

Executive Team

Dominic D. Brown, CPA, CFE
Chief Executive Officer

Daryn Miller, CFA
Chief Investment Officer

Jennifer Zahry, JD
Chief Legal Officer

Matthew Henry, CFE
Chief Operations Officer



Board of Retirement

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

June 15, 2023

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, June 21, 2023 at 1:00 p.m. in the KCERA Boardroom, 11125 River Run Boulevard, Bakersfield, California, 93311.

How to Participate: Listen to or View the Board Meeting

To listen to the live audio of the Board meeting, please dial one of the following numbers (*for best audio a landline is recommended*) and enter ID# 832 8624 5945

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

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

- <https://us02web.zoom.us/j/83286245945?pwd=dDdvNUMyWkwvb0hiWGIWNWg1aVJFQT09>
- Passcode: 325040

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

Sincerely,

Dominic D. Brown
Chief Executive Officer

Attachments

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 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.

CALL TO ORDER

ROLL CALL (IN PERSON)

AB 2449 REMOTE APPEARANCE(S)

Items 1 and/or 2 withdrawn from agenda if no trustees will have a need to appear via teleconference:

The first two items on the agenda are reserved for trustees who have a need to appear via teleconference due to a "just cause" need or an "emergency circumstance." Trustees who have notified this Committee before agenda-posting will be called upon and will provide a general description of their need to attend via teleconference as allowed by law. Trustees who were not able to notify the Committee in advance of posting and have a need to attend via teleconference will state their notification or request when called upon to do so. All trustees appearing via teleconference will need to disclose any adult person(s) present in the room of their remote location and their relationship to such person(s). Trustees appearing remotely are reminded to keep their camera on throughout the meeting.

1. JUST CAUSE CIRCUMSTANCE(S):

- a) The following Trustee(s) have notified the Committee of a "Just Cause" to attend this meeting via teleconference. (See Government Code § 54953).
 - NONE
- b) Call for Trustee(s) who wish to notify the Committee of a "Just Cause" to attend this meeting via teleconference. (See Government Code § 54953).

2. EMERGENCY CIRCUMSTANCE(S):

a) The following Trustee(s) have requested the Committee approve their attendance of this meeting via teleconference due to an “Emergency Circumstance.” (See Government Code § 54953).

- NONE

b) Call for Trustee(s) requesting the Committee approve their attendance of this meeting via teleconference due to an “Emergency Circumstance.” (See Government Code § 54953).

TAKE ACTION ON REQUEST(S) FOR REMOTE APPEARANCE

3. [Discussion and appropriate action on development of compensation policy and compensation study presented by Governance Consultants Julie Becker and Benita Harper, Aon, Chief Executive Officer Dominic Brown, and Chief Legal Officer Jennifer Zahry – CONSIDER OPTIONS PRESENTED; PROVIDE DIRECTION TO STAFF; RETURN TO ADMINISTRATIVE COMMITTEE FOR REVIEW](#)

4. [Discussion and appropriate action on review of revisions to KCERA’s Trustee Education Policy presented by Chief Executive Officer Dominic Brown and Chief Legal Officer Jennifer Zahry – RECOMMEND THE BOARD OF RETIREMENT APPROVE PROPOSED CHANGES](#)

PUBLIC COMMENTS

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

REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS

6. 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.

7. Adjournment

AON



KCERA Administrative Committee

Compensation Policy Discussion

Julie Becker, Partner
Benita Harper, Associate Partner
Fiduciary Service Practice

June 21, 2023

Fiduciary services provided by Aon Consulting, Inc

To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the approval of Aon.

Importance of a Compensation Policy

- Policy provides a framework
 - Bolsters the workforce, enhancing retention
 - Useful for attracting new talent
 - Motivates employees
 - Lessens likelihood of salary lag by creating milestones
- Top-down messaging regarding value of individual employee
 - Can provide review of multiple classifications

Retirement Board Authority

- Board operates within a statutory framework in reviewing compensation
 - Plenary authority, delegates authority to CEO and authorizes CEO to propose new or changed salary ranges to the County
 - Salaries authorized by County HR to the Board of Supervisors
- Salaries part of the County salary schedule
- Three employee groups: at will, civil service represented, civil service unrepresented
- Civil Service Commission authorizes amendments to job titles

Delegate via Compensation Policy

- Board delegate to CEO
- As part of annual budget process
- To determine and propose base salary rates based on the salary schedules and position classifications
- Board retains right to suspend or modify policy at any time
- In line with current delegation to CEO

Compensation Study and Market Study

- Conduct on a rolling basis
- Compensation study provides wage benchmark
- Market study shows market trends and value of certain positions
- Consider outside vendor to conduct studies
- Focus on CERL systems
- Use variety, being pragmatic, realistic

Independent Salary Survey

- Use independent salary survey exclusively for CEO position
- Conduct every 3-5 years
- Work with salary consultant

Compensation Policy Examples

PSERS: https://sers.pa.gov/pdf/Board_Materials/Policies/SERS-CompensationPolicyforInvestmentProfessionals.pdf

CALPERS (page 79): https://publicplansdata.org/reports/CaliforniaPERF_InvPolStmt_2021_9.pdf

TRS of Texas: https://www.trs.texas.gov/TRS%20Documents/performance_pay_plan.pdf

Washington State: (2.01.100 and 2.01.110 in Board Human Resources) <https://www.sib.wa.gov/policies.html>

Sacramento County Employees' Retirement System – separate document

Aon Recommendation

- Adopt policy granting CEO authority to review salary ranges and positions
- CEO to coordinate with CIO regarding investment staff salaries
- Engage firm to conduct Compensation Study and Market study
- Utilize an independent salary survey every 3-5 years for CEO position
- Authorize CEO to review studies and make necessary adjustments

Legal Disclosures and Disclaimers

Consulting services provided by Aon Consulting, Inc. ("ACI"). The information contained herein is given as of the date hereof and does not purport to give information as of any other date. The delivery at any time shall not, under any circumstances, create any implication that there has been a change in the information set forth herein since the date hereof or any obligation to update or provide amendments hereto.

This document is not intended to provide, and shall not be relied upon for, accounting, legal or tax advice or investment recommendations. Any accounting, legal, or taxation position described in this presentation is a general statement and shall only be used as a guide. It does not constitute accounting, legal, investment, and/or tax advice and is based on ACI's understanding of current laws and interpretation.

This document is intended for general information purposes only and should not be construed as advice or opinions on any specific facts or circumstances. The comments in this summary are based upon ACI's preliminary analysis of publicly available information unless otherwise noted. The content of this document is made available on an "as is" basis, without warranty of any kind. ACI disclaims any legal liability to any person or organization for loss or damage caused by or resulting from any reliance placed on that content. ACI reserves all rights to the content of this document. No part of this document may be reproduced, stored, or transmitted by any means without the express written consent of ACI.

Aon Consulting, Inc.
200 E. Randolph Street
Suite 700
Chicago, IL 60601

© Aon plc 2023. All rights reserved.



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 19

MEETING DATE: October 19, 2022

SUBJECT: Compensation Study

SUBMITTED FOR: ___ Consent X **Deliberation and Action** ___ **Receive and File**

RECOMMENDATION

Staff recommends the Board take the following actions:

1. Adopt the findings and recommendations of the 2022 Ralph Anderson & Associates Unrepresented Management Compensation Survey;
2. Adopt the recommended amendments to the Compensation Policy; and,
3. Direct the Chief Executive Officer to pursue approval of the recommended salary adjustments through the Sacramento County Board of Supervisors.

