

Executive Team

Dominic D. Brown, CPA, CFE
Executive Director

Daryn Miller, CFA
Chief Investment Officer

Jennifer Zahry, JD
General Counsel

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Assistant Executive Director

**KERN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**



Board of Retirement

Dustin Dodgin, Chair
Juan Gonzalez, Vice-Chair
David Couch
Phil Franey
Jordan Kaufman
Rick Kratt
Edward Robinson
Lauren Skidmore
Tyler Whitezell
Bradly Brandon, Alternate
Chase Nunneley, Alternate
Robb Seibly, Alternate

January 28, 2021

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, February 3, 2021 at 1:00 p.m. via teleconference, pursuant to Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020. Items of business will be limited to the matters shown on the attached agenda.

If you wish to listen to the teleconference meeting, please dial one of the following numbers and enter Meeting ID# 289-998-6429:

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

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
Executive Director

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

1. [KCERA Governance Report for the Fiscal Year ending June 30, 2020 presented by Governance Consultant Tom Iannucci, Cortex Applied Research](#) – RECEIVE AND FILE; RECOMMEND THE FOLLOWING TO THE BOARD OF RETIREMENT: APPROVE PROPOSED CHANGES; TAKE OTHER ACTION, AS APPROPRIATE
2. [Discussion and appropriate action on review of the Board Operations Policy and related portion of the KCERA Board of Retirement CERL Regulations presented by Executive Director Dominic Brown and Governance Consultant Tom Iannucci, Cortex Applied Research](#) – RECOMMEND THE FOLLOWING TO THE BOARD OF RETIREMENT: APPROVE PROPOSED CHANGES; TAKE OTHER ACTION, AS APPROPRIATE
3. [KCERA 2020 Board Self-Evaluation Survey presented by Executive Director Dominic Brown and Governance Consultant Tom Iannucci, Cortex Applied Research](#) – HEAR PRESENTATION; REVIEW AND CONSIDER EDITS TO SELF-EVALUATION SURVEY; COMMENCE SURVEY; TAKE OTHER ACTION, AS APPROPRIATE

PUBLIC COMMENTS

4. 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.

COMMITTEE MEMBER ANNOUNCEMENTS OR REPORTS

5. 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.

EXECUTIVE SESSION

6. PUBLIC EMPLOYEE PERFORMANCE EVALUATION (pursuant to GOVERNMENT CODE §54957): Title: Executive Director

RETURN TO PUBLIC SESSION

REPORT OF EXECUTIVE SESSION ACTIONS, IF APPLICABLE

7. Adjournment



**KERN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

GOVERNANCE REPORT FOR THE
FISCAL YEAR ENDING JUNE 30, 2020

PREPARED BY CORTEX APPLIED RESEARCH INC.

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Introduction

The Board of Trustees (the “Board”) of the Kern County Employees’ Retirement Association (“KCERA”) has established a comprehensive governance framework containing numerous charters and policies designed to guide the Board and the Executive Director in governing and managing KCERA. The charters identify the primary responsibilities of the Board, board officers, board committees, and the Executive Director; the governance policies provide guidance on how those parties are to carry out their duties.

As part of its Governance Support Services, Cortex provides the Board with an annual review of the extent to which board and staff practices are consistent with KCERA’s governance framework. The 2020 Governance Report (the “Report”) is focused on the implementation of the Board’s governance policies and charters between July 1, 2019 and June 30, 2020 (“the Review Period”).

Scope

The policies and charters covered in our review include the following:

<i>Policies</i>	<i>Charters</i>
1. Board Operations Policy	1. Board of Retirement
2. Board Communications Policy	2. Board Chair
3. Service Provider Evaluation Policy	3. Vice Chair
4. Evaluation Period Policy	4. Committee Chair
5. Monitoring and Reporting Policy	5. Administration Committee
6. Executive Director Performance Evaluation Policy	6. Finance Committee
7. Executive Director Succession Policy	7. Investment Committee
8. Trustee Education Policy	8. Executive Director
9. Trustee Travel Policy	9. Secretary to the Board
10. Due Diligence and Service Provider Selection Policy	
11. Code of Conduct	
12. Board Performance Evaluation	

All of KCERA’s governance policies and charters are required to be reviewed and amended, as necessary, at least every five years. Consistent with this requirement, the Board completed a comprehensive review of the above policies and charters in 2015 and 2016. The next review should occur in the upcoming year.

Structure of Report

The Governance Report combines the analysis of both policies and charters and is structured as follows:

Part I: Policies

For each of the above policies we have:

- a. Summarized key policy provisions to help remind Trustees of basic aspects of each policy (“Summary of Key Provisions”);¹
- b. Described relevant Board and management activities that took place during the Review Period (“Cortex Commentary”); and
- c. Highlighted any potential issues for consideration by the Board (“Issues for Consideration”). This section may identify issues that require a revision to the current policies and/or charters. The redlined policies and charters containing Cortex’s recommended revisions are provided in separate attachments for your review.

Part II: Charters

With respect to the governance charters, we highlight any potential issues for consideration that have not been addressed in *Part I: Policies*. The report does not provide summaries of the charters due to the fact that, by necessity, there is repetition among the charters. Trustees are encouraged, however, to review the charters for official guidelines.

Appendices

The Governance Report also contains the following appendices to support our commentary:

- Trustees’ attendance at Board and committee meetings (Appendix A);
- In-house education received by the Board and committees (Appendix B);

Limitations

The policies and charters collectively contain over 200 provisions, many of which are not readily verifiable. Nevertheless, general compliance with many provisions can be determined by a review of board and committee meeting minutes and board reports. This review is intended to provide a level of assurance that the governance framework of KCERA is generally being followed, and does not constitute an audit.

¹ Throughout this report, Cortex has summarized the policies and in the process may have altered the wording somewhat. We believe however that we have retained the essence of the policy.

Part I – Policies

Board Operations Policy

Summary of Key Provisions

The Board Operations Policy summarizes key provisions from the Bylaws and County law, in addition to requirements unique to the policy itself. All of the provisions relate to how the Board conducts itself.

Board Officers

- a) The Board shall elect a Chair and Vice Chair at its December meeting to serve a one-year term.
- b) Any trustee may be elected Chair for up to two consecutive terms before vacating the position for at least one year.
- c) If the Chair is unable to complete his or her term, the Vice-Chair shall be the successor, and a new Vice-Chair shall be elected at the next regular Board meeting.
- d) If the Vice-Chair is unable to complete his or her term, the Board shall elect a new Vice-Chair for the balance of the term.

Board Committees

- e) The Board may approve the establishment of standing and ad hoc committees, in consultation with the Executive Director. Each committee shall consist of 4 members and 1 alternate member.
- f) The Board shall approve a charter for each standing committee.
- g) Committee members, alternates, and chairs shall be appointed by the incoming Board Chair at the first regular meeting following the board officer elections.
- h) In determining committee appointments, the Chair shall consider: a) trustees' area of expertise and experience; b) trustees' varying interests; and c) the need to rotate trustees such that trustees acquire exposure to various functions.

Board Meetings

- i) The Board shall hold meetings on the second Wednesday of each month. Meetings may take place in different locations if authorized under Sections 54953 or 54954 of the Brown Act.
- j) The Executive Director, in coordination with the Chair, may reschedule a Board meeting if necessary.
- k) Special meetings may only be called, as provided in California Government Code Section 54956.
- l) If the Chair or Vice-Chair is unavailable to chair a meeting, the most recent past Chair who is available and serving on the Board will assume the role of the Chair for that meeting.

Committee Meetings

- m) At its first meeting each year, standing committees shall establish a forward yearly schedule of meetings and agendas, and provide such schedules to the Board for review.
- n) Standing committees may meet at the discretion of the Executive Director, Board Chair, the relevant committee, or Chair of the relevant committee.
- o) If the committee chair is unavailable to attend a meeting, 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

Summary of Key Provisions (cont'd)

Agendas and Meeting Materials

- p) At least 5 days prior to a Board meeting, the Secretary to the Board shall provide Trustees with a written agenda and associated meeting materials.
- q) Committee meeting agendas shall be posted 72 hours prior to a committee meeting. Committee materials will generally be distributed no later than one day before the meeting.

Meeting Practices

- r) Board and committee meetings shall be governed by the Board Operations policy, which combines provisions from Article I of the Bylaws, other provisions unique to this policy, and State law. Robert's Rules of Order shall be utilized to resolve issues, as needed.
- s) The quorum required for a meeting of the Board shall consist of five trustees. Similarly, five concurring votes among trustees shall be necessary for a decision.
- t) Quorum for committee meetings shall consist of three appointed members of the committee. A committee alternate will attend a committee meeting to satisfy a quorum when necessary. Committee chairs may designate an additional temporary member to achieve quorum for a committee.
- u) 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.
- v) Minutes shall be recorded for all Board and committee meetings, and presented for approval at the next regular meeting of the Board or committee.

