



Board of Trustees

Governance Committee Meeting

July 18, 2024

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# Governance Committee Meeting

July 18, 2024  
1:00 pm – 3:00 pm

## Virtual

**Day 1 Webinar Access:**

<https://apfc.org/bot-governance-committee>

**Event Password:** GovCom

**Teleconference Option**

**Phone:** 415-655-0003

**Access Code:** 2630 586 5273

**Numeric Password:** 468266

**\*If giving public testimony by phone, please sign-up for public testimony by emailing [jloesch@apfc.org](mailto:jloesch@apfc.org) by 9 am on July 18\***

**Written comments can be sent to Trustees anytime at**

[boardpubliccomment@apfc.org](mailto:boardpubliccomment@apfc.org)

## AGENDA

Thursday, July 18, 2024

- 1:00 p.m. CALL TO ORDER
- ROLL CALL (Action)
- APPROVAL OF AGENDA (Action)
- APPROVAL OF MINUTES (Action)
  - May 20, 2024 Governance Committee Meeting
- OPPORTUNITY FOR PUBLIC PARTICIPATION
- 1:15 p.m. DISCUSSION OF POTENTIAL AMENDMENTS TO THE COMMUNICATIONS AND OTHER GOVERNANCE POLICIES TO FORWARD TO THE BOARD (Information)  
Governance Committee Chair Ellie Rubenstein
- 2:45 p.m. OTHER MATTERS / FUTURE AGENDA ITEMS / TRUSTEE COMMENTS
- 3:00 p.m. ADJOURNMENT

**NOTE: TIMES MAY VARY AND THE CHAIR MAY REORDER AGENDA ITEMS  
(Please telephone Jennifer Loesch at 907.796.1519 with agenda questions.)**

SUBJECT: Approval of Minutes

ACTION:   X  

DATE: July 18, 2024

INFORMATION:

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**BACKGROUND:**

Staff & Trustees reviewed the following Governance Committee meeting summary minutes. Draft copies are attached for your approval.

- May 20, 2024 Governance Committee Meeting

**RECOMMENDATION:**

The Chair of Governance Committee should ask whether any member has any questions or corrections regarding the minutes from the May 20, 2024 Governance Committee Meeting. If there are not corrections, The Board Chair should announce, “that there being no corrections the minutes are hereby approved”. A formal motion to approve the minutes is not required under §41 of Robert’s Rules of Order.

**ALASKA PERMANENT FUND CORPORATION  
GOVERNANCE COMMITTEE MEETING  
WEBEX/TELECONFERENCE**

May 20, 2024  
1:00 pm

Originating at:  
Alaska Permanent Fund Corporation  
801 West 10th Street  
Juneau, Alaska 99801

**Trustees Present:**

Ellie Rubenstein  
Craig Richards  
Ryan Anderson

Jason Brune  
Adam Crum

**APFC Staff Present:**

Alexander Smith  
Allen Waldrop  
Alysha Guthrie  
Ardian Balazhi  
Catherine Hatch  
Chirag Shah  
Christopher Poag  
Colton Scudder  
Damien Miller  
Edward Rime  
Eric Ritchie  
Fawad Razzaque  
Jacki Mallinger  
Jedediah Smith  
Jennifer Loesch  
Joe Shinn  
Joseph Jeralds  
Josh Ungar  
Juliette Alldredge

Larissa Murray  
Lillie Haggard  
Marisa McComas  
Masha Skuratovskaya  
Mike Gumz  
Noriz Mangual  
Ross Alexander  
Sang Won Song  
Sarah Clark  
Sarah Struble  
Scott Balovich  
Steve Adams  
Terek Rutherford  
Tim Andreyka  
Tom O'Day  
Valeria Martinez  
Jim Parise  
Luke Kirkham

**Investment Advisors:**

Britt Harris  
George Zinn

John Skjervem

**Others Participating:**

Amory Lelake; Andrew Kitchenman; Cathy Schlingheyde; Becky Bohrer; Ben Hofmeister; Debbie Carter; Deborah Brollini; Eric Stone; Gina Romero; Homer LIO; Jason Brandeis; Jeff Landfield; Jennifer Sweitzer; John Bitney; John Coss; John Springsteen; Julia Mesdag; Laurie Berg; Laib Allensworth; Lorilyn Swanson; Maggie Duffy; Mark Sabbatini; Mary Borris; Matthew Benson; Michael Bloom; Michael McHargue; Philip Nunes; Rose Foley; Sean

Maguire; Sophia Torres; Sun Yu; Suzanne Downing; Tim Clark; Alex DeMarban; Ed Martin Jr; Kayc Ullrich; Mary Borris; Christopher B.

## **ACTION ITEMS**

### **CALL TO ORDER**

TRUSTEE RUBENSTEIN called the meeting to order at 1:05 p.m.

Roll call confirmed the presence of Trustees Richards, Brune, Crum, Rubenstein, and Anderson.

### **APPROVAL OF AGENDA**

Agenda included minutes from November 29, public participation, advisor comments, and governance policies discussion.

### **APPROVAL OF MINUTES**

Approved minutes from the November 29, 2023, meeting.

### **PUBLIC PARTICIPATION**

No online public comments received; two public packets added to the record.

### **GOVERNANCE REFORMS**

Include Trustee Richards' list of possible governance reforms in the public record.

### **INTERNAL REVIEW**

Conduct an internal review of policies and procedures, potentially managed by the Office of Legal Counsel.

### **BOARD CHARTERS AND GOVERNANCE POLICIES**

Review and update Board Charters and Governance Policies, including the Charter of the Audit Committee and the Senior Management Personnel succession plan.

### **INVESTMENT ADVISORY GROUP (IAG)**

Consider expanding the Investment Advisory Group (IAG) and setting a limit on its membership.

### **COMMUNICATIONS POLICY**

Update the communications policy to include crisis communications.

### **TRUSTEE REQUESTS AND REFERRALS**

Develop a revised policy for handling Trustee requests and referrals, potentially benchmarking best practices from other organizations.

### **BOARD COMMITTEE SELF-EVALUATIONS**

Initiate Board Committee self-evaluations and consider 360-degree feedback.

### **CRISIS MANAGEMENT**

Explore options for enhancing crisis management without overwhelming staff, potentially including specialized support.

**INTERNAL AUDIT CAPABILITIES**

Address internal audit capabilities in the audit committee.

**EMAIL MANAGEMENT POLICY**

Develop a clear policy on email management, including guidance on forwarding emails to personal accounts, potentially as part of updating the Personnel Management Plan (PMP).

**ETHICS COMPLAINTS**

Incorporate proposed 30-day timeframe for handling ethics complaints with clear communication and accountability.

**BOARD MEETING PREPARATION**

Prepare a summary of discussions and proposed actions for the upcoming Board meeting.

Schedule a follow-up Governance Committee meeting before the July Board meeting for final recommendations.

**ADJOURNMENT**

Final comments from Trustees and advisors emphasizing the importance of collaborative efforts and governance reforms.

TRUSTEE RUBENSTEIN adjourned the meeting.



SUBJECT: Governance Updates

ACTION: X

DATE: 7-17-24

INFORMATION:

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The Governance Committee is meeting to consider a wholistic review of the Charters, Committees and Governance Policies of the APFC. Your packet includes the current APFC Board of Trustees Governance Charters & Governance Policies, a list of recommended Governance changes, the Colorado PERA Governance Manual, the University of Texas/Texas A&M Investment Management Company's Charter of the Audit and Ethics Committee and the Cyber Risk Committee.

The Committee will be asked to approve recommended changes to APFC Governance to be forwarded to the full Board of Trustees.



ALASKA PERMANENT FUND  
CORPORATION

BOARD OF TRUSTEES CHARTERS  
AND GOVERNANCE POLICIES

DECEMBER 11, 2023

## BOARD CHARTERS AND GOVERNANCE POLICIES

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# ALASKA PERMANENT FUND CORPORATION

## Charter of the Board of Trustees

### INTRODUCTION

1. The State of Alaska has established the Alaska Permanent Fund Corporation (APFC) to manage and invest the assets of the Alaska Permanent Fund and other funds designated by law (Fund). [AS 37.13.040]
2. The Board of Trustees of the APFC (Board) consists of six members appointed by the Governor. Two of the members are required by law to be heads of principal departments of state government, one of whom shall be the commissioner of revenue. Four members shall be appointed by the Governor from the public with recognized competence and wide experience in finance, investments, or other business management-related fields. [AS 37.13.050]

### DUTIES AND RESPONSIBILITIES

#### Governance

3. The Board will establish a committee structure that it considers necessary and appropriate.
4. The Board will establish charters setting out the duties and responsibilities of:
  - (a) The Board of Trustees;
  - (b) The Chair and Vice Chair of the Board;
  - (c) The Committees of the Board;
  - (d) The Investment Advisory Group; and
  - (e) The Executive Director.
5. The Board will establish governance policies as necessary, including bylaws and other Board standards, to ensure effective operation of the affairs of the Board.
6. The Board will establish a process for the evaluation of the performance of the Executive Director and will conduct such performance evaluation annually.

#### Investments

7. In managing and investing the assets of the Fund, the Board is required to exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the Fund over time while

maximizing the expected total return from both income and the appreciation of capital. [AS 37.13.120]

8. The Board will establish an investment policy which shall include **the Board's overall** investment philosophy, as well as other related policies as necessary for the effective management and investment of the assets of the Fund.
9. The Board will establish a framework and process for the management of the investment risk of the Fund, which shall be set out in the investment policy.
10. At least every five years the Board will review the investment policy and approve the long-term or strategic asset allocation of the Fund in terms of the proportion of total assets to be invested within a minimum-maximum range at any point in time.

#### Finance, Accounting and Audit

11. The Board will ensure that appropriate financial and operational controls and procedures are in place to safeguard the assets of the Fund.
12. The Board will ensure that audits of these controls and procedures are conducted from time to time by an independent external auditor in order to ensure that the assets are properly accounted for, and that the investments of the Fund are in accordance with applicable laws and regulations.
13. The Board will ensure that annual financial statements of the Fund are prepared and that these statements are audited by an independent external auditor. It will approve the annual financial statements, and include them as part of an annual report for distribution to the Governor, the Legislature and the public. [AS 37.13.170]

#### Operations and Human Resources

14. The Board will appoint an Executive Director and review the performance of the Executive Director annually.
15. The Board will establish a four-year strategic plan for the APFC and review the strategic plan annually.
16. The Board will approve an annual operating budget for the APFC.
17. The Board will establish human resources policies and procedures necessary for the effective management of the APFC, including a compensation and benefit policy and a succession plan for the senior management of the organization.

## Communications

18. The Board will establish a communications policy which sets out guidelines with respect to how the Board and individual trustees should communicate with:
  - (a) The staff of the APFC;
  - (b) Service providers;
  - (c) The media, including social media such as Facebook, LinkedIn, and Twitter and
  - (d) Other external parties.

## Appointments

19. The Board will approve the appointment of the following key service providers and advisors:
  - (a) The External Auditor;
  - (b) The Custodian;
  - (c) The Investment Consultant;
  - (d) The members of the Investment Advisory Group; and
  - (e) **At the Board's election,** any other service providers.

## Monitoring and Reporting

20. The Board will establish a policy which sets out its requirements regarding the reports the Board will receive on a regular basis in order to meet its responsibility for the oversight of the management of the APFC.
21. The Board will review on a regular basis, without limitation, the following:
  - (a) The investment performance of the Fund and each asset class, including the costs of managing the Fund;
  - (b) The asset allocation and investment risk of the Fund; and
  - (c) The compliance program of the Fund and the APFC in relation to applicable laws and regulations, as well as all policies, procedures and bylaws established by the Board.
22. The Board will review the compliance of the Board, its committees, the Chair and Vice Chair of the Board, and the Executive Director with the duties and responsibilities set out in their respective charters.
23. The Board will review all policies established by the Board as frequently as required under the terms of the individual policy.

## REVIEW AND AMENDMENT OF THE CHARTER

24. The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.
25. The Board of Trustees adopted this Charter on September 24th<sup>rd</sup>, 24th 2020.

## ALASKA PERMANENT FUND CORPORATION

### Charter of the Audit Committee of the Board

#### INTRODUCTION

1. The Board has established an **Audit Committee (“the Committee”)** to assist the Board in the financial oversight of the APFC.
2. The Board has established this Charter which sets out the duties and responsibilities of the Committee.

#### ROLE

3. The role of the Audit Committee will be to:
  - (a) Monitor the integrity of the financial reporting process and the system of internal controls and procedures regarding finance, accounting, and legal compliance;
  - (b) Review the performance and independence of the APFC's external auditors; and
  - (c) Provide an avenue of communication among the external auditors, management, the Chief Financial Officer, and the Board.

#### AUTHORITIES

4. The Committee will have the authority to conduct any investigation appropriate to fulfill its responsibilities.
5. The Committee will have direct access to the external auditors, as well as all APFC management and staff, legal counsel, as well as all advisors, consultants and investment managers of the Fund.
6. The Committee may retain, at the expense of the APFC and consistent with applicable procurement requirements, consultants or experts it considers necessary in the performance of its duties.

#### OPERATING PROCEDURES

7. The Committee will consist of at least three Trustees, each of whom must have a basic understanding of finance and accounting and be able to read and understand financial statements.

8. The Committee will meet at least two times annually, or more frequently as circumstances dictate. The Committee Chair will approve an agenda in advance of each meeting.
9. The Committee will invite members of management, auditors, or other professionals as deemed necessary, to attend meetings and provide pertinent information. The Committee may meet in executive sessions as necessary within the requirements of the Alaska Open Meetings Act [AS 44.62.310].
10. The Committee will maintain minutes or digital recordings of Committee meetings and periodically report to the board of Trustees on significant results of the **Committee's activities**.
11. The Committee will annually perform a self-**assessment of the Committee's** performance.

#### DUTIES AND RESPONSIBILITIES

##### Financial Reporting and Internal Controls

12. The Committee will carry out the following responsibilities with respect to financial reporting and internal controls:
  - (a) Review the annual audited financial statements prior to filing or distribution of the final report. This review should include discussion with management and external auditors of significant issues regarding accounting principles, practices, and judgments;
  - (b) In consultation with management, the external auditors, and the Chief Financial Officer, consider the integrity of the financial reporting processes and controls; discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures; and review significant findings prepared by the external auditors and the Chief Financial Officer together with management's responses;
  - (c) Discuss any significant changes to applicable accounting principles and any items required to be communicated by the independent auditors;
  - (d) At least annually, review with the APFC's counsel any legal matters that could have a material **impact on the Fund's financial statements, the APFC's** compliance with applicable laws and regulations, and any inquiries received from regulators or governmental agencies; and

##### External Audit

13. The Committee will have the following responsibilities with respect to the APFC's external auditors:



- (a) Review the external auditors' audit plan - discuss scope, staffing, locations, reliance upon management, and general audit approach;
- (b) Consider the external auditors' judgments about the quality and appropriateness of the APFC's accounting principles as applied in its financial reporting;
- (c) Discuss with management and the external auditors the quality of the accounting principles and underlying estimates used in the preparation of the **Fund's** financial statements;
- (d) Discuss with the external auditors the clarity of the financial disclosure practices used or proposed by the APFC;
- (e) Review the performance and independence of the auditors and periodically recommend to the Board the appointment of the external auditors or approve any discharge of auditors when circumstances warrant; and
- (f) On an annual basis, review and discuss with the external auditors all significant relationships the auditors have with the APFC that could impair the auditors' independence.

#### REVIEW AND AMENDMENT OF THE CHARTER

- 14. The Governance Committee, in consultation with the Audit Committee, and staff will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.
- 15. The Board of Trustees adopted this Charter on September 24th, 2020.

## ALASKA PERMANENT FUND CORPORATION

### Charter of the Governance Committee of the Board

#### INTRODUCTION

1. The Board has established a Governance **Committee (“the Committee”)** to assist the Board in the governance of the APFC.
2. The Vice Chair of the Board will serve as the Chair of the Governance Committee. The Vice Chair may act on behalf of the Governance Committee in performing the duties set forth in this Charter with the approval of the full Board.

#### DUTIES AND RESPONSIBILITIES

##### Governance

3. The Governance Committee will review the charters of the Board, its committees, the Chair, the Vice Chair, the Investment Advisory Group, and the Executive Director, as well as the governance policies of the Board as frequently as required under the terms of the individual charter or policy. The Committee will recommend any proposed changes in the charters and policies to the Board for approval as necessary.
4. The Committee will review compliance by the Board, its committees, the Chair, the Vice Chair and the Executive Director with the duties and responsibilities set forth in their respective charters.
5. Every three years, the Committee will review and update the senior management personnel (including Executive Director, Chief Investment Officer, Chief Risk Officer and Chief Financial Officer) succession plan.

##### Strategic Planning and Budgeting

6. The Committee will assist the Board in establishing a Strategic Plan. It will undertake a comprehensive review of the Plan every three to four years, and supervise the preparation of a new Strategic Plan.

##### Monitoring and Reporting

7. The Committee will review and approve any changes to the list of reports that the Board will receive on a regular basis as set out in the *Monitoring and Reporting Policy*.

REVIEW AND AMENDMENT OF THE CHARTER

8. The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.
9. The Board of Trustees amended this Charter on December 11, 2023.

## ALASKA PERMANENT FUND CORPORATION

### Charter of the Chair of the Board

#### INTRODUCTION

1. Alaska Statute 37.13.050 requires the Board to elect a Chair annually from among its members.

#### DUTIES AND RESPONSIBILITIES

2. The Chair will perform the duties and responsibilities and exercise the powers as specified below:
  - (a) Appoint the members of the committees of the Board and the committee chairs (other than the chair of the Governance Committee);
  - (b) Coordinate Board meetings, agendas, schedules and presentations, in consultation with the Executive Director;
  - (c) Preside at the meetings of the Board and ensure that such meetings are conducted in an efficient manner and in accordance with **Alaska's** Open Meetings Act and agreed-upon rules of order;
  - (d) Facilitate effective and open communications between the Board and the Executive Director;
  - (e) Act as one of the official spokespersons for the APFC, together with the Executive Director;
  - (f) Review and approve travel and other expenses of the members of the Board of Trustees;
  - (g) Review and approve travel outside of the United States and other expenses of the Executive Director; and
  - (h) Carry out any other duties and responsibilities as assigned by the Board.

#### REVIEW AND AMENDMENT OF THE CHARTER

3. The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.
4. The Board of Trustees adopted this Charter on September 24th, 2020.

ALASKA PERMANENT FUND CORPORATION

Charter of the Vice Chair of the Board

INTRODUCTION

1. The Bylaws of the APFC establish the Vice Chair as an officer of the Board. The Vice Chair is elected annually.

DUTIES AND RESPONSIBILITIES

2. The Vice-Chair will perform the duties and responsibilities and exercise the powers as specified below:
  - (a) Assume the duties of the Chair when the Chair is absent, or when the Chair designates the Vice-Chair to act in that capacity;
  - (b) Temporarily act as the Chair in the event of death, resignation, removal from office, or permanent disability of the Chair, until the election of a new Chair;
  - (c) Serve as the Chair of the Governance Committee; and
  - (d) Carry out any other duties and responsibilities as assigned by the Board.

REVIEW AND AMENDMENT OF THE CHARTER

3. The Board of Trustees will review this Charter at least once every three (3) years and make any amendments as necessary to ensure that the Charter remains relevant and appropriate.
4. The Board of Trustees adopted this Charter on September 24th, 2020.

## ALASKA PERMANENT FUND CORPORATION

### Charter of the Investment Advisory Group

#### INTRODUCTION

1. The Board of Trustees has established an Investment Advisory Group consisting of at least one but not more than three individuals who have considerable knowledge and experience in the management and investment of large endowment or trust funds to serve as independent advisors to the Board of Trustees.
2. This Charter sets out the duties and responsibilities of the Investment Advisory Group, which includes evaluating Fund performance, asset allocation, the merits of specific investment proposals, and other investment topics identified by the Board.
3. The Board will have full authority over the selection and appointment of the members of the Investment Advisory Group who will serve at the pleasure of the Board.

#### DUTIES AND RESPONSIBILITIES

4. **The Investment Advisory Group (or "IAG")** members are expected to attend in-person at least three of the quarterly Board meetings and present at least one **topic annually for the Board's consideration on best practices in the management** of large institutional funds, with input from the Board on the specific topic for presentation.
5. The IAG will provide comments to the Board on the following issues:
  - (a) The long-term or strategic asset allocation of the Fund;
  - (b) The risk management framework of the Fund;
  - (c) Any changes to the investment policy;
  - (d) Any proposed investment in new asset classes;
  - (e) Any proposed investment in new or innovative investment products or strategies, particularly those involving alternative or non-traditional asset classes;
  - (f) Any significant changes to the investment management structure of the Fund, including the following:

Alaska Permanent Fund Corporation  
Charter of the Investment Advisory Group

- i) The relative proportion of assets in an asset class managed by external investment managers versus internal staff;
    - ii) The relative proportion of assets in an asset class managed using active versus passive investment strategies;
    - iii) The total number of active investment managers or portfolios in an asset class; and
  - (g) Any other issue at the discretion of the Investment Advisory Group or as requested by the Board.
6. The IAG shall make contact with the Chief Investment Officer prior to each quarterly Board meeting to discuss topics on the agenda for the upcoming meeting, including:
- (a) Fund performance for the quarter;
  - (b) Changes being considered or implemented to the asset allocation or investment policy; and
7. Each Quarter, the Staff shall provide documentation included as a regular Board report, demonstration that the IAG had met with the CIO as required in Section 6.
8. Any special topics that are to be discussed at the upcoming Board meeting.
9. Each member of the Investment Advisory Group will annually visit the Juneau office of the APFC and attend in-person an investment committee meeting of the APFC Staff.

REVIEW AND AMENDMENT OF THE CHARTER

10. The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.
11. The Board of Trustees adopted this Charter on September 24th, 2020.

## ALASKA PERMANENT FUND CORPORATION

### Charter of the Executive Director

#### INTRODUCTION

1. Alaska Statute 37.13.100 states that the Board of the APFC may employ and determine the salary of an Executive Director.
2. The Bylaws of the APFC state that the Executive Director will be the chief executive officer of the Corporation and serve at the pleasure of the Board. The Bylaws, set out, in general terms, the duties of the Executive Director.
3. The Board has, for greater clarity, established this Charter which sets out, in more specific terms, the duties and responsibilities of the Executive Director.
4. The Executive Director may delegate certain of these duties to staff. The Executive Director will, however, remain responsible for ensuring that these duties are carried out.

#### DUTIES AND RESPONSIBILITIES

##### Leadership

5. The Executive Director will provide executive leadership to the APFC in setting and achieving its mission, goals and objectives and will manage the APFC in accordance with guidelines and parameters established by the Board. In doing so, the Executive Director may solicit advice and counsel from the Board as necessary.

##### Policy Development

6. The Executive Director will provide support to the Board in establishing the policies of the Board. This will involve working with the Board and the Governance Committee to identify issues requiring Board policy, conducting the necessary analysis of such issues and providing clear and well-supported policy recommendations for Board approval.

##### Investments

7. The Executive Director will develop and recommend to the Board:
  - (a) An investment policy, **including the Board's overall investment philosophy, and** mechanism for monitoring and managing investment risk;
  - (b) The long-term or strategic asset allocation of the Fund in terms of the proportion of total assets to be invested within a minimum-maximum range at any point in time; and



8. The Executive Director will implement all investment policies and strategies as approved by the Board.

#### Finance, Accounting and Audit

9. The Executive Director will direct that appropriate financial and operational controls and procedures are put in place to safeguard the assets of the Fund.
10. The Executive Director will direct and supervise a review of the **Corporation's** internal controls and procedures to ensure that the operations of the Corporation are performed in a secure and appropriate manner.
11. The Executive Director will direct and supervise the preparation of annual financial statements of the APFC and cooperate in the audit of these statements by an independent external auditor prior to their submission to the Audit Committee for its review.
12. The Executive Director will prepare **and coordinate management's response to any** issues of significant concern on the part of the external auditor, and will meet and discuss with the Audit Committee the findings of the audit.

