

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

ROBERT F. CARLSON AUDITORIUM
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TUESDAY, JUNE 16, 2020

2:02 P.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
Mr. Ramon Rubalcava
Mr. Betty Yee, represented by Ms. Karen Greene-Ross

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:

Mr. J.J. Jelincic

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2 CHAIRPERSON FECKNER: I will call the Performance,
3 Compensation and Talent Management Committee meeting to
4 order. The first order of business will be to call the
5 roll please.

6 Ms. Hopper.

7 COMMITTEE SECRETARY HOPPER: Rob Feckner?

8 CHAIRPERSON FECKNER: Good afternoon.

9 COMMITTEE SECRETARY HOPPER: Margaret Brown?

10 COMMITTEE MEMBER BROWN: Here.

11 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

12 COMMITTEE MEMBER MIDDLETON: Present.

13 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

14 COMMITTEE MEMBER OLIVARES: Here.

15 COMMITTEE SECRETARY HOPPER: Michelle Mitchell
16 for Eraina Ortega?

17 Theresa Taylor?

18 COMMITTEE MEMBER TAYLOR: Here.

19 COMMITTEE SECRETARY HOPPER: Shawnda Westly?

20 COMMITTEE MEMBER WESTLY: Present.

21 COMMITTEE SECRETARY HOPPER: So, Mr. Chair, the
22 only one I don't see is Michelle Mitchell for Eraina
23 Ortega.

24 CHAIRPERSON FECKNER: Okay. Well, we will
25 continue. If she gets on here, then we'll welcome her

1 then.

2 So Item 2 is the approval of the June 16th,
3 Performance, Compensation and Talent Management Committee
4 timed agenda. What's the pleasure of the Committee?

5 COMMITTEE MEMBER TAYLOR: Move approval.

6 COMMITTEE MEMBER BROWN: Move approval.

7 CHAIRPERSON FECKNER: I see moved by Taylor,
8 seconded by Brown.

9 COMMITTEE MEMBER BROWN: Sure.

10 CHAIRPERSON FECKNER: Any discussion on the
11 motion?

12 Seeing none. All in favor, Ms. Hopper, please
13 call the roll.

14 COMMITTEE SECRETARY HOPPER: Margaret Brown?

15 COMMITTEE MEMBER BROWN: Aye.

16 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

17 COMMITTEE MEMBER MIDDLETON: Aye.

18 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

19 COMMITTEE MEMBER OLIVARES: Aye.

20 COMMITTEE SECRETARY HOPPER: Michelle Mitchell
21 for Eraina Ortega?

22 Theresa Taylor?

23 COMMITTEE MEMBER TAYLOR: Aye.

24 COMMITTEE SECRETARY HOPPER: Shawnda Westly?

25 COMMITTEE MEMBER WESTLY: Aye.

1 COMMITTEE SECRETARY HOPPER: I have all eyes, Mr.
2 Chair, waiting upon Michelle Mitchell to attend.

3 CHAIRPERSON FECKNER: Very good. Thank you.
4 Agenda Item 3, the Executive Reporter, Mr.
5 Hoffner.

6 CHIEF OPERATING OFFICER HOFFNER: Good afternoon,
7 Mr. Chair and members of the Committee. Doug Hoffner,
8 CalPERS team member.

9 Today, we have two action items before you.
10 Michelle Tucker will introduce those momentarily. Before
11 we get to that, I wanted to cover one other item. Since
12 we last met, we have completed and received -- not
13 completed. We've received the Request for Proposals from
14 seven firms related to the Board selection of an executive
15 incentive compensation consultant. And that solicitation
16 concluded in May. The goal would be to bring that
17 material back to this Committee via the subcommittee
18 process that was identified, and have that selection done
19 and presented to the full Committee at the September 2020
20 Board meeting.

21 At this time, that concludes my presentation.
22 Take any questions if you have any.

23 Thank you.

24 CHAIRPERSON FECKNER: Very good. Thank you, sir.
25 And I see Ms. Ortega has joined us.

1 VICE CHAIRPERSON ORTEGA: Yes. Thank you, Mr.
2 Chair. I'm here.

3 CHAIRPERSON FECKNER: Okay. Then that brings us
4 to Agenda Item 4, the action consent, approval of the
5 April 22nd Committee meeting minutes. What's the pleasure
6 of the Committee?

