

Board Governance: CalPERS Board Self-Evaluation

CalPERS Board of Administration Meeting
Concord, California
July 18, 2018

The Honorable Cari M. Dominguez
NACD Faculty Member

About NACD and CalPERS



- NACD was established under the sound premise that good governance elevates organizational performance. Its mission is to support and sustain board members in their efforts to perform as strategic assets by applying the enduring principles of exemplary board leadership.
- NACD's membership currently exceeds 19,000 members, with over 1,300 full boards enrolled. Nonprofit sector, which includes the public sector, makes up 11% of full board memberships.
- CalPERS has been a longstanding and much recognized member of NACD, having been a full board member since 2012. Board members and management of CalPERS have been consistently honored through NACD's Directorship Magazine, being recognized for excellent corporate governance through NACD's "Directorship 100" nominations.

Faculty Member: The Honorable Cari M. Dominguez



Recognized leader and speaker on board governance and diversity.

- Listed among “100 Most Influential Hispanics in the Country and “80 Elite Hispanic Women” by Hispanic Magazine.
- Chairman’s Award for Excellence by National Image, Inc.
- Recipient, Legacy of Leadership Award, Spelman College
- Founding member, Latino Corporate Directors Association (LCDA).
- Recognized for leadership and support by the Hispanic Association on Corporate Responsibility (HACR) and Prospanica.
- Honored as the “architect” of the Glass Ceiling Initiative at U.S. DOL

Board Experience

- ManpowerGroup (NYSE: MAN)
- Triple-S Management Corp., Lead Director (NYSE: GTS)
- Calvert Funds-pioneer in SRI
- NACD, Nominating and Governance Committee Chair
- NACD Capital Area Chapter

Relevant Experience

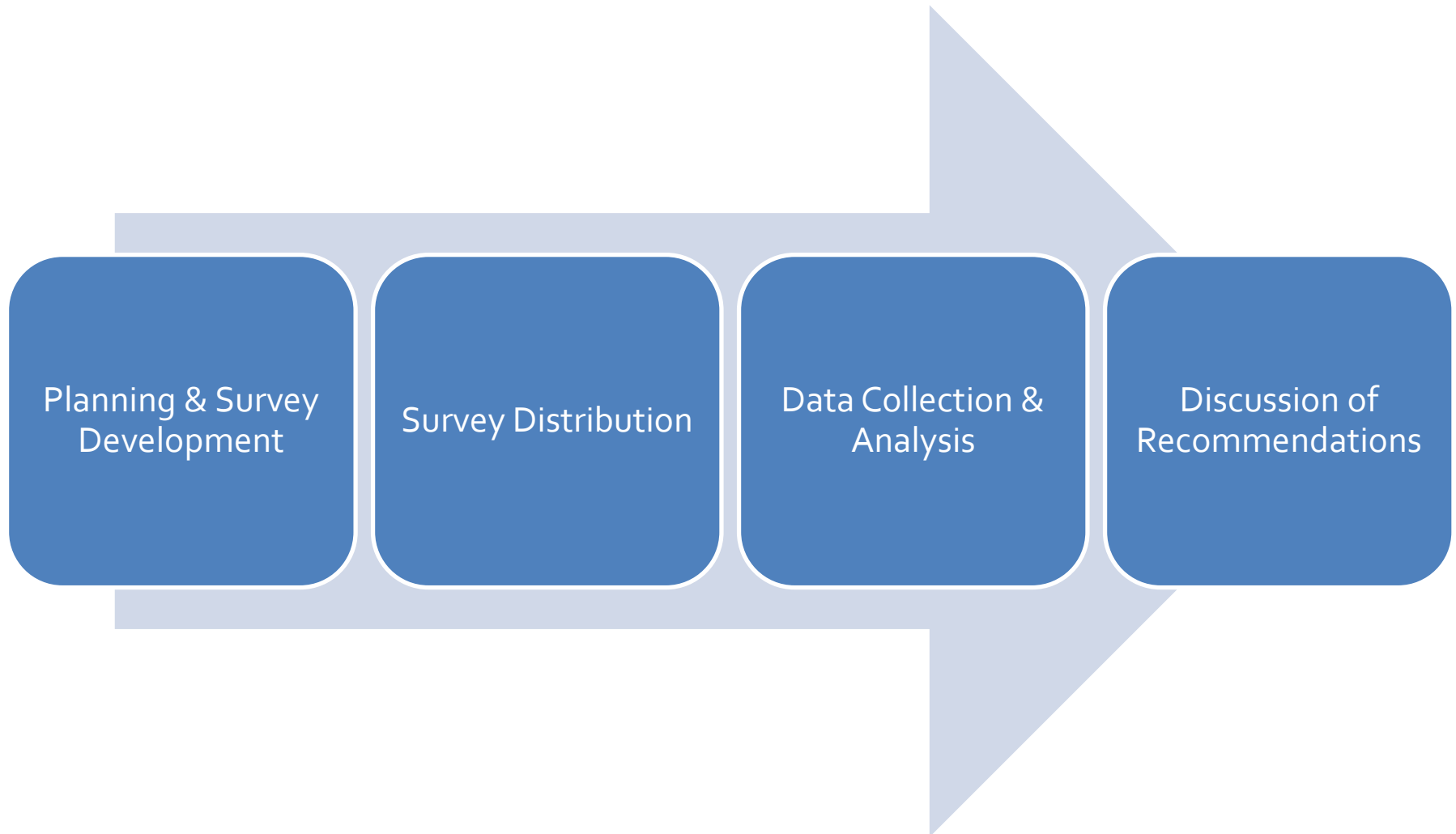
- Five years on NACD’s Board Advisory Services as facilitator of board self evaluations and governance education programs
- Extensive public sector experience, as former Chair of the U.S. Equal Employment Opportunity Commission, and as Assistant Secretary at the U.S. Department of Labor.
- California-specific knowledge, with ten years of experience residing in the State in various roles, including an appointment to the California’s Senate Commission on Corporate Governance, Shareholder Rights, and Securities Transactions.

