



# SERVING AS A PERA TRUSTEE

## Factors to Consider

As a member or retiree of PERA, you're one of the half-million plus members who provide or have provided valuable services to all of Colorado and you help reinforce PERA's value to the state. It also means you can run for a seat on the PERA Board and be in part responsible for adopting rules and policies for the administration of PERA, which directly affect how contributions are invested.

### WHO ARE TRUSTEES?

PERA's Board has 16 Trustees:

- » 12 Trustees elected by PERA members and retirees
- » 3 Trustees appointed by the Governor and approved by the State Senate
- » State Treasurer serves in ex officio capacity

Elected Trustees serve four-year terms and are only paid for necessary expenses.

### WHAT DO TRUSTEES DO?

PERA's primary purpose is to provide benefits and programs as specified by state law, and the Board oversees the administration of these benefits and programs. State law also gives the Board the responsibility for the investment of PERA's funds and to establish policy guidelines for the operations of PERA. To do this, the Board has a governance policy that outlines what they expect PERA staff to achieve and how they expect it to be done.

The PERA Board does not set contribution rates or benefit amounts; only the state Legislature with the Governor's approval can make these changes.

### WHAT DOES THE EXECUTIVE DIRECTOR DO?

While Trustees manage PERA's trust fund, the PERA staff handles the day-to-day operations under the leadership of the Executive Director who reports back to the Board.

Responsibilities of the Executive Director include:

- » Implementing Board policy
- » Recommending appropriate policy changes
- » Facilitating the Board's oversight through reporting and communication

### FIDUCIARY RESPONSIBILITIES

Colorado state law outlines the fiduciary responsibility that all PERA Trustees have: to carry out their functions solely in the interest of members and benefit recipients and for the sole purpose of providing benefits and defraying reasonable expenses incurred in performing such duties. This means that all Trustees, regardless if they are elected, appointed, or ex officio, serve as fiduciaries who protect the assets of the PERA trust funds.

As fiduciaries, Trustees must pursue policies and make investment decisions that exclusively benefit all participants in the fund. These fiduciary obligations are essential to the successful operation of PERA.

There are three basic principles for PERA fiduciaries:

- 1 Duty of loyalty—fiduciaries have a responsibility to act solely in the best interest of all PERA members and retirees.
- 2 Duty of care—fiduciaries have an obligation to follow clear processes in order to make decisions and act responsibly on behalf of members and retirees.
- 3 Duty of prudence—fiduciaries make a commitment to arm themselves with the best information and knowledge in order to make responsible decisions.

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## BOARD OVERSIGHT

### Investments

A large component of the fiduciary obligation is the Board's oversight of investments. The ultimate responsibility for investment performance lies with the Board, which sets and monitors asset allocation, approves the *Statement of Investment Policy*, selects consultants and investment advisers, and oversees investment management structure and delegations made to PERA staff. PERA's Chief Investment Officer reports regularly to the Board on investment matters and PERA employs over 50 investment professionals who manage portfolios and support the entire program.

### Benefits and Programs

In addition to the PERA Defined Benefit Plan, the Board also has a fiduciary responsibility for three defined contribution plans and the PERACare health benefits program. Such oversight includes reviewing and determining member appeals; appointing, evaluating, and terminating specific service providers; and monitoring key activities pertaining to the benefits programs.

## TIME COMMITMENT

In serving on the Board, Trustees must be willing to commit their time and plan to attend Board meetings as well as various educational seminars.

### Board Meetings

The Board holds five to six regular, full-day, meetings every year. Typically, committee meetings are held the day prior to the full-day board meeting. Additionally, there is an annual three-day planning session. Finally, the Board may convene special meetings, typically, these occur during the legislative session. Plus, there's the potential for special meetings that typically occur during the legislative session.

To prepare for Board meetings, Trustees should plan to spend 6 to 10 hours per meeting reviewing materials in advance. PERA staff and others prepare these educational materials prior to Board meetings to assist Trustees so that they'll have the necessary information to make informed decisions.

*Time Commitment: A total of up to 17 days per year to attend meetings and 6–10 hours per meeting to prepare/review materials.*

### Educational Classes and Seminars

In addition to meetings, Trustees also have a responsibility to educate themselves to stay current with topics affecting PERA by attending educational classes and seminars as they relate to PERA and the public pension industry. It is a policy of PERA that Trustees should have a thorough understanding of such topics, so that the Board is able to draft policies to guide the administration of PERA.

Within two years of joining the Board, a Trustee should attend a minimum of 30 hours of educational sessions in order to gain a general understanding on various related issues such as governance, actuarial principles, pension plan design, health care, and the legislative environment to name a few. Of these 30 hours, 15 of the hours should focus on pension investments as well as attendance at various pension industry conferences.

*Time Commitment: 30 hours within the first two years; after the first two years, 20 hours over each subsequent two-year period.*

### **New Trustee Orientation**

Soon after being elected, new Trustees will first attend a New Trustee Orientation that details the history and overview of PERA, Board governance, fiduciary responsibilities, ethics and conflicts of interest, actuarial principles, PERA's investment program, legal and legislative issues, and current issues facing the Board. This orientation is led by members of PERA's executive management team.

*Time Commitment: Two-day session.*

### **Administrative Review Process**

Every PERA member or benefit recipient has the right to dispute how the law and PERA Rules have been applied by PERA staff to their situation. The administrative review process provides due process to members to challenge a staff decision that affects the member's particular situation. A member appeal is first made to the Executive Director, then to a three-member panel of the PERA Board, and then to the full Board (minus the Board members who participated on the Panel). Therefore, all Trustees except those who may have a conflict in a particular matter will serve during the appeal process as part of an Administrative Hearing Panel and/or as part of the full Board. Administrative Hearing Panels are established by a lottery process and approved by the Board Chair. These panels occur a few times a year for approximately two hours. Full Board appeals typically occur during regularly scheduled Board meetings.

*Time Commitment: In total about 1–2 days a year to attend hearings and prepare/review materials.*