



# San Joaquin County Employees Retirement Association

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## A G E N D A

**ADMINISTRATIVE COMMITTEE MEETING  
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
BOARD OF RETIREMENT  
WEDNESDAY, JANUARY 11, 2023  
AT 10:00 AM**

Location: SJCERA Conference Room, 6 S. El Dorado Street, Suite 400, Stockton, California

Persons who require disability-related accommodations should contact SJCERA at (209) 468-2166 or [Gregf@sjcera.org](mailto:Gregf@sjcera.org) at least forty-eight (48) hours prior to the scheduled meeting time.

### **1.0 ROLL CALL**

### **2.0 PUBLIC COMMENT**

- 2.01** The public is welcome to address the Committee during this time on matters within the Committee's jurisdiction. Members of the public are encouraged to complete a Public Comment form, which can be found near the entry to the Conference Room. Speakers are limited to three minutes, and are expected to be civil and courteous. Public comment on items listed on the agenda may be heard at this time, or when the item is called, at the discretion of the Chair.

Except as otherwise permitted by the Ralph M. Brown Act (California Government Code Sections 54950 et seq.), no deliberation, discussion or action may be taken by the Committee on items not listed on the agenda. Members of the Committee may, but are not required to: (1) briefly respond to statements made or questions posed by persons addressing the Committee; (2) ask a brief question for clarification; or (3) refer the matter to staff for further information.

### **3.0 CONSENT ITEMS**

#### **3.01 Strategic Asset Allocation Policy**

- 01 Strategic Asset Allocation Policy - Mark-up 5
- 02 Strategic Asset Allocation Policy - Clean 18

#### **3.02 Trustee and Executive Staff Travel Policy**

- 01 Trustee and Executive Staff Travel - Mark-up 31
- 02 Trustee and Executive Staff Travel - Clean 36

#### **3.03 Statement of Reserve Policy**

- 01 Statement of Reserve Policy - Mark-up 41
- 02 Statement of Reserve Policy - Clean 54

#### **3.04 Ex-Parte Communications Policy**

- 01 Ex Parte Communications Policy - Mark-up 65
- 02 Ex Parte Communications Policy - Clean 68

#### **3.05 Committee to review and formulate a recommendation to the full Board**

### **4.0 OPTIONAL MEMBERSHIP**

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4.01	Bylaws - Mark-up	73
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4.03	Committee to review and formulate a recommendation to the full Board	
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02	Conflict of Interest Policy - Clean	103
5.02	Administrative Committee Charter	
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02	Administrative Committee Charter - Clean	109
5.03	Committee to review and formulate a recommendation to the full Board	
5.04	Summary of Sources of Income on Statements of Economic Interest Report	111
5.05	Committee to discuss and give direction to staff as appropriate	
<b>6.0</b>	<b>COMMENTS</b>	
6.01	Comments from Members of the Committee	
<b>7.0</b>	<b>ADJOURNMENT</b>	



**Board of Retirement Administrative Committee**  
San Joaquin County Employees' Retirement Association

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**January 11, 2023**

**Agenda Item 3.0**

**SUBJECT: Board Policy Amendments**

**SUBMITTED FOR:   X   CONSENT      ACTION      INFORMATION**

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**RECOMMENDATION**

Staff recommends the Administrative Committee approve the proposed policy amendments and recommend adoption by the Board of Retirement.

**PURPOSE**

To amend the policies to ensure that they remain relevant, appropriate and in compliance, per Section III.C of the Administrative Committee Charter.

**DISCUSSION**

The Board requires staff review at least one-third of the policies annually. Staff requests the Board amend these policies sooner than normally scheduled in order to better reflect Board direction and improve administration operations. The following amendments are proposed:

- Strategic Asset Allocation Policy – amended to reflect the asset allocation targets adopted June 3, 2022 as part of the Asset-Liability study
- Trustee Travel Policy – clarified retired Trustees mileage reimbursement is to and from home and defined reasonable fares for ground transportation
- Reserve Policy – simplified purpose, removed references to historical actions, added references to resolutions where appropriate, corrected section cross references, and replaced County with Employer in references to additional UAL contributions
- Ex Parte Communications Policy – Modified Communications Requirements section to restrict any communication and added appeal language referencing the SJCEA Administrative Appeal Procedure

**ATTACHMENTS**

- Proposed revisions to Strategic Asset Allocation Policy – Mark-up
- Proposed revisions to Strategic Asset Allocation Policy – Clean
- Proposed revisions to Trustee Travel Policy – Mark-up
- Proposed revisions to Trustee Travel Policy – Clean
- Proposed revisions to Reserve Policy – Mark-up
- Proposed revisions to Reserve Policy – Clean
- Proposed revisions to Ex Parte Communications Policy – Mark-up
- Proposed revisions to Ex Parte Communications Policy – Clean



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Johanna Shick  
Chief Executive Officer



## Board Investment Policy Strategic Asset Allocation Policy

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### I. PURPOSE

- A. To outline SJ-CERA's goals, objectives, and guidelines for managing SJ-CERA's investment program.
- B. To define provisions governing how the goals and objectives are to be achieved.

### II. INVESTMENT BELIEFS

#### A. General

1. Risk is the inability to meet benefit obligations when due.
2. Prudently managing the assets of the Plan is the Board's paramount duty.
3. SJ-CERA should monitor current and future benefit obligations to ensure long-term solvency of the Plan.

#### B. Investment Strategy

1. SJ-CERA should invest its assets and manage its liabilities so as to increase the likelihood of paying all benefit obligations over time.
2. SJ-CERA should seek a long-term rate of return that exceeds inflation, while recognizing and managing the need to maintain adequate liquidity to pay benefits.
3. SJ-CERA should invest globally, seeking investment opportunities in a variety of asset classes and management styles, in order to improve the likelihood of being able to meet benefit obligations over time.
4. SJ-CERA should make meaningful commitments that will improve performance and where possible, take advantage of lower fee schedules, while providing adequate diversification.

#### C. Pattern of Investment Returns

1. The volatility of investment returns is as important as the level of returns in determining SJ-CERA's ability to meet future benefit obligations.
2. SJ-CERA should be able to reduce the volatility of the portfolio returns and the risk of large portfolio drawdowns through diversification, opportunistic allocations, and passive investing where appropriate.
3. Actions to manage volatility should be appropriately integrated into the investment decision-making process.

### III. INVESTMENT OBJECTIVE

- A. The funding obligations of SJCERA are long-term in nature; consequently, the investment of portfolio assets should have a long-term focus. The assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. The investment objective for SJCERA assets is to achieve long-term investment returns that allow the plan to meet all earned benefit payments to plan participants. It is expected that this objective can be obtained through a well-diversified portfolio structure in a manner consistent with this Policy. Accordingly, the investment of these assets shall be guided by the following underlying principles:
1. To achieve a positive rate of return over the long-term that significantly contributes to meeting SJCERA's objectives, including achieving the actuarial assumption for rate of return and satisfying expected benefit payment obligations;
  2. To provide for asset growth at a rate in excess of the rate of inflation and of the liability growth rate of SJCERA;
  3. To earn a sufficient rate of return while minimizing exposure to losses or wide swings in market value.

### IV. STRATEGIC ASSET ALLOCATION POLICY

#### A. Strategic Asset Allocation Development

1. The Board regularly adopts and implements an asset allocation policy that is predicated on a number of factors, including:
  - a. A projection of actuarial assets, liabilities, benefit payments and required contributions;
  - b. Historical and expected long-term capital market risk and return behavior;
  - c. An assessment of future economic conditions, including inflation and interest rate levels; and
  - d. The current and projected funding status of the Plan.
2. The asset allocation will be determined through appropriate studies undertaken by the consultant(s) retained by the Board. The allocation study will include all asset classes deemed prudent and appropriate by the Board. The Board, with the aid of the investment consultant, will determine the assumptions and criteria to be used in the asset allocation study. The following assumptions and criteria will be so determined:
  - a. The expected return from each asset category.
  - b. The expected standard deviation of each asset category.
  - c. The minimum acceptable return over a given time period.
  - d. The net contribution as a percent of payroll.
  - e. The expected payroll growth rate.

3. The resulting asset allocation will be approved by the Board with input from SJCERA staff and the investment consultant. The asset allocation study will be performed on cycle with the actuarial experience study. Appropriate adjustments to the existing portfolio will then be made in the most expeditious and appropriate manner.
4. On a more frequent, periodic basis, SJCERA staff and the investment consultant, will analyze the portfolio structure of each strategic class. Analysis shall include:
  - a. Appropriateness of strategic class and manager benchmarks,
  - b. Alignment structure of individual portfolios with strategic class benchmarks based on manager holdings and mandate,
  - c. Evaluation of whether the strategic class is structured in a manner that is consistent with the Board's objectives,
  - d. Analysis of underperforming managers, and
  - e. Overall risk profile of the strategic class.

**B. Approved Strategic Asset Allocation**

1. Pursuant to Investment Belief II.C.2, SJCERA shall diversify the investment of assets according to the specified long-term target percentages.

<b>Strategic Asset Allocation</b>			
Approved <del>Sept 2019</del> <del>June 2022</del>			
<b>Strategic Classes</b>	<b>Target</b>	<b>Min.</b>	<b>Max</b>
<b>Broad Growth</b>	<b>7580</b>	<b>6070</b>	<b>90</b>
Aggressive Growth	4016	813	4219
Traditional Growth	3234	2628	3840
Stabilized Growth	3330	2724	3936
Risk Parity	406	84	428
Credit	4715	4413	2017
Core Real Assets	69	57	711
<b>Diversifying Strategies</b>	<b>2520</b>	<b>2010</b>	<b>30</b>
Principal Protection	407	83	4211
CRO	4513	427	4819

2. The allocation goal recognizes that at any time equity and fixed income Investment Managers may have transactional cash on hand.
3. Financial derivatives may be used within prudent limits to manage risk, lower transaction costs, or augment returns.

## V. ALLOCATIONS AND PORTFOLIO REBALANCING GUIDELINES

A. The Board strives to make meaningful commitments to strategies in which it has high conviction. In general, the minimum commitment will be two percent of the overall portfolio or \$50 million, whichever is greater.

### B. Rebalancing Guidelines

1. The Board delegates the authority to rebalance the asset allocation to the Investment Officer and/or the Chief Executive Officer.
2. Staff and consultant will develop a plan and outline the timeframe for accomplishing the proposed rebalancing.
3. Staff and consultant will coordinate with the appropriate internal and external parties to implement the rebalancing.
4. Staff will report the rebalancing activity to the Board.

### C. Rebalancing/Transitioning to New Asset Allocation Targets

1. The target allocation to each strategic class and to sub-classes within strategic classes is expected to remain stable over most market cycles. When new asset allocation targets are adopted, the Board's goal is to transition the physical assets and to reach the target optimal portfolio in a timely manner.
2. With respect to the target strategic allocations to each strategic class, to the sub-classes and to investment managers, the Board, in consultation with its investment consultant, will establish rebalancing range limitations. The ranges for each class/sub-class are established as twenty percent (20%) of the target.
3. Due to the illiquid and time-lagging nature of private investments, and the research required to select high-quality managers; it will take time to achieve the target(s) for the Private Equity, Private Real Estate, and Private Credit segments of the portfolio. If the Private Equity, Private Real Estate, and/or Credit classes are below their targets, the differences will be temporarily invested in public market equivalents until such opportunities in the private markets are available. Under these circumstances public market equivalents may exceed the stated bands by up to the underweight of private markets targets.

In addition, SJCERA staff and Consultants will provide a report at the next regularly scheduled board meeting.

### D. Ongoing Monitoring and Rebalancing the Asset Allocation Targets

1. The actual asset mix of the total portfolio may diverge from the target allocations requiring rebalancing to meet the investment objectives set by the Board. Conversely, continually rebalancing to the asset allocation targets may result in significant transaction costs.
  - a. SJCERA staff and the investment consultant will monitor the portfolio's asset allocation relative to the strategic target allocations. If actual allocations to a strategic class, or to a sub-class or investment manager, fall outside the predetermined range, SJCERA staff and the investment consultant will review, discuss and develop a plan for rebalancing back to



the mid-point between the end of the range that was exceeded and the target allocation.

- b. In determining the rebalancing plan, the investment consultant and staff should prioritize implementation procedures as follows:
  - i. Investing net contributions into classes that are below their range limitations;
  - ii. Drawing cash out of the portfolio (for benefit payments and expenses) from classes that are above their range limitations (using interest payments, rental revenues and dividends); and
  - iii. Selling assets from classes/portfolios that exceed the target range(s), and buying assets in classes/portfolios that are below the target range(s).
- c. Within the total SJCERA portfolio, the Cash Overlay Program may be implemented consisting of four potential elements: 1) invest unallocated cash, 2) invest managers' cash, 3) manage transitions and 4) maintain target allocation. The Cash Overlay Manager is primarily expected to securitize unallocated cash. If the Board approves the use of elements 1, 2, or 4 of the cash overlay program, staff may deploy element 3 as needed to assist with transitions.

## VI. TOTAL FUND PERFORMANCE OBJECTIVE AND MEASUREMENT PERIOD

- A. The total fund performance objective is to achieve a total return net of fees and expenses that equals or exceeds the policy benchmark over a full market cycle as defined by the Board. The return of a hypothetical portfolio is represented by a policy benchmark consisting of public market indices weighted according to asset allocation targets.

**SJCERA's long-term strategic policy benchmark consists of the following passive public market indices and weights listed below.**

PORTFOLIO POLICY BENCHMARK		
Strategic Classes	Target	Benchmark
<b>Broad Growth</b>	<b>7580</b>	---
Aggressive Growth	4016	50% MSCI ACWI ND + 2%/ 50% NCREIF ODCE + 1%
Traditional Growth	3234	MSCI ACWI IMI (ND)
Stabilized Growth	3330	---
Risk Parity	406	90-day Tbills + 4%
Credit	4715	50% BB High Yield, 50% S&P/LTSA Lev. Loans
Core Real Assets	69	NCREIF ODCE
<b>Diversifying Strategies</b>	<b>2520</b>	---
Principal Protection	407	BB U.S. Aggregate Index
Crisis Risk Offset	4513	3 Part Custom (33% BTOP 50, 33% BC long Duration Treasuries, 33% at 5% annual)

1. The Policy Benchmark measures the performance results of the total portfolio. Each investment manager within a strategic class will be measured against an appropriate benchmark for that strategy.
2. Performance results for SJCERA investments and for each Investment Manager shall be calculated and evaluated quarterly and presented to the Board for review. This Total Portfolio Benchmark will be included in evaluation reports presented to the Board for review.

## **VII. CLASS-SPECIFIC GUIDELINES**

### **A. Cash and Overlay**

1. Cash investments (STIF) Manager
  - a. The Cash Manager will invest the cash balances of all accounts with a cash component held at the custody bank selected by SJCERA.
  - b. Cash (STIF) - The performance of cash assets is expected to outperform a 91-day U.S. Treasury Bill Index
2. Cash Overlay Manager
  - a. SJCERA staff and consultant may direct the cash overlay program manager to:
    - i. Overlay Unallocated Cash: Monitor SJCERA's overall positions daily and synthetically invest unallocated cash using financial futures contracts.
    - ii. Overlay Manager Cash: Monitor SJCERA's managers' cash positions daily and synthetically invest un-invested portions using financial futures contracts.
    - iii. Assist with Manager Transitions: As transition events arise, staff and consultant will review each transition issue with the objectives of maintaining target market exposure and minimizing transition costs.
    - iv. Maintain Target Allocation: Calculate SJCERA's actual allocation and compare to target allocations. If actual allocations differ from targets by more than SJCERA's predetermined tolerance level, the SJCERA fund is synthetically rebalanced to target on an overlay basis using financial futures contracts.

### **B. Broad Growth Class and Its Underlying Components**

1. Role: The Broad Growth Class is expected to generate relatively high levels of absolute and real (i.e., inflation-adjusted) returns, net of all costs. The Broad Growth Class is considered the main return driver of the overall/aggregate total SJCERA investment portfolio. While volatility is expected over time, the Broad Growth class must achieve its relatively high returns on a sustainable basis in order for the overall SJCERA pension plan to achieve its long-term objectives. In addition, each of the three Broad Growth components (described below) are

expected to produce relatively high returns when compared to other SJCERA class portfolios.

2. Investment Structure: The Broad Growth class consists of three components: Aggressive Growth, Traditional Growth, and Stabilized Growth. The structures and roles of these three components are described in detail below.

a. *Aggressive Growth Component and Its Underlying Components*

- i. Role: The Aggressive Growth Component is expected to earn risk-adjusted returns in excess of the Traditional Growth Component, primarily due to the liquidity premium demanded by investors across various types of private markets.
- ii. Investment Structure: The Aggressive Growth component consists of two sub-components: Private Equity and Non-Core Real Estate. The structures of these two sub-components are described below.

A. Private Equity Structure

1. Role: The Private Equity portfolio is expected to earn risk-adjusted returns in excess of the public equity markets, primarily due to the liquidity premium demanded by investors. The Private Equity portfolio is also expected to decrease the volatility of the total Portfolio, through the diversification benefits of having lower correlations with other classes.
2. Investment Structure: The Private Equity allocation generally consists of investments into private companies, either directly or through buyouts of public companies that result in a delisting of public equity. The Private Equity portfolio is composed of three major subcomponents.
  - Venture Capital/Growth
    - Venture capital partnerships primarily invest in businesses still in the conceptual stage (start-up or seed) or where products may not be fully developed, and where revenues and/or profits may be several years away.
    - Growth/late-stage venture capital partnerships typically invest in more mature companies in need of growth or expansion capital.
  - Buyout
    - These partnerships provide the equity capital for acquisition transactions either from a private seller or the public, which may represent the purchase of an entire company, or a refinancing or recapitalization transaction where equity is purchased.
  - Other

- Mezzanine/subordinated debt partnerships provide the intermediate capital between equity and senior debt in a buyout or refinancing transaction.
  - Restructuring/distressed debt partnerships typically make new investments in financially or operationally troubled companies, often for a control position, with a view to improving the balance sheet and operations for a subsequent sale.
  - Special situations partnerships include organizations with a specific industry focus or transaction type not covered by the other subclasses mentioned above, or unique opportunities that fall outside such subclasses.
3. Allocation: The Private Equity portfolio shall be diversified by time, subclass, and geography. Such diversification is expected to enhance returns, control risk, and reduce volatility.

#### B. Non-Core Real Estate Structure

1. Role: The Non-Core Real Estate portfolio is expected to earn Risk-Adjusted Returns in excess of the public equity markets, primarily due to re-positioning and development of real asset projects, the use of leverage, and to a liquidity premium demanded by investors. At the margin, the Non-Core Real Estate portfolio is also expected to diversify the broader Aggressive Growth Portfolio, which also includes Private Equity (see above).
2. Investment Structure: Non-Core Real Estate investments provide access to opportunities for higher returns by investing (typically with the use of leverage) in assets in need of re-tenanting, development, re-development, operational improvements, or renovation, or are otherwise in some form of distress, exhibit sub-optimal capital structures, or experiencing market dislocation(s). They may also be located in emerging/non-institutional market segments and/or product/asset types. Such investment may utilize more aggressive financial structures in order to raise the return/risk profile, emphasize capital appreciation, and exhibit relatively high return objectives.

The Non-Core Real Estate portfolio may consist of equity or debt investments in real estate, infrastructure, agriculture, energy-related investments, or timberland.