Board Policies

- w) The Board shall abide by all board policies unless imprudent to do so. Material deviations in policy will be noted in the minutes along with the reasons for the deviation, and the Board may direct the Executive Director to review the policy in question. Minor deviations in procedures are not required to be noted in the minutes.

CORTEX COMMENTARY

1. Consistent with the policy:
 - a. The Board elected a Chair and Vice Chair on December 12, 2019 from the nominees put forward by the Nominating Committee. The 2020 committee assignments were approved at the next regular Board meeting in January 2020.
 - b. The Board currently has three standing committees: the Administrative Committee, Finance Committee, and Investment Committee.
 - c. An annual schedule of Board meetings setting out meeting dates for the upcoming year (2020) was presented to the Board for approval in October 2019.
 - d. The scheduling of regular Board meetings has generally been consistent with the Policy, with four minor exceptions whereby a Board meeting was scheduled for a date outside the regular

schedule set in the policy. These exceptions were approved by the Board when a revised meeting schedule for 2020 was approved in February 2020.

- e. Meeting agendas were posted publicly on the KCERA website at least five days in advance of the regular meeting.
 - f. KCERA Administration confirmed that Board and committee members are provided with meeting agendas and associated materials sufficiently in advance of meetings, in compliance with legal requirements.
 - g. Quorum and voting rules were observed for all Board and committee meetings.
 - h. All meeting minutes were presented for approval to the Board/Committee within a reasonable time.
2. According to the Policy, *“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 if deemed necessary.”* The review frequency specified in the governance charters and policies is at least every five years. According to our records, the last formal governance manual review was conducted in 2015/16. Cortex will initiate a policy review in the coming months.

Issues for Consideration

1. According to the policy, standing committees shall be composed of four regular members and one alternate. Our review indicates that in 2019:
 - a. The Administrative Committee had three regular members and a vacancy in the alternate position.
 - b. The Investment Committee had a vacancy in the alternate position.

The issues noted above were resolved in 2020.

Board Communications Policy

Summary of Key Provisions

General Guidelines

- a) Trustees shall:
 - i) Comply with all applicable open meeting legislation including the Brown Act;
 - ii) Communicate with all parties in a straightforward, respectful, and constructive manner;
 - iii) Share information of a fiduciary nature pertinent to KCERA's affairs with the Board and Management in a timely manner.
- b) Trustees are encouraged to provide advance notice to an individual regarding questions or concerns they intend to raise with that party at a board or committee meeting.

Communication with Staff

- c) Material communications between trustees and staff are expected to occur through the Executive Director, Assistant Executive Director, Chief Investment Officer, and/or General Counsel.
- d) Board or committee authorization is required prior to a trustee making a request of staff that requires a material expenditure of staff time or use of external resources.

Communication with Members

- e) Trustees shall not attempt to educate or counsel Plan Members about their personal benefit entitlements, and instead, shall direct Plan Members to the KCERA website or office, or directly to senior management of KCERA.
- f) Trustees shall not have ex-parte communications related to a quasi-adjudicative application made to the Board.

Communication with Service Providers

- g) Material communication by trustees with service providers should be limited to board or committee meetings, or arranged through Management. Any material communications between a trustee and a service provider outside of this contact should be disclosed to the chair and the ED.
- h) In communicating with service providers, trustees shall refrain from disclosing privileged information that may be perceived as granting special treatment or favoritism.
- i) Trustees shall refer investment opportunities received from service providers to the CIO and the ED.
- j) Press releases concerning the KCERA will generally be the responsibility of the Executive Director. Such releases will be shared beforehand with the Board or, if time does not permit, with the Chair.
- k) Trustees shall not communicate with specified service providers during Evaluation Periods.

Communication with the Media and Other External Parties

- l) Trustees shall not communicate on behalf of the Board unless authorized to do so, nor shall they make any commitments on behalf of the Board or KCERA, nor give the impression of doing so.
- m) Trustees communicating publicly about issues relating to KCERA are required to preface their statements with a disclaimer indicating they are expressing their own opinions and not those of KCERA.
- n) Trustees may not use KCERA resources to communicate their personal views to Stakeholders.

Summary of Key Provisions (cont'd)

- o) Trustees wishing to make a public presentation or distribute information about KCERA shall provide such materials to the Executive Director or General Counsel to be reviewed prior to presentation or distribution.

Spokesperson Guidelines

- p) The Executive Director shall serve as KCERA's spokesperson, and shall confer with the Chair prior to communicating about significant issues.
- q) In the absence of the Executive Director, the Assistant Executive director shall serve as spokesperson for KCERA. In the absence of the Assistant Executive director, General Counsel shall serve as the spokesperson.
- r) As determined by the Board, the Chair may serve as spokesperson in some situations (i.e., when it would be inappropriate for the Executive Director to communicate on KCERA's behalf).
- s) Spokespersons shall only communicate positions that have been decided on by the Board, or that reflect the Board's official views or policies.

CORTEX COMMENTARY

1. Given the nature of board communications, this policy does not readily lend itself to compliance monitoring. We nevertheless encourage Trustees to review the summary of provisions noted above and/or the policy itself.

Service Provider Evaluation Policy

Summary of Key Provisions

Background

- a) KCERA has identified the following parties as its “Key Service Providers”:
 - i. Consulting actuary
 - ii. Auditor
 - iii. Investment consultant
 - iv. Custodian

Guidelines

- b) A combination of subjective and objective methods of evaluation will be used to assess the performance of the Key Service Providers.
- c) Management shall determine the combination of methods to be used in evaluating Key Service Providers, and shall keep the Board informed of the process.

Subjective Evaluation Methods

- d) Key Service Providers shall be assessed relative to subjective criteria such as responsiveness, communications, quality of advice, and service quality.
- e) KCERA management shall evaluate a given service provider using surveys, discussion guides, or other appropriate tools. The Executive Director determines which staff members will participate in evaluating each service provider.

Objective Evaluations

- f) Management may undertake objective evaluations of Service Providers as appropriate (e.g., to address issues such as technical proficiency, accuracy, cost effectiveness and independence). Such evaluations may involve assistance from independent third-party experts.

Requests for Proposals for Current Service Providers

- g) Relationships with Key Service Providers will be formally reviewed from time-to-time to determine whether an RFP process should be initiated to confirm the suitability of the current relationship or to seek an alternative supplier.
- h) In the case of audit and actuarial services, KCERA should generally issue an RFP approximately every six years.

CORTEX COMMENTARY

1. All Key Service Provider relationships are required to be formally reviewed from “time-to-time” and should generally be performed every six years. Consistent with this policy, Key Service Provider relationships have been reviewed by KCERA fairly recently. Details as to the timing of such reviews are as follows:

Key Service Provider	Last Formal Review (i.e. when the Board considered if an RFP should be issued)	Last RFP Issued*
Consulting Actuary	2020	2014
Auditor	2020	2020
Custodian	2017	2014
Investment Consultant	Mid-2016	2011

* The policy also suggests that RFPs for a Consulting Actuary and Auditor should be issued every six years, or more often if deemed appropriate. An RFP for the Auditor was issued within the recommended timeframe, while an RFP for the Consulting Actuary was considered by Staff in 2020 but was ultimately postponed (as described below).

2. The relationship with the Auditor was previously reviewed in 2015. In December 2019, the Executive Director announced that an Audit RFP had been issued. The Finance Committee reviewed the proposals received and subsequently recommended an auditor for Board approval in April 2020.
3. In April 2020, KCERA extended its agreement with the incumbent Consulting Actuary for an additional year. KCERA Administration confirmed that it reviewed the relationship with the actuary and determined that the extension would work well in conjunction with the timing of the Actuarial Audit currently in progress.

Issues for Consideration

Our review did not reveal any Issues for Consideration.

Evaluation Period Policy

Summary of Key Provisions

- a) The Board shall institute an “evaluation period” when:
 - i. A RFP has been issued by KCERA or a short list of candidate firms has been identified by KCERA, whichever occurs first; or
 - ii. The Board deems it to be in the interest of KCERA and its members to do so.
- b) Use of evaluation shall be limited to investment managers and partners, investment consultants, legal counsel, and actuarial firms.
- c) During evaluation periods:
 - i. Trustees shall not communicate with the specified service providers (except during board or committee meetings or KCERA-authorized due diligence visits) or accept gifts from the specified service providers (e.g. meals, travel, and hotel).
 - ii. Notwithstanding the above, trustees who need to communicate with such service providers for reasons unrelated to KCERA business shall disclose such need to the Board prior to such communications, or, when circumstances do not permit timely disclosure to the Board, the trustee shall provide disclosure of the intended communication to the Executive Director and to the Chair or Vice-Chair.
 - iii. KCERA staff may communicate with service providers only in context of normal due diligence. Face-to-face meetings between staff and the specified service providers shall take place in normal office settings.
- d) Evaluation periods shall cease when a service provider has been appointed by the Board, when the search process in question has ended, or when the evaluation period is otherwise ended by action of the Board.
- e) This policy shall be incorporated into RFPs and other similar documents.
- f) Service providers that breach this policy may be terminated or disqualified from the search process, while Trustees who breach this policy may be sanctioned.

