



Agenda Item 5

November 17, 2015

ITEM NAME: Update on Board Education Program

PROGRAM: Board Education Program

ITEM TYPE: Information

EXECUTIVE SUMMARY

This agenda item is an update on efforts to facilitate Board Member compliance with Government Code Section 20100, which went into effect January 1, 2015, and mandates continuing education requirements for CalPERS Board Members.

STRATEGIC PLAN

This item is not part of the Strategic Plan. However, implementation of and compliance with Government Code section 20100 is consistent with Strategic Plan Goal B – to cultivate a high performing, risk intelligent, and innovative organization – and with sound governance practice.

BACKGROUND

In July 2014, the Governor signed AB 1163, adding Government Code section 20100 to the Public Employees Retirement Law effective January 1, 2015. The statute requires that CalPERS adopt an education policy and imposes continuing education requirements for Board Members. In December 2014, the Board amended its Education Policy to conform to section 20100. (Attachment A.)

ANALYSIS

Section 20100 requires that:

- CalPERS adopt an education policy for Board Members,
- All Board Members receive 24 hours of education within the first two years of assuming office and for every subsequent two-year period of board service, and
- CalPERS keep a record of Board Members' compliance with the policy and post the policy and an annual report of completed training to the CalPERS website.

These requirements also apply to the Board Member designees.

The statute provides that the policy, at a minimum, shall identify appropriate topics for Board Member education, which may include, but are not limited to:

- Fiduciary responsibility
- Ethics
- Pension fund investments and investment program management
- Actuarial matters
- Pension funding
- Benefits administration
- Disability evaluation
- Fair hearings
- Pension fund governance
- New Board Member orientation

The statute does not dictate the means by which the education is accomplished, but does require that the Board establish a means for determining the programs, training, and educational sessions that qualify as Board Member education.

For the initial year of the program, CalPERS contracted with the University of California, Davis, Graduate School of Management, to develop customized material. In addition, the contract for the Board's Fiduciary Counsel provides for annual training. Over the year, we also identified additional Board educational sessions and workshops that included outside experts on pertinent topics.

Staff has identified twelve hours of education sessions that would reasonably comply with the statutory requirements. These modules have all been provided in connection with regular "Board weeks" and have been taped and are available for viewing. (Attachment B.) Other educational and training sessions could also comply with the requirement, although at this point the Board has not established a process or criteria for making that determination.

Although the statute provides that the education requirement is on a two year cycle, the website posting requirement is annual. The Board Education Policy requires that the annual website report will be posted in March. We envision that the report will list each Board Member and designee, a listing of education programs attended, along with a short description and length of the program.

In anticipation of meeting the posting requirement, staff has tracked Board Member and designee in-person attendance at the identified sessions. A form will be made available electronically for Board Members and designees who wish to self-certify that they have viewed the taped sessions. In addition, the Board Services Unit has records of additional conferences and educational events attended by the Board Members and designees.

The following information will be provided at the December Governance Committee meeting:

- A proposed format for the annual website posting, and
- An update on Board Member and designee attendance at the identified sessions

Staff would also like to receive input on which educational topics the Board would be interested in for 2016.

BUDGET AND FISCAL IMPACTS

The cost for the two segments performed by the UC Davis Graduate School of Management is \$70,000. The fiduciary training provided by the Board's Fiduciary Counsel is included within the Fiduciary Counsel contract. The remaining resources for the presentations, related AV services, and administration are being absorbed by the existing budget.

BENEFITS/RISKS

This Program supports compliance with Government Code section 20100, which is consistent with fiduciary duty and sound governance. Benefits include the enhancement of Board Member knowledge regarding important topics affecting CalPERS and its beneficiaries. We see little if any risk associated with the delivery of this program.

ATTACHMENTS

Attachment A – CalPERS Board Member Education Policy

Attachment B – CalPERS Board Member Education Program - 2015

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