

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

ROBERT F. CARLSON AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

TUESDAY, AUGUST 18, 2015

8:30 A.M.

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

COMMITTEE MEMBERS:

Mr. Michael Bilbrey, Chairperson

Ms. Priya Mathur, Vice Chairperson

Mr. John Chiang, represented by Mr. Grant Boyken

Mr. Richard Costigan

Mr. Richard Gillihan

Mr. Ron Lind

Ms. Theresa Taylor

BOARD MEMBERS:

Mr. Rob Feckner, President

Ms. Dana Hollinger

Mr. Henry Jones, Vice President

Mr. Bill Slaton

Ms. Betty Yee, represented by Mr. Terrence McGuire

STAFF:

Ms. Anne Stausboll, Chief Executive Officer

Mr. Doug Hoffner, Deputy Executive Officer

Mr. Ted Eliopoulos, Chief Investment Officer

Mr. Matthew Jacobs, General Counsel

Ms. Tina Campbell, Chief, Human Resources Division

Ms. Carol Takehara, Committee Secretary

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

ALSO PRESENT:

Mr. Andrew Junkin, Wilshire Associates

Mr. Michael Oak, McLagan

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

2 CHAIRPERSON BILBREY: I'll this meeting of the
3 Performance, Compensation and Talent Management Committee
4 to order.

5 First item of business, call the, role, please.

6 COMMITTEE SECRETARY TAKEHARA: Michael Bilbrey?

7 CHAIRPERSON BILBREY: Here.

8 COMMITTEE SECRETARY TAKEHARA: Grant Boyken for
9 John Chiang?

10 ACTING COMMITTEE MEMBER BOYKEN: Here.

11 COMMITTEE SECRETARY TAKEHARA: Richard Costigan?

12 COMMITTEE MEMBER COSTIGAN: Here.

13 COMMITTEE SECRETARY TAKEHARA: Richard Gillihan?

14 COMMITTEE MEMBER GILLIHAN: Here.

15 COMMITTEE SECRETARY TAKEHARA: Ron Lind?

16 COMMITTEE MEMBER LIND: Here.

17 COMMITTEE SECRETARY TAKEHARA: Priya Mathur?

18 VICE CHAIRPERSON MATHUR: Good morning.

19 COMMITTEE SECRETARY TAKEHARA: Theresa Taylor?

20 CHAIRPERSON BILBREY: I haven't seen her this
21 morning. We haven't seen her this morning.

22 Thank you very much. Next up the Executive
23 Reporter, Mr. Hoffner

24 DEPUTY EXECUTIVE OFFICER HOFFNER: Good morning,
25 Mr. Chair and members of the Committee. Today, we're

1 going to be presenting two items for action of the
2 Committee today. The first is the 2015 biennial salary
3 survey approach and methodology, Agenda Item 5, during
4 which time we'll see a couple comparator groups. And the
5 item will be presented Michael Oak of McLagan Consulting.

6 The comparator groups approved by the Committee
7 will be used to conduct the biennial salary survey that
8 McLagan would do, and bring back material and information
9 to you in the September Committee meeting.

10 The second time is related to a primary executive
11 compensation consultant RFP. This is the item the
12 Committee directed us to bring back to you a few months
13 ago in the June meeting. And this outlines an RFP process
14 that would allow for independent third-party incentive
15 comp expert consultant to provide input to you, in that
16 process. It also provides a different scope of services
17 than we've ever requested for historically. And the
18 recommendation, as discussed, with the Committee Chair and
19 Vice Chair relates to using a subcommittee process to make
20 that selection. And we'll talk about that as Agenda Item
21 6.

22 Next month, as we look ahead a little bit would
23 be the biennial salary survey information that McLagan
24 will provide, in addition to our annual workforce
25 strategic plan update, which is something we're bringing

1 to you on an annual basis, and look to the things that
2 we're doing to provide the talent here at CalPERS.

3 In addition, there will be a closed session next
4 month to look at the CEO's performance for the prior year.
5 In advance of that, you'll be receiving an electronic
6 survey and some other information related to the overall
7 incentive comp plan review process to help remind us all
8 about that annual process that we go through, prior to any
9 discussion about performance awards.

10 I also wanted to talk briefly about some of the
11 classifications we have pending. The pension and
12 financial accountant proposal, which has been discussed
13 previously, I made an oral report in March, had been
14 reviewed and approved by CalHR and the State Personnel
15 Board will be up for consideration on September 3rd. So
16 we're looking forward to approval of that.

17 In addition, regarding the actual class --
18 actuarial classification proposal, I have no new
19 information to report on that item, other than the fact
20 that we continue with our consortium partners to work to
21 get that approved with our partners in CalHR and the State
22 Personnel Board.

23 At this point, that concludes my report, Mr.
24 Chair. Happy to take any questions.

25 CHAIRPERSON BILBREY: Thank you.

1 Seeing no comments or questions.

2 We'll move on. I want to welcome to the
3 Committee sitting in Board Member Slaton, Jones and
4 McGuire on behalf of Controller Chiang -- Treasurer -- no
5 Controller Yee.

6 (Laughter.)

7 CHAIRPERSON BILBREY: I'll get it. Right get
8 them all right one way or another.

9 Next is consent items, approval of the minutes.

10 Do I have a motion?

11 ACTING COMMITTEE MEMBER BOYKEN: So moved.

12 VICE CHAIRPERSON MATHUR: Second.

13 CHAIRPERSON BILBREY: Moved by Boyken, seconded
14 by Mathur.

15 Any discussion on the motion?

16 Seeing none.

17 All those in favor say aye?

18 (Ayes.)

19 CHAIRPERSON BILBREY: Opposed?

20 Motion carries.

21 Next item, consent items, information. Seeing no
22 requests to remove or question.

23 We'll move on to Item 5.

24 DEPUTY EXECUTIVE OFFICER HOFFNER: Thank you
25 again, Mr. Chair. Doug Hoffner CalPERS staff.

1 (Thereupon an overhead presentation was
2 Presented as follows.)

3 DEPUTY EXECUTIVE OFFICER HOFFNER: Before I bring
4 up Michael Oak with McLagan, I'm going to provide a little
5 bit of history back to this item.

6 So if you recall back in April of this year, the
7 Committee directed us to basically move forward with
8 conducting a comprehensive salary survey. Per your Board
9 policy on incentive compensation, it suggests that every
10 two years you look at the compensation for your different
11 investment and executive management positions.

