

# CalPERS Board Self-Assessment: Findings, Key Themes, and Next Steps

Presented to CalPERS Board of Administration, March 20, 2024

by

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- Review of the Board Self-Assessment Process
- Analysis of 2023 Findings
- Key Themes
- Next Steps

- In October 2023, NACD circulated self-assessment questionnaires specifically tailored to the governance matters of the CalPERS Board of Administration.
- All board members completed the survey, resulting in 100% participation.
- NACD faculty member Cari Dominguez also conducted one-on-one phone interviews with all participants as follow up to the survey responses.

- The survey scores and comments were then interpreted by Dr. Dominguez and the NACD team.
- Focus of the entire process was to identify current board strengths and opportunities for enhancing board effectiveness.

- CalPERS' board self-assessment centered around five core governance competencies:
  - Board Structure;
  - Operational Oversight;
  - Talent Oversight and CEO Succession;
  - Strategy Oversight; and
  - Risk Management and Oversight.
- For each area, statements were ranked and scored on a dual scale:
  - Effectiveness scale of 1-5, 1 being “poor” and 5 being “excellent”, with zero being an unweighted score to indicate “do not know”.
  - Importance scale of 1-5, 1 being “not important” and 5 being “very important”.

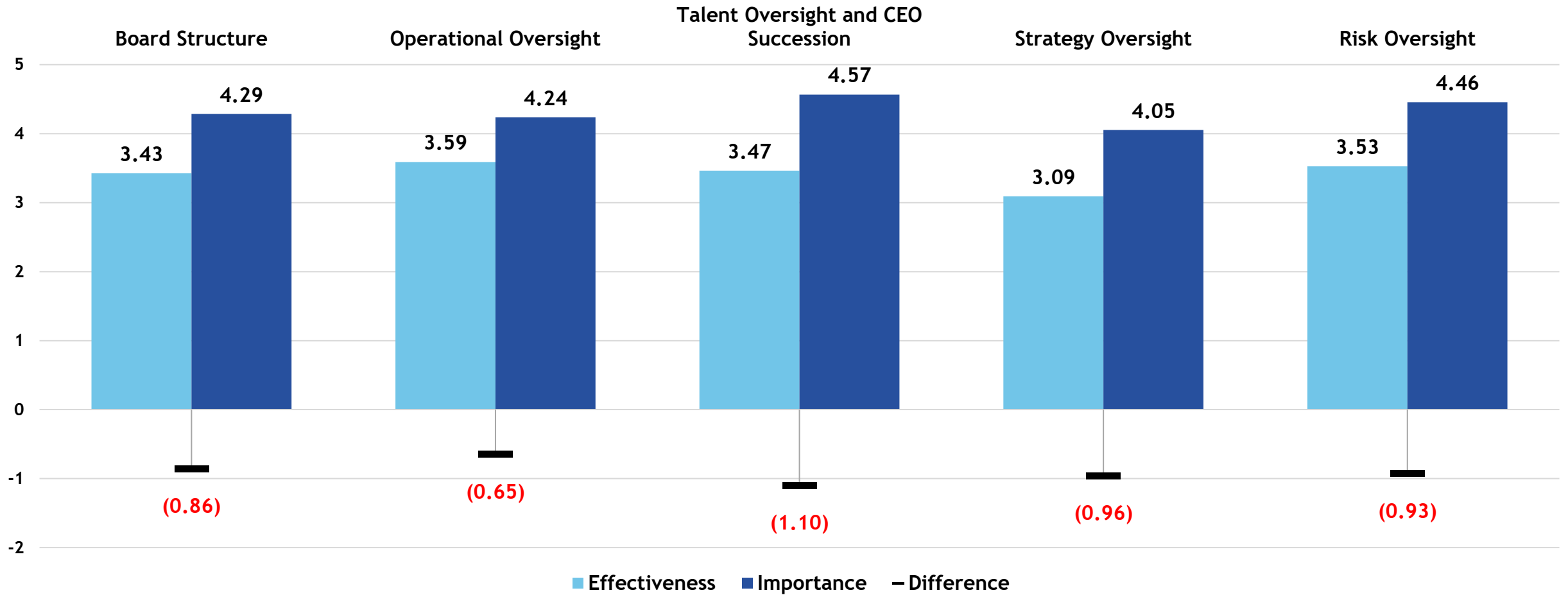
- Three committees were self-assessed by the respective members of each committee:
  - Performance, Compensation and Talent Management Committee
  - Pension and Health Benefits Committee
  - Finance and Administration Committee
- All statements were ranked and scored on an effectiveness scale of 1-5, with one being “poor” and 5 being “excellent”.
- For each committee statement, member ratings were averaged to produce an overall rating for each statement.

# Analysis of Findings: Strengths and Opportunities

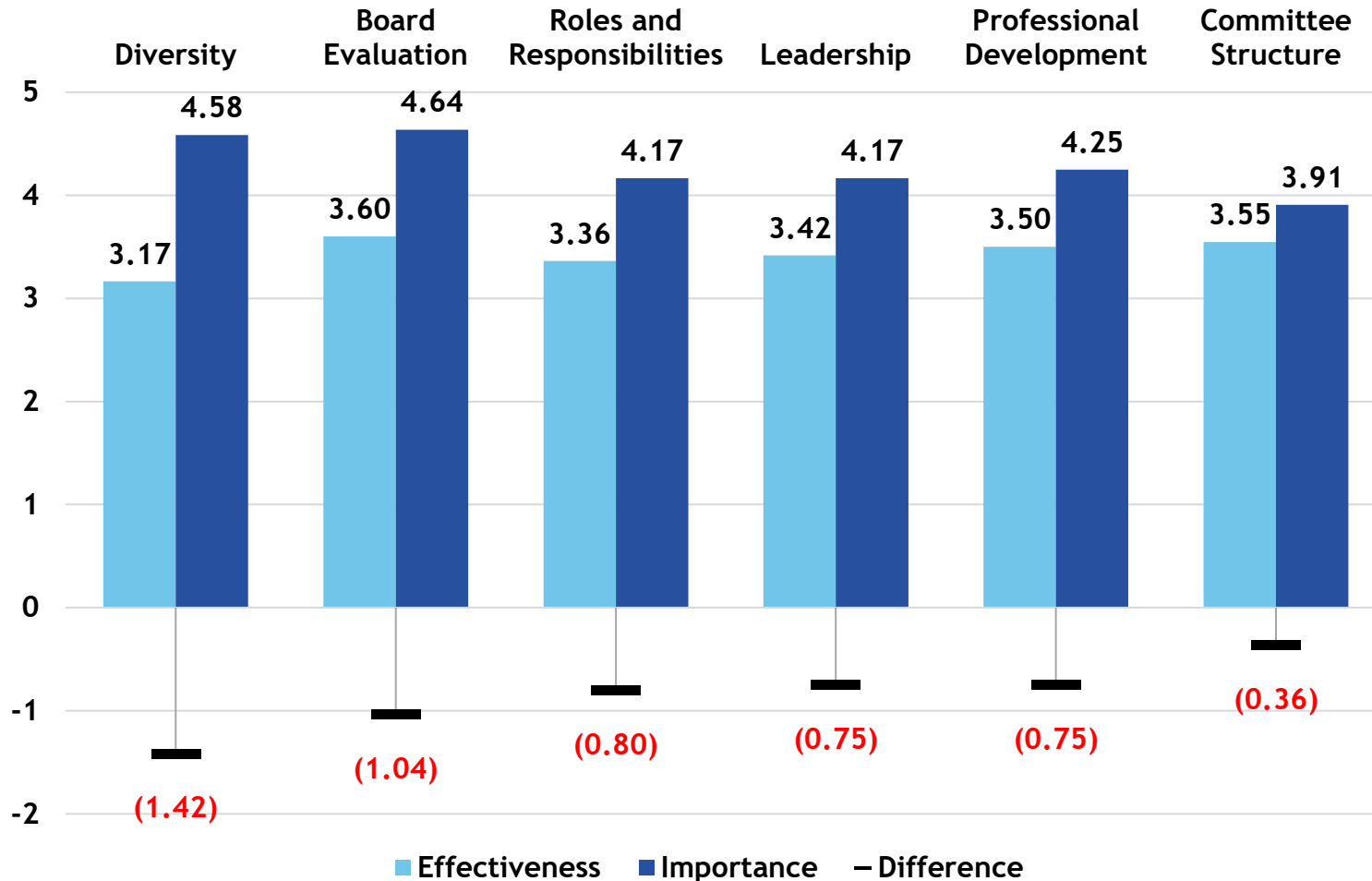
- Complete commitment to CalPERS' mission and its vital role in the marketplace and in the well-being of its beneficiaries.
- CalPERS's recognition as a global leader on ESG initiatives.
- An engaged and more collegial board, where different views are welcomed and treated with professionalism and respect.
- High degree of dedication toward continuous improvement as a board and as individuals.
- Stakeholder engagement considered an organizational strength.
- Expressed confidence in CalPERS as a resilient organization.