PURPOSE

This item complies with the SCERS' Compensation Policy (Policy) to conduct a compensation study every three years. The prior compensation study resulted in updated salary scales for the executive team that the Board of Supervisors approved in February 2019. This item also reflects the Strategic Management Plan goal to support a high-performance workforce.

DISCUSSION

Earlier this year, SCERS retained Ralph Andersen & Associates to conduct an analysis of the SCERS' unrepresented management "executive team," which include the Chief Executive Officer, Chief Investment Officer, General Counsel, Assistant Retirement Administrator-Operations (Chief Operations Officer), Assistant Retirement Administrator-Operations (Chief Benefits Officer), Assistant Retirement Administrator-Investments (Deputy Chief Investment Officer), and Assistant Retirement Administrator-Enterprise (Chief Strategy Officer). The results of the study compared the overall compensation packages of seven similarly situated public employee retirement systems identified in the Policy. The study is anchored by market position equal to the median or 50th percentile of the peer group.

The Policy provides a consistent framework for SCERS to conduct market comparisons and make compensation decisions, which helps assure that the compensation structure is addressed on a regular basis. Specific policy objectives include:

-
- Ensure that SCERS has the ability to recruit and retain well-qualified employees;
 - Provide a defensible and rational basis for compensating employees;
 - Allow flexibility for making compensation decisions based on changing market conditions;
 - Recognize SCERS' responsibility as a public entity in establishing a compensation plan that is consistent with public practices; and,
 - Ensure that SCERS' compensation practices are competitive and consistent with those of comparable employers.

The Policy only applies to the civil service-exempt, unrepresented management positions for which the Retirement Board has established the job duties and compensation, which is then implemented through a salary resolution adopted by the County Board of Supervisors.

In accordance with the Policy (adopted in 2017), Staff retained a compensation consultant, Ralph Andersen & Associates, to conduct a compensation analysis of the unrepresented management salaries. Doug Johnson, Vice President of Ralph Andersen & Associates will present the results of the compensation study to assist the Board in comparing SCERS' unrepresented management staffs' compensation to the market median, and further serve as the basis for the Board to adjust compensation as it deems necessary.

Results: The results of the compensation analysis show that salary ranges for the executive team are 11.8% below median on average, and have a range of 6.8% to 18.4% below the market median of comparable employers—which, under some market conditions, could be a significant limiting factor in recruiting highly-qualified candidates and retaining incumbents.

Proposed Amendments to Compensation Policy

Pursuant to SCERS' practice of reviewing and refreshing policies approximately every three years, Staff has re-evaluated the Policy in light of practical experience and considered whether any amendments are necessary. In consultation with Ralph Andersen & Associates, Staff recommends the Board approve the following updates:

1. De-link the internal salary relationships among the Assistant Retirement Administrators to more accurately reflect market-driven data unique to each position and as reflected by the peer group. The original policy tied several of these classifications together.
2. Clarify the Board's intent for the executive management team to receive the same benefits package and cost-of-living adjustments as the County Unrepresented Management Unit (050), which conforms to existing practice. The current policy references this relationship but the phrasing could use more specificity.

Fiscal Impact

Assuming the salary adjustments are approved and would take effect on or about January 1, 2023, the aggregate cost would be \$107,000 for the remainder of the 2022-23 fiscal year, which can be absorbed in the SCERS operating budget.

ATTACHMENTS

- Board Order
- SCERS Unrepresented Management Compensation Survey 2022, Doug Johnson, Vice President, Ralph Anderson & Associates
- Proposed SCERS Compensation Policy – Redline Version
- Proposed SCERS Compensation Policy – Clean Version

Prepared by:

/S/

Margo Allen
Chief Operations Officer

Reviewed by:

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
October 19, 2022

AGENDA ITEM:

Compensation Study

THE BOARD OF RETIREMENT hereby accepts the recommendation of Staff to (1) adopt the findings and recommendations of the 2022 Ralph Anderson & Associates Unrepresented Management Compensation Salary; (2) adopt the recommended amendments to the Compensation Policy; and (3) direct the Chief Executive Officer to pursue approval of the recommended salary adjustments through the Sacramento County Board of Supervisors as follows:

- a. Adjust salary range for Retirement Administrator (Chief Executive Officer) by 8.4%
- b. Adjust salary range for Chief Investment Officer – Retirement by 18.4%;
- c. Adjust salary range for Retirement General Counsel by 13.5%;
- d. Adjust salary range for Assistant Retirement Administrator – Operations (Chief Operations Officer) by 6.8%
- e. Set salary range for Assistant Retirement Administrator – Investments (Deputy Chief Investment Officer) 15% below Chief Investment Officer

I HEREBY CERTIFY that the above order was passed and adopted on October 19, 2022 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:

(Present but not voting)

Keith DeVore
Board President

Eric Stern
Chief Executive Officer and
Board Secretary

SCERS

Unrepresented Management Compensation Survey 2022

Doug Johnson, Vice President
Ralph Andersen & Associates



Objectives of Market Surveys

- Retain and attract highly qualified employees
 - Keep turnover rates low
 - Maintain optimal, efficient workforce
 - Retain key skill sets
- Offer an overall compensation package which is at or above the industry market
 - Typically, 50th to 75th percentile
- Establish fair and equitable salary levels
- Ensure that salary and benefit decisions are data based

Why Market Surveys

Compensation surveys are a necessary part of assessing and updating an organization's compensation plan.

- Anticipate and understand what the labor market is doing
- Survey data **informs decision makers** and provides data-driven framework for allocating resources to wages and benefits
- Provide defensibility and public accountability for employee compensation
- **Optimize the ability to recruit and retain employees**

Public and Private employers both use market data to assess compensation; just a difference in accessibility and transparency of data.

Survey Agencies

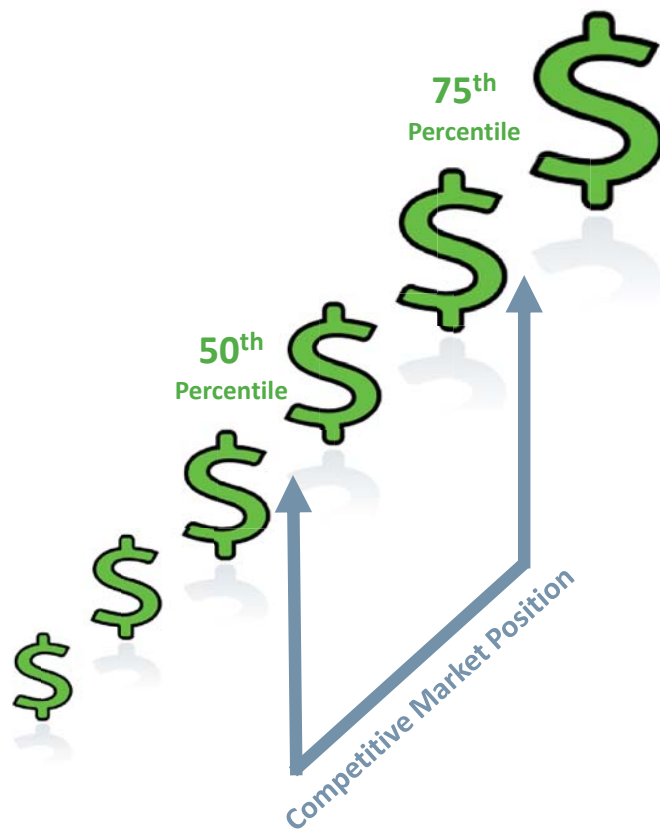
- Based on SCERS compensation policy
- Seven agencies of a similar size
- Higher and lower cost-of-living areas
- Additional reporting of PERS and STRS (informational only)

