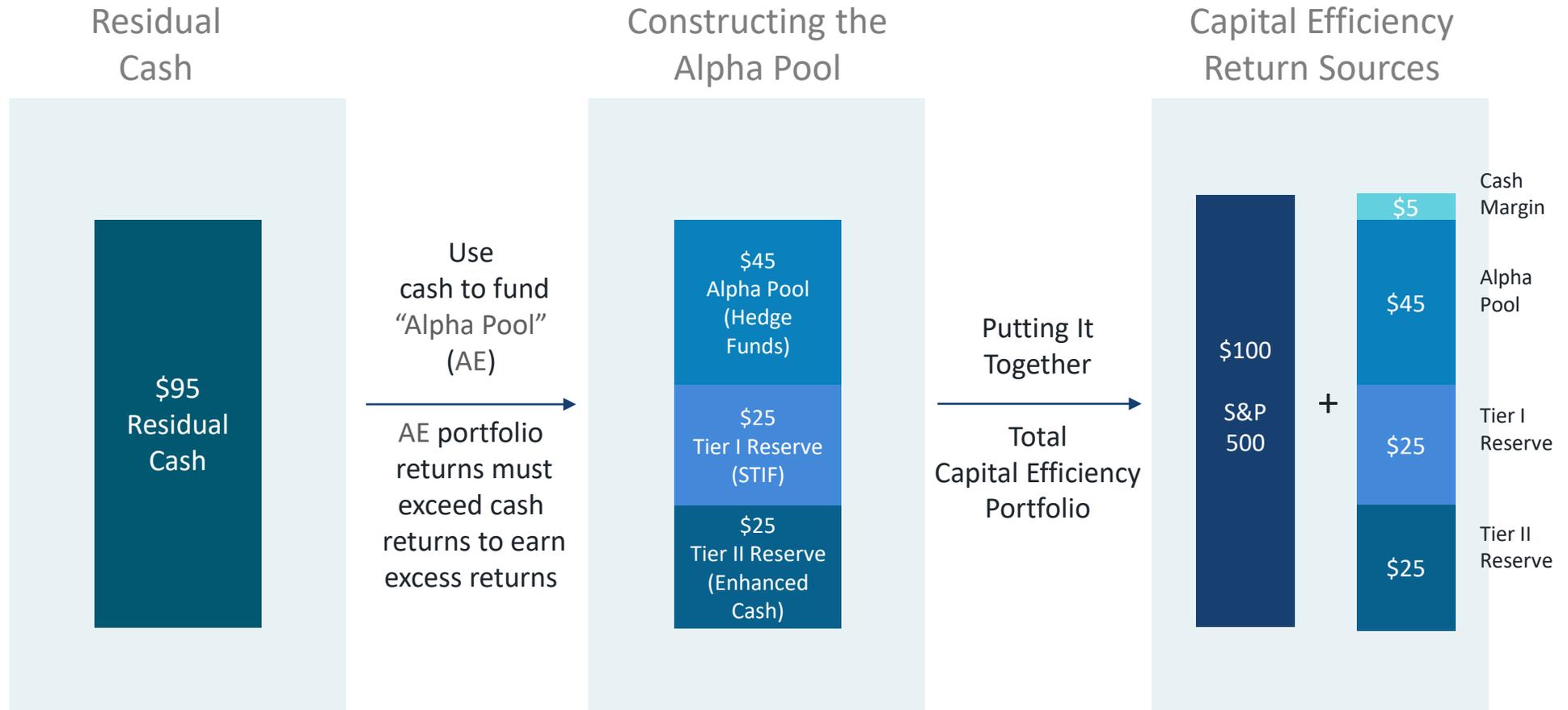
Step One: Create Synthetic Beta Portfolio (single Beta solution)



Big Question: What do we do with Residual Cash?

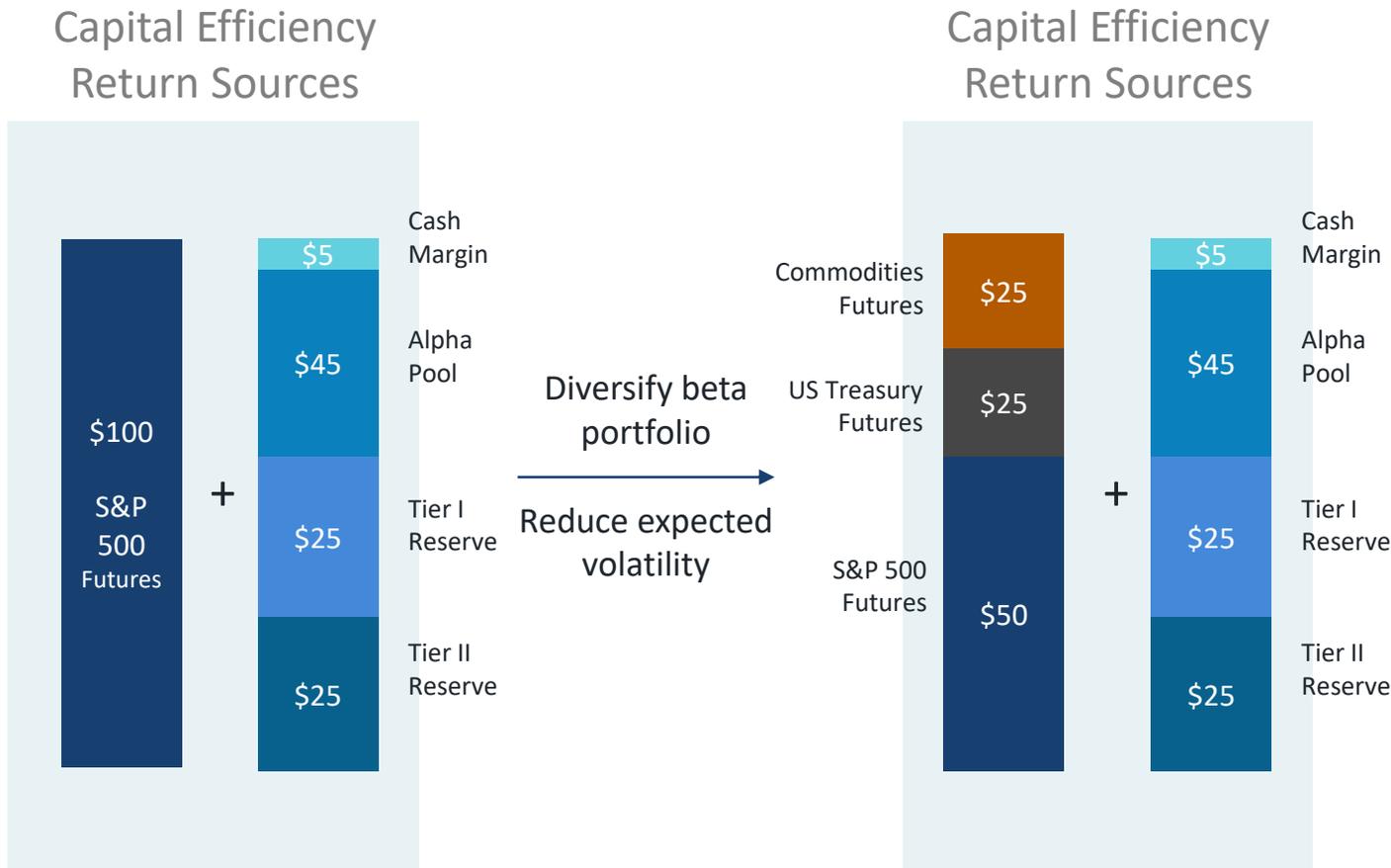
# Capital efficiency mechanics

## Step Two: Integrating Alpha



# Capital efficiency mechanics

Diversifying Beta beyond S&P 500



- Beta to be sourced from three highly liquid markets, rather than just one
  - S&P 500 futures
  - US Treasury futures
  - Commodities futures
- Using only highly liquid markets helps ensure best index tracking during extreme events
- Lower Beta volatility leads to potential for more efficient collateral utilization

# Why diversify the beta portfolio?

## — Advantages

- Diversification = lower volatility = lower cash reserve requirements (currently very conservative)
- Greater flexibility: ability to replace other challenged sources of traditional alpha with Capital Efficiency alpha, i.e., no longer restricted to US large cap equity

## — Disadvantage: modest increase in operational risk (if beta manager fails to maintain required market exposures)

# Why beta portfolio volatility matters

- Due to opportunities for arbitrage, a liquid futures contract closely tracks the underlying index. Downward price movements are generally the same as they are in an index fund (may be some timing differences during extreme events, e.g., Oct 1987).
- Unlike an index fund, additional collateral must be posted to cover those short-term futures losses (variation margin)
- At 25% of capital, the level I reserve is currently more than adequate to cover the greatest single-day loss in the history of the S&P 500 (-20.5% on 10/19/87)
- The 25% level II reserve is sized to provide approximately six months of rebalancing flexibility in the event of a sustained S&P 500 drawdown
- A more diversified beta portfolio would have less downside risk, thus **requiring smaller reserves to provide the same level of safety**, and leaving more capital available for allocation to the alpha pool

# Reducing beta portfolio volatility

- KCERA Investment Staff and Verus considered many alternative beta portfolios, using three different risk models to examine the volatility reduction provided by increasing proportions of the two new asset classes (US Treasuries and commodities)
- From left-to-right below, we show how eventually putting more than half of the beta portfolio in a 10-year Treasury index (along with some commodities), results in a significantly more risk-efficient beta portfolio (Mix 1), cutting one model's downside risk estimate by more than half

						Verus 2021 CMA's (10 Yr)			
	Current	Mix 10	Mix 9	Mix 12	Mix 1	Return (g)	Return (a)	Standard Deviation	Sharpe Ratio (a)
US Large Cap	100	50	33	25	25	5.1	6.3	15.7	0.38
US Treasury	0	25	33	50	55	0.7	0.9	6.7	0.10
Commodities	0	25	33	25	20	2.2	3.4	15.9	0.20
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>				
Mean Variance Analysis (Lognormal)									
Forecast 10 Year Return	5.1	3.8	3.2	2.7	2.6				
Standard Deviation	15.7	9.9	8.6	6.4	5.8				
Sharpe Ratio (a)	0.38	0.39	0.38	0.40	0.42				
<b>1 year 99% VaR</b>	<b>-25.3</b>	<b>-16.9</b>	<b>-14.9</b>	<b>-11.0</b>	<b>-10.0</b>				

# Additional risk modeling

- Using a Barra factor model, we also examined the drawdown reduction that the various alternative beta portfolios would have provided under both historical scenarios and single factor shocks



*Only in the “1994 US Rate Hike” scenario did Mix 1 experience a greater drawdown than the current 100% S&P beta portfolio*

# Right-sizing the reserves

## Excessive liquidity reserves are a source of inefficiency

- As with traditional asset classes, the fund rebalances *into* the Capital Efficiency beta portfolio after a bad quarter, and *out of* it after a good quarter
- In this context, the reserves are a buffer that prevents forced rebalancing *during* the quarter
- Therefore, estimating the worst-case one-quarter drawdown in the beta portfolio gives us an additional yardstick for sizing the reserves
- We examine both historical data and risk model simulations, and note that currently, a reserve large enough to completely cover the worst 1-quarter drawdown (-29.7%) is also large enough to cover the worst 1-day drawdown (-20.5%, as previously noted)

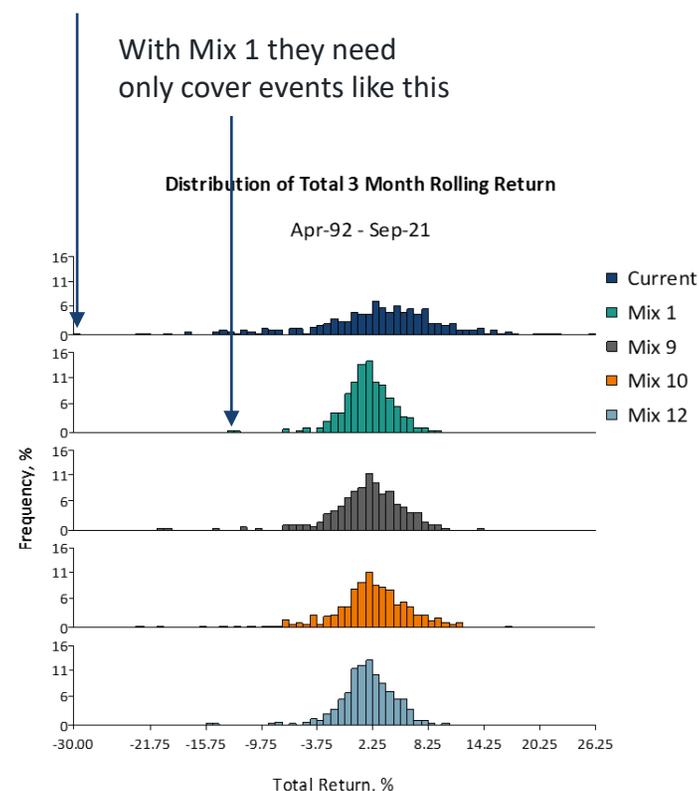
3-month total return (%)	Current	Mix 1	Mix 9	Mix 10	Mix 12
Historical worst <sup>1</sup>	-29.7	-13.4	-20.7	-23.0	-15.3
Barra 3-sd event <sup>2</sup> (99.7 percentile)	-38.0	-13.0	-19.1	-22.8	-14.2
MPI 3-sd event <sup>3</sup> (99.7 percentile)	-35.5	-15.2	-23.6	-26.4	-17.5

<sup>1</sup> Full common index history, Apr 1992 to Sep 2021

<sup>2</sup> MAC.L model Monte Carlo simulation, 90-day 99.7 percentile outcome

<sup>3</sup> Downside Log-Stable simulation, 3-month 99.7 percentile outcome

Currently the reserves cover events like this



# Right-sizing the reserves (cont'd)

KCERA Staff worked with Parametric to assess an appropriate reserve level given a more diversified (lower risk) mix of Beta sources. They dimensioned risk through three separate historical lenses.

## Adverse One-Day Moves

	One Standard Deviation	Two Standard Deviations	Three Standard Deviations
Portfolio Change (%)	-0.41%	-0.83%	-1.26%

## Worst-Case Scenarios

	One-Day	Five-Day	Ten-Day	Twenty-Day
End Date	October 15, 2008	October 10, 2008	March 18, 2020	October 24, 2008
Portfolio Change (%)	-3.17%	-7.72%	-10.93%	-12.95%

## Margin Call Analysis

Margin Level	1%	2%	3%	4%	5%	6%	7%	8%
Cumulative Margin Calls	15	10	3	2	1	1	1	1

KCERA Staff and Verus agree that a reserve cushion of 30% of program capital should be more than sufficient to cover any portfolio variability

Source: Parametric  
Timeframe: December 2006 to December 2021

# Commodities beta implementation

The current commodities strategy managed by Wellington can be repurposed to provide the exact same commodities exposure while freeing up capital for investment in the alpha pool

- The Wellington commodities fund currently held in the KCERA portfolio deploys a fully collateralized, futures-based investment strategy to gain broad exposure across the commodities complex (e.g., energy, agriculture, industrial metals)
- The futures positions are collateralized by high quality and highly liquid cash equivalents (e.g., U.S. Treasury obligations, U.S. Agency obligations, repurchase agreements)
- The “cash” collateral can be reduced to free up funds for investment in the alpha pool, similar to what Parametric does currently with the equity exposure

The strategy would change from full to partial collateralization

# Strategic asset allocation review

# 2022 capital market assumptions

# Methodology

## CORE INPUTS

- We use a fundamental building block approach based on several inputs, including historical data and academic research to create asset class return forecasts.
- For most asset classes, we use the long-term historical volatility after adjusting for autocorrelation.
- Correlations between asset classes are calculated based on the last 10 years. For illiquid assets, such as private equity and private real estate, we use BarraOne correlation estimates.