7 COMMITTEE MEMBER BROWN: Move approval.

8 COMMITTEE MEMBER TAYLOR: Second.

9 CHAIRPERSON FECKNER: Been moved by Brown,
10 seconded by Taylor.

11 Ms. Hopper, please call the roll.

12 COMMITTEE SECRETARY HOPPER: Margaret Brown?

13 COMMITTEE MEMBER BROWN: Aye.

14 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

15 COMMITTEE MEMBER MIDDLETON: Aye.

16 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

17 COMMITTEE MEMBER OLIVARES: Aye.

18 COMMITTEE SECRETARY HOPPER: Eraina Ortega?

19 VICE CHAIRPERSON ORTEGA: Aye.

20 COMMITTEE SECRETARY HOPPER: Theresa Taylor?

21 COMMITTEE MEMBER TAYLOR: Aye.

22 COMMITTEE SECRETARY HOPPER: Shawnda Westly?

23 COMMITTEE MEMBER WESTLY: Aye.

24 COMMITTEE SECRETARY HOPPER: All ayes, Mr. Chair.

25 CHAIRPERSON FECKNER: Thank you.

1 That brings us to Agenda Time 5, the information
2 consent calendar. Seeing no requests to move anything off
3 of that -- off of number 5, we will move on to action
4 items, number 6. 6a is the annual review of the 2020-2021
5 incentive metrics.

6 Ms. Tucker.

7 HUMAN RESOURCES DIVISION CHIEF TUCKER: Good
8 afternoon, Mr. Chair and members of the Committee. This
9 is Michelle Tucker, CalPERS team member. Agenda Item 6a
10 is an action item, which seeks approval of the incentive
11 metrics for fiscal year 20-21. The Board's primary
12 executive compensation consultant, Grant Thornton, has
13 reviewed the metrics for fiscal year 20-21 and is
14 proposing no changes.

15 Upon Committee approval, some combination of
16 these metrics will be included in fiscal year 20-21
17 incentive plans for investment management, deputy, and
18 senior leadership positions. I'll now turn it over to Mr.
19 Gonzaga Mr. Myszka of Grant Thornton who will present the
20 item and answer any questions you may have.

21 Thank you.

22 CHAIRPERSON FECKNER: Thank you very much. We
23 welcome the team of Erics.

24 (Thereupon an overhead presentation was
25 presented as follows.)

1 MR. GONZAGA: Thank you. So Eric Gonzaga here
2 from Grant Thornton. And this will be quick. But we have
3 reviewed the various incentive metrics and plan goals with
4 respect to each metric. And consistent with history,
5 dating back to when the plan was implemented about four
6 years ago, the plan continues to use a good solid array of
7 performance metrics; organizational metrics to align the
8 entire team -- leadership team on the same set of metrics,
9 specifically fund performance, how well is the fund
10 performing on a relative basis; enterprise operational
11 effectiveness intended to, you know, manage the efficiency
12 of the organization; investment Office CEM measures the
13 efficiency of the returns; customer service, of course,
14 making sure that benefits are delivered in an appropriate
15 manner; and stakeholder engagement, you know, how does the
16 organization meet its mission relative to stakeholder
17 perspectives.

18 And as we reviewed those five metrics, you know,
19 recognizing that there was no change over 2019-2020, you
20 know, we firmly believe that this is a good solid array of
21 metrics to align the organization, you know, on the same
22 set of performance metrics. It's a very good, you know,
23 sample of -- and consistent with market practices in terms
24 of how organizations are measured.

25 In addition, the degree of challenge is

1 consistent with last year, recognizing over the last two
2 to three years there have been some tweaks to enhance the
3 challenge of the various goals.

4 So with all of that, we do not recommend any
5 changes to the proposed metrics. We think the
6 measurements are appropriate, the degree of challenge is
7 appropriate and reasonable. And, you know, the primary,
8 you know, perspective, you know, that we would offer is
9 just simply that, you know, staying the course makes sense
10 this year, particularly given the dynamic environment
11 with, you know, the ebbs and flows of the economy and the
12 pandemic environment. And we think that the metrics
13 continue to represent a best practice sample of the
14 balance scored card.