# Analysis of Findings: Overall Board Assessment



# Board Structure: Quantitative Summary

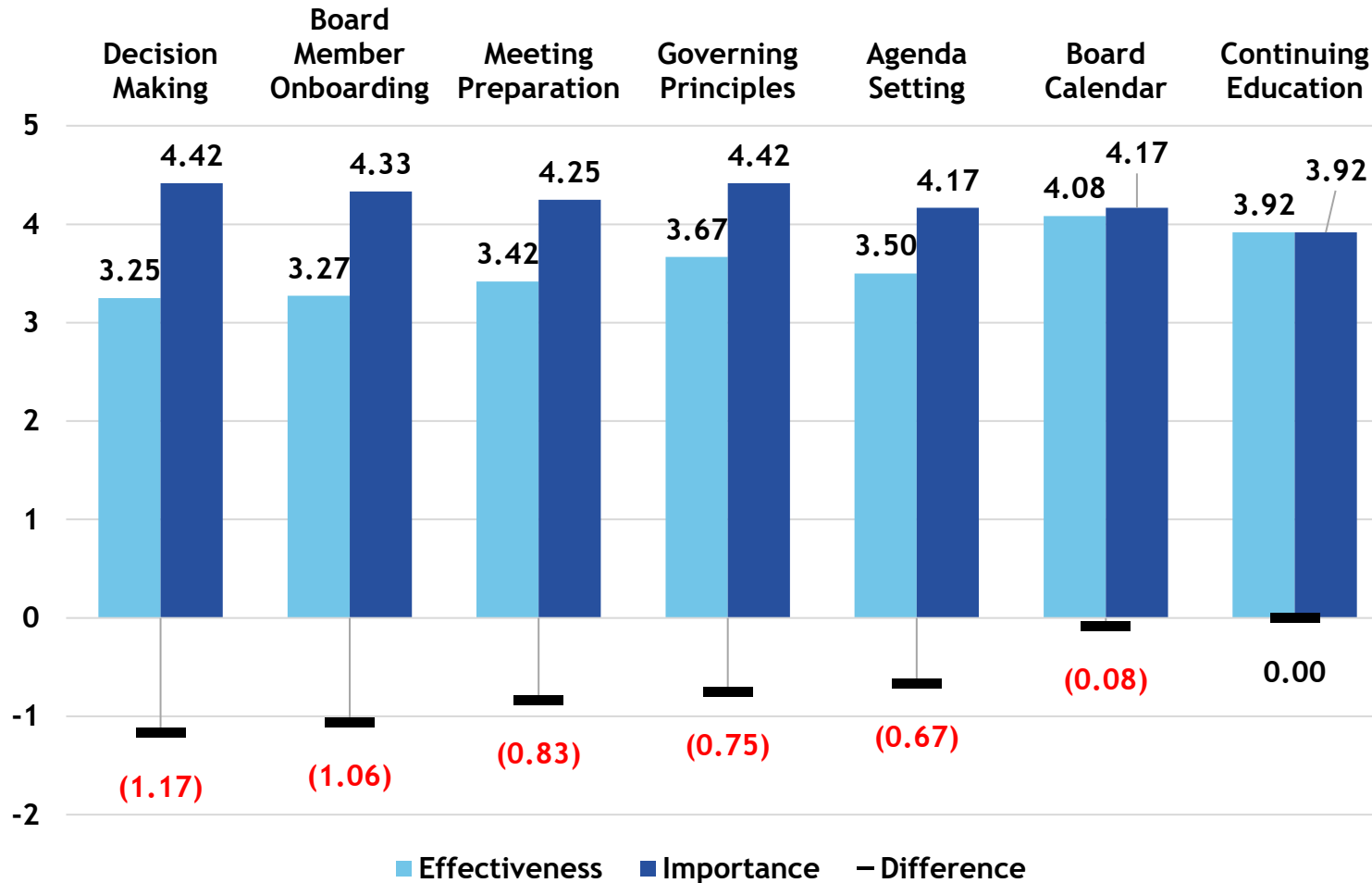


- Diversity. Fostering a diversity of opinion in a collegial manner with common ownership of board decisions
- Board Evaluation. Assessing the board's performance around core oversight responsibilities to drive continuous improvement every two years
- Roles and Responsibilities. Identifying and addressing gaps in board members' understanding of the board roles and responsibilities
- Leadership. Identifying appropriate board leaders who encourage continuous learning, engagement at meetings and rigorous decision making
- Professional Development. Identifying and meeting the board's needs in terms of current and future board member skills, experience and knowledge
- Committee Structure. Reviewing the board's committees to determine the appropriate structure, delegations, and rotation

The current board is quite diverse within its structural composition and possesses a good blend of longer and newer-tenured members.

- 1. Organizational Diversity** – Board would like to see continued progress, particularly at the executive leadership levels.
- 2. Board Evaluation** – Interest in strengthening a continuous–improvement mindset by seeking opportunities in addition to the formal board evaluation process.
- 3. Roles and Responsibilities** – Board would like more discussion time around board-management roles in the area of investment strategy development.

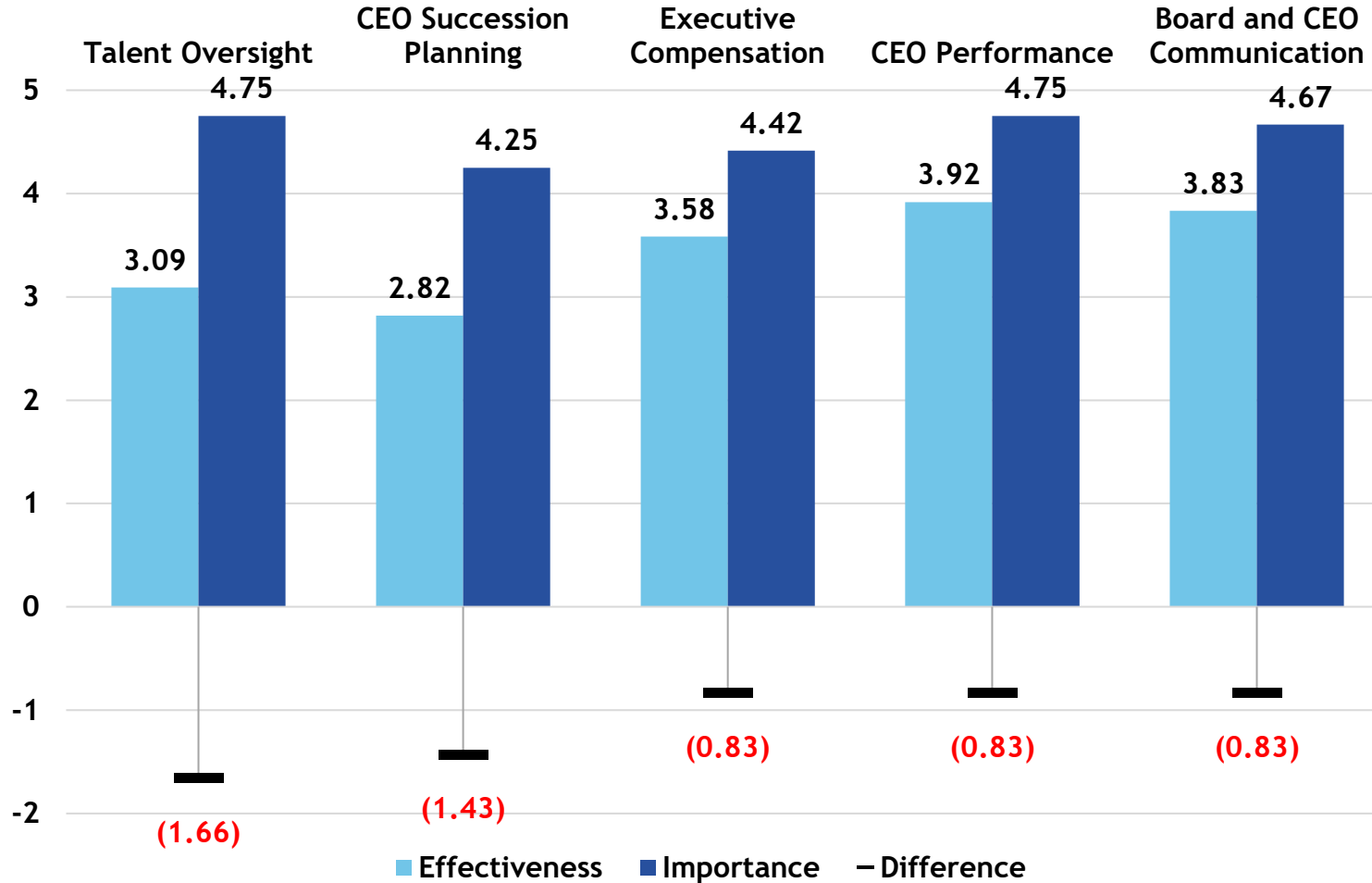
# Operational Oversight, Quantitative Summary