Asset	Return Methodology	Volatility Methodology*
Inflation	25% weight to the University of Michigan Survey 5-10 year ahead inflation expectation and the Survey of Professional Forecasters (Fed Survey), and the remaining 50% to the market's expectation for inflation as observed through the 10-year TIPS breakeven rate	-
Cash	75% * current federal funds rate + 25% * U.S. 10-year Treasury yield	Long-term volatility
Bonds	Nominal bonds: current yield; Real bonds: real yield + inflation forecast	Long-term volatility
International Bonds	Current yield	Long-term volatility
Credit	Current option-adjusted spread + U.S. 10-year Treasury – effective default rate	Long-term volatility
International Credit	Current option-adjusted spread + foreign 10-year Treasury – effective default rate	Long-term volatility
Private Credit	Levered gross return (LIBOR + spread + original issuance discounts) – management fees – carried interest	Estimated volatility
Equity	Current yield + real earnings growth (historical average) + inflation on earnings (inflation forecast) + expected P/E change	Long-term volatility
Intl Developed Equity	Current yield + real earnings growth (historical average) + inflation on earnings (intl. inflation forecast) + expected P/E change	Long-term volatility
Private Equity	US large cap domestic equity forecast * 1.85 beta adjustment	1.2 * Long-term volatility of U.S. small cap
Commodities	Collateral return (cash) + spot return (inflation forecast) + roll return (assumed to be zero)	Long-term volatility
Hedge Funds	Return coming from traditional betas + 15-year historical idiosyncratic return	Long-term volatility
Core Real Estate	Cap rate + real income growth – capex + inflation forecast	65% of REIT volatility
REITs	Core real estate	Long-term volatility
Value-Add Real Estate	Core real estate + 2%	Volatility to produce Sharpe Ratio (g) equal to core real estate
Opportunistic Real Estate	Core real estate + 3%	Volatility to produce Sharpe Ratio (g) equal to core real estate
Infrastructure	Current yield + real income growth + inflation on earnings (inflation forecast)	Long-term volatility
Risk Parity	Expected Sharpe Ratio * target volatility + cash rate	Target volatility

\*Long-term historical volatility data is adjusted for autocorrelation (see Appendix)

# 10-year return & risk assumptions

Asset Class	Index Proxy	Ten Year Return Forecast		Standard Deviation Forecast	Sharpe Ratio Forecast (g)	Sharpe Ratio Forecast (a)	10-Year Historical Sharpe Ratio (g)	10-Year Historical Sharpe Ratio (a)	
		Geometric	Arithmetic						
<b>Equities</b>									
U.S. Large	S&P 500	5.3%	6.4%	15.7%	0.31	0.39	1.21	1.19	
U.S. Small	Russell 2000	5.3%	7.4%	21.6%	0.23	0.32	0.77	0.81	
International Developed	MSCI EAFE	6.1%	7.6%	17.9%	0.32	0.40	0.52	0.57	
International Small	MSCI EAFE Small Cap	4.7%	6.9%	22.2%	0.19	0.29	0.66	0.71	
Emerging Markets	MSCI EM	6.1%	8.9%	25.3%	0.23	0.34	0.32	0.40	
Global Equity	MSCI ACWI	5.7%	7.1%	17.3%	0.31	0.39	0.84	0.86	
Private Equity	Cambridge U.S. Private Equity	9.5%	12.4%	26.0%	0.35	0.46	-	-	
Private Equity (Direct)	Cambridge U.S. Private Equity	10.5%	13.4%	26.0%	0.39	0.50	-	-	
Private Equity (Fund of Funds)	Cambridge U.S. Private Equity	8.5%	11.4%	26.0%	0.31	0.42	-	-	
<b>Fixed Income</b>									
Cash	30 Day T-Bills	0.4%	0.4%	1.2%	-	-	-	-	
U.S. TIPS	Bloomberg U.S. TIPS 5-10	1.7%	1.8%	5.3%	0.25	0.27	0.59	0.60	
U.S. Treasury	Bloomberg Treasury 7-10 Year	1.5%	1.7%	6.8%	0.16	0.20	0.43	0.45	
Global Sovereign ex U.S.	Bloomberg Global Treasury ex U.S.	0.5%	1.0%	9.5%	0.01	0.06	-0.01	0.02	
Global Aggregate	Bloomberg Global Aggregate	1.4%	1.6%	6.1%	0.16	0.20	0.28	0.30	
Core Fixed Income	Bloomberg U.S. Aggregate Bond	2.2%	2.3%	4.1%	0.44	0.46	0.80	0.80	
Core Plus Fixed Income	Bloomberg U.S. Universal	2.4%	2.5%	4.0%	0.50	0.51	0.82	0.83	
Short-Term Gov't/Credit	Bloomberg U.S. Gov't/Credit 1-3 Year	1.5%	1.6%	3.6%	0.31	0.33	1.07	1.06	
Short-Term Credit	Bloomberg Credit 1-3 Year	1.6%	1.7%	3.6%	0.34	0.35	1.25	1.24	
Long-Term Credit	Bloomberg Long U.S. Corporate	2.4%	2.8%	9.4%	0.21	0.26	0.67	0.70	
High Yield Corp. Credit	Bloomberg U.S. Corporate High Yield	3.1%	3.7%	11.2%	0.24	0.30	1.01	1.00	
Bank Loans	S&P/LSTA Leveraged Loan Index	2.3%	2.7%	9.3%	0.20	0.25	0.82	0.83	
Global Credit	Bloomberg Global Credit	1.5%	1.8%	7.3%	0.15	0.19	0.67	0.68	
Emerging Markets Debt (Hard)	JPM EMBI Global Diversified	5.2%	5.9%	12.6%	0.38	0.44	0.66	0.68	
Emerging Markets Debt (Local)	JPM GBI-EM Global Diversified	4.2%	4.9%	12.2%	0.31	0.37	0.04	0.09	
Private Credit	S&P LSTA Leveraged Loan Index	6.8%	7.8%	14.6%	0.44	0.51	-	-	
Private Credit (Direct Lending - Unlevered)	S&P LSTA Leveraged Loan Index	5.0%	5.5%	10.5%	0.44	0.49	-	-	
Private Credit (Direct Lending - Levered)	S&P LSTA Leveraged Loan Index	8.0%	9.4%	17.4%	0.44	0.51	-	-	
Private Credit (Credit Opportunities)	S&P LSTA Leveraged Loan Index	7.0%	8.0%	15.0%	0.44	0.51	-	-	
Private Credit (Junior Capital / Mezzanine)	S&P LSTA Leveraged Loan Index	8.8%	10.4%	19.0%	0.44	0.53	-	-	
Private Credit (Distressed)	S&P LSTA Leveraged Loan Index	9.0%	12.6%	29.1%	0.30	0.42	-	-	

Investors wishing to produce expected geometric return forecasts for their portfolios should use the arithmetic return forecasts provided here as inputs into that calculation, rather than the single-asset-class geometric return forecasts. This is the industry standard approach but requires a complex explanation only a heavy quant could love, so we have chosen not to provide further details in this document – we will happily provide those details to any readers of this who are interested.

# 10-year return & risk assumptions

Asset Class	Index Proxy	Ten Year Return Forecast		Standard Deviation Forecast	Sharpe Ratio Forecast (g)	Sharpe Ratio Forecast (a)	10-Year Historical Sharpe Ratio (g)	10-Year Historical Sharpe Ratio (a)
		Geometric	Arithmetic					
<b>Other</b>								
Commodities	Bloomberg Commodity	3.0%	4.2%	15.9%	0.16	0.24	-0.25	-0.18
Hedge Funds	HFRI Fund Weighted Composite	3.8%	4.1%	7.7%	0.44	0.48	0.88	0.49
Hedge Funds (Fund of Funds)	HFRI Fund of Funds Composite	2.8%	3.1%	7.7%	0.31	0.35	-	-
Hedge Funds (Equity Style)	Custom HFRI Benchmark Mix*	4.5%	5.6%	15.0%	0.27	0.34	-	-
Hedge Funds (Credit Style)	Custom HFRI Benchmark Mix*	3.6%	4.1%	10.1%	0.32	0.37	-	-
Hedge Funds (Asymmetric Style)	Custom HFRI Benchmark Mix*	2.3%	2.4%	4.9%	0.39	0.41	-	-
Real Estate Debt	Bloomberg CMBS IG	2.1%	2.4%	7.4%	0.23	0.27	1.12	1.11
Core Real Estate	NCREIF Property	6.5%	7.2%	12.5%	0.49	0.54	2.08	2.02
Value-Add Real Estate	NCREIF Property + 200bps	8.5%	9.8%	16.7%	0.49	0.56	-	-
Opportunistic Real Estate	NCREIF Property + 300bps	9.5%	11.1%	18.7%	0.49	0.57	-	-
REITs	Wilshire REIT	6.5%	8.2%	19.3%	0.32	0.40	0.67	0.72
Global Infrastructure	S&P Global Infrastructure	6.6%	8.0%	17.6%	0.35	0.43	0.45	0.51
Risk Parity	S&P Risk Parity 10% Vol Index	5.4%	5.9%	10.0%	0.50	0.55	-	-
Currency Beta	MSCI Currency Factor Index	0.8%	0.9%	3.4%	0.12	0.13	0.24	0.25
Inflation		2.5%	-	-	-	-	-	-

Investors wishing to produce expected geometric return forecasts for their portfolios should use the arithmetic return forecasts provided here as inputs into that calculation, rather than the single-asset-class geometric return forecasts. This is the industry standard approach but requires a complex explanation only a heavy quant could love, so we have chosen not to provide further details in this document – we will happily provide those details to any readers of this who are interested.

\*To represent hedge fund styles, we use a combination of HFRI benchmarks: Equity Style = 33% HFRI Fundamental Growth, 33% HFRI Fundamental Value, 33% HFRI Activist. Credit Style = 20% HFRI Distressed/Restructuring, 20% HFRI Credit Arbitrage, 20% HFRI Fixed Income-Corporate, 20% HFRI Fixed Income-Convertible Arbitrage, 20% HFRI Fixed Income-Asset Backed. Asymmetric Style = 50% HFRI Relative Value, 50% HFRI Macro

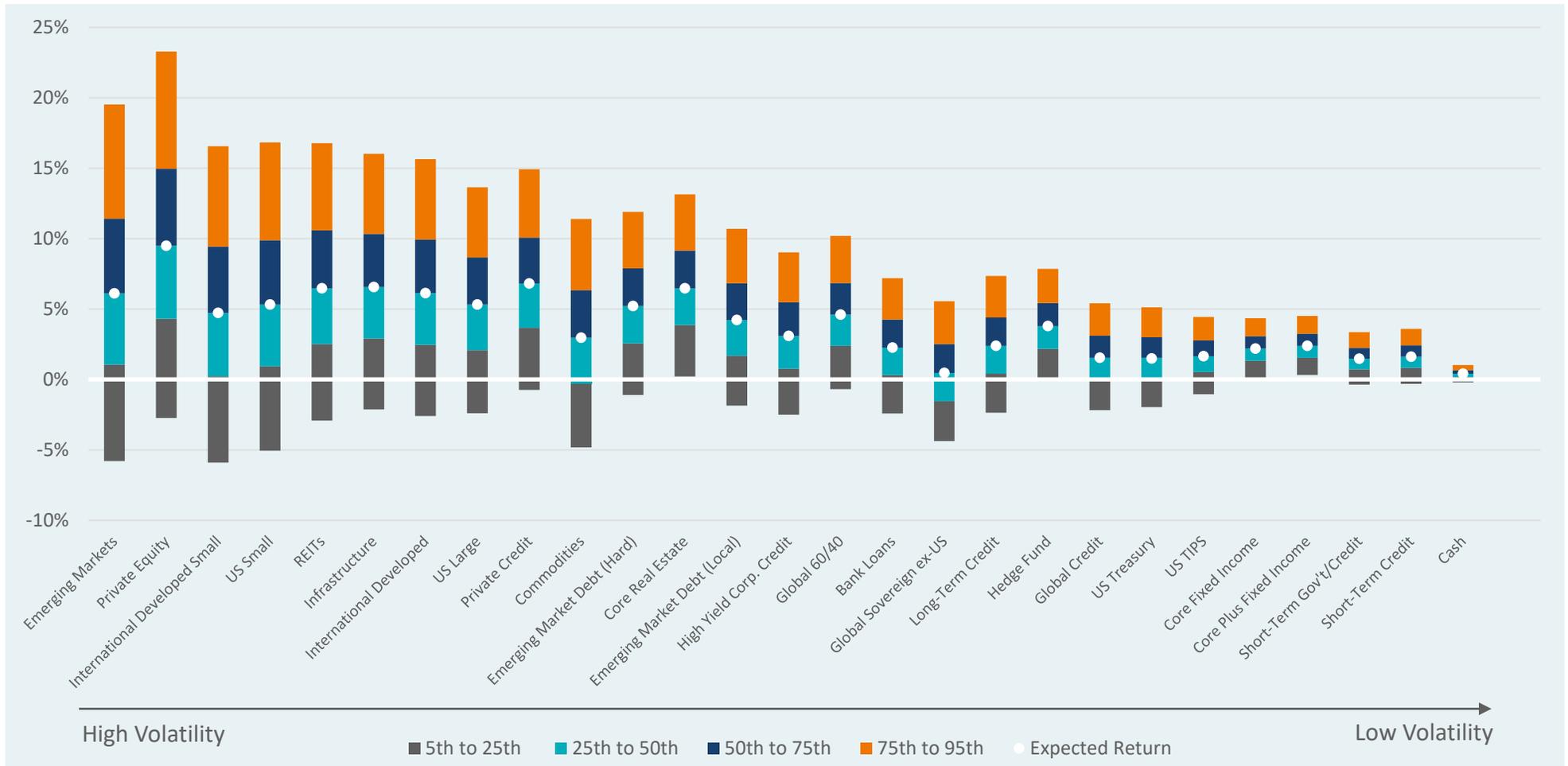
# Correlation assumptions

	Cash	US Large	US Small	Intl Large	Intl Small	EM	Global Equity	PE	US TIPS	US Treasury	Global Sovereign ex-US	US Core	Core Plus	Short-Term Gov't/Credit	Short-Term Credit	Long-Term Credit	US HY	Bank Loans	Global Credit	EMD USD	EMD Local	Commodities	Hedge Funds	Real Estate	REITs	Infrastructure	Risk Parity	Currency Beta	
Cash	1.0																												
US Large	-0.2	1.0																											
US Small	-0.2	0.9	1.0																										
Intl Large	-0.2	0.9	0.8	1.0																									
Intl Small	-0.2	0.9	0.8	1.0	1.0																								
EM	-0.1	0.7	0.7	0.8	0.8	1.0																							
Global Equity	-0.2	1.0	0.9	1.0	0.9	0.9	1.0																						
PE	-0.2	0.7	0.6	0.6	0.6	0.6	0.7	1.0																					
US TIPS	0.0	0.2	0.1	0.2	0.2	0.3	0.2	0.2	1.0																				
US Treasury	0.2	-0.3	-0.4	-0.3	-0.3	-0.2	-0.3	-0.2	0.7	1.0																			
Global Sovereign ex-US	0.1	0.2	0.1	0.3	0.4	0.5	0.3	0.1	0.6	0.4	1.0																		
US Core	0.2	0.0	-0.1	0.0	0.0	0.1	0.0	0.0	0.8	0.9	0.6	1.0																	
Core Plus	0.1	0.2	0.1	0.2	0.2	0.3	0.2	0.1	0.8	0.8	0.6	1.0	1.0																
Short-Term Gov't/Credit	0.4	-0.1	-0.1	0.0	0.0	0.1	0.0	-0.1	0.6	0.7	0.5	0.8	0.7	1.0															
Short-Term Credit	0.0	0.4	0.4	0.4	0.4	0.5	0.4	0.0	0.6	0.3	0.5	0.6	0.7	0.6	1.0														
Long-Term Credit	0.0	0.3	0.2	0.3	0.3	0.4	0.3	0.1	0.7	0.6	0.5	0.8	0.9	0.5	0.7	1.0													
US HY	-0.2	0.8	0.7	0.8	0.8	0.8	0.8	0.5	0.4	-0.2	0.4	0.2	0.5	0.1	0.7	0.6	1.0												
Bank Loans	-0.3	0.6	0.7	0.6	0.7	0.6	0.7	0.3	0.3	-0.3	0.2	0.1	0.3	0.0	0.6	0.4	0.9	1.0											
Global Credit	-0.1	0.6	0.5	0.7	0.7	0.8	0.7	0.3	0.6	0.2	0.7	0.5	0.7	0.4	0.8	0.8	0.8	0.6	1.0										
EMD USD	-0.2	0.6	0.5	0.7	0.7	0.7	0.7	0.4	0.6	0.1	0.6	0.5	0.7	0.3	0.7	0.7	0.8	0.7	0.9	1.0									
EMD Local	0.0	0.6	0.5	0.7	0.7	0.8	0.7	0.4	0.4	0.0	0.7	0.3	0.5	0.3	0.6	0.5	0.7	0.5	0.8	0.8	1.0								
Commodities	-0.1	0.5	0.5	0.6	0.6	0.6	0.6	0.3	0.2	-0.3	0.3	-0.1	0.1	0.0	0.3	0.1	0.6	0.5	0.5	0.5	0.6	1.0							
Hedge Funds	-0.2	0.8	0.8	0.8	0.8	0.7	0.8	0.6	0.2	-0.3	0.2	0.0	0.2	0.0	0.5	0.4	0.8	0.7	0.6	0.6	0.5	0.5	1.0						
Real Estate	-0.2	0.6	0.6	0.5	0.5	0.5	0.6	0.4	0.2	-0.1	0.2	0.1	0.1	-0.1	0.1	0.2	0.4	0.3	0.3	0.4	0.4	0.3	0.5	1.0					
REITs	-0.2	0.7	0.6	0.6	0.6	0.5	0.7	0.5	0.5	0.1	0.3	0.4	0.5	0.2	0.5	0.5	0.7	0.5	0.6	0.6	0.5	0.3	0.5	0.7	1.0				
Infrastructure	-0.2	0.8	0.7	0.8	0.8	0.7	0.8	0.7	0.4	-0.1	0.5	0.3	0.4	0.2	0.6	0.5	0.8	0.7	0.8	0.8	0.8	0.5	0.7	0.3	0.7	1.0			
Risk Parity	-0.1	0.7	0.6	0.7	0.7	0.7	0.8	0.4	0.5	0.0	0.4	0.3	0.5	0.3	0.7	0.5	0.8	0.7	0.7	0.8	0.7	0.7	0.7	0.4	0.6	0.8	1.0		
Currency Beta	0.0	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1	1.0	

Note: Correlation assumptions are based on the last ten years. Private Equity and Real Estate correlations are especially difficult to model – we have therefore used BarraOne correlation data to strengthen these correlation estimates.

