



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION LACERA

Board of Investments Charter
Role of Chair/Vice-Chair/Secretary

by

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**LACERA
Board of Investments Charter**

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1. Overview of the LACERA Board of Investments

In 1937, Los Angeles County (County) established a pension trust fund (Fund) to provide defined retirement and death benefits to eligible County employees to be governed by the County Employees Retirement Law of 1937. In 1938, the Los Angeles County Employees Retirement Association (LACERA) was introduced to administer it. Since 1971, LACERA has also administered the Retiree Healthcare Benefits Program, on behalf of and through contractual agreement with Los Angeles County.

LACERA is an independent governmental entity, separate and distinct from the County, which administers and manages the Fund for the County and outside districts. LACERA is one of the largest county retirement systems in America. The Board of Investments (BOI) has a fiduciary responsibility to administer the funds in the best interests of participants and their beneficiaries in order to provide them with a financially sound retirement. LACERA also administers the Retiree Healthcare Benefits Program, which is subsidized by the County and other participating employers.

LACERA is governed by two Boards. Both Boards include a mix of appointed, elected and an ex-officio member, the sitting County Treasurer-Tax Collector. The Board of Retirement is responsible for the overall management of the retirement system and the LACERA-administered Retiree Healthcare Benefits Program. The BOI is responsible for determining LACERA's investment objectives, strategies, and policies as well as exercising authority and control over the investment management of the Fund.

LACERA is a public pension system created in accordance with the County Employees Retirement Law of 1937 (the '37 Act or CERL) and administered pursuant to the '37 Act and the California Public Employees' Pension Reform Act of 2013 (PEPRA). The BOI (BOI) was established in 1971 by the Los Angeles County Board of Supervisors. The BOI "shall be responsible for all investments of the retirement system." CERL, Section 31520.2(b). The BOI has joint authority with the Board of Retirement over shared responsibilities, including, for example: the appointment and evaluation of the CEO; classification and compensation of personnel; and, adoption of LACERA's administrative budget.

The BOI also invests and manages the Other Postemployment Benefits Program (OPEB) trust assets for participating employers.

2. Fiduciary and Co-Fiduciary Duties of the Board of Investments

The members of the BOI recognize that they serve as fiduciaries of the Fund, with fiduciary duties as defined in the California Constitution and CERL. The trustees have fiduciary duties both individually and collectively as a BOI.

In the exercise of their individual and collective fiduciary duties, the trustees and the BOI may, under the California Constitution and CERL, delegate to staff, outside consultants and vendors, and other fiduciaries, while recognizing that the ultimate fiduciary responsibility of the BOI and its individual trustees for the fund is non-delegable. The BOI and the trustees exercise their fiduciary duties with respect to delegated matters by having adequate processes in place to oversee their delegates, which processes should include reporting by and active monitoring and questioning of delegates.

One of BOI's primary responsibilities is the prudent investment of Fund assets. In addition, the BOI is required to exercise the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. As part of this duty, the BOI must diversify the investments of the Fund in accordance with prudent investment standards.

The BOI also has a fiduciary duty of undivided loyalty, and must be impartial in the exercise of such duty in regard to any divergent interests of various groups of members of the Fund, as all Fund assets must be used for the exclusive benefit of the Fund's covered members and their beneficiaries. No part of the corpus or income of the trust may be used for or diverted to any purpose other than for the exclusive benefit of the members and beneficiaries of each Fund.

In the exercise of his or her individual fiduciary responsibilities, a trustee cannot knowingly participate in, or act to conceal, a breach of fiduciary duties by another trustee, enable another trustee to breach their fiduciary duties by failing to exercise reasonable care and prudence, or fail to take reasonable steps to report or remedy a breach of duty by another trustee when it is known or should have been known or suspected under the circumstances.

Further, the BOI and its members must observe laws applicable to the Fund and to their conduct as Trustees. They may not engage in any related party transactions with the Fund or plan sponsor that are prohibited by California Constitution, CERL, and other applicable laws.

They are also bound to observe applicable standards of conduct and limitations on conflicts of interest that are prohibited by the Political Reform Act of 1974 and other

applicable laws. BOI members or anyone acting on their behalf must comply with these provisions.

Additionally, BOI members who come into possession of material non-public information concerning a publicly traded company via their BOI service must safeguard such information and not intentionally or inadvertently communicate it to any person unless the person needs to know for legitimate fund-related reasons. See additional restrictions in the Board Trading Policy.

