



# TRUSTEE EDUCATION POLICY

LACERA Board of Retirement & Board of Investments

Adopted May 11, 2022

## TRUSTEE EDUCATION POLICY

### I. PURPOSE

The purpose of this policy is to align the elements of LACERA's Trustee education program with the Mission, Vision, Values, and work culture of the organization. More specifically, the program is intended to assist all Trustees to obtain knowledge and receive relevant information that will enhance their understanding of the issues facing LACERA and equip the Trustees to discharge and further their fiduciary duties for the sole benefit of active members, retirees, and their beneficiaries under a framework compliant with applicable law and policy, including the 24-hour biennial education requirement of Government Code Section 31522.8 and the beliefs set forth in LACERA's Investment Policy Statement. The program will be administered in a manner that can be overseen by the Board of Retirement and Board of Investments and understood by LACERA's members and other stakeholders as reasonable and cost-effective in fulfilling LACERA's Mission to Produce, Protect, and Provide the Promised Benefits. This policy applies to LACERA Trustees only.

"Educational Conferences" are those conferences, seminars, and meetings that have an educational purpose. "Administrative Meetings" are meetings attended by Trustees in their LACERA capacity and further LACERA's interests, including legislative advocacy, speaking engagements, including a domestic and international Educational Conference at which a Trustee gives a speech, positions in the administration of pension related organizations, and similar events.

### II. PRINCIPLES

The following principles shall govern what, why, when, where, and how Trustee education is obtained and the interpretation of this policy.

**A. *Performance of Fiduciary Duty.*** Education is necessary and should be encouraged and undertaken in order that Trustees may obtain knowledge relevant to the proper performance of their fiduciary duty under the California Constitution, the County Employees Retirement Law of 1937 (CERL), and other applicable laws by a reasonable method and at reasonable cost for the value received, and further LACERA's interests. Specifically:

1. **Duty of Loyalty.** Education must assist the Trustees to perform their fiduciary duty of loyalty to "discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty." Cal. Const., art. XVI, § 17(b); see Cal. Gov't Code § 31595(a).
2. **Duty of Prudence.** Education must assist the Trustees to perform their fiduciary duty of prudence to "discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like

capacity and familiar with these matters would use in the conduct of an enterprise with a like character and like aims.” Const., art. XVI, § 17(c); see Cal. Gov’t Code § 31595(b).

- B. Further a Common Foundation of Knowledge.** A foundation of common knowledge, or Trustee Competencies, relevant to LACERA and its Mission is necessary among all Trustees to fulfill their fiduciary duty.
- C. Opportunities for Enrichment.** The fiduciary value of education includes alternatives and choices for individual Trustees to pursue enrichment in areas of interest and specialization related to LACERA and its Mission, and to stay abreast of current developments.
- D. Sharing of Information.** Because education a group effort as well as an individual endeavor, Trustees are encouraged to share information and perspectives concerning the education they separately pursue with fellow Trustees. For this reason, education should also include the flexibility and opportunities for Trustees to network with and obtain relevant knowledge from others in the public pension and investment communities.
- E. Leverage LACERA Resources.** A concerted effort should be made to present educational presentations in the boardroom to take advantage of the expertise of LACERA staff, LACERA consultants, and other outside experts to create a shared educational environment for all Trustees to interact, question, and receive common benefit.
- F. Annual Review of Education and Needs.** The fiduciary value of Trustee education is enhanced by each Trustee, on an individual basis, reviewing their past education each year and planning in advance, when possible, for how to meet their educational goals in the coming year. An annual review process recognizes that Trustees and their individual educational needs evolve over time, and no single method of educating Trustees is optimal. Instead, the ability of Trustees to develop flexible education plans for themselves and to employ a variety of methods is necessary and appropriate and will assist staff to source and provide appropriate choices and opportunities that meet Trustee needs.
- G. Transparency and Monitoring.** Trustee education and its fiduciary value and cost should be transparent to LACERA’s members and other stakeholders. The Boards should be provided with information on a periodic and consistent basis to enable effective oversight of the Trustee education program.

