



RETIREMENT BOARD TERMS OF REFERENCE

Introduction

- 1) The Retirement Board of the City and County of San Francisco has been established under Article XII of the Charter of the City and County of San Francisco (the City Charter) and is responsible for the administration of the San Francisco Employees' Retirement System and the investment of the SFERS Fund. The Retirement Board is also responsible for administering the San Francisco Deferred Compensation Plan, a separate and distinct plan. The Board is committed to carrying out its responsibilities with respect to both plans in a manner consistent with the highest standards of fiduciary practice. In keeping with this commitment, the Board has established these Terms of Reference to guide the manner in which it carries out its affairs.
- 2) In accordance with Article XVI, Section 17 of the California Constitution, the Board has plenary authority and fiduciary responsibility for investment of monies and administration of the San Francisco Employees' Retirement System.¹

Duties and Responsibilities

General

- 3) The Retirement Board shall discharge its 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 of a like character and with like aims.²
- 4) It is understood that, in discharging its duties, the Retirement Board will at all times be supported by the Executive Director, acting as Chief Executive Officer and Chief Investment Officer (CEO/CIO) and staff.

Governance

- 5) The Retirement Board will approve, and amend, as necessary:
 - a) The mission statement of SFERS;

¹ Article XVI, Section 17 of the California Constitution is included in Appendix I.

² City Charter, Article XII, s. 12.100

- b) Rules and regulations consistent with the City Charter and Ordinances³;
 - c) Terms of Reference describing the roles and responsibilities of the Board, Board Committees, officers, the Executive Director, and the Actuary; and
 - d) Policies to ensure appropriate Board governance practices and quality decision making.
- 6) The Retirement Board will:
- a) Elect a President and Vice-President of the Board on an annual basis;
 - b) Establish standing committees as necessary;
 - i) Appoint board members and a chair to standing committees, upon the recommendation of the President; after annual appointment of standing committee chairs in or about July, the standing committee chairs are to meet with the staff designee(s) to set goals, develop agenda and schedule meetings for the following 12 months. Each standing committee chair is to report to the full Board within 60 days thereafter with goals, agenda, and meeting schedule.
 - ii) Ensure that all standing committee items that are sent to the Board with a committee recommendation are agendaized and heard by the Board within 60 days of such referral, accompanied by an executive summary and details to support the action.
 - c) Ensure that a fiduciary education program is in place to assist board members in securing the knowledge required to properly execute their duties as fiduciaries (see Board Education Policy);
 - d) Conduct periodic board performance assessment, whereby the Retirement Board may engage in a third-party or self-assessment for the purposes of continuously improving its own effectiveness as a fiduciary body (see Board Performance-Evaluation Policy);
 - e) Approve travel requests by Board members; and
 - f) Ensure that a record of the proceedings of Retirement Board and committee meetings is maintained.⁴

Investments

- 7) With respect to the Pension Plan, the Retirement Board will:
- a) Approve broad investment objectives and strategies;

³ The Board has determined that the Board Operations Policy will set out the Board rules as per City Charter, Article IV, s.4.104(1).

⁴ Per The *San Francisco Sunshine Ordinance*, Administrative Code, Chapter 67.

- b) Approve a written investment policy statement, and review, confirm, or amend such policy at deemed necessary, but no less than every five years;
 - c) Approve written asset class guidelines, which include investment objectives, asset types and risk management;
 - d) Subject to a) through c) above, approve the funding of investments, including Separately Managed Accounts, commingled funds, and partnerships; and
 - e) Commission a study of the relationship between the assets and liabilities of SFERS not less than every three years.
- 8) With respect to the Deferred Compensation Plan, the Retirement Board will:
- a) Review and approve investment options to be added to or removed;
 - b) Review and approve any investment-related policies necessary to effectively administer the Deferred Compensation Plan; and
 - c) Determine the most appropriate vendor arrangement(s) for providing effective and efficient investment, educational, and record-keeping services to members.

Benefits Administration

- 9) The Retirement Board will:
- a) Approve appropriate administrative policies to provide efficient delivery of member services;
 - b) Approve cost-of-living adjustments;
 - c) Establish rules and procedures regarding the administration of benefits where required by the City Charter or the Administrative Code; and
 - d) Ensure timely distribution of the Annual Member Statement.