15 You know, of course, going into next year, we
16 always recommend reviewing the various performance metrics
17 for performance challenge, making sure they're not too
18 hard, making sure they're not too easy.

19 You know, other than that, our primary, you know,
20 other metric is just making sure that, you know, on the
21 long-term incentive plan side, we just offer this up as a
22 consideration, just in terms of extending participation to
23 include the CIO. In addition to the non-Investment Office
24 executives, you know, consistent with the annual incentive
25 plan, the point would be to align, you know, the rest of

1 the executive team on the same set of metrics from a
2 long-term incentive plan standpoint, consistent with the
3 mantra of one CalPERS.

4 So with all of that, that ends our presentation.

5 CHAIRPERSON FECKNER: I thank you, both Erics.
6 Thank you both for your being here. I have a question
7 from Ms. Brown.

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

9 I have a question with regard to Attachment 1,
10 page one of two. And that is on enterprise operational
11 effectiveness, because it looks like that score is based
12 on reducing overhead operating costs as a percentage of
13 total operating cost. And so the -- the part of my
14 question is two-fold.

15 Because of COVID-19 and the way we really have
16 reduced -- I think we've reduced costs, just because we're
17 not traveling, there's a lot of savings, I'm just
18 wondering if that needs to be amended. And also, we are
19 going to be potentially cutting back on costs in terms of,
20 you know, with the State's budget.

21 And so I'm not sure if we need to revisit that
22 enterprise operational effectiveness, because, in fact,
23 it's not the executives that are making this happen.
24 There's outside forces causing these changes.

25 I guess that's for the consultant.

1 MR. GONZAGA: Oh, absolutely. I mean, you know,
2 when you think about a comparison to last year, you know,
3 that's a very good point. I mean, this is a pretty
4 dynamic environment and certainly something, you know,
5 worth investigating. Ultimately, the issue comes down to
6 incentivizing management within, you know, what they can
7 control. And that's the whole purpose of an incentive
8 plan.

9 And to the extent that the cutback in expenses is
10 outside of the control of management, certainly there
11 is -- there is reason to at least take another look at it.
12 No different than, you know, historically, you know,
13 third-party, you know, costs were taken out of the
14 equation, or Board expenses were taken out of the equation
15 in terms of performance measurement, simply because those
16 were expenses that were outside of the control of
17 management. So I would say to the extent that they are,
18 absolutely that would -- that would warrant a look at it.

19 COMMITTEE MEMBER BROWN: And I -- I know that
20 there are offsetting costs with COVID-19, because we're
21 having to do more work at home. And so IT and
22 infrastructure security, that also increases. But I think
23 we should just take a look at that from a management
24 perspective, so we're not incentivizing something that
25 really isn't something that management caused -- caused

1 some operational effectiveness. I just want to ask that.
2 So if we could take a look at that again, it would be
3 helpful.

4 And then I had another question with respect to
5 the survey questions. I'm looking at customer service,
6 which is page two of two. And we talk about these
7 customer services as measured by survey. And I have a
8 general question about surveys. Who comes up with these
9 survey questions? Does the Board get to see these in
10 advance? And then, does the Board actually get to see the
11 full range of answers as opposed to normally we see these
12 little icons and you give us this little shorthand
13 version. I'd like to see the full survey.

14 And then the second part of that question is it
15 says "and other methods". So what other methods are
16 there? I mean, we're talking about metrics, and other
17 methods does not feel like a metric to me.

18 MR. GONZAGA: Yeah. And so, you know, from a
19 consultant perspective -- I'm sorry, was there somebody
20 else speaking?

21 CHAIRPERSON FECKNER: No, just you.

22 MR. GONZAGA: Okay. Well, from a consultant
23 perspective, what I'll say is that, you know, the surveys
24 that are performed are, you know, run internally, you
25 know, by your various departments, whether it's on

1 stakeholder engagement or customer service. You know, I
2 know they were revamped within the last few years. And
3 there's certainly adequate sample size. This is something
4 that is internally managed.

5 And whether or not you have access to the full
6 array of scores, you know, I'm not sure about that. I
7 guess that would be with -- likely, there's some Committee
8 review of the full survey results. But, you know,
9 certainly consistent with historic methodologies, and I
10 can't imagine that there would be any pushback in terms of
11 broader disclosure of the various surveys, so...

