

Governance



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International Foundation 
OF EMPLOYEE BENEFIT PLANS
Education | Research | Leadership

Agenda

- Learning Objectives
- Controls
- Leadership
- Critical Skills/Knowledge
- Best Practices
- Conclusion

Learning Objectives

- To help policy and decision makers understand and improve the governance of pension and health and welfare plans
- To provide new trustees with a broad-based orientation in governance

Learning Objectives

- To provide experienced trustees opportunities to deepen their knowledge of governance issues, update their skills and learn from their colleagues
- To create an interactive learning environment that encourages participation and includes small group discussions on governance issues

“Bored” Governance



Environment Influences

- Market volatility
- Low rates of return
- Global challenges
- Participant expectations
- Rapidly changing technology
- Increased scrutiny
- Future uncertainty

What Is Governance?

Authority . . . Control . . . Guide . . . Direct . . . Influence

- Involves people, **policies** and **processes** that provide the framework to make **decisions** and **take action** to optimize outcomes
- Requires actions of the board with respect to **establishing** and **monitoring** the **long-term direction** of an organization
- Results in the exercise of **authority** and **control** to **direct** the organization

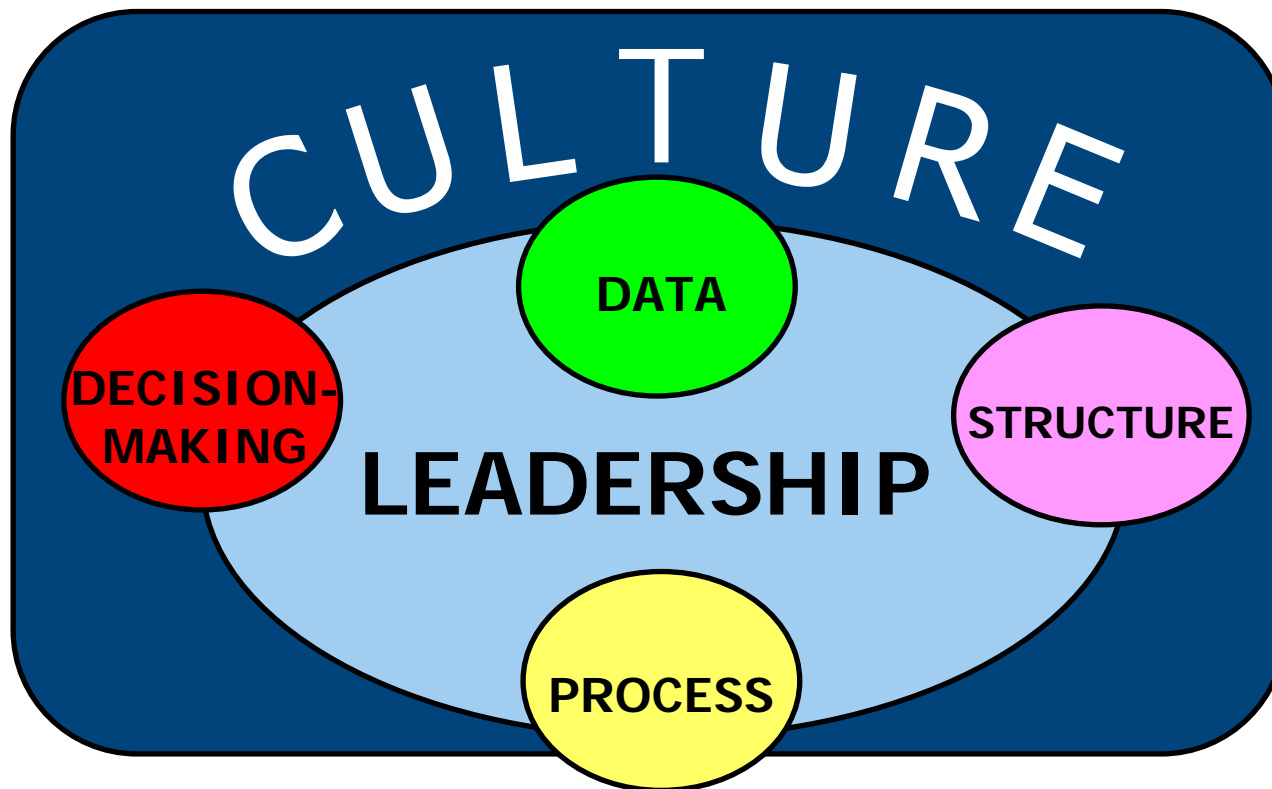
Board Governance

**The manner and process by
which a Board exercises
authority and control.**

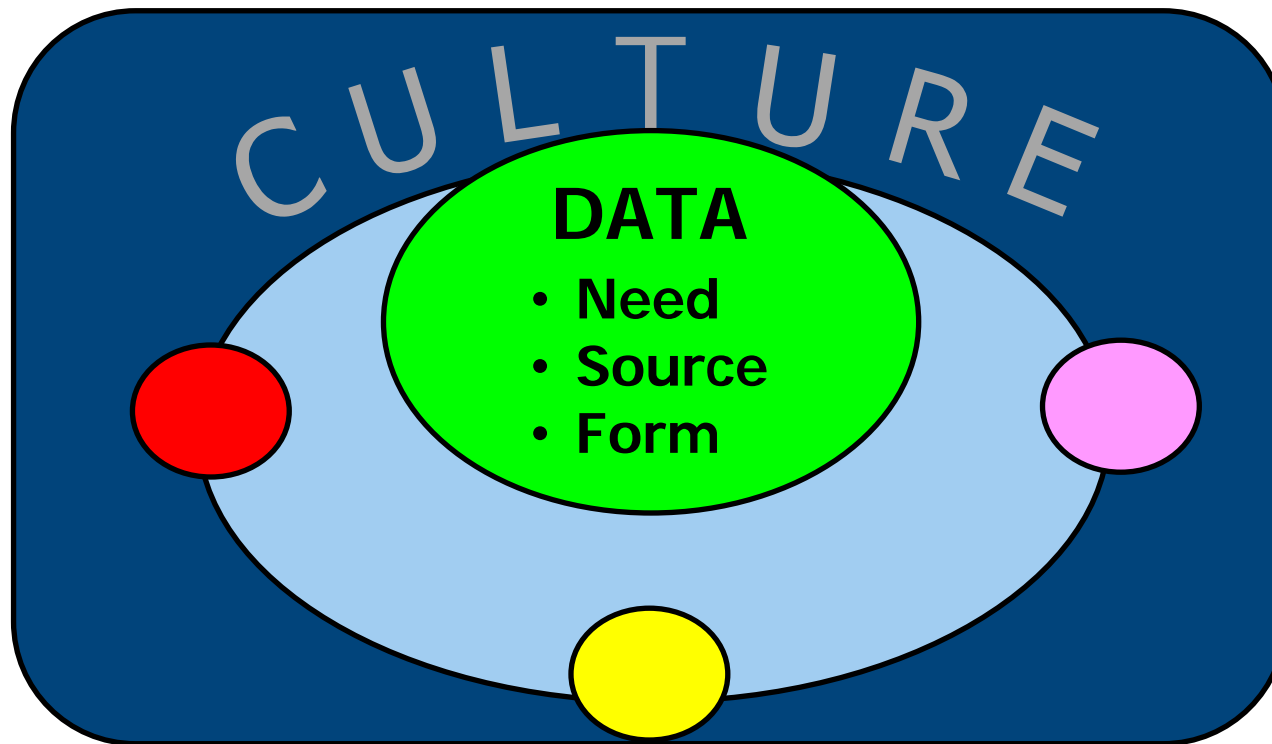
Governance Framework

- **Federal and State Laws**
- **Governing Documents**
- **Fundamental Duties**
 - Duty of _____
 - Duty of _____

