



Agenda Item 6

February 19, 2014

ITEM NAME: Board Education Policy (First Reading)

PROGRAM: Board Governance

ITEM TYPE: Action

EXECUTIVE SUMMARY

The purpose behind this item is to present the Committee with the first reading of the proposed 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 adopting an 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

The CalPERS Board Governance Study produced by Funston Advisory Services LLC (Study) recommended the development of (i) a profile of the skills and attributes desired for the Board overall and for each committee chair and member and (ii) Board development programs designed to be consistent with the desired attributes and skills. The Study also recommended the adoption of an annual continuing education plan and budget for the Board. In November 2013, the Board adopted the Board Member Competencies. The proposed Education Policy represents the next stage in the Board's work toward achieving the recommendations of the Study. Utilizing the Board Member Competencies and the feedback from Committee members on desirable components for an education policy, staff has drafted the attached Education Policy for the Committee's consideration.

ANALYSIS

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 roles in overseeing the system. The Board Member Competencies were adopted to assist Board members in becoming more effective members of the Board and to improve the effectiveness and efficiency of the Board overall. The purpose of the proposed Education Policy is to provide a framework to assist Board members as they develop their individual knowledge and expertise in the matters set forth in the Board Member

Competencies, improve the knowledge, expertise and functioning of the CalPERS Board overall, and establish the roles and responsibilities of Board members and CalPERS management and staff relating to Board member education.

The attached Education Policy is intended to be an aspirational document that retains flexibility for Board members to tailor their educational plans to their unique backgrounds and experiences. Among other things, the Education Policy:

- Provides a definition of educational activities that meet the requirements of the policy;
- Formalizes the process for the orientation of new Board members;
- Sets forth staff responsibilities for assisting Board members in meeting their educational objectives under the Education Policy; and
- Provides for a budget and reporting process for Board member educational activities.

As the Committee may be aware, there is a bill that is currently before the Legislature that may impact the content of the proposed Education Policy. Assembly Bill 1163 (Levine) would require that the Board adopt an education policy that meets certain minimum requirements. The proposed Education Policy complies with both the spirit and the content of the proposed legislation, with the exception that AB 1163 includes a requirement that Board members receive a minimum of 24 hours of board member education during their first two years on the Board, and 24 hours every two years thereafter. Legislation with language and requirements virtually identical to AB 1163 was enacted in 2012 to apply to all '37 Act County Employee Retirement Law pension plans. As with other legislation, staff will continue to monitor the bill and update the Board on developments. If AB 1163 is enacted as currently drafted, the proposed Education Policy will need to be revised to include the minimum hours of education requirement.

BUDGET AND FISCAL IMPACTS

Increasing training and educational opportunities may result in increased expenditures.

BENEFITS/RISKS

The benefits of adopting the Board Education Policy include providing structure and continuity for the continuing education needs of current and future Board members. This will help ensure that Board members continue to be well informed regarding the issues they are responsible for as fiduciaries for the system, and will improve the knowledge, expertise and functioning of the Board overall. The Education Policy will also clarify the roles and responsibilities of Board members and staff with respect to Board member education.

The risks of not adopting the Board Education Policy include the possibility that new and existing Board members will not receive adequate training or that training will not address the right issues. If the Board is not well informed and trained, it may hinder the Board's ability to carry out its fiduciary duties. Improvements to Board effectiveness and efficiency would also not be achieved, and the Board would not be meeting one of the recommendations of the Study.

A risk of adopting the Board Education Policy is that the policy requires Board member action and therefore a possibility of non-compliance. As with any policy, there is also the risk that the policy is imperfect.

ATTACHMENT

Attachment 1 – Draft Proposed Education Policy

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