

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 AI, 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. SCOPE

This policy applies to:

- A. 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.
- B. All AI technologies used for MCERA work purposes and all AI technology that uses or has access to MCERA data.
- C. 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.

III. DEFINITIONS

AI (Artificial Intelligence): Technologies enabling machines to perform tasks that typically require human intelligence, such as learning, reasoning, problem-solving, and decision-making.

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

AI Systems: Integrated AI-driven solutions, either developed internally or procured, that interface with MCERA's technology infrastructure to support operations or decision-making.

ADMT: Automated Decision-making Technology refers to systems that use algorithms and data to make decisions without direct human intervention. These technologies are governed by regulations that require transparency and consumer rights including the California Consumer Privacy Act (CCPA).

Confidential Data includes

1. Personally Identifiable Information (PII): Data that can identify an individual (e.g., name, address, SSN).
2. Protected Health Information (PHI): Health-related data protected by law.
3. 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.”
4. Sensitive Data: Any data or information that contains information protected by any applicable law.

Generative AI: A technology that can create content including text, images, audio, and video, when prompted by a user. It generates new outputs rather than just analyzing or classifying data.

IV. GUIDELINES

A. 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.

B. Privacy, Confidentiality, and Security

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

C. Human Oversight and Accountability

Acceptable Use of Artificial Intelligence Policy

1. Authorized personnel must review all AI outputs used to inform consequential decisions affecting members, the Board, or staff regardless of AI tool or system including ADMT.
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.

D. 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 AI in substantial development of content or ideas to ensure transparency, uphold integrity, and accurately represent the origin of work.

E. Risk Management and Training

1. All AI systems integrated in MCERA business processes shall undergo a risk assessment prior to adoption, evaluating potential legal, ethical, operational, and reputational impacts prior to implementation.
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.

F. 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.

G. AI Vendor and Consultant Requirements

1. Third-party vendors providing AI capabilities (AI Vendors) shall meet MCERA standards for privacy, security, and ethical practices.
2. AI vendors shall provide 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, transmitted, or transferred through offshore servers whether AI Vendor or Consultant owned or cloud services, regardless of the cloud operator.

Acceptable Use of Artificial Intelligence Policy

5. MCERA's written approval is required before using Confidential Data in connection with any AI-related activity.
6. AI vendors and Consultants Services Agreements and contracts shall include language regarding how AI is used and the safeguards in place.
7. AI vendors and Consultants will comply with all guidelines in this policy and all provisions and Exhibits of the Services Agreement.

H. Compliance and Enforcement

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

V. 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.

VI. POLICY HISTORY

The Board adopted this policy on June 17, 2026.

This policy was reviewed and amended by the Board of Retirement on July 15, 2026.