This customized premium evaluation for CalPERS includes:

- Board self-evaluation
- Committee self-evaluations
- Peer/self-evaluation
- Senior management evaluation of the board
- Individual telephonic interviews
- In-boardroom discussion of recommendations resulting from self-evaluations

Each evaluation is designed to assess the board's effectiveness from a different perspective:

- **Board self-evaluation**
 - Assess the board as a group; understand how members perceive the board's overall performance and effectiveness; identify sound governance practices in place and opportunities for continuous improvement.
- **Committee self-evaluations**
 - Assess the effectiveness of committees as subset groups of the full board.
- **Peer/self-evaluation**
 - Assess board members on an individual basis, understand each person's contributions, strengths, and areas of growth within the context of the board as a strategic asset.
- **Senior management evaluation of the board**
 - Understand management's perceptions on the board's effectiveness, identify any gaps in the board's self-perceptions and management's perceptions of the board, examine ways to maximize the board's relationships with management.



CalPERS Premium Self-Evaluation Questionnaire Content



NACD's customized self-evaluations begin with a standard set of questions for each type of survey, with additional questions crafted in response to CalPERS' unique areas of focus.

- The standard set of questions are designed to be applicable to all boards, regardless of sector, industry, or size.
- NACD leverages its extensive, proprietary research to inform the questions included in each survey, identifying the critical responsibilities and duties of board members and boards.
- All questions are phrased in the form of a statement, which board members will be asked to assess with a numerical score.
- NACD then collaborates with CalPERS to ensure additional questions are added that reflect the unique circumstances and focus areas relating to CalPERS.
 - For example: questions regarding compliance specifically with state laws and regulations, sector-specific questions, etc.

CalPERS Premium Self-Evaluation Rating Method



Board members will be asked to rate statements about the board's performance on two scales:

Effectiveness scale:

- 5 = Excellent
- 4 = Great
- 3 = Good
- 2 = Fair
- 1 = Poor
- 0 = Do Not Know (unweighted)

Importance scale:

- 5 = Very Important
- 4 = Important
- 3 = Moderately Important
- 2 = Slightly Important
- 1 = Not Important

