CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION

GOVERNANCE POLICY

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CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
GOVERNANCE POLICY

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.

II. AUTHORITY

The California Government Code vests in the Board the management and control of the following retirement systems, programs and plans:

- The Public Employees' Retirement System (Cal.Gov Code §20120);
- The Legislators' Retirement System (Cal.Gov Code §9353);
- The Judges' Retirement System (Cal.Gov Code §75005);
- The Judges' Retirement System II (Cal.Gov Code §75505);
- The Public Employees' Long-term Care Act (Cal. Gov Code §21661);
- The Public Employees' Deferred Compensation Program (Cal. Gov Code §21670);
- The Replacement Benefit Plan (Cal. Gov Code §21759);
- The Old Age and Survivors' Insurance Program (Cal. Gov Code §22200);
- The Public Employees' Medical and Hospital Care Act (Cal. Gov Code §22794); and
- The Supplemental Contributions Program (Cal. Gov Code §22970.30).

In addition, the Board is charged with the exclusive control of the administration and investment of the following funds:

- The Public Employees' Retirement Fund (Cal.Gov Code §20171);
- The Legislators' Retirement Fund (Cal.Gov Code §9354.1);
- The Judges' Retirement Fund (Cal.Gov Code §75105);
- The Judges' Retirement System II Fund (Cal.Gov Code §75607);
- The Public Employees' Long-term Care Fund (Cal.Gov Code §21664);
- The Public Employees' Deferred Compensation Fund (Cal.Gov Code §21677);
- The Replacement Benefit Custodial Fund (Cal.Gov Code §21759);
- The Old Age and Survivors' Insurance Revolving Fund (Cal.Gov Code §22601);
- The Public Employees' Contingency Reserve Fund (Cal.Gov Code §22910);
- The Public Employees' Health Care Fund (Cal.Gov Code §22911);
- The Annuitants' Health Care Coverage Fund (Cal.Gov Code §22940); and
- The Supplemental Contribution Program Fund (Cal.Gov Code §22970.41).

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.

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.

IV. AVOIDANCE OF CONFLICTS OF INTERESTS

A. Individual Board members are fiduciaries and trustees. As such, Board members will at all times act in the best interest of CalPERS and its members and beneficiaries, consistent with the Board member's fiduciary duty, and take positive steps to prohibit breaches of duty through negligence or intentional action.

B. Board members will never act where there may be a conflict of interest or appearance of a conflict of interest. A conflict of interest is understood to be a situation where a relationship exists that could reasonably be expected to diminish independence of judgment in performance of official responsibilities as a Board member. Specifically, Board members may not participate in decisions which might result in significant personal economic advantage.

C. Board members will take positive steps to prohibit unauthorized communications, as set forth in Section X. F., with individuals seeking to influence the Board or who may receive personal benefit or gain as a result of Board actions.

D. To avoid the appearance of undue influence, Board members will refrain from communications with staff, outside a Board or committee meeting, wherein the Board member advocates for, or directs staff to, a specified action, decision or course of conduct with respect to any existing or prospective investment transaction or existing or prospective contract.

E. Board members will not seek nor accept any compensation or political contributions that would violate California law, including without limitation the Political Reform Act of 1974 (Cal.Gov Code §§81000, *et seq*.).

F. Board members will not seek nor accept any gifts (as defined in the California Political Reform Act), or reimbursement for travel or any other activity, that are prohibited pursuant to the Political Reform Act of 1974 (Cal.Gov Code §§81000 *et seq*.), the Board's

Statement of Activities That Are Inconsistent, Incompatible, or in Conflict with the Duties of a Board Member of the Public Employees' Retirement System, and any other applicable Board policies.

V. ROLE AND POWERS OF THE BOARD

A. The powers reserved to the Board 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.

   The Board will be responsible for implementing public disciplinary action against a Board member whose conduct fails to meet the standards outlined in or violates this Governance Policy, or whose conduct is otherwise inconsistent with Board policies. Discipline will be at the discretion of the Board, after considering the nature and number of violations, and may include, but need not be limited to, admonishment, censure, temporary termination of a Board member's travel privileges or the requirement of additional training. Any public discipline will be imposed in open session at a duly-noticed meeting of the Board, and only upon adoption of a motion by the Board.

