



Finance and Administration Committee Agenda Item 7b

February 14, 2017

Item Name: Review of the Finance & Administration Committee Delegation, Board Governance Policy, and Policy for Approval of Reimbursement to State, School and Public Agency Employers of Elected Board Members

Program: Administration

Item Type: Action

Recommendation

Approve the proposed amendments to the Finance & Administration Committee Delegation Resolution (FAC Delegation) as part of the annual Board Delegation review process. Additionally, retire the *Policy for Approval of Reimbursement to State, School and Public Agency Employers of Elected Board Members*, and revise the *Board Governance Policy*.

Executive Summary

Each Board Committee annually reviews and revises their Delegation Resolution as necessary. This year, the leadership team identified the opportunity to amend the FAC Delegation to add language to clarify the Committee's oversight role as it pertains to approving reimbursement to elected Board members' employers. In turn, this allows the Committee to retire the *Policy for Approval of Reimbursement to State, School and Public Agency Employers of Elected Board Members* and incorporate the responsibility in the Board Governance Policy. This will streamline and consolidate policies that govern the Board's activities.

Additionally, the leadership team has proposed revisions to the FAC Delegation to clarify the scope of the Committee's oversight and approval authority of financial functions and to combine policy approval authorities for ease of reference.

Enclosed are the following attachments:

Attachment 1 - Current version of FAC Delegation FA-16-01

Attachment 2 - Black-lined version of proposed changes to FAC Delegation FA-17-01

Attachment 3 - Final version of FAC Delegation FA-17-01

Attachment 4 - Policy for Approval of Reimbursement to State, School and Public Agency Employers of Elected Board Members

Attachment 5 – Black-lined version of proposed changes to Board Governance Policy

Attachment 6 – Final version of Board Governance Policy

Strategic Plan

This item supports Goal B of the CalPERS 2012-2017 Strategic Plan, which is to cultivate a high-performing, risk-intelligent and innovative organization. It also supports the specific objectives: use a focused approach to generate, test, refine and implement new ideas, to deliver

superior end-to-end customer services that are adaptive to customer needs, and to actively manage business risks with an enterprise-wide view.

Background

In accordance with the Board Governance Policy, each Committee's delegation is reviewed annually and updated as needed. This presents each Committee with the opportunity to review and update the authorities delegated to the Committee by the full Board, enhancing the overall governance of the Board.

Analysis

The FAC Delegation was reviewed to ensure conformance with CalPERS Policy and Delegation Standards, as well as recommended enhancements from the leadership team members. The team recommends revising the FAC Delegation, retiring the *Policy for Approval of Reimbursement to State, School and Public Agency Employers of Elected Board Members*, and revising the Board Governance Policy as follows:

Proposed Revision to the FAC Delegation

The following changes are recommended to reflect the FAC's authority to approve reimbursement to state, school, and public agency employers of elected Board members, consistent with current practices and procedures.

- New Paragraph 4:
 - Added authority to "Approve the percentage of time to be used in calculating reimbursement to employers of the elected Board Members for time spent fulfilling their duties to CalPERS."

The following changes are recommended to provide the FAC with additional authority over significant financial principles and policies, clarify reporting expectations, and streamline delegation language.

- Paragraph 6:
 - Revises from "Approve significant accounting principles and policies" to "Approve significant financial principles, asset liability management and funding risk methodologies, and actuarial methods."
- New Paragraph 7 (formerly 5):
 - Combines the Committee's policy authority into one paragraph: "Approve significant financial policies (not including investment policies), actuarial policies, and service provider and employer contracting policies, and oversee compliance with these policies."
- Paragraph 13 (formerly Paragraph 11):
 - Removes reference to contracting policies.
- Paragraph 18 (formerly Paragraph 16):
 - Removes reference to actuarial policies and methods.

Proposed Revisions to the Board Governance Policy

The proposed revisions to the Board Governance Policy add the "Reimbursement of Agencies Employing CalPERS Board Members" language to Section X (page 21 of 24) of the Policy. This addition does not represent a substantive change in authority for the Board; rather, this is part of CalPERS' ongoing efforts to strengthen and consolidate policies that govern the Board's activities.



Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

The benefits of accepting this item include:

- Appropriately defined guidance to the FAC and staff to manage the effectiveness and integrity of the Board's processes, including oversight, accountability, transparency, efficiency and decision-making.
- Maintaining FAC authorities that supports and align with the Strategic Plan and the Board Governance Policy.
- Clearly defining and distinguishing between the roles of the Board, FAC, and staff.
- Ensuring FAC has appropriate authority to maintain strategic oversight of Enterprise operations and needs.

The risks of not accepting this item include:

- Reduced effectiveness of the FAC and staff in operating in accordance with the Board's processes, including oversight, accountability, transparency, efficiency and decision-making.
- Reduced clarity between the roles of the Board, FAC, and staff.
- The FAC not having the required authority to take action on or oversee mission critical objectives.

Attachments

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