

## Charter for the Board of Trustees Board Governance 1.0

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**A. POLICY:**

1. The Louisiana State Employees' Retirement System (LASERS) is a state agency established under the Revised Statutes of Louisiana, Title 11, §401 (R.S. 11:401) for the purpose of providing all retirement allowances and other benefits for state officers and employees and their beneficiaries.
2. LASERS is under the management of a board of trustees (board), the composition of which is set out in R.S. 11:511.
3. The board is committed to carrying out its responsibilities in a manner consistent with the highest standards of fiduciary practice. In keeping with this commitment, the board has established this charter to guide the manner in which it carries out its affairs.

**B. DUTIES AND RESPONSIBILITIES:**

**1. General**

- a. Board members shall act in the best interest of LASERS consistent with fiduciary duty standards at all times.
- b. The board is responsible for establishing policy and overseeing LASERS while the executive director is responsible for implementing policy and managing the day-to-day operations. In discharging its duties, the board will at all times be supported by the executive director and staff.
- c. The board will discharge its duties with respect to LASERS with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims. (R.S. 11:263.B)
- d. The above standard requires the exercise of reasonable care, skill, and caution, and is to be applied to investments not in isolation, but in the context of the trust portfolio, and as part of an overall investment strategy, which shall include an asset allocation study and plan for implementation thereof, incorporating risk and return objectives reasonably suitable to that trust. (R.S. 11:263.C)

**2. Governance**

- a. The board will approve and amend as necessary:
  - i charters describing the roles and responsibilities of the board, board committees, officers, and the executive director;
  - ii rules and regulations for the establishment and maintenance of LASERS (R.S. 11:515(2));
  - iii rules and regulations governing the election of trustees, not inconsistent with law (R.S. 11:515(9)); and
  - iv policies to ensure appropriate governance practices on the part of the board, including code of conduct provisions.

b. The board will:

- i elect a chair and vice chair of the board at its first meeting held in January of each year (R.S. 11:513.A) and shall establish the duties and responsibilities of said officers and
- ii ensure that an education program is in place to assist trustees in securing the knowledge required to properly execute their duties as fiduciaries.

**3. Investments**

a. The board will:

- i ensure that a sound investment philosophy and strategy exist to guide the management of the investment program and achieve LASERS investment objectives;
- ii approve and review as warranted a written 'statement of investment objectives' which includes the asset policy mix; and
- iii ensure that an asset/liability study is conducted at least every five years.

**4. Funding**

- a. The board will annually approve, for submission to the Public Retirement Systems Actuarial Committee (PRSAC), the actuarial valuation and actuarial assumptions included in the valuation, including mortality and service tables, upon the advice of the actuary and other experts as required (R.S. 11:127.B.C; 11:513.E; 11:515(5)).

**5. Policies and Procedures**

a. The board will:

- i approve administrative rules to provide efficient delivery of services; and
- ii hear appeals from members, and issue appropriate orders in such cases. (R.S. 11:515(4))

b. The board will approve any other policies or procedures that the board deems necessary.

c. The board has the authority to adopt and monitor policies covering all aspects of LASERS business, including governance, unclassified human resources, and investments.

d. The board will:

- i assign to a committee for review a proposed or revised board policy when necessary. The committee will then make recommendations to the board for approval;
- ii consider all policies effective upon approval by majority vote of the board unless otherwise designated;
- iii comply with all board policies and note with explanation any action to the contrary in the board minutes (a review of the respective policy will be requested); and
- iv formally review all policies within the time specified in each policy, but at least once every three years (a board member or executive director may request that policies be reviewed as needed).

e. All policies will be maintained within the LASERS office, be physically present during all board and committee meetings, and available to board members, staff, and the public.

