CalPERS Board Self-Assessment: Findings, Prevalent Themes, and Recommended Next Steps

Presented to the CalPERS Board of Administration

by

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Agenda

- Review of Board Self-Assessment Process
- Analysis of Findings
- Prevalent Themes
- Recommended Next Steps

The Process

- In September 2026, NACD circulated self-assessment questionnaires specifically tailored to the governance matters of the CalPERS Board of Administration.
- In October 2026, all board members completed the survey, resulting in 100% participation.
- NACD faculty member Dr. Cari Dominguez also conducted one-on-one phone interviews as follow-up to the survey responses contingent upon member availability.

The Process (cont.)

- 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.
- A board self-assessment is a vital governance tool designed to examine fitness for purpose by providing structured, measurable insights and candidly appraising how the board operates, collectively and individually.

The Process (cont.)

- 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".

The Process (cont.)

- 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.

The Process (cont.)

- The Effectiveness Scale assesses the degree to which an activity is successful in producing the results intended.

- The Importance Scale assesses the degree to which each area of responsibility is likely to generate significant Board attention, time, and effort.

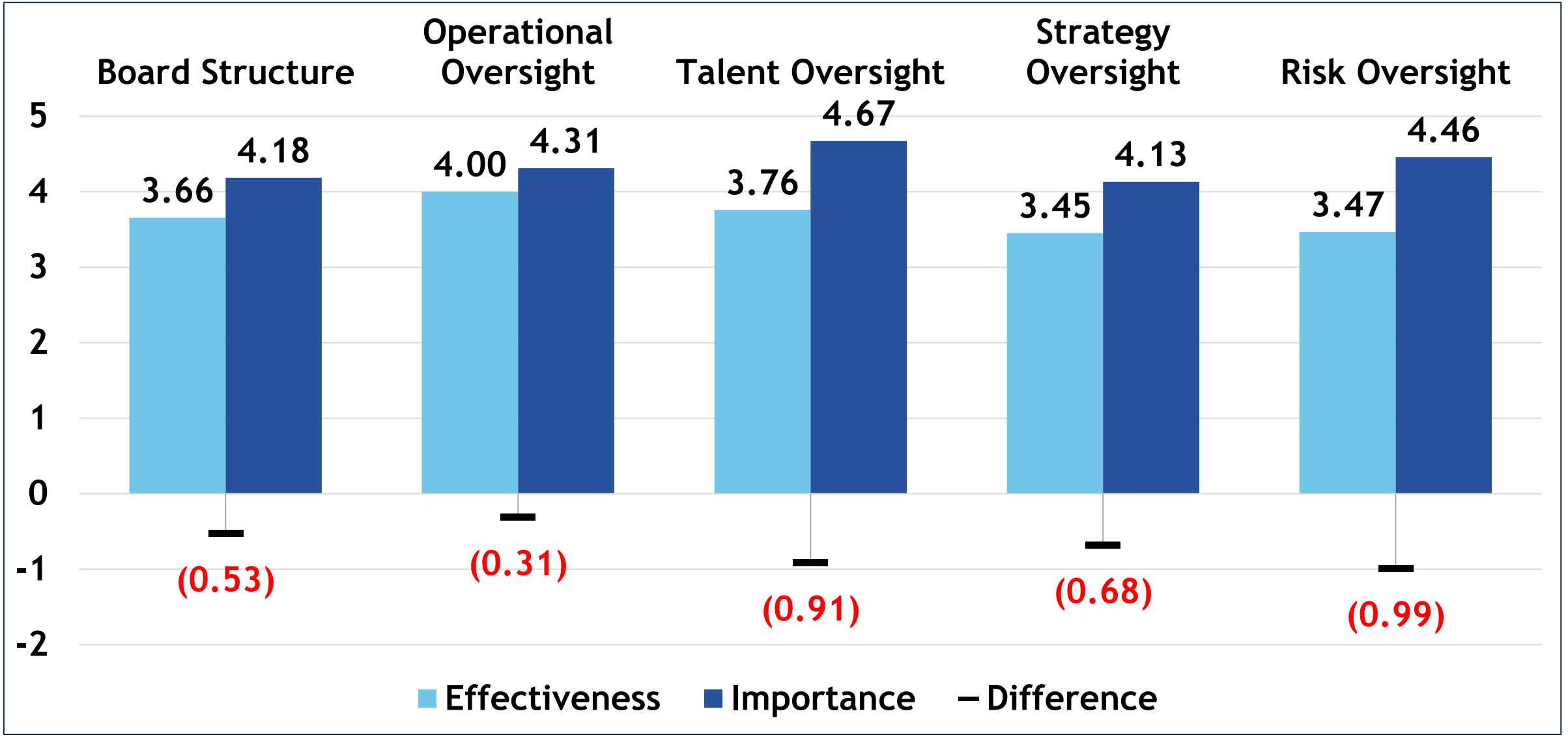
- Ratings of 4 and above are considered highly effective. Ratings below 4 provide an opportunity for governance enhancements.

Analysis of Findings: Strengths and Opportunities

Leading Strengths

- Unwavering commitment to the CalPERS mission.
- Dedicated efforts toward stakeholder engagement.
- Maintaining its global leadership role in investments, ESG & DEI.
- Focused on preserving and advancing leadership in healthcare affordability.
- Strong desire for continuous learning and professional development.
- Complete belief in CalPERS potential for continued growth.
- Solid support for sound governance processes and practices.

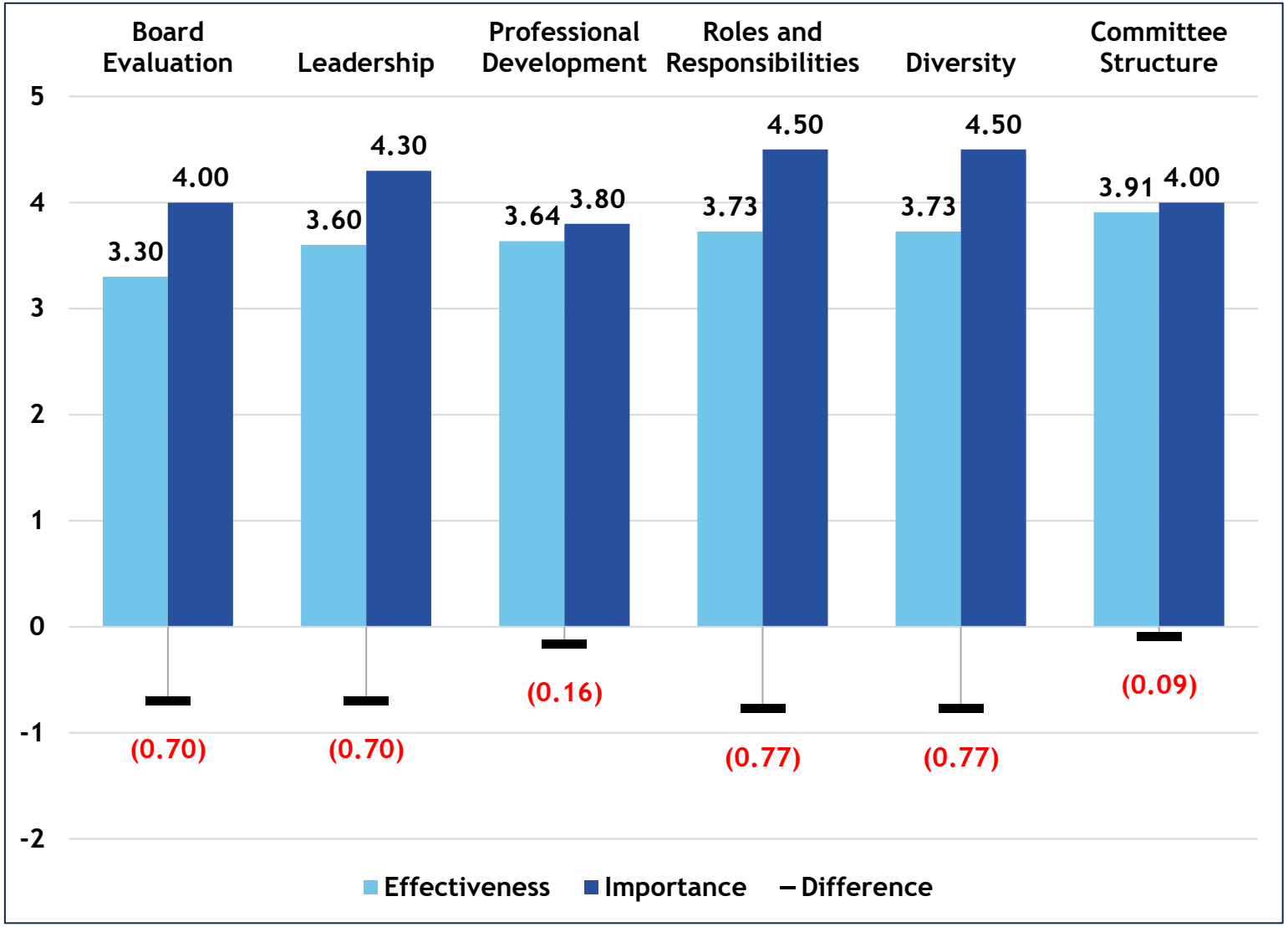
Analysis of Findings: Overall Board Assessment



Overall Board Self-Assessment

Largest Difference Between Effectiveness & Importance	
CEO Succession Planning	1.36
Disruption	1.35
Risk Oversight	1.28

Board Structure, Quantitative Summary



- Board Evaluation. Assessing the board's performance around core oversight responsibilities to drive continuous improvement every two years
- 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
- Roles and Responsibilities. Identifying and addressing gaps in board members' understanding of the board roles and responsibilities
- Diversity. Fostering a diversity of opinion in a collegial manner with common ownership of board decisions
- Committee Structure. Reviewing the board's committees to determine the appropriate structure, delegations, and rotation

Board Structure: Qualitative Summary

1. **Diversity -** Board considers diversity a strategic asset. Promoting diversity of opinions while also advancing diversity of investors and workforce is a key interest.

