



Agenda Item 7

November 19, 2013

ITEM NAME: Board Education Policy

PROGRAM: Board Governance

ITEM TYPE: Informational

EXECUTIVE SUMMARY

The purpose behind this item is to solicit feedback from Committee members on the structure and components of a Board Education Policy.

STRATEGIC PLAN

This agenda item supports Goal B of the 2012-17 Strategic Plan in cultivating a high-performing, risk-intelligent and innovating organization. By developing a Board Education Policy the Board will ensure that there is a clear path for current and future Board members to continuously improve their knowledge and abilities in order to fulfill their responsibilities as fiduciaries of the System.

BACKGROUND

This item continues the work the Board began earlier this year in developing the Board member competencies. Part of the intention behind enumerating the various areas of competence expected of Board members was to provide a foundational element for a formal Board Education Policy. The Board's Governance Policy contemplates that there will be an education program for Board members, and the approval of the program and its budget is delegated to the Board Governance Committee. This item is not intended to definitively identify all the components of the Board's Education Policy; rather, it is intended to highlight the common features found in Public Pension Fund Education Policies for the Committee's consideration.

ANALYSIS

Properly managing a public pension fund presents some of the most diverse and significant challenges facing the governing body of any public or private entity today. 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. CalPERS Board members make decisions across a wide array of subject areas, ranging from the approval of actuarial valuations to asset allocation decisions to the administration of a complex array of health and retirement benefits. Further complicating matters, public pension funds must carry out these functions in a transparent environment governed by open meeting and

public records act laws. The skills required to successfully manage and understand these issues can seem daunting.

Each Board member comes to the Board with his or her individual background, diverse experiences and unique skill sets. Board members must possess a wide-ranging level of knowledge and expertise to properly carry out their role in overseeing the system. The purpose of an Education Policy is to provide a formal structure to ensure that each Board member obtains their own requisite level of knowledge and expertise.

Staff has reviewed several education policies from a cross-section of public pension funds. Common features found in each include:

1. An orientation program for new Board members;
2. In-house training provided by staff and consultants;
3. Educational conferences;
4. Board member reporting/evaluation of conferences;
5. Mentoring provided to new Board members by their more experienced colleagues.

Some policies are relatively brief and aspirational; others go into significant detail on the educational requirements Board members are expected to comply with. Some of the more detailed policies address the following:

6. Number of educational hours Board members are expected to accumulate during their tenure;
7. Designation of curricula that Board members are required to complete within a specific period of time (e.g., during first two years as a trustee);
8. Individual development schedules for each Board member, summarizing educational goals for the year and planned education activities during the year;
9. Requirements that Board members attend a number of meetings related to their duties;
10. Self-study programs;
11. Subscription to and reading of industry periodicals.

Two of the best examples of board education policies (Colorado PERA and the New Hampshire Retirement System) that were reviewed by staff are attached.

The Board Governance Committee is asked to consider the following:

- Which of the provisions listed above resonate with the Committee and should be included in the Education Policy?
- Should the Education Policy be detailed or more general/conceptual?

- Should the Education Policy be aspirational or “mandatory” – the latter would include a provision that willful failure of a Board member to substantially comply with the policy would be a violation of the Board’s Governance Policy?
- How should Board member designees participate in the Education Policy?

Following discussion and input from the Committee members on the preferred components of an Education Policy, staff will prepare a draft Board Education Policy to be presented to the Committee at a subsequent meeting.

BUDGET AND FISCAL IMPACTS

Increasing training and educational opportunities could result in additional expenditures.

BENEFITS/RISKS

One benefit of creating a Board Education Policy will be to provide structure and continuity for the continuing education needs of current and future Board members. This will ensure that Board members continue to be well informed regarding the issues they are responsible for as fiduciaries of the system, and will result in a more effective Board and better decision making.

The risks of not creating a Board Education Policy is that new and existing Board members may not educate themselves as frequently and thoroughly as would happen with a formal policy in place. In addition, Board members and the Board may be less effective and decision making may be negatively impacted. Finally, having an education policy is a best practice, and there is reputational risk to the Board if it does not have one.

ATTACHMENTS

Attachment 1 – Colorado PERA Board Education Policy

Attachment 2 – New Hampshire Retirement System Education Policy

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