VIDEOCONFERENCE MEETING

STATE OF CALIFORNIA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF ADMINISTRATION

PERFORMANCE, COMPENSATION &

TALENT MANAGEMENT COMMITTEE

ROBERT F. CARLSON AUDITORIUM

LINCOLN PLAZA NORTH

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SACRAMENTO, CALIFORNIA

WEDNESDAY, APRIL 22, 2020

8:01 A.M.

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

COMMITTEE MEMBERS:

Mr. Rob Feckner, Chairperson

Ms. Eraina Ortega, Vice Chairperson

Ms. Margaret Brown

Ms. Lisa Middleton

Ms. Stacie Olivares

Mr. Theresa Taylor

Ms. Shawnda Westly

BOARD MEMBERS:

Mr. Henry Jones, President

Ms. Fiona Ma, represented by Mr. Frank Ruffino

Mr. David Miller

Mr. Jason Perez

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Doug Hoffner, Chief Operating Officer

Mr. Matthew Jacobs, General Counsel

Ms. Pam Hopper, Committee Secretary

Ms. Michelle Tucker, Chief, Human Resources Division

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

ALSO PRESENT:

Ms. Kathy Brizeli, McLean & Company

Ms. Amanda Chaitnarine, McLean & Company

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P R O C E E D I N G S

CHAIRPERSON FECKNER: I'd like to call the Performance, Compensation and Talent Management Committee meeting to order. The first order of business will be to call the roll, Ms. Hopper, please.

COMMITTEE SECRETARY HOPPER: Good morning, Mr. Chair.

CHAIRPERSON FECKNER: Good morning.

COMMITTEE SECRETARY HOPPER: Rob Feckner?

CHAIRPERSON FECKNER: Good morning.

COMMITTEE SECRETARY HOPPER: Margaret Brown?

COMMITTEE MEMBER BROWN: Here.

COMMITTEE SECRETARY HOPPER: Lisa Middleton?

COMMITTEE MEMBER MIDDLETON: Present.

COMMITTEE SECRETARY HOPPER: Stacie Olivares?

COMMITTEE MEMBER OLIVARES: Here.

COMMITTEE SECRETARY HOPPER: Eraina Ortega?

VICE CHAIRPERSON ORTEGA: Here.

COMMITTEE SECRETARY HOPPER: Theresa Taylor?

COMMITTEE MEMBER TAYLOR: Here.

COMMITTEE SECRETARY HOPPER: Shawnda Westly?

COMMITTEE MEMBER WESTLY: Present.

COMMITTEE SECRETARY HOPPER: All is in, Mr. Chair.

CHAIRPERSON FECKNER: Thank you. Did we get Ms.

Olivares? I don't see her. Okay.

The second order of business will be approval of the timed agenda. What's the pleasure of the Committee?

COMMITTEE MEMBER BROWN: Move approval.

COMMITTEE MEMBER TAYLOR: Second.

CHAIRPERSON FECKNER: That was Ms. Brown?

COMMITTEE MEMBER BROWN: Yes, sir.

CHAIRPERSON FECKNER: All right. Ms. Brown with a motion. Ms. Taylor with a second.

Ms. Hopper, please call the roll.

COMMITTEE SECRETARY HOPPER: Thank you, Mr. Chair.

Margaret Brown?

COMMITTEE MEMBER BROWN: Aye.

COMMITTEE SECRETARY HOPPER: Lisa Middleton?

COMMITTEE MEMBER MIDDLETON: Aye.

COMMITTEE SECRETARY HOPPER: Stacie Olivares?

COMMITTEE MEMBER OLIVARES: Aye.

COMMITTEE SECRETARY HOPPER: Eraina Ortega?

VICE CHAIRPERSON ORTEGA: Aye.

COMMITTEE SECRETARY HOPPER: Theresa Taylor?

COMMITTEE MEMBER TAYLOR: Aye.

COMMITTEE SECRETARY HOPPER: Shawnda Westly?

COMMITTEE MEMBER WESTLY: Aye.

COMMITTEE SECRETARY HOPPER: Mr. Chair, I have

Margaret Brown moves the motion -- moved the item and Theresa Taylor seconded it.

CHAIRPERSON FECKNER: Thank you. Appreciate that.

Moving on to Agenda Item 3, the Executive Report. Mr. Hoffner

CHIEF OPERATING OFFICER HOFFNER: Good morning. Can you hear and see me?

COMMITTEE MEMBER TAYLOR: Yes.

CHAIRPERSON FECKNER: I can hear you. I can't see anybody.

CHIEF OPERATING OFFICER HOFFNER: Sorry, Rob.