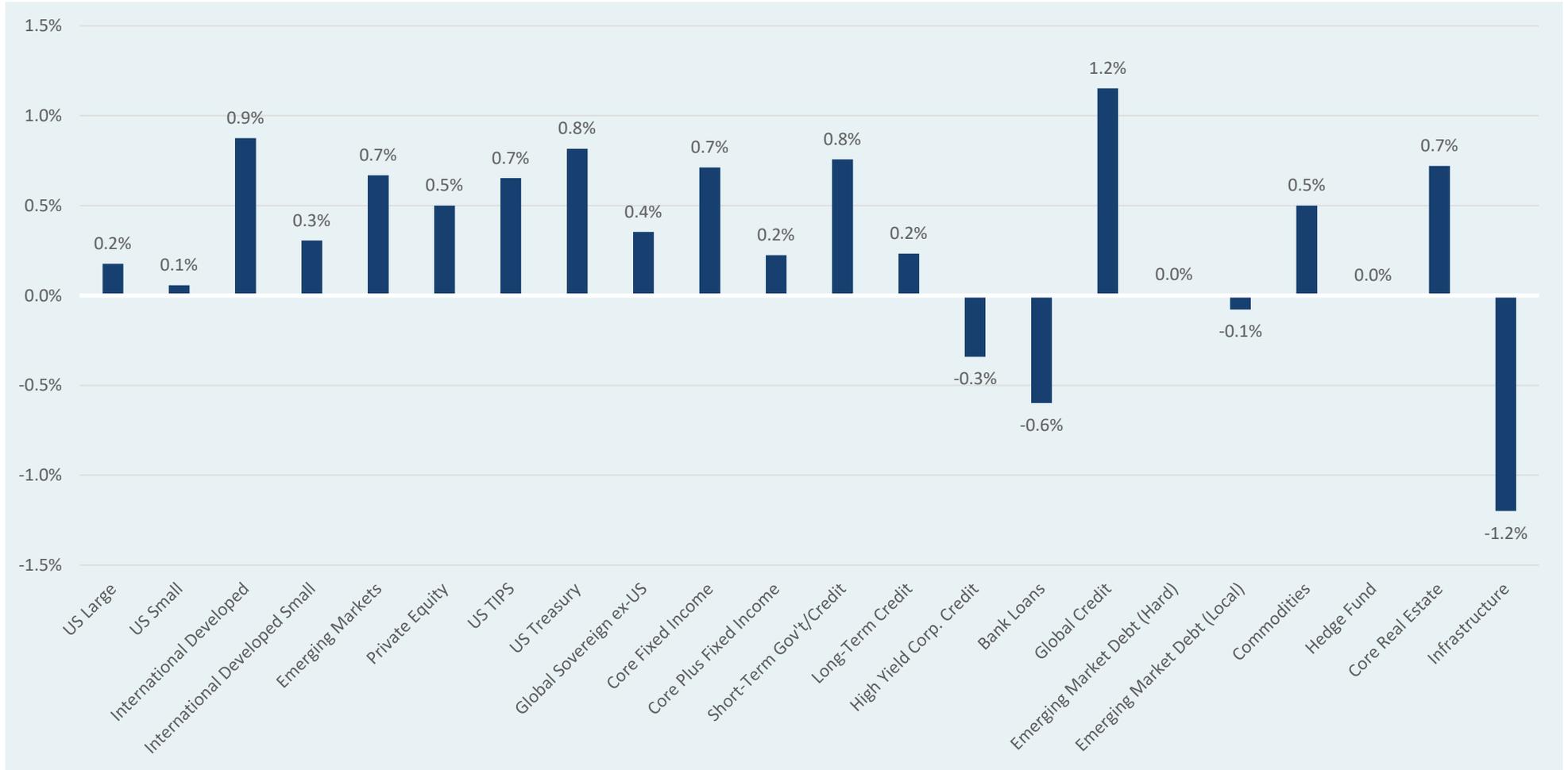
# Range of likely 10-year outcomes

10-YEAR RETURN 90% CONFIDENCE INTERVAL



Source: Verus, MPI

# 2022 vs. 2021 return forecast



Source: Verus, as of 9/30/21

# Relevant forecast changes

- The return expectations of higher quality fixed income increased, as bond yields recovered from pandemic lows. On the other hand, riskier fixed income forecasts were generally lower due to extremely tight credit spreads. Equity return expectations increased modestly as valuations fell and inflation moved higher.
- Inflation expectations increased materially throughout the year as price pressures ramped up and year-over-year growth in U.S. consumer prices reached 5.4% in September. The U.S. TIPS breakeven inflation rate increased from 1.6% to 2.4%, as inflation expectations surpassed pre-COVID levels in the first quarter. Household inflation expectations (University of Michigan) jumped and have tracked much more closely to current inflation levels, moving from 2.7% to 3.0%. The Survey of Professional Forecasters also increased from 2.0% to 2.4%. Overall, our inflation forecast increased from 2.0% to 2.5%. Inflation is an important component of the performance of asset classes such as equities, real estate, and commodities. It is worth noting that inflation expectations affect *nominal* returns, rather than *real* returns.
- Credit spreads have steadily trended lower as markets recovered and the social and business risks from COVID-19 subsided. Spreads are now at historically tight levels, though this may be reflective of very muted credit default activity. Core fixed income spreads came in slightly from 90 bps to 81 bps, and high yield spreads fell from 551 bps to 323 bps.
- The long end of the yield curve increased as the 10-year U.S. Treasury yield climbed from 0.68% to 1.49%. The short end of the curve remained anchored at zero, though as the economy has improved, the market has priced in Fed interest rate hikes as early as 2022. The three-month U.S. dollar LIBOR reference rate showed little change, moving from 0.23% to 0.13%.
- Emerging market hard and local currency debt forecasts were mixed. Hard currency-denominated debt spreads to U.S. Treasury yields decreased from 471 bps to 392 bps. The yield of local-denominated debt fell very slightly from 4.6% to 4.5%.

All data cited above is as of 9/30/21

# SAA analysis

# Mean variance analysis

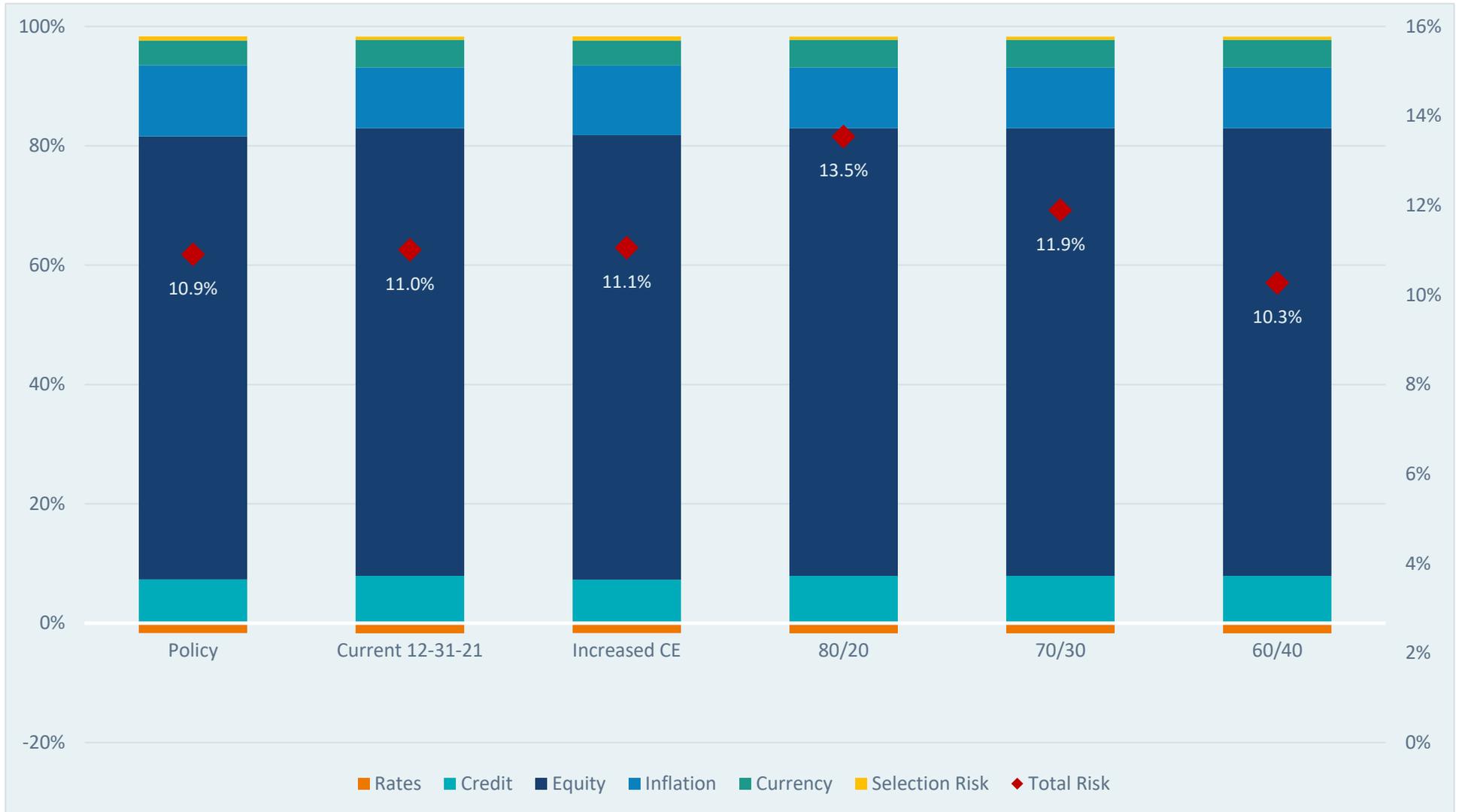
	Policy	Current 12-31-21	Increased Cap Eff	80/20	70/30	60/40	Verus 2022 CMA's (10 Yr)			
							Return (g)	Return (a)	Standard Deviation	Sharpe Ratio (a)
Global Equity <sup>1</sup>	37.0	42.4	37.0	80.0	70.0	60.0	5.7	7.1	17.3	0.39
<b>Total Equity</b>	<b>37</b>	<b>42</b>	<b>37</b>	<b>80</b>	<b>70</b>	<b>60</b>				
Core Fixed Income	4.0	4.1	4.0	0.0	0.0	0.0	2.2	2.3	4.1	0.46
Core Plus Fixed Income	10.0	7.9	10.0	20.0	30.0	40.0	2.4	2.5	4.0	0.51
High Yield Corp. Credit	6.0	5.8	6.0	0.0	0.0	0.0	3.1	3.7	11.2	0.30
Emerging Market Debt <sup>2</sup>	4.0	4.7	4.0	0.0	0.0	0.0	4.7	5.4	12.4	0.41
<b>Total Fixed Income</b>	<b>24</b>	<b>23</b>	<b>24</b>	<b>20</b>	<b>30</b>	<b>40</b>				
Commodities	4.0	5.4	4.0	0.0	0.0	0.0	3.0	4.2	15.9	0.24
Core Real Estate	5.0	5.4	5.0	0.0	0.0	0.0	6.5	7.2	12.5	0.54
Private Real Estate	5.0	1.4	5.0	0.0	0.0	0.0	9.0	10.5	17.7	0.57
Midstream	5.0	5.3	5.0	0.0	0.0	0.0	7.9	11.8	29.8	0.38
<b>Total Real Assets</b>	<b>19</b>	<b>18</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>				
Hedge Fund	10.0	10.0	10.0	0.0	0.0	0.0	3.8	4.1	7.7	0.48
Private Equity	5.0	2.1	5.0	0.0	0.0	0.0	9.5	12.4	26.0	0.46
Private Credit <sup>3</sup>	5.0	5.5	5.0	0.0	0.0	0.0	7.7	9.1	17.5	0.50
<b>Total Non-Public Investments</b>	<b>20</b>	<b>18</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>				
Alpha Pool	5.0	4.8	8.0	0.0	0.0	0.0	3.8	4.1	7.7	0.48
Cash	-5.0	-4.8	-8.0	0.0	0.0	0.0	0.4	0.4	1.2	-
<b>Total Allocation</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>				

	Policy	Current 12-31-21	Increased Cap Eff	80/20	70/30	60/40
<b>Mean Variance Analysis</b>						
<b>Forecast 30 Year Return</b>	<b>6.0</b>	<b>5.7</b>	<b>6.1</b>	<b>5.2</b>	<b>5.0</b>	<b>4.7</b>
Standard Deviation	12.0	12.6	12.3	14.1	12.5	10.9
Return/Std. Deviation	0.5	0.5	0.5	0.4	0.4	0.4
1st percentile ret. 1 year	-18.4	-19.6	-18.7	-22.7	-20.2	-17.7
Sharpe Ratio	0.51	0.47	0.51	0.40	0.41	0.43

Source: MPI and Verus

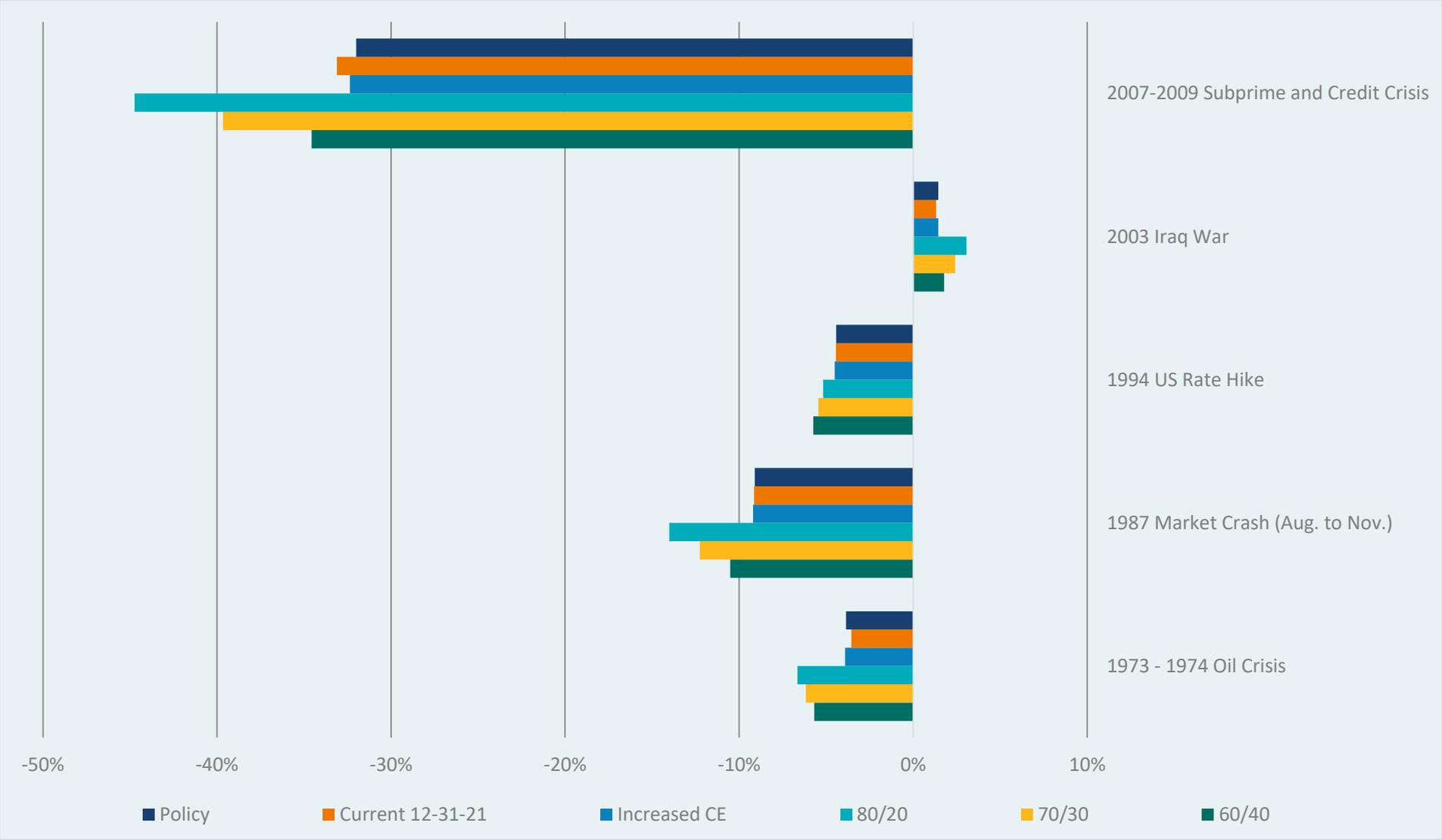
<sup>1</sup> Includes opportunistic equity strategies; <sup>2</sup> Includes hard and local EMD; <sup>3</sup> Includes direct lending, credit opportunities and distressed credit

