

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
BOARD GOVERNANCE COMMITTEE

ROOM 1140
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

TUESDAY, JUNE 16, 2015
9:47 A.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
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A P P E A R A N C E S

COMMITTEE MEMBERS:

Mr. Bill Slaton, Chairperson
Mr. Richard Costigan, Vice Chairperson
Mr. Michael Bilbrey
Mr. Rob Feckner
Ms. Dana Hollinger
Mr. Henry Jones
Mr. Ron Lind

BOARD MEMBERS:

Mr. John Chiang, represented by Mr. Grant Boyken
Mr. Richard Gillihan
Mr. J.J. Jelincic
Ms. Priya Mathur
Ms. Theresa Taylor
Ms. Betty Yee, also represented by Mr. Terrence McGuire

STAFF:

Ms. Anne Stausboll, Chief Executive Officer
Ms. Ann Boynton, Deputy Executive Officer
Mr. Douglas Hoffner, Deputy Executive Officer
Ms. Donna Lum, Deputy Executive Officer
Ms. Cheryl Eason, Chief Financial Officer
Mr. Ted Eliopoulos, Chief Investment Officer

A P P E A R A N C E S C O N T I N U E D

STAFF:

Mr. Matt Jacobs, General Counsel

Mr. Alan Milligan, Chief Actuary

Ms. Barbara Cody, Committee Secretary

Mr. Brad Pacheco, Chief, Office of Public Affairs

Ms. Kim Tarabetz

ALSO PRESENT:

Mr. Eric Douglas, Leading Resources, Inc.

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1 P R O C E E D I N G S

2 CHAIRPERSON SLATON: Okay. With my simulated
3 gavel, I will call the Governance Committee meeting to
4 order. Please call the role.

5 COMMITTEE SECRETARY CODY: Bill Slaton?

6 CHAIRPERSON SLATON: Here.

7 COMMITTEE SECRETARY CODY: Richard Costigan?

8 VICE CHAIRPERSON COSTIGAN: Here.

9 COMMITTEE SECRETARY CODY: Michael Bilbrey?

10 COMMITTEE MEMBER BILBREY: Here.

11 COMMITTEE SECRETARY CODY: Rob Feckner?

12 Rob Feckner?

13 CHAIRPERSON SLATON: I know he's here.

14 COMMITTEE SECRETARY CODY: Dana Hollinger?

15 COMMITTEE MEMBER HOLLINGER: Here.

16 COMMITTEE SECRETARY CODY: Henry Jones?

17 COMMITTEE MEMBER JONES: Here.

18 COMMITTEE SECRETARY CODY: Ron Lind?

19 COMMITTEE MEMBER LIND: Here.

20 CHAIRPERSON SLATON: Okay. The next, Item 3,
21 action consent items, approval of the minute
22 meetings(sic). Do we have a motion?

23 COMMITTEE MEMBER BILBREY: Move approval.

24 COMMITTEE MEMBER LIND: Second.

25 CHAIRPERSON SLATON: Motion from Bilbrey. Who

1 did the second?

2 COMMITTEE MEMBER LIND: I did.

3 CHAIRPERSON SLATON: Oh, second from Lind.

4 All those in favor say aye?

5 (Ayes.)

6 CHAIRPERSON SLATON: Opposed?

7 Motion carries.

8 No request to remove anything from the

9 information consent items.

10 So we'll move to Item number 5. So I want to
11 welcome everybody to our second facilitated discussion of
12 Board Governance. From the feedback from the last
13 meeting, I think most of you found the last session to be
14 productive. And I look forward to this one being
15 productive as well.

16 Just a housekeeping note, I want everybody -- if
17 notice, I'm leaning over to the microphone. I've been
18 told that the recording system in order to broadcast it
19 over the web that you need to be close to the microphone,
20 so I encourage everybody to pull it your way when you're
21 talking. And I think Eric, you're mic'd, so I think
22 you're covered.

23 Our focus, of course, is as we said last time, is
24 on making improvements to governance structure. And as I
25 said last time, CalPERS is an outstanding organization,

1 but we can always make improvements. So back with us
2 today is Eric Douglas of Leading Resources. And with
3 that, I will turn over the session to Eric.

4 MR. DOUGLAS: Great. Thank you, Bill. Good
5 morning, everybody. I will -- good morning. Thank you.

6 (Thereupon an overhead presentation was
7 presented as follows.)

8 MR. DOUGLAS: Today, we are, as you can see from
9 the screen, going to work on both looking at one of the
10 jobs of the Board. So kind of go back to one of the kind
11 of fundamental precepts of good governance, which is to be
12 clear about the jobs of the Board, and then also look at
13 the Board's policy with regard to consultants. So we have
14 two kind of Meaty issues to dive into today.

15 First, I wanted to ask you to, if you can
16 remember, that we have some ground rules for our meetings
17 in this Committee format to stay focused, minimize
18 distractions. We're using a parking lot, so if there are
19 additional parking lot items, please, as we go through the
20 day, we'll -- Kim will capture those, bring issues to the
21 table, balance inquiry and advocacy. We added the one
22 last time about assuring broad input and engagement.
23 Speaking up, that silence means consent. So as we go
24 through and we're trying to build consensus around the
25 items before the Committee, we'll try to use that ground

1 rule. And that it's my job to recognize speakers, so if
2 you could just raise your hand, I'll recognize speakers.

3 --o0o--

4 MR. DOUGLAS: I do want to ask you to just
5 briefly, if you can, reflect on the initial meeting that
6 we had. I think you all had a chance to look at the
7 synopsis we prepared. Hopefully, you had a chance to read
8 through that. Any impressions that Board members would
9 want to share as to kind of how they reflected on the
10 results of that initial meeting?

11 Betty.

12 BOARD MEMBER YEE: Actually, the takeaway was
13 that we're kind of like a lot of other boards in terms of
14 struggling with the same issues around roles and
15 responsibilities and getting clarity.

16 MR. DOUGLAS: Yeah. Other thoughts?

17 Priya, did you have any impressions as you read
18 through that synopsis?

19 BOARD MEMBER MATHUR: Well, one of the things
20 that I think really got surfaced at the last meeting was
21 this question of trust between the Board and particularly
22 the executive team, and sort of the need to continue to
23 work on that, absent any specific issues, but just to
24 really -- I mean, to me, that's a troubling situation, and
25 something that we really need to meaningfully address.

1 MR. DOUGLAS: Other impressions? J.J., any
2 thoughts as you read through the synopsis and looked at
3 the last meeting.

4 BOARD MEMBER JELINCIC: I glanced through it.
5 The truth of the matter, as I glanced through it, I wasn't
6 planning on being here, so I didn't pay a lot of
7 attention.

8 (Laughter.)

9 MR. DOUGLAS: Thanks for your candor.

10 Theresa, did you have any thoughts as you read
11 through it?

12 BOARD MEMBER TAYLOR: I think we made some
13 headway here. There's a lot of -- there was a lot of --
14 some honest reflection that was being talked about. And
15 when I read through it, I liked the idea that we were
16 talking about where we want to go as a Board. So I
17 thought that was really good.

18 MR. DOUGLAS: Michael, impressions?

19 COMMITTEE MEMBER BILBREY: I agree with Priya's
20 point. I thought that was very telling about the trust
21 issue between -- I think it was underlying, but I think it
22 was nice to actually have it come out that we start to
23 have a dialogue about it and move forward with it.

24 I also think that -- I think everyone wasn't
25 quite sure how is this going to work, you know, in this

1 kind of a process? But I think by the end, everybody kind
2 of warmed up to it and had good participation. So I was
3 very pleased by the end of it.

4 MR. DOUGLAS: Good. Ron.

5 COMMITTEE MEMBER LIND: It's a good process,
6 because the kind of things that came up in the first
7 meeting, I think they will continue to come up. And what
8 we discuss are things that percolate up during our regular
9 Board meetings and Committee meetings. And it's a little
10 bit hard to deal with them in that formalized structure.
11 Whereas, with this sort of give and take and facilitated
12 conversation, it makes a big difference. It makes it a
13 lot easier.

14 MR. DOUGLAS: Good. Henry.

15 COMMITTEE MEMBER JONES: Yeah. I think that, you
16 know, repeat some of the comments made earlier, like the
17 area of trust. I think that is something very, very
18 important, because that tends to drive the whole
19 organization. So I think that's a very important aspect
20 and I'm just so pleased that we have put it out there so
21 that we can begin to discuss those areas.

22 And also the fact -- a number of the areas here
23 will help us have clarity and direction and interchange of
24 ideas and communicate with each other.

25 MR. DOUGLAS: Grant, I don't want to skip you, so

1 before I get to Chair Slaton, what are your thoughts?

2 ACTING BOARD MEMBER BOYKEN: No, I thought it was
3 a useful discussion. I was pleased with the -- how candid
4 people were. And, you know, it's hard to go last, but I
5 would just echo what everybody else said about the issues
6 of trust. I think that's really important. And then the
7 clarity of roles and responsibilities. I think we've done
8 this process before. But as we take on new roles, as we
9 go ahead, I think it's always important to look at what is
10 the Board level of responsibility for the organization and
11 what are the proper delegations.

12 MR. DOUGLAS: Good. Bill.

13 CHAIRPERSON SLATON: Well, I think that by having
14 the conversation, and we still -- I kind of feel we still
15 have the training wheels. You know, we're just getting
16 used to this. But I think that what we're starting to see
17 is that we can set aside time to actually talk about how
18 we run this organization, and that's critical. And as Ron
19 said, you know, we don't usually do that. And most boards
20 don't spend the time to do that.

21 So I think that we're starting to see that we can
22 actually have conversations, that we can do it in a public
23 setting, not to be afraid of that, and we can wrestle with
24 issues.

25 Now, the issue is how do we -- you know, how do

1 we move forward? Do we working on parking lists? Do we
2 work on kind of the overall governance, and that's where
3 you're helping us kind of guide us through this process.

4 MR. DOUGLAS: Theresa, I saw your hand go up.
5 I'm going to keep on going around here, but go ahead.

6 BOARD MEMBER TAYLOR: And the only thing I was
7 going to add to this was I just thought it was interesting
8 that on one hand several comments were made, as I had read
9 through this, that we want a clear delegation between
10 Board and staff, but we want a partnership. So I thought
11 that we have this strong pull against each other on what
12 we want and what we don't want. And then on that comment,
13 it's interesting that we had a lot of comments on the
14 strained relationships, trust, Board and staff, you know,
15 working together. There's a lot of -- there were a lot of
16 comments on that, and I just thought that was interesting
17 and I'm wondering if maybe we should move in that
18 direction. I don't know.