12 COMMITTEE MEMBER BROWN: Great. And then what
13 are "and other methods"?

14 MR. GONZAGA: I think from a performance metrics
15 standpoint, you know, the survey questions were the
16 primary focal point.

17 COMMITTEE MEMBER BROWN: Okay. I -- maybe we
18 should just take that out if there aren't other methods.
19 I don't know if anybody else can tell me

20 CHIEF OPERATING OFFICER HOFFNER: Yeah, so, Mr.
21 Chair, I'm happy to answer the question. So basically,
22 the two questions are identified in page two to Mrs.
23 Brown's point, the "Benefit Payment Timeliness" as well as
24 the "Customer Satisfaction" scores. Those are also
25 recorded and provided to you on a quarterly basis through

1 the enterprise performance reporting and we provide to the
2 Board through the full Board of Administration Committee.

3 And you can see those are trending data going
4 back years. Those were identified and approved by the
5 Board at that time. So when these measures were created
6 we effectively built them on things that we had had
7 enterprise data on. And so we'd be happy to provide any
8 additional information to the Committee's request. But
9 essentially, those are metrics that we're already
10 reporting as well through the enterprise performance
11 reports.

12 And I can confirm or look into the other methods,
13 but really it's around the two customer satisfaction
14 questions about the timeliness and the satisfaction of the
15 customers of the services they are providing -- or we're
16 providing to them.

17 COMMITTEE MEMBER BROWN: Great. I'd appreciate
18 it maybe if -- since we're talking about metrics here that
19 if there aren't other methods or they aren't identified
20 that we remove that, only because other methods is not
21 something you could measure, unless, you know, it just --
22 it's just left to question.

23 CHIEF OPERATING OFFICER HOFFNER: Sure. And to
24 further clarify, the metrics that are identified in these
25 plans are also then validated by a third-party provider as

1 part of the policies that the Committee and the Board has
2 approved. So it's -- you know, while we do the surveys
3 internally, they're then going -- run through a
4 third-party provider to analyze and validate the
5 information and data that is presented to the Committee
6 and the Board in terms of compensation results.

7 COMMITTEE MEMBER BROWN: Thank you.

8 CHIEF OPERATING OFFICER HOFFNER: Sure.

9 CHAIRPERSON FECKNER: Thank you.

10 I have Ms. Taylor.

11 COMMITTEE MEMBER TAYLOR: Yes. Thank you. Thank
12 you for the report. I appreciate it. I will say,
13 Margaret, I understand not wanting to use outside forces
14 for our measurements on some of these issues, like -- like
15 you were mentioning on the cost cutting. I will say,
16 however, knowing what other State agencies have done in
17 terms of moving into teleworking, et cetera, CalPERS was
18 at the forefront, as well as making sure that their staff
19 is performing at or above levels necessary to keep the
20 teleworking viable.

21 And that's just a product of me being in State
22 service. So I'm -- so I'm well aware that, you know, we
23 have a ton of agencies with the State of California. Many
24 agencies, you know, this -- this was a difficult move for
25 them. So CalPERS was at -- was at the forefront making

1 sure that they had 75 to 80 percent of their folks out
2 teleworking right away, and at the forefront of -- and I
3 think that goes a lot to team work and leadership. When
4 your team is performing and outperforming your old metrics
5 when they were in the office, that to me shows -- when I
6 think about several other agencies I can think of right
7 now that aren't anywhere near that, that means that your
8 leadership is doing well.

9 So, no, they didn't cause COVID and, you know,
10 make those cost savings happen. A ten percent pay cut
11 isn't something that I think we should be considering in
12 the cost savings by any means, as a State cost savings,
13 but CalPERS leadership did perform admirably during this
14 time.

15 CHAIRPERSON FECKNER: Thank you. Ms. Olivares.

16 COMMITTEE MEMBER OLIVARES: Thank you, Mr. Chair.
17 I'm following up on Ms. Taylor and Ms. Brown's comments,
18 the questions. So in looking at enterprise operational
19 effectiveness, a couple thoughts. First is that I think
20 CalPERS did a remarkable job in going off-site in working
21 remote. Within the investment industry, that's not done.
22 And this is the first time in history, since Wall Street
23 was opened, that that's probably happened. So it's a
24 remarkable feat and CalPERS did it almost seamlessly, if
25 not seamlessly.