# Risk decomposition



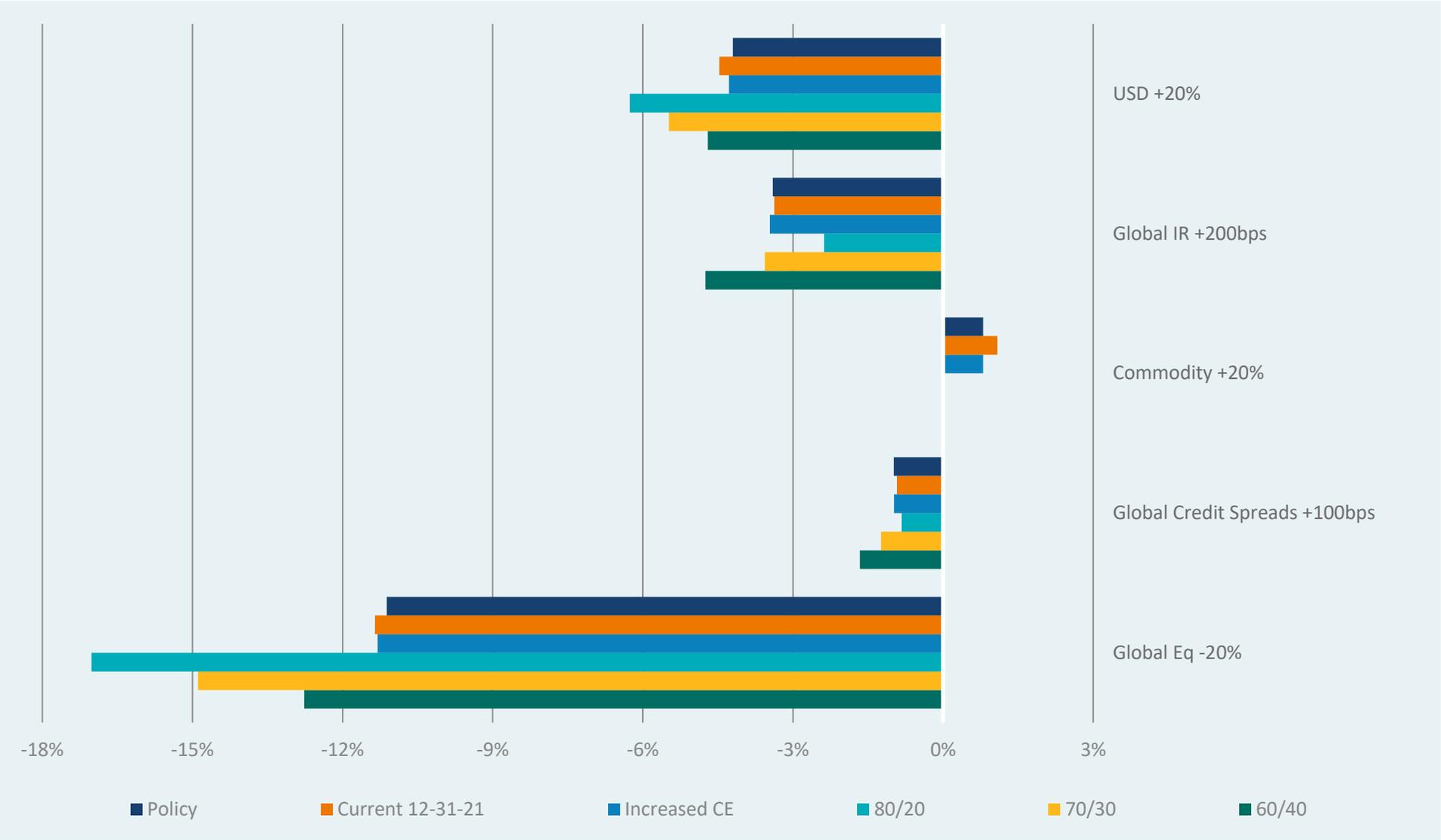
Source: Barra

# Scenario analysis



Source: Barra

# Stress tests



Source: Barra

# Allocation Ranges

Asset Class	Current	Proposed	Current Range		Proposed Range		
	Allocation	Allocation	Low	High	Low	High	
Global Equity	37%	37%	32%	46%	26%	48%	Increases range to +/-11% from +9%/-5%
Domestic			16%	27%	13%	28%	Increases range to 15% from 11%
International Developed			8%	18%	6%	18%	Reduces low end of range to 6% from 8%
Emerging Markets			1%	9%	1%	9%	
Fixed Income	24%	24%	20%	34%	14%	34%	Changes range to +/-10% from +10%/-4%
Core Fixed Income	4%	4%					
Core Plus Fixed Income	10%	10%	12%	25%	8%	25%	Reduces low end of range to 8% from 12%
HY Corp Credit	6%	6%	3%	9%	2%	9%	Reduces low end of range to 2% from 3%
Emerging Market Debt	4%	4%	1%	7%	1%	7%	
Core Real Estate	5%	5%	3%	7%	2%	8%	Increases range to +/-3% from +/-2%
Commodities	4%	4%	0%	6%	0%	8%	Increases range to +/-4% from +2%/-4%
Midstream Energy	5%	5%	0%	7%	0%	8%	Increases high end of range to 7% from 8%
Hedge Funds	10%	10%	5%	15%	5%	15%	
Alpha Pool	5%	8%	0%	7%	2%	10%	Increases range to +2%/-6% from +2%/-5%
Private Equity	5%	5%	0%	10%	0%	10%	
Private Credit	5%	5%	0%	10%	0%	10%	
Private Real Estate	5%	5%	0%	10%	0%	10%	
Opportunistic	0%	0%	0%	10%	0%	10%	
Cash exposure	-5%	-8%	-7%	5%	-10%	5%	Increases range to +13%/-2% from +10%/-2%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>					

Increasing selected allocation ranges will provide KCERA Investment Staff with additional flexibility to respond to market variability

# Benchmark adjustments

# Benchmarks

## — Domestic Equity Composite

- Change from Russell 3000 to MSCI USA IMI
- Reasoning – Change to all MSCI indexes for provider consistency across equity composites

## — Global Equity Composite

- Change from MSCI ACWI IMI GD (Gross of Dividend withholding tax) to MSCI ACWI IMI ND (net of dividend withholding tax)
- Reasoning – GD is more appropriate for actively managed portfolios. Since the international equity portfolio is now largely passively managed, the ND benchmark is more appropriate.

## — Emerging Market Debt

- Change from 50 JPM EMBI Global Div/ 50 JPM GBI EM to 50 JPM EMBI Global Div/50 JPM GBI EM Global Div
- Reasoning – The GBI EM Global provides for a cap on maximum exposure and increased diversification and is also more widely utilized

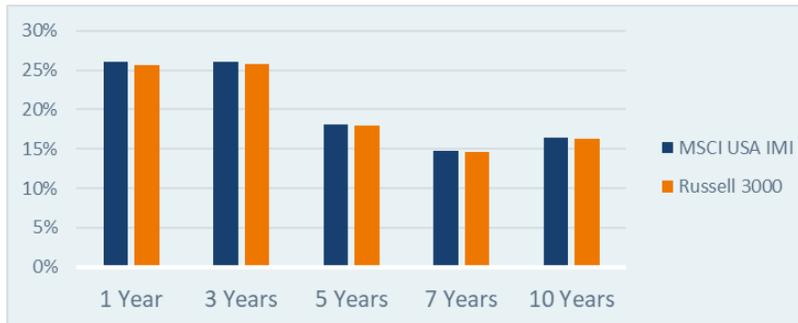
# Domestic equity composite

The Russell 3000 and MSCI USA IMI benchmarks provide similar characteristics and performance comparisons and are largely interchangeable

- Russell 3000: The Russell 3000 Index measures the performance of the largest 3,000 US companies representing approximately 97% of the investable US equity market.
- MSCI USA IMI (USD): The MSCI USA Investable Market Index (IMI) is designed to measure the performance of the large, mid and small cap segments of the US market. With 2,575 constituents, the index covers approximately 99% of the free float-adjusted market capitalization in the US.

Sector Weights	Russell 3000	MSCI USA IMI
Information Technology	27.67%	27.17%
Health Care	12.67%	13.09%
Consumer Discretionary	15.29%	12.07%
Financials	11.75%	11.82%
Communication Services	2.76%	8.84%
Industrials	12.90%	8.83%
Consumer Staples	5.14%	5.77%
Energy	3.77%	3.65%
Real Estate	3.53%	3.43%
Materials	1.75%	2.84%
Utilities	2.77%	2.50%

Annualized Performance



Calendar-Year Performance

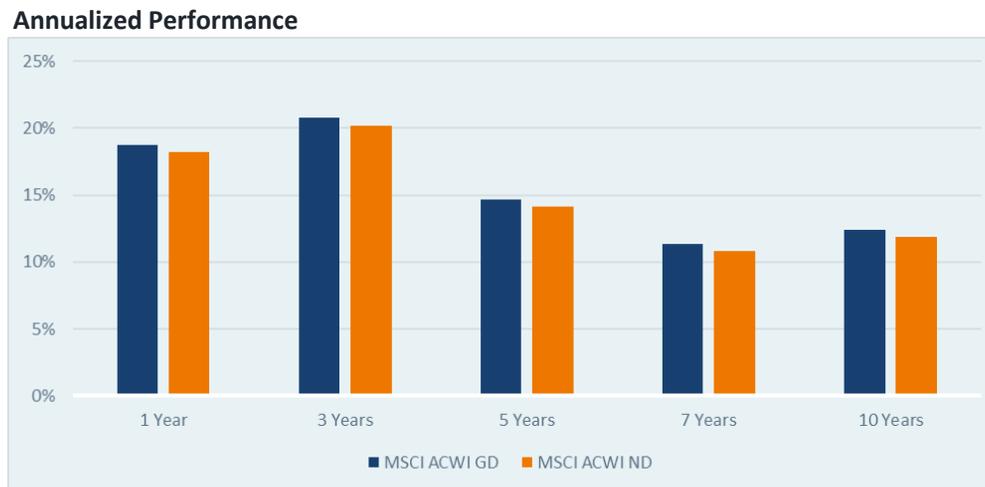


# Global equity

The Gross Dividends version of the benchmark was used previously to account for active manager efforts to manage tax implications. With a moves towards passive management, the Net Dividends version is more appropriate for KCERA's international equity allocation.

- The Gross Dividends index reinvests as much as possible of a company's dividend distributions. The reinvested amount is equal to the total dividend amount distributed to investors residing in the country of the dividend-paying company. The Gross total return index does not, however, include any tax credits.
- The Net Dividends index reinvests dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

The ND index shows slightly lower returns over time and is an easier benchmark to beat.



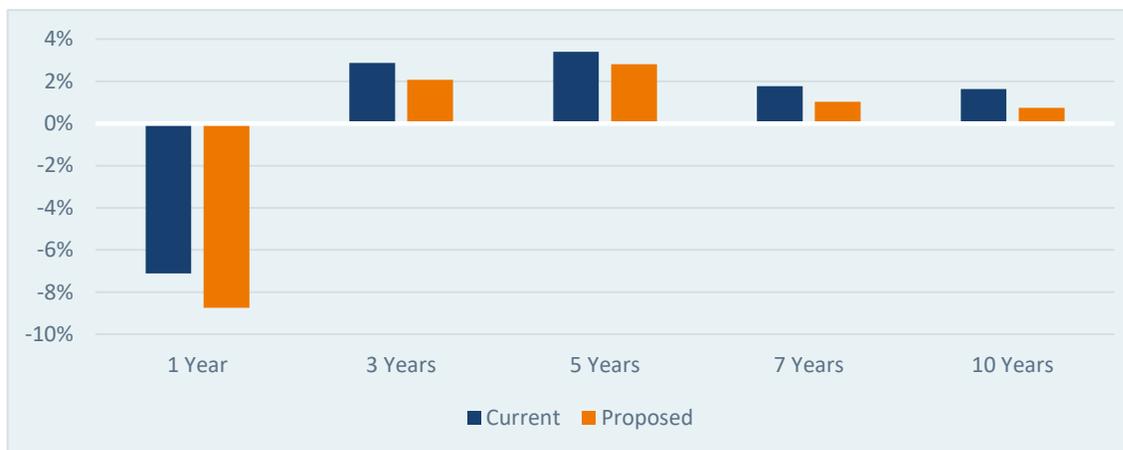
# Emerging market debt

KCERA's current EMD benchmark is a 50/50 mix of JP Morgan's hard and local currency indexes. The local currency portion is the narrowest version of the benchmark, and we believe a broader, more diverse version better reflects the opportunity set.

- The current version reflects markets that are directly investable and accessible to foreign investors. The index is capitalization weighted, based on outstanding debt.
- The proposed version includes additional countries (i.e., Indonesia and Thailand) that are accessible to most of the international investor base. It also increases diversification by applying a 10% allocation cap to the maximum weight for any country in the index.

The proposed benchmark is JP Morgan's most widely used local currency EM index

Annualized Blended Benchmark Performance



# Recommendations and next steps

# Recommendations

## CEP

- Revise Capital Efficiency Program beta target sources from 100% equity to:
  - 25% equity (S&P 500 futures)
  - 55% rates (Treasury futures)
  - 20% commodities (Commodities futures)
- Gain commodities beta exposure through current Wellington mandate
  - Change from commingled fund to separate account
  - Change from fully collateralized to partially collateralized in line with overall CEP collateral target
- Adjust CE Program collateral pool such that reserve collateral is reduced from 55% to 30%

## SAA

- Increase allocation to Capital Efficiency and the Alpha Pool to 8%
- Adjust policy allocation ranges to allow staff additional management flexibility

## Benchmarks

- Change policy benchmarks as follows:
  - Domestic Equity Composite from Russell 3000 to MSCI USA IMI for reporting purposes
  - Global Equity Composite from MSCI ACWI IMI GD (Gross of Dividend withholding tax) to MSCI ACWI IMI ND (net of dividend withholding tax) for performance reporting purposes
  - EM Debt from 50 JPM EMBI Global Div/ 50 JPM GBI EM to 50 JPM EMBI Global Div/50 JPM GBI EM Global Div for performance reporting purposes and also in the investment policy

# Potential next steps

- Obtain Board approval
- Implement asset allocation and CE Program changes
- Prepare revised Investment Policy Statement for review



**Date:** April 13, 2022  
**To:** Trustees, Board of Retirement  
**From:** Dominic D. Brown, Chief Executive Officer *Dominic D. Brown*  
**Subject:** **2022-23 Chief Executive Officer Performance Evaluation Criteria**

In accordance with the Chief Executive Officer Performance Evaluation Policy, the Chief Executive Officer Performance Evaluation Criteria must be reviewed by the Administrative Committee each year for the twelve-month period in which the criterion is effective. Following is the criteria with weightings that were approved for 2021-2022, and will be used for 2022-2023:

**CHIEF EXECUTIVE OFFICER  
PERFORMANCE EVALUATION CRITERIA**

1. General Management Abilities as determined by the CEO Evaluation Survey	30%
2. Financial Accounting and Reporting	15%
3. Budgetary Control	15%
4. Strategic Plan Implementation	40%
	<hr/> <hr/> <b>100%</b>

The Chief Executive Officer is required to annually complete a self-evaluation and to share that with the Board, along with the results of a Climate Survey.

The Administrative Committee heard the matter at its meeting on March 23, 2022 and voted unanimously to recommend approval to the Board of Retirement. Therefore, it is recommended that your Board approve the 2022-2023 Chief Executive Officer Performance Evaluation Criteria.



## SACRS VOTING PROXY FORM

The following are authorized by the \_\_\_\_\_ County Retirement Board to vote on behalf of the County Retirement System at the upcoming SACRS Conference

*(If you have more than one alternate, please attach the list of alternates in priority order):*

\_\_\_\_\_ Voting Delegate

\_\_\_\_\_ Alternate Voting Delegate

These delegates were approved by the Retirement Board on \_\_\_\_ / \_\_\_\_ / \_\_\_\_.

The person authorized to fill out this form and submit electronically on behalf of the Retirement Board:

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Position: \_\_\_\_\_

Date: \_\_\_\_\_

Please send your system's voting proxy by April 28, 2022 to Sulema H. Peterson, SACRS Executive Director at [Sulema@sacrs.org](mailto:Sulema@sacrs.org).



March 15, 2022

To: SACRS Trustees & SACRS Administrators/CEO's  
From: Dan McAllister, SACRS Immediate Past President, Nominating Committee Chair  
SACRS Nominating Committee  
Re: SACRS Board of Director Elections 2022-2023 Elections – Final Ballot

---

SACRS BOD 2022-2023 election process began January 2022. Please provide the final ballot and voting instructions to your Board of Trustees and Voting Delegates.

DEADLINE	DESCRIPTION
March 1, 2022	Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations no later than noon on March 1 of each calendar year regardless of whether March 1 is a Business Day. Each candidate may run for only one office. Write-in candidates for the final ballot, and nominations from the floor on the day of the election, shall not be accepted.
March 25, 2022	The Nominating Committee will report a final ballot to each regular member County Retirement System prior to March 25
May 13, 2022	Nomination Committee to conduct elections during the SACRS Business Meeting at the Spring Conference, May 10-13, 2022
May 13, 2022	Board of Directors take office for 1 year (until Spring 2023 Elections)

**Per SACRS Bylaws, Article VIII, Section 1. Board of Director and Section 2. Elections of Directors:**

**Section 1. Board of Directors. The Board shall consist of the officers of SACRS as described in Article VI, Section 1, the immediate Past President, and two (2) regular members**

**A. Immediate Past President.** *The immediate Past President, while he or she is a regular member of SACRS, shall also be a member of the Board. In the event the immediate Past President is unable to serve on the Board, the most recent Past President who qualifies shall serve as a member of the Board.*

**B. Two (2) Regular Members.** *Two (2) regular members shall also be members of the Board with full voting rights.*

**Section 2. Elections of Directors.** *Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations no later than noon on March 1 of each calendar year regardless of whether March 1 is a Business Day. Each candidate may run for only one office. Write-in candidates for the final ballot, and nominations from the floor on the day of the election, shall not be accepted.*

*The Nominating Committee will report its suggested slate, along with a list of the names of all members who had been nominated, to each regular member County Retirement System prior to March 25. The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee's suggested slate to each trustee and placing the election of SACRS Directors on his or her board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee.*



*Director elections shall take place during the first regular meeting of each calendar year. The election shall be conducted by an open roll call vote, and shall conform to Article V, Sections 6 and 7 of these Bylaws.*

*Newly elected Directors shall assume their duties at the conclusion of the meeting at which they are elected, with the exception of the office of Treasurer. The incumbent Treasurer shall co-serve with the newly elected Treasurer through the completion of the current fiscal year.*

The elections will be held at the SACRS Spring Conference on Friday, May 13, 2022 during the scheduled business meeting at the Omni Rancho Las Palmas Hotel and Resort in Rancho Mirage, CA.

**SACRS Nominating Committee Recommended Slate:**

- President – Vivian Gray, Los Angeles CERA
- Vice President – David MacDonald, Contra Costa CERA
- Treasurer – Jordan Kaufman, Kern CERA
- Secretary – Adele Tagaloa, Orange CERS
- Regular Member – Vere Williams, San Bernardino CERA
- Regular Member – David Gilmore, San Diego CERA

No other letters of intent or submissions were received.

Please prepare your voting delegate to have the ability to vote by the recommended ballot and by each position separately.

If you have any questions, please contact me at Dan McAllister, [Dan.McAllister@sdcountry.ca.gov](mailto:Dan.McAllister@sdcountry.ca.gov) or (619) 531-5231.

Thank you for your prompt attention to this timely matter.

Sincerely,

*Dan McAllister*

Dan McAllister, San Diego CERA Trustee  
SACRS Nominating Committee Chair

CC: SACRS Board of Directors  
SACRS Nominating Committee Members  
Sulema H. Peterson, SACRS Executive Director

Attached: Candidate submissions

# SACRS Submission for President

# VIVIAN H. GRAY

300 N. LAKE AVENUE, SUITE 820 ~PASADENA, CA 91101 ~ VGRAY@LACERA.COM

February 23, 2022

VIA EMAIL

SACRS Nominating Committee  
Mr. Dan McAllister, Chair

Dear Mr. McAllister and Members of the Nominating Committee:

I would like to express my desire to be considered for SACRS' President for 2022/2023.

I have been humbly honored to serve as SACRS President for two years. 2020 was a very difficult year for everyone. SACRS was no exception. 2021 was difficult also as we had to get back on our feet, stand tall and continue with our mission in spite of a "new normal" we faced.

