



Board Governance Committee

Item Number 4 – Open Session

Subject: Revision to the Board Governance Manual-Form 600H Compliance
(Section 4, Subsection G (7))

Presenter(s): Jennifer Miskewycz

Item Type: Action

Date & Time: November 5, 2021 – 15 minutes

Attachment(s): None

PowerPoint(s): None

PURPOSE

The purpose of this item is to provide a recommended revision to Section 4, subsection G (7) of the Third Party Economic Interest Disclosure Policy within the Board Governance Manual.¹ This recommendation is being made to provide CalSTRS further recourse for those entities in violation of the policy.

DISCUSSION/SUMMARY

Currently, Section 4, subsection G (7), Sanctions for Violation of Policy, only identifies one sanction available to CalSTRS for entities that are not in compliance with the Third Party Economic Interest Disclosure Policy. Staff recommends keeping the current sanction and adding additional sanctions that would allow CalSTRS discretion to immediately terminate any contract/agreement and/or withhold payments on future obligations under any contract/agreement for entities in violation of the policy. The proposed revision would remove the existing policy language and replace it with the following²:

7. Sanctions for Violation of Policy

¹ This is formerly section 600-H of the Teachers' Retirement Board Policy Manual. For internal purposes, to avoid confusion, and for consistency, CalSTRS will continue to refer to this form as the Form 600-H.

² If approved, staff will add the proposed language to future contracts/agreements. These revisions will not impact current contracts/agreements unless agreed to in writing by all parties.

The general counsel is responsible for causing an investigation of any reported violation of this policy. Any violation may lead to one or more of the following: (1) immediate termination of any agreement/contract, (2) CalSTRS withholding future payments on any existing agreement/contract, and/or (3) disqualification from future business with CalSTRS for a period of two years following a determination that a violation has occurred. These sanctions will be at CalSTRS' sole discretion and upon written notice from CalSTRS to the entity. The general counsel shall provide an annual report of violations to the Audits and Risk Management (ARM) Committee.

Existing policy language:

7. Sanctions for Violation of Policy

~~Any violation of this policy may lead to disqualification from future business with CalSTRS for a period of two years following a determination by the board that a violation has occurred. The general counsel is responsible for causing and documented violation to the board for action.~~

RECOMMENDATION

It is recommended that the committee review the above proposed revisions to Section 4, subsection G (7) of the Board Governance Manual, engage in discussion regarding the purpose and effect of the revisions and recommend approval of the revisions to the board.