

Date: September 18, 2024
To: Board of Retirement
From: Doris L. Rentschler, Executive Director
Subject: Succession Plan Policy

Recommended Action:

Adopt the policy as presented, or as amended by the Board.

Fiscal and Financial Impacts:

There is no fiscal impact to adopting this policy.

Strategic Plan Importance and Risk Assessment:

This item directly relates to the Board's Strategic Plan (Goal 3, Objective D) to develop and implement succession strategies for staff and the Board, to the extent possible.

Background and Discussion:

This policy was developed using the succession planning process outlined in the August 2024 Retirement Board presentation to address both short-term coverage and permanent transitions, including guidelines for unexpected events. The planning process includes the following 5-steps:

1. Identify critical roles
2. Develop succession strategies and identify sources of candidates
3. Preparation of the organization to minimize disruption in essential functions
4. Establish processes and guidelines for coverage and transitions
5. Monitor and update the plan

While the policy addresses three critical roles within MCERA, the Executive Director, Retirement Finance Investment Officer and the Retirement Analyst, the fact that the Retirement Specialist series is not included in the policy does not mean that the work performed by those positions isn't vital to MCERA's ability to service our members. The Retirement Specialist series offer a greater opportunity to have qualified internal candidates to pull from in the event of an absence or vacancy since 50% of MCERA's positions are in the Retirement Specialist classification.

The policy mitigates risks associated with absences and vacancies and provides a framework to manage those events.

Attachment(s):

1. Succession Plan Policy

MCERA SUCCESSION PLANNING POLICY

I. PURPOSE AND BACKGROUND

This policy establishes succession plan procedures and guidelines for absences and vacancies with respect to the identified critical roles of the Executive Director, Retirement Financial Investment Officer (RFIO), and Retirement Analyst.

While the MCERA Board has delegated to the Executive Director the authority to manage MCERA personnel on a day-to-day basis, the Board is nevertheless responsible for providing oversight of the human resources function. An important element of this responsibility involves succession planning to minimize issues stemming from interruptions in critical roles.

MCERA follows requirements in Government Code Sections 31522.1, 31522.2, and 31522.6, which among other things, grants the Board the sole responsibility to hire and assess the permanent leadership needs of MCERA including the appointment of an Administrator (Executive Director) who is a good fit for MCERA's mission, vision, guiding principles, goals and objectives, and who has the skills necessary to lead the organization. The Board also authorizes administrative, clerical and investment personnel as required to accomplish the necessary work of the Board.

The Board recognizes that, compared to larger organizations, succession planning within MCERA may be constrained due to limited staffing size, available resources, and the statutory environment in which MCERA operates.

The Board hereby establishes this policy to provide general guidelines around succession planning to ensure that MCERA operations are continued with a minimum of disruption. The Board recognizes that even though MCERA is an independent legal entity with plenary authority granted to it under the California Constitution, its staff are County employees under State law. As a result, succession planning within MCERA needs to be consistent with County personnel rules, and State and Federal laws, including those laws that apply to public pension plans in California.

II. SUCCESSION PLANNING PRINCIPLES

Succession planning is a process and strategy for mitigating risks associated with leadership and business continuity in the organization's key and mission critical positions. Traditional succession planning focuses on development of internal candidates for critical positions as a way to safeguard the organization. This type of risk management ensures the functions of the organization's critical

positions are well understood. While the small size of MCERA’s staff hinders developing a broad pool of qualified internal candidates, the strategies contained in Section IV, Guidelines, address preparation of the organization for continuity of essential functions, and temporary and permanent succession options, including internal and external sources of candidates.

The Board and the Executive Director support the development and promotion of internal candidates wherever possible. The Executive Director shall include recommendations for the development of internal candidates and the organization.

Upon notification that an employee with a Critical Role will be on an extended absence, or will be leaving MCERA, the Executive Director may, with Board support, temporarily contract externally for specialized functions, with the goal of resuming employed administration as soon as practical upon return of the employee or upon the Board selecting a successor and the person assumes the duties of the position. The Board may consider temporarily subcontracting some organizational functions to a trained consultant or to other organization(s).

III. DEFINITIONS

- 1) Absence – an absence is expected to be of limited duration from which the incumbent is expected to return to active service.
- 2) Acting Assignment – a temporary assignment of an employee to a position in higher classification during the absence or vacancy of the permanent appointee.
- 3) Critical Role Criteria – the five criteria and ratings shown below are used to determine the priority ranking.