Agency	Assets	Members	ERI COL	ERI Wage
Sacramento County ERS	\$12.6 Bil	29,605	100.0	100.0
Kern County ERA	\$5.7 Bil	21,424	85.7	97.8
Contra Costa County ERA	\$12.1 Bil	24,115	104.0	109.7
Fresno County ERA	\$6.6 Bil	19,923	83.4	95.8
Alameda County ERA	\$11.8 Bil	25,010	135.4	111.2
San Bernardino County ERA	\$13.6 Bil	44,000	89.0	98.3
San Diego City ERS	\$11.2 Bil	20,724	133.8	100.7
Ventura County ERA	\$7.8 Bil	19,733	110.5	100.2

Source: 2021 Financial Reports; 2022 Economic Research Institute

Market Position

- Establishes competitive position
- Can vary based on recruiting issues
- Anchoring point for a pay range
- Historical practices and ability to pay may need to be considered



Compensation Data Usage

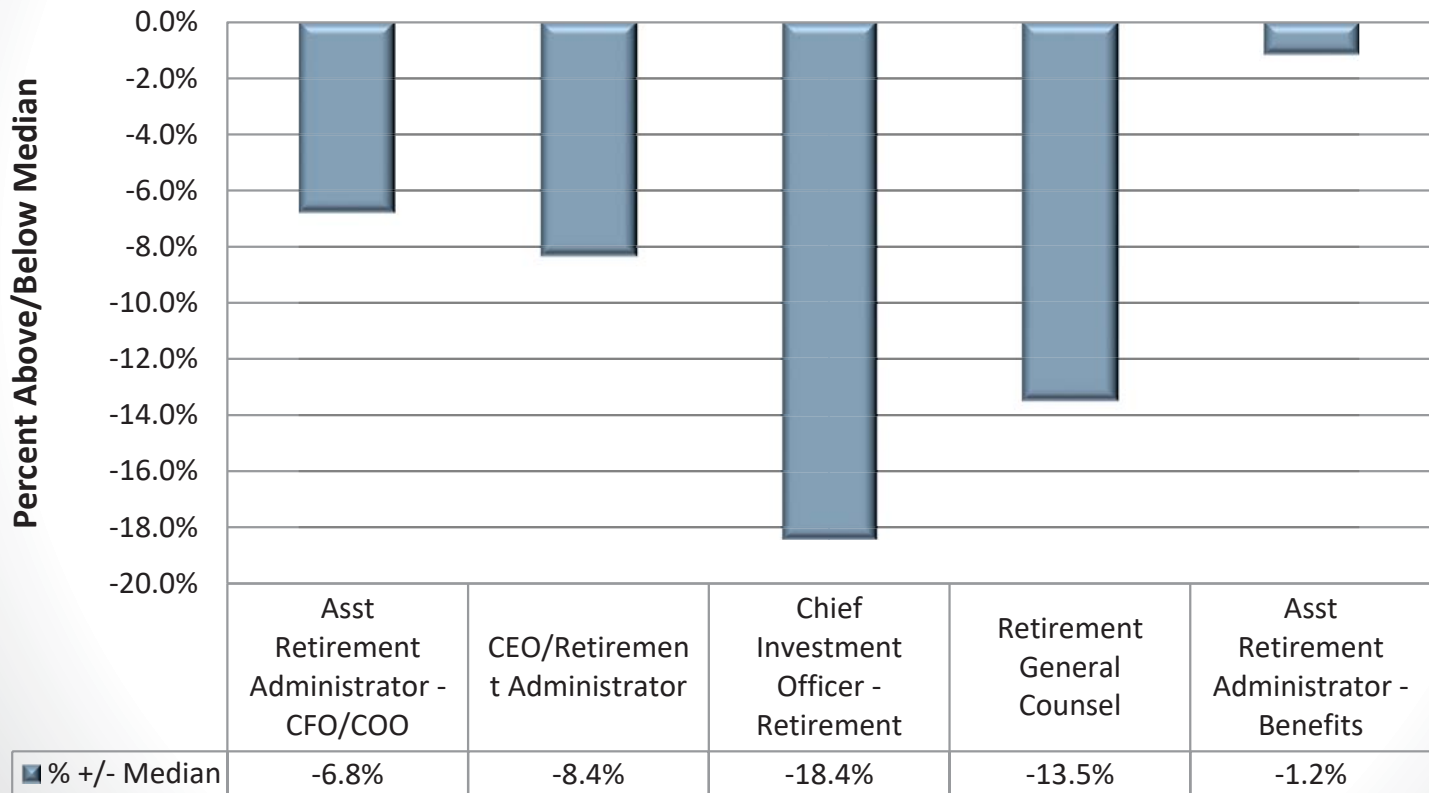
- Seven CA retirement systems
- Market position equal to the median (50th percentile)
- No adjustment for market location
 - Seven survey agencies represent a balanced view of the market with higher, lower, and similar economic areas
 - Relative wage index (ERI) demonstrates insignificant differences
 - Recognizes the state-wide recruitment market for managers

Compensation Policy

- Compensation Policy
 - Formal document established by SCERS
 - Establishes agencies, market position
 - Salary and benefits assessment
 - Benchmark classifications and internal alignments
- Benchmarks
 - Chief Executive Officer/Retirement Administrator
 - Chief Investment Officer – Retirement
 - Retirement General Counsel
 - Assistant Retirement Administrator (each assessed based on data)
- Internal Salary Alignments
 - Deputy Chief Investment Officer set 15% below Chief Investment Officer
 - Chief Benefits Officer and Chief Strategy Officer set at same level
- Internal alignments based on scope, role, autonomy, decision making, resource responsibility, and working relationships

Base Salary Survey Results

Base Salary Comparisons



All Survey Jobs



Current Salary Alignments

- Current compensation policy
- Recent historical benchmarks and alignments
- New survey data, new benchmark and internal alignment assessment

Class Title	Current Benchmarking/Internal Alignment
CEO/Retirement Administrator	Benchmark; set to market
Retirement General Counsel	Benchmark; set to market
Chief Investment Officer - Retirement	Benchmark; set to market
Asst Retirement Administrator - Investments	Same as Asst Retirement Administrator - CFO/COO
Asst Retirement Administrator - CFO/COO	Benchmark; set to market
Asst Retirement Administrator - Benefits	Same as Asst Retirement Administrator - CFO/COO
Asst Retirement Administrator - Ent Solutions Mgmt	Same as Asst Retirement Administrator - CFO/COO

Alternate Salary Alignments

- Utilizes benchmark data where sufficient data exists
- No changes in benchmarks unless more than 5% below median (threshold sensitivity factor)
- Utilizes internal relationships based on most recent policy
- Based on current job roles and responsibilities

Class Title	Current Monthly Max	Market Deviation	Recomm. Monthly Max	Percent Change	Explanation for Adjustment
CEO/Retirement Administrator	22,909	-8.4%	24,823	8.4%	Benchmark; set to market
Retirement General Counsel	21,192	-13.5%	24,055	13.5%	Benchmark; set to market
Chief Investment Officer - Retirement	23,152	-18.4%	27,422	18.4%	Benchmark; set to market
Asst Retirement Administrator - Investments	19,878	N/A	23,845	20.0%	15% below Chief Investment Officer
Asst Retirement Administrator - CFO/COO	19,878	-6.8%	21,234	6.8%	Benchmark; set to market
Asst Retirement Administrator - Benefits	19,878	-1.2%	19,878	0.0%	Benchmark; set to market (No Change if <5%)
Asst Retirement Administrator - Ent Solutions Mgmt	19,878	N/A	19,878	0.0%	Same as Asst Retirement Administrator - Benefits

Summary

- Four benchmarks are below market median
 - 11.8% below median on average
 - 6.8% to 18.4% below median
- One benchmark within 5% of median (no change)
- Analysis does not indicate significant differences in benefits
- SCERS benefits are within 2.0% of market trends for all benefit categories
- Internal alignments options
 - Current
 - Alternate (more market based)



REDLINE VERSION

COMPENSATION POLICY

PURPOSE

Establish a sound compensation policy to address SCERS' personnel needs that, along with an effective job classification system and the requisite authority to establish the necessary and appropriate staff size, structure and compensation, provide the cornerstone for SCERS' ability to successfully carry out its mission.

