



Board Governance Committee

Agenda Item 8a

August 20, 2019

Item Name: Workstream Four: Code of Conduct – First Reading

Program: Governance

Item Type: Information

Executive Summary

The 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 on behalf of CalPERS. This information item is the first reading of the draft Code of Conduct and 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 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, board members 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", sets out a clear understanding of responsibilities, standards and expectations for CalPERS board members that will provide a more cohesive environment in which trust, confidentiality and respect, for management and other board members, management and stakeholders are upheld. It further clarifies board members' roles as fiduciaries.

This draft was presented and discussed at the July 2019 Board Offsite and is now being presented again as an official first reading.

Budget and Fiscal Impacts

N/A

Benefits and Risks

N/A

Attachments

Attachment 1 – "CalPERS Board Code of Ethics" – Draft¹

Anne Simpson
Director, Board Governance and Strategy

Matthew Jacobs
General Counsel

Marcie Frost
Chief Executive Officer

¹ Note – The appendix section of the draft Code of Conduct provided at the 2019 CalPERS Offsite has been incorporated into this document per board request. This document was constructed by the Board Workstream leads. Apart from the addition of section 9.4 at the request of a workstream lead, no changes have been made to this document.