3. Expectations of Trustees

To be effective as a BOI and as individual Trustees, and in recognition of their fiduciary and co-fiduciary duties, Trustees should:

1. Appropriately prepare for and attend the entirety of each BOI meeting and of each Committee meeting of which they are a member;
2. Provide proactive input to the BOI and Committees to aid their deliberations;
3. Be respectful of their fellow members and of staff while giving firm and clear direction;
4. Be respectful of majority decisions, without compromising their ability to properly advocate for the things they believe are in the organization's interests;
5. Be respectful of the roles of the Chair/ Vice-Chair/ Secretary in their efforts to facilitate the effectiveness of the BOI in achieving its objectives; and,
6. Maintain a sense of professional, personal decorum and collegiality amongst the trustees.
7. Diligently avoid conflicts of interest and adhere to the code of ethics.

4. The Role of the Chair and Vice-Chair

See BOI Bylaws for the:

- A. Election of Chair;
- B. Election of Vice Chair;
- C. Election of Secretary;
- D. Election of Audit Committee Member; and,
- E. Filling of Vacancy in Office.

Overall, the Chair (and in the absence of the Chair, the Vice-Chair), should facilitate the BOI deliberations and preside over its meetings, coordinate the setting of its agenda, and ensure the BOI is an effective working group in making progress on the BOI's duties and objectives. The Chair should promote a culture of openness, respect and debate, and ensure there is effective open communication. The Chair should ensure that all BOI members receive accurate, timely and clear information.

Activities of the Chair (Vice-Chair) include the following:

1. Facilitate and preside over BOI meetings
2. Coordinate the setting of agendas
3. Liaise with staff through the Chief Executive Officer
4. Facilitate the establishment of the BOI's major policy goals and objectives
5. Coordinate the BOI's self-assessment of its effectiveness
6. Coordinate the CEO's annual performance review
7. Coordinate sharing of leading practices
8. Make appointments to committees
9. Oversee the effectiveness of stakeholder relations
10. Coordinate with the Chair of the Board of Retirement concerning matters of common interest

Frequently Used Terms

- ⁵ Facilitate means to make (an action or process) easy or easier.

- **Coordinate** means to bring the different elements of (a complex activity or organization) into a relationship that will ensure efficiency or harmony.
- **Liaise** means to establish a working relationship, typically in order to cooperate on a matter of mutual concern.
- **Ensure** means make certain that (something) shall occur or be the case.

1. Facilitate and preside over Board meetings

1. In consultation with the BOI, the CIO, and the CEO, schedule dates, times and location for BOI meetings.
 2. Facilitate and preside over BOI meetings to enable effective and efficient functioning of such meetings including:
 - 2.1. Ensure that discussion on agenda items is on topic, productive and professional;
 - 2.2. Ensure there is sufficient time during the meeting to fully discuss agenda items; and,
 - 2.3. Ensure that all meetings are conducted in a manner consistent with the Brown Act and Robert's Rules of Order
 3. Ensure meetings are called and held in accordance with LACERA's BOI by-laws, except that the Chair, in consultation with the Vice Chair and the Chief Executive Officer and Chief Investment Officer, may cancel or postpone Board meetings and, in further consultation with the committee chair, committee meetings when LACERA may not safely conduct regular operations because there is a declared national, state, County of Los Angeles, or City of Pasadena state of emergency or other governmental directive or when there is a natural disaster or other extraordinary circumstances. The Chair will schedule a Board meeting for the earliest available date to address with the Board the circumstances and the schedule for Board and committee meetings. In such circumstances, the Chair will be responsible for facilitating the normal operations of the Board to the extent possible.
 4. Ensure the meeting agenda and relevant documents are circulated to the members of the BOI in advance of the BOI meeting and in compliance with the Brown Act to ensure sufficient preparation time.
 5. Chair and facilitate the BOI meetings ensuring respectful debate such that all voices and opinions are heard.
 6. Ensure meetings are run and votes are taken in accordance with agreed upon rules of order / procedure.
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7. Call special meetings of the BOI when warranted.
 8. Chair Executive sessions of the BOI.

2. Coordinate the setting of agendas

1. Facilitate the BOI in setting the strategy and policy of the BOI every three years or as warranted.
2. In consultation with the Vice Chair, CEO, and CIO, coordinate and confirm an agenda for each BOI meeting (refer to the BOI Bylaws for rules regarding placing an item on the agenda).
3. Plan agendas that facilitate the flow of work and the effectiveness of the achievement of the BOI's goals and objectives.
4. Communicate with Committee Chairs in setting the Committee agendas and integrating the activities of the Committees with the objectives of the BOI as a whole.

