

June 2, 2010

To: Members of the Board of Retirement

From: George Wood, Chair
Governance Committee

Subject: Summary of the June 2, 2010, Governance Committee Meeting

The Governance Committee met on June 2, 2010 at 2:05 p.m. The Committee members present were Dale Amaral, Liz Koppenhaver, Elizabeth Rogers, and George Wood. Board Chair Annette Cain-Darnes was also present. Committee member Ophelia Basgal was excused. Members of the Staff present were Catherine Walker, Acting Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer - Benefits; Robert Gaumer, Chief Counsel; Betty Tse, Chief Investment Officer; Latrena Walker, Project and Information Services Manager; Victoria Arruda, Human Resources Officer; and Rose Kwong, Benefits Manager.

ACTION ITEMS: Matters for Discussion and Possible Motion by the Committee

A. Review, Discussion and Possible Motion to Adopt Amendments, if any, and renew the Service Provider Policy

1. Policy Review

- a. This item was continued from the October 15, 2009, Governance Committee meeting. The Committee reviewed Staff's May 26, 2010, memorandum and its recommendation regarding the Service Provider Policy. Staff advised the Committee that the content of the Policy continues to meet the needs of ACERA and should be renewed as recommended by Staff. The Policy was last reviewed by the Board on August 16, 2007.
- b. The committee discussed the issue of multiple contracts with one vendor. The Committee discussed how it wanted to resolve the "Note" at section II.2.b.
- c. Staff recommended increasing the cumulative contract threshold from \$100,000 to \$150, 000 and making the requirement of a Request For Proposal ("RFP") an option of the Board so as to provide the Board with greater flexibility. Staff recommended to the Committee the following proposals:

- (1) Disclosure to the Board anytime ACERA has multiple contracts with one service provider and whether those contracts exceed the \$100,000 and/or \$150,000 limit. If so, those contracts would require Board approval wherein the Board will have the following options: (a) whether or not to request an RFP; (b) authorize the contract for multiple retention; or (c) instruct ACERA to hire a different service provider.
 - (2) Change the words “SHALL” and “MUST” to “MAY issue an RFP...” in subsection 1 (b) on page 2 of the Policy.
- d. After an in-depth discussion, the Committee agreed to retain the \$100,000 limit for contracts instead of the increase to \$150,000.
- e. Staff proposed the following additional revisions to the Policy:
- (1) On page 1, section I, revise the Policy to read: “~~The purpose of this policy is to establish the Board’s practice for selecting~~ **selection and retention of hiring** service providers.”
 - (2) On page 1, section II, revise the Policy to read: “...Association (~~including a custodial bank, actuary, outside attorney~~), but excludes investment...”
 - (3) On page 2, section II (b), revise the Policy to read: “...ongoing basis **as provided in the Internal Audit Plan...**”
 - (4) On page 2, subsection II (c), revise the Policy to read: “All contracts with a Service Provider that **is a “consultant” as that term is defined under** ~~fit within the definition of “consultant” found in 2 CCR §§ 18701(a)(2) or 18702.2~~ shall require **that** the Service Provider ~~to~~ file a statement of economic interests (Fair Political Practices Commission Form 700) **as required under ACERA’s** ~~pursuant to the~~ Conflicts of Interest Code ~~for ACERA, which includes Consultants in the list of Designated Positions.~~ However, the disclosure requirements for...”
 - (5) On page 2, subsection 1 (b), revise the Policy to read: “Note: **Excluding the contracts listed in subsection (a) above, As** used in this section, **the estimated annual cost** ~~the dollar value~~ of a contract includes the combined value of multiple contracts between ACERA and the same entity or a closely related subsidiary.”

Staff also recommended that the “Note” be excluded from those contracts already accounted for in subsection 1 (a) of the Policy, as those contracts already require Board approval.

2. Motion

It was moved by Annette Cain-Darnes, seconded by Dale Amaral, and the motion carried that the Committee recommend to the full Board that it renew the Service Provider Policy, with revisions, as recommended by Staff and the Committee.

B. Review, Discussion, and Possible Motion to Adopt Amendments, if any, and Renew the Senior Management Contingency Plan

1. Policy Review

- a. The Committee reviewed Staff's May 26, 2010, memorandum and its recommendation regarding the Senior Management Contingency Plan wherein Staff advised the Committee that the content of the Policy continues to meet the needs of ACERA and should be renewed as recommended by Staff. The Policy was last reviewed by the Board on March 20, 2008.
- b. The Committee recommended only non-substantive and format changes to the Policy in an effort to ensure that each Board Policy has a consistent format. Staff recommended that the language on page 1, section I, be revised to read as follows: "...~~there will exist~~ a clear and rational plan exists to ~~provide~~ insure continuity...".