**6. Finance and Operations**

- a. The board will designate a fully guaranteed repository for operating monies, (R.S. 11:515(7)) and a custodian of bonds and securities (R.S. 11:515(8)).
- b. The board will ensure that:
  - i all contributions to the fund are collected timely and all distributions from the fund are made timely;
  - ii an adequate system of internal controls is in place;
  - iii an independent financial audit is performed annually (by a CPA/legislative auditor) and will review the results and take corrective action if required (R.S. 11:173.B);
  - iv appropriate internal audits are performed in accordance with an annual audit plan; and
  - v management implements and maintains the necessary technology and information systems to manage the data, information, and records of LASERS.
- c. The board will approve:
  - i for submission to the requisite officials and Joint Legislative Committee on the Budget, an annual operating budget for review and approval (R.S. 11:515(3)) and
  - ii an annual report of LASERS operations including a synopsis of the audited financial statements, actuarial valuation, and distribute it timely to all interested parties (R.S. 11:513.E).

**7. Communications**

- a. Communications by trustees, when acting in their capacity as trustees, should be consistent with their fiduciary duty to represent the interest of all System participants.
- b. Communication among trustees
  - i The board will carry out its activities openly in accordance with applicable open meeting laws. (R.S. 42:12 et seq.) The board may conduct certain business in executive session in accordance with R.S. 42:16.
  - ii Trustees will communicate in a straightforward and open manner during meetings and will follow *Robert's Rules of Order*.
  - iii Trustees will disclose to the board all information pertinent to the members and operations of the board in a timely manner.
- c. Trustee Communication with Participants
  - i Trustees must refrain from providing specific and technical advice, counsel, or education with respect to a member's Plan benefits, LASERS policies, or membership rights in order to avoid the potential liability of miscommunication or misinformation.
  - ii If a trustee is asked to provide the above information, the trustee will refer the requestor to the executive director or designee. The trustee may also forward the requestor's contact information to the executive director and ask to be informed when the matter is resolved.



- indicate when they are representing a personal position, opinion, or explanation that is different from the official board position;
  - indicate if they are speaking in a capacity other than that of a trustee; and
  - refer all matters to the spokesperson when interviewed by the media concerning LASERS, and will not make any commitments on behalf of the board or LASERS.
- iv** Written press releases concerning LASERS are the responsibility of the executive director. The executive director will ensure that the chairman is made aware of any sensitive, high profile, or policy issues. Such press releases will also be shared with the board.
- v** LASERS related materials prepared by trustees for publication or general distribution will be submitted to the executive director or his/her designee for review prior to publication to ensure the technical accuracy and ensure the system is not inadvertently put at risk.

**8. General Communications – Code of Conduct**

- a.** Trustees will conduct themselves with decorum, honesty, integrity, and professionalism in all aspects of their board duties and relations.
- b.** Trustees will communicate in a respectful, straightforward, and constructive manner when active in their capacity as trustees.
- c.** Trustees will speak or act on matters in reference to LASERS according to the guidelines in this policy unless authorized by the board.
- d.** Regarding board and committee meetings, trustees will:
- i** prepare for meetings by reading materials in advance;
  - ii** attend and participate in meetings of the board and committees to which they serve, unless unable due to circumstances beyond their control; and
  - iii** abide by, and be respectful of all board decisions, even if they may have not supported the decision during board discussions.
- e.** In compliance with laws, rules, and policies, trustees agree to:
- i** become familiar and abide by laws pertaining to LASERS and the board such as LASERS governing legislation, State open meeting laws, and the Louisiana Code of Governmental Ethics (R.S. 11:401 et seq., R.S. 42:12 et seq., and R.S. 42:1101 et seq., respectively);
  - ii** abide by all policies and decisions of the board, to the extent that a board member believes compliance is consistent with his/her fiduciary duty;
  - iii** respect the confidentiality of information received that is not subject to public information laws; and
  - iv** enforce code of conduct set forth in this policy, and take action when a trustee has failed to follow the provisions.

