

## Board/Committee Membership, Governance & Best Practices

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## Board/Committee Membership, Governance & Best Practices

Moderator: Rob Boehmer – State of Nevada

Panel:

- Gay Lynn Bath – Oregon Public Universities Retirement Plans
- Julian Regan – Segal Marco Advisors
- Mike Golojuch – City and County of Honolulu

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## City and County of Honolulu Committee Membership

- Four by Position
  - Director, Department of Budget and Fiscal Services (BFS) – Chair
  - Managing Director – delegated to alternate, Chief Internal Control Div.
  - Director, Corporation Counsel
  - Director, Department of Human Resources (DHR)
    - Each of these positions has an alternate
- Three Positions Elected – Four year terms
  - Two – Active Employees
  - One - Retiree
- Staff
  - BFS Administrative Services Officer
  - Chief, DHR Benefits, Research, and Transactions Branch
  - Deputy Corporation Counsel



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## Fiduciary Duty and Responsibility

- Committee has ultimate authority for City and County of Honolulu Deferred Compensation
- Annual fiduciary education at our 457 University training
- Investment Policy Statement and Education Policy Statement
- Reserve Policy
- Annual Plan Provider Performance Review
- Periodic Compliance Audits
- Transitioned to Fee Equalization – all participants pay fair pro-rata share of record-keeping costs



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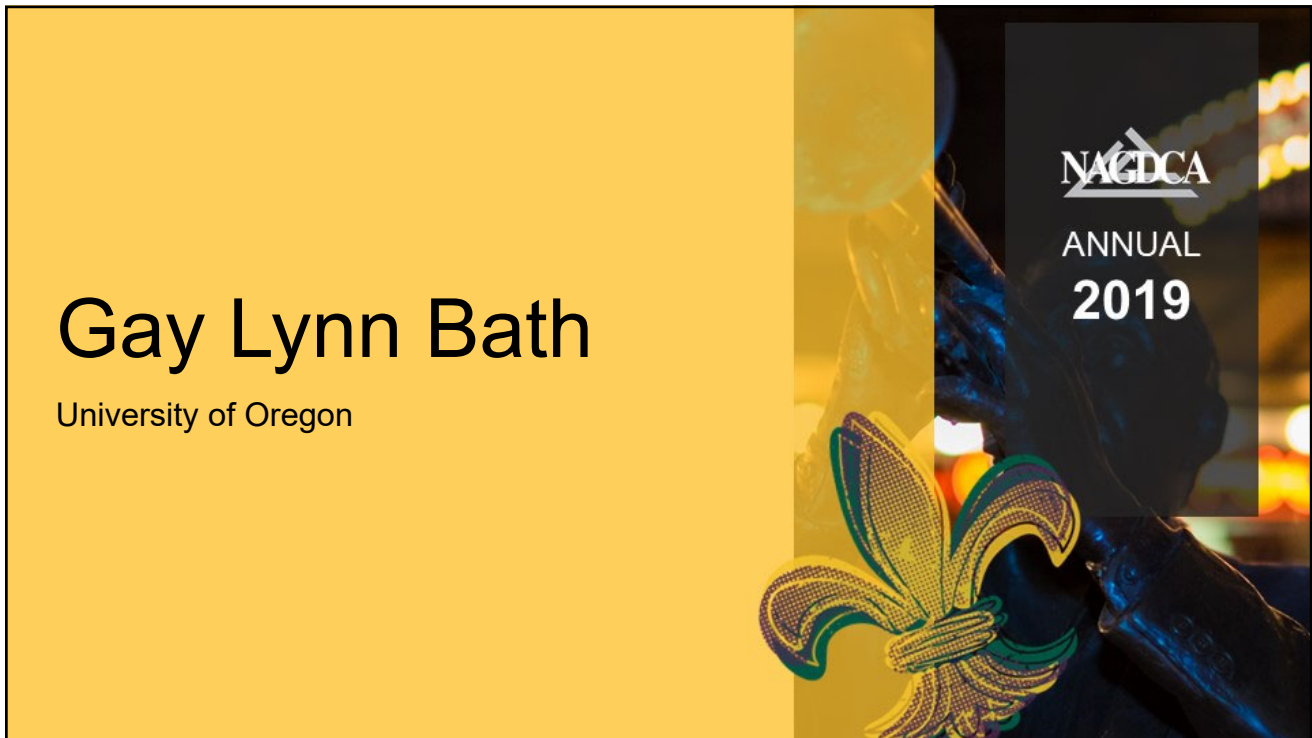
## Role of Committee versus Staff