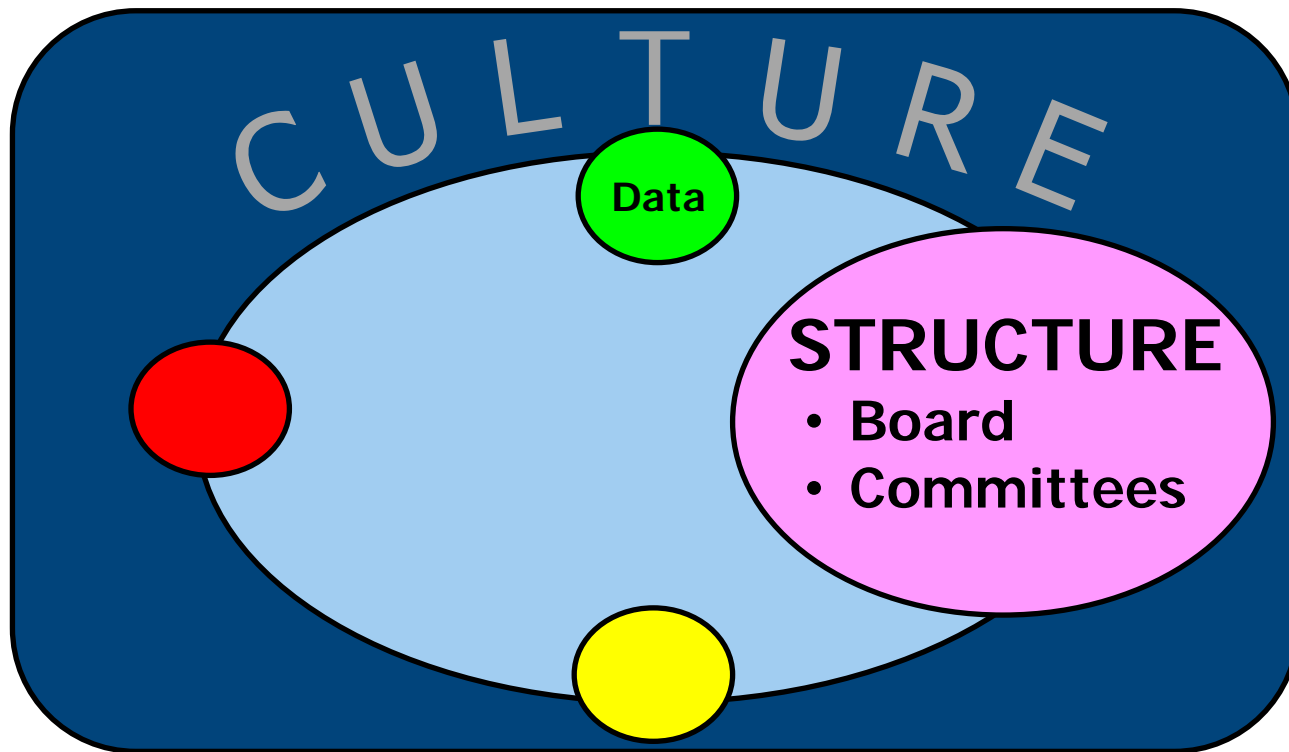
Governance Controls



Governance Controls



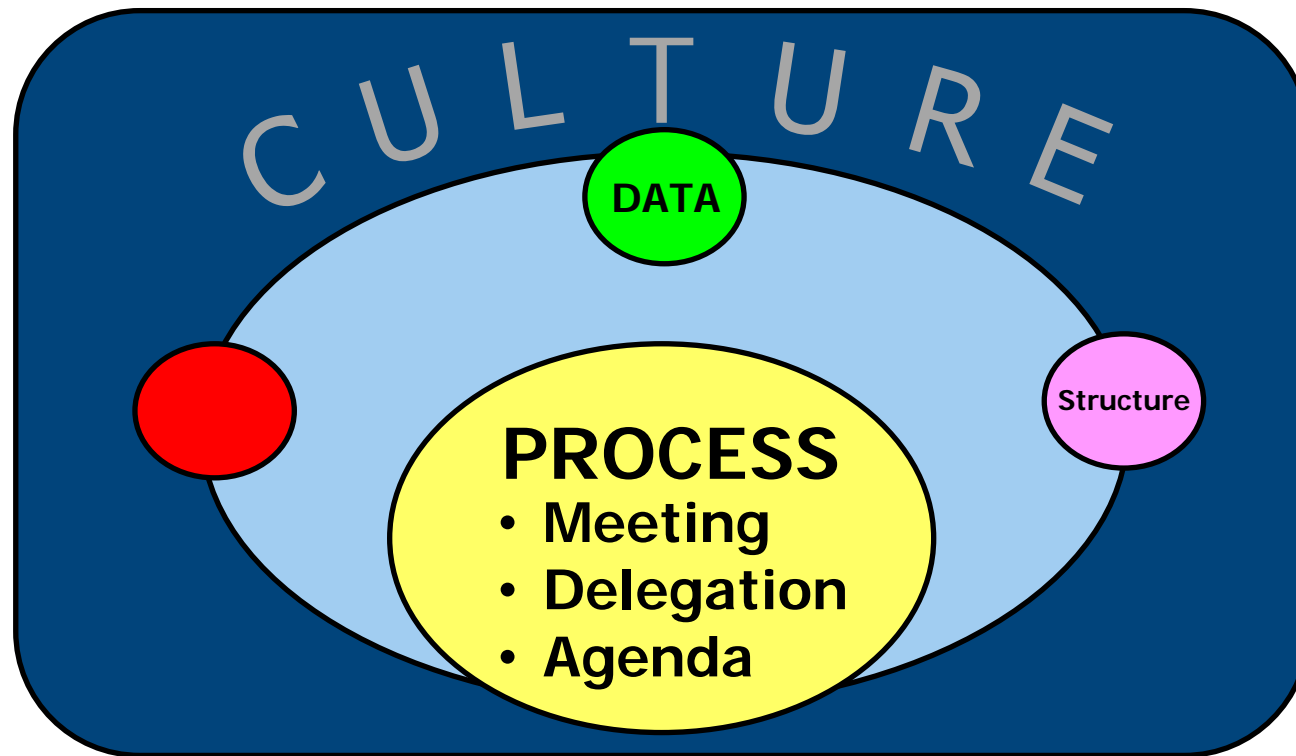
Governance Controls



Effective Committees

- Role
- Responsibilities
- Authority
- Timeline
- Deliverable
- Report vs. Meeting
- Annual Review