2. **Roles and Responsibilities -** Board continues to see the need for more discussion around board-management roles, particularly on investment strategies.

3. **Board Evaluation -** Besides the formal board self-evaluation process, board would like continued guidance in identifying other professional development opportunities.

4. **Committee Structure -** Some interest was expressed in considering more meetings of the Governance Committee.

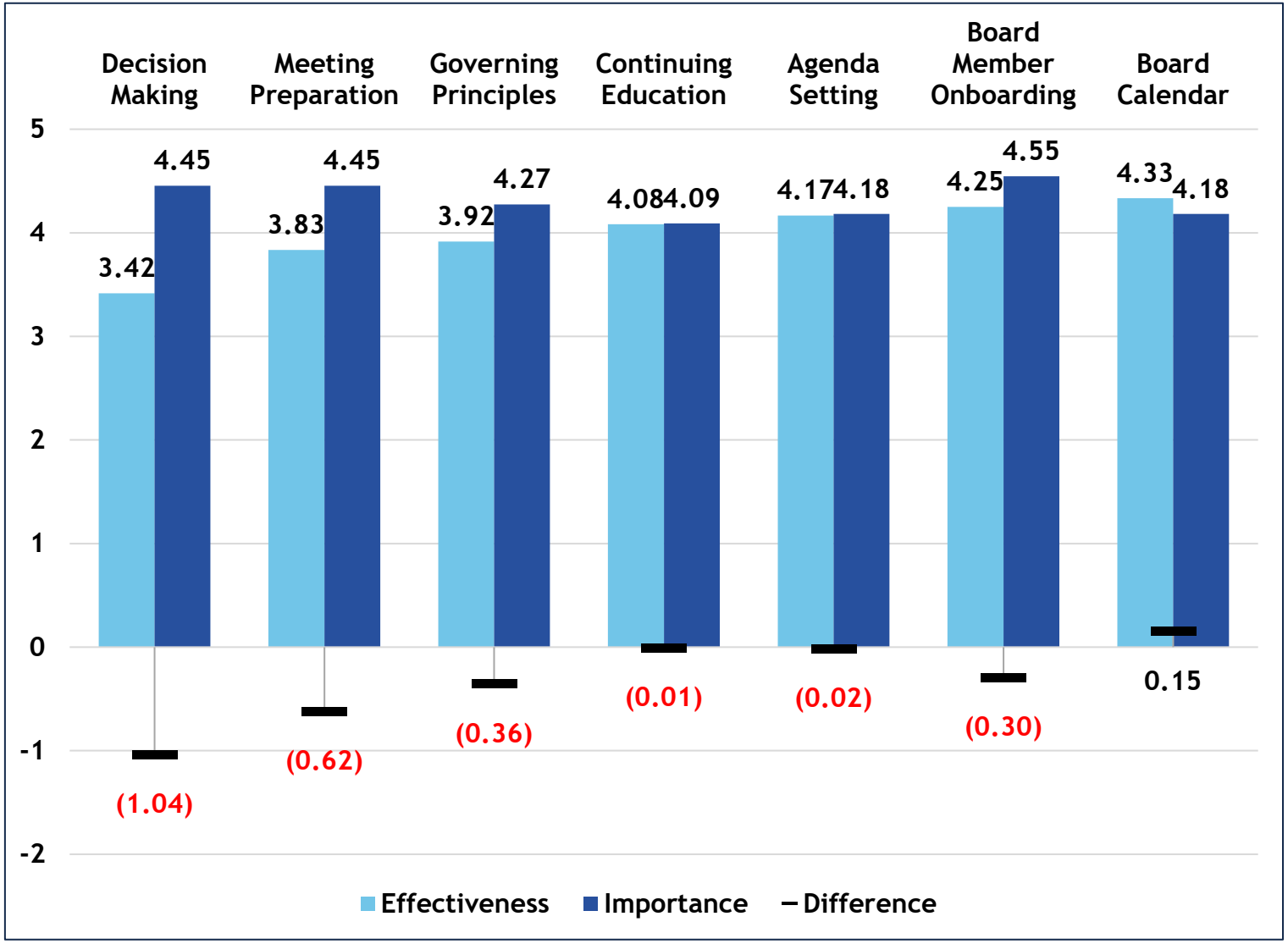
Board Structure: Qualitative Summary

5. **Committee Structure -** Some members expressed a desire to have a review of the assignment to committees to ensure balance and accountability.

6. **Leadership -** Some interest expressed in having the board review its leadership election process with a view towards modernization and fuller participation.

7. **Board Composition -** Expressed need to have more financial literacy and technological expertise on the board given external factors.

Operational Oversight, Quantitative Summary



- Decision Making. Engaging in thorough discussions that encourage alternate views and yield concrete decisions
- 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)
- Continuing Education. Providing opportunities for board members to develop their knowledge and expertise in areas relevant to CalPERS
- Agenda Setting. Ensuring the Board agenda focuses on strategic discussions
- Board Member Onboarding. Employing onboarding practices that set forth a board member's duties and responsibilities within the CalPERS' legal and policy framework
- Board Calendar. Adhering to an annual calendar that outlines the dates and content of the board's regularly scheduled meetings

Operational Oversight: Qualitative Summary

1. Board gave its highest ratings to this governance competency.

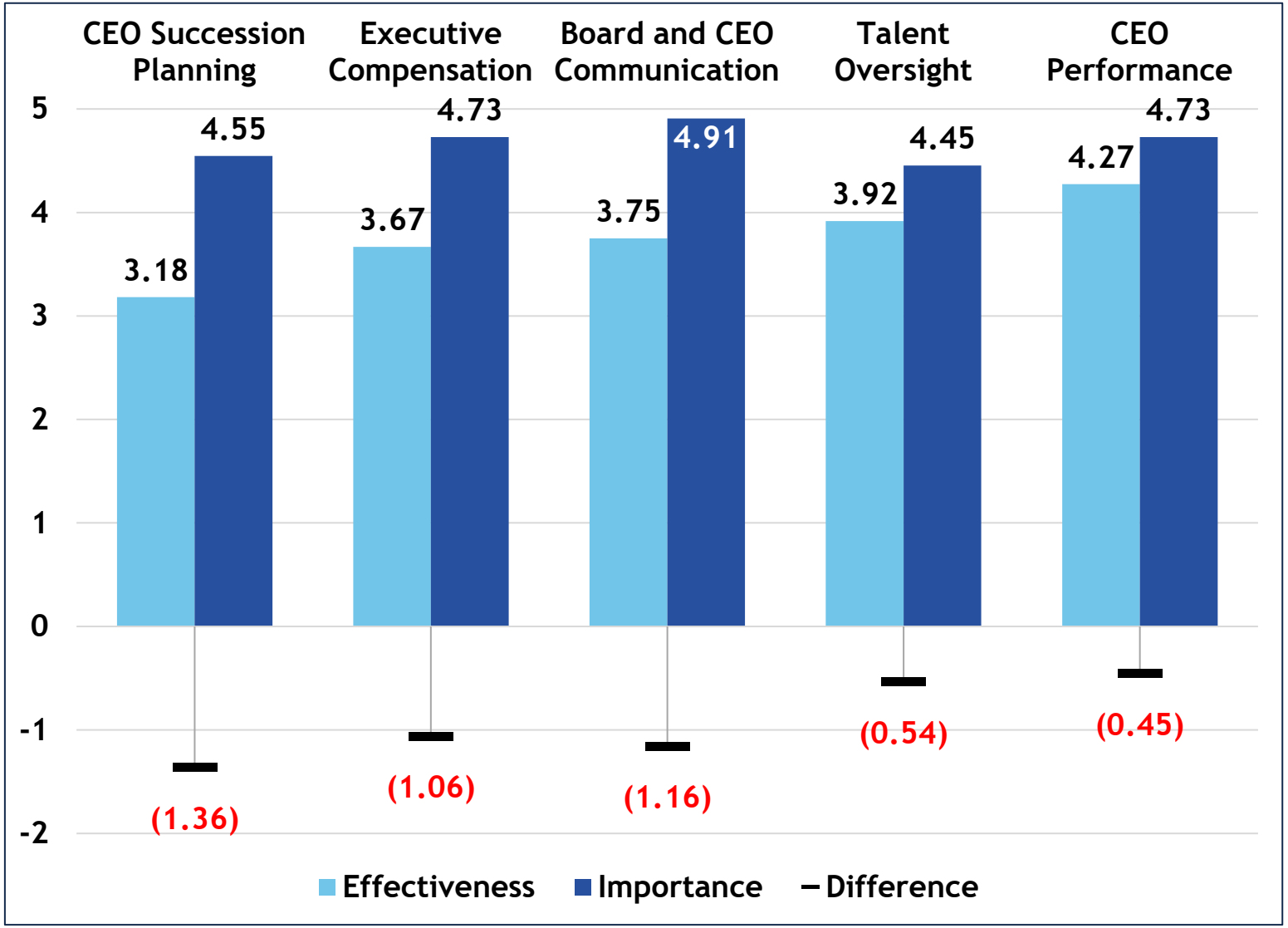
2. **Onboarding -** High level of satisfaction with the onboarding program. Suggestions included creating onboarding modules to be delivered over a longer stretch of time.