Critical Role Criteria
Urgency: The role is likely to be vacant soon.
Impact: A vacancy would immediately impact operations.
Skills: Role required specialized skills or knowledge.
Internal Talent: No internal candidates are ready for this role.
External Talent: Hiring externally for this role would be difficult.

Rating Scale
1. Not True
2. Slightly True
3. Somewhat True
4. Moderately True
5. Extremely True

- 4) Interim – the incumbent has left employment and an interim officer is placed in the position and serves through a period between permanent appointees. If a current employee is placed as interim appointee, the employee’s current position becomes vacant.
- 5) Out of Class Assignment – a temporary assignment, with a minimum duration of 2 weeks, of duties that are within a higher classification than the employee’s current position.

- 6) Priority Rating – indicates the priority to address the critical roles listed in the succession plan. The position with the highest sum of criteria rating points is the first priority, etc., unless circumstances (i.e., unexpected vacancy) change to create an immediate need. The priority ratings may change over time. The annual review of the Succession Plan includes reviewing the critical role criteria and priority rankings for key positions.
- 7) Vacancy – a vacancy is when the incumbent will not return to service.

IV. GUIDELINES

- 1) Applicability
 - a. The following critical roles are covered under this policy: the Executive Director, Retirement Financial Investment Officer (RFIO), and Retirement Analyst.
 - b. Acting assignment requires the employee to meet the minimum qualifications of the higher position.
 - c. An Out of Class assignment does not require the employee to meet the minimum qualifications of the higher position.
- 2) Responsibilities
 - a. The Executive Director shall be responsible for managing succession for key staff positions of the Executive Director, RFIO, and Retirement Analyst.
 - b. The Executive Director shall develop a succession plan for these key staff positions, including provisions that would apply in the event of concurrent vacancies in the positions of the Executive Director and RFIO.
 - c. The Executive Director shall be responsible for identifying potential sources for qualified candidates, such as positions suitable for promotion within MCERA, positions with a Plan Sponsor that reflect a comparable level of complexity and responsibility that may provide suitable candidates, and external sources, including current/former staff of CERL plans, recruiting firms, staffing agencies or other firms.
 - d. The Executive Director will review the succession plan with the Board at least annually, including outsourcing options, and sources of qualified potential candidates.
- 3) Preparations for Minimizing Disruptions
 - a. Cross-Training

The best defense against disruptions in operations caused by absences or vacancies is ensuring that more than one staff member is familiar with, and capable of performing essential key functions critical to MCERA operations.

Staff in critical roles covered by this policy are responsible for providing a list of key functions essential to MCERA's operations to the Executive Director and establishing cross-training protocols.

The Executive Director shall exercise best efforts to ensure staff are cross-trained in all key functions.

b. Process and Procedure Documents

Staff shall ensure that all key functions and processes are documented and that procedure documents are maintained in a timely manner.

4) Unplanned Events

Unplanned events may create an immediate need for coverage of a critical role before the Board has an opportunity to act. Therefore, to ensure stability of leadership for the organization, in the event of an unplanned event in the Executive Director role, the RFIO shall serve in an acting capacity, unless the Board otherwise determines.

As a risk management precaution, the Executive Director and the RFIO shall minimize traveling together, and where feasible, avoid traveling together for significant distances.

5) Absence – Limited Duration

a. Executive Director

In the event the Executive Director is temporarily unable to carry out his/her duties (e.g., due to illness), the RFIO shall assume the position and duties of Acting Executive Director until the Executive Director returns, or as the Board may otherwise determine.

The Board may fill the absence externally.

b. Retirement Financial Investment Officer

In the event the RFIO is temporarily unable to carry out his/her duties, a short-term absence may be covered by reassignment of RFIO duties between the Executive Director and the Retirement Analyst.

Since this is the only position performing accounting and investment functions for MCERA, depending on the expected duration of the absence, existing workloads,

staffing levels and specialized knowledge needed, the Executive Director may contract for services or seek to fill the absence externally.

c. Retirement Analyst

In the event the Retirement Analyst position is temporarily unable to carry out his/her duties, an absence may be covered by assignment of the Retirement Specialist II/III.

6) Vacancy

a. Executive Director

In the event of a vacancy or the Executive Director provides sufficient notice of resignation or intent to retire, the Board shall meet as soon as practical to determine if a search process should be conducted in accordance with section IV. 8. The Board may determine whether an Acting or Interim appointment is appropriate.

Consistent with paragraph IV.1.b., the RFIO shall serve as Acting Executive Director, or until the Board otherwise determines.

The Acting or Interim Executive Director would assume the duties of the Executive Director until the Board selects a successor and that the person assumes the duties of the position.