- Committee takes Action
  - What is best for the plan participants
  - Continue to review best practices
- Staff Provides Input to Committee and Day-to-Day Activities



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## Oregon Public Universities Retirement Plans

- Plan stats
  - 401(a) and 403(b) plans for 7 Oregon universities
  - 14 discontinued 403(b) Plans
  - 3 record keepers; TIAA, Fidelity and AIG (frozen)
  - \$1.8 billion in assets
  - 7300 participants in 401(a); 8900 participants in 403(b); 1300 in discontinued plans
  - Optional Plan is offered in lieu of state pension plan to non-classified employees
  - 3 person staff
  - Investment Consultant
  - 2 Committees



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## Oregon Public Universities Retirement Plans Committees

- Charter
  - Covers both Investment and Administration Committees
  - Appointed by Board or duly appointed delegate
  - No time limits
  - Criminal background check
  - Basic knowledge and understanding of the plan documents, investment policy statement, governing materials.
  - Quarterly meetings for each committee; annual joint meeting



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## Administration Committee

- Administration Committee
  - 9 members; Director is chair; benefit managers from each campus and 1 from shared services payroll
  - No fiduciary duty; advisory role
  - Advise on:
    - interpretation of provisions of Plans;
    - service agreements with vendors
    - administration of plans for exclusive benefit of participants;
    - specific obligations, responsibilities and duties required by the Plans;
    - eligibility of participants,
    - resolution of disputes,
    - provide stewardship to the Board or its delegates



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## Investment Committee

- Investment Committee
  - Fiduciaries
  - 7 members; no time limits
  - Faculty, Administration, Classified; UO
  - Quarterly meetings (2 in person); vendors and consultant attend
  - Responsibilities:
    - Investment Policy Statement
    - Selection of investment options
    - Advise on appointment/termination of custodians, investment managers, etc.
    - Responsible for oversight of non-participant assets (revenue share, forfeiture, participant fees)



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# Julian Regan

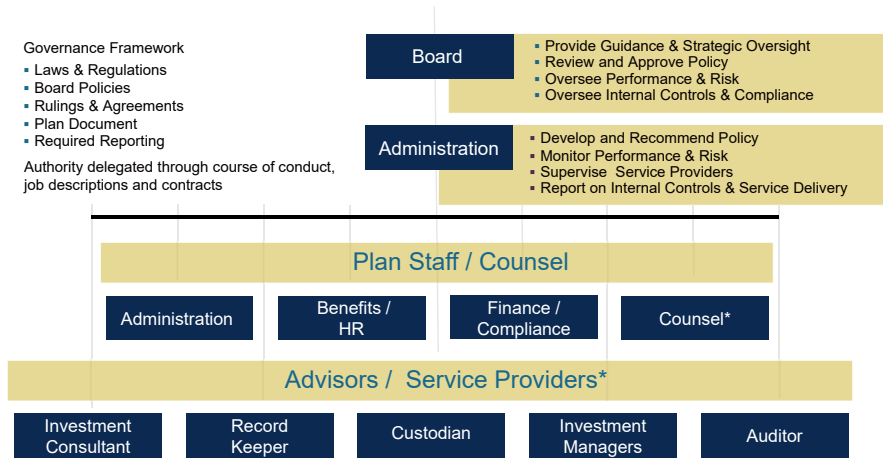
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## Best Practice: Governance Structure & Oversight Roles\*



\*Note: Sample for illustrative purposes. Organization Structure and roles will vary depending on the category, size and structure of the Plan

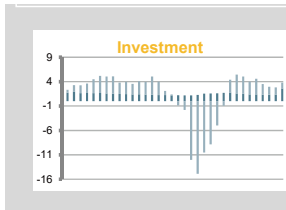
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## Best Practice: Defining and Categorizing Risk

### Investment Risk\*

- Risk of loss in participant account balances due to adverse movement in market factors such as asset prices.