19 MR. DOUGLAS: Let me just make a quick
20 observation, having worked with lots of boards on this
21 question of the tension you raise, Theresa, between kind
22 of the notion of clear delegations between the Board and
23 staff and partnership.

24 In my view, the essence of a good partnership
25 between a board and a executive team and staff is that

1 clarity of delegations. So, to me, that's not a tension.
2 To me, the tension arises when there's a lack of clarity
3 about that delegation. So I think actually trust building
4 comes with that. So that's my -- that would be my view on
5 that issue.

6 Richard, your thoughts on where we -- the last
7 meeting.

8 VICE CHAIRPERSON COSTIGAN: I agree where Bill
9 is. I'd like to start seeing some momentum moving
10 forward. I think all the comments that have been made
11 have been fine, but at some point -- and I know our next
12 Board meeting is not till September. And we've spoken
13 about this before is I'd actually like to see more
14 recommendations, a little more -- as Bill was saying,
15 getting out of the parking lot, not necessarily to
16 continue putting items there.

17 And so I think the dialogue continues is a great
18 point. But as you and I have spoken, I'd like to see a
19 few more action items.

20 MR. DOUGLAS: Um-hmm. Dana.

21 COMMITTEE MEMBER HOLLINGER: I kind of would want
22 to echo what everybody has already said. I liked -- I
23 think this candor that's coming up in our communication is
24 good. But again, I'd like to see next steps. I'm a
25 compulsive finisher, you know.

1 (Laughter.)

2 MR. DOUGLAS: Good. Rob.

3 COMMITTEE MEMBER FECKNER: Yeah, I think it was a
4 good first step, and I'm interested to see where we go
5 next.

6 MR. DOUGLAS: Good. Anne reflections from the
7 executive team, from you?

8 CHIEF EXECUTIVE OFFICER STAUSBOLL: Thanks.
9 Yeah. I think it was a very positive first step. It was
10 great to hear the input from the Board members, and I
11 think we all appreciated having the opportunity to
12 participate as well. There was a lot of discussion around
13 clarifying roles and responsibilities. And I think I can
14 speak for the executive team that we think that's really
15 critical, and that that would lead, as you said -- it
16 would lead to building the trust and inclusion that -- the
17 feeling of that that we all want to have for the
18 organization.

19 And I think that if we had that culture of trust,
20 we'd be able to get a lot more done. And that's really
21 what we all want in the end.

22 MR. DOUGLAS: Right. Well, so let me get right
23 down to some action items then, because I want to
24 knowledge the importance of doing kind of two kinds of
25 work. My takeaway was that people both are thirsty for

1 kind of diving into some issues that need immediate
2 resolution. So we're going to deal with one of those
3 today. And we're also going to look at sort of a deeper
4 governance question today. So I'm trying to do kind of
5 both.

6 --o0o--

7 MR. DOUGLAS: I think, Priya, it was you last
8 time who said one of the important things that happens
9 that you'd like to see more of is just a monitoring of
10 what the Board's policies are. So today, we're going to
11 spend some time also on one of those.

12 So this is the parking lot from last meeting to
13 assure the culture of trust. So again, that was what came
14 up last time. To clarify the process of selecting
15 consultants and to whom they report. This is the Board
16 consultants issue that came up last time. So we are
17 actually going to deal with that topic today, I hope. We
18 have time to do that. And then streamlining meetings. I
19 think that's a longer term ambition of this process.

20 --o0o--

21 MR. DOUGLAS: So here's the first exercise for
22 today. We're going to do this again in pairs. We have a
23 handout, some scratch paper we can use. And, Kim, perhaps
24 you could pass this out right now, so we can get started.
25 So we wanted, in keeping with looking at governance, to

1 look at one of the jobs that the Board has assigned to
2 itself, which is to approve organization performance
3 metrics and oversee overall organizational performance.

4 So in my world, this is a very important part of
5 what a board does, but I wanted to ask you, this is really
6 for you to determine, is this a job that the Board should
7 be doing, yes or no? When is the last time the Board did
8 it? When it did it, how did it do it? And what was that
9 process like and how effective was that process? And then
10 would you like to refine how the Board does this job, and
11 if so, how?

12 So I want to ask you again in pairs to spend
13 maybe five minutes to seven minutes, maybe up to 10
14 minutes working on these questions, and then we'll report
15 back. I'm going to divide you into pairs like this
16 with -- so Grant and Betty, you'd be together, Richard and
17 Priya, J.J. and Theresa, down the road like this, so Henry
18 and Bill, Richard and Dana. Rob, could you work with Anne
19 on this one?

20 COMMITTEE MEMBER FECKNER: Yes, sir.

21 MR. DOUGLAS: We also would like staff working
22 together on this as well. So just right on down the line.
23 So if you have any questions about the exercise, let me
24 know now. Otherwise, I'll assume that we're good to have
25 you tackle these questions, and we'll be back in a few

1 minutes to hear your thoughts. Seeing no questions,
2 we'll -- let's commence.

3 (Off record: 10:01 AM)

4 (Thereupon a discussion occurred off the record.)

5 (On record: 10:06 AM)

6 MR. DOUGLAS: So does anybody need more time to
7 sort through these questions?

8 Hearing nobody say they need more time, let's go
9 ahead and hear from folks just on question 1, is this a
10 job the Board should be doing, yes, no?

11 Just by a show of -- well, I'm not going to do
12 that. So Dana and Richard on this question of is this a
13 Board job that you should be doing, what was your
14 response?

15 COMMITTEE MEMBER HOLLINGER: Well, the Board
16 currently does this. And actually we just finished doing
17 this.

18 MR. DOUGLAS: Is it a job the Board should be
19 doing?

20 VICE CHAIRPERSON COSTIGAN: Well, I will just
21 say, so -- it's a very broad question as to actually what
22 the jurisdiction of the Committee should be. So when you
23 go through your questions, is it a job the Board should be
24 doing? Yes, we should oversee performance matrix and
25 overall organizational performance. When was the last

1 time we do it? We did it --

2 MR. DOUGLAS: I just want the first question.

3 Just the first one. So just say yes or no? That's all I
4 asked for.

5 (Laughter.)

6 MR. DOUGLAS: So the answer was.

7 COMMITTEE MEMBER FECKNER: It's all one question.

8 VICE CHAIRPERSON COSTIGAN: It's all one
9 question.

10 MR. DOUGLAS: Rob what was your and Anne's
11 conclusion to the first question.

12 COMMITTEE MEMBER FECKNER: Yes.

13 MR. DOUGLAS: Bill and Henry, yes.

14 Ron and Michael, yes.

15 COMMITTEE MEMBER BILBREY: Yes.

16 MR. DOUGLAS: Theresa and J.J.?

17 BOARD MEMBER TAYLOR: Yes.

18 MR. DOUGLAS: Yes. Yes. Okay. So the unanimous
19 consent that this is a job the Board should be doing. So
20 when is the last time the Board did this? Who's got an
21 answer for that one?

22 Okay. Priya.

23 BOARD MEMBER MATHUR: Well, when you say when is
24 the last time the Board did this, what is this?

25 MR. DOUGLAS: What's the this?

1 BOARD MEMBER MATHUR: So we did just go -- we
2 went through an 18-month process, where we developed
3 strategic measures in collaboration with the staff. We
4 had several sessions on this, both at off-sites and at
5 committee meetings, and we developed these strategic
6 measures which are now just getting in place and we're
7 just sort of rolling them out now.

8 MR. DOUGLAS: So the job -- the job -- the quotes
9 is what I was thinking was the this, or the it, the
10 approve organizational performance metrics and oversee
11 overall organizational performance.

12 BOARD MEMBER MATHUR: Yeah, so the oversee part
13 we do regularly. We have -- I think it's quarterly. I
14 can't remember if it's quarterly or semi-annually
15 reporting.

16 Sorry?

17 COMMITTEE MEMBER FECKNER: Biannually.

18 BOARD MEMBER MATHUR: Biannual. Yeah,
19 semi-annual reports. And the approving the metrics is
20 something we just did, I don't even remember how many
21 months ago, but, you know, maybe six months ago or
22 something.

23 MR. DOUGLAS: So the metrics were approved by the
24 Board?

25 BOARD MEMBER MATHUR: Yep.

1 MR. DOUGLAS: Does everybody --

2 BOARD MEMBER MATHUR: Or maybe they weren't
3 approved, but they were -- they were -- maybe they weren't
4 technically approved, but they were --

5 MR. DOUGLAS: So let's -- so I'd be curious about
6 that. So who said they were approved? Who things they've
7 been approved by the Board?

8 (No hands raised.)

9 MR. DOUGLAS: Who thinks they have not been
10 approved by the Board.

11 (Hands raised.)

12 MR. DOUGLAS: All right. So the metrics -- so I
13 at least see four or five hands say they haven't been
14 actually approved by the Board.

15 J.J.

16 BOARD MEMBER JELINCIC: But on the other hand,
17 they haven't been disapproved. I mean --

18 (Laughter.)

19 BOARD MEMBER JELINCIC: -- they kind of have been
20 presented to us. You know, my reaction was that it's a
21 work-in-progress, in part because they're still working at
22 how they report, exactly what they measure. The -- but I
23 mean, they clearly were presented to the Board.

24 MR. DOUGLAS: So it's a work-in-progress. I
25 understand that the last time you did this then was fairly

1 recently in terms of this -- not necessarily approving,
2 but sort of acquiescing to.

3 BOARD MEMBER MATHUR: Yeah, I think this is -- I
4 think the last time it came before us was a year ago
5 actually at the July off-site, is that right, Anne?

6 CHIEF EXECUTIVE OFFICER STAUSBOLL: (Nods head.)

7 BOARD MEMBER MATHUR: And so -- and so we don't
8 generally approve things formally there, but I think
9 -- but the word was engaged, and we did sort of give our
10 consent, I think, although not in a formal --

11 MR. DOUGLAS: So Theresa, then Ron. So this
12 is kind of where -- some of this question is kind when is
13 the last time the Board did this and the question of
14 approval.

15 BOARD MEMBER TAYLOR: So that's what I was going
16 to ask, because apparently we did this, and I don't -- I'm
17 new, so I don't know.

