

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

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

TUESDAY, NOVEMBER 15, 2016

1:42 P.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. Steve Juarez

Mr. Richard Costigan

Mr. Richard Gillihan, represented by Mr. Ralph Cobb

Mr. Ron Lind

Ms. Theresa Taylor

BOARD MEMBERS:

Mr. Rob Feckner, President

Mr. Henry Jones, Vice President

Mr. J.J. Jelincic

Ms. Dana Hollinger

Mr. Bill Slaton

Ms. Betty Yee, represented by Ms. Lynn Paquin

STAFF:

Ms. Marcie Frost, 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

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

ALSO PRESENT:

Mr. Allan Emkin, Pension Consulting Alliance

Mr. Neal Johnson, Service Employees International Union  
Local 1000

Mr. Andrew Junkin, Wilshire Consulting

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

2 CHAIRPERSON BILBREY: Calling this meeting of the  
3 Performance, Compensation and Talent Management Committee  
4 to order. Roll call, please.

5 COMMITTEE SECRETARY TAKEHARA: Michael Bilbrey?

6 CHAIRPERSON BILBREY: Here.

7 COMMITTEE SECRETARY TAKEHARA: Steve Juarez for  
8 John Chiang?

9 ACTING COMMITTEE MEMBER JUAREZ: Here.

10 COMMITTEE SECRETARY TAKEHARA: Richard Costigan?

11 COMMITTEE MEMBER COSTIGAN: Here.

12 COMMITTEE SECRETARY TAKEHARA: Ralph Cobb for  
13 Richard Gillihan?

14 ACTING COMMITTEE MEMBER COBB: Here.

15 COMMITTEE SECRETARY TAKEHARA: Ron Lind?

16 COMMITTEE MEMBER LIND: Here.

17 COMMITTEE SECRETARY TAKEHARA: Priya Mathur?

18 VICE CHAIRPERSON MATHUR: Here.

19 COMMITTEE SECRETARY TAKEHARA: Theresa Taylor?

20 COMMITTEE MEMBER TAYLOR: Here.

21 CHAIRPERSON BILBREY: All right.

22 It's been a long day already.

23 Executive report, Mr. Hoffner.

24 DEPUTY EXECUTIVE OFFICER HOFFNER: Good

25 afternoon, Mr. Chair, members of the Committee. Doug

1 Hoffner. It says good morning here. Let's get rid of  
2 that.

3 (Laughter.)

4 DEPUTY EXECUTIVE OFFICER HOFFNER: Before you  
5 today are a few information items and one action item this  
6 afternoon. As you'll be seeing in a few minutes, the --  
7 you'll have the action item of our CEO, Marcie Frost, for  
8 the '16-'17 performance year. And then we have 3  
9 information items to report to you, one on the  
10 Organizational Health Index survey that was completed by  
11 the employees earlier this spring, with the results from  
12 where we compared to 2013.

13 We have an item related to the overall risk  
14 performance of the Performance, Comp and Talent Management  
15 Committee. It's one of the last committees to meet before  
16 that rolls up to the Risk and Audit this afternoon in  
17 terms of those policy areas that you help oversee. So any  
18 feedback or input there would be appreciated.

19 And then finally, we'll have the last remaining  
20 item, which is -- excuse me.

21 CHAIRPERSON BILBREY: Workforce Strategic Plan.

22 DEPUTY EXECUTIVE OFFICER HOFFNER: Yes, that one.  
23 The workforce strategic plan update, which will dovetail  
24 into the report and discussion we have this afternoon in  
25 the Finance and Admin Committee. And they both

1 interrelate with risk and strategic workforce planning as  
2 our overall 2017 to '22 strategic plan. So those are the  
3 3 information items we'll be bringing forth to you today.

4 With that, I have no further comments.

5 CHAIRPERSON BILBREY: All right. Seeing no  
6 comments from the Committee.

7 The next action consent item, removal of -- I  
8 mean, approval of the minutes.

9 VICE CHAIRPERSON MATHUR: Move approval.

10 COMMITTEE MEMBER TAYLOR: Second.

11 CHAIRPERSON BILBREY: Approved by Mathur, second  
12 by Taylor. Any discussion on the motion?

13 Seeing none.

14 All those in favor say aye?

15 (Ayes.)

16 CHAIRPERSON BILBREY: Opposed?

17 Motion carries.

18 Item 4, consent items, information. I have no  
19 requests to remove any items.

20 With that, we'll move to action Item number 5,  
21 2016-17 Performance Plan of the Chief Executive Officer.

22 Ms. Campbell.

23 HUMAN RESOURCES DIVISION CHIEF CAMPBELL: Good  
24 afternoon, Committee members. Tina Campbell, CalPERS team  
25 member.

1           Agenda Item 5 is before you for action today, and  
2 presents for approval the 2016-17 performance plan for the  
3 Chief Executive Officer. The plan before you incorporates  
4 the performance metrics adopted by the Board in August  
5 2016. Slight modification has been made to the weightings  
6 of the metrics as they were adopted in August to  
7 accommodate the addition of key business objective  
8 measures. This change aligns the CEO's performance plan  
9 with the organizational priorities to be focused on during  
10 2016-17.

