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Trustee Succession Planning Policy

Purpose

1. The purpose of the Trustee succession planning policy is to mitigate the impact and enhance the opportunities that turnover among Trustees can have on ERFC's operations. While the Board of Trustees (Board) recognizes that it may not be able to prevent such turnover, through effective succession planning it can reduce the risks and impacts associated with the loss of those individuals. This policy is to provide a framework for the Board's succession planning efforts.

Succession Planning for the Board

2. To help ensure that there will be a smooth and effective transition when new Trustees join the Board, the Board will undertake the following measures.
 - a. A description of the expectations and duties of Board members will be maintained in the Board's Trustee Handbook and made available to all candidates seeking election or appointment to the Board. Such description will include, at a minimum:
 - i. Material describing the fiduciary duties of Trustees;
 - ii. Applicable Board policies;
 - iii. A schedule of Board meetings; and
 - iv. An estimate of the expected time commitment on the part of Trustees.
 - b. The Board will establish and periodically review a list of preferred skills and attributes necessary for individuals to be effective Trustees (Appendix A).
 - c. Trustees will seek to identify individuals possessing the preferred skills and attributes and encourage them to seek election or appointment to the Board.
 - d. Trustees who have determined that they will not seek re-election or re-appointment to the Board are encouraged to inform the Board in a timely manner to allow it ample time to seek candidates for the position.



- e. Newly elected or appointed Trustees will be encouraged to attend at least one meeting of the Board or its committees as observers prior to officially taking office, if possible, in order to familiarize themselves with the Board's processes.
- f. The ERFC will maintain an up-to-date history of key decisions of the Board and other significant events affecting it, and will provide that history to new Trustees once they have assumed office.
- g. The Board will provide an in-depth Trustee orientation session for newly elected or appointed Trustees prior to the Trustee officially taking office. The orientation session will cover the following topics:
 - i. Enabling ordinance and benefit structure history
 - ii. Board procedures, policies and Standards of Conduct
 - iii. Strategic Plan
 - iv. Investment Policy Guidelines
 - v. Trustee fiduciary duties and obligations under Virginia's Freedom of Information Act and Public Records Act
 - vi. Consolidated Annual Financial Report, actuarial valuation, Plan document and regulations and other Board meeting reports
- h. The Board will strive to provide continuing support to new Trustees in addition to the educational opportunities provided in the Board Education Policy.

Policy Review

- 3. The Board will review this policy at least once every three years to ensure that it remains relevant and appropriate.

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Appendix A

Succession Planning for the Board

2.b. The Board will establish and periodically review a list of preferred skills and attributes necessary for individuals to be effective Trustees.

The ERFC Board of Trustees should be seen as balanced in its skills and representative of the diversity of its members. Collectively, the varied backgrounds and experiences each Trustee brings to the group result in a multi-skilled and multi-talented Board that possesses the requisite collective skills and expertise to be an effective governing body.

Preferred skills and attributes necessary for an individual to be an effective Trustee include:

1. Ability to effectively collaborate in developing the Board's strategic plan and executing that plan. The effective Trustee helps the Board function efficiently, prudently selects and manages investments, operates the fund cost effectively, ensures ERFC maintains high-quality customer service and operations and that the organization is a reliable source of information for its members.
2. Freedom from conflicts of interests. The effective Trustee is willing to work solely for the benefit of the membership, the plan and the fund. The Trustee shares the values of the Board and works together constructively with the Trustees to achieve their objectives. The Trustee agrees to the culture of compliance with applicable laws, regulations and organizational policies.
3. Open and accountable in fairly balancing stakeholder interests. Stakeholder interests include those of the ERFC members, retirees, the School Board, FCPS administration and taxpayers. The Board is expected to be appropriately open, straightforward, timely and constructive in the way key decisions are made and publicly disclosed.
4. Willingness to establish clarity between the Board and management roles, and institute clear delegation from the Board to the staff. This attribute includes ensuring that the ERFC organization has the necessary human and technical resources to carry out its duties and responsibilities.
5. Appreciation of the risk preferences and tolerances of the fund. The effective Trustee values the importance of consistently monitoring and reporting on risk exposures in the fund and is willing to enact measures to mitigate and control these risks.
6. Respect for a required long-term view of the needs of ERFC members. The Board integrates short-term and long-term perspectives on assets and liabilities to ensure the financial soundness of the fund and effective retirement solutions for its members and FCPS. The effective Trustee is alert to unintended negative consequences of short-term

7. decisions. The effective Trustee is able to serve multiple board terms. Loss of institutional memory and lack of Board continuity has the potential for negative outcomes.
8. Commitment to further education in pension-related areas. The general topic areas for appropriate education are outlined in the Board Education Policy. The effective Trustee participates in the Board's annual assessment of its skill development and core competencies.

Trustee Qualifications

There are a number of fundamental qualifications which should be used as a basis for identifying individuals who possess the above preferred skills and attributes to be an effective Trustee. They include:

1. Prior experience on a Board or committee, which will assist the Trustee in operating in a complex and demanding environment;
2. Demonstration of prior exposure to pension issues whether through association work, administrative responsibilities or other activities;
3. A track record of working cooperatively with others and providing leadership in a group setting;
4. An ability to exercise sound judgment and to problem solve in the execution of his/her fiduciary responsibilities;
5. A high standard of personal values and ethics, and an ability to respect the confidentiality of the Board's deliberations;
6. An ability to effectively communicate;
7. A willingness to fulfill the time commitment necessary to attend to the duties required of a Trustee;
8. A familiarity with ERFC and the commitment to receive the training and education required to be an effective Trustee.

The average time commitment for a Trustee for meetings, including preparation time, travel and education, is 10-15 days per year. Additional time is required for a Trustee who serves as the Board Chairperson, Vice Chairperson or Treasurer.