2. Motion

It was moved by Liz Koppenhaver, seconded by Elizabeth Rogers, and the motion carried that the Committee recommend to the full Board that it renew the Senior Management Contingency Plan and incorporate Staff's non-substantive and format changes.

C. Review, Discussion, and Possible Motion to Adopt Amendments, if any, and Renew the Conflict of Interest Policy

1. Policy Review

- a. The Committee reviewed Staff's May 26, 2010, memo and its recommendation regarding the Conflict of Interest Policy wherein Staff advised the Committee that the content of the Policy continues to be appropriate in meeting the needs of ACERA and should be renewed as recommended by Staff. The Policy was last reviewed on August 20, 2009.
- b. The Committee was informed that Staff created a list that identifies all of the individuals and companies with whom ACERA is contracting with at any given time. Staff recommended adding the following language on page 6, subsection (F) of the Policy:

“In order to facilitate compliance with the provisions of this Policy, the ACERA Legal Department will maintain and deliver to Board Trustees a quarterly report, and make available upon request, a report of the individuals and entities with whom ACERA is contracting with for services, so as to assist the trustees and staff with disclosure and/or recusal obligations relating to their own economic interests, including those of their immediate family members.”

2. Motion

It was moved by Elizabeth Rogers, seconded by Liz Koppenhaver, and the motion carried that the Committee recommend to the full Board that it renew the Conflict of Interest Policy, with revisions, as recommended by Staff and the Committee.

D. Review, Discussion, and Possible Motion to Adopt Amendments, if any, and Renew the Conflict of Interest Code for ACERA.

1. Policy Review

- a. The Committee reviewed Staff’s May 26, 2010, memorandum and its recommendation regarding the Conflict of Interest Code wherein Staff advised the Committee that the content of the Code continues to meet the needs of ACERA and should be renewed as recommended by Staff. The Code was reviewed in August 2009. Staff recommended adding the Internal Auditor position to the list of designated positions in Appendix B. Staff also made the following minor non-substantive revision in Appendix A, section I, to read as follows: ” ... future **may likely** provide...”.

2. Motion

It was moved by Elizabeth Rogers, seconded by Liz Koppenhaver, and the motion carried to recommend to the full Board to renew the Conflict of Interest Code, with revisions, as recommended by Staff.

INFORMATION ITEMS

Discussion of purpose and parameters for the Media Policy

The Committee reviewed Staff’s May 26, 2010, memorandum and its recommendation regarding the development of a Media Policy. It was noted that the purpose of the Media Policy is to insure that ACERA’s responses to media inquiries are communicated through a controlled, informed representative to legitimate media representatives because improper disclosure of confidential, inaccurate, or inappropriate information to the media could harm ACERA’s reputation and expose ACERA to liability.

The Committee instructed Staff to forward any and all phone calls received from the media to the ACERA Legal Department for a response, if any.

Discussion regarding process for amending Board Policies

Staff explained that the Governance and Policy Development Process outlines the specific steps that must be taken when creating a new Board policy. After a brief discussion, the Committee agreed going forward, that the process for developing a new Board Policy is for Staff/Board Trustee to direct his/her issue to the specific Committee and/or Board Chair for discussion at the appropriate Committee meeting (*i.e.*, Operations, Retirees, etc.).

TRUSTEE / PUBLIC INPUT

- None

RECOMMENDATIONS

1. The Committee recommends, and I move, that the full Board renew the Service Policy, with revisions, as recommended by Staff and the Committee.
2. The Committee recommends, and I move, that the full Board renew the Senior Management Contingency Plan, with revisions, as recommended by Staff.
3. The Committee recommends, and I move, that the full Board renew the Conflict of Interest Policy, with revisions, as recommended by Staff and the Committee.
4. The Committee recommends, and I move, that the full Board renew the Conflict of Interest Code, with revisions, as recommended by Staff.

FUTURE DISCUSSION ITEMS

- **Trustee Communications Policy**
- **Securities Litigation Policy**
- **Fiduciary Counsel Retention Policy**
- **Board Membership Policy**

ESTABLISHMENT OF NEXT MEETING DATE

October 2010

ADJOURNMENT

The meeting adjourned at approximately 2:50 p.m.