

# ENHANCING PUBLIC RETIREE PENSION PLAN SECURITY: BEST PRACTICES FOR TRUSTEES AND PENSION SYSTEMS

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## ***Why We Produced This Report***

- ◆ ***AFSCME members participate in more than 150 public pension systems with assets of more than \$1 trillion.***
- ◆ ***AFSCME is a longstanding leader in the efforts to reform corporate governance.***
- ◆ ***The time has come for a similar focus on the internal governance of public pension systems.***
- ◆ ***AFSCME believes that retirement security of our members will be enhanced by governance policies that give trustees and staff educational goals, a clear understanding of their responsibilities, the ability to operate in a transparent environment and the safeguards needed to prevent even the appearance of a conflict of interest.***

# Goals for Developing Report

- ◆ 1. Ensure that decisions by public pension fund fiduciaries are made solely in the best interests of plan members, retirees and beneficiaries.
- ◆ 2. Provide examples of best practice policies that meet that objective but do not inappropriately tie the hands of those fiduciaries.

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## ***What is in the Report?***

- ◆ ***Proposed Comprehensive Board Policies in Three Key Areas:***
  - ***Board Member Responsibilities and Core Competencies***
  - ***Board Member Education***
  - ***Ethical and Fiduciary Conduct***

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## ***Board Member Responsibilities and Core Competencies***

- ◆ ***Responsibilities:*** *What is expected of a Trustee?*
- ◆ ***Examples:***
  - *Attend Board Meetings; Be Prepared; Be Inquisitive*
- ◆ ***Core Competencies:*** *What does a Trustee need to know?*
- ◆ ***Examples:***
  - *Plan Governance; Asset Allocation; Actuarial Principles and Funding Policies; Financial Reporting and Controls*

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## ***Board Member Education***

- ◆ ***How does a Trustee Acquire and Maintain Core Competencies?***
- ◆ ***"Up Front" Trustee Orientation Designed to Get Trustees Quickly "Up to Speed"***
- ◆ ***Mentoring of New Trustees***
- ◆ ***Suggested First and Second Year Educational Curriculum Together With Ongoing Education Thereafter***
- ◆ ***Self-Assessment Tool That Enables Trustees to Identify Their Own Educational Needs, Allowing Them to Work Effectively With System Staff to Obtain Appropriate Training.***

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## ***Ethical and Fiduciary Conduct***

- ◆ ***Comprehensive Ethics Policies Covering:***
  - ***Fiduciary Duties***
  - ***Statement of Ethical Conduct***
  - ***Prohibition on Insider Trading***
  - ***State and/or Local Conflict of Interest Laws***
  - ***Avoidance of Appearance of Nepotism***
  - ***Limitation on Receipt of Gifts***
  - ***No-Contact Policy***
  - ***Disclosure of Communications With Interested Parties and Undue Influence***
  - ***Prohibition on Campaign Contributions***
  - ***Disclosure of Placement Agent Relationships; Permanent Ban on Working as Placement Agent Before Trustee's Former System***

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## ***How Can Public Pensions Use This Report?***

- ◆ ***We hope that Public Pension Systems Will Use This Report and the Recommended Policies To:***
  - ***Provide a benchmark against which they can review and evaluate their current policies;***
  - ***Identify any gaps in current policies;***
  - ***Revise current policies and/or develop new policies as appropriate.***
- ◆ ***Report is Not Intended as “One Size Fits All”— Systems Should Not Simply “Cut and Paste” but Should Use as a Resource to Develop Policies Tailored to Their Specific Needs.***

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## ***Next Steps for Trustees***

- ◆ ***Trustees Should Provide a Copy of the Report to Their Administrator/CEO***
- ◆ ***Ask Administrator/CEO to Review and Consider How Report Can Best be Used to Help Strengthen Your System's Policies***
- ◆ ***Work to Move the Governance Review Process Forward at Your System***