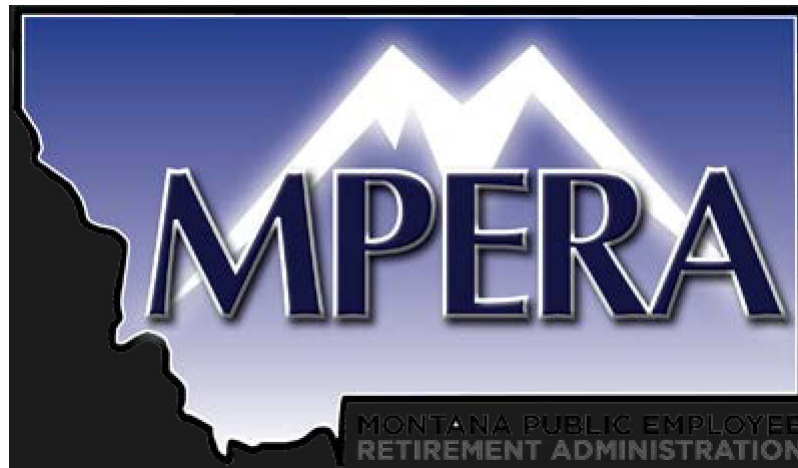


Montana Public Employees' Retirement System

Retirement Board Governance Principles and Processes (Board Proc 01)



Adopted August 10, 2017

TABLE OF CONTENTS

Purpose.....	3
Board’s Authorities, Duties and Roles	3
Ethics	3
General Duties.....	3
Financial and Administrative Operations.....	4
External Affairs	4
Additional Board Responsibilities.....	5
Individual Board Member Responsibilities	5
Board Officers.....	6
Board President	6
Board Vice President	7
Meetings of the Board.....	7
Meeting Agendas	7
Submitting Issues and Information.....	8
Public Participation in Meetings	8
Open Meetings	9
Closed Meetings	9
Notice of Meetings	9
Quorum and Voting.....	9
Recording of Meeting Minutes	9
Board Legal Counsel	10
Board Internal Auditor	10
Executive Director Authority.....	10
Budget	11
Committees.....	11
Per Diem.....	12
Reimbursement for Travel, Meals, and Lodging	13
Approval and Payment of Claims.....	13

PURPOSE

To ensure that the accountability and authority for governance and administration of Montana Public Employees' Retirement Board administered systems are clearly stated, the Board sets forth the following governing principles and processes to identify and distinguish the roles of the Board, the Board President, the Board Vice President, Committees, Committee Chairs, and the Executive Director.

I. The Board's Authorities, Duties, and Roles

Pursuant to Montana Constitution Article VIII, Section 15(2) and Sections 19-2-409, 19-2-502 and 19-2-503, MCA, the Board is charged with the administration of the public retirement systems under its purview as fiduciaries of the retirement systems' participants and their beneficiaries.

All authority granted by the Constitution and Montana Code Annotated to the Board is retained, except as delegated by specific resolution, policy or rule. Consistent with its fiduciary role as trustee of the funds, the Board's primary role is to ensure that administered systems are appropriately governed and managed. The Board is responsible for the benefits of the members and their beneficiaries. With the overriding goal of protecting fund assets, the Board must administer the systems as set forth below.

II. Ethics

The Board shall:

1. Hold itself, its staff and contractors to the highest ethical and fiduciary standards. Updates and education related to statutory or regulatory ethics requirements shall be offered to board members regularly. Annually, each board member shall sign the Board's Code of Conduct and each staff member shall sign the Staff's Code of Conduct.
2. The Board shall ensure the security and confidentiality of personal information related to members, retirees, beneficiaries, and employers within the confines of constitutional and statutory bounds.

III. General Duties

The Board shall:

1. Set the long-term strategic direction for administered systems. Establish policies, procedures and rules to effectively carry out the constitutional and statutory mandates assigned to the MPERA board.