DEFINITIONS

Appendix A identifies the SCERS unrepresented management employees this policy applies to.

Appendix B contains the Labor Market Definition for this policy.

Appendix C lists the benchmark classes and describes the internal salary relationships for this policy.

POLICY

SCERS compensation policy provides consistency with respect to how compensation decisions are made, and helps assure that compensation is addressed on a regular basis, and not allowed to languish such that 'marking to market' is a difficult and problematic exercise. Specific policy objectives include:

- Ensure that SCERS has the ability to recruit and retain well-qualified employees;
- Provide a defensible and rational basis for compensating employees;
- Allow flexibility for making compensation decisions based on changing market conditions;
- Recognize SCERS' responsibility as a public entity in establishing a compensation plan that is consistent with public practices; and
- Ensure that SCERS' compensation practices are competitive and consistent with those of comparable employers.

I. COMPENSATION STUDIES

A central component of this policy is the use of properly constructed compensation studies conducted by qualified compensation professionals to assess SCERS' competitiveness with market practices. Study data is necessary because labor

markets are constantly changing in response to the availability of skill sets and fluctuations in economic conditions. These changes can vary among regions and across industries and employer types. Thus, an effective compensation study will provide:

- Market data that allows SCERS to be deliberate in making compensation-related decisions by reducing guesses or reliance on indices that may not reflect compensation practices.
- Detailed data that allows SCERS to anticipate changing market conditions and understand what peer employers are doing with respect to compensation and benefits.
- Transparency for employees and other stakeholders of the compensation data used in developing SCERS' compensation plan.

A. Study Objectives

A properly constructed compensation study will achieve the following objectives:

1. Collect and analyze salary and benefits data from employers similar to SCERS.
2. Document comparisons with the SCERS compensation plan and identify any issues with the data, comparable jobs, or comparable employers.
3. Conduct an internal relationship analysis and develop internal relationship guidelines.
4. Present specific salary recommendations for a competitive compensation plan based on the results of the market survey and internal relationship analysis.

The compensation study and subsequent analysis provides a 'picture' of wage practices in the labor market for comparable jobs, and documents how SCERS' compensation for benchmark job classifications compares to similar employers. The results of the compensation study, therefore, provide a basis for compensating employees in a consistent, equitable, defensible, and competitive manner.

B. Study Elements

1. Labor Market Definition

One of the most important components of this policy is the definition of the employers or data sources that are used to measure the labor market within which SCERS must compete and for purposes of developing and maintaining SCERS' compensation plan. There are typically five important criteria used in identifying the employers that comprise an employer's labor market:

- a. **Historical Practices** — Over time, an employer will develop some level of continuity regarding labor market comparable employers for the purpose of conducting compensation studies. SCERS has a long history of surveying a specific set of employers and these historic practices are an important consideration if for no other reason than deviating from the long-term historical practice typically requires a strong, defensible rationale.
- b. **Nature of Services Provided** — In order to ensure comparable jobs are found when conducting a compensation study, it is important to use employers that provide similar services to SCERS. Employers who provide similar services are most likely to compete with one another for employees and will have similar organizational and operational characteristics. For that reason, SCERS uses public retirement systems as the primary source of employers used to measure the labor market.

SCERS may wish to consider comparisons to employers conducting a similar line of business in other segments of the marketplace, such as corporate pension plans, or endowments and foundations. While such employers, and their specific sub-market, may not be as comparable as other public retirement systems, they do compete for employees with the same skills as those at SCERS, and at a minimum, can provide context and another point of reference for assessing the compensation paid to SCERS' employees.

- c. **Geographic Proximity** – Geographic proximity of potential employers is one of the most important factors in identifying an organization's labor market. This factor is particularly useful because it identifies those employers that directly compete with SCERS to recruit and retain personnel. If a sufficient number of comparable agencies exist within close proximity to SCERS, the defined geographic area may be the local region. If comparably sized or similar services do not exist within close proximity, a wider geographic region may be necessary. SCERS' uses a statewide market to identify public retirement systems that have similar functions, services and jobs as the primary source of comparable employers.
- d. **Employer Size** — The more similar employers are in size and complexity, the greater the likelihood that comparable positions exist within both organizations. This factor is less important for jobs where employer size makes little difference in the nature of duties, and more important where employee levels or other resources are a defining characteristic of the job. For those jobs where size differences appear to influence wages, these differences can be factored into the data analysis. SCERS' includes a balance of larger and smaller employers and makes appropriate adjustments when size impacts job comparability.
- e. **Economic Similarity** — While there are a number of economic factors that can be compared among employers, the most important factor related to

compensation is cost of living. In some regions, living costs can vary significantly and have an important impact on how potential candidates evaluate compensation. This factor can be important if labor market employers are used beyond the local market, or if there are significant differences in the cost of living. Given that SCERS uses a statewide labor market that includes both higher and lower cost of living areas when compared to SCERS' location, no adjustments are made to reflect differences in cost of living.

2. Labor Market Position

The relative position an organization maintains in the market to ensure its recruitment and retention needs are met within available financial resources. If the list of labor market employers is comparable overall, most public employers will adopt a market position at the middle of the market. Statistically, the middle of the market is the 50th percentile (median) with half the agencies above this point and half below. While this remains SCERS' typical practice under this policy, there may be circumstances where flexibility is warranted. For example, if SCERS experiences significant recruitment and retention challenges, SCERS may establish salary ranges above market median for select positions.

3. Benefits Assessment

SCERS' compensation includes both base salary and employer-paid benefits. In order to understand how SCERS' benefits compare to the market, compensation studies will include an assessment of benefits. The results of a market benefit study can either be used to adjust salaries using a total compensation model, or the data can be used to adjust specific benefits. The major benefit categories a compensation study might include are:

- a. **Cash Equivalent Benefits** – These are benefits that are usually treated as cash and have a direct impact on how competitive the organization is relative to other employers. Examples of cash benefits include longevity pay, deferred compensation, and cafeteria plan allowances.
- b. **Insurance Benefits** – These benefits can be surveyed to determine trends for insurance costs, but this data should not be used for setting salary ranges since the fixed dollar amounts will have different impacts on jobs depending on whether they are high or low wage jobs.
- c. **Leave Benefits** – Accrual and cash-out benefits do not change frequently so they may only need to be surveyed when a specific issue or concern is identified. They are not used to compute total compensation.

- d. **Retirement Benefits** – Employer paid retirement costs are not typically included in total compensation surveys since rates typically don't reflect benefit levels. Rates can be influenced by workforce/retiree demographics, investment performance, benefit tiers, rate buy downs, and other factors. Social Security costs can be included, but it needs to be recognized that this benefit has a cost to the employer and the employee.
- e. **Other Benefits** – There are other benefits such as car/technology allowances, shift pay, furloughs, assignment pays, etc. which SCERS may want to analyze on an ad-hoc basis.

