

ARLINGTON COUNTY EMPLOYEES'
RETIREMENT SYSTEM (ACERS)
GOVERNANCE MANUAL



ARLINGTON
VIRGINIA

Contents

| | |
|---|----|
| Purpose..... | 3 |
| Fiduciary Duty..... | 3 |
| Policies and Procedures | 4 |
| Validity of Policies and Procedures | 4 |
| Amendments..... | 4 |
| Approval by the Board..... | 4 |
| Board Authority and Composition..... | 4 |
| Meetings | 5 |
| Substitute Trustee Participation..... | 5 |
| Removal of Trustee for Low Attendance | 5 |
| Conflicts of Interest | 6 |
| Standards of Conduct..... | 6 |
| Ethics..... | 7 |
| Education and Training | 7 |
| Document Execution..... | 8 |
| Authority to Sign Warrants & Authorize Transfers | 8 |
| Appendix..... | 9 |
| Personnel Policies..... | 9 |
| Annual Review..... | 9 |
| Purchasing | 9 |
| Travel and Expenses..... | 10 |
| References | 10 |
| Purchasing Manual | 10 |
| Purchasing (P-Card)..... | 10 |
| Travel Policy | 10 |
| Arlington County Board Policies and Procedures Manual | 10 |

Purpose

This Governance Manual is established to set forth the policies and procedures by which the Arlington County Employees' Retirement System (ACERS) Board of Trustees will fulfill its duties.

In addition to duties set forth by statute, the ACERS Board of Trustees is bound by fiduciary duties, which can be divided into two categories:

- Duty of care – the responsibility to administer the fund efficiently and properly, including financial sustainability of the fund design and funding practices
- Duty of prudence – the obligation to act prudently in exercising power or discretion over the interests that are the subject of the fiduciary relationship.

While each Trustee does not need to be a financial or investment expert, this manual is intended to encourage all Trustees to be familiar with the System and any relevant investment information so they may comply with their obligations as fiduciaries of the System, including Arlington County Code § 46-22 which states in part:

- "The Board shall invest the assets of the system with care, skill, prudence, and diligence under the circumstances prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

Fiduciary Duty

- Every Board Trustee and employee who is a fiduciary must be accountable for their responsibility as a fiduciary as outlined in the Code of Virginia § 51.1-803, which provides that: "Any funds that may be allocated, segregated, or otherwise designated for the retirement system, which are on hand at any time and are not necessary for immediate payment of pensions or benefits, shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct on an enterprise of like character and with the same aims. Such investments shall be diversified to minimize the risk of large losses unless it is clearly prudent not to do so under the circumstances. The selection of services related to the management, purchase, or sale of investments authorized by this section, including but not limited to actuarial services, shall be governed by the standard of care set forth and shall not be subject to the provisions of the Virginia Public Procurement Act (§2.2-4300 et seq.) of Title 2.2."
- Each fiduciary shall discharge their duties solely in the interest of the members, participants, and beneficiaries to provide benefits to the members, participants, and beneficiaries. Each fiduciary must treat all members, participants, and beneficiaries fairly, objectively, and impartially.
- A Trustee's loyalty must generally be to the System's members, beneficiaries, and participants and not to the source of their appointment.
- Each fiduciary has a duty to the members, beneficiaries, and participants of the System as a whole and not to individuals or groups of individuals.
- Each Trustee is responsible for maintaining a continuing awareness of the actions and activities of the Board and its committees. Trustees should attend and actively participate in meetings of the Board or any committee(s) they are a member of.
- Every Trustee has a duty to make informed, knowledgeable, and prudent decisions. As preparation, each Trustee is encouraged to take advantage of educational and training opportunities, at System expense, as provided for in the approved budget.

Policies and Procedures

The Arlington County Code (Code §46-15, §21-15 & §35-14) provides the Board of Trustees with the authority to establish rules and regulations for the transaction of its business. The Board has determined that the adoption of such rules and regulations will promote the effective and efficient operation of the Retirement System. Specifically, the Board will act to establish (and thereafter may amend) written "ACERS Policies and Procedures." Copies of the ACERS Policies and Procedures are available on the ACERS webpage and will also be provided to interested parties upon request.

Validity of Policies and Procedures

If any provision of the ACERS Policies and Procedures conflicts with any provision(s) of the Code of Virginia or the Code of Arlington County, the Code provision(s) will take precedence.

Suppose a provision of the ACERS Policies and Procedures is deemed invalid due to its conflict with a Code provision. In that case, the remaining provisions will continue in full force and effect.

Amendments

Any ACERS policy and procedure, in whole or part, may be altered, amended, modified, and rescinded. A new policy or procedure may be adopted in lieu thereof, provided that a copy of the proposed amendment is distributed to Trustees in writing at least ten business days preceding the Board meeting at which the vote to take such action occurs.