#### Operations and Human Resources

13. The Executive Director will develop and recommend to the Board the overall organizational structure of the APFC.
14. The Executive Director will be responsible for managing the day-to-day operations of the APFC.
15. The Executive Director will have the authority to make all necessary operational expenditures, consistent with budgets, policies, and internal controls established by the Board.
16. The Executive Director will have the authority to execute all formal documents and contracts on behalf of the APFC.
17. The Executive Director will develop and recommend to the Board:
  - (a) A strategic plan; and
  - (b) An annual operating budget for the APFC.
18. The Executive Director will select and employ the staff necessary to manage the APFC and develop appropriate staff training and development programs.
19. The Executive Director will develop and recommend to the Board human resources policies and procedures necessary for the effective management of the APFC,

including a compensation and benefit policy and a succession plan for the senior management of the organization.

20. The Executive Director will determine the appropriate level of compensation for staff within the benefits and compensation policy approved by the Board.

#### Communications

21. The Executive Director will develop and recommend to the Board a communications policy which sets out guidelines with respect to how the Board and individual trustees will communicate with:
  - (a) The staff of the APFC;
  - (b) Service providers;
  - (c) The media, including social media such as Facebook, LinkedIn, and Twitter; and
  - (d) Other external parties.
22. The Executive Director will serve as one of the official spokespersons for the APFC, together with the Chair of the Board.

#### Appointments

23. The Executive Director will direct and supervise the conduct of all necessary due diligence that is appropriate in the search and selection of all service providers of the Fund.
24. The Executive Director will develop and recommend to the Board the appointment of the following key service providers and advisors:
  - (a) The External Auditor;
  - (b) The Custodian;
  - (c) The members of the Investment Advisory Group;
  - (d) The Investment Consultant; and
  - (e) Other service providers as the Board may direct.
25. The Executive Director will be responsible for the selection and appointment of all other service providers not appointed by the Board.
26. The Executive Director will negotiate and execute the terms and provisions of all agreements and contracts with the service providers of the Fund, including those appointed by the Board.

#### Monitoring and Reporting

27. The Executive Director will develop and recommend to the Board a monitoring and **reporting policy which sets out the Board's requirements regarding the reports it** will receive on a regular basis in order to meet its responsibility for the oversight of the management of the APFC.

28. The Executive Director will provide the Board with all relevant and appropriate information in a timely manner so as to enable the Board to meet its responsibilities.
29. The Executive Director will monitor on an ongoing basis, without limitation, the following:
  - (a) The investment performance of the Fund, asset classes, and investment managers and portfolios, including the costs of managing the Fund;
  - (b) The asset allocation and investment risk of the Fund; and
  - (c) The compliance of the Fund and the APFC with all applicable laws and regulations, as well as all policies, procedures and bylaws established by the Board, including those set forth in the Board standards.
30. The Executive Director will periodically review the performance, level of service and fees of the service providers appointed by the Executive Director.
31. The Executive Director will direct and supervise the preparation of an annual report of the APFC for distribution as required by Alaska Statute 37.13.170.

#### REVIEW AND AMENDMENT OF THE CHARTER

32. The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.
33. The Board of Trustees adopted this Charter on September 24th, 2020.

## ALASKA PERMANENT FUND CORPORATION

### Board Policy Development Process

#### OBJECTIVES OF THE POLICY

1. The Board of Trustees of the APFC has established this *Board Policy Development Process* in order to meet the following objectives:
  - (a) To set out the process by which the Board will develop and establish the policies of the Board; and
  - (b) To ensure that the process is sound and reasonable and provides the Board with effective policies that achieves the goals and objectives of the APFC.

#### POLICY GUIDELINES

##### Roles and Responsibilities

2. The role of the Executive Director in the policy development process will be to:
  - (a) Assist the Board in identifying appropriate areas or subject matters in which a board policy may be required;
  - (b) Provide the Board with sound and comprehensive analysis of the underlying issues;
  - (c) Undertake any research and analysis required in the development of the proposed policy, with the assistance of external advisors and consultants if necessary; and
  - (d) Prepare a draft of the proposed policy **for the Board's** consideration.
3. The role of the Board is to review the proposed policy, including the research and analysis undertaken, and approve it if the Board determines that the policy will achieve the goals and objectives of the APFC.

##### Development and Approval

4. Any member of the Board, a Board committee, or the Executive Director may propose to the Board that it consider the development of a new Board policy.
5. In determining whether a particular matter warrants a Board policy, the Board should consider whether it meets the following criteria:
  - (a) The matter may have a significant impact on **the APFC's** ability to achieve its goals and objectives;

- (b) It is an ongoing concern which is expected to come up again or remain indefinitely; and
  - (c) It is not an operational matter that would otherwise fall within the responsibility of the Executive Director.
6. If the Board determines that the matter warrants a Board policy, it will pass a motion directing the Executive Director to prepare and submit a draft policy to the Board for its consideration.
  7. A Board policy should contain, at a minimum, the following sections:
    - (a) Objectives of the policy – what the policy is intended to achieve;
    - (b) Policy guidelines – the actual terms and provisions of the policy; and
    - (c) Review and amendment of the policy – how often the policy will be reviewed, and the date(s) on which the policy was adopted and/or amended.
  8. The Board will approve the final language of a policy by a roll call vote.

#### Maintenance and Review

9. All Board policies will be maintained in up-to-date form in a single volume or a series of volumes within **the APFC's** offices, and will be accessible to trustees, staff and the public. Trustees will be provided with a copy of the Board policies which will be updated as necessary.
10. The Board will formally review a Board policy within the time period specified in the policy, but no less frequently than once every three years. Any Trustee, Board committee, or the Executive Director may propose to the Governance Committee that a particular policy be reviewed earlier than required.

#### REVIEW AND AMENDMENT OF THE POLICY

11. The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.
12. The Board of Trustees adopted this Policy on September 24th, 2020.

ALASKA PERMANENT FUND CORPORATION

Strategic Planning and Budgeting Policy

OBJECTIVES OF THE POLICY

1. The Board of the APFC has established this *Strategic Planning and Budgeting Policy* in order to meet the following objectives:
  - (a) To ensure that the APFC plans, in a deliberate and systematic way, for the future needs of the organization; and
  - (b) To achieve a consensus among the Board and staff on how those needs and priorities are going to be met.

POLICY GUIDELINES

The Strategic Plan

2. The APFC will establish a Strategic Plan, extending over a period of four years into the future, to be reviewed and updated annually, which will address, without limitation, the following:
  - (a) The mission of the APFC;
  - (b) The philosophy and core values of the organization;
  - (c) The goals and objectives of the APFC over the four-year period;
  - (d) An evaluation of the external environment in which the APFC operates;
  - (e) **An assessment of the organization's internal resources and capabilities; and**
  - (f) **The strategies for achieving the APFC's goals and objectives.**
3. The Strategic Plan will include a list of the specific projects and initiatives to be started and/or implemented over the next fiscal year, including for each project or initiative:
  - (a) Its potential benefit or impact;
  - (b) Responsibility for implementation;
  - (c) Timeline for completion; and
  - (d) Budgetary implications.
4. The Board, with the assistance of the Executive Director, will undertake a comprehensive review of the Strategic Plan at least every four years.

## The Planning and Budgeting Process

5. The Executive Director will review and update the Strategic Plan annually and present a report to the Governance Committee that includes:
  - (a) A review of the implementation of the Strategic Plan for the current fiscal year; and
  - (b) The updated Strategic Plan, including the current projects and initiatives in progress to be carried forward and new initiatives to be undertaken in the next fiscal year.
6. The Executive Director will present to the Board semi-annually a variance report **on the current year's Budget that provides:**
  - (a) A comparison of actual expenditures versus the budget; and
  - (b) An explanation for significant differences in actual and budgeted amounts for any budget item.
7. The Executive Director will prepare and present to the Board annually a proposed Budget for the next fiscal year which provides:
  - (a) A breakdown of the Budget by line item, and within each line item by major expense category;
  - (b) **A comparison of each budget item to the current year's budget and actual expenditure (projected to year-end);**
  - (c) An explanation of significant changes from the previous year for any budget item; and
  - (d) The identification of budgetary amounts tied to any project or initiatives in the Strategic Plan for the next fiscal year.
8. Any significant revisions to the Strategic Plan or Budget must be reviewed and approved by the Board.
9. The Executive Director shall inform the Board Chair in a timely manner, if for any reason, a particular project or initiative cannot be implemented or completed as planned.

## REVIEW AND AMENDMENT OF THE POLICY

10. The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.
11. The Board of Trustees adopted this Policy on September 24th, 2020.

## ALASKA PERMANENT FUND CORPORATION

### Monitoring and Reporting Policy

#### OBJECTIVES OF THE POLICY

1. The Board of the APFC has established this *Monitoring and Reporting Policy* in order to set out its minimum requirements with respect to the reports it expects to receive on a regular basis.

#### POLICY GUIDELINES

2. The Board will receive the reports specified in the Appendix to this Policy. The reports will be provided on a regular basis at the frequency indicated in the Appendix.
3. The Board may receive additional reports on an ad hoc basis as necessary.
4. Any request by Trustees for additional reports to be provided on a regular basis will require approval by the Board and an amendment to the Appendix of this Policy.

#### REVIEW AND AMENDMENT OF THE POLICY

5. The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.
6. The Board of Trustees amended this Policy on December 11, 2023.



## Monitoring and Reporting Policy

### APPENDIX

#### Governance Reports

Name of Report	Frequency	Prepared By	Description of Report
1. Review of Governance Policies and Charters	Every 3 years	Staff	Report on the findings and <b>recommendations of the Board's review of</b> its governance policies and charters. There could be separate reports, for policies one year and charters another year.
2. Governance Report	Every 3 years	Third Party or staff	Report on compliance with governance policies and charters. This report should be <b>part of the Board's review of its policies</b> and charters, and produced with the same frequency, i.e. every 3 years, with separate reports for policies and charters.
3. reserved			
4. Board Education Report	Annual	Staff	Report on the activities of the Board and its members with respect to education.
5. IAG Report	Quarterly	Staff	Report on compliance with IAG requirements

#### Investment Reports

Name of Report	Frequency	Prepared By	Description of Report
6. Investment Performance Report	Monthly and Quarterly	Staff and/or Investment Consultant	Report on the asset allocation and investment performance of the Fund, including the performance of asset classes
7. Risk Management Report	Quarterly	Staff and/or Investment Consultant	Report on the investment risk of the Fund, its asset classes and investment portfolios.
8. Asset Allocation Study	At least every 5 years	Staff and/or Investment Consultant	Report on the findings and recommendations of a review of the long-term or target asset allocation policy of the Fund.
9. Review of the <b>Fund's Investment Policies</b>	At least every 5 years	Staff and/or Investment Consultant	Report on the findings and recommendations of a review of the investment policy statement and related policies and procedures of the Fund.
10. Review of the <b>Fund's Investment Managers</b>	Quarterly	Staff and/or Investment Consultant	Report on the performance and strategies of the investment managers of the Fund.

Financial, Audit and Operational Reports

Name of Report	Frequency	Prepared By	Description of Report
11. Annual Financial Report, including: <ul style="list-style-type: none"> <li>▪ Audited Financial Statements</li> <li>▪ <b>Management's</b> Discussion and Analysis</li> <li>▪ <b>Auditor's Opinion</b></li> </ul>	Annual	Staff and External Auditor	Report on the financial position and activities of the Fund.
12. Cybersecurity/IT Audit	Every 3 years	Staff and/or Third Party	Report on the safety and security controls of the Fund.

Planning and Budgeting Reports

Name of Report	Frequency	Prepared By	Description of Report
13. Budget Variance Report	Semi-Annual	Staff	Report on the implementation of the <b>current year's budget, showing the variance</b> between actual and budgeted expenditures.
14. Operating Budget	Annual	Staff	Report on the proposed budget for the next fiscal year.

## ALASKA PERMANENT FUND CORPORATION

### Trustee Education Policy

#### OBJECTIVES OF THE POLICY

1. The Board of the APFC has established this *Trustee Education Policy* with the following objectives:
  - (a) To ensure that the members of the Board have access to the knowledge and information necessary for them to fulfill their fiduciary duties as trustees of the Alaska Permanent Fund; and
  - (b) To assist them in becoming well informed in all matters pertaining generally to the management of a large institutional fund, both public and private, and more specifically to the management and investments of the Fund.

#### POLICY GUIDELINES

2. The education program for Trustees will be based on the following principles:
  - (a) The program should include both in-house education, so that Trustees can share in a common base of knowledge and information relevant to their tasks, as well as external conferences and seminars, so that Trustees can benefit from exposure to alternative perspectives and interaction with trustees of other organizations;
  - (b) There should be diverse sources for education, beyond APFC staff and current service providers, including other external consultants, advisors and experts, so that Trustees may benefit from a wide range of views and opinions; and
  - (c) Trustees are expected to participate in any in-house education sessions that may be organized for their benefit, including an orientation session for new Trustees. They are also encouraged to attend external conferences and seminars.
3. The education program will consist of the following:
  - (a) A formal orientation for new Trustees;
  - (b) A Trustee Reference Manual containing key information about the APFC;
  - (c) In-house education, including:
    - i) At the request of the Board, an annual education session
    - ii) Seminars and briefings from time to time;
    - iii) Selected reading material provided by staff; and
  - (d) External conferences and seminars.

## Orientation Program

4. The Executive Director will develop an orientation program designed to introduce new trustees to all relevant operations of the APFC, and to the duties and responsibilities of the Trustee. The aim of the orientation program will be to ensure that a new Trustee is in a position to contribute fully to the deliberations of the Board, and effectively carry out their duties and responsibilities as soon as possible after joining the Board.
5. The orientation program should include the following:
  - (a) A briefing by the Executive Director on the history, mission, organization and operations of the APFC;
  - (b) A briefing by the Chief Investment Officer on the investment philosophy, asset allocation, investment managers, and the major investment portfolios of the Fund;
  - (c) A briefing on the laws and regulations governing the APFC, the fiduciary duties and responsibilities of the Trustees, the Board Charter, Committee structure, Bylaws and other Board standards including disclosure requirements;
  - (d) A briefing on administrative policies and procedures relating to Board members;
  - (e) **An introduction to the APFC's website and the educational resources available there for Trustees;** and
  - (f) A briefing by the Chair of the Board and the Executive Director on the major issues currently before the Board.
6. The new Trustee will also, as part of the orientation program, be provided with the following:
  - (a) The Trustee Reference Manual;
  - (b) Selected articles and papers on the APFC and institutional fund management;
  - (c) A list of upcoming conferences and seminars; and
  - (d) The most recent Annual Report, including the audited financial statements.

## Trustee Reference Manual

7. The Trustee Reference Manual will include the following:
  - (a) The laws and regulations governing the Alaska Permanent Fund;
  - (b) The Bylaws of the APFC;
  - (c) The Charters and Governance Policies established by the Board;
  - (d) A list of Board committees and committee members;
  - (e) Names and contact information for Trustees, members of the Investment Advisory Group and the Executive Director;

- (f) Organization chart of the APFC;
- (g) **List of the APFC's major service providers;** and
- (h) The Investment Policy for the Fund.

#### In-house Education

- 8. The Board will periodically conduct assessments of its educational requirements to ensure it will be provided with the knowledge and information necessary to discharge its functions.
- 9. Trustees are encouraged to attend, if scheduled, an annual educational session which may be organized either by the Executive Director or in conjunction with other Alaska public funds such as the Alaska Retirement Management Board.
- 10. The Executive Director will, from time to time, organize short seminars or presentations on various topics by APFC staff and service providers, as well as other external consultants, advisors and experts. The Executive Director will consult with Trustees to identify topics of special interest or relevance to the Board, taking into account the results of the educational needs assessment. These sessions may be organized either as part of regular Board meetings or as stand-alone events.
- 11. The Executive Director will also provide Trustees with relevant and appropriate reading material (e.g., journal articles, research studies, news clippings, etc.).

#### External Conferences and Seminars

- 12. The Executive Director will maintain a list of conferences and seminars that Trustees may wish to attend, with expenses to be paid for by the APFC upon approval of the Chair. The Executive Director will update the list from time to time taking into account new information and feedback from previous conference attendees.
- 13. The Executive Director will notify the Board of upcoming conferences on a regular basis at Board meetings.
- 14. Trustees are free to attend any other conferences, seminars, or workshops, other than those recommended by the Executive Director. The potential reimbursement of expenses incurred by Trustees will be subject to prior approval by the Chair.

#### Trustee Education Report

- 15. The Executive Director will present to the Board annually a report on the various educational activities undertaken by the Board and individual Trustees during the year.

REVIEW AND AMENDMENT OF THE POLICY

16. The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.
17. The Board of Trustees adopted this Policy on September 24th, 2020.

## ALASKA PERMANENT FUND CORPORATION

### Board Communications Policy

#### OBJECTIVES OF THE POLICY

1. The Board has established this *Board Communications Policy* in order to facilitate effective communication by the Trustees with each other, and with APFC staff and service providers, the media and other external parties.

#### POLICY GUIDELINES

##### Communication among Trustees

2. Trustees are free to communicate with each other on matters concerning the APFC, subject to the requirements of Alaska's Open Meetings Act.

##### Communication with Staff

3. While Trustees have the right to communicate with any member of the APFC staff, they should **direct questions and requests for information regarding the APFC's** management and operations to the Executive Director or senior management staff.
4. Any question or request for information which can reasonably be expected to take up a significant amount of time, effort or resources on the part of APFC staff or service providers should be made through a formal request at a Board or committee meeting or with the consent of the Chair of the Board.
5. Trustees may directly contact the Executive Director or members of the senior management staff or APFC legal counsel, with any other question or request for which an answer or response is readily available or can be quickly and easily obtained.

##### Communication with Service Providers

6. Trustees should communicate with **the APFC's** investment managers and other service providers on matters concerning the APFC generally at Board or committee meetings, or through staff. If Trustees have any questions or wish to request any information from service providers, they should contact the Executive Director or a member of the senior management staff.
7. If Trustees do communicate directly with a service provider, they should be careful not to disclose any privileged information, make any commitments on behalf of the Board, or provide any special treatment or favoritism to the service provider. Trustees should disclose the nature of any communication with the service provider that is important or material to the APFC to the Board at their earliest convenience.

8. Trustees should refer any investment opportunities or proposals they receive from a service provider which may be of relevance to the APFC directly to the Executive Director.
9. **The provisions of Section 6 through 8 above will not apply to Trustees'** communication with the Investment Consultant, the Investment Advisory Group, the Auditor and APFC legal counsel.

#### Communication with the Media and Other External Parties

10. The Chair and the Executive Director will both serve as the official spokespersons for the APFC.
11. In their role as spokespersons, they should communicate in a manner consistent with the established policies and decisions of the Board and should not make comments which represent their personal views.
12. The Executive Director will be responsible for all **"press releases" or written** communications with the media. Such communications should clearly and accurately represent the actions and decisions of the Board.
13. All Trustees, including the Chair, are free to communicate with the media on matters concerning the Board or the APFC in their capacity as individual Trustees. If approached by the media for interviews or information on the APFC, they may refer the matter to one of the official spokespersons. If Trustees do communicate with the media, they should observe the following guidelines:
  - (a) Trustees, other than the Chair, should not speak on behalf of the Board unless specifically authorized to do so by the Board;
  - (b) If authorized to speak on behalf of the Board, Trustees should follow the provisions of Section 11 above; and
  - (c) If Trustees, including the Chair, are speaking as individual Trustees, they should indicate that they are doing so, and not speaking on behalf of the Board.
14. Any written material on the APFC prepared by Trustees for publication or general distribution should be submitted to the Executive Director for review prior to its publication or distribution. The review will be only for the purpose of verifying the accuracy of the material to ensure that the APFC is not being inadvertently misrepresented.

#### REVIEW AND AMENDMENT OF THE POLICY

15. The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.



16. The Board of Trustees adopted this Policy on September 24th, 2020.

## ALASKA PERMANENT FUND CORPORATION

### Executive Director Performance Evaluation Policy

#### OBJECTIVES OF THE POLICY

1. The Board of Trustees of the APFC has established this *Executive Director Performance Evaluation Policy* with the following objectives:
  - (a) To ensure that the Executive Director receives appropriate and useful feedback on their performance from the Board on an annual basis; and
  - (b) To help develop clear and meaningful performance objectives for the Executive Director.

#### POLICY GUIDELINES

##### Roles and Responsibilities

2. The Board will be responsible for evaluating the performance of the Executive Director on an annual basis.
3. The Board may retain the services of an independent third party to facilitate and administer the performance evaluation in order to ensure the integrity and confidentiality of the process.

##### Evaluation Survey and Criteria

4. The Board will evaluate the performance of the Executive Director based on a number of criteria, including the following:
  - (a) Achievement of the goals and objectives of the APFC;
  - (b) Completion of the specific projects and initiatives set out in the strategic plan for that fiscal year;
  - (c) Implementation of Board policies and reporting requirements;
  - (d) General leadership and management skills; and
  - (e) **Compliance with the Executive Director's charter.**

##### The Evaluation Process

5. Towards the end of the calendar year and before the fourth quarter meeting of the Board, the Chair will distribute a package of materials to each Trustee which may include the following:
  - (a) A report prepared by the Executive Director that lists their achievements for the previous year;
  - (b) The strategic plan and budget for the fiscal year or a summary thereof; and
  - (c) **Any other materials that might be relevant to Board's performance** evaluation of the Executive Director.
6. Trustees should review the materials provided prior to the meeting during which the Executive Director will be evaluated.
7. The Board, **consistent with Alaska's Open Meetings Act**, will meet in executive session to review and discuss **the Executive Director's performance** for the prior year.
8. The Board, **consistent with Alaska's Open Meetings Act**, will then meet with the Executive Director in executive session to discuss their performance for the prior year and any opportunities for improvement.
9. The Board, after coming out of executive session, will then take any action on the record that may be required to complete the evaluation.

#### REVIEW AND AMENDMENT OF THE POLICY

10. The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.
11. The Board of Trustees amended this Policy on December 11, 2023

## ALASKA PERMANENT FUND CORPORATION

### Board Standards

#### OBJECTIVES OF THE STANDARDS

1. The Permanent Fund was established by Article IX, Section 15 of the Alaska Constitution. The statutory purpose of the APFC is to manage and invest the assets of the Permanent Fund. **The Trustees' conduct is subject to Alaska Constitution and Statutes, regulations under the Alaska Administrative Code, and various other rules and policies.** The Board of Trustees has established the *Board Standards* to identify applicable rules and policies and provide further guidance to Trustees in conducting their affairs and activities as Board members.

#### POLICY GUIDELINES

2. Trustees will conduct themselves with honesty, integrity, decorum, and professionalism in all aspects of their duties, and in their interaction with fellow trustees, APFC staff, service providers, and other external parties.

#### With Respect to Compliance with Laws, Regulations and Policies

3. Trustees will abide by all applicable laws and regulations, including, in particular, the following:
  - (a) Alaska Statutes at Title 37, Chapter 13;
  - (b) Alaska Administrative Code at Title 15, Chapter 137;
  - (c) APFC Bylaws;
  - (d) The Alaska Open Meetings Act and regulations thereunder;
  - (e) The Alaska Executive Branch Ethics Act and regulations thereunder, administered by the Department of Law; and
  - (f) The Alaska Conflict of Interest Act and regulations thereunder, administered by the Alaska Public Offices Commission (APOC).
4. Trustees will abide by all policies of the APFC.

#### With Respect to Confidentiality and Use of Information

5. Trustees will respect the confidentiality of all information pertaining to the APFC to which they become privy to by virtue of their position. They will not disclose any confidential information to any external party unless required to do so by law.
6. Any information on the APFC that Trustees request in their capacity as Trustees will only be to fulfill their responsibilities as Trustees of the APFC and not for use in their own personal or business affairs.

With Respect to Enforcement of the Board Standards

7. The Chair of the Board will enforce and attempt to rectify any breach of the Board Standards.
8. If a Trustee has reason to believe that a material violation of the Board Standards has taken place, they will notify the Chair (or the Vice Chair if the allegation is against the Chair) and the Executive Director.