12 Today, McLagan, through Michael Oak, will be
13 providing that overview of the recommendation that his
14 firm has put together about different comparator groups
15 for those different classifications.

16 Upon approval of that, and discussion you have
17 today, they will bring material back in September. But I
18 also want to provide some history. So if you take us back
19 about two years, effectively we presented, asked staff,
20 and Katie Hagen at the time, along with McLagan,
21 recommendations to the peer comparator groups related to
22 the Investment Office. And that was basically in 2013
23 about this time of year.

24 At that point in time, the Committee made
25 modifications to that peer comparison group. And that was

1 the last and most recent modifications to any peer
2 comparators within the organization. At that point, we
3 had not made any salary determinations or sought new
4 survey material for any of the other positions within the
5 organization.

6 So with that, I also wanted to highlight the fact
7 that we had submitted, at that point, a classification
8 change to the Department of CalHR again two years ago.
9 And this was the FINO and Investment Office classification
10 package, which was approved in April of this year by the
11 State Personnel Board. And we've been implementing those
12 changes the last few months.

13 So as identified yesterday, I heard a comment in
14 the Investment Committee, as we get into the material
15 you'll see some comparator names to things like investment
16 managers and investment directors. That's the new
17 classification titles that were approved through that
18 classification proposal some two years ago. And we're
19 identifying them here today. But should questions come
20 up, we will compare them back to what our PMS and SPMs and
21 SIO positions were effective the July 1 change that we
22 made this year to those classifications.

23 So I just want to make sure that from a
24 terminology perspective that we're working and caught up
25 in maybe some new language which has just been

1 implemented. But I wanted to provide that history that
2 we've been working on this for some time, and now it's
3 rolling through the organization. And so I just wanted to
4 reflect that based upon the feedback I heard yesterday
5 just to clarify.

6 With that, I would like to bring up Michael Oak
7 of McLagan to walk us through the presentation on the
8 biennial salary survey peer group discussion.

9 And with that, Michael Oak.

10 MR. OAK: Thanks, Doug.

11 So as mentioned, we were asked to review the
12 positions that are described on page two.

13 --o0o--

14 MR. OAK: And the objective, as we see it, for
15 today to make sure that when we come back to you next
16 month we have everything you need, is we'd like to
17 reconfirm the investment management peer group, as Doug
18 mentioned, was reviewed in detail in 2013 and approved by
19 the Committee then.

20 We'd like to review alternative options and peers
21 to include for the executive management per group, get
22 your feedback on that, and hopefully get some consent and
23 refinement on what that group, which has not been recently
24 reviewed, will be.

25 And then we also wanted to get feedback from you

1 on what you would like to include in this review. So
2 historically we've looked at the market salary, total
3 cash, and total comp, including long-term incentives. And
4 we've included some valuation for CalPERS benefits, both
5 defined benefit and post-retirement health. We wanted to
6 confirm whether that remains most appropriate, or if there
7 are other things that we should consider or not consider,
8 et cetera.

9 And if you have any additional feedback or
10 requests or questions from us, we want to make sure that
11 we get that from you today, so that again when we come
12 back to you next month, we provide you with everything
13 that you need to have on file.

14 So with that, if we go to page four.

15 --o0o--

16 MR. OAK: And this is again just a reminder of
17 the discussions we had in 2013 about the investment
18 management peer groups. But we -- that peer group, which
19 is included, if you're flipping ahead and wanted to look
20 at the names, those are a couple pages ahead and we'll get
21 to it, but they were large and complex institutional
22 investors, U.S. and Canadian pension plans, and U.S.
23 corporate plans -- pension plans. And we also included
24 private sector comparisons from banks, insurance
25 companies, and advisory firms with assets of 150 to 350

1 billion in assets under management.

2 This group was selected after lots of discussion
3 and thought, because this is comparable to CalPERS from
4 the perspective of mission, activities, functions,
5 complexities, skills, capabilities specifically for
6 investment staff. Most importantly, or equally
7 importantly, it represents the market which you're most
8 likely to recruit from and lose talent to. And these
9 organizations have the breadth of activities that would
10 allow CalPERS to make meaningful comparisons of CalPERS
11 pay versus the market for most, if not all, of the
12 investment positions.

13 --o0o--

14 MR. OAK: So one thing we wanted to just
15 highlight on the top of the page, if you have feedback for
16 us, that's great; if not, we just wanted to make sure we
17 didn't ignore it, is that there are certain functions that
18 are now covered under these investment classifications
19 that in the market would have -- would likely have
20 different pay levels. And by that, I mean an investment
21 manager, or portfolio manager, versus another -- a senior
22 person in compliance or a senior person in risk. And the
23 competitive Market would likely have different salaries,
24 different incentive opportunities.

25 But as it sits, CalPERS doesn't differentiate

1 between those compliance risk treasury positions and the
2 investment management position. So we just wanted to
3 highlight that, because it's important for us to just --
4 to inform you that the competitive market would be very
5 different for -- or potentially very different for those
6 types of functions.

7 So as we'll see in a couple pages, and this is
8 similar positioning, this is similar conclusions that you
9 would have had from 2013, but salaries are fairly
10 mainstream, generally positions near median. Target cash
11 compensation, which we'd define as salary plus target cash
12 bonus. Our positions at the 20 -- below the 25th
13 percentile. And maximum cash compensation, meaning
14 CalPERS salary plus the maximum incentive opportunity
15 available, again would still be positioned between the --
16 below the 25th percentile.

17 And at the bottom of the page, we just wanted to
18 highlight that this is looking strictly at base salary and
19 cash incentive versus base salary and cash incentive. No
20 adjustments for either CalPERS or the market have been
21 made for any sort of benefits or perquisites on either
22 side of the fence. So this is a -- we wanted to come with
23 you to today's meeting on a clean salary versus salary,
24 total cash versus total cash, and then get your feedback
25 on how, if at all, we should consider those other things

1 for when we move forward for August.

2 --o0o--

3 MR. OAK: So page six, these are the
4 organizations that represent the institutional peer group.
5 I won't spend much time here. You can see that's the U.S.
6 Canadian pension funds, U.S. corporate pension funds. The
7 median assets were 86.3 billion versus CalPERS of 295.
8 The median percent of assets internally managed was about
9 72 percent versus CalPERS of 69. And the median number of
10 investment staff at these peer organizations is 74 versus
11 CalPERS of 210.