18 COMMITTEE MEMBER FECKNER: Off-site.

19 BOARD MEMBER TAYLOR: What was it? What did we
20 approve?

21 COMMITTEE MEMBER FECKNER: We didn't approve it.

22 MR. DOUGLAS: Anne, did you want to comment on
23 that?

24 BOARD MEMBER TAYLOR: Or not approve.

25 COMMITTEE MEMBER FECKNER: I guess I would use

1 the word accept instead of the word you used. It's --
2 your -- the word you used put a negative connotation on
3 it, I think versus accepting

4 MR. DOUGLAS: The word of approve puts a negative
5 connotation on it?

6 COMMITTEE MEMBER FECKNER: No, you didn't use
7 approved.

8 MR. DOUGLAS: What did I use?

9 COMMITTEE MEMBER FECKNER: Acquiesced, which I
10 think is a weak word.

11 MR. DOUGLAS: Okay. I was just trying to draw
12 out the distinction between levels of Board acceptance or
13 non-acceptance of these. So I'm just trying to understand
14 and investigate, has the Board approved the metrics? So
15 that's kind of what I'm trying to get at.

16 CHIEF EXECUTIVE OFFICER STAUSBOLL: The word we
17 used was affirmation. So just for a little context and
18 maybe for the newer Board members. So in 2012 we adopted
19 the plan, and then we embarked on the course to develop
20 the strategic measures. We had three different off-sites,
21 July 2013 and then January and July 2014, where we
22 presented this suite of measures, the 16 measures.

23 And the word we used, as we talked to the Board
24 about it, was we were seeking affirmation from the Board
25 that they were the right measures. There was never a vote

1 taken. So I hope that's helpful.

2 MR. DOUGLAS: That's helpful.

3 CHIEF EXECUTIVE OFFICER STAUSBOLL: Now, we're in
4 the mode of we have a schedule where each quarter we
5 present a cluster of the measures to the Board and how
6 we're doing on them.

7 MR. DOUGLAS: Okay. So what were other responses
8 then to these questions around when is the last time the
9 Board did it and how did the Board do it, and how
10 effective was the process?

11 Ron.

12 COMMITTEE MEMBER LIND: Yeah. Our discussion was
13 that a lot of actual proving metrics is embedded in the
14 Committee work, which then, you know, goes up to the Board
15 from there. So it's a little more of a complicated
16 question.

17 MR. DOUGLAS: Okay. So were these metrics
18 approved at a Committee level, and then taken to the Board
19 for a vote?

20 COMMITTEE MEMBER LIND: We think some of them,
21 but we think it gets kind of split up into the committees,
22 some of the metrics, and then as it bubbles up, and then,
23 you know, it moves on from there. But we weren't sure
24 about any sort of overall metrics that had formal Board
25 approval.

1 MR. DOUGLAS: Formal Board approval.

2 The reason I keep on digging into this is that I
3 think it's really important that a Board own this
4 responsibility of saying these are the metrics that we
5 have set. These are the goals we have set for the
6 organization. And the Board owns those things by
7 approving them. And short of approving of them, you
8 haven't as a body said we officially endorse these as our
9 Board goals and our Board metrics.

10 Once you've done that, then that gives the
11 executive team the full trust and confidence that you have
12 now spoken as a Board and said these are the things that
13 we are charged to do. Until you change them, these are
14 the things that we are going to go do. Once you change
15 them, we can then work to a different set of marching
16 orders. But it's that official Board approval that says
17 it's not just us kind of affirming, but that it's an
18 actual sanctioning of an approval by the Board that
19 charges that full complete communication back to the
20 staff.

21 So other thoughts on these questions. Bill and
22 Henry what did you guys talk about?

23 COMMITTEE MEMBER JONES: Well, yeah, we were
24 going back and forth. And I started off saying, yeah, we
25 have approved, kind of where Priya was. Bill said, well,

1 did you actually vote on them. I said no, we didn't. So
2 then I backed off and said -- reached the conclusion, no,
3 we haven't approved them. But as Anne said, we've
4 affirmed them in many settings. And as Ron mentioned,
5 because I was sharing some of the matrices that were
6 adopted at the Investment Committee. And those were
7 approved. But then if you look at it organization wide,
8 it's a different story.

9 CHAIRPERSON SLATON: So I'm going to be a little
10 bit of an outlier here. And this is the discussion -- to
11 expand on the discussion that Henry and I had. You know,
12 the issue is -- to me, is what do you mean by performance
13 metrics?

14 And while we had presented at the off-site many
15 of them are not -- I view them as they have to be
16 measurable, and they have to be out in the future. They
17 have to be some place we're going from where we are today
18 to some different place. And I didn't really see that,
19 and I didn't see us -- I have yet to see us really own
20 them, where we end up in this dialogue with management
21 where we say, okay, we're going to approve this metric and
22 then it's the responsibility of management to say, well,
23 if you approve that metric, here's the ramifications of
24 that, either from a budgetary standpoint, from a staffing
25 standpoint, or we just don't think we can get there.

1 But that's a good tension to work on. And I have
2 yet to see us take ownership of the organizational metrics
3 with an look out to the future that's measurable.

4 MR. DOUGLAS: Priya.

5 BOARD MEMBER MATHUR: Can I just ask for a
6 little -- for a concrete example of what that would look
7 like, what you're talking about?

8 CHAIRPERSON SLATON: So, for example, in the
9 investment side, we had an article recently, and I think
10 somebody was quoted as saying we want to move from 37
11 basis points to 25 basis points, right?

12 Who said that?

13 (Laughter.)

14 CHAIRPERSON SLATON: He's holding up his hand.

15 CHIEF OPERATING INVESTMENT OFFICER TOLLETTE:

16 Who was that?

17 (Laughter.)

18 CHAIRPERSON SLATON: Okay. So that's a change
19 from where we are today to a place in the future. It's
20 measurable. And so that would be an example where we'd
21 say in X amount of time, whether it's two years, three
22 years, six months, five years, whatever it is, that's
23 where we're going. And then we hold management
24 accountable for letting us know the progress toward
25 getting to that future.

1 MR. DOUGLAS: And embedded in what you just said
2 I think is the notion that the Board members and the
3 executive team would have engaged in a pretty deep and
4 thorough and discussion about the ramifications of moving
5 from 37 to 25 basis points, because that obviously carries
6 with it some potential downside, not sure what that might.
7 But, at any rate, that's a good example, I think, of what
8 a Board goal and associated metric might be, reducing
9 costs on this frequent -- with this measure as one of the
10 ways to do it.

11 CHAIRPERSON SLATON: Could I add just one other
12 comment about it. And the other thing about it is the how
13 to do it is above my pay grade. My pay grade is pretty
14 low. So that's the how to do it, which is their job,
15 management's job, not my job to tell them how to do it.

16 MR. DOUGLAS: So, Bill, just building on the last
17 question, would you like to refine how the Board does this
18 job, and if so, how? Your response is kind of in keeping
19 with what you said.

20 So what we're other responses to that last
21 question that about would you like to refine how the Board
22 does its job, and if so, how?

23 So Grant and Betty, did you guys have a response
24 to that question?

25 ACTING BOARD MEMBER BOYKEN: So we approve

1 performance metrics in different context. And one of the
2 contexts that we do, in fact it's going to come up today
3 in a committee, is approve the CEO and CIO performance
4 plans. And often that goes by pretty quickly. And then
5 it's the end of the year when we put those plans in place
6 that we kind of complain about. And so I think that's one
7 area that, you know, if we're serious about the complaints
8 at the end of the process, we ought to make more time and
9 make sure that we think those plans are aligned with the
10 performance that we want.

11 MR. DOUGLAS: Okay. So -- yeah, Henry.

12 COMMITTEE MEMBER JONES: Yeah. And part of our
13 discussion too is I commented on the performance measures,
14 as Grant just mentioned, and I said we need -- if we're
15 going to have a metric, we need to -- it has to be
16 measurable. And so many times, we say improve, increase,
17 but improve increase to what?

18 And so we need to quantify in a more deliberate
19 manner, if we're going to increase the number of agencies
20 participating in our fund -- the health benefit prepayment
21 fund, by how many, rather than just saying improve. So I
22 think that's a critical part that we need to address.

23 MR. DOUGLAS: So Richard and Priya, I'm curious
24 kind of to this last question, again, what were your --
25 what your thoughts were? Would you like to refine how the

1 Board does its job, and if so, how?

2 BOARD MEMBER MATHUR: Defer to me.

3 (Laughter.)

4 BOARD MEMBER GILLIHAN: She's the senior Board
5 member here.

6 (Laughter.)

7 BOARD MEMBER MATHUR: We actually didn't -- I
8 mean, I guess I was pretty happy with the strategic plan
9 metrics process. I actually -- but in reflection, I do
10 agree with what Grant and Henry have said about sort of if
11 we're setting a plan, then we really need to make sure
12 that we are -- that we're happy with the plan that we're
13 setting, and then we -- and it's not really fair for us to
14 complain at the end of the year when we're -- you know, if
15 we're not happy that the -- we don't think the plan was
16 sufficient.

17 So I do think that is an area, in general, where
18 we should be focusing more of the Board's attention and
19 have it maybe more -- the process be a bit more structured
20 in terms of engaging the Board in those decisions.

21 MR. DOUGLAS: Yeah. Good. So J.J. and Theresa,
22 to this last question, what were your thoughts?

23 BOARD MEMBER JELINCIC: Well, we didn't really
24 get to the last question. But if you go up one question,
25 obviously we didn't do it very effectively, as you've

1 heard the discussion, and therefore, we do need to refine
2 it.

3 MR. DOUGLAS: Do you have thoughts off the top of
4 your head, J.J., about how you'd like to see that?

5 BOARD MEMBER JELINCIC: A couple of things. One,
6 I want to briefly say on incentive compensation, we really
7 do need to think about what we incentivize, because you
8 get what you incentivize. And I'm not sure we've done
9 that particularly well.

10 The metrics that we have developed and
11 affirmed -- or, you know, I don't want to imply that the
12 Board rejected them in any way -- really tend to be much
13 more management focused. And I'm not sure the Board has
14 really had a discussion about from a Board level whether
15 those are the right goals. Now, I -- you know, I am
16 concerned that we get those phones answered, and that's
17 one of the metrics. And the -- so there's some conflict
18 there.

19 But really broad goals that Bill has talked
20 about, we really have not set those well. And I don't
21 know that we've actually really sat down and thought what
22 is it we really want to do.

23 MR. DOUGLAS: And so implicit in that --

24 BOARD MEMBER JELINCIC: But I'm not going to give
25 up the small ones either, Bill.

1 MR. DOUGLAS: But implicit in that is the notion
2 that perhaps it might be a useful exercise for the Board
3 to think about that.