REVIEW AND AMENDMENT OF THE POLICY

9. This Policy will be reviewed periodically and amended by the Board as necessary or appropriate.
10. The Board of Trustees adopted this Policy on September 24th, 2020.

**List of Governance Items under consideration**  
**by the Governance Committee**

**Update the Charter of the Investment Advisory Group**

1. Establish annual Investment Advisory Group (IAG) board education sessions customized to board requests and educational need.
2. Add an annual educational session to the Board of Trustees as a responsibility.
3. Increase the number of IAG members to a maximum of five and increase knowledge and experience to include pensions and general partnerships.
4. Assign members of the IAG to committees of the Board with the expectation that they attend all associated committee meetings. Advisors not assigned to specific committees are welcome to attend any committee meetings.
5. Require at least one IAG member attend at least one Investment Committee meeting each quarter. All IAG members shall be allowed to participate in any Investment Committee meeting.
6. Require the IAG members report quarterly to the Board of Trustees on the Investment Committee process, provide updates on asset allocation and pacing by asset class, current issues discussed with APFC staff, and the previous quarter of Investment Committee actions. Other than confidential or proprietary information the IAG report shall be included in the quarterly Board meeting packets.
7. Require that IAG members make contact with both the Executive Director and Chief Investment Officer prior to each quarterly Board meeting.
8. Eliminate #9 of the existing Charter of the IAG.

**Audit Committee Revisions**

1. Add Ethics and Cybersecurity to the Committee.
2. Require cybersecurity software for detecting and monitoring legal and compliance risk of employee emails. Implementation and operation of this software to be provided to the Committee at least annually.

3. Define and implement timelines and reporting of ethics determinations by designated ethics supervisors.
4. Require independent third-party vendor to provide compliance oversight to the Chair of the committee.
5. Refer to the Audit Committee the possible use of internal audit functions and additional reporting and oversight of the IT and Compliance sections of APFC.
6. Develop clear and expanded compliance monitoring and reporting responsibilities for Trustees.
7. Revise to provide for an independent third-party review of any suspected violations of Board standards or state statute or regulation. In the event a review is required all Trustee's shall be informed of the matter at the next Board meeting in executive session.
8. Enhance process for Board member referral of investment opportunities/managers to staff.
9. Develop protocols for staff interactions with board member outside of board meetings.

### **Communication Committee**

1. A Communications Committee shall be appointed by the Chair.
2. Adopt crisis communication protocols which considers engagement with both the Board of Trustees and Staff.

### **Utilize Colorado PERA (Copera) Governance Manual as a Resource to Improve Board and Staff Issues**

1. Adopt Copera's Executive Director Performance Evaluation Policy as found in its Governance Manual pp. 44-45 .
2. Allow IAG members to participate in Executive Director evaluation.
3. Adopt Copera's Board Performance Evaluation Policy as found in its Governance Manual pp. 46-47.
4. Allow IAG members to participate in the Board performance evaluation.

## **Other Updates**

1. Develop clear roles and responsibilities for Trustee duties.
2. Review the suggestion of providing laptops, tablets, and cellphones to each Trustee.





# GOVERNANCE MANUAL

AS OF JUNE 2024



## COLORADO PERA **MISSION**

*To provide retirement security for our members while ensuring the sustainability of the fund.*

## COLORADO PERA **VISION**

*To innovate and build on a tradition of service by being a trusted partner in order to meet the changing needs of our diverse membership.*



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# INTRODUCTION

The Board of Trustees (Board) of the Public Employees' Retirement Association of Colorado (PERA) serves and protects the interests of PERA Participants. To better exercise this fiduciary duty, the Board believes that a sound governance framework is essential. The adoption of the *Governance Manual (Manual)* by the Board provides key guidance for this framework.

The *Manual* provides the framework for the Board's mandate to set policy and oversee the programs and operations of PERA. The Board intends that the *Manual* will serve as the guide and as a resource for both new and experienced Trustees.

The Board and individual Trustees will strive to comply with the provisions of the governance policies. The Board will periodically review each section of the *Manual* and update the contents as necessary.

This *Manual* contains two types of directives—charters and governance policies:

## I. CHARTERS

Charters describe the roles and responsibilities of the major decision-making bodies involved in the governance and management of PERA. These include the Board, committees of the Board, officers of the Board, and the Executive Director. By clarifying duties and accountabilities, charters help to enhance the efficiency of the Board's operations, and the quality of its decisions.

The charters reflect various requirements set out in [PERA Law](#), [PERA Rules](#), other applicable Colorado statutes, and Board policy.

## II. GOVERNANCE POLICIES

Governance policies constitute the second type of directive found in the *Manual*. They provide specific guidance to the Board and senior management on how they are to undertake their duties, and set out the expectations of the Board concerning its own conduct and that of individual Trustees. The governance policies address a range of topics from communications and education to ethical conduct and performance evaluation.

# DEFINED TERMS

For purposes of this *Governance Manual*:

1. “401(k) Plan” refers to the optional voluntary investment program offered to PERA Participants and administered under the direction of the Board.
2. “457 Plan” refers to the optional supplemental retirement plan under the Internal Revenue Code offered to PERA Members and administered under the direction of the Board.
3. “ACFR” refers to the *Annual Comprehensive Financial Report* required pursuant to C.R.S. § 24-51-204(8).
4. “Actuarial Valuation Report” refers to the annual actuarial valuation required to be conducted pursuant to C.R.S. § 24-51-204(7).
5. “Board” refers to the Board of Trustees of PERA.
6. “Board Website” refers to the Trustees’ website portal used to transmit official documents between staff and Trustees.
7. “Budget” refers to the Board’s officially adopted operational budget of PERA for the current or upcoming calendar year pursuant to the Budget Approval Process Policy.
8. “CAP” or “CAPs” refers collectively to PERA’s capital accumulation plans, specifically the PERAPlus 401(k) Plan, PERA DC Plan, and the PERAPlus 457 Plan.
9. “Colorado Open Meetings Law” refers to Title 24, Article 6, Part 4 of the Colorado Revised Statutes.
10. The “Combined Investment Fund” or “CIF” refers to the defined benefit trust funds, the life insurance reserve fund, and the health care trust funds.
11. “C.R.S.” refers to the Colorado Revised Statutes.
12. “DC Plan” refers to the optional defined contribution plan program available to eligible new hires in the State Division hired on or after January 1, 2006, new classified state college and university employees hired on or after January 1, 2019, and new hires in the Local Government Division hired on or after January 1, 2019.
13. “DPS” refers to the Denver Public Schools or Colorado State School District Number One.
14. “Independent Audit” refers to audits performed on PERA by the State Auditor pursuant to C.R.S. § 2-3-103 as directed by C.R.S. § 24-51-204(6).
15. “Manual” refers to this document, the “*Governance Manual—Public Employees’ Retirement Association of Colorado*.”
16. “PERA” refers to the Public Employees’ Retirement Association of Colorado.
17. “PERA Beneficiary” refers to a retiree, spouse, cobeneficiary, qualified child, or dependent parent receiving monthly service retirement, disability retirement, or survivor benefits.
18. “PERA Investment Program” refers to PERA’s operation of the Combined Investment Fund and the Capital Accumulation Plans.
19. “PERA Law” refers to Title 24, Article 51, C.R.S. (as amended).
20. “PERA Member” refers to an active member of a PERA hybrid defined benefit plan.
21. “PERA Participant” refers to any member, participant, or beneficiary of a PERA retirement or benefit program.
22. “PERA Plans” refers to all PERA programs.
23. “PERA Rules” refer to the rules promulgated by the Board under PERA Law.
24. “PERA Website” refers to the official internet domain/portal of PERA, currently [www.copera.org](http://www.copera.org).
25. “Strategic Plan” refers to the Board’s currently adopted strategic plan pursuant to the Strategic Planning Policy.
26. “Trustees” refers to the Trustees of PERA.

## REFERENCES TO LEGISLATION

Where appropriate, this *Manual* incorporates relevant excerpts of PERA Law, PERA Rules, the Colorado Open Meetings Law, and other applicable Colorado statutes. Such excerpts may have been paraphrased for purposes of document consistency and brevity.

# STANDARDS OF PROFESSIONAL AND ETHICAL CONDUCT FOR THE BOARD OF TRUSTEES

1. In dealing with PERA Participants, employers, the public, PERA staff, and service providers, it is the obligation of each PERA Trustee to conduct themselves solely in the interest of PERA Participants. This requires that Trustees behave in accordance with the highest standards of fiduciary conduct, professionalism, and ethics. The Board has established these *Standards of Professional and Ethical Conduct (Standards)* to assist the Trustees in achieving and maintaining such standards of behavior.
2. In approving these *Standards*, the Board recognizes that it is not possible for a document to identify and address all of the ways in which conduct may fall short of appropriate standards, or all of the situations in which a Trustee's interests may conflict with the interests of PERA Participants. Accordingly, these *Standards* are not intended to replace the need for careful thought and judgment by Trustees and the Board concerning matters of conduct. Instead, they consist of general guidelines and principles intended to assist Trustees in most situations that may arise, as well as procedures and principles for approaching unique situations.

## DEFINITIONS

3. For purposes of this policy:
  - a. A "Conflict of Interest" encompasses any situation in which a Trustee has, or which a reasonably well-informed and knowledgeable person could properly perceive a Trustee to have, an incentive to decide a matter or provide a recommendation for any reason that would be inconsistent with acting solely in the interest of PERA Participants, or that would provide a private benefit to the Trustee.
  - b. "Undue Influence" is defined as the use of any improper or wrongful pressure, scheme, or threat intended to cause someone to act in a way they would not otherwise act if left to act freely.

## GUIDELINES

4. As per PERA Law, [C.R.S. § 24-51-207\(2\)\(a\)](#), PERA Trustees, as fiduciaries, shall carry out their functions solely in the interest of the members and benefit recipients and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in performing such duties as required by law. The Trustees shall act in accordance with the provisions of this article and with the care, skill, prudence, and diligence in light of the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the Association so as to minimize the risk of large losses, unless in light of such circumstances it is clearly prudent not to do so.
5. The Board expects that Trustees will uphold the fiduciary duties, described above, pertaining to the administration of the benefits and investments of PERA. In keeping with this expectation, and without limiting the generality of the foregoing, Trustees are required to:
  - a. Conduct all PERA business in a fair and honest manner;
  - b. Avoid any activity, where possible, which may constitute a Conflict of Interest;
  - c. Be responsible for maintaining their professional competence;

- d. Use care and discretion when handling confidential information which is received or maintained by PERA;
- e. Comply with all policies of the Board including but not limited to the *Board Education Policy* and the *Board Communications Policy*;
- f. Conduct themselves with decorum, integrity, and professionalism in all aspects of their duties and relationships with fellow Trustees, staff, service providers, and other parties;
- g. Make a good faith effort to attend, and be sufficiently prepared for, all meetings of the Board and of any committees on which they serve;
- h. Refrain from soliciting campaign or charitable contributions from PERA Trustees, Chief Officers, General Counsel, and Director of Internal Audit. PERA staff, however, are free to make contributions to a political campaign of a Trustee or to any charitable organization associated with or supported by a Trustee; and
- i. Refrain from communicating on behalf of the Board unless authorized to do so by section 19 of the *Board Communications Policy* or otherwise authorized by the Board. In the event a Trustee communicates publicly, verbally, or in writing, on matters pertaining to the Board or PERA without Board authorization, the Trustee shall preface such communications with the following disclaimer, which appears in the *Board Communications Policy*:

*These remarks are my own [or reflect my role as XYZ] and do not necessarily reflect the views of Colorado PERA, its staff, or the other Trustees.*

**6.** Furthermore, no Trustee shall:

- a. Directly or indirectly seek or accept gifts, money, property, tangible personal property, bonuses, fees, commissions, gratuities, entertainment or hospitality, expense-paid trips, use of vacation facilities, personal or professional services or loans at anything other than market rates, favorable access or treatment in connection with investment opportunities, or any other similar form of consideration (collectively defined as “Gifts”) from any person, agent, firm, corporation, or association that, to the Trustee’s knowledge, does or seeks to do business with PERA, and that would influence or might reasonably be expected to influence the conduct of their duties. Notwithstanding the above, the following are not deemed to be Gifts: draw prizes at appropriate

conferences (see the *Board Education Policy*), gift items distributed to attendees at such conferences, or dinners available to attendees of such conferences;

- b. Allow family, social, or other personal relationships to influence the Trustee’s conduct or judgment;
- c. Use their position to influence the employment of a family member or friend by PERA or by any firm, corporation, or association with which PERA does or seeks to do business;
- d. Lend the prestige of their position at PERA to advance one’s own private interests or the private interests of others, nor convey or permit another to convey the impression that the Trustee is in a special position of influence at PERA;
- e. Utilize any property or resources of PERA for personal gain;
- f. Falsify any document, record, or request for reimbursement or fail to record proper entries on any books or records of PERA;
- g. Knowingly be a party to, or condone, any illegal activity;
- h. Engage in or conduct outside activities of financial or personal interest that may conflict with the impartial and objective execution of PERA business activities;
- i. Sell or provide goods or services, directly or through a member of their immediate family, to PERA without prior disclosure and Board approval;
- j. Engage in employment with any providers of goods or services to PERA;
- k. Engage in activities involving dishonesty, fraud, deceit, or misrepresentation;
- l. Attempt to direct a member of PERA staff, an advisor of PERA, or a fellow Trustee to a specified action or decision using Undue Influence. (Trustees of PERA who believe they have been subjected to Undue Influence shall report such incident to PERA’s Internal Audit Director, or an appropriate Trustee or staff member); and
- m. Use Board or committee meetings as opportunities to promote or advocate positions opposing PERA in pending litigation. Notwithstanding the foregoing, a Trustee is not deemed to be in violation of these *Standards* by pursuing a review of their own PERA benefit through PERA’s administrative review process or subsequent adjudication.

7. The Board further expects that all security transactions by Trustees for any accounts they manage or control shall be done in a manner that avoids the appearance of impropriety. Accordingly, no Trustee shall engage either in:
  - a. Insider trading, which is an illegal activity in which a person makes trades based on material and non-public information they received about a security that investors generally do not know; or
  - b. Front running, which is an illegal activity in which a person trades a security with advance knowledge of orders from other investors that the person expects may impact the market price of the security.

The above prohibitions apply even if a Trustee's position on the PERA Board ceases and until such time, if ever, as the information has become generally available to the public, other than through disclosure by or through the Trustee or a related person.

## DISCLOSURE

8. In accordance with state law:
  - a. All Trustees are subject to and are required to make financial disclosures pursuant to the provisions of [C.R.S. § 24-6-202](#) (as per [PERA Law C.R.S. § 24-51-207\(4\)](#)); and
  - b. All elected public officials that serve as Trustees acknowledge and understand that they are subject to reporting requirements under the Fair Campaign Practices Act, [C.R.S. § 1-45-101 et seq.](#)
9. Trustees understand and acknowledge that in accordance with the Securities and Exchange Commission's [Rule 206\(4\)-5](#), investment advisors that make campaign contributions, above specified *de minimis* amounts, to certain government officials shall be prohibited from providing compensated services to PERA for a period of two years, and that such investment advisors are required to disclose such contributions to the Securities and Exchange Commission.
10. In addition to the above external disclosure requirements, the Board wishes to further promote and facilitate compliance with these *Standards*, and shall therefore require the following additional disclosure for transparency:
  - a. Trustees must annually complete, execute, and return to the Internal Audit Director the *Conflict of Interest and Compliance Questionnaire*.
  - b. Trustees shall disclose to the Board if they have knowingly requested or accepted any Gift or charitable donation from any PERA service

provider. Trustees shall disclose to the Board if they have knowingly requested or accepted campaign contributions from any Board-appointed service provider. Such disclosure shall be made in the *Conflict of Interest and Compliance Questionnaire* annually, or sooner, if circumstances warrant it

- c. If a Trustee has been offered or provided a Gift by a current or prospective service provider that the Trustee believes was intended to influence the conduct of their duties, the Trustee shall inform any two of the following: the Board Chair, the Audit Committee Chair, or the General Counsel, who in turn shall report the matter to the Board. The Trustee in question shall not accept the Gift, or shall return the Gift to the vendor in a timely manner. The Board shall take such action as it deems appropriate.
11. PERA staff will provide periodic summary reports to the Audit Committee on the required disclosures referred to in section 10 above.

## RECUSAL

12. A Trustee shall disclose to the Board any matter on which the Trustee has a Conflict of Interest and recuse themselves from voting on such matter. Furthermore, any Trustee who has a Conflict of Interest on any matter coming before the Board or a Board committee in executive session shall not participate nor attend the executive session in which the matter is to be considered, and shall recuse themselves from voting on the matter when the Board or Board committee returns to open session. Any such disclosures and recusals, including the nature of the Conflict of Interest, shall be recorded in the minutes of the Board or Board committee meeting at which they occur.
13. A matter before the Board shall not be deemed a Conflict of Interest where such matter may bestow a benefit on a Trustee and the benefit in question is merely incidental to the Trustee's membership in a large class such as the class of PERA Members.
14. If a Trustee is unsure of whether they may have a Conflict of Interest regarding a matter coming before the Board or a Board committee, they may disclose the matter at the meeting of the Board or Board committee in question, and the Board or Board committee may determine whether a Conflict of Interest exists.



**15.** Matters may arise where a Trustee who, due to their position of public office or position with a PERA-affiliated employer or PERA stakeholder group, owes duties to parties other than PERA Participants. In such situations, and notwithstanding section 12 above, the Trustee may vote on such matters, but is not exempt from their fiduciary duty to vote solely in the interest of PERA Participants. If a Trustee feels that they cannot so vote, they must recuse themselves from such vote in accordance with section 12 above.

## TRAINING AND ENFORCEMENT

**16.** The Board with the support of executive management at PERA is responsible for communicating the *Standards* to both new and experienced Trustees, and for monitoring compliance with, and enforcement of, the *Standards*. The Board's education program will also address the provisions of this policy, and new Trustees shall receive training with respect to this policy as part of their orientation to PERA.

**17.** Trustees shall report in a timely manner any suspected violations of these *Standards* to the Board Chair, who shall ensure that such allegations are considered by the Board, along with any supporting information. (Should the Board Chair be the subject of the allegation, Trustees shall instead report the matter to the Vice Chair or the Chair of the Audit Committee, who shall report the matter to the Board). Upon consideration and all necessary analysis of such allegations, the Board may take any of the following actions:

- a.** Refer the matter to the Audit Committee, executive management, the Internal Audit Director, or a third party to investigate the allegations further;
- b.** Make a finding that no violation has occurred;
- c.** Where the alleged violation pertains to a breach of the law and the Board has determined that there is sufficient grounds to support the allegation, refer the matter to the appropriate authorities;
- d.** Make a finding that a violation has occurred, and take any of the following disciplinary actions in regard to the Trustee in question:
  - i.** Remove the Trustee from the position of Board Chair, Vice Chair, or committee chair, or from any Board committee the Trustee serves on;

- ii.** Bar the Trustee from serving as Board Chair, Vice Chair, committee chair, or a regular member of any Board committee for a specified period of time;
- iii.** Limit or withdraw travel privileges, in the event the violation relates to an abuse of travel privileges;
- iv.** Censure the Trustee;
- v.** Communicate the findings of the Board to any party and by any means the Board deems appropriate; and/or
- vi.** Any other action the Board deems suitable under the circumstances.

**18.** Any Trustee who is the subject of an alleged violation of these *Standards* shall:

- a.** Be informed of the allegations and provided an opportunity at a Board meeting (and a Board committee meeting, if applicable) to respond to the allegations. The Board shall endeavor to provide the Trustee with adequate notice of such meeting, where circumstances permit; and
- b.** Recuse themselves from any Board or Board committee review or discussion in relation to the allegation, except when invited to respond.

**19.** Should a Trustee be unsure of any provision of this policy or related laws and the implementation thereof, they are expected to seek advice or clarification from PERA's General Counsel or the Board's fiduciary counsel.

## POLICY REVIEW AND HISTORY

**20.** The Board will review this policy at least every five years.

**21.** The Board adopted this policy on February 19, 1999. The Board amended this policy on June 16, 2011, July 1, 2012, January 20, 2017, January 1, 2020, and on January 1, 2022.

# CHARTER FOR THE BOARD OF TRUSTEES

## INTRODUCTION

1. PERA is an instrumentality of the state of Colorado and is not subject to administrative direction by any department, commission, board, bureau, or agency of the state. PERA's purpose is to provide benefits and programs as specified in [PERA Law](#). These benefits and programs are managed by the 16 Trustees that comprise the Board. The Board governs PERA by establishing policy, and management is responsible for implementing policy and managing day-to-day operations.
2. The statutory role and duties of the Board are set out in [PERA Law](#). In order to provide further detail and guidance concerning the Board's duties, the Board has also established this charter.

## TRUSTEES

3. The composition of the Colorado PERA Board, and the rules regarding the election and appointment of Trustees are set out in [C.R.S. § 24-51-203](#) of PERA Law and [PERA Rule 2](#).

## DUTIES AND RESPONSIBILITIES

### GOVERNANCE AND BOARD OPERATIONS

4. With respect to governance and Board operations, the Board will:
  - a. Perform its functions solely in the interest of the PERA Participants and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in performing such duties, as required by law;
  - b. Take positions on legislative proposals affecting PERA;
  - c. Initiate, defend, or settle litigation involving PERA;
  - d. Delegate as appropriate any responsibilities to the staff of PERA;
  - e. Approve charters describing the roles and responsibilities of the Board, the committees of the Board, the Executive Director, the Board Chair, and the Vice Chair, and amend said charters from time to time;
  - f. Approve the creation or dissolution of standing committees of the Board;
  - g. Approve mandates of ad hoc committees;
  - h. Adopt and promulgate the [PERA Rules](#) and other policies, as necessary; and
  - i. Adopt an annual calendar of Board meetings and events.

### INVESTMENTS

5. In accordance with [PERA Law](#), the Board has complete control and authority to invest the funds of PERA. As fiduciaries, Trustees shall carry out their functions solely in the interest of the PERA Participants and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in performing such duties.
6. The Board shall diversify the investments of PERA so as to minimize the risk of losses unless, in light of the circumstances, it is not prudent to do so. The Trustees shall act with the care, skill, prudence, and diligence in light of the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use.

7. With respect to the defined benefit trust funds, the life insurance reserve fund, and the health care trust funds (the Combined Investment Fund), the Board shall:
  - a. Approve **statements of investment policy and philosophy** and review the statements at least biennially; and
  - b. Approve the strategic asset allocation and associated benchmarks.
8. Approve any corporate governance or shareholder rights initiatives or policies with respect to any corporation or entity of which PERA is a shareholder as recommended by the Investment Committee.
9. The Board will ensure that an asset/liability study for the defined benefit trust funds is performed at least every three to five years, or more frequently if it so determines, and will review the results.
10. With respect to the CAPs, the Board will:
  - a. Approve a statement of investment policy, and review it at least biennially; and
  - b. Approve changes in the lineup of investment options (i.e., PERAdvantage Funds) offered including the default investment option.

## BENEFITS ADMINISTRATION

11. With respect to the programs administered by PERA, the Board will:
  - a. Review and determine appeals brought by PERA Participants in accordance with **PERA Rule 2.20**, as amended; and
  - b. Set the interest credit rate for PERA Member contribution accounts.

## PERA OPERATIONS AND PLANNING

12. The Board will:
  - a. Provide long-term direction by approving the strategic plan and mission/vision statements, as recommended by the Executive Director;
  - b. Approve the annual operating Budget and any supplemental budgets that may be necessary;
  - c. Require that management implement and maintain effective technologies to efficiently manage the data, information and records of PERA;
  - d. Approve the location of PERA's headquarters and any secondary offices;
  - e. Require that management establish appropriate operational controls and risk management procedures; and

- f. Maintain appropriate insurance coverage to protect against liability which arises out of, or in connection with:
  - I. The performance of duties by any Trustee or employee of PERA; and
  - II. Business risks faced by PERA.

