



## Agenda Item 6

December 15, 2015

**ITEM NAME:** Update on Education Program Attendance

**PROGRAM:** Board Education Program

**ITEM TYPE:** Action

### **RECOMMENDATION**

Approve the proposed revisions to the Board Education Policy.

### **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. This item includes:

- Proposed revisions to the Board Education Policy, as requested by the Committee at the last meeting; and
- A draft report to be posted on the CalPERS website pursuant to the statutory requirement, for Committee input.

In addition, staff seeks input on desired curricula for calendar year 2016.

### **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.

### **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

### ***Proposed Revisions to Board Education Policy***

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. At its November 17, 2015 meeting, the Governance Committee directed staff to return with proposed revisions to the Board Education Policy that would provide for a self-certification process for Board Members and designees who have attended pertinent educational sessions. The existing Board Education Policy with proposed revisions is provided as Attachment A.

### ***Draft Website Posting***

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 be posted in March.

In anticipation of meeting the posting requirement, staff has tracked Board Member and designee in-person attendance at CalPERS-sponsored sessions during 2015 that have been identified as reasonably complying with the statute. (These sessions are listed in Attachment B.) A self-certification form has been made available for

Board Members and designees who viewed the taped sessions. Following action on the revisions to the Board Education Policy, the self-certification form will be amended to include other courses.

A draft of the report that has been developed for posting is provided as Attachment C. This report will be updated as of December 31, 2015, for posting in March.

Staff seeks input on the draft report.

### ***2016 Education Program***

Staff seeks input on educational topics the Board would be interested in for 2016.

The following sessions are planned or tentatively planned:

- Annual Fiduciary Training (scheduled for January 2016 Offsite)
- Risk Management and Compliance, to be provided by the U.C. Davis Graduate School of Management; this is a follow up to the session held earlier this year on September 17, 2015, which was very well received (tentatively scheduled for April 2016)
- US Healthcare, to be provided by an external industry expert (tentatively planned for July 2016)
- Economic Principles and Investment Markets (date to be determined)

### **BUDGET AND FISCAL IMPACTS**

The total cost to design and deliver the two sessions presented by the UC Davis Graduate School of Management in 2015 was \$80,000. Based on the above-listed sessions, costs in 2016 are estimated between \$35,000 and \$75,000. Costs will vary based on the extent to which external consultants are used. The fiduciary training provided by the Board's fiduciary counsel is included within the associated contract. The remaining resources for the presentations, staff resources, AV services, and administration are being absorbed in 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 expertise on topics affecting CalPERS and its beneficiaries. We see little if any risk associated with the delivery of this program.

### **ATTACHMENTS**

Attachment A - Proposed Revisions to the Board Education Policy

Attachment B - Board Education Program for 2015

Attachment C - Draft Report for Website Posting

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