CONFERENCE MODERATOR: Sorry to interrupt. It looks like it is a little slow. We're having some bandwidth issues. So you guys may disappear, but we can hear you on our side.

CHAIRPERSON FECKNER: Okay. Thank you. Glad it wasn't me.

CHIEF EXECUTIVE OFFICER FROST: And just a reminder, Rob, that we can see you, even if you can't see us.

CHAIRPERSON FECKNER: That's not necessarily a good thing, but I'll go with it.

CHIEF OPERATING OFFICER HOFFNER: Okay. Good morning. Doug Hoffner, CalPERS' team member.

Today, we have one information item for you today. We'll be presenting the information item on the annual employee engagement survey. It's developed by McLean and Company, a third-party provider that we used starting three years ago. They provide these kind of service to both public and private organizations, Fortune 500 companies, and some of our peer pension systems. The method by which they administer the survey is anonymous, and that provides the respondents anonymity in responding to the survey, and they provide aggregate data to CalPERS.

We released this survey in October of each year and we received our aggregate data back from McLean in approximately early December. From there, we established action plans and presented that information back to the team members. Today, we'll collaborate on the presentation with McLean and Company. They're sitting in the queue.

Before I get to that, I want to provide one quick update on the request for proposal related to the Board's primary executive incentive comp consultant. We released the RFP on March 16th. We've received several questions from potential bidders. And then that will close on May 5th of 2020. Shortly following that, we'll work with the evaluation subcommittee to begin the evaluation and selection process, and report that back to the full

Committee in June 2020 at the next regularly scheduled meeting.

Finally, when we met last in February, I did announce that we had hired a new Human Resources Chief, Michelle Tucker. Michelle started on March 2nd. And she's here today as part of the panelist team as well. But I wanted to introduce her to the organization.

Thank you, Mr. Chair. This concludes my report.

CHAIRPERSON FECKNER: Thank you. Appreciate that, Mr. Hoffner. Brings us to Agenda Item 4, action item, the approval of the meeting minutes. What's the pleasure of the Committee.

COMMITTEE MEMBER TAYLOR: So moved.

CHAIRPERSON FECKNER: Is there a second?

COMMITTEE MEMBER BROWN: Second. Second. Ms. Brown.

CHAIRPERSON FECKNER: Thank you. It's been moved by Ms. Taylor, seconded by Ms. Brown.

Ms. Hopper, please call the roll.

COMMITTEE SECRETARY HOPPER: Margaret Brown?

COMMITTEE MEMBER BROWN: Aye.

COMMITTEE SECRETARY HOPPER: Lisa Middleton?

COMMITTEE MEMBER MIDDLETON: Aye.

COMMITTEE SECRETARY HOPPER: Stacie Olivares?

COMMITTEE MEMBER OLIVARES: Aye.

COMMITTEE SECRETARY HOPPER: Eraina Ortega?

VICE CHAIRPERSON ORTEGA: Aye.

COMMITTEE SECRETARY HOPPER: Theresa Taylor?

COMMITTEE MEMBER TAYLOR: Aye.

COMMITTEE SECRETARY HOPPER: Shawnda Westly?

COMMITTEE MEMBER WESTLY: Aye.

COMMITTEE SECRETARY HOPPER: Item was moved by Theresa Taylor, seconded by Margaret Brown.

CHAIRPERSON FECKNER: Thank you, Ms. Hopper. That brings us to Agenda Item 5, information consent. Having no requests to move anything off of that agenda.

It takes us to Agenda Item 6, information agenda items, Employee Engagement Survey. Mr. Hoffner.

CHIEF OPERATING OFFICER HOFFNER: Thank you, Mr. Chair. Good morning again. This item presented today will provide an overview of our latest engagement survey. It provides the comparison data from results from 2017 through 2019. And we'll be discussing some of the action plans from that survey.

(Thereupon an overhead presentation was presented as follows.)

CHIEF OPERATING OFFICER HOFFNER: Today, the -- we'll be talking about the employee feedback and the implemented strategies as a result of that information.

Just so you guys know, CalPERS has been looking at providing engagement surveys and getting feedback from the employees for several decades, and using this new tool that I mentioned previously from McLean, our third-party provider.

We introduced this tool in 2017. And again, they provide this service to many other companies and organizations across the country and the world. Before I get into the details with this presentation, I'd like to introduce two of the panelists Kathy Brizeli as a Senior Service Director for McLean and Company and Amanda Chaitnarine is a senior manager for the organizational effectiveness portion of McLean and Company.