3. Allocation: The Non-Core Real Estate portfolio shall be diversified by time, subclass, and geography. Such

diversification is expected to enhance returns, control risk, and reduce volatility.

b. *Traditional Growth Component Structure*

- i. Role: The Traditional Growth portfolio is expected to generate attractive absolute returns in a relatively low-cost manner. The Traditional Growth portfolio also typically invests in securities that exhibit reasonable levels of liquidity.
- ii. Investment Structure: The Traditional Growth allocation consists of a highly diversified mix of publicly traded global equities. Common stocks, preferred stocks, or other equity securities are typically utilized.
  - A. The public equity portfolio is composed of U.S., non-U.S. and global equity segments.
    1. U.S. Equities: Managers invest primarily in publicly traded equity securities of U.S. companies.
    2. Non-U.S. Equities: Managers invest primarily in publicly traded equity securities of non-U.S. companies, in both developed and emerging markets.
    3. Global Equities: Managers make the allocation decisions between U.S. and non-U.S. markets, in both developed and emerging markets and invest in publicly-traded securities of U.S. and Non-U.S. companies, in both developed and emerging markets.

c. *Stabilized Growth Component and Its Underlying Sub-Components*

- i. Role: The Stabilized Growth Component is expected to earn Risk-Adjusted returns in excess of the Traditional Growth Component, primarily as a result of (A) achieving absolute return levels that are near-or-equivalent to those achieved by the Traditional Growth component while also (B) achieving lower volatility (risk) over a full investment cycle, particularly during Traditional Growth bear markets.
- ii. Investment Structure: The Stabilized Growth component consists of three sub-components: Risk Parity, Credit, and Core Real Estate. The structures of these three sub-components are described below.
  - A. Risk Parity Structure
    1. Role: The Risk Parity portfolio is expected to generate attractive Risk-Adjusted Returns through allocations to multiple investments, including equities, bonds, commodities, and currency, while providing diversification to the overall Portfolio.
    2. Investment Structure: SJCERA has an allocation to Risk Parity through two investment styles,

- A Beta portfolio in which risk is balanced across asset classes that respond in dissimilar manners to different economic environments, such that the underperformance in one asset class may be offset by the outperformance of another asset class with an opposite bias to that environment.
- An actively managed portfolio in which risk is balanced across asset classes, but the investment manager has discretion to actively tilt the portfolio to factors or asset classes that may provide additional return or manage the overall volatility of the portfolio.

#### B. Credit Structure

1. Role: The credit portfolio, public and private is expected to provide income, yield and diversification to the total Portfolio due to a moderate correlation with other classes. In addition, the Credit portfolio is expected to provide return, a source of liquidity, and positive returns relative to an appropriate performance Benchmark.
2. Investment Structure: SJCERA has an allocation to Credit through two investment styles: 1) a liquid portfolio in which investments are made in bank loans, investment grade, high yield and emerging market debt, 2) a privately managed portfolio in which investments are made into illiquid debt across middle market direct lending, distressed, and specialty finance.

#### C. Core Real Estate Structure

1. Role: The Core Real Estate portfolio is expected to generate attractive Risk-Adjusted Returns through stable income and the opportunity for capital appreciation, while providing diversification to the overall Portfolio.
2. Investment Structure: Core Real Estate Managers typically invest in properties that are well located and well leased with strong quality tenants. Core investments provide stable income with lower volatility.

#### D. Diversifying Strategies Class and Its Underlying Components

##### 1. Principal Protection Class Structure

- a. Role: The Principal Protection portfolio is expected to provide a modest absolute return, be a stabilizer to the overall portfolio and provide significant diversification to the total Portfolio due to low correlation with other classes. In addition, the principal protection portfolio is expected to provide capital preservation, a source of liquidity, lower volatility and competitive returns relative to an appropriate performance benchmark.

- b. Investment Structure: The Principal Protection allocation consists of a diversified mix of publicly traded fixed income securities, invested across multiple asset types. The principal protection portfolio is composed largely of Treasuries, Agency Backed Mortgage Securities, and other agency backed bonds.
  - i. Mortgage Backed Securities - Agency
    - A. Managers invest primarily in Mortgage Backed Securities (MBS) issued by the U.S. government agencies (Fannie Mae, Freddie Mac, or Ginnie Mae).
  - ii. Treasuries
    - A. Managers invest in Treasury securities of the U.S. government.
  - iii. Other
    - A. Managers may invest in other high-quality segments; however these must be investment grade credit that is rated “BBB” or higher by two or more of the credit rating agencies.

2. Crisis Risk Offset Class Structure

- a. Role: The Crisis Risk Offset (CRO) portfolio is expected to produce significant positive returns during an extended recessionary-type equity market crisis, while maintaining purchasing power during more normal market environments. In this respect, the CRO portfolio is expected to enhance the long-term risk-adjusted performance of the total Portfolio, by substantially mitigating significant drawdowns.
- b. Investment Structure: The CRO allocation generally consists of investments in highly-liquid portfolios that are meant to capture key risk premia that should prove largely beneficial during an equity-related market crisis. Along these lines, the underlying investments and strategies may utilize both long positions and short-selling positions to capture the desired return patterns/behavior. The CRO portfolio is composed of three major subcomponents.
  - i. Long U.S. Treasury Duration
    - A. U.S. Treasuries represent the leading “flight-to-quality” investment since they are backed by the U.S. Government. The U.S. Dollar (the base denomination of U.S. Treasuries) is also considered the world’s highest-quality reserve currency.
    - B. Exposure to U.S. Treasury Duration can take place via cash markets (i.e., actual bonds) or the futures markets (virtual bond proxies).
  - ii. Systematic Trend Following
    - A. Long-short portfolios utilizing derivatives-based instruments to capture both periodic appreciation and periodic depreciation trends that evolve and dissipate across a very wide array of liquid global markets. Risk/volatility is calibrated to a pre-determined level derivatives-based leverage.

- B. Assets will be invested in highly liquid underlying securities (cash, futures, forwards, etc.), allowing for relatively rapid access for rebalancing and liquidity purposes.
  - C. In order to appropriately calibrate the expected volatility of this component and the overall CRO class, significant levels of derivatives-based leverage may be applied. Effects of leverage are adjusted daily through market-based exchanges/facilities, ensuring appropriate and timely mark-to-market valuations.
- iii. Alternative Risk Premia
- A. Long-short portfolios utilizing both cash and derivatives-based instruments to capture well-researched/documented non-market risk premiums (e.g., momentum, carry, value, low-volatility, etc.) on a continuous basis, utilizing an array of liquid global markets. Risk/volatility is calibrated to a pre-determined level utilizing cash and derivatives-based leverage.
  - B. Assets will be invested in highly liquid underlying securities (cash, stocks, futures, forwards, etc.), allowing for relatively rapid access for rebalancing and liquidity purposes.

## VIII. POLICY REVIEW

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

## IX. HISTORY

10/12/2007	Adopted by Board of Retirement
09/26/2008	Revised by Board of Retirement modifying asset allocation targets
05/05/2009	Revised by Board of Retirement modifying asset allocation targets
02/26/2010	Revised by Board of Retirement modifying asset allocation target ranges
07/27/2012	Revised by Board of Retirement modifying ranges for sub-asset classes and adding cash overlay program
12/14/2012	Revised by Board of Retirement regarding changes to long-term benchmarks
04/26/2013	Revised by Board of Retirement adding the Real Asset class
05/09/2014	Revised by Board of Retirement modifying asset allocation targets
11/13/2015	Revised by Board of Retirement moving public real estate to the Global Public Equity class
06/10/2016	Revised by Board of Retirement moving public real estate to the Global Public Equity class



- 08/16/2017 Revised by Board of Retirement modifying asset allocation targets
- 11/03/2017 Revised by Board of Retirement establishing minimum threshold commitments
- 07/05/2018 Reviewed, no changes required; Staff updated format
- 10/12/2018 Deleted redundant language that already exists in the Investment Manager and Communications Policy
- 04/12/2019 Policy Review section amended to at least once every three years
- 12/11/2020 Revised asset allocation targets and incorporated asset class-specific policies' guidelines and performance measurement standards
- 02/12/2021 Revised Benchmark for the Aggressive Growth asset class
- 04/09/2021 Revised Section V.C to specify rebalancing triggers and reporting requirement when public markets are used as proxies for private markets.
- 01/20/2023 Revised asset allocation targets to reflect the new long-term strategic allocation policy

### Certification of Board Adoption

Clerk of the Board

01/20/2023

Date



## Board Investment Policy Strategic Asset Allocation Policy

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- B. To define provisions governing how the goals and objectives are to be achieved.

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3. Actions to manage volatility should be appropriately integrated into the investment decision-making process.

### **III. INVESTMENT OBJECTIVE**

- A. The funding obligations of SJCERA are long-term in nature; consequently, the investment of portfolio assets should have a long-term focus. The assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. The investment objective for SJCERA assets is to achieve long-term investment returns that allow the plan to meet all earned benefit payments to plan participants. It is expected that this objective can be obtained through a well-diversified portfolio structure in a manner consistent with this Policy. Accordingly, the investment of these assets shall be guided by the following underlying principles:
1. To achieve a positive rate of return over the long-term that significantly contributes to meeting SJCERA's objectives, including achieving the actuarial assumption for rate of return and satisfying expected benefit payment obligations;
  2. To provide for asset growth at a rate in excess of the rate of inflation and of the liability growth rate of SJCERA;
  3. To earn a sufficient rate of return while minimizing exposure to losses or wide swings in market value.

### **IV. STRATEGIC ASSET ALLOCATION POLICY**

#### **A. Strategic Asset Allocation Development**

1. The Board regularly adopts and implements an asset allocation policy that is predicated on a number of factors, including:
  - a. A projection of actuarial assets, liabilities, benefit payments and required contributions;
  - b. Historical and expected long-term capital market risk and return behavior;
  - c. An assessment of future economic conditions, including inflation and interest rate levels; and
  - d. The current and projected funding status of the Plan.
2. The asset allocation will be determined through appropriate studies undertaken by the consultant(s) retained by the Board. The allocation study will include all asset classes deemed prudent and appropriate by the Board. The Board, with the aid of the investment consultant, will determine the assumptions and criteria to be used in the asset allocation study. The following assumptions and criteria will be so determined:
  - a. The expected return from each asset category.
  - b. The expected standard deviation of each asset category.
  - c. The minimum acceptable return over a given time period.
  - d. The net contribution as a percent of payroll.
  - e. The expected payroll growth rate.

3. The resulting asset allocation will be approved by the Board with input from SJCERA staff and the investment consultant. The asset allocation study will be performed on cycle with the actuarial experience study. Appropriate adjustments to the existing portfolio will then be made in the most expeditious and appropriate manner.
4. On a more frequent, periodic basis, SJCERA staff and the investment consultant, will analyze the portfolio structure of each strategic class. Analysis shall include:
  - a. Appropriateness of strategic class and manager benchmarks,
  - b. Alignment structure of individual portfolios with strategic class benchmarks based on manager holdings and mandate,
  - c. Evaluation of whether the strategic class is structured in a manner that is consistent with the Board’s objectives,
  - d. Analysis of underperforming managers, and
  - e. Overall risk profile of the strategic class.

**B. Approved Strategic Asset Allocation**

1. Pursuant to Investment Belief II.C.2, SJCERA shall diversify the investment of assets according to the specified long-term target percentages.

<b>Strategic Asset Allocation</b>			
Approved June 2022			
<b>Strategic Classes</b>	<b>Target</b>	<b>Min.</b>	<b>Max</b>
<b>Broad Growth</b>	<b>80</b>	<b>70</b>	<b>90</b>
Aggressive Growth	16	13	19
Traditional Growth	34	28	40
Stabilized Growth	30	24	36
Risk Parity	6	4	8
Credit	15	13	17
Core Real Assets	9	7	11
<b>Diversifying Strategies</b>	<b>20</b>	<b>15</b>	<b>25</b>
Principal Protection	7	5	9
CRO	13	10	16

2. The allocation goal recognizes that at any time equity and fixed income Investment Managers may have transactional cash on hand.
3. Financial derivatives may be used within prudent limits to manage risk, lower transaction costs, or augment returns.

## V. ALLOCATIONS AND PORTFOLIO REBALANCING GUIDELINES

A. The Board strives to make meaningful commitments to strategies in which it has high conviction. In general, the minimum commitment will be two percent of the overall portfolio or \$50 million, whichever is greater.

### B. Rebalancing Guidelines

1. The Board delegates the authority to rebalance the asset allocation to the Investment Officer and/or the Chief Executive Officer.
2. Staff and consultant will develop a plan and outline the timeframe for accomplishing the proposed rebalancing.
3. Staff and consultant will coordinate with the appropriate internal and external parties to implement the rebalancing.
4. Staff will report the rebalancing activity to the Board.

### C. Rebalancing/Transitioning to New Asset Allocation Targets

1. The target allocation to each strategic class and to sub-classes within strategic classes is expected to remain stable over most market cycles. When new asset allocation targets are adopted, the Board's goal is to transition the physical assets and to reach the target optimal portfolio in a timely manner.
2. With respect to the target strategic allocations to each strategic class, to the sub-classes and to investment managers, the Board, in consultation with its investment consultant, will establish rebalancing range limitations. The ranges for each class/sub-class are established as twenty percent (20%) of the target.
3. Due to the illiquid and time-lagging nature of private investments, and the research required to select high-quality managers; it will take time to achieve the target(s) for the Private Equity, Private Real Estate, and Private Credit segments of the portfolio. If the Private Equity, Private Real Estate, and/or Credit classes are below their targets, the differences will be temporarily invested in public market equivalents until such opportunities in the private markets are available. Under these circumstances public market equivalents may exceed the stated bands by up to the underweight of private markets targets.

In addition, SJCERA staff and Consultants will provide a report at the next regularly scheduled board meeting.

### D. Ongoing Monitoring and Rebalancing the Asset Allocation Targets

1. The actual asset mix of the total portfolio may diverge from the target allocations requiring rebalancing to meet the investment objectives set by the Board. Conversely, continually rebalancing to the asset allocation targets may result in significant transaction costs.
  - a. SJCERA staff and the investment consultant will monitor the portfolio's asset allocation relative to the strategic target allocations. If actual allocations to a strategic class, or to a sub-class or investment manager, fall outside the predetermined range, SJCERA staff and the investment consultant will review, discuss and develop a plan for rebalancing back to

the mid-point between the end of the range that was exceeded and the target allocation.

- b. In determining the rebalancing plan, the investment consultant and staff should prioritize implementation procedures as follows:
  - i. Investing net contributions into classes that are below their range limitations;
  - ii. Drawing cash out of the portfolio (for benefit payments and expenses) from classes that are above their range limitations (using interest payments, rental revenues and dividends); and
  - iii. Selling assets from classes/portfolios that exceed the target range(s), and buying assets in classes/portfolios that are below the target range(s).
- c. Within the total SJCERA portfolio, the Cash Overlay Program may be implemented consisting of four potential elements: 1) invest unallocated cash, 2) invest managers' cash, 3) manage transitions and 4) maintain target allocation. The Cash Overlay Manager is primarily expected to securitize unallocated cash. If the Board approves the use of elements 1, 2, or 4 of the cash overlay program, staff may deploy element 3 as needed to assist with transitions.

## VI. TOTAL FUND PERFORMANCE OBJECTIVE AND MEASUREMENT PERIOD

- A. The total fund performance objective is to achieve a total return net of fees and expenses that equals or exceeds the policy benchmark over a full market cycle as defined by the Board. The return of a hypothetical portfolio is represented by a policy benchmark consisting of public market indices weighted according to asset allocation targets.

**SJCERA's long-term strategic policy benchmark consists of the following passive public market indices and weights listed below.**

PORTFOLIO POLICY BENCHMARK		
Strategic Classes	Target	Benchmark
<b>Broad Growth</b>	<b>80</b>	---
Aggressive Growth	16	50% MSCI ACWI ND + 2%/ 50% NCREIF ODCE + 1%
Traditional Growth	34	MSCI ACWI IMI (ND)
Stabilized Growth	30	---
Risk Parity	6	90-day Tbills + 4%
Credit	15	50% BB High Yield, 50% S&P/LTSA Lev. Loans
Core Real Assets	9	NCREIF ODCE
<b>Diversifying Strategies</b>	<b>20</b>	---
Principal Protection	7	BB U.S. Aggregate Index
Crisis Risk Offset	13	3 Part Custom (33% BTOP 50, 33% BC long Duration Treasuries, 33% at 5% annual)

1. The Policy Benchmark measures the performance results of the total portfolio. Each investment manager within a strategic class will be measured against an appropriate benchmark for that strategy.
2. Performance results for SJCERA investments and for each Investment Manager shall be calculated and evaluated quarterly and presented to the Board for review. This Total Portfolio Benchmark will be included in evaluation reports presented to the Board for review.

## **VII. CLASS-SPECIFIC GUIDELINES**

### **A. Cash and Overlay**

1. Cash investments (STIF) Manager
  - a. The Cash Manager will invest the cash balances of all accounts with a cash component held at the custody bank selected by SJCERA.
  - b. Cash (STIF) - The performance of cash assets is expected to outperform a 91-day U.S. Treasury Bill Index
2. Cash Overlay Manager
  - a. SJCERA staff and consultant may direct the cash overlay program manager to:
    - i. Overlay Unallocated Cash: Monitor SJCERA's overall positions daily and synthetically invest unallocated cash using financial futures contracts.
    - ii. Overlay Manager Cash: Monitor SJCERA's managers' cash positions daily and synthetically invest un-invested portions using financial futures contracts.
    - iii. Assist with Manager Transitions: As transition events arise, staff and consultant will review each transition issue with the objectives of maintaining target market exposure and minimizing transition costs.
    - iv. Maintain Target Allocation: Calculate SJCERA's actual allocation and compare to target allocations. If actual allocations differ from targets by more than SJCERA's predetermined tolerance level, the SJCERA fund is synthetically rebalanced to target on an overlay basis using financial futures contracts.

### **B. Broad Growth Class and Its Underlying Components**

1. Role: The Broad Growth Class is expected to generate relatively high levels of absolute and real (i.e., inflation-adjusted) returns, net of all costs. The Broad Growth Class is considered the main return driver of the overall/aggregate total SJCERA investment portfolio. While volatility is expected over time, the Broad Growth class must achieve its relatively high returns on a sustainable basis in order for the overall SJCERA pension plan to achieve its long-term objectives. In addition, each of the three Broad Growth components (described below) are

expected to produce relatively high returns when compared to other SJCERA class portfolios.

2. Investment Structure: The Broad Growth class consists of three components: Aggressive Growth, Traditional Growth, and Stabilized Growth. The structures and roles of these three components are described in detail below.

- a. *Aggressive Growth Component and Its Underlying Components*

- i. Role: The Aggressive Growth Component is expected to earn risk-adjusted returns in excess of the Traditional Growth Component, primarily due to the liquidity premium demanded by investors across various types of private markets.
- ii. Investment Structure: The Aggressive Growth component consists of two sub-components: Private Equity and Non-Core Real Estate. The structures of these two sub-components are described below.

- A. Private Equity Structure

1. Role: The Private Equity portfolio is expected to earn risk-adjusted returns in excess of the public equity markets, primarily due to the liquidity premium demanded by investors. The Private Equity portfolio is also expected to decrease the volatility of the total Portfolio, through the diversification benefits of having lower correlations with other classes.
2. Investment Structure: The Private Equity allocation generally consists of investments into private companies, either directly or through buyouts of public companies that result in a delisting of public equity. The Private Equity portfolio is composed of three major subcomponents.
  - Venture Capital/Growth
    - Venture capital partnerships primarily invest in businesses still in the conceptual stage (start-up or seed) or where products may not be fully developed, and where revenues and/or profits may be several years away.
    - Growth/late-stage venture capital partnerships typically invest in more mature companies in need of growth or expansion capital.
  - Buyout
    - These partnerships provide the equity capital for acquisition transactions either from a private seller or the public, which may represent the purchase of an entire company, or a refinancing or recapitalization transaction where equity is purchased.
  - Other



- Mezzanine/subordinated debt partnerships provide the intermediate capital between equity and senior debt in a buyout or refinancing transaction.
  - Restructuring/distressed debt partnerships typically make new investments in financially or operationally troubled companies, often for a control position, with a view to improving the balance sheet and operations for a subsequent sale.
  - Special situations partnerships include organizations with a specific industry focus or transaction type not covered by the other subclasses mentioned above, or unique opportunities that fall outside such subclasses.
3. Allocation: The Private Equity portfolio shall be diversified by time, subclass, and geography. Such diversification is expected to enhance returns, control risk, and reduce volatility.