### III. NEW TRUSTEE ORIENTATION AND SUPPORT

- A. Attendance.** Each new Trustee and alternate, including the Treasurer and Tax Collector’s Chief Deputy, shall attend orientation.
- B. Timing for Orientation.** Orientation should occur before a new Trustee attends their first Board meeting.
- C. Development and Content.** Orientation will be developed and overseen by the Chief Executive Officer. Orientation will, at a minimum, include an overview

of LACERA's independence, Mission, organizational structure, and key functions, Board and Trustee responsibilities and fiduciary duty, pension benefits and member services, retiree healthcare and the OPEB Trust, investments, legal issues, conflicts of interest and ethics, strategic planning, budget, and accounting, actuarial matters and contribution-setting, internal audit, Trustee education, and Trustee technology, resources, and support.

**D. Orientation Materials.** At or before orientation, the following materials shall be made available to new Trustees in electronic format or such other format as a Trustee request:

1. A confidential roster of names, addresses, and contact information for the Board Trustees.
2. A confidential roster of names, addresses, and contact information for the Executive Management team.
3. Board agendas, minutes, policies and procedures, the strategic plan, applicable law, and other available resources, and how to access them.
4. Other relevant material requested by the new Trustee or deemed appropriate by the Chief Executive Officer, including a binder of materials covering the orientation topics listed in Section III(C).

**E. Mentoring.** The Chief Executive Officer will establish a formal mentorship program to assist interested Trustees. Any new Trustee may request a mentor to assist them in becoming familiar with their responsibilities on the Board. If a request is made, the Board Chair(s) will designate one experienced Trustee to be a mentor to the new Trustee for a period of one year.

**F. Returning Trustees.** Trustees who have previously served non-consecutive terms on the Boards shall attend orientation to refamiliarize themselves with the content described in Section III.C and changes to the system during their absence. The content of returning Trustee orientation will be developed by the Chief Executive Officer in collaboration with each returning Trustee.

#### IV. ONGOING TRUSTEE EDUCATION

**A. Required Education.** CERL requires that all Trustees receive a minimum of 24 hours of Trustee education within the first two years of assuming office and for every subsequent two-year period the Trustee continues to serve on the Board. This requirement sets a minimum standard. Trustees may obtain additional education consistent with the provisions of this policy.

**B. Appropriate Subject Matter.** All education must be relevant to the duties and responsibilities of Trustees. In accordance with CERL, the Boards identify knowledge in the matters and areas set forth in the Trustee Competencies stated in Appendix A as appropriate for required education. All Trustees must seek education in and should strive to have knowledge in these areas to assist in the performance of their fiduciary duty and delivering on LACERA's Mission. In addition to these areas, Trustees may obtain education in other areas relevant to their fiduciary responsibilities. Members of Board committees are

encouraged to focus a portion of their education on the subject matter of their committee.

**C. *Methods of Education.*** Since no one method of education is optimal, a Trustee's annual education should include various methods. In considering the various methods, Trustees should weigh the costs and benefits of each method. Trustee education may be obtained through the following:

1. In-House Education. The Chief Executive Officer will obtain annual Board approval for a program of in-house education for Trustees during regularly scheduled Board meetings, offsites, and other settings as may be permissible under the Brown Act. Such education will be provided by staff, LACERA consultants, and outside experts, except that the Chief Investment Officer will be responsible to plan and oversee investment-related education. LACERA consultants will be required in their contracts to provide Trustee education.

In addition to such other in-house education as may be provided, the Trustees shall receive regular training from fiduciary counsel in (1) fiduciary duty, (2) ethics and conflicts of interest, (3) governance, and (4) the Brown Act and Public Records Act. The Chief Executive Officer will develop a fiduciary counsel training schedule.

2. In-Person External Educational Conferences. Trustees may pursue in-person external education as provided in this policy, including conferences, seminars, and meetings. The Chief Executive Officer will obtain annual Board approval, maintain, and update on a current basis, a list of external educational options, organized by subject matter, appropriate for Trustees. The conferences listed in Appendix B are pre-approved. Trustees may attend external education that meets the criteria of this policy without additional approval, subject to the Boards' Trustee Travel Policy, provided that all international education must be approved by the applicable Board. For purposes of this policy Mexico and Canada are not considered international locations.

Every Trustee is authorized to attend up to 4 in-person external education opportunities per fiscal year (of which no more than 1 may be international), and up to 6 if the Trustee is serving simultaneously on both Boards at any time during the fiscal year (of which no more than 1 may be international), except that a Board may approve education in excess of these limits upon good cause. External education must have at least 5 hours of educational content per day. "International" education is all education that takes place outside the United States, except Mexico and Canada. Two conferences separated by no more than one day, with no additional travel, count as one conference.

Conferences located in California are not subject to the hour and number limits stated in the preceding paragraph.

The Chief Executive Officer will maintain Domestic and International Education Priority Lists for each Board for use when attendance at an event is limited. Trustees will be offered the opportunity to attend based on their place on the appropriate priority list. Trustees on each Board initially will be placed on applicable lists in order of the start date of their earliest term of continuous service on the Board (for appointed Trustees, a gap of 18 months or less will not break continuity of service). Trustees with the same priority date will be given priority in alphabetical order. A Trustee who attends an event based on their priority will be placed at the bottom of the list. New Trustees with no prior Board service or a gap of more than 18 months will be placed at the top of the list to facilitate their education.

Prior to attending an international benefits conference, a Trustee is required to attend an American Health Insurance Plans (AHIP) National Policy Forum or World Health Care Congress. Prior to attending an international investment conference, a Trustee is required to attend the State Association of County Retirement Systems (SACRS) Public Pension Investment Management Program or the University of Pennsylvania Wharton School of Business Portfolio Concepts and Management course. These courses are within the limits described above in this Section IV.C.2.

3. Virtual Education and Self-Study. Trustees are encouraged to attend webinars and other forms of virtual education, self-study, and other forms of education that do not require travel relating to LACERA and the performance of a Trustee's duties, including the conferences described in Section IV.C.2 above and Appendix B when offered virtually. If attendance is limited at such education, the same priority list as described in Section IV.C.2 will be used. Attendance at such education is exempt from the limits stated in Section IV.C.2 as to the number of in-person educational opportunities that may be attended. Virtual education and self-study are not limited by cost.
4. Periodicals. Trustees are encouraged to read periodicals related to the performance of their fiduciary duties as a valuable method of keeping current on relevant news and pension and investment trends, including but not limited to those selected from a list of pension and investment-related periodicals maintained by the Chief Executive Officer. All subscriptions must be arranged through the Executive Office, and LACERA will bear the expense. The Chief Executive Officer will annually review and update the periodical list with input from Trustees.
5. Evaluation. Trustees may complete and submit to the Chief Executive Officer for distribution to all Trustees, an evaluation or syllabus of all in-person external conferences and virtual education attended. A suggested sample evaluation form is attached as Appendix C. Trustees are also encouraged to share knowledge from education at Board meetings during a Report on Trustee Education agenda item or when relevant during specific agenda items.



**D. Assessment and Planning.** Trustees are encouraged to assess their educational status and needs against the Trustee Competencies in Appendix A at the beginning of each calendar year and to use such information as the basis for establishing the Trustee's own self-development goals and education plan for the year. A suggested sample education plan format is attached as Appendix D.

**E. Reporting and Monitoring.** All Trustee education will be reported to the Chief Executive Officer. The Chief Executive Officer shall provide the Boards quarterly reports concerning the amount and type of Trustee education and post them on lacera.com. In addition, in compliance with CERL, the Chief Executive Officer will annually provide the Boards and post on lacera.com a report of each Trustee's compliance with the education requirement described in Section IV.A of this policy.

## **V. ADMINISTRATIVE MEETINGS**

The relevant Board will be informed of a Trustee's need to attend Administrative Meetings and provide advance approval on such terms as deemed appropriate.

## **VI. BROWN ACT COMPLIANCE**

Attendance at external education and Administrative Meetings by more than four members of a Board is not a violation of this provision, provided that the members may not discuss any item of LACERA business.

## **VII. GIFTS AND CONFLICTS**

The Boards desire to avoid even the appearance of impropriety in connection with education, and related expenses. The Boards acknowledge that acceptance of gifts of education and related expenses, such as registration, transportation, meals, and lodging by a public agency, though permitted under certain circumstances by applicable law, can create the appearance that LACERA encourages "pay to play" and may, unwittingly, create opportunities for undue influence on Trustees. This policy therefore does not permit LACERA as an entity to accept gifts of education, and related expenses. This policy does not prohibit certain payments for education and/or related expenses as part of the negotiated consideration under agreements with vendors, consultants, and managers, although all such payments should be reviewed in advance with the Legal Division to ensure compliance with applicable law, regulations, and reporting.

Items provided during education may constitute reportable gifts.

Trustees should be familiar with the provisions of LACERA's Code of Ethical Conduct as it may apply to education and interaction with and items received from the sponsors or other attendees.

## **VIII. TRAVEL POLICY AND PROCEDURES**

This policy is subject to and will be read and interpreted in conjunction with the Trustee Travel Policy.

## IX. OTHER CHARTERS AND POLICIES

To reconcile this policy with the Board Charters and other Board policies:

- A. *Prevention of Sexual Harassment.*** Training will be obtained by Trustees as provided in the Boards' Policy on Sexual Harassment Prevention Training for Board Members.
- B. *Board Charters.*** This policy constitutes the development policy and addresses Trustee education programs, as referenced in Section 6.1.4 of the Board of Retirement Charter, and Reserve Power 5 of the Board of Investments Powers Reserved and Delegated Authorities and Powers Reserved Defined.
- C. *Prior Board Educational Requirements Policies.*** This policy supersedes and replaces the LACERA Board of Retirement Board Member Educational Requirements Policy and LACERA Board of Investments Board Member Educational Requirements Policy, which are of no further force or effect.

## X. POLICY PROVISIONS AND APPLICABLE LAW

- A. *Waiver of Policy Provisions.*** For good cause presented in writing, and in the exercise of its sound discretion, the Board of Retirement or the Board of Investments may waive compliance with specific requirements of this policy when in the best interest of LACERA.
- B. *Applicable Law.*** This policy is to be implemented in compliance with the relevant provisions of the California Government Code and other applicable law, and in harmony with existing philosophy, objectives, policies, and guidelines previously approved by the Board of Retirement and the Board of Investments.

## XI. REVIEW

This policy shall be reviewed by the Joint Organizational Governance Committee, the Board of Retirement, and the Board of Investments every three years or as needed and may be amended by both Boards at any time.

**Policy History:** Restated and Approved by the Board of Retirement and Board of Investments on December 16, 2020, and updated and approved by the Board of Retirement and Board of Investments on May 5, 2022 and May 11, 2022, respectively. Prior versions are superseded and of no effect as of the stated approval date.



## **APPENDIX A TRUSTEE COMPETENCIES**

- **Governance**
  - Understanding Board function, processes, committee structure, exercise of discretion, delegation of responsibilities and oversight role.
  - Understanding the organizational structure and roles of staff and consultants, including the actuary, auditors, healthcare consultant, investment consultants, and fiduciary counsel,
  - Understanding the laws and rules governing the system.
  - Understanding the Boards' governing documents.
  - Understanding the system's independence under applicable laws.
  - Understanding best practices for public pension board governance.
  - Understanding information technology and data security.
  - Understanding the meaning and role of diversity, equity, and inclusion.
  - Understanding Robert's Rules of Order.
  
- **Fiduciary Duties and Responsibilities**
  - Understanding the duty of loyalty.
  - Understanding the duty of prudence.
  - Understanding the paramount fiduciary duty to members and beneficiaries.
  - Understanding the fiduciary duty to minimize employer contributions.
  - Understanding the fiduciary duty to defray the reasonable costs of administering the system.
  - Understanding how to delegate authority while retaining appropriate oversight.
  
- **Benefits Administration**
  - Service Retirement
    - Understanding the different plans available to employees and retirees.
    - Understanding how the system communicates with members.
    - Understanding the difference between the responsibility for plan design (plan sponsor) and plan administration (LACERA).
    - Understanding the administrative appeal process.
  - Disability Retirement
    - Understanding the qualifications for a disability retirement and the benefits that are provided.
    - Understanding the process that is followed in disability applications, from intake through determination of eligibility.
    - Understand the medical and legal issues that are discussed during consideration of disability matters.
    - Understanding the disability hearing and appeal process.
    - Understanding fair hearings and decision-making standards.
  - Retiree Healthcare
    - Understanding the healthcare program structure.

- Understanding the history, agreements, and relationship with the County and other participating employers in connection with the funding and administration of the program.
- ***Ethics, Conflicts of Interest, and Disclosures***
  - Understanding the Form 700 process, and Conflict of Interest Code.
  - Understanding applicable conflict of interest laws and the duty to avoid participating in a decision that affects a Trustee's economic interests.
  - Understanding the LACERA Code of Ethical Conduct.
  - Understanding the RFP quiet period and Trustee disclosure obligations.
- ***Open Meeting and Public Records***
  - Understanding the importance of transparency to stakeholders.
  - Understanding the notice requirement for meetings, including teleconference meetings under the Brown Act.
  - Understanding the limitations on discussing matters that have not been noticed on the agenda.
  - Understanding the circumstances under which communications outside of noticed meetings can be deemed to be a prohibited meeting under the law.
  - Understanding what may and may not be discussed during a closed session.
  - Understanding what constitutes a “public record” under the law and circumstances under which records must be disclosed or withheld.
- ***Financial Controls and Audits***
  - Understanding the role of LACERA staff, Internal Audit, the outside financial auditor, and the Audit Committee.
  - Understanding the Comprehensive Annual Financial Report (CAFR).
  - Understanding the concepts of “risk assessment” and developing internal controls to address those risks.
  - Understanding the responsibility for maintaining the security of confidential information kept by the system, including privacy rights.
  - Understanding vendor selection policy and practices.
- ***Pension Funding and Actuarial Process***
  - Understanding of how assets and liabilities of the system are calculated on an actuarial basis, and the role of actuarial consultants.
  - Understanding the difference and relationship between the actuarial value of assets and the market value of assets and the asset smoothing process.
  - Understanding how changes in actuarial assumptions have an impact on system assets and liabilities.
  - Understanding the nature of the plan sponsors’ funding obligations and the responsibility of the Board of Investments to determine the annual required contribution and employee contributions and provide oversight of the actuarial process.
  - Understanding OPEB pay-as-you-go and trust funding mechanisms for retiree healthcare, and the Board of Retirement’s oversight role.

- **Investments**

- Understanding the comprehensive nature of the investment process.
- Understanding portfolio construction.
- Understanding different asset categories and portfolio complexity.
- Understanding responsible stewardship of LACERA's investments in a manner that promotes and safeguards the economic interests of LACERA and its members, including robust investor rights, strong corporate governance practices and policies at the firms in which LACERA invests, and sound public policies governing financial markets help generate long-term economic performance.



## **APPENDIX B APPROVED EXTERNAL EDUCATIONAL CONFERENCES**

The following list of approved external Educational Conferences is provided under Section IV.C.2 of the Trustee Education Policy as a resource to Trustees in selecting pre-approved education that will support required education, Trustee Competencies, and educational assessment and planning. Education is organized by primary subject matter, although some events may provide education in multiple areas. All conferences on this list are intended only to refer to domestic U.S. events.

### ***Governance***

National Association of Corporate Directors (NACD) conferences, seminars, and meetings

### ***Pension Benefits and System Administration***

California Association of Public Employee Retirement Systems (CALAPRS) conference, seminars, and meetings, including Principles of Pension Management Course

Government Finance Officers Association (GFOA) conferences, seminars, and meetings

Harvard Law School Labor and Worklife Program conferences, seminars, and programs

Koried conferences, seminars, and programs

National Conference on Public Employees Retirement Systems (NCPERS) conferences, seminars, and meetings

National Institute on Retirement Security (NIRS) conferences, seminars, and meetings

Public Retirement Journal conferences, seminars, and meetings

State Association of County Retirement Systems (SACRS) conferences, seminars, and meetings

### ***Retiree Healthcare***

America's Health Insurance Plans (AHIP) conferences, seminars, and meetings, including Annual Institute, Annual Medicare Conference, and Annual National Policy Forum

California Retired County Employees Association (CRCEA) semi-annual conferences

Federal and state legislative hearings on pension and retirement health care issues

International Foundation of Employee Benefit Plans (IFEBC) conferences, seminars, and meetings, including Annual Employee Benefits Conference, Annual Benefits Conference for Public Employees, Annual Health Care Cost Management Conference, Annual Investments Institute, and Annual Washington Legislative Update Conference

## ***Investments***

Association of Asian American Investment Managers conferences, seminars, and meetings

Association for Private Capital Investment in Latin America (LAVCA) conferences, seminars, and meetings

ColCapital educational conferences, seminars, and meetings

Council of Institutional Investors (CII) conferences, seminars, and meetings

Harvard Kennedy School, Trustee Leadership Forum for Retirement Security and Initiative for Responsible Investment

Harvard Law School Forum on Corporate Governance

Information Management Network (IMN) Beneficial Owners' International Securities Lending Summit Annual Conference

International Corporate Governance Network (ICGN) conferences, seminars, meetings

Institutional Limited Partners Association (ILPA) conferences, seminars, and meetings

Milken Institute conferences, seminars, and meetings

National Association of Investment Companies conferences, seminars, and meetings

National Association of Securities Professionals (NASP) conferences, seminars, and meetings, including Annual Pension and Financial Services Conference

New America Alliance conferences, seminars, and meetings

Pacific Pension & Investment Institute (PPI) conferences, seminars, and meetings

Pension Bridge conferences, seminars, and meetings

Pension Real Estate Association (PREA) annual spring and fall conferences and institute

United Nations Principals of Responsible Investing (UNPRI) conferences, seminars, and meetings

University of Pennsylvania Wharton School's Pension Fund and Investment Management and the Portfolio Concepts and Management courses

Women in Institutional Investments Network conferences, seminars, and meetings

**APPENDIX C  
SUGGESTED SAMPLE CONFERENCE EVALUATION FORM**

Under Section IV.C.5 of the Trustee Education Policy, Trustees are encouraged to complete an evaluation form or provide a syllabus for all in-person external conferences and virtual education attended.

**TRUSTEE NAME:**

**CONFERENCE NAME:**

**CONFERENCE DATE:**

**RANKING 1-10:**

1 (lowest)    2    3    4    5    6    7    8    9    10 (highest)

**DO YOU RECOMMEND THE COURSE TO OTHER TRUSTEES?    Yes    No**

**WHY?**

**DESCRIPTION OF SUBJECT MATTER (attach syllabus if available):**

**HIGHLIGHTS:**

**WEAKNESSES:**

**Return to:**

Board Offices

[BoardOffices@lacera.com](mailto:BoardOffices@lacera.com)



**APPENDIX D  
SUGGESTED TRUSTEE EDUCATION PLAN**

Under Section IV.D of the policy, Trustees are encouraged to assess their personal educational status and needs as against the Trustee Competencies in Appendix A at the beginning of each calendar year and to use such information as the basis for establishing the Trustee's own self-development goals and education for the year.

**TRUSTEE NAME:**

**PLAN FOR YEAR:** 20\_\_\_\_

**HAVE I COMPLETED MY 24 HOURS OF CERL-REQUIRED EDUCATION EVERY TWO YEARS?**    Yes    No

**FIVE AREAS WHERE I WOULD LIKE TO GET ADDITIONAL EDUCATION THIS YEAR TO HELP IN THE PERFORMANCE OF FIDUCIARY DUTY:**

- 1.
- 2.
- 3.
- 4.
- 5.

**SUGGESTIONS FOR INTERNAL EDUCATION I WOULD LIKE TO SEE THIS YEAR** (you may email them to the CEO, [skreimann@lacara.com](mailto:skreimann@lacara.com)):

**IDEAS FOR EXTERNAL EDUCATION I WOULD LIKE TO PURSUE THIS YEAR:**

**ARE THERE ANY ADDITIONAL EDUCATIONAL RESOURCES I NEED FROM THE EXECUTIVE OFFICE THIS YEAR** (you may email them to the CEO, [skreimann@lacara.com](mailto:skreimann@lacara.com)):