

BOARD OF HIGHER EDUCATION
REQUEST FOR COMMITTEE AND BOARD ACTION

COMMITTEE: Fiscal Affairs and Administrative Policy **NO.:** FAAP 20-09
COMMITTEE DATE: December 10, 2019
BOARD DATE: January 10, 2020

ESTABLISHMENT OF AN INVESTMENT COMMITTEE FOR THE OPTIONAL RETIREMENT PROGRAM

MOVED: The Board of Higher Education hereby approves the Committee Charter establishing an investment committee for the Optional Retirement Program. The Board of Higher Education also hereby approves the Investment Policy Statement for said Committee.

VOTED: Motion adopted by FAAP 12/10/2019; adopted by BHE 1/10/2020.

Authority: M.G.L. c. 15A, Sections 6 and 40; 610 CMR 11

Contact: Thomas J. Simard, Deputy Commissioner for Administration & Finance

Background

Massachusetts General Laws Chapter 15A, Section 40 directs the Board of Higher Education to establish an Optional Retirement Program (the Plan). As the sponsor of the Plan, the Board and certain employees of the Department of Higher Education have fiduciary responsibility for the appropriate operation and administration of the Plan. The Plan, as approved and from time to time amended by the Board, identifies the Commissioner of Higher Education as the Plan Administrator, and delegates to the Commissioner the authority to administer the Plan, consistent with all applicable laws and fiduciary responsibilities.

The current environment in which these duties are executed requires greater formality and procedural oversight than in the past. Contemporary best practices include the establishment of a formal investment oversight committee and an Investment Policy Statement. (While the Plan presently has an Investment Policy Statement, it has not been revised in several years.) The proposed Investment Committee Charter and Investment Policy Statement were developed by the Department in close collaboration with the Plan's outside counsel and investment consulting firm. The Charter creates an Investment Committee, to be comprised of Department staff members and others as designated by the Commissioner, to select and monitor the investment offerings in the Plan. The Investment Committee will work with the Commissioner in furtherance of the Commissioner's responsibilities as the Plan Administrator, and consistent with best practices, to ensure that the offerings available to Plan participants are prudent, diversified, and reasonably priced. The Investment Policy Statement sets forth how and according to what guidelines the Investment Committee will do that work.

The creation of the Investment Committee, and its adherence to an updated Investment Policy Statement, will enable the Department to execute the responsibilities associated with the maintenance of a *bona fide* retirement plan in a more prudent manner, in keeping with its, the Commissioner's, and the Board's fiduciary duties.