



Board Governance Committee

Item Number 5 – Open Session

Subject: General Counsel’s Governance Report

Presenter(s): Brian J. Bartow

Item Type: Information

Date & Time: January 9, 2025 – 10 minutes

Attachment(s): Attachment 1 – Board Member Responsibilities - Redline

Attachment 2 – Board Member Responsibilities – Clean

Attachment 3 – Third-Party Economic Interest Disclosure Policy – Redline

Attachment 4 – Third-Party Economic Interest Disclosure Policy – Clean

Attachment 5 – Delegation of Authority for Contracts – Redline

Attachment 6 – Delegation of Authority for Contracts - Clean

PowerPoint(s): None

PURPOSE

The purpose of this item is for the General Counsel to create awareness and visibility to the Board Governance Committee (Committee) on ongoing governance work and emerging practices related to Committee’s responsibilities. For this meeting, information on the following topics is provided.

1. Routine Board Governance Manual Policy Reviews.
2. Possible Next Policy Reviews.
3. Routine Board Consultant Evaluations.
4. Board Education Program.
5. Disclosure Filing Season (Form 700 and Form 600-H)

BACKGROUND

Routine Board Governance Manual Policy Reviews

The Committee is responsible for the oversight of the Board Governance Manual (BGM).¹ Its content is to be reviewed periodically.² To fulfill this responsibility, the Committee oversees routine, proactive BGM policy reviews initiated by the Office of the General Counsel. At each meeting, the Committee receives several policies to maintain a 5-year review cycle. Within this cycle, different types of reviews take place:

- New policy considerations requiring Committee discussion are added to the agenda accordingly.
- Policy reviews that lead to potential edits requiring Committee discussion are added to the agenda accordingly.
- Policy reviews that result in technical or non-substantive adjustments, or no changes at all, are presented to the Committee through this report.
- Reviews of policies that come under the authority of the full board or another board committee are handled by the board or the respective committee.

Alongside the board charter that is scheduled for Committee discussion, the following policies underwent a review, led by the Office of the General Counsel.

Board Member Responsibilities Policy

Mosaic, the board’s governance consultant, and the General Counsel confirmed this policy remains effective and relevant. Minor, non-substantive revisions were made to the language of the Independence and Code of Conduct sections to provide for other methods of affirmation and acknowledgment than written signatures, such as through electronic means. The revision also makes it clear that board members are acknowledging their commitment to follow the Code of Conduct (refer to Attachment 1).

Third-Party Economic Interest Disclosure Policy

The Office of the General Counsel reviewed this policy and confirmed it remains effective and relevant. Minor, non-substantive revisions were made to reflect the relevant law more fully and accurately, including the Government Code and Code of Regulations definitions of “Entities” and “Key Personnel” (refer to Attachment 2).

Delegation of Authority for Contracts

A minor, non-substantive revision was made to the delegation of authority language for clarity purposes (refer to Attachment 3).

Possible Next Policy Reviews

For the Committee’s May 2025, reviews of the following policies are anticipated:

- Possible follow-up on new policy: Board Charter.

¹ CalSTRS Board Governance Manual: Section 3. Committee Charters – Teachers’ Retirement Board, Board Governance Committee Charter.

² CalSTRS Board Governance Manual: Section 2. Board Governance - (K.) Policy Review.

- BGM Section 4 (Ethical and Fiduciary Conduct).
- Annual review of Board Governance Committee Charter.

Please note that these policies are tentatively being considered and may be changed based on direction from the committee chair, organizational needs, or changing circumstances.

Routine Board Consultant Evaluations

The board engages various consultants to deliver essential high-level strategic services and advice. Per board policy and best governance practices, both the board and its committees perform regular evaluations of those consultants who report directly to them during their contract terms. It is the responsibility of the Committee leadership to manage the scheduling of these routine evaluations, with the goal of assessing each consultant approximately at a midpoint of their contract term and factoring length of contract, upcoming RFP requirements, and any changes in circumstances.

One board investment consultant evaluation is currently underway. Once this evaluation is complete, the Committee will be provided with relevant information.

Later in 2025, the consultant roster with contract information will be updated. Mosaic and staff will engage the Committee leadership in discussion regarding next fiscal year's anticipated evaluation schedule.

Board Education Program

In September 2023, the Committee, as outlined in its Charter, reviewed the CalSTRS board education program with guidance from Mosaic. This review confirmed alignment with best practices but identified opportunities for improvement to make the program more tailored, practical, and relevant. Acting on the Committee's suggestions, Mosaic collaborated with CalSTRS CEO Cassandra Lichnock and her staff to update the curriculum, expand educational opportunities, and refine board communications. Progress on these updates was shared at the March 2024 Committee meeting, where Mosaic outlined next steps, including the development of an online education library for board members to enhance their understanding of CalSTRS and support self-paced learning.

September 2024, Mosaic provided the Committee with a project update, highlighting completed steps and future priorities. Trustees were engaged to provide feedback on the new virtual library, briefing protocols, and adjustments to internal and external education opportunities. Mosaic and Committee leadership also identified two key priorities: solidifying the framework for a trustee mentor program and enhancing direct interaction between trustees and members. These initiatives are being explored with several options under consideration. Mosaic will continue reporting progress to the Committee as work advances.

Disclosure Filing Season

The filing season for Form 600-H will open on January 15, 2025, and all filings are due by April 1, 2025. The filing season for Form 700 will open on January 15, 2025, and are due for

most filers on April 1, 2025, with certain filers required to file by March 3, 2025. Certain positions required to file through the Fair Political Practices Commission were able to begin filing starting January 1, 2025.

As provided for in the Board Governance Manual, and in accordance with the Political Reform Act, it is the policy of CalSTRS to conduct business with vendors, business entities and investment service providers, managers, partners and/or consultants in a manner which avoids potential or actual financial conflicts of interest. Consistent with this policy, certain disclosures involving campaign contributions, charitable contributions and gifts are required using the Third-Party Economic Interest Disclosure (Form 600-H).

Every elected official and public employee who makes or influences governmental decision are required to submit a Statement of Economic Interest (Form 700). Form 700 helps provide necessary information to the public about an official's personal financial interests to ensure that officials are making decisions in the best interest of the public and not enhancing their personal finances and serves a reminder to the public official of potential conflicts of interest so the official can abstain from making or participating in governmental decisions that may be considered conflicts of interest.