#### B. Non-Core Real Estate Structure

1. Role: The Non-Core Real Estate portfolio is expected to earn Risk-Adjusted Returns in excess of the public equity markets, primarily due to re-positioning and development of real asset projects, the use of leverage, and to a liquidity premium demanded by investors. At the margin, the Non-Core Real Estate portfolio is also expected to diversify the broader Aggressive Growth Portfolio, which also includes Private Equity (see above).
2. Investment Structure: Non-Core Real Estate investments provide access to opportunities for higher returns by investing (typically with the use of leverage) in assets in need of re-tenanting, development, re-development, operational improvements, or renovation, or are otherwise in some form of distress, exhibit sub-optimal capital structures, or experiencing market dislocation(s). They may also be located in emerging/non-institutional market segments and/or product/asset types. Such investment may utilize more aggressive financial structures in order to raise the return/risk profile, emphasize capital appreciation, and exhibit relatively high return objectives.

The Non-Core Real Estate portfolio may consist of equity or debt investments in real estate, infrastructure, agriculture, energy-related investments, or timberland.

3. Allocation: The Non-Core Real Estate portfolio shall be diversified by time, subclass, and geography. Such

diversification is expected to enhance returns, control risk, and reduce volatility.

b. *Traditional Growth Component Structure*

- i. Role: The Traditional Growth portfolio is expected to generate attractive absolute returns in a relatively low-cost manner. The Traditional Growth portfolio also typically invests in securities that exhibit reasonable levels of liquidity.
- ii. Investment Structure: The Traditional Growth allocation consists of a highly diversified mix of publicly traded global equities. Common stocks, preferred stocks, or other equity securities are typically utilized.
  - A. The public equity portfolio is composed of U.S., non-U.S. and global equity segments.
    1. U.S. Equities: Managers invest primarily in publicly traded equity securities of U.S. companies.
    2. Non-U.S. Equities: Managers invest primarily in publicly traded equity securities of non-U.S. companies, in both developed and emerging markets.
    3. Global Equities: Managers make the allocation decisions between U.S. and non-U.S. markets, in both developed and emerging markets and invest in publicly-traded securities of U.S. and Non-U.S. companies, in both developed and emerging markets.

c. *Stabilized Growth Component and Its Underlying Sub-Components*

- i. Role: The Stabilized Growth Component is expected to earn Risk-Adjusted returns in excess of the Traditional Growth Component, primarily as a result of (A) achieving absolute return levels that are near-or-equivalent to those achieved by the Traditional Growth component while also (B) achieving lower volatility (risk) over a full investment cycle, particularly during Traditional Growth bear markets.
- ii. Investment Structure: The Stabilized Growth component consists of three sub-components: Risk Parity, Credit, and Core Real Estate. The structures of these three sub-components are described below.
  - A. Risk Parity Structure
    1. Role: The Risk Parity portfolio is expected to generate attractive Risk-Adjusted Returns through allocations to multiple investments, including equities, bonds, commodities, and currency, while providing diversification to the overall Portfolio.
    2. Investment Structure: SJCERA has an allocation to Risk Parity through two investment styles,

- A Beta portfolio in which risk is balanced across asset classes that respond in dissimilar manners to different economic environments, such that the underperformance in one asset class may be offset by the outperformance of another asset class with an opposite bias to that environment.
- An actively managed portfolio in which risk is balanced across asset classes, but the investment manager has discretion to actively tilt the portfolio to factors or asset classes that may provide additional return or manage the overall volatility of the portfolio.

#### B. Credit Structure

1. Role: The credit portfolio, public and private is expected to provide income, yield and diversification to the total Portfolio due to a moderate correlation with other classes. In addition, the Credit portfolio is expected to provide return, a source of liquidity, and positive returns relative to an appropriate performance Benchmark.
2. Investment Structure: SJCERA has an allocation to Credit through two investment styles: 1) a liquid portfolio in which investments are made in bank loans, investment grade, high yield and emerging market debt, 2) a privately managed portfolio in which investments are made into illiquid debt across middle market direct lending, distressed, and specialty finance.

#### C. Core Real Estate Structure

1. Role: The Core Real Estate portfolio is expected to generate attractive Risk-Adjusted Returns through stable income and the opportunity for capital appreciation, while providing diversification to the overall Portfolio.
2. Investment Structure: Core Real Estate Managers typically invest in properties that are well located and well leased with strong quality tenants. Core investments provide stable income with lower volatility.

#### D. Diversifying Strategies Class and Its Underlying Components

##### 1. Principal Protection Class Structure

- a. Role: The Principal Protection portfolio is expected to provide a modest absolute return, be a stabilizer to the overall portfolio and provide significant diversification to the total Portfolio due to low correlation with other classes. In addition, the principal protection portfolio is expected to provide capital preservation, a source of liquidity, lower volatility and competitive returns relative to an appropriate performance benchmark.

- b. Investment Structure: The Principal Protection allocation consists of a diversified mix of publicly traded fixed income securities, invested across multiple asset types. The principal protection portfolio is composed largely of Treasuries, Agency Backed Mortgage Securities, and other agency backed bonds.
  - i. Mortgage Backed Securities - Agency
    - A. Managers invest primarily in Mortgage Backed Securities (MBS) issued by the U.S. government agencies (Fannie Mae, Freddie Mac, or Ginnie Mae).
  - ii. Treasuries
    - A. Managers invest in Treasury securities of the U.S. government.
  - iii. Other
    - A. Managers may invest in other high-quality segments; however these must be investment grade credit that is rated “BBB” or higher by two or more of the credit rating agencies.

2. Crisis Risk Offset Class Structure

- a. Role: The Crisis Risk Offset (CRO) portfolio is expected to produce significant positive returns during an extended recessionary-type equity market crisis, while maintaining purchasing power during more normal market environments. In this respect, the CRO portfolio is expected to enhance the long-term risk-adjusted performance of the total Portfolio, by substantially mitigating significant drawdowns.
- b. Investment Structure: The CRO allocation generally consists of investments in highly-liquid portfolios that are meant to capture key risk premia that should prove largely beneficial during an equity-related market crisis. Along these lines, the underlying investments and strategies may utilize both long positions and short-selling positions to capture the desired return patterns/behavior. The CRO portfolio is composed of three major subcomponents.
  - i. Long U.S. Treasury Duration
    - A. U.S. Treasuries represent the leading “flight-to-quality” investment since they are backed by the U.S. Government. The U.S. Dollar (the base denomination of U.S. Treasuries) is also considered the world’s highest-quality reserve currency.
    - B. Exposure to U.S. Treasury Duration can take place via cash markets (i.e., actual bonds) or the futures markets (virtual bond proxies).
  - ii. Systematic Trend Following
    - A. Long-short portfolios utilizing derivatives-based instruments to capture both periodic appreciation and periodic depreciation trends that evolve and dissipate across a very wide array of liquid global markets. Risk/volatility is calibrated to a pre-determined level derivatives-based leverage.

- B. Assets will be invested in highly liquid underlying securities (cash, futures, forwards, etc.), allowing for relatively rapid access for rebalancing and liquidity purposes.
  - C. In order to appropriately calibrate the expected volatility of this component and the overall CRO class, significant levels of derivatives-based leverage may be applied. Effects of leverage are adjusted daily through market-based exchanges/facilities, ensuring appropriate and timely mark-to-market valuations.
- iii. Alternative Risk Premia
- A. Long-short portfolios utilizing both cash and derivatives-based instruments to capture well-researched/documented non-market risk premiums (e.g., momentum, carry, value, low-volatility, etc.) on a continuous basis, utilizing an array of liquid global markets. Risk/volatility is calibrated to a pre-determined level utilizing cash and derivatives-based leverage.
  - B. Assets will be invested in highly liquid underlying securities (cash, stocks, futures, forwards, etc.), allowing for relatively rapid access for rebalancing and liquidity purposes.

## VIII. POLICY REVIEW

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

## IX. HISTORY

10/12/2007	Adopted by Board of Retirement
09/26/2008	Revised by Board of Retirement modifying asset allocation targets
05/05/2009	Revised by Board of Retirement modifying asset allocation targets
02/26/2010	Revised by Board of Retirement modifying asset allocation target ranges
07/27/2012	Revised by Board of Retirement modifying ranges for sub-asset classes and adding cash overlay program
12/14/2012	Revised by Board of Retirement regarding changes to long-term benchmarks
04/26/2013	Revised by Board of Retirement adding the Real Asset class
05/09/2014	Revised by Board of Retirement modifying asset allocation targets
11/13/2015	Revised by Board of Retirement moving public real estate to the Global Public Equity class
06/10/2016	Revised by Board of Retirement moving public real estate to the Global Public Equity class

- 08/16/2017 Revised by Board of Retirement modifying asset allocation targets
- 11/03/2017 Revised by Board of Retirement establishing minimum threshold commitments
- 07/05/2018 Reviewed, no changes required; Staff updated format
- 10/12/2018 Deleted redundant language that already exists in the Investment Manager and Communications Policy
- 04/12/2019 Policy Review section amended to at least once every three years
- 12/11/2020 Revised asset allocation targets and incorporated asset class-specific policies' guidelines and performance measurement standards
- 02/12/2021 Revised Benchmark for the Aggressive Growth asset class
- 04/09/2021 Revised Section V.C to specify rebalancing triggers and reporting requirement when public markets are used as proxies for private markets
- 01/20/2023 Revised to reflect the asset allocation targets adopted June 3, 2022 as part of the Asset-Liability study.

**Certification of Board Adoption**

	01/20/2023
Clerk of the Board	Date



# Trustee and Executive Staff Travel Policy

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## I. Purpose

- A. The Board of Retirement (Board) and designated staff have a fiduciary duty to obtain education on matters of public pension investments and administration, to monitor the investments and administration of the Trust, and to monitor the work of those to whom the Board has delegated authority to manage and administer Trust assets.
- B. To execute this oversight, Trustees and/or Executive Staff may be required to participate in business meetings, educational programs and conferences and seminars on behalf SJCERA in or outside of the state of California.
- C. For purposes of this policy Executive Staff are defined as:
  - 1. Chief Executive Officer (CEO)
  - 2. Assistant Chief Executive Officer
  - 3. Retirement Investment Officer
  - 4. Deputy County Counsel assigned as counsel to the Board
- D. Trustees and Executive staff are entitled to reimbursement for usual and reasonable expenses incurred in fulfilling their leadership role and it is the purpose of this policy to establish guidelines for approval and reimbursement of travel and related expenses that are incurred while fulfilling those roles.

## II. Requests for Travel

- A. To assist the Board and Executive Staff in the planning of travel, the CEO is responsible for developing and managing education and travel expense programs consistent with the best interests of SJCERA. A schedule of upcoming conferences, meetings and seminars will be developed, maintained and provided as part of the Board's monthly meeting agenda.
- B. Any Board or Executive Staff member requesting to attend an event that requires an overnight stay must notify the CEO or designee in advance. A formal Travel Request for attendance at the event will be completed by SJCERA staff. The Travel Request will identify the event, dates, location, proposed SJCERA attendees, and estimated costs, with the event agenda and schedule attached, if available.
- C. Requests to attend conferences, meetings, seminars or special sessions sponsored by the State Association of County Retirement Systems (SACRS) and the California Association of Public Retirement Systems (CALAPRS) are considered approved travel without further action of the Board.
- D. Each Trustee is allotted \$2,500 for the calendar year. Excluded from the allotted annual amount are the educational opportunities listed in section II.C above.
- E. All travel requests shall be summarized on the "Summary of Pending Trustee and Executive Staff Travel" report, updated and included in the Board's monthly meeting

agenda for information or action as appropriate. The report will include the status of the travel request approval.

- F. Trustees and Executive Staff shall notify the CEO or designee of any changes in travel or accommodation arrangements in a timely manner. Failure to do so may result in the Trustee or Executive Staff member being held responsible for any additional costs incurred as a result of changes or cancellation.

### **III. Approval of Travel**

- A. All requests for travel subject to this policy require approval in advance by the Board.
  - 1. Exception: It is recognized that due to emergency circumstances, there may be a need for travel that arises precluding prior approval by the Board. In those situations, the CEO will consult with the Board Chair to determine the appropriateness of the travel. If approval of the requested travel is granted, the CEO shall, upon receipt of written approval by the Board Chair, authorize travel on behalf of the Board.
- B. In determining the priority and approval for attendance at conferences, meetings and seminars, the Board shall consider:
  - 1. The extent to which the participants' capacity to carry out his/her duties as a Trustee or Executive Staff of SJCERA will be enhanced in a significant manner (including speaking engagements where the participant can enhance his/her capacity through attendance at the event);
  - 2. The cost-effectiveness of the opportunity; and
  - 3. The timeliness and relevance of the opportunity.
- C. In-State Travel is defined as travel within California or to the Tahoe basin/Reno area.
- D. Out-of-State Travel is defined as travel outside of California but within the fifty United States.
- E. International Travel is defined as travel outside of the fifty United States.
  - 1. In consideration of SJCERA's asset allocation to non-U.S. investments, the Board may authorize one or more Trustees or Executive Staff to travel outside the United States. Any request for international travel will be presented as an action item on a Board meeting agenda. Approval for international travel will require a vote by the Board.
- F. All requests for travel listed on the "Summary of Pending Trustee and Executive Staff Travel" that are pending approval by the Board may be approved by consent at a Board meeting. A Board member may request that an item on the travel list be removed for separate consideration and action from the rest of the travel requests pending approval. All travel requests pending Board approval, whether on the "consent" travel list or considered as a separate item, must be approved by a vote of the Board.
- G. All approved requests for travel require the completion of a SJCERA Travel Request Form prior to the commencement of travel and is required for reimbursement of travel expenses.
- H. The CEO or designee is authorized to sign SJCERA Travel Request Forms.

### **IV. Reimbursement of Travel Expenses**



- A. SJCERA shall only pay or reimburse valid travel and related expenses incurred directly by SJCERA Trustees and Executive Staff. All other expenses shall be the responsibility of the respective Trustee or Executive Staff member.
- B. Travel and related expenses that may be paid on behalf of or reimbursed to Trustees and Executive Staff include, but are not limited to, the following:
1. Coach Class Airfare
    - a. Actual costs for air travel as evidenced by airline itinerary and receipt. Travelers are expected to take advantage of the lowest airfare.
  2. Ground Transportation:
    - a. Actual reasonable fares for taxis/ride share services, shuttles, trains, buses, subways, etc., and customary gratuities, if any, up to 20 percent, as evidenced by receipts.
      - i. Unreasonable fares are those that exceed by more than 10 percent the typical cost for transportation to that location.
      - ii. Fares that are determined to be unreasonable will be reimbursed up to a maximum of 10 percent above the typical cost for transportation to that location.
    - b. Rental cars - Actual reasonable costs as evidenced by receipt. When renting cars for official SJCERA business, travelers are expected to take advantage of discounted and/or special government rates if available. Travelers are expected to purchase available optional liability and collision, or similar insurance offered by the rental agency. The cost of such insurance will be reimbursed by SJCERA.
    - c. Personal automobile - Mileage shall be reimbursed for in-state travel at the standard adopted by the Internal Revenue Service at the time the expenses were incurred. Mileage reimbursements for Appointed Trustees and Trustees elected by Retired Members will be to and from the Trustee's home address. Mileage reimbursements for Executive Staff and Trustees elected by Active Members ~~Elected Trustees and Executive Staff~~ will be to and from SJCERA regardless of where they actually departed from when embarking on the trip.
  3. Lodging (single occupancy):
    - a. The actual reasonable cost for lodging expense will be paid or reimbursed.
    - b. Travelers are expected to take advantage of group discounts or special government rates for lodging when available.
    - c. When a traveler is attending an event held at a specific hotel, generally the traveler will stay at the event hotel.
      - i. However, some conferences are held at high cost luxury hotels. In these situations, if alternate, lower cost, conveniently located lodging is available, travelers are expected to take advantage of such lower cost lodging alternatives.
  4. Meal expenses:

- a. For each day of travel actual and reasonable meal expenses, including gratuities up to 20 percent, will be paid or reimbursed when traveling on official SJCERA business not to exceed a maximum of \$70 per person. Receipts will be required to document meal expenses under this provision.
  - b. Any request for reimbursement of actual and reasonable expenses in excess of \$70 per person per day of travel may be authorized by the CEO. No allowance will be paid or reimbursed for meals that are included as part of an organization's scheduled program.
  - c. Expenses for alcoholic beverages will not be paid or reimbursed by SJCERA.
- 5. Telephone calls and business services (photocopies, faxes, computer services etc.). Actual reasonable expenses incurred as evidenced by receipts.
- 6. The limitations on reimbursement specified herein shall not apply when Trustees and/or Executive Staff attend annual investor meetings sponsored by an investment manager or general partner under contract with SJCERA or any other instance or event for which SJCERA receives and pays an invoice from the meeting or event sponsor(s) for lodging, meals or other allowable expenses for SJCERA attendee(s).
- C. Requests for reimbursement must be accompanied by actual receipts and submitted to the CEO for approval and reimbursement within ninety days (90) from the time the expenses were incurred.
  - 1. If actual receipts are not readily available, the requestor may submit a substitute receipt or form, certifying by signature that the receipt was not available to submit.
- D. The CEO shall approve all requests for reimbursement of Trustees and Executive Staff travel expenses, excluding the CEO's. The Board Chair shall approve the CEO's requests for reimbursement of expenses.
- E. Claims for reimbursement of travel expenses shall be submitted to the Auditor-Controller.
- F. Reimbursements submitted more than ninety days after the end of the calendar year in which the expense was incurred may be denied.

## **V. Travel Reports**

- A. A "Summary of Completed Trustee and Executive Staff Travel" report will be provided to the Board no less than on a quarterly basis. This report shall identify the event, the individual Trustee or Executive Staff who attended, the location, and cost of travel. This report will be cumulative for a calendar year.
- B. Trustees or Executive Staff members, who attend a seminar, on-site visitation or conference, except as specified in II C, should prepare a written report on the content and the continuing value for future attendance by other Board or staff members. These reports will be provided to the Board in a meeting agenda.

## **VI. Political Reform Act Requirements**

- A. Trustees and Executive staff have the responsibility to ascertain and comply with their obligations under the Political Reform Act.

## VII. Law Prevails

In the event a conflict between this policy and the County Employees Retirement Law, the Public Employees' Pension Reform Act, or other applicable state or federal law arises, the law shall prevail.

## VIII. Policy Review

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance with section 81000 of the California Government Code. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

## IX. History

07/11/2008	Board Adopted
11/07/2008	Board Revised
12/17/2010	Board Revised
03/22/2013	Board Revised to include invoiced-event exemption to reimbursement limitations
06/29/2018	Staff reviewed, no content changes required; updated format
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Added customary gratuities for ground travel and made various technical, non-substantive corrections
07/08/2022	Added annual travel spending cap, deleted due diligence, increased daily meal allowance, added law prevails section.
<u>01/20/2023</u>	<u>Clarified mileage reimbursement for retired Trustees is from home and defined reasonable fares for ground transportation.</u>

### Certification of Board Adoption:

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Clerk of the Board

01/20/2023

Date



# Trustee and Executive Staff Travel Policy

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## I. Purpose

- A. The Board of Retirement (Board) and designated staff have a fiduciary duty to obtain education on matters of public pension investments and administration, to monitor the investments and administration of the Trust, and to monitor the work of those to whom the Board has delegated authority to manage and administer Trust assets.
- B. To execute this oversight, Trustees and/or Executive Staff may be required to participate in business meetings, educational programs and conferences and seminars on behalf SJCERA in or outside of the state of California.
- C. For purposes of this policy Executive Staff are defined as:
  - 1. Chief Executive Officer (CEO)
  - 2. Assistant Chief Executive Officer
  - 3. Retirement Investment Officer
  - 4. Deputy County Counsel assigned as counsel to the Board
- D. Trustees and Executive staff are entitled to reimbursement for usual and reasonable expenses incurred in fulfilling their leadership role and it is the purpose of this policy to establish guidelines for approval and reimbursement of travel and related expenses that are incurred while fulfilling those roles.

