



Board Governance Committee

Agenda Item 5b

September 15, 2020

Item Name: Composition of the Investment Committee

Program: Board Governance

Item Type: Information

Executive Summary

This agenda item enables the Committee and ultimately the Board to reconsider the Board's September 2019 decision to reduce the membership in the Investment Committee from all 13 members to nine members.

Background

The CalPERS Board of Administration Governance Policy (Policy) provides for six standing committees with specific structures and roles:

- Board Governance
- Finance and Administration
- Investment
- Pensions and Health Benefits
- Performance, Compensation and Talent Management
- Risk and Audit.

The powers of each committee are set forth in a delegation resolution which the Board reviews annually. Committee members are appointed annually by the Board President in consultation with Board members. Board members may attend meetings of the committees of which they are not members (Policy, page 23).

Each committee is required to report on its discussions and deliberations of significant issues and to present its recommendations to the full Board for review and approval. The Board retains plenary authority over all committee and executive delegations under its powers reserved. The Policy provides that a delegation of authority does not extinguish the authority of the delegator, nor does it absolve the delegator of responsibility. The Board may delegate authority to committees of its members, the Chief Executive Officer, or to CalPERS' consultants.

Analysis

The Board Governance Policy provides for a Board self-evaluation every two years. In 2018 the Board engaged the National Association of Corporate Directors (NACD) as an expert third party to facilitate its self-assessment. The NACD conducted surveys and interviews with Board members to identify opportunities to improve Board governance and performance. The Board President then established a series of Board workstreams, each of which identified a variety of proposals and opportunities to improve the Board's governance. The Committee considered each proposal and recommended several of them for adoption by the Board. In turn, the Board adopted those proposals.

One such recommendation was that the membership of the Investment Committee be reduced from a committee of the whole to a committee that was more consistent with the membership of the other committees, i.e., seven or nine members, to allow for deeper consideration of significant matters prior to the full Board's review and approval.

The Committee reviewed and recommended this proposal, among several others, at its August 2019 meeting. The full Board later reviewed and approved this proposal as well. In September 2019, the Board formally implemented this proposal by making the necessary changes to the Policy and the Investment Committee delegation.

Budget and Fiscal Impacts

N/A

Benefits and Risks

For Committee discussion.

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