In the case of urgent and extraordinary circumstances requiring the immediate action of the Board, the Board may amend a policy or procedure at the same meeting at which the proposed amendment is introduced, provided that such action is by a supermajority (two-thirds). Furthermore, any such amendment must be reconsidered at the next Board meeting. Only if at least four Trustees reaffirm it shall such amendment become part of the ACERS Policies and Procedures.

Approval by the Board

Approval of any Board resolution, action, policy, procedure, or decision requires an affirmative vote of at least four Trustees. A quorum for a Board Meeting is achieved when at least four Trustees who can vote are present. Voting by proxy is not allowed.

To facilitate the orderly conduct of its meetings, the Board will follow the procedures in the current edition of **Roberts Rules of Order** at all Board and Committee Meetings.

Board Authority and Composition

The Arlington County Code (Code §46-10, §21-10 & §35-9) vests the Board of Trustees, the sound management and investment of the System's funds.

The Arlington County code (Code §46-12, §21-12 & §35-11) establishes the composition of the Board of Trustees, including organization and terms of office. The Board shall consist of seven (7) trustees as follows: Three (3) trustees appointed by the County Board; one (1) trustee appointed by the County Manager; one (1) trustee who is an active employee and a member of the Arlington County Retirement System elected by police officers, firefighters, and deputy sheriffs; one (1) trustee who is currently receiving retirement benefits from the Arlington County Retirement System elected by the retired members; and one (1) trustee who is an active employee and member of the Arlington County Retirement System elected by employees not represented by another elected trustee.

The Arlington County Code (Code §46.12) provides that the Board of Trustees shall annually elect one (1) of its members as President, one (1) as vice-president, one (1) as secretary, and appoint a treasurer, who may or may not be a trustee. Trustees currently serve four (4) year terms. The Board has determined that there is also a need for an assistant treasurer to act when the treasurer is unavailable, who may or may not be a Trustee.

A trustee may hold multiple officer positions at the Trustees' discretion; however, no officer can be both President and vice president. Elections for these five positions will be conducted annually every October. Following discussion at the board meeting of suitable and willing candidates, a call for nominations will be made until there are no more. The nominations will be brought to a vote until a candidate is approved. When voting for multiple candidates, the candidate receiving the lowest number of votes for each round will be eliminated from consideration.

If an officer resigns by giving notice to the Board or deems a position vacant, then the Board shall hold a new election for the remainder of the term of office.

Only active, vested employees of the Retirement System are eligible to be elected trustees to the Retirement Board to represent employees. To represent retirees, a trustee must be an Arlington County retiree themselves.

Meetings

Meetings of the Board will typically be held monthly and scheduled for the first Thursday of the month. The Board President will determine the appropriate meeting dates and times in consultation with staff and the Board.

If three or more Trustees, including Substitute Trustees, meet to discuss Board business, the meeting must be posted in advance per the Virginia Freedom of Information Act, and all rules applicable to meetings contained in that Act and the ACERS Policies and Procedures must be complied with.

Electronic meeting participation is permitted as outlined in the [remote meeting policy](#) and VA Code.

Substitute Trustee Participation

The Arlington County Code (Code §46-12 & §21-12) provides for Substitute Trustees for each elected Trustee. Substitute Trustees can participate in all discussions of the Board but may not vote unless the applicable regular Trustee is absent.

Removal of Trustee for Low Attendance

The Arlington County Code provides that the Retirement Board may recommend to the County Board to remove a Trustee or Substitute Trustee after being absent from three or more monthly board meetings in a calendar year. This policy recognizes that regular attendance is essential in carrying out the Board's fiduciary responsibilities. An affirmative vote of 6 Retirement Board members is required to recommend removal to the County Board.

The Executive Director shall notify the Board President or the Vice President of the absent Trustee as the President following the third absence of a Trustee or Substitute Trustee in a calendar year. The President or Vice President will contact the non-attending Trustee for an explanation. The non-attending Trustee will be allowed to present their answer directly to the Board. The Retirement Board will be presented with the findings to determine if any action is necessary.

Conflicts of Interest

Every Board Trustee and employee has a legal obligation to comply with the Code of Virginia - State and Local Government Conflict of Interests Act (§ 2.2-3100 thru § 2.2-3131).

A Trustee or employee who believes they have a potential conflict may request an advisory opinion from the Attorney for the Commonwealth of Virginia or the County Attorney for Arlington County. The Code states that "A local officer or employee shall not be prosecuted for a knowing violation of this chapter if the alleged violation resulted from his good faith reliance on a written opinion of the attorney for the Commonwealth made in response to his written request for such opinion and the opinion was made after a full disclosure of the facts. The written opinion shall be a public record and released upon request." (§ 2.2-3121).