## II. Requests for Travel

- A. To assist the Board and Executive Staff in the planning of travel, the CEO is responsible for developing and managing education and travel expense programs consistent with the best interests of SJCERA. A schedule of upcoming conferences, meetings and seminars will be developed, maintained and provided as part of the Board's monthly meeting agenda.
- B. Any Board or Executive Staff member requesting to attend an event that requires an overnight stay must notify the CEO or designee in advance. A formal Travel Request for attendance at the event will be completed by SJCERA staff. The Travel Request will identify the event, dates, location, proposed SJCERA attendees, and estimated costs, with the event agenda and schedule attached, if available.
- C. Requests to attend conferences, meetings, seminars or special sessions sponsored by the State Association of County Retirement Systems (SACRS) and the California Association of Public Retirement Systems (CALAPRS) are considered approved travel without further action of the Board.
- D. Each Trustee is allotted \$2,500 for the calendar year. Excluded from the allotted annual amount are the educational opportunities listed in section II.C above.
- E. All travel requests shall be summarized on the "Summary of Pending Trustee and Executive Staff Travel" report, updated and included in the Board's monthly meeting

agenda for information or action as appropriate. The report will include the status of the travel request approval.

- F. Trustees and Executive Staff shall notify the CEO or designee of any changes in travel or accommodation arrangements in a timely manner. Failure to do so may result in the Trustee or Executive Staff member being held responsible for any additional costs incurred as a result of changes or cancellation.

### **III. Approval of Travel**

- A. All requests for travel subject to this policy require approval in advance by the Board.
  - 1. Exception: It is recognized that due to emergency circumstances, there may be a need for travel that arises precluding prior approval by the Board. In those situations, the CEO will consult with the Board Chair to determine the appropriateness of the travel. If approval of the requested travel is granted, the CEO shall, upon receipt of written approval by the Board Chair, authorize travel on behalf of the Board.
- B. In determining the priority and approval for attendance at conferences, meetings and seminars, the Board shall consider:
  - 1. The extent to which the participants' capacity to carry out his/her duties as a Trustee or Executive Staff of SJCERA will be enhanced in a significant manner (including speaking engagements where the participant can enhance his/her capacity through attendance at the event);
  - 2. The cost-effectiveness of the opportunity; and
  - 3. The timeliness and relevance of the opportunity.
- C. In-State Travel is defined as travel within California or to the Tahoe basin/Reno area.
- D. Out-of-State Travel is defined as travel outside of California but within the fifty United States.
- E. International Travel is defined as travel outside of the fifty United States.
  - 1. In consideration of SJCERA's asset allocation to non-U.S. investments, the Board may authorize one or more Trustees or Executive Staff to travel outside the United States. Any request for international travel will be presented as an action item on a Board meeting agenda. Approval for international travel will require a vote by the Board.
- F. All requests for travel listed on the "Summary of Pending Trustee and Executive Staff Travel" that are pending approval by the Board may be approved by consent at a Board meeting. A Board member may request that an item on the travel list be removed for separate consideration and action from the rest of the travel requests pending approval. All travel requests pending Board approval, whether on the "consent" travel list or considered as a separate item, must be approved by a vote of the Board.
- G. All approved requests for travel require the completion of a SJCERA Travel Request Form prior to the commencement of travel and is required for reimbursement of travel expenses.
- H. The CEO or designee is authorized to sign SJCERA Travel Request Forms.

### III. Reimbursement of Travel Expenses

- A. SJCERA shall only pay or reimburse valid travel and related expenses incurred directly by SJCERA Trustees and Executive Staff. All other expenses shall be the responsibility of the respective Trustee or Executive Staff member.
- B. Travel and related expenses that may be paid on behalf of or reimbursed to Trustees and Executive Staff include, but are not limited to, the following:
  - 1. Coach Class Airfare
    - a. Actual costs for air travel as evidenced by airline itinerary and receipt. Travelers are expected to take advantage of the lowest airfare.
  - 2. Ground Transportation:
    - a. Actual reasonable fares for taxis/ride share services,shuttles, trains, buses, subways, etc., and customary gratuities, if any, up to 20 percent, as evidenced by receipts.
      - i. Unreasonable fares are those that exceed by more than 10 percent the typical cost for transportation to that location.
      - ii. Fares that are determined to be unreasonable will be reimbursed up to a maximum of 10 percent above the typical cost for transportation to that location.
    - b. Rental cars - Actual reasonable costs as evidenced by receipt. When renting cars for official SJCERA business, travelers are expected to take advantage of discounted and/or special government rates if available. Travelers are expected to purchase available optional liability and collision, or similar insurance offered by the rental agency. The cost of such insurance will be reimbursed by SJCERA.
    - c. Personal automobile - Mileage shall be reimbursed for in-state travel at the standard adopted by the Internal Revenue Service at the time the expenses were incurred. Mileage reimbursements for Appointed Trustees and Trustees elected by Retired Members will be to and from the Trustee's home address. Mileage reimbursements for Executive Staff and Trustees elected by Active Members will be to and from SJCERA regardless of where they actually departed from when embarking on the trip.
  - 3. Lodging (single occupancy):
    - a. The actual reasonable cost for lodging expense will be paid or reimbursed.
    - b. Travelers are expected to take advantage of group discounts or special government rates for lodging when available.
    - c. When a traveler is attending an event held at a specific hotel, generally the traveler will stay at the event hotel.
      - i. However, some conferences are held at high cost luxury hotels. In these situations, if alternate, lower cost, conveniently located lodging is available, travelers are expected to take advantage of such lower cost lodging alternatives.

4. Meal expenses:
    - a. For each day of travel actual and reasonable meal expenses, including gratuities up to 20 percent, will be paid or reimbursed when traveling on official SJCERA business not to exceed a maximum of \$70 per person. Receipts will be required to document meal expenses under this provision.
    - b. Any request for reimbursement of actual and reasonable expenses in excess of \$70 per person per day of travel may be authorized by the CEO. No allowance will be paid or reimbursed for meals that are included as part of an organization's scheduled program.
    - c. Expenses for alcoholic beverages will not be paid or reimbursed by SJCERA.
  5. Telephone calls and business services (photocopies, faxes, computer services etc.). Actual reasonable expenses incurred as evidenced by receipts.
  6. The limitations on reimbursement specified herein shall not apply when Trustees and/or Executive Staff attend annual investor meetings sponsored by an investment manager or general partner under contract with SJCERA or any other instance or event for which SJCERA receives and pays an invoice from the meeting or event sponsor(s) for lodging, meals or other allowable expenses for SJCERA attendee(s).
- C. Requests for reimbursement must be accompanied by actual receipts and submitted to the CEO for approval and reimbursement within ninety days (90) from the time the expenses were incurred.
1. If actual receipts are not readily available, the requestor may submit a substitute receipt or form, certifying by signature that the receipt was not available to submit.
- D. The CEO shall approve all requests for reimbursement of Trustees and Executive Staff travel expenses, excluding the CEO's. The Board Chair shall approve the CEO's requests for reimbursement of expenses.
- E. Claims for reimbursement of travel expenses shall be submitted to the Auditor-Controller.
- F. Reimbursements submitted more than ninety days after the end of the calendar year in which the expense was incurred may be denied.

## **V. Travel Reports**

- A. A "Summary of Completed Trustee and Executive Staff Travel" report will be provided to the Board no less than on a quarterly basis. This report shall identify the event, the individual Trustee or Executive Staff who attended, the location, and cost of travel. This report will be cumulative for a calendar year.
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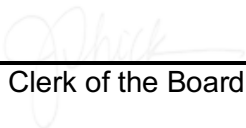
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### Certification of Board Adoption:

  
Clerk of the Board

01/20/2023

Date





## Board Administration Policy

# Statement of Reserve Policy

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### I. Purpose

A. ~~The purpose of this Statement of Reserve Policy is to~~ summarize the structure, ~~and operation~~ and accounting of the reserves created and maintained by the San Joaquin County Employees' Retirement Association (SJ-CERA, the Plan, the Fund). ~~This Statement is drafted to achieve the following goals:~~

- ~~1. Document the existing reserve structure and the accounting policies currently in place; and~~
- ~~2. Establish a base for considering future changes in reserve policies.~~
- ~~3. This Statement describes the SJ-CERA reserve structure and the mechanisms used to accumulate assets and disburse payments from each reserve. It is organized as follows:~~
  - ~~a. Description — The various reserves are categorized and their purposes and related liabilities are described.~~
  - ~~b. Cash Flows — The inflows and outflows, excluding interest, are enumerated for each reserve.~~
  - ~~c. Interest Credits — The computation and timing of the interest credited to each reserve are described.~~
  - ~~d. Reserve Transfers — The circumstances under which the Retirement Board (the Board) may elect to move balances from one reserve account to another are described.~~
  - ~~e. Reconciliation — The method and frequency by which the reserve accounts should be reconciled with the underlying liability is specified.~~
  - ~~f. This Statement is a working document that will be modified as the Board deems necessary.~~

### II. Market Value and Actuarial Value

A. All reserves are held at market value. However, in computing the smoothed or actuarial value of assets required to compute the Plan's funded status and the employer contribution rates, a conversion to actuarial value is sometimes required. This will be noted in each case.

### III. Reserve Descriptions

Fund reserves fall into one of two categories: Valuation Reserves and Special Reserves. This section describes the purpose and liability of each reserve.

#### A. Valuation Reserves

1. Valuation Reserves include Member Reserves, Retired Member Reserves (excluding certain death benefit reserves), Employer Advance Reserves, the Market Stabilization Designation, and the Unappropriated Earnings Reserve. The total of the Valuation Reserves equals the market value of Fund assets, excluding amounts held in the Special Reserves, also at market value.
2. The total of the Valuation Reserves, excluding the Market Stabilization Designation and excluding the Special Reserves (adjusted to actuarial value), is the Actuarial Value of Fund Assets used to determine the funded ratio and the employer contributions to the Fund as part of the annual actuarial valuation performed each year. Any policy that affects the amount of funds assigned to Valuation Reserves has the potential to affect Plan costs.

##### a) Member Reserves

- i. The Member Reserves contain the cumulative employee contributions with interest for active and deferred members. Active member contributions are held in separate reserves for General and Safety, while cumulative member contributions for terminated deferred members are also held in General and Safety reserves. Member contributions for COLAs are combined with all other member contributions in the Member Reserves.
- ii. The Plan liability matching this reserve is the sum of member contributions with interest for active and terminated deferred members.

##### b) Retired Member Reserves

- i. The Retired Member Reserves contain the assets necessary to fund the benefits and COLAs in pay status for retired and disabled members and their beneficiaries, including the \$5,000 lump sum death benefit, the Purchasing Power Protection benefit, and the Pre-April 1, 1982 Settlement (Board Resolution 2012-12-03).
- ii. The Plan liability matching this reserve is the actuarial present value of benefits for members in pay status – retired and disabled members and their beneficiaries. When reserves are reconciled with liabilities, the sum of the

Retired Member Reserves should equal the liability held for retired and disabled members and their beneficiaries. Consequently, the Plan's liability for members in pay status would be 100% funded.

~~iii. In actuarial valuations through January 1, 2012, Special Reserves were held for the \$5,000 lump sum death benefit, the Purchasing Power Protection benefit, and the Pre-April 1, 1982 Settlement. Beginning with the January 1, 2013 valuation, these benefits will be included in the actuarial valuation performed for the Plan. Since these benefits are primarily payable on behalf of retired members, the reserve balances on December 31, 2012 will be included in Valuation Reserves (Retired Member Reserves).~~

c) Employer Advance Reserves

- i. The Employer Advance Reserves contain the assets allocated to the employer portion of the liabilities for active and deferred members. The amount in this reserve is the actuarial value of total Fund assets, minus the Member Reserves, Retired Member Reserves, Unappropriated Earnings Reserve, and Special Reserves, all at actuarial value.
- ii. The Plan liability matching this reserve is the actuarial accrued liability for active and deferred members.

d) Market Stabilization Designation

- i. The Market Stabilization Designation consists of the difference between the market value of Plan assets and their actuarial value. It contains the total of unrecognized investment gains and losses from the current and prior three Plan (calendar) years.
- ii. If the smoothed actuarial value of assets exceeds market value, the Market Stabilization Designation is negative; otherwise, it is zero or positive. The liability matching the Market Stabilization Designation is the sum of unrecognized investment gains and losses, as noted above.
- iii. Since the actuarial and market values of Plan assets are determined for all assets in total, regardless of allocation to reserves, the calculation of the Market Stabilization Designation is independent of and must precede the apportionment of assets into reserves.

- iv. The Market Stabilization Designation is the amount that must be added to the Actuarial Value of Fund assets to agree with the Market Value of Fund assets. It represents deferred gains (losses) if positive (negative). It therefore represents a reserve for those unrealized gains or losses that is excluded from the calculation of Plan funding status and employer contribution rates.

e) Unappropriated Earnings Reserve

- i. The Unappropriated Earnings Reserve is reestablished yearly after all other requirements are met, in the following order: Full actuarial interest on Valuation Reserves and all other reserves, an amount necessary to bring the overall actuarial funded ratio of the Fund to 90% in accordance with the Board's Statement of Funding Policy, and an amount necessary to bring the Contingency Reserve to the 1% minimum.
- ii. The amount in the Unappropriated Earnings Reserve can then be transferred to other reserves, subject to the limitations contained in the Board's Statement of Funding Policy and in other applicable legal obligations and settlements.
- iii. The liability associated with this reserve is the excess of the Plan's actuarial accrued liability over the total of the Member, Retired Member, and Employer Advance Reserves.

**B. Special Reserves**

- 1. Special Reserves consist of funds excluded from the annual actuarial valuation and therefore not used in the calculation of the Plan's funded ratio and employer contribution. The amounts set aside can be for designated purposes or for market fluctuation.

~~a. Post-Retirement Death Benefit Reserve~~

- ~~i. Effective January 1, 2013, the liability for the \$5,000 lump sum death benefit for retirees (Government Code Section 31789.3) was included in the actuarial valuation and in Valuation Reserves.~~

~~b.a. Employment Healthcare Agency Fund~~

- ~~i. In 2011, following the IRS' approval of SJCERA VCP application it was determined that the proper presentation of what was formerly known as the Health Insurance Reserve~~

~~should instead be the Post-Employment Healthcare Agency.~~ The fund is used for cash flows in from employers to fund sick leave bank benefits for their eligible retired employees on a pay as you go basis, and for cash flows out for payment of sick leave bank benefits.

~~c. Purchasing Power Cost of Living Reserve~~

- ~~i. After January 1, 2013, the liability for the Purchasing Power Protection benefit for retirees (Government Code Section 31874.3) is included in the actuarial valuation and in Valuation Reserves, and is part of Retired Member Reserves. It is no longer separately accounted for.~~

~~d. Pre-April 1, 1982 Settlement Reserve~~

- ~~i. After January 1, 2013, the liability for the Pre-April 1, 1982 Settlement benefit for retirees established as part of the 2001 DSA Settlement is included in the actuarial valuation and in Valuation Reserves, and is part of the Retired Member Reserves. It is no longer separately accounted for.~~

~~e.b. Post-April 1, 1982 Settlement Reserve~~

- i. The Post-April 1, 1982 Settlement Reserve was established in 2001 as part of the DSA Settlement for members who retired after April 1, 1982 and before January 1, 2001. The benefit payable from the reserve is \$10 per month per year of service, with a maximum monthly benefit of \$300, prorated for beneficiaries receiving less than 100% of the member's benefit. An initial amount of \$19.1 million was transferred from the Special Litigation Reserve; at the time of the Settlement, the Fund actuaries estimated that it would take \$36.9 million to fully fund this benefit.
- ii. Under the Settlement Agreement, benefits are paid from the Reserve until the Reserve is exhausted. At that time, benefits are stopped until additional funds are added to the Reserve. The Settlement stipulates that full funding of post-1982 benefits is a requirement after transfers required by law to make up for prior years' interest crediting shortfalls and after any true-up costs occurring in the three years following the establishment of this Reserve.
- ~~iii. Benefits stopped in May 2006, when this reserve was depleted. In October 2007, the Board of Retirement elected to make a one-time transfer from funds in excess of 1% in the Contingency Reserve. After the transfer of \$2.5 million from the Contingency Reserve, benefits recommenced~~

~~December 1, 2007. In August 2008, the Board of Retirement approved a transfer of approximately \$4.6 million from the Unappropriated Earnings Reserve to continue funding of this benefit. In October 2008, the Board of Retirement approved a transfer of \$18.4 million from the Unappropriated Earnings Reserve to continue the Post-1982 Settlement Benefit as long as sufficient funds remain.~~

~~iv-iii.~~ The liability matching this reserve is the actuarial present value of the benefits provided under this part of the DSA Settlement.

#### f.c. Contingency Reserve

- i. The 1% Contingency Reserve ~~(formerly the Interest Fluctuation Reserve)~~ is required by law to have a balance of at least 1% of all Fund assets before the Board is allowed to make any discretionary reserve allocations. ~~(Retirement Board policy historically was to maintain the Reserve at 3%, but, for reasons and under the conditions set forth in its Board Resolution 2017-06-02), the Board exercised its discretion in June 2017 to set the level at 1%.~~

Assigning funds to the Contingency Reserve keeps them outside of the valuation assets, thus increasing employer contributions to the Plan in a given year. Using the Contingency Reserve during years when full interest cannot otherwise be credited serves to decrease Plan costs in those years.

~~iii-ii.~~ No liability is associated with this reserve.

#### a.d. ~~County Employer~~ Additional UAL Contribution Reserve

- i. The County Employer Additional UAL Contribution Reserve receives additional contributions paid by ~~San Joaquin County Employers~~ toward its-their individual share of the unfunded actuarial liability (UAL) ~~beginning in calendar year 2017. On March 29, 2016, the Board of Supervisors approved an additional annual County contribution ranging from 0% to 5% of payroll for the next 10 years effective January 1, 2017 for this purpose.~~
- ii. These additional UAL contributions are not to be taken into consideration in the annual retirement contribution rate setting process, unless and until the County Employer advises when it wants the plan actuary to credit this new reserve against ~~the County's~~ that individual Employer's share of UAL as valuation assets.

- iii. For the annual GASB 67/68 report, the ~~County's Employers'~~ additional UAL contributions are included in the Plan Net Position (and thus will reduce the total Net Pension Liability). However, ~~these additional UAL contributions each employer paid assets~~ directly offset only ~~the that individual County's Employer's~~ portion of the Net Pension Liability (NPL).

#### **IV. Relationship of Reserve Balances**

Table 1 below shows the relationships among the reserve balances at the end of each Plan fiscal year, both at actuarial value and at market value. The numbers below show the order in which the various reserves are computed.

