



Date: June 15, 2026
To: Board of Retirement
From: Doris L. Rentschler, Executive Director
Subject: Acceptable Use of Artificial Intelligence Policy

Recommended Action:

Adopt the Acceptable Use of Artificial Intelligence (AI) Policy outlining permitted use of AI tools and systems as presented or as amended by the Board.

Fiscal and Financial Impacts:

There is no financial impact from adopting this policy. Future budgets would include appropriations for board approval before purchasing an AI tool or system.

Strategic Plan Importance and Risk Assessment:

This policy supports the Board's Strategic Plan objective to align technology advancements to MCERA's business needs by improving business processes, effectiveness and efficiencies.

Background and Discussion:

Adoption of Artificial Intelligence by firms that MCERA does business has changed how MCERA is views the access, transmission, and storage of MCERA data provided to our consultants and vendors.

MCERA also acknowledges that even though MCERA does not have any integrated AI systems, that AI tools, like copilot, are available within the County and that employees can access such tools.

Therefore, MCERA counsel and management have concluded that the establishment of an MCERA specific AI policy is appropriate and necessary to provide necessary oversight and address vendor and MCERA staff use, including the ability to grant and review authority to utilize such tools, training and guidelines regarding appropriate use to ensure safety of data and accuracy of output, and conditions for evaluating and obtaining AI systems.

In addition to the policy being presented for approval, MCERA has amended its Standard Services Agreement Exhibit D – Privacy and Data Protections, Security Events & Artificial Intelligence to align with provisions in the Acceptable Use of AI Policy to ensure a robust environment for oversight of AI usage that could impact MCERA.

Attachment(s): Acceptable Use of Artificial Intelligence Policy

ACCEPTABLE USE OF ARTIFICIAL INTELLIGENCE POLICY

I. POLICY STATEMENT AND PURPOSE

MCERA is dedicated to the responsible, ethical, and secure adoption and use of Artificial Intelligence (AI) technologies, encompassing both AI tools and the development and integration of AI systems. This commitment is driven by the goals of ensuring complete accuracy in pension benefit calculations, providing superior service delivery, improving operational efficiency, and strengthening trust among members. Through this policy, MCERA establishes guiding principles and requirements to ensure that AI is implemented in full alignment with the organization's mission, values, and all applicable laws.

The purpose of this policy is to define clear standards for the acquisition, development, deployment, and use of AI tools and systems within MCERA. It is designed to mitigate risks associated with artificial intelligence, including those related to privacy, security, fairness, and reliability, while ensuring full compliance with all legal, regulatory, and ethical requirements. By promoting transparency, accountability, and continuous improvement in the use of AI, this policy supports MCERA's commitment to responsible innovation and the safeguarding of trust among its members, employees, and stakeholders.

II. GUIDELINES

A. Scope

This policy applies to:

1. All MCERA employees, trustees, contractors, consultants, and any member of the workforce who develops, deploys, manages, or interacts with AI tools or systems on behalf of MCERA.
2. All AI technologies used for MCERA work purposes and all AI technology that uses or has access to MCERA data.
3. Both off-the-shelf AI tools, (e.g., Copilot, ChatGPT, Gemini, etc.) and AI systems (custom-developed or procured) that are integrated into MCERA operations.

Acceptable Use of Artificial Intelligence Policy

B. Definitions

1. AI (Artificial Intelligence): Technologies enabling machines to perform tasks that typically require human intelligence, such as learning, reasoning, problem-solving, and decision-making.
2. AI Tools: Off-the-shelf applications (e.g., Copilot, ChatGPT, Gemini, etc.) capable of autonomously producing content (text, audio, visual) to support productivity and efficiency
3. AI Systems: Integrated AI-driven solutions, either developed internally or procured, that interface with MCERA's technology infrastructure to support operations or decision-making.
4. Confidential Data:
 - (a) Personally Identifiable Information (PII): Data that can identify an individual (e.g., name, address, SSN).
 - (b) Protected Health Information (PHI): Health-related data protected by law.
 - (c) Member Records: Government Code section 31532 requires that “sworn statements and individual records of members be confidential and not be disclosed to anyone except insofar as may be necessary for the administration of this chapter or upon order of a court.”
 - (d) Sensitive Data: Any data or information that contains information protected by any applicable law.
5. Generative Artificial Intelligence: A technology that can create content including text, images, audio, video, when prompted by a user. It generates new outputs rather than just analyzing or classifying data.

C. Responsible Use

1. AI technologies may only be used for work-related purposes that support MCERA operations.
2. The use of AI for any illegal, unethical, or harmful activity is strictly prohibited.
3. AI must not be used in any way that causes discrimination, bias, or unfair treatment of individuals or groups.
4. AI use must comply with all applicable laws and MCERA policies.

D. Privacy, Confidentiality, and Security

The use of AI must never compromise the confidentiality, integrity, or availability of Confidential Data.

Acceptable Use of Artificial Intelligence Policy

E. Human Oversight and Accountability

1. Authorized personnel must review all AI outputs used to inform consequential decisions affecting members or staff.
2. Final eligibility or benefit determinations must not be made by AI without human review and oversight.
3. Staff are responsible for ensuring the factual accuracy of all AI-generated content they produce and must not knowingly create false or misleading information using AI.

F. Transparency and Explainability

1. Documentation must be maintained that explains the purpose, logic, and outcomes of AI systems, to the extent possible and appropriate.
2. Acknowledge the use of artificial intelligence in substantial development of content or ideas to ensure transparency, uphold integrity, and accurately represent the origin of work.

G. Risk Management and Training

1. All AI systems included in business processes shall undergo a risk assessment prior to adoption, evaluating potential legal, ethical, operational, and reputational impacts.
2. Risk assessments for AI systems shall be performed, documented, and retained for audit purposes.
3. AI systems shall be regularly evaluated to ensure accuracy, fairness, and to identify any unintended consequences.
4. All MCERA staff shall receive annual training on the responsible and secure use of AI.

H. Intellectual Property

1. Staff shall respect copyright, trademark, and intellectual property rights when using AI systems.
2. For any questions or concerns about potential copyright infringement, contact counsel.

I. Vendor Requirements

1. Third-party vendors providing AI capabilities shall meet MCERA standards for privacy, security, and ethical practices.
2. Contracts with AI vendors shall include provisions for audit rights, transparency, and explainability of AI systems.
3. AI vendors shall disclose whether their models were trained with copyrighted or sensitive data.
4. MCERA data must be under United States' jurisdiction. No MCERA data shall be stored or transmitted through off-shore servers.

Acceptable Use of Artificial Intelligence Policy

5. All vendors will comply with this policy and include in their contracts with MCERA language as to where and how they use AI and the safeguards they have in place.
6. All vendors must obtain MCERA's written approval before using Confidential Data in connection with any AI-related activity.

J. Compliance and Enforcement

Violations of this policy may result in administrative and disciplinary action, up to and including contract termination or termination of employment.

III. POLICY REVIEW

This policy is subject to change at the Board's discretion. The Board will review this policy at least annually to ensure that it remains relevant and appropriate.

IV. POLICY HISTORY

The Board adopted this policy on June 17, 2026.