Governance Controls



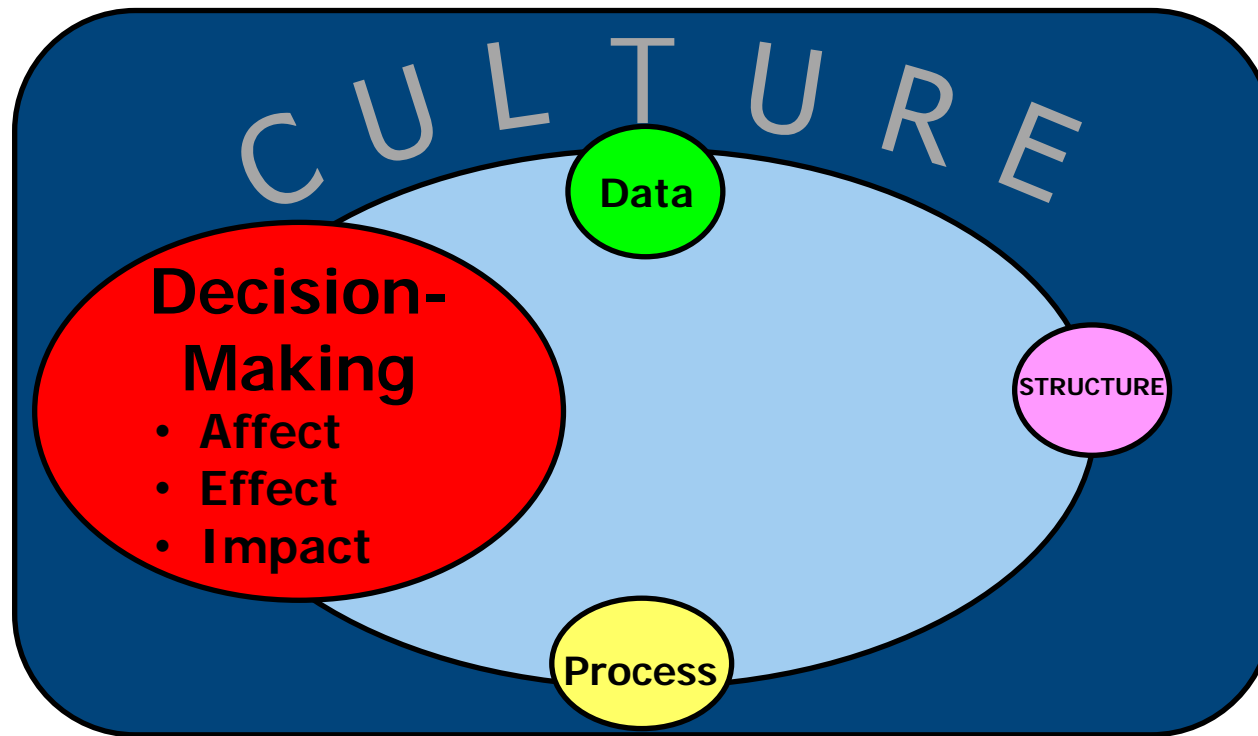
Effective Board Meetings

- Meeting Agenda
 - Consent
 - Topics
 - Timing
 - Order
 - Policy, Action, Information, Follow-Up

Board Priorities

<i>Easy Critical</i>	<i>Hard Critical</i>
<i>Easy Not critical</i>	<i>Hard Not critical</i>