4. Benchmark Classes and Internal Salary Relationships

The methods used to maintain internal equity across jobs and minimize salary compaction. SCERS Compensation plan is developed with a primary emphasis on market data, and secondary emphasis on internal salary relationships and job worth. A market-based compensation study identifies wage differences for “benchmark” classes; positions that are easily compared with other agencies. Where a benchmark class has several levels that are interrelated, one class may be benchmarked to market and the compensation for the other classes in the ‘series” may be set relative to this benchmark using salary differentials. For non-benchmark classes, compensation levels are established using internal relationship guidelines among related jobs.

C. Study Frequency and Application to Compensation Plan

For purposes of maintaining competitive salary ranges, compensation study data should be collected every three years. While study data provides a precise measure of market trends for specific jobs and skill sets, significant market changes do not typically occur between jobs from year to year.

Consistent with current and past practice, it is intended that the SCERS' executive management team continue to receive the same benefits package, cost-of-living adjustments, pay differentials, and other applicable allowances provided to the County's Unrepresented Management Unit (050) or similarly situated exempt employees (such as department heads). ~~For non-compensation study years, cost-of-living adjustments as provided by the County to unrepresented management employees, consistent with historical practice, will apply to SCERS exempt positions.~~

Market comparisons use a +/- threshold whereby no salary adjustments are made if market deviations are less than five percent (5%). Thresholds above this amount may introduce salary inequities and are not recommended.

The objective of the market study is to anticipate and understand market trends, with salary adjustments being a deliberate change to maintain market position. If a job is significantly above the market, salary range adjustments should be frozen until the job drifts back to the desired labor market position.

APPLICATION

This policy applies to SCERS unrepresented management employees as identified in Appendix A.

Results of compensation studies conducted and proposed compensation plans prepared pursuant to this policy will be submitted to the Board as part of SCERS administrative budget process to ensure triennial compensation studies are conducted and compensation plans developed pursuant to this policy.

BACKGROUND

Currently, SCERS' staff falls into two categories with respect to how compensation is addressed:

County Civil Service - The majority of SCERS' staff positions are within the County Civil Service structure, and the compensation for those positions is determined either through collective bargaining, a County directed equity adjustment or a County-conducted salary study. The compensation is then implemented through a salary resolution adopted by the Board of Supervisors.

Exempt - SCERS' unrepresented management employees are outside the County Civil Service structure. The position, job duties and compensation are established by the SCERS Board. However, the compensation for the exempt executive positions is implemented through a salary resolution adopted by the Board of Supervisors.

RESPONSIBILITIES

Executive Owner: Chief Executive Officer

POLICY HISTORY

Date	Description
<u>10-19-2022</u>	<u>Board approved revised policy</u>
10-20-2021	Updated to new policy format
08-01-2018	Renumbered from 064
11-30-2017	Board revised Appendix C
10-18-2017	Board approved new policy

**SCERS UNREPRESENTED MANAGEMENT EMPLOYEES
FUNCTIONAL TITLES AND COUNTY JOB CLASS TITLES**

SCERS FUNCTIONAL TITLE	COUNTY JOB CLASSIFICATION	CLASS CODE
Chief Executive Officer	Retirement Administrator	28318
General Counsel	Retirement General Counsel	29215
Chief Investment Officer	Chief Investment Officer - Retirement	27736
Deputy Chief Inv. Officer	Asst. Ret. Administrator - Investments	29448
Chief Benefits Officer	Asst. Ret. Administrator - Benefits	29089
Chief Operations Officer	Asst. Ret. Administrator - Operations	29090
Chief Strategy Officer	Asst. Ret. Administrator - Enterprise Solutions Mgmt.	29581

SCERS LABOR MARKET DEFINITION

Alameda County ERA
City of San Diego ERS
Contra Costa County ERA
Fresno County ERA
Kern County ERA
San Bernardino County ERA
Ventura County ERA

This set of survey agencies represents public retirement systems throughout California that are closely aligned in terms of size (both assets and members) and comparable to SCERS.

Because SCERS is located in Sacramento, it is important to consider all local retirement organizations, including CalPERS and CalSTRS which, while significantly larger than SCERS, have a significant impact on local market conditions. Data will be collected from these agencies for each compensation study. Analysis and use of the data will be done in a way to ensure that skewing impacts of an unrepresentative sample of agencies do not occur, and to account for the impact of significant size differences.

SCERS BENCHMARK CLASSES AND INTERNAL SALARY RELATIONSHIPS

The following positions will be used as benchmark classes:

Chief Executive Officer / Retirement Administrator
Chief Investment Officer - Retirement
Retirement General Counsel
Assistant Retirement Administrator – Chief Operations Officer
Assistant Retirement Administrator – Chief Benefits Officer
Assistant Retirement Administrator – Chief Strategy Officer

The compensation of the Deputy Chief Investment Officer will be set 15% below the Chief Investment Officer. ~~The compensation of all other Assistant Retirement Administrators (Chief Operations Officer, Chief Benefits Officer, and Chief Strategy Officer) is set at the same level.~~



COMPENSATION POLICY

PURPOSE

Establish a sound compensation policy to address SCERS' personnel needs that, along with an effective job classification system and the requisite authority to establish the necessary and appropriate staff size, structure and compensation, provide the cornerstone for SCERS' ability to successfully carry out its mission.

DEFINITIONS

Appendix A identifies the SCERS unrepresented management employees this policy applies to.

Appendix B contains the Labor Market Definition for this policy.

Appendix C lists the benchmark classes and describes the internal salary relationships for this policy.

POLICY

SCERS compensation policy provides consistency with respect to how compensation decisions are made, and helps assure that compensation is addressed on a regular basis, and not allowed to languish such that 'marking to market' is a difficult and problematic exercise. Specific policy objectives include:

- Ensure that SCERS has the ability to recruit and retain well-qualified employees;
- Provide a defensible and rational basis for compensating employees;
- Allow flexibility for making compensation decisions based on changing market conditions;
- Recognize SCERS' responsibility as a public entity in establishing a compensation plan that is consistent with public practices; and
- Ensure that SCERS' compensation practices are competitive and consistent with those of comparable employers.

I. COMPENSATION STUDIES

A central component of this policy is the use of properly constructed compensation studies conducted by qualified compensation professionals to assess SCERS' competitiveness with market practices. Study data is necessary because labor

markets are constantly changing in response to the availability of skill sets and fluctuations in economic conditions. These changes can vary among regions and across industries and employer types. Thus, an effective compensation study will provide:

- Market data that allows SCERS to be deliberate in making compensation-related decisions by reducing guesses or reliance on indices that may not reflect compensation practices.
- Detailed data that allows SCERS to anticipate changing market conditions and understand what peer employers are doing with respect to compensation and benefits.
- Transparency for employees and other stakeholders of the compensation data used in developing SCERS' compensation plan.

A. Study Objectives

A properly constructed compensation study will achieve the following objectives:

1. Collect and analyze salary and benefits data from employers similar to SCERS.
2. Document comparisons with the SCERS compensation plan and identify any issues with the data, comparable jobs, or comparable employers.
3. Conduct an internal relationship analysis and develop internal relationship guidelines.
4. Present specific salary recommendations for a competitive compensation plan based on the results of the market survey and internal relationship analysis.

The compensation study and subsequent analysis provides a 'picture' of wage practices in the labor market for comparable jobs, and documents how SCERS' compensation for benchmark job classifications compares to similar employers. The results of the compensation study, therefore, provide a basis for compensating employees in a consistent, equitable, defensible, and competitive manner.

