



## Agenda Item 8

March 19, 2014

**ITEM NAME:** Board Education Policy (Second Reading)

**PROGRAM:** Board Governance

**ITEM TYPE:** Action

### **EXECUTIVE SUMMARY**

The purpose of this item is to present the Committee with the second 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. In February 2014, the Committee considered a first reading of the Education Policy. Based upon the Committee's feedback, staff has made revisions that are reflected in redline in the attached Education Policy (Attachment 1) for the Committee's approval.

### **ANALYSIS**

Each Board member comes to the Board with their individual backgrounds, 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 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 proposed revisions to the draft Education Policy (see, Attachment 1) reflect the feedback provided by members of the Committee at the Committee's February meeting. Among other things, the revisions:

- Make Board Member Orientation mandatory for new Board members, and strongly encourage participation by returning Board members;
- Highlight the importance for Chairs and Vice Chairs to educate themselves on the subject matter of their committees and the proper conduct of committee meetings;
- Provide citations to California law and the Board's Governance Policy for mandatory training; and
- Reflect the role of pension and investment-related periodicals in Board member education.

Assembly Bill 1163 (Levine), which would require that Board members receive a minimum of 24 hours of board member education every two years, has passed through the Assembly and is currently in the Senate. Staff will continue to monitor this bill and update the Board on pertinent developments.

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

Increasing training and educational opportunities could result in additional 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.

Agenda Item 8  
Board Governance Committee  
March 19, 2014  
Page 3 of 3

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.

**ATTACHMENTS**

Attachment 1- Board Member Education Policy

---

GINA M. RATTO  
Interim General Counsel