Operations

- 10) The Retirement Board will ensure:
- a) All required contributions to the Fund are collected in a timely manner;
 - b) All required distributions from the Fund are made in a timely manner; and
 - c) Assets of the system are maintained in a trust fund.⁵
- 11) The Retirement Board will approve:

⁵ City Charter, Article XII, s. 12.103

- a) A strategic plan and any updates thereto, as deemed appropriate;⁶ (see Strategic Planning Policy) and
- b) An annual Department Budget, including a budget for the Deferred Compensation Plan.
- c) an Annual Report, and ensure its timely distribution and filing with the Mayor, the Clerk of the Board of Supervisors, other interested parties, and any other parties required by law to receive the Annual Report.

12) The Retirement Board will:

- a) Ensure that funding is in place to provide for the financial audit by the controller; and
- b) Review and accept the annual audited financial statements and external auditors' management letter, and take corrective action if required.

13) The Retirement Board will:

- a) Approve an actuarial valuation and the actuarial assumptions contained therein, upon the advice of the Actuary and/or Consulting Actuary and other experts as required;
- b) Determine employer contributions as recommended by the Actuary and/or Consulting Actuary, in accordance with sections 12.100 and A8.510 of the City Charter; and
- c) Ensure that an actuarial audit or equivalent is conducted at least every five years.⁷

Human Resources

14) The Retirement Board shall appoint and may terminate the Executive Director and an Actuary.⁸

15) The Retirement Board will approve the process for an annual evaluation of the Executive Director and the Actuary, upon recommendation of the SFERS Personnel Committee.

Communications

16) The Retirement Board will:

- a) Receive on a periodic basis an update on member communications and
- b) Conduct meetings open to the public in accordance with the *San Francisco Sunshine Ordinance* (San Francisco Administrative Code, Chapter 67), and the public meeting laws set out in the *Ralph M. Brown Act* (California Government Code Section 54950 et seq.).

⁶ The strategic plan may incorporate a business plan and other plans, as appropriate.

⁷ For example, the Board may elect to defer or forego a regularly scheduled actuarial audit if it has recently changed the consulting actuarial firm that advises the System.

⁸ City Charter, s. 12.100.

Legislation and Litigation

- 17) The Retirement Board may:
- a) With legal counsel, consider and approve recommendations made by the Executive Director concerning settlements or other legal actions involving SFERS; and
 - b) Recommend changes to legislation that are intended to facilitate more efficient and effective benefit or investment administration.
- 18) The Retirement Board will refrain from advocating for, or taking positions on, legislation intended to reduce, improve, or expand the benefits to be provided by the System.

Service Providers

- 19) The Retirement Board will establish an appropriate Service Provider Selection Policy to help ensure prudent and sound selection of service providers for the Board and SFERS, and will periodically monitor compliance with such policy.
- 20) The Retirement Board is responsible for approving named service providers, in accordance with the processes established under the Service Provider Selection Policy.

Monitoring and Reporting

- 21) The Retirement Board will approve a monitoring policy to ensure that appropriate monitoring and reporting practices are established and documented within SFERS.
- 22) The Retirement Board will periodically monitor compliance with, and review the continued appropriateness of, the governance structure and processes of SFERS, including:
- a) Board and committee terms of reference; and
 - b) Board governance policies and rules.
- 23) The Retirement Board will monitor the performance of the trust fund, consistent with the Reporting and Monitoring Policy and the investment policies of the Board, including at a minimum:
- a) The funded status of the System;
 - b) Fund performance relative to benchmark portfolio return;
 - c) Asset class performance;
 - d) Trust fund investment strategies;
 - e) Cost effectiveness of investment program; and
 - f) Compliance with investment policies.

- 24) The Retirement Board will monitor the effectiveness and efficiency of the administration of SFERS through a review of, at a minimum, the implementation of the Strategic Plan and the Operating Budget.
- 25) In July of each year, all Board members will sign an Affirmation Statement confirming that they have read and agree to comply with the following:
- a) Retirement Board Terms of Reference
 - b) SFERS Code of Fiduciary Conduct, Ethics and Governance
 - c) Board Education and Travel Policy
 - d) Board Communications Policy

Review

- 26) The Board shall review these terms of reference at least every five years.

History

- 27) These terms of reference were adopted by the Board on May 19, 2003. These terms of reference were reviewed and amended by the Board on July 11, 2006, July 13, 2010, May 14, 2014, December 13, 2017, July 28, 2021, and May 18, 2023.