- **Decision Making.** Engaging in thorough discussions that encourage alternate views and yield concrete decisions
- **Board Member Onboarding.** Employing onboarding practices that set forth a board member's duties and responsibilities within the CalPERS' legal and policy framework
- **Meeting Preparation.** Reviewing meeting materials to prepare for meaningful discussion at board and committee meetings
- **Governing Principles.** Regularly updating the organization's governance (vision, mission, beliefs, policies, delegations and strategic plans)
- **Agenda Setting.** Ensuring the Board agenda focuses on strategic discussions
- **Board Calendar.** Adhering to an annual calendar that outlines the dates and content of the board's regularly scheduled meetings
- **Continuing Education.** Providing opportunities for board members to develop their knowledge and expertise in areas relevant to CalPERS

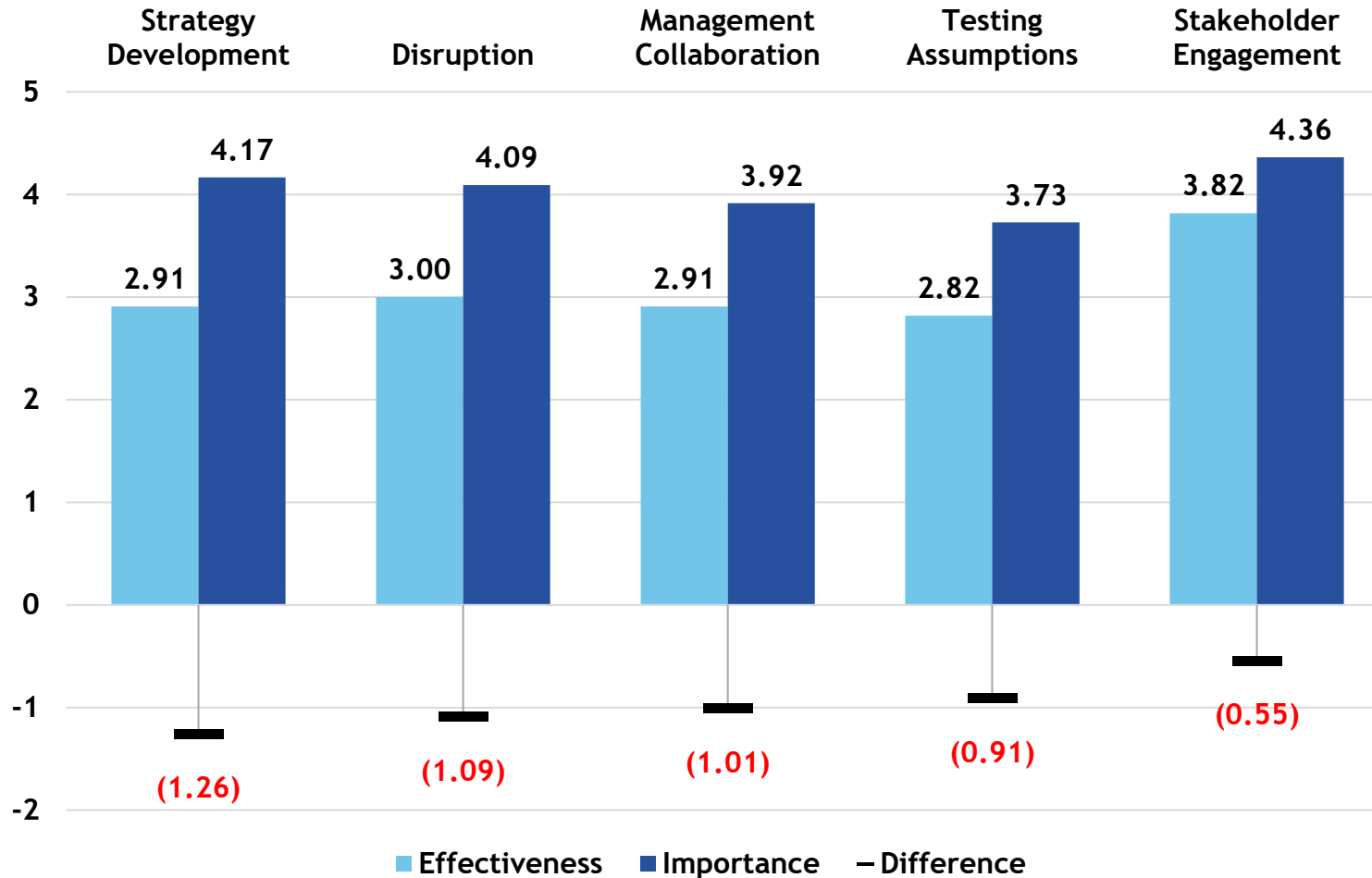
- 1. Decision Making** – Ensure that CalPERS staff is able to comply with board requests.
- 2. Board Member Onboarding** - Sessions in person preferred to virtual ones. A lot of information to absorb in a short period of time. Consider expanding onboarding program.
- 3. Meeting Preparation** - Maintain materials at board level oversight review.

# Talent Oversight and CEO Succession: Quantitative Summary



- Talent Oversight. Aligning CalPERS' hiring philosophy, employee retention and incentive programs, and corporate culture to support a diverse talent pipeline and long-term talent strategy
- CEO Succession Planning. Establishing a sustainable and rigorous process to identify potential CEO successors both within and outside CalPERS
- Executive Compensation. Ensuring compensation plans balance long-term incentives with short-term operational goals, clearly reflecting CalPERS' strategic plan and value
- CEO Performance. Reviewing processes for CEO evaluation against clearly communicated goals, expectations, and growth opportunities
- Board and CEO Communication. Establishing and maintaining clear and effective communication between the board and the CEO on critical issues facing the organization

- 1. CEO Succession Planning** - Great desire to have a plan in place. Considered a top fiduciary priority for the board this year.
- 2. Talent Oversight** - Important to have broader board discussions around talent development, retention, and succession planning for key executive roles.