1 But the other part I wanted to ask about was if
2 this is a year-over-year metric. So if we anticipate that
3 expenses are going to be much lower in 2020 due to remote
4 work and due to budget cuts, how will that affect 21-22
5 measurements?

6 MR. GONZAGA: Well, you know, that's a good
7 point. And that's part of, you know, the process just
8 like you have in recent years is you reviewed the metrics
9 for appropriate challenge. I mean, this is something that
10 we're dealing with at for-profit companies, you know,
11 private companies is how to measure performance, you know,
12 on a year-over-year basis. And I think, you know,
13 particularly when it comes to next year, you know, the
14 comparison of year-over-year, there's going to be a lot of
15 conversations and a lot of due diligence done in terms of
16 comparison to, you know, the prior year, because there is
17 the potential for, you know, the performance metrics, at
18 least from, you know, the performance in 2020 to
19 potentially be quite understated, you know, recognizing
20 that, you know, these are all, you know, the pandemic,
21 that economic uncertainty. What we don't want to do is,
22 you know, result in windfalls to executive teams because
23 they're measuring performance over a down year.

24 And so, you know, how we get there, we don't
25 know, but, you know, it will be based on budgeting going

1 into, you know, 21-22, in addition to certainly taking
2 into account 2019-2020 performance. And, you know, how
3 much, you know, 2019-2020 gets weighed in there is really
4 going to be dependent on what happens over the next
5 several months.

6 So it will be -- you know, you're going to have
7 to throw -- take a look at everything, in terms of
8 forecasting, in terms of what's the long-term, you know,
9 expectation, if anybody knows at that point, both
10 economically in addition to the pandemic to see how much
11 2019-2020 matters, so...

12 COMMITTEE MEMBER OLIVARES: Thank you.

13 MR. GONZAGA: Sure.

14 CHAIRPERSON FECKNER: Thank you.

15 I have Ms. Ortega.

16 VICE CHAIRPERSON ORTEGA: Thank you, Mr. Chair.

17 I had a question maybe for Michelle or Doug, I'm
18 not sure. I'm wondering, just for my clarification, on,
19 as you know, the Governor has proposed two furlough days
20 per month for State employees beginning in July. And I
21 just want to know -- confirm my understanding of how that
22 would work in terms of incentive plans, and to the extent
23 the incentive is calculated on salary, is it calculated on
24 the salary before the base salary before or is the
25 furlough, or PLP, or however it might be implemented,

1 calculated into the incentive calculation? Just wondering
2 if the incentives are reduced by the -- but the effect of
3 the salaries being reduced.

4 CHIEF OPERATING OFFICER HOFFNER: Hi. This is
5 Doug. So thank you for the question. I think we need to
6 get clarification on that as to what we did back in 20 --
7 or 2008, '09, '10. My understanding from on the
8 retirement side that they are not, but we need to confirm
9 that. I'd be happy to bring that information back. And
10 Michelle might have further clarification on that.

11 VICE CHAIRPERSON ORTEGA: Thank you.

12 HUMAN RESOURCES DIVISION CHIEF TUCKER: Thank
13 you, Doug. Thank you, Ms. Ortega. Yes, we can go back
14 and confirm and see what was done in 2008-2009. My
15 understanding of the calculation is that it's based on the
16 compensation for the prior year, but I'll go back and
17 confirm that, Ms. Ortega.

18 CHAIRPERSON FECKNER: Anything else, Ms. Ortega?

19 VICE CHAIRPERSON ORTEGA: Thank you. That's it.

20 CHAIRPERSON FECKNER: Very good. Thank you.

21 I have Ms. Brown.

22 COMMITTEE MEMBER BROWN: Thank you, Mr. Feckner.

23 So the -- so on the opposite end, I'm going back
24 to my same point of how COVID and social distancing could
25 impact the results. It also could impact stakeholder

1 engagement negatively, since we're not having all these
2 face-to-face meetings. We're not having a lot of these
3 opportunities. I think it also could impact stakeholder
4 engagement as well. So while I don't want to be giving
5 away the money. It's not earned. I certainly don't want
6 to be penalizing for something we can't help. So I'm
7 hoping we'll look at those as well.