<b>Table 1: Relationships Among Reserve Balances</b>			
<b>Reserve</b>	<b>Actuarial Value</b>	<b>Market Stabilization Designation</b>	<b>Market Value</b>
<b>Total Fund</b>	2. Total Fund balance at Actuarial Value as computed by the actuary at the end of the Fund fiscal year	3. Market Value of the Fund minus Actuarial Value at the end of the Fund fiscal year	1. Total Fund balance at Market Value as contained in the Financial Statements of the Fund at the end of the Fund fiscal year
<b>Special Reserves</b>	6. The Actuarial Value of the Special Reserves, obtained by subtracting the Market Stabilization Designation for Special Reserves from the Market Value of Special Reserves	5. The portion of the Market Stabilization Designation attributable to Special Reserves, derived by applying the ratio of the Market Value of Special Reserves to the total Fund Market Value	4. Market Value of the Fund Special Reserves, as reported in the Fund Financial Statements at the end of the Fund fiscal year
<b>Unappropriated Earnings Reserve</b>	7. The Board sets aside a portion of assets in the Unappropriated Earnings Reserve, based on Board Funding Policy.	9. Market Value of the Unappropriated Earnings Reserve minus Actuarial Value of the Unappropriated Earnings Reserve at the end of the Fund fiscal year.	8. The Market Value of the Unappropriated Earnings Reserve, computed by applying the ratio of the Market Value of the total Fund to the Total Fund balance at Actuarial Value and applying that to the Unappropriated Earnings Reserve at Actuarial Value.
<b>Valuation Assets</b>	10. The Actuarial Value of Assets for use in computing Employer Contributions in the annual Actuarial Valuation, obtained by subtracting the Actuarial Value of the Special Reserves from the Actuarial Value of all Fund Assets.  Valuation Assets includes all Valuation Reserves: The Member Reserves, Retired Member Reserves, Employer Advance Reserve, and the Unappropriated Earnings Reserve.	11. The portion of the Market Stabilization Designation attributable to Valuation Assets, computed by subtracting the Market Stabilization Designations for the Special Reserves and the Unappropriated Earnings Reserve from the Market Stabilization Designation of all Fund Assets.	12. The Market Value of Valuation Assets, computed by subtracting the Market Value of the Special Reserves from the Market Value of all Fund Assets.  Note this can also be obtained by adding the Actuarial Value of Valuation Assets to the Market Stabilization Designation for Valuation Assets.



## V. Reserve Cash Flows

Shown below are the additions and subtractions to each reserve, excluding interest credits. Interest credits are described in Section VI.

### A. Valuation Reserves

#### 1. Member Reserves

- i. For active members, employee contributions are added to the reserves, while the entire accumulated balance for members who take a contribution refund or enter pay status through retirement, disability, or death is subtracted.
- ii. For deferred members, there are no employee contributions to add, but the entire accumulated balance for members who take a contribution refund or enter pay status through retirement, disability, or death is subtracted.
- iii. Addition and subtraction of member contributions occurs on a biweekly and monthly basis.

#### 2. Retired Member Reserves

- i. The Retired Member Reserve increases with reserves transferred from the Member Reserve and the Employer Advance Reserve when members retire, become disabled, or die leaving beneficiaries; it decreases as members or their beneficiaries receive benefit payments.

#### 3. Employer Advance Reserves

- i. The Employer Advance Reserves is increased by employer contributions each year, and is decreased by the liability for members who enter benefit status each year through retirement, disability, or death.

#### 4. Market Stabilization Designation

- i. The Market Stabilization Designation is recomputed in each annual actuarial valuation as the total of unrecognized investment gains and losses from the current and prior three Plan (calendar) years. Therefore, any increases or decreases to this reserve do not result from additions or deletions. See [Section IV, Table 1 above](#).

## 5. Unappropriated Earnings Reserve

- i. The Unappropriated Earnings Reserve is reestablished yearly in accordance with the Board's Statement of Funding Policy and other applicable legal obligations and settlements. This process is described in Section III, A. ~~52.e-above~~.

## B. Special Reserves

### 1. Post-Employment Healthcare Agency Fund

- i. The Post-Employment Healthcare Agency Fund is increased with employer contributions and decreased when retirees' accumulated sick leave at retirement is converted to additional retirement service credit or when health premiums are paid from their sick leave banks ~~or accumulated sick leave at retirement is converted to additional retirement service credit~~ on a pay as you go basis.

### 2. Post-April 1, 1982 Settlement Reserve

- i. The Post-April 1, 1982 Settlement Reserve is decreased with payments made and is increased with interest credits and any amounts transferred by the Board from other reserves (Board Resolutions 2007-10-02, 2008-08-02, 2008-10-01).

### 3. Contingency Reserve

- i. The annual additions to and withdrawals from the Contingency Reserve are determined by the Board and sufficiency of earnings on assets to credit full interest to all accounts.

### 4. County-Employer Additional UAL Contribution Reserve

- i. The County-Employer Additional UAL Contribution Reserve is increased with additional contributions paid by the CountyEmployer and decreases when an Employer requests reserve be counted in the valuation of assets.

## VI. Reserve Interest Credits

- A. At the end of each year, each reserve account is adjusted based on contributions and disbursements during the year, as described in this policyabove. Interest is then computed as described in this section and ~~R~~eserves are ~~then~~ credited interest using the following priority order:

1. Member Reserves: The first priority is to credit all Member Reserves at the actuarial assumed rate, regardless of Fund performance. For

both active and deferred Member Reserves, interest is credited semiannually at a rate which, when compounded, produces the annual actuarial assumed rate of investment return.

2. Determination of Market Stabilization Designation (MSD): Before any other reserve accounts are allocated, the amount of the market stabilization reserve needs to be determined by the Plan's actuary. This amount can be positive or negative, and serves as an offset to the market value of assets in determining available interest credits. This means that the amount of available earnings at the end of each year is roughly equal to the return on the actuarial value of assets from the prior valuation date.
3. Employer, Retiree, and certain special reserves: After the Member Reserves and MSD are allocated, a target total interest credit is calculated for all other reserve accounts, excluding the Contingency Reserve. This target amount is based on interest credits at the full actuarial rate to the end-of-year reserve balances. To the extent that the remaining available assets cover the target interest credits, all accounts are credited annually.
4. Currently all of these additional reserves receive equal priority, so if the available interest credits only cover a portion of the full target amount at the actuarial rate, these accounts will all receive the same percentage interest credit. For example, if the total end-of-year balance for all of these reserves equals \$1 billion, and \$70 million is available to allocate at this point, then all accounts will receive 7.0% interest credits. Interest crediting for these reserves is deferred until the close of the calendar year, when the full impact of investment earnings is known.
5. Employer Additional UAL Contributions: This reserve is credited with the actual annual rate of return (including negative returns) on the market value of assets for the plan as a whole, rather than the "smoothed" rate of return credited to other reserves included in valuation assets. This will ensure that no other reserves will be affected by the performance of the assets in this separate reserve. Also, the plan contribution rate will not be impacted by this separate reserve until the ~~County-Employer~~ instructs ~~SJCERA to include their this reserve to be included~~ in valuation assets for the determination of the ~~County's-Employer's~~ retirement contribution rates. Interest crediting for these reserves is deferred until the close of calendar year, when the full impact of investment earnings is known.
6. Contingency Reserve: If full interest crediting as described in the preceding steps ~~are-is~~ not possible, then the Contingency Reserve will be set to \$0. If full interest crediting is possible, then any

remaining available earnings are allocated to the Contingency Reserve up to the policy level (1% of the Total Fund). Other Special Reserves: Following the year-end close and subsequent valuation, the Board of Retirement makes determinations of crediting any remaining available funds to special accounts in accordance with any applicable legal obligations and settlements. Interest crediting for these reserves is deferred until the close of calendar year, when the full impact of investment earnings is known.

7. Unappropriated Earnings Reserve (UER): If all accounts have been fully credited as described in Steps 1 through 56 above, and additional funds still remain, they are allocated to the UER.
8. Consistency with Statement of Funding Policy: The Board's Statement of Funding Policy will govern any reserve transfers; in particular, amounts will be transferred from the UER to other reserves only if the Plan Funded Ratio as defined in the Funding Policy is 90% or above.

## **VII. Periodic Reconciliation of Valuation Reserve Accounts**

- A. Over time, reserve balances and the related Fund liabilities will tend to drift apart. This occurs because the reserve accounting procedure discussed above does not allow for actuarial gains or losses in Plan assets and liabilities. As a result, the reserves may not always represent an accurate estimate of the amount needed to pay for the intended benefits. Consequently, the amounts in each Valuation Reserve should be reconciled periodically with the actuarial valuation to account for Plan experience or changes in benefits and assumptions.
- B. Reconciliation of the Valuation Reserve Accounts will result in transferring amounts from one Valuation Reserve to another. Any adjustment(s) must be authorized by the Board. It should take place when the actuarial assumptions are reviewed as a result of an actuarial experience study but no less often than every three years. For consistency with the actuarial valuation, the actuarial value of Fund assets should first be allocated to Member Reserves, then to Retired Member Reserves, then to the Employer Advance Reserves, with any remainder allocated to the Unappropriated Earnings Reserve.
- C. To the extent that it is only a rearrangement of assets within the Valuation Reserves, this reconciliation of the reserve accounts will not impact the Plan's overall contribution rate, but it could affect the calculated contribution rates for Safety and General members since funds could be transferred from one to the other. If assets are transferred from or to Special Reserves, such as the Contingency Reserve or the Post April 1, 1982 Settlement Reserve, employer contributions will be affected.

## VIII. Policy Review

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

## IX. History

<u>Date</u>	<u>Summary of Board Action</u>
02/10/2012	Adopted
12/16/2016	Added County additional UAL reserve
06/09/2017	Deleted 3% reference for UER; deleted Health Insurance Reserve; set Contingency Reserve at 1%
07/06/2018	Staff updated format; corrected inadvertent numbering error in Table 1.
04/12/2019	Policy Review section amended to at least once every three years
07/08/2022	Amended Section VI – Reserve Interest Credits to reflect existing practices for crediting reserves and acknowledge multiple employers make additional UAL contributions.
<u>01/20/2023</u>	<u>Simplified purpose, removed references to historical actions, added references to resolutions where appropriate, corrected section cross references, and replaced County with Employer in references to additional UAL contributions</u>

## Certification of Board Adoption

<hr/>	<hr/>
Clerk of the Board	01/20/2023 Date



## Board Administration Policy

# Statement of Reserve Policy

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### I. Purpose

- A. To summarize the structure, operation and accounting of the reserves created and maintained by the San Joaquin County Employees' Retirement Association (SJCERA, the Plan, the Fund).

### II. Market Value and Actuarial Value

- A. All reserves are held at market value. However, in computing the smoothed or actuarial value of assets required to compute the Plan's funded status and the employer contribution rates, a conversion to actuarial value is sometimes required. This will be noted in each case.

### III. Reserve Descriptions

Fund reserves fall into one of two categories: Valuation Reserves and Special Reserves. This section describes the purpose and liability of each reserve.

#### A. Valuation Reserves

1. Valuation Reserves include Member Reserves, Retired Member Reserves (excluding certain death benefit reserves), Employer Advance Reserves, the Market Stabilization Designation, and the Unappropriated Earnings Reserve. The total of the Valuation Reserves equals the market value of Fund assets, excluding amounts held in the Special Reserves, also at market value.
2. The total of the Valuation Reserves, excluding the Market Stabilization Designation and excluding the Special Reserves (adjusted to actuarial value), is the Actuarial Value of Fund Assets used to determine the funded ratio and the employer contributions to the Fund as part of the annual actuarial valuation performed each year. Any policy that affects the amount of funds assigned to Valuation Reserves has the potential to affect Plan costs.

#### a) Member Reserves

- i. The Member Reserves contain the cumulative employee contributions with interest for active and deferred members. Active member contributions are held in separate reserves for General and Safety, while cumulative member contributions for terminated deferred members are also held in General and Safety reserves. Member contributions for COLAs are combined with all other member contributions in the Member Reserves.

- ii. The Plan liability matching this reserve is the sum of member contributions with interest for active and terminated deferred members.

b) Retired Member Reserves

- i. The Retired Member Reserves contain the assets necessary to fund the benefits and COLAs in pay status for retired and disabled members and their beneficiaries, including the \$5,000 lump sum death benefit, the Purchasing Power Protection benefit, and the Pre-April 1, 1982 Settlement (Board Resolution 2012-12-03).
- ii. The Plan liability matching this reserve is the actuarial present value of benefits for members in pay status – retired and disabled members and their beneficiaries. When reserves are reconciled with liabilities, the sum of the Retired Member Reserves should equal the liability held for retired and disabled members and their beneficiaries. Consequently, the Plan’s liability for members in pay status would be 100% funded.

c) Employer Advance Reserves

- i. The Employer Advance Reserves contain the assets allocated to the employer portion of the liabilities for active and deferred members. The amount in this reserve is the actuarial value of total Fund assets, minus the Member Reserves, Retired Member Reserves, Unappropriated Earnings Reserve, and Special Reserves, all at actuarial value.
- ii. The Plan liability matching this reserve is the actuarial accrued liability for active and deferred members.

d) Market Stabilization Designation

- i. The Market Stabilization Designation consists of the difference between the market value of Plan assets and their actuarial value. It contains the total of unrecognized investment gains and losses from the current and prior three Plan (calendar) years.
- ii. If the smoothed actuarial value of assets exceeds market value, the Market Stabilization Designation is negative; otherwise, it is zero or positive. The liability matching the Market Stabilization Designation is the sum of unrecognized investment gains and losses, as noted above.

- iii. Since the actuarial and market values of Plan assets are determined for all assets in total, regardless of allocation to reserves, the calculation of the Market Stabilization Designation is independent of and must precede the apportionment of assets into reserves.
- iv. The Market Stabilization Designation is the amount that must be added to the Actuarial Value of Fund assets to agree with the Market Value of Fund assets. It represents deferred gains (losses) if positive (negative). It therefore represents a reserve for those unrealized gains or losses that is excluded from the calculation of Plan funding status and employer contribution rates.

e) Unappropriated Earnings Reserve

- i. The Unappropriated Earnings Reserve is reestablished yearly after all other requirements are met, in the following order: Full actuarial interest on Valuation Reserves and all other reserves, an amount necessary to bring the overall actuarial funded ratio of the Fund to 90% in accordance with the Board's Statement of Funding Policy, and an amount necessary to bring the Contingency Reserve to the 1% minimum.
- ii. The amount in the Unappropriated Earnings Reserve can then be transferred to other reserves, subject to the limitations contained in the Board's Statement of Funding Policy and in other applicable legal obligations and settlements.
- iii. The liability associated with this reserve is the excess of the Plan's actuarial accrued liability over the total of the Member, Retired Member, and Employer Advance Reserves.

**B. Special Reserves**

- 1. Special Reserves consist of funds excluded from the annual actuarial valuation and therefore not used in the calculation of the Plan's funded ratio and employer contribution. The amounts set aside can be for designated purposes or for market fluctuation.

a. Employment Healthcare Agency Fund

- i. The fund is used for cash flows in from employers to fund sick leave bank benefits for their eligible retired employees



on a pay as you go basis, and for cash flows out for payment of sick leave bank benefits.

b. Post-April 1, 1982 Settlement Reserve

- i. The Post-April 1, 1982 Settlement Reserve was established in 2001 as part of the DSA Settlement for members who retired after April 1, 1982 and before January 1, 2001. The benefit payable from the reserve is \$10 per month per year of service, with a maximum monthly benefit of \$300, prorated for beneficiaries receiving less than 100% of the member's benefit. An initial amount of \$19.1 million was transferred from the Special Litigation Reserve; at the time of the Settlement, the Fund actuaries estimated that it would take \$36.9 million to fully fund this benefit.
- ii. Under the Settlement Agreement, benefits are paid from the Reserve until the Reserve is exhausted. At that time, benefits are stopped until additional funds are added to the Reserve. The Settlement stipulates that full funding of post-1982 benefits is a requirement after transfers required by law to make up for prior years' interest crediting shortfalls and after any true-up costs occurring in the three years following the establishment of this Reserve.
- iii. The liability matching this reserve is the actuarial present value of the benefits provided under this part of the DSA Settlement.

c. Contingency Reserve

- i. The 1% Contingency Reserve is required by law to have a balance of at least 1% of all Fund assets before the Board is allowed to make any discretionary reserve allocations (Board Resolution 2017-06-02).

Assigning funds to the Contingency Reserve keeps them outside of the valuation assets, thus increasing employer contributions to the Plan in a given year. Using the Contingency Reserve during years when full interest cannot otherwise be credited serves to decrease Plan costs in those years.

- ii. No liability is associated with this reserve.

d. Employer Additional UAL Contribution Reserve

- i. The Employer Additional UAL Contribution Reserve receives additional contributions paid by Employers toward

their individual share of the unfunded actuarial liability (UAL).

- ii. These additional UAL contributions are not to be taken into consideration in the annual retirement contribution rate setting process, unless and until the Employer advises when it wants the plan actuary to credit this new reserve against that individual Employer's share of UAL as valuation assets.
- iii. For the annual GASB 67/68 report, the Employers' additional UAL contributions are included in the Plan Net Position (and thus will reduce the total Net Pension Liability). However, the additional UAL contributions each employer paid directly offset only that individual Employer's portion of the Net Pension Liability (NPL).

#### **IV. Relationship of Reserve Balances**

Table 1 below shows the relationships among the reserve balances at the end of each Plan fiscal year, both at actuarial value and at market value. The numbers below show the order in which the various reserves are computed.

<b>Table 1: Relationships Among Reserve Balances</b>			
<b>Reserve</b>	<b>Actuarial Value</b>	<b>Market Stabilization Designation</b>	<b>Market Value</b>
<b>Total Fund</b>	2. Total Fund balance at Actuarial Value as computed by the actuary at the end of the Fund fiscal year	3. Market Value of the Fund minus Actuarial Value at the end of the Fund fiscal year	1. Total Fund balance at Market Value as contained in the Financial Statements of the Fund at the end of the Fund fiscal year
<b>Special Reserves</b>	6. The Actuarial Value of the Special Reserves, obtained by subtracting the Market Stabilization Designation for Special Reserves from the Market Value of Special Reserves	5. The portion of the Market Stabilization Designation attributable to Special Reserves, derived by applying the ratio of the Market Value of Special Reserves to the total Fund Market Value	4. Market Value of the Fund Special Reserves, as reported in the Fund Financial Statements at the end of the Fund fiscal year
<b>Unappropriated Earnings Reserve</b>	7. The Board sets aside a portion of assets in the Unappropriated Earnings Reserve, based on Board Funding Policy.	9. Market Value of the Unappropriated Earnings Reserve minus Actuarial Value of the Unappropriated Earnings Reserve at the end of the Fund fiscal year.	8. The Market Value of the Unappropriated Earnings Reserve, computed by applying the ratio of the Market Value of the total Fund to the Total Fund balance at Actuarial Value and applying that to the Unappropriated Earnings Reserve at Actuarial Value.
<b>Valuation Assets</b>	10. The Actuarial Value of Assets for use in computing Employer Contributions in the annual Actuarial Valuation, obtained by subtracting the Actuarial Value of the Special Reserves from the Actuarial Value of all Fund Assets.  Valuation Assets includes all Valuation Reserves: The Member Reserves, Retired Member Reserves, Employer Advance Reserve, and the Unappropriated Earnings Reserve.	11. The portion of the Market Stabilization Designation attributable to Valuation Assets, computed by subtracting the Market Stabilization Designations for the Special Reserves and the Unappropriated Earnings Reserve from the Market Stabilization Designation of all Fund Assets.	12. The Market Value of Valuation Assets, computed by subtracting the Market Value of the Special Reserves from the Market Value of all Fund Assets.  Note this can also be obtained by adding the Actuarial Value of Valuation Assets to the Market Stabilization Designation for Valuation Assets.

## V. Reserve Cash Flows

Shown below are the additions and subtractions to each reserve, excluding interest credits. Interest credits are described in Section VI.

### A. Valuation Reserves

#### 1. Member Reserves

- i. For active members, employee contributions are added to the reserves, while the entire accumulated balance for members who take a contribution refund or enter pay status through retirement, disability, or death is subtracted.
- ii. For deferred members, there are no employee contributions to add, but the entire accumulated balance for members who take a contribution refund or enter pay status through retirement, disability, or death is subtracted.
- iii. Addition and subtraction of member contributions occurs on a biweekly and monthly basis.

#### 2. Retired Member Reserves

- i. The Retired Member Reserve increases with reserves transferred from the Member Reserve and the Employer Advance Reserve when members retire, become disabled, or die leaving beneficiaries; it decreases as members or their beneficiaries receive benefit payments.