2. Recruit, select, regularly evaluate, and, if necessary, take disciplinary action against the Executive Director. Assure plans are in place for management succession.
3. Delegate execution of established Board policy and strategic objectives to the Executive Director and through the Executive Director re-delegation to the employees and agents of the Board. Assure plans and provisions are in place to continue operations in the event of emergency or disruption.
4. Periodically evaluate the general operation and performance of the Board and MPERA utilizing internal and external resources and measures. Seek out and implement appropriate improvements.
5. Upon the advice of the Economic Investment Advisory Council (EIAC) and MPERA's Investment Consultant, set investment policies for the PERS 401(a) Defined Contribution Retirement Plan and the 457(b) Deferred Compensation Plan that focus on asset allocation, risk-adjusted rates of return, potential future risks, and participant needs.
6. With the advice of the actuarial consultant, periodically monitor and review actuarial data, consider and set actuarial assumptions and approve an annual actuarial valuation.

A. Review and Evaluate Financial and Administrative Operations

The Board shall:

1. Review, approve and monitor the annual budget, supplemental budget, financial standards and policies, as well as material transactions that are not effectuated in the ordinary course of business.
2. Ensure the integrity of the financial control and reporting systems.
3. Oversee all audits, including the annual financial audit and the biennial compliance audit, and provide that financial controls and reporting systems exist.
4. Oversee the work of the internal auditor as it applies to non-delegated Board duties.

B. External Affairs

The Board shall:

1. Be accountable to and communicate with members, beneficiaries, their representative organizations, participating public employers and others with

oversight interest in the retirement systems, including the Governor, the Legislature, the press and the public.

2. Inform the Governor concerning official actions and positions. Any correspondence sent to the Governor will be reviewed by each board member.
3. Review and consider legislative proposals based on MPERA's mission, existing constitutional and statutory authority, fiduciary responsibility and actuarial implications. Ensure written and verbal communications with the Legislature, stakeholders and the public are consistent, clear and effective.

C. Additional Board Responsibilities

The Board shall:

1. Establish a regular schedule for Board meetings. Identify, articulate, prioritize and schedule matters the Board will regularly address and establish any benchmarks for specific board review or action. Identify content, format and timeliness needs for information to be delivered to the Board for its consideration.
2. Provide for member hearings and make final administrative decisions on contested matters.
3. Create and maintain an atmosphere at all times that encourages frank and collegial discussions at the Board and Committee level and between the Board and management. Aspire to achieve a governing style that manifests the highest level of ethical conduct, respect for diversity of opinion, strategic, future-focused leadership and reflects a collegial partnership with management and staff.

IV. Individual Board Member Responsibilities

1. Board members will avoid direct involvement in operational administration at MPERA, unless requested by the Executive Director.
2. Board members shall not communicate outside the formal selection process with any person who may be under consideration for a contract or other business relationship with MPERA.
3. Board members have no obligation to meet with or communicate with advisors, managers, consultants, contractors or vendors. Any contacts and communications between individual Board members and advisors, managers, consultants, contractors and vendors to administered systems shall be at the option, discretion, and judgment of each Board member. Individual Board members shall avoid favoritism, conflicts and disclosure of privileged information. At all times individual Board members shall act in the best interest

of administered systems consistent with the Board member's fiduciary duty.

V. Board Officers

1. The Board shall elect a President and a Vice President in the second quarter of each year for a term of one year.
2. The Board President (or other presiding officer) will convene and chair board meetings and shall be a fully participating member of all board meetings for all purposes including discussion, motions, seconds, and votes.
3. The Board Vice President shall serve as President in the President's absence.
4. If the President or Vice-President is no longer eligible to serve, a new election will take place for the vacated position.