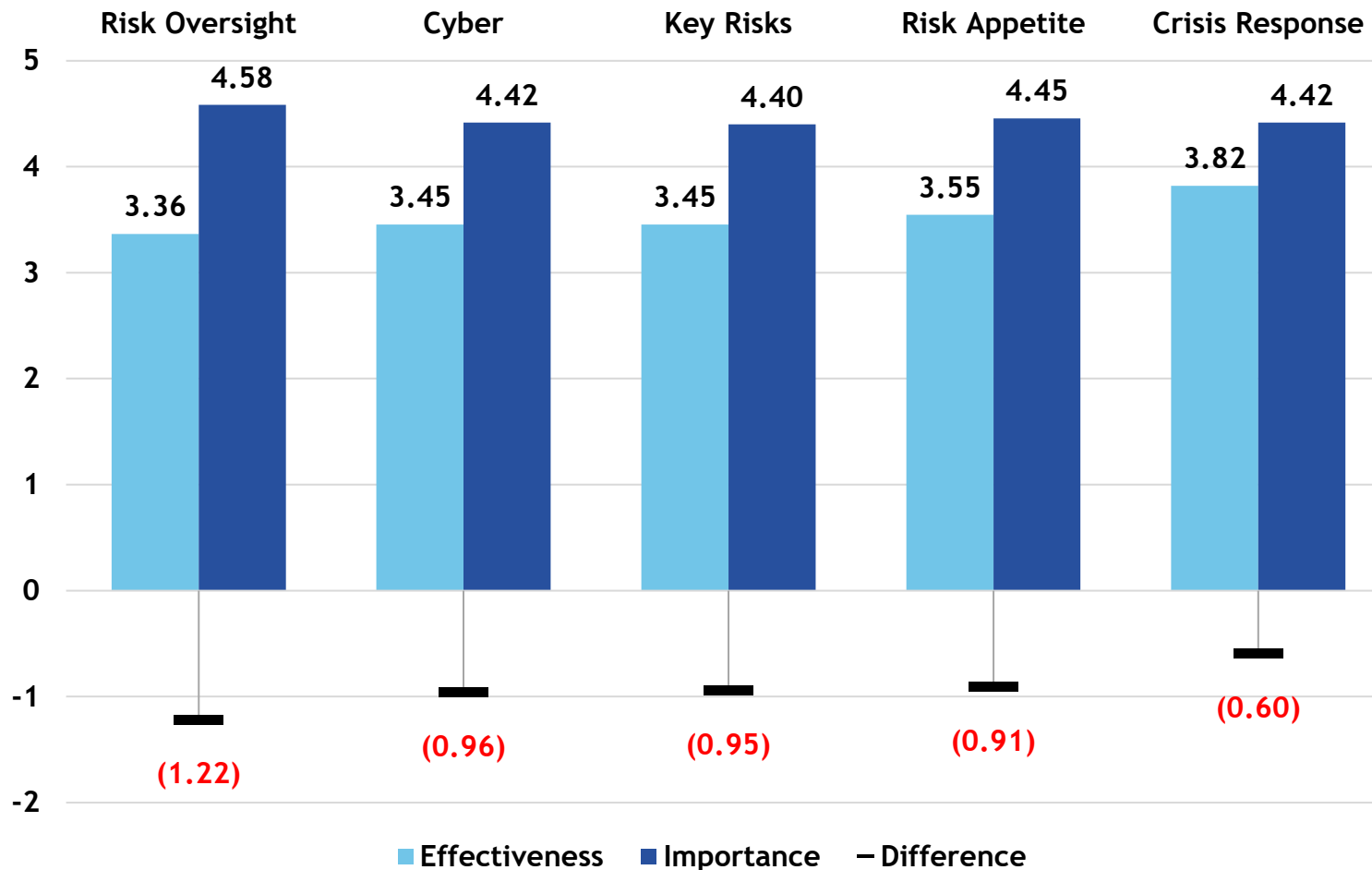


- **Strategy Development.** Collaborating with executive leaders to develop the Enterprise Strategic Plan in alignment with CalPERS' vision, mission and beliefs
- **Disruption.** Anticipating change and understanding how potential disruptors may affect CalPERS' strategic course
- **Management Collaboration.** Engaging with executive leaders on strategy issues on an ongoing basis, including early involvement to improve strategy development
- **Testing Assumptions.** Evaluating underlying assumptions and assessing alternatives that drive CalPERS' strategy and business model
- **Stakeholder Engagement.** Maintaining an open dialogue with key stakeholders who have an interest in or may be impacted by CalPERS' strategy



- 1. Strategy Development** – Discussion of roles and responsibilities around investment strategy development.
- 2. Disruption** – Interest in further discussions pertaining to the risk environment and potential threats.
- 3. Management Collaboration** – Desire for more frequent communications and engagement with all executive leadership.

# Risk Oversight: Quantitative Summary



- Risk Oversight. Oversee the assessment, prioritization, and mitigation of risks with significant implications for CalPERS
- Cyber. Providing actionable guidance on management's assessments of cybersecurity risk and opportunities
- Key Risks. Providing actionable guidance on management's assessments of cybersecurity risk and opportunities
- Risk Appetite. Referencing a clearly articulated level and nature of risk that CalPERS is willing to take
- Crisis Response. Ensuring protocols are in place that allow CalPERS to respond quickly and effectively to crisis situations

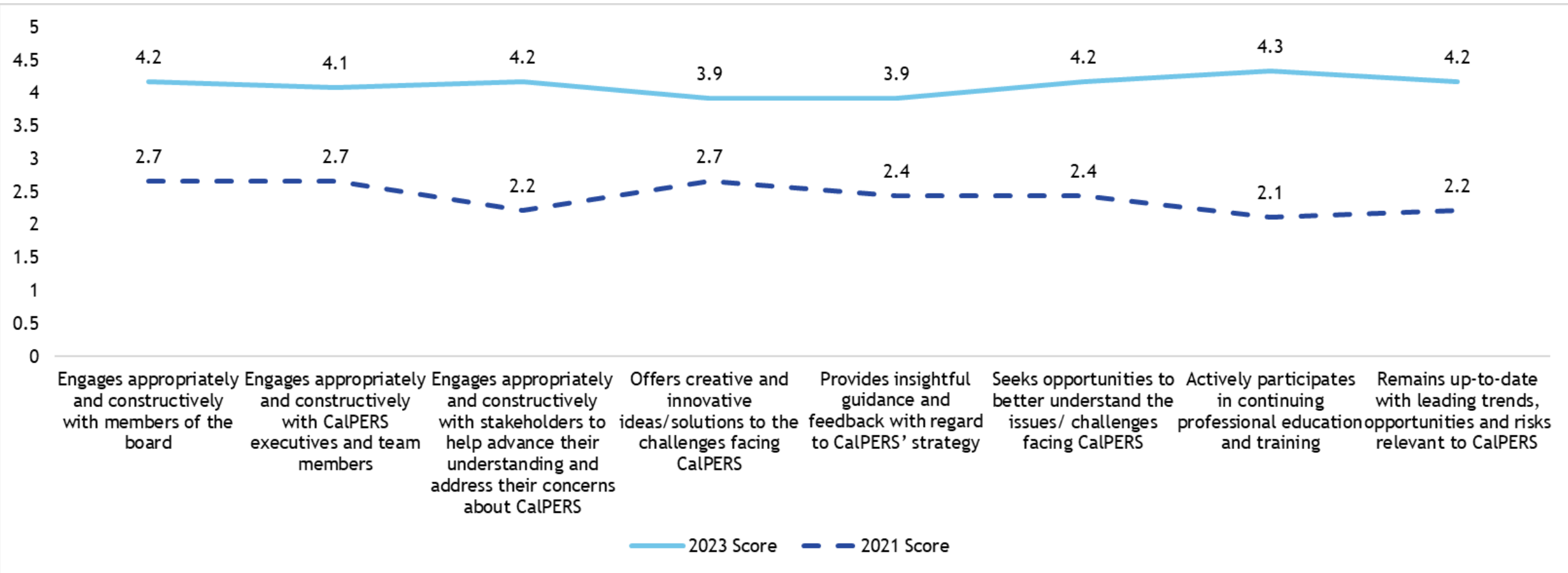
- Expressed satisfaction with the prompt and effective handling of recent risk management issues.
- Desire to better understand CalPERS's ERM program, its infrastructure and accountability procedures.
- Interest in further discussions and guidance on cybersecurity, geopolitical and population fundability risks.

