

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 Board of Retirement (the "Board") of the Santa Barbara County Employees' Retirement System ("SBCERS" or "System") will develop and approve formal policies.

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* address the broad and recurrent Board issues of relatively high risk or importance to the System as a whole.
 - B. *Operational policies* address issues of a day-to-day administrative nature, requiring the CEO's detailed knowledge and expertise to administer 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.
3. *Charters* outline the roles and responsibilities of the Board and others involved in the governance of the System and are generally subject to the same procedures for adoption and review as Board Policies.

III. OBJECTIVE

To ensure that the Board's approach to policy development is sound, and thorough, and that it produces policies consistent with the goals and objectives of the System.

IV. ASSUMPTIONS AND PRINCIPLES

Policy development is a deliberate and proactive process through which SBCERS 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, individual Trustees and staff shall act in accordance with the adopted Board and Operational Policies of the System.
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 Board issue and is not an operational issue which would be the responsibility of the CEO.
3. Whenever the Board determines that a new policy is necessary, it shall, by action reflected in its minutes, direct the CEO 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. When circumstances require, for example in order to promptly adopt a policy to comply with a legislative directive or other legal requirement, the Board may opt to consider the Policy without reference to the Operations Committee.
4. Should the Board determine that a Board policy is not needed, it may instead determine an alternate course of action that may include referring 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 CEO 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 CEO's proposed policy and the range of alternatives and submit its recommendation with supporting documentation to the Board for approval. Absent exigent circumstances, a new policy shall only be adopted after readings at two different meetings of the Operations Committee and/or the Board.
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. Provisions for policy review (including frequency of review where appropriate); and
 - H. Policy amendment history.
9. The Board's Operations Committee shall periodically review the Board's existing policies to ensure that they remain relevant and appropriate. The Operations Committee shall apply the same factors to policy review as applied to initial policy adoption. Following review, the Operations Committee shall submit to the Board a recommendation to (a) continue the current policy without change, (b) to continue the policy with recommended revisions, or (c) to eliminate the policy.
10. Most Board policies should be scheduled for review at least every five years. A shorter review period may be set where required by law. A more lengthy or indefinite period for review may be specified for policies the Board finds do not require frequent review. Irrespective of designated periods for review, the CEO, in consultation with System staff and its general counsel, shall recommend

immediate review of a policy where appropriate due to a change in law or other exigent circumstance.

11. In the event the Board authorizes action contrary to a current policy such action shall specify the rationale for deviation from policy. Such action may also refer the policy to the Operations Committee for review in light of such action, whether or not the policy is otherwise scheduled for review.

VI. Review

The Retirement Board shall review the Board Policy Development Process at least once every five (5) years to ensure that it remains relevant and appropriate.

VII. PROCESS HISTORY

This Process was adopted by the Retirement Board on October 24, 2001, reviewed April 13, 2004, and July 23, 2008, revised on October 28, 2011, reviewed on April 23, 2014, revised on May 24, 2017; reviewed on May 28, 2020; and revised on March 22, 2023.