## FINANCIAL, ACTUARIAL, AND ACCOUNTING PRACTICES

13. The Board will:

- a. Approve funding policies and actuarial assumptions and methodologies;
- b. Review PERA's annual **Actuarial Valuation Report**; and submit reports to the Legislative Audit Committee, the Senate Finance Committee, the House Finance Committee, the Pension Review Subcommittee, and the Joint Budget Committee of the General Assembly and the Governor of Colorado, together with any recommendations concerning such liabilities that have accrued;
- c. In consultation with the pension and health care actuary, recommend to the Colorado General Assembly the employer and member contribution rates;
- d. Ensure that appropriate accounting and internal control policies are in place to safeguard the assets of PERA;
- e. Approve the release of the **ACFR**, and its submission to the Governor of Colorado and the General Assembly;
- f. Submit to financial and performance audits of all financial transactions and accounts kept by or for PERA, as prescribed in **PERA Law**; and
- g. Commission an actuarial audit at least every five years to confirm the reasonableness of the valuations and projections of the primary pension and health care actuaries. The appointment of a new primary actuarial firm will also satisfy this requirement.

## HUMAN RESOURCES

14. With respect to the human resources function, the Board will:
  - a. Approve a total compensation philosophy statement for PERA;
  - b. Approve the compensation of the Executive Director; and
  - c. Review and approve the Executive Director's termination of the General Counsel.

## COMMUNICATIONS

15. With respect to communications, the Board will receive updates concerning Plan Participant and stakeholder communication strategies.

## KEY APPOINTMENTS/ELECTIONS

16. The Board will certify the election or appointment of Trustees to the Board.
17. The Board will elect, following procedures contained in a *Board Officer Election Policy*:
  - a. A Board Chair; and
  - b. A Vice Chair.
18. The Board will approve:
  - a. Trustees to serve on all standing committees of the Board; and
  - b. Outside Members of the Audit Committee.
19. The Board will appoint, evaluate, and may terminate the Executive Director.
20. The Board will appoint, evaluate, and may terminate the following service providers (“Board-appointed Service Providers”):
  - a. The pension actuary;
  - b. The health care actuary;
  - c. The actuarial auditor;
  - d. The investment consultants retained to advise the Board;
  - e. Fiduciary counsel;
  - f. Custodian banks;
  - g. The Board governance consultant;
  - h. The election service provider;
  - i. Recordkeeper for CAPs; and
  - j. Other advisors that may be required from time to time to serve primarily as advisors to the Board.

## MONITORING AND REPORTING

21. The Board will establish in policy the reporting and monitoring practices necessary to provide the Board with the information it requires to effectively oversee the operations of PERA and meet the requirements of *PERA Law*. This shall include a *Monitoring and Reporting Policy*, describing the specific reports the Board is to receive on a routine basis.
22. The Board’s monitoring activities will address, but not be limited to, the following areas:
  - a. Governance and policy compliance;
  - b. Investment performance;
  - c. Funding and valuations;
  - d. Benefit administration;
  - e. Member communications;
  - f. Operations and finance;
  - g. Internal audit function;
  - h. Human resources and succession planning;
  - i. Stakeholder relations; and
  - j. Legislative and legal affairs.

## CHARTER REVIEW AND HISTORY

23. This charter will be reviewed at least every five years.
24. The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005, February 16, 2007, July 1, 2012, January 15, 2016, January 1, 2020, and on January 1, 2022.

<sup>1</sup> A complete list of routine Board reports is set out in the *Board’s Monitoring and Reporting Policy*.

# CHARTER FOR THE INVESTMENT COMMITTEE

## INTRODUCTION

1. The Investment Committee is a standing committee of the Board comprised of not fewer than six members. The Investment Committee is responsible for assisting the Board in overseeing the PERA Investment Program. The Committee will have the duties and responsibilities set out herein.

## DUTIES AND RESPONSIBILITIES

2. With respect to the Combined Investment Fund, the Investment Committee will:
  - a. Recommend to the Board **statements of investment policy and philosophy**, and review the statements at least biennially;
  - b. Recommend to the Board the strategic asset allocation and associated benchmarks;
  - c. At least annually, review PERA's compliance with the **statements of investment policy**;
  - d. Review costs of the investment programs;
  - e. Review total fund, asset class, and investment manager performance and risk;
  - f. If requested by the Board Chair, recommend to the Board the investment consultant; and
  - g. Advise the Board on any other investment matters and make recommendations for Board action when necessary.
3. If requested by the Board Chair, perform an asset/liability study of the defined benefit trust funds at least every three to five years, or more frequently if so directed by the Board.
4. With respect to the CAPs, the Investment Committee will:
  - a. Recommend to the Board a statement of investment policy and review it at least biennially;
  - b. Recommend to the Board changes in the lineup of investment options (i.e., PERAdvantage Funds) offered including the default investment option;
  - c. If requested by the Board Chair, recommend to the Board the investment consultant; and
  - d. Review investment performance of each investment option offered in the CAPs quarterly.
5. With respect to shareholder responsibility in the PERA Investment Program, the Investment Committee will:
  - a. Recommend any corporate governance and proxy voting policies to the Board for approval;
  - b. Recommend a securities litigation policy to the Board for approval;
  - c. Recommend to the Board any corporate governance or shareholder initiatives or policies with respect to any corporation or entity of which PERA is a shareholder;
  - d. Interact with the Executive Director, General Counsel, and the Chief Investment Officer or their designees on shareholder responsibility matters;
  - e. Review current policies, and practices in the areas of corporate governance, shareholder responsibility, and securities litigation at least every five years; and
  - f. Review reports on proxy votes cast annually.
6. The Investment Committee will:
  - a. Review and approve meeting minutes; and
  - b. Report to the Board on its activities after each meeting.

## CHARTER REVIEW AND HISTORY

7. This charter will be reviewed at least every five years.
8. The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005, February 10, 2006, February 16, 2007, July 1, 2012, January 15, 2016, January 1, 2020, and on January 1, 2022.

# CHARTER FOR THE AUDIT COMMITTEE

## INTRODUCTION

1. The Board has established the Audit Committee to assist the Board in fulfilling its fiduciary responsibilities as they relate to accounting policies and financial reporting, the system of internal controls, the [Standards of Professional and Ethical Conduct](#), the internal audit process, and the practices of the Internal Audit Director.

The Audit Committee shall be comprised of not fewer than five Trustees, and at least one and no more than two Outside Members, as defined in section 7 through 13 of this policy.

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility.

## DUTIES AND RESPONSIBILITIES

### MEETINGS

2. The Audit Committee will:
  - a. Meet at least three times per year; and
  - b. At least annually, meet separately with each of the following parties and afford each a private audience when requested:
    - The Executive Director;
    - The Internal Audit Director;
    - The Controller;
    - The Independent Auditor; and
    - The General Counsel.

### POLICIES AND INTERNAL CONTROLS

3. The Audit Committee will, in consultation with the Executive Director:
  - a. Recommend accounting policies to the Board for approval;
  - b. Review the design and effectiveness of PERA's internal controls;
  - c. Meet at least annually with the Internal Audit Director and PERA management to discuss the effectiveness of PERA's internal financial controls,

and internal control and risk management systems (including systems for ensuring compliance with applicable laws, regulations, policies, and contracts);

- d. Periodically review the [Standards of Professional and Ethical Conduct](#) and recommend changes to the Board;
- e. Ensure that PERA has adequate policies or procedures in place for monitoring employee reporting of any conduct or transaction that may be in violation of the [Standards of Professional and Ethical Conduct](#); and
- f. Review Trustee and employee compliance with their respective [Standards of Professional and Ethical Conduct](#).

### INDEPENDENT AUDIT

4. With respect to the independent auditor chosen by the State Auditor pursuant to [C.R.S. § 2-3-103](#) (the "Independent Auditor"), the Audit Committee will:
  - a. Meet with the State Auditor, if requested, regarding the selection of the Independent Auditor;
  - b. Review information or reports provided by the State Auditor's Office, other regulatory agencies, or independent accountants or auditors concerning the Independent Auditor, describing:
    - I. i) The Independent Auditor's internal quality control procedures, and any material issues raised by the most recent internal quality control review;
    - II. ii) Any peer review or regulatory inquiry of the Independent Auditor completed within the preceding five years; and
    - III. iii) Any relationships between the Independent Auditor and PERA.

The Committee may seek to discuss such information with the State Auditor;

- c. Meet with the Independent Auditor, the Internal Audit Director, and the Controller to review the scope, objectives and timing of the external audit and to coordinate efforts;
- d. Meet with the Independent Auditor and the Controller to discuss PERA's [ACFR](#), the

Independent Auditor's report and management's response thereto prior to their release to the public; and

- e. Recommend the *ACFR* to the Board for approval. (Note: as the independent audit is commissioned by the State Auditor, the Board does not approve the audited financial statements or the Auditor's Report.)

## INTERNAL AUDIT

- 5. With respect to the Internal Audit Director, the Audit Committee will:
  - a. Review and approve criteria for the selection of the Internal Audit Director based upon the Executive Director's recommendations;
  - b. Interview finalists, select and appoint the Internal Audit Director, and set their compensation and any changes thereto. The Executive Director will recommend the Internal Audit Director's job description, selection criteria, and compensation levels to the Audit Committee for its approval.
  - c. If necessary, terminate the Internal Audit Director, and notify the Board of its actions. The Audit Committee will also consider such action if requested by the Executive Director;
  - d. Review the Internal Audit Director's risk assessment report for the development of the internal audit plan;
  - e. With the input of the Executive Director, review and approve the Internal Audit Director's internal audit plan and budget;
  - f. Receive reports concerning *PERA Ethics Line* complaints and the resolutions to complaints;
  - g. Receive progress reports on the internal audit process;
  - h. Review with management and the Internal Audit Director:
    - I. Internal Audit reports and management's responses thereto; and
    - II. Any changes required in the scope of internal audits;
  - i. Annually provide input into the Executive Director's annual performance evaluation of the Internal Audit Director;
  - j. Monitor that the Internal Audit Director has access to all necessary documents, information and systems in the organization;
  - k. Review the adequacy of resources made available to the Internal Audit Director, including staffing, compensation, and operating budgets; and

- l. Review the independence and effectiveness of the Internal Audit Department's operations, including compliance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.

- 6. The Audit Committee has the authority to retain outside consultants and advisors. In doing so, the Audit Committee will review the independence of such consultants and advisors.

## OUTSIDE MEMBERS

- 7. The Audit Committee will:
  - a. Recommend to the Compensation and Budget Committee the annual compensation of Outside Members, for inclusion in the Budget; and
  - b. Annually evaluate the Outside Members, and annually review their appointment(s) with the Board.
- 8. The Outside Members will:
  - a. Be independent of the Board, management, PERA service providers, and the Independent Auditor, and free from any relationship that would interfere with their ability to exercise independent judgment on accounting, disclosure, audit, and financial-related matters;
  - b. Be appointed by the Board upon the recommendation of the Audit Committee;
  - c. Serve at the pleasure of the Board;
  - d. Enter into an annual contract with PERA, the form of which is to be approved by the Audit Committee and the General Counsel;
  - e. Be allowed to vote on all matters before the Audit Committee, however, effective July 1, 2022, Outside Members will be non-voting members of the Committee; and
  - f. Acknowledge in writing their status as fiduciaries to PERA, PERA Participants and their agreement to abide by the Board's *Standards of Professional and Ethical Conduct*.

## PROCEDURE FOR APPOINTING OUTSIDE MEMBERS OF THE AUDIT COMMITTEE:

- 9. Outside Committee Members are expected to be:
  - a. Qualified financial experts with previous experience in serving the public, and that have demonstrated knowledge and expertise in financial reporting, auditing and internal controls;

## **GUIDELINES FOR ASSESSING OUTSIDE MEMBER INDEPENDENCE:**

- b.** Capable of exercising objective and impartial judgment on issues affecting the accounting, disclosure, auditing and financial reporting by PERA; and
  - c.** In fact, as well as in appearance, independent of PERA, its staff, Board and the Independent Auditor. In considering whether a person is independent, all relevant circumstances including all relationships the person may have with PERA and its staff shall be considered.
- 10.** The Audit Committee shall include at least one and no more than two Outside Members This procedure shall be followed when the seat of an Outside Member becomes vacant for any reason.
  - a.** At the next Audit Committee meeting after the Board receives notice of the vacancy, the Audit Committee shall determine whether it will have one or two Outside Members. If a vacancy remains as a result of that decision, then the Audit Committee shall conduct a search for a new Outside Member;
  - b.** The Audit Committee shall work with staff to announce the vacancy by posting on the PERA Website a description of the position, a list of the necessary qualifications and an invitation to apply;
  - c.** PERA Trustees, the independent Auditor, industry and professional groups, and PERA senior management may recommend candidates to the Audit Committee;
  - d.** The Audit Committee shall review the applications and resumes of qualifying candidates and shall meet to identify candidates for interviews by the Audit Committee. Staff shall conduct appropriate background checks on the finalist(s) before recommendations are submitted to the full Board for consideration;
  - e.** The Audit Committee shall recommend to the full Board one or more candidates for the Board's consideration;
  - f.** The Board may interview finalists and appoint one of the finalists to fill the vacancy, or may appoint an Outside Member based upon the recommendation of the Audit Committee without an interview; and
  - g.** The new Outside Member shall begin serving on the Audit Committee immediately upon appointment provided the Outside Member being replaced has vacated the Committee and the new Outside Member enters into an independent contractor agreement with PERA.
- 11.** An Outside Member candidate shall bring to the attention of the Audit Committee, any facts and circumstances that could cause a reasonable person with knowledge of all the facts, to question whether the Outside Member is independent or not.
- 12.** An Outside Member shall not be considered independent if they:
  - a.** Has, or had in the past five years, any affiliation with, or financial or business interest in, PERA's current Independent Auditor;
  - b.** Is, or at any point during their membership on the Audit Committee becomes, or whose spouse, is or at any point during the Outside Member's membership on the Audit Committee becomes, a member, inactive member, retiree, co-beneficiary or benefit recipient of PERA;
  - c.** Is, or has ever been, or whose close family member is, or has in the past five years been, employed by PERA or served on the Board of Trustees of PERA ("close family members" means a person's spouse, parent, dependent, nondependent child, sibling, mother-in-law, father-in-law and/or anyone sharing the Outside Member's home);
  - d.** Is, or in the past five years has been, or whose close family member is, or in the past five years has been, an employee, an officer, director or owner of a firm that is one of PERA's service providers, or has accepted any direct or indirect compensation from PERA other than compensation as the Outside Member. Advisors or consultants include, but are not limited to, law firms, auditors, accountants, actuaries, and investment managers; and
  - e.** At any point during their membership on the Audit Committee, the Outside Member has any direct or material indirect business or financial relationship with PERA, or with persons associated with PERA in a decision-making capacity including, but not limited to its staff, officers, and Trustees.
- 13.** In addition to being independent, the Outside Member shall not sit on an excessive number of boards that may prohibit effective participation.



## OTHER DUTIES

**14.** The Audit Committee will:

- a.** Serve as a vehicle for communication between the Board, the Independent Auditor, the Internal Audit Director and Management concerning audit issues;
- b.** Review the findings or comments of any regulatory agencies concerning financial information or internal controls of PERA; and
- c.** Review any changes in accounting practices or policies, and the financial impact thereof, and review any accruals, provisions, estimates or management programs and policies that may have a significant effect on the financial statements of PERA.

**15.** The Audit Committee will:

- a.** Review and approve meeting minutes;
- b.** Report to the Board on its activities after each meeting; and
- c.** Submit an annual report of the Committee's activities to the Board.

## CHARTER REVIEW AND HISTORY

**16.** This charter will be reviewed at least every five years.

**17.** The Board adopted this charter on November 16, 2001.

The Board approved changes to this charter on April 16, 2004, February 18, 2005, February 10, 2006, February 16, 2007, March 20, 2009, July 1, 2012, January 17, 2014, November 20, 2015, January 1, 2020, and on January 1, 2022.

# CHARTER FOR THE BENEFITS COMMITTEE

## INTRODUCTION

1. The Benefits Committee is a standing committee of the Board and is comprised of not fewer than six members. The Board has established the Benefits Committee to assist the Board in overseeing PERA's benefit programs. The duties and responsibilities of the Benefits Committee are set out herein.

## DUTIES AND RESPONSIBILITIES

2. The Benefits Committee will:
  - a. Develop, evaluate, and make recommendations to the Board regarding benefit plan design and changes to the CAPs plan documents;
  - b. Upon request by the Board Chair, recommend to the Board the recordkeeper for the CAPs; and
  - c. Recommend to the Board, the design of the group health care program.
3. The Benefits Committee will:
  - a. Annually review the administration and service quality of the following:
    - I. Defined benefit retirement program;
    - II. CAPs;
    - III. Disability program;
    - IV. PERA health care program; and
    - V. Other insurance programs.
  - b. Review and approve meeting minutes; and
  - c. Report to the Board on its activities after each meeting.

## CHARTER REVIEW AND HISTORY

4. This charter will be reviewed at least every five years.
5. The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005, February 10, 2006, February 16, 2007, July 1, 2012, January 15, 2016, January 1, 2020, and on January 1, 2022.

# CHARTER FOR THE COMPENSATION & BUDGET COMMITTEE

## INTRODUCTION

1. The Compensation & Budget Committee is a standing committee of the Board comprised of not fewer than five members. The Compensation & Budget Committee is responsible for assisting the Board in overseeing PERA's compensation and annual budget programs. The Committee will have the duties and responsibilities set out herein.

## DUTIES AND RESPONSIBILITIES

2. The Compensation & Budget Committee will:

### BUDGET

- a. Periodically review the *Budget Approval Process Policy* and recommend changes to the Board as appropriate;
- b. Review the proposed annual operating budget;
- c. Submit and recommend a final complete budget to the Board no later than the November Board meeting each year; and
- d. Review and recommend budget amendments to the Board.

### COMPENSATION & HUMAN RESOURCES

- e. Review changes to the total compensation philosophy statement as presented by the Executive Director, and recommend them to the Board;
  - f. Receive and review reports from management that summarize implementation of the total compensation philosophy statement; and
  - g. Receive and review reports from management that summarize data metrics on PERA's employee population (e.g. diversity, turnover levels, education, etc.).
3. The Compensation & Budget Committee will:
    - a. Review and approve meeting minutes; and
    - b. Report to the Board on its activities after each meeting.

## CHARTER REVIEW AND HISTORY

4. This charter will be reviewed at least every five years.
5. The Board adopted this charter on October 15, 2004. The Board approved changes to this Charter on February 18, 2005, February 10, 2006, February 16, 2007, July 1, 2012, June 21, 2016, January 1, 2020, and on January 1, 2022.

# CHARTER FOR THE EXECUTIVE COMMITTEE

## INTRODUCTION

1. The Board has established an Executive Committee to oversee agenda development and construction in partnership with the Executive Director and help the Board officers stay abreast of PERA operations. The Committee will have the duties and responsibilities set out herein.
2. The Committee will meet as necessary as determined by the Committee Chair.
3. The Executive Committee is comprised of the Board Chair and the Vice Chair. The Board Chair will serve as Chair of the Executive Committee.
4. In the absence of either Committee member, the remaining Committee member may appoint the Chair of another Board Committee to temporarily serve on the Executive Committee. If needed, Committee Chairs that are voting members of the Board will be appointed to serve in the following order: Investment Committee, Audit Committee, Benefits Committee, and Compensation & Budget Committee.

## AUTHORITY

5. Unless otherwise provided in this Charter, all Committee actions must be ratified or adopted by the Board.

## DUTIES AND RESPONSIBILITIES

6. The Executive Committee will:
  - a. Meet before regular and special, as appropriate, Board meetings to review agendas and discuss related Board matters;
  - b. Consider Trustee requests for PERA information when the Executive Director believes the request would require a significant expenditure of staff time or the use of external resources;
  - c. Resolve any disagreements between the Executive Director and a Trustee pertaining to education and/or travel;
  - d. Review monthly financial statements and budget reports;
  - e. Review and approve meeting minutes; and
  - f. Report to the Board on its activities.
7. Members of the Executive Committee are encouraged to attend meetings of other committees of the Board when feasible.

## CHARTER REVIEW AND HISTORY

8. This charter will be reviewed at least every five years.
9. The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005, July 1, 2012, January 15, 2016, January 1, 2020, January 1, 2022, and on March 15, 2024.

# CHARTER FOR THE GOVERNANCE COMMITTEE

## INTRODUCTION

1. The Board has established a Governance Committee to assist the board in advancing the best interests of PERA's members and beneficiaries by instituting effective board governance policies and practices that foster transparent and informed decision-making. The Committee will have the duties and responsibilities set out herein.
2. The Governance Committee is a standing committee of the board comprised of the Board Chair, Vice Chair and the chairs of all standing Board committees. The Board Chair will serve as Chair of the Governance Committee.
3. The Governance Committee will meet as necessary as determined by the Committee Chair.

## AUTHORITY

4. To engage external consultants or advisors as needed to fulfill its responsibilities, subject to approval by the board.
5. Unless otherwise provided in the Governance Manual, all committee actions must be ratified or adopted by the board.

## DUTIES AND RESPONSIBILITIES

6. The Governance Committee will:
  - a. Facilitate the evaluation of the performance of the Executive Director, in accordance with the *Executive Director Performance Evaluation Policy*; and in connection with the evaluation, make recommendations to the Board on the Executive Director's compensation consistent with the *Total Compensation Philosophy Statement*;
  - b. Oversee the review and implementation of the *Board Performance Evaluation Policy*;
  - c. Oversee the monitoring of Board Service Provider performance, in accordance with the Board's *Service Provider Selection Policy*;
  - d. Develop and maintain the Governance Manual, and oversee the processes undertaken to review and recommend updates as needed;
  - e. Develop an annual meeting work plan to guide the Committee's focus and priorities;
  - f. Review and approve meeting minutes; and
  - g. Report to the Board on its activities after each meeting.

## CHARTER REVIEW AND HISTORY

7. This charter will be reviewed at least every five years.
8. The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005, July 1, 2012, January 15, 2016, January 1, 2020, January 1, 2022, and on November 17, 2023. (\*\*Note: Governance Committee was formerly the Evaluation Committee, change effective September 22, 2023).

# CHARTER FOR THE BOARD CHAIR

## INTRODUCTION

1. The Board will elect one of its Trustees to serve as Board Chair for a term of two years. No member may serve continuously as Chair for more than two consecutive terms. The Board Chair will preside at all meetings of the Board and may exercise the powers and will perform the duties and responsibilities set out herein.
2. Should the Board Chair be unable to complete the term as Board Chair, the Vice Chair shall serve as Board Chair until the Board elects a new Board Chair.

## DUTIES AND RESPONSIBILITIES

3. The Board Chair will:
  - a. Preside over Board meetings in a manner consistent with [PERA Law](#), [PERA Rules](#), the [Board Operations Policy](#), and the [Colorado Open Meetings Law](#);
  - b. Conduct Board meetings in an efficient and productive manner;
  - c. Recommend to the Board for approval any Trustees to be appointed to standing committees;
  - d. Appoint committee chairs of standing Board committees;
  - e. Establish ad hoc Board committees and appoint their members and chairs;
  - f. Serve as a member of the Executive and Governance Committees and chair all meetings of said committees;
  - g. Review and approve Board meeting agendas;
  - h. Coordinate Board meetings, schedules, and presentations in consultation with the Executive Director;
  - i. Represent the Board in its dealings with the Executive Director;
  - j. Be available to the Executive Director as a principal source of advice and counsel;
  - k. Facilitate effective and open communications between the Board and the Executive Director;
  - l. Serve as the official spokesperson for the Board;
  - m. Guide the Board in establishing, where possible, a consensus on critical issues and decisions, while allowing full and open debate;
  - n. Strive to ensure the general cohesiveness and proper functioning of the Board;
  - o. Designate one Trustee as a mentor for each new Trustee joining the Board;
  - p. Discuss concerns of Trustees with respect to the conduct of the Board or individual Trustees, and take appropriate action in accordance with the [Board's Standards of Professional and Ethical Conduct](#);
  - q. Call special meetings of the Board; and
  - r. Review expenditures of the Executive Director annually.