11           As required by policy, the Board's primary  
12 investment consultant reviewed the total fund quantitative  
13 measure and provided an opinion in August 2016 when the  
14 plan of the Chief Investment Officer was presented. Staff  
15 recommends the Board accept the 2016-17 performance plan  
16 of the CEO.

17           This concludes my report on this item, and I'm  
18 happy to answer any questions.

19           CHAIRPERSON BILBREY: Ms. Taylor.

20           COMMITTEE MEMBER TAYLOR: So I move the agenda  
21 item.

22           VICE CHAIRPERSON MATHUR: Second.

23           CHAIRPERSON BILBREY: It's moved by Taylor,  
24 seconded by Mathur.

25           Any discussion on the motion?



1 Mr. Juarez.

2 ACTING COMMITTEE MEMBER JUAREZ: Yes. I just  
3 wanted to acknowledge, at least my initial interaction  
4 with Ms. Frost has been excellent, including the  
5 presentation of her workplan. I think the Board and the  
6 pension system will be well served by the direction that  
7 she's taking the organization. And I just wanted to, on  
8 behalf of the Treasurer, acknowledge I think what seems to  
9 be a great initial start, and hope that that will  
10 continue, and just say it publicly. So thank you.

11 CHAIRPERSON BILBREY: Thank you.

12 Seeing no one else wishing to speak, the item is  
13 before you. All those in favor say aye?

14 (Ayes.)

15 CHAIRPERSON BILBREY: Opposed?

16 Motion carries.

17 Before I go down to the next item, I'd like to,  
18 for the record, acknowledge Board Member Jones, Feckner,  
19 Hollinger, Jelincic, and Ms. Paquin for Ms. Yee are also  
20 sitting in on the Committee meeting today.

21 Item 6, Organizational Health Index Survey  
22 update.

23 Ms. Campbell.

24 HUMAN RESOURCES DIVISION CHIEF CAMPBELL: The  
25 purpose of this agenda item is to provide an overview of

1 the results of the 2016 Organizational Health Index  
2 Survey. This will include a comparison of our survey  
3 results from the last survey in 2013, and our plan of  
4 action following the 2016 survey results.

5 As you are aware, the OHI survey is a  
6 confidential employee opinion survey used to assess the  
7 overall health of the organization. CalPERS first  
8 administered the survey in 2010, and then again in 2013,  
9 and most recently earlier this year.

10 The 2016 survey results illustrate that CalPERS  
11 has achieved significant improvement in organizational  
12 health since 2010 and 2013, showing improvement in 8 of  
13 the 9 health outcomes measured by the survey. Here today  
14 to present a more detailed overview of the 2016 survey  
15 results and next steps is Doug Hoffner speaking on behalf  
16 of Doug McKeever the 2016 OHI executive sponsor.

17 DEPUTY EXECUTIVE OFFICER HOFFNER: Thank you. So  
18 Mr. McKeever's voice isn't very strong today, so one Doug  
19 is good enough for another.

20 (Laughter.)

21 DEPUTY EXECUTIVE OFFICER HOFFNER: What I wanted  
22 to just sort of briefly cover, given the time of day is  
23 kind of -- this is the third time we've taken this survey.  
24 The employees started in 2010, 2013, and recently in the  
25 spring of 2016 took this survey. It's been conducted by

1 McKinsey & Company, third party, privately done,  
2 confidential. About 1.5 million individuals in different  
3 organizations they've worked with have taken this over the  
4 last 15 years. And I think What we want to highlight  
5 today is the progress and improvement CalPERS has made in  
6 the last 3-year cycle.

7         So looking back on where we were in 2013, we had  
8 a score of about 62. The ranked us as a third quartile  
9 entity within their overall framework and structure. In  
10 the last 3 years, we've actually increased 7 points, which  
11 is a 2½ times increase of what they would have expected by  
12 an entity such as ours over that same period of time.

13         I do want to highlight the fact that there's 9  
14 quadrants that they look at in terms of organizational  
15 health in a company or government agency like we are. And  
16 we improved across 8 of those 9 areas of focus. And so --  
17 and we moved up to the second quartile level within their  
18 structure following just below the top quartile by 1  
19 point.

20         So I think that would show pretty dramatic  
21 improvement in a 3-year cycle, something I think we all  
22 should be proud of, as that -- it's that work that we  
23 engaged upon over the last 3 years had a lot to do with  
24 involving the employees in terms of bottom-up innovation,  
25 greater role clarity across the organization, and

1 additional leadership work that we engaged on.

2           What I wanted to highlight for you today is the  
3 fact that in addition to these improvements, we've  
4 identified 3 specific categories in areas that we want to  
5 continue to work on over the next year or so. Much of  
6 this dovetails nicely with our 2017 to '22 strategic plan,  
7 which you'll be hearing about again when the Finance  
8 Committee meets for the first reading later this  
9 afternoon.

10           I want to highlight the fact that increasing the  
11 employee engagement is something that the employees have  
12 all stressed to us in this last survey round. And they  
13 want to further help ensure that the strategic clarity and  
14 vision of the organization is something that they're  
15 participating in. And so I think you'll see that  
16 reflected in our talent management item there in the  
17 strategic plan. They've also brought feedback here to  
18 improve accountability as well as individual performance  
19 within the organization. And that speaks frankly to  
20 metrics and measures, and ensuring that we have being  
21 accountable for our actions individually and collectively,  
22 but they're all also being identified, documented, and I  
23 think presented not only to the stakeholders but the Board  
24 in terms of those accountable measures that we would look  
25 for.

1           And then the third area focus and emphasis will  
2 be enhancing our talent management strategies, as well as  
3 acquisition of top talent. And that again, dovetails with  
4 our new strategic plan that we'll be discussing this  
5 afternoon.

6           Fundamentally, these reinforce the key measures  
7 that we've been talking about with you and with the  
8 employees over the last few years. It's also something to  
9 point out that for the last 6 years in total, the culture  
10 and climate of CalPERS has been the leading driver of the  
11 employees within the organization. That's been the top  
12 quartile, top voted or surveyed item every year, and that  
13 continues to increase. We had about an 81 percent or 82  
14 point score in this category that led all others within --  
15 across the 9 spectrums that they talk about.

16           So with that, each branch of the organization  
17 will also be highlighting things based upon feedback that  
18 they've received from their individual units and groups to  
19 look to develop, further than just the 3 we've identified  
20 today. Those are still in progress, but I would expect to  
21 see those coming forward in different plans of action that  
22 will be reflected in the work over the next year or so  
23 within the organization.

24           Finally, I just want to highlight, unless there's  
25 other questions a few of the things that we're cited to us

1 from the employees based upon this feedback. And they  
2 sort of talk like this, what does it feel like to work at  
3 CalPERS today? We have a strong capacity for renewal and  
4 response to our external environment. We have set a clear  
5 organizational vision and strategy, but we also need to  
6 include employees more in the overall setting of  
7 direction.

8 CalPERS can be seen as strengthening  
9 accountability by ensuring all the employees understand  
10 what is expected of them, and how to perform and meet the  
11 targets that are being set collectively and individually.  
12 And we can also improve our measures in terms of managing  
13 overall operational metrics and performance, which I  
14 mentioned earlier. So I think these were a few kind of  
15 comments that have borne out from these surveys. And I  
16 just want to highlight those for you today.

17 I think the fact that the 7 point increase is  
18 something that they have -- McKinsey has not seen  
19 historically by any entity they surveyed. It speaks to  
20 the great level of improvement that we've made in this  
21 area. And we'll continue to work on employee engagement  
22 and other satisfaction measures going forward. With that,  
23 I'm happy to answer any questions.

24 CHAIRPERSON BILBREY: Thank you. Very nice.  
25 Great job.

1           Anyone wish -- Mr. Jelincic.

2           BOARD MEMBER JELINCIC: When I came on this Board  
3 in January of '10, one of the things I expressed was the  
4 staff's frustration with favoritism and nepotism. And the  
5 management and the Board told me I was crazy. When we did  
6 the '10 survey, one of the questions that got asked was do  
7 you agree or disagree with the question that favoritism  
8 and nepotism is not tolerated?

9           Two-thirds of our workforce rejected that  
10 statement.

11           I was looking -- and it was not one of the  
12 things -- points that got highlighted obviously. I found  
13 out, because we got access to the actual questions and  
14 results. In '13 I had expressed an interest in seeing how  
15 much improvement we had made there. And nepotism went  
16 away as a problem, because we didn't ask the question.

17           As we have been working on preparing this survey,  
18 you know, I again raised that, and said I really was  
19 looking forward to seeing the answer to the question. And  
20 I heard that it wasn't asked once again.

21           You don't solve nepotism and favoritism problems  
22 by not asking the question. And I expressed my  
23 disappointment, and hoped that when we do this again in  
24 '19, we can resurrect that question and see whether we  
25 actually are making progress.

1 Thank you.

2 CHAIRPERSON BILBREY: Ms. Mathur.

3 VICE CHAIRPERSON MATHUR: Well, I just want to  
4 say how heartening it is that -- to see that we're moving  
5 in the right direction, even given sort of the somewhat  
6 challenging climate environment that we find ourselves in.  
7 So I think it's a good sign. It speaks a lot to a lot of  
8 the work that you've done, Doug, and also you, Tina, in  
9 terms of developing our internal teams and cultivating  
10 innovation and collaboration across divisions within the  
11 organization. And I, for one, think it's a terrific  
12 result. So thank you very much.

13 CHAIRPERSON BILBREY: Thank you.

14 Mr. Juarez.

15 ACTING COMMITTEE MEMBER JUAREZ: Yes. I just  
16 wanted to follow up on J.J.'s comment, and just to ask  
17 were there questions in the survey that might sort of  
18 hover around the issues of nepotism and favoritism that  
19 would have given you a sense, if there was a problem, that  
20 it would be identified by the survey?

21 DEPUTY EXECUTIVE OFFICER HOFFNER: So that wasn't  
22 a direct question. We took the materials that were  
23 provided by McKinsey as a set. We didn't customize the  
24 questions at all. The open-ended questions as well in how  
25 satisfied are you within working at CalPERS. There will



1 be some variations of that I am sure. There's about 145  
2 or 50 questions in the overall survey. That's not a  
3 direct response that we've received from the employees  
4 that sort of spoke to this level of direction of  
5 leadership, concern they may have, and areas of  
6 improvement, so --

7 ACTING COMMITTEE MEMBER JUAREZ: Were there  
8 open-ended questions where they could have --

9 DEPUTY EXECUTIVE OFFICER HOFFNER: Sure. There's  
10 always the opportunity to survey leadership individually  
11 across the organization, as well as an open-ended question  
12 section at the back of the survey for a lot of them to  
13 provide feedback about any issue that they would like  
14 within the organization.

15 CHAIRPERSON BILBREY: Ms. Taylor.

16 COMMITTEE MEMBER TAYLOR: So I just want to thank  
17 you for the report. It was a -- it looks very  
18 comprehensive as I'm looking -- as I've looked through it.  
19 The only question I had was if we didn't ask that  
20 question -- I see that we did ask about praise, which is  
21 good, because I want to make sure -- and I hope to see  
22 this move further in the future, I want to make sure that  
23 our employees are feeling like this is a very  
24 collaborative workforce, you know, and worksite to work  
25 in, and be proud to work here.

1           And I think answering to concerns and recognizing  
2 our employees is very important and part of that, but also  
3 answering to their concerns, so -- but otherwise, it  
4 looked like it was an excellent report.

5           Thank you.

6           DEPUTY EXECUTIVE OFFICER HOFFNER: Thank you,  
7 Theresa. So some of the feedback that we did get, and  
8 that's why these areas of focus are -- they weren't our  
9 necessarily highest rated areas. So we talked about  
10 improvement of accountability across the organization, the  
11 performance metrics, those kinds of things, so that's  
12 reinforced.

13           If you look at our leadership scores, those  
14 ranked in the first and second quartile across --  
15 direction again was 2 out of 3 top quartile. There's  
16 always room for improvement. One of the things that  
17 McKinsey and others would say is you can't boil the ocean.  
18 Pick a couple things to emphasize and work on. At the end  
19 of the day, make improvements by either emphasizing our  
20 de-emphasizing certain behaviors you want to have and see  
21 in the organization. And that's effectively what we've  
22 been trying to do as a leadership team to find a few  
23 things, and again focus on maybe different attributes  
24 within your particular branch that may be slightly  
25 different than the enterprise focus.

1 I would also highlight, which I didn't earlier,  
2 when compared to other governmental agencies, we outpace  
3 every single one that's taken this survey, in every one of  
4 their 9 categories, and about half in terms of some of our  
5 financial institutions and health care institutions that  
6 have also participated historically.

7 So it's a mixed bag when you get into the private  
8 sector, but from a -- in the government space, we are  
9 outpacing all of our peers quite dramatically.

10 CHAIRPERSON BILBREY: Seeing no one else wishing  
11 to speak, we'll move to Item 7, Risk Profile Review.

12 Mr. Hoffner.

13 DEPUTY EXECUTIVE OFFICER HOFFNER: So Doug  
14 Hoffner. The Risk Profile Preview is before you. This  
15 speaks to sort of the talent management items before the  
16 Committee. Effectively, this is something that's been  
17 brought before us. We started this last year in terms of  
18 looking at talent management, succession planning, and  
19 raise concerns about how strong are they, what else can we  
20 do to improve them?

21 These are identified in the activities that we've  
22 undertaken so far to develop and enhance those. Those are  
23 part of the strategic plan that currently exists under  
24 Goal B. And those would be again reinforced in the  
25 strategic plan going forward for 2017 to 2022.

1           At the end of the day, we've put in place a  
2 variety of leadership and other measures to help  
3 succession planning in the organization. We're looking to  
4 drill down further into those to -- at other levels in the  
5 organization have the water-fall effect, and to ensure  
6 that we have the workforce to meet the needs of this  
7 organization going forward, understanding that we've got 4  
8 different generations working here. And frankly, we're  
9 close to losing the traditionalists. We think we have 2  
10 left.

11           And just to highlight Millennials have actually  
12 outpaced the Baby Boomers in this last cycle, since we  
13 last reported. They're about 28 percent of the overall  
14 workforce of CalPERS, and the Baby Boomers are about 24  
15 percent, with our Gen Xers in the middle sort of in that  
16 sandwich.

17           So we've seen dynamic change occurring. We will  
18 expect to see that to continue. And I think really the  
19 hope is, as we've read, that many people will continue to  
20 move around. How much can we continue to keep them here?  
21 Maybe moving across branches and cross-divisionally versus  
22 this looking up into the part of the organization that  
23 they currently are housed in and work in, and really try  
24 to see how we can broadly develop them, so when they do  
25 advance, we hope to retain them at CalPERS.

1           So those are some of the things that we're  
2 talking about. Those will play out over again the  
3 strategic plan or business planning going forward. The  
4 major emphasis is having the appropriate talent to meet  
5 the needs of our membership.

6           And so happy to answer questions related to those  
7 issues.

8           CHAIRPERSON BILBREY: Ms. Mathur.

9           VICE CHAIRPERSON MATHUR: Thank you. Yeah, I  
10 do -- I think this is an important risk. One thing that I  
11 don't see explicitly called out is some of the more --  
12 well, you do talk about -- you do talk about CalPERS  
13 practices around hard-to-fill positions, but I do think we  
14 need to think about not just sort of the overall CalPERS  
15 staffing, but those key areas where there might be a  
16 mismatch between the kinds of skills we need and the  
17 market price for those skills, and what we can do to help  
18 attract talent in those specialized areas.

19           I mean, health care comes to mind, but there are  
20 risk management. There are other -- but there are other  
21 areas also where those kinds of specialized skills might  
22 not be quite as readily available within State service,  
23 and also maybe we're not paying truly competitive salaries  
24 for those kinds of --

25           DEPUTY EXECUTIVE OFFICER HOFFNER: Sure. That is

1 something that's identified in our next strategic plan, so  
2 I won't be a broken record there. We did talk about sort  
3 of the more unique ability to attract and retain  
4 individuals. And so we talked about enhancing that. It's  
5 really the customization of what those skill sets are, so  
6 whether it's the Investment Office, the Financial Office,  
7 the actuaries, whoever, health care that we go after from  
8 a niche perspective and really all become recruiters for  
9 those organizations. We have, through civil service  
10 improvement, been able, through the Governor and the  
11 legislature, signing some legislation last year to allow  
12 for us to hire people from the private sector beyond some  
13 of the areas we've had traditionally had the authority  
14 for.

15           The compensation structure has not changed for  
16 those. So we've done some great recruitments. We've  
17 brought some great candidates in in some areas,  
18 particularly in some of the IT classifications. They balk  
19 and walk away when the salary structure -- it doesn't --  
20 it's not comprehensible to them.

21           So we have some opportunities. We are making  
22 some advancements there, but the idea is to focus in to  
23 really understand from those technical perspectives, and  
24 the skill sets they need to how HR and others can be a  
25 support to that, but really in that sort of niche

1 marketplace.

2           So we're really driving down to areas that they  
3 need and have the skill sets that can be readily  
4 identified.

5           VICE CHAIRPERSON MATHUR: And are we partnering  
6 with other State agencies that might also have demand for  
7 some of those same skill sets? I mean, we might be unique  
8 in some areas, but in some other areas, there might be  
9 some -- it might be a problem that is across multiple  
10 State agencies.

11           DEPUTY EXECUTIVE OFFICER HOFFNER: Yeah, and I  
12 say we are and it depends on the departments. But there's  
13 a lot of work we're doing with CalSTRS and others. It's  
14 really just things like the actuaries and classifications,  
15 et cetera. Many respects they're our competitors too, so  
16 it's a fine balance of, you know, them poaching us, us  
17 poaching them, et cetera. But at the end of the day,  
18 there's some similar attributes that we're looking for in  
19 different skill sets.

20           So I would say the financial class, we worked  
21 with the STRS on. The State Personnel Board Mr. Costigan  
22 sits on approved that. The same thing with some of the  
23 financial classes in the Investment Office, et cetera. We  
24 were joint partners there, and many times we were  
25 actually -- you know, I think STRS was the lead and we

1 were a co-partner there.

2 The same thing with the Department of Insurance  
3 and others for actuaries, it's a collaborative Environment  
4 moving forward. They don't haul the same kind of work  
5 that we do, but they are sometimes our competitors. So  
6 that fine balance within those spectrums.

7 VICE CHAIRPERSON MATHUR: Thank you.

8 CHAIRPERSON BILBREY: Mr. Jelincic.

9 BOARD MEMBER JELINCIC: When they look at the  
10 risk statement, which is the inability to recruit and  
11 retain highly skilled workforce, and then I look at the  
12 rating, I see a low probability that we can't recruit and  
13 retain. It just strikes me that there's some sort of a  
14 contradiction there. So I was wondering if you could  
15 expand a little bit on why you think we're going to be  
16 able to recruit and retain?

17 HUMAN RESOURCES DIVISION CHIEF CAMPBELL: Yeah.  
18 Thank you for the question, Mr. Jelincic. Tina Campbell,  
19 CalPERS member.

20 I'm just -- we talked a lot about this on where  
21 this would rate on the scale of, you know, whether it's a  
22 high or a low probability. And one of the things that we  
23 really focused on is all of the things that we actually do  
24 in that space. Doug mentioned some of that. Also, we are  
25 very active on LinkedIn, and do active recruitments on



1 there. We also recently joined CalJOBS, which is an  
2 Employment Development Department free service that does  
3 some, what they call, spider recruitment to go out and  
4 find positions.

5 So we know it's a risk, but we also know that we  
6 spend a lot of time and effort and, in some cases, dollars  
7 around that, so that's why it scored lower.

8 And if Doug wants to add anything else to that,  
9 but that was the reasoning for that score.

10 BOARD MEMBER JELINCIC: So it's a low probability  
11 because we're putting a lot of effort into it.

12 HUMAN RESOURCES DIVISION CHIEF CAMPBELL:

13 Correct, because we are doing things around it  
14 already. And I think -- I can't speak for all  
15 departments, but we do a lot more than some of the  
16 departments, either can or are able to. And so again,  
17 even though it's something we want to keep on radar, we  
18 understand that we are making great strides in that area,  
19 and putting as much effort forward as we possibly can.

20 BOARD MEMBER JELINCIC: Thank you.

21 HUMAN RESOURCES DIVISION CHIEF CAMPBELL: You're  
22 welcome.

23 CHAIRPERSON BILBREY: Ms. Taylor.

24 COMMITTEE MEMBER TAYLOR: Yes. I just wanted to  
25 ask Doug a clarifying question. You had talked about

1 there being a difficulty in retaining our folks. And I  
2 think Priya talked about can -- are we working with other  
3 agencies to work on that?

4 And you did mention the CSI project in regards to  
5 IT. Are you working with the Governor's folks and those  
6 project people to -- on the CSI project for some of this?

7 DEPUTY EXECUTIVE OFFICER HOFFNER: I'm not  
8 directly. Tina has, and when Katie was here, she was  
9 participating as well. When Tina came over about a year  
10 ago, she was leading several of the teams. That sort of  
11 trailed off as she spent -- you know, became a CalPERS  
12 employee, but she was engaged on different efforts there.

13 Maybe I -- I maybe misspoke a little bit earlier,  
14 I was speaking more of the -- you mentioned retention. I  
15 was thinking more recruitment. I think as we reported  
16 last time, when we look at our overall recruitment  
17 efforts, that's always going to be a fine balancing act to  
18 Mr. Jelincic's point. I think on the retention though, we  
19 have about a 9.3 percent rate of folks leaving the  
20 organization.

21 There's a lot of internal movement, but we're not  
22 seeing a vast majority of them exiting, unless they're  
23 retiring. And so it's -- so it's a balance there as well.

24 COMMITTEE MEMBER TAYLOR: So you talked about  
25 that -- the IT folks, and then when they got here --

1           DEPUTY EXECUTIVE OFFICER HOFFNER: Yeah, I'm just  
2 saying a recent recruitment -- so we have this additional  
3 authority and ability to bring in people that have never  
4 had the ability to apply for a State job in that level,  
5 and yet when we went through the whole process, the  
6 compensation wasn't -- wasn't something that they would be  
7 willing to relocate half way across the country to come  
8 work here.

9           So the mission was strong, their desire to work  
10 here, their desire to be mission driven. And those kinds  
11 of things were all great pulls for us, but at the end of  
12 the day, walking away from a private sector position and  
13 losing salary, stock, bonus, et cetera, of the clawbacks  
14 that were going to occur was something that they were  
15 unable or unwilling to do.

16           And that's why I was saying we have some  
17 authority and flexibility, but at the same time, it has  
18 created some challenges too that -- not all the pieces  
19 move together at the same pace.

20           COMMITTEE MEMBER TAYLOR: Right. Right. Okay.  
21 Thank you.

22           HUMAN RESOURCES DIVISION CHIEF CAMPBELL: And can  
23 I just add to that, Ms. Taylor?

24           So a couple things. First of all, I am still  
25 involved with CSI, but on a little bit of a scaled back

1 level. My project team's closed out. We completed what  
2 we said we were going to complete, but I continued to stay  
3 on there monthly project team calls, and I am consulted  
4 with. And they still use a lot of the CalPERS information  
5 in CSI to help move the State of California forward.

6 And then also, just to piggyback on the IT, we  
7 are going to be having a career fair -- the cat is out of  
8 the bag -- coming up in the spring. But it's very  
9 important, because it's a big focus for us for all the  
10 reasons Doug mentioned and a few more.

11 COMMITTEE MEMBER TAYLOR: Okay. Great.

12 CHAIRPERSON BILBREY: Mr. Costigan.

13 COMMITTEE MEMBER COSTIGAN: I just wanted to  
14 add -- echo a lot of what was said. And I do know -- I  
15 want to give a lot of credit to CalHR and to GovOps moving  
16 forward with CSI. It has been a long slog. I know when  
17 we first -- when I first joined the SPB 9 years ago, it  
18 was called something different. I can't remember what,  
19 but this has been an ongoing process. And I think the  
20 issues that Mr. Hoffner raised on pay is a significant  
21 deterrent, not just here, but across other agencies and  
22 departments.

23 So I know that's something that looking at in the  
24 on-boarding process, we're trying our best. And to the  
25 extent that SPB and CalHR continue to work together with

1 agencies and departments, the feedback is very important.  
2 I know at our December board meeting we're going to be  
3 taking up the elimination of some classes.

4 Just so you all know, it's sort of a 2-step  
5 process. One is reduce the number of classes, which in  
6 and of itself has been difficult to do, and then broaden  
7 the ability to bring people in.

8 And then with the language the administration  
9 sponsored 2 years ago for new CEAs, we've been able to  
10 attract more folks from the private sector, but it's still  
11 difficult. And getting people to both locate to  
12 Sacramento, which I think is a great place to live, but  
13 oftentimes it's the pay and the relocation.

14 So we've got a lot of headwinds against us, but I  
15 do think Secretary Batjer and Director Gillihan have been  
16 doing a really good job, along with Executive Officer  
17 Ambrose at SPB. And so we appreciate all you all are  
18 doing.

19 Thank you.

20 CHAIRPERSON BILBREY: All right. Seeing no one  
21 else wishing to speak, we'll move to Item 8, Workforce  
22 Strategic Plan Annual Report.

23 Ms. Campbell.

24 HUMAN RESOURCES DIVISION CHIEF CAMPBELL: Tina  
25 Campbell, CalPERS team member.

1           And Agenda Item 8 is just an information item.  
2     In September 2015, we presented an update of the 2014  
3     workforce strategic plan reflecting on accomplishments  
4     from fiscal year 14-15 and a path forward. The plan  
5     positions Human Resources to achieve its mission to serve  
6     as an innovate strategic partner by leading enterprise  
7     strategies and talent management practices to acquire,  
8     development, motivate, and retain a diverse  
9     high-performing workforce.

10           Today, we're providing an update of the progress  
11     on the plan initiatives over the past year. The current  
12     plan expires in June 2017, and work is currently in  
13     progress to redefine the CalPERS workforce planning  
14     process to ensure it aligns with our strategic business  
15     and budget planning processes.

16           CalPERS continues to celebrate and foster a work  
17     environment that values all people through dignity and  
18     respect. The combined experiences, perspectives, and  
19     talents of all employees and stakeholders strengthen our  
20     high performance workforce and organizational culture.

21           CalPERS continues to have a younger employee age  
22     demographic versus other State agencies, 32 percent versus  
23     40 percent. And Doug touched on that a little bit  
24     earlier. This will likely create more external  
25     advancement opportunities in Human Resources exploring

1 methods on how to best retain an internal talent pipeline,  
2 and Mr. Hoffner mentioned that earlier as well.

3 CalPERS workforce continues to span over all 4  
4 generations, including Traditionalists, Boomers, Gen X,  
5 and Millennials. At almost 46 percent Generation Xers  
6 remain the largest generation at CalPERS. In June 2016,  
7 the percentage of Millennials in the CalPERS workforce  
8 surpassed the Boomers to become the second largest  
9 generation at 27.76 percent, a 3.3 percent increase from  
10 2015.

11 As Millennials continue to enter the workforce,  
12 CalPERS continues dialogues on how to capitalize on this  
13 potential in order to provide the right mentors, career  
14 experiences, and training to develop their technical and  
15 managerial skills.

16 The 2013 workforce strategic plan will be phased  
17 out this fiscal year and replaced by the enterprise  
18 workforce plan. Human Resources will continue to  
19 implement the remaining workforce strategic plan  
20 initiatives which are identified in the chart on page 2,  
21 as well as attachment 1.

22 I'd like to quickly highlight some of the items  
23 that have been implemented. In the area of recruitment,  
24 the INVO classification reorganization, this fiscal year,  
25 we implemented changes to the Investment Management

1 series, including the new Associate Investment Manager  
2 classification.

3 HR worked with Investment Office to update duty  
4 statements, org structures, and strategize on how and  
5 where in the Investment Office, the Associate Investment  
6 Manager could be used. Through the Investment Office's  
7 formal budget request, and the Board's approval, HR worked  
8 with the Investment Office to implement parts of the '22  
9 vision.

10 This included implementation of the Associate  
11 Investment Manager classification, which currently are  
12 being filled through open recruitments. The  
13 implementation of this new classification series has  
14 proven to be beneficial to provide succession planning and  
15 upward mobility options for some of the staff within the  
16 office.

17 In the area of develop Financial Office  
18 reorganization, HR is working closely with the Financial  
19 Office to analyze their structure, the work being  
20 performed, and duties associated with the work to  
21 determine the best structure and classifications being  
22 used to successfully perform the required work and provide  
23 upward mobility and succession planning for the office.

24 As you may recall, the Financial Accountant  
25 series was approved by CalHR this year. And in



1 collaboration with the Financial Office leadership, HR is  
2 identifying positions that are best suited to perform  
3 financial accountant duties.

4           An item that's still in progress and somewhat  
5 completed is our Emerging Leader Program. Feedback  
6 through employee surveys identified the need for a journey  
7 level training program to prepare non-supervisory  
8 employees for future leadership roles.

9           In the past year, HR has developed an approved  
10 project framework. Team members are currently designing  
11 program curriculum and structure to commence a pilot by  
12 July 1st, 2017, pending funding approval, of course. So  
13 we're hoping that we'll get some authority to provide some  
14 additional support in this area.

15           And then we're looking for implementation of the  
16 program, assuming it's successful in fiscal year 2018-19.  
17 The program proposes a nomination and application process  
18 for journey level analysts and technical staff. And for  
19 those applicants selected to participate, they will commit  
20 to a program that provides a variety of development  
21 activities to transition from an individual contributor to  
22 a leadership role.

23           And then our on-boarding phase 2 was of the  
24 executive on-boarding. That will begin in early 2017 and  
25 will address on-boarding at the enterprise level. HR has

1 formed a project team to conduct focus groups of newer  
2 employees within 60 to 90 days of hire. And staff will  
3 use the feedback and experience to redefine the current  
4 on-boarding program to ensure new employees acquire the  
5 necessary knowledge, skills, and behaviors to become  
6 effective organizational team members.

7 Lastly, I'd like to take this opportunity to  
8 thank the Human Resources team for their dedication to the  
9 workforce strategic plan, and also to all of our business  
10 partners for their contribution to the overall success of  
11 this effort.

12 This concludes my report, and I'm happy to answer  
13 any questions.

14 CHAIRPERSON BILBREY: Thank you.

15 Mr. Juarez.

16 ACTING COMMITTEE MEMBER JUAREZ: Yeah. Can you  
17 share -- and it may seem intuitive, but it's not to me,  
18 but share briefly what the implications are of having  
19 these mixing groups of Gen Xers and Millennials, and Baby  
20 Boomers. How do you view the significance and  
21 implications of all of that?

22 HUMAN RESOURCES DIVISION CHIEF CAMPBELL: Yeah.  
23 So I think a couple different ways. The way that I  
24 interpret that is that we all have different ways of  
25 communicating. And through the generations, we have seen,

1 for example, in the Traditionalists and the Boomers,  
2 there's more of this loyalist attitude, a little bit now  
3 coming into Generation X, and certainly with the  
4 Millennials it's more about how can we contribute, what do  
5 you expect of us. And so how do we, as an organization,  
6 balance all of those different expectations, and really to  
7 retain, but also to, I would say, nurture CalPERS through  
8 all of the things that they need to -- all the important  
9 missions, and the stakeholders, all of those, how do you  
10 bring a group of people that are very diverse in thought  
11 and lifestyles together?

12 And so, for me, I really look at that as an  
13 opportunity for us. And we want to pay a lot of attention  
14 to it, so that we're not missing something. Realizing Gen  
15 X is the biggest population, that's not the only place  
16 we're going to focus. We understand there are other areas  
17 of the organization that need attention, but certainly we  
18 don't want to leave Gen X out. So, for me, it's a little  
19 bit of a juggling act of how we provide information  
20 through the social media, for example, is a big one for  
21 some of the younger generation coming up. And maybe for  
22 some of us that have been around awhile, not as important.  
23 So how do we offer all things. And then also, stay within  
24 budget and, you know, honor our fiduciary  
25 responsibilities.

1           ACTING COMMITTEE MEMBER JUAREZ: And does it  
2 affect the approach you take in terms of training, in  
3 terms of incentives?

4           HUMAN RESOURCES DIVISION CHIEF CAMPBELL:

5           Absolutely, it does. We're somewhat limited on  
6 incentives, and we've kind of talked about that quite a  
7 bit earlier. But as far as training goes, there are some  
8 of us that like the classroom style training, to where  
9 others just want to quickly go in and do a module on a  
10 computer. We have -- I don't have the exact number, but I  
11 can get it, but we have many opportunities where we call  
12 it just-in-time training that we already have stuff  
13 prepared. Different information that you can go in at  
14 your leisure and get that training.

15           And we do see a huge desire of that for some of  
16 the younger generation coming in, that although they like  
17 to socialize and interact with other team members, they  
18 also like the opportunity to have it just-in-time when  
19 they want it.

20           CHAIRPERSON BILBREY: All right. Seeing no one  
21 else wishing to speak, Item 9, Summary of Committee  
22 Direction. I don't believe, Mr. Hoffner, there's --

23           DEPUTY EXECUTIVE OFFICER HOFFNER: I didn't hear  
24 any.

25           CHAIRPERSON BILBREY: Right.

1           Number 10, public comment. I have no -- woops.  
2 I didn't, but I think I do now.

3           We have one person wishing to speak. Mr. Neal  
4 Johnson. Come to the microphones on my left. You're got  
5 3 minutes to speak. The microphones should be turned on.

6           There we go.

7           MR. JOHNSON: Neal Johnson, SEIU 1000.

8           I'm not quite sure where to comment, but one of  
9 the things that I think, you know, in -- back in Item 6,  
10 which dealt with the organizational health, there's  
11 a -- on page 6 of 8, there was a table -- a table which  
12 talked about direction. And employee involvement got a  
13 score of 49. Then we get into discussions of in Item 8  
14 and 9 -- or 8 of things that we're trying to do to develop  
15 staff.

16           And what I think what we see is a development of  
17 the management structure, but not -- it's not quite clear  
18 how that translates down into the worker bees. The -- it  
19 was mentioned the Financial Accountant series, which when  
20 it was originally proposed many years ago, had a number of  
21 layers in the -- which included rank and file.

22           The item that actually got approved by the SPB  
23 was at the supervisory and above levels. And there could  
24 be very good reasons for it. We have had discussions  
25 about the Investment Manager, but that hasn't necessarily

1 translated down into the Investment Officer group that  
2 does a lot of the work.

3 And, you know, there seems to be a bit of this  
4 dichotomy between who are the workers and who are the  
5 leaders, and we need to develop both the management  
6 structure to lead, but we also need to really spend some  
7 time developing the workers.

8 You know, we're -- and I do applaud PERS for  
9 trying to improve the actuaries, both financial -- in  
10 financial sense, but also in their competencies, and have  
11 done quite a good job in the latter. But there still  
12 seems to be a real divide between those that manage the  
13 organization and those that do the lower level work. And  
14 we, as an organization, really need to be all inclusive.

15 And I thank you.

16 CHAIRPERSON BILBREY: Thank you.

17 Seeing no one else wishing to speak under public  
18 comment, this meeting is adjourned.

19 (Thereupon the California Public Employees'  
20 Retirement System, Board of Administration,  
21 Performance, Compensation, & Talent Management  
22 Committee meeting adjourned at 2:20 p.m.)  
23  
24  
25

## 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 21st day of November, 2016.



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