

Date: March 18, 2026
To: Board of Retirement
From: Doris L. Rentschler, Executive Director
Subject: Delegated Authority

Recommended Action:

Provide direction regarding any change to authorities delegated in the authorizing documents.

Fiscal and Financial Impacts:

There is no financial impact from receiving this report.

Strategic Plan Importance and Risk Assessment:

While not part of the Strategic Plan, review of the Board's delegated authority is prudent and provides an opportunity to determine if the delegation is still appropriate.

Background and Discussion:

This topic is being brought back for board direction due to the lack of a quorum at the February off-site and is presented based on response to the following statement in the Board Performance Evaluation survey:

The board understands what authority it has retained, and why it has retained it, and what has been delegated and to whom.

Board Regulations Section II.2.5.2. states that the Board shall adopt a formal Delegation of Authority which sets forth the specific powers and duties assigned to the Executive Director by the Board. Attached is a summary that lists the Board's delegated authority by the governance document that authorizes the delegation. When taken as a whole, the governance documents constitute a formal record that memorializes the Board's actions delegating authority and specifying the powers and duties assigned to others.

WHERE DOES THE BOARD'S LEGAL AUTHORITY COME FROM?

The Board's authority is established in Article XVI Section 17 of the California State Constitution and the County Employees Retirement Law of 1937 (CERL).

Article XVI Public Finance, Section 17, states in part that the retirement board of a public pension or retirement system has "*plenary* authority and fiduciary responsibility for the investment of moneys and administration of the system" as further detailed below:

- a. The sole and exclusive fiduciary responsibility over the assets of the public pension system, and sole and exclusive responsibility to administer the system in a manner that assures prompt delivery of benefits.

- b. Must discharge their duties in the sole interest of, and for the exclusive purpose of providing benefits to participants and beneficiaries, minimizing employer contributions to the plan, and defraying reasonable expenses of the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.
- c. Shall discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use.
- d. Shall diversify investment of the system as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.
- e. Has the sole and exclusive power to provide actuarial services

The California Constitution grants full, unlimited, authority over the administration of the system to the Board of Retirement.

CERL Sections 31520-31543 provide for the administration of the plan by the Retirement Board.

Per the Board of Retirement Charter, the Board retains all authority granted by the California State Constitution and the County Employees Retirement Law, except as delegated.

The Board must delegate certain authorities to facilitate the operation of the fund. The approach taken by MCERA's Board is for the Board to focus on investment matters, governance, and policy issues, while delegating certain audit related responsibilities to the Audit Committee and routine operations to MCERA Executive Director and management.

The Board should review the attached Summary of Delegated Authority to decide if the delegations are still appropriate or whether changes are needed.

AREAS OF POTENTIAL CONFLICT OR AMBIGUITY IN DELEGATED AUTHORITIES

The review of the Board's delegated authority uncovered two areas of potential conflict or ambiguity as detailed below.

BOARD REGULATIONS vs BOARD OF RETIREMENT CHARTER:

In the Board Regulations, the "routine day-to-day administration" of the system is delegated to the Executive Director; while the Board of Retirement Charter states that the Board focuses on matters that are truly important and "delegates *all else*" to MCERA management.

- What does "all else" mean to this board? Is the wording "*all else*" too vague?
- Should the Charter be amended to say day-to-day administration, so the language matches the Board Regulations?

EXECUTIVE DIRECTOR CHARTER vs AUTHORIZED SIGNATURES RESOLUTION:

The Executive Director Charter authorizes the Executive Director to execute contracts on behalf of the Board of Retirement when funds are budgeted, except for contracts reserved for the Board. The

Board of Retirement Charter specifies, in Section II. I., the service provides reserved for the Board's appointment or ratification, which includes, but is not limited to, actuaries, financial auditors, legal counsel, investment consultants, custodial bank, and investment managers. While the Authorized Signatures Resolution, contains whereas provisions that state: the Board "is a policy focused governance Board and delegates a significant amount of authority to MCERA staff" and that because the Board only meets once a month it "necessitates granting authorization to designated individuals", grants the following authorities:

By this resolution, the fullest authority at all times has been invested in [NAMES OF THOSE AUTHORIZED] with respect to the conduct of business deemed proper in connection with operations regarding MCERA business, including (but without limitation thereto) authority to give instructions and to execute agreements on behalf of the MCERA Board with investment managers, custodial bank, investment consultants, auditors, legal counsel, and any other MCERA authorized service providers.

I believe the intent of the language in the Authorized Signatures Resolution is that those designated may execute contracts with investment consultants and managers *after* the Board has exercised their own authority under the Board Charter in the appointment of those service providers, and to provide instructions to those providers in the course of ordinary business. However, the language in the resolution may be interpreted as providing no limits on the authority of authorized signers, such that authorized signers could contract with firms prior to or without Board approval.

The Board of Retirement Charter reserves certain contracts for the Board. The Executive Director executes contracts for these reserved services upon direction from the Board. Authority to execute contracts not reserved for the Board is delegated in the Executive Director Charter which permits the Executive Director to execute contracts without Board approval when funds are budgeted. If funds are not budgeted, a budget amendment will be presented to the Board with direction to execute a contract. If the budget has funds available, but funds were **not** allocated for this type of service/contract, the Executive Director will seek Board approval before contracting. The Charter also permits the Executive Director to execute emergency contracts up to \$25,000, when necessary, without Board pre-approval, which shall be reported to the Board at the next regular meeting.

- Should the language in the Authorized Signature Resolution be modified?
- If so, how should the language be modified to clarify when the Authorized Signers may execute contracts?