## CHARTER REVIEW AND HISTORY

4. This charter will be reviewed at least every five years.
5. The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005, February 16, 2007, July 1, 2012, January 15, 2016, January 1, 2020, and on January 1, 2022.

# CHARTER FOR THE VICE CHAIR

## INTRODUCTION

1. The Board will elect one of its Trustees to serve as Vice Chair with the duties and responsibilities set out herein, and to serve for a term of two years.
2. In the event a vacancy should occur in the position of Vice Chair, the Board will elect a successor for the balance of the unexpired term at its next regular meeting.

## DUTIES AND RESPONSIBILITIES

3. The Vice Chair will:
  - a. Serve on the Executive and the Governance Committees;
  - b. Assume the duties of the Board Chair in the Chair's absence; and
  - c. Perform other duties as assigned by the Board Chair.
4. Should the Board Chair be unable to complete the term as Board Chair, the Vice Chair will serve as Board Chair until the Board elects a new Board Chair.

## CHARTER REVIEW AND HISTORY

5. This charter will be reviewed at least every five years.
6. The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005, February 16, 2007, July 1, 2012, January 15, 2016, January 1, 2020, and on January 1, 2022.

# CHARTER FOR THE COMMITTEE CHAIRS

## INTRODUCTION

1. For each committee of the Board, the Board Chair will designate a Trustee to serve as committee chair. In general, committee chairs will coordinate the work of their assigned committees with support from PERA staff.
2. Committee chairs will be supported by a designated staff liaison, to be appointed by the Executive Director.

## DUTIES AND RESPONSIBILITIES

3. With regard to their assigned Board committees, committee chairs will:
  - a. Preside over Board meetings in a manner consistent with [PERA Law](#), [PERA Rules](#), the [Board Operations Policy](#), and the [Colorado Open Meetings Law](#);
  - b. Conduct committee meetings in an efficient and productive manner;
  - c. Guide the committee in establishing, where possible, a consensus on critical issues and decisions, while allowing full and open debate;
  - d. Facilitate effective and open communications between the committee, the Board, and the Executive Director;
  - e. Provide input on the assistance provided by the staff person assigned to the committee for consideration by the Executive Director in the staff person's annual performance review;
  - f. Coordinate committee meetings, schedules, and presentations;
  - g. Review and approve committee meeting agendas;
  - h. Regularly report to the Board on the activities of the committee;
  - i. Ensure committee minutes are kept, approved by the committee, and made available to the Board; and
  - j. Carry out such other functions and duties as prescribed by the Board.
4. Committee chairs serve on the Governance Committee.
5. If a committee chair is unavailable to attend a meeting, then the committee chair will designate another member to serve as committee chair in their absence. If the committee chair is unable to do so, the remaining committee members may appoint a committee chair from among themselves for the meeting.

## CHARTER REVIEW AND HISTORY

6. This charter will be reviewed at least every three to five years.
7. The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005, July 1, 2012, June 21, 2016, January 1, 2020, and on January 1, 2022.



# CHARTER FOR THE EXECUTIVE DIRECTOR

## INTRODUCTION

1. The Board will appoint an Executive Director who will be directed by, serve at the pleasure of, and may be dismissed at the will of, the Board.
2. The Board has authorities, duties, and responsibilities as set forth in PERA Law and reflected in the Board's Charter.
3. As per C.R.S. § 24-51-205(6)(a) of PERA Law, the Board may delegate any of its responsibilities, duties, and authorities to the Executive Director or designated PERA agents.
4. The Executive Director will accept any responsibilities, duties, and authorities delegated by the Board.
5. The Board acknowledges that the Executive Director may delegate any duties to staff. In doing so, however, the Executive Director retains responsibility for such duties.
6. The Executive Director may be referred to as Chief Executive Officer (CEO) and use that title as appropriate.

## AUTHORITY

7. The management of PERA is vested in the Executive Director. The Executive Director is the most senior executive and administrative head of PERA. The Executive Director will operate PERA in accordance with [PERA Law](#), [PERA Rules](#), and subject to the oversight of the Board. As such, the Board delegates to the Executive Director authority to act finally unless otherwise noted within the Governance Manual.

## DUTIES AND RESPONSIBILITIES

### LEADERSHIP

8. The Executive Director will:
  - a. In collaboration with the Board, develop and recommend to the Board the strategic plan;
  - b. Provide leadership to PERA in achieving its strategic plan;
  - c. Build and sustain the culture of the organization;

- d. Assist the Board and its committees in establishing all policies of the Board; and
- e. Develop all internal organizational policies necessary for the effective and efficient management of the organization.

### GOVERNANCE AND BOARD OPERATIONS

9. The Executive Director will:
  - a. Fulfill the role of Secretary to the Board and Chief Executive Officer of PERA;
  - b. Assist the Board Chair with the coordination of Board meetings, agendas, minutes, schedules, and presentations for Board and committee meetings;
  - c. Serve as staff liaison to the Executive Committee and assign staff liaisons to other Board committees;
  - d. Assist the Board in ensuring its meetings are conducted in accordance with the [Colorado Open Meetings Law](#);
  - e. Ensure the timely preparation and distribution of agendas and related materials for Board and committee meetings;
  - f. Coordinate the implementation of the [Board Education Policy](#);
  - g. Conduct correspondence of the Board;
  - h. Advise the Board on legislative proposals affecting PERA;
  - i. Provide a description of the expectations and duties of PERA Trustees to all candidates seeking to serve on the Board
  - j. Approve or deny international travel requests by Trustees;
  - k. Approve reimbursement to Trustee employers for temporary employees required while Trustees are on PERA business;
  - l. Review and approve Trustee requests for waivers or substitutions to educational requirements under the [Board Education Policy](#), and proposed Trustee independent study plans;

- m. Review Trustee compliance with the requirements set out in the *Board Education Policy*; and
- n. Review any exceptions to the *Board Expense Reimbursement Policy*.

## INVESTMENTS

- 10.** The Executive Director will:
- a. Ensure that the investment program is appropriately resourced and supported consistent with PERA Law, PERA Rules, and the policy objectives of the Board; and
  - b. Delegate to the Chief Investment Officer the staff responsibilities set forth in the Statements of Investment Policy.

## BENEFIT ADMINISTRATION

- 11.** The Executive Director will:
- a. Interpret provisions of the PERA plans and applicable laws and rules and determine the rights of, and payments to, PERA Participants;
  - b. Ensure delivery of consistently high standards of service quality to all PERA Participants;
  - c. Establish written procedures for the administration of the PERA Plans;
  - d. Establish requirements for PERA Participants and employers to furnish information necessary to administer the PERA Plans; and
  - e. Assist the Benefits Committee in periodic reviews of the design, administration, and service quality of the various PERA plans and programs.

## OPERATIONS

- 12.** The Executive Director will:
- a. Monitor all aspects of PERA's operations and environment and provide the Board with all relevant, appropriate, and timely information to enable it to properly carry out its monitoring and oversight responsibilities;
  - b. Recommend to the Board the annual budget, as well as any amendments or supplemental budgets;
  - c. Make all necessary operational expenditures, consistent with the operating budget and internal controls approved by the Board;
  - d. Execute contracts in accordance with the policies of the Board;
  - e. Establish appropriate operational controls;
  - f. Ensure the appropriate design, purchase, implementation, and maintenance of all

technologies required to efficiently manage and protect the data, information, and records of PERA;

- g. Recommend appropriate insurance coverage to protect against liability which arises out of, or in connection with:
  - I. The performance of duties by any Trustee or employee of PERA; and
  - II. Business risks faced by PERA.
- h. Recommend the location of the main office and any secondary offices to the Board for approval, and ensure the proper maintenance, safety, and adequacy of all of PERA's physical premises; and
- i. Implement applicable laws, rules, and court decisions.

## RISK MANAGEMENT AND COMPLIANCE

- 13.** The Executive Director will:
- a. Assist the Board in developing policies to articulate its views on risks and risk management;
  - b. Manage PERA's risk in alignment with the Board's policies;
  - c. Ensure a framework of risk management and compliance exists within the organization and it is appropriately functioning; and
  - d. Ensure PERA compliance with applicable laws and regulations and maintain the tax qualified status of PERA's plans.

## FINANCIAL AND ACCOUNTING PRACTICES

- 14.** The Executive Director will:
- a. Account for all payments made and disbursements issued by PERA;
  - b. Ensure appropriate accounting policies and internal controls are in place to safeguard the assets of PERA;
  - c. Recommend the Internal Audit Director's job description, selection criteria, and compensation levels to the Audit Committee for its approval, and in the event of a vacancy, provide a pool of qualified candidates for the Audit Committee's consideration;
  - d. Support the Audit Committee in its review and approval of the internal audit plan and budget, supervise the Internal Auditor, and recommend to the Audit Committee any disciplinary action or termination; and
  - e. Compile the *ACFR*, and present it to the Board for approval of its release; ensure the publication of the *ACFR* and submit, as required, to appropriate parties.

## ACTUARIAL PRACTICES

- 15.** The Executive Director will:
- a.** Advise the Board with respect to the actuarial assumptions and methodologies recommended by the Board’s actuaries; and
  - b.** Advise the Board with respect to PERA’s Annual Actuarial Valuation Report; submit reports to the Legislative Audit Committee, the Senate Finance Committee, the House Finance Committee, the Pension Review Subcommittee and the Joint Budget Committee of the General Assembly and the Governor of Colorado, together with any recommendations of the Board concerning such liabilities that have accrued.

## HUMAN RESOURCES

- 16.** The Executive Director will:
- a.** Recommend to the Compensation and Budget Committee a total compensation philosophy statement for PERA and set compensation in alignment with the total compensation philosophy statement for all staff except for the Executive Director and Internal Audit Director;
  - b.** Establish appropriate human resource programs and procedures for management and staff, including appropriate compensation, succession, education, training, and development plans;
  - c.** Discuss management succession planning with the Governance Committee at least annually; and
  - d.** Be responsible for selecting, hiring, training, terminating, and disciplining staff, with the following exceptions:
    - I.** The termination of the General Counsel will be reviewed and approved by the Board; and
    - II.** The Internal Audit Director will be appointed and terminated by the Audit Committee.

## PLAN MEMBER AND STAKEHOLDER COMMUNICATIONS

- 17.** The Executive Director will:
- a.** Develop and timely implement, through a variety of media, communication strategies for all PERA stakeholders including members, employers, the General Assembly and others.
  - b.** Distribute an annual information report for distribution to all PERA members, also known as the *Popular Annual Financial Report (PAFR)*;
  - c.** Serve as the spokesperson for PERA and, as necessary, coordinate with the Board Chair, or if applicable, the alternate spokesperson designated by the Board Chair; and ensure that

written press releases concerning the business of PERA are consistent and accurate with the provisions of [PERA Law](#) and the policies of the Board, and are made available to the Board in a timely manner.

## APPOINTMENTS

- 18.** The Executive Director will appoint and may remove all service providers except those appointed by the Board, as listed in the [Board of Trustees’ Charter](#). The Executive Director will recommend to the Board, or the designated Board committee, candidates for Board-appointed Service Provider positions.
- 19.** The Executive Director will ensure all necessary due diligence is performed relating to the selection and monitoring of service providers.

## CHARTER REVIEW AND HISTORY

- 20.** This charter will be reviewed at least every five years.
- 21.** The Board adopted this charter on November 16, 2001. The Board approved changes to this Charter on February 18, 2005, February 16, 2007, July 1, 2012, January 15, 2016, January 1, 2020, on January 1, 2022, and on March 15, 2024.

# BOARD OPERATIONS POLICY

## PURPOSE

1. This *Board Operations Policy (Policy)* sets out the manner in which the Board and its committees will operate and conduct their meetings.
2. Where appropriate, this *Policy* incorporates relevant provisions of [PERA Law](#), [PERA Rules](#), the [Colorado Open Meetings Law](#), and other applicable Colorado statutes.
3. Where there is a conflict between the provisions of this *Policy* and the provisions of [PERA Law](#), [PERA Rules](#), the [Colorado Open Meetings Law](#), and other applicable Colorado statutes, the law and rules will prevail.

## POLICY GUIDELINES

### OFFICERS

4. The Trustees will elect from among themselves a Board Chair, a Vice Chair and any other officers as may be necessary for the Board to carry out its duties and responsibilities. Board Officers will serve for terms of two years. No person may serve continuously as Board Chair for more than two consecutive terms.
5. Elections for Board Officers will take place in accordance with the procedures contained in the [Board Officer Election Policy](#).
6. The Board Chair will preside at all meetings of the Board. In the absence of the Board Chair, the Vice Chair will assume the duties of the Board Chair. If neither chair is available to attend a meeting, then the Board Chair will designate another member to assume the duties of Board Chair. If the Board Chair is unable to do so, the remaining members may appoint a Board Chair from among themselves for the meeting.
7. Should the Board Chair be unable to complete their term, the Vice Chair will serve as Board Chair until the Board elects a new Board Chair.
8. In the event that a vacancy should occur in the position of Vice Chair, the Board will elect a successor for the balance of the unexpired term at its next regular meeting.
9. In the event a vacancy should occur on the Board of Trustees, and the person who received the next highest number of votes in the most recent election for the vacant position is unwilling or unable to serve, or the vacating Trustee ran unopposed, the Board will select a new Board member in accordance with the *Selection Procedures for Elected Trustee Vacancies and Outside Members Policy*.
10. The Executive Director will serve as Secretary to the Board, and will be responsible for the accurate record of Board business.
11. The Internal Audit Director and the General Counsel will have access to the Board.

### COMMITTEES

12. The standing committees of the Board will be as follows:
  - a. Audit Committee;
  - b. Benefits Committee;
  - c. Executive Committee;
  - d. Investment Committee;
  - e. Compensation & Budget Committee; and
  - f. Governance Committee.
13. The Board Chair will recommend to the Board for its approval appointments to standing Board committees, with the exception of the Executive Committee and the Governance Committee. Board committee appointments will be made annually at the first regular meeting of the calendar year, or as necessary throughout the year should vacancies arise. The Board Chair will appoint the chair for each standing Board committee after consulting with the Trustee in question.
14. In making Board committee appointments, the Board and the Board Chair will consider the following:
  - a. The need to maintain a level of continuity in Board committee membership;
  - b. The need to rotate the composition of Board committees to provide a diversified experience for Trustees;
  - c. The need to ensure that, to the extent possible, Trustees' Board committee appointments reflect their areas of interest; and
  - d. The standing Board committee chairs should not be the Board Chair or Vice Chair, except in

the cases of the Executive and Governance Committees.

15. The Board Chair may establish ad hoc Board committees in consultation with the Executive Director. Ad hoc Board committee mandates are to be defined by the Board Chair, approved by the Board, and recorded in the Board minutes. The Board Chair will appoint the chair and members of ad hoc Board committees.
16. The Executive Director will prepare a charter for each standing Board committee that provides a description of the Board committee's mandate, duties, and specifies its composition. The charters require Board approval.
17. All successful motions by Board committees must be considered by the Board at a Board meeting, unless a Board committee has specific approval authority under its charter.

## OUTSIDE MEMBERS OF COMMITTEES

18. The Board will appoint Outside Members of the Audit Committee pursuant to the procedures contained in the Audit Committee Charter.

## BOARD MEETINGS

19. Regular meetings will be held at least quarterly and according to an annual schedule adopted by the Board and published in the minutes of the Board. Time and location for such meetings will be determined by the Board, and notice shall be given in accordance with the [Colorado Open Meetings Law](#).
20. The annual schedule may be modified by the Board as necessary, and timely notice of such changes must be provided to the public in accordance with the [Colorado Open Meetings Law](#).
21. Special meetings may be called by the Board Chair or any four members of the Board by providing three days' notice to each member of the Board. A call for a special meeting must state the business to be considered and the time, date, and place of such meeting.

## STANDING BOARD COMMITTEE MEETINGS

22. Time and location of standing Board committee meetings will be determined by each Board committee, and timely notice of such is to be provided to the public.
23. A Board committee chair, in consultation with the Executive Director, may cancel or reschedule a meeting, if it is apparent that there will not be a quorum or it is deemed that there are insufficient issues to warrant a meeting. Attempts will be made

to provide all Board committee members and members of the public with at least one week's notice of cancellation of any meeting.

24. If the Board committee chair is unavailable to attend a meeting, then the Board committee chair will designate another member to serve as Board committee chair in their absence. If the Board committee chair is unable to do so, the remaining Board committee members may appoint a Board committee chair from among themselves for the meeting.

## GENERAL MEETING

25. A general meeting of PERA may be called by the Board at any time and will be called upon receipt of a petition signed by not less than 3 percent of PERA's membership.
26. Notice of a general meeting will be mailed to each PERA Member not less than ten days prior to the meeting and will state the time, place, and purpose of the meeting. The public will also be given timely notice of the meeting. Only matters which have been specified in the purpose of the meeting will be considered. No proxy voting will be permitted.

## AGENDAS AND NOTICE

27. The Executive Director shall strive for the timely preparation and distribution of agendas and related materials for Board and committee meetings.
28. Items may be placed on the Board agenda by any of the following means:
  - a. By initiation of any Trustee, through the Board Chair;
  - b. By standing or ad hoc Board committee recommendation;
  - c. By the Board Chair; or
  - d. By the Executive Director, through the Board Chair.

## ATTENDANCE AND QUORUM

29. When Trustees are unable to attend a meeting of the Board or a Board committee, they will notify the Executive Director as far in advance as possible.
30. All Trustees may attend and participate in Board committee meetings, but only designated Board committee members will count toward a quorum and vote.
31. A majority of the voting members of the Board will constitute a quorum.
32. No vote of the Board will take place without a quorum present. No proxy voting will be permitted.

- 33. Board action requires a majority vote of a quorum of the Board. Trustees may attend and vote via telephone and/or video link.
- 34. A majority of the voting members of a Board committee will constitute a quorum.
- 35. A majority vote of the quorum of the Board committee present will be required for any action of the Board committee. Board committee members may attend and vote via telephone and/or video link.

## RULES OF ORDER

- 36. Meetings of the Board and all of its committees will follow *PERA Law*, *PERA Rules*, the *Colorado Open Meetings Law*, and this *Policy*. The Board Chair shall refer to *Robert's Rules of Order, Revised* to resolve any disagreements that cannot be resolved by the instruments listed herein.

## MINUTES

- 37. Minutes of any meeting of the Board or its committees will be taken and promptly recorded, and, upon approval, such records will be open to public inspection.
- 38. The Executive Director will cause the minutes of all Board meetings to be prepared, recording therein the time and place of each meeting, the names of members present, and the actions of the Board giving the total ayes and nays upon all votes, except where the action is unanimous. When requested by a Trustee, the reason for the Trustee's dissent, abstention or approval will be noted in the minutes. The Executive Director will cause the minutes to be presented for approval at the next regular Board meeting.
- 39. Committee chairs, with the assistance of staff, will ensure Board committee minutes are kept, approved by the Board committee, and made available to the Board.
- 40. A permanent record of Board proceedings will be retained.

## RULES AND POLICIES

- 41. The Board may adopt and promulgate such rules for the administration of PERA and to specify the factors to be used in actuarial determinations or calculations required by C.R.S. § 24-51-204. All rules will be promulgated in accordance with the provisions of C.R.S. § 24-4-103, and such rules will be consistent with the provisions of *PERA Law* or other provisions of law. Such rules are referred to collectively as the "*PERA Rules*."

- 42. The Board may adopt general statements of policy, which are not meant to be binding as rules, but which provide guidance to the Board, staff, or PERA Participants regarding interpretation of *PERA Law*, or the operations of the Board, staff, or PERA.
- 43. Development of a Board policy may be initiated by the Board or the Executive Director. In determining whether a particular issue warrants a Board policy, the following criteria will be considered:
  - a. The issue may have a significant impact on PERA's ability to meet its Mission;
  - b. The issue is expected to recur or continue indefinitely; and
  - c. The issue is not an operational issue which falls within the discretion of the Executive Director.
- 44. The Executive Director will have primary responsibility for carrying out the necessary research and bringing forward a proposed policy with supporting analysis to the Board or to a specified committee of the Board. The Executive Director may delegate to staff, consultants, or advisors as appropriate.
- 45. All PERA Board *Governance Manual* policies and charters will be:
  - a. Formally reviewed with a frequency of review laid out in the policy; and
  - b. Maintained in up-to-date form within PERA's offices, and will be accessible to Trustees, staff, and members of the public.
- 46. Should the Board knowingly take an action contrary to its policy, it will state in the Board minutes the specific rationale for deviating from the policy.

## EXECUTIVE SESSION

- 47. The Board and its committees may hold executive sessions, which will be closed to the public, under the following conditions, as prescribed in the *Colorado Open Meetings Law*:
  - a. The executive session is held during a regular or special meeting of the Board or Board committee;
  - b. The Board or Board committee announces to the public present at the meeting the topic of discussion;
  - c. Two-thirds of the Board or Board committee voting members votes in the affirmative to hold an executive session; and
  - d. The executive session is held for the sole purpose of considering any matter enumerated in the *Colorado Open Meetings Law*.

- 48. Discussions that occur in an executive session shall be recorded as specified in Section 402 of the Colorado Open Meetings Law. The minutes of a meeting during which an executive session is held will reflect the topic of the discussion at the executive session.
- 49. Notwithstanding section 47 of this *Policy*, no adoption of any proposed policy, position, resolution, rule, regulation, or formal action will occur at any session that is not open to the public.

## **PUBLIC COMMENT**

- 50. Every agenda for a regular Board meeting will provide the public an opportunity to address the Board at each meeting during posted public comment sessions, on any item under the jurisdiction of the Board. The duration of any address may be limited at the discretion of the Board Chair. When a member of the public raises an issue not on the Board’s agenda, the item may be discussed, but no action may be taken at that meeting, except as provided below:
  - a. The Board may provide a reference to management or other resources for factual information; and
  - b. The Board may request management to report back to the Board at a subsequent meeting concerning any matter.

## **POLICY REVIEW AND HISTORY**

- 51. The Board will review this policy at least every five years.
- 52. This policy was adopted by the Board on November 16, 2001. The Board approved changes to this policy on February 18, 2005, February 16, 2007, July 1, 2012, January 15, 2016, January 1, 2020, and on January 1, 2022.

# BOARD OFFICER ELECTION POLICY

## PURPOSE

1. The purpose of this *Board Officer Election Policy* is to set out procedural rules for the election of the Board Chair, the Vice Chair, and any other officer positions that may be established.

## BACKGROUND

2. The Trustees are required to elect from among themselves a Board Chair, a Vice Chair, and any other officers as may be necessary for the Board to carry out its duties and responsibilities <sup>1</sup>.
3. The Trustees must elect the Board officers by secret ballot. Board officers are to be elected at the last regular meeting held in the calendar year and shall assume office as of the first regular meeting held after the election. Board officers will serve for terms of two years. No person may serve continuously as Board Chair for more than two consecutive terms. Board officers shall be elected by a majority of Trustees present and voting.

## GUIDELINES

4. The order of elections shall be as follows: Board Chair, Vice Chair, other officers as may be established. The election of an officer must be concluded before the election of the next officer may commence.
5. The procedures for electing an officer are as follows:
  - a. The Board Chair shall open the floor to the Board for nominations. Trustees may nominate themselves or another Trustee. Nominations must be seconded by another Trustee;
  - b. Trustees who do not expect to be at the meeting may submit nominations in writing to the Board Chair or the Executive Director prior to the Board meeting at which Board officer elections are scheduled. The Board Chair or the Executive Director will present any written nominations to the Board after the floor is opened for nominations;
  - c. Trustees nominated by a fellow Trustee must formally accept the nomination;

- d. Once nominations are closed, the Board Chair will read and confirm the list of nominees. In the event that the Board Chair is a nominee, the Board Chair shall hand over the duty to preside over the elections to the Vice Chair or to another Trustee who is not a nominee (hereinafter the “Presiding Officer”);
  - e. Each nominee may address the Board for a maximum of five minutes, in an order to be determined by the Presiding Officer. The time limit will be enforced by the Presiding Officer. A written statement may also be distributed;
  - f. The election of the officer requires a majority of those Trustees present and voting. If the office remains unfilled after the first ballot, balloting should be repeated as many times as necessary to obtain a majority vote for a single nominee. If the election is not decided by the third ballot, the nominee with the lowest number of votes shall be removed from each successive ballot. This rule shall not apply if it would eliminate all but one nominee from the ballot;
  - g. Voting shall be by secret ballot. Ballots shall be submitted to the Internal Audit Director (or their delegate) for tabulation, the results of which shall be reported to the Presiding Officer;
  - h. Notwithstanding section (g), Trustees participating in the Board meeting by telephone or video link may submit their votes by a separate telephone call or e-mail to the Internal Audit Director;
  - i. Proxy voting is not permitted; and
  - j. The outcome of the election shall be announced at the meeting and noted in the Board minutes.
6. Newly elected officers shall assume their respective office as of the first regular meeting held after the election.