8 Thank you.

9 MR. GONZAGA: And, Ms. Brown, that is something
10 that, you know, we kind of hint on that in the memo. I
11 mean, I was -- we were a little bit worried about that
12 when we were taking a look at the metrics. What does it
13 do relative to stakeholder engagement? And I think that
14 what we're telling a lot of our clients right now is that
15 you don't want to make drastic change too soon, because
16 it's just too soon to know what the impact is going to be.

17 You know, ultimately, you know, we want our
18 incentive plans to be as metric-oriented as possible.
19 But, you know, there's two ways to get it right. And part
20 of it is discretion at the end of the year. You know, the
21 other part is, you know, let's wait till we have a full
22 performance period in this current environment before, you
23 know, we move to the next step in terms of, you know, any
24 drastic changes to the metrics. So that's -- it's a very
25 good point though.

1 COMMITTEE MEMBER BROWN: So -- so on that point
2 though, how -- I mean, we don't want to be changing
3 metrics, you know, after the fiscal year has started,
4 right? So once we set these, are these set in stone, or
5 can we modify them, or should we even be modifying them
6 once we, you know --

7 MR. GONZAGA: Right. Yeah. And there is a
8 degree of -- you know, there is always a degree of
9 flexibility. As a Board of directors, as a Committee, you
10 don't want to be changing the metrics too often, but there
11 are -- but there are situations, and it's this -- you
12 know, whether it's the financial crisis, or it's the
13 pandemic, you know, these situations that are so outside
14 the control of management, again with the concept being we
15 want to reward for fair performance. We don't want to
16 overpay, we don't want to underpay. No different than if
17 there was a windfall, there's nothing wrong with reducing
18 awards in certain instances.

19 You know, I think that, you know, one year out of
20 ten, the Board or the Committee may want to exercise
21 discretion, or, you know, may potentially. I mean, there
22 are -- some of our clients are talking about changing the
23 metrics midstream. Our thought is that before we change
24 the metrics, we would rather you spend more time
25 exercising discretion at the end of the year, as opposed

1 to changing the metrics midstream, again because this is
2 such a dynamic environment, we just don't -- nobody knows
3 for sure what's going to happen, so...

4 COMMITTEE MEMBER BROWN: Thank you.

5 MR. GONZAGA: Sure.

6 CHAIRPERSON FECKNER: Thank you. Seeing no other
7 requests for questions, I know we have some -- it's an
8 action item. So, first, let's find out what's the
9 pleasure of the Committee.

10 COMMITTEE MEMBER BROWN: I'll move approval.

11 CHAIRPERSON FECKNER: Is there a second?

12 COMMITTEE MEMBER TAYLOR: I'll second.

13 CHAIRPERSON FECKNER: It's been moved by Brown,
14 seconded by Taylor. Before we take the motion up, I know
15 we have some folks from the public that wish to speak.
16 Mr. Fox, do we have anybody that wants to speak on Item
17 6a?

18 STAKEHOLDER RELATIONS CHIEF FOX: Yes, Mr. Chair.
19 We have one commenter on 6a, Mr. J.J. Jelincic.

20 MR. JELINCIC: Can you hear me?

21 CHAIRPERSON FECKNER: Good afternoon, Mr.
22 Jelincic. Yes, we can hear you.

23 MR. JELINCIC: Okay. I just want to note that
24 there is no incentive about health care in here. And, you
25 know, the incentive program in many ways is a message to

1 staff. It indicates, you know, the things that the Board
2 feels are important, and that they're willing to pay for.
3 And so I would suggest that you add something about a
4 health criteria. Possible areas is holding down monthly
5 premiums or holding down costs including out-of-pocket,
6 accessibility, health care results for the members.
7 Health care is obviously an important part of CalPERS and
8 ought to be reflected in the incentive compensation.
9 Thank you.

10 CHAIRPERSON FECKNER: Thank you for the comments.
11 Anyone else, Mr. Fox?

12 STAKEHOLDER RELATIONS CHIEF FOX: No, Mr.
13 Chairman. That is it for Item 6a.

14 CHAIRPERSON FECKNER: Thank you. Anything else,
15 Mr. Hoffner, before we go to an action item?

16 CHIEF OPERATING OFFICER HOFFNER: No, nothing
17 else from me at this moment. Thank you.

18 CHAIRPERSON FECKNER: I would assume part of what
19 Mr. Jelincic just spoke about is what Mr. Gonzaga talked
20 about about the non-executives?