12 So we -- although -- as we mentioned before,
13 these organizations represent complexity and size and a
14 market that CalPERS recruits in, but we'd also like to
15 just highlight that CalPERS still remains larger and more
16 complex in many aspects versus this particular peer group.

17 --o0o--

18 MR. OAK: So now we'll get into some of the
19 comparisons of how CalPERS is versus the market. So the
20 first page of salary, and this perhaps a missing label on
21 the page, so I apologize for that. But the bottom of the
22 bar, so if you're looking at the Associate Investment
23 Manager on the left, and you see that, it's like two
24 pieces to the bar, the bottom bar, like if you draw a line
25 on the very bottom of the bar it's about 100. It

1 represents the 25th percentile for the market, and it
2 represents the minimum for CalPERS. And the top of the
3 bar would represent CalPERS max, or the 75th percentile
4 for the market. And then the white line that separates
5 those two boxes would be the mid-point for CalPERS and the
6 median for market.

7 So again, I just wanted to make sure that was
8 clear, because it helps us visualize it. But again, the
9 labels were missing, unless you read at the bottom. So as
10 you look, you can visually see that the blue bars and the
11 bars generally overlap. So the -- you can see the median
12 lines are the Associate Investment Manager of 128 versus
13 the market median of 134. We would say that approximates
14 the median. That's not significant enough that they're,
15 you know, far off there.

16 As you go across the page, it's pretty much a
17 similar story, some a little bit below, some a little bit
18 above the median, but generally very close.

19 Questions on the salaries. There's a lot --
20 there's a couple of charts that are formatted like this.
21 We want to make sure that nothing is unclear as we move on
22 to the total cash view.

23 All set. Great.

24 --o0o--

25 MR. OAK: So as we look at salary plus --

1 CHAIRPERSON BILBREY: Oh, we have one question.
2 Mr. Jones.

3 VICE PRESIDENT JONES: Yeah. Thank you, Mr.
4 Chair. The salary amounts that you list there, are the
5 incentive bonuses included in these salaries?

6 MR. OAK: This is base salary only. And then the
7 next page we'll get into the incentive compensation.

8 VICE PRESIDENT JONES: Okay.

9 MR. OAK: So with that, a good segue into page
10 eight, which says the top right target cash versus market.
11 So this would be salary plus target incentive. The little
12 blue box, just as a note, for the Associate Investment
13 Manager is there because there is not an established
14 incentive range. So we looked at the market data and said
15 rather than showing you nothing, we basically -- we put in
16 a plug number of a 30 percent possible target. That has
17 not been approved or recommended. That's just so you can
18 have a comparison. So I just wanted to be clear again.
19 So there is not currently incentive opportunity
20 established for that new classification.

21 DEPUTY EXECUTIVE OFFICER HOFFNER: So maybe I'll
22 weigh in there. So as part of that package that we
23 presented and was approved by CalHR and SPB going back to
24 2013, that's the bridging class that we discussed. So
25 that's a new classification and position within the

1 organization between the IO IIIs and the PMs, or now
2 Similarly situated with the new terminology. So that
3 piece does not have again that incentive comp that has
4 been approved by the Board.

5 So we're just highlighting and identifying it
6 today. Something to bring back in the future, but it is a
7 new position that wasn't there. Two years ago, the Board
8 made a decision not to make any decisions, given the
9 package had not been approved by either control agency.

10 MR. OAK: So again the conclusion as we mentioned
11 before, you see the CalPERS blue bars are generally below
12 those gray bars on the right. The gray bars again
13 represent the competitive market for that peer group of
14 salary plus cash bonus paid. As indicated at the top of
15 page, we did not include the value of long-term or
16 deferred awards.

17 So you see here that's -- your Associate
18 Investment Manager at 30 percent, your Investment Manager
19 are a little bit closer to the market. And as you move up
20 the line, you generally fall farther away from the market
21 for your more senior positions.

22 --o0o--

23 MR. OAK: Let's move on to the next page, which
24 is the last page of the investment management peer group,
25 this is just looking at maximum opportunities. So the

1 same analysis. The conclusion is essentially the same.
2 The salary plus maximum incentive opportunity positions
3 you at or below the 25th percentile virtually across the
4 Board.

5 --o0o--

6 MR. OAK: So before we move into the executive
7 management positions, our assumption that we wanted to
8 confirm is a correct one, is that the peer group that was
9 reviewed and approved in 2013 is an okay peer group to
10 move forward with for the investment management positions.
11 As you've seen here, the ramifications or implications of
12 that peer group are -- your salaries are median. And then
13 on a pure total cash to total cash basis, you're below
14 market.

15 But is there any feedback or questions or
16 comments on the investment peer group or are we safe to
17 move forward for August using that same peer group?

18 CHAIRPERSON BILBREY: Ms. Mathur.

19 VICE CHAIRPERSON MATHUR: Yes. Thank you.
20 Sorry. I'm just getting back to the page. I
21 fast-forwarded too much.

22 Okay. So back to the peer group description and
23 I think it's on page six or -- in the iPad it's 19 of 37
24 oh. So just to clarify, I thought there was -- this
25 doesn't include -- this doesn't include -- one of the

1 things we've talked about is whether we should be
2 comparing our investment management talent to those at
3 asset management arms of insurance companies. And I'm
4 just -- could you just talk a little bit about whether you
5 have expertise or insight into that and whether that could
6 be appropriate here.

7 MR. OAK: So the peer group actually -- just to
8 clarify, the peer group on page six is the --

9 VICE CHAIRPERSON MATHUR: That's just the
10 pension.

11 MR. OAK: -- it's the firm by firm of the
12 pensions only. That we're able to disclose. The data,
13 which commences on page seven through nine, does include
14 investment management firms, the asset management
15 subsections of banks, and the asset management arms of
16 insurance companies, with assets under management of 150
17 to 350. So the data is inclusive of those organizations
18 as you mentioned, but they're not listed odd page six.

19 VICE PRESIDENT MATHUR: Okay. So that's really
20 helpful. So just to put a finer point on it. So the
21 insurance company information that you've included is only
22 the asset management arms of those?

23 MR. OAK: Exclusively asset management arm, so we
24 wouldn't be looking at like the CEO of the entire
25 insurance company. We'd be looking at the head of the

1 asset management business.

2 VICE CHAIRPERSON MATHUR: Perfect. Thank you.

3 CHAIRPERSON BILBREY: Thank you.

4 Mr. Gillihan.

5 COMMITTEE MEMBER GILLIHAN: Thank you, Mr. Chair.

6 So the distribution, as I understand it, is
7 roughly 50/50 public versus private, when you factor in
8 all the data sets?

9 MR. OAK: (Nods head.)

10 COMMITTEE MEMBER GILLIHAN: And is that a -- is
11 that a fair sort of comparator group for a public
12 institution like CalPERS?

13 MR. OAK: So what -- two points. One is that the
14 number of -- on a firm-weighted basis roughly equal.
15 However, the private sector employees, more incumbents.
16 So the data would actually be weighted more toward the
17 private sector data, given there's going to be more data
18 points there.

19 We think what's fair, our opinion if you asked
20 it, what's fair is what's the market that you're competing
21 for talent and recruiting from. So as you think about the
22 big universe of investment management talents, that's
23 overwhelmingly private sector. And your comparison groups
24 is probably much more weighted to the public sector than
25 the actual market represents. So we would say, because of

1 that, then generally we believe that would be fair.

2 COMMITTEE MEMBER GILLIHAN: Historically, has our
3 incoming talent come primarily from the private sector or
4 the public sector, or is it somehow balanced?

5 MR. OAK: We don't have that analysis with us,
6 but I'm sure that we can work with staff to assemble that
7 for you.

8 DEPUTY EXECUTIVE OFFICER HOFFNER: So, yeah, I
9 mean, I think if you want to look at a period of time, I
10 would say it's heavily weighted to the private sector in
11 terms of those kinds of positions, particularly the PM and
12 above. But we could provide a period of time, if that's
13 helpful, to bring back in the September meeting.

14 COMMITTEE MEMBER GILLIHAN: I think it would be
15 helpful, but I'm just one voice on the Board.

16 CHAIRPERSON BILBREY: Yes.

17 COMMITTEE MEMBER GILLIHAN: Thank you.

18 CHAIRPERSON BILBREY: We'll put that forward.
19 Mr. Slaton.

20 BOARD MEMBER SLATON: Thank you, Mr. Chair. I
21 think that would be helpful. And the other piece of
22 information is what's the -- because if you go to page
23 five, the note at the bottom, where it says it doesn't
24 include -- it adjusts for the DB plan, health, civil
25 service protection, et cetera. My question is what's the

1 longevity? How long do, in these categories, particularly
2 this middle category that we're talking about, how long do
3 they stay at CalPERS? You know, are they five-year
4 employees or are they 20-year employees?

5 DEPUTY EXECUTIVE OFFICER HOFFNER: Doug Hoffner,
6 CalPERS staff. Let me clarify when you say the middle
7 group. So which -- are those the classifications we're
8 talking about?

9 BOARD MEMBER SLATON: If I look at the
10 classifications, I'd say, you know, Investment Manager,
11 Investment Director, to Managing Investment Director.

12 DEPUTY EXECUTIVE OFFICER HOFFNER: So that will
13 depend. We can provide data related to particular asset
14 classes. Some are going to be more senior to more tenured
15 within the organization, and some are going to see, I
16 think -- I don't want to say rapid turnover, but probably
17 much between maybe, you know, two to five years kind of
18 time frame, in terms of being within the organization. So
19 I think you're going to see a real span of --

20 BOARD MEMBER SLATON: Right. And so where I'm
21 going with that is this -- the issue of civil service
22 protection and the issue of a DB plan. For someone who's
23 here two to five years, you know, it doesn't translate
24 necessary to value. And I think that's something that we
25 ought to be thinking about and to work on, because if

1 we're offering something that has no value in the
2 marketplace, you know, what are we really gaining,
3 particularly in this category, in this particular group?

4 Thank you.

5 CHAIRPERSON BILBREY: Thank you.

6 Seeing no one else that wishes to speak, unless
7 there's objection -- oh, Mr. Gillihan, I'm sorry.

8 COMMITTEE MEMBER GILLIHAN: Thank you, Mr. Chair.

9 So just to clarify, you do or you do not intend
10 to factor in a total compensation look at these comparator
11 groups?

12 MR. OAK: That's a question we have for the
13 Committee on what you'd like to see in August. So what we
14 would suggest is that we can assemble a list of here's
15 possible things to consider that either quantitative or
16 not quantifiable, like defined benefits, post-retirement,
17 health, civil service, et cetera. And then we can
18 summarize here's how -- here's the potential benefit of
19 CalPERS versus what may or may not be offered in the
20 markets, and how, if at all, you should be making
21 adjustments.

22 So that's said quickly, but I think that's a big
23 decision point for the Committee to make, is that when you
24 have market data, should you be trying to be at median, or
25 above or below, should you be making adjustments? And

1 it's not a simple yes or no answer without full
2 consideration of we have a defined benefit value that for
3 long-tenured employees is substantial, but for new
4 employees, the benefit has been cut. And then
5 potentially, as Mr. Slaton has mentioned, if people view
6 their career here as not long term, then that value
7 doesn't have a substantial benefit.

8 So we think that it's a great question to ask.
9 And we're -- we would like to work with you to help
10 assemble how you should be reflecting all of those things
11 when comparing to the market data. But I think that -- I
12 don't know if it's discussion by the Committee or feedback
13 back from the Committee of here are the things that we
14 think we should be looking at, that we might think have
15 value. We can do our best to quantify those and put a
16 number to it, recognizing that for each individual
17 employee, that benefit is going to be different.

18 COMMITTEE MEMBER GILLIHAN: So from my
19 perspective, as the State employer of State employee, and
20 this organization being a State agency, we've moved to a
21 policy of total comp surveys, is we do salary surveys of
22 our various labor groups compared both to the private
23 sector, local government in California and federal
24 government, which are our primary sort of groups that we
25 compete for talent with.

1 And as Mr. Slaton said, some people probably are
2 here for a minute in the relative big picture, and others
3 are here as current employees, as I think I heard Mr.
4 Hoffner say. And so I would like us to find a way to
5 somehow quantify the value for the long-term employees,
6 even if it's a separate data set that we can kind of add
7 together. You know, because I see the value in sort of a
8 clean comparison. But if you look at a career State
9 employee, there's tremendous value in our benefit
10 packages, both on the retirement and retiree health care
11 side. And I feel like we should get credit for that in
12 some measure as we compare our packages to our peer group.

13 Thank you.

14 DEPUTY EXECUTIVE OFFICER HOFFNER: So if I can
15 comment to that. Maybe we'll look at bringing some
16 material back that would provide some ranges to hit all
17 your points. So someone has been here zero to five, not
18 vested, 6 to 10, 10 to whatever, some specific material
19 based upon the types of positions, and see what that might
20 bear out in terms of dollars and cents and how that gets
21 compared and presented with the material that McLagan will
22 bring back to you. And I think that would provide maybe
23 some fruitful information in terms of what does that bear
24 out, because frankly it's very Individual based. But
25 again, that would give you some parameters for types of

1 employees that meet those specific sort of tenure within
2 the organization or not.

3 CHAIRPERSON BILBREY: I think that would be very
4 help.

5 Ms. Mathur.

6 VICE CHAIRPERSON MATHUR: Thank you. I agree
7 that that's important information to have. I think one of
8 the pieces that I think would also be helpful is to know
9 by category of employee what the average tenure is of
10 their career at CalPERS, because I believe -- my
11 understanding is that we have quite long-tenured folks, as
12 a general rule. Not everybody stays forever, and you
13 probably don't want everybody -- you want some healthy
14 level of turnover, in any case.

15 But it would be helpful, sort of appreciating to
16 what degree we should be considering these other parts of
17 total compensation in weighing that against the
18 total -- the salary only information.

19 Thank you.

20 CHAIRPERSON BILBREY: Thank you.

21 Mr. Lind.

22 COMMITTEE MEMBER LIND: Thank you.

23 I agree with I think is the consensus of the
24 group that we need to look at the total comp package, and
25 all these things, even though some of them are very

1 difficult to quantify, because at the end of the process,
2 once we go through all the comparator groups, and then we
3 get to some more decision-making stuff, we always talk
4 about these other things, the value of, you know, the
5 defined benefit plan, or the value of living in
6 Sacramento, whatever it is.

7 So I think as much as we have to look at -- or
8 the more we have to look at, the better we're going to be
9 able to do our job.

10 CHAIRPERSON BILBREY: All right. So I think the
11 consensus of the group is we do like want to look at total
12 package, but also break it down, as Mr. Hoffner has
13 mentioned, about terms of service to the organization. So
14 did that -- has that helped you in clarifying it?

15 MR. OAK: Yeah.

16 CHAIRPERSON BILBREY: Okay. Very Good. Moving
17 on. Oh, wait, one more.

18 Mr. Boyken.

19 ACTING COMMITTEE MEMBER BOYKEN: So did you need
20 direction today though on the comparator group whether to
21 keep that?

22 MR. OAK: Unless -- we'd assume move forward with
23 it, unless there are feedback for -- or questions on
24 changes.

25 ACTING COMMITTEE MEMBER BOYKEN: I just remember

1 this Committee a couple years ago spent a lot of time on
2 that. I have no -- just chiming in, I have no desire to
3 make changes to that.

4 CHAIRPERSON BILBREY: Thank you, Mr. Boyken. I
5 didn't hear any question about the comparator groups, so I
6 thought we could move on with that.

7 --o0o--

8 MR. OAK: Great.

9 So moving on to the executive management group,
10 page 11 mentions a couple areas of specifically the policy
11 document that we view as vague. And these are -- again,
12 we reviewed these in 2013 so these aren't new. It's just
13 you made adjustments to the Investment Management group to
14 clarify these things, but some of these items still remain
15 vague for the executive group.

16 So things like looking at -- and the policy is on
17 page 12 and 13 that we're referring to, but it doesn't --
18 it mentions U.S. and non-U.S., but doesn't mention which
19 specific non-U.S. organizations you like to compare to.
20 So, you know, is that geographically North America or do
21 you also care what pension funds in Indonesia are paying?
22 You know, there was nothing within the policy that
23 specified within reason what that geography should be.

24 It also didn't specify like which types of banks
25 or insurance companies or why not asset management firms,

1 et cetera. So again, these were all -- some of the
2 similar challenges we faced with the investment management
3 peer group a couple years ago that remained sort of in
4 place for the executive management peer group.

5 So moving on, what we'd like to do is just skip a
6 couple slides, unless you have specific questions on that,
7 is that --

8 --o0o--

9 MR. OAK: -- start talking about potential peer
10 groups for the executive group. So on page 14, which says
11 possible executive management peer groups for discussion,
12 we'd recognize that CalPERS is a large and complex
13 organization, and that there's not -- there's not even a
14 small handful of other peer comparisons that we can say
15 are equivalent enough to say this position is the exact
16 same at these other organizations with the same scope of
17 responsibility.

18 So we'd just like to acknowledge the fact that we
19 realize that CalPERS has pension administration for 3,000
20 employees, health purchasing for over a million and a
21 half -- close to a million and a half, being the second
22 largest public purchaser only to the federal government,
23 customer service for close to two million asset liability
24 funding, et cetera.

25 So -- One of the questions earlier is where are

1 we hiring from recruiting to, so sd understand it that you
2 have a mix of executives coming from private sector, and a
3 mix coming from other public groups. And then also
4 equally important, any decision that you make about pay,
5 especially for this group, is going to be in a fish bowl
6 and subject to scrutiny. So we recognize all these
7 things.

8 With that, what we recommend is to include, just
9 jumping to our recommendation or possible comparisons, is
10 the same institutional investor list as before, so the
11 same U.S. Canadian pension plans. We would exclude the
12 corporate pension plans, because again, those are
13 investment management only groups. They wouldn't have
14 your executive. So we could say they're included, but
15 realistically they wouldn't have those positions.

16 So it would only the U.S. and Canadian pension
17 plans. And also, focusing on banks and insurance company
18 arm -- asset management arms of insurance companies,
19 broadening that range, so we get a broader sample of 100
20 to 500 billion, recognizing that these organizations will
21 be more complex structures. They'll have call center
22 customer service, et cetera, hire staffing levels. So if
23 we go to page 15 just quickly, and there's a footnote.

24 --o0o--

25 MR. OAK: At the bottom, I'd just like to address

1 in case it -- we intentionally did not recommend including
2 advisory firms that are included for the investment
3 management peer group. And the purpose behind that --
4 although those organizations are large and complex, and
5 have -- many of them have large customer service, et
6 cetera, it's unrealistic that CalPERS is going to be able
7 to meet those pay levels, you'll be so far from it, that
8 it would be -- we would be doing you a disservice to
9 include that in the pay level data.

10 So I just wanted to clarify that the advisory
11 firms for the executive peer group, you can look at the
12 proxy statement of those organizations, and, you know,
13 you're not going to be matching the CEO pay of those
14 groups.

15 So as we look at page 15, there's three levels of
16 government organizations that we potentially recommend,
17 including those are leading U.S. public funds that we've
18 already looked at, the leading Canadian plans. This last
19 group is a new idea that we haven't talked about yet, but
20 we it's important, and that's other California based
21 agencies that might have -- and maybe its role by role,
22 you don't include the same agencies for the CEO as you do
23 for the actuary, but looking at other California-based
24 agencies, that might have comparable CFOs or comparable
25 actuaries that if the State already has that and it's

1 local, and nearby, in similar complexity, et cetera, we
2 should include that. And as an example for the CFO, I
3 think we included a couple as we get to that.

4 So what we did is that assuming that this would
5 be -- assuming that you would want to know what are the
6 implications of looking at a group like this, we assembled
7 some market data for the CEO, General Counsel, CFO, Chief
8 Actuary. And we can go through that, first, or if you
9 have questions and feedback now, it's really up to you on
10 whether -- if you have major objections to the peer group,
11 there's no sense in spending time looking at the pay
12 levels. If you think this is generally reasonable, but
13 let's look at the pay levels before we discuss it, we can
14 go that approach.

15 CHAIRPERSON BILBREY: So a quick question on
16 slide 15. On select California based agencies, would that
17 be health agencies by chance?

18 MR. OAK: So we'll probably work with staff and
19 you to clarify what some of those are. We've included a
20 couple on the CFO page on 18 just quickly just as an
21 example. We included the CFO of the Compensation
22 Insurance Fund and High-Speed Rail Authority. So it's
23 seemed like to us that those were comparable in terms of
24 complexity and size.

25 But again, we acknowledge that we need to do more

1 research to have here are the specific -- for each of --
2 if that's -- if you would like to include those types of
3 organizations, we'd come back to you with a summary of for
4 the CEO, we think these are applicable, and here's the
5 scope and scale and why. And for the CFO, these are the
6 agencies, et cetera.

7 CHAIRPERSON BILBREY: And would you -- our sister
8 fund, CalSTRS, would that be included in this?

9 MR. OAK: CalSTRS is by default included as a
10 pension fund.

11 CHAIRPERSON BILBREY: I wanted to make sure.
12 Ms. Mathur.

13 VICE CHAIRPERSON MATHUR: Thank you. So, you
14 know, CalPERS has several sort of lines of business so to
15 speak. That makes us, I think, more complex than your
16 average bank, for example. Not that banks aren't complex,
17 but we have -- we're -- we have a health function. We
18 have obviously the investment management function. We
19 have a huge customer service function. We have the
20 actuarial piece around the pension benefits.

21 And so I'm wondering, you have insurance
22 companies here. I'm thinking -- and I think insurance
23 does align really well, particularly to the pension piece,
24 because it's long-term risks, et cetera, but what about
25 health insurance companies?

1 MR. OAK: So similar to what we said about
2 advisory firms, our guidance would be that philosophically
3 it makes sense that the size and complexity and business
4 lines, et cetera, are aligned, but as you -- and you
5 can -- there's public, you know, disclosed pay for some of
6 these publicly traded health insurance companies, that the
7 pay levels -- like if you look at the CEO page on 16, that
8 the pay levels for those organizations will be higher than
9 what's already shown.

10 And again, as we mentioned about the advisory
11 firms, we think it would be unrealistic and inappropriate
12 to include such high pay in that comparator group. So we
13 philosophically agree that they're well aligned with size,
14 scope, and structure, but I think the pay levels are
15 unachievable for a public entity.

16 VICE CHAIRPERSON MATHUR: That's a good point.
17 The other thing I wanted to mention is that obviously we
18 have our sister fund across the street -- or across the
19 river. And, you know, they manage a similarly sized
20 investment fund, but they don't have some of the other
21 lines that we have.

22 And while I don't think we should exclusively
23 look at CalSTRS, I do think we should perhaps
24 disproportionately weight CalSTRS, because there should be
25 some parity -- we should look at least at whether there

1 some be some parity between the two funds between the
2 compensation of the executives there.

3 MR. OAK: Sure. So for August, we can present
4 here's the CalSTRS versus CalPERS comparisons for
5 comparable jobs.

6 CHAIRPERSON BILBREY: That would be helpful.
7 Mr. Slaton.

8 BOARD MEMBER SLATON: Thank you, Mr. Chair. On
9 this issue of California based agencies being included, I
10 like the concept of it. I question High-Speed Rail
11 Authority as being one, just because, you know, there are
12 aspects of it that are not operational yet. And so, you
13 know, I kind of wonder why that one would be in there.

14 But I'm also -- are you going to look at
15 potential local government agencies across California that
16 have similar complexity. So, for example, Los Angeles,
17 for example, has, you know, an awful lot of functions they
18 have to do.

19 MR. OAK: So we would welcome and encourage
20 your -- the Committee's feedback on that. Again, you're
21 going to have more of an expertise in this specific peer
22 group than we will. We're happy to -- we're happy to do
23 research and come back and present and work with staff to
24 say here's the recommended California based agencies,
25 whether they're local or statewide. To us, they're

1 indifferent as long as philosophically we're aligning to
2 size, complexity, and scope of the job. We would have no
3 issue with including local agencies, if -- and we would
4 think that would be a good idea to include local agencies,
5 to the extent that the complexity and size is similar.

6 BOARD MEMBER SLATON: Exactly. Yeah, so I would
7 recommend that we consider local agencies as well.

8 Thank you.

9 CHAIRPERSON BILBREY: Okay. Mr. Costigan.

10 COMMITTEE MEMBER COSTIGAN: Thank you, Mr. Chair.

11 Actually, my questions were very similar -- or
12 comments very similar to Mr. Slaton's. I am curious as to
13 what the criteria. I mean high-speed rail is a single
14 project that's going to be around for multiple years. Not
15 a lot of staff. Fairly small in the grand scheme of
16 things in the dollar amount. I'm not quite -- let me put
17 it. I struggle with how you look at a contemporary.

18 I mean, University of California. Much smaller
19 fund, CIO makes three times what ours does. Okay. I'm
20 not seeing them as a peer group. You look at the Agency
21 Secretary for transportation, 35,000 employees; DMV, very
22 complex organization; CHP, a law enforcement organization.
23 Okay. Caltrans, thousands of employees deploying billions
24 of dollars of capital. Why do you undervalue an Agency
25 Sector or Deputy Secretary, or not see them as peer?

1 I really do struggle with this, similar to what
2 Mr. Slaton says, you look at the complexities of LADWP,
3 Los Angeles, BART, and others. And yet, you've created --
4 I think part of it is, you know, why did you pick High-
5 Speed Rail? What is so complex about them that you see
6 them as a peer?

7 MR. OAK: So these two specific groups for the
8 CFO were recommended by staff, and we were able to pull in
9 that data. And we just wanted to basically say this is
10 a -- the feedback we wanted to get is on the idea of
11 select California based agencies. So we --

12 COMMITTEE MEMBER COSTIGAN: So what is the --
13 what is the criteria that you're --

14 MR. OAK: That's the questions we have for you is
15 what is the criteria for a peer group that we could use?

16 COMMITTEE MEMBER COSTIGAN: I appreciate that.
17 But as our consultant on this, okay, who lists other
18 organizations, other states, other -- what is the criteria
19 you recommend?

20 MR. OAK: So if you go back to page 14, these are
21 the highlights of the size, complexity, and major focuses
22 of CalPERS. And it may be unlikely that while -- you
23 mentioned there's lots of -- there's other public agencies
24 that are large, complex, and lots of employees, lots of
25 subagencies, lots of dollars, et cetera. The specific

1 roles and responsibilities and functions are going to be
2 different.

3 So while we're looking at pension administration
4 for 3,000 employees, which is a very specific skill set
5 that the banks and insurance companies, et cetera, will
6 have that similar complexity, and the other public
7 agencies likely not. Health benefit purchasing again,
8 you're not going to have that in the other public
9 agencies, customer service, et cetera.

10 So as we think about the specific roles, which I
11 think is maybe the way that we would think about it, so
12 the -- again, the answer that we would come to, and
13 hopefully the answer that -- or the feedback that you'd
14 have is that government agencies for the CFO or the
15 General Counsel and the Chief Actuary might be different
16 from one another, because obviously the -- you might have
17 a comparable CEO function of a large complex organization,
18 but they're not going to have the actuarial function or if
19 they do, it might be much smaller.

20 COMMITTEE MEMBER COSTIGAN: Well and I -- and I
21 understand that this is rabbit hole, because you have
22 general counsels at other agencies and departments that
23 have very complex, you have actuarials at other agencies,
24 Health Care Services, State Fund and others that vary.
25 This is why it's very difficult to do.

1 The same thing is, as Mr. Gillihan raised, one
2 thing I would be curious is when you -- and Mr. Hoffner
3 and I spoke about this last week -- you look at the other
4 public sector pension funds on there, what's their DB?
5 You need to take a holistic approach to what it looks
6 like. I don't know what any Michigan employee is entitled
7 to. I don't know what that Michigan employee or that
8 Georgia employee is entitled to from a vesting standpoint,
9 and what's the value of that.

10 And I don't think you can discount that, because
11 I think there are people that are in public service that
12 are different than being in the private sector. I think
13 there are opportunities that you don't capture here, the
14 opportunity cost. You get a little bit of a -- the
15 CalPERS prestige without really recognizing the value or
16 how do you quantify that value. And if it can't be
17 quantified, that's an appropriate answer.

18 But I think those are things that you've got to
19 look at. And just to have this 3,000 employees, X number
20 of dollars, we're never going to compete with the private
21 sector.

22 So anyway. But Mr. Slaton, I thought your
23 comments, particularly on the local government, are spot
24 on, because that is also a significant problem that the
25 State has, and that local governments are able to pay

1 their employees more than we are to pay our State
2 employees.

3 Thank you.

4 CHAIRPERSON BILBREY: Mr. Hoffner.

5 DEPUTY EXECUTIVE OFFICER HOFFNER: Yeah, if I can
6 just comment to Mr. Costigan's first part of the question.
7 I mean, I think we also recognize that generally having
8 worked in this field for some time that those positions
9 you mentioned, the Secretary of a department that's got
10 35,000 employees, they're not necessarily being paid at
11 market either, and we know that. They're being
12 statutorily, you know, restricted based upon a whole other
13 strata of information.

14 I think what we were looking for is other
15 comparable, large, complex, a SCIF, a Covered California,
16 and some other entities that have more flexibility, as
17 this Board does, in terms of the ability to recruit, and
18 incent compensation, which is a specific statutory
19 authority that you have. And that makes you unique
20 compared to some of the others.

21 So I think there's a combination of those things,
22 and we can't discount the complexity of some of those
23 others, but also know, you know, a Secretary makes
24 \$182,000 running that department. And that's not going to
25 change any time soon probably. And so it doesn't mean

1 that's reflective over their overall value, or what the
2 market would bear should they go to the private success or
3 maybe even local government, but I think it's trying to do
4 a comparison of those things. And so with that, I'm
5 trying to get the feedback that you're looking for in
6 terms of what that base would look like, but understand
7 that there's other opportunities, maybe some other boards
8 and entities that have more flexibility like we do in
9 setting those based on market or comparable market data.

10 CHAIRPERSON BILBREY: Ms. Hollinger.

11 BOARD MEMBER HOLLINGER: Thank you.

12 I'm particularly concerned with gender pay
13 equity. So how do you suggest that we address that
14 concern through this process?

15 MR. OAK: We don't have male versus female in the
16 marketplace. So if we're looking at, for example, the
17 Chief Actuary, we're agnostic to what the gender is and
18 what we're looking at. So if you come to the conclusion
19 that for some reason your males versus females are paid
20 higher or lower than -- versus what the market is --

21 BOARD MEMBER HOLLINGER: But I wouldn't know that
22 unless I see it. But typically are we comparable, for
23 example, in our pay to the CEO in CalSTRS who's a man?

24 MR. OAK: Your pay is less than that, but I don't
25 know what the -- I'm sure that -- I can't speak to whether

1 or not gender is a factor into that.

2 BOARD MEMBER HOLLINGER: Okay. Well, I'd like to
3 see something to see if we see that there's a disparity
4 there. Thank you.

5 DEPUTY EXECUTIVE OFFICER HOFFNER: So I think
6 that could be part of the discussion and bring back
7 material. CalSTRS has a more recently updated incentive
8 comp policy than we do, particularly in these executive
9 management positions, outside of the Investment Office.
10 So as publicly available information, we can, I'm sure,
11 provide that at the next meeting. What do those things
12 look like? Again, we haven't done this salary survey in
13 five years. I think they did theirs 12 to 18 months ago,
14 so factor those things in as well to the overall
15 discussion.

16 BOARD MEMBER HOLLINGER: Thank you.

17 CHAIRPERSON BILBREY: Mr. Slaton.

18 BOARD MEMBER SLATON: Yeah. Doug, building on
19 your point about looking for agencies where there's
20 flexibility, as we have flexibility, to see a little more
21 of market conditions as it relates to the public sector.
22 I would encourage the Committee to look at things like
23 California utilities, as Richard mentioned, so LADWP,
24 BART, SMUD, East Bay MUD all compete against the private
25 sector and have the flexibility to have -- adjust their

1 compensation in similar fashions that we have.

2 If you go broader than -- I don't know if you're
3 talking about going outside of California to look, because
4 we do recruit from outside California, and there's an
5 organization called LPPC, Large Public Power Agency, that
6 is made up of the larges public power agencies in the
7 United States. And they have information that's available
8 as well. So I'd encourage the Committee to broaden that
9 horizon.

10 Thank you.

11 CHAIRPERSON BILBREY: Mr. Feckner, did you want
12 to speak?

13 PRESIDENT FECKNER: No.

14 CHAIRPERSON BILBREY: Okay. So I'm not sure you
15 got clear direction.

16 MR. OAK: So what -- just to summarize what we've
17 heard is that the U.S. and Canadian public plans, it
18 doesn't seem like there's any objections to including
19 those. You would like a specific comparison of CalPERS
20 versus CalSTRS. The banks and insurance companies seems
21 like you would like to see that data. Although, how you
22 factor that in will be a deciding factor in the future.
23 And that what you would like is a clarification on for the
24 California based agencies what's the criteria for
25 including or excluding an organization, are they the

1 organizations that do have authority to set pay, because
2 they are completing with private sector, et cetera, and
3 therefore their market conditions will be more similar to
4 CalPERS.

5 So we'll come back to you with here's the
6 criteria, and then based of that criteria, the
7 organizations that fit the bill. That seems to be the
8 feedback. If we missed anything, please --

9 CHAIRPERSON BILBREY: Including large local
10 agencies.

11 MR. OAK: Yes.

12 CHAIRPERSON BILBREY: Ms. Mathur.

13 VICE CHAIRPERSON MATHUR: Yeah. I think you've
14 hit the nail very well on the head for California based
15 agencies. One other factor though is whether they're
16 governed by boards. I think that would be -- that's an
17 important component. And so I'll just add that.

18 CHAIRPERSON BILBREY: Thank you. That's a good
19 addition.

20 MR. OAK: Okay.

21 CHAIRPERSON BILBREY: All right. Seeing no one
22 else wishing to speak, we can move forward.

23 MR. OAK: So that's it from us, unless you wanted
24 to talk about the pay levels that were here, but these
25 were preliminary and they will obviously change with the

1 peer groups. So thanks so much for your time.

2 CHAIRPERSON BILBREY: Thank you. Seeing no other
3 requests to speak. We'll move on.

4 Next, Item 6, the Primary Executive Compensation
5 Consultant Request for Proposal.

6 DEPUTY EXECUTIVE OFFICER HOFFNER: Thank you, Mr.
7 Chair. Doug Hoffner, CalPERS staff.

8 I'm going to bring up Tina Campbell, our new head
9 of Human Resources. So while she's been with us for a few
10 months, and you saw her at the off-site in July, this is
11 her first Performance, Comp and Talent Management
12 Committee and presentation. So I wanted to welcome Tina
13 to the dais today.

14 CHAIRPERSON BILBREY: Welcome, Tina.

15 DEPUTY EXECUTIVE OFFICER HOFFNER: And she'll
16 walk through this agenda item.

17 HUMAN RESOURCES DIVISION CHIEF CAMPBELL: Okay.
18 Good morning, members of the Committee. Tina Campbell,
19 CalPERS staff. Item 6 is an action item. In response to
20 the Committee direction, staff is seeking formal approval
21 to initiate a competitive selection process to engage a
22 consultant to be the Board's primary executive
23 compensation consultant.

24 The primary consultant will provide ongoing
25 expertise to the Committee and Board, including

1 consultation and compensation, program structure, as well
2 as program and policy administration. The detailed
3 proposed scope of services has been provided for your
4 review in Attachment 1.

5 Based on the consultation with the Committee
6 Chair, the proposed -- the proposed RFP competitive
7 selection process would include a subcommittee of the
8 Performance, Compensation and Talent Management Committee
9 to conduct, in a noticed open session meeting, the review,
10 evaluation, scoring of the RFP responses. The
11 subcommittee would also conduct finalist interviews and
12 recommend final selection of the primary executive
13 compensation consultant to the Board of Administration.

14 Staff recommends the Committee approve the
15 issuance of the primary executive compensation consultant
16 Request for Proposal, proposed scope of services, and
17 selection process.

18 This concludes my presentation, and I welcome any
19 questions. Thank you.

20 CHAIRPERSON BILBREY: This is an action item.

21 COMMITTEE MEMBER COSTIGAN: I'll move it.

22 VICE CHAIRPERSON MATHUR: Second.

23 CHAIRPERSON BILBREY: Moved by Costigan, seconded
24 by Mathur.

25 Any discussion on the motion?

1 Seeing none.

2 All those in favor say aye?

3 (Ayes.)

4 CHAIRPERSON BILBREY: Opposed?

5 Motion carries. Thank you.

6 And now we're at public comment. I have no
7 requests to speak, so this Committee meeting is adjourned.

8 (Thereupon the California Public Employees'

9 Retirement System, Board of Administration,

10 Performance, Compensation, & Talent Management

11 Committee meeting adjourned at 9:18 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, Performance, Compensation & Talent Management Committee 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 24th day of August, 2015.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
License No. 10063