CORTEX COMMENTARY

1. During the Review Period:
 - a. An RFP for a private markets consultant was initiated and a recommendation was presented to the Board in November 2019.
 - b. Several investment managers were recommended by the Investment Committee to the Board.

Issues for Consideration

While the Board and Investment Committee are informed when RFPs are issued and/or short lists of finalist candidates are identified, it appears the Board itself does not formally establish an Evaluation Period to confirm that communications between trustees and affected service providers are to be restricted. The intent of the requirement is to clearly remind trustees of the restrictions. While some board member may not need a reminder, others may (e.g. newer board members).

The Board and management may wish to review whether the policy should continue to require that an Evaluation Period be ***formally instituted*** by the Board or whether it is sufficient that staff simply inform the Board that an RFP has been issued.

Monitoring and Reporting Policy

Summary of Key Provisions

Principles & Assumptions

- a) Requests by trustees for additional routine reports shall require Board approval and an amendment to Appendix 1 of the Monitoring & Reporting Policy.

Guidelines

- b) The Board shall be provided with routine reports in the following key areas:
 - i. Governance;
 - ii. Investments and Funding; and
 - iii. Administration and Operations.
- c) A list of specific routine reporting requirements is contained in Appendix I of the Policy.

CORTEX COMMENTARY

1. Consistent with the policy, the Board received the following routine reports during the Review Period:
 - a. Governance:
 - i. Board Performance Evaluation;
 - ii. Executive Director (ED) Evaluation;
 - iii. Annual Governance Report; and
 - iv. Trustee Education Report.
 - b. Investments and Funding:
 - i. Investments and Investment Performance Reports;
 - ii. Investment Manager Compliance Report;
 - iii. Report of the CIO;
 - iv. Proxy Voting;
 - v. Securities Lending;
 - vi. Class Action Securities Litigation and Proceeds Report;
 - vii. Actuarial Valuation; and
 - viii. Asset/Liability Study
 - c. Administration and Operations:
 - i. Benefits & Activities Report;
 - ii. Strategic/Business Plan Status Report;
 - iii. Budget Variance;
 - iv. External Financial Audit;
 - v. Comprehensive Annual Financial Report (CAFR);
 - vi. Cost Effectiveness Report;
 - vii. Reports of the Executive Director and General Counsel;
 - viii. Corrections of Errors in Benefit Payments Summary;
 - ix. Due Diligence Schedule;
 - x. Reports on Internal Controls; and
 - xi. Disabilities Reports.

2. An Actuarial Experience Study is due in 2020. Our review of the minutes indicates that Staff expect to complete a study in late June or July.
3. An Actuarial Audit is due in 2020. KCERA Administration confirmed that the audit is scheduled to be completed in December 2020.
4. According to the Due Diligence Schedule, no due diligence visits were scheduled for the Review Period other than in relation to the private markets consultant RFP. The Board therefore did not receive any Due Diligence Reports. KCERA Administration has indicated that a report will be presented to the Board in December 2020.

Issues for Consideration

1. The Policy currently states that the Board should receive a Strategic/Business Plan Status Report on a semi-annual basis. KCERA Administration confirmed that a Strategic/Business Plan Status Report was received once during the Review Period by the Administrative Committee in January 2020. We recommend changing the Policy's reporting frequency to annually. See **Attachment A**.

Executive Director Performance Evaluation Policy

Summary of Key Provisions

Roles and Responsibilities

- a) The Board is responsible for annually evaluating the Executive Director's performance. The Administrative Committee will coordinate the evaluation process.

Evaluation Criteria

- b) The Executive Director will meet with the Administrative Committee to review the performance criteria to be used in the upcoming evaluation period. All evaluation criteria shall be recommended for Board approval.
- c) The evaluation will be based on the following minimum criteria:
 - i. Board satisfaction with the Executive Director's general leadership, management, and administrative skills, as assessed by a survey administered to all trustees;
 - ii. Objective criteria established by the Board (e.g., service quality targets, implementation of specified initiatives);
 - iii. Any special, one-time criteria covering unique issues or circumstances.
- d) Evaluation criteria will generally be objective and measurable, and pertain only to outcomes over which the Executive Director has a high degree of control.

Evaluation Process

- e) The Executive Director will provide trustees with an Evaluation Package to assist in the Board's evaluation of the Executive Director's performance. This package will include:
 - i. All agreed-upon criteria;
 - ii. The Executive Director's own assessment of his or her performance; and
 - iii. The Executive Director Performance Evaluation survey
- f) The Administrative Committee has the authority to approve changes to the Executive Director Performance Evaluation survey.
- g) Trustees will complete the Executive Director Performance Evaluation survey, the results of which shall be tabulated by the Administrative Committee or a designated third-party.
- h) The Administrative Committee shall meet in executive session to review the results of the survey, and prepare a summary of results and recommendations.
- i) The Chair of the Administrative Committee will report to the Board on its evaluation. The meeting will be held in executive session and the Executive Director will be invited to attend. Following this meeting, the Executive Director may meet with individual trustees to discuss specific comments or concerns raised during the evaluation.

CORTEX COMMENTARY

1. Cortex issued the Evaluation Package and ED Evaluation Survey for the 2018-19 fiscal year on November 12, 2019. Seven Trustees completed the survey.
2. The ED Evaluation Survey addressed the following topic areas:
 - a. Leadership Skills;
 - b. Administration/Management;
 - c. Support to the Board;
 - d. Stakeholder Relations;
 - e. Communication Skills; and
 - f. Personal Skills/Knowledge/Professionalism.
3. Survey respondents had the opportunity to provide written comments throughout the ED Evaluation Survey.
4. The Board met in January 2020 to review the results of the 2018-19 ED Performance Evaluation survey. The ED's compensation was also approved at the meeting.
5. In February 2020, the Administrative Committee presented the criteria and weights for the upcoming 2020-21 fiscal year for Board approval.

Issues for Consideration

No issues for consideration were identified.

Executive Director Succession Policy

Summary of Key Provisions

Acting Executive Director

- a) The Board has established the position of Assistant Executive Director to help ensure continuity in the position of Executive Director.
- b) The Executive Director shall develop a succession plan in the event of concurrent vacancies in the positions of Executive Director and Assistant Executive Director. The Executive Director shall periodically review this plan with the Chair of the Administrative Committee and provide annual verbal reports to the Administrative Committee.
- c) In the event of a *vacancy* in the Executive Director position:
 - i. The Assistant Executive Director shall serve as Acting Executive Director until the Board selects a successor or until the Board determines otherwise. In this case, the Acting Executive Director shall receive salary and benefits consistent with the County's out-of-class pay provisions for a vacancy in a County Department Head position. Alternatively, the Board may appoint the Assistant Executive Director to the position of Interim Executive Director, setting the salary for this interim position at a range similar to that of the Executive Director.
- d) In the event the Executive Director is *unable to carry out his/her duties* and is *unable to appoint an Acting Executive Director*:
 - i. The Assistant Executive Director will assume the position of Acting Executive Director until the Executive Director returns or the Board determines otherwise.

Guidelines

- e) In the event of a vacancy in the Executive Director position, or notice is received regarding his/her resignation or retirement, the Board must meet as soon as practical to determine if and how a search process should be conducted.
- f) Trustees cannot be considered for employment as Executive Director at KCERA unless they have been off the Board for at least one year.

Issues for Consideration

1. The Policy states that, the Executive Director shall provide an annual verbal report regarding succession planning to the Administrative Committee. During the Review Period, the Committee did not receive a report. KCERA Administration has confirmed that a report will be provided during the Executive Director evaluation, which has been postponed to 2021.

Trustee Education Policy

Summary of Key Provisions

Introduction

- a) Trustees will endeavor to attend:
 - i. One External Education Program (*annually*);
 - ii. One multi-day external education program of an academic nature (*every two years*);
 - iii. All In-house educational and planning initiatives organized by Management²; and
 - iv. Education related to the mandates of trustees' assigned committees.
- b) Topics appropriate for trustee education may include, but are not limited to, the following:
 - i. Fiduciary responsibilities and ethics;
 - ii. Investments and investment program management;
 - iii. Actuarial and funding matters;
 - iv. Benefits administration including disability evaluation; and
 - v. Governance.

Orientation

- c) Within 45 days of joining the Board, new trustees shall receive orientation developed by the Executive Director.
- d) Within 6 months of joining the Board, the Executive Director shall hold a follow-up discussion with each new trustee to address any questions they may have.
- e) New trustees shall endeavor to:
 - i. Attend a Board/committee meeting as an observer prior to attending as a Trustee.
 - ii. Meet separately with Assistant Executive Director, CIO, and General Counsel to learn about their roles in KCERA.
 - iii. Attend CALAPRS' "Basic Principles of Pension Management" during the course of their first year on the Board.

Education Requirements

- f) Trustees are required to undergo a minimum of 24 hours of education within the first two years of assuming office and for every subsequent two-year period of service on the Board.
- g) Trustees may attend up to six External Education Programs every two years.