## POLICY REVIEW AND HISTORY

7. The Board will review this policy at least every five years.
8. The Board adopted this policy on July 1, 2012. The Board approved changes to this policy on January 15, 2016, March 11, 2016, January 1, 2020, and on January 1, 2022.



# BOARD COMMUNICATIONS POLICY

## PURPOSE

1. This *Board Communications Policy* is intended to facilitate effective communications between the Trustees and PERA's Participants, management, and external parties.

## PRINCIPLES

2. Trustee communications potentially represent a risk to PERA in areas such as governance, member services, and public relations.
3. A communications policy must balance the need to mitigate communications risk with the need for open and free discourse.
4. The Board should speak to all constituency groups with a single voice to successfully carry out its communications function for the benefit of PERA Participants.
5. When communicating on PERA-related matters in a capacity other than that of an authorized spokesperson for the PERA Board, Trustees shall clearly establish in their communications that they are not communicating on behalf of the Board or PERA.
6. Trustees shall not disclose privileged information or other information to any party that may be perceived as granting that party special treatment or favoritism.

## POLICY GUIDELINES

### COMMUNICATION AMONG TRUSTEES

7. The Board will carry out its activities in the spirit of open governance and in accordance with relevant legislation. The Board may conduct certain business in executive (closed) session in accordance with the provisions of the [Open Meeting Laws](#) and the [Board Operations Policy](#).
8. Trustees will communicate in an open, straightforward, respectful, and constructive manner during meetings of the Board and Board committees.
9. Trustees will disclose all information pertinent to the affairs of the Board to the rest of the Board in a timely manner.

### TRUSTEE COMMUNICATION WITH PERA PARTICIPANTS

10. Trustees shall be aware of the risk of communicating inaccurate information about PERA and the potential liability and harm that may result from such miscommunications. In particular, Trustees will refrain from providing specific advice, counsel, or education with respect to the rights or benefits to which a PERA Participant may be entitled.
11. In cases where a Trustee receives a PERA-related query, the Trustee should refer the query to the appropriate management-level resource within PERA. The Executive Director will advise Trustees when their PERA-related query or issue has been resolved and of any actions taken in response.

### TRUSTEE COMMUNICATION WITH PERA MANAGEMENT

12. Trustees will direct concerns or questions regarding any aspect of PERA's operations to the Executive Director, the General Counsel, or the Internal Audit Director.
13. Trustees shall only make reasonable requests for information that are necessary for the purposes of fulfilling their duties as Trustees, and shall not request or use PERA information for their own personal, business or other use. Where the Executive Director believes that an information request would require a significant expenditure of staff time or the use of external resources, the Executive Director may place the request on the agenda for the next Executive Committee meeting, for discussion and consideration.
14. In the spirit of open communication, individual Trustees will share any pertinent information with the Executive Director in a timely manner. The Executive Director will similarly share with the Board any information pertinent to the Board in a timely manner.
15. The Executive Director will ensure that information that has been requested by the Board or by individual Trustees is made available to all Trustees.

## TRUSTEE COMMUNICATION WITH EXTERNAL PARTIES

- 16.** When communicating externally in their capacity as Trustees, Trustees shall ensure they are representing the interests of all PERA Participants.
- 17.** Trustees shall be professional and respectful of the Board, its policies, and its decisions in all external communications, even if they disagree with such.
- 18.** Trustees shall not communicate as a spokesperson on behalf of the Board unless authorized to do by the Board or the Board Chair.
- 19.** In situations that call for a spokesperson to communicate on behalf of the Board:
  - a.** The Board Chair will act as spokesperson for the Board or designate an alternate if the situation dictates;
  - b.** If time permits, the spokesperson will discuss sensitive, high profile issues with the Board prior to engaging in external communications; and
  - c.** In situations where Board policy concerning an issue has not been established, the Board or an appropriate Board committee will meet to discuss the issue prior to the spokesperson undertaking any external communications on the issue.
- 20.** When communicating with external parties on matters pertaining to PERA, Trustees will indicate if they are communicating as a spokesperson on behalf of the Board (in accordance with section 19 or speaking as an individual or in another capacity. When not communicating on behalf of the Board, the Trustee shall preface such communications with the following disclaimer:

*These remarks are my own [or reflect my role as XYZ] and do not necessarily reflect the views of Colorado PERA, its staff, or the other Trustees.*
- 21.** When interviewed, or otherwise approached by the media for information concerning PERA, Trustees will not make unilateral commitments for, or communicate on behalf of the Board, or PERA unless designated as a spokesperson according to section 19. Trustees are encouraged to direct the media representative to the Executive Director or to the Board spokesperson.
- 22.** To ensure the accuracy of materials prepared by Trustees for publication or general distribution, which are related to the affairs of PERA or pension matters generally. Trustees are encouraged to provide such material to the Executive Director for review prior to distribution or publication.

## COMMUNICATION WITH VENDORS

- 23.** Any material communications pertaining to the business of PERA between a Trustee and a vendor or potential vendor outside of a PERA Board or Board committee meeting should be disclosed to the Board Chair and the Executive Director. Where the material communication is between the Board Chair and a vendor or potential vendor, such disclosure shall be made to the Vice Chair and the Executive Director.
- 24.** Trustees shall refer investment opportunities or other proposals they receive from vendors or potential vendors to the Executive Director or the Chief Investment Officer.

## POLICY REVIEW AND HISTORY

- 25.** The Board will review this policy at least every five years.
- 26.** The Board adopted this policy on November 16, 2001. The Board approved changes to this policy on February 18, 2005, June 16, 2011, July 1, 2012, July 21, 2016, January 1, 2020, and on January 1, 2022.

# SERVICE PROVIDER SELECTION POLICY

## PURPOSE

1. The *Service Provider Selection Policy* is intended to establish general guidelines by which Board-appointed Service Providers will be selected and retained by PERA. More detailed guidelines may be found in other policies or procedures.

## POLICY OBJECTIVES

2. The objective of the *Service Provider Selection Policy* is to ensure that:
  - a. The appointment of Board-appointed Service Providers is made in the best interests of PERA Participants;
  - b. The process of selecting Board-appointed Service Providers is efficient, diligent, and fair; and
  - c. Appropriate services are obtained at a competitive cost.

## DEFINITIONS

3. “*Board-appointed Service Providers*” is defined to include those service providers and advisors that are appointed by the Board, as defined in the [Charter for the Board of Trustees’ section 20](#).

## GENERAL GUIDELINES

4. The Executive Director is responsible for ensuring all due diligence is performed relating to the selection of Board-appointed Service Providers and for bringing forward candidates for the Board’s consideration.
5. The Executive Director or their designee will consider as broad a universe of qualified service providers that is practical and reasonable given budgetary, staffing, time, and other relevant constraints.
6. When a Trustee suggests a candidate to the Executive Director for consideration, both the Trustee and the Executive Director will inform the Board.
7. A Request for Proposal process will generally be used in searches for Board-appointed Service Providers, unless it can be demonstrated by the Executive Director to be imprudent or impractical to do so.

## SEARCH PROCESS

8. The Executive Director or their designee will inform the Board of upcoming searches for Board-appointed Service Providers.
9. Upon completion of the analysis and due diligence involved in a search process for a Board-appointed Service Provider, the Executive Director or their designee, will provide a report to the Board, or a designated committee of the Board, containing at a minimum:
  - a. The recommended candidate(s);
  - b. A summary of the analysis performed in light of the selection criteria;
  - c. The rationale supporting the recommended candidate and, where possible, the reasons why the candidate was recommended over other candidates; and
  - d. Information on the number and quality of proposals received during the search process.
10. In general, the Board will interview candidates recommended by the Executive Director for the position of pension actuary, health care actuary, fiduciary counsel, and the Board’s investment consultant(s).

## CONTRACTS

11. The Executive Director, or their designee, will negotiate and execute all agreements in connection with Board-appointed Service Providers.
12. The General Counsel shall regularly review vendor contract templates to ensure that they meet best practices and adequately protect the interests of PERA.

## **MONITORING AND REPORTING**

- 13.** The Executive Director will regularly monitor the performance of Board-appointed Service Providers and submit an annual report on their performance and the status of their contracts. In preparing the report the Executive Director will solicit input from the Board, focusing on those firms with which the Board has direct contact, and using survey instruments where appropriate.
- 14.** At least every five years, the Board will review the need to undertake a competitive bid for each Board-appointed Service Provider.
- 15.** All reporting and monitoring provisions contained in this policy serve as minimum requirements. If more stringent requirements have been established in other policies of PERA, such requirements will prevail.

## **POLICY REVIEW AND HISTORY**

- 16.** The Board will review this policy at least every five years.
- 17.** The Board adopted this policy on November 16, 2001. The Board approved changes to this policy on February 18, 2005, July 1, 2012, January 15, 2016, January 1, 2020, and on January 1, 2022.

# SELECTION PROCEDURES FOR ELECTED TRUSTEE VACANCIES POLICY

## PURPOSE

1. The following procedure shall be followed when a vacancy occurs on the Board of Trustees due to an elected Trustee leaving the Board as a result of death, disability, disqualification, removal, or resignation, and the person who received the next highest number of votes in the most recent election for the vacant position is unwilling or unable to serve, or the vacating Trustee ran unopposed. See [C.R.S. § 24-51-203\(4\)](#).

## GUIDELINES

2. At the next board meeting after the Board receives notice of the vacancy, the Board Chair shall create an ad hoc committee. If feasible, at least one Trustee from the same division shall be included on the committee.
3. The Ad Hoc Vacancy Committee shall work with staff to announce the vacancy by posting on the PERA Website a description of the Trustee qualifications and an invitation to apply. The description of the vacated position shall comply with the requirements in [C.R.S. § 24-51-203\(1\)\(b\)-\(f\)](#) and [§ 24-51-203\(1.5\)](#).

Other means of communicating the vacancy may be considered, including but not limited to:

- I. Notification in the *Member or Retiree Report* newsletters, if such reports will be published in a timely manner;
  - II. E-mail notification to members or retirees; and
  - III. Notification to employers of the division at issue.
4. The Ad Hoc Vacancy Committee shall meet to review the applications and resumes of qualified candidates and, if necessary, identify candidates to be interviewed by the Ad Hoc Vacancy Committee.
  5. Staff shall conduct appropriate background checks on the finalist(s) before recommendations are submitted to the Board for consideration.
  6. The Ad Hoc Vacancy Committee shall recommend to the Board one or more candidates for the Board's consideration.
  7. The Board may interview finalists and appoint one of the finalists to fill the vacancy, or may act upon the recommendation of the Ad Hoc Vacancy Committee.
  8. The new Trustee shall assume office at the first regular board meeting following certification of the appointment in accordance with [PERA Rule 2.45](#), provided the Trustee being replaced has vacated the Board.
  9. The new Trustee shall be eligible to run for the remaining term of the seat during the next regularly scheduled Trustee election provided they are eligible in accordance with [C.R.S. § 24-51-203](#).

## POLICY REVIEW AND HISTORY

10. The Board will review this policy at least every five years.
11. This policy was adopted by the Board on January 15, 2016, January 1, 2020, and on January 1, 2022.

# STRATEGIC PLANNING POLICY

## PURPOSE

1. The purposes of the *Strategic Planning Policy* are to:
  - a. Ensure that PERA actively and systematically plans for the future;
  - b. Facilitate discussion and agreement among the Board and management on the strategic direction of PERA; and
  - c. Facilitate the communication of PERA's *Strategic Plan* throughout the organization.
- b. An assessment as to whether the operations of PERA are well positioned to fulfill the *Mission and Vision Statements* and strategic direction of PERA; and
- c. New or existing strategic initiatives to be undertaken over the planning period, along with necessary supporting information and planning parameters.

## PROCESS GUIDELINES

### THE PLANNING PROCESS

2. At least every five years, management will complete a strategic analysis of PERA, which will include, at a minimum:
  - a. A review of the progress made in implementing the prior *Strategic Plan*;
  - b. An analysis of the continued appropriateness of PERA's strategic direction, which will include consideration of the following issues:
    - I. The continued appropriateness of PERA's *Mission and Vision Statements*;
    - II. PERA's environment;
    - III. The needs of PERA Plan Participants, and other stakeholders; and
    - IV. The products and services offered by PERA.
  - c. An assessment as to whether PERA is well positioned to fulfill its *Mission and Vision Statements* and strategic direction; and
  - d. Identification of any new strategic initiatives to be undertaken in the coming planning period.
4. In order to ensure that the strategic initiatives have the necessary resources to be implemented, the *Strategic Plan* should be reflected in PERA's operating budget. Should the budgeted funds associated with a particular strategic initiative fail to receive approval by the Board, the *Strategic Plan* will be amended accordingly.
5. Should management determine that changing circumstances will not allow it to meet a particular parameter of the *Strategic Plan*, it will inform the Board in a timely manner and the *Strategic Plan* will be adjusted accordingly.

### REVIEW OF STRATEGIC PLAN

6. At least annually, the Executive Director will review with the Board the status of each initiative contained in the *Strategic Plan*.
7. The Executive Director will also regularly review the status of strategic initiatives with the Executive Committee.

### COMMUNICATIONS

8. The approved *Strategic Plan* will be made available to all PERA staff.

### PROCESS REVIEW AND HISTORY

9. The Board will review this process at least every five years.
10. The Board adopted this process on November 16, 2001. The Board approved changes to this policy on February 18, 2005, July 1, 2012, June 21, 2016, January 1, 2020, and on January 1, 2022.

### STRATEGIC PLANNING SESSION

3. Upon completion of its analysis, management will prepare and present any updates of the *Strategic Plan* to the Board, for approval. At a minimum, the *Strategic Plan* will include:
  - a. Confirmation of the *Mission and Vision Statements* and strategic direction of PERA, or any recommended changes to such;

# BUDGET APPROVAL PROCESS POLICY

## PURPOSE

1. The purpose of this *Budget Approval Process Policy* is to establish the process by which the annual operating budget of PERA (the “Budget”) is reviewed and approved by the Board.

## OBJECTIVES

2. To ensure that the Budget is presented, and adopted in a timely manner, and to demonstrate the financial accountability of PERA’s management in expending budgeted funds.

## GUIDELINES

### GENERAL PROVISIONS

3. The preparation of the proposed Budget is the responsibility of the Executive Director, or their designee.
4. The adoption of the Budget is the exclusive responsibility of the Board. The Compensation & Budget Committee has responsibility for reviewing the Budget and Budget amendments, providing staff with feedback, and recommending a final Budget to the Board.
5. Funds not expended in the current Budget year are not to be automatically carried forward to the next year.
6. The Budget will be designed to support the strategic direction and initiatives set by the Board. Program expenditures that assure the prompt delivery of benefits and related services to PERA Participants will receive primary consideration.

### PROPOSED ANNUAL BUDGET-BOARD PACKAGE

7. The Budget presentation will include at a minimum:
  - a. The previous year’s actual expenditures;
  - b. The current year’s budgeted expenditures and actual expenditures projected to year-end;
  - c. The Budget year’s proposed expenditures; and
  - d. Data presented by department/division and by major expense category.

8. The proposed Budget package for the upcoming Budget year will be transmitted to the Trustees before the Board’s November meeting.

### ADOPTION, AMENDMENT, AND REVIEW

9. The Board will adopt the Budget prior to January 1 of the upcoming Budget year.
10. The Budget may be amended at any time by the Board.
11. Trustees will receive monthly Budget reports for their review. The Budget reports will also be reviewed by the Executive Committee at each of its regular meetings.

### PROCESS REVIEW AND HISTORY

12. The Board shall review this policy at least every five years.
13. The Board adopted this process on November 16, 2001. The Board approved changes to this policy on February 18, 2005, February 16, 2007, July 1, 2012, June 21, 2016, January 1, 2020, and on January 1, 2022.

# SUCCESSION PLANNING POLICY

## BACKGROUND & OBJECTIVES

1. Turnover among Trustees and management can have a significant impact on the operations of PERA. While the Board recognizes that it may not be able to prevent such turnover, it can, through effective succession planning, mitigate the risks and impacts associated with the loss of Board and staff members. This *Succession Planning Policy* has been prepared to provide a framework for the Board's succession planning efforts.

## GUIDELINES

### SUCCESSION PLANNING FOR THE BOARD

2. To help ensure a smooth and effective transition when new Trustees join the Board, the Board will undertake the following measures:
  - a. A description of the expectations and duties of PERA Trustees will be made available to all candidates seeking to serve on the Board by the Executive Director.
  - b. Trustees who have determined that they will not be seeking re-election to the Board are encouraged to inform the Board in a timely manner.
  - c. Newly elected or appointed Trustees will be encouraged to attend, if time permits, at least one meeting of the Board or its committees as observers prior to officially taking office, in order to familiarize themselves with the workings of the Board.
  - d. The Chair of the Board shall assign a Trustee as a mentor to each new Trustee.
  - e. Newly elected or appointed Trustees will participate in Board orientation sessions, as prescribed in the *Board Education Policy*.

### SUCCESSION PLANNING FOR EXECUTIVE MANAGEMENT

3. At least annually, the Governance Committee will meet with the Executive Director to discuss management succession.

4. The Governance Committee will report to the Board on its discussions regarding succession planning as appropriate.
5. In the event of a vacancy in the Executive Director position:
  - a. The Board Chair will appoint an Ad Hoc Vacancy Committee of the Board;
  - b. The Ad Hoc Vacancy Committee will determine the process for filling the position of Executive Director, including minimum and desired skill sets and experience, evaluation criteria, time frames, whether an external search consultant will be used, and any other relevant factors, and will promptly report to the Board on the process; and
  - c. The Board will be responsible for appointing the new Executive Director, as per the Board of Trustees Charter section 19.
6. The Executive Director will inform the Board in the event of a significant vacancy in management and will solicit Board input.
7. In the event a current Trustee applies for a position of employment at PERA, in order to be considered for the position, the Trustee shall be required to resign from the Board immediately after submitting their application.

### POLICY REVIEW AND HISTORY

8. The Board will review this policy at least once every five years.
9. The Board adopted this policy on November 16, 2001. The Board modified this policy on November 15, 2002, November 19, 2004, February 18, 2005, February 16, 2007, January 1, 2013, June 21, 2016, January 1, 2020, and on January 1, 2022.



# MONITORING AND REPORTING POLICY

## PURPOSE

The PERA Board has the duty to oversee the activities and performance of PERA. The Board has established this *Monitoring and Reporting Policy* to set out the routine reports it will receive via Board Web packages. The frequency of reporting listed below reflect the expected minimum frequency.

## ROUTINE REPORTS

### GOVERNANCE REPORTS

Report	Frequency	Prepared By	Description and Purpose of Report
1. <i>Governance Manual Compliance</i>	Biennially	External	A summary confirmation of compliance with charters and policies of the Board.
2. Board Performance Evaluation	Annually	External	Summarizes the results of the Board's performance self-evaluation, including follow-up actions.
3. Executive Director Evaluation	Annually	Board Committee	Summarizes the performance assessment of the Executive Director.
4. Trustee Education Compliance	Annually	Staff	Summarizes the activities of the Board with respect to education, and comments on the appropriateness of various educational programs or tools.
5. The Trustee's Standards of Professional and Ethical Conduct Compliance	Annually	Staff	Summarizes affirmation by Trustees that they are in compliance with the Trustees' Standards of Professional and Ethical Conduct, including conflict of interest provisions, or declares areas of non-compliance.
6. Service Provider Evaluations	Annually	Staff	Summarizes affirmation by Trustees that they are in compliance with the Trustees' Standards of Professional and Ethical Conduct, including conflict of interest provisions, or declares areas of non-compliance.
7. Investment Performance Reports – CIF	Quarterly	Staff	Report on investment performance for the CIF for each asset class, and the total fund. Provides analysis based on return over various periods (3 months, 1 year, 5 year, etc.).
8. Investment Performance Reports – CIF	Quarterly	External	Report on investment performance for the CIF, for each asset class, and by investment manager. Provides analysis based on return over various periods (3 months, 1 year, 5 year, etc.).
9. Investment Consultants Report – Compliance with the SIP	Annually	External	Report on compliance with the statement of investment policy and investment philosophy for the CIF.

<b>Report</b>	<b>Frequency</b>	<b>Prepared By</b>	<b>Description and Purpose of Report</b>
<b>10.</b> Investment Costs	Annually	Staff/ External	Evaluates the costs and efficiency of the investment and trading programs, and, where appropriate, compares them to applicable peer groups.
<b>11.</b> Proxy Voting Report	Annually	Staff	Summarizes how PERA exercised its voting rights in public companies.
<b>12.</b> Investment Program Compliance	Annually	Staff	Confirms that the investment program is running in accordance with regulatory, Board, and other PERA policies.
<b>13.</b> CAP Investment Activity	Annually	Staff/ External	Activity and administration of the CAPs, including participation statistics, total assets and assets by class and fund.
<b>14.</b> CAP Investment Performance	Quarterly	Staff/ External	Investment performance of each CAP investment option.
<b>15.</b> Actuarial Valuation	Annually	External	Summarizes the results of the actuarial valuation for the plan and the health care program, together with any recommendations, projections and signal light analysis.
<b>16.</b> Actuarial Experience Report	At least every five years	External	A review by the actuary of the demographic and economic experience of PERA, undertaken to determine the assumptions used in the actuarial valuation.
<b>17.</b> Actuarial Audit	Every five years	External	An independent review of the validity of the analyses and methodologies used in preparing PERA's actuarial valuation.
<b>18.</b> Asset and Liability Study	Every three to five years	External	A study of the relationship between PERA's assets and liabilities to determine the appropriateness of PERA's asset allocation policy.
<b>19.</b> Funding Policy	Every five years	Staff	A policy stating the overall funding goals and actuarial metrics for the plan.
<b>20.</b> OPEB Funding Policy	Every five years	Staff	A policy stating the overall funding goals and actuarial metrics for the health care program or any other OPEB program.
<b>21.</b> Audit Committee Report	Annually	Audit Committee	A formal report on the activities of the Audit Committee over the previous year.
<b>22.</b> External Audit	Annually	External	Confirms that the financial statements present fairly, in all materials respects, the financial status of PERA, in accordance with generally accepted accounting principles.
<b>23.</b> <i>Annual Comprehensive Financial Report</i>	Annually	Staff/ External	Reviews the operations, activities, and financial condition of PERA during the last fiscal year. The audited financial statements shall be part of the annual report and indicate the financial position of the plan.
<b>24.</b> Executive Director's	Each regular Board meeting	Staff	Updates the Board on significant matters not reported in routine reports, or in other staff or Board committee reports.
<b>25.</b> Executive Director's	Each regular Board meeting	Staff	Updates the Board on significant investment matters not reported in routine reports.

Report	Frequency	Prepared By	Description and Purpose of Report
<b>26.</b> Legislative Update	As required	Staff	Updates the Board on significant legislative developments, proposals, or changes affecting PERA.
<b>27.</b> Legal	As required	Staff	Updates the Board on significant legal development affecting PERA, and on ongoing litigation.
<b>28.</b> Benefits Department	Semi-annually	Staff	Review of significant issues regarding PERA activity within the Benefits Department.
<b>29.</b> Information Technology	Semi-annually	Staff	Updates the Board on significant developments regarding PERA's information technology systems.
<b>30.</b> Financial Reporting	Semi-annually	Staff	Updates the Board on significant development regarding PERA's financial status and reporting.
<b>31.</b> Cybersecurity Program	Semi-annually	Staff	Updates regarding cybersecurity including network controls, vendor management, incident response and insurance coverage.
<b>32.</b> Plan Participant and Stakeholder Communications Update	Semi-annually	Staff	Updates regarding recent Plan Participant and stakeholder communication activities/strategies.