1. Labor Principles.
2. Commitment to Green Infrastructure Investments.
3. Key Hires and Compensation Adjustments.

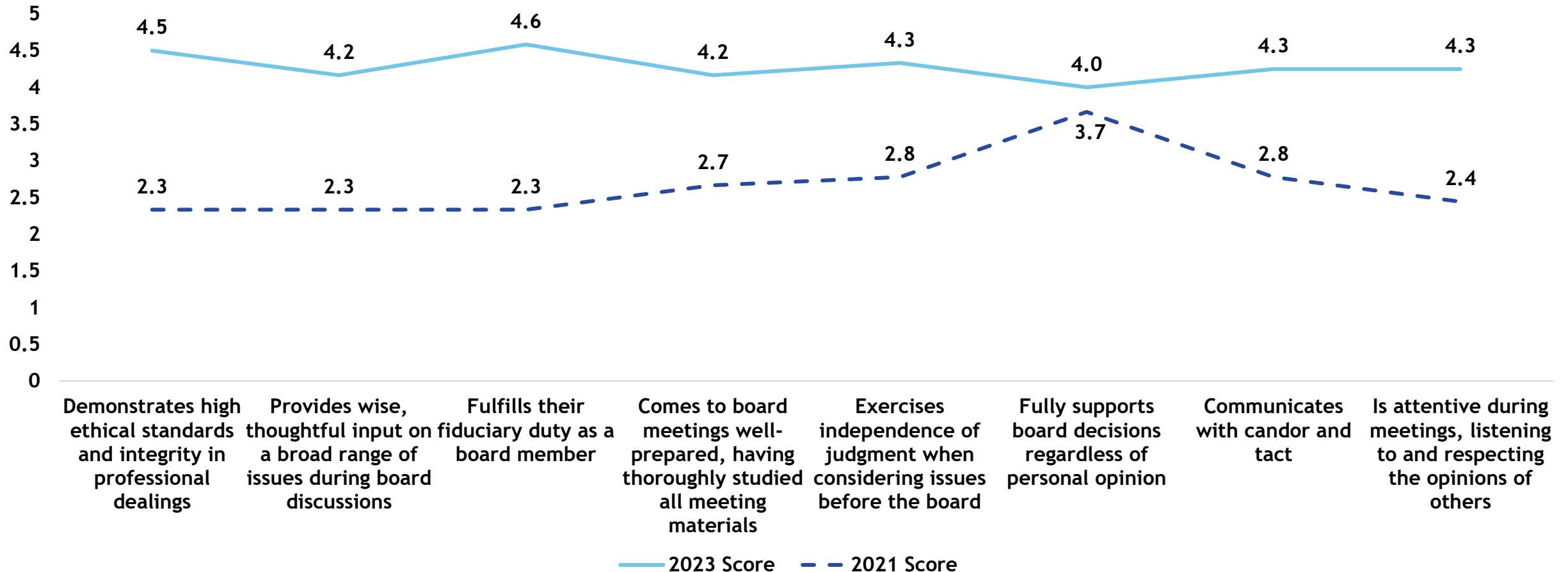
1. Leadership Development and Education.
2. Increase Focus on Strategy, short and long term.
3. Executive Management Succession Planning.