My focus in 2021 for SACRS expanded two original concepts of "Relevance and Sustainability" to "Recovery, Relevance and Sustainability". Within these three concepts, SACRS was able to begin 'recovery' from the pandemic while adhering to health restrictions; remain 'relevant' to the pension community through innovative approaches to education and 'sustainable' by building on technological advances to return to live conference for our members yet also continue to provide quality education through alternative mediums.

Most notably SACRS accomplishments for 2020 and 2021 include, but are not limited to the following:

- Continued communications with 37 Act systems and administrators through SACRS' website and SACRS Magazine
- Presentation of SACRS 2020 conferences in a virtual format without sacrificing quality of speakers, presentations or interactions among trustees, affiliates and staff and "in-person" return in 2021 and Spring 2022.
- Presenting the SACRS Berkeley Education Program in a virtual format with on-demand replays of the classes presented
- Maintaining an active role in the legislative process as it affected county retirement systems

In spite of the pandemic and post pandemic challenges, I am very proud of the work SACRS' Board has accomplished under my leadership. We continue to be productive while recovering and remaining relevant and sustainable for the SACRS membership.

I would be honored to serve another term as President of SACRS. Thank you in advance for your consideration of my candidacy for re-election.

Sincerely,

*Vivian Gray*

cc: Sulema Peterson, SACRS

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**SACRS Nomination Submission Form  
SACRS Board of Directors Elections 2022-2023**

All interested candidates must complete this form and submit along with a letter of intent. **Both the form and the letter of intent must be submitted no later than March 1, 2022.** Please submit to the Nominating Committee Chair at [Dan.McAllister@sdcounty.ca.gov](mailto:Dan.McAllister@sdcounty.ca.gov) AND to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

<b>Name of Candidate</b>	Name: Vivian H. Gray
<b>Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address)</b>	Mailing Address: 300 N. Lake Ave., Ste. 820, Pasadena CA 91101 Email Address: viviangray@aol.com, vgray@lacera.com Phone: 213.440.0142
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name: Los Angeles County Employees Retirement Assoc. (LACERA)
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> Chair <input type="radio"/> Alternate <input checked="" type="radio"/> General Elected <input type="radio"/> Retiree <input type="radio"/> Other _____
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input checked="" type="radio"/> President <input type="radio"/> Vice President <input type="radio"/> Treasurer <input type="radio"/> Secretary <input type="radio"/> Regular Member
<b>Brief Bio</b>	2021 President, SACRS 2019 Vice Chair, SACRS President 2017 Chair, SACRS Bylaws Committee Elected general member trustee since 2012 38 years of service to Los Angeles County 10 years in Law Enforcement 28 years as an attorney for Los Angeles County 6 years in private law practice Education/Pension Trustee Certificates  - Bachelors of Arts: UCLA - JD: UWLA - New York Law School -Public Pension Trustee Fiduciary Program - Stanford Law School (CALAPRS) -Principles of Pension Management - Harvard Law School Program - Trustee Work Life - UC Berkeley (SACRS) - Modern Investment Theory & Practice for Retirement Systems - IFEBP -Trustee Master's Program - NCPERS Public Pension Funding Forum - National Assoc. of Corporate Directors (NACD) Board Leadership Fellow

# SACRS Submission for Vice President

David J MacDonald, MD

255 Ramsgate Way  
Vallejo, CA 94591  
dmacdcccera@gmail.com  
510-409-4458 (mobile)

February 11, 2022

SACRS Nominating Committee  
Mr. Dan McAllister, Chair

Dear Mr. McAllister,

I would like to express my interest in running as Vice President for the SACRS' Board of Directors for the 2021/2022 year.

I was first elected to the SACRS board in 2020. I am also an elected trustee of the CCCERA Retirement Board (since 2016) and currently serve as CCCERA Board Vice Chair. I appreciate the level of responsibility entrusted to me in looking after our members' retirement plans. I understand the incredible value of a defined benefit plan for my coworkers and our retirees.

I have a long history of dedicated service to my coworkers and union members and I carry this spirit into my role as an elected trustee. My work with SACRS has meant for further education and inspiration from the SACRS organization via its conferences and programs. SACRS has enhanced my abilities to serve as an effective CCCERA trustee.

I desire to continue my service on the SACRS board. Doing so allows me to further promote, protect and build upon pension programs under CERL for county public employees statewide.

Thank you for your time and consideration.

Sincerely and Respectfully,

*David J MacDonald, MD*

David J MacDonald, MD



**SACRS Nomination Submission Form  
SACRS Board of Directors Elections 2021-2022**

All interested candidates must complete this form and submit along with a letter of intent. **Both the form and the letter of intent must be submitted no later than March 1, 2022.** Please submit to the Nominating Committee Chair at [Dan.McAllister@sdcountry.ca.gov](mailto:Dan.McAllister@sdcountry.ca.gov) AND to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

<b>Name of Candidate</b>	Name: David J. MacDonald, MD
<b>Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address)</b>	Mailing Address: 255 Ramsgate Way, Vallejo, CA 94591  Email Address: <a href="mailto:dmacdcccera@gmail.com">dmacdcccera@gmail.com</a>  Phone: 510-409-4458
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name: CCCERA
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> Chair <input type="radio"/> Alternate <input checked="" type="radio"/> <b>General Elected X</b> <input type="radio"/> Retiree <input type="radio"/> Other _____
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input type="radio"/> President <input checked="" type="radio"/> <b>Vice President X</b> <input type="radio"/> Treasurer <input type="radio"/> Secretary <input type="radio"/> Regular Member
<b>Brief Bio</b>	* SACRS Board of Directors, Member – 2020-2021 & 2021-2022 * Vice Chair, CCCERA Board of Retirement * Elected general member trustee of CCCERA since 2016 * President, Physicians' and Dentists' of Contra Costa (PDOCC), since 2010 (Union for health care providers working at Contra Costa County). * 28 years serving on the PDOCC Executive Board, including many years as Vice President and President. * 31 years of service to Contra Costa County as a physician working in the Department of Health Services. * Education/Pension Trustee Certificates: - Bachelors of Science, Biology – UC Irvine - Doctor of Medicine – UC Irvine - UC Berkeley (SACRS) – Modern Investment Theory & Practice for Retirement Systems - Wharton Business School – Portfolio Concepts & Management - IFEBP – CAPP program - CALAPRS Trustee Education – Principles of Pension Governance

# SACRS Submission for Treasurer



**Jordan Kaufman**  
*Treasurer and Tax Collector*  
**Chase Nunneley**  
*Assistant Treasurer and Tax Collector*

February 9, 2022

Dan McAllister, Nominating Committee Chairman  
 State Association of County Retirement Systems

Re: Letter of interest for SACRS position of Treasurer of the Board of Directors

Dear Mr. McAllister and members of the Nominating Committee,

Thank you for the opportunity to express my interest in the position of Treasurer of the SACRS Board of Directors. I believe that I have the knowledge, experience and motivation to add value to the Board. I am in my second term as the elected Kern County Treasurer-Tax Collector, and I am a 17 year member of the Kern County Employees Retirement Association (KCERA) as a general elected, alternate, and statutory trustee. I have a deep background in public fund investment and retirement plan administration and I am or have been the Treasurer of many organizations and associations.

As the elected Treasurer-Tax Collector, I manage the County's \$4.5 billion treasury pool, provide banking services to over 200 different county agencies and districts, and collect over \$1.3 billion in local property taxes. I am also the Plan Administrator for the County's 457(b) deferred compensation plan with over \$720 million in participant assets.

I am or have been the Treasurer of the following entities: County of Kern; California Association of County Treasurer's and Tax Collectors (CACTTC); United Way of Kern County; Boy Scouts of America Southern Sierra Council; California Statewide Communities Development Authority (CSCDA); and Kern County Management Council.

I have dedicated my career to public service and I am proud to serve the residents of Kern County and the employees of the County of Kern. I am interested in becoming more involved in pension and investment management on a larger scale and I feel that my knowledge and expertise outlined above would make me a good candidate for the Treasurer of the Board. I feel I could bring value to the board while at the same time expanding my knowledge base in pension management and administration.

Attached is my resume for your information. Thank you in advance for your consideration and feel free to call me if you have any questions at 661-204-1510.

Sincerely,

Jordan Kaufman  
 Kern County Treasurer-Tax Collector  
 Deferred Compensation Plan Administrator

Attachment

M:\Administration\SACRS\SACRS Board Letter of Interest.doc



**SACRS Nomination Submission Form  
SACRS Board of Directors Elections 2022-2023**

All interested candidates must complete this form and submit along with a letter of intent. **Both the form and the letter of intent must be submitted no later than March 1, 2022.** Please submit to the Nominating Committee Chair at [Dan.McAllister@sdcountry.ca.gov](mailto:Dan.McAllister@sdcountry.ca.gov) AND to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

<b>Name of Candidate</b>	Name: Jordan Kaufman
<b>Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address)</b>	Mailing Address: 1115 Truxtun Avenue, 2nd floor Bakersfield, CA 93301 Email Address: <a href="mailto:jkaufman@kerncounty.com">jkaufman@kerncounty.com</a> Phone: (661) 868-3454
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name: Kern County Employees' Retirement Association
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> Chair <input type="radio"/> Alternate <input type="radio"/> General Elected <input type="radio"/> Retiree <input checked="" type="radio"/> Other <u>Statutory</u>
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input type="radio"/> President <input type="radio"/> Vice President <input checked="" type="radio"/> Treasurer <input type="radio"/> Secretary <input type="radio"/> Regular Member
<b>Brief Bio</b>	<p>I am in my second term as the elected Kern County Treasurer-Tax Collector with fiduciary responsibility over the \$4.5 billion Treasury Investment Pool and the responsibility of annually collecting over \$1.3 billion in local property taxes. I am also the Plan Administrator for the \$720 million deferred compensation plan for County employees. Prior to being elected, I became the assistant Treasurer-Tax Collector in 2006. Prior to 2006, I spent over a decade in the County Administrative Office where I performed budget and policy analysis and was involved in the issuance of various types of municipal bonds for the County. I am the Treasurer and past Chairman of the United Way of Kern County, Trustee and past Chairman of the Kern County Employees Retirement Association (KCERA), Commissioner on the California Statewide Communities Development Authority (CSCDA), Treasurer of the Boy Scouts of America Southern Sierra Council, and an Adjunct Professor at the California State University Bakersfield. I have a Bachelor of Science degree in Industrial Technology from Cal Poly San Luis Obispo. I live in Bakersfield with my beautiful wife Kristen and we have four children.</p>

# SACRS Submission for Secretary

**Serving the Active and Retired Members of:**

CITY OF SAN JUAN  
CAPISTRANO

COUNTY OF ORANGE

ORANGE COUNTY  
CEMETERY DISTRICT

ORANGE COUNTY CHILDREN &  
FAMILIES COMMISSION

ORANGE COUNTY  
DEPARTMENT OF EDUCATION  
(CLOSED TO NEW MEMBERS)

ORANGE COUNTY  
EMPLOYEES RETIREMENT  
SYSTEM

ORANGE COUNTY FIRE  
AUTHORITY

ORANGE COUNTY IN-HOME  
SUPPORTIVE SERVICES PUBLIC  
AUTHORITY

ORANGE COUNTY LOCAL  
AGENCY FORMATION  
COMMISSION

ORANGE COUNTY PUBLIC LAW  
LIBRARY

ORANGE COUNTY  
SANITATION DISTRICT

ORANGE COUNTY  
TRANSPORTATION  
AUTHORITY

SUPERIOR COURT OF  
CALIFORNIA, COUNTY  
OF ORANGE

TRANSPORTATION  
CORRIDOR AGENCIES

UCI MEDICAL CENTER AND  
CAMPUS (CLOSED TO NEW  
MEMBERS)

February 23, 2022

*By Mail and Electronic Mail [dan.mcallister@sdcounty.ca.gov]*

Mr. Dan McAllister  
SACRS Nominating Committee Chair  
SACRS  
840 Richards Blvd.  
Sacramento, CA 95811

Re: NOMINATION FOR SACRS BOARD OF DIRECTORS ELECTION 2022-2023

Dear Mr. McAllister:

**This letter supersedes the letter I sent to you earlier today.**

As a regular member of SACRS, the Orange County Employees Retirement System (OCERS) is entitled, under the SACRS Bylaws, Article VIII, Section 2, to submit nominations for the election of directors for the SACRS Board of Directors.

On February 22, 2022, the OCERS Board of Retirement met and took action to nominate OCERS trustee, Adele Tagalao, for the position of SECRETARY of the SACRS Board of Directors, and directed me to submit this nomination to the SACRS Nominating Committee.

Accordingly, please accept this letter as **OCERS' nomination of OCERS Trustee, Adele Tagalao, for election to the position of SECRETARY of the SACRS Board of Directors at the 2022-2023 SACRS Board of Directors Election to take place on May 13, 2022.**

Please do not hesitate to contact me at (714) 558-6222 if you have any questions or require additional information.

Thank you.

Best regards,



Steve Delaney - Chief Executive Officer  
cc: Sulema H. Peterson, SACRS Administrator

# Adele Tagaloa

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2223 East Wellington Ave, Suite 100, Santa Ana, CA 92804 | 714-349-9716 | [atagaloa@ocers.org](mailto:atagaloa@ocers.org)

**February 24, 2022**

Mr. Dan McAllister  
SACRS Immediate Past President, Nominating Committee Chair  
State Association of County Retirement Systems (SACRS)  
840 Richards Blvd  
Sacramento, CA 95811

**Dear Mr. Dan McAllister:**

Please accept this letter of my intent to run for SACRS Board of Directors for the office of Secretary.

My 15 years of leadership experience in the private and public sector makes me an exceptional candidate for SACRS Secretary. My experience serving (1) as an Executive Board member of my employee labor organization; (2) my employment by the Registrar of Voters to ensure accurate and transparent elections for 1.8 million registered Orange County voters; and most importantly (3) my service as a Trustee on the Orange County Employees Retirement System has made me uniquely qualified to serve on the SACRS Board of Directors.

My passion for democracy, organized labor, and accessibility education has been the cornerstone of my career and life. Since I have been elected to the OCERS Board of Retirement, my personal trustee education has been one of my main priorities. Although the last two years has proven to be a challenge for in-person education, I prioritized expanding my knowledge on pensions and legislation.

While attending SACRS Fall Conference in 2021, the level of professionalism and outstanding leadership solidified my desire to be more than a future attendee. In SACRS, I have found an organization that like me, understands the challenge and importance of pensions, education and duty for trustees in the CERL 37 Act Systems. I have shared too many people about the fantastic speakers and the subjects that reach beyond pensions at SACRS.

Using my leadership experience, it is my goal to continue to share all the benefits of SACRS to members, support leadership and to continue to make SACRS the premier pension organization in a changing world.

It would be an honor to serve on the SACRS Board of Directors as Secretary and truly appreciate your consideration.

Sincerely,



**Adele Tagaloa**  
Trustee, General Member-Elected  
Orange County Employees Retirement System (OCERS)



**SACRS Nomination Submission Form  
SACRS Board of Directors Elections 2022-2023**

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<b>Name of Candidate</b>	<b>Adele Tagaloa</b>
<b>Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address)</b>	Mailing Address: <b>2223 East Wellington Ave, Suite 100 Santa Ana, CA 92701</b> Email Address: <a href="mailto:atagaloa@ocers.org">atagaloa@ocers.org</a> <a href="mailto:adele.tagaloa@gmail.com">adele.tagaloa@gmail.com</a> Phone: <b>(714) 349-9716</b>
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name: <b>Orange County Employees Retirement System (OCERS)</b>
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> Chair <input type="radio"/> Alternate <input checked="" type="radio"/> General Elected <input type="radio"/> Retiree <input type="radio"/> Other _____
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input type="radio"/> President <input type="radio"/> Vice President <input type="radio"/> Treasurer <input checked="" type="radio"/> Secretary <input type="radio"/> Regular Member
<b>Brief Bio</b>	<ul style="list-style-type: none"> <li>◆ <b>Member, SACRS Program and Bylaws Committee</b></li> <li>◆ <b>Elected General Member Trustee, OCERS, 2020 to present</b> 12 1/2 years of service to the County of Orange Proudly serving 1.8 million registered voters at the Registrar of Voters office</li> <li>◆ <b>Chair, OCERS Disability Committee 2020 to present</b></li> <li>◆ <b>Vice- Chair, OCERS Investment Committee 2022 to present</b></li> <li>◆ <b>Member, OCERS Governance Committee member 2022 to present</b></li> <li>◆ <b>Union Steward, Orange County Employees Association (OCEA) 2012 to present</b></li> <li>◆ <b>Board of Directors, OCEA 2018 to present</b></li> <li>◆ <b>Executive Board of Directors - Secretary, OCEA 2020 to present</b></li> <li>◆ <b>Political Action Committee and Scholarship Committee member, OCEA</b></li> </ul> <p><b>Public Pension Trustee Certificates:</b> Public Pension Investment Management Program - UC Berkeley CALAPRS Principles of Pension Governance and Principles for Trustees Completed 190 hours of education, 2020 - present</p>

## SACRS Submission for General Board Member

February 28, 2022

VIA Email

Dan McAllister,  
SACRS Immediate Past President/ Nominating Committee Chair  
SACRS Nominating Committee

Dear Mr. Immediate Past President/Nominating Committee Chair McAllister,

Please accept this letter as my letter of intent to be a candidate to be re-elected to the position of Regular Member in SACRS Board of Directors Elections 2022-2023.

If re-elected as a Regular Member, I will continue working to ensure that SACRS remain the preeminent educational organization for the CERL 37 Act Systems by maintaining the high caliber of our conferences (both as formal seminars and superb networking opportunities.) I will continue encouraging greater participation from the Trustees and Staff of the 37 Act Systems. I strongly believe in getting involved as demonstrated by my contribution at SACRS' Board meetings and having volunteered to lead a CALAPRS Trustee Roundtable after attending only a few sessions. Over the years, I have served on the governing Boards of the Teamsters Local 1932, the Working Assembly of Governmental Employees and other organizations. Currently, I serve as a Regular Member on SACRS' Board along with being a member of SACRS' Audit and Education committees.

