



## Board Governance Committee

# Agenda Item 7b

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**April 22, 2020**

**Item Name:** Board Workstream 4 Update: Code of Conduct

**Program:** Board Governance

**Item Type:** Action

### **Recommendation**

This item is a second reading of the proposed CalPERS Board of Administration Code of Conduct which has been substantially revised following earlier discussion. The recommendation is for the proposed Code of Conduct to be reviewed and if approved, recommended for adoption by the Board.

### **Executive Summary**

A draft Code of Conduct has been developed to clearly set out the expectations for board member conduct during board meetings and when acting on behalf of CalPERS. The recommendation to develop and adopt a board Code of Conduct was identified through the findings of the 2018 Board Self-Evaluation facilitated by the National Association of Corporate Directors (NACD). This agenda item gives the Board an opportunity to consider the second draft of a Code of Conduct and determine if it meets the expectations and previous suggestions put forth by the board in November 2019.

### **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 2018. Subsequently the CalPERS Board President established five board member workstreams to follow-up on the findings: Board Curriculum; Roles and Responsibilities; Meeting Materials; Code of Conduct; and, Insight Tool Prototype.

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. At the August 2019 meeting, the Governance Committee recommended and the Board of Administration approved Board Workstream 4's proposal to develop a Board Code of Conduct. They reviewed and discussed a first draft Code of Conduct, after which it asked Anne Simpson and the CalPERS Legal Office to work with the members of Workstream 4 on another draft. In November 2019, the board discussed the possibility of revising sections of existing board policies instead of adopting a new Board Code of Conduct. It was determined that a Code of Conduct was still needed. This second draft responds to that discussion which highlighted the need for brevity and avoidance of duplication with existing board policies. In March 2019, Workstream 4 was prepared to present the new draft Code of Conduct for review. Due to the COVID-19 response, March's board meetings were postponed and subsequently the second draft reading was rescheduled for April 2020.

### **Budget and Fiscal Impacts**

Not Applicable.

### **Benefits and Risks**

Implementing Board Workstream 4's proposal for the CalPERS Board to adopt a Code of Conduct would foster an environment where respect, trust, confidentiality and overall cohesiveness among board members is not only a priority, but a requirement. Additionally, it provides an annual attestation of understanding and support for Board policies, to ensure a clear understanding of and the expectations of behavior as a CalPERS board member.

### **Attachments**

Attachment 1 – CalPERS Board of Administration Code of Conduct - Draft

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Anne Simpson  
Director, Board Governance and Strategy

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Matthew G. Jacobs  
General Counsel

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Marcie Frost  
Chief Executive Officer