#### 3. Employer Advance Reserves

- i. The Employer Advance Reserves is increased by employer contributions each year, and is decreased by the liability for members who enter benefit status each year through retirement, disability, or death.

#### 4. Market Stabilization Designation

- i. The Market Stabilization Designation is recomputed in each annual actuarial valuation as the total of unrecognized investment gains and losses from the current and prior three Plan (calendar) years. Therefore, any increases or decreases to this reserve do not result from additions or deletions. See Section IV, Table 1.

#### 5. **Unappropriated Earnings Reserve**

- i. The Unappropriated Earnings Reserve is reestablished yearly in accordance with the Board's Statement of Funding Policy and

other applicable legal obligations and settlements. This process is described in Section III, A.2.e.

## **B. Special Reserves**

### **1. Post-Employment Healthcare Agency Fund**

- i. The Post-Employment Healthcare Agency Fund is increased with employer contributions and decreased when retirees' accumulated sick leave at retirement is converted to additional retirement service credit or when health premiums are paid from their sick leave banks on a pay as you go basis.

### **2. Post-April 1, 1982 Settlement Reserve**

- i. The Post-April 1, 1982 Settlement Reserve is decreased with payments made and is increased with interest credits and any amounts transferred by the Board from other reserves (Board Resolutions 2007-10-02, 2008-08-02, 2008-10-01).

### **3. Contingency Reserve**

- i. The annual additions to and withdrawals from the Contingency Reserve are determined by the Board and sufficiency of earnings on assets to credit full interest to all accounts.

### **4. Employer Additional UAL Contribution Reserve**

- i. The Employer Additional UAL Contribution Reserve is increased with additional contributions paid by the Employer and decreases when an Employer requests reserve be counted in the valuation of assets.

## **VI. Reserve Interest Credits**

- A. At the end of each year, each reserve account is adjusted based on contributions and disbursements during the year, as described in this policy. Interest is then computed as described in this section and reserves are credited interest using the following priority order:

1. Member Reserves: The first priority is to credit all Member Reserves at the actuarial assumed rate, regardless of Fund performance. For both active and deferred Member Reserves, interest is credited semiannually at a rate which, when compounded, produces the annual actuarial assumed rate of investment return.
2. Determination of Market Stabilization Designation (MSD): Before any other reserve accounts are allocated, the amount of the market

stabilization reserve needs to be determined by the Plan's actuary. This amount can be positive or negative, and serves as an offset to the market value of assets in determining available interest credits. This means that the amount of available earnings at the end of each year is roughly equal to the return on the actuarial value of assets from the prior valuation date.

3. Employer, Retiree, and certain special reserves: After the Member Reserves and MSD are allocated, a target total interest credit is calculated for all other reserve accounts, excluding the Contingency Reserve. This target amount is based on interest credits at the full actuarial rate to the end-of-year reserve balances. To the extent that the remaining available assets cover the target interest credits, all accounts are credited annually.
4. Currently all of these additional reserves receive equal priority, so if the available interest credits only cover a portion of the full target amount at the actuarial rate, these accounts will all receive the same percentage interest credit. For example, if the total end-of-year balance for all of these reserves equals \$1 billion, and \$70 million is available to allocate at this point, then all accounts will receive 7.0% interest credits. Interest crediting for these reserves is deferred until the close of the calendar year, when the full impact of investment earnings is known.
5. Employer Additional UAL Contributions: This reserve is credited with the actual annual rate of return (including negative returns) on the market value of assets for the plan as a whole, rather than the "smoothed" rate of return credited to other reserves included in valuation assets. This will ensure that no other reserves will be affected by the performance of the assets in this separate reserve. Also, the plan contribution rate will not be impacted by this separate reserve until the Employer instructs SJCERA to include their reserve in valuation assets for the determination of the Employer's retirement contribution rates. Interest crediting for these reserves is deferred until the close of calendar year, when the full impact of investment earnings is known.
6. Contingency Reserve: If full interest crediting as described in the preceding steps is not possible, then the Contingency Reserve will be set to \$0. If full interest crediting is possible, then any remaining available earnings are allocated to the Contingency Reserve up to the policy level (1% of the Total Fund). Other Special Reserves: Following the year-end close and subsequent valuation, the Board of Retirement makes determinations of crediting any remaining available funds to special accounts in accordance with any applicable legal obligations and settlements. Interest crediting for

these reserves is deferred until the close of calendar year, when the full impact of investment earnings is known.

7. Unappropriated Earnings Reserve (UER): If all accounts have been fully credited as described in Steps 1 through 6 above, and additional funds still remain, they are allocated to the UER.
8. Consistency with Statement of Funding Policy: The Board's Statement of Funding Policy will govern any reserve transfers; in particular, amounts will be transferred from the UER to other reserves only if the Plan Funded Ratio as defined in the Funding Policy is 90% or above.

## **VII. Periodic Reconciliation of Valuation Reserve Accounts**

- A. Over time, reserve balances and the related Fund liabilities will tend to drift apart. This occurs because the reserve accounting procedure discussed above does not allow for actuarial gains or losses in Plan assets and liabilities. As a result, the reserves may not always represent an accurate estimate of the amount needed to pay for the intended benefits. Consequently, the amounts in each Valuation Reserve should be reconciled periodically with the actuarial valuation to account for Plan experience or changes in benefits and assumptions.
- B. Reconciliation of the Valuation Reserve Accounts will result in transferring amounts from one Valuation Reserve to another. Any adjustment(s) must be authorized by the Board. It should take place when the actuarial assumptions are reviewed as a result of an actuarial experience study but no less often than every three years. For consistency with the actuarial valuation, the actuarial value of Fund assets should first be allocated to Member Reserves, then to Retired Member Reserves, then to the Employer Advance Reserves, with any remainder allocated to the Unappropriated Earnings Reserve.
- C. To the extent that it is only a rearrangement of assets within the Valuation Reserves, this reconciliation of the reserve accounts will not impact the Plan's overall contribution rate, but it could affect the calculated contribution rates for Safety and General members since funds could be transferred from one to the other. If assets are transferred from or to Special Reserves, such as the Contingency Reserve or the Post April 1, 1982 Settlement Reserve, employer contributions will be affected.

## **VIII. Policy Review**

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or

amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

**IX. History**

<u>Date</u>	<u>Summary of Board Action</u>
02/10/2012	Adopted
12/16/2016	Added County additional UAL reserve
06/09/2017	Deleted 3% reference for UER; deleted Health Insurance Reserve; set Contingency Reserve at 1%
07/06/2018	Staff updated format; corrected inadvertent numbering error in Table 1.
04/12/2019	Policy Review section amended to at least once every three years
07/08/2022	Amended Section VI – Reserve Interest Credits to reflect existing practices for crediting reserves and acknowledge multiple employers make additional UAL contributions.
01/20/2023	Simplified purpose, removed references to historical actions, added references to resolutions where appropriate, corrected section cross references, and replaced County with Employer in references to additional UAL contributions

**Certification of Board Adoption**

	01/20/2023
_____ Clerk of the Board	_____ Date





## Ex Parte Communications Policy

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### I. Ex Parte Communication Definition

- A. An ex parte communication is defined as any oral or written, off-the record communication that is directed to the merits or outcome of a disability retirement application or administrative appeal pending before the Board of Retirement (the "Pending Action").

### II. Pending Action Definition

- A. A Pending Action is defined as: (1) a pending disability application proceeding before the Board of Retirement; or (2) a pending appeal of any administrative determination.
- B. A disability application or administrative appeal is pending before the Board of Retirement until the decision of the Board or SJCERA can no longer be appealed administratively or, if applicable, until the conclusion of a writ of mandamus or other appellate process.

### III. Communications Requirements

- A. To ensure that the decision-making process is fair and impartial, applicants, appellants, attorneys, hearing officers and Board Members are prohibited from engaging in informal-any communications that could influence how the application or appeal is decided.
- B. An Applicant, Appellant, or anyone acting on behalf of an Applicant or Appellant shall not initiate an ex parte communication with a Board Member or Hearing Officer concerning the facts or merits of, or any substantive matters relating to, any matter relating to a Pending Action.
- C. A lawyer representing an Applicant, Appellant or SJCERA shall not initiate or permit an ex parte communication with a Board Member or Hearing Officer concerning the facts or merits of, or any substantive matters relating to, any matter relating to a Pending Action.
- D. A Hearing Officer shall not initiate, permit or consider an ex parte communication with an Applicant, Appellant, a lawyer representing an Applicant, Appellant or SJCERA, a Board Member, health care professionals, expert witnesses or investigators or consider other communications made to the Hearing Officer outside the presence of all parties concerning a Pending Action, except as follows:

1. A Hearing Officer may initiate or permit an ex parte communication where circumstances require for scheduling, administrative purposes or emergencies that do not deal with substantive matters provided the Hearing Officer reasonably believes that no party will gain a procedural or tactical advantage as a result of the ex parte communication.
- E. A Board Member shall not initiate, permit or consider an ex parte communication with Applicants, Appellants, Hearing Officers, lawyers, health care professionals, expert witnesses or investigators outside the presence of all parties concerning a Pending Action. Further, a Board Member shall not consider any other communications made to the Board Member individually or outside the presence of all parties concerning the Pending Action.
1. A Board Member shall disclose the circumstances and substance of any ex parte communication concerning a Pending Action on the record at the time of the hearing on the Pending Action before the Board of Retirement.
- F. Hearing Officers and Board Members shall not make any public comments about a Pending Action that might interfere with a fair hearing. This requirement does not prohibit Hearing Officers or Board Members from explaining SJCERA's procedures for disability applications, compensation appeals, or other administrative appeals, or from discussing legal, procedural or other subject matters relating to the administration of disability applications and administrative appeal proceedings generally in Board meetings, conferences or educational programs or with legal counsel.
- F-1. If an Applicant, Appellant, or anyone acting on behalf of an Applicant or Appellant has a concern or complaint regarding SJCERA's procedures for disability applications, compensation appeals, or other administrative appeals, they must submit their appeal in writing to the Board or Retirement care of the CEO, in accordance with the SJCERA Administrative Appeal Procedure.

#### **IV. Policy Review**

Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

#### **V. History**

08/16/2017	Adopted by the Board of Retirement
06/29/2018	Reviewed, no content changes required; Staff modified format
04/12/2019	Policy Review section amended to at least once every three years
07/12/2019	Reviewed, no changes

07/08/2022 Reviewed, no changes

01/20/2023 Modified Communications Requirements section to restrict any communication and added appeal language referencing the SJCERA Administrative Appeal Procedure.

**Certification of Board Adoption:**

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Clerk of the Board 01/20/2023  
Date



## Board Governance Policy

# Ex Parte Communications Policy

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### I. Ex Parte Communication Definition

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- B. A disability application or administrative appeal is pending before the Board of Retirement until the decision of the Board or SJERA can no longer be appealed administratively or, if applicable, until the conclusion of a writ of mandamus or other appellate process.

### III. Communications Requirements

- A. To ensure that the decision-making process is fair and impartial, applicants, appellants, attorneys, hearing officers and Board Members are prohibited from engaging in any communications that could influence how the application or appeal is decided.
- B. An Applicant, Appellant, or anyone acting on behalf of an Applicant or Appellant shall not initiate an ex parte communication with a Board Member or Hearing Officer concerning any matter relating to a Pending Action.
- C. A lawyer representing an Applicant, Appellant or SJERA shall not initiate or permit an ex parte communication with a Board Member or Hearing Officer concerning any matter relating to a Pending Action.
- D. A Hearing Officer shall not initiate, permit or consider an ex parte communication with an Applicant, Appellant, a lawyer representing an Applicant, Appellant or SJERA, a Board Member, health care professionals, expert witnesses or investigators or consider other communications made to the Hearing Officer outside the presence of all parties concerning a Pending Action, except as follows:
  - 1. A Hearing Officer may initiate or permit an ex parte communication where circumstances require for scheduling, administrative purposes or

emergencies that do not deal with substantive matters provided the Hearing Officer reasonably believes that no party will gain a procedural or tactical advantage as a result of the ex parte communication.

- E. A Board Member shall not initiate, permit or consider an ex parte communication with Applicants, Appellants, Hearing Officers, lawyers, health care professionals, expert witnesses or investigators outside the presence of all parties concerning a Pending Action. Further, a Board Member shall not consider any other communications made to the Board Member individually or outside the presence of all parties concerning the Pending Action.
  - 1. A Board Member shall disclose the circumstances and substance of any ex parte communication concerning a Pending Action on the record at the time of the hearing on the Pending Action before the Board of Retirement.
- F. Hearing Officers and Board Members shall not make any public comments about a Pending Action that might interfere with a fair hearing. This requirement does not prohibit Hearing Officers or Board Members from explaining SJCERA's procedures for disability applications, compensation appeals, or other administrative appeals, or from discussing legal, procedural or other subject matters relating to the administration of disability applications and administrative appeal proceedings generally in Board meetings, conferences or educational programs or with legal counsel.
  - 1. If an Applicant, Appellant, or anyone acting on behalf of an Applicant or Appellant has a concern or complaint regarding SJCERA's procedures for disability applications, compensation appeals, or other administrative appeals, they must submit their appeal in writing to the Board or Retirement care of the CEO, in accordance with the SJCERA Administrative Appeal Procedure.

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Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

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08/16/2017	Adopted by the Board of Retirement
06/29/2018	Reviewed, no content changes required; Staff modified format
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07/12/2019	Reviewed, no changes
07/08/2022	Reviewed, no changes

01/20/2023 Modified Communications Requirements section to restrict any communication and added appeal language referencing the SJCERA Administrative Appeal Procedure.

**Certification of Board Adoption:**

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	01/20/2023
Clerk of the Board	Date



**Board of Retirement Administrative Committee**  
San Joaquin County Employees' Retirement Association

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**January 11, 2023**

**Agenda Item 4.0**

**SUBJECT: SJCERA Bylaws Optional Membership Amendment**

**SUBMITTED FOR:      X   CONSENT       ACTION       INFORMATION**

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**RECOMMENDATION**

Staff recommends the Administrative Committee approve the proposed amendment to the Optional Membership section of the Bylaws and recommend its adoption to the Board of Retirement.

**PURPOSE**

To amend the SJCERA Bylaws to ensure that it remains relevant, compliant and administratively appropriate regarding Optional Membership.

**DISCUSSION**

Government Code Section 31552 allows employees first hired into a SJCERA covered position at or after age 60 to waive membership in SJCERA, subject to regulations adopted by the Board of Retirement.

The proposed change to the Optional Membership section of the SJCERA Bylaws establishes a 30-day time limit for an eligible employee to irrevocably waive SJCERA Membership. Without the time restriction, employees could waive membership at any time potentially causing significant administrative work to assess and refund employee contributions and interest and reallocate employer contributions to the employer's UAAL. Additional tax withholding and reporting compliance complexity comes into play when returning member contributions and interest across calendar years. By restricting the time period to waive membership, employee and employer contributions are stopped early, refunded to the employee, and the administrative and tax compliance issues are reduced or eliminated.

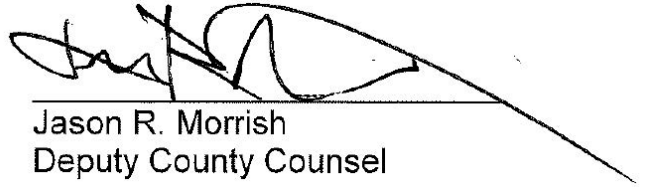
## ATTACHMENTS

Bylaws – Mark-up  
Bylaws – Clean



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Brian McKelvey  
Assistant Chief Executive Officer



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Jason R. Morrish  
Deputy County Counsel





**San Joaquin  
County Employees'  
Retirement Association**

# **BYLAWS**

**REVISED & ADOPTED BY THE BOARD OF RETIREMENT ON 7/10/2020  
ADOPTED BY THE BOARD OF SUPERVISORS ON 9/01/2020**

Pursuant to California Government Code Sections 31525 and 31526, these bylaws are adopted by the Board of Retirement and approved by the San Joaquin County Board of Supervisors. In the event a conflict arises between these bylaws and the County Employees Retirement Law, the Public Employees’ Pension Reform Act, the Internal Revenue Code or any other applicable state or federal statutes, the law shall prevail.

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## **PART I - GENERAL**

### **SECTION 1. NAME**

- A. The name of this retirement system is the "SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION" ("SJCERA").

### **SECTION 2. PURPOSE**

- A. SJCERA is established under the County Employees' Retirement Law of 1937 (Chapter 3 of Part 3 of Division 4 of Title 3 of the California Government Code, Section 31450 et seq.) (hereinafter "the CERL") for the purpose of carrying out the provisions of the CERL and the provisions of the Public Employees' Pension Reform Act (Article 4 of Chapter 21 of Division 7 of Title 1 of the California Government Code, Section 7522, et seq.) (hereinafter "PEPRA") within the County of San Joaquin. These bylaws govern the management and operation of the retirement system for the benefit of its membership, including its retired members and their survivors, dependents, and beneficiaries.

### **SECTION 3. JURISDICTION**

- A. The Board of Retirement shall endeavor to include language substantially similar to the following in any and all contracts, agreements, and/or partnerships entered into by the Board or its designee, subject to adjustments and modifications as deemed reasonable and appropriate by the Board or its designee in any given circumstance: "The parties hereto hereby submit to the jurisdiction of the Superior Court of California for San Joaquin County, or the United States District Court for the Eastern District of California, over any action, suits or proceedings arising out of or relating to this Agreement."

### **SECTION 4. DEFINITIONS**

- A. Words, terms, and phrases used in these bylaws and SJCERA policies and procedures shall be given meaning as defined in the CERL or PEPRA unless otherwise specified in these bylaws.
1. Unless otherwise provided, any reference to "day" or "days" shall mean calendar days and shall include weekends and holidays. If a due date or deadline falls on a Saturday, Sunday or San Joaquin County designated holiday, the due date or deadline shall be the next regular business day.
  2. Board shall mean Board of Retirement
  3. CEO shall mean Chief Executive Officer or designee

### **SECTION 5. ADMINISTRATION**

#### **5.1 General**

- A. Management of the retirement system is vested in the Board of Retirement

("Board"). Routine day-to-day administration of the retirement system is delegated to the Chief Executive Officer (CEO), who shall be that individual appointed by the Board pursuant to Government Code Section 31522.2.

- B. The Board shall promulgate rules for matters relating to its administrative procedures, which shall be known as Board Administration Policies. Each Board Administration Policy shall be identified by title and purpose and may be adopted or amended at any regularly scheduled meeting of the Board by an affirmative vote of at least five (5) trustees. The CEO shall direct staff to maintain a record of all Board Administration Policies adopted or amended by the Board.
- C. The CEO is responsible for the engagement, management, oversight and termination of all staff employed by SJCERA.
- D. With regard to the exempt positions of the Assistant CEO (Assistant Retirement Administrator) and Investment Officer (IO) appointed pursuant to Government Code Section 31522.3, the CEO is delegated the authority to select and appoint individuals to these positions, with the caveat that:
  - 1. The selection and appointment of the Assistant CEO and the IO shall be submitted to the Board for Retirement for its concurrence and approval in accordance with Government Code Section 31522.3
  - 2. The CEO shall at least annually meet with and evaluate the performance of the incumbent Assistant CEO and IO.
  - 3. If at any time the CEO intends to dismiss an employee in either of these two positions, the CEO will present facts on the matter to the Board in closed session for the Board to exercise its authority under Government Code Section 31522.3.
- E. All meetings of the Board shall be subject to the open meeting laws applicable to local agencies, known as the Ralph M. Brown Act (Chapter 9 of Part 1 of Division 2 of Title 5 of the California Government Code, Section 54950 et seq.) ("The Brown Act").
- F. The Board shall meet at least once each month, and shall adopt and make available to the public an annual meeting calendar each year, which may subsequently be modified as necessary by formal action of the Board in advance. Unless otherwise noticed in advance, meetings of the Board shall be convened in the SJCERA Boardroom, 6 S. El Dorado Street, Suite 400, Stockton, California.
- G. Special meetings of the Board may be called at any time on the request of any Officer of the Board or by any five (5) Members of the Board. Notice of the meeting shall be provided as required by the Brown Act.

