In the Beginning... Trustee 101

Presented by
Lydia Lee and Peter Borkon
We’re not in Kansas anymore...

• How did we get here?
  • Statutory/City Ordinance
  • Plan Provisions
  • Election
  • Appointment
Who wants to be a Fiduciary?

What is a fiduciary?
- A legal obligation of one party to act in the best interest of another.

Who is a fiduciary?
- An entity or individual may be a fiduciary either by designation or by function:
  - Designation – any person or entity specifically named in the plan or trust document or any person or entity who agrees to be pursuant to contract
  - Function – any person, or entity that makes, or has the authority to make discretionary, administrative or investment decisions related to the plan.
Orientation – Setting Trustees Up for Success

- Establish Routes of communication
- Provide information about Fellow Board Members
- Recognize different backgrounds and experiences
- Written Training Manuals/ Copies of Resource Materials
- Session should include all senior staff members
- Emphasize all of the best practices
- Discussion of Code of Conduct
- Review a Sample Agenda
- Understand/Discuss Responsibilities
Orientation Manual

- Plan Documents/Statutes/Ordinances
  - Written Opinions (Internal Counsel, City Attorney, Internal Legal Counsel, Outside Counsel)
- Administrative Policies
- Actuarial Studies
- Investment Policy
- List of Investment Managers
- List of Outside Consultants
Orientation Discussion

- Communication styles
- Paths for communication
- How to disagree
- Courage to ask questions
- Administrative Hearings
- Disability Determinations
- Legal Precedents (Court cases, AG’s opinions, etc.)
- Clarity of roles
- Team development and training
Prior to First Board meeting...

- Complete Orientation
- Review Training Manuals and Resource Materials
- Read all Board Materials Provided
- Create strong policies and procedures
- Recognize different backgrounds and experiences
- Include all senior staff members
- Incorporate and emphasize all of the best practices
- Demonstrate and act as role model for Code of Conduct
- Ask Questions
Plan Documents/Statutes/Ordinances

- Complex but Essential
- Includes Applicable Internal Revenue Code Provisions (Federal Tax Implications)
- Open Meetings/Open Records
- Administrative Policies
- Who Creates
- Who Implements
- How Changed
Actuarial Studies

- How often reviewed/revised
- How is Actuary Selected
- Consequences of Study
- Impact of Study
  - Disseminated to Members and Beneficiaries
  - Disseminated to Governing/Legislative Body
Investment Policy/
List of Investment Managers

- Asset Allocation & Standards
- How often reviewed/revised
- Consequence of not meeting Policy Guidelines
- Manager Selection Process
- Formal Request for Proposals
- Established Criteria
- Quiet Periods Imposed
Qualities of A Strong Trustee

- Recognize, identify and validate all stake-holders
- Teach by Example/Create atmosphere of trust
- Be a Role-model
- Be inclusive
- Participate - attend
- Disclosures – third party relationships, nepotism, conflict, pay-to-play
- Be innovative - "Don't tell people how to do things, tell them what to do and let them surprise you with their results." George Patton
- Know when to be tough - "The art of leadership is saying no, not yes. It is very easy to say yes." Tony Blair
Effective Board Meetings

- Keep to the Agenda
- Stay Focused
- Maintain Leadership
- Maintain Professionalism
- Manage Conflicts
- Treat all with Courtesy and Respect - Be inclusive
- Ensure Due Process
- Properly manage Consent agendas
- Utilize Effective Committee Structure
Reliable Decision Making

- Prepare
  - Identify the goal of the decision or target of the solution
- Investigate
  - In-depth research on issues and factors for solution
- Consider alternatives
  - Critical/Creative thinking
- Implement
  - Apply the decision
- Evaluate
  - Get feedback and learn from the decision
Dedicated Evaluation Process

- Should be constant, consistent and dedicated
- Internal vs. External
- Good Evaluations include:
  - Staff Evaluation
  - Investment Evaluation
  - Policy Evaluation
  - Board Self-evaluation
  - Goal Evaluation
Successful Communication

- External Communication (Who and When)
  - With Stake-holders
  - With Public
  - With Regulators/Officials

- Internal Communications
  - Board
  - Staff
Protective Actions

- Utilize Effective Committees
- Adopt Code of Conduct
- Establish Effective Lines of Communications
- Follow the Process – law, rule, policy
- Research, Ask Questions
Protective Actions (cont.)

- Be Fair and Be Open
- Be Honest about Decision and Process
- Maintain professional relationship
- With Staff
- With Consultants/Vendors
Code of Conduct

- Understand Fiduciary Duties
- Understand Statutory Obligations
- Insist on the highest level of conduct from your staff/consultants/vendors
- Insist on the highest level of conduct from your fellow Board members
- No Conflicts
- See something, Say something
Questions?
Presented by:

Lydia Lee, Attorney at Law
Lieff Cabraser
Heimann & Bernstein, LLP
405-317-1195

Peter Borkon, Attorney at Law
Bleichmar Fonti & Auld, LLP
415-445-4007