CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY
Office of Retirement Services

AI Governance at the Office of Retirement Services

Current Framework, ORS Practice, and Proposed Internal Procedures

September 2026

Purpose and Why This Discussion Now

Requested by the Board and the Governance Committee Chairs

Staff is looking for board discussion and feedback.

Purpose of This Discussion

Describe the City's AI governance framework, identify where ORS has gaps, and describe the internal procedure being proposed.

Current ORS Use Is Staff-Assistive

Drafting, research, summarization, and review, with human review throughout. No division reports AI making a final benefit, financial, investment, or management decision.

The Inflection Point

ORS is starting to use AI for more than just personal effectiveness and efficiency.

The City's AI Governance Framework: Two Tracks

Procurement & Deployment of AI-Enabled Systems

Policy 1.7.12 & the AI Handbook

- Five uses prohibited outright, with no exception path
- Systems classified Low, Medium, or High-risk, based on opt-out ability and severity of harm
- Medium and high-risk systems require an AI Review coordinated by the City Digital Privacy Officer

Individual Use of Generative AI

The Generative AI Guidelines

- Baseline rule: no non-public information in a prompt without ITD approval and a City enterprise tool
- Risk assessed on two dimensions: information breach and adverse impact
- Two uses are prohibited unless ITD approves an exception: deciding matters about individuals and synthetic voice or audio

ORS's Current Use of AI

Executive Mgmt | **Accounting** | **Administration** | **Benefits** | **Information Technology** | **Investments**

Informal, staff-directed use across all six: drafting, researching, reviewing, summarizing, and aggregating data, with human review before anything reaches the Board or a decision.

Resolution Inventory

Custom built in-house AI tool built to organize the resolution archive for scanned documents

Accounting Reporting

Reformatting tool to standardize incoming reports to a standard format.

EnvestHub

- Onboarding for pipeline management, due diligence, and portfolio monitoring
- Current use: extraction, categorization, and draft summaries for staff review
- No investment proceeds without full team discussion and CIO approval
- Possible future use case: rate or prioritize opportunities - return through internal use case review process

Strengthening ORS's AI Practice

1. Vendor contracts have not been systematically updated for AI disclosure, audit rights, and data-use protections.

2. AI-specific criteria were not built into the procurement from the outset, though the City's AI Review was completed before contract execution.

3. The Generative AI Usage Form has not been filed regularly.

4. ORS has not formally designated a departmental AI Lead.

Training

General Staff Training

- AI risk categories
- Generative AI Guidelines
- Effective prompt-writing

Prerequisite Paid-License Training

- 3 Safe and effective AI use courses
- Written business justification
- Training tracked in the City’s LMS

Peer Retirement System Practice

Board Authority: Authority typically sits with an executive or a senior staff AI oversight body.

Risk Structure: The City's framework has a more developed risk structure than the peers reviewed, using dual factors, information breach and adverse impact, to scale disclosure requirements to the level of risk.

Records Retention: Neither the peer documents nor the City's framework define specific retention requirements for AI records.

System	Document	Status
SamCERA	Board Policy for AI Technologies	Adopted April 2026
SJCERA	Board AI Policy	Adopted December 2025
Ohio SERS	AI Usage Policy	Effective November 2023
OCERS	AI Policy in Employee Handbook	Presented December 2025
LACERA	Internal AI Policy, public summary	Summary last updated January 2026
ACERA	AI at ACERA presentation	Operational presentation, December 2025

The Proposed ORS AI Oversight Committee (AOC)

Review & Inventory

AOC (IT Manager, Deputy Director, Deputy CIO) verifies the inventory and confirms risk level.

Approval

CEO gives the final determination

City Routing

AOC refers appropriate use cases to the City's own AI Review process.

Board Reporting

AOC presents new Medium and all High-risk use cases annually, aligned to the City's cycle.

AI Lead: IT Manager designated as AI Lead; interfaces with the City Digital Privacy Officer.

Training: Continues on procurement, contracting, ORS use-case approval, AI citation, and safe Generative AI use.

Recommendation

The City's AI governance framework is sound and complete. Staff recommends that the Board adopt the City of San José Artificial Intelligence Policy 1.7.12 as ORS's governance baseline.

City originally adopted this policy June 2024

Formal adoption of Policy 1.7.12 is a separate action item on today's agenda.

Next Steps

- CEO stand up internal AI Oversight Committee
- Vendor contracts reviewed at renewal or optional extensions
- Set up an annual AI report to the Boards starting in January 2027 to align with City's reporting requirement timeline.

Sources

City of San José

- Artificial Intelligence Policy 1.7.12
- AI Handbook
- Generative AI Guidelines

Peer Retirement Systems

SamCERA, SJCERA, Ohio SERS, OCERS, LACERA, and ACERA.

AI Citation

Generative AI assisted in preparing and formatting this presentation. The analysis and content are the staff's own, reviewed, checked, and finalized before use.

(Citation not required by policy but done in the spirit of transparency, staff has added this AI Citation.)