



## Agenda Item 6

December 16, 2014

**ITEM NAME:** Revision of Board Governance Policy and Board Member Education Policy

**PROGRAM:** Board Governance

**ITEM TYPE:** Action

### **EXECUTIVE SUMMARY**

This item presents staff's recommended revisions to the Board Member Education Policy following the enactment of Assembly Bill 1163, which mandates education requirements for Board members, effective January 1, 2015. Attachment 1 is a redlined version of the current Policy with staff's recommended changes. Attachment 2 is a redlined version of the current Governance Policy with staff's recommended addition of a reference to the Education Policy.

### **STRATEGIC PLAN**

This agenda item supports Goal B of the 2012-17 Strategic Plan: Cultivate a high-performing, risk-intelligent and innovating organization. The Education Policy ensures that current and future Board members 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 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 that the Board adopt an annual continuing education plan. In November 2013, the Board added the "Board Member Competencies" section to its Governance Policy. In February and March 2014, the Governance Committee considered and approved the Education Policy. On July 18, 2014, Governor Brown approved Assembly Bill 1163, thereby adding Government Code section 20100 to the PERL. Section 20100 requires the Board to adopt an Education Policy that meets certain minimum requirements.

### **ANALYSIS**

Consistent with the provisions of Government Code section 20100, staff recommends the following additions to the Education Policy:

- The requirement that Board members receive a minimum of 24 hours of Board member education during their first two years and for every two-year period thereafter; and
- The requirement that a copy of the Education Policy and an annual report of Board member compliance with it be placed on the CalPERS website.

Staff additionally recommends adding a requirement of compliance with the Education Policy to the Governance Policy.

Staff is currently developing an education program for the Board that would satisfy the requirements of AB 1163 as well as other statutory training requirements for public officials.

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

Complying with Section 20100 could require a modest additional expense.

#### **BENEFITS/RISKS**

The benefits of revising the Board Member Education Policy to conform to Government Code section 20100 include providing clarity to Board members and staff on relevant legal requirements. This in turn will also clarify the roles and responsibilities of Board members and staff with respect to Board member education and ensure compliance with the new law.

The risks of not updating the Board Education Policy include the possibility that new and existing Board members and staff would not be fully informed about their legal responsibilities. This could lead to non-compliance with the law, with obvious deleterious consequences.

Incorporating compliance with the Education Policy into the Governance Policy will ensure that the latter document continues to provide a comprehensive overview of Board governance matters.

No additional risk is incurred through these changes, as they merely incorporate existing legal requirements.

#### **ATTACHMENTS**

Attachment 1 – Redline of Proposed Revisions to Board Member Education Policy  
Attachment 2 – Redline of Proposed Revision to Board Governance Policy

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MATTHEW G. JACOBS  
General Counsel