

May 18, 2016

Item Name: Approval of Committee Delegations

Program: Board Governance

Item Type: Action

Recommendation

Approve revisions to (1) the Board of Administration (Board) delegations to the Board's committees (Committee Delegations); and (2) Appendix A to the Board Governance Policy to reflect the revisions to the Committee Delegations.

Executive Summary

As part of the annual review of the Committee Delegations, this item presents committee-recommended revisions to the Committee Delegations for the Board's approval. Because Appendix A to the Board Governance Policy sets forth the powers reserved to the Board and the powers delegated to each of the committees of the Board, this agenda item also presents recommended revisions to Appendix A to the Board Governance Policy to reflect the revisions to the Committee Delegations.

Strategic Plan

This agenda item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk-intelligent and innovative organization. Conducting periodic reviews of the Committee Delegations ensures that governance documents are accurate and that each committee is empowered to carry out its respective functions.

Background

The Board Governance Policy states that the Committee Delegations will be reviewed annually and updated as needed. At their March or April 2016 meetings, the committees reviewed and considered changes to their respective Committee Delegations. This item presents the Committee Delegations and Appendix A to the Board Governance Policy, with proposed revisions, to the Board for approval.

Analysis

Proposed Revisions to the Committee Delegations

The proposed revisions to the Committee Delegations are as follows:

- All Committee Delegations. Revisions are proposed to all of the Committee Delegations to delete the references to the State Peace Officers' and Firefighters' Defined Contribution Plan since the plan has been terminated.

- Board Governance Committee. Revisions are also proposed to:
 - Delete the reference to the duty to review the Committee Delegations and the powers reserved because in practice, the Board Governance Committee does not do this; and
 - Delete the reference to the Chief Investment Officer's (CIO) delegation as a delegation reviewed by the Board Governance Committee to reflect that the CIO is no longer a position that reports directly to the Board.

(Attachment 1.)

- Finance and Administration Committee. Revisions are also proposed to:
 - Remove from the powers delegated to the Finance and Administration Committee the selection of the Board's federal representative;
 - Clarify that the Board need not approve the discount rate for the Terminated Agency Pool since it is based on current market conditions;
 - Clarify that the Board approves actuarial valuations and employer rates for statutorily mandated participants in the system (i.e., state agencies, schools, JRS, JRS II, LRS and 1959 Survivors); and
 - Specify that the Board oversees actuarial valuations and employer rates for public agencies since approval of these valuations and rates has been delegated to the Chief Actuary.

(Attachment 2.)

- Investment Committee. No additional revisions are proposed to this Committee Delegation. (Attachment 3.)
- Pension and Health Benefits Committee. No additional revisions are proposed to this Committee Delegation. (Attachment 4.)
- Performance, Compensation and Talent Management Committee. Revisions are also proposed to:

- Remove from the powers delegated to the Performance, Compensation and Talent Management Committee (and return to the Board as a power reserved) the authority to hire and terminate the CEO;
- Align the Committee Delegation with the authority that has been delegated by the Board to the CEO to approve performance plans for all Covered Personnel other than the CEO and CIO;
- Clarify that the Performance, Compensation and Talent Management Committee approves base salary and incentive ranges for all Covered Personnel, and oversees the compensation paid to all Covered Personnel.

(Attachment 5.)

- Risk and Audit Committee. Revisions are also proposed to:
 - Add enterprise compliance and ethics as two subjects on which the Risk and Audit Committee is empowered to approve positions on legislation;
 - Add enterprise compliance and ethics as two subjects on which the Risk and Audit Committee is empowered to approve regulations;
 - Combine risk management activities into one item;
 - Clarify language of the delegation regarding investment risk management, investment policy compliance, and enterprise operating risk management processes to align this Committee Delegation with the powers delegated to the Investment Committee;
 - Combine compliance activities into one item; and
 - Combine audit activities into one item and clarify the role of the Risk and Audit Committee over internal audit activities.

(Attachment 6.)

Proposed Revisions to the Board Governance Policy

Appendix A to the Board Governance Policy sets forth the powers delegated to each committee of the Board and the powers reserved to the Board. Revisions to Appendix A are proposed to:

- Reflect the revisions to the Committee Delegations as proposed by this agenda item; and
- Return to the powers reserved to the Board, the authority to hire and terminate the CEO (a power previously delegated to the Performance, Compensation and Talent Management Committee).

(Attachment 7. Note that Appendix A was not updated in 2015 to reflect changes to the Committee Delegations approved by the Board in 2015. Attachment 7 reflects changes to Appendix A as if Appendix A had been updated in 2015 (in other words, changes to the Committee Delegations approved in 2015 are reflected but not marked).)

Budget and Fiscal Impacts

Not applicable.

Benefits and Risks

The proposed revisions to the Committee Delegations and the Board Governance Policy are consistent with the governance decisions made by the Board and with the Board Governance Policy. The revisions will increase accountability, clarity of roles and transparency and ensure that each committee has appropriate authority to maintain strategic oversight of enterprise operations and needs.

Failure to approve the revisions to the Committee Delegations and the Board Governance Policy may result in unclear roles, responsibilities and authority among the Board, the committees and staff and may result in decreased accountability in the conduct of Board business.

Attachments

Attachment 1 – Delegation Resolution for the Board Governance Committee

Attachment 2 – Delegation Resolution for the Finance and Administration Committee

Attachment 3 – Delegation Resolution for the Investment Committee

Attachment 4 – Delegation Resolution for the Pension and Health Benefits Committee

Attachment 5 – Delegation Resolution for the Performance, Compensation and Talent
Management Committee

Attachment 6 – Delegation Resolution for the Risk and Audit Committee

Attachment 7 – Board Governance Policy

Gina M. Ratto

Deputy General Counsel

Matthew G. Jacobs

General Counsel

Anne Stausboll

Chief Executive Officer