Qualifying Education

- h) "External Education Programs" shall include education sessions sponsored by third-parties (e.g., conferences, workshops, seminars, courses, and other similar events).
- i) Management shall inform the Board of appropriate external education opportunities.
- j) Trustees shall seek Board approval prior to attending educational programming requiring the expenditure of KCERA funds.

Reporting and Disclosure

- k) Trustees shall complete an Education Program Attendance Report after attending an External Education Program.
- l) Management will maintain a record of trustee compliance with this policy and will report on a semi-annual basis to the Board about such compliance.

² Management shall establish a multi-year education plan covering in-house education and shall present the Plan to the Administrative Committee for review and approval on an annual basis.

CORTEX COMMENTARY

1. Consistent with the policy:

- a. An annual Board retreat was held on September 11, 2019. In-house educational events were also organized for the Board and standing committees during meetings (see *Appendix B* for a complete list).
- b. Trustees received invitations to attend various External Education Programs. According to the 2020 Trustee Education Report, all trustees who held a seat on the Board attended not more than six External Education Programs during a two-year period (“Education Cycle”) as per the policy.
- c. Trustees submitted Education Program Attendance Reports to the Executive Director following attendance at such events.
- d. During the Review Period, five new Trustees joined the Board. KCERA Administration confirmed that the new Trustees attended orientation sessions and follow-up discussions with the Executive Director after joining the Board. The new Trustees also met separately with the Assistant Executive Director, CIO, and General Counsel to learn about their respective roles at KCERA. New Trustees are reminded that they are encouraged to attend the CALAPRS Principles of Pension Management for Trustees program within the first year on the Board.
- e. The Education Compliance Report (ended Dec. 31, 2019) generally indicates that:
 - i) Trustees have met the requirement of receiving at least 24 education hours for the Education Cycle.
 - ii) Although recommended but not required, Trustees have attended at least one External Education Program annually and one multi-day External Education Program every two years.

Trustees who have not completed the above have Education Cycles that extend beyond the end of the reporting period and therefore compliance cannot be confirmed. Trustees are nonetheless reminded to continue to work towards achieving the above.

Issues for Consideration

1. The policy states that, “Management shall establish a multi-year education plan covering in-house education and shall present the Plan to the Administrative Committee for review and approval on an annual basis”. During the Review Period, Management confirmed that the need for an education plan was discussed and determined to be unnecessary. To reflect current practice, Cortex recommends revising the language to eliminate the requirement for education plans. See **Attachment B**.

Trustee Travel Policy

Summary of Key Provisions

- a) Trustees shall only be reimbursed for expenses related to Board-approved travel.
- b) Whenever possible, trustees shall seek to obtain pre-approval by the Board for any travel to be undertaken.
- c) 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 expenses.

CORTEX COMMENTARY

1. While determining full compliance with this policy would require an audit of trustees' travel expenses, and is therefore beyond the scope of the Review, we were able to confirm the following details from our review of the minutes:
 - a. Trustees sought pre-approval by the Board for any education-related travel undertaken during the Review Period.

Issues for Consideration

Our review did not reveal any Issues for Consideration.

Due Diligence and Service Provider Selection Policy

Summary of Key Provisions

Guidelines

- a) The Board or its committees will play a relatively more active role in selecting service providers that:
 - i. Advise or work with the Board directly (e.g., the actuary, independent fiduciary counsel);
 - ii. Serve as an independent check on KCERA's operations (e.g., the financial auditor); or
 - iii. May have a material impact on KCERA's performance (e.g., investment managers).
- b) In the interest of organizational efficiency and effectiveness, the Executive Director shall have the autonomy and authority to select service providers that do not meet the criteria set out above (e.g., who support staff in coordinating KCERA's day-to-day operations).
- c) In cases where the Board or a committee appoints a service provider, staff will provide the Board or committee with a recommendation.
- d) When recommending service providers for appointment, staff will provide adequate background information and analysis. In the case of investment manager recommendations, trustees should be provided with a discussion of relevant drawbacks of finalist firms that are not recommended.

Due Diligence

- e) Staff or consultants will conduct follow-up on-site due diligence for key service providers according to the minimum frequencies set out in the policy.
- f) The Board will be provided with a three-year calendar of scheduled on-site due diligence visits.
- g) Every investment manager recommended to the Board must have undergone an on-site due diligence visit by the CIO and the Investment Consultant.
- h) Investment staff may also meet with current investment managers for oversight and monitoring purposes, or with prospective investment managers to learn about their products.
- i) Staff will develop procedures to be used in conducting investment manager due diligence, and will periodically review these procedures with the Investment Committee.
- j) Staff with authority to appoint a service provider must ensure all reasonable due diligence is performed.

CORTEX COMMENTARY

1. Consistent with the policy:
 - a. During the Review Period, the Board approved several investment strategies and hired two investment managers (international small cap and global equity), a private markets consultant, and an auditor according to the processes outlined in this Policy. In making such decisions, the Board considered staff analyses and committee recommendations.
 - b. KCERA Administration confirmed that on-site due diligence for investment managers is conducted by investment consultants on a triennial basis.
2. While on-site due diligence for the investment consultant was scheduled to be completed in 2020 (i.e. five years after the last visit in 2015), KCERA Administration confirmed that it has been deferred to 2021 due to COVID.

Issues for Consideration

Our review did not reveal any Issues for Consideration.

Code of Conduct

Summary of Key Provisions

General Expectations

- a) Trustees shall:
 - i. Act with decorum, integrity, and professionalism.
 - ii. Refrain from any behavior that may reflect poorly on the image of the Board or KCERA.
 - iii. Comply with the Board's policies and rules.
 - iv. Attempt to attend and participate constructively in all meetings of the Board and committees on which they serve.
 - v. Build and maintain the knowledge necessary to fulfill their fiduciary responsibilities.
- b) Should a trustee fail to attend 75% of the meetings they are expected to attend, the trustee's attendance may be reviewed and deemed to fall short of the general expectations.
- c) Any trustee who believes the conduct of a fellow trustee falls short of the above expectations should discuss the matter with the trustee in question, ask the Chair or Vice Chair to address the matter, or request that the matter be considered by the Board.
- d) If the Board determines that the conduct of a trustee falls short of the above expectations, it may take action, including, but not limited to:
 - i. Referring the matter to the Administrative Committee for further consideration;
 - ii. Removing the trustee from the position of Chair, Vice Chair, or committee chair, or from any committee on which they serve;
 - iii. Prohibiting the trustee from serving in the above positions for a specified period of time;
 - iv. Limiting the trustee's travel privileges, if the violation relates to travel;
 - v. Censuring the trustee; and/or
 - vi. Communicating the Board's concerns to any party by any means deemed appropriate.
- e) Trustees shall comply with all applicable federal, state, and local law including fiduciary standards.
- f) Trustees shall seek advice and clarification from the Executive Director or General Counsel regarding this code of conduct.

CORTEX COMMENTARY

1. It is not possible to confirm compliance by individual trustees with all provisions of the Code of Conduct. We therefore encourage Trustees to review the summary of provisions noted above and/or the policy itself.

Issues for Consideration

1. During the Review Period, five³ trustees did not meet the 75% minimum attendance for Board meetings, while three⁴ trustees did not meet this requirement for committee meetings. Please see *Appendix A* for a summary of Trustee attendance.

³ Three of the five Trustees have since left the Board.

⁴ Two of the three Trustees have since left the Board.

Board Performance Evaluation Policy

Summary of Key Provisions

Introduction

- a) The scope of the evaluation process should be strictly limited to the operations and decision-making practices of the Board itself.
- b) The Administrative Committee shall be responsible for coordinating the implementation of the policy.
- c) The Board's performance evaluation will be completed on an annual basis, unless extenuating circumstances arise.

Procedures

- d) The Board performance evaluation process will consist of a short survey followed by one-on-one interviews with each Trustee.
- e) A Report of Findings will be prepared by a third-party and distributed to the Administrative Committee.
- f) The Administrative Committee will present its findings and recommendations to the Board or direct a third-party to report the findings and recommendations to the Board. The Board will consider the Administrative Committee's findings and approve any resulting actions or initiatives.

CORTEX COMMENTARY

1. Consistent with the Policy:

- a. The Board performance evaluation survey was administered on-line and was completed by seven Trustees. It addressed the following topics:
 - i. Board Member Interactions & Decision Making
 - ii. Committee Activities
 - iii. Board's Interactions with Management
 - iv. Communications & Goal-Setting
 - v. Individual Board Members
- b. Survey respondents had the opportunity to provide additional comments through confidential one-on-one interviews.
- c. The Report of Findings was presented to the Administrative Committee in January 2020, and then presented to the full Board in March 2020.

Issues for Consideration

Our review did not reveal any Issues for Consideration.

Part II – Charters

This section identifies potential Issues for Consideration and/or recommendations pertaining to the governance charters.

Our review did not reveal any Issues for Consideration.