I have been a Trustee with the San Bernardino County Employees' Retirement Association (SBcera) from January 2015 and attended my first SACRS conference that year. I found the sessions to be very informative and educational with the presenters being experts and/or thought leaders in their field. Since then, I have attended several conferences sponsored by other organizations that are single topic focused and I have also completed certification programs at Wharton, Pepperdine, UCLA and Berkeley. In comparison, SACRS conferences provide a comprehensive insight into the "nuts and bolts" of the functioning of Retirement Systems with an emphasis on current applications of the topics. SACRS provides attendees an opportunity to understand different perspectives thereby encouraging clearer lines of communication and to also hear about what works and what may be problematic. The networking and information sharing opportunities with colleagues at SACRS is immensely valuable. These practical qualities and timely information helped to draw me into the SACRS' orbit.

SACRS recent expansion of the Board to include additional members was a very good strategic move that has helped to enhance the experience pool and expand the knowledge base. I believe the current SACRS Board is a team exhibiting a very good blend of geography, experience and perspective. Consequently, I would very much like to continue contributing (based on my education and experience) to SACRS - a superlative organization: *"Providing insight. Fostering oversight."*

I thank you in advance for your kind consideration and support. It would be a high honor for me to be re-elected to continue serving as a Regular Member on the SACRS Board for the 2022-2023 term.

Please find attached the completed SACRS nomination form.

Respectfully,

*Vere Williams*

Vere Williams, MBA

SBcera Board of Directors – General Elected Member

cc: Sulema Peterson, SACRS



**SACRS Nomination Submission Form  
SACRS Board of Directors Elections 2022-2023**

All interested candidates must complete this form and submit along with a letter of intent. **Both the form and the letter of intent must be submitted no later than March 1, 2022.** Please submit to the Nominating Committee Chair at [Dan.McAllister@sdcounty.ca.gov](mailto:Dan.McAllister@sdcounty.ca.gov) AND to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

<b>Name of Candidate</b>	Name: <u>Vere Williams</u>
<b>Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address)</b>	Mailing Address: <u>8379 Icicle Drive, Pinon Hills, CA 92372</u> Email Address: <u>verevlw@aol.com</u> Phone: <u>(760) 486-6311</u>
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name: <u>San Bernardino County Employees' Retirement Association</u>
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> <u>General Elected</u>
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input type="radio"/> <u>Regular Member</u>
<b>Brief Bio</b>	<p>I was elected to SBcera's Board in January 2015 and has served on the Administrative, Audit and Investment Committees. Currently, I serve as a Regular Member of the SACRS Board. My community involvement includes serving on the governing Boards of the Teamsters Local 1932, California State Conference of the NAACP, Working Assembly of Governmental Employees (WAGE) and other organizations. I am a past president of the San Bernardino County Association of African-American Employees and currently serves as treasurer for the Hispanic Employees Alliance. I have earned an MBA in Information Management/Accounting and has completed certification courses on Retirement System Management courses at Berkeley, UCLA, Pepperdine and Wharton. I have been an enrolled Agent with the IRS for over 20 years along with more than 25 years working in the finance department at Arrowhead Regional Medical Center. I have been trained in conflict resolution and have completed various workshops and seminars on organization dynamics and interplay. I am currently a member of the SACRS Audit and Education Committees.</p> <p>A guiding quote – <b>"I always wondered why somebody didn't do something about that, then I realized I was somebody."</b> – Lily Tomlin</p>

## SACRS Submission for General Board Member

February 25, 2022

Mr. Dan McAllister  
Chair  
Nominating Committee  
State Association of County Retirement Systems

Dear Mr. McAllister,

This letter is to serve as an introduction and to submit my application for the State Association of County Retirement Systems Board of Directors.

I have been working with retirement education since first joining the county of San Diego almost 25 years ago. One of my first educational presentations regarding retirement occurred while I was in the academy with the explanation of deferred compensation and the importance of planning ahead.

Over the past many years, I have been approached and encouraged by my fellow county employees to get involved and help improve communications about retirement. I worked from the retirement committee at the Deputy Sheriff's Association (DSA), then to the retirement chair at the DSA. I have been involved for over 15 years with the County of San Diego Deferred Compensation Advisory Committee. After serving many roles with the DSA and the county of San Diego, I was encouraged to step forward and run for the Board of Trustees at the San Diego County Employee Retirement Association (SDCERA). In 2019 I was elected to the SDCERA Board of Trustees and currently serve as the Secretary.

The support from SACRS has been invaluable for my education as a trustee. The many hours of training that we obtain from SACRS has improved the quality of stewardship for our retirement systems. Additionally, the SACRS support in Sacramento in the form of review and feedback to our legislative branch of government is vital.

My goal is to not only join the SACRS Board of Directors but to contribute to this process of developing and supporting the member county retirement systems. I respectfully request and thank you in advance for the consideration of the Nominating Committee in supporting my candidacy for election to the SACRS Board of Directors.

Respectfully,

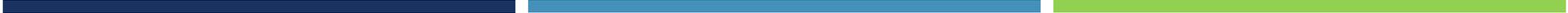
David Gilmore  
SDCERA Trustee



**SACRS Nomination Submission Form  
SACRS Board of Directors Elections 2022-2023**

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<b>Name of Candidate</b>	Name: <a href="#">David Gilmore</a>
<b>Candidate Contact Information</b> (Please include – Phone Number, Email Address and Mailing Address)	Mailing Address: <a href="#">2275 Rio Bonito Way, San Diego, CA 92108-1685</a> Email Address: <a href="mailto:DGilmore@SDCERA.ORG">DGilmore@SDCERA.ORG</a> Phone: <a href="tel:619-770-7854">619-770-7854</a>
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name: <a href="#">San Diego County Employees Retirement Association</a>
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> Chair <input type="radio"/> Alternate <input checked="" type="radio"/> General Elected <input type="radio"/> Retiree <input type="radio"/> Other _____
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input type="radio"/> President <input type="radio"/> Vice President <input type="radio"/> Treasurer <input type="radio"/> Secretary <input checked="" type="radio"/> Regular Member
<b>Brief Bio</b>	<p><a href="#">David Gilmore</a> was elected to the SDCERA Board of Directors in 2019 and serves as the Board Secretary. He is on the Audit Committee for this fund of over \$17 billion. He served for over twenty years in various roles with the Deputy Sheriff's Association including being elected to the Board of Directors where he was the Secretary Treasurer. Prior to joining the Sheriff's Department in 1997, he was an internal auditor and systems analyst in the mortgage banking industry. He holds a bachelors degree in business administration-accounting and a masters degree in public administration. He is a Lieutenant with the Sheriff's Department and has held various management positions for the past 11 years including the Sheriff's Standards and Compliance Manager reporting to the Office of the Sheriff. He is also a founding member of the County of San Diego Deferred Compensation Investment <a href="#">Advisory Committee</a>.</p>



# CHIEF EXECUTIVE OFFICER'S REPORT

KCERA | DOMINIC D. BROWN | APRIL 2022



## OFFICE UPDATE

- RFP Status – General Investment Consultant and Actuary
- Staffing – Recruitments ongoing for Senior Accountant and Retirement Services Technician
  - Retiree-Extra Help Update
  - Board-approved Reorganization is being implemented with County Human Resources
- PEPRA Implementation Issue
- *Alameda* Decision

# OPERATIONS ACTIVITY

- Member Services
  - 34 new retirements and calculations
  - 54 death benefit calculations
  - 30 service-credit purchase calculations
  - 104 retirement estimates
  - 108 new active members
  - 107 terminations with disposition packets
  - 27 in-person appointments
  - 208 walk-ins
  - 837 phone calls
  - 141 emails
- Accounting & Reporting
  - GASB 68
  - Budget for '22-'23
  - March Pension Payments
- Information Technology
  - In Progress:
    - Oracle Upgrade Complete
    - KCERA Portal Refresh in Progress
    - Cognos to Crystal Conversion in Progress

## UPCOMING EVENTS

- Finance Committee – Staff will be scheduling a meeting to continue SRBR discussions
- Administrative Committee – Meeting April 22 for Board Self-Assessment and Educational Needs Assessment
- Investment Committee – Meeting April 27 for new private market funds and consultant recommendations
- KCERA Property, Inc. – No meetings currently scheduled
- Board of Retirement – Next regular monthly meeting will be on May 4 due to SACRS Conference



# CIO REPORT

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INVESTMENT PROGRAM UPDATE | April 2022

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# Rebalancing

## MARCH ACTIVITY

- Public Equity
  - -30M Parametric S&P 500
- Fixed Income
  - +25M Western Asset High Yield



Public Equity moved to an inline weight versus the policy target and an underweight to the adjusted policy target. *Adjusted policy target is the Public Equity Policy target (37%), plus any underweight in Private Equity (~3%).*



Fixed Income: added to Credit allocation, moved from modest underweight to overweight, as return opportunity improved.

Asset Class	Actual	Target	Difference
Public Equity	36.6%	37%	-0.4%
Fixed Income	22.2%	24%	-1.8%
Core	11.6%	14%	-2.4%
Credit	6.2%	6%	+0.2%
Emerging Market Debt	4.5%	4%	+0.5%
Commodities	6.2%	4%	+2.2%
Midstream	6.4%	5%	+1.4%
Hedge Funds	9.9%	10%	-0.1%
Alpha Pool	4.9%	5%	-0.1%
Core Real Estate	5.6%	5%	+0.6%
Opportunistic	3.0%	0%	+3.0%
Private Markets	8.2%	15%	-6.8%
Cash	-3.1%	-5%	+1.9%

## Positioning

### ACTUAL VS POLICY TARGET

Public Equity: reduced allocation, underweight vs. policy target and adjusted policy targets.

Fixed Income:

- Core: 11.6% weight is below the low end of the Policy range (12%).
- Credit: increased allocation, now small overweight.

Commodities: 6.2% weight is above the high end of the Policy range (6%).

Private Markets continues to be a key focus; the allocation should reach 15% target around 2026.

Private Equity, Private Credit and Private Real Estate underweights continue to be reallocated to other asset classes including **Credit, EM Debt, Commodities, Midstream, Core Real Estate,** and **Opportunistic.**

Cash: overweight (i.e. a less negative position)

# Key Initiatives



## Enhancing return while managing risk

- Capital Efficiency program improvements
- Multi-asset research
- Opportunistic investments
  - Evaluating two potential investments
- Private Markets
  - Continued program build-out
- Risk management tools
- Tail hedge research
  - Issued a Request For Information (RFI) on March 21, 2022

# Investment Committee Meetings

**Next meeting April 27th**

Topics to be discussed include:

- Private market fund recommendations
- General Investment Consultant RFP recommendation

*The last IC meeting was held on March 31<sup>st</sup>.*





Jennifer Esquivel Zahry, Chief Legal Officer

Phillip Jenkins, Deputy Chief Legal Officer

Maggie Peralta-Lee, Senior Paralegal

Irma Chavez, Senior Legal Secretary

# CLO Report April 2022

EO-N-04-22

# Post-Retirement Employment Update

## KCERA-related portions

13) Suspension of 960 hr. limit lifted for Post-Retirement Employees effective 7/1/22.

15) Suspension of 180-day wait period lifted. Post-Retirement Employees who returned to employment within 180 days of retirement may continue employment through 6/30/22.

## RETIRES WHO HAVE NOT COMPLETED THEIR 180 DAY WAITING PERIOD BEFORE BEGINNING POST-RETIREMENT EMPLOYMENT

- Effective April 1, 2022, no retiree will be certified for post-retirement employment unless they have satisfied their 180-day waiting period requirement (excluding those who return under a statutory exception).
- A retired member appointed for post-retirement employment prior to the completion of their 180-day wait period with a start date prior to April 1, 2022 will be allowed to work until June 30, 2022.
- If it is determined a retiree's post retirement employment is needed beyond June 30, 2022, and they are within the 180-day wait period,
  - they must separate from employment on June 30, 2022 and
  - they must wait the additional time to satisfy the 180-day waiting period and
  - they must obtain approval from their governing body before continuing work on July 1, 2022 (including KCERA certification).

SCOTUS Update  
*Houston v.*  
*Community*  
*College Sys. v.*  
*Wilson*  
(2022)--U.S. ----.

**Cert. Granted on Narrow Issue of whether trustee possessed actionable First Amendment claim arising from board's purely verbal censure.**

**HELD: Board's public censure of trustee was not materially adverse action that could raise actionable First Amendment retaliation claim.**

# Board Policies Updated with non-Substantive Changes



Trustee Education Policy



Trustee Travel Policy

# Securing a Strong Retirement Act of 2022 (SECURE 2.0) H.R. 2954 -

## Provisions Affecting State and Local Government Retirement Plans

### Provisions Potentially Affecting KCERA as a 401(a) Plan

- Required Minimum Distribution age increases (section 106)
  - to 72 (2019 Secure Act)
  - to 73 starting 2023
  - to 74 starting 2030
  - to 75 starting by 2033
- Recovery of Retirement Plan Overpayments (section 301)
  - Allows additional Plan Flexibility for fiduciaries when seeking to recoup plan overpayments and limitations and protections for retirees

### Multiple Provisions Potential Affecting 457 Plans

- Increasing annual limits on catch-up provisions (section 108)
- Eliminates 1<sup>st</sup> day of the month rule (section 309)
- Allow employer matching contributions on student loan payments (section 111)

# April Calendar

	Pending CLO/DCLO Review
Operational Contracts	4
Investment/ Custodial Documents	8
Disability Matters	8
Community Property Matters	8
Powers of Attorney	6
PRA Requests	6
Staff Inquiries	12
Administrative Appeals	6
Board/Committee Meetings	4
Special Projects	3

# Q1 2022 Metrics

	Completed
Operational Contracts	2
Investment/ Custodial Documents	19
Board Documents	32
Community Property Matters	68
Disability Matters	12
Legal Correspondence	96
Post-Retirement Employment Certifications	10
Powers of Attorney	13
PRA Requests	13
Administrative Appeals – Response to Objections	3
CLO Responses to Inquiries/ Legal Review of Docs	512+



# Board Governance: U.S. Supreme Court Upholds Power of Elected Boards to Censure Their Own Members

03.28.2022 | By [Peter H. Mixon](#), [Ashley K. Dunning](#)

After years of recriminations and acrimony between members of the Board of Trustees for the Houston Community College System (“System”), the Board censured one of its members for “reprehensible” conduct—including speech—“not in the best interests” of the college. The board member, David Wilson, sued the System for violation of his First Amendment rights of free speech. In a unanimous decision, the Court held that the Board violated no First Amendment rights when it adopted a purely verbal censure of Mr. Wilson. (*Houston Community College Sys. v. Wilson* (2022) – U.S. –.)

The Court held that the censure by the Board was not a materially-adverse action sufficient to trigger First Amendment protections. Mr. Wilson, as an elected official, was expected to “shoulder a degree of criticism” about his public service and exercise his right to respond. Equally important, the only adverse action was itself a form of speech exercised by the other Board members. The Court thus concluded there was no actionable First Amendment claim. At the same time, the Court was careful to limit its holding to reprimands issued by an elected body to one of its members. The outcome might be different, the Court explained, for government reprimands issued to a government employee or a private citizen. Similarly, censures accompanied by other punitive action, such as expulsion or exclusion, might be subject to a different result.

The System Board of Trustees is a nine-member public body that oversees the administration of various community colleges in Texas. Mr. Wilson was first elected to the Board in 2013 and his tenure there was “a stormy one.” (*Wilson, supra*, Slip Opinion at p. 1.) He often disagreed with the direction of the Board and made his opinions well known. He charged the Board with violations of its own bylaws and ethics rules; he arranged robocalls to constituents to air these views; and he hired a private investigator to surveil a fellow trustee whom he asserted did not live in the district to which she had been elected. He also brought a

number of lawsuits against the Board, alleging a wide variety of Board misconduct.

In one of the lawsuits, Mr. Wilson alleged that the Board violated its own bylaws when permitting a trustee to vote by videoconference. When his colleagues did not permit him to attend a meeting to discuss the litigation, Mr. Wilson filed a second suit alleging that the Board and System had “prohibited him from performing his core functions as a Trustee.” (*Id.* at p. 2.) These lawsuits, and others brought by Mr. Wilson, resulted in the System incurring more than \$270,000 in legal fees. In 2018, the Board passed a resolution “censuring” Mr. Wilson and stating that his conduct was “not consistent with the best interests of the College” and “not only inappropriate, but reprehensible.” (*Id.*) The Board also “imposed certain penalties. It provided that Mr. Wilson was ‘ineligible for election to Board officer positions for the 2018 calendar year,’ that he was ‘ineligible for reimbursement for any College-related travel,’ and that his future request to ‘access ... funds in his Board account for community affairs’ would require Board approval. *Ibid.* The Board further recommended that Mr. Wilson ‘complete additional training relating to governance and ethics.’” (*Id.*)

Mr. Wilson promptly amended one of his petitions against the System to include a First Amendment claim. The federal district court dismissed the First Amendment claim based on the censure resolution, but the Fifth Circuit reversed. The Supreme Court granted *certiorari* to consider whether the Board’s censure violated the First Amendment.<sup>[1]</sup> (*Id.* at p. 4.)

The Court began its analysis with a look into the historical practice of censure. Often, the Court explained, “a regular course of practice” can illuminate or “liquidate” the “terms and phrases” of the Constitution. (*Id.* at p. 5, citing *inter alia* 8 Writings of James Madison 450 (G. Hunt ed. 1908) [Letter from J. Madison to S. Roane (September 2, 1819)].) Reciting examples from colonial assemblies, the United States Congress, and state and local elected bodies, the Court found a long and settled historical practice of elected bodies censuring their members for both conduct and speech thought detrimental. And the Court found “no evidence” suggesting that “prior generations” thought that a representative’s speech might be “abridged” by countervailing speech from the representative’s colleagues. Thus, “history suggests ... a[n] understanding of the First Amendment ... permitting free speech on both sides and for every faction on any side.” (*Id.* at p. 7, citing *Thomas v. Collins* (1945) 323 U.S. 516, 547 [internal quotations omitted].)