B. Study Elements

1. Labor Market Definition

One of the most important components of this policy is the definition of the employers or data sources that are used to measure the labor market within which SCERS must compete and for purposes of developing and maintaining SCERS' compensation plan. There are typically five important criteria used in identifying the employers that comprise an employer's labor market:

- a. **Historical Practices** — Over time, an employer will develop some level of continuity regarding labor market comparable employers for the purpose of conducting compensation studies. SCERS has a long history of surveying a specific set of employers and these historic practices are an important consideration if for no other reason than deviating from the long-term historical practice typically requires a strong, defensible rationale.
- b. **Nature of Services Provided** — In order to ensure comparable jobs are found when conducting a compensation study, it is important to use employers that provide similar services to SCERS. Employers who provide similar services are most likely to compete with one another for employees and will have similar organizational and operational characteristics. For that reason, SCERS uses public retirement systems as the primary source of employers used to measure the labor market.

SCERS may wish to consider comparisons to employers conducting a similar line of business in other segments of the marketplace, such as corporate pension plans, or endowments and foundations. While such employers, and their specific sub-market, may not be as comparable as other public retirement systems, they do compete for employees with the same skills as those at SCERS, and at a minimum, can provide context and another point of reference for assessing the compensation paid to SCERS' employees.

- c. **Geographic Proximity** – Geographic proximity of potential employers is one of the most important factors in identifying an organization's labor market. This factor is particularly useful because it identifies those employers that directly compete with SCERS to recruit and retain personnel. If a sufficient number of comparable agencies exist within close proximity to SCERS, the defined geographic area may be the local region. If comparably sized or similar services do not exist within close proximity, a wider geographic region may be necessary. SCERS' uses a statewide market to identify public retirement systems that have similar functions, services and jobs as the primary source of comparable employers.
- d. **Employer Size** — The more similar employers are in size and complexity, the greater the likelihood that comparable positions exist within both organizations. This factor is less important for jobs where employer size makes little difference in the nature of duties, and more important where employee levels or other resources are a defining characteristic of the job. For those jobs where size differences appear to influence wages, these differences can be factored into the data analysis. SCERS' includes a balance of larger and smaller employers and makes appropriate adjustments when size impacts job comparability.
- e. **Economic Similarity** — While there are a number of economic factors that can be compared among employers, the most important factor related to

compensation is cost of living. In some regions, living costs can vary significantly and have an important impact on how potential candidates evaluate compensation. This factor can be important if labor market employers are used beyond the local market, or if there are significant differences in the cost of living. Given that SCERS uses a statewide labor market that includes both higher and lower cost of living areas when compared to SCERS' location, no adjustments are made to reflect differences in cost of living.

2. Labor Market Position

The relative position an organization maintains in the market to ensure its recruitment and retention needs are met within available financial resources. If the list of labor market employers is comparable overall, most public employers will adopt a market position at the middle of the market. Statistically, the middle of the market is the 50th percentile (median) with half the agencies above this point and half below. While this remains SCERS' typical practice under this policy, there may be circumstances where flexibility is warranted. For example, if SCERS experiences significant recruitment and retention challenges, SCERS may establish salary ranges above market median for select positions.

3. Benefits Assessment

SCERS' compensation includes both base salary and employer-paid benefits. In order to understand how SCERS' benefits compare to the market, compensation studies will include an assessment of benefits. The results of a market benefit study can either be used to adjust salaries using a total compensation model, or the data can be used to adjust specific benefits. The major benefit categories a compensation study might include are:

- a. **Cash Equivalent Benefits** – These are benefits that are usually treated as cash and have a direct impact on how competitive the organization is relative to other employers. Examples of cash benefits include longevity pay, deferred compensation, and cafeteria plan allowances.
- b. **Insurance Benefits** – These benefits can be surveyed to determine trends for insurance costs, but this data should not be used for setting salary ranges since the fixed dollar amounts will have different impacts on jobs depending on whether they are high or low wage jobs.
- c. **Leave Benefits** – Accrual and cash-out benefits do not change frequently so they may only need to be surveyed when a specific issue or concern is identified. They are not used to compute total compensation.

- d. **Retirement Benefits** – Employer paid retirement costs are not typically included in total compensation surveys since rates typically don't reflect benefit levels. Rates can be influenced by workforce/retiree demographics, investment performance, benefit tiers, rate buy downs, and other factors. Social Security costs can be included, but it needs to be recognized that this benefit has a cost to the employer and the employee.
- e. **Other Benefits** – There are other benefits such as car/technology allowances, shift pay, furloughs, assignment pays, etc. which SCERS may want to analyze on an ad-hoc basis.

4. Benchmark Classes and Internal Salary Relationships

The methods used to maintain internal equity across jobs and minimize salary compaction. SCERS Compensation plan is developed with a primary emphasis on market data, and secondary emphasis on internal salary relationships and job worth. A market-based compensation study identifies wage differences for “benchmark” classes; positions that are easily compared with other agencies. Where a benchmark class has several levels that are interrelated, one class may be benchmarked to market and the compensation for the other classes in the ‘series’ may be set relative to this benchmark using salary differentials. For non-benchmark classes, compensation levels are established using internal relationship guidelines among related jobs.

C. **Study Frequency and Application to Compensation Plan**

For purposes of maintaining competitive salary ranges, compensation study data should be collected every three years. While study data provides a precise measure of market trends for specific jobs and skill sets, significant market changes do not typically occur between jobs from year to year.

Consistent with current and past practice, it is intended that the SCERS' executive management team continue to receive the same benefits package, cost-of-living adjustments, pay differentials, and other applicable allowances provided to the County's Unrepresented Management Unit (050) or similarly situated exempt employees (such as department heads). Market comparisons use a +/- threshold whereby no salary adjustments are made if market deviations are less than five percent (5%). Thresholds above this amount may introduce salary inequities and are not recommended.

The objective of the market study is to anticipate and understand market trends, with salary adjustments being a deliberate change to maintain market position. If

a job is significantly above the market, salary range adjustments should be frozen until the job drifts back to the desired labor market position.

APPLICATION

This policy applies to SCERS unrepresented management employees as identified in Appendix A.

Results of compensation studies conducted and proposed compensation plans prepared pursuant to this policy will be submitted to the Board as part of SCERS administrative budget process to ensure triennial compensation studies are conducted and compensation plans developed pursuant to this policy.

BACKGROUND

Currently, SCERS' staff falls into two categories with respect to how compensation is addressed:

County Civil Service - The majority of SCERS' staff positions are within the County Civil Service structure, and the compensation for those positions is determined either through collective bargaining, a County directed equity adjustment or a County-conducted salary study. The compensation is then implemented through a salary resolution adopted by the Board of Supervisors.

Exempt - SCERS' unrepresented management employees are outside the County Civil Service structure. The position, job duties and compensation are established by the SCERS Board. However, the compensation for the exempt executive positions is implemented through a salary resolution adopted by the Board of Supervisors.

RESPONSIBILITIES

Executive Owner: Chief Executive Officer

POLICY HISTORY

Date	Description
10-19-2022	Board approved revised policy
10-20-2021	Updated to new policy format
08-01-2018	Renumbered from 064
11-30-2017	Board revised Appendix C
10-18-2017	Board approved new policy

**SCERS UNREPRESENTED MANAGEMENT EMPLOYEES
FUNCTIONAL TITLES AND COUNTY JOB CLASS TITLES**

SCERS FUNCTIONAL TITLE	COUNTY JOB CLASSIFICATION	CLASS CODE
Chief Executive Officer	Retirement Administrator	28318
General Counsel	Retirement General Counsel	29215
Chief Investment Officer	Chief Investment Officer - Retirement	27736
Deputy Chief Inv. Officer	Asst. Ret. Administrator - Investments	29448
Chief Benefits Officer	Asst. Ret. Administrator - Benefits	29089
Chief Operations Officer	Asst. Ret. Administrator - Operations	29090
Chief Strategy Officer	Asst. Ret. Administrator - Enterprise Solutions Mgmt.	29581

SCERS LABOR MARKET DEFINITION

Alameda County ERA
City of San Diego ERS
Contra Costa County ERA
Fresno County ERA
Kern County ERA
San Bernardino County ERA
Ventura County ERA

This set of survey agencies represents public retirement systems throughout California that are closely aligned in terms of size (both assets and members) and comparable to SCERS.