3. **Meeting Preparation -** Board members that attend pre-meeting briefings find them helpful and would like to ensure opportunities for full Board participation.

4. **Decision Making -** Emphasized importance of ensuring that CalPERS staff can meet Board requests.

5. Some members underscored the value of a structured decision-making process to further enhance open and systematic deliberations.

Talent Oversight and CEO Succession, Quantitative Summary



- 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 values.
- Board and CEO Communication. Establishing and maintaining clear and effective communication between the board and the CEO on critical issues facing the organization
- 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 Performance. Reviewing processes for CEO evaluation against clearly communicated goals, expectations, and growth opportunities

Talent Oversight and CEO Succession: Qualitative Summary

1. **CEO Succession** – Considered a top fiduciary priority. Strong desire to have a written plan in place.

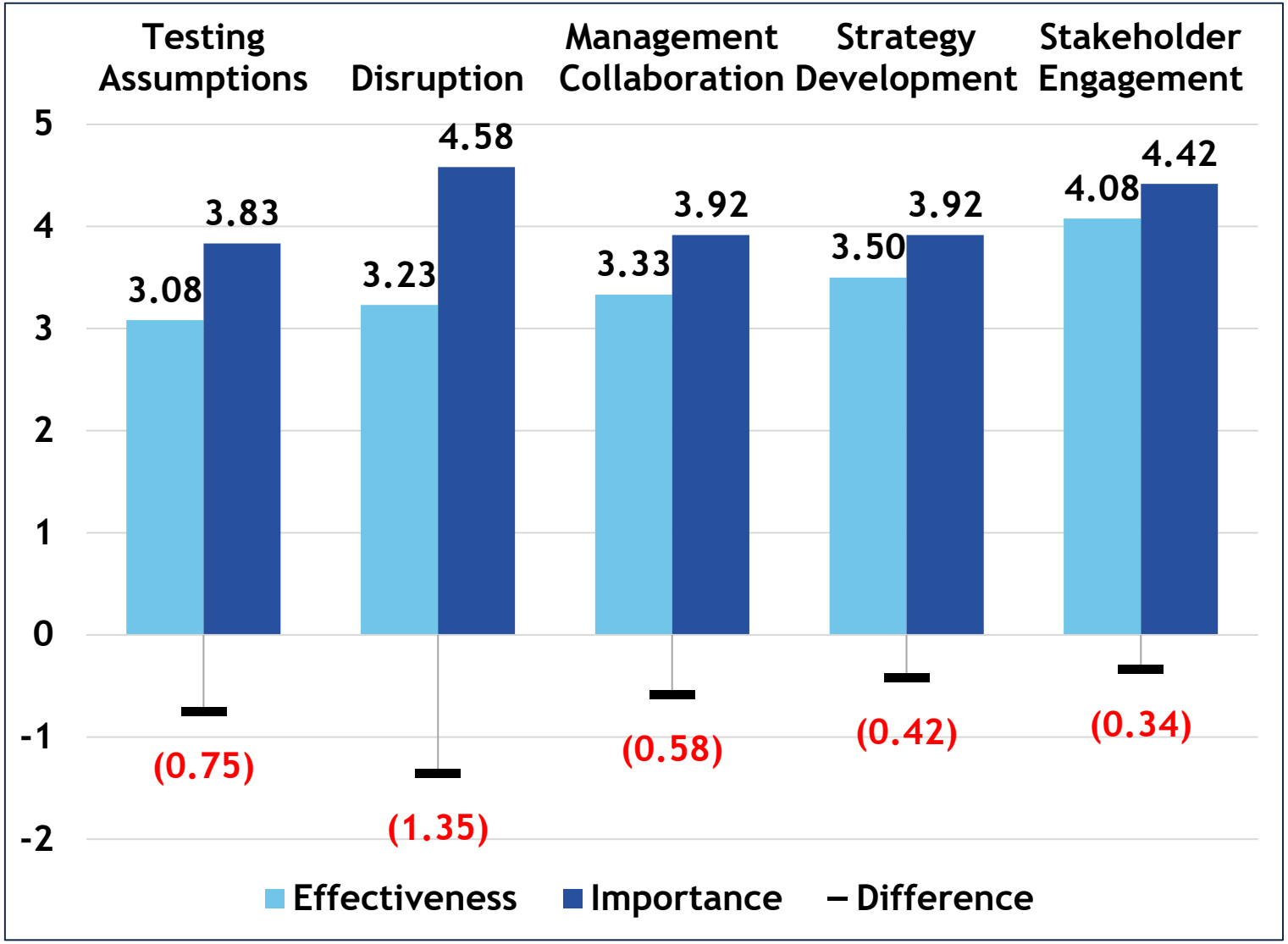
2. **Talent Oversight** – Would like broader discussions and time allocated to talent recruitment, development, retention and succession in key executive roles.

3. **CEO Performance** – Received one of the highest effectiveness ratings. Board, in general, considers the CEO a high performing, results-driven executive with unique qualities and skill sets.

4. **Executive Compensation** - Strong desire to ensure that the design of the executive compensation structure can attract and retain top talent while conforming with the unique characteristics of the organization.

5. **Board-CEO Communications –** Board would like more access to and frequency of communications with the CEO.

Strategy Oversight: Quantitative Summary



- Testing Assumptions. Evaluating underlying assumptions and assessing alternatives that drive CalPERS' strategy and business model
- 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
- Strategy Development. Collaborating with executive leaders to develop the Enterprise Strategic Plan in alignment with CalPERS' vision, mission and beliefs
- Stakeholder Engagement. Maintaining an open dialogue with key stakeholders who have an interest in or may be impacted by CalPERS' strategy