Appendix A

Trustee Attendance Summary

Board Meetings - July 1, 2019 to June 30, 2020

Trustee	Total meetings	Total meetings attended	Total meetings missed
Brandon	6	3	3
Couch	12	12	0
DeMario*	6	4	2
Dodgin	12	12	0
Franey	12	12	0
Gonzalez	12	12	0
Horvat*	1	0	1
Jefferson*	6	3	3
Kaufman	12	11	1
Kratt	12	11	1
Nunneley	6	6	0
Robinson	6	6	0
Seibly	6	6	0
Skidmore	12	9	3
Whitezell	6	6	0

* Left the Board in 2020.

Committee Meetings – July 1, 2019 to June 30, 2020

Trustee	Total meetings	Total meetings attended	Total meetings missed
Brandon	2	2	0
Couch	15	15	0
Dodgin	13	12	1
Franey	7	7	0
Gonzalez	11	11	0
Horvat*	2	1	1
Jefferson*	5	2	3
Kaufman	7	7	0
Kratt	13	11	2
Robinson	2	2	0
Seibly	2	0	2
Skidmore	5	4	1
Whitezell	2	2	0

* Left the Board in 2020.

Appendix B

In-House Education

Topic	Date	Education Hour Credit
Administrative Committee		
1. Presentation on KCERA Board Performance Assessment	January 29, 2020	0.13 hour
Finance Committee		
2. Governance review	May 20, 2020	0.5 hour
Investment Committee		
3. Annual review of the fixed income allocation	July 10, 2019	1 hour
4. Annual review of the commodities allocation	October 9, 2019	0.17 hour
5. Presentation on capital efficiency program	December 4, 2019	0.5 hour
6. Presentation on midstream energy	March 25, 2020	0.5 hour
Board		
7. Trustee Education regarding Prior Public Service (PPS)	July 10, 2019	0.42 hour
8. Strategic Planning Session	September 11, 2019	5 hours (approx.)
9. Annual Board Retreat	September 12, 2019	5 hours (approx.)
10. Monthly report of current disability retirement applications and appeals of KCERA Board decisions	January 15, 2020	0.18 hour
11. Presentation on Disability Overview I: Foundational Guidelines and Cancer Presumption	January 15, 2020	1 hour
12. Presentation on Disability Overview II: Administrative Hearing Process	January 15, 2020	0.37 hour
13. Presentation on the 4 th Quarter Investment Performance Review period ending December 31, 2019	February 12, 2020	0.33 hour
14. Presentation on the 4 th Quarter 2019 Portfolio Review	February 12, 2020	0.25 hour
15. Presentation on private markets	February 12, 2020	0.6 hour
16. Presentation on asset allocation	March 11, 2020	0.5 hour
17. Presentation on midstream energy	April 1, 2020	0.43 hour
18. Education on legal presumption for blood borne infections in disability cases	May 6, 2020	0.28 hour
19. Organizational Landscape and Budget Governance	June 10, 2020	0.73 hour

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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 adopted by the Board on July 13, 2005.
 - a) Reviewed and amended September 26, 2007; August 26, 2009; December 12, 2012; April 13, 2016; October 10, 2018; ~~and~~ March 11, 2020, and on [mm.dd.yyyy].

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. Executive Director Evaluation	Annually	Admin. Committee	Summarizes the performance assessment of the Executive Director.
3. Annual Governance Report	Annually	Governance Consultant	A summary confirmation of compliance with governance policies of the Board.
4. Trustee Education Report	Semi-Annually	Executive Director 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 ¹	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)	Executive Director	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.
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.

¹ See the *Service Provider Evaluation Policy* for details on the time frame.

Report Name	Frequency	Prepared By	Description
9. Trading Cost Analysis	Every 3 years	3 rd 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	Executive Director	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 rd 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

Report Name	Frequency	Prepared By	Description
18. Benefits & Activities Report	Monthly (consent agenda)	Executive Director	Report on a) members retired from service, deceased retirees, and deceased active members; and b) production statistics concerning member service activities.
19. Strategic/ Business Plan Status	Semi -Annually	Executive Director	Summarizes the status of each initiative contained in business plan.
20. Budget Variance	Monthly (consent agenda)	Executive Director	Compares actual spending to the operating budget, including explanations for material variances.
21. 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.
22. Comprehensive Annual Financial Report (CAFR)	Annually	Executive Director	Reviews the operations and activities of KCERA during the last fiscal year. The financial statements shall be part of the CAFR and indicate the financial position of KCERA
23. Cost Effectiveness	Annually	Executive Director	Reporting on cost effectiveness will include: <ul style="list-style-type: none"> • KCERA's administrative costs in relation to the limits set out in the Act (i.e. the 18 basis point limit); and • Excerpt from the Comprehensive Annual Financial Report detailing all investment costs incurred by KCERA.
24. Report of the Executive Director	Monthly	Executive Director	Update on all significant activities occurring within KCERA.
25. Report of the General Counsel	Monthly	General Counsel	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.
26. Corrections of Errors in Benefit Payments	At least annually	Executive Director	A summary of corrections made to benefit payments exceeding \$500.

27. Due Diligence Schedule	At least annually (consent agenda)	Executive Director	A three year schedule of on-site due diligence visits of KCERA's key service providers, as required by the Due Diligence Policy.
28. Due Diligence Report	After each due diligence visit (consent agenda)	Investment Consultant or Executive Director	A report on each due diligence visit, undertaken by staff and/or the investment consultant, of KCERA's key service providers.
Report Name	Frequency	Prepared By	Description
29. Reports on internal controls	Annually	Auditor or Executive Director	Update on KCERA financial and operational internal controls, including any significant changes and improvements to such over the year.
30. Disabilities Report	Monthly (consent agenda)	Executive Director	Report of current disability retirement applications and appeals of KCERA board decisions.

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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 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 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 Benefits (IFEB) Annual Conferences and Trustee accreditation programs;
 - e) CALAPRS "Basic Principles of Pension Management"; and
 - f) CALAPRS "Advanced Board Leadership Institute".
- 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.
- 16) Notwithstanding anything contained herein, trustees may attend, at KCERA's expense, up to six External Education Programs during the first two years of assuming office and during every subsequent two-year period the trustee continues to hold membership on the Board.
- 17) Trustees who do not attend their allotted number of External Education Programs in a two-year period may not carry them forward to subsequent periods. Trustees may, with Board approval, exceed the limits contained in paragraph 16 regarding attendance at External Education Programs.

EDUCATION PLAN

~~18) Management shall establish a multi-year education plan covering in-house education and shall present the Plan to the Administrative Committee for review and approval on an annual basis. While the Plan should be flexible enough to accommodate the changing needs of the Board, it should nevertheless ensure that certain core topics (e.g., investments, fiduciary duty, risk management) receive adequate coverage over time.~~

ORIENTATION PROGRAM

~~19)~~18) The Executive Director 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.

20)19) 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 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.

21)20) Within six months of joining the Board, the Executive Director shall hold a follow-up discussion with each new trustee to address any questions they may have regarding their positions and duties.

22)21) 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 Investment Officer, and General Counsel to learn about their respective functional areas within KCERA.

23)22) 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.

24)23) 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;
- 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.

25)24) Management shall review and update the Trustee Handbook as needed.

REPORTING AND DISCLOSURE

~~26)~~25) All trustees attending an External Education Program shall complete and submit to the Executive Director 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.

~~27)~~26) Management shall maintain a record of trustee compliance with this policy and shall file a semi-annual report with the Board regarding such compliance.

~~28)~~27) 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

~~29)~~28) This policy shall be reviewed at least every five years.

POLICY HISTORY

~~30)~~29) The policy was adopted by the Board on September 27, 2000; reviewed and amended by the Board on June 23, 2004; July 13, 2005; September 26, 2007, June 15, 2011; December 12, 2012; April 10, 2013; ~~and~~ April 13, 2016, and on [mm,dd,yyyy].

**KCERA Governance Manual Review
Draft Workplan**

Phases	Tentative Dates
1. Administrative Committee (“AC”) to: a. Review and approve proposed workplan for review of the KCERA Governance Manual b. Proposed edits to the Board Operations Policy and the new Appendix containing simplified Rules of Order	Feb. 3, 2021
2. Board to review/approve proposed edits to Board Operations Policy and new Appendix.	Feb. 10, 2021
3. Cortex to review Board Charters	Jan./Feb.
a. AC to review recommended revisions (1 st meeting)	Mar.
b. AC to review recommended revisions (2 nd meeting, <i>if necessary</i> – otherwise, Cortex to initiate Step 4)	Apr.
4. Cortex to review Board Policies	Mar./Apr./May
a. AC to review recommended revisions (1 st meeting)	Jun.
b. AC to review recommended revisions (2 nd meeting, <i>if necessary</i> – otherwise, Cortex to initiate Step 5)	Jul.
5. Cortex to review full Governance Manual to ensure alignment of Board Policies and Board Charters	Jul.
a. AC to review recommended revisions, if necessary	Aug.
6. Board to review recommended revisions for:	
a. Board Charters	Sept.
b. Board Policies	Oct.
c. Board Policies (<i>if necessary</i>)	Nov.

