MEETING

STATE OF CALIFORNIA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF ADMINISTRATION

PERFORMANCE, COMPENSATION &

TALENT MANAGEMENT COMMITTEE

CALPERS AUDITORIUM

LINCOLN PLAZA NORTH

400 P STREET

SACRAMENTO, CALIFORNIA

WEDNESDAY, JUNE 15, 2022

9:00 A.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 10063

APPEARANCES

COMMITTEE MEMBERS:

Rob Feckner, Chairperson

Eraina Ortega, Vice Chairperson

David Miller

Jose Luis Pacheco

Theresa Taylor

BOARD MEMBERS:

Fiona Ma, represented by Frank Ruffino

Ramon Rubalcava

Mullissa Willette

Betty Yee, represented by Lynn Paquin

STAFF:

Marcie Frost, Chief Executive Officer

Doug Hoffner, Chief Operating Officer

Matthew Jacobs, General Counsel

Christina Ortega, Committee Secretary

Michelle Tucker, Chief, Human Resources Division

APPEARANCES CONTINUED

ALSO PRESENT:

J.J. Jelincic

Brad Kelly, Global Governance Advisors

Peter Landers, Global Governance Advisors

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PROCEEDINGS

CHAIRPERSON FECKNER: Good morning. We'd like to call the Performance, Compensation and Talent Management Committee to order. The first order of business will be to call the roll.

COMMITTEE SECRETARY ORTEGA: Rob Feckner?

CHAIRPERSON FECKNER: Good morning.

COMMITTEE SECRETARY ORTEGA: Eraina Ortega?

VICE CHAIRPERSON ORTEGA: Here.

COMMITTEE SECRETARY ORTEGA: Lisa Middleton?

CHAIRPERSON FECKNER: Excused.

COMMITTEE SECRETARY ORTEGA: David Miller?

COMMITTEE MEMBER MILLER: Here.

COMMITTEE SECRETARY ORTEGA: Jose Luis Pacheco?

COMMITTEE MEMBER PACHECO: Present.

COMMITTEE SECRETARY ORTEGA: Theresa Taylor?

COMMITTEE MEMBER TAYLOR: Here.

CHAIRPERSON FECKNER: Very good. Thank you. Item 2, the Executive Report, Mr. Hoffner.

CHIEF OPERATING OFFICER HOFFNER: Good morning, Mr. Chair and members of the Committee, Doug Hoffner, CalPERS team member. Today, we have three items for action before you today. Your primary compensation consultant, Global Governance Advisors, is here to present items, two of which are following up from the April

Committee meeting. All three items as I mentioned are for action, which includes a policy review and recommendations from GGA, the annual incentive metrics review for approval, and then approval for the fiscal year 22-23 incentive plan for the CEO position.

The compensation review item was pulled from the agenda and we deferred to a future meeting, based upon feedback. Except for the CEO's incentive plan, the other two items, as I mentioned, were previously viewed in part at the April Board meeting -- Committee meeting, and today GGA will provide final recommendations.

Mr. Chair, that concludes my report.

CHAIRPERSON FECKNER: Thank you.

That brings us to Agenda Item 3, action consent items. 3a is the timed agenda. 3b is the --

COMMITTEE MEMBER TAYLOR: Move approval.

CHAIRPERSON FECKNER: -- minutes from April 19th.

Moved by Taylor.

COMMITTEE MEMBER PACHECO: Second.

CHAIRPERSON FECKNER: Seconded by Pacheco.

Any discussion on the motion?

Seeing none, all in favor say aye?

(Ayes.)

CHAIRPERSON FECKNER: Opposed, no?

Motion carries.

Thank you. Item 4, information consent items. Having no requests to remove anything, brings us to 5a, action agenda items. Ms. Tucker.

HUMAN RESOURCES DIVISION CHIEF TUCKER: Good morning, members of the Committee. Michelle Tucker, CalPERS team member. Item 5a presents recommendations from the Board's primary compensation consultant, GGA, on proposed revisions to the Board's Compensation Policy for executive and investment management positions.

Periodic reviews allow for revisions to ensure policy provisions remain aligned with CalPERS strategic goals and Board priorities. GGA conducted an in-depth review of the policy and will present their recommendations today as a follow-up to their April presentation.

The revisions can be categorized in two ways. There are certain key topics for the Committee's consideration, as well as several administrative or non-substantive changes to add clarity for program administration, participants, and stakeholders. Discussion points and proposed revisions are in the second attachment and show in red text for key topics or green text for the administrative revisions. The Committee may choose to adopt all or some of the revisions based on your discussion.

That concludes my opening remarks and I'll invite Mr. Landers and Mr. Kelly to begin their presentation.

CHAIRPERSON FECKNER: Thank you.

(Thereupon a slide presentation.)

MR. KELLY: Good morning, everybody.

CHAIRPERSON FECKNER: Microphones, please.

Thank you.

MR. KELLY: Good morning, everybody.

CHAIRPERSON FECKNER: Good morning.

MR. KELLY: As you recall, this is an item that we covered a bit more extensively at the last meeting, but there are a few items that we had indicated required some additional work and follow-up. And so that's what we'll be covering today.