**f. Enforcement**

- i** The board chair and committee chairs, in presiding over meetings, will enforce and attempt to rectify any breaches of this code of conduct that occur during meetings of the board or committees.
- ii** Any trustee may petition the board chair to investigate violations of the code by submitting a petition and supporting information or evidence to the board chair.
  - If the matter involves the board chair, the information may be given to the vice chair, who will act in place of the chair during the addressing of the petition.
  - The board chair will place the matter on the agenda for discussion and action at the next regularly scheduled board meeting, and shall inform the board member in question of his/her rights to address the petition at the said board meeting.
  - Petitions alleging violations of state or federal law will be forwarded to the appropriate authorities in accordance with the respective law by the board chair.
  - The board shall address the petition in open session or executive session when appropriate. The board will read the petition in to the record, review any supporting information or evidence, and hear from the trustee in question and any other party recognized by the board chair.
- iii** Upon consideration of the factual circumstances, and completion of the discussion, the board may, by resolution:
  - dismiss the matter, where there is insufficient substance to the allegation, or where the matter is resolved to the board's satisfaction;
  - direct the executive director to gather additional information to allow the board to further consider the matter; or
  - find that there has been a violation of the code, identifying all supporting facts, in which case the board may:
    - a)** explain to the trustee how the violation adversely impacts the board and LASERS;
    - b)** request that the offending trustee rectify past actions, if possible, and refrain from similar actions in the future;
    - c)** request that the offending trustee undertake special counseling or educational initiatives to assist the trustee in addressing the matter;
    - d)** remove the offending trustee from the position of board chair or committee chair, or any other board assignment;
    - e)** bar the offending trustee from any position he/she may hold for a specified period of time;
    - f)** censure the offending trustee;
    - g)** request the resignation of the offending trustee; or
    - h)** initiate impeachment proceedings pursuant to Article 10 of the Louisiana Constitution.

- iv Use of above remedies shall not constitute a tool for harassment; and any allegation must be supported by evidence, not hearsay.
- v The board shall attempt to make a final determination for any petition within ninety days of the petition being placed before the board.
- vi The board's final determination will be recorded in the board minutes and may be communicated to any parties by any means determined by the board.

#### **9. Legislation and Litigation**

- a. The board may, with legal counsel, consider and approve recommendations made by the executive director concerning settlement or other legal actions involving LASERS.
- b. The board will establish board positions on proposed changes in federal or state laws, rules, and regulations that may have a significant impact on LASERS, as recommended by the legislative or management committees.
- c. The board will recommend changes to legislation consistent with the role of LASERS and the strategic direction.

#### **10. Key Appointments**

- a. The board will comply with R.S. 11:515 in the appointment of unclassified staff including, but not limited to, the executive director, deputy director/chief operating officer, chief administrative officer, and chief investment officer.
- b. The board will establish appropriate policies to help ensure prudent and sound selection of vendors for the board and LASERS, and will periodically monitor compliance with such policies.
- c. The board will select or ratify the selection of certain vendors which are specified in the vendor selection policy as named vendors.

#### **11. Monitoring and Reporting**

- a. The board will ensure that appropriate monitoring and reporting practices are established and documented within LASERS. (Appendix 1)
- b. The board will regularly monitor the effectiveness and performance of the trust fund, consistent with the investment and other policies of the board. This will include at a minimum:
  - i total funded status of LASERS,
  - ii total fund performance relative to policy benchmarks,
  - iii asset class and investment manager performance, and
  - iv cost effectiveness of the investment program.
- c. The board will regularly monitor the effectiveness and efficiency of the administration of LASERS through a review of, at a minimum:
  - i implementation and monitoring of the strategic direction/strategic plan and the operating budget,
  - ii implementation of agency internal controls, and
  - iii the cost effectiveness of the benefit administration program.

- d. At least annually, the board will review the performance of the executive director.
- e. On an annual basis, the board will review the performance of the board itself in order to engage in self-analysis and discussion for the purpose of improving its effectiveness as a fiduciary body.
  - i In November of each year
    - The board chair will review the board self-evaluation discussion guide and make any necessary modifications. The purpose of the discussion guide is to provide trustees with a confidential means to evaluate the performance of the board and raise any concerns or suggestions the trustees may have. The questions in the discussion guide may be in any appropriate format, but the format must allow trustees to provide written comments or suggestions.
    - The board chair will meet with the executive director, providing an opportunity for the executive director to express general comments for the board's consideration. The board chair will add the executive director's comments to the discussion guide.
    - Following the meeting with the executive director, the board chair will distribute copies of the discussion guide to each trustee.
  - ii Following the November distribution
    - Trustees shall complete the discussion guide and return it to the board chair within two weeks of receipt.
    - The board chair will ensure the results are tabulated and a summary report is prepared.
  - iii In December of each year
    - The board chair will present the summary report to the Management committee and will facilitate discussion of the report by the committee.
    - The meeting may be held in executive session in accordance with state law.

