



## Board Governance Committee

California Public Employees' Retirement System

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### Action

### Agenda Item 6

August 20, 2013

**ITEM NAME:** Board Governance Project: Enhancement of Board Member Competencies

**PROGRAM:** CalPERS Board Governance

**ITEM TYPE:** Action

#### **RECOMMENDATION**

Approve recommendation to amend the Board Governance Policy and adopt a list of desirable Board member competencies.

#### **EXECUTIVE SUMMARY**

The Board Governance Project identified a number of industry best practices that will enhance plan governance at CalPERS. Among them was the identification of specific skills and abilities for individual Board members that will enhance to competency of the Board as a whole. Attached is a recommended list of competencies.

#### **STRATEGIC PLAN**

There is no specific linkage to the strategic plan. Staff has identified a need through the recommendations contained in the Board Governance Study.

#### **BACKGROUND**

In 2011, the CalPERS Board hired Funston Advisory Services, LLC to conduct a CalPERS Board Governance Study. The final report (Study) came out in September of that year and included many recommendations for improvement and change that have since been adopted by the CalPERS Board. One of the recommendations was to adopt a list of desirable Board member competencies.

The Study discusses accountability and states that while holding executive management accountable, the board must also be prepared to hold itself accountable as well (Study at pp. I-2 through I-6.) The Study explains that members who do not initially possess needed skills or attributes should be provided with opportunities for education and training to enhance these skills and knowledge bases (Study at pp. I-4.)

#### **ANALYSIS**

The CalPERS Board administers the largest public pension plan in the nation. The nation's second largest health plan is also its responsibility. The investment,

accounting, administration, policy, actuarial, legal and accounting issues overseen by the Board are among the most diverse and complex of any entity – public or private – in the country. The attached list of proposed competencies identifies desirable skills designed to enhance the competency of the Board.

The attached Board Competencies list is comprised of three categories: Governance, Strategic, and Communication Competencies. Understanding the governance of the Board and the system provides a board member with guidelines on the means of performing their duties. The Strategic Competencies are designed to identify the bases of knowledge that will enhance a board member's understanding of the business of the system. Finally, the Communication Competencies address, of course, desirable communications skills. Items on the list were culled from the Study, the Governance Policy, and other sources. They should create a solid foundation for any member to conduct business while serving on the CalPERS Board and will provide goals for enhanced education and training.

#### **BUDGET AND FISCAL IMPACTS**

Increasing training and educational opportunities could result in additional expenditures.

#### **BENEFITS/RISKS**

The benefits of amending the Board Governance Policy to include a list of competencies include:

- Better understanding of skillsets and knowledge relevant to administering CalPERS
- Improved training and educational opportunities

The risks of not adopting the Board Competencies List:

- Lack of guidelines could lead to inefficiencies in boardmember training and education
- Lack of guidance regarding desirable skillsets and knowledge bases for current and future board members

#### **ATTACHMENTS**

Attachment 1 – Board Competencies List

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PETER H. MIXON  
General Counsel