NOTE: The above workplan provides an overview of the estimated timing of the governance manual review. The number of actual meetings required is difficult to predict and depends on the number of changes identified by the Committee; accordingly, the above timeline is subject to change

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OPERATIONS POLICY

PURPOSE

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

POLICY GUIDELINES

Election of Members of the Board of Retirement

- 2) The Board of Retirement delegates responsibility ~~to the Board of Supervisors~~ for conducting Board of Retirement elections ~~using in a manner set forth in the Uniform District Election Law (UDEL), under 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 California Elections Code, except that Election Procedures, which have been approved by the notice~~ Board of elections Retirement. Appendix B is ~~to be posted rather than published,~~ included for reference purposes only and ~~does not form part of the election is to be conducted by absentee ballot. (Bylaws: Article I C.)~~ 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, the Board may approve the establishment of ad hoc committees, and the Board shall appoint the chair and members of such committees.

Rules of Order

- 5) ~~Roberts Rules of Order, except as otherwise provided herein, shall guide the Board of Retirement in its proceedings. 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.

- 6) Any question regarding the conduct of a meeting that is not addressed in paragraph 5 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

Administrative 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.

~~3)7)~~ 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. (~~By-laws~~Regulations: Article I.B.3)

~~8)~~ The order of business shall be at the discretion of the Executive Director, ~~in coordination with the Chair,~~ in the absence of instructions from the Board (~~By-laws.~~ (Regulations: Article I.B.4), ~~but~~)

~~4)9)~~ 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
- g) Report from Chief Investment Officer
- h) Report from the General Counsel
- i) Reports from Committee Chairs
- j) Board Member Announcements or Reports
- k) Executive session
- l) Adjournment

Officers

~~5)10)~~ The Board shall annually elect a Board Chair and a Board Vice-Chair, each to serve for a term of one year.

~~6)11)~~ 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.

~~7)12)~~ The Executive Director shall serve as Secretary to the Board.

Nomination and Election of Board Officers

~~8)13)~~ 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 Nominating Committee shall 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. 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 Chair shall call for other nominations, which may be made by any member of the Board.

~~9)~~14) Annually at the end of the regular meeting in December, the Board shall elect one of its members as Chair, and one of its members as Vice-Chair, each to hold office for a term of one year. The Executive Director is the Secretary to the Board. 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.

~~10)~~15) 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

~~11)~~16) 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. ~~(Bylaws. (Regulations: Article I.A.5).)~~

~~17)~~ ~~Standing~~ 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 13 herein.

~~12)~~18) 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

~~13)~~19) 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. In addition, the alternate shall vote as a member of the Board only in the event the second, third, ~~or 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, ~~or seventh~~, or eighth member, the alternate shall fill such vacancy until a successor qualifies (§31520.1).

~~14)~~20) 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) (~~§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.

Communications and Public Comment

~~15)~~21) 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.

~~16)~~22) 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. (~~Bylaws~~Regulations: Article I.B.6)

~~17)~~23) 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

~~18)~~24) 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.

~~19)~~25) 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)

~~20)~~26) 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.

Minutes

~~24)~~27) 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.

~~22)~~28) Minutes of committee meetings shall be similarly prepared and placed in the Board's public record at the next month's regular board meeting.

~~23)~~29) 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.

Committees of the Board

Committee Operations

~~24)~~1) ~~The standing committees of the Board shall be as follows:~~

- ~~a) Administrative Committee~~
- ~~b)a) Finance Committee~~
- ~~c) Investment Committee~~

~~25)~~30) 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. 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.

~~26)~~31) The function of committee alternates is to attend committee meetings when necessary to satisfy quorum requirements.

~~27)~~32) 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.

~~28)~~33) In the event of a vacancy in a committee chair position, the Chair shall appoint a replacement.

~~29)~~34) The Executive Director shall ensure board committees receive adequate support from staff, and shall assign a staff contact to each committee.

~~30)35)~~ 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.

~~31)36)~~ ~~All~~ To take effect, all actions ~~taken by of~~ a committee must be approved by the Board at a scheduled board meeting ~~to take effect~~, unless the committee's charter authorizes such independent action by the committee, or the Board has otherwise granted such authority to the committee.

~~32)~~ ~~The Board may approve the establishment of ad hoc committees in consultation with the Executive Director, and shall appoint the chair and members of such committees.~~

Schedule of Meetings

~~33)37)~~ 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, 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 in coordination with the Chair, shall set a new date for the Board meeting. Any scheduled Board meeting may be canceled by the Executive Director, acting in consultation with the Chairman of the Board.

~~34)~~ Special meetings may only be called, as provided in California Government Code Section 54956. (BylawsRegulations: Article I.B.2)

~~38)~~

~~35)39)~~ 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.

~~40)~~ The Board and each committee may cancel one or more of their meetings during a regularly scheduled Board or committee meeting. Only the Board Chair or respective committee chair may, in consultation with the Executive Director, cancel a Board or committee meeting at other times.

Policy Development

~~36)41)~~ Both the Board and the Executive Director shall be responsible for identifying issues ~~in need of 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 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 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.

~~37)42)~~ Board policies and decisions shall generally be limited to issues of a high level or strategic nature. The Executive Director 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.

~~38)43)~~ 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 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 ~~into~~ having the committee consider the matter before it is presented to the Board.

~~39)44)~~ 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 if deemed necessary.

~~40) Consistent with Robert's Rules of Order, a motion to reconsider or review a decision of the Board within three months of the decision being made must be made by a trustee who voted on the prevailing side in the original vote.~~

~~41)45)~~ 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

~~42)46)~~ 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

~~43)47)~~ This policy shall be reviewed at least every five years.

POLICY HISTORY

~~44)48)~~ This policy was adopted by the Board on September 27, 2000.

- a) Reviewed and amended November 19, 2002; June 23, 2004; August 26, 2009; December 12, 2012; April 13, 2016; ~~and March 11, 2020~~, and on [mm.dd.yyyy].

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].
 - e) Motion to adjourn the meeting.

- 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 a matter.
 - b) The chair shall ask if any member of the public wishes to comment, although the chair may seek public comment at any time if the chair deems it appropriate, provided the public is given an opportunity to comment before the Board or committee takes action.
 - c) The chair shall then ask for discussion from the Board/committee.
 - d) If there is no more discussion, the chair shall request a motion and a second on the matter; if there is no second, the motion dies.
 - e) Voting may 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.

Consent Agenda

- 4) 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.

Other Expectations

- 5) Board members are encouraged to comply with the following guidelines:
 - 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..."
 - d) The mover of a motion should expand on their motion and/or speak in favor of their motion during discussion, rather than at the time they present it.
 - e) The mover should be allowed to speak first.
 - f) All comments and discussion should be directed at the chair.
 - g) Board members should keep to any time limit for speaking that has been established.
 - h) The mover may speak again only after other speakers are finished, unless called upon by the chair.

- 6) *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.

- 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 6 above.

Other Governing Documents Referencing Robert's Rules of Order

- ▶ KCERA Chair Charter - Paragraph #2.c.
 - "The chair shall... Preside at meetings of the Board, ensuring that such meetings are conducted in an efficient manner and in accordance with the Brown Act and *Robert's Rules of Order*;"
- ▶ KCERA Committee Chair Charter - Paragraph #2.b.
 - "With regard to their assigned committees, committee chairs shall: ... Preside at all meetings, ensuring that such meetings are conducted in an efficient manner and in accordance with the Brown Act and the general principles embodied in *Robert's Rules of Order*;"
- ▶ KCERA Board of Retirement CERL Regulations (formerly Bylaws) - Article I. B.3.
 - "Roberts Rules of Order, except as otherwise provided herein, shall guide the Board in its proceedings."
- ▶ If the proposed revisions to the Board Operations Policy regarding the Simplified Rules of Order are approved for recommendation to the Board of Retirement, staff would recommend reflecting the revisions in the above policies as well.

