



Board Governance Committee

Item Number 4 – Open Session

Subject: General Counsel’s Governance Report

Presenter(s): Brian J. Bartow

Item Type: Consent Information

Date & Time: March 7, 2024 – 0 minutes

Attachment(s): None

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 related to Committee’s responsibilities. For the March 2024 meeting, information on the following topics is provided.

1. Information Security Incident Delegation.
2. Detailed Review and Reconciliation of the Existing Board Governance Manual.
3. Routine Board Consultant Evaluations.
4. Routine Board Governance Manual policy reviews.

BACKGROUND

Information Security Incident Delegation

Information security or cybersecurity risks are recognized as the highest priority not only for the potential damage to systems and processes and the effect on our members but for the velocity of such incidents. When aware of the immediate risk or the occurrence of such an incident, everyone responsible must act quickly, responsibly, and according to procedures dictated by our information security planning and training. That response necessarily includes bringing in outside expertise, either through our cybersecurity insurance coverage or through an urgent procurement process. The costs of such services can be beyond the current thresholds requiring board approval. Simply based upon the number of records controlled by the system, it is more than likely that the threshold will be crossed immediately. Given the need to act quickly and

decisively, securing board approval is not practical nor is it advisable under the basic premise of “need to know” in the early moments of such a response.

Experience shows us that providing a limited exception for the CEO to approve such expenditures with additional controls is absolutely necessary for a timely and effective response.

Item 2 on the agenda sets out a proposed revision to the Board Governance Manual to provide the necessary authority.

We are working on additional proposed additions to the Board Governance Manual that we expect to bring to the Committee at the next meeting:

No Contact Policy

We are working on a proposed revision to the Board Governance Policy to broaden the No Contact Policy to address additional categories related to employment and service vendor selection.

Remote Participation Approval

Recent additions to Bagley Keene have included limited authority to participate in meetings remotely, provided certain conditions are met. However, Bagley-Keene is silent on how the Governing Body is to review and act on those requests. This proposed revision will outline the process and grant authority to the Board Chair to make that determination.

Routine Board Consultant Evaluations

The board contracts with various consultants that provide it with critical high-level strategic services and advice. Per board policy¹, the board and its committees conduct routine evaluations of the consultants that report directly to the board or its committees. For this fiscal year, three board consultants (private equity consultant, board governance consultant, and ARM committee financial expert) were scheduled to be evaluated.

The evaluations were conducted under the direction of their respective committee leaderships from November 2023 to March 2024 and are now complete. The Board Governance Committee leadership will review the board consultant roster to set the board consultant evaluation schedule for FY 24/25.

Routine Board Governance Manual Policy Reviews

¹ July 2023 CalSTRS Board Governance Manual: Section 2. Board Governance - (K.) Consultant Evaluation Policy.

The Committee is responsible for the oversight of the Board Governance Manual (BGM).² Its content is to be reviewed periodically.³ To fulfill this responsibility, the Committee oversees routine, proactive BGM policy reviews initiated by the Office of the General Counsel.

This fiscal year, four BGM policies were reviewed and one new BGM policy was created. Each committee annually reviews its charter. BGM policies to be reviewed during FY 24/25 will be identified and scheduled in connection with the creation of the FY 24/25 Committee workplan.

If you have any questions regarding this item prior to the meeting, please contact Brian Bartow.

² CalSTRS Board Governance Manual: Section 3. Committee Charters – Teachers’ Retirement Board, Board Governance Committee Charter.

³ CalSTRS Board Governance Manual: Section 2. Board Governance - (J.) Policy Review.