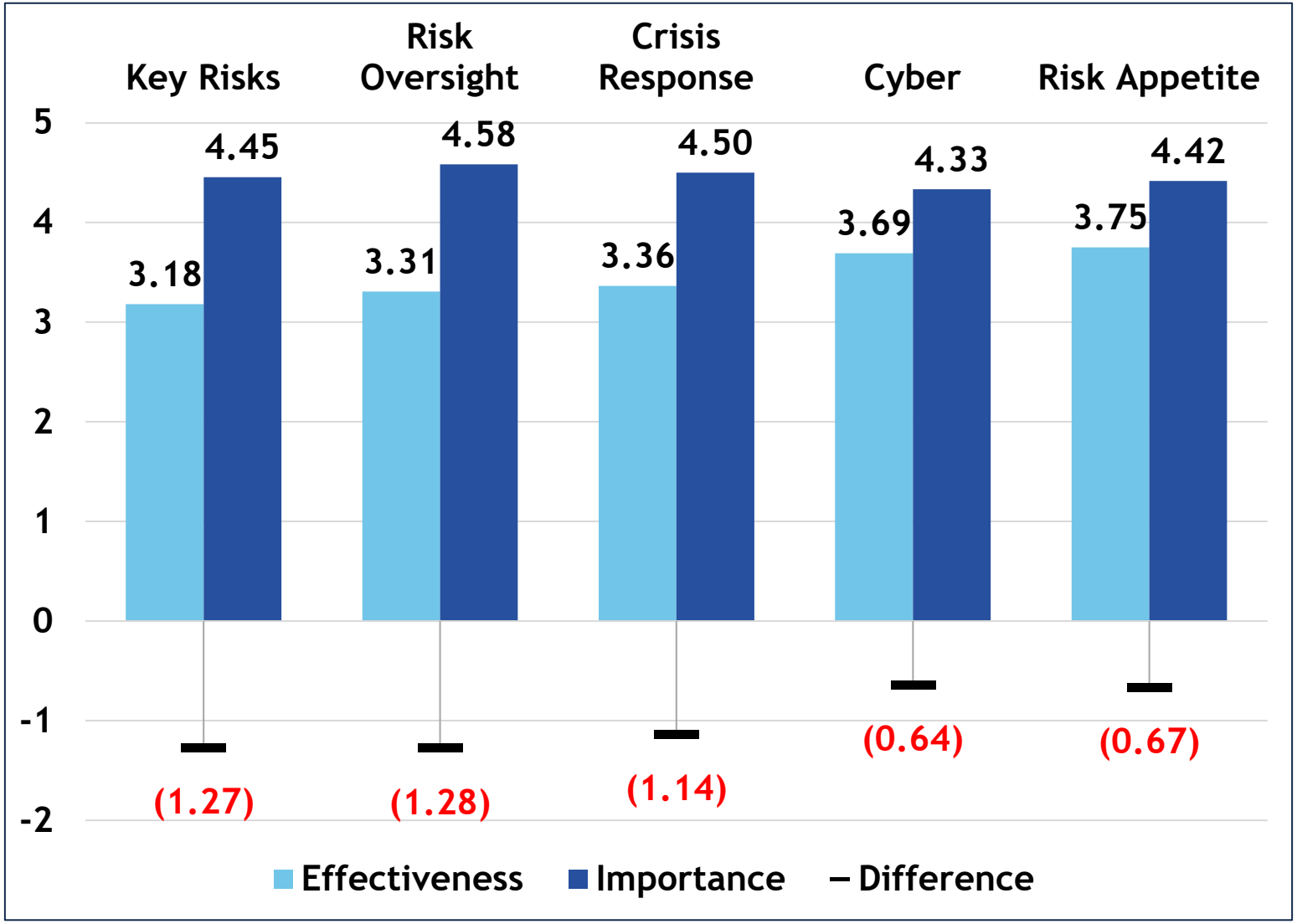
Strategy Oversight: Qualitative Summary

1. **Disruption -** Rated one of the highest concerns. Regular and broader discussions around potential threats and the risk environment deemed critical.

2. **Management Collaboration -** Strong desire expressed for more open dialogue and engagement with executive leadership.

3. **Strategy Development –** Clarification of board/management roles and responsibilities around the newly introduced investment strategy.

Risk Oversight, Quantitative Summary



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

Risk Oversight: Qualitative Summary

1. Risk management issues effectively handled in the past.

2. Heightened interest in better understanding CalPERS Enterprise Risk Management program (ERM); its infrastructure and accountability procedures.

3. Key Risks – Rated an area of high concern. Strong desire for broader discussions and learning opportunities dedicated to AI and its various risks, especially cybercrime, along with geopolitical trends, and population fundability risks.

What would you like the company to be known for?

- Sustainability
- Reliability
- Integrity
- Transparency
- Trust
- Security
- Innovation
- Risk Awareness
- Forward looking
- Excellence
- Strong long-term stewardship of retirement assets
- Affordable and accessible healthcare
- Financial security

As a board member, what do you think your role is in helping to achieve this?

- Managing risks
- Engaging and prioritizing beneficiaries
- Supporting leadership
- Asking difficult questions
- Acting with integrity and a long-term perspective

Most Significant Accomplishments in the Last Twelve Months

- Implementation of the Total Portfolio Approach.
- Strong investment performance.
- Exemplary progress in healthcare affordability and innovation.
- Maintaining a strong executive leadership team.
- Staying the course against headwinds that could undermine CalPERS mission and values.

Priorities for Enhancing Effectiveness over the Next Two Years.

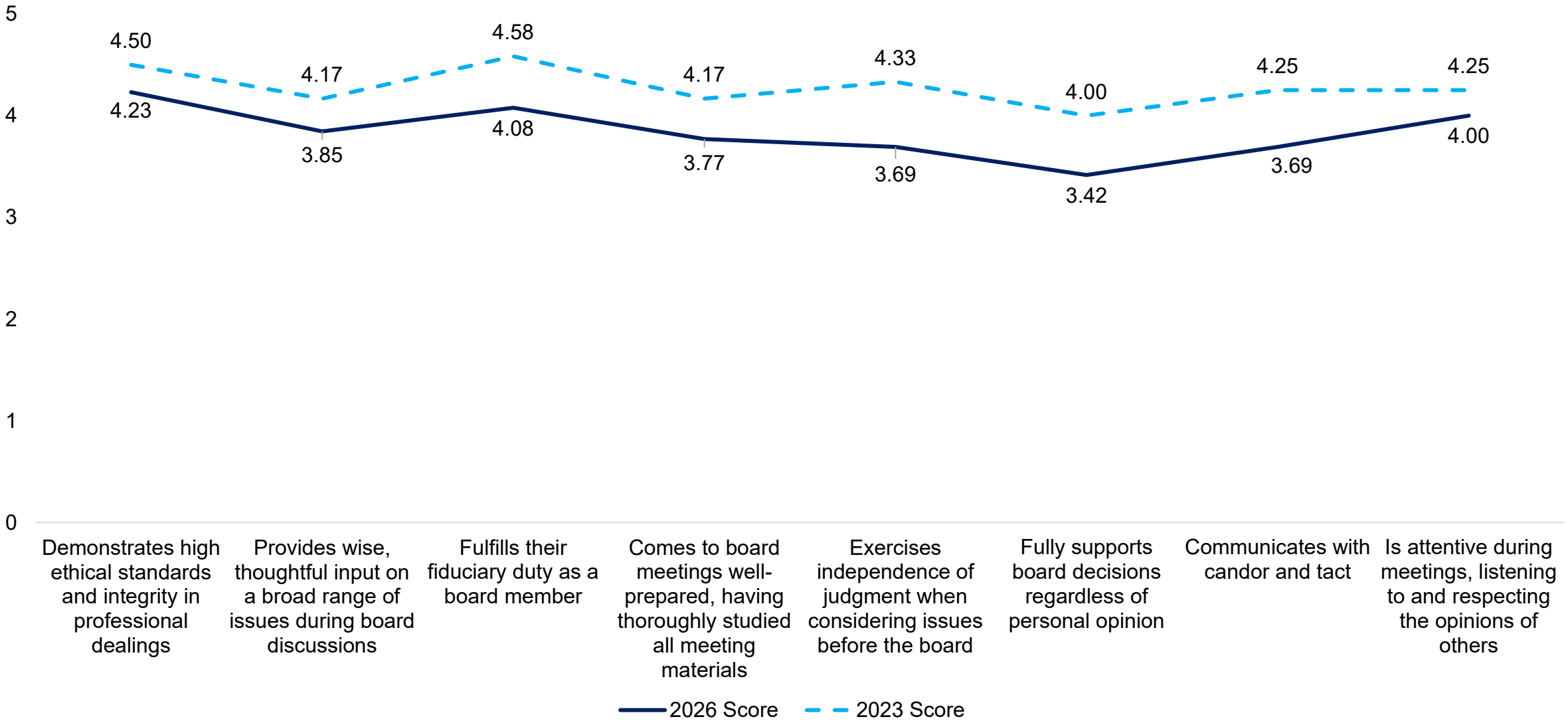
- CEO Succession readiness.
- Active monitoring and response to emerging risks.
- Focus on innovation.
- Fostering a board culture of trust, transparency, collaborative respect, and accountability.
- Expanding communications among board members and executive leadership.
- Enhanced meeting preparation.

Characteristics of future board leadership?

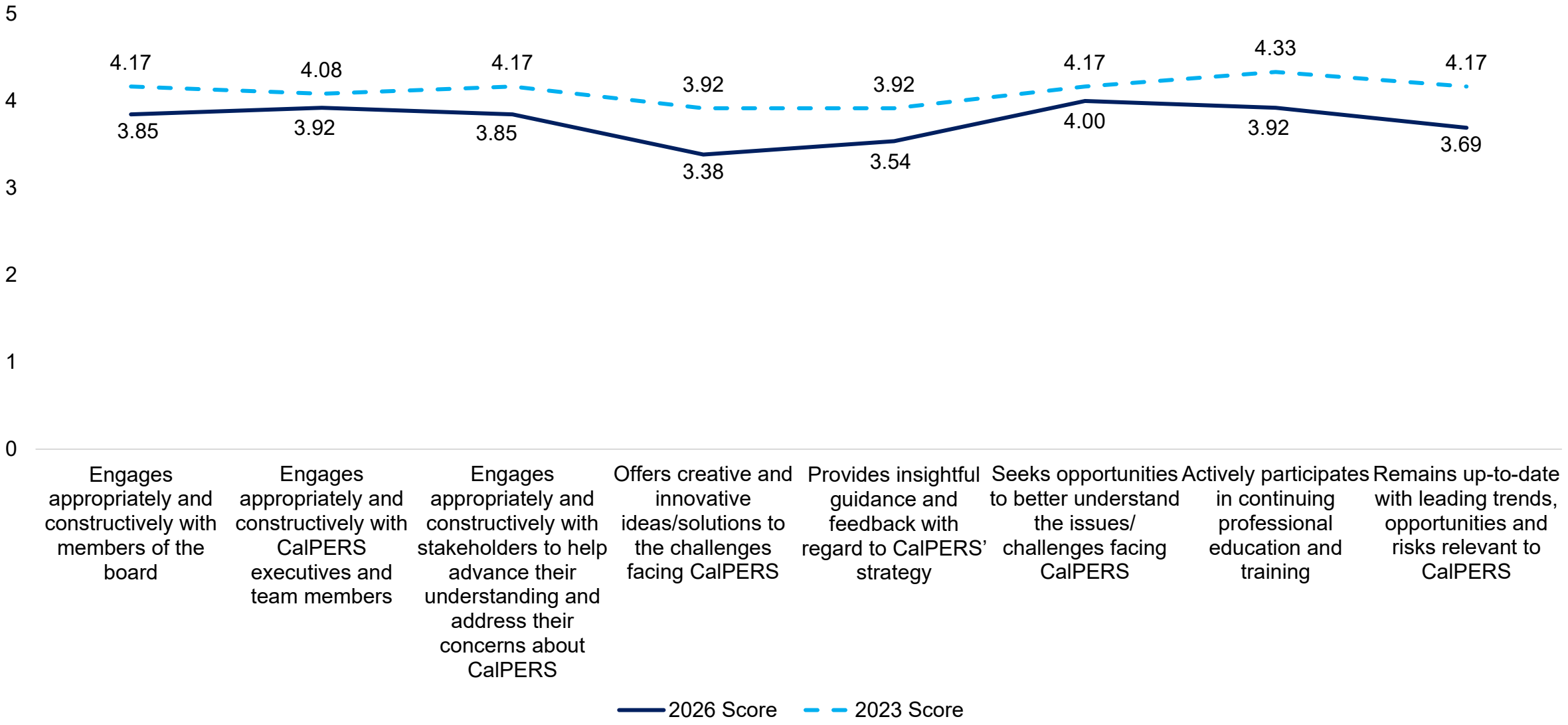
- Inclusive
- Innovative
- Transparent
- Accountable
- Skilled at listening
- Skilled at consensus building
- Constructive engagement with dissent
- Strong relationships with management
- Clear vision
- Curiosity
- Professionalism
- Brings perspective of new pensioner

Board Attributes and Committee Assessment Findings

Board Attributes Assessment: Quantitative Findings



Board Attributes Assessment: Quantitative Findings



Comments on Board Culture

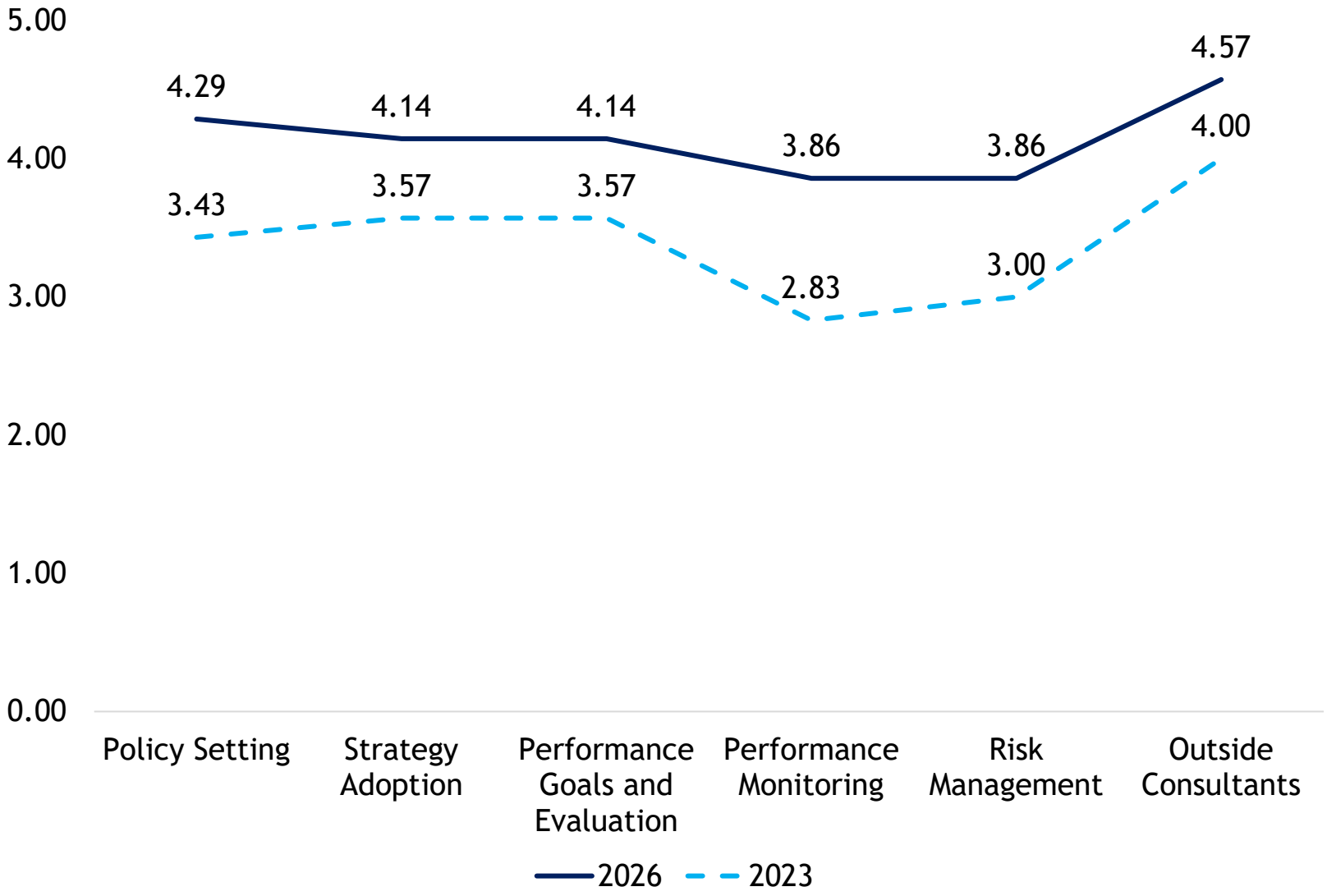
- Culture considered more collegial and evolving, in general.
- Differing views and opinions are openly expressed.
- Tone and style of leadership pivotal to cohesive engagement.
- Well defined board processes considered essential for building trust.
- Important to cultivate credibility through action and follow through.
- Misaligned expectations or interpersonal dynamics can undermine board culture.
- Strong culture will keep the focus on what matters most: the health and well-being of the beneficiaries.

NACD's 2023 BRC: Culture as the Foundation



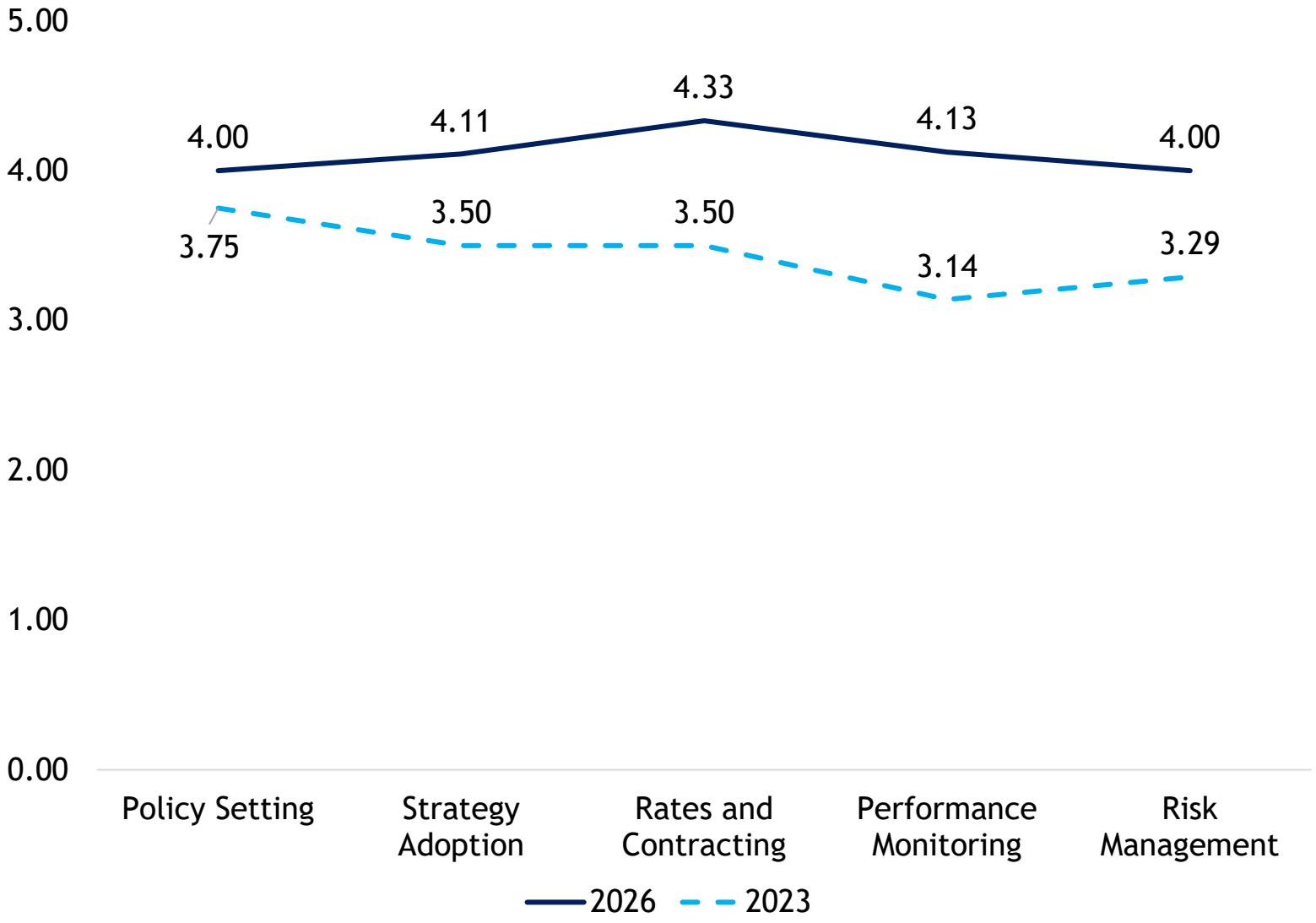


Performance, Comp., & Talent Management Committee: Quantitative Data



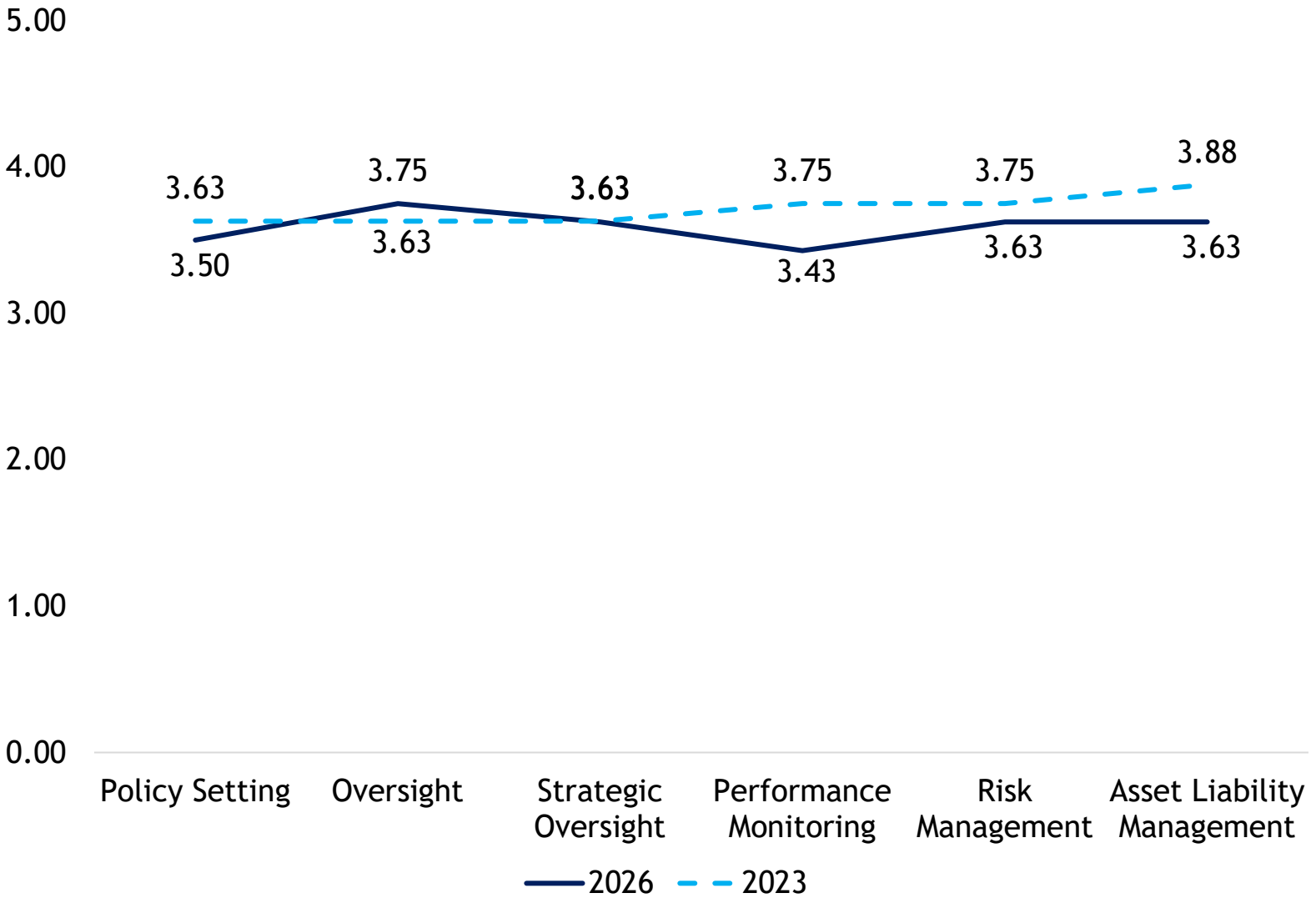
- Policy Setting. Set appropriate policy and direction for the activities delegated to the committee
- Strategy Adoption. Adopt and approve insightful strategies with a focus on CalPERS' vision, mission, and beliefs
- Performance Goals and Evaluation. Set performance goals and conduct the performance 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

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

Finance and Administration 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

Key Themes Resonating Across the Board Self-Assessment Process

- CEO Succession Planning and Talent Oversight.
- Mitigation of risks in light of new investment strategy.
- Future ready leadership requiring an assessment of Board and Committee expertise and skill sets based on strategic priorities.
- Board processes that enhance effectiveness, communications, and relationships among board members and executive staff.
- Continuous improvement through formal and informal professional development, training, and self appraisals.

Opportunities for Further Governance Enhancements:

1. Document and communicate the CEO succession plan with regular updates across the Board.

2. Assess skills and expertise for professional board development.

3. Continue to clarify board/management roles in light of new strategy. An align-monitor-calibrate framework turns oversight into an ongoing discipline.

4. Promote open and responsive communications and information-sharing across all touch points of governance: flow, timeliness, and frequency.

5. Ensure that committee reports are sufficiently robust and detailed to keep the board fully informed.

Opportunities for Further Governance Enhancements:

6. Identify opportunities, social and professional, to promote relationship-building with all board members and executive leadership.
7. Consider an off-site session that includes a facilitated discussion to assess, define, and maintain CalPERS optimal Board culture.
8. Revisit the Board's decision-making process to ensure all components are being practiced.
9. Set regular checkpoints for self-reflection on Board effectiveness measured against established indicators.
10. Consider commissioning the Governance Committee to develop a workplan for addressing certain identified opportunities for enhanced effectiveness.

Upcoming NACD Events

- NACD Director Certification
- NACD's CERT Certificate in Cyber Risk Oversight
- Generative AI Tools for Directors 101
- Cyber-Risk Oversight for Directors
- NACD Directors Summit 2027
- NACD Northern California
- NACD Pacific Southwest

Latest NACD Publications

- NACD's 2026 Blue Ribbon Commission Report on Board Oversight of Strategy Execution
- Work Futurist Gary Bolles on the Transformation Mindset
- Interest Rate Unpredictability Tests Boards
- Why Boards Should Maintain Divestiture Readiness
- Compensation Committee Decision Framework
- Director Essentials: Oversight of Executive Compensation
- How Chairs Drive Board Performance
- *Directorship*® Magazine: Fall 2026
- Independent Board Leader Archetype

For help finding resources, registering for programming, or to learn more, reach out to CalPER'S Board Advisor: Kait Armstrong: karmstrong@nacdonline.org

2026 BLUE RIBBON COMMISSION REPORT

Boards need a more disciplined approach to overseeing execution.



> The 2026 Blue Ribbon Commission Report offers actionable recommendations and practical tools for boards to engage without taking on management's role.

NACD

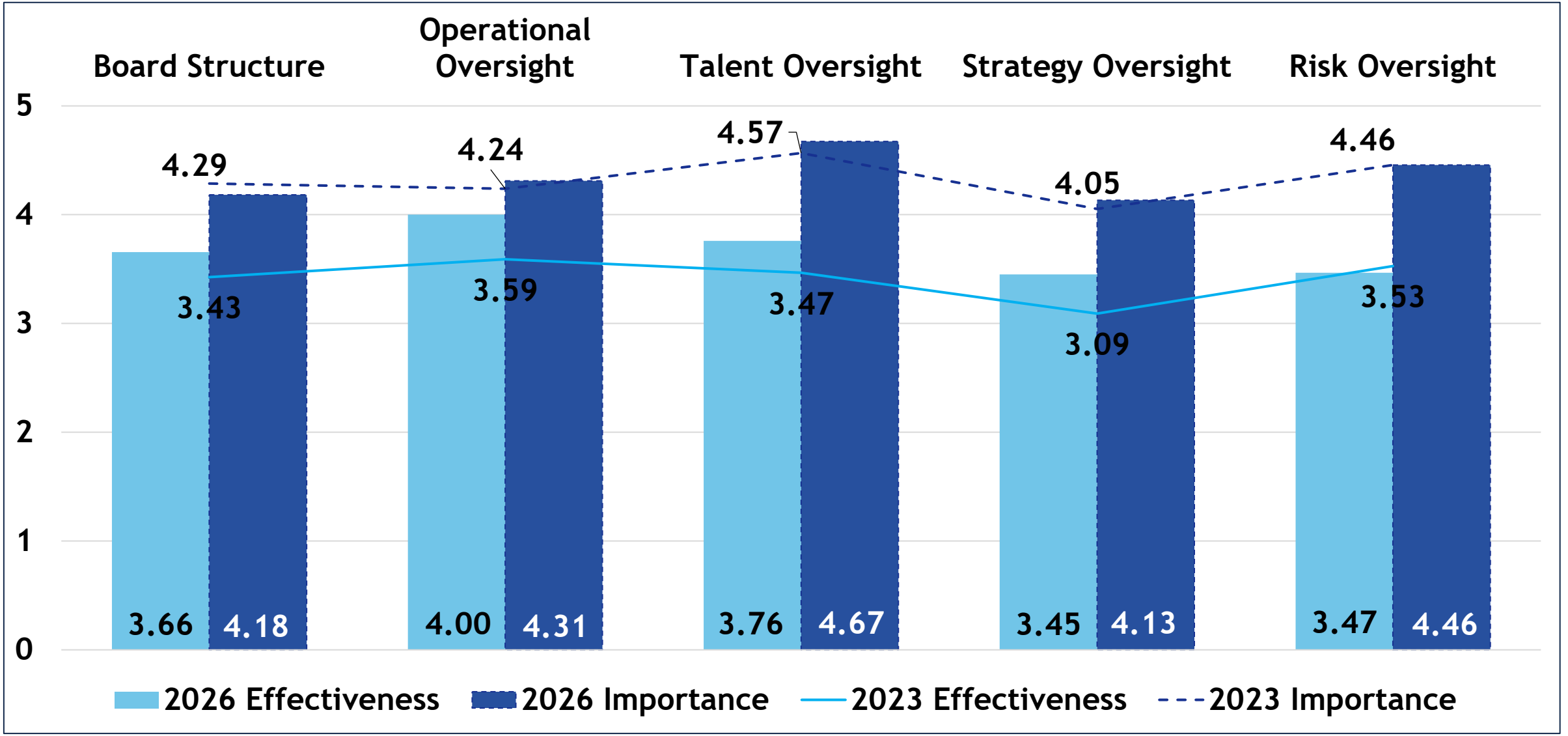
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Thoughts, Comments?

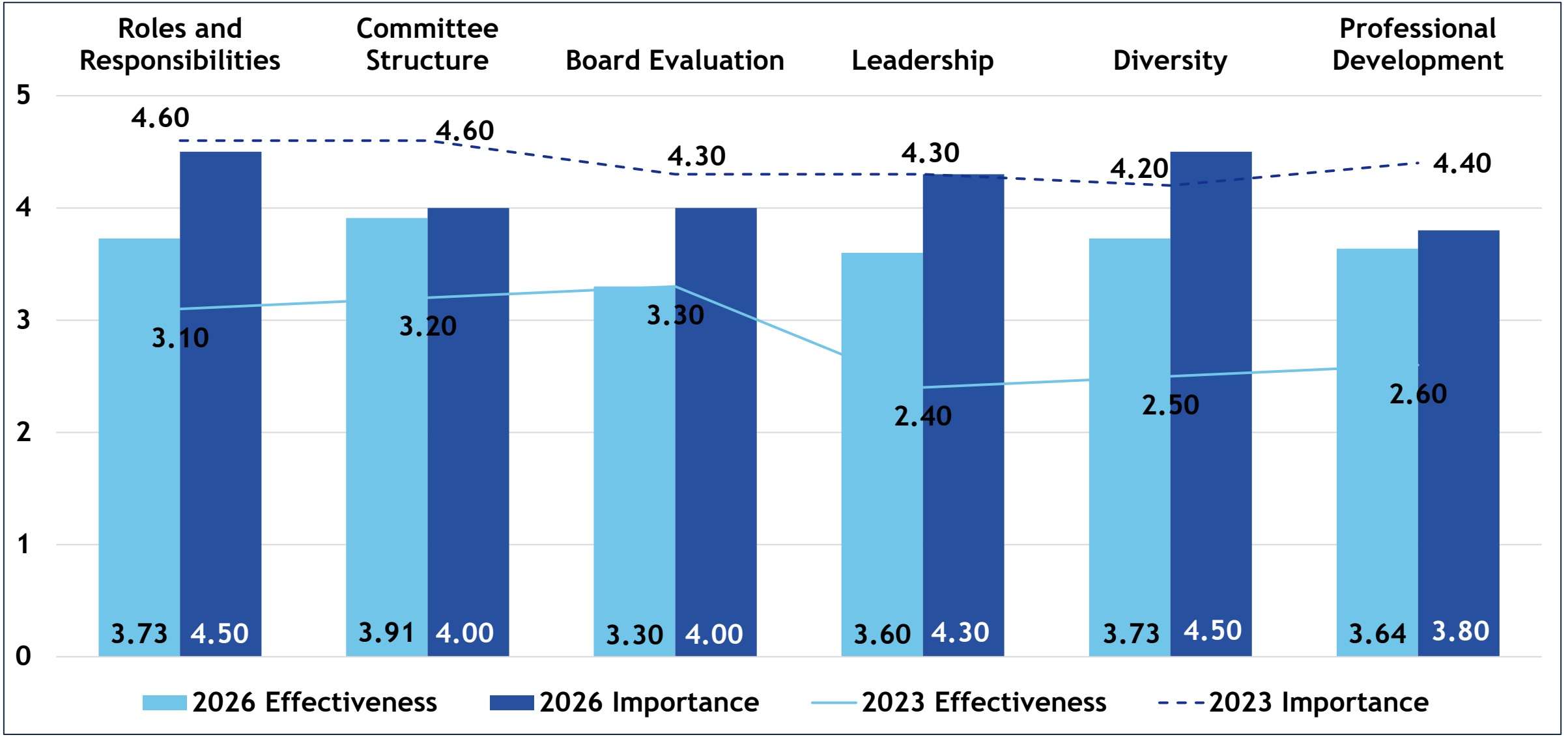
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Appendix

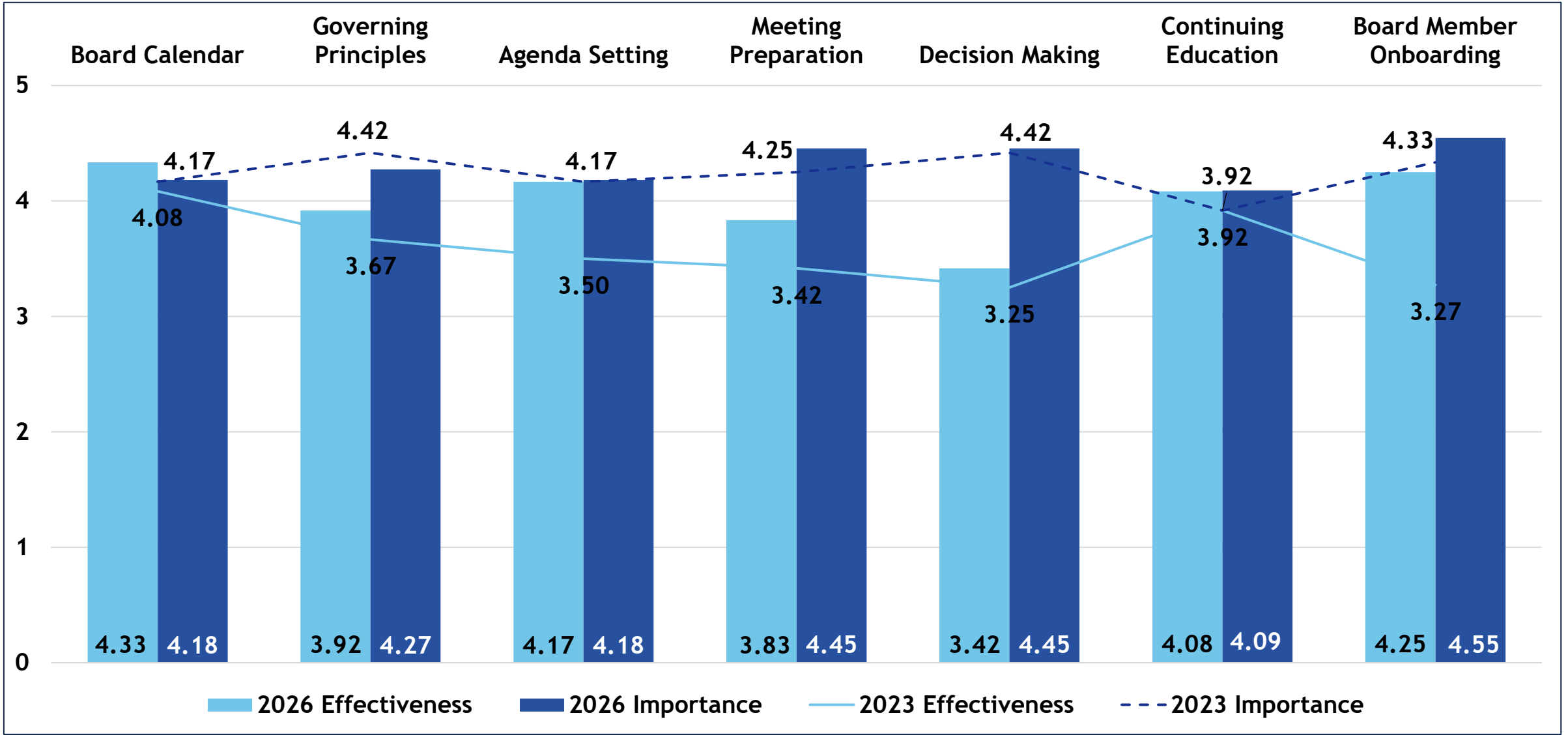
Overall Board Assessment: Quantitative Summary, 26 v. 23



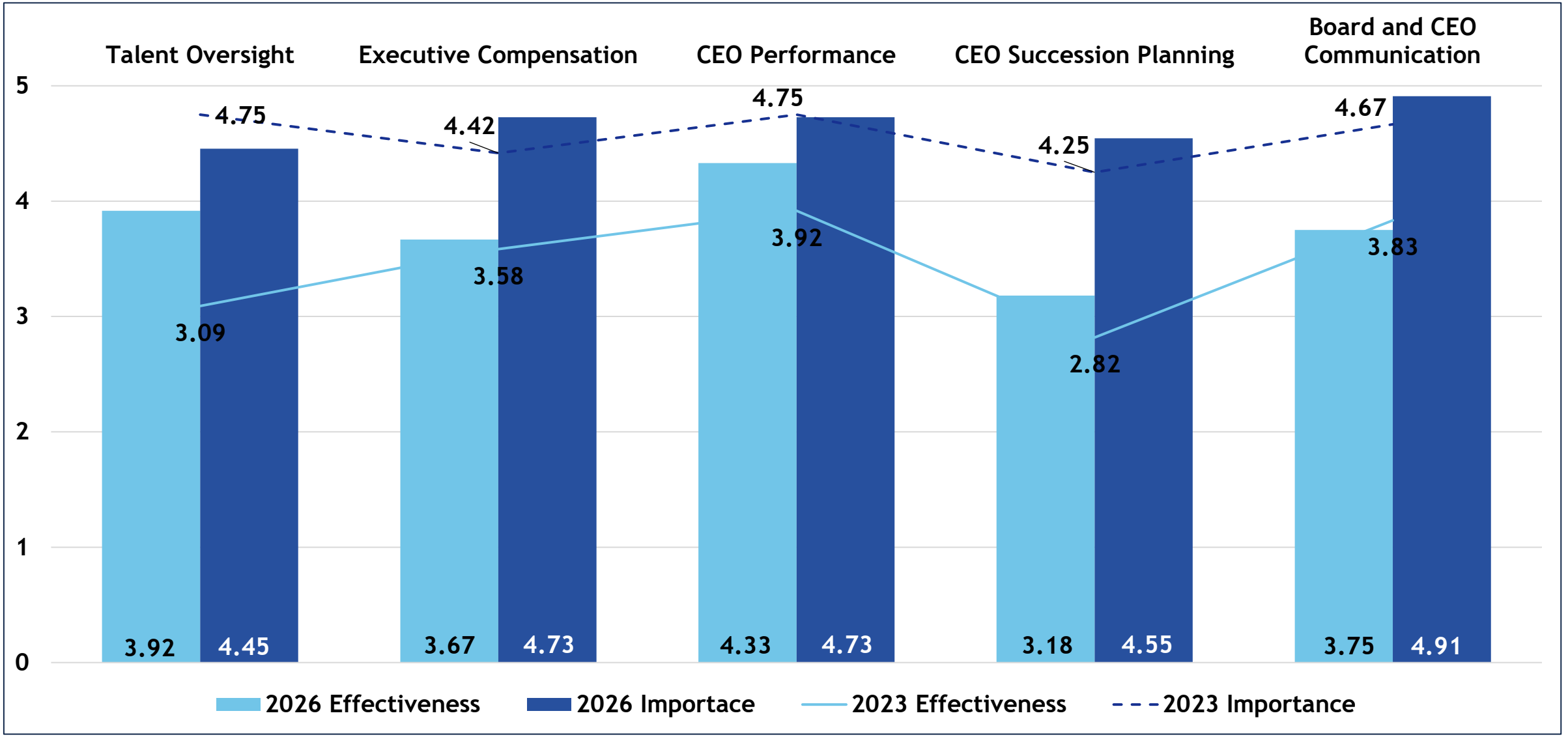
Board Structure: Quantitative Summary, 26 v. 23



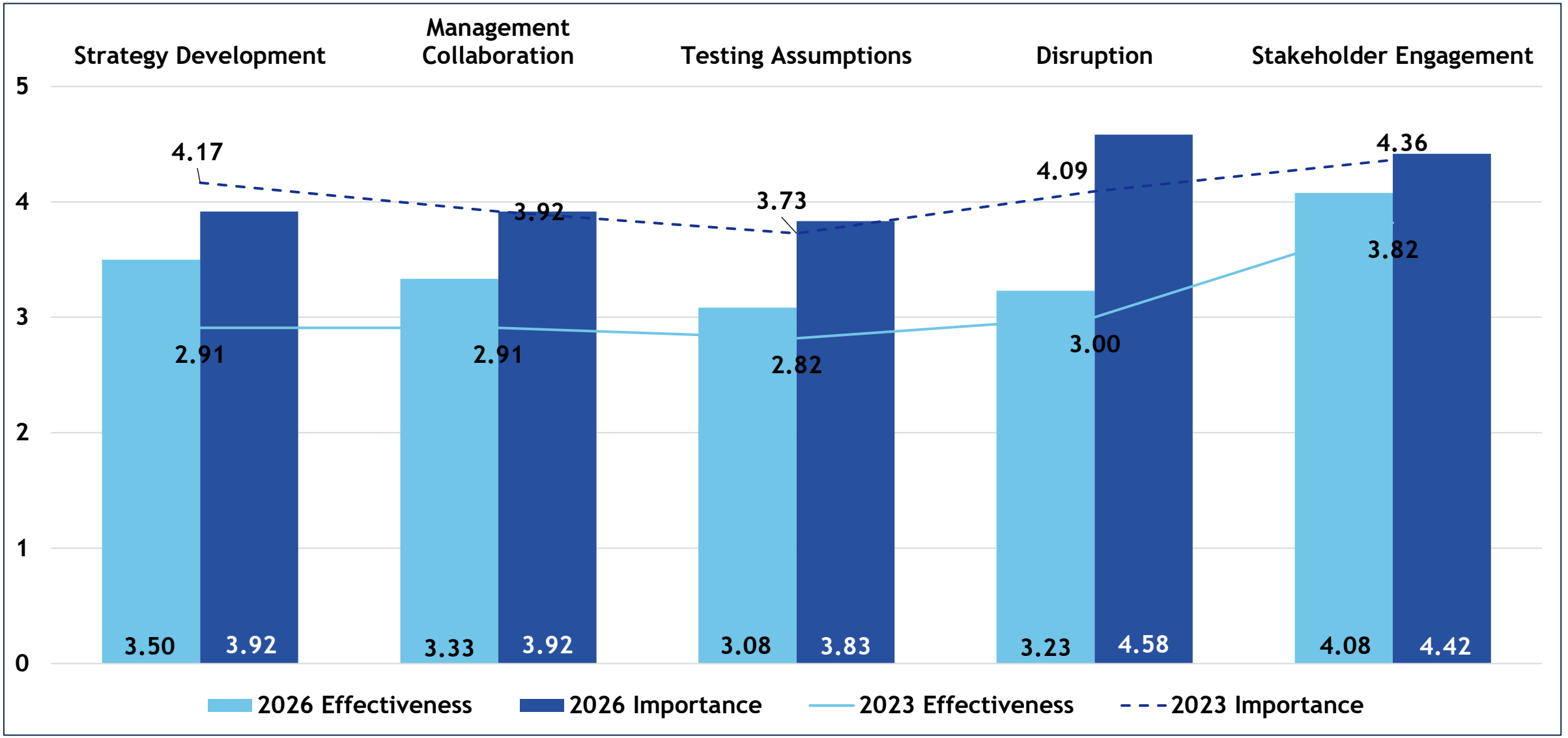
Operational Oversight: Quantitative Summary, 26 v. 23



Talent Oversight and CEO: Quantitative Summary, 26 v. 23



Strategy Oversight: Quantitative Summary, 26 v. 23



Risk Oversight: Quantitative Summary, 26 v. 23