Amanda is here today to help on the presentation to help answer questions, provide information related to the survey tool itself. And before I move on, I want to let you know that again, the tool is designed to confidential. It shares only aggregate data and some analysis to CalPERS to assist us in identifying and improving areas we could -- we could look to maintain and improve our practices.

The level of confidentiality provides respondents the piece of mind necessary to encourage a candidate response. With that, I would like to introduce, Amanda, if you can please bring her to the stage.

CONFERENCE MODERATOR: Yes. Amanda and Kathy you should be able to turn your microphone and your video on.

CHIEF OPERATING OFFICER HOFFNER: I see you Amanda. So why don't you move to slide two, please and Amanda will make a presentation there.

Thank you.

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MR. CHAITNARINE: Okay. Can everybody hear me clearly?

CHAIRPERSON FECKNER: Yes.

MR. CHAITNARINE: Okay. Perfect. Okay. So really when it comes to employee engagement, organizations really measure this level of engagement because it really directly affects how work is being done. With higher levels of engagement, we see higher levels of creativity, performance, and retention. And when measuring engagement, it's important to distinguish between two types of employees. So you do have your satisfied employees and your engaged employees.

So employee engagement defined is really the degree to which employees are emotionally connected and committed to their organization and their role, exerting discretionary effort for the betterment of the organization.

When you take a look at satisfied versus engaged employees, your satisfied employee are meeting the minimum requirements of their job, but are not motivated to exceed them. So they do the minimum they can to get by and they stay at the organization based on what it is they can get from it. So they may be content, because their needs are being met like benefits or their compensation package, but not completely motivated or emotionally committed and involved and productive as an engaged employee.

Your engaged employees, they're staying at the organization based on what it is they can contribute to it. So you'll find that they're far more energized, passionate, and dedicated. So they'll become more highly involved. Their engaged employees look at the whole company and understand the purpose and how they fit into it, beyond just their team, but the organization as a whole.

So what ends up happening s you find that with an engaged workforce, it will lead to increased productivity, higher retention, lower absenteeism, improved -- and improved customer service.

CHIEF OPERATING OFFICER HOFFNER: Could we advance to slide three, please.

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CHIEF OPERATING OFFICER HOFFNER: So why does engagement matter to CalPER?

I think the major thing we've been looking at as an organization is -- is to really understand how we can improve the organization and to double down on those things that were doing very well. And in order to do that, we need to get that information from employees. And this tool has been helpful in doing that. It helps us prioritize again those areas that we've been doing well in, doubling down in some of those efforts, and then looking to provide levels of improvement. We can always improve in any organization. And the data associated with this tool has been helpful in doing that.

And this is broken down by both at the branch level, the enterprise level, and at the division level. And so the goal here is to basically see how -- what those differences are, and again identify areas of improvement.

Please proceed to slide four.

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MR. CHAITNARINE: Okay. So how the CalPERS team responds to the survey questions really determines their level of engagement would fall into one of four measurement categories.

So they can be anywhere from engaged to disengaged. So engaged employees, as I mentioned, are passionate and dedicated. They're consistently exceeding their performance expectations, and really are leading them to exert a lot of effort to drive the organization's performance.

Your almost engaged employees sometimes exceed those expectations and are generally passionate, but not all the time. And different employees, these are equivalent to your satisfied employees. So they're comfortable, they're generally able to meet their minimum expectations, but they do see their work as being just a job.

And then those that are disengaged are usually failing to meet those minimum expectations. They're putting in the time rather than the effort and are showing little interest in the job.

Okay. So some key things to really consider when thinking about the levels of engagement, and the number and he percentage of employees that fall into each of those levels is that even one disengaged employee can have a significant impact on the workforce, especially within smaller teams.

A disengaged employees negate attitudes can have a multiplying effect on pier performance, productivity, creatively, retention, and engagement. And in comparison to disengaged employees, your engaged employees are more than one and a half times more likely to agree with the statement that they are regularly able to accomplish more than what's expected of them and are over five times more likely to agree with the statement that they are committed to the organization.

They're also over one times more likely to agree that they're not afraid of trying out new ideas on their job, which really is what leads to that creativity and innovation. So increased performance, retention, and creativity due to high employee engagement can directly impact the bottom line.

CHIEF OPERATING OFFICER HOFFNER: Please proceed to the next slide.

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CHIEF OPERATING OFFICER HOFFNER: So this slide basically identifies that, depending on the organization, there's a variety of levels of engagement. When this survey was conducted in October of '19, McLean's data indicated there was a 55 percent level of engagement across the benchmark at that point in time.