The Court then analyzed the claim under “contemporary” First Amendment doctrine. To prevail, a claimant must demonstrate an “adverse action” taken in response to protected speech. Detrimental adverse actions can take many forms – arrest, license denial, or dismissal from government employment – which are easy to identify. Less harsh actions may also qualify, depending on their severity or their adverse effect on the claimant’s speech. In the present case, the Court explained, the effect was immaterial for at least two reasons. First, “[i]n this country, we expect elected representatives to shoulder a degree of criticism about their public service from their constituents and their peers – and to continue exercising their free speech rights when the criticism comes.” (*Id.* at p. 8.) Whatever the First Amendment might mean under differing interpretations, the Court explained, there is practically universal agreement that it was adopted “to protect the free discussion of governmental affairs.” (*Ibid.*, quoting *Mills v. Alabama* (1966) 384 U.S. 214, 218.) Second, the only adverse governmental action unleashed on Wilson was also a form of speech itself. It concerned the public conduct of a member of the same deliberative body issuing the censure. It did not prevent him from doing the job he was elected to perform, nor did it deny him any privilege of his office. And it did not materially deter him from exercising his own right to speak. The First Amendment cannot, the Court held, be used as a weapon to silence fellow representatives from speaking freely on questions of governmental policy. Given these infirmities in the plaintiff’s claim, the Court concluded that the Board’s

censure could not qualify as a “materially adverse action” under First Amendment caselaw. (*Id.* at p. 9.)

The Court concluded by articulating limits to its holding. “Our case is a narrow one[] ... concerning “a censure of one member of an elected body by other members of the same body.” (*Id.* at p. 13.) “We do not mean to suggest that verbal reprimands or censures can never give rise to a First Amendment retaliation claim.” (*Id.* at p. 10.) For example, government reprimands of students, employees, or licensees might “in some circumstances” materially impair First Amendment protections. (*Id.*) Similarly, censures accompanied by additional punishments, those issued by government bodies against officials who do not serve on the body, and those criticizing private citizens, might raise First Amendment questions. (*Id.* at pp. 10-11.) But *Wilson* is none of those cases the Court concluded in dismissing Wilson’s claims against the Board of Trustees.

Public censure plays an important role in the governance policies and practices of many public pension boards. Under these policies, a public censure is often the means that a board may invoke to hold a member accountable for a policy or rules violation. The Court’s decision in *Wilson* upholds the rights of boards to impose this penalty on its own elected members.

But *Wilson* also leaves several related questions unanswered. May a board impose the same sanction on an appointed representative as it may on an elected one? In its historical survey, the Court focused its review on elected bodies, such as Congress and state legislatures. At the same time, much of the Court’s analysis would seem to apply to a censure of an appointed member, particularly where the member is deemed under state law to hold a position on the public pension board as a public official and other members of the board are elected. But the holding does not expressly cover these types of members. Similarly, the Court did not address other forms of punishments, such as “expulsion, exclusion, or any other form of punishment.” Any censure resolution that included punishment which, in fact, prevented a Board member from performing his or her “core functions” on the Board would almost certainly be subject to a more exacting review.

[<sup>1</sup>] With respect to the additional penalties, the Supreme Court expressly declined to review these actions because the lower appellate court had upheld their legality and Wilson failed to file a cross-appeal. (*Id.* at pp. 3-4.)



## H.R. 2954 SECURING A STRONG RETIREMENT ACT

The *Securing a Strong Retirement Act of 2022 (SECURE 2.0)* will help a greater number of Americans successfully save for a secure retirement by expanding coverage and increasing retirement savings. Building on the *Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019*, SECURE 2.0 would further improve workers' long-term financial wellbeing.

### **SECURE 2.0's proposals include:**

#### **Increasing retirement savings through automatic enrollment, new incentives, and expanded coverage**

- Promotes saving for retirement earlier by **expanding automatic enrollment** in 401(k) and 403(b) retirement plans
- Creates a **new financial incentive for small businesses** to offer retirement plans
- Increases and modernizes the existing federal tax credit for contributions to a retirement plan or IRA (**the Saver's Credit**)
- Allows Americans to **save for retirement longer** by increasing the required minimum distribution age to 75
- Makes it **easier for military spouses to save for retirement** by offering small employers a new financial incentive that boosts retirement plan participation by making military spouses eligible for plan participation quicker, increasing eligibility of matching or nonelective contributions, and making military spouses 100% vested in all employer contributions
- Improves coverage for part-time workers in 401(k) plans

#### **Encouraging more flexibility for Americans' retirement options**

- Expands **retirement savings options for non-profit employees** by allowing groups of non-profits to join together to offer retirement plans to their employees
- Offers **individuals 50 and older the ability to set aside greater savings** as they approach retirement
- Permits individuals the **choice to pay down a student loan** instead of contributing to a 401(k) plan, while still promoting increased retirement savings through an employer match in their retirement plan
- **Increases charitable donations** permitted through an individual's IRA

#### **Protecting Americans' retirement accounts**

- **Safeguards innocent retirees** who unknowingly receive retirement plan overpayments
- Creates a national online searchable **Retirement Savings Lost & Found Database** at the Department of Labor for workers and retirees to find their lost retirement accounts

SECURE 2.0 has broad support from outside stakeholders, from AARP, to Edward Jones, to the American Red Cross.



# H.R. 2954 SECURING A STRONG RETIREMENT ACT

## Section-by-Section Summary

### Title I – Expanding Coverage and Increasing Retirement Savings

**Section 101.** Expanding automatic enrollment in retirement plans. One of the main reasons many Americans reach retirement age with little or no savings is that too few workers are offered an opportunity to save for retirement through their employers. However, even for those employees who are offered a retirement plan at work, many do not participate. But automatic enrollment in 401(k) plans – providing for people to participate in the plan unless they take the initiative to opt out – significantly increases participation. Since first defined and approved by the Treasury Department in 1998, automatic enrollment has boosted participation by eligible employees generally, and particularly for Black, Latinx, and lower-wage employees. An early study found that adoption of auto-enrollment increased participation in a 401(k) plan by short-tenure Latinx employees from 19% to 75%. An Ariel Aon-Hewitt Study found that, in plans using auto-enrollment, “[t]he most dramatic increases in enrollment rates are among younger, lower-paid employees, and the racial gap in participation rates is nearly eliminated among employees subject to auto-enrollment.”

Section 101 requires 401(k) and 403(b) plans to automatically enroll participants in the plans upon becoming eligible (and the employees may opt out of coverage). The initial automatic enrollment amount is at least 3 percent but no more than 10 percent. And then each year that amount is increased by 1 percent until it reaches 10 percent. All current 401(k) and 403(b) plans are grandfathered. There is an exception for small businesses with 10 or fewer employees, new businesses (i.e., have been in business for less than 3 years), church plans, and governmental plans. Section 101 is effective for plan years beginning after December 31, 2023.

**Section 102.** Modification of credit for small employer pension plan startup costs. The three-year small business startup credit is currently 50% of administrative costs, up to an annual cap of \$5,000. Section 102 enhances the startup credit by increasing the credit from 50% to 100% for employers with up to 50 employees. In addition, the bill provides an additional credit except in the case of defined benefit plans. The amount of the additional credit generally is a percentage of the amount contributed by the employer on behalf of employees, up to a per-employee cap of \$1,000. This full additional credit is limited to employers with 50 or fewer employees and phased out for employers with between 51 and 100 employees. The applicable percentage is 100% in the first and second years, 75% in the third year, 50% in the fourth year, 25% in the fifth year – and no credit for tax years thereafter. Section 102 is effective for taxable years beginning after December 31, 2022.

**Section 103.** Promotion of Saver’s Credit. Section 103 directs the Treasury Department to increase public awareness of the Saver’s Credit to increase use of the credit by low and moderate income taxpayers. The Treasury Secretary must report to Congress its anticipated promotion efforts no later than 90 days after the date of enactment of this Act.

**Section 104.** Enhancement of Saver’s Credit. The Saver’s Credit provides millions of low and middle-income individuals with an incentive to save for retirement each year. However, the current credit can be complicated and not easy to understand. Section 104 simplifies the Saver’s Credit by creating one credit rate of 50%, as opposed to the current tiered credit percentage. This rate is phased out once a taxpayer reaches a certain income level. Section 104 is effective for tax years beginning after December 31, 2026.



# H.R. 2954 SECURING A STRONG RETIREMENT ACT

## Section-by-Section Summary

**Section 105.** Enhancement of 403(b) plans. Under current law, 403(b) plan investments are generally limited to annuity contracts and mutual funds. This limitation cuts off 403(b) plan participants – generally employees of charities and public educational organizations – from access to collective investment trusts, which are often used by 401(a) plans due to their lower fees.

Section 105 permits 403(b) custodial accounts to invest amounts in collective investment trusts. Section 105 amendments are effective for amounts invested after December 31, 2022.

**Section 106.** Increase in age for required beginning date for mandatory distributions. Under current law, participants are generally required to begin taking distributions from their retirement plans at age 72. The policy behind this rule is to ensure that individuals spend their retirement savings during their lifetime and not use their retirement plans for estate planning purposes to transfer wealth to beneficiaries. The Setting Every Community Up for Retirement Enhancement Act of 2019 (“SECURE Act”)[<sup>1</sup>] generally increased the required minimum distribution age to 72. Section 106 increases the required minimum distribution age further to 73 starting on January 1, 2023 – and increases the age to 74 starting on January 1, 2030, and 75 starting on January 1, 2033.

**Section 107.** Indexing IRA catch-up limit. Under current law, the limit on individual retirement account (“IRA”) contributions is increased by \$1,000 (not indexed) for individuals who have attained age 50. Section 107 indexes such limit effective for taxable years beginning after December 31, 2023.

**Section 108.** Higher catch-up limit to apply at age 62, 63 and 64. Under current law, employees who have attained age 50 are permitted to make catch-up contributions under a retirement plan in excess of the otherwise applicable limits. The limit on catch-up contributions for 2021 is \$6,500, except in the case of SIMPLE plans for which the limit is \$3,000. Section 108 increases these limits to \$10,000 and \$5,000 (both indexed), respectively, for individuals who have attained ages 62, 63 and 64. Section 108 is effective for taxable years beginning after December 31, 2023.

**Section 109.** Pooled employer plans modification. Section 109 clarifies that a pooled employer plan (“PEP”) may designate a named fiduciary (other than an employer in the plan) to collect contributions to the plan. Such fiduciary would be required to implement written contribution collection procedures that are reasonable, diligent, and systematic. Section 109 is effective for plan years beginning after December 31, 2022.

**Section 110.** Multiple employer 403(b) plans. Multiple employer plans (“MEPs”) provide an opportunity for small employers to band together to obtain more favorable retirement plan investment results and more efficient and less expensive management services. The SECURE Act made MEPs more attractive by eliminating outdated barriers to the use of MEPs and improving the quality of MEP service providers. Section 110 allows 403(b) plans, which are generally sponsored by charities, educational institutions, and non-profits, to participate in MEPs, including PEPs, including relief from the one bad apple rule so that the violations of one employer do not affect the tax treatment of employees of compliant employers. Section 110 is effective for plan years beginning after December 31, 2022.

[1] [Pub.L. 116-94, December 20, 2019.](#)



# H.R. 2954 SECURING A STRONG RETIREMENT ACT

## Section-by-Section Summary

**Section 111.** Treatment of student loan payments as elective deferrals for purposes of matching contributions. Section 111 is intended to assist employees who may not be able to save for retirement because they are overwhelmed with student debt, and thus are missing out on available matching contributions from their retirement plans. Section 111 allows such employees to receive those matching contributions by reason of repaying their loan. Section 111 permits an employer to make matching contributions under a 401(k) plan, 403(b) plan, or SIMPLE IRA with respect to “qualified student loan payments”. Qualified student loan payment is broadly defined under the Act as any indebtedness incurred by the employee solely to pay qualified higher education expenses of the employee. Governmental employers will also be permitted to make matching contributions in a section 457(b) plan or another plan with respect to such repayments. For purposes of the nondiscrimination test applicable to elective contributions, Section 111 permits a plan to test separately the employees who receive matching contributions on student loan repayments. Section 111 is effective for contributions made for plan years beginning after December 31, 2022.

**Section 112.** Application of credit for small employer pension plan startup costs to employers which join an existing plan. Section 112 ensures the startup tax credit is available for 3 years for employers joining a MEP, regardless of how long the MEP has been in existence. Under both pre- and post-SECURE Act law, the startup tax credit only applies for the first 3 years that a plan is in existence. For example, if a small business joins a MEP that has already been in existence for 3 years, the startup credit is not available. If, for example, the MEP has been existence for 1 or 2 years when a small business joins, the small business may be able to claim the credit for 1 or 2 years, respectively. Section 112 fixes this problem so that employers joining a MEP (which includes PEPs) are eligible for the credit for all 3 years. Section 112 is effective retroactively to taxable years beginning after December 31, 2019.

**Section 113.** Military spouse retirement plan eligibility credit for small employers. Military spouses often do not remain employed long enough to become eligible for their employer’s plan or to vest in employer contributions. Under Section 113, small employers are eligible for a tax credit with respect to their defined contribution (“DC”) plans if they (1) make military spouses immediately eligible for plan participation within two months of hire, (2) upon plan eligibility, make the military spouse eligible for any matching or nonelective contribution that they would have been eligible for otherwise at 2 years of service, and (3) make the military spouse 100% immediately vested in all employer contributions. The tax credit equals the sum of (1) \$250 per military spouse, and (2) 100% of all employer contributions (up to \$250) made on behalf of the military spouse, for a maximum tax credit of \$500. This credit applies for 3 years with respect to each military spouse – and does not apply to highly compensated employees. An employer may rely on an employee’s certification that such employee’s spouse is a member of the uniformed services. Section 113 is effective for taxable years beginning after the date of enactment of this Act.

**Section 114.** Small immediate financial incentives for contributing to a plan. Under current law, employers may provide matching contributions as a long-term incentive for employees to contribute to a 401(k) plan. However, immediate financial incentives are prohibited even though individuals may be especially motivated by immediate financial incentives like gift cards in small amounts. Section 114 enables employers to offer de minimis financial incentives, such as low-dollar gift cards, to boost employee participation in workplace retirement plans by exempting de minimis financial incentives from section 401(k)(4)(A) and from the corresponding rule under section 403(b). Section 114 is effective for plan years beginning after the date of enactment of this Act.



# H.R. 2954 SECURING A STRONG RETIREMENT ACT

## Section-by-Section Summary

**Section 115.** Safe harbor for corrections of employee elective deferral failures. Under current law, employers, including small employers, that adopt a retirement plan with automatic enrollment and automatic escalation features could be subject to significant penalties if even honest mistakes are made. Section 115 eases these concerns by allowing for a grace period to correct, without penalty, reasonable errors in administering these automatic enrollment and automatic escalation features. Errors must be corrected prior to 9 ½ months after the end of the plan year in which the mistakes were made. Section 115 is effective after the date of enactment of this Act.

**Section 116.** Improving coverage for part-time workers. The SECURE Act requires employers to allow long-term, part-time workers to participate in their 401(k) plans. As women are more likely to work part-time than men, this provision is particularly important for women in the workforce. The SECURE Act provision provides that except in the case of collectively bargained plans, employers maintaining a 401(k) plan must have a dual eligibility requirement under which an employee must complete either a one year of service requirement (with the 1,000-hour rule) or 3 consecutive years of service where the employee completes at least 500 hours of service. Section 116 reduces the three-year rule to 2 years, effective for plan years beginning after December 31, 2022.

**Section 117.** Deferral of tax for certain sales of employer stock to employee stock ownership plan sponsored by S corporation. Under section 1042, an individual owner of stock in a non-publicly traded C corporation that sponsors an ESOP may elect to defer the recognition of gain from the sale of such stock to the ESOP if the seller reinvests the sales proceeds into qualified replacement property, such as stock or other securities issued by a U.S. operating corporation. After the sale, the ESOP must own at least 30% of the employer corporation's stock. Section 117 expands the gain deferral provisions of Code section 1042 with a 10% limit on the deferral to sales of employer stock to S corporation ESOPs. Section 117 is effective for deferrals made after December 31, 2027.

**Section 118.** Certain securities treated as publicly traded in case of employee stock ownership plans. Section 118 updates certain ESOP rules related to whether a security is a "publicly traded employer security" and "readily tradeable on an established securities market". In particular, Section 118 allows certain non-exchange traded securities to qualify as "publicly traded employer securities" so long as the security is subject to priced quotations by at least four dealers on an SEC-regulated interdealer quotation system; is not a penny stock and is not issued by a shell company; and has a public float of at least 10 percent of outstanding shares. For securities issued by domestic corporations, the issuer must publish annual audited financial statements. Securities issued by foreign corporations are subject to additional depository and reporting requirements. The updated definitions in Section 118 will allow highly regulated companies with liquid securities that are quoted on non-exchange markets to treat their stock as "public" for ESOP purposes, thus making it easier for these companies to offer ESOPs to their U.S. employees. Section 118 is effective for plan years beginning after December 31, 2026.



# H.R. 2954 SECURING A STRONG RETIREMENT ACT

## Section-by-Section Summary

### Title II – Preservation of Income

**Section 201.** Remove required minimum distribution barriers for life annuities. Section 201 eliminates certain barriers to the availability of life annuities in qualified plans and IRAs that arise under current law due to an actuarial test in the required minimum distribution regulations. The test is intended to limit tax deferral by precluding commercial annuities from providing payments that start out small and increase excessively over time. In operation, however, the test commonly prohibits many important guarantees that provide only modest benefit increases under life annuities. For example, guaranteed annual increases of only 1 or 2%, return of premium death benefits, and period certain guarantees for participating annuities are commonly prohibited by this test. Without these types of guarantees, many individuals are unwilling to elect a life annuity under a DC plan or IRA. Section 201 is effective for calendar years after the date of enactment of this Act.

