

Board Governance Education: Best Practices in Public Pension Board Governance *(Information Item)*

A Presentation to the CalSTRS Board Governance Committee | January 9, 2025

Key Takeaways

- **Good governance drives value** for public pensions.
- **CalSTRS competes in a global arena** where laws and governance structures differ.
- **CalSTRS is viewed in the marketplace as a leader in governance best practices.**
- **Sustaining good governance will require continued effort** to navigate changing circumstances.



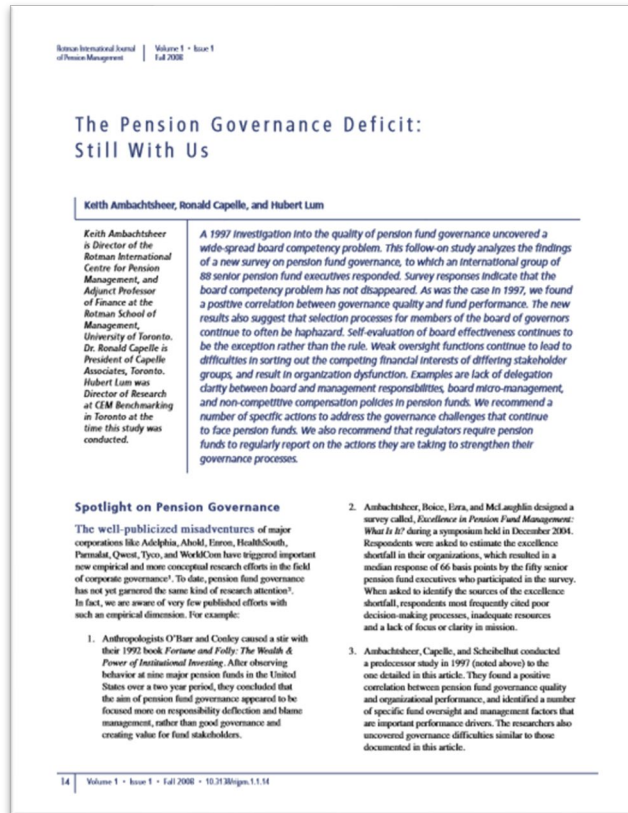
Agenda

- Context
- Foundations of Good Governance
- Public Pension Industry Challenges and Opportunities

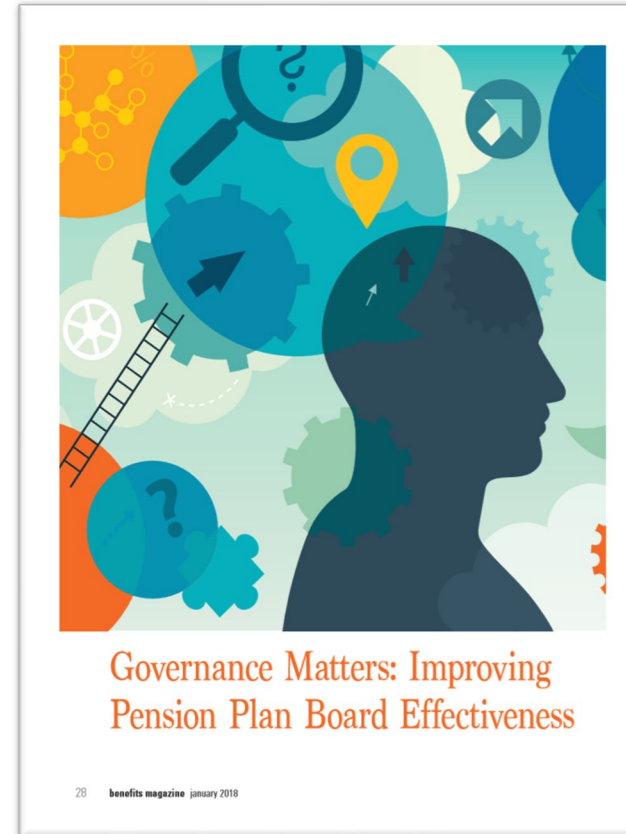


Context

Good Governance Drives Value



By Ambachtsheer, Capelle, and Lum. Published Fall 2008 in the *Rotman International Journal of Pension Management*.