## POLICY REVIEW AND HISTORY

- 33.** The board will review this policy at least every five years.
- 34.** The Board adopted this policy on November, 16, 2001. The Board approved changes to this policy on February 18, 2005, February 16, 2007, July 1, 2012, September 22, 2017, January 1, 2020, and on January 1, 2022.

# EXECUTIVE DIRECTOR PERFORMANCE EVALUATION POLICY

## INTRODUCTION

1. An important responsibility of the Board is to annually evaluate the performance of the Executive Director. To ensure this function is carried out effectively, the Board believes that formal evaluation practices are required. The *Executive Director Performance Evaluation Policy* has been established to guide the performance evaluation process.

## ROLES AND RESPONSIBILITIES

2. The Governance Committee of the Board will be responsible for conducting an annual performance evaluation of the Executive Director.
3. The Board will be responsible for reviewing the results of the evaluation, and determining the incentive compensation as provided for in the Executive Director's employment contract, upon the recommendation of the Governance Committee.

## PROCESS FOR ESTABLISHING THE EVALUATION CRITERIA

4. Prior to the end of each calendar year, the Governance Committee will meet with the Executive Director to develop or confirm:
  - a. Evaluation criteria against which the Executive Director will be evaluated at the end of the subsequent calendar year, which may include:
    - I. Subjective evaluation criteria. Examples include leadership style, general management abilities, and communication style; and
    - II. Objective evaluation criteria. Examples include achieving specified service levels, member satisfaction levels, progress toward business plan objectives, and successful completion of specified tasks. It is important that objective criteria pertain to outcomes over which the Executive Director has a reasonable degree of control.
  - b. The Executive Director's personal objectives relative to the above criteria;

- c. Any survey instruments to be used in the evaluation process; and
  - d. Any other measures that may be necessary for evaluating the above criteria.
5. The Governance Committee will communicate the evaluation criteria to the Executive Director and the Board prior to the beginning of the calendar year to which those criteria apply.

## PROCESS FOR EVALUATING THE EXECUTIVE DIRECTOR'S PERFORMANCE

6. Each year, the Executive Director will be asked to provide the Governance Committee with a self-assessment of the Executive Director's performance for the prior year relative to the approved criteria. The Board Chair and Vice Chair may also direct the Executive Director, other staff members, or an advisor to provide them with additional data or information necessary to assess any of the evaluation criteria.
7. All Trustees will be given an opportunity to provide input into the Executive Director's performance evaluation. To facilitate this, the Governance Committee will distribute a survey to each Trustee, along with any information that may assist Trustees in completing the survey.
8. To ensure the confidentiality of Trustees' survey responses, the Governance Committee shall delegate the collection and tabulation of surveys to a third-party vendor, to be selected by the Governance Committee. The third-party vendor shall tabulate the results and submit them to the Governance Committee, including all written comments amended to remove any identifying particulars. (In no event shall individually identifiable survey responses be produced or made available by the third-party vendor to PERA, the Board or its committees, individual Trustees, or any other party.)
9. Once the Trustee survey results are available, the Governance Committee will meet to arrive at an assessment of the Executive Director's performance, and to develop a recommendation concerning the Executive Director's incentive compensation, as

provided for in the Executive Director's employment contract. The Governance Committee will consider the Executive Director's self-assessment, the Trustee survey results, any additional supporting data during its discussion, and may invite the Executive Director to attend any portion of the meeting to discuss any aspect of their performance.

- 10.** At a regular or special meeting of the Board, the Board Chair will present the Governance Committee's assessment of the Executive Director's performance for discussion. In addition, the Board Chair will present to the Board for approval the Governance Committee's recommendations on the Executive Director's incentive compensation. Any Board action concerning the Executive Director's performance evaluation and incentive compensation shall be recorded in the Board's meeting minutes.
- 11.** The Board Chair and Vice Chair will be responsible for meeting with the Executive Director, as soon as practical after the above-noted meeting, to review the results of the Governance Committee's assessment, a summary of the Board's discussions, and any Board decisions concerning the Executive Director's incentive compensation.
- 12.** At the next regular or special meeting of the Board, the Executive Director will be provided an opportunity to address the Board on the results of the evaluation.
- 13.** A summary of the performance evaluation and Board decisions concerning the Executive Director's incentive compensation will be recorded in the Executive Director's personnel file.

## **POLICY REVIEW AND HISTORY**

- 14.** The Board will review this policy at least every five years.
- 15.** The Board adopted this policy on July 1, 2012. The Board approved changes to this policy on June 21, 2016, January 1, 2020, and on January 1, 2022.

# BOARD PERFORMANCE EVALUATION POLICY

## OBJECTIVES

1. The objective of this *Board Performance Evaluation Policy* is to provide a process whereby the Board may engage in self-analysis and discussion aimed at continuously improving its effectiveness as a fiduciary body.
2. The scope of the evaluation process and any resulting actions should be strictly limited to the operations and decision-making practices of the Board itself. Issues pertaining to the operations of PERA or to staff fall within the scope of other Board policies, such as the *Strategic Planning Policy* and the *Executive Director Performance Evaluation Policy*.

## GUIDELINES

3. The Governance Committee will be responsible for overseeing the implementation of this policy, including the approval of any forms or surveys to be used in the evaluation, and making recommendations to the Board for addressing issues arising from the evaluation.
4. The Board Chair will be responsible for coordinating and assisting in the evaluation process and presenting the results to the Board. To ensure the confidentiality of the process, the Board Chair shall delegate the collection and tabulation of forms or surveys, any follow-up interviews, and the preparation of a report, to the third-party vendor. The third-party vendor shall be appointed by the Board.
5. The Board's performance evaluation will be completed on an annual basis, although it may be deferred or canceled under extenuating circumstances (e.g., where there is significant turnover on the Board) by action of the Board.
6. Appendix 1 sets out the procedural steps for the performance evaluation process. In no event shall individually identifiable responses be produced or made available by the third-party vendor to PERA, the Board of Trustees, its committees, individual Trustees, or any other party. Furthermore, the third-party vendor shall not include in its summary reports any comments by Trustees containing references to other Trustees or staff by name.

## POLICY REVIEW AND HISTORY

7. The Board will review this policy at least every five years.
8. The Board adopted this policy on November 16, 2001. The Board approved changes to this policy on February 18, 2005, February 16, 2007, July 1, 2012, January 20, 2017, January 1, 2020, and on January 1, 2022.

## APPENDIX 1 BOARD PERFORMANCE EVALUATION PROCEDURES

1. The Governance Committee will periodically review the form or forms to be used in the Board's performance evaluation (the "Form") and make modifications. At a minimum, the Form should be reviewed at least every five years.
2. At a minimum, the Form will provide Trustees with a framework for evaluating the performance of the Board and for raising, in a confidential manner, any Trustee concerns or suggestions. The questions contained in the Form may take any format deemed appropriate, but the Form must allow Trustees to provide written comments or suggestions.
3. In January, copies of the Form will be made available to each Trustee and to the Executive Director.
4. Trustees and the Executive Director are encouraged to complete the Form and return it to the designated third-party vendor within a specified time period.
5. Trustees will be given the opportunity to expand on their survey responses by participating in one-on-one follow-up interviews with the third-party vendor.
6. The third-party vendor shall tabulate the results and prepare a draft Executive Summary Report. The third-party vendor shall submit the Executive Summary Report to the Executive Director and the Governance Committee, together with all written comments and any amended written comments to remove any identifying particulars. The Governance Committee will issue the final Executive Summary Report.

- 7.** The Board Chair will present the Executive Summary Report to the Governance Committee and will facilitate discussion of the Report.
- 8.** In no event shall individually identifiable responses be provided or made available by the third-party vendor to PERA, the Board or its committees, individual Trustees, or any other party.
- 9.** The Board Chair will report to the Board on the discussions, conclusions, and recommendations of the Governance Committee.

# PERA ETHICS LINE RECUSAL POLICY

## OBJECTIVES

1. The objective of this *PERA Ethics Line Recusal Policy* is to provide a process whereby the integrity of the *PERA Ethics Line* is assured when a PERA employee uses the *PERA Ethics Line* to voice a concern, allegation or question about unethical or illegal conduct at PERA.

## GUIDELINES

2. The Executive Director is directed to operate and maintain an independent third-party vendor to provide ethics reporting line services.
3. The Internal Audit Director is notified by the independent third-party of any use of the PERA Ethics Line and the nature of the complaint and is tasked with notifying the Executive Director and reporting complaints and resolutions to complaints to the Audit Committee.
4. The Executive Director is responsible for ensuring the complaint is investigated and shall notify the Board Chair and the General Counsel of the investigation. The Executive Director shall inform the Internal Audit Director of the results of the investigation.
5. When the Executive Director or the Internal Audit Director or any of the following are the subject of a complaint, they will recuse themselves from the investigation process and the following line of succession shall occur to oversee the investigation process:
  - I. General Counsel
  - II. Board Chair
  - III. Board Vice Chair
  - IV. Audit Committee Chair
  - V. Fiduciary Counsel
6. The added party to the investigation process shall notify the Audit Committee of the complaint and the resolution of the complaint.

## POLICY REVIEW AND HISTORY

7. The Board will review this policy at least every five years.
8. The Board adopted this policy on June 21, 2019, January 1, 2020, and on January 1, 2022.



# BOARD EDUCATION POLICY

## PURPOSE AND BACKGROUND

1. PERA is a trust for the exclusive benefit of PERA Participants, and the administration of PERA is subject to strict fiduciary responsibilities under law. All of PERA's operations and activities must be undertaken solely to advance and protect the interests of PERA Participants and must be conducted in a prudent manner.
2. As fiduciaries of PERA, Trustees are expected to be capable of completing their duties and responsibilities. The diversity of each individual Trustee's background presents a challenge in addressing necessary and recommended continuing professional education opportunities.
3. It is the policy of PERA that all Trustees should have a cogent understanding of the issues and problems facing PERA and the pension and health care business generally, so that the Board may craft policies to guide the administration of PERA and effectively monitor its implementation. To that end, each Trustee should be educated sufficiently to discharge the obligations of the position. For these reasons, PERA hereby adopts the *Board Education Policy* applicable to all Trustees.

## OBJECTIVES

4. The objectives of this policy are to establish among Trustees a general understanding of the following:
  - a. The role of a Trustee and the role of management;
  - b. The obligations and role of a fiduciary and the paramount duties of loyalty and prudence; including applicable ethics and conflict of interest policies and requirements;
  - c. The business model, including knowledge of what constitutes success for the organization, the driving factors that shall determine whether PERA is successful, and the major risks that need to be managed in connection with the business;
  - d. Governance principles;
  - e. The legal and legislative environment;
  - f. Actuarial principles;
  - g. Pension plan design and other benefit program design;
  - h. Investment and asset allocation policy;
  - i. CAP design; and
  - j. Health care and related-program design.

## DEFINITIONS

5. "Educational Session" shall be defined as a conference or internal or external seminar, workshop, course, Independent Study Material or other substantive educational activity (physical or on-line) on any pension or other benefit program subject matter.
  - I. When a presentation before the Board is an Educational Session, the Board agenda shall include a notation that the presentation is an educational component in furtherance of the *Board Education Policy*.
  - II. Staff shall maintain a list of Educational Sessions (available on the Board Website) for Trustees' consideration. Trustees may recommend educational opportunities to the Executive Director for inclusion on the Educational Sessions list.
6. "Independent Study Material" shall be defined as video or written material prepared by PERA staff or PERA's retained consultants for the purpose of meeting the requirements of this policy. Independent study material may also include material identified by Trustees that is approved in advance by the Executive Director.

## GUIDELINES

### NEW TRUSTEE EDUCATION REQUIREMENTS

7. Each newly elected Trustee on the Board and each individual newly appointed to fill a vacancy as a Trustee on the Board shall, no later than 90 days after commencing service as a Trustee, complete the New Trustee Orientation sessions developed and provided by the Executive Director. The orientation sessions should, at a minimum, include the following:
  - a. A briefing by the Executive Director on the history and background of PERA;

- b.** An orientation by the Board Chair on current issues before the Board;
- c.** An introduction to members of executive management;
- d.** A tour of PERA offices, provided by executive management;
- e.** A review of the Board’s Website;
- f.** Introductory Educational Sessions on the following:
  - I.** Board and staff roles and responsibilities;
  - II.** Fiduciary duties, conflict of interest guidelines, [PERA Law](#), [PERA Rules](#), and other pertinent law;
  - III.** PERA plan design, implementation, and funding; and
  - IV.** PERA [investment policy](#) and strategy.
- 8.** Any Trustee returning to the Board for an additional non-consecutive term must attend the New Trustee Orientation sessions unless granted an exemption as proscribed by this policy.
- 9.** All Trustees who are not required to attend the New Trustee Orientation sessions may choose to attend and participate in these sessions at their discretion.
- 10.** Within two years of a Trustee joining the Board, the Trustee shall attend a minimum of 30 hours of Educational Sessions sufficient to gain a general understanding of the topics outlined in Section 4 of this policy. This shall include attendance at one of the Educational Conferences listed below.
- 11.** The Board Chair shall designate one member of the Board as a mentor for each new Trustee for a period of one year.
  - a.** The mentor shall meet with the new Trustee at least twice during the year following the new Trustee’s election or appointment, and shall be available for consultation or discussion at other reasonable times. Staff will provide materials to assist with the mentor-mentee relationship.
  - b.** Each newly elected or appointed Trustee on the Board shall work with their designated Board mentor and the Executive Director to create an individualized educational program for the new Trustee for the initial two years of such Trustee’s service on the Board. This initial program shall be created no later than 6 months after the new Trustee commences service on the Board. In addition to attending the New Trustee Orientation, such program shall include attending a PERA Benefit Information Meeting and an Educational Session created by staff related to PERACare.
- 12.** Any Trustee returning to the Board for an additional non-consecutive term may tailor their first two years of education to reflect any relevant education and experience obtained in their prior term(s).
- 13.** Each of the below Educational Conferences shall meet the attendance requirements in this Section:
  - a.** IFEBP Certificate of Achievement in Public Plan Policy-Employee Pensions;
  - b.** NEA Trustee Workshop;
  - c.** NCTR Trustee Workshop;
  - d.** GFOA Funding for Pension and Other Postemployment Benefits;
  - e.** National Conference on Public Employees Retirement Systems (NCPERS);
  - f.** Any other external educational conference the Executive Director or the Board may approve in advance.
- 14.** Newly elected or appointed Trustees shall be encouraged to attend, if time permits, at least one meeting of the Board or its committees as observers prior to officially taking office, in order to familiarize themselves with the workings of the Board. During their first two years on the Board, such Trustees are further encouraged, but not required, to make special efforts to attend meetings of Board committees they do not serve on to continue building their knowledge of all matters being addressed by the Board.

## CONTINUING EDUCATION

- 15.** After their first two years of service on the Board, Trustees are responsible for self-evaluating their additional educational needs and obtaining additional knowledge in specific areas as necessary.
- 16.** During each subsequent two-year period after their first two years of service, Trustees shall attend a minimum of 20 hours of Educational Sessions to gain an understanding of the topics outlined in Section 4 of this policy. Trustees shall use the *Trustees’ Education Compliance Form* (available on the Board Website) to report their compliance with this requirement to the Executive Director.
- 17.** Trustees are encouraged to complete a *Board of Trustees Education Needs Assessment Form* (available on the Board Website) to assist them in determining their ongoing education needs.
- 18.** All Trustees are encouraged, but not required, to attend PERA Benefit Information Meetings and PERACare-related meetings throughout their service on the PERA Board. These meetings are deemed to be Educational Sessions and qualify towards the completion of the hourly education requirement noted above.

**19.** An annual fiduciary Educational Session shall be scheduled and made available for all Trustees. All in-house Educational Sessions shall count toward a Trustee's education requirements.

## EXEMPTIONS

**20.** The Executive Director may prospectively accept a substitution or waiver to the educational requirements based upon documentation of professional and educational experience that is deemed sufficient to meet the intent of the above obligation. Trustees shall use the *Request for Substitution or Waiver of a Trustee Educational Requirement Form* (available on the Board Website) to apply for a substitution or waiver of an educational obligation. With respect to each substitution or waiver granted under this section, the Executive Director shall retain the documentation for the basis of the substitution or waiver. If the Executive Director denies a substitution or waiver, the affected Trustee may appeal that determination to the Executive Committee at its next regular meeting. The Board shall have power to hear and decide the issue *de novo*, and its determination by majority vote shall govern.

## REIMBURSEMENT OF EXPENSES

- 21.** A two-year education budget shall be established for each Trustee, the amount to be approved periodically by the Board. The education budget shall be administered by PERA staff to ensure consistency during circumstances involving additions, departures, or appointments of Trustees.
- 22.** The education budget is available to each Trustee for expenses incurred in attending any Educational Session provided such expenses are reimbursable under the *Board Expense Reimbursement Policy*.
- 23.** Staff shall maintain an accessible record of a Trustee's education budget and balance.

## REPORTING & COMPLIANCE

- 24.** The PERA office shall maintain a database of evaluations from all Trustees who have attended specific conferences. Trustees are encouraged to check this database before attending a conference to see if it is worthwhile and warrants the expense to PERA. If possible, they should speak with another Trustee who has attended previously.
- 25.** Trustees must complete a *Trustees' Educational Evaluation Form* upon completion of any Educational Session (available on the Board Website). The Form should be turned in with any request for reimbursement.

- 26.** To help confirm compliance with their education requirements, Trustees shall maintain documentation of their attendance at all Educational Sessions.
- 27.** The Executive Director shall provide an annual report to the Board summarizing Trustees' compliance with the requirements of the *Board Education Policy*.
- 28.** The willful failure of a Trustee to substantially comply with this *Board Education Policy* is a violation of provision 5(e) of the *Standards of Professional and Ethical Conduct* for the Board of Trustees and shall be reviewed by the Board.

## POLICY REVIEW AND HISTORY

- 29.** The Board shall review this policy at least every five years
- 30.** The Board adopted this policy on November 16, 2001. The Board approved changes to this policy on April 18, 2003, February 18, 2005, December 16, 2005, January 21, 2011, July 1, 2012, June 24, 2014, September 19, 2014, September 18, 2015, January 1, 2020, September 17, 2021, and on January 1, 2022.

# BOARD EXPENSE REIMBURSEMENT POLICY

## PURPOSE AND BACKGROUND

1. As per C.R.S. § 24-51-203 (4) of PERA Law, Trustees shall be reimbursed by PERA for any necessary expenses incurred in the conduct of their official duties.
2. The purpose of this *Board Expense Reimbursement Policy* is to define the guidelines under which Trustees of PERA may be reimbursed for expenses they incur in carrying out their duties as a Trustee, in a manner consistent with applicable legislation.

## GUIDELINES

### GENERAL GUIDELINES

3. Trustees are expected to exercise prudence, discretion, and good judgment to ensure that all expenses incurred in carrying out their duties, regardless of the source of funds, are authorized, reasonable, and necessary.
4. Trustees are required to enroll in the PERA Reservation System with help from the Assistant to the Board of Trustees or another designated PERA staff member to facilitate the efficient and proper reconciliation of their expenses while on PERA Business. Trustees shall authorize the Assistant to the Board of Trustees or another designated PERA staff member to access and manage their account within the PERA Reservation System.
5. Trustees must make travel reservations (including those for air transportation, hotel, and automobile rental) and expense reimbursements through the PERA Reservation System with the help from the Assistant to the Board of Trustees or other designated PERA staff. The travel request must be submitted using the PERA Reservation System prior to the travel dates.
6. Trustees must use a *Travel Expense Report or Expense Report* within the PERA Reservation System to seek expense reimbursement. Reimbursement will only be distributed after a completed and documented *Expense Report* has been approved by designated PERA staff.

7. Trustees will be issued a PERA Corporate Credit Card synchronized to the Trustee's PERA Reservation System account. The PERA Corporate Credit Card must be used for all reimbursable expenses only, except that the PERA Corporate Credit Card shall not be used for travel meals and incidentals as the Trustee will receive the per diem rate, as outlined in this policy.
8. PERA will reimburse only those expenses that have actually been incurred, except for meals and incidentals related to PERA Business Travel. For meals and incidentals, Trustees will receive a daily allowance based on the IRS per diem rate for the destination location, as outlined in this policy.
9. Trustees have 30 days to request reimbursement and/or reimburse PERA for any personal expenses charged to their PERA Corporate Credit Card.

### TRAVEL EXPENSES

10. Trustees may be reimbursed for travel expenses relating to "PERA Business," which shall be defined as:
  1. Meetings of the Board and its committees;
  2. Educational Sessions, as defined in the *Board Education Policy*; and
  3. Other functions, where a Trustee's attendance is requested.
11. Reimbursable travel expenses are defined in sections 15 to 24 of this policy. For greater clarity, various non-reimbursable expenses are defined in section 33.

### LIMITS ON BUSINESS TRAVEL AND REIMBURSEMENT

12. Trustees shall not travel at PERA expense under any of the following circumstances:
  - a. Trustees who have resigned shall not travel at PERA expense after the date their resignation is announced except to and from scheduled Board or Board committee meetings;
  - b. Elected Trustees except the DPS Trustee who have retired shall not travel at PERA expense after the date their retirement is announced except to and from scheduled Board or Board committee meetings;

- c. Trustees who have lost their re-election bids shall not travel at PERA expense after the date the election results are announced; and
  - d. Trustees who have chosen not to seek another term on the Board shall not travel at PERA expense after March 1 of the year in which they complete their term of office except to and from scheduled Board and Board committee meetings.
13. Pursuant to section 6(a) of the *Standards of Professional and Ethical Conduct* for PERA Trustees, Trustees may not accept reimbursement of travel expenses from any person, agent, firm, corporation, or association that, to the Trustee's knowledge, does or seeks to do business with PERA. Notwithstanding this, Trustees may accept third party-reimbursement of travel-related expenses associated with speaking engagements at industry association conferences or events. Such expenses must comply with the guidelines in this policy.

13. Pursuant to section 6(a) of the *Standards of Professional and Ethical Conduct* for PERA Trustees, Trustees may not accept reimbursement of travel expenses from any person, agent, firm, corporation, or association that, to the Trustee's knowledge, does or seeks to do business with PERA. Notwithstanding this, Trustees may accept third party-reimbursement of travel-related expenses associated with speaking engagements at industry association conferences or events. Such expenses must comply with the guidelines in this policy.

## INTERNATIONAL TRAVEL

14. Approval of international travel (travel outside of North America) by Trustees shall require the advance approval of the Executive Director. An oral and/or written report to the Board may be required upon completion of travel.

## REIMBURSABLE BUSINESS TRAVEL EXPENSES

### MEALS AND INCIDENTALS (I.E., GRATUITIES)

15. A daily allowance based on the IRS per diem rate for the destination location will be used for Business Travel meal and incidental expenses. The PERA Reservation System will calculate the per diem amount for inclusion in the *Travel Expense Report*. For the first and last day of the business trip, the Trustee is eligible for reimbursement of 75 percent of the total per diem rate for the city they are traveling to and or returning from. Business Travel meal and incidental expenses should not be charged to PERA Corporate Credit Card.
16. Meals paid for by a third party or provided by an Educational Session provider must be documented on the PERA Reservation System *Travel Expense Report* in order to reduce the per diem allowance.

### AIR TRANSPORTATION

17. Reimbursement will be made for the lowest cost direct flight option to meet the PERA Business purpose. Trustees may be reimbursed for expenses incurred one day before the event begins and one day after the completion of the event to allow for travel to and from the event.

18. If a Trustee is a member of a frequent flyer program or other rewards program, rewards earned while traveling on PERA business may be retained for the Trustee's personal use.