Trustees must avoid any legally prohibited conflicts of interest and should avoid the appearance of a conflict of interest concerning their fiduciary responsibilities. A conflict of interest is a situation where a relationship exists that could reasonably be expected to diminish the independence of judgment in performance of official duties as a Trustee.

Under the State and Local Government Conflict of Interest Act, a Trustee must disclose to the entire Board when the Board is considering a matter concerning any investment, benefit, or other action in which the member has a "personal interest" and refrain when required from participating in the discussion concerning the action, including abstention from voting.

Trustees must not use their positions to obtain an advantage for themselves, family members, or close associates, nor engage in abuses of authority.

Trustees recognize that all ACERS business transactions are based on integrity, competence, and financial merit and benefit ACERS members, participants, and beneficiaries, not personal relationships.

Each Trustee and employee must annually file a disclosure statement of financial interest as required under Arlington County Code on the form specified in Chapter 40.1 of Title 2.1 of the Code of Virginia.

Standards of Conduct

All business and business negotiations should be conducted fairly and honestly. Trustees and employees shall refrain from engaging in conduct that would discredit and compromise the integrity of the Board and ACERS.

Individual Trustees are not to become involved in operational management. The Board as an entity may give orders and directions to the Executive Director but not to other employees of ACERS. The Board shall not instruct the Executive Director regarding the implementation of operational decisions or the day-to-day operation of ACERS.

No individual member of the Board shall give orders or directions to any employee of ACERS. This does not prohibit the Trustee from offering their opinion based on their expertise or experience.

Trustees' interaction with the public, press or other entities must recognize the inability of any Trustee or Trustees to speak for the Board unless specifically authorized to do so. Individual Trustees shall refer all proposals or other communications regarding potential or existing investments, contracts, or services directly to the President of the Board or to the Executive Director, as appropriate.

Whenever the Board is involved in the selection or employment of advisors, managers, consultants, contractors, or vendors, individual Trustees shall not communicate about that contract with any person

who may be under consideration in such a selection or hiring process before the actual selection or hiring except as authorized by the Board.

Any advisor, manager, consultant, contractor, or vendor is obligated to inform the Board of any inappropriate activities on the part of the Executive Director or employees.

Ethics

The ACERS Board of Trustees ("Board") is the Trustee of the funds of the Arlington County Employees' Retirement System (ACERS). As such, it is obligated to discharge all of its duties solely in the interest of the System's beneficiaries, members, and participants.

The Board believes that all members of the Board and all Board employees must conduct themselves in a manner that promotes public confidence and follows fundamental ethical principles of honesty, integrity, independence, fairness, openness, and competence in relations with retirees, members, the public, staff, and outside providers of goods and services.

The Board adopts the [CFA Institute Pension Trustee Code of Conduct](#), which outlines ten fundamental ethical principles that are universally applicable to pension plan trustees:

- 1) Act in good faith and in the best interests of the plan participants and beneficiaries.
- 2) Act with prudence and reasonable care.
- 3) Act with skill, competence, and diligence.
- 4) Maintain independence and objectivity by, among other actions, avoiding conflicts of interest, refraining from self-dealing, and refusing any gift that could reasonably be expected to affect their loyalty.
- 5) Abide by all applicable laws, rules, and regulations, including the terms of the plan documents.
- 6) Deal fairly, objectively, and impartially with all participants and beneficiaries.
- 7) Take actions that are consistent with the established mission of the plan and the policies that support that mission.
- 8) Review on a regular basis the efficiency and effectiveness of the plan's success in meeting its goals, including assessing the performance and actions of plan service providers, such as investment managers, consultants, and actuaries.
- 9) Maintain confidentiality of plan, participant, and beneficiary information.
- 10) Communicate with participants, beneficiaries, and supervisory authorities in a timely, accurate, and transparent manner

Education and Training

The purpose of education and training is to encourage Trustees, including Substitute Trustees, to take advantage of opportunities to expand their knowledge so they can most effectively serve as Trustees of the Arlington County Employees' Retirement System (ACERS). The following objectives and guidelines have been established:

- Access to ACERS policies and procedures is available on the County website. Including copies of the most current Chapters 21, 35, and 46 of the Arlington County Code, the Retirement Board Policies and Procedures, the ACERS Comprehensive Annual Financial Reports, the System's Actuarial Valuation, Plan Member Handbooks, Code of Virginia § 2.2-3100 et seq., and State and Local Government Conflict of Interest Act.

- Education and training sessions are scheduled with the Board to cover topics such as fiduciary responsibilities, investment process, asset allocation, risk management, and manager selection.
- Trustees are encouraged to attend conferences and industry events; a calendar will routinely be provided with pre-authorization required for attendance.

