



## Finance and Administration Committee Agenda Item 5a

April 18, 2017

**Item Name:** Review of Finance and Administration Delegation

**Program:** Financial Office

**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, as follows (see Attachment 2 for the paragraph references):

- (A) Make basic structural edits to the committee delegation (paragraphs 7, 8, 14 and 19);
- (B) Add language to the committee delegation (new paragraph 4) to reflect the Committee's responsibility for approving the percentages for elected Board members, in conformance with the retirement of the *Policy for Approval of Reimbursements to State, School and Public Agency Employers of Elected Board Members* (Agenda Item 11a); and
- (C) Add language to the committee delegation (new paragraph 5) in conformance with the retirement of *Delegation Resolution BD-94-04 (Rev.) - Discharge of Accountability of Uncollectable Debt* (Agenda Item 11b).

### **Executive Summary**

Each Board Committee annually reviews and revises their Delegation Resolution as necessary. 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 – CalPERS Financial Delegations, Resolutions and Policies – Path Forward

### **Strategic Plan**

This item supports Goal B of the CalPERS 2012-2017 Strategic Plan (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. A summary of financial delegations, resolutions and policies has been attached (Attachment 4), showing how each document relates to the Board and its committees, based on the current structure of committee and staff delegations of authority.

## Analysis

The FAC Delegation was reviewed to ensure conformance with CalPERS Delegation and Policy Standards, as well as for recommended enhancements. The team recommends revising the FAC Delegation as follows:

### **Proposed Revision to the FAC Delegation**

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 (see Attachment 2 for the paragraph references).

- New Paragraph 4:
  - Formalizes authority previously delegated by the *Policy for Approval of Reimbursements to State, School and Public Agency Employers of Elected Board Members*, by adding:

“Approve the percentage of time to be used in calculating reimbursement to employers of elected Board Members for time spent fulfilling their duties to CalPERS.”
- New Paragraph 5:
  - Formalizes authority previously delegated by *Delegation Resolution BD-94-04 (Rev.) - Discharge of Accountability of Uncollectable Debt*, by adding:

“Approve and oversee significant discharge from accountability requests.”
- Paragraph 7 (combines former paragraphs 5 and 16):
  - 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 8 (combines former paragraphs 5, 11, and 16):
  - 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 14 (formerly Paragraph 11):
  - Removes reference to contracting policies (included and clarified in new paragraph 8).

- Paragraph 19 (formerly Paragraph 16):
  - Removes reference to actuarial policies and methods (included in new paragraphs 7 and 8).

### **Budget and Fiscal Impacts**

Not Applicable.

### **Benefits and Risks**

The benefits of accepting this item include:

- Appropriately defined guidance to the FAC and team members to manage the effectiveness and integrity of the Board's processes, including oversight, accountability, transparency, efficiency, and decision-making.
- Maintaining FAC authorities that support and align with the Strategic Plan and the Board Governance Policy.
- Clearly defining and distinguishing between the roles of the Board, FAC, and team members.
- 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 team members 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 team members.
- The FAC not having the required authority to take action on or oversee mission critical objectives.

### **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 - CalPERS Financial Delegations, Resolutions and Policies – Path Forward

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