VI. Board President Authority

The Board President's primary role is to lead the Board in the conduct of Board business and to ensure the integrity of the Board's process. While it is the Board to whom the Executive Director is accountable, it is expected that the Board President will have the most frequent contact with the Executive Director. The President's specific duties, delegated by the Board, are to:

1. Provide leadership to the Board in terms of collegiality and ethical conduct.
2. Ensure that Board operations are consistent with its own policies and those legally imposed upon it from outside.
3. Ensure that Board member activities fall within the Board's policies regarding governance, prudence and ethics.
4. Assist the Executive Director with the preparation of Board agendas and materials, including items and issues requested by other Board members.
5. Conduct Board meetings and control the process of Board deliberations by:
 - a. Limiting meeting discussion content to those issues that, according to Board policy, are within the Board's responsibility; and
 - b. Ensuring timely, fair, orderly, thorough and efficient deliberations under the general guidance of Robert's Rules of Order.
6. Make decisions in those areas for which the Board has expressly delegated the President decision-making authority.
7. Appoint Committee membership, with consideration given to the expressed desires of individual Board members and the value of periodic rotation of

Committee members so as to provide direct exposure to differing Board responsibilities.

8. Certify actions taken by the Board. Represent the Board to outside parties and organizations, or designate others to represent the Board.
9. Act as the liaison for communications between the Board and Executive Director.
10. Lead the Board's ongoing assessment of Board performance, process and organization.

VII. Board Vice President Authority

In the temporary absence or incapacity of the Board President, the Vice President shall assume the duties and responsibilities of the President until the President can once again serve.

VIII. Meetings of the Board

A. Americans with Disabilities Act

1. The Board will comply with all applicable requirements of the Americans with Disabilities Act. Specifically, the Board will prohibit discrimination and make reasonable accommodations with respect to all programs, activities and services it provides.
 - a. All Board meetings will take place in a location that is handicap accessible.
 - b. All Board documents open to public inspection will be made available in an alternative accessible format upon request.

B. Agendas and Information Packets

1. An agenda and information packet will be provided to each Board member prior to each Board meeting to ensure Board meetings are professional, efficient and productive; and to provide notice to the public regarding the issues to be discussed at the Board meeting.
2. The information packet and approved agenda will be provided to each Board member no later than 72 hours prior to the Board meeting.
3. The agenda will be available on MPERA's website 72 hours prior to the Board

meeting.

C. Submitting Issues and Information

1. Any interested party may present an issue to be considered by the Board. The interested party must submit a written summary of the issue to MPERA, along with any relevant documentation or information. Requests and materials received by MPERA at least 21 days prior to a Board meeting, may be included on the agenda with approval by the Executive Director and Board President; requests or materials received after that deadline will be included on the tentative agenda for the following meeting.
2. MPERA will review materials related to an issue presented by an interested party and prepare a discussion and/or agency recommendation which will be included in the information packet required in paragraph B.4.

D. Presenting Information and Issues At Board Meetings

1. Pursuant to Section 2-3-103, MCA, the Board will hear public comment on an issue at the beginning of every Board meeting.
 - a. Each person wishing to provide comment will be granted five (5) minutes. However, the Board President (or presiding officer) may either limit or extend the five minutes to ensure efficient and productive use of the Board's time.
 - b. The Board will not respond to public comment until the issue is placed on a future Board agenda.
2. Handouts may be distributed at any Board meeting for any issue listed on the agenda. If time constraints prevent a thorough analysis of information first presented at a Board meeting, action on the issue will be rescheduled for the next meeting. The Board recommends the 21-day pre-filing procedure to avoid utilizing limited meeting time for reading and research.
3. Pursuant to Section 2-3-103, MCA, the Board will provide the public opportunity to comment on every issue before the Board prior to the Board taking action on that issue.
4. No action will be taken on a new issue presented to the Board until the issue appears on a Board agenda, public comment is permitted, and Board members have adequate time to familiarize themselves with the issue.

E. Open Meetings

1. All meetings of the Board and the Board's committees shall be properly noticed with an agenda posted on the Board's website no less than 72 hours prior to the meeting.
2. All meetings of the Board shall be open to the public, unless the Board President or other presiding officer determines the protection of individual privacy requires some portion of the meeting be closed, pursuant to 2-3-203, MCA. The discussion of individual disability retirements is an example of matters requiring a closed meeting. Further, a meeting with the Executive Director with respect to his or her performance appraisal or that of management staff may be closed. The management staff or employee being discussed must be invited to attend.