Because SCERS is located in Sacramento, it is important to consider all local retirement organizations, including CalPERS and CalSTRS which, while significantly larger than SCERS, have a significant impact on local market conditions. Data will be collected from these agencies for each compensation study. Analysis and use of the data will be done in a way to ensure that skewing impacts of an unrepresentative sample of agencies do not occur, and to account for the impact of significant size differences.

**SCERS BENCHMARK CLASSES AND
INTERNAL SALARY RELATIONSHIPS**

The following positions will be used as benchmark classes:

Chief Executive Officer / Retirement Administrator

Chief Investment Officer - Retirement

Retirement General Counsel

Assistant Retirement Administrator Chief Operations Officer

Assistant Retirement Administrator – Chief Benefits Officer

Assistant Retirement Administrator – Chief Strategy Officer

The compensation of the Deputy Chief Investment Officer will be set 15% below the Chief Investment Officer.



Date: June 21, 2023
To: Trustees, Administrative Committee
From: Dominic D. Brown, Chief Executive Officer *Dominic D. Brown*
Subject: **Trustee Education Policy**

Introduction

This memo describes proposed changes and updates to the Trustee Education Policy. While most changes reflect updates to current practices, Staff is recommending two new additions to the policy.

Proposed Policy Edits

Updated Material. The proposed changes list mandated and additional training topics that fulfill trustee education requirements. Staff has also removed references to outdated material and updated the list of digital resources available to Trustees.

New Material. Staff has added specific education requirements to the new trustee orientation program. Specifically, the proposed changes to the policy add the education topics listed in Appendix A and require new trustees to complete the curriculum within the first 45 days of their first term. The proposed policy changes also include an orientation session for trustees newly appointed to a chair or vice-chair position.

Based on the above, Staff asks your Committee to recommend the proposed updates to the to the Board of Retirement.

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, t~~rustees 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).

a) Mandated Training Topics:

- i) Ethics Training – Government Code §§ 53234, 53235 and 53235.1 require that trustees receive two hours of ethics training no later than one year after your first day of service as a trustee, and once every two years, thereafter.
- ii) Sexual Harassment Prevention Training - Government Code § 53237 et seq., requires trustees of the Board of Retirement receive two hours of sexual harassment prevention training and education within six (6) months of assumption of their position and every two years thereafter.
- iii) New Trustee Orientation – See Orientation Program section

b) Additional Training Topics – Fiduciary responsibilities:

- ~~3) Appropriate topics for trustee education may include, but are not limited to, the following (§31522.8):~~
 - ~~a) Fiduciary responsibilities~~
 - ~~b) Ethics~~
 - ~~c) i) Pension fund i~~ investments and investment program management
 - ~~d) ii) Actuarial matters~~
- ~~e) Pension funding~~
 - ~~f) iii) Benefits administration~~
 - ~~g) iv) Disability evaluations~~

~~h)v)~~ Fair hearings Due Process considerations

~~i)vi)~~ Pension fund governance

~~New trustee orientation~~

DEFINITIONS

~~4)3)~~ “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)4)~~ 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)5)~~ ~~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)6)~~ 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)7)~~ Any educational activity undertaken by a trustee that requires the expenditure of KCERA funds shall require Board approval. Any activity so approved shall be deemed to meet trustee education requirements. The Chief Executive Officer shall include a

~~recommendation as to the maximum~~ supporting documentation indicating number of qualifying hours associated with the activity in the Board ~~packet~~ agenda materials.

~~9)8)~~ With respect to in-house education, and any education activities undertaken by trustees that do not require expenditure of KCERA funds (e.g. free External Education Programs, and certain self-study programs and on-line education programs), the Chair and Chief Executive Officer shall together determine if such education may count towards meeting a trustee's education requirements as well as the number of hours that may be credited.

~~10)9)~~ The Board and Management shall continually seek to identify appropriate External Education Programs. Programs ~~currently~~ recommended for trustees' consideration include:

- a) The semi-annual Conference of the State Association of County Retirement Systems (SACRS);
- b) Public Pension Investment Management Program, offered by SACRS;
- c) The General Assembly and Trustee Roundtables of California Association of Public Retirement Systems (CALAPRS);

~~d) The International Foundation for Employee Benefit Plans (IFEBP) Annual Conferences and Trustee accreditation programs;~~

~~e)d)~~ CALAPRS "Principles of Pension Management Governance for Trustees";
and

~~f)e)~~ CALAPRS "Advanced Principles of Pension Governance for Trustees".

~~11)10)~~ Management shall inform the Board of appropriate on-line education and other External Education Programs for trustees' consideration.

~~12)11)~~ 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)12)~~ 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)~~13) 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)~~14) In addition to, and consistent with, the statutory requirements set out in paragraph 2 above, Trustees shall endeavor to attend:

- a) At least one External Education Program annually.
- b) One intensive, multi-day External Education Program of an academic nature and classroom-format every two years.
- c) All dedicated annual in-house planning and educational initiatives organized by Management with input from the Board, as well as any additional in-house educational briefings or presentations.
- d) ~~Education related to the mandates of trustees' assigned committees.~~

ORIENTATION PROGRAMS

15) New Trustee Orientation

a) The Chief Executive Officer shall develop a formal orientation program for new trustees, the aim of which shall be to ensure that new trustees are in a position to contribute fully to board and committee deliberations and effectively carry out their fiduciary duties as soon as possible upon joining the Board. If more than one new trustee requires orientation, the orientation sessions may take place in a group setting rather than one-on-one. ~~Existing trustees may also attend orientation sessions for education credit. Furthermore, o~~Orientation ~~need not~~may take place in either a single session, ~~but rather in or~~ multiple sessions, ~~based on the needs and preferences of the trustees in question.~~

b) 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.

a)c) As part of the orientation, new trustees shall, within 45 days following their election or appointment to the Board:

- i) Be assigned a trustee mentor by the Chair;
- ii) Be briefed on the contents of the KCERA Trustee ~~Handbook~~ Handbook ~~by Management~~ resources by Chief Executive Officer;
- iii) Be introduced to all members of Management ~~and staff~~;
- iv) Be provided a tour of the KCERA offices by Management;

- v) Be ~~briefed-informed~~ by the Chair and/or the Chief Executive Officer ~~on-about~~ upcoming Board matters ~~before the Board~~;
- vi) ~~Be briefed on their fiduciary duties by legal counsel~~ Receive education on topics listed in Appendix A by the Chief Legal Officer; and
- ~~vi)vii)~~ Receive education related to investment matters by the Chief Investment Officer; and
- ~~vii)viii)~~ Receive other relevant information and documentation from Management or the Chair.

b)d) _____ Within six months of joining the Board, the Chief Executive Officer shall hold a follow-up discussion with each new trustee to address any questions ~~they may have~~ regarding their positions and duties. Additionally, nNew trustees shall also meet separately with the Chief Operations Officer, Chief Investment Officer, and Chief Legal Officerall Division Management to learn about their respective regarding the functional areas within KCERA.

