

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ("MCERA")

TRUSTEE EDUCATION POLICY

ADOPTED: June 11, 2007
AMENDED: September 8, 2010

I. Purpose.

The Board of Retirement of MCERA (the "Board") recognizes and affirms the importance of education to the success of fulfilling its constitutional and statutory fiduciary duty to prudently administer the retirement system for the exclusive benefit of the members and their beneficiaries as set forth below:

"The retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system." *Cal. Const. Art. XVI, § 17*

"Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board." *Cal. Gov. Code § 31595*

"The board and its officers and employees shall discharge their duties with respect to the system ... (b) [w]ith the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims." *Cal. Gov. Code § 31595(b)*

1. The MCERA Trustee Education Policy rests on the following important premises:

(i) Board members are responsible for making policy decisions relating to pension plan administration of MCERA. To that end, they must acquire an appropriate level of knowledge to achieve proficiency in the conduct of MCERA's business.

(ii) There exists a unique body of knowledge that is relevant to Board members in carrying out of their distinct roles and responsibilities.

2. The objectives of MCERA Trustees Education Policy are as follows:

(i) To ensure that all Board members gain the knowledge necessary to carry out their fiduciary responsibilities.

- (ii) To ensure that access to relevant information is made available to all Board members.
- (iii) To ensure that Board members possess shared knowledge relevant to pension administration and the investment of trust assets, to enable effective group discussion, debate, and decision making.

Prudent administration requires each Board member to achieve and maintain proficiency in the conduct of MCERA's business by educating himself or herself in matters central to the prudent administration of the retirement system and the investment of retirement funds. To that end, the Board adopts this Trustee Education Policy (this "Policy") to promote the Board members' ability to achieve this proficiency.

II. Guidelines.

The following sets forth guidelines that govern the Board's continuing education activities, which are designed to develop the skills necessary to promote the prudent administration of the retirement system and investment of the retirement funds. These guidelines are intended to be read and applied in conjunction with, and to complement, MCERA's Trustee Due Diligence and Travel Policies. Due diligence activities, however, shall not be a substitute for educational programs.

A. General Provisions.

1. Board members shall strive to develop and maintain an appropriate level of knowledge and skill necessary to administer the retirement system prudently throughout their term as members of the MCERA Board. The following areas of continuing education are required:

- (i) pension law;
- (ii) investment performance measurement;
- (iii) principles of asset allocation and investment management;
- (iv) actuarial evaluation and process;
- (v) benefits administration;
- (vi) disability retirement;
- (vii) board governance, ethics and fiduciary obligations; and
- (viii) organizational budget and audit procedures.

2. Educational opportunities designed to help Board members achieve proficiency in these areas include:

- (i) external conferences, seminars, workshops and events sponsored by corporate sponsors, professional or trade organizations, investment managers and/or other primary service providers,

including, but not limited to, investment consultants, legal counsel, custodians and/or actuaries;

- (ii) in certain circumstances, external conferences, seminars, workshops and events sponsored by corporate sponsors, professional and trade organizations and/or other third party professional conferences (“Professional Conference”) may be appropriate for a Board member to attend should the subject matter be germane to Board function. However, Board members who attend such Professional Conferences in his or her professional capacity may not also attend in his or her capacity as a Board member. In no event will the expense of attending a Professional Conference by a Board member who attends the Professional Conference in his or her professional capacity be reimbursed by MCERA. Only with the written permission of the Board may a Board member attend a Professional Conference in his or her capacity as a Board member.
- (iii) pension association meetings and events;
- (iv) in-house educational seminars, presentations, new trustee orientations and briefings; and
- (v) relevant print and electronic media resources.

3. Board members shall seek out, evaluate and attend appropriate educational programs to meet the following minimum goals:

- (i) achieve, over time, proficiency in the areas identified in General Provision 1, above; and
- (ii) stay apprised of new relevant developments.

4. MCERA shall support its Board members’ efforts to achieve these minimum goals and shall provide further education and training as appropriate under the circumstances. It is recommended that during a Board member’s initial term, such Board member should seek out the following basic educational experiences during the following intervals:

(i) First Term:

A. Year 1

- Ethics Training (*mandatory every two years)
- Trustee training provided by CalAPRS or NCPERS or similar organization
- One SACRS conference
- Board Strategic Workshops

B. Year 2 and 3 –

- Callan College or educational and training programs offered by retained consultants
- Investment conference at Wharton or other similar higher education program
- At least one additional SACRS conference
- Stanford Directors College
- Board Strategic Workshops
- One Institutional Investor Roundtable/Symposium or Public Funds Forum or equivalent

(ii) Additional Term:

- Refreshers on fiduciary obligations, board governance, investment management and asset-specific training as required
- Board Strategic Workshops
- At least two SACRS conferences per term

B. Program Selection and Approval Process.

1. Certain educational programs are well known to provide important training to board members of retirement systems governed by the County Employees Retirement Law of 1937 (“CERL”). Board member attendance at the following conferences/programs shall not be limited nor require further approval:

- (i) State Association of County Retirement Systems (“SACRS”);
- (ii) California Association of Public Retirement Systems (“CalAPRS”);
- (iii) National Conference of Public Employee Retirement Systems (“NCPERS”);
- (iv) National Association of State Retirement Administrators (“NASRA”);
- (v) Council of Institutional Investors (“CII”); and,
- (vi) one or more training and educational programs developed by retained consultants to MCERA

2. Other educational programs offered by the International Foundation of Employee Benefit Plans (“IFEBC”), Government Financial Officers Association, USA and Canada (“GFOA”), Pension Real Estate Association (“PREA”), Public Funds Forum and Institutional Investor Conferences; commercial enterprises such as Strategic Research Institute (“SRI”) or institutions of higher education, such as The Wharton School, the Stanford Directors College, Institute for International Research, and the Pacific Pension Institute provide valuable trustee education, sometimes at comparatively greater expense. The Retirement Administrator shall regularly identify appropriate educational programs based on the individual needs of Board

members. Attendance by Board members at such programs shall require the consent of the Board, upon consideration of the following:

- (i) the extent to which attendance is expected to provide the Board member with the level of knowledge and understanding sought by this Policy;
- (ii) the cost effectiveness of the opportunity, considering the substance of the information presented;
- (iii) the timeliness and relevance of the opportunity; and
- (iv) the number of Board members proposed to attend.

In considering whether to approve attendance at a particular program, the Board shall give priority to Board members who have not previously attended such program, reflecting the Board's intent to distribute educational opportunities equitably among the Board members.

C. Timing and Frequency.

In addition to, or as a part of, Board members' minimum requirements in General Provision 3, above, Board members shall be strongly encouraged to attend the semi-annual SACRS conferences, the regular General Assembly and Trustee Roundtable sessions of CALAPRS, and at least two additional educational programs each year.

D. Annual Budget and Expenses.

MCERA shall establish an annual budget to cover the cost of providing continuing fiduciary education for its Board members. As provided by the Trustee Travel Policy, MCERA shall reimburse Board members for all reasonable and necessary expenses incurred in attending educational programs encouraged hereunder as provided in this Policy.

E. Reporting.

1. A Board member attending an education program shall provide an oral report evaluating the program and its merits to the Board at their next regular meeting, the key points of which shall be included in the minutes of the meeting. In addition, Board members shall provide the Retirement Administrator with the materials obtained during the program, its usefulness (or lack thereof) so that they may be made available to other Board members and staff for reference purposes.

2. The Retirement Administrator shall regularly report on the participation of Board members in educational programs on the Consent Agenda of each public meeting of the Board, as appropriate. In addition, the Retirement Administrator shall report quarterly in writing to the Finance and Risk Management Committee on the participation of Board members and staff in educational programs.

F. New Board Member Orientation.

1. In order to provide information to those who may considering becoming Board members, the Retirement Administrator shall provide copies of this and other Board policies relating responsibilities to the Clerk of the Marin County Board of Supervisors, to each candidate seeking election to the Board of Retirement, and shall post it on the MCERA website.

2. The Retirement Administrator shall also be responsible for developing a New Trustee Orientation Program, designed to familiarize each new Board member with all aspects of MCERA's operations and policies. The goal is to assure that each new Board member is prepared to participate fully in the responsibilities of the Board and to obtain required education as soon as possible after joining the Board. Board members shall participate in the orientation program within 45 days of being elected or appointed to the Board.

3. The New Board Member Orientation Program shall include:

- (i) The history and organization of MCERA and all relevant governing documents;
- (ii) Most recent plan description and member and retiree handbooks;
- (iii) Most recent actuarial valuation and financial statements;
- (iv) An introduction to the Board and staff, and MCERA premises;
- (v) Fiduciary duties of the Board members and the Board;
- (vi) Relevant laws affecting the Board and MCERA, including CERL, the Brown Act, conflict of interest laws and state reporting requirements;
- (vii) Most recent asset/liability study;
- (viii) Most recent investment performance report;
- (ix) Board policies and Bylaws;
- (x) Current issues before the Board;
- (xi) Most recent business plan and budget;
- (xii) Up-to-date organization chart;
- (xiii) Up-to-date names and phone numbers of Investment Managers, other Board members and Retirement Administrator; and,
- (xiv) Most recent meeting calendar and other relevant manuals, materials and documentation.

III. Policy Review.

The Board shall review this Policy at least every three years to assure its efficacy and relevance. This Policy may be amended from time to time by majority vote of the Board.

IV. Policy History

1. The Board adopted this Trustee Education Policy on June 11, 2007.
2. The Board amended this Trustee Education Policy on September 8, 2010.

V. Certificate.

I, Jeff Wickman, the duly appointed Retirement Administrator of the Marin County Employees' Retirement Association, hereby certify the amendment of this Policy.

Dated: _____, 2010

Jeff Wickman, Retirement Administrator