# Board Attributes and Committee Assessment Findings

# Board Attributes Assessment: Quantitative Findings

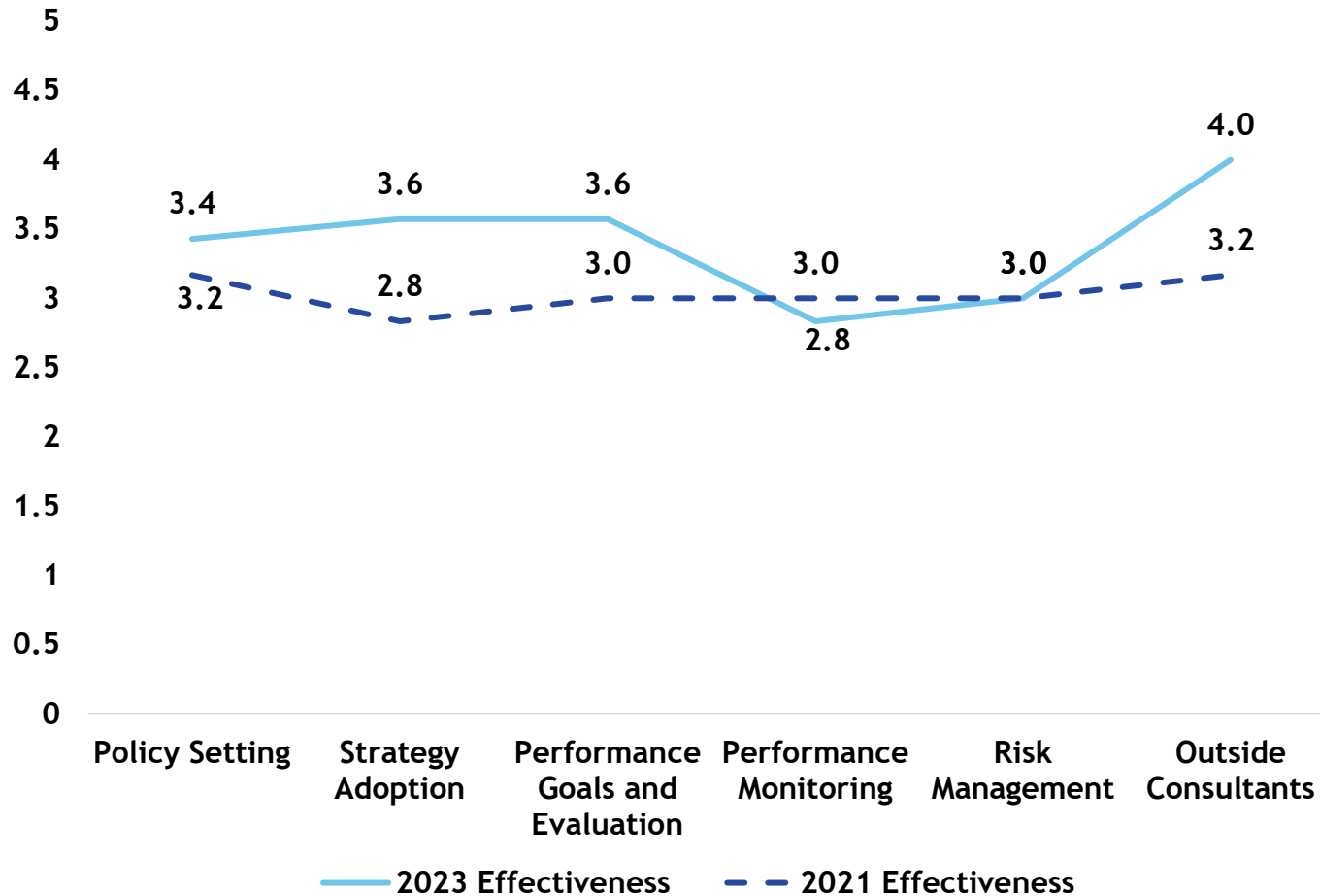


# Board Attributes Assessment: Quantitative Findings



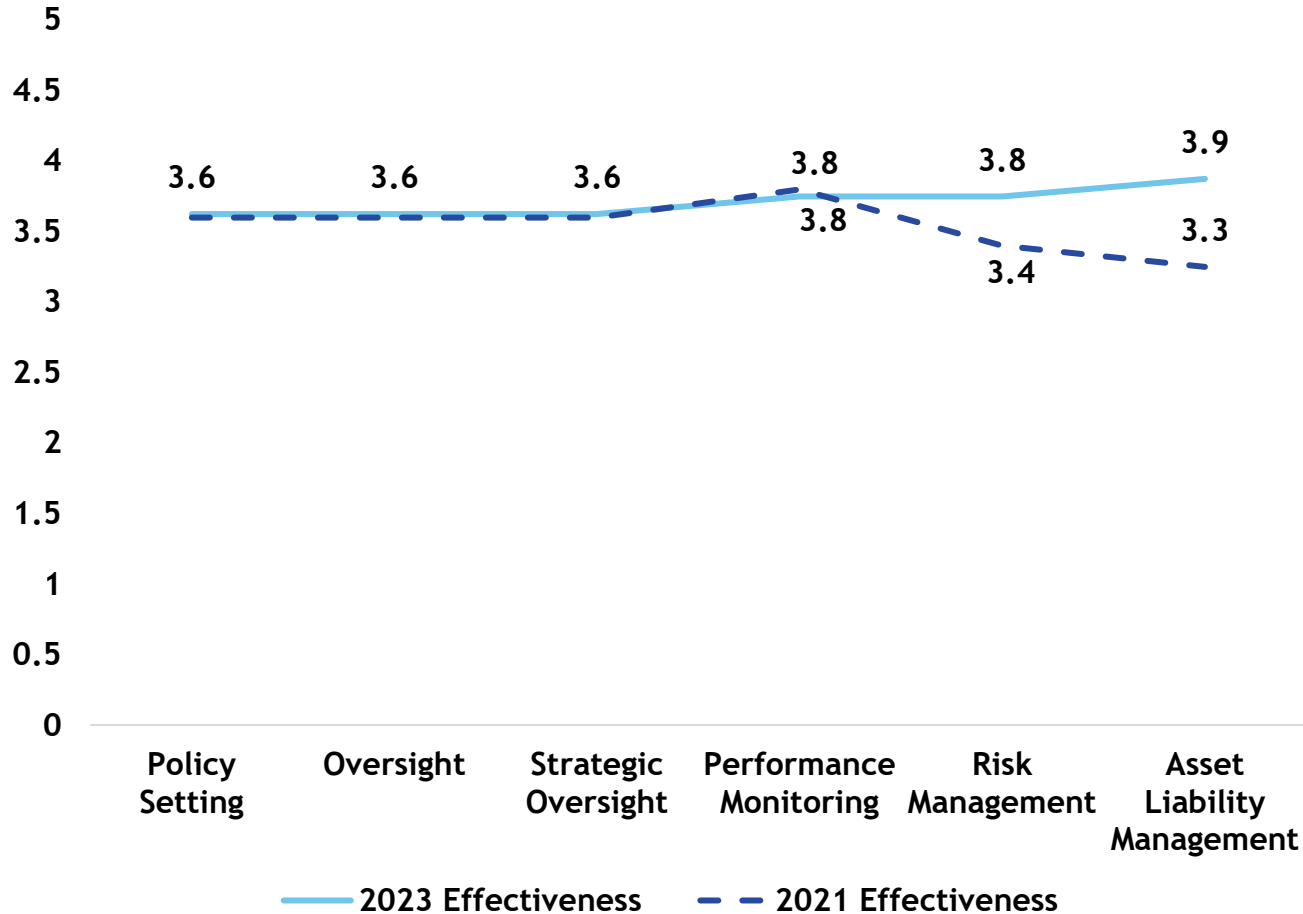


# Performance, Comp., & Talent Management Committee: Quantitative Data



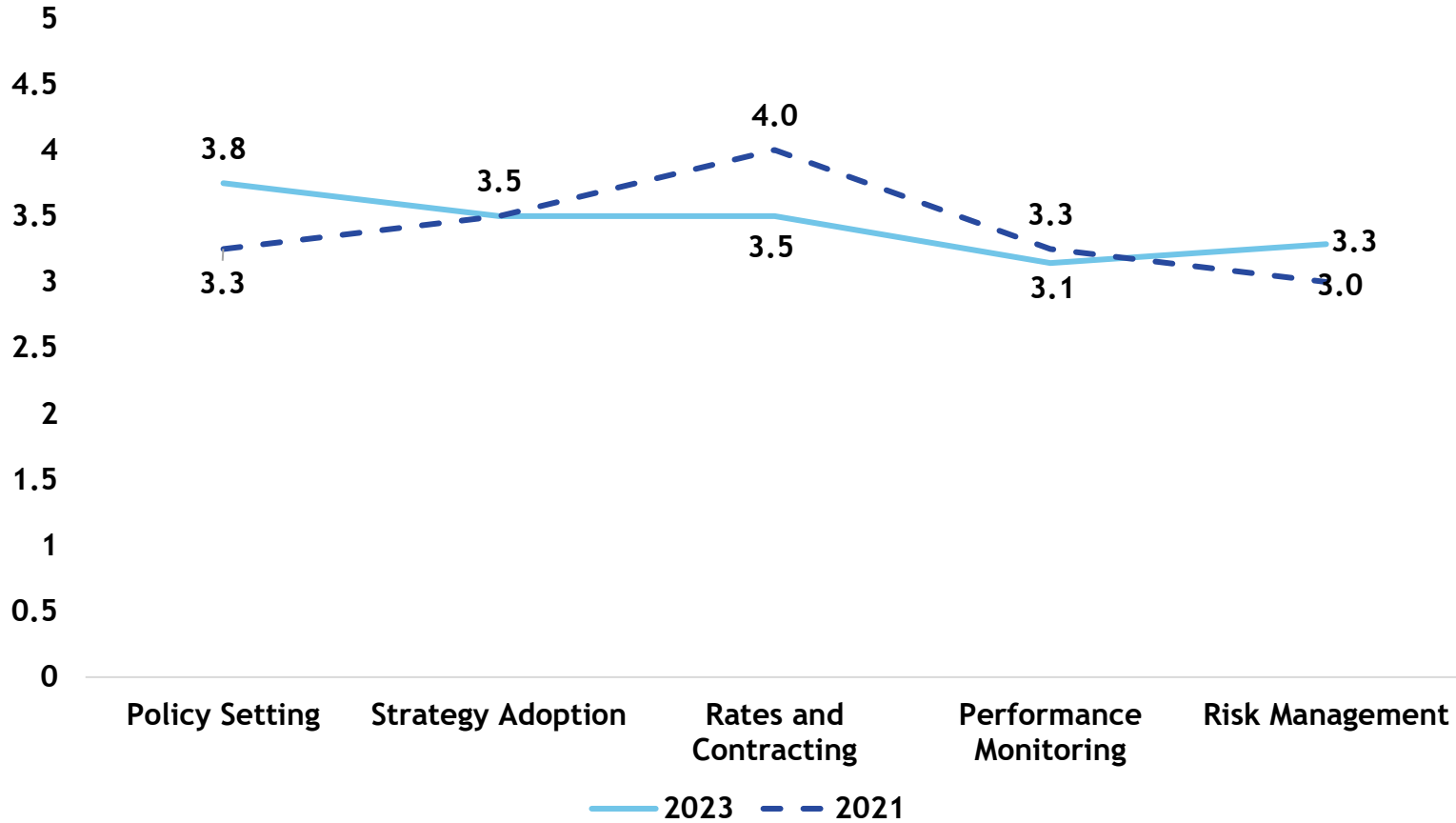
- Policy Setting. Set appropriate policy and direction for the activities delegated to the committee
- Strategy Adoption. Adopt and approve insightful strategies with a focus on CalPERS' vision, mission, and beliefs
- Performance Goals and Evaluation. Set performance goals and conduct the performance evaluation of the CEO
- Performance Monitoring. Conduct an annual review of the committee delegation and monitor and report performance metrics to support CalPERS' long-term strategy
- Risk Management. Oversee management of talent management risks related to the duties delegated to the committee
- Outside Consultants. Obtain independent expertise to inform the committee's deliberations as needed, and oversee the performance of the board's executive compensation consultant and executive search firms

# Finance and Audit Committee: Quantitative Summary



- Policy Setting. Set appropriate policies and direction consistent with the committee’s delegation
- Oversight. Oversee the financial soundness of CalPERS Enterprise
- Strategic Oversight. Oversee the financial soundness of CalPERS particularly in regard to key decisions such as:
  - Budget Setting
  - Actuarial Valuations
  - Treasury Management
  - Enterprise Strategic Plan
  - Employer Delinquencies and Terminations
  - Health Care and Contingency Reserve Funds
  - Long-Term Care Fund
  - Board Elections
- Performance Monitoring. Conduct an annual review of the committee delegation and monitor performance to support CalPERS’ long-term strategy
- Risk Management. Oversee management of the funding risks related to the duties delegated to the committee
- Asset Liability Management. Properly consider inputs and expert advice to determine assumptions underpinning liability projections and asset allocation decisions

# Pension and Health Benefits Committee: Quantitative Data



- Policy Setting. Set appropriate policy and direction for the activities delegated to the committee
- Strategy Adoption. Adopt and approve insightful strategies aligned with CalPERS' vision, mission, and beliefs
- Rates and Contracting. Approve long-term care and health benefit plans, providers, managers, administrators, and rates, and oversee long-term care and health benefit plan contracting
- Performance Monitoring. Conduct an annual review of the committee delegation, set benchmarks, metrics, monitor and report performance to support CalPERS' long-term strategy
- Risk Management. Oversee management of risks related to the duties delegated to the committee

1. CEO Succession Planning and Talent Oversight.
2. Investment Strategy Development and Role Clarification.
3. Board Processes and Participation, with a focus on Communications and Relationships.
4. Onboarding and Leadership Development.
5. Continuous improvement through formal and informal evaluations to enhance board effectiveness and performance.

1. Adopt a CEO succession plan and talent oversight process that is continuous with regular updates.
2. Continuously review and clarify roles and responsibilities in light of shifting trends and environments.
3. Affirm quality communications across all levels of governance.
4. Provide staff with feedback on board materials to prioritize information for board level review.
5. Ensure that the agenda setting process continues to focus on key priorities to allocate more time for discussions.

