



## Board Governance Committee

# Agenda Item 7d

---

**August 20, 2019**

**Item Name:** Recommendations of Workstream 4: Code of Conduct

**Program:** Board Governance

**Item Type:** Action

### **Recommendation**

The board member leads for Workstream 4 (Code of Conduct) recommend that the Board Governance Committee approve the following:

- Develop and Adopt a Board Code of Conduct

### **Executive Summary**

#### *Develop and Adopt a Code of Conduct*

A draft Code of Conduct, titled “CalPERS Board Code of Ethics”, was developed and designed to clearly set out the rules, guidelines and expectations for board member conduct during board meetings and when acting on behalf of CalPERS. This recommendation to develop and adopt a board Code of Conduct was identified through the findings of the 2018 Board Self-Evaluation in which board members expressed a need for enhanced cohesiveness.

### **Strategic Plan**

This agenda item supports the 2017-2022 Strategic Plan goal “Fund Sustainability”. The outcomes of the Board Workstream Self-Evaluation and recommendations put forward by board members and reviewed by the NACD should strengthen fund governance.

### **Background**

At the January 2019 Board Offsite, Anne Simpson, CalPERS Director of Board Governance and Strategy, and Cari Dominguez, the faculty member leading the 2018 Board Self-Evaluation for the National Association of Corporate Directors (NACD), presented the findings of the Board Self-Evaluation completed in the fall of 2018. Subsequently the CalPERS Board President established five workstreams to follow-up on the findings: Board Curriculum; Roles and Responsibilities; Meeting Materials; Code of Conduct; and Insight Tool Prototype. In March 2019, the Board received an update on the workstreams and their progress. In June 2019, the

Board received an additional update on workstream progress and approved the identified recommendations to be moved forward for discussion. In July 2019, the Board had a first review and 4-hour discussion on the recommendations being put forward by 4 of the 5 workstreams. Also, the board received a prototype viewing of the Insight program that was created based on feedback from the 5th workstream's beta tests.

### **Analysis**

Each workstream worked with Ms. Simpson and NACD to ensure that the key items identified from the evaluation and the associated recommendations being put forth were aligned with NACD's leading practices for other boards. The draft Code of Conduct, titled "CalPERS Board Code of Ethics", is intended to set out clear expectations of responsibilities, standards and conduct for CalPERS Board Members that will provide a more cohesive environment in which trust, confidentiality and respect, to management, other board members, and outside parties are upheld. It will further clarify board members' roles as fiduciaries.

This recommendation to develop and implement a board Code of Conduct was identified through the findings of the 2018 Board Self-Evaluation in which board members expressed a need for cohesiveness.

### **Budget and Fiscal Impacts**

N/A

### **Benefits and Risks**

Implementing this workstream recommendation would foster an environment where respect, trust, confidentiality and overall cohesiveness among board members is not only a priority, but a requirement. It will provide a clear understanding of board members' ethical duties as a fiduciary body and how inappropriate actions can impact the fund.

### **Attachments**

Attachment 1 – Workstream 4 7d August 2019 - PowerPoint

---

Anne Simpson  
Director, Board Governance and Strategy

---

Matthew Jacobs  
General Counsel

---

Marcie Frost  
Chief Executive Officer