



Global Governance Policy Ad Hoc Subcommittee

California Public Employees' Retirement System

Agenda Item 5

November 18, 2015

ITEM NAME: Discussion on CalPERS Board Representation on Third Party Organizations – Investment Perspective

PROGRAM: Global Governance

ITEM TYPE: Total Fund – Information

RECOMMENDATION

This agenda item provides issues for consideration regarding the process and criteria for circumstances when CalPERS Board members seek to become a director of a third party organization.

EXECUTIVE SUMMARY

For Subcommittee review, staff presents a process for consideration which outlines potential steps in determining when and how a CalPERS Board members may represent CalPERS as a director of a third party organization.

STRATEGIC PLAN

This agenda item is not part of the CalPERS' Strategic Plan.

INVESTMENT BELIEFS

This agenda item supports the following CalPERS Investment Belief:

1. Investment Belief 10 – Strong processes and teamwork and deep resources are needed to achieve CalPERS' goals and objectives. CalPERS will be best positioned for success if it has strong governance and operates with effective, clear processes

BACKGROUND

CalPERS Board Members currently serve on third party boards and committees of several organizations that are important to CalPERS' work. Examples include: the Pacific Pension Institute, the UN Supported Principles of Responsible Investment, the Toigo Institute and Shareowner Responsibilities Committee of the International Corporate Governance Network.

This leadership role reflects CalPERS long standing position as a co-founder, thought leader and supporter of networks that enable investors to pool resources, develop best practices and partnerships which can leverage impact.

ANALYSIS

When a CalPERS Board member considers an invitation or plans to run for election to serve on a third party organization's board, the following issues should be considered.

1.0 Assessment

- 1.1 What is the organization's mission and does it align with CalPERS' Investment Beliefs? Has the business plan and financing of the organization been reviewed?
- 1.2 Is there a history to CalPERS' relationship with the organization (for example, as co-founder, signatory, member)?
- 1.3 What are the potential benefits to CalPERS of taking a leadership role? Are there risks, reputational or otherwise?
- 1.4 What are the responsibilities of the role (for example, time commitment, legal duties, potential liabilities, financial obligations, travel)?
- 1.5 Is there a need for staff support in the role?

2.0 Candidacy

- 2.1 Does the potential candidate have a prior or existing relationship with the organization?
- 2.2 Is there a match with the organization's desired mix of skills, experience, and diversity? Are particular technical skills required?
- 2.3 Does the candidate have the willingness and capacity to serve?
- 2.4 Is the candidate a Board member in good standing, upholding CalPERS' principles of ethics and integrity?
- 2.5 Are there any potential conflicts of interest for the candidate in serving as a Director of the organization?

3.0 Nomination and election

- 3.1 The process for nomination by the CalPERS Board should be specified.
- 3.2 What is the process for the election or appointment of the candidate to the Board of the organization? Is there support needed from staff during the election?

3.3 What are the term limits for the appointment?

4.0 Reporting

4.1 The Board member should report back at regular intervals to CalPERS on activities, progress and relevant issues.

4.2 Board appointments should be reviewed at regular intervals, usually at each election cycle.

BUDGET AND FISCAL IMPACTS

Work associated with this item will be addressed with existing staff and resources.

BENEFITS/RISKS

Refreshing the process for outside Board participation is consistent with Investment Office objectives to design, develop, and implement a robust operating model that minimizes complexity, improves transparency, and strengthens processes, systems, governance, and controls.

ATTACHMENTS

Attachment 1 – CalPERS' Board of Administration Governance Policy

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