4 BOARD MEMBER JELINCIC: Yeah, it would be. You
5 know, one of the things that we -- one of my other pet
6 peeves is we frequently don't know what the alternatives
7 are. And so if you tell me this is what you should do,
8 don't tell, well, these are other things you might
9 consider. I'm not sure that we, as a Board, make informed
10 decisions. From my time on staff, I know staff has those
11 internal arguments about, well, this versus that, but it
12 doesn't come through to the Board.

13 MR. DOUGLAS: I see your hand, Priya. I want to
14 keep on going around too and asking about that last
15 question, but go ahead.

16 BOARD MEMBER MATHUR: Sure. I think Bill makes a
17 good point about what is our from-to sort of state or
18 desires. And I think it's easier to measure in some areas
19 than others. I mean, I think in health it's very
20 challenging. We have such a lag in the data. It's very
21 challenging to measure certain things. And there
22 aren't -- there aren't great benchmarks in a lot of cases.

23 So I think with, you know, investments it's a
24 little bit easier for us to have very concrete numbers
25 oriented metrics, where we can see real progress. And I

1 also just want to say, in general, about the goals, they
2 do reflect the Board's goals. We did develop a strategic
3 plan that we adopted. And so even though we didn't
4 technically approve the strategic measures, they do
5 reflect the strategic plan that we adopted, and they did
6 involve the Board quite substantially along the way.

7 MR. DOUGLAS: Okay. Good. So, Michael and Ron,
8 to the last question about would you improve this progress
9 in any way, and if so, how specifically? Did you have
10 thoughts there?

11 COMMITTEE MEMBER LIND: I guess our conversation
12 was if -- since we had so much -- a little bit of
13 difficulty answering the questions as to when was the last
14 time we did it, and how did we do it, maybe there does
15 need to be some refinement, because it wasn't -- it wasn't
16 just intuitive to us, yeah, here's how and when.

17 MR. DOUGLAS: Right. It wasn't clearly known to
18 you. And Henry and Bill, did you have any further
19 thoughts on this one?

20 So Richard and Dana, about the question of kind
21 of would you refine this process how the Board does this
22 job?

23 COMMITTEE MEMBER HOLLINGER: You go first.

24 VICE CHAIRPERSON COSTIGAN: Well, again, I think
25 it's as Priya said, it's a little bit of the words inside

1 the quotes. When you talk about an oversee overall
2 organizational performance, I think one of the issues is
3 still the continued weeds versus overseer. And I think at
4 times we've get bogged down in the weeds when really, as
5 we, last year or a couple years ago, really set the
6 organizational structure in place to have one executive
7 officer, one CEO that we're accountable to and is
8 accountable to us.

9 And so when we talk about inside the quotes,
10 oversee overall organizational performance, there are some
11 things in the organization that should just be the purview
12 of staff. And the Board should -- and that's why I think
13 we need to, at times, clearly delineate those roles a
14 little bit more.

15 COMMITTEE MEMBER HOLLINGER: Yeah, I would kind
16 of echo that. I don't think we should be in the position
17 of micromanaging staff and more or less just set the
18 strategy and the vision.

19 MR. DOUGLAS: So, Rob and Anne, in your
20 conversation about this last question, or any previous
21 questions, more thoughts to share?

22 COMMITTEE MEMBER FECKNER: Well, I guess, from my
23 perspective, you know, I think that we improve every time
24 we go through this. There's always room to improve. And
25 from my perspective, that's why we're here. We didn't

1 think we did it wrong last time, so how can we get better
2 as we go forward and pick up the pieces that we should
3 have moved forward on already.

4 MR. DOUGLAS: Anne.

5 CHIEF EXECUTIVE OFFICER STAUSBOLL: Yeah. I
6 think it would be really good to spend more time on it.
7 And, you know, we've tried. You know, I looked back,
8 getting ready for this meeting, at all the meetings where
9 we've noticed the measures, you know, and set up
10 discussions. But we often end up moving it or having a
11 very short discussion. And I think that if want to do it
12 right, then we need to devote a significant amount of time
13 to it, and maybe less time to some other things. And that
14 might be something to talk about as well.

15 MR. DOUGLAS: Um-hmm.

16 CHIEF EXECUTIVE OFFICER STAUSBOLL: It's not
17 something we can just tack on.

18 MR. DOUGLAS: Right. So members of the executive
19 team, anything that you talked about in your groups that
20 you haven't heard people reflect back so far?

21 DEPUTY EXECUTIVE OFFICER HOFFNER: Doug Hoffner,
22 CalPERS staff. So I think the one thing we -- in this
23 process, we went through the last couple of years was also
24 we have to start. So we acknowledged some of these things
25 would never be perfect. They were not perfect at the

1 start, but we had to start moving forward.

2 There's better data in certain areas. There's
3 more quality data in certain areas. Some lag
4 considerably. So they're at different levels of maturity,
5 and we need to acknowledge that. And that's a reflection
6 of the 16 measures we brought forth that had various
7 levels of information provided to the Committee and the
8 Board.

9 And so I think there are some that are probably
10 very much well tied to your -- our strategic plan in terms
11 of funding, you know, those kinds of issues in terms of
12 how much money we have in the systems and our liabilities,
13 et cetera. Health lags by multiple years just on the
14 data.

15 And we're trying to show that what's been
16 reflected about the work we've done over the last three or
17 four, five years is translating to improved metrics in
18 those areas. And sometimes it lags considerably. And
19 that's not the only area. My, in health -- in the
20 internal side of HR and stuff do as well, but we're trying
21 to connect those dots. And I don't know that it's always
22 point in time information that we have at our fingertips.
23 And that's a challenge to show, particularly even in a
24 five-year period of time that we're fully getting there.
25 So I want to acknowledge that.

1 So thank you.

2 MR. DOUGLAS: Other -- any other thoughts from
3 executive team members?

4 So at this point, I just kind of want to hear you
5 kind of reflect back on what common themes you've heard
6 yourselves say in response to this first exercise?

7 So with regard to -- Kim, this is where I want
8 you to flip chart these, if you can. Clearly, the answer
9 is this is job that the Board should be doing. There's
10 clear consensus around this. It's clear, at least in
11 listening to you describe the process up to date, that you
12 are actually engaged in a process of looking at these
13 metrics. So there is a process as staff is bringing them
14 back to you. You're having a chance to look at them.

15 The monitoring of that may not be on as visible a
16 frequency perhaps as it might be, nor may it be as tied to
17 an engaged discussion with the Board about kind of what
18 are exactly the goals in the strategic plan that these
19 metrics tie to, and are these metrics exactly the right
20 metrics to tie to those strategic goals?

21 So that sounds like it might be a potential way
22 to improve this process. But what do you hear yourselves
23 saying in terms of ways in which this job of the Board
24 could be done more effectively, by the Board? What are
25 you hearing yourselves say?

1 Bill.

2 CHAIRPERSON SLATON: Well, I heard Anne say it,
3 which is, you know, we have a limited amount of time
4 together, and we have very full agendas. We have a
5 complex organization. And this is an area which is very
6 easy to set aside in the rush to get all of the other work
7 done.

8 So we have the issue of priorities. But I think
9 that at the end of the day, working on this gives clarity
10 to the relationship between the Board and management. And
11 to me, that's a very lofty goal, and it's a very
12 appropriate goal to get to. So we've got to commit
13 ourselves to the time to make sure the metrics -- to
14 really work on those to make sure, to the extent they're
15 measurable, to the extent they have a timeline out in the
16 future, and some of them may be more aspirational. And
17 that's okay. You know, everyone of them can't be, you
18 know, defined on a ruler. But we need to work at that on
19 each one and set aside the time.

20 The other thing is looking at them more globally
21 because we tend to be very siloed in our -- the way we
22 look at things. And at the end of the day, there is one
23 management team, and we have a set of objectives. So it's
24 great to look at it by Committee, but then we also need to
25 kind of look at them globally and say do they all make

1 sense taken together?

2 MR. DOUGLAS: Um-hmm. Would everybody agree that
3 that is at least a common theme you've heard today?

4 Yes. Michael.

5 COMMITTEE MEMBER BILBREY: We sort of discussed
6 that about how things are done by Committee, and then how
7 do we look at the overall organization, and are they
8 consistent with each other in what's going on? Are we
9 looking at those metrics in the same way from a global
10 perspective enterprise-wide, as opposed to just --
11 sometimes we get so focused just on our committee, we're
12 not thinking about other aspects that could come into it.

13 And I've actually heard some of the discussion
14 today, but also heard over the last few months about,
15 well, maybe this, which is being reported on, is -- really
16 should be over here with this committee, or -- so I think
17 this Committee, the way we're -- and sort of the process
18 you're using now, I think it's starting to bring that more
19 to where we're looking at things overall and is very
20 helpful.

21 MR. DOUGLAS: Your second one came out I would
22 just refine a little bit and say we need a global view of
23 the metrics.

24 Other common themes you've heard yourselves say
25 just in response to this exercise?

1 J.J.

2 BOARD MEMBER JELINCIC: Actually, it wasn't a
3 global theme, but it was something Michael just said. In
4 many ways, we -- the siloed nature of the Board and its
5 committees reflects the siloed nature of the programs and
6 the staff. There -- over the years, there's been a effort
7 to breakdown those silos, but it's an ongoing process.
8 And even within a particular program you get silos within
9 the silos. And I'm not sure how you solve that problem.
10 I know an effort is being made to do it, but it's not just
11 the Board's, it's kind of the organization.

12 MR. DOUGLAS: Um-hmm. So one further reflection
13 I would just ask you to think about is that when -- when
14 it says approve organizational performance metrics and
15 oversee overall organizational performance, several people
16 have commented that it's very difficult, for example, in
17 the area of health, to tie metrics there are meaningful
18 within -- but they don't have huge lag times and so forth.

19 And my experience is that even in those cases
20 where you don't have necessarily the clear, obvious,
21 definitive metrics, you can still set goals as a Board and
22 have the engagement with the staff that says here's how we
23 know we're making progress toward achieving those goals.

24 Now, again, it may be a little bit mushier
25 conversation, because you don't have that one clear

1 definitive metric, but you're still engaged in that
2 dialogue between like the Board and the staff to help
3 assure that that trust is in place, that we, as a Board,
4 know and have full access to the information that you've
5 got as to how we're moving that goal forward.

6 So I think back to the context of what we're
7 trying to achieve in terms of just overall communication
8 between the Board and the staff, that understanding that
9 not everything has to have a metric in order to be, in
10 some sense, monitorable by the Board.

