



# Board Governance Committee

## Item Number 3 – Open Session

**Subject:** General Counsel’s Governance Report

**Presenter(s):** Brian Bartow, General Counsel

**Item Type:** Information

**Date & Time:** September 26, 2024 – 10 minutes

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**Attachment(s):** Attachment 1 - Review of Board Self-Evaluation Policy (redline).

Attachment 2 – Review of Board Self-Evaluation Policy (clean)

**PowerPoint(s):** None

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### **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 the September 2024 meeting, information on the following topics is provided.

1. Routine Board Governance Manual Policy Reviews.
2. Board Meeting Safety Policy.
3. AI Policy.
4. Possible Next Policy Reviews.
5. Routine Board Consultant Evaluations.
6. Board Governance Committee Charter

### **BACKGROUND**

#### *Routine Board Governance Manual Policy Reviews*

The Committee is responsible for the oversight of the Board Governance Manual (BGM).<sup>1</sup> Its content is to be reviewed periodically.<sup>2</sup> To fulfill this responsibility, the Committee oversees routine, proactive BGM policy reviews initiated by the Office of the General Counsel.

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

<sup>2</sup> CalSTRS Board Governance Manual: Section 2. Board Governance - (K.) Policy Review.

At each meeting, the Committee receives several policies to maintain a 5-year review cycle. Within this cycle, different types of reviews take place:

- 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 policies scheduled for action or discussion today, the board self-evaluation policy underwent a review as well. Mosaic, the board's governance consultant, and the General Counsel confirmed that this policy remains effective and relevant. The policy is aligned with best practices, including outlining a structured process with a comprehensive scope and addressing long-term thinking and actionable outcomes. Minor, non-substantive revisions were made to harmonize the policy with actual board practice (refer to attachment 1).

- Edit 1: Some text was moved and edited for clarity.
- Edit 2: The practice of gathering post-meeting feedback and holding annual self-evaluation discussions were documented.

#### Board Meeting Safety Policy

CalSTRS developed a Board Meeting Safety Policy in May 2023, which established a framework for a safe and orderly environment in which to assemble and conduct the board's business. The policy applies to all CalSTRS board members, employees, contractors, and property management, as well as visitors and guests. The policy promotes safe and orderly meetings where the rights of all in attendance are respected, and where the business of the board can be conducted safely, efficiently, and without unreasonable disruptions.

These objectives are to be achieved through the establishment, maintenance, and enforcement of reasonable safety protocols, rules of decorum, public comment regulations, and risk management practices. The policy allows for various safety measures and protocols to be put in place as deemed necessary.

#### AI Policy

CalSTRS has recently created and finalized a GenAI policy to govern its use within the organization. This policy was shared with the board in July 2024, shortly after their offsite meeting. A board member subsequently inquired if the board should adopt the same policy. After consulting with Mosaic, we concluded that the board should not adopt the organization's GenAI policy as it pertains to day-to-day operations, systems, decision-making, and information flows—areas in which board members are not involved. Instead, we believe it would be more suitable to integrate the topic of GenAI as it relates to board matters into the Confidentiality, Non-Disclosure

and Acceptable Use Agreement (ISO 1949) that board members sign when elected or appointed to the CalSTRS board.

In response to the board member’s inquiry about a board-level GenAI policy, staff has reviewed ISO 1949 and is implementing a change to explicitly include generative artificial intelligence into the agreement, to ensure that policy is in place to appropriately address and mitigate improper use of data in unauthorized GenAI applications.

#### Possible Next Policy Reviews

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

- BGM Section 2.E.1 (Board Governance: Board member responsibilities, Responsibilities).
- BGM Section 4 (Ethical and Fiduciary Conduct).
- Possible charter revision: Board Charter.

BGM Section 2 and Section 4 encompass several policies, some of which are interconnected. The General Counsel Office, in collaboration with Mosaic, will conduct a thorough review of these sections to ensure they continue to be comprehensive, well-organized, and harmonized with actual board operations. The results of this review will be presented to Committee.

Please note that these policies are tentatively being considered and may be changed based on organizational need and 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.

The board consultant evaluation schedule for this fiscal year will be solidified after the discussions with the relevant board/committee leadership and staff are complete. The Committee will be sent an update once the schedule is solidified, if any are conducted.

#### Board Governance Committee Charter

In reviewing the CEO Delegation of Authority, staff and Mosaic are recommending that the Board Governance Committee Charter be revised to eliminate its annual review of the existing CEO Delegation of Authority, as this is a board-level function. The proposed changes will, however, retain the committee’s authority to review proposed changes to the existing delegation, as

appropriate. This change would align with current practices and streamline review of all delegations under the board's purview.

Pending input from the committee, staff anticipates presenting this change of the charter to the committee for review and potentially for the board's approval in May 2025.