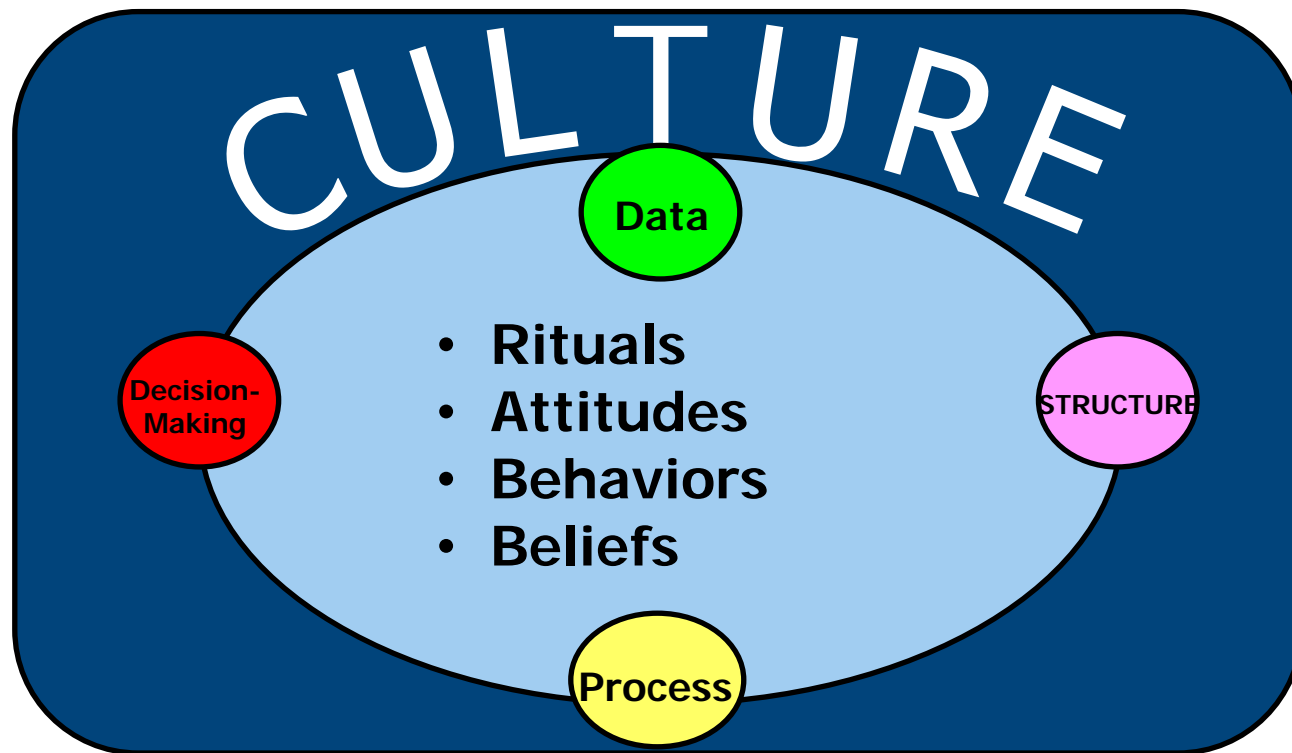
Governance Controls



Decision Making

- Affect
- Effect
- Impact

Governance Controls



Culture

- Powerful and invisible force
- Indicates what is valued
- Communicates expectations
- Self-perpetuating
- Default or Design
 - Impact
 - Accountability mechanisms



BREAK TIME!

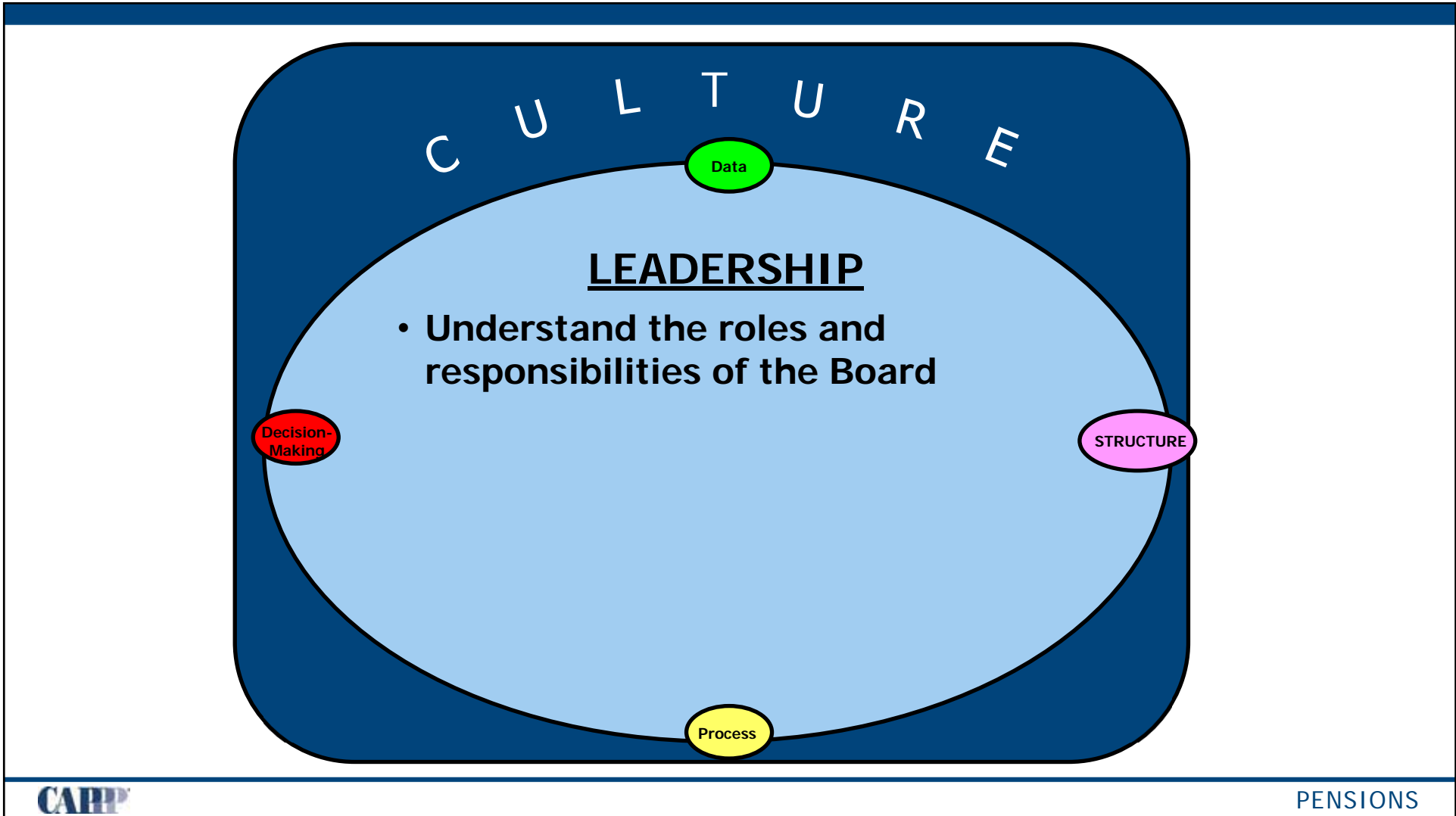
“As a leader, your every action has a consequence, make sure it is one you intend.”