11 CHAIRPERSON SLATON: I just want to pick up on
12 one theme that J.J. just talked about, because I want to
13 make sure it doesn't get lost, and that is when he was
14 talking about silos.

15 And every organization has silos, but at the end
16 of the day, I believe that this Board sets the tone for
17 whether we encourage silos or whether we're trying to have
18 the cross communication. The example today we just had in
19 Risk and Audit, where we talked about how that's being
20 done. And we felt comfortable that we had a good balance
21 there. So we're the ones who are supposed to be setting
22 kind of what that level of siloed nature should be.

23 MR. DOUGLAS: Um-hmm. Does that play into this
24 kind of concept of how the Board does this job in your
25 minds, how -- we've talked about the global view of the

1 metrics. And I think that was a great point about that
2 holistic view helping you kind of breakdown the silos.
3 But are there other ways in which the Board oversees
4 overall organizational performance that you can see that
5 in the how you do it, you help address this question of
6 siloing?

7 Is that the engagement perhaps more often around
8 kind of again what are those strategic goals for the
9 organization? So you're looking more broadly across the
10 organization and having that refresh around what are the
11 goals we've set. What's the mechanism for helping the
12 Board, as you say, Bill, set that tone?

13 Priya.

14 BOARD MEMBER MATHUR: Yeah, I think that's a good
15 point. And, you know, our Board meetings often are just
16 reporting out of all of the Committees. But it would be
17 good, I think, to have some substantive strategic items on
18 the Board agenda on Wednesdays, where we actually do sort
19 of deal with these issues. So it doesn't need to be
20 another committee. It doesn't have to be a Governance
21 Committee or another committee. It could be the Board
22 itself should be dealing with these sort of strategic,
23 global, overarching issues.

24 MR. DOUGLAS: Um-hmm.

25 CHAIRPERSON SLATON: And I think we're actually

1 doing it in Finance and Administration and in risk and
2 audit. I think both of those are really taking a
3 enterprise-wide look. So the ascendance of those two
4 committees and their robust work, I think, at least helps
5 in this area.

6 MR. DOUGLAS: So any final reflections on this
7 exercise? So what we've captured so far in terms of just
8 themes is that the more you do this work, the more it
9 creates the clarity of relationship between the Board and
10 the staff, which is a good thing. And that that global
11 view of the metrics, to the extent that you have more of
12 that global view of the interrelationship of the metrics,
13 and whether they kind of present, you know in the jargon
14 of the trade, a balanced score card, if you will, whether
15 that balance is there in those metrics, is a good thing as
16 well, as far as making sure that you're taking that
17 enterprise-wide view.

18 I think lastly, at this point, about perhaps we
19 try to elevate more of these strategic discussions more
20 frequently to either the committee levels or the Board
21 levels that we have.

22 Anne.

23 CHIEF EXECUTIVE OFFICER STAUSBOLL: Yeah. I just
24 had a thought about the silo discussion. And this may be
25 a bit of a Pandora's Box, but I think I'd like to say it

1 anyway, which is, you know, we have the -- there's all the
2 different committees, and then the Investment Committee is
3 a committee of the whole. So it's really like the Board
4 with a different -- but a different person chairing.

5 And so I just -- I think something to think about
6 is if we want to look at it holistically -- if the Board
7 wants to look at it holistically, do you want the
8 Investment Committee to look at the investment metrics and
9 the Board look at the rest, which is really culturally how
10 we would probably do it now? Or do you want to think
11 about doing that differently?

12 Just a thing to think about.

13 MR. DOUGLAS: In contrast to the current way in
14 which you do it, which is how?

15 CHIEF EXECUTIVE OFFICER STAUSBOLL: That things
16 related to investments would be considered by the
17 Investment Committee and then not necessarily brought back
18 to the full board. And I think it does fuel the siloing,
19 to some extent.

20 MR. DOUGLAS: Just so I understand, so you would
21 want to have all of the metric conversations to kind of
22 coming back to the full Board. Is that what you're
23 suggesting?

24 CHIEF EXECUTIVE OFFICER STAUSBOLL: Yeah, and I
25 don't want to like create tension between the two, you

1 know, organizations, if you will, but it seems like you
2 want -- it would be good to discuss them all at the same
3 time. If you want to really talk about it, how different
4 issues feed on each other, the resources, the overlap, you
5 know, you'd want to talk about all the issues together.
6 The investment issues relate to the funding issues.

7 MR. DOUGLAS: Thoughts on that? Your reactions?
8 Bill.

9 CHAIRPERSON SLATON: Well, it sounds to me like
10 this is another -- this becomes a parking lot issue,
11 because we're not going to resolve it today, but it's
12 clear we need to talk more about it, about how should
13 we -- what should the process be of developing, refining,
14 and responding to these metrics?

15 And so, to me, it's a parking lot, because we've
16 got more work to do.

17 MR. DOUGLAS: Or it's a next step --

18 CHAIRPERSON SLATON: Or it's a next step.

19 MR. DOUGLAS: -- as kind of a thing coming out of
20 this discussion, right, that's what it feels like to me.

21 CHAIRPERSON SLATON: Right

22 MR. DOUGLAS: And Just to summarize, Kim, it's
23 kind of -- so the next step would be looking at how do we
24 want to refine the process of both communicating the
25 metrics from staff and the engagement by the committees

1 and the full Board around sort of that holistic view of
2 the metrics. Is that a fair summary?

3 CHAIRPERSON SLATON: Yeah, and I think there's
4 one other issue too, which is underlying. And I think in
5 all public agencies, and it's a challenge here like every
6 else. And that is the fear about being held accountable
7 to a measurement where you don't have total control over
8 whatever the issue is. And I think we need to acknowledge
9 that, and be open about that, and understand how that
10 impacts the discussion of developing metrics.

11 MR. DOUGLAS: It's a relook at the process.
12 That's the first part of this, relook at the process for
13 board committee review.

14 Okay. Thank you very much. That was a good
15 exercise. I appreciate that. I hope that was meaty
16 enough for those who want meat, and philosophic enough for
17 those who know that we need to kind of dig down into kind
18 of the processes of governance to appreciate how we're
19 doing it, and how we might want to improve it. So a
20 second exercise.

21 --o0o--

22 MR. DOUGLAS: This is a little bit more of a --
23 this is one of the ones on the parking lot. Discussing
24 the Board's policy with regard to consultants who report
25 to the Board. Before we get into the handout, I hope that

1 perhaps, Anne, you can sort of walk us through the
2 handout. I just wanted to kind of flag that as I look at
3 this issue, one of the key questions is the meaning of the
4 word report. Because here we have this word report, and
5 it can mean many, many different things.

6 It can mean that, you know, you answer to the
7 Board on sort of a management sense. You communicate with
8 the Board in the sense of you communicate. So the word
9 report may be one of the ones we need to investigate in
10 terms of how we think about this particular policy.

11 But I think the first place is to have Anne walk
12 us through the handout of the current consultants, and
13 then you'll see this exercise around this that we're going
14 to get to into a moment.

15 CHIEF EXECUTIVE OFFICER STAUSBOLL: Okey doke.
16 Thank you.

17 Actually, in the governance policy and in the
18 delegation from the Board to the CEO, I don't think it
19 actually talks about consultants reporting to the Board.
20 It talks about the Board selecting certain consultants and
21 vendors or contractors.

22 So we put together this matrix that you have a
23 hard copy and electronically. And it lists the different
24 consultants and contractors that the Board has retained
25 authority to select in those documents. And in looking

1 over it, this is just a straight list, you know, off of
2 those documents, the governance documents. But in looking
3 over it, it seemed to me there were really three
4 categories of entities.

5 So one is areas where the consultant is really
6 reviewing and opining on staff work, especially work
7 that's very technical and like the investment work. And
8 place -- areas where the consultant is giving the Board
9 like its separate and distinct advice and guidance on
10 these kinds of issues.

11 So those would be the auditor, the actuary, the
12 fiduciary counsel, the exec comp consultant, the
13 investment consultants, the exec search firm for the CEO
14 and CIO, and then the independent counsel that you have
15 OAH matters.

16 And then a second category are these external
17 entities. They're not really consultants. They're
18 vendors or contractors that are providing services that
19 we, or a government agency, wouldn't normally provide. So
20 that's like the health plans, the pharmacy manager, and
21 the long-term care third-party administrator.

22 And then the third category, where I think
23 there's actually only one entity, is areas where we have a
24 consultant doing work that, for some reason, we've chosen
25 to have staff not do. And I think that's the federal --

1 the only thing in that category is the federal
2 representative -- representatives. And the reason we
3 don't have staff doing it is we would need to create a
4 D.C. office and hire staff there, and that's complicated.

5 So those are really the three areas that I see as
6 I look through this list. And the Board selects, you
7 know, votes on approving all of those. And then -- but
8 when you think about it, for each of them, some of them do
9 report to the Board, some the Board has very limited or no
10 contact with at all.

11 MR. DOUGLAS: So just summarizing really quickly,
12 giving independent advice and counsel is one category
13 you've talked about, sort of just external contractors is
14 a second one, and then this idea of sort of ersatz
15 staff -- or staff -- they would be there in staff in from,
16 if they -- if CalPERS wanted to invest in that particular
17 function.

18 CHIEF EXECUTIVE OFFICER STAUSBOLL: Yes.

19 MR. DOUGLAS: So I'll put ersatz in quotes, just
20 because I'm not sure that's exactly the right word.

21 CHIEF EXECUTIVE OFFICER STAUSBOLL: I don't know
22 what ersatz means. It sounds good. Good summary.

23 MR. DOUGLAS: So -- well, the exercise that we
24 posed for you to -- and if you flip over your handout, the
25 exercise is actually posed on the opposite side of your

1 handout, is --

2 --o0o--

3 MR. DOUGLAS: -- which consultants/contractors on
4 this lease -- on this list need an independent
5 relationship with the Board in order for the Board to
6 fulfill its fiduciary responsibilities?

7 So it's a slightly different kind of initial
8 framing of it, but sort of the underlying notion is that
9 at the first level, the reason a board has
10 consultants/contractors reporting to it is because it
11 needs them in order to fulfill its fiduciary
12 responsibility.

13 So the exercise here then is to kind of take a
14 first cut at this list, and ask yourselves which on this
15 list really fit into that category of requiring -- the
16 Board requires them in order for it to discharge its
17 responsibilities.

18 So, again, if you could just work in the same
19 pairs one more time, just consult real briefly with each
20 other, see what you come up with in terms of who belongs
21 where. We'll be back in about five minutes to hear your
22 thoughts on this exercise.

23 (Off record: 10:44 AM)

24 (Thereupon a discussion occurred off the record.)

25 (On record: 10:47 AM)

1 MR. DOUGLAS: Okay. Recognizing that we are
2 running a little bit out of time, I want to bring it back
3 to the full group discussion and see where we are at.

4 So who wants to go first in terms of sort of
5 saying how did you cull this list and who belongs where?
6 Theresa and J.J., where did you end up on this one?

7 BOARD MEMBER JELINCIC: Incomplete.

8 MR. DOUGLAS: Incomplete. All right. Well, I'll
9 move on.

10 Henry.

11 COMMITTEE MEMBER JONES: Okay. We -- Bill and I
12 determined that the independent consultants directly to
13 the Board are the independent auditor, the outside
14 fiduciary counsel, the Board investment consultants for
15 investments and the independent counsel for administrative
16 matters. And the others -- and the rationale is that we
17 needed to have a Board independent viewpoint.

18 MR. DOUGLAS: So just taking the four or five
19 that you listed, did anybody disagree with that conclusion
20 that those four or five are necessary for the Board to
21 discharge its fundamental fiduciary responsibility?

22 So I'm just asking if we're in agreement around
23 those that Henry just listed?

24 J.J.

25 BOARD MEMBER JELINCIC: Since Theresa and I were

1 finishing the exercise, could you just list those five,
2 just repeat them?

3 COMMITTEE MEMBER JONES: Board independent
4 auditor, Board's outside fiduciary counsel, Board
5 investment consultant, and the independent counsel for
6 administrative appeals.

7 MR. DOUGLAS: So the question was does everybody
8 agree, that at least on those, I think it's, five, that
9 those are necessary for the Board's fiduciary duties?

10 So did anybody else have any additional ones that
11 you thought belonged on the list? So, Richard, who else
12 did you and Priya put on the list?

13 BOARD MEMBER GILLIHAN: So we basically --
14 following Anne's logic about how she grouped these things,
15 anyone that was sort of independently reviewing staff work
16 or staff recommendations to provide an independent voice
17 should report to the Board. So we -- I didn't -- the
18 actuary, the exec compensation consultants, the executive
19 search firms, and the independent counsel for
20 administrative hearing matters.

21 MR. DOUGLAS: The independent counsel for?

22 BOARD MEMBER MATHUR: Which you already have up
23 the. You already had the administrative one up there.

24 MR. DOUGLAS: That's this one here?

25 BOARD MEMBER MATHUR: Yeah.

1 MR. DOUGLAS: And just going back, I want to make
2 sure we got all of Henry's, because Kim and I are just
3 trying to capture it. So the auditor, fiduciary counsel,
4 investment advisors, administrative advisors, and what was
5 the last one, Henry?

6 BOARD MEMBER GILLIHAN: We had eight.

7 COMMITTEE MEMBER JONES: Administrative appeals.
8 No, he has that one.

9 MR. DOUGLAS: Auditor, fiduciary counsel,
10 investment advisors, administrative appeals, and?

11 COMMITTEE MEMBER JONES: Just -- that's.

12 MR. DOUGLAS: That was it?

13 COMMITTEE MEMBER JONES: One, two, three, four.

14 MR. DOUGLAS: You just had the four, okay. And
15 then you've added the actuary, the executive comp firm,
16 and the search firm, correct?

17 BOARD MEMBER MATHUR: Yep.

18 MR. DOUGLAS: So -- all right, J.J.

19 BOARD MEMBER JELINCIC: We had a mix on the
20 search firms. It kind of depends on what they're
21 searching for. If they're searching for, you know,
22 executive staff, then yes. But on the other hand, if
23 they're searching for the, you know, PMs and those, then
24 no. So for the function listed here, yes, but there are
25 other functions.

1 MR. DOUGLAS: So did anybody else have another
2 consultant on this list, besides the ones listed here, as
3 those necessary for the Board to fulfill its fiduciary
4 responsibilities? Dana or Richard, did you have a
5 different conclusion here?

6 COMMITTEE MEMBER HOLLINGER: No.

7 MR. DOUGLAS: Rob, did you or Anne have a
8 different conclusion than these seven?

9 COMMITTEE MEMBER FECKNER: No. I think the only
10 difference we had was on the search firms. We limited it
11 to the CEO and CIO only.

12 MR. DOUGLAS: That's kind of what I hear J.J.
13 just saying as well, right? It's just for --

14 COMMITTEE MEMBER FECKNER: No, I heard him say
15 execs and there's a lot more execs than the CEO and CIO.

16 MR. DOUGLAS: Okay. I got it. All right.

17 VICE CHAIRPERSON COSTIGAN: I mean, I -- so I
18 guess the question I have, because the way this question
19 is phrased, really relates to who reports to the Board.
20 So when we get into Richards comments like about the
21 executive search firms, that is a function of the
22 organization. The selection is different. And so really
23 the Board only gets to pick one person, because after that
24 it's all about civil service.

25 And so one is the limitation. So when we talk

1 about who should be reporting to the Board in an
2 independent relationship, I'm not -- I will just say going
3 out and hiring a search firm is perfunctory action of the
4 organization. Selection of the CEO/CIO is different.

5 And so your question that's posed on here -- and
6 I will say I know this document was just titled, but it
7 even starts -- and I told Bill, but even when it starts
8 with CalPERS Board consultant, what's the Board? I mean,
9 CalPERS consultants, CalPERS Board consultants, and
10 dividing it, because I would just say along the lines at
11 least on the search -- and sort of the same we agree with
12 the actuarial.

13 And then on the support -- or on -- we're just
14 set up a little bit differently on our independent
15 Board -- excuse me, counsel for administrative actions,
16 but Henry covered that, so...

17 MR. DOUGLAS: So who are you all -- it sounds
18 like you're in consensus that some folks on this list
19 don't need to have the independent relationship with the
20 Board for the Board to exercise its fiduciary
21 responsibilities. So, Dana, who are those people that you
22 said don't need to have that -- the Board does not need
23 them to discharge it's fulfill -- and fulfill its
24 responsibilities?

25 COMMITTEE MEMBER HOLLINGER: Well, initially, we

1 had the executive compensation consultants, but obviously
2 not in relation to the CEO and CIO. The federal
3 representative, health benefit plans, long-term care
4 administrator, administrative services related to Board
5 self-funded health plans, and executive search firms.

6 MR. DOUGLAS: So the federal representative, the
7 health plan admini -- health plans administrators, and
8 what was the third one?

9 COMMITTEE MEMBER HOLLINGER: Hold on.

10 MR. DOUGLAS: Executive search firms.

11 COMMITTEE MEMBER HOLLINGER: Long-term care
12 representative.

13 MR. DOUGLAS: Long-term care.

14 COMMITTEE MEMBER HOLLINGER: Administrator,
15 pardon me.

16 MR. DOUGLAS: Okay.

17 COMMITTEE MEMBER HOLLINGER: And you got
18 executive search firms in there?

19 MR. DOUGLAS: Yeah, that's kind of up here in
20 this -- with an asterisk next to it in terms of -- so I
21 just wanted to just kind of understand if there's
22 consensus around any of these. So the federal
23 representative was there consensus -- was there agreement
24 that that did not have to have an independent relationship
25 with the Board for it to discharge its responsibilities?

1 COMMITTEE MEMBER HOLLINGER: Oh, I also had
2 administrative services self-funded.

3 MR. DOUGLAS: Down here. And this is the list of
4 folks who --

5 COMMITTEE MEMBER HOLLINGER: It's related to the
6 Board's self-funded health plans. Administrative services
7 related to the Board's self-funded health plans does not
8 need to report to us.

9 MR. DOUGLAS: Okay. So just kind of going
10 through this list, thinking about the federal
11 representative, is that -- are we in agreement that that
12 person or those persons do not have to report directly to
13 the Board?

14 BOARD MEMBER JELINCIC: Yeah. There's a history
15 behind that. But if the question is do they need to have
16 an independent relationship with the Board in order for
17 the Board to do its fiduciary duty, then I think the
18 answer is no.

19 Historically, and if you look even at the
20 consultant -- the semiannual contract report, it's listed
21 as the Board's federal representative. There has been
22 push and pull in the organization over the years on just
23 how much of that direct relationship should exist, but I
24 don't think it's necessarily a fiduciary issue. But on
25 the other hand, we need to know what's going on in

1 Washington, because it impacts lots of other things we do.

2 MR. DOUGLAS: So you need communication from
3 those people.

4 BOARD MEMBER JELINCIC: Yeah, we need
5 communication from.

6 MR. DOUGLAS: Theresa.

7 BOARD MEMBER TAYLOR: And then I was going to add
8 to the -- to that. I agree with J.J. on that, that we
9 definitely need communication from the federal
10 representatives. I don't know how often, because I'm
11 not -- again, I'm knew, so -- but I think it's important
12 that we know what's going on in Washington as a Board.
13 The health benefits -- or the health benefit plans, not
14 necessarily do we have to have them report to us, and it
15 says over here as required. I think it helps us report
16 out to the members who receive the benefits to know what
17 the health -- to have a report from the health plans, you
18 know, and not necessarily just from staff. And I'm new to
19 this again, so that's new to me.

20 MR. DOUGLAS: So I want to try to, if we can,
21 wrap this up, if we can. So where do you hear yourselves
22 being in consensus on this question of the Board
23 consultants whom the Board need to have that independent
24 relationship with? Where is the consensus that you hear?

25 Do you see -- I see one certainly that you need

1 these folks, that I think you need these folks. The
2 search firm is, I think -- I think Dana makes the right
3 point that you need the independence at least in order to
4 assure the effective selection, but you don't have to have
5 them managed or reported by -- you know, reporting to the
6 Board, aside from that. I think that's what you're
7 saying.

8 And that these ones down here, you don't need the
9 independent fiduciary relationship.

10 Is that -- Dana, I'm not sure if I'm
11 characterizing your thoughts --

12 COMMITTEE MEMBER HOLLINGER: No, no, that's fine.

13 MR. DOUGLAS: -- completely accurately.

14 So questions. Yeah, J.J.

15 BOARD MEMBER JELINCIC: Yeah, I can't see what
16 you have on that.

17 MR. DOUGLAS: Well, let me move it around here so
18 you can.

19 BOARD MEMBER JELINCIC: The executive comp
20 consultants, to some extent, should be reporting directly
21 to the Board. The --

22 MR. DOUGLAS: So what we have here is a list
23 of -- think of a line here, so --

24 BOARD MEMBER JELINCIC: Okay. They're up above
25 the line.

1 MR. DOUGLAS: They're above the line. These ones
2 are the ones I'm sort of interested in, because these are
3 the ones where I hear consensus that, no, these -- we
4 don't need to have an independent fiduciary relationship
5 with these folks. We need to have communication from
6 them, but we don't need that -- they're in a different
7 category than these people up here. Does that -- is that
8 where we're at, at this point?

