



Governance

Presented to the Finance Sub-Committee on Pensions

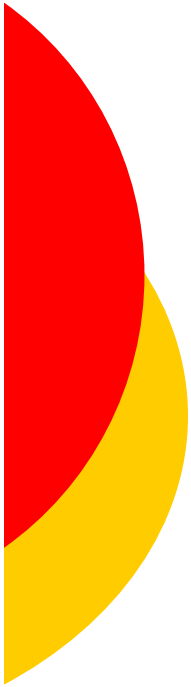
June 29, 2011

Commissioner Bridget Gainer, Chair



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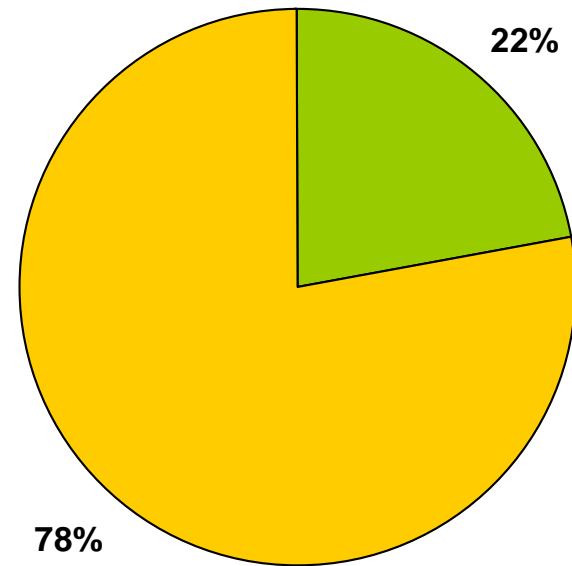
Cook County Pension Fund Board

Nine Member Board

- 4 Elected by Current Employees
 - 3 County Employees
 - 1 Forest Preserve Employee
- 3 Elected by Retirees
 - 2 County Retirees
 - 1 Forest Preserve Retiree
- 2 Appointed
 - 1 by the Treasurer
 - 1 by the Comptroller

Investment Committee

- Committee of the Whole





CCA&BF Board Duties, Qualifications and Elections

Duties

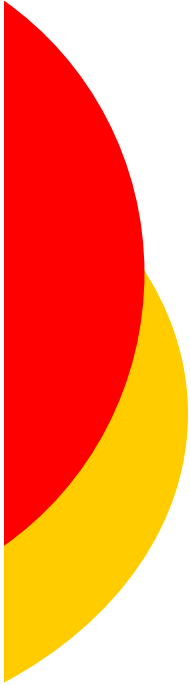
- Supervise Collections
- Notify Comptroller of Employee Salary Deductions
- Invest the Reserves
- Lend Securities
- To have an audit
- Authorize Payments
- Determine Service Credits
- Issue Certificates of prior service
- Submit an Annual Report
- Subpoena Witnesses
- Appoint Employees
- Make Rules to Administer Fund

Qualifications

- 5 years of Service

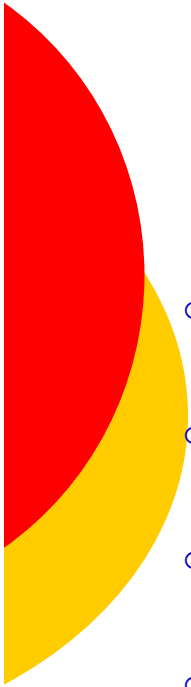
Elections

- Last Election
- 22,000 eligible voters
- 2,700 Votes
 - 1,200 in Person Voting
 - 1,500 by Mail Ballot out of 2,800 Requested



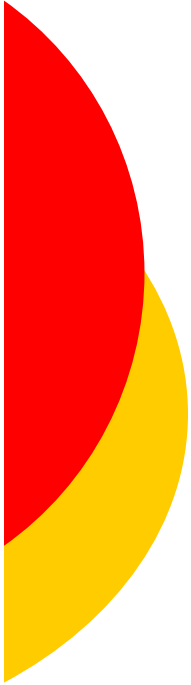
Types of Pension Fund Members

- **Elected Members:** Elected by active or retired members of the retirement system.
- **Ex Officio:** Members of the Board of Trustees by virtue of appointment or election to another public office. Example: County Treasurer.
- **Appointed:** Members appointed by the elected Chief Executive or Governing Body. Subject matter expertise can be required. i.e., investment, finance or actuarial. Also called “Public Appointments” based on duty to represent taxpayer interest in the performance of the pension fund, akin to independent directors on corporate boards.
- A study by the University of Michigan Found the Average Board was (Hess 2005):
 - 36% Elected
 - 15% Ex Officio
 - 44% Appointed
- The Same study found that the optimal level of elected board membership was a maximum of 47%



