

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

November 7, 2022

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

Subject: Meeting of the Kern County Employees' Retirement Association Administrative Committee

Ladies and Gentlemen:

A meeting of the Kern County Employees' Retirement Association Administrative Committee will be held on Wednesday, November 16, 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# 861-2549-2350:

- (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/86125492350?pwd=Szd4VHpGc0pGWE02UDIYWEpOWVI5UT09>
- Passcode: 850098

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.

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 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. 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

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 COMMITTEE 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 COMMITTEE CONCERNING THE ITEM BEFORE ACTION IS TAKEN. STAFF RECOMMENDATIONS ARE SHOWN IN CAPS AFTER EACH ITEM.

- *1. [Annual Review of KCERA Insurance Coverages – RECEIVE AND FILE](#)
2. [Response to referral regarding implementation of Risk Mitigation and Position Creation presented by Chief Executive Officer Dominic Brown and Governance Consultant Julie Becker, Aon – APPROVE PROPOSED EDITS TO CHARTERS; RECOMMEND APPROVAL TO THE BOARD OF RETIREMENT](#)

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.

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.

CALL FOR PUBLIC COMMENT ON EXECUTIVE SESSION ITEM(S)

EXECUTIVE SESSION

5. CONFERENCE WITH LABOR NEGOTIATORS REGARDING UNREPRESENTED EMPLOYEE (pursuant to Government Code §54957.6(a))

Agency Designated Representatives: Juan Gonzalez and Joseph D. Hughes;
Unrepresented Employee: Chief Executive Officer
6. PUBLIC EMPLOYEE PERFORMANCE EVALUATION (pursuant to GOVERNMENT CODE §54957): Title: Chief Executive Officer

RETURN TO PUBLIC SESSION

REPORT OF EXECUTIVE SESSION ACTIONS, IF APPLICABLE

7. Adjournment



Date: November 16, 2022
To: Trustees, Administrative Committee
From: Dominic D. Brown, Chief Executive Officer *Dominic D. Brown*
Subject: **KCERA Insurance Coverages**

This report updates the Administrative Committee on insurance coverages maintained by KCERA for the fiscal year 2022-2023 pursuant to section 6(a) of the Administrative Committee Charter.

1. Types and Costs of Insurance:

KCERA Building Contents	\$2,650.94
Worker's Comp	\$12,392.59
Crime	\$300.48
Cyber liability	\$804.95
General liability	\$7,644.02
<hr/> Total County	<hr/> \$23,792.98

KCERA private coverages

Fiduciary	\$152,388.00
KPI/Building	\$5,139.00
<hr/> Total Private	<hr/> \$157,527.00

KCERA maintains several policies to cover the exposures inherent in administering a public pension plan. County-provided insurance coverages for worker's compensation, crime, cyber liability, general liability, and the contents of our building are charged on a fiscal year basis, and the cost estimates are provided to KCERA by the County during the County's budget development process.

KCERA also maintains insurance coverage through private brokers for fiduciary and building (KPI) insurance policies with Los Angeles-based broker Kaercher Campbell & Associates, recently acquired by Liberty Company Insurance Brokers effective September 1, 2022.

2. KCERA Insurance Profile

KCERA is profiled by insurers when determining premium costs. KCERA is classified as a "public entity" on its insurance applications. No other entity classification breakdown is provided. Insurance companies set KCERA's premiums based on the number of its employees and trustees, amount of plan assets, and on its policy deductibles.

3. General Liability

The general liability coverage provided by County Risk Management includes a variety of coverages, including Employment Practices Liability coverage, errors and omissions, employer's liability and public official's liability (directors and officers).

4. Fiduciary Insurance Coverage

KCERA maintains fiduciary insurance to pay, on behalf of the insured (i.e., the Plan, past, present, and future trustees, and employees of the plan), covered losses and claims expenses arising from claims alleging "wrongful acts" by KCERA's fiduciaries or its employees. This includes losses resulting from any breach of fiduciary duty by the Board or any negligent acts, errors, and omissions by any trustee or KCERA employee.

In 2000, when KCERA had \$1.6 billion in assets, Kern County Risk Management recommended that KCERA obtain an aggregate limit of \$10 million in fiduciary liability insurance. Coverage continued at this level until 2005, when KCERA secured an additional \$5 million policy via insurance broker Walter Mortensen. The \$15 million coverage was renewed annually until 2013, when KCERA management reduced the fiduciary insurance coverage limit to \$10 million "due to cost." KCERA staff presented this information to the Committee in December 2015 and informed the Committee of the intention to return the coverage level to \$15 million. Staff increased the coverage the following fiscal year. Coverage remains at \$15 million presently.

5. KPI/Building and Building Contents

When KCERA staff reviewed its insurance coverages, staff discovered that KCERA's property insurance covered the building structure, but not the contents of the building. The contents of the building are covered under KCERA's coverage through the County.

