

CalPERS Governance Committee

June 15, 2021

1. Frequency of Elections – President / Chairs / Vice-Chairs (every two years)

There is a need to allow for Board leadership rotations and leadership development opportunities. Annual elections don't recognize the steep learning curves (often two years) for the President, Chairs and Vice-chairs as well as new trustees. While it is common for peers to elect officers for one-year terms (consistent with election cycles), consider increasing terms to two years rather than annual. This would allow for learning and reduce churn.

2. Terms of Office (Staggered)

A lack of staggered terms can lead to sudden large-scale turnover which can significantly disrupt board dynamics. Consider staggered terms.

3. Rotation limits (2 to 3) for President / Chairs and Vice-Chairs

There is no leading peer practice on rotation. An indefinite or unlimited number of terms can contribute to staleness and lack of innovation as well as limit Board leadership opportunities for others. Consider a two or three rotation limit that requires a break in the leadership role before becoming eligible for re-election.

4. Appointments to Committees

It is prevailing practice for the Board Chair/President to appoint committee members. This should be based on the needs of the committee and the abilities and interests of members, and also consider balancing assignments among members. Members should elect the Chairs and Vice-chairs. Committee participation and leadership helps develop Board bench strength.

5. Multiple chair responsibilities

Peer practices vary. In some cases, the President serves only as the Chair of the Board. In other cases, the President may also chair other committees. Generally, we consider having the President acting as chair for other committees to be a lagging practice with one exception, the Governance Committee. Because the Governance Committee typically deals with matters that pertain to the governance of the Board as a whole, it can be appropriate for the President to serve in both roles.

However, there are several problems with the President acting in multiple chair roles. First, because the President appoints committee members, it could be seen as self-serving to appoint oneself as the chair of other committees. Second, the role of the President is very demanding and, other than the potentially synergistic role of the Governance Committee, other committees such as Audit, Risk and Compliance and Investment would require too much time to do all the jobs properly. Third, it would deprive other trustees of leadership development opportunities. The Board President should, however, be an ex officio member of every committee.

6. Succession Planning for the Board

Succession planning is just as important for a board as it is for the executive. To the extent feasible, the Vice-chair should be presumed to be next in line and assignment of duties for the Vice-chair from the Chair should be consistent with this expectation.