**C. BOARD OPERATIONS:**

1. The provisions of this section are to describe the manner in which the board will conduct themselves so as to ensure efficient board operations.
2. Where there is a conflict between the provisions in this section and the provisions of state law, state law will prevail.
3. **Officers**
  - a. Election of chair and vice chair will occur at the January meeting.
    - i A trustee who wishes to serve as chair or vice chair, and has served on the board for at least two (2) years, may be nominated. A trustee wishing to serve as a committee chair or specific committee member will have the opportunity to announce or document his/her interest in the position.

- A list of those nominated for the respective positions and a ballot form will be provided to each trustee. All ballots will be read aloud in accordance with State open meeting laws. (R.S. 42:12 et seq.) This includes announcing each trustee and for whom he/she voted.
- The ballots for chair will be submitted first, and then the results of the election will be announced before voting begins for the vice chair position. For both positions, votes may be cast for any eligible trustee, even if he/she was not nominated.
- A ballot is not required for uncontested elections.
- Election for chair and vice chair shall be by a majority vote of the members present, but in no case shall a decision be approved with less than four (4) votes. (R.S. 11:513.C) If no one candidate receives such a majority then those receiving plurality will run off until a majority is achieved. All trustees choosing to abstain from voting will be counted as a member present when determining majority.
- ii** Following the January meeting, committee chairs and members will be selected in accordance with the Board Leadership Charter.
- iii** In the event of a vacancy in the office of the chair, the vice chair will serve until the first meeting the following January. (R.S. 11:513.A)
- iv** The board chair will preside at all meetings of the board. If the board chair is not present at a meeting, the vice chair will preside at that meeting. (R.S. 11:513.A)
- v** The executive director, or designee, shall serve as secretary to the board, carrying out the duties established in the Charter for the Executive Director.

#### **4. Board Meetings**

- a.** Regular meetings of the board shall be held monthly at a time and place determined by the board. (R.S. 11:513.B) The board will approve a schedule of meetings before the end of each calendar year for the following calendar year. Notice of regular meetings shall be given to trustees and the public in accordance with R.S. 42:19 et seq.
  - i** The schedule may be modified by the board as necessary, and timely notice must be provided to trustees and public in accordance with R.S. 42:19 et seq.
  - ii** The board chair or board majority may call special meetings or cancel regular meetings, given notice is provided in accordance with R.S. 42:19 et seq.
- b.** Committees
  - i** The standing committees of the board are as follows: audit committee, investment committee, legislative committee, and management committee.
  - ii** The board may approve the establishment of ad hoc committees, provided that responsibilities of ad hoc committees do not overlap those of the standing committees.
  - iii** Ad hoc committee meetings shall be scheduled as needed by the chair of the respective committee. Timely notice of the meetings shall be given to the ad hoc committee members.



- ii The board shall follow *Robert's Rules of Order* in conducting its meetings, to the extent not changed by the board,

**g. Executive Session**

- i The board may conduct business in executive session, which will be closed to the public, for the sole purpose of considering matters set forth in R.S. 42:17.

**h. Minutes**

- i The secretary will prepare minutes for all board and committee meetings, recording at a minimum:
  - the date, time, and place of each meeting;
  - the names of trustees, staff, vendor representatives, and other invited guests or speakers present at the meeting;
  - each item considered, and the actions of the board giving the ayes and nays for all votes, except when the action is unanimous, and when a member's dissent or approval with reasons, and sufficient other details to evidence the board's due diligence concerning the action taken; and
  - any other item requested by the board to be included.
- ii The secretary will ensure board and committee minutes are presented for approval at the next regular board meeting. The board secretary will sign the approved board minutes. The minutes will then be preserved as part of the permanent LASERS record, and are open to public inspection. Board proceedings will generally be recorded on electronic media except for certain matters pertaining to internal audit, external audit, and investment committee. Tapes (or media used to record proceedings) will be kept in accordance with R.S.44.1.