6. Waiver of Recourse

As done in the past, the Board was provided with the ability to purchase waiver of recourse coverage from their personal funds. Waiver of Recourse, or non-recourse, coverage is an endorsement to a fiduciary liability insurance policy that prevents an insurer from exercising its subrogation rights against an insured fiduciary. Waiver of Recourse Coverage with Euclid, for those who elect to purchase it, has been secured for the period of July 8, 2022 through July 8, 2023 to provide eligible KCERA fiduciaries and management with defense and indemnification coverage.

Staff recommends that the Administrative Committee receive and file this report.



KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

Date: November 16, 2022
To: Trustees, Administrative Committee
From: Dominic D. Brown, Chief Executive Officer *Dominic D. Brown*
Subject: Option 2 Implementation

On September 19, 2022 the Administrative Committee heard a staff presentation on Risk Mitigation and Position Creation. This item was in response to a previous referral from the Board to evaluate options to separate the personnel function from the budgetary function of KCERA.

Staff presented 3 options for considerations, and the Administrative Committee directed staff to work with Aon to draft edits to relevant policies to reflect implementation of Option 2.

The following documents are attached:

- Update to slide deck previously presented
- Proposed edits to the Chief Executive Officer Charter
- Proposed edits to the Administrative Committee Charter
- Proposed edits to the Finance Committee Charter

Risk Mitigation & Position Creation



Presented by Dominic D. Brown, CEO

September 19, 2022



Background

- Over the last 5 years, KCERA has added 10+ new positions, and reclassified numerous other positions through the budgetary process
- KCERA staff worked directly with County HR to implement changes to respond to risks and to “right-size” personnel to promote employee recruitment and retention
- This year the Board asked staff to develop a process to separate personnel actions from the budgetary process and present potential solutions to the Administrative Committee

Personnel – Last 5 Years

- Every KCERA position specification has been updated and each salary range has been improved
- We are nearly done making every position unique to KCERA with no direct County equivalent
- At least 10 positions are entirely new to KCERA and were created by modeling after SACRS peers

“Train people well enough so they can leave, treat them well enough so they don't want to.”

- Richard Branson



Take Care of your employees and they will take care of your business. It's as simple as that

- Richard Branson

Loyal Employees are Assets

- Not Liabilities!

Option 1 – Consider Position Changes through Administrative Committee

- Pros
 - Administrative Committee already exists to handle similar matters
 - Accomplishes objective to separate from budgetary positions and Finance Committee matters
- Cons
 - Open Session required
 - Risk assessments related to confidential human resources matters, including succession planning, and cybersecurity vulnerabilities and threats should not be discussed in open session



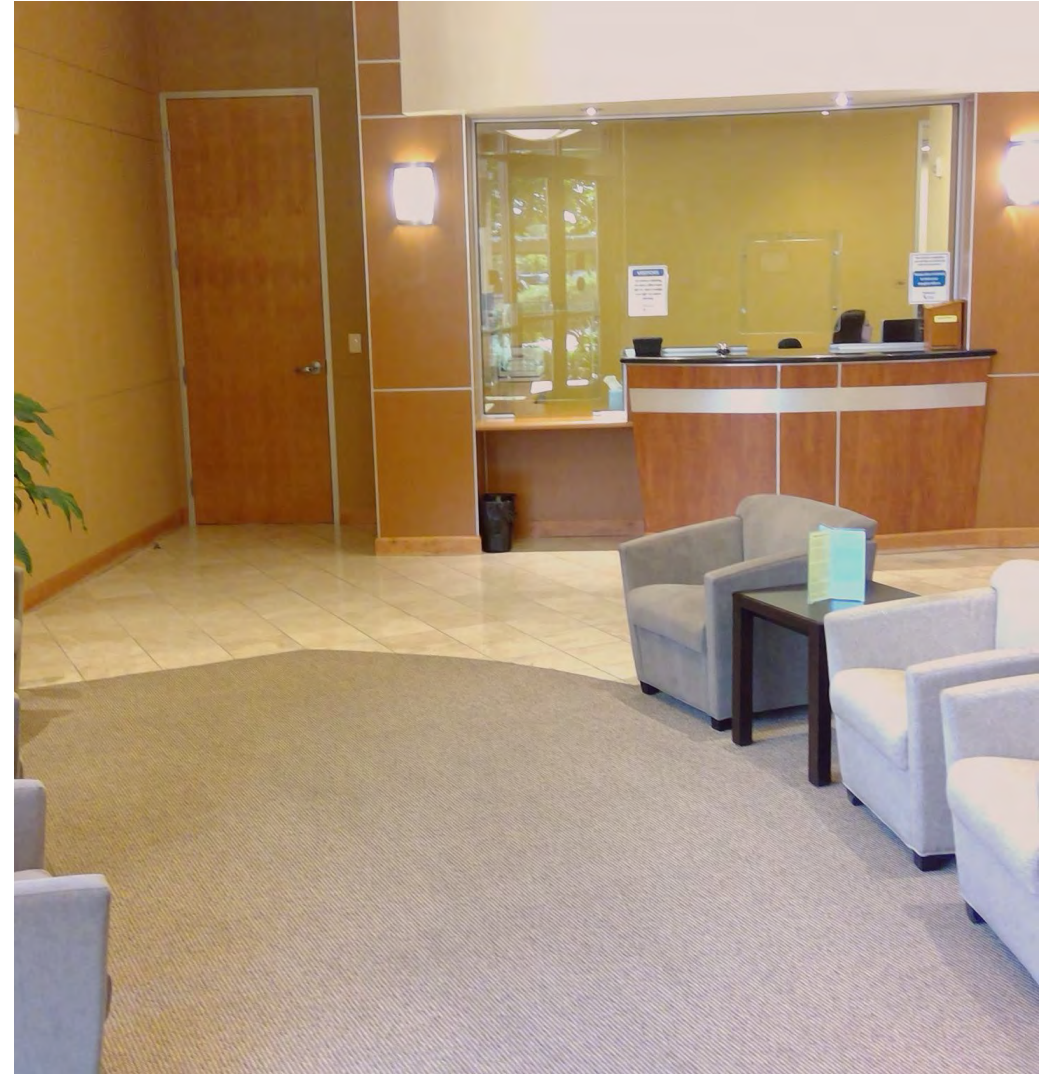
Option 2 – Delegate Position Development to CEO