F. Board Action

1. No action can be taken by the Board in the absence of a quorum of Board members.
2. Assuming a quorum of the Board is present; a majority of the votes cast is required to adopt a motion.
3. A plurality of votes is not sufficient to adopt a motion unless the plurality also constitutes a majority of the votes cast.
4. Proxy votes are not allowed.
5. A Board member can neither participate in the discussion nor vote on an issue in which the Board member has a direct personal or pecuniary interest. Interests that are shared by a group are not "personal interests" for purposes of this policy. For example, Board members who are retirees may participate in decisions related to retirement benefit increases. The Board member must inform the Board of the reason for neither participating nor voting. Meeting minutes will reflect such recusals by Board members.

G. Board Meeting Minutes

1. Appropriate minutes shall be kept for the open portion of all Board meetings and shall be available for inspection by the public pursuant to Section 2-3-212, MCA. Those minutes include a written summary of votes taken and a verbatim gavel to gavel audio recording of the meeting available on the agency website.
2. Records kept of confidential matters discussed during closed proceedings

shall be maintained separately from the public minutes and are not available for public inspection. Non-confidential matters discussed during closed proceedings will be included in the public minutes.

IX. Board/Executive Director Relationship

The Board has delegated to the Executive Director the responsibility for the administration and management of the systems. Policy and direction set by the Board is implemented through the Executive Director. A strong relationship between the Board and Executive Director and clear delineation of authority is critical to the accomplishment of the Board's objectives.

X. Board Legal Counsel Relationship

Legal counsel will be hired, fired, and evaluated by the Executive Director. At the request of the Board or if otherwise necessary, legal counsel may report directly to the Board and/or receive direction from the Board.

XI. Board/Internal Auditor Relationship

Internal Auditor will be hired, fired, and evaluated by the Executive Director with advice and consent of the Board. At the request of the Board or if otherwise necessary, the internal auditor may report directly to the Board and/or receive direction from the Board.

XII. Executive Director Authority

The Board has delegated to the Executive Director responsibility for the administration and management of the systems consistent with Board delegation of authority. This includes responsibility for:

1. Ensuring the achievement of the long-term policies and strategic objectives established for the systems by the Board;
2. Hiring, setting compensation (in accordance with collective bargaining unit and Board policy), supervising (including training and development), monitoring, evaluating, and, when necessary, disciplining and terminating staff;
3. Hiring outside advisors and legal representation when necessary;
4. Ensuring adequate services are provided to members and beneficiaries;
5. Ensuring an actuarial valuation is conducted annually for all defined benefit systems and an experience study is conducted periodically for all defined benefit systems;

6. Representing, or designating other staff to represent the Board to outside parties, organizations, media outlets, and the Legislature;
7. Providing leadership to employees and agents of the Board in terms of collegiality and ethical conduct;
8. Acting as the liaison for communication and information flow between the Board and employees and agents of the Board;
9. Preparing and setting the Board meeting agenda subject to individual requests by the Board and with input from the Board President, by articulating, prioritizing and scheduling agenda items as appropriate;
10. Preparing the annual budget for MPERA subject to Board review and approval;
11. Reporting to the Board on the status of the current budget no less than four times each fiscal year. As part of these reports, the Executive Director shall inform the Board of any discretionary or unusual expenditure.

XIII. Committees, Committee Chairs

1. Standing Board Committees have an important role in assisting the Board to carry out its responsibilities. In fulfilling this role they:
 - a. Assist the Board by considering policy alternatives and implications for Board deliberations and actions.
 - b. Act for the Board when formally delegated with such authority for specific purposes. Committee authority is limited to the responsibilities delegated to the Committee, with care to avoid conflict with authority delegated to the Executive Director.
2. All Board members shall be advised of the meetings of each Committee, and may choose to attend any Committee meeting, regardless of whether or not they are a member of the committee. Board members may participate in committee discussions, but may only vote in committees in which they are members.
3. Committee Chairs will be selected by the Board President at the time the committee is formed, unless the President determines that a committee should appoint its own chair.
4. Committee Chairs are responsible for organizing the work of the Committees. In fulfilling this function they:

- a. Set the Committee agenda and calendar in accordance with the Committee's responsibilities;
- b. Convene and chair meetings of the committee;
- c. Ensure that the Committee operates to assist the Board consistent with its responsibilities and the Board rules including:
 - i. Limiting meeting discussion content to those issues that, according to Board policy and delegation, are within the Committee's responsibility and not within administration's responsibility; and
 - ii. Ensuring timely, fair, orderly, and thorough but efficient deliberations, under the general guidance of Robert's Rules of Order;
- d. Inform the Board members of any action taken at the Committee meeting;
- e. Work directly with the staff person(s) assigned by the Executive Director on matters within the Committee's responsibilities;
- f. Act as a liaison between the Committee, the Board President, and the Board;
- g. As necessary, appoint a Committee Vice-Chair to act as Committee Chair in the Committee Chair's absence.

XIV. Per Diem

1. Each Board member is entitled to compensation of \$50.00 for each day the Board member is actually and necessarily engaged in the performance of Board duties, which shall include:
 - a. attending a meeting of the Public Employees' Retirement Board;
 - b. attending a meeting of a Board committee on which the member sits;
 - c. attending, either at the request or with the prior approval of the Board President, a Board committee meeting, a legislative committee hearing on agency budget or retirement legislation, a meeting of the Board of Investments, a meeting of the Teachers' Retirement Board, or other similar meeting in their

official capacity; and

- d. traveling to and from such meetings.
2. No Board member who, on their own volition, attends a meeting listed in section 1 above will be entitled to compensation or other per diem.
3. Unless the Board decides otherwise, no member shall be compensated for more than one day for review and study of Board meeting related materials for each meeting.
4. A claim for per diem from Board members who are full-time salaried officers or employees of the State or a political subdivision of the State constitutes an unsworn statement to a governmental authority by a fiduciary of the retirement systems that per diem is requested for Board duties performed outside regular working hours or during time charged against annual leave, as required by Section 2-15-124(7), MCA.

XV. Reimbursement for Travel, Meals and Lodging

1. Board members shall be reimbursed for commercial transportation costs, personal car mileage, meals and lodging in the manner allowed by current state law and rules (Sections 2-18-501 through 512, MCA).
2. Board members will be reimbursed for travel expenses during periods actually necessary for travel to official Board functions. Therefore, while members may combine other personal or business purposes along with travel to or from official Board activities, any additional travel costs will not be reimbursed.

XVI. Approval and Payment of Claims

1. Board members' claims for per diem and reimbursement of travel expenses will be approved and paid by appropriate MPERA staff in compliance with state laws, rules, the State Travel policy and this policy.
2. Whenever a Board member believes staff has incorrectly applied this policy, the matter will be presented to the Board at a regularly scheduled meeting for its interpretation and final decision on the claim.

1. **CROSS REFERENCE GUIDE**

The following laws, rules or policies may contain provisions that apply to this policy. The list should not be considered exhaustive - others may apply.

Montana Constitution Article VIII, Section 15
Board's Statement of Governance Principles
Title 2, Chapter 18, Part 5, MCA
Title 2, Chapter 3, Parts 1 and 2, MCA
Sections 19-2-401 and -403, MCA
ARM 2.43.1501

XVII. HISTORY

- G3-92.1 Board Agenda
 - Originally approved March 1992
 - Amended April 22, 1998
 - Amended May 26, 2005
- G5-92 Board Meetings, Minutes & Role of Board Chair
 - Originally approved May 1992
 - Amended May 26, 2005
- G7-90 Administrator – Signature Authority and Monthly Meeting Agenda
 - Originally approved July 1990
 - Amended May 26, 2005
- G11-89 Administrator – Budget Preparation
 - Originally approved November 1989
 - Amended May 26, 2005
- GB3-94 Per Diem and Travel Expenses
 - Originally approved March 1994
 - Amended May 26, 2005
- GB3-97 Correspondence to Governor
 - Originally approved March 1997
 - Amended April 22, 1998
 - Amended May 26, 2005
- Board Proc 01 Board Processes
 - Amended November 15, 2012
 - Amended May 08, 2014
- Board Proc 01 Board Governance Principles and Processes
 - Amended August 10, 2017