

CalPERS Governance Committee
May 18, 2015
Synopsis prepared by Eric Douglas, LRI

Participants: Board members and executive team members

I. Exercise: What results do you hope we achieve in this project?

Responses:

- Increased clarity of Board and staff roles (multiple mentions)
- Increased focus on outcomes and progress toward outcomes
- Improved communication between Board/staff
- Proactive approach to governance
- Culture of open communication and appreciation of diverse viewpoints
- Reevaluation of existing governance practices
- Understanding of effective models of good governance
- Created forums for candid/strategic discussions
- Discussion of committee chairs rotations, terms limits
- Clarity of expectations of Board members/improved orientation
- Culture of trust and inclusion

II. Facilitator's Role

- Helps us stay focused and on track
- Listens and synthesizes our differing viewpoints
- Helps bring relevant models and information
- Helps us reach consensus on decisions
- Consensus occurs when the vast majority of a group agrees with a given decision, and the others put aside their opposition and agree to support the will of the group.

III. Communication ground rules

Eric introduces draft ground rules for productive communication:

- Stay focused
- Minimize distractions
- Tangential issues go on "parking lot"
- Bring issues to the table
- Seek to understand – balance inquiry and advocacy
- Speak up. Silence means consent
- Facilitator will recognize speaker
- Board suggests additional ground rule: Assure broad input and engagement
- Eric asks whether anyone disagrees with adopting these ground rules. No one disagrees.

IV. Parking Lot Issues

Board members request the following items be placed on the parking lot:

- Assuring a culture of trust/no hidden issues
- Clarity around process of selecting consultants and to whom they report
- Streamlining of meetings

V. Exercise: What is effective governance?

Responses:

- Focus on strategic issues
- Clarity of responsibilities (Board/management)

- Clear delegations between Board and management
- Accountability
- A partnership between Board and staff
- Strong interpersonal relationships
- Open communication
- Full participation
- Trust
- Informed decision making
- Collective ownership of decisions
- Effective stakeholder engagement
- Discipline around governance
- Robust process for dealing with unanticipated issues
- The ability to think proactively
- Corporate memory of decisions
- Ability to be nimble
- Process of planned reflection, monitoring, assessing adherence to policies, and refinement
- Risk management process

VI. Exercise: What is ineffective governance?

Responses:

- Strained relationships (Board/staff)
- Staff sees Board as needing to be managed
- Board micromanages staff
- Confusion of responsibility
- Organizational paralysis/failure
- Lack of unified direction (Board and management)
- Board being “in the weeds”
- Avoidance of tough issues
- Too much rehashing of issues

VII. Exercise: What are the results of effective governance?

Responses:

- Alignment of results with mission, vision, goals
- Increased productivity, efficiency
- Dealing with the right issues at the right time
- Better management of risks
- A workplace that attracts talented people and retains them
- Confidence in the decision making process
- Trust/alignment between Board and staff
- Strong feeling of engagement by Board
- Stakeholders are informed
- Progress toward achieving goals
- Strong performance

VIII. Exercise: Looking at current Board policies, what is the purpose of the CalPERS Board?

Responses:

- Fiduciary responsibility for the investment of moneys and administration of the system. (Section II)
- Fiduciary responsibility over the assets of the system. (Section II)

- Fiduciary responsibility for administering the system in a manner that assures prompt delivery of benefits and related services to system members and beneficiaries. (Section II)
- Set forth the policies that govern the CalPERS Board consistent with its fiduciary responsibilities. (Section I-A)
- Establish the long-term direction of the organization. (Section III-E)
- Assure long-term sustainability. (Section III-D)

IX. Looking at current Board policies, what are the jobs of the Board?

Responses:

- Set forth the policies that govern the CalPERS Board consistent with its fiduciary responsibilities. (Section I-A)
- Guide the Board in managing the effectiveness and integrity of the Board's processes, including oversight, accountability, transparency, efficiency and decision-making. (Section I-B)
- Identify and distinguish between the roles of the Board, the Board President, the Board Vice President, committees, committee chairs and vice chairs. (Section I-C)
- Establish the long-term direction of the organization. (Section III-E)
- Approve organization performance metrics and oversee overall organization performance. (Section V-B10)
- Assess and approve risk preferences and risk tolerances. (Section III-D)
- Define the Board's information requirements, the thresholds or benchmarks that trigger Board attention for each topic, and the frequency of standard reports. (Section V-B5)
- Conduct a regular assessment of its performance and capabilities. (Section IV-F)
- Identify the skills and capabilities required to fulfill its fiduciary roles and responsibilities. (Section IV-F)
- Maintain an inventory of existing trustee skills and capabilities, as well as strengths, weaknesses, gaps and priority development needs. (Section IV-F)
- Other mentions:
 - Section V-B of existing Board policy.
 - Section X of existing Board policy.
 - The jobs captured in the committee delegations (Appendix A of existing Board policy).

X. Exercise: What are potential next steps?

Responses:

- Have additional dialogue.
- Hear staff's perspectives on governance (what's working well, what could be improved).
- Take a holistic look at the Board's governance policies.
- Discuss process for monitoring the Board's policies.
- Recap lessons learned from previous governance projects.
- Look at models from other organizations.
- Discuss forums that would enable Board to have more candid discussions.