3. Conduct the hiring, evaluation and termination of the Chief Executive Officer.

4. Conduct selection and evaluation of Board and committee consultants (e.g, executive compensation, CEO/CIO recruiting, health care, and actuarial).

5. 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.

6. The Board will define its information requirements, the thresholds or benchmarks that trigger Board attention for each topic, and the frequency of standard reports.

7. Set legislative priorities and approve legislative policy and legislative positions.

8. Approve the initiation or settlement of litigation involving material sums or having a substantial impact on the goals or program operations of CalPERS.

9. Set and approve CalPERS' mission and vision.

10. Approve Board delegations.

11. Approve organization performance metrics and oversee overall organization performance.

12. Approve overall communications strategy.

13. Oversee all enterprise diversity programs.

14. Approve and adopt regulations relating to CalPERS.

15. Conduct election of the Board President and Vice President in January of each year.

16. Oversee stakeholder relations.

VI. DELEGATION

A. Definition.

A delegation is the grant of authority from one person or entity (such as the Board or a committee of the Board) with the power to act to another person or entity. A delegation of authority does not extinguish the authority of the delegator, nor does it absolve the delegator of responsibility. A delegation of authority should be distinguished from providing direction, the former being a grant of power, and the latter being a more specific command or order to carry out a particular act.

B. Delegation of Board Functions.

While, as a general rule, a trustee or other fiduciary should not delegate to others authority that he or she ought personally to perform, it is appropriate to delegate tasks that the individual cannot reasonably himself or herself perform. The members of the Board, themselves, cannot reasonably perform all acts necessary to operate CalPERS; they must rely upon CalPERS staff and contractors to carry out many activities and functions. Accordingly, the Board may delegate authority to committees of its members, the Chief Executive Officer, and CalPERS consultants.

C. Standards for Delegation.

Delegations must be prudent and consistent with the Board's fiduciary responsibilities. The Board must (1) select delegatees with care, (2) define delegated authority clearly, (3) monitor the performance of delegatees, and (4) take corrective action when appropriate.

D. Sub-Delegation.

When the Board has delegated authority to the Chief Executive Officer, the Chief Executive Officer is authorized to delegate to his or her subordinates any portion or all of that authority unless the Board has required the Chief Executive Officer to act personally.

E. Finality.

A delegatee may take final action as to any authority delegated to him or her except where the delegating party requires the delegatee to first secure the delegating party's review and ratification of the delegatee's chosen course of action. Where a

delegation does not require the delegating party's review and ratification prior to the delegatee taking action, the delegatee has authority to act finally, and will be responsible and accountable for his or her actions.

F. Content of Delegations.

Delegations should be clear and specific as to (1) what specific authority, responsibility or action is being delegated and to whom, (2) whether sub-delegation is permitted, and (3) whether the delegatee is authorized to act finally or whether action by the delegatee is subject to review and ratification or reversal by the grantor of the delegation.

G. Formality.

All delegations should be memorialized in writing either before or after the delegation.

VII. STRUCTURE AND ROLE OF THE COMMITTEES

A. The Board has established the following six standing committees of the Board:

1. Board Governance Committee;

2. Finance and Administration Committee;

3. Investment Committee;

4. Pension and Health Benefits Committee;

5. Performance, Compensation and Talent Management Committee; and

6. Risk and Audit Committee.

B. The powers of each committee are set forth in a delegation resolution whereby the Board has delegated specified authority to each committee. The committee delegations will be reviewed annually and updated as needed.

C. The members of each committee of the Board will be appointed annually by the Board President, with consideration given to the expressed desires of individual Board members and the value of periodic rotation of committee members so as to provide direct

exposure to differing Board responsibilities. The members of any subcommittees will also be appointed annually by the Board President, after consultation with the chairs of a committee and with consideration given to the expressed desires of individual Board members and the value of providing direct exposure to differing Board responsibilities. Committee and subcommittee chairs and vice chairs will be selected by the members of each committee and subcommittee, respectively, with consideration given by members to the periodic rotation of committee and subcommittee chairs and to any financial hardships disclosed by the Board member. These elections will occur annually at the first committee meeting each year. The Board will ensure the process for nominating and electing committee chairs and vice chairs is transparent and well understood.