- Pros
 - Consistent with CEO Charter as currently drafted
 - Good governance – Board stays at the policy level
 - Consistent with Fiduciary Duty to Monitor and Oversee
- Cons
 - Some Trustees may be concerned with lack of opportunity to participate



Option 3 – Recommend Board Create an Ad Hoc Committee

- Pros
 - Ad Hoc Committees are exempt from Brown Act and confidential matters can be fully vetted
 - Committee members can spend as much or as little time as they want before making recommendations to the Board
- Cons
 - Some, but not all Trustees can fully participate in confidential discussions



Staff Recommendation

- Consider merits of each approach, or possibly consider other options or hybrid solutions
- Refer to staff to draft changes for further consideration by the Administrative Committee
- Make a recommendation to the Board of Retirement

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);
 - b)c) Develop and establish human resource staff positions and corresponding job specifications, as necessary for the proper administration and management of

KCERA and in furtherance of operational risk mitigation, which will be reported annually to the Administrative Committee as further set forth in the *Human Resources Report Protocol, Appendix A of the Administrative Committee Charter.*

e)d) 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);

e)e) 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)f) 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)g) 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)h) 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 human resource positions and corresponding job specifications, 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; and [month day, year].

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 - 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; April 13, 2022; and [month day, year].



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.¹

¹ 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, [the Human Resources Report any staff succession plans or issues pursuant to the Human Resources Report Protocol set forth in Appendix A.](#)
- 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.

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; and [month day, year].

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APPENDIX A

HUMAN RESOURCES REPORT PROTOCOL

- 1) The Human Resources Report will
 - (a) outline specific staffing issues identified by the Chief Executive Officer as affecting KCERA's current and future ability to fulfill its Mission Statement. Such issues may include, but are not limited to,
 - (1) the need for additional staffing, the development of new positions and job specifications, changes to the existing staffing structure (organizational chart), staffing risks and opportunities, and staff succession plans; and
 - (b) describe current measures and future plans to address the identified staffing issues.
- 2) Any increase to the current or future budget resulting from personnel changes outlined in the Human Resource Report are reserved for the Finance Committee or Board of Retirement.



ADMINISTRATIVE COMMITTEE CHARTER

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 - 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.
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- c) Coordinate the Chief Executive Officer's annual performance evaluation.
- d) Review and discuss with the Chief Executive Officer, at least annually, the Human Resources Report pursuant to the *Human Resources Report Protocol* set forth in Appendix A.
- e) Coordinate any employment searches for the Chief Executive Officer position.
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- c) Select and appoint, as necessary, other specialists to assist the Administrative Committee in carrying out its charter.

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 - 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; April 13, 2022; and [month day, year].

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 - (1) the need for additional staffing, the development of new positions and job specifications, changes to the existing staffing structure (organizational chart), staffing risks and opportunities, and staff succession plans; and
 - (b) describe current measures and future plans to address the identified staffing issues.
- 2) Any increase to the current or future budget resulting from personnel changes outlined in the Human Resource Report are reserved for the Finance Committee or Board of Retirement.

PROPOSED

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.¹
- 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.²³
- 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 process⁴ and format with Management.

Service Providers

8) The Finance Committee shall:

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

² 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. [Financial impacts to current or future budgets are reserved for the Finance Committee. As set forth in the Chief Executive Officer Charter and Administrative Committee Charter, the development and establishment of human resource staff positions are delegated to the Chief Executive Officer and reported to the Administrative Committee in the Human Resources Report.](#)

³ ~~Financial impacts to current or future budgets are reserved for the Finance Committee. Staffing issues are delegated to the Chief Executive Officer and reported to the Administrative Committee in the Human Resource Report.~~

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- 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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PROPOSED

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