21 CHIEF OPERATING OFFICER HOFFNER: I -- no, I
22 think what he's looking -- I think my understanding of
23 what the comment from the public was is sort of higher
24 overarching health performance metric that would cover
25 really is sort of the entire organization. There are

1 metrics within individual plans for individual folks that
2 cover health related items, particularly for those folks
3 in the health programs, that are incentive eligible. But
4 I think what I understood it to be is more of like maybe a
5 proposed metric number 6, but hits health care related
6 items that again are across the enterprise.

7 CHAIRPERSON FECKNER: Very good. Thank you for
8 that clarification. So a motion being before you, Ms.
9 Hopper please call the roll.

10 COMMITTEE SECRETARY HOPPER: Margaret Brown?

11 COMMITTEE MEMBER BROWN: Aye.

12 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

13 COMMITTEE MEMBER MIDDLETON: Aye.

14 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

15 COMMITTEE MEMBER OLIVARES: Aye.

16 COMMITTEE SECRETARY HOPPER: Eraina Ortega?

17 VICE CHAIRPERSON ORTEGA: Aye.

18 COMMITTEE SECRETARY HOPPER: Theresa Taylor?

19 COMMITTEE MEMBER TAYLOR: Aye.

20 COMMITTEE SECRETARY HOPPER: Shawnda Westly?

21 COMMITTEE MEMBER WESTLY: Aye.

22 COMMITTEE SECRETARY HOPPER: All ayes, Mr. Chair.

23 CHAIRPERSON FECKNER: Thank you very much. Takes
24 us to Agenda Item 6b, the 20-21 incentive plan of the
25 Chief Executive Officer. Ms. Tucker.

1 HUMAN RESOURCES DIVISION CHIEF TUCKER: Thank
2 you, Mr. Chair and members of the Committee. This is
3 again Michelle Tucker, CalPERS team member.

4 Agenda Item 6b is an action item, which seeks
5 approval of an incentive plan for the Chief Executive
6 Officer for fiscal year 20-21. The Board's Compensation
7 Policy for executive and investment management positions
8 requires this approval annually.

9 The proposed plan maintains the priorities and
10 metrics from the CEO's fiscal career 19-20 incentive plan.
11 Any changes made to the incentive metrics as a result of
12 Item 6a will be incorporated into the incentive plan for
13 the CEO. The Committee may approve the plan as
14 directed -- or, I'm sorry, as presented or direct changes.

15 And if you have any questions, I'm happy to take
16 them.

17 CHAIRPERSON FECKNER: Very good. Thank you very
18 much. Any questions for Ms. Tucker or Mr. Hoffner?

19 Seeing none.

20 This is an action item. What's the pleasure of
21 the Committee?

22 COMMITTEE MEMBER TAYLOR: Move approval.

23 COMMITTEE MEMBER OLIVARES: I move

24 CHAIRPERSON FECKNER: Moved by Taylor. Who was
25 the second? Was that --

1 COMMITTEE MEMBER OLIVARES: Stacie.

2 CHAIRPERSON FECKNER: Ms. Olivares is seconding.

3 I see no questions from the Committee. We do
4 have, I believe, someone from the public that wishes to
5 speak. Mr. Fox.

6 STAKEHOLDER RELATIONS CHIEF FOX: Yes, Mr. Chair.
7 We have one commenter. Mr. J.J. Jelincic.

8 MR. JELINCIC: Hello. I assume you can hear me?

9 CHAIRPERSON FECKNER: We can hear you just fine.

10 MR. JELINCIC: Okay. This CEO is getting a very
11 large salary increase starting next month. That's a
12 decision that's already been made. In addition to that,
13 she'll be eligible for \$135,000 bonus for doing her job.
14 The -- that again is a decision that's been made.