D. Each committee will be responsible for asking questions pertinent to decisions or oversight for that committee. This will typically include questions reflecting the fiduciary duties of the committee members.

E. Each committee will report on its discussions and deliberations of significant issues and present its recommendations to the full Board to ensure that each Board member is adequately informed. At the same time, each Board member has a responsibility to stay apprised of key issues being addressed by the various committees.

F. Any ethics related proposals introduced at a committee must be brought to a vote by the committee no later than three meetings after introduction of the proposal. If no vote is taken, the proposal will be included on the Board's meeting agenda for the following month.

G. On an annual basis, each committee will review all current information reports to determine those that are statutorily required and those that may be streamlined or removed.

VIII. ROLE OF THE BOARD PRESIDENT, VICE-PRESIDENT, CHAIRS AND VICE-CHAIRS

A. Election of the Board President and Vice President.

The Board President and Vice President will be elected annually by members of the Board in open session at the January meeting of the Board for the term of one calendar year.

B. Role of the Board President.

The Board President's principal role is to lead the Board in the conduct of Board business by managing the affairs of the Board and ensuring the integrity of the Board's process. The President's specific duties, delegated by the Board, are to:

1. Provide leadership to the Board in terms of collegiality, civility and ethical conduct.

2. Ensure that Board operations are consistent with its own policies.

    a. At his or her discretion, after considering the nature and number of the violations, the Board President may implement private discipline against a Board member whose conduct fails to meet the standards outlined in or violates this Governance Policy or whose conduct is otherwise inconsistent with Board policies. Such discipline may include, but will not be limited to, admonishment, censure, temporary termination of a Board member's travel privileges, or the requirement of additional training. The Board President will inform the other Board members of the discipline, without divulging the name of the disciplined Board member.

3. With the Chief Executive Officer and in consultation with the chairs of the committees, actively engage the Board in setting the strategic agenda, and review and make adjustments quarterly.

4. Convene and conduct Board meetings, controlling the process of Board deliberations pursuant to rules adopted by the Board.

    a. Limit meeting discussion content to those issues that, according to Board policy, are within the Board's responsibility.

    b. Ensure timely, fair, orderly, thorough and efficient deliberations, including enforcement of Robert's Rules of Order.

5. With the Chief Executive Officer, manage the effective and efficient flow of information to the Board, which is comprehensive and timely without being over detailed.

6. In consultation with the chair of a committee, resolve the scope of authority of different committees, with the goal of ensuring the most effective and efficient use of Board time.

7. Certify actions taken by the Board.

8. Represent CalPERS, or designate other Board members to represent CalPERS, to outside parties and organizations.

9. Act as the liaison for communications between the Board and Chief Executive Officer.

10. Lead the Board's self-assessment and self-development processes.

11. Present an annual report which reviews progress in implementing governance reforms and improvements to Board effectiveness.

C. Role of the Vice President.

In the absence or incapacity of the President, the Vice President will have the authority delegated and established by Board policy and in general conformance with the authority of the President.

At his or her discretion, after considering the nature and number of the violations, the Vice President may implement private discipline against the Board President in the event his or her conduct fails to meet the standards outlined in or violates this Governance Policy or his or her conduct is otherwise inconsistent with Board policies. Such discipline may include, but will not be limited to, admonishment, censure, temporary termination of the President's travel privileges, or the requirement of additional training. The Vice President will inform the other Board members of the discipline taken.

