

CalPERS Governance Committee Existing CalPERS Board Policy

Note: These policies are extracted directly from CalPERS Board of Administration governance policy.

Section I: Purpose

This Governance Policy is established to:

- A. Set forth the policies that govern the CalPERS Board of Administration (the “Board”) consistent with its fiduciary responsibilities.
- B. Guide the Board in managing the effectiveness and integrity of the Board's processes, including oversight, accountability, transparency, efficiency and decision-making.
- C. Identify and distinguish between the roles of the Board, the Board President, the Board Vice President, committees, committee chairs and vice chairs.

This Governance Policy applies to both Board members and their designees.

Section II: Authority

The California Government Code vests in the Board the management and control of the following retirement systems, programs and plans: *(Note: List of plans and programs follows)*

The California Constitution provides that the Board shall have plenary authority and fiduciary responsibility for the investment of moneys and administration of the system, is charged with the sole and exclusive fiduciary responsibility over the assets of the system, and is granted the sole and exclusive responsibility for administering the system in a manner that will assure prompt delivery of benefits and related services to system members and beneficiaries.

Section III: Governance Principles

The following governance principles will guide the conduct, decision-making and behavior of the Board and provide a framework for the development of policies and practices that will drive the achievement of the Board's goals:

A. Effective and Capable Fiduciaries

Effectiveness is the super-ordinate principle for Board members to fulfill their fiduciary responsibilities to the system's beneficiaries and participants. These fiduciary responsibilities and the nature of CalPERS business must be thoroughly understood. In turn, the Board must understand its role in successfully conducting that business and have passion for such success.

Capability, the corollary of effectiveness, requires competent Board members and executives who are able to balance short- and long-term objectives and develop and oversee the implementation of strategies for achieving intended outcomes.

B. Ethical Leaders

As ethical leaders, the Board and executive team share values about what is important and work together with mutual respect in a constructive partnership. Together, the Board and executives set the tone at the top that permeates the organization.

C. Open and Accountable to Stakeholders

The Board and executives are appropriately open in the way key decisions are made and publicly disclosed. Governance rules are clear and disclosed. The Board has access to appropriate expertise and data free from undue influence. The Board and executives are both accountable to stakeholders for their performance.

D. Risk Intelligent and Insightful in Decisions

The Board approves the risk preferences and tolerances of the funds to prepare the enterprise for high impact risks and to achieve long-term sustainability. An effective enterprise risk management framework is used to consistently monitor and report aggregated risk exposures and the effectiveness of mitigation and control. The organization is willing to innovate and take calculated risks and innovate in the long-term best interests of the beneficiaries and participants.

E. Long-Term View of the Needs of Beneficiaries and System Participants

The Board is actively engaged in establishing the long-term direction of the organization. It adopts a long-term, sustainable view toward, for example, financial soundness and effective retirement and health care solutions for members and employers. The Board integrates short-term and long-term perspectives on both assets and liabilities. Strategic choices are consciously made based upon strategic analysis and long-term thinking, not just a planning and budgeting process.

F. Continuous Learning and Adaptation to Changing Conditions

The Board conducts a regular assessment of its performance and capabilities. It identifies the skills and capabilities required to fulfill its fiduciary roles and responsibilities and maintains an inventory of existing trustee skills and capabilities, as well as strengths, weaknesses, gaps and priority development needs.

Section V: Role and Powers of the Board

- A. The powers reserved to the Board are set forth in Appendix A for reference. These powers are characterized as one of four types of Board responsibility and authority:
- *Conduct*: the Board performs the tasks described.
 - *Set*: the Board is actively engaged in developing the strategies and plans for the delegated activities and has final approval authority.
 - *Approve*: the Board has final decision authority on delegated activities.

- *Oversee*: the Board requires adequate information to monitor and provide direction and support, as appropriate, on delegated activities.
- B. The Board reserves the following powers for itself; all remaining powers are delegated to a committee of the Board:
1. Conduct administrative hearings and decide appeals.
 2. Conduct discipline if a member fails to meet Board standards of conduct. (*Note: contains additional detail*)
 3. Conduct selection and evaluation of Board and committee consultants except those whose selection and evaluation is delegated to a committee, the Chief Executive Officer or the Chief Investment Officer.
 4. Conduct setting of the Board and committee agendas, linked to an annual planning calendar, by identifying, articulating, prioritizing and scheduling matters and reports the Board will regularly address. In addition, the Board agenda will be tied directly to the Board's approval and oversight responsibilities and related outcomes, which is linked directly to the powers reserved for the Board and those delegated to committees.
 5. The Board will define its information requirements, the thresholds or benchmarks that trigger Board attention for each topic, and the frequency of standard reports.
 6. Set legislative priorities and approve legislative policy and legislative positions.
 7. Approve the initiation or settlement of litigation involving material sums or having a substantial impact on the goals or program operations of CalPERS.
 8. Set and approve CalPERS mission and vision.
 9. Approve Board delegations.
 10. Approve organization performance metrics and oversee overall organization performance.
 11. Approve overall communications strategy.
 12. Oversee all enterprise diversity programs.
 13. Approve and adopt regulations relating to CalPERS.
 14. Conduct election of the Board President and Vice President in January of each year.
 15. Oversee stakeholder relations.

Section X: Board Member Roles, Responsibilities and Conduct

Governing Style.

The Board is responsible for creating and maintaining an atmosphere that encourages frank and collegial discussions both at the Board and committee level and as between the Board and management. The Board strives to achieve a governing style that emphasizes:

1. Strategic leadership.
2. Outward vision.
3. Focus on the future.
4. Proactivity.
5. Encouragement of collegiality, including the creation of an environment which supports CalPERS' Core Values.
6. Civility and courtesy, to both those with whom the Board members interact and between Board members.
7. Respect for diversity, recognizing the value of all input.
8. Governance by consensus.
9. A partnership with CalPERS management.
10. Ethical conduct of Board business to avoid even the appearance of impropriety.