9 Everybody agree with that?

10 So I think what would be a next step then around
11 this? What does this imply in terms of any clarification
12 of roles that's necessary?

13 Anne, I just saw your hand go up.

14 CHIEF EXECUTIVE OFFICER STAUSBOLL: Yeah. So one
15 clarification would be around the selection process,
16 because I think that's what leads to some of the confusion
17 is that the Board is selecting, and so then it feels like,
18 well, therefore there must be this independent
19 relationship. So I think hearing from the Board around
20 whether it wants to select these entities is important as
21 well.

22 MR. DOUGLAS: So that kind of goes to -- goes
23 clearly to where there's the independent fiduciary
24 relationship, the Board needs to have a role in selection,
25 yes.

1 CHIEF EXECUTIVE OFFICER STAUSBOLL: I would think
2 so, yes.

3 MR. DOUGLAS: It's the below the line stuff where
4 the ambiguity creeps in, correct?

5 CHIEF EXECUTIVE OFFICER STAUSBOLL: Yes.

6 MR. DOUGLAS: So what's the pleasure of the Board
7 in terms of clarification of its role in the selection
8 process?

9 Grant.

10 ACTING BOARD MEMBER BOYKEN: First, I'll speak to
11 the list. Usually, I just speak for the Treasurer, but I
12 think I can speak for the Controller as well that we agree
13 with the list. But in terms of the selection process, you
14 know, when I look at the Board's involvement an interview
15 at the end of an RFP, and, you know, we always struggle
16 with how much weight to give it. We want to give it
17 enough, so that we can tip the balance.

18 But you look at the amount of effort and time
19 that staff put in to reviewing the proposers, it seems
20 imbalanced. So if we can limit, to some extent, the Board
21 interviews, and especially for the consultants with whom
22 we don't have a fiduciary relationship, I think that makes
23 a lot of sense.

24 And also, you know, I think all the health plans
25 we could put under the bucket of third-party

1 administrators, and we have one more for our Supplemental
2 Income Plans as well.

3 MR. DOUGLAS: Right. Yeah. Okay. Other
4 thoughts or people who agree with Grant's conclusions here
5 in terms of wanting to simplify then the selection process
6 as it applies to kind of this below the Board -- these
7 below the Board consultants. Priya, and I see Richard
8 your hand.

9 BOARD MEMBER MATHUR: So Anne and Grant have both
10 talked I think very eloquently to the selection and
11 interview piece, which I think we do need to revisit. The
12 other pieces we've sort of been using interchangeably this
13 independent relationship with the Board and reporting to
14 the Board. And I don't think they're exactly the same
15 thing and we should be clear about what we actually mean.

16 If they report to the Board, then does that mean
17 not only do we select them, but do we annually sort of
18 review -- or regularly review their work, and, you know,
19 sort of --

20 MR. DOUGLAS: Clarifying what that word means.

21 BOARD MEMBER MATHUR: -- what does that mean from
22 a process standpoint in terms of managing the day-to-day
23 relationship? We -- as a Board, we don't manage the
24 day-to-day relationship with these -- with any -- with any
25 of them really. So I think we need to have -- we need to

1 be more precise in our language around that subject.

2 MR. DOUGLAS: Um-hmm. So would a logical next
3 step, just building on your point, be to ask for a -- kind
4 of a clarified policy around again the nature of the
5 relationship and the selection process for these
6 consultants?

7 And, Richard, I saw your hand. I want to get a
8 response to my question as well.

9 VICE CHAIRPERSON COSTIGAN: Well, it actually
10 feeds on to your question, because this was one of the
11 issues that I raised in our -- one of our pre-meetings.
12 Before my time, Theresa, before we got here, for example,
13 in the Investment Office, so we'll get bogged down talking
14 about half a million dollar contracts on federal
15 representatives. Yet, we let billion dollar contracts go
16 by in Investment Office with nary a thought.

17 And since some point in the past a policy
18 decision was made, and I wasn't here and I'm not sure what
19 it was, that consultants in the Investment Office go
20 through a different process than what's currently up on
21 the Board here or the chart. And so when you look at the
22 policy discussion, at least what I struggle with is, back
23 to that micromanaging, is we'll worry about these little
24 contracts. Yet, on the flip side, I'll read our -- you
25 know, all the great stuff that we put out coming out of

1 the press shop, and it will be the first time I hear of
2 something -- some half a million -- or half a billion
3 dollar investment or billion dollar investment with
4 another manager we've never seen, or I've never seen, or
5 I've never actually had interaction with, but somewhere in
6 the past a policy decision -- and it goes back to where is
7 that?

8 And because -- so we do have guidelines somewhere
9 that a decision was made. And this I think was one of the
10 questions that I -- and I'm not saying that we should get
11 into booking managers. I want to make that clear. That
12 was before my time. But something changed somewhere that
13 that policy -- and so where are we overlaying that into
14 sort of these discussions on it, because this is not an
15 exhaustive -- this goes back to a point I was saying,
16 Board consultants are consultants to the system. This is
17 not an exhaustive list of who our consultants are.

18 MR. DOUGLAS: Correct. So as a logical next
19 step -- Anne, do you see a logical next step here in terms
20 of how we might move this issue forward? Could we --

21 (Laughter.)

22 CHIEF EXECUTIVE OFFICER STAUSBOLL: Well, I think
23 the next step would be to try to articulate, you know,
24 some kind of consensus from the Board around this list
25 that's up on the white board. But to do that, I think we

1 would need a little more discussion, because I -- there's
2 a lot of questions still out there.

3 MR. DOUGLAS: And what do you see as the primary
4 questions that still need to be wrestled, the selection
5 process --

6 CHIEF EXECUTIVE OFFICER STAUSBOLL: If there
7 isn't -- yeah, the selection. Yeah, sorry to interrupt.
8 The selection. If there isn't an independent reporting,
9 what communication and reporting is desired by the Board.
10 And then maybe, you know, for situations like the
11 fiduciary counsel, there's an independent relationship
12 desired with the Board, but we, the staff, are also
13 relying on them for advice. Is everyone comfortable and
14 clear around that as well? That kind of relates to the
15 who's managing them.

16 So I'm just trying to capture those details.
17 Sort of below the Board, we want to make sure we're clear
18 about the selection process and the communication details
19 back to the Board of these kinds of consultants. And up
20 here, we want to make sure we enter the staff relationship
21 for those who are in that fiduciary case.

22 CHIEF EXECUTIVE OFFICER STAUSBOLL: Yes. Thank
23 you.

24 MR. DOUGLAS: So a next step might be -- oh,
25 Henry, sorry.

1 COMMITTEE MEMBER JONES: That's okay. Yeah. I
2 heard two things. And I think it may be worthy to maybe
3 put in the parking lot. But I think Richard's question is
4 not a consultant contracting process. I think it goes to
5 delegated authority issues, which is something beyond what
6 we're talking about here. If we want to deal with that
7 later, perhaps it should be on -- in the parking lot.

8 The other issue I forget.

9 (Laughter.)

10 COMMITTEE MEMBER JONES: It will come to me.

11 MR. DOUGLAS: Okay. Good I captured looking at
12 delegations in the parking lot. And while we're on the
13 issue of -- so I'm going -- just going to assume then that
14 the -- that a next step could be here that we agendaize for
15 another meeting of the Governance Committee, that could be
16 one option. Another option would be for, Anne, your team
17 to take a look at kind of what some draft language might
18 be around this relationship, flag the open questions, and
19 we can bring that draft with those open questions back to
20 this or another forum.

21 CHIEF EXECUTIVE OFFICER STAUSBOLL: Yeah,
22 definitely we can do that.

23 MR. DOUGLAS: Okay.

24 COMMITTEE MEMBER JONES: It came back.

25 (Laughter.)

1 MR. DOUGLAS: It came back. Okay. So before you
2 do that, is there a consensus that that's the appropriate
3 next step as far as this work we did today on the
4 consultants?

5 COMMITTEE MEMBER JONES: Yeah.

6 MR. DOUGLAS: Okay. Go ahead.

7 BOARD MEMBER MATHUR: Now you forgot again.

8 (Laughter.)

9 CHAIRPERSON SLATON: I've got one, if you don't.

10 COMMITTEE MEMBER JONES: You go ahead.

11 CHAIRPERSON SLATON: So this is a parking lot
12 item, and it comes out of the federal representative. And
13 remember, you mentioned about we should put parking lot
14 items, in they come up even outside of this forum.

15 MR. DOUGLAS: Yes.

16 CHAIRPERSON SLATON: And so one is the unity of
17 control of this Board determining what information we want
18 from staff. And we've had a Board member file a PRA. And
19 so the issue is how do we feel about that, and how do we
20 make -- how do we make determinations for what information
21 and what our rules are going to be regarding information
22 from staff? And so I want to make sure we don't lose that
23 one.

24 MR. DOUGLAS: So does everybody know what Bill
25 means when he says unity of control?

1 Bill, would you explain what you mean, just so
2 make sure we understand that.

3 CHAIRPERSON SLATON: What it means is we
4 operate -- our authority rests with us as a Board. We
5 have no authority as an individual Board member, and that
6 is unity of control. And it's a very important concept in
7 Board work.

8 MR. DOUGLAS: And the parking lot item then is
9 the unity of control issue with regard to a information
10 request by a Board member related to the federal
11 representative.

12 CHAIRPERSON SLATON: Well, just generally.

13 MR. DOUGLAS: Or but in general, that's the
14 example that gives rise to this case.

15 COMMITTEE MEMBER JONES: Right.

16 MR. DOUGLAS: Henry.

17 COMMITTEE MEMBER JONES: Finally. Yeah, part
18 of -- based on what Anne was commenting about, the
19 consultants that report directly to the Board, but they
20 also have to work with staff. And they do that in a very,
21 you know, wonderful way, I think, because our investment
22 consultants work with staff on daily basis, but they're
23 still independently responsible to the Board, and they
24 report. And when there's a disagreement, then they write
25 their opinion and disagreement.