D. Role of Committee Chairs.

Committee chairs are responsible for organizing the work of the committees. In fulfilling this function they:

1. Consult with the President and set the committee agenda in accordance with the Board's delegation to the committee.

2. Convene and chair meetings of the committee.

3. Ensure that the committee operates to assist the Board consistent with its delegation and Board rules including:

   a. Limiting meeting discussion content to those issues that, according to Board policy and delegation, are within the committee's responsibility and not within management's responsibility.

   b. Ensuring timely, fair, orderly, thorough but efficient deliberations, and enforcing the Board's rules of order.

   c. Ensuring appropriate delegation of authority protocol, consistent with the responsibilities of the Board.

4. Work directly with the staff person(s) assigned by the Chief Executive Officer on matters within the committee delegation.

5. May delegate to staff individual Board member requests for documents or information. Staff will inform all Board members of any documents or information provided pursuant to such individual Board member request.

6 Receive and assess requests from committee members for new reports and analyses. The chair will consider the following factors in determining whether the request will be granted:

   a. The current and projected workload of the staff that will be needed to complete the report or analyses.

   b. The need to engage consultants and/or third-party vendors to complete the report or analyses, and the budget available to hire any needed consultants and/or third-party vendors.

   c. The existence of current reports or analyses that may fulfill the request.

   d. How the request fits into the overall strategic goals of CalPERS.

7. In consultation with the members of the committee and the staff person(s) assigned by the Chief Executive Officer to

assist the committee, determine the most appropriate method of and time for obtaining and considering independent consultant input on issues within the committee's delegated authority.

8. In consultation with the staff person(s) assigned by the Chief Executive Officer to assist the committee, annually review the matters that were presented to the committee during the prior year, and evaluate whether these matters represented an effective and efficient method of achieving the Board's policies and strategic direction. Report conclusions and recommendations to the committee for action.

9. Act as a liaison between the committee, the President, and the Board.

10. May, in the absence of the President and Vice President, appoint a sub-committee to conduct the business of the committee if there are an insufficient number of committee members in attendance to constitute a quorum.

E. Role of the Committee Vice Chair.

In the absence or incapacity of the committee chair, the vice chair will have the authority delegated and established by the committee's delegation.

IX. DELEGATIONS TO EXECUTIVES AND BOARD REPORTING RELATIONSHIPS

A. The Board will have one direct report: the Chief Executive Officer. The Chief Executive Officer is responsible for the overall administration of all units, departments and functions within CalPERS. The Board and the Chief Executive Officer share responsibility for hiring, evaluating and, if necessary, terminating the Chief Investment Officer.

B. The Board will have long-term Chief Executive Officer and Chief Investment Officer succession planning processes.

C. The Board will evaluate direct report performance and compensation based on the agreed-upon strategy and performance outcomes and metrics. If the Board is not satisfied with the performance of the Chief Executive Officer, it will discipline or replace him or her, but will not get involved in day-to-day operations.

D. The Board will have ready access to all executives, and such access will be coordinated by the Chief Executive Officer.

E. The Board strongly supports an environment where CalPERS staff may engage in impartial, robust, objective and ethical decision-making free of improper influence from individual Board members, executives or third parties. The Board requires implementation of a staff policy regarding impartial decision-making and immediate reporting of instances of undue influence.

F. The Board and/or its committees will establish a schedule of closed session meetings with selected executives, i.e., those making frequent reports to the Board, including the Chief Investment Officer.

X. BOARD MEMBER ROLES, RESPONSIBILITIES AND CONDUCT

A. 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.

B. Board Member Competencies.

In order to be more effective members of the CalPERS Board, Board members are expected to develop an understanding of the following:

Governance Competencies:

- The role and responsibilities of Board members;
- The Board committees and their purposes;
- The CalPERS Board Governance Policy and other Board policies;
- Fiduciary responsibilities and duties, conflicts of interest and ethics;
- The CalPERS organizational structure and the roles of executive staff and key service providers, including Board consultants, external auditors and attorneys, investment managers and the custodian;
- The Open Meeting Act and the Public Records Act;
- The role of CalPERS as a state agency and a trust fund, CalPERS' mission and purpose, as well as applicable principles of public administration and public policymaking;
- Best practices for and current trends regarding pension and trust fund governance; and
- The proper conduct of Board and Committee Meetings in accordance with rules adopted by the Board.