The Board may consider the need to contract for an interim Executive Director from outside the organization. This decision shall be guided in part, by internal candidates for the Executive Director position, the expected timeframe for recruiting and hiring a permanent Executive Director, and the management needs of the organization at the time of transition.

If the Board chooses to appoint the RFIO to the position of Interim Executive Director, which does not have civil service coverage, the RFIO position shall become vacant and the salary paid to the Interim Executive Director shall be set by the Board and fall within the salary range applicable to the position of Executive Director.

b. Retirement Financial Investment Officer

In the event of a vacancy or in the event the RFIO provides notice of resignation or intent to retire, the Executive Director will notify the Board and immediately begin the County recruitment process.

Duties of the RFIO will be reassigned to the Executive Director and the Retirement Analyst until the recruitment is completed and the position is filled.

Since this is the only position performing accounting and investment functions for MCERA, depending on existing workloads, staffing levels and specialized knowledge needed, the Executive Director may contract for services or seek to fill the absence externally, during the recruitment.

c. Retirement Analyst

In the event of a vacancy in the position of Retirement Analyst, or in the event the Retirement Analyst provides notice of resignation or intent to retire, the Executive Director will notify the Board and immediately begin the County recruitment process.

The first option to address a vacancy in the Retirement Analyst position would be to promote from within MCERA's Retirement Specialist III staff using a promotional recruitment. If there are no candidates in the Retirement Specialist III position ready for promotion to the Retirement Analyst position, the Executive Director will open a competitive County recruitment.

6) Concurrent Absences or Vacancies

a. Executive Director and Retirement Financial Investment Officer positions

Concurrent absences or vacancies in these positions will necessitate the use of outsourced services or external acting or interim candidates. The Board shall meet as soon as practical to initiate a search process for the Executive Director in accordance with section IV. 8., begin the County recruitment process for the RFIO, and assess outsourcing and external sources for coverage of essential duties.

The primary focus until the RFIO position can be filled would be completion of the routine accounting duties.

The Retirement Analyst can be assigned some duties of the RFIO and Executive Director.

7) Powers and Duties of Acting or Interim Positions

An Acting or Interim Executive Director shall have the powers and duties of the Executive Director and shall report and be accountable to the Retirement Board in a manner consistent with a permanent Executive Director.

In general, an Acting or Interim Executive Director will not make permanent selection of a candidate for RFIO to allow the permanent Executive Director to make that selection. In instances of hardship created by vacancies in the executive management positions, the Acting

or Interim Executive Director may, with Board approval, open a recruitment and fill the positions of RFIO or Retirement Analyst.

All other acting staff positions shall have the powers and duties of the position to which the person was assigned and shall report and be accountable to the Executive Director in a manner consistent with an individual serving in a permanent capacity for that position.

The Board shall take formal action to make any acting or interim appointments and shall notify staff and plan sponsors. If the individual serving as the Acting or Interim Executive Director or RFIO has not already been granted signature authority, the Retirement Board shall adopt a temporary signature authority resolution and notify entities in the conduct of MCREA business. Upon return of the incumbent or selection and appointment of a permanent successor, the Retirement Board shall rescind such authority.

8) Recruitment for the Executive Director

- a) The Retirement Board shall establish a Personnel Committee to be the responsible body for the oversight of the selection process for the position of Executive Director and will oversee the search process.
- b) The Personnel Committee may utilize a Request for Proposals/Request for Quotation to contract with a recruiting consultant. Staff and Board Counsel will assist the Personnel Committee through the procurement process to select the recruitment consultant.
- c) The Personnel Committee Chair, appropriate staff and Board Counsel shall work with County Human Resources to ensure that the recruitment is compliant with County personnel rules and guidelines and Equal Employment Opportunity (EEO) laws, as may be required.
- d) Any Board member interested in applying for a staff position within MCERA must refrain from discussing the matter with any other Board or staff member, and refrain from participating in Board or Committee deliberations regarding the position from the very inception of the matter. Failure to do so could give rise to a disqualifying conflict of interest.

9) Assignment Pay

- a) If an MCERA employee serves in an Out-of-Class or Acting capacity, he/she shall receive salary and benefits consistent with the County of Mendocino's policy for Temporary Out-of-Classification or Acting assignment, as appropriate, or as the law may otherwise provide.

V. POLICY REVIEW

This policy is subject to change in exercise of the Board's judgment. The Board shall review this policy at least every three years to ensure that it remains relevant and appropriate.

VI. POLICY HISTORY

This policy was adopted by the Board of Retirement on September 18, 2024.