e)e) _____ During the course of their first year on the Board, new trustees shall endeavor to attend the CALAPRS Principles of Pension Management for Trustees program. ~~New trustees shall also meet separately with the Chief Operations Officer, Chief Investment Officer, and Chief Legal Officer to learn about their respective functional areas within KCERA.~~

~~16)1) 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.~~

16)Trustee Resources

~~A KCERA Trustee Handbook and other relevant materials shall be provided to each new trustee including, at a minimum:~~New Trustees shall be provided with access to the following resources:

- a) Board Governance – Charters & Policies
- b) Education Sessions
- c) General KCERA/Board Information
- d) KCERA Operational Policies & Procedures
- e) Legal
 - i) Brown Act
 - ii) CERL
 - iii) IRS Model Tax Regulations
 - iv) KCERA's BOR CERL Regulations
 - v) Annual CLO Memos; and

f) Trustee Education Reports & Calendar

- ~~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 Chief Executive Officer;~~
- ~~k) Listing of current committee assignments;~~
- ~~l) Listing of service providers;~~
- ~~m) List of recommended External Education Programs; and~~
- ~~n) Copies of other KCERA publications/brochures deemed relevant and appropriate by Management.~~

~~17) Management shall review and update the Trustee Handbook as needed. Chair and Vice-Chair Orientation~~

~~17) Newly appointed chairs and vice-chairs of the Board, committees, and ad hoc committees (if any) shall receive training on issues related to their roles and responsibilities.~~

Reporting and Disclosure

~~18) All trustees attending an External Education Program shall complete and submit to the Chief Executive Officer an estimate of Trustee education hours earned ~~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 estimate of Trustee education hours earned ~~an Education Program Attendance Report~~.~~

~~18)~~

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

20) Consistent with §31522.8 of the Act, this policy and an annual report on trustee compliance shall be placed on the KCERA website.

POLICY REVIEW AND HISTORY

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

22) The policy was:

a) Adopted by the Board on September 27, 2000;

b) Amended on June 23, 2004; July 13, 2005; September 26, 2007; June 15, 2011; December 12, 2012; April 10, 2013; April 13, 2016; February 10, 2021; August 11, 2021; ~~and~~ April 13, 2022; and [insert date].-

DRAFT

APPENDIX A

BOARD OF RETIREMENT ORIENTATION CURRICULUM

New trustee orientation shall cover the following topics:

- Communications Policy
- Attorney-Client Privilege
- Code of Conduct
- Fiduciary duties
- Service Provider Evaluation Policy
- Gifts/ Travel
- Brown Act
- Disabilities

DRAFT



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) 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).
 - a) Mandated Training Topics:
 - i) Ethics Training – Government Code §§ 53234, 53235 and 53235.1 require that trustees receive two hours of ethics training no later than one year after your first day of service as a trustee, and once every two years, thereafter.
 - ii) Sexual Harassment Prevention Training - Government Code § 53237 et seq., requires trustees of the Board of Retirement receive two hours of sexual harassment prevention training and education within six (6) months of assumption of their position and every two years thereafter.
 - iii) New Trustee Orientation – See Orientation Program section
 - b) Additional Training Topics – Fiduciary responsibilities:
 - i) Investments and investment program management
 - ii) Actuarial matters
 - iii) Benefits administration
 - iv) Disability evaluations
 - v) Due Process considerations
 - vi) Pension fund governance

DEFINITIONS

- 3) “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

- 4) 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.
- 5) 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.
- 6) 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.
- 7) Any educational activity undertaken by a trustee that requires the expenditure of KCERA funds shall require Board approval. Any activity so approved shall be deemed to meet trustee education requirements. The Chief Executive Officer shall include supporting documentation indicating number of qualifying hours associated with the activity in the Board agenda materials.
- 8) With respect to in-house education, and any education activities undertaken by trustees that do not require expenditure of KCERA funds (e.g. free External Education Programs, and certain self-study programs and on-line education programs), the Chair and Chief Executive Officer shall together determine if such education may count towards meeting a trustee's education requirements as well as the number of hours that may be credited.
- 9) The Board and Management shall continually seek to identify appropriate External Education Programs. Programs 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) CALAPRS “Principles of Pension Governance for Trustees”; and
 - e) CALAPRS “Advanced Principles of Pension Governance for Trustees”.
- 10) Management shall inform the Board of appropriate on-line education and other External Education Programs for trustees’ consideration.
- 11) 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.
- 12) 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.
- 13) 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.
- 14) 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.

ORIENTATION PROGRAMS

- 15) New Trustee Orientation
- a) The Chief Executive Officer shall develop a formal orientation program for new trustees, the aim of which shall be to ensure that new trustees are in a position to

contribute fully to board and committee deliberations and effectively carry out their fiduciary duties as soon as possible upon joining the Board. If more than one new trustee requires orientation, the orientation sessions may take place in a group setting rather than one-on-one. Existing trustees may also attend orientation sessions for education credit. Orientation may take place in either a single session or multiple sessions.

- b) 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.
- c) As part of the orientation, new trustees shall, within 45 days following their election or appointment to the Board:
 - i) Be assigned a trustee mentor by the Chair;
 - ii) Be briefed on the contents of the KCERA Trustee resources by Chief Executive Officer;
 - iii) Be introduced to all members of Management;
 - iv) Be provided a tour of the KCERA offices by Management;
 - v) Be informed by the Chair and/or the Chief Executive Officer about upcoming Board matters;
 - vi) Receive education on topics listed in Appendix A by the Chief Legal Officer;
 - vii) Receive education related to investment matters by the Chief Investment Officer; and
 - viii) Receive other relevant information and documentation from Management or the Chair.
- d) Within six months of joining the Board, the Chief Executive Officer shall hold a follow-up discussion with each new trustee to address any questions regarding their position and duties. Additionally, new trustees shall also meet separately with the Chief Operations Officer and all Division Management regarding the functional areas within KCERA.
- e) 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.

16) Trustee Resources

New Trustees shall be provided with access to the following resources:

- a) Board Governance – Charters & Policies
- b) Education Sessions
- c) General KCERA/Board Information
- d) KCERA Operational Policies & Procedures

- e) Legal
 - i) Brown Act
 - ii) CERL
 - iii) IRS Model Tax Regulations
 - iv) KCERA's BOR CERL Regulations
 - v) Annual CLO Memos; and
- f) Trustee Education Reports & Calendar

17) Chair and Vice-Chair Orientation

Newly appointed chairs and vice-chairs of the Board, committees, and ad hoc committees (if any) shall receive training on issues related to their roles and responsibilities.

Reporting and Disclosure

18) All trustees attending an External Education Program shall complete and submit to the Chief Executive Officer an estimate of Trustee education hours earned. Similarly, trustees seeking credit towards the statutory education requirement by attending an on-line education program, such as webinars, shall also submit estimate of Trustee education hours earned.

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

20) Consistent with §31522.8 of the Act, this policy and an annual report on trustee compliance shall be placed on the KCERA website.

POLICY REVIEW AND HISTORY

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

22) The policy was:

- a) Adopted by the Board on September 27, 2000;
- b) Amended on June 23, 2004; July 13, 2005; September 26, 2007; June 15, 2011; December 12, 2012; April 10, 2013; April 13, 2016; February 10, 2021; August 11, 2021; April 13, 2022; and [insert date].

APPENDIX A

BOARD OF RETIREMENT ORIENTATION CURRICULUM

New trustee orientation shall cover the following topics:

- Communications Policy
- Attorney-Client Privilege
- Code of Conduct
- Fiduciary duties
- Service Provider Evaluation Policy
- Gifts/ Travel
- Brown Act
- Disabilities

PROPOSED