6. Review the onboarding program to maintain sustainability and durability.
7. Assess skill sets and expertise for professional board development.
8. Identify opportunities for board leadership development.
9. Use available opportunities to evaluate progress and performance.
10. Oversee CalPERS diversity profile to ensure it remains a strategic priority.





- [NACD Director Certification](#)
- [NACD's CERT Certificate in Cyber Risk Oversight](#)
- [NACD's ESG Oversight Course](#)
- [NACD's Virtual Director Professionalism](#)
- [NACD's Director Proficiency: Financial Oversight Course](#)
- [March 2024 Masterclass: Technology and Innovation Oversight](#)
- [NACD Northern California Chapter](#)
- [NACD's 2024 Governance Outlook](#)

For help finding resources, registering for programming, or to learn more, reach out to CalPER'S Board Advisor: Christina Hum: [chum@nacdonline.org](mailto:chum@nacdonline.org)

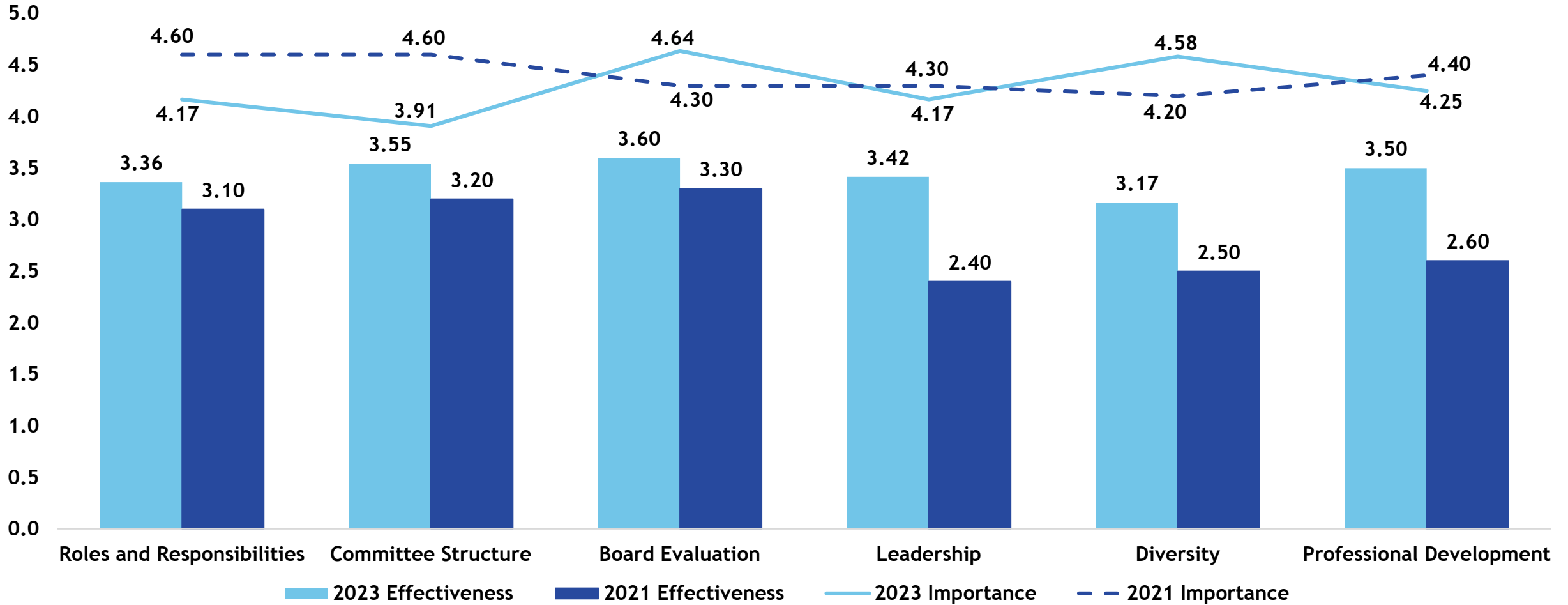


Thoughts, Comments?