1 And similarly, with the administrative appeals,
2 they work with staff, and periodically they concur -- most
3 of the time they concur with staff's recommendation, but
4 periodically they have a different viewpoint. And so that
5 process exists, and I just want to make sure we keep that
6 kind of process.

7 MR. DOUGLAS: So it's not a parking lot item.
8 You're just kind of clarifying your thoughts about this
9 relationship and that it works up here.

10 COMMITTEE MEMBER JONES: Yeah.

11 MR. DOUGLAS: Okay. J.J.

12 BOARD MEMBER JELINCIC: Yeah, on the investment
13 consultants, this is another place where Bill and I
14 disagree. The consultants and the staff frequently start
15 with disagreements. They reach a mutual agreement. What
16 Bill does not want to see, but I do, is what that range of
17 discussion was, so that I understand -- if you decide to
18 do A, you're deciding not to do B, and I kind of want to
19 know what I'm deciding not to do.

20 The other thing I want to put on the table just
21 because it's one of those elephants in the room. Quite
22 frankly, the federal rep is -- has got a real political
23 component to it as well. And that's part of what
24 complicates it.

25 MR. DOUGLAS: Good. I'm going to just go to my

1 last slide here which is this next steps.

2 --o0o--

3 MR. DOUGLAS: Evaluating the meeting, discussing
4 potential next steps, and what additional information you
5 would like. I think we've defined some next steps. Is
6 there additional information that Committee members would
7 like as a result of today's discussions or just thinking
8 about governance in general?

9 Well, while you mull that over just a brief quick
10 eval of this meeting. I know we are going a little bit
11 over, but just quick positive thoughts, and if there's
12 constructive critiques, I'd love to hear those as well.

13 Grant, Betty, anything?

14 This category of kind of just, again, how are we
15 doing? I mean, is this a helpful process?

16 BOARD MEMBER YEE: Helpful, yes.

17 MR. DOUGLAS: Okay. Richard, Priya?

18 BOARD MEMBER MATHUR: I thought it was helpful.

19 MR. DOUGLAS: Okay. Richard, you're --

20 BOARD MEMBER GILLIHAN: Yeah, in general, I don't
21 feel like we got a lot accomplished, but that's kind of
22 the nature of the beast.

23 MR. DOUGLAS: J.J., Theresa.

24 BOARD MEMBER JELINCIC: I hate to do it, but I'm
25 going to agree with DPA.

1 BOARD MEMBER GILLIHAN: CalHR.

2 BOARD MEMBER TAYLOR: And I am too.

3 BOARD MEMBER JELINCIC: CalHR -- the DPA
4 component of CalHR.

5 (Laughter)

6 MR. DOUGLAS: Well, so while we're thinking about
7 kind of how to get more out of these Committee meetings, I
8 mean, I would just make a couple of observations. One is
9 we're just getting started, so we're just kind of picking
10 up traction on a process that, in my experience, often
11 takes several months to really start to deliver real
12 results. So I would just argue that that's kind of the
13 nature of this kind of more -- this kind of deeper
14 governance look. But I'm curious to hear your thoughts.
15 Dana, you obviously have some thoughts about this.

16 COMMITTEE MEMBER HOLLINGER: Yeah, I agree with
17 Richard and J.J. I don't know, I felt like the first part
18 of these questions, you know, we were already up-to-date.
19 And I think every time I come to a Board meeting, we're
20 getting updates from the Committees and from staff. And
21 so it's actually like a continual process even though I
22 understand it's done at the retreat. So I don't really
23 feel that moved the needle at all.

24 And while -- I'm not walking away with something
25 concrete. And probably that's my nature, but, you know, I

1 have to also say probably something I suck at is patience.

2 (Laughter.)

3 MR. DOUGLAS: Other thoughts. Yeah, Michael.

4 COMMITTEE MEMBER BILBREY: So I actually
5 disagree. I think any time that we're able to have a good
6 discussion that actually makes us think a little about
7 what we're doing is a productive discussion. Whether we
8 actually get to an endpoint right this second, that I
9 think isn't the way we should measure it. I think we
10 should really measure that we were able to have a
11 discussion.

12 The part that was a little troubling to me is
13 sort of this time, I'm not sure why, and there's probably
14 a specific reason, but the way the room is set up this
15 time I noticed is a little different than last time. It
16 doesn't help with a couple of the issues that we brought
17 up at the beginning of the session, and then looking at
18 how we're set up right now.

19 And also, I didn't hear, and I would have liked
20 to hear a little more from our staff, because we are
21 trying to, I believe, have an actual conversation, all of
22 us, in this working relationship. And so -- but I think,
23 you know, it is well worth our time to have these
24 discussions, because we pointed out during this discussion
25 that we don't have enough time to have discussions. So I

1 think we -- this was productive for us and it was for me.

2 MR. DOUGLAS: Yeah. Thanks. Bill, thoughts.

3 CHAIRPERSON SLATON: So to build on Michael's
4 point, I want to ask the group the question, because
5 obviously we are seated differently than we were the first
6 time. How do you feel about that? Did you like the other
7 way better than this way?

8 BOARD MEMBER MATHUR: Yes.

9 CHAIRPERSON SLATON: Heads nodding that we
10 preferred the other way?

11 BOARD MEMBER MATHUR: Yes.

12 CHAIRPERSON SLATON: Okay. Well, we'll --

13 BOARD MEMBER JELINCIC: What is staff thinking?

14 CHAIRPERSON SLATON: Staff, the same, you like it
15 better with the mix that we did before? Was that --

16 MR. DOUGLAS: If I could just -- I'm -- I am
17 mainly --

18 (Laughter.)

19 DEPUTY EXECUTIVE OFFICER HOFFNER: I will say I
20 did. I enjoyed both of my partners each time.

21 (Laughter.)

22 MR. DOUGLAS: I am mainly responsible for
23 recommending this configuration today. And I recommended
24 it today for the following reasons: The two exercises we
25 did were very Board focused, very Board focused. So if we

1 were to have a discussion next time about are our metrics
2 and our strategic goals aligned in away that makes sense
3 from us -- for us from a wholistic perspective.
4 Definitely would want the intermixed configuration,
5 because that's an intermixed discussion. So that was --
6 to today's discussion, that's why I think you're in the
7 configuration you are.

8 COMMITTEE MEMBER BILBREY: And maybe it would be
9 good to start by explaining, you know, that instead of
10 sitting through a whole meeting going why are we sitting
11 this way and why are -- you know.

12 MR. DOUGLAS: Good point.

13 COMMITTEE MEMBER BILBREY: And there are points
14 too that were brought up today that certainly staff could
15 have had more input on as well.

16 MR. DOUGLAS: Yeah, no question about it.

17 That's good feedback. Any other feedback before
18 we adjourn?

19 COMMITTEE MEMBER JONES: No, I just -- on that
20 point, I think in any of these meetings staff has the
21 floor to ask and comment and engage in the conversation.
22 So I don't believe a sitting arrangement deter you from
23 speaking. So to the degree that it's an issue that staff
24 wants to chime in, I'd certainly welcome their thoughts
25 and comments.

1 BOARD MEMBER YEE: So just a question. I see
2 that the workplan has these facilitated meetings into next
3 year. Are there -- are we going to kind of get a sense of
4 what we're trying to accomplish along the way, I guess?

5 MR. DOUGLAS: Are we trying to get a game plan
6 together? Is there a game plan?

7 I let Bill respond to that first, and I have some
8 thoughts as well.

9 CHAIRPERSON SLATON: So I think -- you know, we
10 have -- we're kind of an unwieldy size Board, but I think
11 that we have work that we can do to get better clarity on
12 our policies and how we interact with management to do our
13 work. And so I think at the end of the day, what I see
14 happening is better, clearer policies that are written,
15 that define our role and management's role in a way that
16 everybody can see what the job is.

17 And so there's less questioning about, you know,
18 staff trying to read the tea leaves of what we mean, and
19 more direction that is written. And that, to me, is the
20 end result, but it's a journey not a destination. You
21 know, we have a lot of work to do to get to where we can
22 start to write and have that clarity in our -- in our
23 relative tasks.

24 MR. DOUGLAS: And my response, Betty, would be
25 this, which is that typically when I do these kinds of

1 engagements, I have talked to every single Board member,
2 and most of the executive team members in advance, and I
3 have a pretty good understanding of what each Board member
4 would like to see happen, or where they think things are
5 working fine and where they think things could be better.
6 And I can help them suggest an agenda that -- and a
7 workplan that reflects the priorities of the Board members
8 together, and of the executive team.

9 So one of the things I have not had a chance to
10 do, and one of the things that could be potential work for
11 me to do, between now and the next time we meet, would be
12 to reach out and try to have those discussions, because I
13 think that would have enabled me to come back to Bill, as
14 the Chair, and to this entire Committee and go here is --
15 like, here is where I am seeing the greatest convergence
16 of interest in us doing work together. And let's do that
17 work first, because that's where the convergence is.

18 Meanwhile, I think we're also trying to think
19 systematically well, how -- based on all of our
20 experiences, what are the systems of governance that this
21 organization has in place that are working fine, and what
22 are the systems of governance that it needs to have in
23 place, to make it work even better?

24 And what I'm fundamentally trying to get to is
25 that. And that typically requires quite a bit of time to

1 really chew on and understand and then get in place.

2 If you think it makes sense for us to do that
3 kind of engagement around talking to everybody first --
4 not first, but as a next step, I'm happy to do that as a
5 way of assuring that we have a roadmap going forward that
6 reflects the combined interests of everybody.

7 CHAIRPERSON SLATON: I see some nodding of heads.
8 You've got a comment. So, yeah, I think that makes some
9 sense to get a better feel of where we're -- where the
10 majority want to head.

11 BOARD MEMBER YEE: I think it's got to be a
12 combination of both to be productive. And I think it
13 could encourage more engagement among all of us as well,
14 if we were able to focus on some things where you think we
15 can, you know, kind of come to a consensus collectively.
16 And those areas that require more work -- and the more we
17 can do that I think early on, it just adds to the trust
18 building and our ability to work things through.

19 MR. DOUGLAS: Okay.

20 CHAIRPERSON SLATON: Okay. With that, thank you
21 very much, Eric.

22 And the last item is Item number 7 on the agenda,
23 Public Comment. And I have received no requests to speak.
24 I don't see any hands being raised from the audience, so
25 this meeting is adjourned.

(Thereupon California Public Employees'
Retirement System, Board Governance Committee
meeting adjourned at 11:19 a.m.)

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C E R T I F I C A T E O F R E P O R T E R

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, Board Governance Committee meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, 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 22nd day of June, 2015.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
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