



## Agenda Item 9

April 17, 2013

**ITEM NAME:** Revisions to Committee Delegations

**PROGRAM:** Board Governance

**ITEM TYPE:** Action

### **RECOMMENDATION**

Approve changes to the Investment Committee, Pension & Health Benefits Committee, Finance & Administration Committee, Risk & Audit Committee, and Board Governance Committee delegations.

### **EXECUTIVE SUMMARY**

As part of the annual review of the committee delegations, this item presents recommended revisions to the delegations of the Investment Committee, Pension & Health Benefits Committee, Finance & Administration Committee, Risk & Audit Committee, and the Board Governance Committee. An index of all the proposed changes is attached as Attachment 1.

### **BACKGROUND**

The Board of Administration (Board) Governance Policy, as revised in February 2012, states that the committee delegations will be reviewed annually and updated as needed. At their March 2013 meetings, the Investment Committee, Pension & Health Benefits Committee, Finance & Administration Committee and Risk & Audit Committee recommended proposed changes to their respective Committee Delegation Resolutions. The Board Governance Committee and the Performance, Compensation & Talent Management Committee did not meet in March 2013. Nonetheless, a revision to the Board Governance Committee Delegation Resolution is being proposed, and no changes are proposed to the Delegation Resolution for the Performance, Compensation & Talent Management Committee. The current Board Committee Delegation Resolutions were previously approved by the Board in December 2011. The Performance, Compensation, and Talent Management Committee delegation resolution was reviewed and changes were approved in December 2012.

### **ANALYSIS**

The proposed changes to the various Committee Delegation Resolutions are as follows:

Investment Committee: The Investment Committee has authority over strategic asset allocation. The proposed revision to the Investment Committee Delegation changes

that authority from “approve” to “conduct” strategic asset allocation (Attachment 2) to reflect the active role of the committee.

Finance & Administration Committee: The proposed revision to the Finance & Administration Committee Delegation (Attachment 3) changes the minimum number of committee members from nine to seven members of the Board to reflect the current size of the committee. Additional language is also being proposed to clarify and reflect the following specific tasks performed by the committee:

- To approve strategic plans and corresponding performance measurements;
- To approve significant accounting principles and policies, including but not limited to, the implementation of Governmental Accounting Standards Board statements and standards;
- To approve financial reports and oversee controls over financial reporting and processes, including the preparation of the Annual Financial Statements;
- To approve and oversee the Board Election process.

In addition, new provisions are being proposed to consolidate authority over actuarial policies, methods, and employees rate setting with oversight of the asset/liability management framework as follows:

- To approve actuarial policies and methods and actuarial assumptions for the Pension Benefits Program;
- To approve actuarial valuations, reserve levels, and employer rate setting for the Pension Benefits Program; and
- To oversee the funding risk through an asset liability management framework to guide investment strategy and actuarial policies for the Pension Benefits Program.

Pension & Health Benefits Committee: The proposed revision to the Pension & Health Benefits Delegation Resolution (Attachment 4) removes the committee’s authority to approve actuarial policies and methods and actuarial assumptions, as well as its authority to approve actuarial valuations, reserve levels and employer rate settings. These functions are being transitioned to the Finance & Administration Committee and, as noted above, have been added to the proposed revised Delegation Resolution of the Finance & Administration Committee.

Risk & Audit Committee: The proposed revision to the Risk & Audit Committee Delegation Resolution (Attachment 5) clarifies the committee’s authority to approve and oversee the enterprise risk management framework, removes the committee’s authority to approve financial reports, and provides the committee with the authority to approve Independent Auditor’s Annual Audit Plan, Independent Auditor’s Report, Audited Financial Statements, and Management Letter. As noted above, the authority to approve financial reports is being transitioned to the Finance & Administration Committee.

Board Governance Committee: The proposed revision to the Board Governance Committee Delegation Resolution (Attachment 6) changes the minimum number of committee members from five to six members of the Board. It also revises the intention of the Board that the committee be comprised of the chairs of the other standing committees of the Board, to include one additional member who is not a chair.

### **BENEFITS/RISKS**

The proposed revised Board Committee Delegation Resolutions are consistent with the governance decisions made by the Board and with the Board Governance Policy. They will continue to increase accountability and transparency in Board governance, and ensure that each committee has appropriate authority to maintain strategic oversight of enterprise operations and needs.

Failure to approve the revised Board Committee Delegation Resolutions may result in unclear roles, responsibilities and authority between the Board, its committees, and the staff, resulting in decreased accountability for conducting Board business.

### **ATTACHMENTS**

- Attachment 1 – Index of Changes to Board Committee Delegation Resolutions
- Attachment 2 – Proposed Revised Investment Committee Delegation Resolution
- Attachment 3 – Proposed Revised Finance & Administration Committee Delegation Resolution
- Attachment 4 – Proposed Revised Pension & Health Benefits Delegation Resolution
- Attachment 5 – Proposed Revised Risk & Audit Committee Delegation Resolution
- Attachment 6 – Proposed Revised Board Governance Committee Delegation Resolution

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