



# *Board Policy Development Process*

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## I. Purpose

A fundamental role of the Board is to establish policies guiding critical aspects of Board governance and ACERA's operations. This policy is intended to set out the process by which such policies will be developed and approved. The purpose of this policy is as follows:

- A. To provide a coordinated, consistent and thoughtful board policy development process, thus reducing the risk of duplication of effort or unnecessary proliferation of board policies; and
- B. To demonstrate that board policies are established using a thoughtful and prudent process.

## II. Assumptions

In preparing the Board Policy Development Process, the following assumptions were made.

- A. The Board established a Governance Committee to focus on and conduct more detailed discussion and analysis of the Board Policy Development Process and provide recommendations to the Board for approval and to periodically review policies
- B. The Governance Committee only makes recommendations to the Board. Allowing the Committee the authority to decide which policies are needed would place an unnecessary degree of power in a small group of individuals.

## III. Guidelines

- A. Board policies shall consist of broad, documented directions approved by the Board and provide guidance to either the Board or senior management in carrying out managerial or governance activities intended to mitigate significant risks faced by ACERA.

- B. The Board shall establish a Board policy to address a particular issue if each of the following conditions is met:
  - 1. The issue in question poses substantial risk to ACERA (organizational, legal, public perception, etc.);
  - 2. The issue is expected to recur regularly (i.e., it is generic in nature); and
  - 3. The issue within the Board's area of responsibility to effectively administer the pension plan. These may include policies that either impact how the Board governs itself or provide high level oversight on administrative functions within the Boards purview.
  - 4. A Chief Executive Officer internal administrative process would not suffice.
  
- C. Board policies shall contain the following elements, where appropriate:
  - 1. Purpose of having the policy (i.e., what risk is the policy meant to address?);
  - 2. The specific objectives/goals to be met;
  - 3. Important underlying assumptions, if necessary;
  - 4. Guidelines (i.e., the core of the Policy);
  - 5. The Process for reviewing/modifying the policy;
  - 6. Authorities/Signatures.

#### IV. Policy Development

The process by which the Board will establish Board policies:

- A. At a Board or Committee meeting, trustees or senior managers may identify the need for a potential board policy. If the topic relates to a particular standing committee, that committee evaluate and develop the policy. If the issue does not relate to a mandate of a standing committee, the Governance Committee will evaluate and develop the policy.

- B. Staff shall prepare a Request for Board Policy with the following information:
  - 1. A brief description of the policy issue;
  - 2. An explanation as to why the trustee or senior manager believes that a board policy is needed (as per Section III.B. above) or whether a CEO administrative policy would suffice;
  - 3. The broad objective or purpose that will be served by such a policy; and
  - 4. Confirmation that no existing board policy already addresses the broad risk(s) posed by the issue under consideration. No other policy addresses the need.
  
- C. The committee assigned the policy will evaluate the Request for Board Policy and determine whether to create a policy or take an alternative course of action (e.g., defer the issue to senior management or recommend that the issue requires a specific Board resolution rather than a policy).
  
- D. If the committee determines that the policy is needed, the committee, staff and the committee shall draft the policy for Board approval.
  - 1. The committee and staff shall prepare a clear, written description of the purpose of the policy including all the sections above in Section III.C and any parameters the committee wishes to establish.
  - 2. Staff shall conduct an analysis of the policy options, obtain input from the committee and independent advisors as needed, and prepare a draft policy for the committee's consideration.
  - 3. The committee shall review and provide a recommendation to the Board. The recommendation shall include sufficient analysis, reasoning and background analysis (including relevant policy alternatives when appropriate) to enable the Board to discuss the matter in an efficient manner and to make an informed decision.
  
- E. Alternatively Staff can present a Request for Board Policy and a draft of the policy together at the same committee meeting.

V. Policy Review Process

The following guidelines shall apply to the policy review process:

- A. The intention of reviewing the Board policies is to balance the need that the board policies remain relevant, current and purposeful with the need for the policies to provide continuity and stability.
- B. Every Board policy should state the frequency with which it shall be reviewed. Policies shall be reviewed triennially unless otherwise provided for in the policy or due to a change in the law.
- C. Trustees will attempt to limit any review of policies to the time frames prescribed within the policies themselves. Nevertheless, should a trustee believe that a particular policy should be reviewed at a time sooner than the time specified by the Policy, he or she shall not be precluded from recommending to the committee that such a review be carried out.
- D. The Committees assigned to the policy shall review the policy for the following reasons:
  - 1. The policies continue to be necessary (as per Section III.B. above); that they contain the required elements of a board policy (as per Section III.C. above); and continue to be appropriate in meeting the needs of ACERA.
  - 2. Whether the policies requires revisions to adhere to the law, current practices and any other relevant reasons.
- E. The Committee reviewing the Policy will provide its recommendations to the Board as to whether specified policies continue to be necessary and contain the required policy elements (per Section III.B. above) and whether the policy warrants revision.
- F. The Board will consider and, if appropriate, approve the recommendations of the Committee.

VI. Policy Modifications

This document shall be reviewed by the Governance Committee at least every three (3) years. The Committee shall make recommendations to the Board concerning any improvements or modifications it deems necessary.

VII. Policy History

A. The Board adopted this Policy on August 19, 1999.

B. The Board reviewed and renewed this Policy, with revisions, on November 9, 2017<sup>1</sup>.

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<sup>1</sup> The Board adopted the Board Policy Development Process on August 19, 1999. The Board reviewed and affirmed this Policy, without revisions, on October 19, 2006, and March 19, 2009. The Board reviewed and affirmed this Policy, with revisions, on August 18, 2011; December 19, 2013; December 17, 2015; and November 9, 2017.