




## RETIREMENT BOARD POLICY AND REFERENCE MANUAL

<b>SUBJECT:</b> ADMINISTRATIVE OVERSIGHT	<b>Section:</b> 2-3 <b>Date Adopted/Revised:</b> 8/23/2016
<b>SYSTEM(S):</b> JOINT	<b>Approved:</b>  Retirement Administrator

### PURPOSE

The Retirement Boards are fiduciaries and, as such, owe a duty of care to all system members and retirees. This duty includes evaluations of professional service providers and extends to appropriate supervision of the administrative functions performed by the retirement administrator and the staff of the retirement office.

This Administrative Oversight Policy is intended to satisfy the duty of the Boards with respect to its administrative oversight responsibilities.

### POLICY

#### A. Evaluation of Professional Service Providers

The Retirement Boards and staff shall be responsible for ongoing performance evaluations of each professional service provider. The Boards shall also review the amount of compensation being paid to each professional service provider. The Retirement Administrator shall submit any negative or unsatisfactory evaluation to the Boards for their consideration and any appropriate action.

#### B. Financial Reporting Activities

1. The Boards through a request-for-proposal process shall retain an Independent Auditor who is a certified public accountant and who is experienced in the auditing of public retirement systems.
2. The Boards shall direct that a financial audit of the retirement systems be performed annually.

3. The Boards shall require the Independent Auditor in the course of preparing the Independent Auditor's Report with respect to the annual financial statements to review the internal control systems of the retirement administration.
4. The Boards shall request the Independent Auditor to provide a written management letter directly to the Boards detailing any financial issues relating to operations which came to the attention of the auditor during its audit of the systems' records.
5. The Independent Auditor shall present the Independent Auditor's Report and Management Letter relating to the financial statements and summarize the contents of the management letter to the Retirement Boards at a regularly scheduled meeting.
6. The Boards shall request a written response from the retirement administrator concerning the items listed on the Independent Auditor's management letter.
7. The Retirement Administrator shall on a monthly basis report to the Boards concerning the status of the efforts to address the issues, if any, listed in the Independent Auditor's management letter.

**C. Contacts with Regulatory Agencies**

1. The Retirement Administrator is to immediately report to the Board Chairs any non-routine contact from a regulatory agency, including but not limited to the state controller's office, a local grand jury, and the district attorney's office and shall report to the Boards concerning each such contact at the Boards' next regularly scheduled meeting.
2. The Boards shall take such action as the circumstances warrant.

**D. Contacts from Federal or State Tax Authorities**

1. The Retirement Administrator shall immediately notify the Board Chairs of any contact, whether written or oral, from a federal or state tax official and shall notify the Boards of any such contact at the Boards' next regularly scheduled meeting.
2. This notification requirement includes but is not limited to tax audit notices and tax penalty assessments.

3. The Boards shall review the issue and direct that an appropriate response be given to the agency issuing the notice.
4. The Boards shall thereafter be provided with periodic status updates concerning each such contact.

**E. System Cash Disbursements**

The Retirement Administrator shall present to the Retirement Board on at least a quarterly basis, a listing of Trust payments made to each professional service provider, including but not limited to the systems' actuary, auditor, legal counsel, investment consultant, and investment manager.

**F. Budgets And Operating Expenses**

The Retirement Boards shall annually during the budget preparation process, review the actual operating costs incurred by the Systems and shall consider budget recommendations.

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1. *Adopted 10/13/99*
  2. *Amended paragraph A, revised 12/12/2007.*
  3. *Amended deleting Committee structure, revised 2/8/2012.*
  4. *Amended formatting to paragraphs E and F, revised 8/23/2016.*