Document Execution

The Board authorizes the Executive Director to sign on behalf of the Board (a) all contracts which have been authorized by the Board, including contracts with investment managers and service providers that are subject to periodic renewal or update, and (b) all deeds and other documents incidental to transactions which the Board has authorized for the sale, lease, or purchase of real property.

The Secretary of the Board is authorized to certify Board actions taken at Board Meetings.

Authority to Sign Warrants & Authorize Transfers

The Board has decided that the interest of the System is best served by delegating the authority to sign warrants and authorize transfers for matters under the control of the Board, as follows: a warrant is defined as any order (such as an invoice, purchase order or letter of direction) that serves as authorization to the custodian of funds for payment or funding of a Board approved obligation. A transfer is a movement of investment funds from one account to another that remains under the control of an authorized custodian.

- The President, Vice President, the Secretary of the Board of Trustees, or the Executive Director can sign warrants for Retirement System expenditures and funding. The Treasurer or Assistant Treasurer of the Board of Trustees shall review and sign every such warrant for payment.
- The Executive Director is only authorized to sign warrants and authorize transfers for the following:
 - Warrants for operational expenses, including payments for budgeted administrative costs such as rent, postage, printing, copying, telephone service, travel expense, and other similar items as outlined in the annual budget approved by the Board.
 - Warrants for other expenses over \$500 after approval by the Board of Trustees.
 - Warrants and transfers for investment and professional services performed for the System, and transfers for the purchase or funding of investments authorized by the Board. The Assistant Director (Pension Investment Officer) is authorized to sign warrants and authorize transfers specified here.

Appendix

Personnel Policies

It is understood and agreed that, except as may be provided otherwise in the employment agreement, the personnel policies adhered to by the ACERS Board and applicable to all ACERS employees are the [personnel policies of the Arlington County Government](#).

Annual Review

Employees and staff's performance shall be reviewed no less than once each year on or before June 30, following performance objectives established by the ACERS Board and other criteria appropriate for the position to review and evaluate performance.

The ACERS Board may revise the performance objectives at each annual review and review Employees' performance during the following year. At each annual review, the ACERS Board shall consider whether the Executive Director's Employment Agreement terms should be modified, including salary and benefits. All compensation and other monetary benefits shall be subject to the annual budget and appropriation of funds by the ACERS Board. Any Agreement modifications shall be by written amendment of the Employment Agreement and approved by the ACERS Board

Purchasing

The Retirement Board intends to comply with the most recent published version of the [Arlington County Purchasing Resolution](#) and the applicable provisions of the Virginia Public Procurement Act.

§ 51.1-803 of the Virginia Code, Investments of Retirement Systems, sets forth the prudent person standard and excludes all investment advisory contracts from the Virginia Public Procurement Act as follows:

"The selection of services related to the management, purchase, or sale of investments authorized by this section, including but not limited to actuarial services, shall be governed by the standard of care outlined in this section and shall not be subject to the provisions of the Virginia Public Procurement Act (§ 2.2-4300 et seq.) of Title 2.2."

The Retirement Board executes contracts directly with investment managers, investment consultants, actuarial consultants, investment advisers, and banking and trust service providers. The cost will be established through a negotiated contract. Such agreements will be awarded through a competitive selection process based on an analysis of candidate contractors' ability to provide specified services. Performance criteria will be established, and the best candidate, as determined at the discretion of the Retirement Board, to meet those criteria will be selected.

For non-investment purchases and contracts, the purchasing limits will apply as outlined in the [Arlington County Purchasing Resolution](#).

All purchases must be within the annual budget or approved by the Board.

Procedure

When a bill is received, the Retirement staff checks for accuracy and submits the invoice along with a cover sheet to the Executive Director. The Executive Director and Board Treasurer must sign off on each invoice. The invoice is then entered into PRISM for payment. A request is sent to transfer the cash from the custodian bank to the operating disbursement account.

Only items to be used by Retirement Office staff or by members of the Retirement Board in fulfilling Retirement Office functions are to be ordered by and paid for through this process.

The Board will receive a quarterly budget versus the actual report by expense category for the year-to-date quarterly period.

[Travel and Expenses](#)

The Retirement Board intends to comply with the Arlington County Travel Policy for travel costs incurred by Trustees (including Substitute Trustees), staff, contractors, and consultants whom ACERS reimburses.

Expenses and travel must be authorized and fully disclosed to the Board. The expense reimbursement form is submitted, reviewed for compliance, and approved for payment.

[References](#)

[Purchasing Manual](#)

[Purchasing \(P-Card\)](#)

[Travel Policy](#)

[Arlington County Board Policies and Procedures Manual](#)