Strategic Competencies:

- The CalPERS health benefits program structure and delivery;
- The CalPERS pension benefit structure and administration;
- Investment markets, investment asset classes and CalPERS' investment processes;
- Financial statements, balance sheets, budgets, audit reports, and legal opinions;
- Economic principles;
- The actuarial valuation, assumptions and methodologies and asset/liability management processes;
- Risk management and oversight;
- CalPERS' strategic planning process, the CalPERS Strategic Plan, and corresponding performance measures;

- The U.S. healthcare system and the healthcare marketplace; and
- Defined contribution plans, ERISA, Social Security and the private retirement marketplace.

Communication Competencies:

- CalPERS' objectives and approach with respect to communications with the media and stakeholders;
- The use of current forms of electronic communication tools; and
- How to express opinions and ask questions in a constructive manner that encourages critical thinking and analysis and improves decision making.

C. Board Education

Each Board member shall comply with the Board Member Education Policy to ensure the continuous development and improvement of Board Member Competencies.

D. Requests for Documents.

Individual Board members should direct requests for documents to the appropriate committee chair.

E. Requests for Consultant Work or Legal Advice.

Individual Board member requests for outside consultants to perform additional work will be directed to the appropriate committee chair or to the Board President. Individual Board members will not seek the legal advice or counsel of CalPERS' outside counsel, without first verifying with the CalPERS General Counsel that the expenditure of legal fees is appropriately related to service on the Board.

F. Questions on Agenda Items.

Individual Board members should direct questions regarding specific agenda items to the highest-ranking executive who signed the item or, if appropriate, to the outside consultant who signed the consultant report accompanying the item.

G. Communications With Third Parties.

1. Generally.

Board members have no obligation to meet with or communicate with advisors, managers, consultants, contractors or vendors. Any contacts and communications between individual Board members and advisors, managers, consultants, contractors and vendors to CalPERS will be within the judgment of each Board member. Any such contacts and communications will be in the Board member's capacity as an individual Board member with the understanding that the individual Board members do not represent CalPERS or the Board, and have no authority to bind CalPERS to any agreements, unless specifically authorized to do so by the Board.

2. Communications Regarding Investment Transactions and Contracts.

   Except for communications during staff briefings of Board members in preparation for an upcoming Board meeting, and communications by committee chairs in carrying out their responsibilities as chair, individual Board members and the Chief Executive Officer should direct any proposals, questions or communications regarding a prospective or existing investment transaction or contract to the Chief Investment Officer or to his or her designee in his or her absence.

3. Communications Regarding Non-Investment Related Contracts.

   Except for communications during staff briefings of Board members in preparation for an upcoming Board meeting, and communications by committee chairs in carrying out their responsibilities as chair, individual Board members should direct any proposals, questions or communications regarding a prospective or existing non-investment related contract to the Chief Executive Officer.

H. Financial Hardships.

Board members must disclose to the Board, within ninety (90) days of first taking the office, all past personal financial hardships that occurred within five (5) years of taking office. If a Board member experiences a personal financial hardship while in the office, the

member shall report the event to the Board within forty-five (45) days. Individuals who are Board members at the time of the adoption of this provision must disclose, within ninety (90) days of adoption, all personal financial hardships that have occurred within five (5) years of adoption of this provision. For purposes of this provision, “financial hardships” are the following: bankruptcy filings, insolvencies, assignments for the benefit of creditors, monetary judgments, liens and attachments, wage garnishments, and notices of foreclosure (judicial and non-judicial).

Upon disclosure of a personal financial hardship, the Board may, in its discretion, take the following actions: 1) require the member to attend additional training, 2) make changes in the member’s committee assignment(s), or 3) suspend or terminate the member’s position, if any, as President or Vice President of the Board or chair or vice-chair of any committee or sub-committee.

I. Participation in Operations, Staff Meetings and Activities.

Individual Board members are not to become involved in operational management and should not participate in routine staff meetings or other staff activities unless specifically requested by the Chief Executive Officer, in consultation with the Board President.