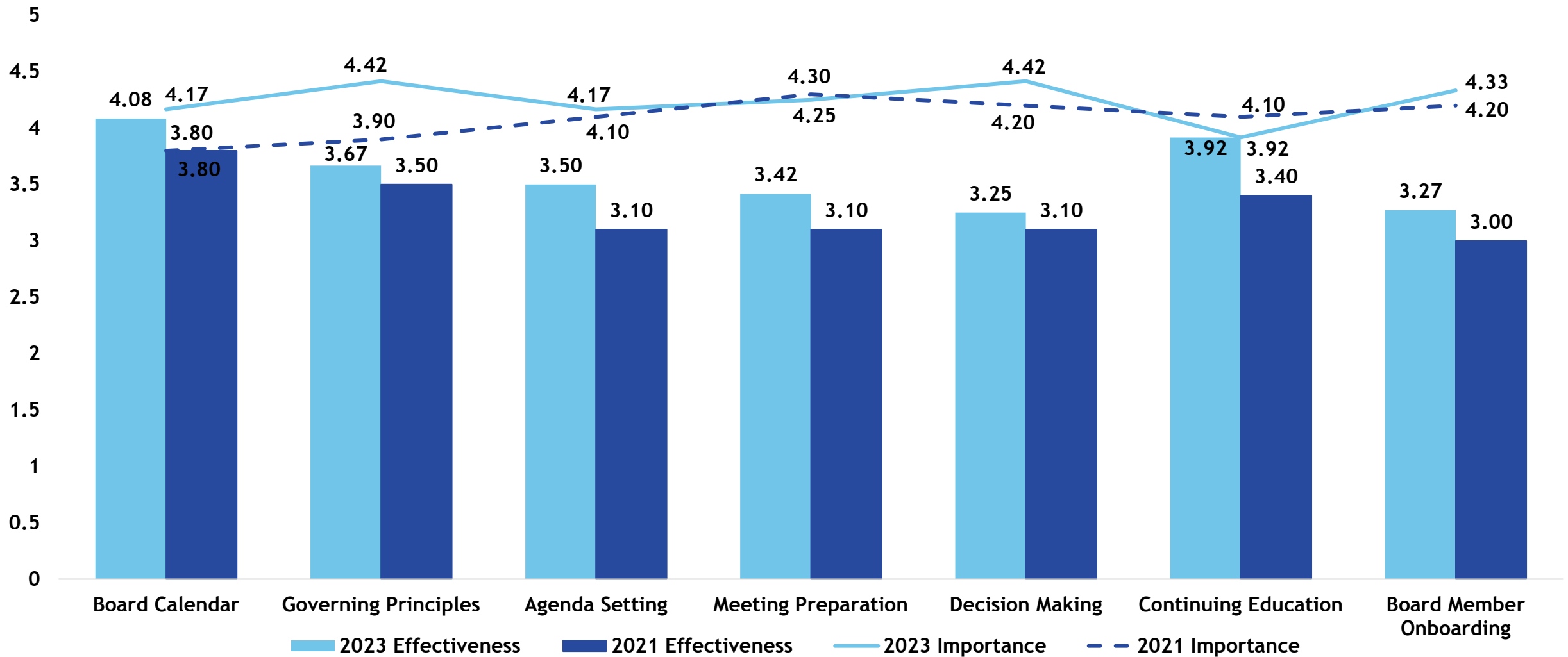
Thank You

# Appendix

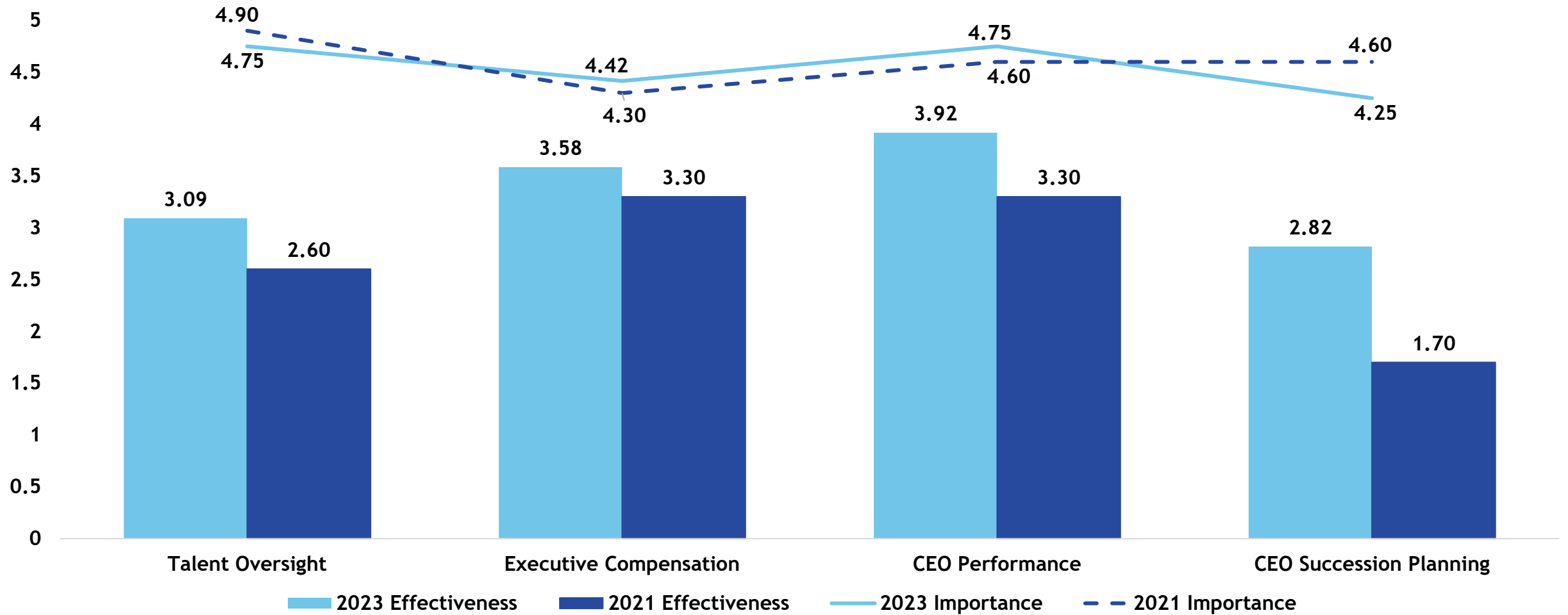
# Board Structure: Quantitative Summary, 21 v. 23

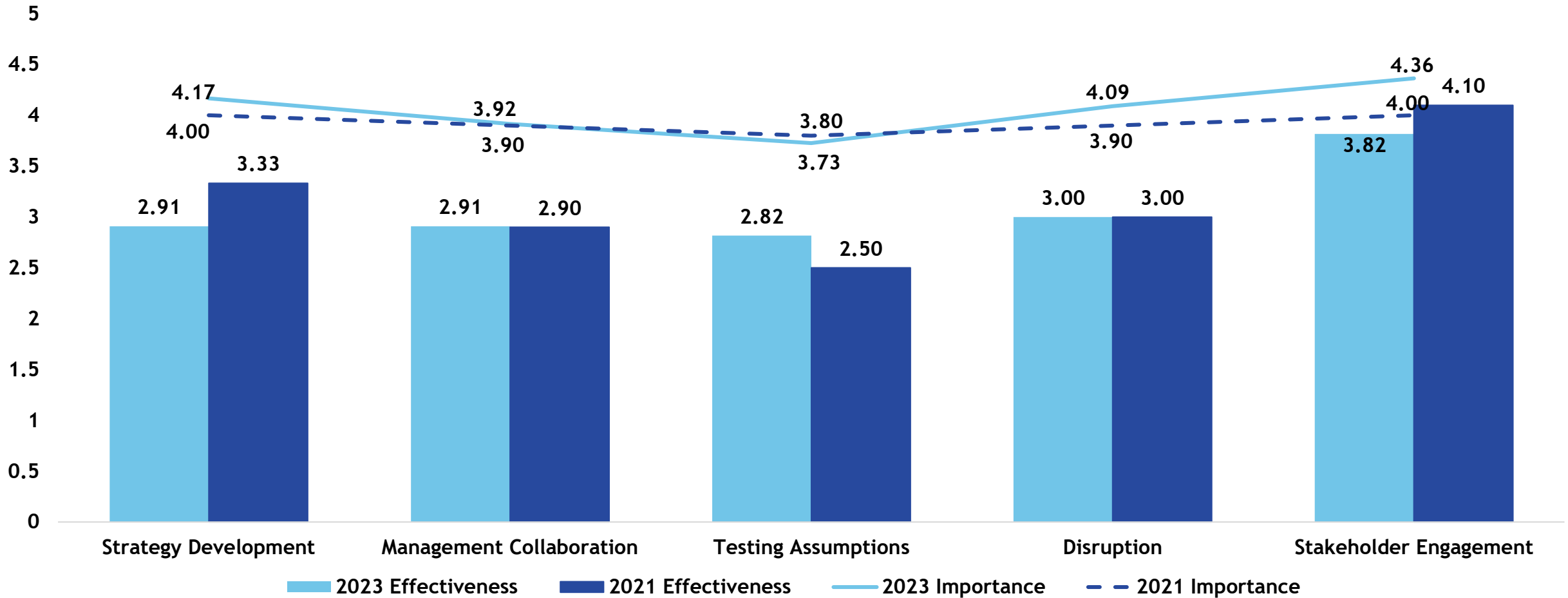


# Operational Oversight: Quantitative Summary, 21 v. 23

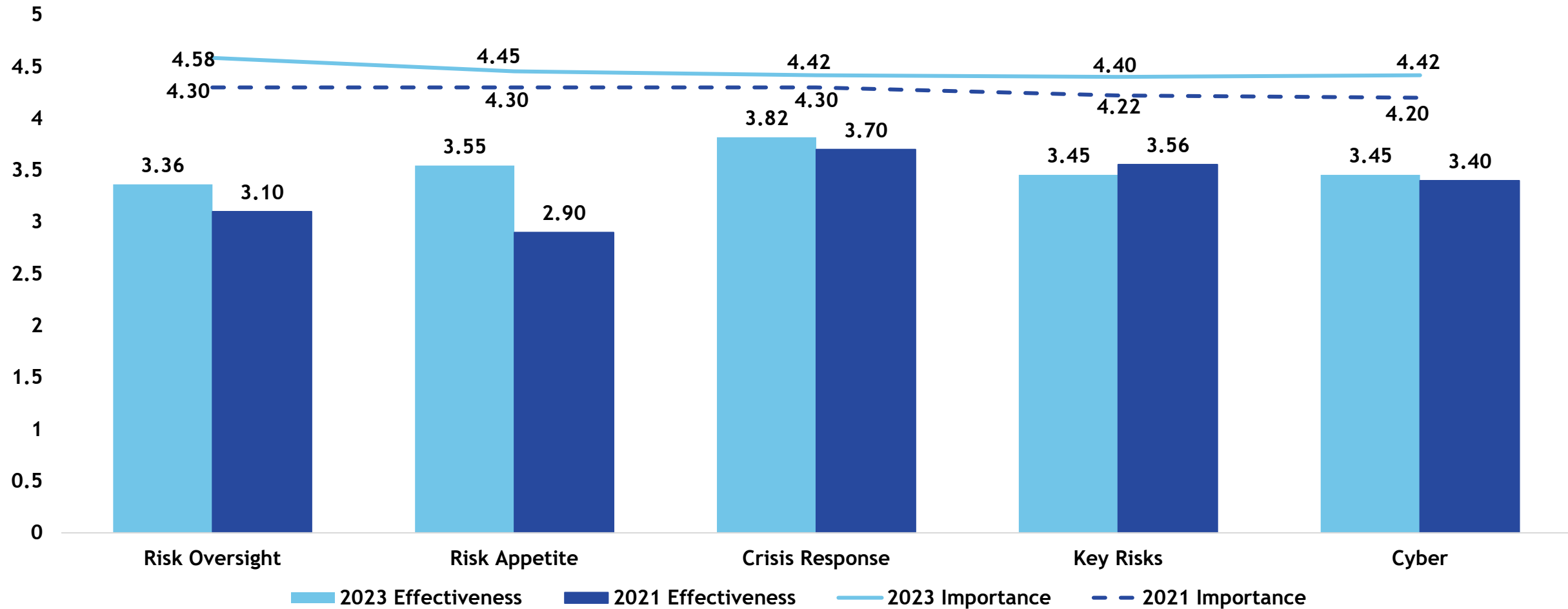


# Talent Oversight and CEO: Quantitative Summary, 21 v. 23





# Risk Oversight: Quantitative Summary, 21 v. 23



## A New Mandate for Boards:

