

VIDEOCONFERENCE MEETING  
STATE OF CALIFORNIA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
PERFORMANCE, COMPENSATION &  
TALENT MANAGEMENT COMMITTEE  
OPEN SESSION

ZOOM PLATFORM

MONDAY, FEBRUARY 14, 2022

11:21 A.M.

JAMES F. PETERS, CSR  
CERTIFIED SHORTHAND REPORTER  
LICENSE NUMBER 10063

APPEARANCES

COMMITTEE MEMBERS:

Rob Feckner, Chairperson

Eraina Ortega, Vice Chairperson

Lisa Middleton

David Miller

Jose Luis Pacheco

Theresa Taylor

Shawnda Westly

BOARD MEMBERS:

Fiona Ma, represented by Frank Ruffino

Betty Yee

STAFF:

Marcie Frost, Chief Executive Officer

Doug Hoffner, Chief Operating Officer

Matthew Jacobs, General Counsel

Pam Hopper, Committee Secretary

Michelle Tucker, Chief, Human Resources Division

APPEARANCES CONTINUED

ALSO PRESENT:

J.J. Jelincic

Brian Kelly, Global Governance Advisors

Peter Landers, Global Governance Advisors

Maureen Reilly, McLagan Data and Analytics

Mike Vosler, McLagan Data and Analytics

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CHAIRPERSON FECKNER: I'm going to call the Performance, Compensation and Talent Management Committee to order.

The first order of business will be to call the roll please.

Ms. Hopper.

COMMITTEE SECRETARY HOPPER: Rob Feckner?

CHAIRPERSON FECKNER: Good morning.

COMMITTEE MEMBER HOPPER: Lisa Middleton?

COMMITTEE MEMBER MIDDLETON: Present.

COMMITTEE MEMBER HOPPER: David Miller?

COMMITTEE MEMBER MILLER: Here.

COMMITTEE MEMBER HOPPER: Eraina Ortega?

VICE CHAIRPERSON ORTEGA: Here.

COMMITTEE MEMBER HOPPER: Jose Luis Pacheco?

COMMITTEE MEMBER PACHECO: Present.

COMMITTEE MEMBER HOPPER: Theresa Taylor?

COMMITTEE MEMBER TAYLOR: Here.

COMMITTEE MEMBER HOPPER: Shawnda Westly?

COMMITTEE MEMBER WESTLY: Here.

COMMITTEE MEMBER HOPPER: Mr. Chair, all is in attendance for the Performance, Compensation and Talent Management Committee meeting on February 14th, 2022.

CHAIRPERSON FECKNER: Thank you. That brings us

1 to Agenda Item 2, the election of the Performance,  
2 Compensation and Talent Management Committee Chair and  
3 Vice Chair. And at this point, I'm going to turn the  
4 gavel over to Ms. Ortega for the election of the Chair.

5 VICE CHAIRPERSON ORTEGA: Thank you, Mr. Chair.  
6 I will entertain nominations for Chair.

7 COMMITTEE MEMBER TAYLOR: I'd like to nominate  
8 Mr. Feckner for Chair of Performance, Compensation and  
9 Talent Management Committee.

10 VICE CHAIRPERSON ORTEGA: Thank you, Ms. Taylor.  
11 Is there a second?

12 COMMITTEE MEMBER MIDDLETON: I would like to  
13 second Mr. Feckner.

14 VICE CHAIRPERSON ORTEGA: Thank you, Ms.  
15 Middleton.

16 Any other nominations for Chair?

17 Any other nominations for Chair?

18 Okay. Hearing none.

19 Do we have a motion to elect Mr. Feckner as Chair  
20 of the Committee?

21 COMMITTEE MEMBER PACHECO: (Hand raised.)

22 VICE CHAIRPERSON ORTEGA: Moved by Mr. Pacheco.

23 COMMITTEE MEMBER TAYLOR: (Hand raised.)

24 VICE CHAIRPERSON ORTEGA: Seconded by Ms. Taylor.

25 Please call the roll.

1 COMMITTEE MEMBER HOPPER: Madam Chairperson, I  
2 understood that the motion was made by Theresa, was that  
3 correct?

4 VICE CHAIRPERSON ORTEGA: I think it was made by  
5 Mr. Luis Pacheco.

6 COMMITTEE MEMBER TAYLOR: I think I made the  
7 original motion, I guess, is how that was.

8 COMMITTEE MEMBER PACHECO: And I second it, I  
9 believe.

10 CHAIRPERSON FECKNER: Sorry. I thought one was a  
11 nomination and one was motion. My confusion.

12 COMMITTEE MEMBER HOPPER: Okay.  
13 Lisa Middleton?

14 COMMITTEE MEMBER MIDDLETON: Aye.

15 COMMITTEE MEMBER HOPPER: David Miller?

16 COMMITTEE MEMBER MILLER: Aye.

17 COMMITTEE MEMBER HOPPER: Eraina Ortega?

18 VICE CHAIRPERSON ORTEGA: Aye.

19 COMMITTEE MEMBER HOPPER: Jose Luis Pacheco?

20 COMMITTEE MEMBER PACHECO: Aye.

21 COMMITTEE MEMBER HOPPER: Theresa Taylor?

22 COMMITTEE MEMBER TAYLOR: Aye.

23 COMMITTEE MEMBER HOPPER: Shawnda Westly?

24 COMMITTEE MEMBER WESTLY: Aye.

25 COMMITTEE MEMBER HOPPER: And, Mr. Chair, again

1 just a reclarification of who made that motion who  
2 seconded it?

3 CHAIRPERSON FECKNER: The motion I believe that  
4 Ms. Ortega put forward was made by Mr. Pacheco, seconded  
5 by Ms. Taylor.

6 COMMITTEE MEMBER HOPPER: Okay. Mr. Chair, I  
7 have all ayes, motion made by Jose Luis Pacheco, seconded  
8 by Theresa Taylor for the election of the Performance,  
9 Compensation and Talent Management Committee Chair of Rob  
10 Feckner.

11 CHAIRPERSON FECKNER: Thank you very much and  
12 thank you to my fellow committee members. I appreciate  
13 the vote of confidence. Next up is the election of the  
14 Vice Chair of the Committee.

15 Do I have any requests to -- for nominations?  
16 Ms. Taylor.

17 COMMITTEE MEMBER TAYLOR: I'll nominate Ms.  
18 Ortega for Vice Chair of PCTM.

19 COMMITTEE MEMBER MILLER: Second that.

20 CHAIRPERSON FECKNER: Mr. Miller. So the  
21 nomination made by Ms. Taylor, second nomination --  
22 seconding nomination made by Mr. Miller.

23 Any other nominations for the Office of Vice  
24 Chair?

25 Any other nominations for the Office of Vice



1 Chair?

2 Third and final time, any nominations for the  
3 Office of Vice Chair?

4 Seeing none.

5 The Chair will entertain a unanimous ballot for  
6 Ms. Ortega as Vice Chair of the Committee.

7 Is there a motion?

8 COMMITTEE MEMBER TAYLOR: So moved.

9 COMMITTEE MEMBER MILLER: So moved.

10 CHAIRPERSON FECKNER: It's been moved by Ms.  
11 Taylor, seconded by Mr. Miller.

12 Any discussion on the motion?

13 Seeing none.

14 Ms. Hopper, please call the roll.

15 COMMITTEE MEMBER HOPPER: Lisa Middleton?

16 COMMITTEE MEMBER MIDDLETON: Aye.

17 COMMITTEE MEMBER HOPPER: David Miller?

18 COMMITTEE MEMBER MILLER: Aye.

19 COMMITTEE MEMBER HOPPER: Eraina Ortega?

20 VICE CHAIRPERSON ORTEGA: Aye.

21 COMMITTEE MEMBER HOPPER: Jose Luis Pacheco?

22 COMMITTEE MEMBER PACHECO: Aye.

23 COMMITTEE MEMBER HOPPER: Theresa Taylor?

24 COMMITTEE MEMBER TAYLOR: Aye.

25 COMMITTEE MEMBER HOPPER: Shawnda Westly?

1 COMMITTEE MEMBER WESTLY: Aye.

2 COMMITTEE MEMBER HOPPER: Mr. Chair, I have a  
3 motion being made by Theresa Taylor, seconded by David  
4 Miller for the election of the Performance, Compensation  
5 and Talent Management Committee Vice Chair of Eraina  
6 Ortega.

7 CHAIRPERSON FECKNER: Thank you much.

8 COMMITTEE MEMBER HOPPER: All ayes.

9 CHAIRPERSON FECKNER: Thank you very much. Thank  
10 you and congratulations Ms. Ortega.

11 VICE CHAIRPERSON ORTEGA: Thank you.

12 CHAIRPERSON FECKNER: At this point, we are going  
13 to move into closed session. We're going to recess the  
14 closed session for items 1 through 3 on the closed session  
15 agenda, after which we will take our lunch break, so we  
16 will be coming back open to session after closed, after  
17 lunch.

18 I would assume -- for those in the audience that  
19 are listening, I would assume about 12:45 we should be  
20 back with -- done with closed and done with our lunch  
21 break.

22 So at this time, the Board members will need to  
23 exit this open session and connect to the closed session  
24 meeting. Thank you. We'll see you on the other side.

25 (Off record: 11:27 a.m.)

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(Thereupon the meeting recessed  
into closed session.)  
(Thereupon a lunch break was taken.)

AFTERNOON SESSION

(Thereupon the meeting reconvened  
open session.)

(On record: 12:48 p.m.)

CHAIRPERSON FECKNER: We're going to call the  
meeting back to order. The first order of business will  
be roll call, please.

Ms. Hopper.

COMMITTEE MEMBER HOPPER: Rob Feckner?

CHAIRPERSON FECKNER: Good afternoon.

COMMITTEE MEMBER HOPPER: Lisa Middleton?

COMMITTEE MEMBER MIDDLETON: Present.

COMMITTEE MEMBER HOPPER: David Miller?

COMMITTEE MEMBER MILLER: Here.

COMMITTEE MEMBER HOPPER: Eraina Ortega?

VICE CHAIRPERSON ORTEGA: Here.

COMMITTEE MEMBER HOPPER: Jose Luis Pacheco?

COMMITTEE MEMBER PACHECO: Present.

COMMITTEE MEMBER HOPPER: Theresa Taylor?

COMMITTEE MEMBER TAYLOR: Here.

COMMITTEE MEMBER HOPPER: Shawnda Westly?

Shawnda Westly?

CHAIRPERSON FECKNER: Well, we can see her.

COMMITTEE MEMBER WESTLY: Here.

COMMITTEE MEMBER HOPPER: Thank you.

1 CHAIRPERSON FECKNER: There we go.

2 COMMITTEE SECRETARY HOPPER: Mr. Chair, I have  
3 everyone in attendance for the Performance, Compensation  
4 and Talent Management Committee.

5 CHAIRPERSON FECKNER: Thank you. I want to also  
6 say that we're back from closed session. We have nothing  
7 to report out of closed session.

8 So we're moving on to Agenda Item 4, the approval  
9 of the February 14th, timed agenda. What's the pleasure  
10 of the Committee?

11 COMMITTEE MEMBER TAYLOR: Move approval.

12 COMMITTEE MEMBER MILLER: Second.

13 CHAIRPERSON FECKNER: Moved by Ms. Taylor,  
14 seconded by Mr. Miller.

15 Any discussion on the motion?

16 Seeing none.

17 Ms. Hopper.

18 COMMITTEE MEMBER HOPPER: Lisa Middleton?

19 COMMITTEE MEMBER MIDDLETON: Aye.

20 COMMITTEE MEMBER HOPPER: David Miller?

21 COMMITTEE MEMBER MILLER: Aye.

22 COMMITTEE MEMBER HOPPER: Eraina Ortega?

23 VICE CHAIRPERSON ORTEGA: Aye.

24 COMMITTEE MEMBER HOPPER: Jose Luis Pacheco?

25 COMMITTEE MEMBER PACHECO: Aye.

1 COMMITTEE MEMBER HOPPER: Theresa Taylor?

2 COMMITTEE MEMBER TAYLOR: Aye.

3 COMMITTEE MEMBER HOPPER: Shawnda Westly?

4 COMMITTEE MEMBER WESTLY: Aye.

5 COMMITTEE MEMBER HOPPER: Mr. Chair, I have all  
6 ayes, motion being made by Theresa Taylor, seconded by  
7 David Miller for Agenda Item 4, approval of the February  
8 14th, Performance, Compensation and Talent Management  
9 Committee timed agenda.

10 CHAIRPERSON FECKNER: Thank you.

11 Agenda Item 5, Executive Report, Mr. Hoffner.

12 CHIEF OPERATING OFFICER HOFFNER: Good afternoon.  
13 Doug Hoffner, CalPERS team member. I'd like to  
14 congratulate both Mr. Feckner and Ms. Ortega for being  
15 reelected today just earlier this morning.

16 Today, we have one action item before the  
17 Committee. It's the approval of the semiannual status  
18 report on the incentive plan for our Chief Executive  
19 Officer. In addition, we also have requested in prior  
20 meetings from last year to look at and information item  
21 related to compensation review for the statutory  
22 positions.

23 Later today, we have two consultants from McLagan  
24 who will present this compensation data, highlighting the  
25 comparison between the CalPERS current compensation set

1 for statutory positions versus the Board-approved  
2 comparator groups for these positions. After reviewing  
3 that data, your primary compensation consultant Global  
4 Governance Advisors will present findings and observations  
5 for consideration and -- in terms of next steps and get  
6 your feedback.

7           But before we proceed, I also want to highlight  
8 what to expect in the April Performance, Comp and Talent  
9 Management Committee meeting. Your Global Governance  
10 Advisors is currently in the process of conducting a  
11 review of the Board's comp policy for the executive  
12 investment management positions. This is part of their  
13 original work plan and it's an important that the policy  
14 is periodically reviewed to ensure alignment with best  
15 practices and the organizations strategic goals. And  
16 tomorrow, we'll be hearing the first reading of our  
17 five-year strategic plan.

18           We anticipate they'll bring forward insights and  
19 recommendations in April. They will also present the  
20 annual review on incentive metrics and any recommendations  
21 or adjustments for the fiscal year 22-23. And to prepare  
22 for this, they'll also review that five year strategic  
23 plan document to make appropriate connections and align  
24 our goals across the organization.

25           Also, depending on the Committee's direction

1 after today's compensation review, GGA will be prepared to  
2 return with relevant recommendations in April. And  
3 finally, in April, they'll provide an educational session.  
4 This is consistent with that they did last year and sort  
5 of Board Education Policy. They're working on appropriate  
6 themes to align with the work that you're doing.

7 Thank you, Mr. Chair. This concludes my report.  
8 Happy to answer any questions.

9 CHAIRPERSON FECKNER: Thank you very much.

10 Seeing no questions at this time.

11 Moving to Agenda Item 6, the action consent  
12 items. We're going to take those separately. We'll  
13 separate the vote between 6a and 6b. What's the pleasure  
14 of the Committee?

15 COMMITTEE MEMBER TAYLOR: Move approval of 6a.

16 CHAIRPERSON FECKNER: It's been moved my Ms.  
17 Taylor, 6a. Is there a second?

18 COMMITTEE MEMBER MILLER: (Hand raised.)

19 CHAIRPERSON FECKNER: Mr. Miller.

20 All right. Seeing -- any discussion on the  
21 motion?

22 Seeing none.

23 Ms. Hopper.

24 COMMITTEE MEMBER HOPPER: Lisa Middleton?

25 COMMITTEE MEMBER MIDDLETON: Aye.



1 COMMITTEE MEMBER HOPPER: David Miller?

2 COMMITTEE MEMBER MILLER: Aye.

3 COMMITTEE MEMBER HOPPER: Eraina Ortega?

4 VICE CHAIRPERSON ORTEGA: Aye.

5 COMMITTEE MEMBER HOPPER: Jose Luis Pacheco?

6 COMMITTEE MEMBER PACHECO: Abstain.

7 COMMITTEE MEMBER HOPPER: Theresa Taylor?

8 COMMITTEE MEMBER TAYLOR: Aye.

9 COMMITTEE MEMBER HOPPER: Shawnda Westly?

10 COMMITTEE MEMBER WESTLY: Aye.

11 COMMITTEE MEMBER HOPPER: Mr. Chair, I have five  
12 ayes, one abstention from Jose Luis Pacheco. Motion being  
13 made by Theresa Taylor, seconded by David Miller for  
14 Agenda Item 6a, approval of the September 14, 2021 PCTM  
15 Committee meeting minutes.

16 CHAIRPERSON FECKNER: Thank you.

17 We're on 6b, review of the Performance,  
18 Compensation and Talent Management Committee delegation.  
19 What's the pleasure of the Committee?

20 Mr. Pacheco.

21 You're muted, sir.

22 COMMITTEE MEMBER PACHECO: Sorry. I motioned for  
23 it. That's what I'm doing. Sorry.

24 CHAIRPERSON FECKNER: Motion by Mr. Pacheco.

25 Is there a second?

1 COMMITTEE MEMBER MILLER: Second.

2 VICE CHAIRPERSON ORTEGA: Second

3 CHAIRPERSON FECKNER: It's been seconded by Ms.  
4 Ortega.

5 Any discussion on the motion?

6 Seeing none.

7 All in favor, Ms. Hopper, please.

8 COMMITTEE MEMBER HOPPER: Lisa Middleton?

9 COMMITTEE MEMBER MIDDLETON: Aye.

10 COMMITTEE MEMBER HOPPER: David Miller?

11 COMMITTEE MEMBER MILLER: Aye.

12 COMMITTEE MEMBER HOPPER: Eraina Ortega?

13 VICE CHAIRPERSON ORTEGA: Aye.

14 COMMITTEE MEMBER HOPPER: Jose Luis Pacheco?

15 COMMITTEE MEMBER PACHECO: Aye.

16 COMMITTEE MEMBER HOPPER: Theresa Taylor?

17 COMMITTEE MEMBER TAYLOR: Aye.

18 COMMITTEE MEMBER HOPPER: Shawnda Westly?

19 COMMITTEE MEMBER WESTLY: Aye.

20 COMMITTEE MEMBER HOPPER: Mr. Chair, I have all  
21 ayes. Motion being made by Jose Luis Pacheco, second by  
22 Eraina Ortega on Agenda Item 6b, Review of the PCTM  
23 Committee Delegation.

24 CHAIRPERSON FECKNER: Thank you.

25 Agenda Item 7, information consent items. Having

1 no requests to remove anything, we'll move to Item 8, the  
2 action agenda item, the semiannual status report on the  
3 incentive plan of the CEO.

4 Ms. Tucker, please.

5 HUMAN RESOURCES DIVISION CHIEF TUCKER: Thank  
6 you, Mr. Chair. (Clears throat.) Excuse me. Thank you,  
7 Mr. Chair and good afternoon, members of the Committee.  
8 Michelle Tucker, CalPERS team member.

9 As discussed earlier in closed session, the  
10 Execute Compensation Policy requires that CEO to prepare a  
11 semiannual status report on their incentive plan for the  
12 Committee's review and approval. The purpose is to inform  
13 the Committee on progress toward achieving plan measures.

14 Presented in Attachment 1 is the CEO's semiannual  
15 status report, which covers the time period of July 1st  
16 through December 31st, 2021. Ms. Frost is here should you  
17 have any questions about her report. And that concludes  
18 my report, and I'm happy to answer any questions.

19 CHAIRPERSON FECKNER: Okay. Thank you very much.  
20 Board members, anybody have questions, comments?

21 Seeing none.

22 This is an action item.

23 VICE CHAIRPERSON ORTEGA: I'll move approval.

24 CHAIRPERSON FECKNER: Do we have a motion from  
25 the Committee?

1 Ms. Ortega, were you making a motion?

2 VICE CHAIRPERSON ORTEGA: Yes.

3 CHAIRPERSON FECKNER: Thank you.

4 COMMITTEE MEMBER MILLER: Second.

5 CHAIRPERSON FECKNER: Is there a second?

6 A motion by Ms. Ortega, seconded by Mr. Miller.

7 Any discussion on the motion?

8 Seeing none.

9 All in favor say aye?

10 No. All in favor, Ms. Hopper.

11 (Laughter.)

12 CHAIRPERSON FECKNER: I'd rather be in person.

13 Ms. Hopper.

14 COMMITTEE MEMBER HOPPER: Lisa Middleton?

15 COMMITTEE MEMBER MIDDLETON: Aye.

16 COMMITTEE MEMBER HOPPER: David Miller?

17 COMMITTEE MEMBER MILLER: Aye.

18 COMMITTEE MEMBER HOPPER: Eraina Ortega?

19 VICE CHAIRPERSON ORTEGA: Aye.

20 COMMITTEE MEMBER HOPPER: Jose Luis Pacheco?

21 DEPUTY EXECUTIVE OFFICER PACHECO: Aye.

22 COMMITTEE MEMBER HOPPER: Theresa Taylor?

23 COMMITTEE MEMBER TAYLOR: Aye.

24 COMMITTEE MEMBER HOPPER: Shawnda Westly?

25 COMMITTEE MEMBER WESTLY: Aye.

1           COMMITTEE MEMBER HOPPER: Mr. Chair, I have all  
2 ayes. Motion being made by Eraina Ortega, seconded by  
3 David Miller for agenda Item 8a, semiannual status report  
4 on incentive plan of the Chief Executive Officer.

5           CHAIRPERSON FECKNER: Thank you.

6           Moving on to Item 9, information agenda items.

7           9a, the comp review for the statutory positions.

8           Ms. Tucker.

9           HUMAN RESOURCES DIVISION CHIEF TUCKER: Thank  
10 you, Mr. Chair. And hello again, members of the  
11 Committee. Michelle Tucker, CalPERS team member. Item 9a  
12 presents compensation survey data for positions covered  
13 for the Board's Compensation Policy for executive and  
14 investment management positions, including the Chief  
15 Executive Officer, Chief Actuary, Chief Financial Officer,  
16 Chief Health Director, Chief Operating Officer, General  
17 Counsel, Chief Investment Officer, and other investment  
18 management positions.

19           Maureen Reilly and Mike Vosler of McLagan are  
20 here today to present their review of CalPERS compensation  
21 data in comparison to the Board's defined comparator  
22 groups for executive and investment management positions.

23           The Board's primary compensation consultant,  
24 Global Governance Advisors, has also reviewed the survey  
25 date. And Brad Kelly and Peter Landers will provide their

1 analysis and observations to aid the Committee in any next  
2 steps.

3 I'd also like to let the Committee know that  
4 although the Chief Health Director position could not be  
5 included in today's data review, CalPERS team members will  
6 continue to work with Global Governance Advisors to  
7 conduct additional research and identify comparable  
8 compensation data, which will be brought back to the  
9 Committee in April.

10 That does conclude my opening remarks and so I'd  
11 like to invite any questions at this time, or if not, I  
12 think we can invite Maureen Reilly and Mike Vosler to  
13 begin their presentation.

14 CHAIRPERSON FECKNER: I see no comments or  
15 requests, so let's begin the presentation.

16 Thank you.

17 (Thereupon a slide presentation.)

18 MR. VOSLER: Great. Good afternoon, everyone.  
19 Mike Vosler, an associate partner with McLagan, which is a  
20 Division of Aon. McLagan sits with Aon's Human Capital  
21 Solutions practice. We are solely and dedicate -- solely  
22 focused on providing compensation-related assistance  
23 within the services of (inaudible). And again I am joined  
24 today by Maureen Reilly, a Director on our team who's been  
25 with the organization for 10 years.

1           Just before we jump in, we know that the  
2 presentation has been sent as a pre-read to the Committee.  
3 Just wanted to ask if there were any directed questions  
4 that the Board would like to ask before we jump into our  
5 review?

6           CHAIRPERSON FECKNER: I see none, so just go into  
7 your review.

8           MR. VOSLER: Perfect. Thank you.

9           If we can move to the next slide please.

10                           --o0o--

11           MR. VOSLER: As mentioned, as you see on the  
12 screen here, we have a -- the organization has requested  
13 compensation data for the following positions. We've  
14 assembled this market data based on our proprietary survey  
15 database, in accordance with the Board-approved comparator  
16 group, which includes other U.S. public pension plans,  
17 Canadian pension plans, as well as private sector asset  
18 management organizations.

19           Our benchmarking report includes competitive  
20 25th, 50th, and 75th percentiles for base salary, base  
21 salary plus cash incentives, and for some organ -- for  
22 some of the positions, base salary, cash incentives, and  
23 long-term incentives. The results are on the following  
24 pages.

25           If we can move to the next slide, please.

1                   --o0o--

2           MR. VOSLER:  And sorry, next slide, please.

3                   --o0o--

4           MR. VOSLER:  Based on the combined peer group for  
5 the Chief Executive Officer, CalPERS paid positioning is  
6 generally slightly below market.  So what we are looking  
7 at on the slide here, the organization's pay positioning  
8 would be in the blue bar, market data would be shown in  
9 the gray bar.  Going from left to right, we are looking at  
10 CalPERS on the left part of -- in each of these bar  
11 charts, and then the market data -- corresponding market  
12 data next to it.

13                   For CalPERS, we are also looking at kind of the  
14 mid -- min, mid, and max from a compensation standpoint.  
15 And then again from the market data, this would be the  
16 25th percentile median and 75th percentile.  Over on the  
17 right-hand side of the page, the salary plus target total  
18 compensation, the midpoint for CalPERS at 775 would be  
19 around the low quartile of the market, which would be the  
20 number you see in the bottom right of 717.

21                   If we move forward to the next page, please.

22                   --o0o--

23           MR. VOSLER:  When benchmarking now for the Chief  
24 Financial Officer, a generally -- a similar story, again  
25 looking at salary, salary plus target incentives, and then



1 salary plus max. You generally see that from a CalPERS  
2 positioning standpoint, again the market data, the bar is  
3 generally below the competitive market.

4 If we move to the next slide, please.

5 --o0o--

6 MR. VOSLER: For General Counsel, again a similar  
7 positioning, which is generally consistent throughout our  
8 findings and our analysis. And again, this is against the  
9 Board-approved peer group. We generally see that, you  
10 know, salaries are -- for General Counsel, the salary is  
11 relatively competitive or fairly close to market median.  
12 But with the cash incentive and the max opportunity, the  
13 organization is trailing the competitive peer universe.

14 Next slide, please.

15 --o0o--

16 MR. VOSLER: For the Chief Actuarial Officer,  
17 again a similar story. The salary is actually a little  
18 bit further behind market, where CalPERS salary is more  
19 aligned with the low quartile of market, that's 258 versus  
20 the 253. And then again, both for salary plus target and  
21 salary plus max, the organization is generally more  
22 closely aligned with the bottom quartile for salary plus  
23 the incentive opportunities.

24 Next slide, please

25 --o0o--

1 MR. VOSLER: For the Chief Operating Officer  
2 position, salary is low. The 250 for CalPERS relative to  
3 the 287 of low quartile of market, and then salary plus  
4 the incentive opportunities are in the bottom quartile.  
5 So some of the other positions that we look at, they were  
6 around the bottom quartile for the COO position. It  
7 actually falls into the bottom quartile with the  
8 incentive.

9 Next slide, please.

10 --o0o--

11 MR. VOSLER: Next slide, please.

12 --o0o--

13 MR. VOSLER: Now, when we dive a little bit  
14 deeper into investment management positions and going from  
15 left to right, the Associate Investment Manager,  
16 Investment Manager position, Investment Director, the  
17 third one, Managing Investment Director, Deputy CIO, and  
18 CIO and this is just salary alone. The organization is  
19 fairly, you know, well aligned to market, just from a  
20 salary perspective. So again, CalPERS in blue tends to be  
21 at or above market median across that range of investment  
22 management positions.

23 Next slide, please.

24 --o0o--

25 MR. VOSLER: Target total cash versus market

1 total cash. So for the market total cash, this would  
2 actually be market actuals from our 2021 survey, so salary  
3 plus any sort of cash incentives earned from that  
4 competitive peer group. You do see, as we kind of move up  
5 in terms of seniority for the position, the paid  
6 positioning starts to fall off a little bit as we move  
7 kind of left to right.

8           So from the Associate Investment Manager,  
9 Investment Manager up through to the CIO position, where  
10 the CIO is -- falls in between the median and low  
11 quartiles. All the way over to the right, the 1,132 in  
12 gray for CalPERS falling into between the 1,069, the --  
13 just shy of 1.1 million and the 1.750 for market total  
14 cash. Again, this would be actual information from  
15 calendar 2020 from competitor organizations that would  
16 have been supplied to our 2021 compensation surveys. So  
17 this is a little bit of a look back, given that the  
18 incentives make up a big portion of pay within the asset  
19 management industry.

20           Next slide, please.

21                               --o0o--

22           MR. VOSLER: Maximum total cash versus still  
23 again the market total cash. You do see that with the  
24 exception of the CIO position, the paid positioning does  
25 improve to market if, at each of these different

1 positions, they were to max out from an incentive  
2 standpoint.

3 I will pause there. Again, are there any  
4 questions? I know we're kind of moving fairly quickly  
5 through each of these slides.

6 CHAIRPERSON FECKNER: I still see no questions.

7 MR. VOSLER: Perfect. Next slide, please.

8 --o0o--

9 MR. VOSLER: For -- still sticking with the  
10 investment management positions, this is target total  
11 compensation versus actual market total compensation from  
12 the Board-approved comparator group. And as you see, the  
13 paid positioning is generally at or below market as we  
14 move up in seniority for the positions within the  
15 investment management division.

16 Next slide, please.

17 --o0o--

18 MR. VOSLER: And one more slide, please.

19 --o0o--

20 MR. VOSLER: For the public fund peer group -  
21 this is going back to CEO now - we do see that the paid  
22 positioning is a bit better when just looking at other  
23 public fund organizations. So this is -- this is not the  
24 same Board-approved peer group. That would actually be a  
25 combination of both public organizations as well as

1 private sector firms.

2 Next slide, please.

3 --o0o--

4 MR. VOSLER: Sticking with that public fund peer  
5 group. For the CFO, it is generally in line. So again,  
6 CalPERS generally at or around median across the different  
7 compensation elements of salary, salary plus target, and  
8 salary plus max opportunity.

9 Next slide, please.

10 --o0o--

11 MR. VOSLER: General Counsel. Similar findings  
12 as the Chief Financial Officer that we just looked at,  
13 where CalPERS is generally at, or around, or even above  
14 market, especially on the salary plus max opportunity.

15 Next slide, please.

16 --o0o--

17 MR. VOSLER: Similar story for the Chief  
18 Actuarial Officer, where CalPERS is well positioned to  
19 market, again from a salary, salary plus target, and  
20 salary plus max opportunity standpoint.

21 Next slide, please.

22 --o0o--

23 MR. VOSLER: For the COO position still generally  
24 pretty good. Salary is a little bit off market compared  
25 to that public fund peer group, but salary plus target and

1 salary plus max are at or around market median against  
2 those two views of compensation.

3 And next slide, please.

4 --o0o--

5 MR. VOSLER: When compared to just the private  
6 sector peer group, CalPERS would be well into the bottom  
7 quartile for CEO position. This is a consistent finding  
8 across salary, salary plus target, salary plus max, and  
9 salary plus target total comp opportunity.

10 Next slide, please.

11 --o0o--

12 MR. VOSLER: For the private sector peer group  
13 for CFO, salary is actually closer to market. It's still  
14 a bit below. But in the salary plus target, and salary  
15 plus max opportunity falling well into the bottom  
16 quartile.

17 Next slide, please.

18 --o0o--

19 MR. VOSLER: General Counsel, similar to CFO  
20 findings. So it was consistent between the public fund  
21 peer group and the private sector peer group, where  
22 salaries are kind of approximate that low quartile, but  
23 the salary plus target and salary plus max well into the  
24 bottom quartile versus the private sector peer group.

25 Next slide, please.

1                   --o0o--

2           MR. VOSLER: Chief Actuarial Officer, a similar  
3 story, but the salary being a little bit further off  
4 market. So the salary falling well into that -- falling  
5 into the bottom quartile, and then similar for salary plus  
6 target and salary plus max, where it would be in the  
7 bottom quartile for CalPERS.

8           Next slide, please.

9                   --o0o--

10          MR. VOSLER: For COO, similar to the previous  
11 role that we just locked at, salary falling behind market.  
12 And from a total salary plus target and salary plus max  
13 also well into the bottom quartile.

14          Next slide, please.

15                  --o0o--

16          MR. VOSLER: And here these were some other data  
17 points that were -- analyses that were pulled together.  
18 So for the Chief Operating Investment position, salary  
19 actually in line with market. Salary plus target total  
20 cash falling into the bottom quartile. The salary plus  
21 max total cash opportunity falling into the third  
22 quartile, so below median but about the 25th percentile.  
23 And a similar positioning for the salary plus target total  
24 comp, where it was below median but above the 25th  
25 percentile.

1 Next slide, please.

2 --o0o--

3 MR. VOSLER: These are the different peer groups  
4 for the Board-approved comparator group. You see for the  
5 public sector, we're looking at leading U.S. public funds,  
6 leading Canadian public funds, as well as California-based  
7 agencies. There's the combined peer group. And within  
8 the for-profit sector, we are looking at banks and  
9 insurance companies.

10 So again, this would be the likes of a Morgan  
11 Stanley, a Goldman Sachs. And their asset management  
12 businesses, insurance companies would have the likes of a  
13 Prudential, a Voya, other organizations that would be  
14 managing assets for the organization.

15 Next slide, please.

16 --o0o--

17 MR. VOSLER: For the California-based agencies,  
18 we have a list here of the organizations that are  
19 included.

20 And next slide, please.

21 --o0o--

22 MR. VOSLER: Within the public sector, this is a  
23 combination of both U.S. and Canadian public funds. And  
24 these are leading public funds we should add.

25 Next slide, please.



1                               --o0o--

2               MR. VOSLER:   In the investment management peer  
3 group, you're going to have again a mix here of U.S.  
4 public funds, Canadian public funds, as well as leading  
5 endowments, and foundations, and corporate plan sponsors.  
6 The information on the right shows the assets under  
7 management as of the end of 2020.

8               This peer group also would include advisory  
9 firms, banks, an insurance companies with assets under  
10 management between 100 and 500 billion, so large  
11 organizations with a fairly significant investment  
12 population.

13               Next slide.

14                               --o0o--

15               MR. VOSLER:   I think that's the end of it.

16               I would like to turn it back over to the  
17 Committee to answer any questions related to kind of the  
18 market data exercise.

19               CHAIRPERSON FECKNER:   Thank you.

20               Any Committee members have any questions or  
21 comments for the McLagan folks?

22               Seeing none.

23               Ms. Tucker.

24               HUMAN RESOURCES DIVISION CHIEF TUCKER:   Thank  
25 you, Mr. Chair.

1           At this time, I think we can bring forward our  
2 Global Governance Advisors, Peter Landers and Brad -- Brad  
3 Kelly, if they're available to be promoted.

4           Sorry, Brad.

5           MR. KELLY: No worries. No worries.

6           MR. LANDERS: No worries.

7           MR. KELLY: Thank you very much -- Thank you,  
8 Michelle, and welcome to all the new and old members of  
9 the Committee today.

10           As the Principal Advisors for your Board on  
11 compensation matters, we've been asked to take a look at  
12 the data provided by McLagan and provide you with some  
13 initial insight in what the Board and the Committee should  
14 be thinking about going forward. We like McLagan's data.  
15 We've worked with them in the past on a couple projects  
16 and by no means do we question their data. They have a  
17 really good robust database in this sector, and definitely  
18 it's good data to use, and to draw conclusions from.

19           So that being said, one of the key things that we  
20 pointed out is that when you look at some of the gaps that  
21 Peter is going to walk you through, it is our  
22 understanding that it's been a number of years since  
23 you've done a benchmarking exercise like this, which is  
24 most likely one of the principal reasons why you've come  
25 to some of the -- we've come to some of the conclusions

1 and observations that we're going to be presenting.

2           So, Peter is going to walk you through our  
3 findings.  Bun one of the things that we'll be asking and  
4 one of the things that Doug pointed, out at the beginning  
5 of this session, is that we'll be looking to this  
6 Committee for some direction on next steps and where we'd  
7 like to go.

8           One thing that we're recommending is that we  
9 provide adjusted ranges for the compensation -- the base  
10 salary and the incentives levels to better align line with  
11 market, and then also strategically walk through some  
12 various options that the Committee may want to consider in  
13 how they would like to potential make some adjustments.

14           So that being said, I'd like to ask Peter to go  
15 through the observations, or if anyone has some initial  
16 questions, before we get into it, so we'd be happy to  
17 address those questions as well.

18           CHAIRPERSON FECKNER:  I see no questions yet.

19           MR. KELLY:  This is a very streamlined meeting.  
20 We real -- we love this.

21           Okay.  So I'll pass it over to Peter Landers.

22           Thank you.

23           MR. LANDERS:  Perfect.  If we can switch to the  
24 next slide, please.

25   --o0o--

1 MR. LANDERS: So these are just, you know, an  
2 overview of the findings.

3 If we can move to the next slide.

4 --o0o--

5 MR. LANDERS: And next slide after that. Sorry.

6 --o0o--

7 MR. LANDERS: Perfect. So, you know, just like  
8 McLagan, you know, we looked at a variety of executive and  
9 investment positions, and that's where, you know, our  
10 observation and findings have come from to date, namely  
11 the executives and then a variety of different investment  
12 positions.

13 We can move to the next slide, please.

14 --o0o--

15 MR. LANDERS: So our role really to highlight the  
16 key findings and then providing recommendations on  
17 potential adjustments, that's our key role as the primary  
18 consultant. For this specific meeting, we note that we're  
19 really just talking about some key findings and then we  
20 will rely on the Committee to really give us direction on  
21 how you would like to proceed. But it is our intention  
22 that, if the Committee still so desires, we can come  
23 forward at the April meeting with some recommended  
24 compensation adjustments and shall alternatives on how we  
25 could potentially, you know, close some of the gaps that

1 are observed in the data.

2 So if we can move on to the next slide, please.

3 --o0o--

4 MR. LANDERS: So just a reminder again of the  
5 comparator groups used. So there is some slight nuances  
6 between the executive management and the investment  
7 management positions. But I think it's important to  
8 realize that in both situations the approved peer group is  
9 a mixed or a blended peer group of both public sector as  
10 well as private sector peers. There are some nuances in  
11 terms of the executive positions having some California  
12 based agencies included in there. And then on the  
13 investment side, you know, including things like endowment  
14 funds, and things like that.

15 But it is a mixture and what we feel is a  
16 representative mixture of the comparative market that you  
17 would be looking to recruit and retain talent within and  
18 from. And also, I'll point out that, you know, we had  
19 conducted some interviews last year as part of the  
20 compensation sort of philosophy and strategy review  
21 exercise.

22 And while it was acknowledged that it is tough to  
23 find specific peers for CalPERS, there was no material  
24 concerns with the historical approach that had been used.  
25 And coming from the outside working with a variety of

1 different pension funds, both in the U.S. as well as in  
2 Canada, we can say that most pension funds will use this  
3 broader approach looking at a mixture of, you know, public  
4 sector, public pension fund peers, but also knowing that  
5 they are, you know, competing against the private sector  
6 also we'll have -- we'll do some private sector  
7 comparisons. So we feel that a blended peer group is the  
8 right approach to really assess how you stack up in the  
9 marketplace.

10 If we can move to the next slide, please.

11 --o0o--

12 MR. LANDERS: So our definition of market  
13 competitiveness is looking at that combined peer group, so  
14 the mixture of public sector as well as private sector  
15 peers, and looking at the median of that market, so the  
16 median being our justification of, you know, that is  
17 competitive or not. And we've actually used a range,  
18 given, you know, a lot of the different considerations out  
19 there, not just the market data, but also things like  
20 geographical pay differentials and things like that.

21 And so we've established a range of plus/minus 10  
22 percent from the median to really assess whether you're in  
23 line and competitive or if there is a gap that needs to be  
24 closed.

25 And just as a reminder, total cash compensation,

1 when we use that terminology, that is your salary plus  
2 your annual incentive that is currently offered at CalPERS  
3 and. Then total compensation, when we speak to that, is  
4 salary plus annual incentive, plus your long-term  
5 incentive. So just clarifying that when we go through  
6 some of the findings, that's what we're referring to.

7 Next slide, please.

8 --o0o--

9 MR. LANDERS: Next slide, please.

10 --o0o--

11 MR. LANDERS: Perfect. So at a level, when we  
12 looked at the data, and, you know, I think McLagan quickly  
13 went through it as well, most of the salary ranges were  
14 pretty competitive. There were some exceptions at the  
15 executive management and investment management level, and  
16 we'll highlight those on the following slides.

17 But in general, salaries tended to be pretty  
18 competitive with the marketplace. Where we saw the  
19 biggest gap was at the total cash and the total  
20 compensation level. And to us, what that's -- what that  
21 sort of summarizes for us is that the annual and the  
22 long-term incentive opportunity levels might be a little  
23 bit mis-aligned at CalPERS, when you're looking at the  
24 marketplace. And so it's not necessarily that fixed base  
25 salary for the role. It is more the incentive opportunity

1 that is causing that gap to market. So keep that in mind  
2 as we -- as we move forward.

3           And this is something that doesn't surprise us.  
4 Brad had mentioned our understanding that it had been  
5 several years, I think, five, six, seven, eight years,  
6 since you have done a more formalized full-blown study  
7 like this. And so what we have noticed in that time frame  
8 is more and more pension funds, and other organizations  
9 for that matter, getting more and more comfortable with  
10 at-risk incentive pay. And therefore, when making  
11 adjustments in pay levels, beginning to make more of those  
12 adjustments in the form of at-risk incentive pay, as  
13 opposed to through fixed-base salary range increases.

14           And so that, to us, explains a lot of the  
15 reasoning why we might be seeing some of the gaps that  
16 we're seeing between CalPERS and the marketplace. And  
17 it's something that, you know, we would definitely, if  
18 desired from this Committee, would come back in April and  
19 provide a couple of different alternatives on how we could  
20 position that accordingly, so that you remain competitive  
21 with the marketplace on both a salary, but also from an  
22 incentive compensation level.

23           One other finding before we move onward is we did  
24 note that for certain executive management positions,  
25 long-term incentive data, as sort of surmised from total



1 compensation figures were not provided as part of the  
2 McLagan report. And so it does limit our ability to  
3 really analyze the full gap to market for roles, such as  
4 the CFO, COO, system actuary, those types of things.

5 And so while these roles aren't necessarily  
6 currently eligible for long-term incentive at CalPERS, we  
7 would suggest as a market best practice, it would be good  
8 for the Committee to really get a sense of what the total  
9 compensation for those roles is in the marketplace, so  
10 adding in that long-term incentive component to the market  
11 data, so that we can fully analyze the full gap that may  
12 exist to the marketplace.

13 And while it most likely will not be nearly as  
14 large as, you know, potentially for a Deputy CIO, or an  
15 investment-level position, it still is important for this  
16 Committee and the Board to understand what that gap  
17 potentially is, and then be able to make corresponding  
18 decisions on any adjustments it feels is necessary to get  
19 total compensation at CalPERS more in line with the total  
20 compensation in the marketplace.

21 So that is something that stood out to us as your  
22 primary consultant that is something I think for this  
23 Committee to consider whether, you know, you should ask  
24 for some additional information to be provided for these  
25 roles to do a more apples-to-apples comparison for these

1 roles as compared to other roles within CalPERS.

2 Next slide, please.

3 --o0o--

4 MR. LANDERS: So for the executive management  
5 positions, we've basically summarized at a high level our  
6 views on the competitiveness of pay. And you'll notice  
7 our -- again, our definition of competitiveness is  
8 plus/minus 10 percent of the median. And so you'll see  
9 the cells highlighted in green represent roles that are  
10 within that 10 percent of median, and then roles that are  
11 not shaded in green are where we are seeing the  
12 information fall outside of that 10 percent range, so  
13 falling more than 10 percent below the median.

14 So you can see, you know, two of the five roles  
15 being within that 10 percent range and then three of them  
16 falling slightly outside of that level.

17 If we move to the next slide, please.

18 --o0o--

19 MR. LANDERS: This is where we've tried to  
20 quantify some of these gaps to the marketplace. And so  
21 you can see, you know, the largest gaps from a salary  
22 perspective being the CFO, the COO, and the Chief Actuary,  
23 so, you know, falling slightly below the marketplace  
24 there. But really what we're doing in highlighting in the  
25 red box, the total cash and the total compensation slides,

1 is that's where you're seeing the most material  
2 misalignments to market. And you're seeing, you know,  
3 salaries for some roles that are quite competitive with  
4 the marketplace, you know, all of a sudden falling well  
5 below the median of that -- of that combined peer group,  
6 that public sector and private sector peer group.

7           And so again, this again speaks to us to say the  
8 gap doesn't seem -- doesn't seem to be as much from a  
9 salary perspective, but it seems to be more so driven by a  
10 lack of competitiveness on the incentive opportunity  
11 level, the short and the -- or the annual incentive as  
12 well as the longer term incentive, so you can see some of  
13 the gaps to the market ranging, you know, total cash  
14 between the negative 24 percent and negative 50 percent  
15 for these roles. And again, this isn't looking at the  
16 incumbents in the roles, but looking more so at CalPERS  
17 policy, the midpoint policy, and midpoint of the range for  
18 these roles.

19           If we can move to the next slide, please.

20   --o0o--

21           MR. LANDERS: On the investment management  
22 positions, very similar table that we've shown to the one  
23 for executive positions, but you can see a lot more of the  
24 investment management positions being competitive, i.e.  
25 within 10 percent of the median, from a salary

1 perspective. The only one falling below that being the  
2 Associate Investment Manager position.

3 But you notice as we go to the right, when we  
4 look at total cash compensation and total compensation,  
5 all of them pretty much falling more than 10 percent below  
6 the median.

7 If we can move to the next slide, please.

8 --o0o--

9 MR. LANDERS: And this is again where we've tried  
10 to quantify some of the differences. So you can see quite  
11 competitive salaries when compared to the midpoint of the  
12 marketplace, outside of that Associate Investment Manager  
13 who is just below 10 percent below the median. But you  
14 can see the material gaps that start to result from a  
15 total cash and total compensation perspective.

16 And you'll note that a lot of these gaps are  
17 larger than even for the executive management positions.  
18 And this is because incentive pay -- at-risk incentive  
19 pay, both annual as well as long-term incentive tends to  
20 make up more of the pay package, especially at the more  
21 senior investment level positions, like CIO, like Deputy  
22 CIO, what have you.

23 And so again, our suspicion, and I think the data  
24 supports this, is it is more so the lack of incentive  
25 compensation -- or not the lack of, but maybe a

1 lower-than-market incentive opportunity that seems to be  
2 driving the full gap to the marketplace. And so that is  
3 something that, if requested by this Committee, we can  
4 look into and provide in April some potential adjustments  
5 that could be made to get some of these numbers more in  
6 line with that market median that we're observing.

7 Next slide, please.

8 --o0o--

9 MR. LANDERS: So in terms of those next steps, I  
10 think it's, you know, for this committee to review with  
11 us, GGA as well as McLagan, the key findings around the  
12 competitiveness of compensation, and then if requested,  
13 happy to come forward with some adjustments if requested  
14 by this committee.

15 And with that, I will -- I'll defer to the  
16 Committee, if there are any questions. Happy to address  
17 them at this time.

18 CHAIRPERSON FECKNER: All right. Thank you.  
19 Thank you to both McLagan and GGA for a great  
20 presentation, good information. Feedback from the  
21 Committee members. Anybody have any comments or  
22 questions?

23 Mr. Ortega.

24 VICE CHAIRPERSON ORTEGA: I have a question. I  
25 don't -- I don't know if it's better for GGA or McLagan,

1 but about the peer group information on the incentives and  
2 whether or not we have information about incentives that  
3 are actually awarded versus just what the target is?

4 MS. REILLY: So I'll -- this is Maureen from  
5 McLagan. I'll just jump in on what the market data is.  
6 The market data is salary, cash incentives, and where we  
7 included total compensation long-term incentives granted  
8 for that performance year. So in the market, it's not  
9 looking at targets or maximum incentive opportunities.  
10 It's actual compensation that was granted to the  
11 individuals for that performance year.

12 VICE CHAIRPERSON ORTEGA: Thank you.

13 MS. REILLY: Um-hmm.

14 CHAIRPERSON FECKNER: Thank you.

15 Ms. Taylor.

16 COMMITTEE MEMBER TAYLOR: Yes, thank you. Thank  
17 you for the report -- both reports. They were very  
18 detailed.

19 I'm curious as to where we can go -- and I guess  
20 this would go to GGA. You said that you can give us some  
21 options to move forward to bring it more in line, but  
22 we -- I guess my concern is, you know, there was an  
23 article that brought out the difference between us and  
24 across the river folks. But, you know, how do we go about  
25 this? Are we looking at base salary, are we looking at a

1 little of both, of the bonus and base salary, to bring us  
2 up more in line, because some of this is really -- the  
3 huge -- the difference is huge, like the CIO is negative  
4 43 percent. Yeah, they're pretty big. So I'd like to see  
5 us get more in line -- a little bit more in line. I  
6 understand we're a State agency and we have some  
7 constraints, but...

8 MR. LANDERS: So great question, Ms. Taylor.  
9 I'll address this in two ways. So there are a couple of  
10 different approaches that, depending on the philosophy of  
11 this Committee and the Board, could make a lot of sense.  
12 So one is to say we're generally comfortable with the  
13 salaries that we have outside of maybe a few adjustments  
14 for those roles that might be a little bit misaligned, but  
15 we want to, you know, reduce this gap largely through  
16 at-risk incentive pay. And we can do that -- more than  
17 likely, we would probably try to do that through a mixture  
18 of both the annual as well as the longer term incentive  
19 opportunity levels, so we wouldn't necessarily weight it  
20 more on one than the other. But that's one way of looking  
21 at it.

22 So we're putting more of the pay at risk, meaning  
23 that if performance doesn't warrant, then ultimately the  
24 individuals won't earn as much as, you know, what the  
25 opportunity level is. So it's very much tying pay to

1 performance. We have seen other, I would say, public  
2 agencies, public sector, quasi-public sector organizations  
3 say, you know, we want to take a more conservative  
4 approach. We don't necessarily want to put too much more  
5 at risk, and we're actually more comfortable increasing  
6 the base salary levels for these roles. That is another  
7 approach that is valid. I wouldn't necessarily say that's  
8 our at GGA's preferred approach, but that is an approach  
9 that we can definitely bring forward, where we would  
10 adjust some of the salaries, keep the incentive  
11 opportunities about the same, and move those fixed  
12 salaries up.

13           What will then happen of course though is those  
14 salaries will get, you know, for those that are above  
15 already the median, they'll, you know, get further and  
16 further above the median of the market. So there are pros  
17 and cons that we're happy to bring forward as part of that  
18 April discussion. But those are your two most likely  
19 scenarios is, you know, one of those two approaches. And  
20 then, a -- yeah, I guess a third could be blending the  
21 two.

22           But our approach would be to put it more at risk  
23 through the incentive opportunity levels, but, you know,  
24 we'll definitely bring forward some different  
25 alternatives, so that this Committee can, you know, have a



1 good discussion and figure out the approach that works  
2 best for the Board and for the Committee.

3 MR. KELLY: And if I could add just one point to  
4 Peter's answer there. Ms. Taylor, when you're -- when  
5 you're benchmarking against the market, one of the reasons  
6 why Peter pointed out that the exclusion of long-term  
7 incentives for the total compensation data point for some  
8 of the executive positions is something that we are  
9 interested in learning more about, is because our  
10 philosophy is you always need to be comparing the total  
11 opportunity within the role to what's being offered in the  
12 market.

13 So the way we couch it is it's comparing apples  
14 to apples. If you're not comparing the full opportunity  
15 that's being offered to your peers, then you're  
16 discounting the opportunity and therefore you may be way  
17 off base. And the last thing you want to do is to  
18 suddenly be reminded of that Delta to market when you have  
19 an attrition problem. And so we want to make sure that  
20 you're armed with the right data and really comparing the  
21 opportunity that's offered within CalSTRS -- CalPERS and  
22 the opportunity that's offered within CalPERS.

23 We -- when the articles first hit the media with  
24 regard to the public level compensation and the comparison  
25 to your sister organization, we understand the comparison

1 there. As you know, we're advisors for both, but what we  
2 want to make sure that you're not just competitive with  
3 the institution across from you, but you're also  
4 competitive to the broader market at play.

5 COMMITTEE MEMBER TAYLOR: So -- yes and I  
6 appreciate that. I just -- one other thing to go with  
7 that. If you're -- if you're saying that you're  
8 comparing -- that you'd prefer to compare total market  
9 rather than the base salary plus total market, right, that  
10 makes sense, because then you're looking at a more  
11 realistic what's actually occurring, where the base  
12 salary -- there's only a couple of positions that are  
13 within range anyway, but it still puts us way at the  
14 bottom when you do total market.

15 So I think it's important that we do the  
16 comparison of total market to get where we need to get.  
17 But, yeah, I don't know if we should do both ways or what.  
18 That's up to the Board.

19 MR. KELLY: And we'll provide you options. We  
20 won't just come forward with one clear recommendation.  
21 We'll give you a number of defensible recommendations and  
22 our rationale as to, you know, why we're bringing them  
23 forward the way we are. And ultimately, we're going to  
24 leave it up to this Committee and to the Board to  
25 determine what course of action they'd like to take.

1 COMMITTEE MEMBER TAYLOR: Great. Thank you.

2 CHAIRPERSON FECKNER: Thank you.

3 Ms. Middleton.

4 COMMITTEE MEMBER MIDDLETON: Thank you.

5 One question I have, as I'm looking at this data,  
6 is are you able to take and place a value on the pension  
7 that individuals who are working for CalPERS and other  
8 public entities versus private entities are able to earn?

9 MS. REILLY: So from a McLagan perspective, we  
10 have looked into that in the past and with Aon to try to  
11 put a total -- just a total reward number on there,  
12 including benefits as well. But just because of how  
13 different it is at each firm and per person and firm,  
14 depending on what they put into it, and then at other  
15 firms where they might be able to put their own money into  
16 it, it's just too hard to quantify to get an actual number  
17 that would make sense and would apples to apples for  
18 CalPERS to the market.

19 COMMITTEE MEMBER MIDDLETON: Would that change if  
20 you were comparing only to public entities?

21 MS. REILLY: I would have to check on that. We  
22 would have to go out and collect all that information and  
23 if they're able to even give it to us. That can be  
24 something we could look further into to see if we would be  
25 able to do something like that.

1           COMMITTEE MEMBER MIDDLETON: All right. Thank  
2 you.

3           MR. LANDERS: The only thing I'll add from the  
4 GGA side is we have, you know, worked in the past with  
5 organizations that have asked for similar types of  
6 analyses, pension funds in particular, because there is  
7 obviously the view that there is a value to the pension.  
8 And while it definitely does help a little bit in terms of  
9 the competitiveness, what you actually find out is really  
10 that the biggest movers and the biggest levers, in terms  
11 of that compensation opportunity, are sort of the salary,  
12 the annual and the longer term incentives.

13           The pension, at the end of the day, while it  
14 makes a difference, doesn't close that much of the gap, if  
15 any, when we've seen these types of analyses done in the  
16 past. So, you know, that's definitely something, you  
17 know, McLagan I think could definitely look into. But I  
18 don't think it's going to fundamentally change the gaps  
19 that we're observing. It might improve it by two or three  
20 percent, or something like that, but I don't think it's  
21 going to be like a 20 or 30 percent impact, based on  
22 just -- I'm more thinking anecdotally of other sort of  
23 studies we've seen on these types of things for investment  
24 management and executive level roles in the past.

25           COMMITTEE MEMBER MIDDLETON: Okay. Thank you.

1 That's helpful.

2           The other data point that I found myself really  
3 interested in, when looking at this data, is stability,  
4 turnover, the extent to which organizations are able to  
5 promote from and develop from within, and what connection  
6 there is of these salary and compensation levels to that  
7 kind of internal stability of an organization.

8           MS. REILLY: So it's funny that you mention that.  
9 I am actually sending out a turnover study that CalPERS  
10 will actually receive to participate in later this --  
11 after this call, they'll receive an email from me to  
12 participate in. And they're -- we're sending it out to  
13 all asset managers, private a sector alternatives, public  
14 funds, endowments, foundations, corporate plan sponsors.  
15 So in a few months -- in about two months, we'd be able to  
16 have more information regarding that topic.

17           COMMITTEE MEMBER MIDDLETON: That's great.

18           MR. LANDERS: I know -- and I know that's  
19 something that you're competing organization across the  
20 river is also looking into right now with some of the work  
21 they're doing around turnover, and, you know, the level of  
22 turnover in their ranks, and what effect that has, and  
23 what effect compensation has on those turnover statistics.

24           So that's great that McLagan I think is running  
25 that study right now. I think that will be some very

1 valuable insights for this Committee.

2 COMMITTEE MEMBER MIDDLETON: Thank you.

3 Lastly, a comment. I know that it makes sense  
4 for us to include in the overall peer group private  
5 organizations, but it is other public entities, other  
6 institutional investors that I still believe are our  
7 primary peer group that we need to compete with.

8 Thank you.

9 CHAIRPERSON FECKNER: Very good.

10 Mr. Pacheco.

11 COMMITTEE MEMBER PACHECO: Thank you. Thank you,  
12 Chairman. Thank you very much, Brad and Peter, for the  
13 report. It's very insightful. I wanted to ask a question  
14 about the at-risk incentive pay and just in terms of other  
15 public pensions in the United States and North America or  
16 Canada that are utilizing this. Is this a trend utilizing  
17 versus vis-à-vis the fixed-based salary increase? If you  
18 can give me your insight onto that, that would be helpful.

19 Thank you.

20 MR. LANDERS: Great questions, Mr. Pacheco.

21 Definitely annual incentives, if you look at  
22 those leading funds that are included in your peer group,  
23 pretty much any leading fund across North America, the  
24 annual incentive has become pretty standard in terms of  
25 being a part of the pay packages.

1           When we look at the long term incentive, when you  
2 look at your Canadian -- your leading Canadian funds, all  
3 of those funds have adopted a long-term incentive. That  
4 long-term incentive typically is made eligible to  
5 Investment staff as well as, I would say, most if not all  
6 of the executive level staff as well.

7           In the U.S., definitely the trend is trailing  
8 behind Canada on that specific piece. So if you look at  
9 the long-term incentive, CalPERS is definitely more of a  
10 market leader. You are really the first mover on this. I  
11 can't say, because it's public knowledge, that CalSTRS is  
12 currently working through -- its sort of all the different  
13 pieces in terms of looking at putting in place a long-term  
14 incentive program. They're hoping to have something done  
15 relatively soon on that. Although, we're still working  
16 through some details with them. So definitely on the  
17 long-term incentive piece.

18           You know, I would say half of those institutional  
19 investors, your pension funds in your peer group, would  
20 have a long-term incentive. Those Canadian funds. The  
21 U.S. ones would not. CalSTRS potentially is bringing one  
22 in relatively soon. So you are a bit of a leader in that  
23 regard. But if you look at the private sector as a whole,  
24 the majority of those would have a longer term incentive  
25 as well. And so I think that's why you're seeing some of

1 those larger gaps to the market is that in the private  
2 sector, the long-term incentive does make up a larger and  
3 larger portion of the pay.

4           And I think that's about -- when we come forward  
5 with any recommendations, if requested, we will try and  
6 take that into account as well, in terms of, you know, the  
7 impact that the private sector is having on those results.  
8 But overall, I think, you know, we applaud CalPERS really  
9 for being a first mover and moving on the long-term  
10 incentive piece, because that is something in the United  
11 States, with some of the larger funds, that sticks out as  
12 being a potential detriment in trying to bring in some  
13 specialized talent, whether it's in private equity,  
14 whether it's in real estate, and other different areas.  
15 They're going to want -- those talent are really used to  
16 receiving a package of salary annual as well as long term  
17 incentives. So being able to offer that kind of package  
18 should be a good differentiator for a CalPERS when you're  
19 comparing yourselves to other leading U.S. funds. That  
20 just puts you more in line with the Canadian funds who  
21 have been, you know, moving a little bit faster in that  
22 regard.

23           COMMITTEE MEMBER PACHECO: Thank you very much  
24 for that question. Thank you.

25           CHAIRPERSON FECKNER: All right. Thank you.



1 I see no other requests to speak. Either McLagan  
2 or GGA, anything else you want to add?

3 MR. LANDERS: No, nothing on our end. Just look  
4 forward to hearing about any next steps and any requests  
5 from this Committee. And we look forward to speaking  
6 about this and a few other items at the April meeting.

7 CHAIRPERSON FECKNER: Well, thank you.

8 From my perspective, I think, you know,  
9 information is key. So the more information we have to  
10 make an informed decision is always better. So, you know,  
11 I think continue down the line you're on. Let's get all  
12 that LTIP information, find out where we actually fall.  
13 We may not make any changes, but at least we'll have  
14 educated information in order to make our decisions.

15 Mr. Hoffner, anything you can add?

16 CHIEF OPERATING OFFICER HOFFNER: Only that what  
17 you said, Mr. Chair, I think is just gathering that  
18 additional information. We'll work with McLagan and with  
19 GGA to bring back some additional information. That will  
20 be part of building upon their educational session and  
21 then presenting this Committee and Board with different  
22 options and data to -- for you to decide to make a  
23 decision or not in the near future.

24 CHAIRPERSON FECKNER: Great. Thank you.

25 Anybody else, anything on these topics?

1           Seeing none.

2           I know that was a lot of information and I know  
3 that, especially McLagan, was probably getting a little  
4 nervous there were no questions. That either means nobody  
5 read their materials or they read all of it and were well  
6 prepared. And I'm voting on the latter.

7           So I think that you did a good job in giving us  
8 the information and the folks have done their homework and  
9 were prepared to ask the questions they thought they  
10 needed. So thank you to all four of you for presenting  
11 and we appreciate it.

12           MS. REILLY: Thank you.

13           MR. LANDERS: Thank you, Board.

14           CHAIRPERSON FECKNER: That will bring us to agenda  
15 item -- excuse me. Go right ahead.

16           All right. That takes us to agenda Item 9b, Mr.  
17 Hoffner.

18           CHIEF OPERATING OFFICER HOFFNER: I didn't have  
19 anything else to add, Mr. Chair.

20           CHAIRPERSON FECKNER: Very good. Just was  
21 summary of Committee direction, you didn't have anything  
22 other than what we just discussed.

23           CHIEF OPERATING OFFICER HOFFNER: Correct.

24           CHAIRPERSON FECKNER: That brings us to 9c,  
25 public comment. I do understand we have a caller that

1 wishes to weigh in.

2 Mr. Fox.

3 STAKEHOLDER RELATIONS CHIEF FOX: Yes, Mr.  
4 Chairman. J.J. Jelincic.

5 MR. JELINCIC: Hi. This is J.J. Jelincic again.  
6 I'm speaking for myself. As many of you know, I have been  
7 a long-time proponent of incentive compensation, but need  
8 to remind you that it is important that you closely  
9 examine what it is you incentivize. You're going to get  
10 what you pay for, so make sure that you're actually saying  
11 we're going to pay for the things we value.

12 I will give an example that suggests maybe there  
13 needs to be some more refinement. The Chief Investment  
14 Officer received a incentive compensation of 80 percent of  
15 base salary last year, and yet, the portfolio  
16 underperformed the benchmark by over 40 basis points.

17 So you really need to say what are we  
18 incentivizing and does it makes sense? Are we  
19 incentivizing the behavior we want. And I thank you.

20 CHAIRPERSON FECKNER: Thank you.

21 Mr. Fox.

22 STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chairman,  
23 that concludes public comment on this topic.

24 CHAIRPERSON FECKNER: Very good.

25 Thank you very much. With that, we've come to

1 the end of our agenda and this meeting will be adjourned.

2 We will see you tomorrow morning.

3 (Thereupon the California Public Employees'  
4 Retirement System, Board of Administration,  
5 Performance, Compensation, & Talent Management  
6 Committee open session meeting adjourned  
7 at 1:48 p.m.)

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CERTIFICATE OF REPORTER

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration, Performance, Compensation & Talent Management Committee open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California;

That the said proceedings was taken before me, in shorthand writing, and was thereafter transcribed, under my direction, by computer-assisted transcription.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of February, 2022.

JAMES F. PETERS, CSR  
Certified Shorthand Reporter  
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