



Board Governance Committee

Agenda Item 5c

September 15, 2020

Item Name: Review of the Chief Executive Officer's Delegation – Reporting Relationship of the Chief Investment Officer

Program: Board Governance

Item Type: Information

Executive Summary

The Board of Administration annually reviews and approves its delegation to the Chief Executive Officer. The Board agreed to introduce an enterprise wide delegation to the CEO in order to foster efficiency and accountability. This was implemented by the Board in 2014. The Chief Investment Officer operates under the policy direction of the Board and the administrative direction of the Chief Executive Officer.

Background

The CalPERS Board of Administration Governance Policy sets out the Board's delegation to the CEO:

The Board will have one direct report: the Chief Executive Officer. The Chief Executive Officer is responsible for the overall administration of all units, departments and functions within CalPERS. (Policy, p. 16.)

The Board of Administration delegation to the Chief Executive Officer, as reviewed annually and most recently approved in June 2020, provides among other things that s/he will:

1. Conduct and oversee the successful implementation of the Board's policies, programs, strategic plan, and enterprise business plan objectives and initiatives within the resources and fiscal limits set by the Board.
2. Conduct, approve and oversee the administration and management of all functions within CalPERS, including without limitation all actuarial, audit, financial, investment, and legal functions, with independence and in conformance with professional standards, and in conformance with the direction of the Board.

Analysis

The Board's enterprise wide delegation to the CEO is reflects discussion of governance reforms to enhance transparency and accountability in 2011. The measure was implemented in 2014 when the office of CIO was vacated.

The approval of the CEO's enterprise wide delegation reflected consideration of CalPERS' complexity with pensions, health and investment functions sharing common administrative resources for technology, finance, budgeting, procurement, legal and actuarial services, compliance, accounting, stakeholder relations, communications and talent management. The Board's delegation to the CEO allows for efficient deployment of those resources and timely prioritization within an enterprise strategic plan. The delegation ensures that assets, liabilities, and treasury management are coordinated to ensure effective execution of strategy within an integrated risk framework. Furthermore, the delegation is intended to protect the investment decision-making process from undue influence, whilst ensuring the CEO's accountability to the Board which retains plenary authority.

Budget and Fiscal Impacts

N/A

Benefits and Risks

For Committee discussion.

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