

**SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION**  
**MONITORING AND REPORTING POLICY**

**I. BACKGROUND AND PURPOSE**

In keeping with the duty of the Board to oversee the activities and performance of SDCERA, the Board has established this Monitoring and Reporting Policy, which sets out the Board's expectations concerning the reports it is to receive on a regular basis.

**II. PRINCIPLES AND ASSUMPTIONS**

- A. While it is prudent for the Board to delegate certain responsibilities, it should monitor the activities of those to whom it has delegated such responsibilities, in order to ensure that the responsibilities are being fulfilled.
- B. The Board should receive all appropriate information that is relevant to its duties and responsibilities in a timely manner.
- C. The system of reporting to the Board is a dynamic one, and often must change over time to meet the changing needs of the Board. A process should be in place to help direct and keep track of changes to this system.

**III. GUIDELINES**

- A. The Board will be provided the routine reports outlined in Appendix 1 with a frequency also set out in Appendix 1. The Board may be provided with other ad hoc reports as required from time to time.
- B. Requests by board members for additional routine board reports shall require board approval and an amendment to Appendix 1 of this policy, provided that the Chief Executive Officer will respond to reasonable requests for information from individual trustees outside of Board meetings.

**REVIEW**

The Board will review this policy annually to ensure that it remains relevant and appropriate.

**HISTORY**

April 1, 2004	Adopted, effective July 1, 2004
November 1, 2007	Revised, effective immediately
April 5, 2012	Revised, effective immediately
June 5, 2014	Reviewed, no changes

**APPENDIX I**

**REPORTS**

**GOVERNANCE REPORTS**

<b>Report Name</b>	<b>Frequency</b>	<b>Presented By</b>	<b>Description and Purpose of Report</b>
1. Board Performance Evaluation	Annually	Chair	Summarizes the results of the Board's performance self-evaluation, including follow-up actions.
2. CEO Evaluation	Annually	Chair	Summarizes the performance assessment of the Chief Executive Officer.
3. Annual Governance Report	Annually	CEO	A summary confirmation of compliance with policies of the Board.
4. Trustee Education Report	Annually	CEO	Summarizes the activities of the Board with respect to education, and comments on the appropriateness of various educational programs or tools.
5. Conflict of Interest Affirmation	Annually	CEO	Summarizes affirmation by trustees of whether they are in compliance with relevant state and SDCERA conflict of interest policies.

**INVESTMENTS AND FUNDING REPORTS**

<b>Report Name</b>	<b>Frequency</b>	<b>Presented By</b>	<b>Description and Purpose of Report</b>
6. Investment Performance	Quarterly	Inv't Consultant	Report on investment performance for total fund, for each asset class, and by investment manager. Provides analysis based on return over various periods (3 months, 1 year, 5 year, etc.), and seeks to identify sources of returns.
7. Investment Manager Compliance	Quarterly	Inv't Consultant	Confirms that investment managers are investing plan assets in accordance with their mandate, investment agreement, regulatory requirements and SDCERA policy.

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<b>Report Name</b>	<b>Frequency</b>	<b>Presented By</b>	<b>Description and Purpose of Report</b>
8. Investment Effectiveness Cost	Annually	Inv't Consultant	Evaluates the costs of the investment program, and compares it to an appropriate peer group.
9. Trading and Execution Costs	Annually	Inv't Consultant	Evaluates the costs and efficiency of SDCERA's trading activities.
10. Report on Directed Commissions	Annually	Inv't Consultant	Summarizes any directed commission agreements between SDCERA, its investment managers and brokers, and confirms compliance with the Directed Commissions Policy.
11. Proxy Voting	Annually	Inv't Consultant	Confirms compliance with the Board's Proxy Voting Policy, and summarizes how SDCERA exercised its voting rights in public companies.
12. Securities Lending	Annually	Inv't Consultant	Summary of SDCERA's security lending activities, including additional income earned, collateral received, and risk factors impacting collateral.
13. Overview of Investment Program	Annually	Inv't Consultant	Snapshot of the overall structure of the investment program, including actual asset mix, number of managers, number of portfolios, etc.
14. Actuarial Valuation	At least every 3 years	Actuary	Summarizes the results of the actuarial valuation for SDCERA, together with any recommendations.
15. Asset / Liability Study	At least every two years	CEO/ Inv't Consultant	A study of the relationship between SDCERA's assets and liabilities.
16. Actuarial Experience study	Every 3 years	Actuary	Reviews the appropriate long-term economic assumptions such as investment return and wage and price inflation, and demographic assumptions such as disability rates, mortality rates.
17. Actuarial Audit	every 5-7 years**	Actuarial Auditor	An independent review of the validity of the analyses and methodologies used in preparing SDCERA's actuarial valuation.

\*\* Unless SDCERA has recently appointed, or is about to appoint, a new actuary at or about the time an actuarial audit is scheduled to be performed.

**ADMINISTRATION AND OPERATIONS REPORTS**

<b>Report Name</b>	<b>Frequency</b>	<b>Presented By</b>	<b>Description and Purpose of Report</b>
18. Business Plan Status	Semi-Annually	CEO	Summarizes the status of each initiative contained in the annual business plan.
19. Budget Variance	Quarterly	COO	Compares actual spending to the operating budget, including explanations for material variances.
20. External Financial Audit	Annually	Financial Auditor	Confirms that the financial statements present fairly, in all materials respects, the financial status of SDCERA, in accordance with generally accepted accounting principles.
21. Annual Financial Report	Annually	Audit Committee	Reviews the operations and activities of SDCERA during the last fiscal year. The financial statements shall be part of the annual report and indicate the financial position of SDCERA.
22. Benefits Administration Cost Effectiveness	Annually	CEO	Evaluates the costs of SDCERA administration and operations, and compares them to appropriate peer groups.
23. Service Quality	Annually	CEO	Monitors service quality of the administrative staff against predetermined benchmarks.
24. Vendor Evaluations	T.B.D.	CEO	Provides evaluations of the performance of SDCERA vendors.
25. Legal Affairs	At least bi-monthly	Legal Counsel	An update on significant litigation, potential litigation, and on changes and potential changes to legislation that would significantly affect SDCERA, & updates on lawsuits involving other 37 Act Systems.
26. Due Diligence	At least semi-annually	SDCERA Inv't Staff	Summary of recent due diligence visits to vendors conducted by staff and the Board.
27. Member services activities	Semi-annual	CEO	Progress report on staff initiatives to improve the delivery of member services (e.g. significant changes in technology, staff procedures, member communications, etc.)

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28. Reports on internal controls	Annual	Audit Committee	Update of SDCERA financial and operational internal controls, including any significant changes and improvements to such over the year.
29. Reports on HR management	Annual	CEO	Summary of staff initiatives in HR area, including succession planning, compensation policies, training activities, staff turnover statistics, results of exit interviews, etc.