15 My comments go to this item, but also go to the
16 compen -- the incentive compensation in general. I've
17 made the point before, I'll make it again, and the Board
18 has ignored it before and may very well ignore it again.
19 But a paycheck is what you get for doing your job. A
20 bonus is for going above and beyond. Simply meeting
21 standards means you don't get punished. It -- you hang on
22 to your job. You keep your paycheck. You -- it is even
23 worse when you start getting an incentive bonus for doing
24 close to your job, you know 75, 80 percent. A bonus
25 should only be paid for extraordinary performance. Please

1 rethink this whole gift of trust funds.

2 Thank you.

3 CHAIRPERSON FECKNER: Thank you for your
4 comments.

5 Anyone else, Mr. Fox?

6 MR. JELINCIC: Oh, one other -- one -- wait a
7 minute.

8 CHAIRPERSON FECKNER: Go ahead.

9 MR. JELINCIC: One other point. The
10 clarification that Doug made on my previous comment was
11 accurate. It was really overall.

12 CHAIRPERSON FECKNER: Very good.

13 MR. JELINCIC: Thank you.

14 CHAIRPERSON FECKNER: Thank you. Thank you for
15 the clarification.

16 Anyone else, Mr. Fox?

17 STAKEHOLDER RELATIONS CHIEF FOX: No, Mr.
18 Chairman. That concludes the public comments on Items 6a
19 and 6b.

20 CHAIRPERSON FECKNER: Very good. Thank you.

21 A motion being in front of you and a motion being
22 clear, Ms. Hopper please call the roll.

23 COMMITTEE SECRETARY HOPPER: Margaret Brown.

24 COMMITTEE MEMBER BROWN: No.

25 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

1 COMMITTEE MEMBER MIDDLETON: Aye.

2 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

3 COMMITTEE MEMBER OLIVARES: Aye.

4 COMMITTEE SECRETARY HOPPER: Eraina Ortega?

5 VICE CHAIRPERSON ORTEGA: Aye.

6 COMMITTEE SECRETARY HOPPER: Theresa Taylor?

7 COMMITTEE MEMBER TAYLOR: Aye.

8 COMMITTEE SECRETARY HOPPER: Shawnda Westly?

9 COMMITTEE MEMBER WESTLY: Aye.

10 COMMITTEE SECRETARY HOPPER: Mr. Chair, I have
11 five ayes and one no made by Margaret Brown.

12 CHAIRPERSON FECKNER: Thank you very much.

13 That brings us to Agenda Item 7. Thank you, Ms.
14 Tucker and thank you Grant Thornton for your presentation.

15 That brings us to Agenda Item 7, information,
16 summary of committee direction. Mr. Hoffner, anything?

17 CHIEF OPERATING OFFICER HOFFNER: I think there
18 was sort of three comments made and more just for follow
19 up. Ms. Eraina asked a question related to pay rates
20 related to potential furlough days and what the
21 compensation would be paid for incentives. So we need to
22 clarify that and bring it back to the Committee or via an
23 email. There was a question related to the enterprise
24 operating overhead effectiveness, sort of a relook. So I
25 think that's more of a Grant Thornton takeaway. And then

1 the question related other methods within the customer
2 service satisfaction performance metric. So we provide --
3 happy to provide the answer to that question via email, I
4 believe, would probably be through the Chair, if that's to
5 your satisfaction.

6 CHAIRPERSON FECKNER: Very good. Very Good.
7 Thank you very much.

8 CHIEF OPERATING OFFICER HOFFNER: I think that
9 was it on my end.

10 CHAIRPERSON FECKNER: All right. I think you
11 captured everything. Thank you.

12 That brings us to 7b, public comment. Mr. Fox,
13 anyone who wishing to speak on 7b?

14 STAKEHOLDER RELATIONS CHIEF FOX: Mr. Chairman,
15 there are no signees for public comment on 7b.

16 CHAIRPERSON FECKNER: Very good. Thank you.

17 So thins brings us to the end of our agenda. We
18 want to thank everyone for being here today and thank all
19 the staff for their hard work, and our consultants as
20 well. This meeting will be adjourned. We'll see you
21 tomorrow, folks.

22 (Thereupon the California Public Employees'
23 Retirement System, Board of Administration,
24 Performance, Compensation, & Talent Management
25 Committee meeting adjourned at 2:35 p.m.)

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 June, 2020.

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20 

21
22
23 JAMES F. PETERS, CSR
24 Certified Shorthand Reporter
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