- H. Board meetings may be reset or continued by the Board for good cause. If a meeting is reset or continued, the CEO shall give at least four (4) days' notice of the date of the reset or continued meeting to Board Members who were not present at the time of re-setting or continuance.

## **5.2 Election and Appointment of Board Members**

- A. Pursuant to Government Code Section 31520.1, 31520.5 and 31520.6 the Board shall be composed of nine (9) members, one alternate safety member, and one alternate retired member.
- B. Elections of the second, third, seventh, eighth, and alternate members shall be conducted pursuant to Government Code Sections 31520.1, 31520.5 and 31523 and Board of Supervisors Resolution R-04-68.
- C. Except as otherwise provided by law, an appointed member of the Board shall continue to serve beyond the prescribed term until a successor is duly qualified and appointed.

## **5.3 Procedures**

- A. ROBERT'S RULES OF ORDER shall guide the Board in its proceedings, except as otherwise provided in these bylaws or the CERL. The Chairperson shall have a vote on all questions and motions and shall not be required to relinquish the chair in order to participate in discussions. The order of business may include, but is not be limited to:
  - Roll Call
  - Pledge of Allegiance
  - Approval of Minutes
  - Public Comment
  - Benefit Applications
  - Investment Matters and Administration Matters
  - Staff and Committee Reports and Recommendations
  - Correspondence
  - Adjournment
- B. The Board Chairperson may make changes in the above order at their discretion.
- C. The order of business may also include one or more closed sessions in accordance with and as allowed by the Brown Act as needed to conduct the Board's business.
- D. Five Members of the Board shall constitute a quorum. Subject to paragraph E

below, no motion may be passed or business transacted except in matters dealing with hearings without at least five (5) affirmative votes.

- E. Hearings conducted by the Board must have at least seven (7) members in attendance and will be conducted as detailed in Board policy.
- F. Communications and requests shall be made in writing and directed to the Board in care of the CEO. The substance of such communications and requests requiring Board action shall be noted in the minutes of the Board meeting.

#### **5.4. Board Officers**

- A. At the first meeting in July of each year, the Board shall elect, pursuant to open nomination, one of its members as Chairperson, one of its members as Vice-Chairperson, and one of its members as Secretary, each to hold office for a term of the later of one (1) year or until a successor is duly elected. Should any officer fail for any reason to complete a full term, the Board shall elect a successor for the balance of the unexpired term at its next meeting. The County Treasurer shall serve ex-officio as the Treasurer for SJCERA.
- B. Chairperson
  - 1. The Chairperson of the Board is the presiding officer at all Board meetings, and shall conduct the meetings in accordance with these bylaws and applicable rules and statutes. The Chairperson shall appoint Board members to standing and ad hoc committees of the Board, which shall consist of no fewer than three and no more than four Board members. Upon approval or adoption by the Board, the Chairperson shall sign all minutes, resolutions, orders or other documents of the Board. The Chairperson, or designee is authorized to sign on behalf of SJCERA any contracts, agreements, or other documents and forms required to effect the decisions and commitments approved by the Board or to comply with statutory or regulatory requirements.
- C. Vice Chairperson
  - 1. The Vice Chairperson will assume the duties of the Chairperson when the Chairperson is absent. When serving as Chairperson, the Vice Chairperson shall have all of the powers of the Chairperson and shall assume all of the duties of the Chairperson.
- D. Secretary
  - 1. The Secretary shall certify meeting minutes, resolutions, and orders of the Board as approved or adopted by the Board.
  - 2. The Secretary will assume the duties of Chairperson in the simultaneous absence of both the Chair and Vice Chair. When serving as Chairperson,

the Secretary shall have all the powers of the Chairperson and shall assume all of the duties of the Chairperson.

E. Clerk of the Board

1. The CEO or designee shall serve as Clerk of the Board and shall cause to be recorded in the minutes the time and place of each meeting, the name of each member present, all official acts and discussions of the Board, the votes given (except where the action is unanimous) and, where requested by a dissenting or approving member, a Board member's dissent or approval. The Clerk shall cause the minutes to be reduced to written form forthwith and presented for Board approval at its next regularly scheduled meeting. The minutes shall be signed by the Chairperson and certified by the Secretary and shall become a part of the Board's permanent record. Upon approval or adoption by the Board, the CEO shall have the authority to sign on behalf of SJCERA any contracts, agreements, or other documents, and forms required to effect the decisions and commitments approved by the Board or to comply with statutory or regulatory requirements.

### **5.5 Subpoenas**

- A. Subpoenas may be issued for disability or administrative hearings, or other matters as determined by Board officers, CEO, and/or referee in accordance with Government Code Section 31535 and Board policy.
- B. Witnesses subpoenaed may be provided a witness fee and/or reimbursement for necessary travel. The amount to be paid and the party responsible for payment shall be established by Board policy.

### **5.6 Education and Travel**

- A. The Board and designated staff shall obtain education on matters of public pension investments and administration in accordance with Government Code Sections 31522.8 and 53237.1 and Board policy. To execute this duty, this Board shall establish and maintain policies and guidelines for approval and reimbursement of education and travel related expenses.

### **5.7 Conflict of Interest and Disclosure**

- A. The Board shall establish and maintain a Conflict of Interest Code applicable to its Board members, investment managers and designated staff as required by the Political Reform Act and the California Code of Regulations. Statements of Economic Interests will be filed with and maintained by the Clerk of the Board of Retirement.

## **SECTION 6. MEMBERSHIP**

### **6.1 General**

- A. Membership shall be as defined by the CERL or PEPRA as supplemented by these bylaws.
- B. Mandatory Membership:
  - 1. Every employee of San Joaquin County or SJCERA participating employer who is appointed to a permanent full-time position shall be a member.
  - 2. Superior Court Officers and their attaches and the Public Administrator shall be included in SJCERA pursuant to the CERL.
- C. Exclusions from membership:
  - 1. Employees who are appointed to a position or employed under contract for a period not to exceed 1,560 hours in any consecutive twelve (12) month period, seasonal employees, intermittent employees, or part-time employees, are excluded from membership in SJCERA.
- D. Optional Membership:
  - 1. Persons who are age 60 or older when they are first employed in a position requiring SJCERA membership may make an irrevocable election to waive membership within thirty (30) days of their first day of employment. The election shall be evidenced by the employee's signature on a waiver of membership form provided by SJCERA.
  - 2. Elected Officials, who wish to become (or remain) SJCERA members must file a declaration with the Board.
- E. Employees eligible for SJCERA membership shall become members as follows:
  - 1. Hired before September 22, 2003: on the first day of the next payroll period following appointment to a permanent full-time position, or
  - 2. Hired on or after September 22, 2003: on the first day of employment in a permanent full-time position.
  - 3. An Elected Official opting into membership shall become a member as of the beginning of the payroll period in which the declaration is filed.
- F. The Board may, from time-to-time, determine by classification of position, other than those specifically provided by the CERL, the eligibility for membership and shall list those job classifications that are included in the safety retirement



category.

- G. A member who is eligible for reciprocity shall allow SJCERA to coordinate with a member's reciprocal retirement system in establishing the dates of membership and termination so that there is no overlap of membership between the systems. SJCERA will adjust the membership date if necessary, provided that date shall be no later than 12 weeks after the member commenced SJCERA-covered employment, and adjust the termination date if necessary, provided that date is no earlier than 12 weeks prior to the date the member terminated SJCERA-covered employment.

## **6.2 Application for Membership**

- A. Every employee of the County of San Joaquin or a participating employer who is or becomes a member of SJCERA shall complete a Member Certification form supplied by SJCERA, including the employee's date of birth, date employment began, and employing department or participating employer. It is the appointing authority's duty to ensure that all eligible employees complete the required form and to forward immediately to SJCERA.
- B. In lieu of a sworn statement, the submission by the member's employer to the retirement association of the information otherwise required in paragraph (A) in a form determined by Board policy.
- C. Every employee who is eligible for SJCERA membership shall submit proof of age as outlined in the Board policy.
- D. In the event of a discrepancy in age, the birth date resulting in the oldest age for determining age-based contribution rates shall prevail.

## **6.3 Designation of Beneficiary**

- A. Every member at the time of retirement shall submit evidence of marriage or registered domestic partnership (RDP) if the member's designated beneficiary is the member's spouse/RDP and the member elects an option pursuant to Sections 31760 et seq. of the Government Code. In lieu of a marriage or registered domestic partnership certificate, alternative documents as determined by Board policy will be accepted.
- B. Every member, at the time of retirement, shall submit proof of age for any designated beneficiary or beneficiaries selected pursuant to the exercise of an option contained within Section 31760 et seq. of the Government Code. Proof of age shall be as described in Section 5.2 of these bylaws.
- C. RDPs, as defined in California Family Code Section 297, of SJCERA members have the same rights, protections, and benefits, and are subject to the same responsibilities, obligations, and duties as are granted to or imposed upon spouses of SJCERA members.

**SECTION 7. SERVICE RETIREMENT**

- A. In addition to the provisions of the CERL and PEPRA pertaining to service retirement, an application for service retirement shall be deemed complete when the following have been submitted:
1. A written application on forms supplied by the SJCERA,
  2. Proof of age of the member and beneficiary as provided in Sections 6.2 and 6.3,
  3. Evidence of marriage or registered domestic partnership of the beneficiary as required in Section 6.3, and
  4. Designation of the option elected by the retiring member on the form provided by SJCERA.
- B. Upon retirement, a member shall be furnished with a copy of their retirement application and options form which includes the effective date of retirement, their retirement allowance and any other information that the CEO or designee determines is appropriate and in the member's best interest. This shall serve as an annuity certificate.

**SECTION 8. DISABILITY RETIREMENT**

- A. The Board shall promulgate rules to ensure the fair and efficient proceedings of disability cases. These rules shall be referred to as Disability Retirement Policy and Procedures.

**SECTION 9. AMENDMENTS**

- A. These bylaws may be amended at any regularly scheduled Board meeting by an affirmative vote of at least 5 (five) members of the Board. The bylaws become effective when approved by the Board of Supervisors.

## HISTORY

- 12/08/2017: SECTION 3. DEFINITIONS – Added definitions of day, Board and CEO, extended the applicability of the definitions to SJCERA policies and procedures.
- SECTION 4. ADMINISTRATION - Added Subsection 4.1.B, promulgation of Board Administration Policies; Subsection 4.2.C deleted erroneous reference to elected and added the word safety; Subsection 4.4 – added authority for CEO to sign contracts/agreements with Board approval; Subsections 4.5 – 4.10 – Repealed and converted to Corrections of Errors or Omissions policy; Added Subsection 4.5 – Subpoenas; Added Subsection 4.6 – Education and Travel; Subsection 4.11 - Conflict of Interest and Disclosure, renumbered to 4.7
- SECTION 5. MEMBERSHIP – Added Subsection 5.1.B.2 and 5.1.B.3, regarding first day of employment; Subsection 5.2.B - Repealed and converted to Age Verification policy
- SECTION 6. MEMBER CONTRIBUTIONS – Repealed and converted to Member Contributions and Interest Posting policy
- SECTION 7. SERVICE RETIREMENT – Renumbered to Section 6
- SECTION 8. DISABILITY RETIREMENT – Revised, Renumbered to Section 7; Subsections 8.2 – 8.10, SECTION 9. HEARING BEFORE A REFEREE, SECTION 10. HEARING BEFORE THE BOARD, and SECTION 11. RULES OF EVIDENCE - Repealed and converted to Disability Retirement policy and procedures
- SECTION 12. DISSOLUTION OF MARRIAGE OR REGISTERED DOMESTIC PARTNERSHIP - Repealed and converted to Dissolution of Marriage or Registered Domestic Partnership policy
- SECTION 13 – AMENDMENTS – Renumbered to Section 8
- SECTION 20. PURPOSE AND SCOPE - Repealed and incorporated by existing bylaws and Internal Revenue Code compliance policies
- SECTION 21. ANNUAL COMPENSATION EARNABLE LIMIT- 401(a)(17) - Repealed and converted to Compensation Earnable Annual Limit – IRC 401(a)(17) policy
- SECTION 22. ROLLOVERS - 401(a)(31) & 402(c) - Repealed and converted to Rollovers – IRC 401(a)(31) & 402(c) policy
- SECTION 23. NORMAL RETIREMENT AGE - 401(a)(36) - Repealed and converted to Normal Retirement Age – IRC 401(a)(36) policy
- SECTION 24. RETURN TO WORK and BONA FIDE SEPARATION FROM SERVICE - 401(a) – Repealed and converted to Return to Work and Bona Fide Separation from Service - IRC 401(a) policy
- SECTION 25. REQUIRED MINIMUM DISTRIBUTIONS - 401(a)(9) - Repealed and converted to Required Minimum Distributions – IRC 401(a)(9) policy
- SECTION 26. ANNUAL BENEFIT LIMIT - 415(b) - Repealed and converted to Annual Benefit Limit – IRC 415(b) policy
- SECTION 27. ANNUAL ADDITIONS LIMIT - 415(c) - Repealed and converted to Annual Additional Limit – IRC 415(c) policy
- SECTION 28. RETIREE MEDICAL BENEFITS ACCOUNTS - 401(h) - Repealed and converted to Retiree Medical Benefits Accounts – IRC 401(h) policy

07/10/2020: Added a Jurisdiction section, clarified the Administration and Membership sections, and other non-substantive changes

01/20/2023: Added 30 day time period for employees to waive membership



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## **PART I - GENERAL**

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### **5.6 Education and Travel**

- A. The Board and designated staff shall obtain education on matters of public pension investments and administration in accordance with Government Code Sections 31522.8 and 53237.1 and Board policy. To execute this duty, this Board shall establish and maintain policies and guidelines for approval and reimbursement of education and travel related expenses.

### **5.7 Conflict of Interest and Disclosure**

- A. The Board shall establish and maintain a Conflict of Interest Code applicable to its Board members, investment managers and designated staff as required by the Political Reform Act and the California Code of Regulations. Statements of Economic Interests will be filed with and maintained by the Clerk of the Board of Retirement.

## **SECTION 6. MEMBERSHIP**

### **6.1 General**

- A. Membership shall be as defined by the CERL or PEPRA as supplemented by these bylaws.
- B. Mandatory Membership:
  - 1. Every employee of San Joaquin County or SJCERA participating employer who is appointed to a permanent full-time position shall be a member.
  - 2. Superior Court Officers and their attaches and the Public Administrator shall be included in SJCERA pursuant to the CERL.
- C. Exclusions from membership:
  - 1. Employees who are appointed to a position or employed under contract for a period not to exceed 1,560 hours in any consecutive twelve (12) month period, seasonal employees, intermittent employees, or part-time employees, are excluded from membership in SJCERA.
- D. Optional Membership:
  - 1. Persons who are age 60 or older when they are first employed in a position requiring SJCERA membership may make an irrevocable election to waive membership within thirty (30) days of their first day of employment. The election shall be evidenced by the employee's signature on a waiver of membership form provided by SJCERA.
  - 2. Elected Officials, who wish to become (or remain) SJCERA members must file a declaration with the Board.
- E. Employees eligible for SJCERA membership shall become members as follows:
  - 1. Hired before September 22, 2003: on the first day of the next payroll period following appointment to a permanent full-time position, or
  - 2. Hired on or after September 22, 2003: on the first day of employment in a permanent full-time position.
  - 3. An Elected Official opting into membership shall become a member as of the beginning of the payroll period in which the declaration is filed.
- F. The Board may, from time-to-time, determine by classification of position, other than those specifically provided by the CERL, the eligibility for membership and shall list those job classifications that are included in the safety retirement

category.

- G. A member who is eligible for reciprocity shall allow SJCERA to coordinate with a member's reciprocal retirement system in establishing the dates of membership and termination so that there is no overlap of membership between the systems. SJCERA will adjust the membership date if necessary, provided that date shall be no later than 12 weeks after the member commenced SJCERA-covered employment, and adjust the termination date if necessary, provided that date is no earlier than 12 weeks prior to the date the member terminated SJCERA-covered employment.

## **6.2 Application for Membership**

- A. Every employee of the County of San Joaquin or a participating employer who is or becomes a member of SJCERA shall complete a Member Certification form supplied by SJCERA, including the employee's date of birth, date employment began, and employing department or participating employer. It is the appointing authority's duty to ensure that all eligible employees complete the required form and to forward immediately to SJCERA.
- B. In lieu of a sworn statement, the submission by the member's employer to the retirement association of the information otherwise required in paragraph (A) in a form determined by Board policy.
- C. Every employee who is eligible for SJCERA membership shall submit proof of age as outlined in the Board policy.
- D. In the event of a discrepancy in age, the birth date resulting in the oldest age for determining age-based contribution rates shall prevail.

## **6.3 Designation of Beneficiary**

- A. Every member at the time of retirement shall submit evidence of marriage or registered domestic partnership (RDP) if the member's designated beneficiary is the member's spouse/RDP and the member elects an option pursuant to Sections 31760 et seq. of the Government Code. In lieu of a marriage or registered domestic partnership certificate, alternative documents as determined by Board policy will be accepted.
- B. Every member, at the time of retirement, shall submit proof of age for any designated beneficiary or beneficiaries selected pursuant to the exercise of an option contained within Section 31760 et seq. of the Government Code. Proof of age shall be as described in Section 5.2 of these bylaws.
- C. RDPs, as defined in California Family Code Section 297, of SJCERA members have the same rights, protections, and benefits, and are subject to the same responsibilities, obligations, and duties as are granted to or imposed upon spouses of SJCERA members.

## **SECTION 7. SERVICE RETIREMENT**

- A. In addition to the provisions of the CERL and PEPRA pertaining to service retirement, an application for service retirement shall be deemed complete when the following have been submitted:
1. A written application on forms supplied by the SJCERA,
  2. Proof of age of the member and beneficiary as provided in Sections 6.2 and 6.3,
  3. Evidence of marriage or registered domestic partnership of the beneficiary as required in Section 6.3, and
  4. Designation of the option elected by the retiring member on the form provided by SJCERA.
- B. Upon retirement, a member shall be furnished with a copy of their retirement application and options form which includes the effective date of retirement, their retirement allowance and any other information that the CEO or designee determines is appropriate and in the member's best interest. This shall serve as an annuity certificate.

## **SECTION 8. DISABILITY RETIREMENT**

- A. The Board shall promulgate rules to ensure the fair and efficient proceedings of disability cases. These rules shall be referred to as Disability Retirement Policy and Procedures.

## **SECTION 9. AMENDMENTS**

- A. These bylaws may be amended at any regularly scheduled Board meeting by an affirmative vote of at least 5 (five) members of the Board. The bylaws become effective when approved by the Board of Supervisors.