– Katherine Bryant

Food for Thought . . .

**“The most powerful leadership tool you have
is your own example.”**

– John Wooden



Defined Roles

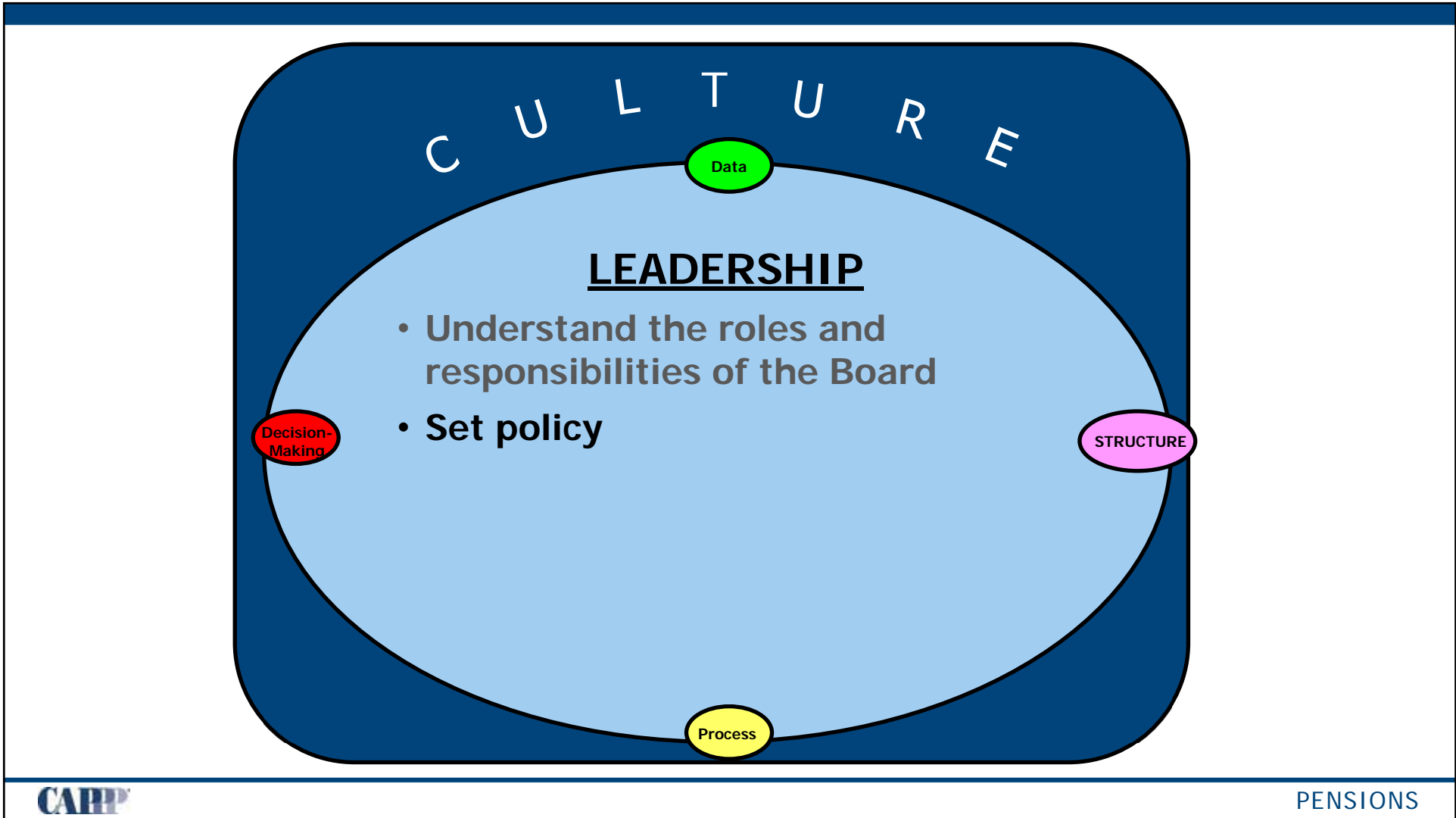
- Board of Trustees
- Board Committees
- Plan Sponsor
- Executive Director
- Actuary
- Advisors (legal counsel, consultants)
- Investment Consultant
- Investment Managers
- Auditors

Possible Roles



Defined Responsibilities

- Oversight and monitoring
- Plan management
- Compliance with legislation
- Plan funding
- Asset management
- Benefit administration
- Information and reporting requirements
- Communication