**Section 202.** Qualifying longevity annuity contracts. In 2014, the Treasury Department published final regulations on qualifying longevity annuity contracts (“QLACs”). QLACs are generally deferred annuities that begin payment at the end of an individual’s life expectancy. Because payments start so late, QLACs are an inexpensive way for retirees to hedge the risk of outliving their savings in DC plans and IRAs. The minimum distribution rules were an impediment to the growth of QLACs in DC plans and IRAs because those rules generally require payments to commence at age 72, before QLACs begin payments. The 2014 regulations generally exempted QLACs from the minimum distribution rules until payments commence. However, due to a lack of statutory authority to provide a full exemption, the regulations imposed certain limits on the exemption that have prevented QLACs from achieving their intended purpose in providing longevity protection. Section 202 addresses these limitations by repealing the 25% limit with respect to contracts purchased or received in an exchange. Section 202 also facilitates the sales of QLACs with spousal survival rights – and clarifies that free-look periods are permitted up to 90 days with respect to contracts purchased or received in an exchange on or after July 2, 2014. Section 202 is effective the date of enactment of this Act.

**Section 203.** Insurance-dedicated exchange-traded funds. Exchange-traded funds (“ETFs”) are pooled investment vehicles that are traded on stock exchanges. They are similar to mutual funds, except the shares can be traded throughout the day on the stock market, rather than having to be held until after the market closes. ETFs are widely available through retirement plans, IRAs, and taxable investment accounts. However, outdated Treasury Department regulations have prevented ETFs from being widely available through individual variable annuities. Simply because the regulations were written before ETFs existed, ETFs cannot satisfy the regulatory requirements to be “insurance-dedicated.” Section 203 directs the Treasury Department to update their regulations to reflect the ETF structure to provide that ownership of an ETF’s shares by certain types of institutions that are necessary to the ETF’s structure would not preclude look-through treatment for the ETF, as long as it otherwise satisfies the current-law requirements for look-through treatment. This essentially would facilitate the creation of a new type of ETF that is “insurance-dedicated.” The Treasury Department is to update the regulations no later than 7 years after the date of enactment of this Act.



# H.R. 2954 SECURING A STRONG RETIREMENT ACT

## Section-by-Section Summary

### Title III – Simplification and Clarification of Retirement Plan Rules

**Section 301.** Recovery of retirement plan overpayments. Sometimes retirees mistakenly receive more money than they are owed under their retirement plans. These mistakes cause problems when they occur over time, and plan fiduciaries later seek to recover the overpayments from unsuspecting retirees. When an overpayment has lasted for years, plans often compel retirees to repay the amount of the overpayment, plus interest, which can be substantial. Even small overpayment amounts can create a hardship for a retiree living on a fixed income. Section 301 allows retirement plan fiduciaries the latitude to decide not to recoup overpayments that were mistakenly made to retirees. If plan fiduciaries choose to recoup overpayments, limitations and protections apply to safeguard innocent retirees. This protects both the benefits of future retirees and the benefits of current retirees. In addition, rollovers of the overpayments remain valid, which is another important protection for participants. Section 301 is effective after the date of enactment of this Act.

**Section 302.** Reduction in excise tax on certain accumulations in qualified retirement plans. Section 302 reduces the penalty for failure to take required minimum distributions from 50 to 25 percent. Further, if a failure to take a required minimum distribution from an IRA is corrected in a timely manner, as defined under this Act, the excise tax on the failure is further reduced from 25 percent to 10 percent. Section 302 is effective for taxable years beginning after December 31, 2022.

**Section 303.** Performance benchmarks for asset allocation funds. The Department of Labor's ("DOL") participant disclosure regulation requires that each designated investment alternative's historical performance be compared to an appropriate broad-based securities market index. However, the rule does not adequately address increasingly popular investments like target date funds that include a mix of asset classes. Section 303 directs the DOL to update its regulations so that an investment that uses a mix of asset classes can be benchmarked against a blend of broad-based securities market indices, provided (a) the index blend reasonably matches the fund's asset allocation over time, (b) the index blend is reset at least once a year, and (c) the underlying indices are appropriate for the investment's component asset classes and otherwise meet the rule's conditions for index benchmarks. This change in the disclosure rule allows better comparisons and aids participant decision-making. The DOL is to update its regulations no later than one year after enactment of this Act. Section 303 also requires DOL to report to Congress on the effectiveness of its benchmarking requirements no later than 3 years after enactment of this Act.

**Section 304.** Review and report to the Congress relating to reporting and disclosure requirements. Section 304 directs the Treasury Department, the DOL, and Pension Benefit Guaranty Corporation to review reporting and disclosure requirements for pension plans as soon as practicable after enactment of this Act. Further Section 304 directs the agencies to make recommendations to Congress to consolidate, simplify, standardize, and improve such requirements no later than 2 years after the date of enactment of this Act.



# H.R. 2954 SECURING A STRONG RETIREMENT ACT

## Section-by-Section Summary

**Section 305.** Eliminating unnecessary plan requirements related to unenrolled participants. Under current law, employees eligible to participate in a retirement plan are required to receive a broad array of notices that are intended to inform them of their various options and rights under the plan. In the case of eligible employees who have not elected to participate in the plan (“unenrolled participants”), these notices, such as notices regarding the different investment options available under the plan, are generally unnecessary, and can even have adverse effects on savings and coverage.

Section 305 no longer requires employers provide certain intermittent ERISA or Code notices to unenrolled participants who have not elected to participate in a workplace retirement plan. However, to further encourage participation of unenrolled participants, the plan is required to send (1) an annual reminder notice of the participant's eligibility to participate in the plan and any applicable election deadlines, and (2) any otherwise required document requested at any time by the participant. This rule only applies with respect to an unenrolled participant who received the summary plan description, in connection with initial eligibility under the plan. Section 305 is effective for plan years beginning after December 31, 2022.

**Section 306.** Retirement savings lost and found. Every year, thousands of people approach retirement but are unable to find and receive the benefits that they earned often because the company they worked for moved, changed its name, or merged with a different company. Similarly, every year there are employers around the country ready to pay benefits to retirees, but they are unable to find the retirees because the former employees changed their names or addresses. Section 306 creates a national online searchable lost and found database for Americans' retirement plans at the DOL. The database will enable retirement savers, who might have lost track of their pension or 401(k) plan, to search for the contact information of their plan administrator. Section 306 directs the creation of the database no later than 2 years after the date of enactment of this Act.

**Section 307.** Updating Dollar Limit for Mandatory Distributions. Under current law, employers may transfer former employees' retirement accounts from a workplace retirement plan into an IRA if their balances are between \$1,000 and \$5,000. Section 307 increases the limit from \$5,000 to \$7,000, effective for distributions made after December 31, 2022.

**Section 308.** Expansion of Employee Plans Compliance Resolution System. Because of the ever growing complexity of retirement plan administration, Section 308 expands the Employee Plans Compliance Resolution System (EPCRS), as of the date of enactment of this Act, to (1) allow more types of errors to be corrected internally through self-correction, (2) apply to inadvertent IRA errors, and (3) exempt certain failures to make required minimum distributions from the otherwise applicable excise tax. For example, Section 308 allows for correction of many plan loan errors through self-correction, which are a frequent area of error and can be burdensome to correct a single loan error through the Internal Revenue Service. Section 308 is effective after the date of enactment of this Act.



# H.R. 2954 SECURING A STRONG RETIREMENT ACT

## Section-by-Section Summary

**Section 309.** Eliminate the “first day of the month” requirement for governmental section 457(b) plans. Under current law, participants in a governmental 457(b) plan must request changes in their deferral rate prior to the beginning of the month in which the deferral will be made. This rule does not exist for other DC plans. Section 309 allows such elections to be made at any time prior to the date that the compensation being deferred is available. Section 309 is effective for taxable years beginning after the date of enactment of this Act.

**Section 310.** One-time election for qualified charitable distribution to split-interest entity; increase in qualified charitable distribution limitation. Section 310 expands the IRA charitable distribution provision to allow for a one-time, \$50,000 distribution to charities through charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts, effective for distributions made in taxable years beginning after the date of enactment of this Act. Section 310 also indexes for inflation, the annual IRA charitable distribution limit of \$100,000, effective for taxable years ending after the date of enactment of this Act.

**Section 311.** Distributions to firefighters. Under current law, if an employee terminates employment after age 55 and takes a distribution from a retirement plan, the 10% early distribution tax does not apply. However, there is a special rule for “qualified public safety employees” in governmental plans, under which age 50 is substituted for age 55 for purposes of this exception from the 10% tax. This exemption applies to public sector firefighters, but not private sector firefighters. Section 311 extends the age 50 rule to private sector firefighters, who merit the same treatment for distributions. Section 311 is effective for distributions made after December 31, 2022.

**Section 312.** Exclusion of certain disability-related first responder retirement payments. Section 312 permits first responders to exclude service-connected disability pension payments from gross income after reaching retirement age. Section 312 is effective for amounts received in taxable years beginning after December 31, 2027.

**Section 313.** Individual retirement plan statute of limitations for excise tax on excess contributions and certain accumulations. Under current law, the statute of limitations for taxes for prohibited transactions, excess contributions, or required minimum distribution failures starts as of the date that a return is filed for the violation. Section 313 provides instead that the statute of limitations starts when the taxpayer files an individual tax return for the year of the violation. This provides relief from the statute of limitations for violations of which taxpayers were not aware and thus did not file a return. Section 313 is effective after the date of enactment of this Act.

**Section 314.** Requirement to provide paper statements in certain cases. Section 314 amends ERISA to generally provide that with respect to DC plans, unless a participant elects otherwise, the plan is required to provide a paper benefit statement at least once annually, effective for plan years beginning after December 31, 2023. The other three quarterly statements required under ERISA are not subject to this rule (i.e., they can be provided electronically). For defined benefit plans, unless a participant elects otherwise, the statement that must be provided once every 3 years under ERISA must be a paper statement. The Labor Secretary must update the relevant sections of their regulations and corresponding guidance by December 31, 2022.



# H.R. 2954 SECURING A STRONG RETIREMENT ACT

## Section-by-Section Summary

**Section 315.** Separate application of top heavy rules to defined contribution plans covering excludible employees. Under current law, qualified retirement plans must pass the top-heavy test, in addition to other nondiscrimination tests. Plans that are deemed top-heavy are required to provide employees with a minimum of a 3% of pay non-elective contribution, which is a significant cost to small businesses. Other nondiscrimination tests that apply to 401(k) plans allow an employer to test otherwise excludable employees (e.g., those who are under age 21 and have less than one year of service) separately. This was intended to encourage plan sponsors to permit employees to defer earlier than the minimum age and service conditions permitted under the law because it reduces the situations where plans would fail the nondiscrimination tests if these employees were included when performing the test. However, this separate testing is not allowed for the top-heavy test. Small business retirement plans often do not cover excludable employees because if the plan is or becomes top heavy, the employer may be required to contribute a top-heavy employer contribution for all employees who are eligible to participate in the plan, straining the budget for these small businesses.

Section 315 allows an employer to perform the top-heavy test separately on the non-excludable and excludable employees. This removes the financial incentive to exclude employees from the 401(k) plan and increase retirement plan coverage to more workers. Section 315 is effective for plan years beginning after the date of enactment of this Act.

**Section 316.** Repayment of qualified birth or adoption distribution (“QBAD”) limited to 3 years. The SECURE Act included a provision that allows individuals to receive distributions from their retirement plan in the case of birth or adoption without paying the 10% additional tax under Code Section 72(t). The distributions can be recontributed to a retirement plan at any time and are treated as rollovers. The problem with current law is the allowance of recontributions at any time. Code Section 6511 prevents a refund from being provided to a taxpayer after the period of limitations for the return has closed, which is generally a 3-year period. Thus, there would not be a mechanism under the Code allowing someone who took a birth/adoption distribution to recontribute the distribution more than 3 years later and amend their return to receive a refund for the taxes that were paid in the year of the withdrawal. Therefore, Section 316 amends the QBAD provision to restrict the recontribution period to 3 years. Section 316 is effective retroactively to distributions made after December 31, 2019.

**Section 317.** Employer may rely on employee certifying that hardship distribution conditions are met. Section 317 provides that, under certain circumstances, employees will be permitted to self-certify that they have had an event that constitutes a hardship for purposes of taking a hardship withdrawal. This is a logical step in light of the success of the coronavirus-related distribution self-certification rules and the current hardship regulations that already permit employees to self-certify that they don’t have other funds available to address a hardship. Section 317 is effective for plan years beginning after December 31, 2022.

**Section 318.** Penalty-free withdrawals from retirement plans for individuals in case of domestic abuse. A domestic abuse survivor may need to access his or her money in their retirement account for various reasons, such as escaping an unsafe situation. Section 318 allows retirement plans to permit participants that self-certify that they experienced domestic abuse to withdraw a small amount of money (the lesser of \$10,000 or 50 percent of the participant’s account). A distribution made under this provision is not subject to a 10 percent tax on early distributions. Additionally, a participant has the opportunity to repay the withdrawn money to the retirement plan over 3 years and will be refunded for income taxes on money that is repaid. Section 318 is effective for distributions made after the date of enactment of this Act.



# H.R. 2954 SECURING A STRONG RETIREMENT ACT

## Section-by-Section Summary

**Section 319.** Reform of family attribution rule. Under the tax code, certain related businesses must be aggregated when performing the coverage and nondiscrimination tests. The aggregation rules are generally based on the degree of common ownership of the businesses. In determining the level of ownership in a business, the tax laws have certain attribution rules whereby an individual is deemed to own stock held by other individuals or entities. Section 319 updates two of the stock attribution rules. The first update addresses inequities where spouses with separate businesses reside in a community property state when compared to spouse who reside in separate property states. The second update modifies the attribution of stock between parents and minor children. Section 319 is effective for plan years beginning on or after the date of enactment of this Act.

**Section 320.** Amendments to increase benefit accruals under plan for previous plan year allowed until employer tax return due date. Section 201 of the SECURE Act permits an employer to adopt a new retirement plan by the due date of the employer's tax return for the fiscal year in which the plan is effective. Current law, however, provides that plan amendments to an existing plan must generally be adopted by the last day of the plan year in which the amendment is effective. This precludes an employer from adding plan provisions that may be beneficial to participants. Section 320 amends these provisions to allow discretionary amendments that increase participants' benefits to be adopted by the due date of the employer's tax return. Section 320 is effective for plan years beginning after December 31, 2023.

**Section 321.** Retroactive first year elective deferrals for sole proprietors. Under the SECURE Act, an employer may establish a new 401(k) plan after the end of the taxable year, but before the employer's tax filing date and treat the plan as having been established on the last day of the taxable year. Such plans may be funded by employer contributions up to the employer's tax filing date. Section 321 allows these plans, when they are sponsored by sole proprietors or single-member LLCs, to receive employee contributions up to the date of the employee's tax return filing date for the initial year. Section 321 is effective for plan years beginning after the date of enactment of this Act.

**Section 322.** Limiting cessation of IRA treatment to portion of account involved in a prohibited transaction. When an individual engages in a prohibited transaction with respect to his or her IRA, the IRA is disqualified and treated as distributed to the individual, irrespective of the size of the prohibited transaction. Under Section 322, only the portion of the IRA account used in a prohibited transaction is treated as distributed. Section 322 is effective for taxable years beginning after the date of enactment of this Act.

**Section 323.** Review of pension risk transfer interpretive bulletin. Section 323 requires DOL to review the current interpretive bulletin governing pension risk transfers to determine whether amendments are warranted and to report to Congress its finding, including an assessment of any risk to participant, no later than 1 year after enactment of this Act.

## Title IV – Technical Amendments

**Section 401.** Technical amendments relating to Setting Every Community Up for Retirement Enhancement Act of 2019. Section 401 includes four technical and two clerical amendments to the SECURE Act. These amendments are effective as if included in the section of SECURE Act to which the amendment relates.



# H.R. 2954 SECURING A STRONG RETIREMENT ACT

## Section-by-Section Summary

### Title V – Administrative Provisions

**Section 501.** Provision relating to plan amendments. Section 501 allows plan amendments made pursuant to this Act to be made on or before the last day of the first plan year beginning on or after January 1, 2024 (2026 in the case of governmental plans) as long as the plan operates in accordance with such amendments as of the effective date of a bill requirement or amendment. Section 501 also conforms the plan amendment dates under the SECURE Act, the CARES Act, and the Taxpayer Certainty and Disaster Tax Relief Act of 2020 to these new dates (instead of 2022 and 2024).

### Title VI – Revenue Provisions

**Section 601.** SIMPLE and SEP Roth IRAs. Generally, all plans that allow pre-tax employee contributions are permitted to accept Roth contributions with one exception – SIMPLE IRAs. 401(k), 403(b), and governmental 457(b) plans are allowed to accept Roth employee contributions. Section 601 allows SIMPLE IRAs to accept Roth contributions as well. In addition, aside from grandfathered salaried reduction simplified employee pension plans, under current law, simplified employee pension plans (“SEPs”) can only accept employer money and not on a Roth basis. Section 601 allows employers to offer employees the ability to treat employee and employer SEP contributions as Roth (in whole or in part). The provisions in Section 601 are effective for taxable years beginning after December 31, 2022.

**Section 602.** Hardship rules for 403(b) plans. Under current law, the distribution rules for 401(k) and 403(b) are different in certain ways that are historical anomalies for varied reasons. For example, for 401(k) plans, all amounts are available for a hardship distribution. For 403(b) plans, in some cases, only employee contributions (without earnings) are available for hardship distributions. Section 602 conforms the 403(b) rules to the 401(k) rules, effective for plan years beginning after December 31, 2022.

**Section 603.** Elective deferrals generally limited to regular contribution limit. Under current law, catch-up contributions to a qualified retirement plan can be made on a pre-tax or Roth basis (if permitted by the plan sponsor). Section 603 provides all catch-up contributions to qualified retirement plans are subject to Roth tax treatment, effective for taxable years beginning after December 31, 2022.

**Section 604.** Optional treatment of employer matching contributions as Roth contributions. Under current law, plan sponsors are not permitted to provide employer matching contributions in their 401(k), 403(b) and governmental 457(b) plans on a Roth basis. Matching contributions must be on a pre-tax basis only. Section 604 allows DC plans to provide participants with the option of receiving matching contributions on a Roth basis, effective after the date of enactment of this Act.