## HISTORY

- 12/08/2017: SECTION 3. DEFINITIONS – Added definitions of day, Board and CEO, extended the applicability of the definitions to SJCERA policies and procedures.
- SECTION 4. ADMINISTRATION - Added Subsection 4.1.B, promulgation of Board Administration Policies; Subsection 4.2.C deleted erroneous reference to elected and added the word safety; Subsection 4.4 – added authority for CEO to sign contracts/agreements with Board approval; Subsections 4.5 – 4.10 – Repealed and converted to Corrections of Errors or Omissions policy; Added Subsection 4.5 – Subpoenas; Added Subsection 4.6 – Education and Travel; Subsection 4.11 - Conflict of Interest and Disclosure, renumbered to 4.7
- SECTION 5. MEMBERSHIP – Added Subsection 5.1.B.2 and 5.1.B.3, regarding first day of employment; Subsection 5.2.B - Repealed and converted to Age Verification policy
- SECTION 6. MEMBER CONTRIBUTIONS – Repealed and converted to Member Contributions and Interest Posting policy
- SECTION 7. SERVICE RETIREMENT – Renumbered to Section 6
- SECTION 8. DISABILITY RETIREMENT – Revised, Renumbered to Section 7; Subsections 8.2 – 8.10, SECTION 9. HEARING BEFORE A REFEREE, SECTION 10. HEARING BEFORE THE BOARD, and SECTION 11. RULES OF EVIDENCE - Repealed and converted to Disability Retirement policy and procedures
- SECTION 12. DISSOLUTION OF MARRIAGE OR REGISTERED DOMESTIC PARTNERSHIP - Repealed and converted to Dissolution of Marriage or Registered Domestic Partnership policy
- SECTION 13 – AMENDMENTS – Renumbered to Section 8
- SECTION 20. PURPOSE AND SCOPE - Repealed and incorporated by existing bylaws and Internal Revenue Code compliance policies
- SECTION 21. ANNUAL COMPENSATION EARNABLE LIMIT- 401(a)(17) - Repealed and converted to Compensation Earnable Annual Limit – IRC 401(a)(17) policy
- SECTION 22. ROLLOVERS - 401(a)(31) & 402(c) - Repealed and converted to Rollovers – IRC 401(a)(31) & 402(c) policy
- SECTION 23. NORMAL RETIREMENT AGE - 401(a)(36) - Repealed and converted to Normal Retirement Age – IRC 401(a)(36) policy
- SECTION 24. RETURN TO WORK and BONA FIDE SEPARATION FROM SERVICE - 401(a) – Repealed and converted to Return to Work and Bona Fide Separation from Service - IRC 401(a) policy
- SECTION 25. REQUIRED MINIMUM DISTRIBUTIONS - 401(a)(9) - Repealed and converted to Required Minimum Distributions – IRC 401(a)(9) policy
- SECTION 26. ANNUAL BENEFIT LIMIT - 415(b) - Repealed and converted to Annual Benefit Limit – IRC 415(b) policy
- SECTION 27. ANNUAL ADDITIONS LIMIT - 415(c) - Repealed and converted to Annual Additional Limit – IRC 415(c) policy
- SECTION 28. RETIREE MEDICAL BENEFITS ACCOUNTS - 401(h) - Repealed and converted to Retiree Medical Benefits Accounts – IRC 401(h) policy

07/10/2020: Added a Jurisdiction section, clarified the Administration and Membership sections, and other non-substantive changes

01/20/2023: Added 30 day time period for employees to waive membership





**Board of Retirement Committee Meeting**  
San Joaquin County Employees' Retirement Association

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**Agenda Item 5.0**

**DATE**      **January 11, 2023**

**SUBJECT: Administrative Committee role relative to *Conflict of Interest* policy and *Statements of Economic Interest* oversight**

**SUBMITTED FOR:        CONSENT        X   ACTION          INFORMATION**

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**RECOMMENDATION**

Staff recommends the Committee (1) Adopt the proposed changes to the *Conflict of Interest* policy and *Administrative Committee Charter* and (2) Provide feedback on the proposed *Summary of Sources of Income on Statements of Economic Interests (Form 700)* report format.

**PURPOSE**

To establish a process for identifying and addressing potential conflicts of interest.

**DISCUSSION**

At its June 13, 2022 meeting, the Administrative Committee deferred action on three items:

- (1) Amending the *Administrative Committee Charter* to include a policy oversight role
- (2) Amending the *Conflict of Interest* policy to include an annual summary report to provide to the Committee for receipt and filing
- (3) Providing feedback on the proposed format and content for the annual *Summary of Sources of Income on Statements of Economic Interest* report.

The proposed changes were based, in large part, on Marin County Employees' Retirement Association's (MCERA's) practices, which they developed in concert with their counsel, Ashley Dunning.

The Committee asked staff to obtain more information from MCERA, which is summarized below.

- A. How long has Marin had its policy in place?  
The policy has been in place since November 2010
  
- B. What's the process if the Committee identifies a conflict (or concern)?  
The Retirement Administrator and counsel review all Form 700s and create a summary report. The report is presented to the Finance and Risk Management Committee (responsible for financial reporting, budget, audit, and risk management/internal controls) on an annual basis in May. If any potential conflicts are identified, they are highlighted in the report and discussed with the Committee. Before taking it to the Committee, the Administrator discusses any potential conflicts with the affected staff, consultant or Board member.
  
- C. How did Marin roll this policy out to the Board?  
The policy was presented to the Governance Committee (responsible for policy development and compliance) for discussion then presented to the full Board for adoption.

D. How was this received by the board?

The Board felt the policy was necessary to hold people accountable to disclosing potential conflicts. As a result, the Board adopted the policy without much controversy.

E. Has the policy been effective?

Ultimately, the result has been positive because potential conflicts have been avoided, and there is increased accountability and transparency. Although the policy requires increased work by staff and counsel, and the willingness and ability to have sensitive conversations, these efforts ultimately prevent or avoid potential problems. In at least one case, a trustee had investments that raised the potential need for (1) recusal when certain managers appeared before the board (either for presentation or action), or (2) sale of those investments to avoid the conflict. The policy provided the framework for addressing the concerns and resulted in eliminating the potential conflict.

**ATTACHMENT**

Proposed revisions to *Administrative Committee Charter* – Mark-up

Proposed revisions to *Administrative Committee Charter* – Clean

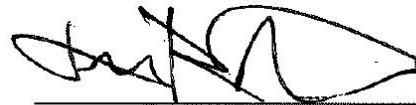
*Conflict of Interest* policy – Mark-up

*Conflict of Interest* policy – Clean

*Summary of Sources of Income on Statements of Economic Interests (Form 700)* Report form



Johanna Shick  
Chief Executive Officer



Jason R. Morrish  
Deputy County Counsel



## Board Governance Policy

# Conflict of Interest Policy

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### I. Purpose

- A. The Political Reform Act (Government Code Section 81000, et seq.), requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission has adopted a regulation, 2 Cal. Code of Regs. Section 18730, which contains the terms of a standard conflict of interest code. It can be incorporated by reference and may be amended by the Fair Political Practices Commission after public notice and hearings to conform to amendments in the Political Reform Act.

Therefore, the terms of Section 18730 of Article 2 of Chapter 7 of Division 6 of Title 2 of the California Code of Regulations and any amendments thereto adopted by the Fair Political Practices Commission are hereby incorporated by reference and, along with the Disclosure Categories, attached and incorporated herein as Attachment 1, constitute the Conflict of Interest Code of the San Joaquin County Employees' Retirement Association (SJCERA).

### II. Filing Requirements

- A. Pursuant to Section 4 of the standard Conflict of Interest code (Section 18730), persons identified in all Disclosure Categories shall file Statements of Economic Interest with SJCERA. Statements will be retained by SJCERA and listed in a certification filed with the County Registrar of Voters. All statements filed are public records open for public inspection and reproduction pursuant to Section 81008 of the California Government Code.
- B. Pursuant to Section 87314 of the California Government Code as added by Chapter 702, Statutes of 2010, attached and incorporated herein is an Appendix entitled "Agency Positions that Manage Public Investments for the Purpose of Section 87200 of the Government Code." Also, as required, this Appendix shall remain posted on the SJCERA website in a manner that is easily identifiable and accessible.
- C. Responsibility for accurately reporting disclosable interests rests solely with the person(s) required to file pursuant to statute or this code and not with SJCERA.

### III. Statements of Economic Interest

- A. Staff shall prepare an annual summary report of the Statements of Economic Interest filed with SJCERA pursuant to Section II.A. The report will be submitted to the Administrative Committee at its annual June meeting for receipt and filing.

### III.IV. Policy Review

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance with [the Political Reform Act section 81000 of the California Government Code](#). Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

### IV.V. History

- 08/09/1991 First aAdopted by the Board of Retirement  
02/09/1996 Disclosure Categories rRevised by Resolution No. 1996-02-02  
08/09/2002 Disclosure Categories rRevised by Resolution No. 2002-08-01  
07/14/2006 Disclosure Categories rRevised by Resolution No. 2006-07-02  
04/11/2008 Disclosure Categories rRevised by Resolution No. 2008-04-04 (First established standard policy format)  
12/17/2010 Disclosure Categories rRevised and Appendix Added by Resolution No. 2010-12-04  
05/09/2014 Disclosure Categories, Statutory References, and Policy Wording rRevised by Resolution No. 2014-05-02  
06/29/2018 Reviewed, no content changes, staff updated format  
04/12/2019 Policy Review section amended to at least once every three years  
07/12/2019 Amended per County's direction to send ROV certifications and retain statements on all filers  
01/20/2023 Amended to include Statements of Economic Interest procedure, clarify the Government Code reference, and update format

### Certification of Board Adoption:

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Clerk of the Board 01/20/2023  
Date

## ATTACHMENT 1

### SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION CONFLICT OF INTEREST CODE

#### DISCLOSURE CATEGORIES

Group A - Officials/Consultants: (Required to file pursuant to Government Code Section 87200)

Member of the Board of Retirement

Investment Consultants

External Managers (as defined in Government Code Section 82025.3 as it may be amended from time to time)

Group B – Designated Employees: (Required to file pursuant to this Conflict of Interest Code)

Chief Executive Officer

Assistant Chief Executive Officer

Chief Investment Officer

Retirement Financial Officer

Departmental Systems Information Manager

Persons identified in all Disclosure Categories shall report on the following interests as defined in, and by completing, the California Fair Political Practices Commission's Statement of Economic Interests Form 700:

- a. Investments
- b. Interests in Real Property
- c. Income, Loans, and Business Positions
- d. Income – Gifts
- e. Travel Payments, Advances, and Reimbursements

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
CONFLICT OF INTEREST CODE**

**Agency Positions that Manage Public Investments  
for Purposes of Section 87200 of the California Government Code**

**Positions of the Board of Retirement:**

First Member:	San Joaquin County Treasurer-Tax Collector
Second Member:	Active General Member of SJCERA – elected
Third Member:	Active General Member of SJCERA – elected
Fourth Member:	Appointed by the Board of Supervisors
Fifth Member:	Appointed by the Board of Supervisors
Sixth Member:	Appointed by the Board of Supervisors - may be a County supervisor
Seventh Member:	Active Safety Member of SJCERA – elected
Alternate Seventh Member:	Active Safety Member of SJCERA - elected
Eighth Member:	Retired Member of SJCERA – elected
Alternate Retired Member:	Retired Member of SJCERA – elected
Ninth Member:	Appointed by the Board of Supervisors



## Board Governance Policy

# Conflict of Interest Policy

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### III. Statements of Economic Interest

- A. Staff shall prepare an annual summary report of the Statements of Economic Interest filed with SJCERA pursuant to Section II.A. The report will be submitted to the Administrative Committee at its annual June meeting for receipt and filing.

#### **IV. Policy Review**

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance with the Political Reform Act. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

#### **V. History**

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- 02/09/1996 Disclosure Categories revised by Resolution No. 1996-02-02
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#### **Certification of Board Adoption:**

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	01/20/2023
Clerk of the Board	Date



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Persons identified in all Disclosure Categories shall report on the following interests as defined in, and by completing, the California Fair Political Practices Commission's Statement of Economic Interests Form 700:

- a. Investments
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**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
CONFLICT OF INTEREST CODE**

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# Administrative Committee Charter

---

## I. Establishment

- A) The Board of Retirement established the Administrative Committee to assist in overseeing administrative and governance functions.
- B) The Board Chair appoints members to the Committee, in accordance with the SJCERA Bylaws. The Committee must include at least one member who was elected to the Board by the membership.

## II. Meetings

- A) The Committee meets semiannually:
  - 1) Generally in November, to review the proposed budget and as needed to address mid-year budget adjustment (if any), or any other issue determined by the Committee Chair in consultation with the CEO and Board Chair as appropriate.
  - 2) Generally in June, to provide any input on the development or revision of SJCERA's bylaws, Board policies, and Committee Charters (if any), or any other issue determined by the Committee Chair in consultation with the CEO and Board Chair as appropriate.

## III. Responsibilities

- A) Financial
  - 1) Review SJCERA's proposed annual budget and make a recommendation to the Board regarding adoption.
  - 2) Review staff's request for a budget adjustment, if any, and make a recommendation to the Board regarding adoption.
  - 3) Review, develop and recommend to the Board for approval initiatives that would have a significant budgetary impact such as proposals to move office location or implement a new pension administration system.
- B) Human Resources
  - 1) Coordinate the recruitment process for the position of Retirement Administrator/Chief Executive Officer and recommend one or more candidates to the Board.
  - 2) Perform or coordinate the due diligence and selection processes for human resource consultants hired in connection with the position of the Retirement Administrator/CEO, including interviewing firms, if necessary, and recommending firms to be appointed by the Board.
  - 3) Review, develop and recommend to the Board for approval SJCERA's succession plan

C) Policy Development and Review

- 1) Provide input to staff, as needed, on ~~the oversight~~, development or revision of SJCERA bylaws, Board policies, and Committee Charters.
- 2) Set the frequency at which staff must review Board policies to ensure they remain relevant, appropriate, and in compliance.

**IV. Authority**

- A) The Administrative Committee is an advisory committee to the Board. All Committee actions must be ratified or adopted by the Board.

**V. History**

- 11/09/2018 Adopted by Board of Retirement
- 07/09/2021 Revised meeting dates and added Committee Charters
- 01/20/2023 Amended C.1 to include Committee's oversight responsibility

**Certification of Board Adoption:**

01/20/2023

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Clerk of the Board Date



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**Certification of Board Adoption:**

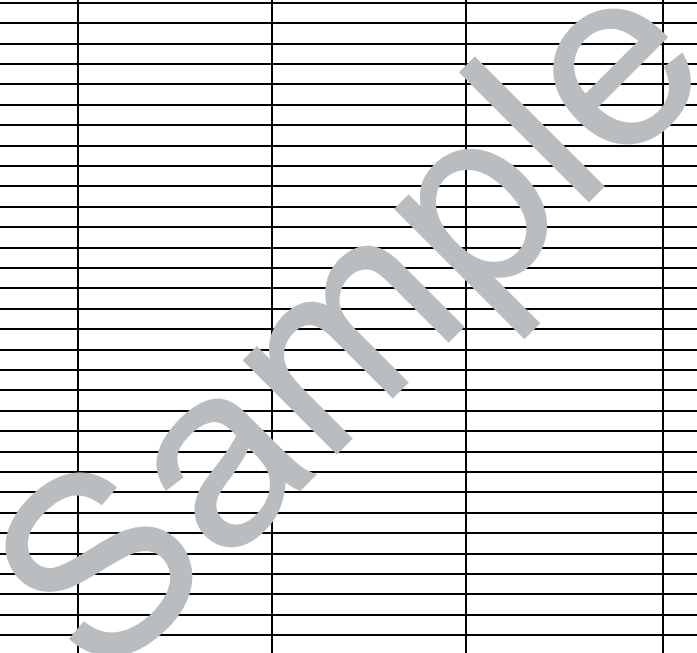
01/20/2023

Clerk of the Board

Date

**SJCERA Summary of Sources of Income on Statements of Economic Interest (From 700) - January 11, 2023**

Schedule A-1 Investments Stocks, Bonds, and Other Interest (Ownership Interest is Less Than 10%) \$2,000 - \$10,000	Schedule A-1 Investments Stocks, Bonds, and Other Interest (Ownership Interest is Less Than 10%) \$10,001 - \$100,000	Schedule A-1 Investments Stocks, Bonds, and Other Interest (Ownership Interest is Less Than 10%) \$100,001 - \$1,000,000	Schedule A-1 Investments Stocks, Bonds, and Other Interest (Ownership Interest is Less Than 10%) Over \$1,000,000	Schedule A-2 Investments, Income, and Assets of Business Entities/Trusts (Ownership Interest is 10% or Greater)	Schedule B Interest in Real Property (Including Rental Income)	Schedule C Income, Loans, & Property Positions (Other than Gifts and Travel Payments)	Schedule D Income - Gifts	Schedule E Income - Gifts Travel Payments, Advances, and Reimbursements
American Int'l Group (T)	Altira (T)	Apple (T)		Four Sevyn Inc (S)	2531 Jimenez Way, Stockton (S)	Alta Bates; Spouse (C)	Doubleline (T)	
Annaly Capital (T)	Annyl (T)	Ballard Power Systems (T)		Restuccia & Harrison (T)	1908 East St, Tracy CA (T)	CB Merchants (T)	ENGIE (T)	
Apple (C)	Apple (S) (T)	Cheiron (C)		Restuccia Family 1996 Trust (T)	204-212 3rd St, Ripon CA (T)	Cheiron (C)	Ghirardelli Factory Outlet (T)	
AT&T Inc (T)	Automatic Data Processing (T)	Procter & Gamble (T)			49 E. 10th St, Tracy CA (T)	City of Tracy (T)	Hines (T)	
Bank of America (T)	Bank of America (T)	Visa (T)			623 Walnut Ave, Ripon CA (T)	FCCU (T)	NEPC (T)	
Berkshire H. - Class B (C)	Beyond Meat (S)				633 Walnut Ave, Ripon CA (T)	McCray Investment Mgmt (T)	SitelogIQ (T)	
Beyond Meat (S)	Boeing (T)					Meketa Investment Group (C)	Yellow Events Production (T)	
Broadridge Int'l Solutions (T)	BP Plc (T)					Q-Optics; Spouse (T)		
CDK Global (T)	Bristol Meyer (T)					Restuccia & Harrison (T)		
Charter Communications (T)	Capstead Preferred (T)					Rite Aid Pharmacy; Spouse (T)		
Coca Cola (T)	Caterpillar (T)					SJCERA (T)		
Dow (T)	Cisco Systems (T)							
Dupont (T)	Comcast (T)							
Fastly (C)	Costco (T)							
Gamestop (S)	Dow Chemical (T)							
General Electric (T)	Exxon Mobil Corp (T)							
General Motors (T)	Fastly (S)							
Gilead Sciences (C)	Fiserv Inc (T)							
GoPro (T)	Ford Motor (T)							
Intel (T)	General Motors (T)							
Kraft (T)	Goldman Sachs (T)							
Lynas (T)	HIVE Blockchain (T)							
Metlife (T)	IBM (T)							
Microsoft Corp (T)	Johnson & Johnson (T)							
Olin Corp Par \$1 (T)	Lowe's (T)							
PG & E (T)	Meketa Investment Group (C)							
Rivian Automotive (S)	Microchip Technology (T)							
Roblox (C)	Mondelez (T)							
Smith & Wesson (T)	Morgan Chase (T)							
Sturm Ruger & Co (T)	Morgan Stanley/Preferred (T)							
UIPATH (S)	Nike (T)							
United Cont'l Hldgs Inc (T)	NNN Net Lease (T)							
Verizon Communications (T)	NY Com/Preferred (T)							
ViacomCBS Inc (T)	Oracle (T)							
Walgreens Boots Alliance (T)	Pacific Gas & Electric (T)							
	PayPal (T)							
	Pepsico Inc (T)							
	Philip Morris (T)							
	PLUG (T)							
	Redwood Trust (T)							
	Shopify (S)							
	Sirius XM Holdings (T)							
	Snap Inc (S)							
	Taiwan Semiconductor (S)							
	Target (T)							
	Walt Disney Co. (T)							
	Waste Management (T)							
	Weyerhouser (T)							
	Williams Company (T)							



**TRUSTEES (T)**  
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 Michael Duffy  
 Jennifer Goodman  
 Phonxay Keokham  
 Ray McCray  
 Stephan Moore  
 Emily Nicholas  
 Michael Restuccia  
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Highlight indicates financial interest that may require recusal of trustee with respect to that source of income, based on currently known information and current financial interests of SJCERA. (See, e.g., FPPC Informal Advice File No. I-17-093; see also Cal. Gov. Code Section 1090 et seq.)  
 Notations are for informational purposes only and are subject to change, depending on changes in the financial interests of SJCERA and/or its Form 700 filers. The notations, as well as other comments in this summary, are not intended to be exhaustive or legally binding.