

April 17, 2017

Item Name: Revision to Board Governance Policy Regarding Representation on Outside Boards

Program: Board Governance

Item Type: Action Consent

Recommendation

Staff recommends approval of the attached proposed revisions to the Board Governance Policy to add a procedure for Board members to obtain approval of their service on outside boards related to CalPERS.

Executive Summary

Based on the discussion at the March 2017 Board Governance Committee meeting, staff has prepared revisions to the Board Governance Policy to address Board member representation on outside boards that are related to CalPERS. The proposed revisions are reflected in redlined form in Attachment 1 (see pages 21-22).

Strategic Plan

This agenda item supports Goal B of the 2012-17 Strategic Plan, which is to cultivate a high-performing, risk-intelligent, and innovative organization. Conducting periodic review of the Board Governance Policy, especially in light of new issues not already addressed, ensures that the Board's governance documents are up to date, consistent and accurate.

Background

At the March 2017 meeting the Committee considered language drafted by staff that established a process for reviewing Board member requests to sit on outside boards related to CalPERS. The Committee discussed a number of issues involving the proposed process, including the types of boards to which the process should apply and how the process should address periodic review of successive terms on an outside board, and directed staff to draft additional language consistent with the Committee's discussion.

Analysis

Staff has added language to clarify that an outside board includes an advisory board, and to provide for a review of successive terms on an outside Board, tied either to the term of office for the position or every three years in cases where an outside Board membership has no fixed tenure.

Benefits and Risks

Board member representation on outside boards can provide a number of benefits to CalPERS, such as enhancing a member's ability to oversee the System or the reputational value derived from affiliating with groups that work to further CalPERS' mission and values. On the other

hand, service on outside boards consumes staff resources that could be directed elsewhere, and typically requires the expenditure of PERF funds for travel. Adopting a process for the Board to review requests by Board members to participate on outside boards helps ensure that such participation benefits the System.

Attachments

Attachment 1 – Redline of Board Governance Policy

Matthew G. Jacobs
General Counsel