



Agenda Item 5

November 19, 2013

ITEM NAME: Board Member Competencies

PROGRAM: 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 competency of the Board as a whole. Attached is a recommended list of competencies, which has been revised to reflect the comments received from the Committee members at the Committee's August and September 2013 meetings.

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 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. 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 base. The list of Board member competencies will serve to inform a future Board education policy.

The list of Board member competencies was presented to the Committee in August and September 2013. The list has been revised to reflect comments of the Committee members. Revisions made to the list following the August and September meetings are reflected in red and strikeout/underlined text in the attachment.

ANALYSIS

The CalPERS Board administers the largest public pension plan in the nation. It administers retirement benefits for more than 1.6 million state and local government employees, retirees and their families, and health benefits for more than 1.3 million enrollees. 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 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 Board member's role and his or her 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 Board Governance Policy, and other sources, and reflect the comments of the Committee members during the Committee's August and September 2013 meetings. They should create a solid foundation for any Board member to serve effectively 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 adopting the Board Member Competencies include:

- The cost of training and education
- A requirement that Board members take action
- The list may be incomplete

The risks of not adopting the Board Competencies List include:

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

ATTACHMENTS

Attachment 1 – Board Competencies List

GINA M. RATTO
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