

## Session

### **Minding the Store: An Overview of Fiduciary Responsibility**

#### Speakers

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- I. Who Is A Fiduciary?
  - a. Duty to act *for another's benefit*
  - b. Delegation of responsibility
  - c. Fiduciary liability
  
- II. Fiduciary Standards
  - a. Duty of loyalty – plan members and beneficiaries
  - b. Care, skill, and diligence – prudent person/expert
  - c. Diversification
  - d. Plan authority (statute, charter, ordinance)
  - e. Prohibited transactions
  
- III. Board Governance
  
- IV. Re-examination of governance provisions and policies
  - i. Separation of policy making from implementation
  - ii. Board composition
  - iii. Ethics/code of conduct
  - iv. Education/travel
  - v. Due diligence
  - vi. Transparency
  
- V. Education Revisited
  - i. Board composition
  - ii. Actuarial funding methodologies and assumptions
  - iii. Refocusing investment objectives with a greater understanding of investment risk and matching liabilities
  - iv. Long term plan viability
  - v. Understanding and reducing investment and management costs
  - vi. Scrutiny of investment professionals
  - vii. Pro-active vs. re-active
  
- VI. Getting the Numbers Right
  - a. Audited financial report
  - b. Actuarial valuation
  - c. Actuarial audit
  - d. Experience study
  
- VII. Defining the Gap
  - a. Actuarial projection report
  - b. Assumption regarding rate of return
  - c. Asset /liability study

## VIII. Developing the Solution

- a. Membership awareness - listening tour
- b. Transparency as the foundation
- c. Modeling alternatives - projection software
- d. Goals and objectives
  - i. Amortization period of unfunded liability
  - ii. Development of guiding principles:
    - 1. shared responsibility among members, retirees and employers
    - 2. intergenerational equity
    - 3. long-term sustainability
    - 4. preservation of the defined benefit plan
    - 5. maintaining the same benefit structure for PERA's different divisions

## IX. Disclosing the Solution

- a. Identify the magnitude of the problem
- b. Transparency
- c. Creditability
- d. Cost of delay
- e. Legal challenges
- f. Goals and objectives accomplished

## X. Implementing the Solution

- a. Clear communication of the impact
  - i. Who is effected
  - ii. When is the impact occurring
- b. Recognition of sacrifice
- c. New beginning
- d. Looking forward