

October 5, 2004

To: "County" Board of Supervisors

From: "County" Retirement Board

RE: Recommendations for a Uniform Trustee Appointment Process

At its regular meeting on September 21, 2004, the State Association of County Retirement Systems (SACRS) Executive Committee adopted a series of recommendations from the SACRS Long Term Planning Committee. Among those recommendations was a suggested uniform process for the Board of Supervisors' appointments to 1937 Act Retirement Systems' Board of Trustees.

The SACRS Executive Committee is pleased to endorse the attached Uniform Trustee Appointment Policy and urges each 1937 Act County Board of Supervisors to adopt a County policy for appointment of members of the County's Board of Retirement.

Because the statutory qualifications for the 1937 Act Trustees are vague, the LTPC has suggested some uniform qualifications and we are recommending them for your consideration. As we all are aware, public scrutiny of pension systems in California has been increased because of law suits and other publicly aired problems. A prudently managed pension fund requires the attention of a qualified Board of Retirement. It is to that end that we commend the attached policy to your attention and adoption.

**Uniform Trustee Appointment Policy  
TO THE BOARD OF RETIREMENT**

**PURPOSE**

Recommend to the 1937 Act County Boards of Supervisors to establish a policy and a set of procedures for the appointment of members to the Boards of Retirement that will improve the selection process and ensure the appointment of the best qualified candidates.

**BACKGROUND**

The State Association of County Retirement Systems (SACRS) is a nonprofit Association of 1937 Act County pension funds. SACRS is concerned over recent litigation and public scrutiny of some public pensions systems in California, as well as the severe downturn in the financial markets in the last few years. SACRS believes it is absolutely essential that the best qualified persons should be appointed to competently, efficiently, and prudently govern pension funds. Unfortunately, while the responsibilities of a trustee of a public pension fund are great, the qualifications to become a trustee are vague.

Section 17 of Article XVI of the California Constitution gives a 1937 Act Board of Retirement plenary authority and fiduciary responsibility for the investment of public pension funds and the administration of the retirement system. However, the only qualification for membership to such a Board of Retirement, under Section 17, is that members be able to discharge their duties with the care, skill, prudence, and diligence that a prudent person acting in like capacity and familiar with these matters would use.

Likewise, Government Code sections 31520 and 31520.1 authorize a 1937 Act County Board of Supervisors to appoint members of the Board of Retirement. But the only qualifications listed for appointees are that they must be qualified electors of the County who are not connected with County government in any capacity, although one may be a member of the Board of Supervisors.

**RECOMMENDATION**

**POLICY: Process for Board of Supervisors Appointments to the Retirement Board**

SACRS urges each 1937 Act County Board of Supervisors to enact a County policy on appointment of members to the Board of Retirement when a term expires or a vacancy occurs. SACRS recommends that the appointment policy consist of three parts: (1) a procedure for filing applications. (2) a set of recommended qualifications for appointment, and (3) a procedure for selecting the best qualified candidate.

SACRS recognizes that when it comes to drafting procedures for filing applications and selecting the best qualified candidates, the first and third parts of this recommended policy, each 1937 Act County Board of Supervisors will have local preferences. However, attached to this recommendation are suggested procedures that may provide a starting point for the discussion of these issues.

As to a set of recommended qualifications for appointment, the second part of this recommended policy, SACRS is uniquely suited to offer a recommendation.

**Recommended Qualifications for Appointment to the Board of Retirement:**

1. Demonstrated experience as an executive financial manager in a public agency or private enterprise.
2. Demonstrated expertise in developing, planning and implementing investment and money strategies.
3. Demonstrated expertise in the interpretation of executive level financial reports and correspondence.
4. Demonstrated expertise in the human resources and employee benefits arena.
5. Demonstrated commitment and willingness to spend the necessary time to work as a Board member.

**ATTACHMENT 1**

**Recommended Procedures for Filing Applications for  
Appointment to the Board of Retirement**

1. The Clerk of the Board of Supervisors shall be notified in order to post the vacancy as required by the government code. An ad hoc Board Committee consisting of the Chairperson and Vice-Chairperson of the Board of Supervisors will convene to initiate the selection process.
2. The ad hoc Board Committee shall approve the deadline for acceptance of applications and determine dates for necessary public hearings and adopt additional procedures governing the appointment process.
3. All prospective applicants for the Board of Retirement will be given a letter from the Board of Supervisors stating that the desired qualifications for the appointment include:
  - A. Demonstrated experience as an executive financial manager in a public agency or private enterprise.
  - B. Demonstrated expertise in developing, planning and implementing investment and money strategies.
  - C. Demonstrated expertise in the interpretation of executive level financial reports and correspondence.
  - D. Demonstrated expertise in the human resources and employee benefits arena.
  - E. Demonstrated commitment and willingness to spend the necessary time to work as a Board member.
4. Applications will be obtained and filed at the Office of the Clerk of the Board of Supervisors. The Clerk of the Board shall provide to each applicant copies of any pertinent State law or County policy relating to the vacancy. The Clerk of the Board shall also provide a letter from the Board of Supervisors explaining the significant time commitment expected of applicants appointed to the Board of Retirement. Along with the application, all applicants shall be required to provide:
  - A. A statement of qualifications.

**POLICY: Process for Board of Supervisors Appointments to the Retirement Board**

- B. An Affidavit of Application for Appointment certifying, under penalty of perjury, that the applicant is an elector of the County, is not connected with the County government in any capacity, except one may be a supervisor, and shall be appointed by the Board of Supervisors. Furthermore, the applicant must certify, under penalty of perjury, that he/she is not disqualified from holding public office because of conviction of crimes, and fulfills all other requirements and qualifications established by law or policy.
5. The application form will include the following:
- A. Full name, residence address for the past five years,
  - B. Employer and occupation for previous five years.
  - C. Date and place of birth.
  - D. A written statement outlining qualifications for office (500 word maximum).
  - E. A written statement explaining the applicant's reasons for wishing to be a member of the Retirement Board (500 word maximum).
  - F. A statement of Economic Interests form of the type required to be filed by the incumbent for the position.
  - G. A statement of the applicant's willingness to make the necessary time commitment to serve on the Board of Retirement.

Applicants may be required to provide the Board Committee with additional information, including written responses to questions submitted by members of the Board Committee. The Board Committee may also require each finalist to pass a medical exam and credit and background checks.

6. The Clerk of the Board will make copies of all completed application forms. These will be consolidated into a packet, copies of which shall be distributed to the Board Committee.

**ATTACHMENT 2**

**Recommended Procedures for Selecting the Best Qualified Candidate(s) for Appointment to the Board of Retirement**

1. The Board Committee shall receive and screen applications from candidates interested in serving on the Retirement Board, interview the most qualified candidates. The most qualified candidates are those who have demonstrated the following: (a) experience as an executive financial manager in a large public agency or private enterprise; (b) expertise in developing, planning and implementing investment and money strategies; (c) expertise in the interpretation of executive level financial reports and correspondence; (d) expertise in the human resources and employee benefits arena; and, (e) commitment and willingness to spend the necessary time to work as a Board member.
2. The Board Committee will recommend the most qualified candidate to the Board of Supervisors for appointment.
3. The Board of Supervisors shall make the appointment in a public Board of Supervisors meeting.