**i. Emergency Situations**

In the event of an Act of God or other circumstances beyond the control of the board prevents compliance with timelines set forth in this policy, the board shall fulfill its responsibilities as soon as practicable.

**APPENDIX 1**

Governance Reports

Report Name	Frequency	Presented By	Description and Purpose of Report
Board Performance Evaluation	Annually	Board Chair	Summarizes the results of the Board's performance self-evaluation, including follow-up actions
Executive Director Evaluation	Annually	Board Chair in conjunction with Management Committee Chair	Summarizes the performance assessment of the Executive Director
Annual Governance Report	Annually	Staff	A summary confirmation of compliance with charters and policies of the Board
Trustee Education Report	Annually	Staff	Summarizes the activities of the Board with respect to education, and comments on the appropriateness of various educational programs or tools
Conflict of Interest Affirmation and Campaign Contribution Disclosure	Annually	Audit Committee	Summarizes affirmation by trustees that they are in compliance with relevant state and LASERS conflict of interest policies, or declares areas of non-compliance and discloses campaign contributions

Staff Reports (Oral Reports)

Report Name	Frequency	Presented By	Description and Purpose of Report
Executive Director's Report	Monthly	Executive Director	Updates the Board on significant matters not reported in routine reports, or in other staff or committee reports
Market and Portfolio Update	Each Investment Committee meeting	Staff	Updates the Board on significant investment matters not reported in routine reports
Legislative Update	Periodically	Staff	Updates the Board on significant legislative developments, proposals or changes affecting LASERS
Litigation Report	As required; Minimum of Annually	Legal counsel	Updates the Board on significant legal developments affecting LASERS, and on ongoing litigation
Member Services Division	Each board meeting	Staff	Review of significant issues regarding activity within the Benefits Division

## Investments & Funding Reports

Report Name	Frequency	Presented By	Description and Purpose of Report
Investment Performance	Quarterly	Staff	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 using attribution analysis
Investment Manager Compliance	Quarterly	Staff	Confirms that internal and external investment managers are investing plan assets in accordance with their mandate, investment agreement, regulatory requirements and LASERS policy
Investment Cost Effectiveness	At least every 2 years	Staff / TUCS	Evaluates the costs of the investment program, and compares it to an appropriate peer group
Report on Brokerage Commissions	Annually	Staff / Zeno	Evaluates the costs and efficiency of LASERS' trading activities
Proxy Voting	Annually	Staff	Confirms compliance with the Board's proxy voting policy, and summarizes how LASERS exercised its voting rights in public companies
Actuarial Valuation	Annually	Actuary	Summarizes the results of the actuarial valuation for LASERS, together with any recommendations
Asset and Liability Study	At least every five years	Investment Consultant	A study of the relationship between LASERS' assets and liabilities to determine the appropriateness of LASERS' asset allocation policy
Actuarial Experience study	Every five 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 and mortality rates
Internal Portfolio Review	Annually	Investment Consultant	Reviews compliance with investment policies and procedures developed for the particular strategy and performance measures

\*\* UNLESS LASERS HAS RECENTLY 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

Report Name	Frequency	Presented By	Description and Purpose of Report
Project Status Report	Semi-Annually	Staff	Summarizes the status of each initiative contained in the annual business plan
Budget Variance	Quarterly	Staff	Summarizes the actual spending against the operating budget, including explanations for material variances
External Audit	Annually	Audit Committee	Confirms that the financial statements present fairly, in all materials respects, the financial status of LASERS, in accordance with generally accepted accounting principles
Annual Financial Report	Annually	Staff	Reviews the operations and activities of LASERS during the last fiscal year. The financial statements shall be part of the annual report and indicate the financial position of LASERS
Service Quality	Annually	Staff	Monitors service quality of the administrative staff against predetermined benchmarks
Service Provider Evaluations	At expiration of contract	Staff	Evaluates the performance and effectiveness of the external service providers