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, DECEMBER 15, 2015

11:40 A.M.

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, represented by Ms. Katie Hagen

Mr. Ron Lind

Ms. Theresa Taylor

BOARD MEMBERS:

Mr. Rob Feckner, President

Ms. Dana Hollinger

Mr. Bill Slaton

Ms. Betty Yee, represented by Ms. Lynn Paquin

STAFF:

Ms. Anne Stausboll, Chief Executive Officer

Mr. Doug Hoffner, Deputy Executive Officer

Mr. Matthew Jacobs, General Counsel

Ms. Tina Campbell, Chief, Human Resources Division

Ms. Carol Takehara, Committee Secretary

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

2           CHAIRPERSON BILBREY:  Call the meeting of the

3    Performance, Compensation and Talent Management Committee

4    to order.

5           First off, call the roll, 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:  Katie Hagen for

14   Richard Gillihan

15          ACTING COMMITTEE MEMBER HAGEN:  Here.

16          COMMITTEE SECRETARY TAKEHARA:  Ron Lind?

17          COMMITTEE MEMBER LIND:  Here.

18          COMMITTEE SECRETARY TAKEHARA:  Priya Mathur?

19          VICE CHAIRPERSON MATHUR:  Here.

20          COMMITTEE SECRETARY TAKEHARA:  Theresa Taylor?

21          COMMITTEE MEMBER TAYLOR:  Here.

22          CHAIRPERSON BILBREY:  Next, the Executive Report,

23   Mr. Hoffner.

24          DEPUTY EXECUTIVE OFFICER HOFFNER:  Thank you, Mr.

25   Chair and members of the Committee.  Doug Hoffner, CalPERS

1    staff.  Today, with me is Tina Campbell, head of the Human

2    Resources Division at CalPERS.  We've got one action

3    consent item and then one information item two strategic

4    measures.  We're looking for the Committee to affirm those

5    measures, one relates to turnover, both internally and

6    externally, within the organization, which is fairly

7    consistent with what you've been hearing from us in the

8    last say six months in terms of reports, in terms of the

9    off-site, the workforce strategic plan and others.

10          We've got a little bit of a different view of the

11   data today, and staff is handing out a hard copy just to

12   make sure we don't have any technical difficulties with

13   the PowerPoint as we present.

14          And then the second piece of that relates to

15   Organizational Health Index, and the two surveys we've

16   done in 2010 and 2013.  I don't have new data for that

17   today, but we're teeing up where we're going to be --

18   proposed to be going in 2016 with our third consecutive

19   survey with a target for increased improvement in a

20   variety of categories.  So with that, that concludes my

21   report and happy to move on to the next item.

22          CHAIRPERSON BILBREY:  Thank you.

23          Next item, consent items, action.

24          Mr. Boyken.

25          ACTING COMMITTEE MEMBER BOYKEN:  Thank you.  We

1  had a request to separate the action consent items, so I'm

2  going to move approval of Item 3a.

3          VICE CHAIRPERSON MATHUR:  Second.

4          CHAIRPERSON BILBREY:  It's been moved by Boyken,

5  seconded by Mathur for 3a.

6          Any discussion on the motion?

7          Seeing none.

8          All those in favor say aye?

9          (Ayes.)

10         CHAIRPERSON BILBREY:  Opposed?

11         Motion carries.

12         Mr. Boyken.

13         ACTING COMMITTEE MEMBER BOYKEN:  I'll move 3b.

14         VICE CHAIRPERSON MATHUR:  Second

15         CHAIRPERSON BILBREY:  Moved and seconded 3b.

16         All -- any discussion on the motion?

17         VICE CHAIRPERSON MATHUR:  Yes.  Thank you.  I

18  just noted on -- and you may have already caught this, but

19  on page five of 37, under the listing of investment

20  executives and managers, I think there's just a typo.

21  There should be a couple of enters, one after Managing

22  Investment Director, and after Senior -- after --

23         CHAIRPERSON BILBREY:  Formatting issues.

24         VICE CHAIRPERSON MATHUR:  Yeah, formatting

25  issues.  There should a few more bullet points.  There are

1  a couple of things that have been grouped.

2          DEPUTY EXECUTIVE OFFICER HOFFNER:  Thank you.

3  We'll --

4          VICE CHAIRPERSON MATHUR:  Or they haven't been

5  deleted or something.

6          DEPUTY EXECUTIVE OFFICER HOFFNER:  Okay.  We'll

7  address those changes.

8          VICE CHAIRPERSON MATHUR:  Thank you.

9          CHAIRPERSON BILBREY:  Any other discussion?

10          Seeing none.

11          All those in favor say aye?

12          (Ayes.)

13          CHAIRPERSON BILBREY:  Opposed?

14          Showing one abstention by CalHR.

15          Thank you.

16          Next Item 4, consent items, informational

17  consent.  Having no one asked for anything to be pulled,

18  we'll move on to Item 5, information item.  Human

19  Resources Strategic Measures.

20          Ms. Campbell.

21          DEPUTY EXECUTIVE OFFICER HOFFNER:  Thank you, Mr.

22  Chair.  So again, I will tee this up.  And then Tina and I

23  are going to split up the measures.  So she'll talk about

24  the employee turnover, both internally and externally,

25  looking at that across classifications and career stages

1  within the organization.  We're going to see a couple new

2  things we haven't presented historically to you before in

3  the last year and a half.  And then I'm going to tackle

4  the Organizational Health Index portion of the measures at

5  the end.

6        I did want to highlight just to the fact that

7  we've had, you know, four or five other measure

8  presentations today that I think when I talk about this

9  and think about these turnover pieces, we think about, you

10  know, the human capital of CalPERS and the organization as

11  being what drives us to be successful.  And it is a key

12  indicator of how well we're going to be able to do things

13  in the future.  We talk about that talent all the time.

14  And I think as we explore this turnover measure, we're

15  going to get a better view as to what that looks like

16  internally and externally, but by generations.

17        And I think in the future we may be able to

18  extrapolate that, depending on what this measure looks

19  like in terms of the level and percentage of change may

20  have implications or be a view into implications of the

21  other measures that have been presented.  So customer

22  service, could we see a correlation to impacts there

23  depending on what happens with our staff, both those

24  leaving, promoting, retiring and developing internally?

25        So with that, I just want to -- I'll turn this

1  over to Tina for the presentation, and happy to interject

2  throughout the process.

3            Thank you.

4            (Thereupon an overhead presentation was

5            presented as follows.)

6            HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  Good

7  afternoon, members of the Committee.  Tina Campbell,

8  CalPERS staff.  Today's presentation will focus on two

9  type of employees turnover --

10                          --o0o--

11            HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  --

12  external movement and internal movement.  We will also

13  examine employee movement by career stage, as well as

14  generation, as Doug alluded to earlier.

15            The external movement rate, or EMR, represents

16  the percentage of employees who left CalPERS.  These

17  include voluntary separations, transfers or promotions to

18  other State agencies and permanent separations to other

19  employers, involuntary separations, which are completed

20  limited term appointments and discharges, as well as

21  retirements.

22                          --o0o--

23            HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  The

24  internal movement rate, or IMR, represents the percentage

25  of employees that transfer and promote within CalPERS.

1   Employee turnover data is expressed and reported in fiscal

2   year increments and reported to the CalPERS Board of

3   Administration on an annual basis.  We are currently

4   reviewing employee movement over the last three fiscal

5   years to determine trends for areas where we have

6   successes as well as areas where we may be experiencing

7   challenges.

8                     --o0o--

9         HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  Okay.

10   To put employee -- let's see.  Here we go.  To put

11   employee turnover into context, I'd like to first start

12   off by providing you with an overview of the CalPERS

13   workforce and the various employee movements that took

14   place during fiscal year '14-'15.

15         CalPERS had a total of 2,731 positions.  And

16   during this period, we had 258, or 9.4 percent, internal

17   promotions.  One hundred thirty-two, or 4.8 percent,

18   internal transfers.  We had 52, or 1.9 percent,

19   retirements.  And we had 188, or 6.9, separations.  Again,

20   those separations are folks that left CalPERS.

21                     --o0o--

22         HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  So the

23   next slide.  Okay.  So we consider CalPERS employee

24   turnover to be healthy.  We are one of the leading State

25   departments in succession planning, and long recognized

1  our employees are our greatest asset.

2          Human Resources offers a variety of talent

3  management and employee engagement programs in order to

4  recruit, retain, develop, and empower a broad range of

5  talents.  These initiatives attest to our high average

6  retention of approximately 90.3 percent.  Please note that

7  there was a minor typo on page four of the agenda item.

8  It states a 92.4 percent retention rate, but the correct

9  retention rate is actually 92.3.

10                         --o0o--

11          HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  Okay.

12  So in this graph, we show for the last three fiscal years,

13  the external movement of staff from CalPERS.  As

14  previously stated, external movement includes employee

15  separations and retirements.  Last year, we compared our

16  turnover rate to the Bureau of labor Statistics, State and

17  local government turnover rates, and the Society for Human

18  Resources Management, also referred to as SHRM, for

19  government turnover rates.  This year, we added the

20  California State Teachers' Retirement System turnover

21  rates, since they are the most comparable State agency to

22  CalPERS.

23          For fiscal year '14-'15, CalPERS experienced 52

24  retirements and 188 separations, which resulted in a

25  turnover rate of 8.7 percent.  Our three-year average

1   between fiscal year '12-'15 was 7.7 percent.  Although

2   there was a slight upward trend in our turnover rate, we

3   remained consistently below the Bureau of Labor Statistics

4   State and local government turnover rate, and about the

5   same when compared to SHRM government turnover rate, as

6   well as CalSTRS turnover rate.

7         Based on these comparisons and our ability to

8   continue to meet service levels with our customers,

9   provide promotional and development opportunities for our

10   staff, and bolster our succession planning efforts, we

11   consider our overall turnover rate to be healthy.

12         We will continue to monitor our turnover rate,

13   and if we notice a change in five percent or more, then we

14   will evaluate and determine if any adjustments are needed.

15   So, at this time, we feel like we're in a pretty good

16   place.

17         DEPUTY EXECUTIVE OFFICER HOFFNER:  So let me

18   interject real quickly there.  So as the other measures,

19   we did not establish a specific target in terms of what

20   that should be, but looking at it time from a range.  And

21   so effectively saying, looking at a three-year average, we

22   think if we see movement that goes up or down by, let's

23   say, five percent above that threshold, would be some

24   considerable change happening within the organization.

25         What's underlying some of this -- of course, we

1   could dive deeper into a particular area of the

2   organization, or by classification, and we're going to --

3   we're going to get to that in a minute.  But I just want

4   to leave the Committee with the fact that we didn't target

5   a specific, you know, 8.9 percent, given -- or something

6   to that effect, given that it would be -- you know, there

7   would be change every time we report on this.

8           And so what's that healthy range that we should

9   be following in is kind of where we want to find

10  ourselves.  And I think it's -- you know, given kind of

11  where we sit with these other entities, it's quite, you

12  know, unique that we're almost all within a couple tenths

13  of a percent, even our closest, most likely, department a

14  couple miles away.

15          HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  Thanks,

16  Doug.

17                          --o0o--

18          HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  Okay.

19  So on this graph, we show for the last three fiscal years

20  the internal movement of staff within CalPERS compared to

21  CalSTRS.  As previously stated, internal movement includes

22  transfers and promotions.  And for fiscal year '14-'15,

23  CalPERS experienced 132 transfers, 258 promotions, which

24  resulted in 14.2 percent internal movement.

25          This is a slight decrease from the previous year,

1 where internal movement was 18.3 percent. However, one of

2 the contributing factors for this decrease was the number

3 of positions that were added to the workforce to support

4 business objectives and reduce the use of consultants.

5 During fiscal year '13-'14, 125 new positions were added,

6 while during fiscal year '14-'15 only 31 new positions

7 were added.

8 Looking at recent transfers and promotions

9 between July and November of 2015, we've experienced 152

10 promotions and 54 transfers totaling 205. At this same

11 time last year, we only had 94 promotions and 58 transfers

12 totaling 152. Assuming we continue at this pace, we

13 anticipate seeing a slight upward trend in our internal

14 movement for fiscal year '15-'16.

15 Since we consider internal movement to be

16 positive, we do not establish thresholds and some of those

17 are for obvious reasons. I mean, we want people to

18 promote and move. And so whether they do that a lot or

19 not is kind of -- they're in control of that, but we will,

20 however, continue to monitor this movement and address as

21 necessary, kind of to Doug's point earlier as well.

22 Overall, our internal movement rate has

23 consistently been higher than our external movement rate.

24 And this trend reflects CalPERS commitment to retain and

25 develop top talent internally. CalPERS supports an

1  environment that values career mobility and encourages

2  staff members to pursue appropriate opportunities to

3  foster their career development.

4          In addition to the 100 web-based classes and 66

5  unique instructor-led training opportunities available to

6  our staff, our career services unit is a dedicated

7  resource that offers tailored development services for our

8  staff as well.

9                          --o0o--

10          HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  Okay.

11  Here we place staff in a career stage based on their

12  classification.  So this is something a little bit

13  different for this year as well.

14          Career stages include office and support staff,

15  entry and intermediate analyst, advanced analyst, managers

16  and supervisors and senior management and executives.  As

17  you may recall, our average turnover for the last three

18  fiscal years was 7.7 percent.  During this period, the

19  majority of external exits were from the entry and

20  intermediate career stages, and we experience low turnover

21  from the advanced analyst, managerial supervisory, and

22  executive career stages.

23          Within the entry and intermediate analyst career

24  stage, the highest external movements came from our

25  Customer Support Services Branch.  However, this branch

1   also has a relatively low average vacancy rate of four

2   percent for fiscal year '14-'15.

3         This branch is also our largest branch at

4   CalPERS, and we feel that effective recruitment and hiring

5   practices, along with focused emphasis on knowledge

6   transfer and documented processes are minimizing possible

7   risk to service levels in this area.

8                             --o0o--

9         HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  When

10  looking at internal movement by career stage, we also

11  noticed similar trends.  Over the 16.3 percent of the

12  workforce that transferred and promoted within CalPERS,

13  the majority of them were in the entry and intermediate

14  career stage.  This career stage is the largest group,

15  making up approximately 55 percent of the total workforce.

16  So we expect to see more external and internal movement

17  from this group.

18        Many of these classifications are general

19  mid-level career positions and these staff may be seeking

20  advanced, analyst, or managerial opportunities.  In

21  addition, staff in this career stage are more widely used

22  within the enterprise and at other State agencies, which

23  provides more job opportunities to expand their knowledge

24  base.

25        Generally, classifications in this group are not

1  difficult to recruit for and generate a robust applicant

2  pool.

3          The advanced analyst, managerial, supervisory,

4  and executive career stages experience lower internal

5  movement.  There are limited positions in these career

6  stages.  And since they are typically difficult to fill,

7  it is desirable to see lower movement from these groups.

8  This is a trend that we expect to continue to see as it

9  reflects CalPERS commitment to retain and develop top

10 talent internally, which also contributes to increased

11 morale and productivity, employee engagement in our

12 succession planning efforts.

13                          --o0o--

14          HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  Okay.

15 Here, we look at employee movement by generation in the

16 last fiscal year.  This is a new way for us to look at

17 turnover.  The CalPERS workforce is currently comprised of

18 four generations, the Millennials, Generation Xers, Baby

19 Boomers and Traditionalists.  These demographic breakdowns

20 are based on CalHR definitions for consistency purposes.

21          Millennials are the youngest generation.  And

22 during fiscal year '14-'15, there was an average of 535

23 Millennials.  Of this, 6 percent, or 166, promoted or

24 transferred within CalPERS, and 1.6 percent, or 45, left

25 CalPERS.

1          Generation Xers are currently the largest

2   population of the four generations making up almost half

3   of the CalPERS workforce at 47.9 percent in 2014.  During

4   '14-'15, there was an average of 1,198 Generation Xers.

5   Of this, 6.2 percent, or 171, promoted or transferred, and

6   3.6 percent, or 97, left CalPERS.

7                            --o0o--

8          HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  During

9   '14-'15, there was an average of 762 Baby Boomers.  Of

10  this, 1.9 percent, or 53, promoted or transferred within

11  CalPERS, and 3.3 percent, or 91, left CalPERS.  Of the

12  Baby Boomers that left during this period, 49 of those

13  were retirements.

14          Traditionalists are currently the smallest

15  population of our generation.  During fiscal year '14-'15,

16  there was an average of three traditionalists.  And of the

17  three, one left CalPERS.

18                           --o0o--

19         HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  Some

20  additional insights we observed -- sorry, go back here.

21         Some additional insights we observed were our

22  Generation Xers and Baby Boomers displayed the highest

23  amount of external movement during fiscal year '14-'15.

24  This is a trend we expect to continue to see, since the

25  Generation Xers make up the largest portion of the CalPERS

1   workforce.  Baby Boomers did not engage in as much

2   internal movement when compared to the Generation X and

3   Millennials.  This is another trend that we expect to

4   continue to see as more and more Baby Boomers approach

5   retirement and exit the workforce.

6           When compared to internal movement, the

7   Generation Xers and Millennials experienced the highest

8   amount of transfers and promotions.  An increase in

9   internal movement of these two generations is a reflection

10  of workforce health, increased tenure, and employee

11  retention, as well as support succession planning and

12  knowledge transfer.  These movements can also mitigate

13  effects of current and future Baby Boomer retirements as

14  it continues to build our bench strength.

15          As previously presented in the Human Resources

16  Management risk update in October of 2015, 4.4 percent of

17  CalPERS employees are expected to retire.  This is based

18  on the average employee retiring at age 55 with 23 years

19  of State service.  We also anticipate that the Millennials

20  will become the largest generation at CalPERS in the

21  coming years.

22          According to the Pew Research Center, Millennials

23  became the most prevalent generation in the U.S. workforce

24  in 2015.  While no generation matters more than another,

25  knowing more about this demographic is beneficial for

1    succession planning efforts here at CalPERS.  A recent

2    study conducted by Ernst & Young discovered that

3    Millennials are expected to significantly grow their

4    managerial skills by 2020.  And the onus is on companies

5    to provide them with equitable opportunities to gain the

6    right mentors, career experiences, and training to

7    capitalize on this potential.

8            One challenge that we see with this group is that

9    since we have low turnover in our managerial and

10   supervisory group, we may not have enough opportunities

11   for these Millennials as they begin to progress in their

12   careers.

13           However, CalPERS continues to offer training and

14   development opportunities to help prepare staff for the

15   next level in their career.  For example, Human Resources

16   is currently developing a new training program called

17   Emerging Leader, which we will -- which we'll prepare

18   non-supervisory employees for future leadership roles.

19           There also plans to expand the succession

20   planning program to the Staff Services Manager III level

21   and equivalent to strengthen our talent pool for the

22   division chief and investment director level positions.

23           So, in conclusion, during '14-'15, CalPERS

24   promoted 258 employees, 132 employees transferred.  We

25   processed 510 new hires, which resulted in over 54,000

1   applications, which we believe is a testament that CalPERS

2   is a destination employer.  We offered 289 training

3   courses in which 4,778 employees participated.  We

4   recognized 1,645 of our employees with the Achieving

5   CalPERS Excellence, also known ACE, Award that recognizes

6   individuals or teams who demonstrate excellence.

7           Human resources, through the support of our

8   executives, offers a variety of talent management and

9   employee engagement programs in order to recruit, retain,

10  develop, and empower a broad range of talents.  These

11  initiatives attest to our high average retention of

12  approximately 92.3 percent.  These efforts ensure CalPERS

13  continue to be a destination employer.

14          This concludes my report on employee turnover

15  measure.  I'm happy to answer any questions or hear any

16  feedback that you may have.

17          CHAIRPERSON BILBREY:  We have a few questions.

18  Before we go to that, I want to welcome to the Committee

19  Mr. Slaton, Ms. Paquin for Controller Yee, and Ms.

20  Hollinger and Mr. Feckner got away.

21          Ms. Hagen.

22          ACTING COMMITTEE MEMBER HAGEN:  Thank you.  I

23  tried to ring in early, because I want to be the first to

24  congratulate you on a job well done.  You guys have made

25  tremendous -- or you gals, I should say, have made

1    tremendous -- Doug, I know where the work is done, come

2    on.

3              (Laughter.)

4              CHAIRPERSON BILBREY:  You set yourself up, Doug.

5              (Laughter.)

6              ACTING COMMITTEE MEMBER HAGEN:  Congratulations.

7    You guys have gotten really sophisticated in the months

8    since I've reviewed the performance measures.  So

9    congratulations.  I can see all the work that went into

10   this.

11             I did have one question.  I can't remember if we

12   reflect involuntary separations in the separation rate?

13   Is that included in the separations?

14             HUMAN RESOURCES DIVISION CHIEF CAMPBELL:

15             Involuntary separations?

16             ACTING COMMITTEE MEMBER HAGEN:  Right.

17             HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  Yeah.

18   We consider that, what we call, our external.  So anything

19   involuntary is in there.

20             ACTING COMMITTEE MEMBER HAGEN:  It is  included

21   then?

22             HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  Um-hmm.

23             ACTING COMMITTEE MEMBER HAGEN:  Okay.  Great.

24   Thank you.

25             HUMAN RESOURCES DIVISION CHIEF CAMPBELL:  You're

1   welcome.

2          CHAIRPERSON BILBREY:  Thank you.

3          Mr. Slaton.

4          BOARD MEMBER SLATON:  Thank you, Mr. Chair.  Let

5   me get the -- borrow your handout here.  So just one

6   question.  And this is great work.  You know, it's a great

7   way to look at our Human Resource, and, you know, it's so

8   important to accomplishing the mission of CalPERS.  So

9   this is a great report and very easy to understand.  But I

10  do want to -- I have a question page seven, which is the

11  external movement by career stage.

12         And it seems to me, if I'm looking at the chart

13  on the -- the bar on the right, where you've taken the 7.7

14  percent and broken it out by employee category, and you

15  pointed out 52 percent of those are entry and intermediate

16  analysts, but the number of people that hold those

17  particular positions are very different in terms of

18  quantity.

19         So it seems to me that what might be more

20  informative would be to see that what percent of that

21  group did you have make an external movement?  So what

22  percent of senior management and executives did

23  you -- did -- moved externally.  So, to me, that would be

24  more meaningful than seeing it broken out this way.

25         DEPUTY EXECUTIVE OFFICER HOFFNER:  Sure.  Yeah.

1   So this one is the breakout of 188 plus the 52 versus

2   the -- I don't know what total number make up the entry

3   and intermediate analysts, but we could do that, yeah.

4           BOARD MEMBER SLATON:  Yeah, because then we'd

5   actually see the impact in a particular employee group.

6           DEPUTY EXECUTIVE OFFICER HOFFNER:  Right, that's

7   helpful.

8           BOARD MEMBER SLATON:  Thank you.

9           DEPUTY EXECUTIVE OFFICER HOFFNER:  Thank you.

10          CHAIRPERSON BILBREY:  Ms. Mathur.

11          VICE CHAIRPERSON MATHUR:  Thank you.  I just want

12  to add my congratulations, because I think this is a very

13  clear, crisp way of presenting the information.  And I

14  think it really does help us to understand how our

15  employees are moving and where we might have hot spots or

16  not.  In this case, I'm not sure that -- no alarm bells

17  are going off for me as a result of this report.  That's a

18  good thing.  And it says to me that we're doing a lot of

19  the right things to make this not only a destination

20  employer, but also to help our own employees progress in

21  their own careers within the organization.  And that's

22  really one of our goals.

23          One question I have for you is, is there sort of

24  a sweet spot of how many -- you want to have -- you want

25  to be able to promote from within, but you also want to

1   have some amount of influx from the outside as well, in

2   order to refresh. So you want both to preserve the

3   culture and to refresh some of the thinking at the same

4   time.

5         Is there sort of a sweet spot? Is there a target

6   we should be targeting for -- or ratio we should be

7   targeting --

8         HUMAN RESOURCES DIVISION CHIEF CAMPBELL: For

9   bringing in the external?

10         VICE CHAIRPERSON MATHUR: -- for bringing in

11   external versus promoting from within and keeping people

12   within the organization?

13         HUMAN RESOURCES DIVISION CHIEF CAMPBELL: Yeah.

14   To answer your question, as far as is there an actual

15   number or that sweet spot? I'm not sure that I would say

16   that there is. It does feel like what we're doing, we're

17   doing right. We have seen some new staff come in and

18   actually be very innovative and creative, and so we

19   realize that we need that. I think that for me what stood

20   out in this information is all the internal movement and

21   the promotions and the knowledge transfer that's going on,

22   even though -- obviously, when we have those separations,

23   we do have new employees coming in, and I think that maybe

24   we could add that in here just to see what the mix is as

25   far as the new coming in, other than just kind of

1  recycling ours.

2     But we obviously do new hires.  And I don't know

3  that we have -- or if there's even an industry standard,

4  but we can look into, you know, what would be that number

5  that you want to make sure you're refreshing your pool.

6     VICE CHAIRPERSON MATHUR:  It would just be

7  interesting to know if there's any research that's been

8  done, because obviously we really -- I really hold our

9  culture here so sacred.  I mean, I think it's so important

10  what we've created here, so I don't want to -- I obviously

11  don't want to lose that.  And yet, it is helpful to have

12  some new thinking come in and challenge some of the status

13  quo, and, you know, to add to the level of discourse

14  within an organization.

15     So it's just something that I'm curious about and

16  I think we -- you know, maybe as we continue to evolve

17  this we should think a little bit more about.

18     HUMAN RESOURCES CHIEF CAMPBELL:  Yeah, definitely

19  we'll add that.  Thank you.

20     VICE CHAIRPERSON MATHUR:  Thanks.

21     CHAIRPERSON BILBREY:  I also want to add my

22  comments about what a terrific report.  I've been sort of

23  watching the Millennial, Generation X work for about the

24  last five years now.  And we seem to be right in line.

25  One of the things that actually that is interesting is we

1 seem to have more than the average on the end of

2 Millennials and Generation X than most companies and

3 corporations, which is actually a good thing.

4 I'm also interested that the percentage is a

5 little lower than I would have expected as far as exiting

6 CalPERS from the Millennials, because they are -- it is

7 said they are -- to tend to start somewhere, get a little

8 footing and then want to move and be mobile. So we're

9 doing something probably very good here on that.

10 I think also you're going to see, in the next

11 five years, probably an influx of new people because of

12 the Baby Boomers and those who will be exiting the

13 workforce at greater lengths. So I think we're -- I think

14 we're kind of at a good average here when you look at

15 these numbers, and really promising for what our future is

16 with our employee in CalPERS. So thank you all for the

17 work you've done.

18 Seeing no other questions.

19 DEPUTY EXECUTIVE OFFICER HOFFNER: Okay. That's

20 a transition to the organization health. So I think -- I

21 appreciate that. I think some of the comments it's almost

22 like an art versus a science. And I'd say we have the

23 data in this side, and then we're going to talk a little

24 bit about what we've actually heard from the employees in

25 going back to the last two surveys. And I think, Priya,

1    you hit on this, you talked about sort of -- we're talking

2    about -- talk about innovation.

3                          --o0o--

4           DEPUTY EXECUTIVE OFFICER HOFFNER:  And we're

5    going to talk about some of the feedback we've received.

6           So basically, in 2010 and 2013, we had two

7    organizational surveys.  This went out to all the

8    employees.  And in 2010, we had, I think, 95 percent of

9    the employees participate.  So 95 percent of - I don't

10   know - let's say 2,500 at the time or so, quite dramatic.

11   Nothing that the third-party vendor we had brought in to

12   help do this had ever seen before in any public, private,

13   non-profit anywhere.

14          And they've done, I think -- had about a million

15   people run through their survey at that time.  In 2013, we

16   had 81 percent participation by the employees again.

17   Quite dramatic, and again, industry leading.  The things

18   that they come up with is in organizational health score

19   is sort of what's the health culture of the organization

20   and break it down by categories.  What we did here was we

21   focused on two specific things that came across as the

22   enterprise sort of focus.  These were culture and climate.

23   And as we break into these categories that are less visual

24   than the prior presentation --

25                          --o0o--

1          DEPUTY EXECUTIVE OFFICER HOFFNER:  -- but we're

2     working on that.  Culture and climate you can see both in

3     2010 and 2013 were highly rated within the organization.

4     And then we also looked at innovation and learning.  And,

5     you know, not as high, but opportunity to improve.  And so

6     what the survey mechanism talks about is there's sort of

7     four or five base underlying questions that align to each

8     one of these culture climate or innovation and learning

9     categories.  And so we'll talk about that in a minute.

10          But it essentially has the employees provide

11     feedback to managerial and other practices within the

12     organization.  So do you see your boss doing these types

13     of things?  Are they innovative?  Are they constant

14     learners and some of that kind stuff.  So they don't all

15     exactly roll up, but it does speak to feedback we've seen

16     from the employees.

17          And I like to mirror that with what we're seeing

18     in terms of the hard data on an annual basis.  Is what

19     they're telling us consistent with what they're doing?

20     Are they promoting, are they leaving, are they walking

21     out, or -- you know, what's -- what are the statements and

22     then what does it actually look like in terms of the

23     reality that's occurring within the organization

24                              --o0o--

25          DEPUTY EXECUTIVE OFFICER HOFFNER:  And so what

1     we're going to see here is -- and I'm going to break down

2     a couple of the definitions just to make it a little more

3     helpful.  Under culture and climate -- just because these

4     aren't our definitions, they're done by the third-party

5     consultant.  All this information flows through them.  So

6     essentially we don't have the data by individual.  It's

7     all disaggregated at that point.

8           But culture and climate is a way an organization

9     cultivates a clear, consistent set of values and working

10     norms that foster effective workplace behavior.  And then

11     Innovation of learning category is a way that an

12     organization encourages and harnesses new ideas, including

13     everything from radical innovation to incremental

14     improvement, so the organization can effectively evolve

15     and grow over time.

16           And so we put our emphasis as a leadership team

17     on these two.  One culture and climb was one of the

18     highest rated we in the group, and innovation and learning

19     is something we thought we can improve upon, and endeavor

20     to do so.

21           Since that time, we've looked at innovation.  And

22     what the staff basically said was you actually were doing

23     a good job, CalPERS, of bringing in external innovation or

24     top-down innovation, but we -- but the employees felt that

25     we could do better with a bottom-up approach more

1    in-house, more organic.  And it kind of speaks to the sort

2    of knowledge transfer and some of those opportunities.

3            So, I think, we took that on as an approach to

4    say how do we get feedback and hear from our employees in

5    terms of what they think we can do to be more efficient,

6    more effective.  And this can be across the enterprise.

7    This could be a unit level within CalPERS.

8            And so what we've effectively done is establish

9    an innovation internal program here that's basically

10   allowing staff, and we're rolling this out, after the

11   pilot phases, to essentially engage with us on their

12   thoughts and comments about what it is that they think can

13   be improved at CalPERS.

14                           --o0o--

15           DEPUTY EXECUTIVE OFFICER HOFFNER:  And so what

16   we've done there is establish teams that are

17   cross-functional.  We base this on volunteers up and down

18   the organization.  So different folks from different

19   divisions and ranks in the organization got to participate

20   and are participating.  But we also said we need to have

21   more of a rigor and focus here.

22           So as an idea comes in, we want to make sure we

23   vet it.  And if it's got a budget impact, we want to make

24   sure we understand that.  And if not, maybe it's something

25   that can be done at the lowest levels within the

1  organization, and move forward with.

2          So we effectively heard from staff.  We've

3  piloted this program.  We're going to ramp it up and send

4  it out basically starting in January in phases to the rest

5  of the organization.  But effectively, it's allowing us to

6  get that incremental feedback from a wide variety of

7  people in the organization about what they think can be

8  improved or enhanced within the organization.  This could

9  be customer service levels.  It could be sustainability.

10 It could be better practices.  It doesn't have to be

11 technology necessarily.  It can be very incremental

12 things, some of which you have seen.

13          Even the bathrooms that have got the little

14 stickers now that say, hey, take less, conserve more.

15 These are concepts and thoughts that have come forth by

16 various members of the organization about how to just

17 change your thoughts about how we might do things here in

18 the organization, many of which also translate to your

19 work at home and other places outside of CalPERS.

20          So within this culture and climate category, you

21 can see here there's four specific questions that get

22 ranked.  Not all exactly tie to an innovative

23 organization.  This internally competitive is a little

24 more probably private sector focused about how internally

25 competitive we are in an organization.

1          But three out of the four, strictly sort of tie

2   to be more creative, be more innovative, and more trusting

3   and collaborative in the nature.  So you can see how we

4   ranked across four of those things that rolled up into one

5   total score.  Operational discipline quite high

6   consistently across two periods of time.  The others are,

7   you know, within a point or two, and then sort of a --

8   internally competitive is a fairly, you know, the base

9   dispersion of data right there.

10          So we're going to see what that looks like in

11  2016 when we do our next survey, and we're looking for a

12  five percent incremental change in these categories at the

13  higher level for innovation.  So that's our target for

14  2016.  We'll do the survey in April.  And we're

15  effectively looking at results by the end of this fiscal

16  year.  And then we'll have, as we role into our next

17  strategic plan discussions, what is that work product

18  that's going to come up from that.  And that will flow

19  from all of basically July of '16 through the next year or

20  so.  Kind of a Rapid Results kind of perspective.

21          And that's kind of where we end up looking to be

22  going in terms of getting that feedback from the

23  employees.  So we want to see if what we've done has been

24  one branded as well as identified by the staff.  And then

25  it translates to them actually providing that feedback to

1  us in terms of that anonymous survey across the

2  organization.

3                         --o0o--

4          DEPUTY EXECUTIVE OFFICER HOFFNER:  So again, part

5  of the program is cross collaborative, improving

6  performance, we're launching it after the pilot has been

7  worked out with enterprise-wide distribution.  And the

8  idea there is suggestions and comments across the

9  organization.  We could do town-hall forums.  We could do

10  other vehicles to use challenging comments to focus the

11  staff on particular things we want them to provide

12  solutions for, across a wide range of subject matters.

13                         --o0o--

14          DEPUTY EXECUTIVE OFFICER HOFFNER:  So effectively

15  that's -- we're looking to implement five percent targeted

16  for new improvement, and then provide future updates to

17  you as that data comes in from that point in time.  I

18  would also like to highlight that we're also looking to,

19  in combination with what Tina talked about is do surveys.

20  This is a grand scale, right?  These are large surveys.

21  You're only supposed to do them every couple of two, three

22  years to do a lifecycle survey though.

23          So as new employees come on, transition, and/or

24  exit the organization, we're hitting the points in time

25  where they're having that sort of transitional period with

1  CalPERS.  And right now, we've historically looked at an

2  exit survey, but we don't talk about or identify or try to

3  get feedback from them from an incremental piece.

4           So you come in.  You move around.  Maybe you've

5  got a couple three jobs the next five years.  But what

6  would that look like and what is the feedback we could get

7  out of that that would be valuable to drive the type of

8  work we're doing in terms of talent development and

9  training?

10          So we're looking to incrementally develop that

11 and bring it in as well.  And our hope is that that's

12 going to provide further input into what are the decisions

13 we're making in terms of development of the staff going

14 forward?  And we're hopeful to have that in the next year

15 or so.

16          So with that, that concludes my presentation on

17 the Organizational Health Index portion of the strategic

18 measures, and I'm happy to answer questions.

19          CHAIRPERSON BILBREY:  Okay.  We have a couple

20 questions.

21          Ms. Mathur.

22          VICE CHAIRPERSON MATHUR:  Thank you.  Well, I've

23 said it before, but I'll say it again, I think this

24 enterprise internal innovation program is really exciting.

25 I think it's a way to cultivate enthusiasm, collaboration,

1    to reinforce our culture, to -- and to drive to better

2    performance throughout the organization, organizational

3    improvements.  So I think it's a win-win for everybody.

4    It's a way for staff to develop new skills.  And just -- I

5    just think it's really exciting.  And it's not something

6    you typically see in a governmental organization.  So I

7    feel really good that CalPERS is spear-heading this, and

8    the work that you all have done and the entire, you know,

9    executive team and the organization as a whole that's

10   embraced this program.  So look forward to seeing it move

11   beyond the pilot stage.

12           Thanks.

13           CHAIRPERSON BILBREY:  Ms. Hagen.

14           ACTING COMMITTEE MEMBER HAGEN:  Yes.  I had a

15   question on the target for improving the innovation score

16   of five percent.  Is that relative to sort of all of --

17   like on page 15, there's bottom um up, top down.  Is it a

18   five percent increase in all of those or is it a

19   singular --

20           DEPUTY EXECUTIVE OFFICER HOFFNER:  It will be the

21   rolled up percentage.  So those four categories, the

22   top-down, knowledge sharing, capturing external ideas, and

23   bottom-up innovation will roll up to a total score, which

24   I believe is identified on the previous page, which is 60.

25           ACTING COMMITTEE MEMBER HAGEN:  So by engaging in

1  multiple management practices, you hope to see the overall

2  score go up five percent?

3          DEPUTY EXECUTIVE OFFICER HOFFNER:  Correct,

4  across the enterprise.

5          ACTING COMMITTEE MEMBER HAGEN:  Gotcha.  Okay.

6  Thank you.

7          CHAIRPERSON BILBREY:  Ms. Mathur.

8          VICE CHAIRPERSON MATHUR:  So are these the

9  only -- if you look at page 14 and 15, are those numbers,

10 the four categories, are those the only things that roll

11 up to this innovation and learning, and culture and climb

12 category?  And I ask that, because the number -- it

13 doesn't look like those would roll up to the numbers on

14 the prior page, because the overall scores are much higher

15 than what would be the average of these four category --

16 each of these four --

17         DEPUTY EXECUTIVE OFFICER HOFFNER:  Yeah, I hear

18 what you're saying.  I'll have to confirm if those are

19 weighted in any way, but this should be -- usually,

20 there's four subsections that roll up to an overall score

21 within the strongly agree, disagree kind of comments

22 section related to that total.  So we can confirm that,

23 but --

24         VICE CHAIRPERSON MATHUR:  Yeah, I mean culture

25 and climate in 2013 overall score is 70 percent.  But on

1  the following page, the highest score for any of those

2  line items is 65.  So it's not making logical sense to me,

3  if those indeed roll-up.  Maybe there's something else

4  that rolls up.  I don't know.

5          DEPUTY EXECUTIVE OFFICER HOFFNER:  Right.  I will

6  confirm that, but if there's maybe another category or two

7  that's included, but we'll get back to you on that.

8          Thank you.

9          VICE CHAIRPERSON MATHUR:  Thank you.

10          CHAIRPERSON BILBREY:  All right.  Seeing no other

11  questions.

12          DEPUTY EXECUTIVE OFFICER HOFFNER:  I think the

13  only thing left on the agenda is direction from the

14  Committee.  And I've two comments, I think, from Priya and

15  Bill related to the prior measure about -- that Tina

16  presented.  So looking at the other percentages as a

17  whole.  And then doing further research on sort of that

18  sweet spot of internal/external.

19          CHAIRPERSON BILBREY:  Okay

20          DEPUTY EXECUTIVE OFFICER HOFFNER:  So unless

21  there's anything else?

22          CHAIRPERSON BILBREY:  All right.  Seeing no

23  public comments, then this meeting is adjourned.

24          (Thereupon the California Public Employees'

25          Retirement System, Board of Administration,

1           Performance, Compensation, & Talent Management

2           Committee meeting adjourned at 12:18 p.m.)

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 1              C E R T I F I C A T E   O F   R E P O R T E R
 2              I, JAMES F. PETERS, a Certified Shorthand
 3    Reporter of the State of California, do hereby certify:
 4              That I am a disinterested person herein; that the
 5    foregoing California Public Employees' Retirement System,
 6    Board of Administration, Performance, Compensation &
 7    Talent Management Committee meeting was reported in
 8    shorthand by me, James F. Peters, a Certified Shorthand
 9    Reporter of the State of California;
10              That the said proceedings was taken before me, in
11    shorthand writing, and was thereafter transcribed, under
12    my direction, by computer-assisted transcription.
13              I further certify that I am not of counsel or
14    attorney for any of the parties to said meeting nor in any
15    way interested in the outcome of said meeting.
16              IN WITNESS WHEREOF, I have hereunto set my hand
17    this 19th day of December, 2015.
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