### GROUND TRANSPORTATION

19. Actual cost (including gratuities) will be reimbursed for necessary ground transportation to and from meeting facilities, airports, and hotels.

### PRIVATE AUTOMOBILE

20. Reimbursement will be made to a Trustee for expenses incurred through the use of their personal automobile in the completion of PERA business. Reimbursement will be allowed at the prevailing IRS standard mileage allowance rate.

### LODGING

21. Lodging costs will be reimbursed for commercial lodging establishments only.
22. Pursuant to [C.R.S. § 24-19.9-101 et. seq.](#):
- a. In no event shall hotel expenses exceed two times the maximum allowable federal per diem rate, based on location and date, unless the purpose of the trip is to attend an educational conference organized by an entity other than PERA and the hotel was selected by the entity organizing the educational conference. If the PERA traveler exceeds the limitation set forth in [C.R.S. § 24-19.9-101 et. seq.](#), the traveler shall reimburse PERA directly for the excess, unless the educational conference exception noted above applies. Hotel taxes and fees are not included when calculating the maximum allowable lodging expense.

### PARKING

23. Parking costs will be reimbursed for necessary parking expenses incurred by Trustees while conducting PERA Business.

### LAUNDRY

24. Laundry expenses incurred to clean garments due to unforeseen circumstances while traveling on PERA Business are reimbursable.

## TRAVEL EXPENSE REPORTS

25. The PERA Reservation System *Travel Expense Report* is to be used for reporting expenditures incurred by Trustees on PERA Business, obtaining reimbursement, and complying with federal tax requirements. IRS regulations require that the *Travel Expense Report* be sufficiently complete to show the business purpose of the expenses incurred. Trustees are encouraged to seek assistance in completing *Expense Reports*,

if needed, through the Assistant to the Board of Trustees or other designated PERA staff.

- 26.** In order to receive reimbursement, Trustees shall submit a completed *Travel Expense Report*, with supporting receipts, invoices, or bills (“receipts”) through the PERA Reservation System Receipts are considered corroborating evidence and are not an explanation of a travel expense in and of themselves. Attaching a receipt to the *Travel Expense Report* does not alter the necessity of providing the date, location, business purpose, and business relationship of persons included in the expense.
- 27.** All individual expenditures shall be listed separately on the *Travel Expense Report* In addition:
  - I.** An itemized receipt and proof of payment is required for all expense reimbursements (this does not include meals and incidentals); and
  - II.** The itemized receipt must list each item purchased and its cost. A credit card charge slip is not sufficient. If for some reason a detailed receipt is not obtainable, the Trustee submitting the *Travel Expense Report* must acknowledge and certify the Missing Receipt Affidavit on the *Travel Expense Report* or the expense will not be reimbursed.
- 28.** Travel expenses incurred by a Trustee that are reimbursed by third parties should be reported on the *Travel Expense Report* for disclosure purposes only. It will be the responsibility of the Trustee to seek reimbursement of these expenses directly from the company and/or organization that has agreed to reimburse the expense. Trustees are required to ensure that reimbursement of expenses by third parties is consistent with the provisions of this policy (see section 8 of this Policy and the *Standards of Professional and Ethical Conduct*).

## NON-TRAVEL EXPENSES

- 29.** Trustees shall also be reimbursed for the following:
  - 1.** Fees or tuition for Educational Sessions, that have been authorized in accordance with the *Board Education Policy*;
  - 2.** Subscriptions to magazines or newsletters on subject matter relevant to the administration of PERA;
  - 3.** PERA Trustee mentor and mentee meals; and
  - 4.** Any other expense approved by the Executive Director that is consistent with applicable law or policy.
- 30.** Where the above expenses are not directly paid by PERA, a completed *Expense Report*, with supporting

receipts, invoices, or bills, should be submitted through the PERA Reservation System.

- 31.** In no event should non-travel meals exceed two times the maximum allowable federal per diem rate based upon location and date. If the non-travel meal and incidentals expenses exceed the limitation, the Trustee shall reimburse PERA directly for the excess. Taxes and tips are included when calculating the maximum allowable meals and incidentals expenses.
- 32.** Each Trustee should use their own PERA Corporate Credit Card when incurring non-travel meal expenses with other Trustees and/or PERA staff.

## NON-REIMBURSABLE EXPENSES

- 33.** Under no circumstances shall the following expenditures be reimbursable by PERA:
  - a.** Expenditures for family members or companions of a Trustee accompanying a Trustee on PERA Business. Any such additional expense paid for by PERA will be reimbursed by the Trustee;
  - b.** Expenditures for the use of athletic or exercise facilities and rental or purchase of equipment necessary for participation in these types of activities. Activities under this category include but are not limited to golf (fees and equipment) and tennis (fees and equipment);
  - c.** Expenditures incurred by a Trustee for personal entertainment, including movies (in-room and at the theater), theater tickets, sporting events, tours, and similar activities;
  - d.** Expenditures for in-room snacks or drinks offered in hotels; and
  - e.** Expenditures for alcoholic beverages, personal items, parking or traffic violations, barber or beauty services, airline club memberships, souvenirs/gifts, or housekeeping/kenneling expenses.

## EXPENSE REVIEW AND PAYMENT

- 34.** With the exception of the non-reimbursable expenses set out in 33) above, expenses that do not meet the guidelines of this policy will be reviewed and approved or denied by the Executive Director. If the Executive Director denies an expense, the affected Trustee may appeal the Executive Director’s decision to the Executive Committee. Exceptions will only be granted where it is clearly in the best interest of PERA to do so.

35. Expense reimbursements will be distributed to Trustees within 10 working days of receipt of the properly completed and documented *Travel* or regular *Expense Report* through the PERA Reservation System.

## **BOARD EDUCATION BUDGET**

36. A two-year education budget shall be established for each Trustee, the amount to be approved periodically by the Board. The education budget shall be administered by PERA staff to ensure consistency during circumstances involving additions, departures, or appointments of Trustees.
37. The education budget is available to each Trustee for expenses incurred in attending any Educational Session provided such expenses are reimbursable under this policy.
38. Staff shall maintain an accessible record of a Trustee's education budget and balance.
39. In the event a Trustee exceeds their two-year education budget, the excess amount, along with the pro-rata number of education hours involved, shall be deducted from the Trustee's subsequent education budget and education requirements respectively. Should the excess expenditures occur in the final two years of a Trustee's term of office, and the Trustee is not appointed or elected to a subsequent term, the Trustee shall be asked to reimburse PERA for the excess amount. Trustees may petition the Executive Committee to waive this requirement, and the Executive Committee may do so provided it finds the Trustee acted in good faith and the expenditures nevertheless benefited PERA.

## **POLICY REVIEW AND HISTORY**

40. The Board will review this policy at least every five years.
41. The Board adopted this policy on November 16, 2001. The Board approved changes to this policy on February 18, 2005, December 16, 2005, July 1, 2012, November 20, 2015, November 16, 2018, June 21, 2019, January 1, 2020, and on January 1, 2022.



PERA membership rights, benefits, and obligations are governed by Title 24, Article 51, of the Colorado Revised Statutes, PERA Rules, and other governing laws, which prevail over any interpretations in this document.

(REV 06-24)



# The University of Texas/Texas A&M Investment Management Company

## Charter of the Audit and Ethics Committee

### Background

The Board of Directors (the "Board") of The University of Texas/Texas A&M Investment Management Company (the "Corporation") established an Audit and Ethics Committee (the "Committee") on February 22, 1996. On July 15, 1996, the Board adopted certain resolutions regarding, among other things, the Corporation's Audit and Ethics Committee Mandate (the "Mandate"). The Mandate was superseded by this Charter. This Charter adopted by the Board on September 16, 2021, supersedes the Charter adopted by the Board on February 21, 2019.

### Purpose

The primary purpose of the Committee is to assist the Board in monitoring the ethics programs and the audit, financial and compliance functions of the Corporation and the investment funds managed on behalf of The University of Texas System Board of Regents (the "UT Board") to assure the balance, transparency and integrity of published financial information. Specifically, the Committee is to assist the Board in monitoring:

- the integrity of the financial reporting process, the system of internal controls, the audit process, and the process for monitoring compliance with laws and regulations;
- the independence and performance of the Chief Compliance Officer;
- the independence and performance of the Corporation's independent auditors;
- the independence and performance of the independent auditors selected by the UT Board to audit the investment funds managed by the Corporation on their behalf;
- internal audit functions performed by the UT System Audit Office;
- independent audit functions performed by the Texas State Auditor's Office;
- the Corporation's audit policies, ethics programs, and adherence to regulatory requirements;
- the Corporation's enterprise risk management; and
- the Corporation's fraud prevention and detection system.

The Committee is responsible for maintaining free and open communication as well as effective working relationships among the Committee members, the Chief Compliance

Officer, independent external auditors, UT System Audit Office, the Texas State Auditor's Office, and management of the Corporation. To perform his or her role effectively, each Committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the Committee's responsibilities and of the Corporation's activities, operations and risks.

The Committee will take all appropriate actions to set the overall tone at the Corporation for quality financial reporting, sound risk practices, and ethical behavior.

## Scope

This Audit Charter sets forth the Committee's monitoring responsibilities with respect to the Corporation and the investment funds subject to the Master Investment Management Services Agreement by and between the UT Board and the Corporation effective February 27, 2019, and any subsequent amendments. As such, the role and purpose of the Committee includes monitoring the functions and processes for both the Corporation and the investment funds managed on behalf of the UT Board.

## Composition

The Committee shall be composed of at least three members of the Board; such members to be appointed from time to time by a majority vote of the Board at a meeting at which a quorum is present and approved by the UT Board as required by Section 66.08 (c)(3) of the *Texas Education Code*. Individuals who are not members of the Board may be appointed to the Committee; provided however, a majority of the Committee members shall be members of the Board of Directors. Members of the Committee must meet the independence and financial literacy requirements as defined below. A member may be removed with or without cause at any time by a vote of a majority of the Board.

## Independence Requirements

The Board shall determine that all members of the Committee are independent. A person is "independent" who has no relationship with the Corporation which would interfere with his or her exercise of independence from management. In addition, Committee members would not be "independent" if during the three years prior to their appointment or at any time during their service on the Committee, they accepted, directly or indirectly, any consulting, advisory, or other compensatory fee from the Corporation apart from travel and expense reimbursements they may receive as members of the Board and its Committees.

## Financial Literacy

The Board, based on its business judgment, shall determine that each member of the Committee is financially literate.

## Financial Management Expertise

The Board, based on its business judgment, shall determine that at least one member of the Committee is a “financial expert.” A financial expert possesses the following attributes:

- an understanding of generally accepted accounting principles (GAAP) and financial statements;
- an ability to assess the application of GAAP in connection with accounting for estimates, accruals and reserves;
- an understanding of audit committee functions;
- experience preparing, auditing, analyzing or evaluating financial statements, or experience actively supervising persons engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

## Meetings; Quorum; Etc.

The Corporation's Bylaws state that any committee created by the Board or the Bylaws shall (i) have a chairman designated by the Board, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board at its next regular meeting. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the committee's rules or procedures or the Bylaws of the Corporation or by the Board. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member of such committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting of the committee and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint the designated alternate Director to act at the meeting in the place of the absent or disqualified member.

## Functions, Duties and Responsibilities

### *Review Financial Statements for Quality Considerations*

The Committee has the following duties and responsibilities with respect to the financial statements of the Corporation and the investment funds managed on behalf of the UT Board:

- review the annual audited financial statements with management and the independent auditor, including significant issues regarding adequacy of internal controls and accounting principles and practices;
- review an analysis prepared by management and the independent auditor of significant financial reporting issues, if any, made in connection with the preparation of the financial statements;

- discuss with the independent auditor the matters required to be communicated by AU-C Section 260, *The Auditor's Communication With Those Charged With Governance*, as amended, relating to an audit of financial statements;
- discuss with the independent auditor any fraud of which the independent auditor becomes aware that involves senior management and/or which causes a material misstatement of the financial statements; and
- periodically discuss with the independent auditor the auditor's independence.

### ***Monitor Management's Handling of Internal Controls***

The Committee has the following duties and responsibilities with respect to its monitoring of the integrity of the financial reporting process and internal controls of the Corporation and the investment funds managed on behalf of the UT Board:

- review with the independent auditor all significant deficiencies and material weaknesses identified during the audit as required by AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*, as amended.
- review with the independent auditor any problems or difficulties the auditor may have encountered during its audit and any management letter provided by the auditor and the Corporation's response to that letter, such review to include:
  - any restrictions on the scope of activities or access to required information; and
  - any changes required in the planned scope of the audit;
- obtain reports from management and UT System Audit Office with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations;
- when considered necessary, meet with the independent auditor and the senior personnel of the UT System Audit Office without management participation;
- meet periodically with management to review the major financial risk exposures and the steps management has taken to monitor and control such exposures;
- review significant changes to internal controls and accounting principles and practices as suggested by the independent auditor, internal auditors or management;

- review the significant reports to management prepared by the UT System Audit Office and management's responses; and
- review with the Corporation's legal counsel or other appropriate persons legal matters that may have a material impact on the financial statements, the Corporation's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

### ***Manage the Relationship with the External Auditors***

The external auditors for the Permanent University Fund are selected by the UT Board. These auditors have a dual reporting responsibility, reporting to both the Audit, Compliance, and Risk Management Committee of the UT Board and to the Committee. The external auditors for the Corporation are selected by, and report to, the Board. By agreement between the UT Board and the Board, the external auditors for the other investment funds managed by the Corporation on behalf of the UT Board will be selected by the UT Board and will have a dual reporting responsibility, reporting to both the Audit, Compliance, and Risk Management Committee of the UT Board and to the Committee. The Committee may approve additional audit and non-audit services provided by the external auditor related to the Corporation and investment funds as long as the work does not impair auditor independence.

The Committee has the following specific duties and responsibilities with respect to the Corporation's independent auditors:

- recommend to the Board the appointment of the independent auditor, which firm is ultimately accountable to the Committee and the Board.
- approve the fee arrangement of the independent auditor;
- after interviewing employees of the Corporation, evaluate together with the Board the performance of the independent auditor and, if so determined by the Committee, recommend that the Board replace the independent auditor; and
- if determined by the Committee to be necessary or advisable, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.

### ***Auditor Independence***

In connection with the selection of external auditors, the Committee shall determine that:

- the public accounting firm engaged to perform the annual audit does not provide non-audit services to the Corporation contemporaneously with the audit (other than the agreed upon procedures required for compliance with the terms of the UTIMCO Compensation Program);

- the lead audit partner and the concurring (quality review) partner rotate off of the audit every 7 years, unless the Committee adopts a resolution affirmatively determining that such rotation is not required; and
- the CEO, Controller, CFO, Chief Accounting Officer, or person in an equivalent position shall not have been employed by the public accounting firm during the 1 year period preceding the audit.

### ***Work with the Internal Audit Function***

The Corporation utilizes the UT System Audit Office to perform internal audit functions hereunder with respect to the Corporation and investment funds and report directly to the Committee. The Committee has the following duties and responsibilities with respect to internal audit:

- review the independence, qualifications, activities, resources and structure of the internal audit function;
- review significant findings and recommendations made by the internal auditor and management's response and proposed implementation plan;
- review the proposed internal audit plan for the coming year to determine that it addresses key areas of risk and that there is appropriate coordination with the external auditor;
- review completed internal audits and the status of management's implementation of related recommendations; and
- receive a progress report on the internal audit plan with explanations for any deviations from the original plan.

### ***Monitor Ethics Program***

The Committee is responsible for overseeing codes of conduct/conflicts of interest and a system of addressing complaints. The Committee has the following duties and responsibilities in monitoring the ethics program:

- periodically review the Code of Ethics policy of the Corporation and recommend any proposed changes to the Policy Committee for concurrence and submission to the Board for approval;
- periodically review the process for communicating to employees and for monitoring compliance with the Code of Ethics;

- periodically evaluate and review the Corporation's compliance process;
- follow the UT System compliance guideline as outlined in *Regents' Rule* 20401 and UTS 119; and
- review procedures for the receipt, retention and treatment of complaints about accounting, internal accounting controls or auditing matters.

### ***Oversee Regulatory Compliance***

The Committee is responsible for overseeing the effectiveness of the system for assuring compliance with laws and, regulations and has the following duties and responsibilities:

- review the effectiveness of the system for monitoring compliance with laws and, regulations and the results of management's investigation and follow-up of any fraudulent acts or non-compliance;
- obtain regular updates from management, the Chief Compliance Officer, and the Corporation's legal counsel regarding compliance matters that may have a material impact on the Corporation's and investment funds' financial statements or compliance policies;
- obtain regular updates from management and the Chief Compliance Officer regarding their consideration of all regulatory compliance matters in connection with the preparation of the financial statements; and
- review the findings of any examinations by regulatory agencies, including the Texas State Auditor's Office.

### ***Oversee the Corporation's Enterprise Risk Management***

Without limiting any of the foregoing, the Committee, along with management and other personnel, as directed by the Board, is responsible for the Corporation's enterprise risk management. Enterprise risk management assists management in achieving the Corporation's performance goals and prevents loss of resources; helps ensure effective reporting and compliance with laws and regulations; and helps avoid damage to the Corporation's reputation and associated consequences. Enterprise risk management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value. The Committee has the following responsibilities related to enterprise risk management:

- evaluate the overall effectiveness of the Corporation's achievement of its objectives, as set forth in four categories:
  - Strategic – high-level goals, aligned with and supporting its mission;

- Operations – effective and efficient use of its resources;
  - Reporting – reliability and timeliness of reporting; and
  - Compliance -
    - with applicable laws and regulations;
    - with non-investment Board policies such as the Code of Ethics and Delegation of Authority, and non-investment items in the Board investment policies; and
    - with 1) investment risk management and compliance, 2) liquidity of the Permanent University Fund, General Endowment Fund, and Intermediate Term Fund; 3) compliance with the Derivative Investment Policy; and 4) the monitoring of manager mandates;
- evaluate whether management is setting the appropriate tone at the top by communicating the importance of enterprise risk; and
  - inquire of management, the Chief Compliance Officer, the UT System Audit Office, and the independent external auditor about significant enterprise risks or exposures to the Corporation and how these are being managed.

#### ***Oversee Fraud Prevention and Detection***

The Committee is responsible for overseeing the effectiveness of the system for the prevention and detection of fraud and has the following duties and responsibilities:

- oversee management’s arrangements for the prevention and deterrence of fraud;
- ensure that appropriate action is taken against known perpetrators of fraud; and
- ensure that the entity has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

#### ***Review the Overall Duties and Responsibilities of the Chief Compliance Officer***

The Chief Compliance Officer will report functionally to the Committee and administratively to the CEO. The CEO will nominate the Chief Compliance Officer for hiring by the Committee. The Committee has exclusive dismissal authority. The Chairman of the Committee and the CEO will determine the Chief Compliance Officer’s individual performance goals. The Committee and the CEO will determine the achievement of the Chief Compliance Officer’s individual performance goals, and will make joint recommendations to the Compensation Committee as to base salary and performance awards for the Chief Compliance Officer. The Chief Compliance Officer will report compliance activities directly to the Committee at its regular meetings and to the chair between meetings. The Chief Compliance Officer will develop an annual plan for review by the Committee. The CEO will direct day-to-day responsibilities of the Chief Compliance Officer with oversight by the Committee.



### *Other Duties*

The Committee has the following additional duties and responsibilities:

- make regular reports (at least twice each calendar year) to the Board regarding the Committee's activities and such other reports as may be requested by the Board;
- periodically review the adequacy of this Charter and recommend any proposed changes to the Board for approval;
- perform such additional special functions, duties or responsibilities related thereto as may from time to time be designated by the Board Chairman;
- evaluate the Committee's own performance, both of individual members and collectively, on a periodic basis; and
- perform any other activities consistent with this Charter, the Corporation's Bylaws, and applicable laws as the Committee or the Board deems necessary or appropriate.

### **Powers and Limitations**

In discharging its responsibilities, the Committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The Committee also will have unrestricted access to records, data, and reports. The Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Committee may request any officer or employee of the Corporation, the Corporation's outside legal counsel or an employee in the UT System Audit Office to attend any meeting of the Committee or to meet with any members of, or consultants to, the Committee.

Approved by the Board of Directors on September 16, 2021.

# The University of Texas/Texas A&M Investment Management Company

## Charter of the Cyber Risk Committee

### Background

The Board of Directors (the “Board”) of The University of Texas/Texas A&M Investment Management Company (the “Corporation”) established the Cybersecurity Committee on December 5, 2019. The Cybersecurity Committee was renamed the Cyber Risk Committee at the Board’s March 24, 2020 meeting. This Charter was adopted by the Board on March 24, 2020.

### Purpose

The primary purpose of the Committee is to receive regular reports and updates from management regarding the security, confidentiality, availability, and integrity of information services systems of the Corporation, and to periodically report those matters to the Board so that the Board can discharge its oversight responsibility.

### Composition

The Committee shall be composed of at least three members of the Board appointed from time to time by a majority vote of the Board at a meeting at which a quorum is present. Individuals who are not members of the Board may be appointed to the Committee; provided however, a majority of the Committee members shall be members of the Board of Directors. A member may be removed with or without cause at any time by a majority vote of the Board.

### Meetings; Quorum; Etc.

The Corporation’s Bylaws state that any committee created by the Board or the Bylaws, including the Committee, shall (i) have a chairman designated by the Board, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of the Committee or resolution of the Board, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board at its next regular meeting. At every meeting of the Committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the Committee’s rules or procedures or the Bylaws of the Corporation or by the Board. The Board may designate one or more Directors as alternate members of the Committee, who may replace any absent or disqualified member of the Committee. In the absence or disqualification of a member of the Committee, the member or members present at any meeting of the Committee and not disqualified from voting,

whether or not constituting a quorum, may unanimously appoint the designated alternate Director to act at the meeting in the place of the absent or disqualified member.

## Duties and Responsibilities

The Committee will provide periodic updates to the Board of Directors regarding the following items so that the Board of Directors may consider them in its evaluation of the Corporation's overall cybersecurity program.

*Security of Information Services Systems:* The Committee has the following duties and responsibilities related to the Corporation's overall cybersecurity program:

- Review management's implementation of cybersecurity programs, policies and procedures including management's actions to safeguard the effectiveness of such programs and policies;
- Review management's implementation of cybersecurity programs to ensure the integrity of the Corporation's electronic systems and facilities;
- Review management's implementation of cybersecurity programs to prevent, detect and respond to cyber-attacks and information or data breaches involving the Corporation's electronic information, intellectual property and data;
- Receive reports regarding the effectiveness of the security of information services systems, including privacy, network security and data security;
- Review the Corporation's management of risks related to its information services systems and processes, including privacy, network security and data security, and any audits of such systems and processes; and to consult with the Audit Committee as appropriate;
- Receive information from the Chief Information Security Officer and Chief Technology Officer regarding matters related to the management of cybersecurity risks, activities and developments;
- Review management's crisis preparedness and incident response plans (including policies and procedures regarding public disclosure of any such incidents) and the Corporation's disaster recovery capabilities; and
- Review significant cybersecurity investments and expenditures the Corporation proposes to make to manage or mitigate cybersecurity risks and make recommendations, where appropriate.

## Other Duties

In addition to its duties and responsibilities outlined above, the Committee shall perform such additional special functions, duties or responsibilities related thereto as may from time to time be designated to it by the Board Chairman. In discharging its responsibilities, the Committee may obtain advice and assistance from Board consultants, U.T. System employees, and other individuals as it deems necessary.

The Committee will evaluate the Committee's performance on a periodic basis, periodically review the adequacy of this Charter and submit this Charter to the Board for its approval;

and perform any other activities consistent with this Charter, the Corporation's Bylaws, and applicable laws as the Committee or the Board deems necessary or appropriate.

### **Powers and Limitations**

In discharging its responsibilities, the Committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The Committee also will have unrestricted access to records, data, and reports. The Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Committee may request any officer or employee of the Corporation, the Corporation's outside legal counsel or an employee in the UT System Information Security Office to attend any meeting of the Committee or to meet with any members of, or consultants to, the Committee.

Approved by the Board of Directors on March 24, 2020.