KCERA 2020 Board Self-Evaluation Survey

Respondent Background

1) To assist Cortex in coordinating an optional follow-up interview, please provide the following information:*

Name: _____

Phone Number: _____

2) Please indicate how many years you have served on the Board:*

- Less than 2 years
- 2 to 5 years
- More than 5 years

Board Member Interactions & Decision Making

3) Please ~~reflect on~~evaluate the following aspects of the Board's activities ~~of your board as a whole and use the scale provided below to estimate the frequency of each behavior:~~

	<u>Always Unacceptable</u>	<u>Usually Needs Improvement</u>	<u>Sometimes Acceptable/ Meets Expectations</u>	<u>Rarely Good</u>	<u>Never Outstanding</u>	<u>Unable to Assess</u>
a. The Board focuses on policy and strategy rather than operational details.	()	()	()	()	()	()
b. Board and committee meetings are organized and well-run .	()	()	()	()	()	()

	<u>Always Unacceptable</u>	<u>Usually Needs Improvement</u>	<u>Sometimes Acceptable/ Meets Expectations</u>	<u>Rarely Good</u>	<u>Never Outstanding</u>	Unable to Assess
c. The Board uses its committees effectively.	()	()	()	()	()	()
d. The Board and its committees ensure their decisions are sufficiently adequately supported by analysis and research, as appropriate.	()	()	()	()	()	()
e. The Board and its committees <u>appropriately</u> seek staff analysis and recommendations related to issues they are considering.	()	()	()	()	()	()
f. The Board and its committees carefully deliberate before taking action (e.g., <u>adequately considers</u> consider alternatives and differing points of view).	()	()	()	()	()	()
g. Disagreements between board members are handled professionally.	()	()	()	()	()	()
h. The Board <u>adheres and individual board members</u>	()	()	()	()	()	()

	<u>Always Unacceptable</u>	<u>Usually Needs Improvement</u>	<u>Sometimes Acceptable/ Meets Expectations</u>	<u>Rarely Good</u>	<u>Never Outstanding</u>	<u>Unable to Assess</u>
<u>adhere to its own Board policies.</u>						
i. The Board is effective at ensuring the Board and board members abide by board policies. <u>The Board takes timely action to address issues or concerns when they arise.</u>	()	()	()	()	()	()
j. The Board takes timely action <u>strives to address issues or concerns when they arise</u> <u>instill trust and confidence among stakeholders.</u>	()	()	()	()	()	()
k. To my knowledge <u>When applicable, the Board as a whole instills trust</u> <u>communicates clearly to the outside world and confidence among stakeholders</u> <u>with one voice.</u>	()	()	()	()	()	()

4) If you believe the Board has weaknesses associated with any of the issues raised above, please elaborate below and provide any suggestions you may have. Alternately, you may choose to save your comments for the follow-up interview.

| _____
| _____
| _____
| _____

Committee and Board Activities

5) ~~The Board benefits by~~ Please evaluate the ~~work~~ overall effectiveness of each of the following ~~committees~~ parties over the past year:

	Strongly Agree Unacceptable	Agree Needs Improvement	Neutral Acceptable / Meets Expectations	Disagree Good	Strongly Disagree Outstanding	Unable to Assess
a. Administrative Committee	()	()	()	()	()	()
b. Finance Committee	()	()	()	()	()	()
c. Investment Committee	()	()	()	()	()	()
d. Nominating Committee	()	()	()	()	()	()
<u>e. The Board as a whole</u>	<u>()</u>	<u>()</u>	<u>()</u>	<u>()</u>	<u>()</u>	<u>()</u>

**6) ~~The following committees operate effectively in carrying out their mandates:~~
(Please respond only if you serve on the committee)**

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Unable to Assess
a. Administrative Committee	(+)	(+)	(+)	(+)	(+)	(+)
b. Finance Committee	(+)	(+)	(+)	(+)	(+)	(+)
c. Investment Committee	(+)	(+)	(+)	(+)	(+)	(+)

d. Nominating Committee	(+)	(+)	(+)	(+)	(+)	(+)
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7)6) If you believe any of the ~~Board's committees perform~~ above parties performed below your expectations, please elaborate below and provide any suggestions you may have. Alternately, you may choose to save your comments for the follow-up interview.

The Board's Interactions with Management

~~8) Please reflect on the activities of the board and, where appropriate, its committees and use the scale provided below to estimate the frequency of each behavior.~~

7) Please evaluate the following aspects of the Board's interactions with management:

	<u>Always Unacceptable</u>	<u>Usually Needs Improvement</u>	<u>Sometimes Acceptable/Meets Expectations</u>	<u>Rarely Good</u>	<u>Never Outstanding</u>	<u>Unable to Assess</u>
a. The Board and its committees challenge management in a constructive manner.	()	()	()	()	()	()
b. The Board and its committees provide valuable alternative points of view to management.	()	()	()	()	()	()
c. The Board and its committees create a supportive environment for management and staff.	()	()	()	()	()	()
d. The Board ensures management has the necessary financial and human resources to achieve the organization's goals.	()	()	()	()	()	()
e. The Board effectively evaluates the ED's performance .	()	()	()	()	()	()

	<u>Always Unacceptable</u>	<u>Usually Needs Improvement</u>	<u>Sometimes Acceptable/ Meets Expectations</u>	<u>Rarely Good</u>	<u>Never Outstanding</u>	Unable to Assess
f. The Board provides the ED with helpful feedback to enhance future performance.	()	()	()	()	()	()
<u>g. The Board engages in effective management succession planning.</u>	()	()	()	()	()	()

9)8) If you believe the Board has weaknesses associated with any of the issues raised above, please elaborate below and provide any suggestions you may have. Alternately, you may choose to save your comments for the follow-up interview.

Communications & Goal-Setting

10)9) ~~The~~ Please evaluate how well the Board establishes ~~suitable~~ goals, strategies, and plans for:

	<u>Strongly Agree Unacceptable</u>	<u>Agree Needs Improvement</u>	<u>Neutral Acceptable/ Meets Expectations</u>	<u>Disagree Good</u>	<u>Strongly Disagree Outstanding</u>	Unable to Assess
a. the organization as a whole.	()	()	()	()	()	()

	Strongly Agree Unacceptable	Agree Needs Improvement	Neutral Acceptable/Meets Expectations	Disagree Good	Strongly Disagree Outstanding	Unable to Assess
b. the investment program.	()	()	()	()	()	()
c. member services <u>and communications.</u>	()	()	()	()	()	()
d. the Board's own governance.	()	()	()	()	()	()
e. stakeholder communications.	()	()	()	()	()	()

The
11)10) Please evaluate how well the Board and its committees ~~effectively~~ monitor the performance of:

	Strongly Agree Unacceptable	Agree Needs Improvement	Neutral Acceptable/Meets Expectations	Disagree Good	Strongly Disagree Outstanding	Unable to Assess
a. the organization as a whole.	()	()	()	()	()	()
b. the investment program.	()	()	()	()	()	()
c. member services <u>and communications.</u>	()	()	()	()	()	()
d. the Board itself_	()	()	()	()	()	()

e. the stakeholder communications function.	()	()	()	()	()	()
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12) In the area of Human Resources, the Board:

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Unable to Assess
a. engages effectively in succession planning for key management and staff positions.	(+)	(+)	(+)	(+)	(+)	(+)

13)11) If you believe the board has weaknesses associated with any of the issues raised above, please elaborate below and provide any suggestions you may have. Alternately, you may choose to save your comments for the follow-up interview.

Individual Board Members

14)12) Please estimate what proportion evaluate whether on balance, a sufficient number of board members consistently demonstrates the following behaviors:

	<u>All board members Unacceptable</u>	<u>Most Needs Improvement</u>	<u>Some Acceptable/Meets Expectations</u>	<u>No board members Good</u>	<u>Outstanding</u>	<u>Unable to Assess</u>
a. Ensure they are consistently prepared <u>Adequately prepare</u> for meetings.	()	()	()	()	()	()
b. Demonstrate an understanding of when it is appropriate to act in a fiduciary or stakeholder role .	()	()	()	()	()	()
c. Contribute meaningfully to discussions and deliberations.	()	()	()	()	()	()
d. Demonstrate respect for other board members' ideas and opinions.	()	()	()	()	()	()
e. Accept the decisions of the Board , even if they did not vote in favor of them.	()	()	()	()	()	()
f. Demonstrate respect for the opinions expressed by staff and management.	()	()	()	()	()	()
g. Avail themselves of individual educational opportunities .	()	()	()	()	()	()

15)13) If you believe the board has weaknesses associated with any of the issues raised above, please elaborate below and provide any suggestions you may have. Alternately, you may choose to save your comments for the follow-up interview.

Board Meetings & Time Distribution

16)14) Please reflect on how often the Board ~~meets as a whole and standing committees meet~~ throughout the year ~~(excluding committee meetings and off-site programming or retreats).~~

	Too few	Optimal	Too many	<u>Unable to Assess</u>
a. The number of <u>regular scheduled</u> board meetings is:	()	()	()	()
b. The number of <u>Administrative Committee</u> meetings is:	()	()	()	()
c. The number of <u>Finance Committee</u> meetings is:	()	()	()	()
d. The number of <u>Investment Committee</u> meetings is:	()	()	()	()

17)15) Please reflect on the typical length of ~~board meetings (excluding Board and standing committee meetings).~~

	Too short	Optimal	Too lengthy	<u>Unable to Assess</u>
a. The average duration of board meetings is:	()	()	()	()
b. The average duration of <u>Administrative Committee</u> meetings is:	()	()	()	()

	Too short	Optimal	Too lengthy	<u>Unable to Assess</u>
<u>c. The average duration of Finance Committee meetings is:</u>	()	()	()	()
<u>d. The average duration of Investment Committee meetings is:</u>	()	()	()	()

18)16) Please indicate the extent to which you agree or disagree with the following statement:

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Unable to Assess
I am satisfied with the board meeting location and facilities .	()	()	()	()	()	()

19)17) Please indicate whether the Board and its committees devote too little, an optimal amount, or too much time to each of the following topics.