Governance vs. Management

GOVERNANCE = POLICY = BOARD =

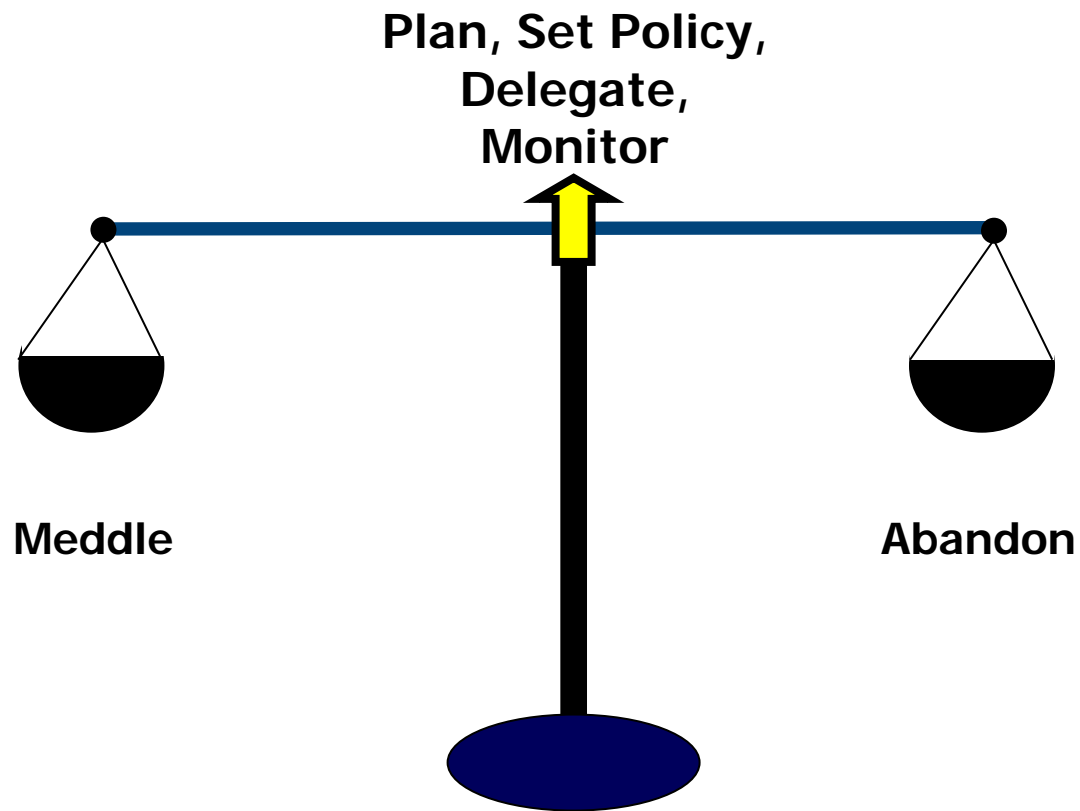
MANAGEMENT = STRATEGY = STAFF =



VS.



Balanced Governance



Out of Balance

- Gravitate toward comfort zone
- Inability to change hats
- Different agenda
- External influence
- Lack of:
 - Clarity of roles and responsibilities
 - Education on governance
 - Good communication processes
 - (Timely) feedback
 - Confidence in _____

C U L T U R E

Data

LEADERSHIP

- Understand the roles and responsibilities of the Board
- Set policy
- Collective leadership expressed as a single unified voice

Decision-Making

STRUCTURE

Process

CULTURE

Data

LEADERSHIP

- Understand the roles and responsibilities of the Board
- Set policy
- Collective leadership expressed as a single unified voice
- Establish strategic direction