By Chris Merker, PhD. Published January 2018 in *Benefits Magazine*.



U.S. Public Pensions: Distributed Governance Structure

Parties with
Involvement

- Executive Branch
- Legislative Branch
- Board
- CEO
- Members
- Key Member & Employer Groups

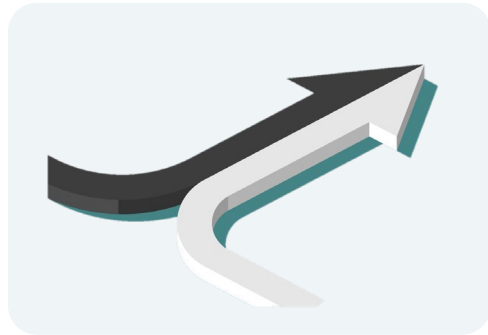
Where
involvement is
defined

- Applicable laws and rules
- Regulations, charters, policies



Foundations of Good Governance

Foundations of Good Governance



**Strong,
Independent,
and Clear
Governance**



**Mission
Focused**



Talent



**Ethics,
Accountability
and
Transparency**



Type and Degree of Board Authority Varies

Budget

Hiring Internal Staff

Compensating internal staff

Procurement and contracting

Hiring outside advisors

Open meetings & public records laws

Actuarial matters

Determining permissible investments

Ethics laws



Strong, Independent, and Clear Governance

Best Practices



Defined Board Role and Leadership

Clear Structure

Trustee Responsibilities

Sound Policies

Informed Decisions

Meaningful Evaluation Practices



Mission Focused

Best Practices

Clear Mission, Vision, and Values

Strategic Planning

Member and Stakeholder Engagement

Strategic Plan Integration

Results Orientation



Talent – Board Level

Best Practices

Qualified Board

Engaged Trustees

Onboarding and Continuing Education

Policies Reflecting Fiduciary Principles

Education Needs Assessment

Core Competencies



Talent – Staff Level

Best Practices



Global Recruitment

Competitive Compensation

Leadership Traits

Talent Development

Long-range Succession Planning



Talent – Board Consultants

Best Practices

Clear roles and expectations

Transparent selection process

Regular performance reviews

Open communication

Focus on value-added services



Ethics and Accountability

Best Practices

Conflict Policy

Covered Persons Definitions

Compliance Framework

Undue Influence Policy

Ethics Standards

Cultural Modeling

Business Partner Expectations



Transparency

Best Practices

Balanced Access

Governance Manual

Board Overview

Board and Committee Leadership

Organization Leadership



Public Pension Industry Challenges and Opportunities

Public Pension Challenges and Opportunities

Common Examples

- Lower expected return environment and shifting interest rates.
- Mature pension plans.
- Retirement policy pressures.
- Complexity and value demonstration.
- Increased competition for investment opportunities.
- Fragmented regulation and rapid change.
- Evolving member expectations.
- Pressure on sustainability principles.
- Cyber attacks.
- Pace of technology change.
- Evolving role of boards.

Sustaining good governance will require continued effort to successfully navigate changing circumstances.



The background of the slide is a composite image. It features silhouettes of several business professionals in a modern office environment. Some are looking at documents, others are talking on mobile phones. The office has large windows that look out onto a city skyline with several skyscrapers. The overall color palette is dominated by blues, greys, and oranges, with a bright light source creating a lens flare effect in the center of the image.

Thank you for your time!

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Appendix. Examples of Reputable Sources for Public Pension Governance Best Practices

- Stanford Institutional Investors' Forum
- National Institute of Retirement Security (NIRS)
- National Association of State Retirement Administrators (NASRA)
- National Council on Teacher Retirement (NCTR)
- National Conference on Public Employee Retirement Systems (NCPERS)
- Government Finance Officers Association (GFOA)
- Association of Public Pension Fund Auditors (APPFA)
- National Association of State Investment Officers (NASIO)
- National Association of Government Defined Contribution Administrators (NAGDCA)
- CFA Institute
- The World Bank
- International Centre for Pension Management (ICPM)
- Organisation for Economic Co-operation and Development (OECD)

