

MEMORANDUM

Date: November 26, 2013

To: Board of Retirement
Marilyn Leedom, Retirement Chief Executive Officer

From: Karen Levy, General Counsel

Subject: Board Authorization of Travel Expenses

Recommendations

- (1) Consider and take possible action to authorize "economy plus" travel to London for an investment on-site visit in the event the Board determines that this is a reasonable and necessary expense of the administration of the fund
- (2) Consider and take possible action to authorize Southwest "early check in fee" in the event the Board determines that this is a reasonable and necessary expense of the administration of the fund

Discussion

The CCCERA Board of Retirement recently raised an issue regarding authorization of the following travel expenses:

1. Payment for additional costs for "economy plus" travel to London to conduct a due diligence on-site visit with an investment manager selected by the Board on October 23, 2013. The additional fee for "economy plus" varies depending on the carrier and the particular flights selected.
2. Payment for Southwest "early check in fee" for all Board members and staff. According to the Southwest website, "early check in fee" is currently a \$12.50 one-way charge for automatic check-in before ordinary 24-hour check-in.



The following summary sets forth the legal provisions regarding expenses, as well as the Board's current policies regarding travel reimbursement and due diligence "on-site" visits with investment managers, which we hope would be helpful to the Board in considering these items.

The California Constitution charges the Retirement Board with the sole and exclusive authority and responsibility for administration of the retirement system's trust fund. (Calif. Const. Art. XVI, Section 17, Calif. Gov. Code Sections 31520, 31580.2.) In order to fulfill its duty to invest prudently and to ensure the prompt delivery of benefits, the Retirement Board must approve certain travel and related expenses so that Board members and staff may attend conferences and meetings that the Board determined are necessary, educational, or needed for the system's exercise of due diligence before entering into contract with investment managers. With regards to investment due diligence, the Board has adopted an Investment Manager On Site Visits Policy, which establishes guidelines for visits by Board members to the office of investment managers in order to better determine whether the investment manager's offices appear competent and able to properly serve CCCERA.

The Board is authorized by the Constitution to defray expenses of administering the system, including those expenses related to the Board's exercise of due diligence in hiring investment managers, upon the finding that the expenses are "reasonable." Pursuant to Government Code Section 53232.3, reimbursement for expenses such as meals, lodging, and travel is limited to "actual and necessary expenses incurred in the performance of official duties."

Reimbursement for the items at issue here would only be authorized, therefore, if they are determined to be reasonable expenses of administering the Retirement System, and reflect necessary expenses incurred in the performance of the Board's official duties.



MEMORANDUM

Date: November 26, 2013
To: Board of Retirement
From: Marilyn Leedom, Retirement CEO
Subject: Travel Policy Changes

The memo from Retirement General Counsel outlined the two travel-related issues the Board requested to add to the CCCERA Travel Policy. If the Board determines that these two items are reasonable expenses of administering the Retirement System, and reflect necessary expenses incurred in the performance of the Board's official duties, then we propose the following amendments to the Travel Policy:

"V. REIMBURSABLE EXPENSES

A. Transportation

1. In all cases, the most reasonable and cost effective mode of travel should be chosen.
2. Personal auto mileage will be reimbursed at the prevailing IRS rate, except that personal auto mileage for the Chief Executive Officer will be reimbursed at the rate paid to County department heads. In no event shall personal auto mileage reimbursement exceed the cost of round trip airfare plus reasonable expenses associated with air travel.
3. Air travel will be reimbursed at **coach/economy** class rate, not to exceed the actual amount paid. **For international scheduled flights having a scheduled non-stop flight time of six hours or more, CCCERA will reimburse the additional cost of coach/economy class seats advertised as having additional leg room (i.e., economy plus). Incidentals such as checked luggage and "early bird check in" will be reimbursed by CCCERA.**
4. Public transportation will be reimbursed at actual cost.
5. If a member of the Board or staff travels by an indirect route for his/her own convenience (including when traveling by automobile instead of by available air craft) and incurs additional food and/or lodging expenses, any extra cost shall be borne by the traveler and reimbursement for expense shall be based only on such charges as would have been incurred by the most direct and usually traveled route and method.

6. A rental car may be considered if the use of such is less than or equal to the cost of public transportation, including taxis and shuttles, or if public transportation is clearly inadequate. “