Board Composition: Local and National Funds

- **State of FL Retirement System:** 100% Ex Officio
- **Public Safety Retirement System AZ:** 75% appointed, 25% Elected
- **AZ State Retirement System:** 100% Appointed
- **LA County Board of Retirement:** 45% Appointed, 45% Elected, 10% Ex Officio
- **CALPERS:** 25% Appointed, 50% Elected, 25% Ex Officio
- **Iowa Public Employee Retirement Board:** 85% Appointed, 15% Ex Officio
- **NJ Public Employee Retirement System:** 35% Appointed, 65% Elected
- **TX County/District Retirement System:** 100% Appointed
- **Cook County Annuity & Benefit Fund:** 77% elected, 23% appointed
- **Municipal Employees and Benefit Fund of Chicago:** 60% Elected, 40% Ex Officio
- **Fireman's Annuity and Benefit Fund of Chicago:** 50% Elected. 50% Ex Officio: Fire Commissioner, City Treasurer, Comptroller, Clerk
- **Chicago Laborer's Pension and Welfare Fund:** 50% appointed by the Mayor, 50% appointed by the Laborers Union
- **Policeman Annuity and Benefit Fund of Chicago:** 50% Appointed, 50% Elected
- **IMRF:** 50% Elected by members, 50% elected by participating governments
- **IL State Employees:** 45% Appointed, 45% Elected, 10% Ex Officio
- **ISBI:** 55% appointed, 45% ex-officio



Other Funds Publicly Appointed Member's Qualifications

- **AZ State Retirement System:** Four of the members shall have at least ten years' substantial experience as any one or a combination of the following:
 - 1. A portfolio manager acting in a fiduciary capacity.
 - 2. A securities analyst.
 - 3. An employee or principal of a trust institution, investment organization or endowment fund acting either in a management or an investment related capacity.
 - 4. A chartered financial analyst in good standing as determined by the association for investment management and research.
 - 5. A professor at the university level teaching economics or investment related subjects.
 - 6. An economist.
 - 7. Any other professional engaged in the field of public or private finances.
- **Iowa Public Employees Retirement System:** Three public members, appointed by the Governor, who are not members of IPERS and who each have substantial institutional investment experience or substantial institutional financial experience.
- **Illinois Municipal Retirement Fund:** A nominee for executive trustee must be employed by an IMRF employer as a chief executive officer, chief finance officer, or other officer, executive or department head.



Results of Research Data

- The percentage of the board that is elected by members or serve ex-officio has a positive effect on funding level (or appearance of funding).
 - “asset allocation and the funding level decisions indicate member elected trustees are more focused on a stable, sustainable plan to provide future benefits as opposed to chasing higher returns through a riskier asset allocation.
 - The object of higher funding is strengthened by the presence of ex-officio trustees, who serve as part of their job responsibilities. (Harper 2008)
- ‘There are board characteristics that significantly correlated with investment manager outperformance..... The (greater the) length of the board term has a negative relationship with manager returns versus the benchmark.’ (Harper 2008)
- In the University of Michigan Study, “once the board consists of 47% member-elected trustees, there are diminishing returns to placing an additional member-elected trustee on the board.” (Hess 2005)
- Any board that operates effectively includes members who have a mix of skills, competencies, and behaviors, Board composition should reflect the varied interests of those responsible for funding the plan and should include plan participants and retirees, citizens of the governmental unit, and officers of the plan sponsor, as well as independent directors. This assures balanced deliberations and decision making. (GFOA 2010)



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http://www.state.il.us/SRS/SERS/Board_sers.htm

State of Florida Retirement System

<http://www.sbafla.com/fsb/TheFundsWeManage/tabid/731/Default.aspx>

AZ State Retirement System

<https://www.azasrs.gov/web/BoardTrustees.do>

Los Angeles County Board of Retirement

http://www.lacera.com/about_lacera/LACERA_Boards/board_structure.html

California Public Employees Retirement System

<http://en.wikipedia.org/wiki/CALPERS>

Texas County and District Retirement System

<https://www.tcdrs.org/AboutUs/Pages/Governance.asp>

Municipal Employees and Benefit Fund of Chicago

<http://www.meabf.org/faqs.php?id=27#answer>



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<http://www.nj.gov/treasury/pensions/96boards.shtml#persbd>

Illinois Municipal Retirement Fund

http://www.imrf.org/board/about_board.htm

Public Safety Personnel Retirement System of Arizona

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Iowa Public Employee Retirement System Investment Board

<http://www.ipers.org/investments/board/index.html>

The Fireman's Annuity and Benefit Fund of Chicago

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