	Too little	Optimal	Too much
a. Plan design	()	()	()
b. Understanding Fund liabilities	()	()	()
c. Member services	()	()	()
d. The investment function - Asset allocation	()	()	()
e. The investment function - Manager selection (<i>public markets</i>)	()	()	()
f. The investment function - Manager selection (<i>private markets</i>)	()	()	()
g. Investment risk management and reporting	()	()	()
h. Operational risk management	()	()	()

	Too little	Optimal	Too much
i. The audit function	()	()	()
j. Human resources management	()	()	()
k. Operations	()	()	()
l. Board governance	()	()	()

20)18) If you believe the Board has weaknesses associated with any of the issues raised above, please elaborate below and provide any suggestions you may have. Alternately, you may choose to save your comments for the follow-up interview.

Key Vendors**19) Please indicate your level of satisfaction with the performance of the following key advisors to the Board:**

	<u>Very Dissatisfied</u>	<u>Dissatisfied</u>	<u>Neutral</u>	<u>Satisfied</u>	<u>Very Satisfied</u>	<u>Unable to Assess</u>
a. <u>Actuary (The Segal Company)</u>	()	()	()	()	()	()
b. <u>General Investment Consultant (Verus)</u>	()	()	()	()	()	()
c. <u>Hedge Fund Consultant (Albourne America LLC)</u>	()	()	()	()	()	()
d. <u>Real Estate Consultant (Cambridge Associates)</u>	()	()	()	()	()	()
e. <u>Legal Counsel (Nossaman LLP)</u>	()	()	()	()	()	()
f. <u>Legal Counsel (Reed Smith LLP)</u>	()	()	()	()	()	()
g. <u>Tax Counsel (Ice Miller)</u>	()	()	()	()	()	()

Additional Questions

~~21~~20) Which do you think were the most significant achievements of the Board over the past year, and why?

~~22~~21) Over the past year, were there any aspects of the Board's own operations or activities that could have been improved?

~~23~~22) If you have any additional comments or suggestions regarding the performance of the Board or its committees, please list them in the space provided here. Alternately, you may choose to save your comments for the follow-up interview.

Educational Preferences

24)23) In your opinion, what is the optimal duration of an in-house board education session?

- Less than 1 hour
- 1 to 2 hours
- Half a Day
- Full Day
- More than 1 day (e.g. retreat)

25)24) How would you prefer that most in-house training be scheduled?

- At the beginning of a board meeting
- At the end of a board meeting
- Incorporated in the board meeting
- Special sessions held in the regular board room
- Special sessions held off-site (e.g. retreat)
- Other (please specify): _____

26)25) Assuming 1 day is approximately 7 hours, how many days per year are you prepared to devote to in-house board education sessions?
(i.e. education sessions held during regular board meetings, special meetings, and off-sites.)

- Less than 1 day per year
- 1 to 2 days
- 3 to 4 days
- 5 to 6 days
- More than 6 days

Educational Interests

27)26) Please indicate your level of interest in receiving education that will help you to better understand:

	Low	Medium	High	Not Applicable
a. the laws and rules governing the System	()	()	()	()
b. your current board governance policies and practices	()	()	()	()
c. the nature of fiduciary duties and the Board's statutory obligations	()	()	()	()
d. shareholder activism, social & ethical investing, and economically targeted investing	()	()	()	()
e. how to evaluate the performance of the Executive Director	()	()	()	()

28)27) Please indicate your level of interest in receiving education that will help you to better understand the roles and responsibilities of:

	Low	Medium	High	Not Applicable
a. the Board vs. management (including appropriate delegation)	()	()	()	()
b. the Plan sponsor	()	()	()	()
c. the actuary	()	()	()	()
d. the investment consultant	()	()	()	()

	Low	Medium	High	Not Applicable
e. the custodian	()	()	()	()
f. legal counsel	()	()	()	()
g. the compliance officer <u>officers</u> , internal auditor <u>auditors</u> , and external auditors	()	()	()	()

Educational Interests

29)28) Please indicate your level of interest in receiving education that will help you to better understand:

	Low	Medium	High	Not Applicable
a. applicable state and/or local laws and board policies regarding conflict of interest, ethics, gifts, and the duty to avoid participating in a decision that affects my economic interest	()	()	()	()
b. <u>disclosure requirements</u>	(+)	(+)	(+)	(+)
b. <u>black-out period / no-contact rules in the procurement process</u>	(+)	(+)	(+)	(+)
e.b. Open Meetings Laws	()	()	()	()
e.c. <u>public records, disclosure requirements, and access-to-information laws</u>	()	()	()	()

30)29) Please indicate your level of interest in receiving education about the following topics:

	Low	Medium	High	Not Applicable
a. Characteristics of major asset classes	()	()	()	()
b. Diversification, asset allocation, asset-liability management, and the efficient frontier	()	()	()	()
c. Investment risk management (e.g., risk budgeting)	()	()	()	()
d. Active vs. passive management in the investment portfolio	()	()	()	()
e. Manager selection	()	()	()	()
f. Measuring performance in public stock and bond markets	()	()	()	()
g. Measuring performance in alternative asset classes (e.g. real estate, private equity, etc.)	()	()	()	()
h. Understanding the reports provided by staff and the investment consultant on the performance of the investment portfolio	()	()	()	()
i. Securities lending	()	()	()	()
j. Investment costs and fees (management, trading, execution, transition, etc.)	()	()	()	()
k. Directed commissions/ soft dollars	()	()	()	()
l. Currency hedging	()	()	()	()

Educational Interests

31)30) Please indicate your level of interest in receiving education about the following ~~topics~~ **asset classes/strategies**:

	Low	Medium	High	Not Applicable
a. Domestic equity	()	()	()	()
b. International equity	()	()	()	()
c. Emerging market equity	()	()	()	()
d. Domestic core fixed income	()	()	()	()
e. High yield bonds	()	()	()	()
f. Global bonds	()	()	()	()
g. Emerging markets debt	()	()	()	()
h. Private debt	()	()	()	()
i. Private equity	()	()	()	()
j. Treasury Inflation Protected Securities (TIPS)	()	()	()	()
k. Real estate	()	()	()	()

	Low	Medium	High	Not Applicable
l. Hedge funds	()	()	()	()
m. Managed futures / commodities	()	()	()	()
n. Infrastructure	()	()	()	()
o. Timber	()	()	()	()

32)31) Please indicate your level of interest in receiving education that will help you to better understand:

	Low	Medium	High	Not Applicable
a. How to read and comprehend an actuarial valuation report	()	()	()	()
b. How the actuary calculates the plan assets and liabilities	()	()	()	()
c. How changes in assumptions (i.e. economic and demographic) affect the value of assets and liabilities of the system	()	()	()	()
d. The difference and relationship between the actuarial value of assets, the market value of assets, and the asset smoothing process	()	()	()	()

Educational Interests

33)32) Please indicate your level of interest in receiving education that will help you to better understand:

	Low	Medium	High	Not Applicable
a. Defined benefit plans	()	()	()	()
b. Health benefit plans	()	()	()	()
c. Defined contribution or deferred compensation plans (incl.401(k), 457, etc.)	()	()	()	()
d. Insurance plans	()	()	()	()
e. Hybrid plans	()	()	()	()
f. Target defined benefit plans	()	()	()	()

34)33) Please indicate your level of interest in receiving education that will help you to better understand:

	Low	Medium	High	Not Applicable
a. The System's current approach or model for providing customer service	()	()	()	()
b. The System's current approach to member communication	()	()	()	()
c. Best practices for customer service	(+)	(+)	(+)	(+)

	Low	Medium	High	Not Applicable
d. Best practices for member communication	(+)	(+)	(+)	(+)

Educational Interests

35)34) Please indicate your level of interest in receiving education that will help you to better understand:

	Low	Medium	High	Not Applicable
a. The qualifications for a disability retirement and the benefits that are provided	()	()	()	()
b. The process that is followed in disability applications, from intake through determination of eligibility	()	()	()	()
c. The re-examination and appeal processes	()	()	()	()
d. The System's current approach to disability practices relative to that of industry peers.	()	()	()	()

36)35) Please indicate your level of interest in receiving education that will help you to better understand:

	Low	Medium	High	Not Applicable
a. The budget process	()	()	()	()
b. The Association's Information Systems and technology	()	()	()	()
c. How to read and comprehend financial statements and Annual Financial Report	()	()	()	()
d. The concepts of "risk assessment" and internal controls to address those risks	()	()	()	()
e. The internal audit function	()	()	()	()

Miscellaneous

37)36) Overall, how satisfied were you with the board education made available to you over the past year?

- Very Unsatisfied
- Unsatisfied
- Neutral
- Satisfied
- Very Satisfied
- Not Applicable

38)37) Please list any topics that you would like to see included in the Board's education program that were not previously mentioned:

39)38) Please list any suggestions for improving the quality of the education program provided to the Board:
