

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
BOARD POLICY DEVELOPMENT PROCESS

I. PURPOSE

The California Constitution provides that "...the retirement board of the public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of the moneys and administration of the system...". The purpose of this Policy Development Process is to set out the method by which the Santa Barbara County Employees' Retirement System will develop and approve formal policies of the Retirement Board.

II. DEFINITIONS

1. *Policies*, for the purpose of this document, are defined as guidelines describing how specified activities are to be carried out on an ongoing basis, and are categorized as follows:
 - A. *Board policies* deal with the broad and recurrent Board issues of relatively high risk or importance to the System as a whole.
 - B. *Operational policies* deal with issues of a day-to-day administrative nature, requiring the Retirement Administrator's detailed knowledge and expertise of the daily operations of the System.
2. *Resolutions*, for the purpose of this process, are defined as specific courses of action formally taken by the Board in response to specific issues and circumstances pertaining to the matter in question. Resolutions do not provide formal policy guidance for addressing similar issues that may arise in the future.

III. OBJECTIVE

To ensure that the approach to Board policy development is both sound and thorough, and produces policies that are consistent and effective in supporting the goals and objectives of the Retirement System.

IV. PRINCIPLE

Policy development is a deliberate and proactive process through which the Santa Barbara County Employees' Retirement System continually anticipates the need for Board policies, and carefully develops, reviews and monitors existing policies to ensure

they continue to support the fiduciary responsibilities of the Board and the needs of the System.

V. GUIDELINES

1. The Board and all individual Trustees shall act in accordance with the adopted Board and Operational Policies.
2. In determining whether a particular issue warrants a formal Board Policy, the Board shall consider the following factors:
 - A. The level of risk the issue poses to the System;
 - B. The extent to which the issue is expected to recur; and
 - C. That the issue is a broad Board issue and is not an operational issue which would be the responsibility of the Retirement Administrator.
3. Whenever the Board determines that a new policy is necessary, it shall, by action reflected in its minutes, direct the Retirement Administrator to bring forward a recommended policy with supporting documentation to the Board's Operations Committee. Such direction shall include the specific topic of the policy to be developed and the time frame for its development.
4. Should the Board determine that a Board policy is not needed, it may instead determine an alternate course of action that may include deferring the matter to staff, or adoption of a Board resolution to address the specific issue.
5. The first step in development of the proposed policy will be the preparation of a clear, written description of the purpose of the policy and any general parameters or constraints to be met.
6. In proposing a Board policy for approval to either the Board or to a committee of the Board, the Retirement Administrator shall undertake the following:
 - A. Identify the policy options that exist;
 - B. Conduct an analysis of the policy options;
 - C. Obtain input from individual trustees, if necessary;
 - D. Obtain input from outside advisors, if necessary;

- E. Obtain input from any other sources System management believes are relevant; and
 - F. Prepare and submit a proposed policy for consideration by the Operations Committee with an explanation of the feasible alternatives that were considered.
7. The Board's Operations Committee shall review the Retirement Administrator's proposed policy and the range of alternatives and its recommendation with supporting documentation to the Retirement Board for approval. The Board may adopt the proposed policy only after readings at two different meetings.
8. Board Policies shall contain the following minimum elements where appropriate:
- A. Background or history of relevant prior Board policies;
 - B. Purpose of the policy, including risks to be mitigated;
 - C. Definitions;
 - D. Specific Objectives;
 - E. Important underlying assumptions;
 - F. Guidelines to be followed (actual provisions of the policy);
 - G. Examples for clarification;
 - H. Provisions for policy review (must contain frequency of review); and
 - I. Policy amendment history.
9. Before the Board takes an action contrary to its policy, it shall state on the record the specific rationale for deviating from the policy. The Board may request a review of the policy in the same manner specified in paragraph 5 above. The review will be conducted as specified in paragraph 6 above. If the review reveals that a change in policy is advisable, the Board shall consider an amendment to the policy as specified in paragraph 7 above.

VI. Review

- 1. The Retirement Board shall review the Board Policy Development Process at least once every three (3) years to ensure that it remains relevant and appropriate.
- 2. If a Trustee, or System management, believes that a particular policy requires review in advance of the time specified in the policy, they may recommend to the Board that such a review be carried out.

VII. PROCESS HISTORY

This Process was adopted by the Retirement Board on October 24, 2001, reviewed April 13, 2004, and July 23, 2008.