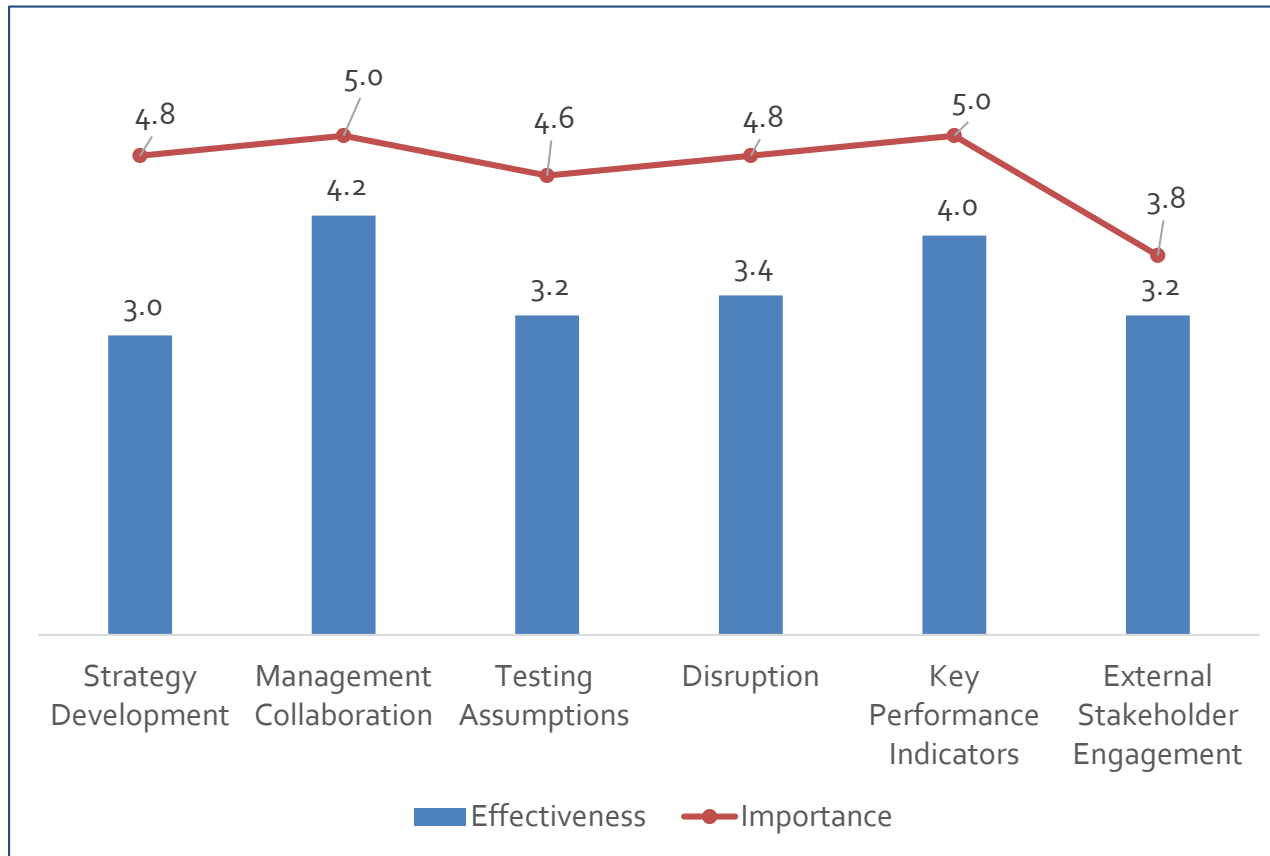
Sample Question Module

Please rate the board's effectiveness in the following aspects of the board's role in strategy oversight:

	Effectiveness	Importance
Strategy Development: Collaborating with management on strategy development with a focus on long-term value creation.	<input type="text"/>	<input type="text"/>
Management Collaboration: Engaging with management on strategy issues on an ongoing basis, including early involvement to improve strategy development.	<input type="text"/>	<input type="text"/>
Testing Assumptions: Evaluating underlying assumptions and assessing alternatives that drive organization strategy and business model (members, beneficiaries, public policy, etc.).	<input type="text"/>	<input type="text"/>
Disruption: Anticipating change and understanding how potential disruptors may affect the organization's strategic course.	<input type="text"/>	<input type="text"/>
Key Performance Indicators: Developing consensus with management on forward-looking metrics that will be early indicators of the success or failure of a chosen strategy.	<input type="text"/>	<input type="text"/>
External Stakeholder Engagement: Maintaining a dialogue with key external stakeholders who may be impacted by shifts in strategic direction.	<input type="text"/>	<input type="text"/>

Sample Visualization

Strategy Results, Sample



One-on-one interviews between self-evaluation participants and NACD faculty provide a unique forum for an open exchange of information.

- Board members and management have an opportunity to add nuance and color to their written survey scores and comments.
- Details and information shared in these conversations are summarized without attribution.
- Findings from the interviews will be supplemented with the written survey data to provide a well-rounded picture of the board.

Discussion of Self-Evaluation Findings and Recommendations



NACD faculty presents the findings and recommendations emerging from the self-evaluations, and facilitates a full board discussion.

- High-level findings of governance strengths and opportunities for improvement are shared with the board.
- Much of the in-person time will focus on discussion of leading practices and actionable, recommended next steps.
- Board members will have the opportunity to discuss findings and ask questions on any or all aspects of the self-evaluations.

Timeline Overview



Timeline	
July 18, 2018	Cari Dominguez (NACD faculty) attends the offsite board meeting in Concord, CA and discusses the self evaluation process.
Late July	Self-evaluation questionnaires to be edited and finalized after review by CalPERS.
August	Questionnaires to be distributed electronically to participants. All questionnaires need to be completed and submitted by September 14, 2018 at the very latest.
October	Individual telephonic interviews to be conducted with Cari Dominguez.
November	Teleconference to be scheduled with Cari Dominguez and CalPERS' designated board representatives to review the results of the self-evaluations and discuss the in-boardroom session.
December	NACD prepares reports to present to the board. NACD will share digital copies of materials for board distribution ahead of the board meeting.
January 2019	At CalPERS' January board meeting, Cari Dominguez engages with the board and facilitates a discussion of findings and recommendations arising from the self-evaluations.

Questions?

Your Dedicated NACD Membership Advisor:

Andrea Desmond

Email: adesmond@nacdonline.org

Phone: 571-367-3750