Attachment: Summary of the Board's Delegated Authority

Summary of the Board's Delegated Authority

Board Regulations:

- Section I.1.6. – Routine day-to-day administration (of the system) is delegated to the Executive Director.
- Section II.2.5.2. – Board shall adopt a formal Delegation of Authority which sets forth the specific powers and duties assigned to the Executive Director by the Board.

Board of Retirement Charter:

- Section I. – All authority is retained by the Board, except as delegated by the Board. The Board focuses on matters that are truly important to the Board (policy-focused governance) and delegates *all else* to MCERA management.
- Section II.A.7. – The Board establishes the committee structure and delegates authority to the Chair to annually appoint members to each Committee.
- Section II.F.4 .– The Board delegated the RFIO job performance evaluation to the Executive Director.

Audit Committee Charter:

- Section I. – The Board retains authority on matters pertaining to audit activities, except those matters delegated to the Committee in Section IV.
- Section IV.:
 - Annual Financial Statement Audit
 1. Oversee the recruitment of the external financial auditor and recommend to the Board.
 2. Approve the objectives and scope of the audit, the audit plan, duties and responsibilities of the auditor, and timing of the audit.
 3. Review any significant changes in accounting practices or policies with the auditor.
 4. Meet with the external auditor to review the audit opinion, basic financial statements, substantive findings, required communications, Management Letter, and any response thereto.
 5. Recommend the audited financial statements to the Board.
 6. Review the performance and independence of the external auditor, including the impact any non-audit services performed may have on independence.
 7. Review the findings of any regulatory agency concerning financial statements.

- Internal Audit Activity
- 1. Approve the risk-based internal audit plan and all modifications to the plan; and receive reports to monitor internal audit activities.
- 2. Approve or recommend to the Board the appointment of risk management and internal audit activity service providers, including the budget.
- 3. Accept internal audit reports.
- 4. Monitor the resolution of audit recommendations.
- 5. Evaluate the effectiveness of the internal financial and operational control policies.
- 6. Report to the Board at least annually on the status of the internal audit activity.

Executive Director Charter:

- Section I. – The Board has delegated responsibility for the administration and management of MCERA consistent with the policies of the Board to the Executive Director. The Executive Director’s responsibilities extend to all aspects of MCERA, including but not limited to the responsibilities and duties outlined in Sections II and III.
- Section II. - The Executive Director may delegate duties to staff as necessary in the management of the day-to-day affairs of MCERA (in accordance with policies established by the Board).
- Section III.D.3. – The Executive Director will authorize payments related to the administration of MCERA, consistent with delegated authority, the Operation Budget, and internal controls of MCERA.
- Section III.D.4. – Except for contracts reserved for the Board, the Executive Director may execute contracts on behalf of the Board of Retirement when funds are budgeted.
- Section III.D.5. – Execute emergency contracts up to \$25,000 when necessary.
- Section III.F.3. – The Executive Director will conduct the performance evaluation of the Retirement Financial Investment Officer with input from, and as delegated by, the Board.

Board Elections Policy:

- Section II. - the Executive Director may delegate powers and duties to staff or consultants as appropriate.

Budget Adoption Policy:

- Section III.4. - The Executive Director is granted the authority to determine which purchases not exceeding \$25,000 are to be treated as capital expenses and which are to be expensed in the year of purchase.
- Section III.5. - The Executive Director is granted the authority to shift funds not to exceed a limit of \$25,000 within a category to accomplish the goals set forth in the Strategic Plan and shall report such shifts to the Board.

Determination of Pensionable Compensation and Compensation Earnable Policy:

- Section II. - The Board authorizes MCERA staff to review compensation included in the calculation of a member's final compensation as provided in the Government Code.

Error Correction Policy:

- Section IV.A. – The Board delegates to the Executive Director the authority to make the initial determination regarding whether an underpayment or overpayment has occurred, whether legal or equitable defenses or principles apply, and the correction to be implemented in accordance with the policy.
- Section V. – The Board delegates to the Executive Director the authority to take all steps necessary or desirable to implement the terms and conditions of the Error Correction Policy.
- Section V. – The Board delegates to the Executive Director the authority to waive recovery of claims of \$1,000 or less and implement Payment Agreements of less than \$10,000 without obtaining approval of the Board.

Investment Policy Statement:

- Section II.1. – Investment decisions below the strategic level (the selection of asset allocation) are specifically delegated to the Investment Consultant, Investment Managers or staff.
- Section IV.A. – The Board develops and approves guidelines for the execution of MCERA's investment program. Only the Board in its sole discretion can delegate its decision-making authority regarding the investment program.
- Section IV.B. – The Board delegated authority to MCERA staff to invest the fund's cash without requiring Board permission as set forth in the Investment Policy.
- Section V.B. – staff are authorized to act in accordance with the investment policy.
- Section V.E.:

- Separate Account Managers will have discretion and authority to determine investment strategy, security selection and timing within their asset class and subject to policy or portfolio specific guidelines.
- Unless otherwise authorized by the Board, investment managers must obtain the best available process and most favorable executions with respect to all portfolio transactions as market conditions permit.
- Unless otherwise authorized by the Board, the following transactions are prohibited: short sales; selling on margin; “prohibited transactions”; transactions involving a broker acting as a “principal” when such broker is also the investment manager making the transaction.

SACRS Voting Proxy Authority Policy:

- Consistent with Board direction, the Board designates the Board Chair as the voting delegate, and each member of the Board and the Executive Director as alternate delegates.

Resolution Stating Authorized and Rescinded Signatures

- Consistent with the authority delegated by the Board, the Board grants the fullest authority to the Executive Director and Retirement Financial Investment Officer to provide instructions and execute contracts with service providers.