### Longevity Risk

- The possibility that a DC Plan participant may outlive his or her account balance.



### Operational Risk

- Risk resulting from inadequate or failed internal processes, people and systems or from external events.

### Credit Risk

- Risk of loss due to failure of obligors (e.g. bond issuers) to honor their payments.



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## Emerging DC Plan Risk: Operational Risk

### DC Plan Risk Categories

Operational Risk      Market Risk  
Reputation Risk  
Longevity Risk      Credit Risk

### Operational Risk Types

Legal and Compliance      Transaction Processing      Asset Valuations  
Financial Reporting      Vendor Selection      Data Security  
Physical Security      Information Technology      Business Continuity

"Compliance failures are the single biggest cause of reputational risk..." —*The Economist Intelligence Unit*

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## Best Practice: Operational Risk Management Framework

Governance	Assessments	Measures	Reporting
<ul style="list-style-type: none"> <li>• Committees</li> <li>• Investment Policy</li> <li>• Guidelines</li> <li>• Contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Audit</li> <li>• Control Reviews</li> <li>• Benchmarking</li> <li>• Vendor Reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Processing</li> <li>• Participation</li> <li>• Asset Diversification</li> <li>• Service Quality</li> </ul>	<ul style="list-style-type: none"> <li>• Auditor</li> <li>• Administrator</li> <li>• Consultant</li> <li>• Investment Managers</li> </ul>

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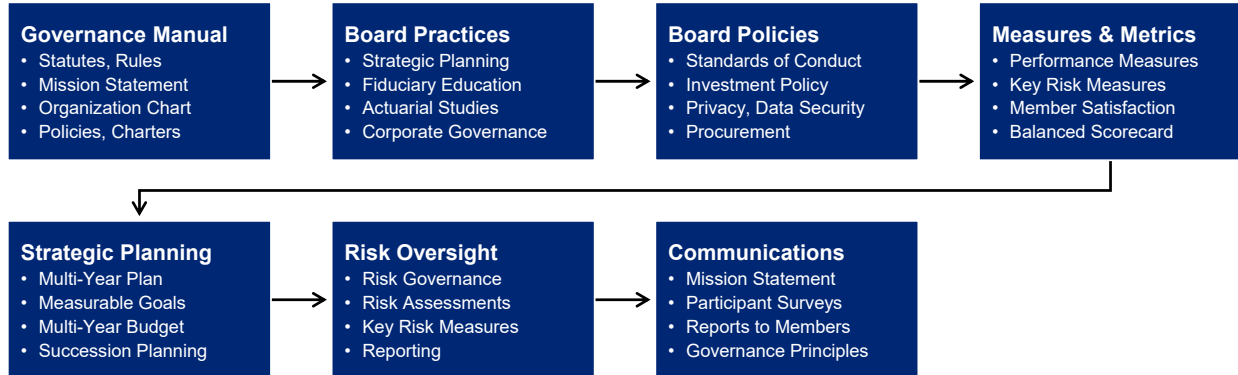
- Managing operational risk effectively may lead to improved service quality, reduced costs, improved participant decision making, better compliance and strengthened stakeholder confidence

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## NCPERS Best Practices: Industry Example\*



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\*Source: NCPERS Best Governance Practices. Applicable to Defined Benefit Plans. May be Modified to Defined Contribution Plan  
[https://www.ncpers.org/files/NCPERS\\_BEST%20GOVERNANCE%20PRACTICES\\_2019\\_Final.pdf](https://www.ncpers.org/files/NCPERS_BEST%20GOVERNANCE%20PRACTICES_2019_Final.pdf)

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