But we've seen other studies from Forbes and other places that show that they might have engagement as low as the 30 to 40 percent, depending on the type of information and the organization that's being identified.

I think the point here is to identify that that continues to change. And it's point in time, so when we conduct the next survey, whether that's 55 percent or higher, that will be reflective when we do the comparison.

Please proceed to the next slide.

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CHIEF OPERATING OFFICER HOFFNER: So the focus here on this slide is to look at the overall results. We've provided a high-level comparison between 2017 through 2019. The emphasis I'd like to identify today is to really look at that -- the green bar that speaks to the different levels of percentage increase of engagement across the organization, from just under 60 percent in 2017 to nearly 64 percent in 2019.

Again, when we conducted the survey this last cycle, it was at 55 percent for the benchmark. This is also reflective of the fact that we had 79 percent of the employees participate in the survey. So of the nearly 3000 employees, 79 percent took the survey in 2019. That's up eight percent from the prior year and up nine percent from the initial 2017 year.

You can also see by looking at some of the line colored, almost engaged section, that we've been moving employees from almost engaged to the engaged section, which is helpful, because we're getting them more empowered. I think, sort of that mission-driven culture of CalPERS is something that they really respond to, and I think that's reflective in the results that we'll see in a few slides from now.

Next slide, please.

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CHIEF OPERATING OFFICER HOFFNER: So here is the net promoter question. It basically identifies and asks the employees one specific question, how likely would you be to recommend this organization to a qualified friend or family member as a great place to work. And as you can see, we had a score of nearly 34 percent. Average benchmark for McLean other organizations that they provide the survey to is 3.3 percent. This number can range from a negative 100 to a positive 100 score, depending on how the employees respond.

And in order to get to the supporters, they have to answer a nine or ten of this question in terms of a ten point scale. You take the supporters and minus the detractors and you get the overall employee experience score.

And I'll pause there in case there's question and then maybe Amanda could chime in if there are from a process perspective in terms how those data points are developed.

CHAIRPERSON FECKNER: I see no questions yet.

CHIEF OPERATING OFFICER HOFFNER: Okay. Then I will move on to the next slide.

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CHIEF OPERATING OFFICER HOFFNER: So here you can see both -- and this is a little bit of an eye chart. I'll apologize for that. But overall engagement is the bar chart from the far left. And then you see the 13 result drivers across the organization. And essentially, you can see the trend lines for engagement depending on the type of questions being asked or the categories of the drivers. You can see improvement essentially each year, year-over-year across the organization.

And I think what we're looking at from a management perspective is that we are moving the organization in a fundamentally good direction. I will point out the accountability question, which is the third from the right. This is a customized question that CalPERS added. This is not something that was identified as a driver by McLean, but we had been discussing accountability for many, many years. It's been in previous engagement surveys and we included that data here.

You can see some considerable improvements over the last three years with an emphasis and focus on that driver, as well as the co-worker relationships on the far left, the culture of the organization, and relationships at both the management and division level have all been quite high from the team members response rates.

Next slide, please.

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CHIEF OPERATING OFFICER HOFFNER: This slide provides an overall breakdown by branch in the organization. And I want to identify here is that I think effectively you can see by the branch, the number of employees that participated in this survey. You can essentially see how the results break out at the very highest levels. And, you know, some of the organizations are much smaller than some of the others, but you can see the results are fairly consistent across many of the branches.

Next slide, please.

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CHIEF OPERATING OFFICER HOFFNER: The next three slides are going to be talking about engagement by different demographics. And again, this is engagement by age, then we'll do by gender, and then by duration in the organization. So again, I want to identify -- and this is just a year-over-year set of data, to look at how the various folks by age range identify their level of engagement at CalPERS. It seems fairly consent, and based on the conversation with McLean, this is not inconsistent with what they typically see in other organizations that they provide surveys too.

Next slide.

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CHIEF OPERATING OFFICER HOFFNER: Engagement by gender, both at the male and female look here is basically pretty consistent. You have seen some results where women are more engaged than men by, I think, four percent from the prior year, but otherwise pretty consistent across the organization.

And the next slide.

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CHIEF OPERATING OFFICER HOFFNER: This is engagement by tenure, so we really get down to people that take the survey within the first three months of being onboarded in the organization, the three to six months, six months to a year, and a year to three years, et cetera. You can see what they -- they do call an inverted sea C-curve, and I'll let amanda maybe speak to that.

But essentially, you sort of get responses that come in in early stage of someone's career, they kind of dip in the middle, and then between three and five years, they kind of improve. Ours is sort of looking to trend a little bit earlier than that. And essentially, that's a point in time where some folks are looking to make changes, move on to other parts of the organization and identify what they might be doing differently in their careers.

So from that perspective, it's consistent with other information we've heard from McLean. It may be trending a little earlier in our cycle than it is for other organization. I think you have to see this over time and look to see if this something that's really more based on the different generations that we have in the organizations, the millennials and others coming in who tend to seem to want to move around in the organization much more rapidly than I would say prior generations.

Next slide, unless there's questions.

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CHIEF OPERATING OFFICER HOFFNER: So action planning. This is something I mentioned early on. Essentially, each parts of the organization has identified areas of improvement. We're focusing again on accountability. Senior and executive management relationships is another focus for us as an enterprise level. And then looking to basically provide additional tools for the employees, both to innovate and to improve.

This is again done at various levels, both at the enterprise level, the divisional level, and the branch level. We'll be collaborating with the different divisions. I think given where we are with COVID-19, this has really forced our continuing engagement in a very different way using a technology, town hall forums, live video chats.

We've really pushed a lot of those things. Got a lot of really positive feedback from the employees, I think, staying really connected though we're not here on property for the most part. A high percentage of us are working from home. The ability to connect and see each other, I think is really empowering and a powerful for them, and then understand that we're all doing well in these trying times, both at work and home.

But also the double-down on the things that we look to improve upon, both in accountability and those relationships I mentioned.

Next slide.

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CHIEF OPERATING OFFICER HOFFNER: I'll leave it here, unless there's questions about any particular slide or how we used the survey tools.

Thank you, Mr. Chair.

CHAIRPERSON FECKNER: Okay. I see Mr. Miller. You said at the end. Are you done with your presentation, Mr. Hoffner?

CHIEF OPERATING OFFICER HOFFNER: Yes, I am. Thank you.

CHAIRPERSON FECKNER: Okay. Mr. Miller, please.

BOARD MEMBER MILLER: Yeah. Thank you, both. Very, very enlightening presentation. I had just two questions. One, with regard to segmentation, I really appreciated the segmentation you presented. I'm wondering if you do anymore segmentation that's more of a deeper dive into some of the demographics and also different occupational groups, types of work environments, that type of thing across the organization.

And then my second question is how do you determine the key drivers of engagement versus satisfaction and dissatisfaction?

CHIEF OPERATING OFFICER HOFFNER: So why don't I take the first question and let Amanda address the second one, given that the key drivers, those are tools identified and provided by McLean, based upon their many years of providing these kinds of surveys. So, you know, we do have information. I don't know if it gets much deeper, Mr. Miller, in terms of demographics. There's clearly demographics that would breakdown further by a branch level, let's say.

But we really tried to -- at this level tried to provide that highest view and really articulate that we're not seeing much difference across those very spectrums of the demographics. That might be slightly different in other parts of the organization, based on their makeup.

But I don't believe we really have anything further than that.

In terms of the type of work that we do, that again would be more branch or division specific related to, you know, any part of the organization, depending on he work that they do. So we could dig into that, I guess, but I don't have any of that at my -- at my finger tips at the moment.

BOARD MEMBER MILLER: Yeah. I ask --

CHIEF OPERATING OFFICER HOFFNER: Amanda, can you address the second question?

BOARD MEMBER MILLER: I ask because of our focus on diversity was the reason for my first question. The second question I was just curious.

CHIEF OPERATING OFFICER HOFFNER: Yeah, I mean, I think we could probably at some -- you know, looking at we've had the diversity surveys again, which are anonymous responses from employees. I guess we could look at some kind of cross-references of that, a level of participation. I know we've done some of the things historically. Those are done by different organizations. Those are done internally versus using a third-party provider, but I don't believe those have been cross-referenced in anyway.

But I -- that's something we could always look at in the future as to how those things breakout. Amanda, can you address the second question related to the drivers of engagement and how those are picked and identified by McLean.

CHAIRPERSON FECKNER: You're muted, Amanda.

MR. CHAITNARINE: There we go. Thank you. In terms of overall engagement, we do feel that engagement encompasses a variety of factors that influence an employee's experience. So, we have what we refer to as job engagement drivers. These questions on the survey and these influences include co-worker relationships, manager relationships, reward and learning and development, for example.

And these are really the experiences or the influences on the day-to-day interactions with teams and managers.

On a broader organizational level, looking at organizational engagement drivers, we have areas such as culture, customer focus, senior management relationships, and department relationships. These are areas that are really driven by the senior leadership team across the organization regardless of location, regardless of branch or division, and so on.

So it's really the outcome of those job engagement drivers that the local team, as well as the organization as a whole, that really affect the overall engagement levels in terms of demonstrated engagement, feelings of purpose and energy, and general satisfaction.

How does that all that translate into an outcome of where employees are willing to go that extra mile, put in that extra effort, be creative and innovative. So all of those things are things that lead to the outcome of engaged employee. Does that help answer the question?

BOARD MEMBER MILLER: Great. Thank you very much. That's very helpful.

CHAIRPERSON FECKNER: Great. Thank you.

Mr. Hoffner, I've got a couple of comments and questions. First of all, I view this as a management tool, something that helps the internal management be able to build upon their workforce, which baffles me as to why so many people outside of our organization are so concerned about this, and the last three years.

In my opinion, I want to know what's going on today and what's going to happen tomorrow. Really not concerned so much about how happy someone was three years ago. But that being said, I hope that we're giving our managers the tools to be able to do the research, to find out who these disengaged employees are, and help them either to be engaged, or perhaps find something else that will make them engaged.

You know, to see a nine to ten percent level of disengaged employees is troubling to me. And I want to make -- be able to make sure that our managers are identifying these people, giving them the proper support they need to change that from disengaged to engaged, and if not, I mean, there -- I don't want to be frank about this. But quite frankly, there are a lot of unemployed people out there today, and perhaps, we -- if people are considering retirement, and that's why they're disengaged, then maybe we need to identify that and maybe give them the tools that we can help them be a little more productive.

But to see a ten percent disengaged rate is not -- not what I like to see. That being said, can you answer whether or not we've given them the proper tools or do we have the ability to give them the tools that they need, training, et cetera, to reach out to these employees that are disengaged and identify them.

CHIEF OPERATING OFFICER HOFFNER: Thank you, Mr. Chair. So we can't identify specifically who the disengaged employees are, but we have provided the tools. Again, this was a confidential survey, but we have been providing the tools to the division and the leaders to talk about what it is that we an do to help move people from -- to engagement.

We're not actually putting a ton of effort in terms of trying to bring the disengaged to engagement. We're really emphasizing and working on bringing those who are indifferent or almost engaged up. And basically to your point, if people aren't happy about where they work, they have other opportunities to move on. We're okay with that.

At this point, really the emphasis is trying to both keep the engaged at the level they're at and improve it, based upon driving folks from those middle tiers up, but I do appreciate your feedback. We are working again with the divisions and providing them the tools that we think are necessary. And a lot of it's about conversation, and communication, and understanding, and having the employees articulate back as to what they're concerned about, if it's concerns or they're just basically not happy.

And I tend to think, and I'll let McLean speak to this, there's a percentage of folks that aren't happy in life irrespective of where they work. And I don't know how much we'll be able to change the data in that piece, but do take to heart your comment and your feedback. And again, we're looking to improve the organization. And using tools like this, I think will help us to do that over the long-run.

Amanda, do you have any specific feedback as to a disengagement rate in organizations that you work with?

MR. CHAITNARINE: So the just under ten percent disengagement rate that you do have is actually below benchmark. We're usually seeing 12 and half to 13 percent disengaged. To what Doug was saying, I do think it's important to get those indifference and almost engaged, you know, into those higher levels. Disengaged employees could be quite a bit more difficult, but it is a matter of being able to identify who those are, and then deal with them appropriately, and identify if there are performance issues or whatnot.

For example, it's much harder to turn a Disengaged employee around to an engaged one, than it is an almost or an indifferent. There are certain conversations and activities that you can do to sort of, you know, identify who those people are. And I think regardless in any organization, there's always going to be a small proportion of people who may not be the right fit for either their position or the role that they're in.

In terms of -- you did raise a good point, in terms of, you know, are tools and resources provided to managers? So our belief is that managers do play a critical role in engagement. And some of the resources that McLean as that CalPERS can certainly use or rely on are some of the manager-specific trainings and resources that we have, in terms of being able to having a manager identify disengaged employees. What are some of the conversations and prompts that they could have to be able to facilitate that conversation to find out what some of the challenges are? Sort-stop continue conversations to really find out within the team, you know, what's going on, and then help develop plans to help improve that. So we certainly do have some tools and resources to be able to identify that, and then, of course, hell improve that.

CHAIRPERSON FECKNER: Great. Thank you. And I'm glad that we're below the benchmark. Ten percent is still troubling for me.

MR. CHAITNARINE: Yes.

CHAIRPERSON FECKNER: So I appreciate that. I'm glad to know there's some tools out there. And I understand, Mr. Hoffner, that is a confidential survey. We don't know who these employees are. But again, in my opinion, a well-trained manager should be able to differentiate those unhappy, disengaged employees, and help them attain to a better status. So that being said, I have a couple more questions.

Ms. Olivares, please.

COMMITTEE MEMBER OLIVARES: Thank you, Mr. Chair.

I would like to add a little bit of a different perspective to this, having worked on Wall Street and investment offices. As I look on page nine of 14 and the Investment Office, I see that only 48 percent of respondents were actively engaged, meaning 52 percent, or the majority of the Investment Office, was not.

In follow up to Mr. Miller's point, I would like to see demographics. So I know we have gender, but I'd also like to see race and ethnicity. And that's because in the field of investments, there's a lot of historical discrimination. There's a tremendous lack of diversity. And I know we're trying to do the best we can to attract, retain, and advance the most talented people. And it's possible we might be missing some or that some of the lack of engagement is because people aren't satisfied with the culture in someway.

Can you address that?

CHIEF OPERATING OFFICER HOFFNER: Thank you, Ms. Olivares. We have Dan Bienvenue in -- on the panel list queue, if you could bring him in and let him answer that question.

COMMITTEE MEMBER OLIVARES: Thank you.

CHIEF OPERATING OFFICER HOFFNER: Thank you. And while he's coming in, maybe Rob I could back up to the prior question. As we've seen accountability rise, you know, to a degree, you also see people that are disengaged. So there may be a correlation there as well as those accountability scores have improved over the last three years. That has to do with performance and some other issues, that I'm not necessarily surprised at that bears out for some level of disengaged. So we, again, take to heart your previous comments.

CHAIRPERSON FECKNER: Thank you.

CHIEF OPERATING OFFICER HOFFNER: Dan, are you on?

COMMITTEE MEMBER OLIVARES: Did we cross-reference that too. Sorry.

CHIEF OPERATING OFFICER HOFFNER: What's that, I'm sorry?

COMMITTEE MEMBER OLIVARES: Did we cross-reference that. So, for example, are we looking at the percentage who are not fully engaged and the percentage that are underperforming.

CHIEF OPERATING OFFICER HOFFNER: That would be, yeah, a separate conversation in terms of employee performance, personnel type stuff. That wouldn't be something we would discuss in an open session. But definitely looking at these items in terms of management leadership. These are components of people, incentive compensation and leadership scores and performance that outcomes are looking at from a management perspective across the organization.

So I think we could have a different conversation at a different point in time, but those things are taken into account.

COMMITTEE MEMBER OLIVARES: Um-hmm. That would be great. Thank you.

CHIEF OPERATING OFFICER HOFFNER: Okay. Thank you.

INTERIM CHIEF OPERATING INVESTMENT OFFICER BIENVENUE: Good morning. Can you hear me?

CHAIRPERSON FECKNER: We can.

INTERIM CHIEF OPERATING INVESTMENT OFFICER BIENVENUE: All right. So, good morning, Mr. Olivares and members of the Board. Thank you for the question. Yeah, you know, candidly, the engagement scores are something that we're not satisfied with and that we recognize that there's -- you know, there's work to be done. To your point, diversity is an industry-wide problem. It's a problem that we have been struggling with, especially getting, you know, diverse candidates to either come or stay in Sacramento, especially given some of our -- some of our other challenges.

I would also point out some of the -- you know, there was -- there was -- I think there's a timing effect here that this survey was done in the October time frame, which is a point when all of the investment strategy reviews were going on, there was a collective bargaining process going on, there was a number of things going on, that I think probably impact the scores.

There is some good in the scores frankly. Some of the scores did move up. We did have a 91 percent response rate. So that was very encouraging. I think that it tells us that the staff wants to tell us what they think. And they actually -- you know, I think they only want to tell us what they think if they believe something will change.

But candidly, we look across the board at the scores, unequivocally, the diversity and inclusion score, but also all of our scores across INVO. And we have areas -- we have areas that we need to work on and we are working on that. Our hope certainly would be that this tme next year, there -- it's a better story, but that's -- that's on us.

COMMITTEE MEMBER OLIVARES: Thank you.

CHAIRPERSON FECKNER: Great. Thank you. I have Ms. Middleton with a question.

COMMITTEE MEMBER MIDDLETON: Thank you, Mr. Chair.

Actually, Ms. Olivares asked my question -- probably asked it much better than I could have. So I'm not going to repeat the question, other than to ask Dan what are things that we, as a Board, can do to help support you and the team in the Investment Office?

INTERIM CHIEF OPERATING INVESTMENT OFFICER BIENVENUE: Thank you for the question, Ms. Middleton, and more importantly, thank you for the support. Let me spend some time thinking on that. I mean, candidly, I feel like the Board is very supportive of us. And I feel like we have the tools we need.

COMMITTEE MEMBER MIDDLETON: Um-hmm.

INTERIM CHIEF OPERATING INVESTMENT OFFICER BIENVENUE: I would say what we also have though is we do have some cross-cutting currents that made progress on the engagement side challenging. First of all, as we talked in Finance and Admin yesterday, we're trying to contain costs. And, you know, one of the places where we scored lowest and one of our areas of focus is rewards and recognition.

The reward side is harder, because, you know, I think -- obviously, everybody would love a pay raise, right? But that's in the cards, so we -- you know, we want to be a little more careful on the reward side. It's probably more on the recognition side.

COMMITTEE MEMBER MIDDLETON: Right.

INTERIM CHIEF OPERATING INVESTMENT OFFICER

BIENVENUE: One of the other cross-cutting currents, as I mentioned, was that this was, you know, all of the strategy reviews that were going on at that time point that, again, led to that $200 plus million in annual run-rate cost savings, also led to what we expect to be better performance going forward. But for some people, that's disengaging, because the littler area that they had worked on gets discontinued. And then, you know, that creates uncertainty and hopefully we can get them reengaged. But then for some, that -- you know, that just won't be their area of interest, and so that creates a challenge too.

So I really -- I'll think on it. Thank you for the support. I can't think of anything that we really need from the Board at this moment. But certainly if we come up with it, we'll -- we'll be the first to let you know. But, you know, as I say, we really appreciate the support and the question.

COMMITTEE MEMBER MIDDLETON: Thank you, and please do. There is no function in CalPERS today that is going to be under more pressure than the Investment Office. And I'm not telling you anything you don't know, but the stakes are immense for the organization, and we need you to have the support you need and the resources you need to weather this storm.

Thank you.

INTERIM CHIEF OPERATING INVESTMENT OFFICER BIENVENUE: Thank you.

CHAIRPERSON FECKNER: Thank you. I see no other questions. Any other Board members, Committee members have questions on this topic?

Seeing none.

Mr. Hoffner, anything you'd like to close with on this topic or are we ready to move on?

CHIEF OPERATING OFFICER HOFFNER: I'm ready to move on. Thank you.

CHAIRPERSON FECKNER: Okay. Thank you.

That takes us to agenda item -- and thank you to McLean. We appreciate all of the information. And we're going to work hard to improve our scores.

MR. CHAITNARINE: You're very welcome.

CHAIRPERSON FECKNER: Item 6b, Summary of Committee Direction. Mr. Hoffner.

CHIEF OPERATING OFFICER HOFFNER: I did hear a few comments about looking at demographic data going forward. So we'll -- I'll take that as a to-do to go look and see what we can do in terms of cross-referencing and some of those other items that we're presented -- or asked about. So we will take that away as an item.

CHAIRPERSON FECKNER: Please do. And also take into consideration Ms. Olivares and Ms. Middleton's comments about the Investment Office, and make sure that they have the support and the proper equipment and tools they need to move forward as well.

CHIEF OPERATING OFFICER HOFFNER: Of course. Thank you.

CHAIRPERSON FECKNER: That takes us to Item 6c, Public Comment. Is there any public comment today for this Committee?

COMMITTEE SECRETARY HOPPER: Mr. Chair, we do not have any anything for the Performance, Compensation and Talent Management.

CHAIRPERSON FECKNER: Very good. Thank you very much. So that brings us to the end of our agenda. We are going to adjourn the Performance and Compensation Committee.

The Board Governance Committee is up next. It's 8:38 and I know we need a little time to reconfigure slides, et cetera, so let's say about 8:50 that will be Board Governance.

GENERAL COUNSEL JACOBS: Mr. Chair?

CHAIRPERSON FECKNER: Yes.

GENERAL COUNSEL JACOBS: Mat Jacobs here. We can't start before 9:00, because --

CHAIRPERSON FECKNER: Oh, very good.

GENERAL COUNSEL JACOBS: -- of the noticing issue.

CHAIRPERSON FECKNER: Sorry we went too fast, but that's okay. Everybody can get up and take a walk around the room and get another cup of coffee. We'll see you back at 9:00 o'clock for BOARD governance.

Thank you, Committee member and staff for a great presentation today.

(Thereupon the California Public Employees' Retirement System, Board of Administration, Performance, Compensation, & Talent Management Committee meeting adjourned at 8:39 p.m.)

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 30th day of April, 2020.

James F. Peters

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