3. Liaise with Staff through the Chief Executive Officer

1. Liaise with staff through the Chief Executive Officer to keep an overview of the system's affairs and to provide BOI support as appropriate.
2. Monitor that BOI requests are implemented by staff, and reported back and confirmed to the BOI.

4. Facilitate the establishment of the BOI's major policy goals and objectives

1. Ensure the BOI identifies policy goals and objectives for the year.
2. Oversee that these goals and objectives link to the Fund's strategic plan and are measurable.
3. Coordinate with BOR to ensure the BOI's goals and objectives link to LACERA's overall strategic plan.

5. Coordinate the BOI's self-assessment of its effectiveness

1. On at least an annual basis, coordinate the BOI's self-assessment of the effectiveness of its performance in achieving its objectives, its committees, its use of consultants.

2. The BOI Chair and the CEO and the Chief Counsel should annually evaluate the training requirements/program for the trustees and put forth any revisions as necessary to the full Board.

6. Coordinate the CEO's annual performance review

1. Coordinate the annual performance review of the CEO with the BOR and any other BOI direct reports and/or ensure there is a capable process to do so.
2. Coordinate with the BOR to establish annual goals for the CEO and other BOI direct reports.
3. Ensure the CEO's performance goals are linked to the strategic plan.

7. Coordinate the sharing of leading practices

1. Coordinate the sharing and timely advice on leading and prevailing practices regarding public pension fund and investment activities.
2. Oversee the CEO's coordination of the BOI training with staff and consultants.

8. Make appointments to committees

1. Appoint Committee Chairs and Vice-Chairs (Standing and Ad Hoc in accordance with Bylaws).
2. Appoint members to committees as detailed in the bylaws.
3. Coordinate committee chair reporting to the BOI on committee actions and agendas.
4. Provide leadership and ensure committee members are aware of their obligations and comply with their responsibilities.

9. Oversee the effectiveness of stakeholder relations

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1. ~~Ensure the BOI, staff and consultants develop and manage key stakeholder relationships.~~
 2. Be the BOI spokesperson for matters agreed upon by the BOI.

3. Act as an ambassador for the organization as agreed upon by the BOI.
10. Coordinate with the Chair of the Board of Retirement concerning matters of common interest
 1. Ensure the two Boards openly communicate, have consensus on their respective separate jurisdictions as well as joint jurisdictions, and otherwise work well together in furtherance of LACERA's mission.

5. The Role of the Secretary

1. The Secretary is responsible for ensuring accurate and sufficient documentation exists to meet legal requirements, and to enable the public to determine when, how, and by whom the BOI's business was conducted.
2. Upon the BOI approving the BOI meeting minutes, the Secretary will join the BOI Chair in signing the minutes as evidence of their authenticity and completeness.
3. In the absence of the Chair and Vice-Chair, the Secretary will call the meeting to order, presiding until the Chair or Vice-Chair is present.
4. The Secretary will conduct the Officer elections as detailed in the bylaws.

6. Duties and Responsibilities of the BOI

Specific Powers Reserved to be added after BOI approval (see separate document)

1. Governance and Strategy
2. Investment (For both the Fund and OPEB)
3. Reassurance, Risk and Compliance
4. Administration

7. Expectations of Committees

To be effective as a Committee, Committees should:

1. Develop and pursue agendas to make timely and substantive progress on issues ~~within the Committee's area of responsibility, with the goal of providing effective assistance to the full BOI in pursuing its work;~~

2. Provide ample opportunity for input by all Trustees both verbally and in writing (even if they are not members of the Committee) during the course of its deliberations;
3. Once a decision has been made and recommended by the committee, the committee chair shall oversee staff in the preparation of executive summaries to the full BOI of issues considered by the Committee. Such summaries should include a high level description of:
 - The issue(s) being addressed;
 - A brief background;
 - The due diligence process used to arrive at the Committee's recommendation;
 - The options available to the BOI (the least it could do to the most it could do);
 - The pros and cons of the main options including sharing dissenting opinions when making recommendations to the BOI;
 - The risks of action and inaction; and,
 - Its recommendations to the BOI.

8. Policy Review

1. BOI shall review and update of this charter at least once every three years; and
2. BOI shall direct staff to review policies related to BOI conduct and powers reserved at a frequency agreed upon by the BOI.