CalPERS

Board Governance Committee
Agenda Item 7a

March 19, 2019

Item Name: Update on Board Self-Evaluation Workstreams

Program: Board Governance

Item Type: Information

Executive Summary

The purpose of this agenda item is to provide an update on next steps in the 2018 CalPERS Board Self-Evaluation project. Conducted every two years, the focus of this project is to assess strengths and identify opportunities for board members to collectively and individually enhance their effectiveness and performance as a governing body.

Strategic Plan

This agenda item supports the 2017-2022 Strategic Plan Goal of Fund Sustainability.

Background

In October 2018 the board embarked on its biennial Board Self-Evaluation. As of December 2018, the board members had completed three surveys**:** Board Self-Evaluation, Board Attributes Evaluation, and Committee Evaluation. In addition, all board members participated in individual, one-hour interviews with Cari Dominguez, the faculty member leading this project for the National Association of Corporate Directors (NACD).

At the January 2019 Board Offsite, NACD presented to the board the findings of the three evaluations and information gathered in the interviews, and identified strengths and opportunities for improvement. Subsequently, the board president appointed board members ("workstream leads") to work with staff and scope out the associated goals, priorities, and timelines for each workstream and report back to the Board Governance Committee. The workstreams are as follows:

1. Develop board curriculum to further strengthen skills and expertise
   - Establish a richer and ongoing board orientation program

2. Clarify roles and responsibilities at each level of governance
   - Revisit committee structures, composition
   - Review role of board consultants
   - Explore equitable allocation of remunerated board time

3. Refine meeting materials to prioritize areas for deliberation
   - Review calendar and format for board meetings

4. Develop a board code of conduct

Additionally, the board president assigned board members to test an online prototype of Insight, an approach designed to improve how information is accessed and presented to help the board exercise the powers reserved exclusively for them in terms of setting strategic direction and policy, approving key decisions, conducting selected activities, and overseeing delegated authority.

5. Beta Test of Insight prototype

Analysis

As fiduciaries for the largest public pension fund in the United States and the fourth largest in the world, it is imperative that CalPERS board members have the knowledge, skills, and expertise necessary to govern effectively and make prudent decisions. The identified workstreams will enhance the board's decision making and oversight; improve clarity and understanding of the roles and responsibilities of the board in relation to committees, committee chairs and vice-chairs, and executive team members; ensure the board is focused on issues that are aligned with its powers reserved; and link standards of professional conduct with CalPERS' mission and vision.

Budget and Fiscal Impacts

The total cost of the Board Self-Evaluation (up to and including the implementation of the workstreams) is $186,000 and is funded with existing budget resources from the Board Services Unit.

Benefits and Risks

The biennial Board Self-Evaluation serves to identify governance strengths and opportunities for improvement, and shows a strong commitment to effective board governance. Implementation of the workstreams will benefit the organization by improving upon the areas in which the board members feel they need additional training and/or clarification. If the Board Self-Evaluation is not completed, it could result in a less cohesive environment among board and executive team members; inefficient board policies and processes; and gaps in knowledge and expertise that could impact critical decision making.

Attachments

Attachment 1 – Update on Board Self-Evaluation Workstreams

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