

# We Serve Those Who Serve California

**CalPERS Vision** A respected partner, providing a sustainable retirement system and health care program for those who serve California.

**CalPERS Values** Quality, Respect, Accountability, Integrity, Openness, Balance

**CalPERS Mission** Deliver retirement and health care benefits to members and their beneficiaries.

1. The CalPERS Board of Administration performs as a 13-member board of trustees, with fiduciary responsibility to 1.9 million pension system members and 1.5 million health care participants. The Board accepts the role of protecting the retirement and health benefits of current and future generations and commits to this code of conduct to guide interactions with all individuals and entities. The Board sets policy in a manner considerate of long term outcomes, careful of short term interests or the interests of a single entity or party. Each member of the CalPERS Board of Administration is expected to follow high standards of ethical conduct and to act in accordance with CalPERS' mission and core values. CalPERS' reputation depends upon the way board members conduct business and the way the beneficiaries, stakeholders and public perceive that conduct. Unethical actions, or the appearance of unethical actions, are not acceptable. This code summarizes a set of expected principles but nothing in this code should be considered as limiting duties, obligations or fiduciary requirements with which Board Members must comply.

## 2. Duty of Loyalty

Board Members should not be, or appear to be, subject to influences, interests or relationships that conflict with the interests of CalPERS or CalPERS' ability to operate for the sole benefit of its beneficiaries. Board Members shall serve the interests of CalPERS over those of any other person or group.

## 3. Conflicts of Interest

Board members must avoid activities that might impair, or even appear to impair, their ability to make objective and fair decisions. Members must never use CalPERS' property or information for personal benefit or gain. (link to conflict of interest, gifts, personal trading attestation policies)

## 4. Duty of Care

Board Members shall apply themselves with seriousness and diligence while participating in the matters of the Board and its committees and shall act professionally and prudently in exercising oversight of CalPERS management. Board Members are expected to be familiar with CalPERS business and the environment in which the organization functions.

The CalPERS Board is committed to creating an environment where all individuals are treated with dignity and respect. Informed, critical and respectful debate is expected to ensure the most informed decisions and best outcomes are made on behalf of

beneficiaries. Board Members will be professional and courteous to one another, management staff, beneficiaries, and all persons and entities conducting business or providing public comment to CalPERS.

## **5. Education**

Board Members shall be sufficiently informed to make policy decision on behalf of CalPERS and to participate in an educated manner in committee and Board meetings. Board Members are responsible to pursue and retain appropriate knowledge and skills relevant to committee assignments and policy decisions. Board Members are expected to attend all meetings of the Board and assigned committees, except if unusual circumstances or attendance is not possible.

## **6. Integrity**

Board Members shall communicate accurate and reliable information about CalPERS policy decisions to strengthen the understanding for beneficiaries, stakeholders and the public. Board Members will not allow personal bias, conflicts of interest or the influence of other people to override their trustee responsibilities. When action is taken by a committee or the full Board, all Board Members will support the action regardless of their individual vote on the policy.

## **7. Confidentiality**

CalPERS operates as a highly transparent organization, and only limited data is deemed confidential due to investment market sensitive, personnel and/or other attorney client privileged communication and work product. In those exceptions, Board Members shall maintain the confidentiality of information entrusted to them by CalPERS and any other confidential information about CalPERS business, investments, personnel and other privileged information, except when disclosure is authorized or legally mandated. Board Members will not selectively disclose any non-public information

## **8. Board Interaction with Pension/Financial Community and Media:**

The Board recognizes that members of the pension and financial community, stakeholder groups and the public at large have significant interests in CalPERS actions and governance, therefore the Board seeks to ensure appropriate communication, subject to concerns about confidentiality.

Board Members understand that they are representing CalPERS in and outside of committee and board meetings, Board Members will be truthful and use accurate characterizations in all platforms when making statements about CalPERS and its decisions and services. Members will not allow bias, conflicts of interest, or the influence of other people to override their professional judgement and fiduciary responsibility.

## **9. Accountability**

Board Members will discuss with the President of the Board or Chair of the Board Governance Committee any questions or issues that may arise concerning compliance with this Code. Breaches of this Code, whether intentional or unintentional, shall be reviewed by the Board Governance Committee (excluding any Board Members whose

breaches are under review), which, if necessary, shall make recommendations to the full Board for corrective action. To the extent appropriate, review of breaches of this Code shall be in accordance with the Board Governance policy developed and amended from time to time, as the Board deems appropriate. If a Board Member is found to have violated this Code, the Board President and/or Governance committee will determine whether the misconduct and corrective action(s) are made public.

#### **10. Affirmation**

All Board Members shall read this Code at least annually and shall certify under penalty of perjury that they understand the Code and that they are in compliance.

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## Appendix

### Commentary

- Include (CalPERS Mission, Values and Vision) in this document. I can't cut and paste from a .pdf
- Include the exact language that Ashley Dunning provided in the slide show on her January 2017 presentation.
- Delete "1.9 Million" – P1, S1
- Insert "beneficiaries" – P1, S1 – ("system members and beneficiaries")
- Delete "1.5 million" – P1, S1
- Delete "accepts the role of protecting the retirement and health benefits of current and future generations" – P1, S2
- Delete "Has been charged with the role of protecting the retirement and health benefits of current and future generations and c" – P1, S2
- Insert "shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. The Board's duty to its participants and their beneficiaries shall take precedence over any other duty. Additionally, the" – P1, S2
- Delete "individuals and entities" – P1, S2
- Delete "The Board sets policy in a manner considerate of long term outcomes, careful of short term interests or the interests of a single entity or party" – P1, S3
- Insert "Board c" – P1, S3
- Delete "s" – P1, S
- Insert "the" – P1, S4 – ("the highest standard")
- Insert "est" – P1, S4 – ("the highest standard")
- Delete "way" – P1, S5 – ("depends upon the way")
- Insert "manner in which" – P1, S5
- Capitalize lower "b" and lower case "m" in "board member" – P1, S5
- Delete "expected principles" and insert "ethical expectations," – P1, S7
- Insert new section titled "Fiduciary Duty" that states: "The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty." (Art. 16, sec. 17(b), emphasis added)

"if a fiduciary fails to follow the advice of its professional consultants, it must demonstrate an informed, reasonable, and prudent rationale for failing to do so."

"expert advice from a reasonable and disinterested source should provide the basis for a Board's decision to take an alternative course of action on a topic within that area of expertise (e.g., investment, actuarial, legal)."



"Prudence requires that trustees and staff ask questions and understand the rationale for actions before proposing or taking them."

- Insert "Above all, the CalPERS Board will operate in a manner where it places its' loyalty to the members, participants, and beneficiaries of its' members as its' only priority." – P2, S1
- Insert "the", Pension System," – P2, S2 (interests of the CalPERS Pension System,)
- Insert "the", Pension System" – P2, S3 (interests of the CalPERS Pension System)
- Delete "seriousness" and insert "competence" – P3, S1 – ("with competence and diligence")
- Delete "courteous" and Insert "respectful" – P4, S5 – ("be professional and respectful")
- Insert "team members," – P4, S5 – ("one another, management staff, team members, beneficiaries...")
- Delete "When action is taken by a committee or the full Board, all Board Members will support the action regardless of their individual vote on the policy." and insert ""Individual Board members are fiduciaries and trustees. As such, Board members will at all times act in the best interest of CalPERS and its members and beneficiaries, consistent with the Board member's fiduciary duty, and take positive steps to prohibit breaches of duty through negligence or intentional action." (Sec.IV.A.)" – P6, S3
- This sentence seems to repeat the paragraph defining integrity: "Members will not allow bias, conflicts of interest, or the influence of other people to override their fiduciary responsibilities and loyalty to the beneficiaries." – P8, S3
- In response to P9, S2 "Breaches of this Code" : I know initially I agreed with this section of the document, but as I researched it further, I found the following in the Bagley-Keene Open Meeting Act: "Under the [Bagley Keene] Act, members of the body are not to be considered employees, and there exists no personnel exception or other closed session vehicle for board members to deal with issues that may arise between them. Board elections, team building exercises, and efforts to address personality problems that may arise between members of the board, cannot be handled in closed session."
- Delete "from time to time" and insert "which does not address all possible scenarios, and may be amended," – P9, S3
- Delete "public" – P9, S4
- Insert "No provision of this Code shall infringe upon a Board Member's unalienable right to freedom of speech." (sic) – P9, S5
- In response to "under penalty of perjury" – "I don't like barking if we cannot bite. Should we include this?"

## Questions and reflections