J. Assistance in Responding to Inquiries and Correspondence.

Inquiries or correspondence addressed to a Board member, which the Board member wishes to direct to staff for a response or assistance in the preparation of a response, should be forwarded to the Board Services Unit.

K. Use of CalPERS Logo and Letterhead.

If a Board member corresponds using the CalPERS logo or on CalPERS letterhead, a file copy must be forwarded to the Board Services Unit.

L. Assistance with Speaking Engagements.

If a Board member is assigned a speaking engagement on behalf of CalPERS, any request for staff assistance in preparing the speech should be directed to the Board President or Vice President. If a Board member accepts a speaking engagement

outside of a direct assignment (i.e. not assigned by the Board President or Vice President), and needs assistance with the preparation of a speech, the request should be directed to the Board President or Vice President.

M. Civility and Courtesy.

Each Board member should commit to conduct him/herself at all times with civility and courtesy, to both those with whom the Board interacts and to his/her colleagues. Individual Board members should also endeavor to correct fellow Board members, should any of their conduct fall below this standard.

N. Confidentiality.

Board members will not reveal confidential matters and will not use confidential information for personal gain or for the benefit of outside interests.

O. Attendance at Meetings.

Each Board member or authorized deputy should attend every meeting of the Board, and every meeting of a committee of which s/he is a member. Periodic absences for illness or other non-avoidable personal and professional reasons are expected, however it is also expected that every Board member will achieve at least a 75% attendance standard. Board members may attend meetings of committees of which they are not members, and such attendance is encouraged.

P. Prudent Expert Rule.

Board members will act in accordance with the prudent expert rule.

Q. Fiduciary Training.

In recognition that Board members are fiduciaries, Board members shall attend fiduciary training, which includes on-line training (if available), as approved by the Board President, annually.

R. Initiation or Supporting Litigation.

Before initiating or supporting litigation that is adverse to the Board, a Board member who believes that the Board has acted in violation of its fiduciary responsibilities or applicable law should first strive to avoid the need for litigation. This includes the responsibility to

proactively discuss the Board member's concerns with his/her fellow Board members and, where applicable, the Chief Executive Officer. This also includes encouraging parties outside of CalPERS who share the Board member's concerns and who are also considering litigation to take the opportunity to potentially avoid litigation by discussing their concerns directly with the Board and individual Board members.

XI. BOARD SELF-ASSESSMENT PROCESS

A. The Board has adopted a self-assessment process which assesses the whole Board, the President and Vice President, individual members, committees, and committee chairs and vice chairs, and includes multiple bases for evaluation:

1. Principles.

2. Responsibility and authority.

3. Process.

4. Outcomes.

B. One or more techniques may be utilized for obtaining self-assessment feedback, including:

1. Expert third party facilitator to lead or co-lead (with the Board President) the self-assessment process.

2. Feedback from external key stakeholders on Board performance.

3. Third party evaluation of the Board's performance.

4. Peer-to-peer and upward evaluations (360°) from staff.

C. Each Board member will sign a statement acknowledging fiduciary responsibilities in conjunction with self-assessment processes.

D. An independent third party will assess Board performance every two years.

XII. BOARD SELF-DEVELOPMENT PROCESS

A. The Board has adopted a self-development process to improve the effectiveness and efficiency of the Board. Programs in connection

with this process focus on team dynamics, Board culture and soft skills such as collaboration and group problem solving, as well as additional education in select technical areas such as investing, insurance, actuarial standards, and technology.

B. The self-development process may include, without limitation, the following:

1. An annual continuing education plan with an accompanying budget.

2. Leadership education regarding the role of the Board vis-à-vis management and the role of the chairs and vice chairs in the effective management of Board and staff time.

3. A profile of the skills and attributes desired for the Board overall and for each committee chair and member along with Board development programs designed to be consistent with the desired attributes and skills as set forth in Section X. B.

4. Board self-development activities tied directly to topics contained in the decision-making agenda.

5. A built-in educational element in each Board meeting, or if not each meeting, in a regular cadence.

6. An evaluation of public disclosure of the annual development activities completed by each Board member.