Decision-Making

STRUCTURE

Process

Strategic Direction

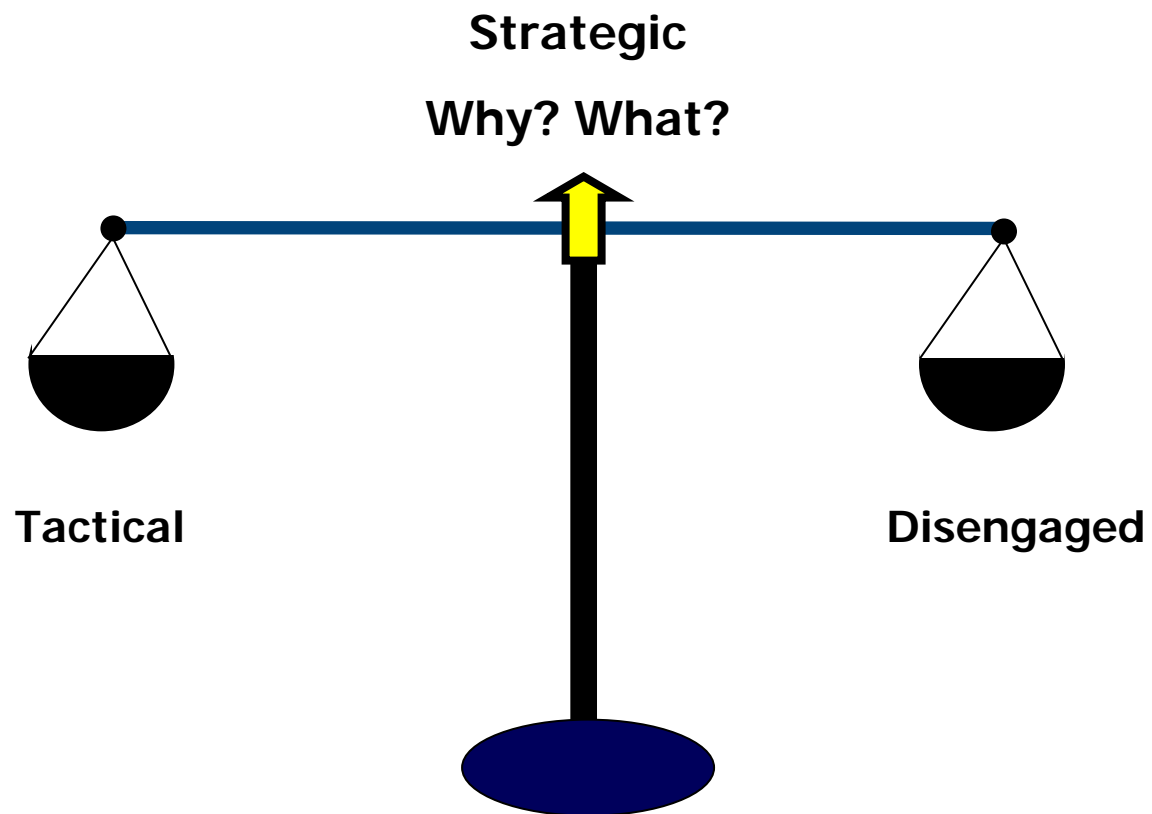
- Think creatively
- Look toward the future
- Take a proactive approach
- Maintain focus on the big picture
- Address key issues and critical concerns
- Focus on results and outcomes



Strategic Thinking

- Why does this decision make a difference?
- What difference will this decision make to our stakeholders?
- Will this decision impact the long-term viability of the fund?
- Will making this decision reflect on our mission?
- Who should be held accountable for the outcome of this decision?

Balanced Strategic Thinking



C U L T U R E

Data

LEADERSHIP

- Understand the roles and responsibilities of the Board
- Set policy
- Collective leadership expressed as a single unified voice
- Establish strategic direction
- Focus on results

Decision-Making

STRUCTURE

Process

Results Focus

- System measures
 - Investment rate of return
 - Funding ratio
 - Member satisfaction
 - Strategic plan goals
 - Budget adherence
 - Board satisfaction
 - External acknowledgement
 - Performance evaluations

BREAK TIME!

**“Our situation improves only when we take chances—
And the first and most difficult risk to take is being
honest about our current state.”**

– Walter Anderson

Governance Application Your Turn!

- **Read handout**
- **Break into groups of 4-6 members**
- **Appoint scribe/spokesperson**
- **Identify governance issues**

Critical Skills/Knowledge

- Financial acumen
 - Actuarial projections, investments, budgets
 - Economic forces
- Professional expertise
 - Experience-based ideas and information
 - Further the Board's collective knowledge
- Industry knowledge
 - Seeks out information
 - Stays abreast of current trends

Critical Skills/Knowledge

- Stakeholder relations
 - Understand diverse needs and interests
 - Build relationships
- Political perspective
 - Leverage key relationships
 - Use influence effectively
- Strategic thinking
 - Proactively plan for the future
 - Focus on the big picture

Governance Controls

- Define appropriate **DATA**
- Use **STRUCTURE** to help achieve goals
- Assess **PROCESS** to ensure efficiencies
- Promote process-driven **DECISION-MAKING**
- Design the Board's **CULTURE**
- Assert the Board's **LEADERSHIP**

Areas of Impact

- Fiduciary responsibility
- Independence
- Roles, responsibilities, policies and reporting requirements
- Committees
- Leadership
- Internal controls
- Strategic planning
 - Goals
 - Accountability
 - Performance measurements
- Governance self-assessment

Best Practices

- Establish sound policies (and follow them!)
- Define roles and responsibilities
- Delegate responsibility with authority
- Maintain oversight
- Require accountability
- Engage in strategic thinking
- Establish strategic direction

Best Practices

- Provide new Board member orientation
- Require ongoing education
- Build strong working relationship with the Executive Director
- Assess performance annually

Outcomes of Governance Best Practices

- Established direction
- Policy-driven decisions
- Defined roles and responsibilities
- Effective communication
- Identified expectations
- Established accountability
- Improved performance

Food for Thought . . .

Good governance is not something that is put in place and then left.

Ensuring its effectiveness depends on conducting a regular review, making a conscious effort to continually improve, and **maintaining focus!**

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Session Evaluation

Thank You!