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MR. KELLY: There we go. In terms of next steps, what we would ask is that this Committee consider the recommendations as proposed. And -- and once there is a decision made by this Committee, then we will work with CalHR to -- or CalPERS HR, sorry, to -- to finalize the -- the edits in the policy itself.

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MR. KELLY: In terms of a quick review of the key items that we covered at the last meeting, basically what we -- we noted was that the front end, the policy was missing some key principles, some anchoring principles that should be decided on by your Board to be a bit more prescriptive in terms of the application of the policy. It was requested that we conduct interviews with each of Committee members. And the Chair had -- had recognized that he would like to have a broader perspective brought to the table around as an asset. We -- we look at interviewing everyone on the Board. And then we were also asked to postpone this -- or to delay this, given the extent of work that had to be covered before this meeting. And so that's something that we will be embarking on shortly after this meeting.

In terms of another key item that we recognized was the timing of the compensation assessments. We want to help avoid lags in the -- in the determination and assessment of compensation, so that at any given point you're not too far off the peer group and the benchmarks that are established by that -- that -- that peer group. And so we can recognize that some positions that were just assessed -- I guess the Chief Actuary was the longest one. Roughly about 14 years since the last adjustment to their compensation. And so we would like to avoid major delays like that and avoid any major gaps, as I said before. And so our recommendation is that you set a regular scheduled assessment, roughly about every two years, maximum three years, to make sure that you're still trying to stay aligned with the market as you move forward.

The next item that we recognized at the last meeting was the adjustment to the private sector peers. Your fund is growing and growing considerably, and so therefore you want to make sure that you're constantly benchmarking against similar sized organizations. And so therefore, we recommended and adjustment to the current defined size, the private sector peers, recognizing that you are close to half a trillion in assets under managements. And so you should be trying to benchmark against similar sized funds as you go forward.

And then finally another element that we identified was the treatment of new hires and/or appointments. And this is a phenomenon that we recognized is something that permeates many organizations and it's where internal candidates are discouraged from running for -- or putting their name in the hat for new appointments, strictly because there's a perception that external candidates are valued at a higher level. That -- that external candidates bring some sort of extra skills capability, what have you, and so therefore, there's an imbalance in the assessment. So one of the things that we recommended is that there be a fair, transparent, objective assessment put in place, so that both internal and external candidates are treated in the exact same way, and that there's absolutely no perception that external candidates, at any point, will be considered at a higher level than internal candidates.

Are there any questions on these key items?

CHAIRPERSON FECKNER: Yes. We have a couple of questions. But I first wanted to say that when we're talking about the adjustment to private sector peers, et cetera, and we've talked in the past, that especially this Committee and this Board is fairly new to this process, so it may be time that we have a workshop, a roll-up-your-sleeves workshop, where everyone can just sit down and go through the policies from the beginning to end. And instead of just doing a review, but actually having some feet-on-the-ground suggestion about these issues. And the private sector peers from my perception is we know we're going to lose folks to other agencies, et cetera.

But at the same time, who is going to be our comparison level where we're going to lose them to? If they're going to go to major funds, et cetera, we can't pay enough to keep those people anyway. So we need to be able to have a comparative discussion about who we're going to lose to and what we compare like to those groups, whether that be in-state California, whether that be

CalSTRS, New York STRS, et cetera, but more of a common civil service kind of benchmark versus the private industry. We know for the most part, the private industry is going to be able to outpay us nine-tenths of the time. So we need to be able to have a cognitive discussion about that.

Ms. Ortega. Just a second.

There you go.

VICE CHAIRPERSON ORTEGA: Thank you, Mr. Chair. Just adding on to that, I think that on the proposal to keep the language about the executive management positions and the banks and insurance companies is the piece that I -- I would recommend we not include. I mean, I don't think the -- I just don't see that we've really been recruiting people from banks and insurance companies, nor do I think that some of the positions, like General Counsel, or Chief Operating Officer, or Chief Financial Officer are really similar in terms of the responsibilities at CalPERS versus a banker or an insurance company. It seems to me to make more sense to just focus on leading public pension funds and the Canadian funds.

On the investment management positions, I did have a question about your point on the size of the fund. And I think I understand where you're -- why -- why you would recommend that. But I wondered if you could talk a little bit about who that might bring in. I'll tell you my mind goes to like sovereign wealth funds and those types of organizations. And again, I think that's far outside of the bounds of who we would really compare ourselves to.

MR. KELLY: Well, we also -- when Peter and I are teaching our accredited fiduciary program, we also say that public pensions they have a great opportunity to attract and retain some good talent, because not every investment professional wants to work in some of these major urban centers. And -- and so if you can offer good challenging work at competitive pay and a great quality of life, that's a great value-add package that you can propose to potential candidates.

And so any investment professional -- I guess New York Common, they just brought in a Senior Vice President from BlackRock. We're getting some intel on how that actually transpired, how they did that. But you're starting to see that people who are in the private sector look at some of these pensions as a great opportunity. And so therefore, that's why we would say you need to compare yourselves to -- there's very few half trillion dollar funds out there, but at least sizable funds that you can get someone who has the skills, the background, the complexity of their -- their understanding around the portfolio of that you manage to -- to help move that forward.

So again, it's about who you might be able to attract, who might want to consider some good quality and challenging work in a public pension. And you're at a size and scope that I think a lot of investment professionals might want to consider coming here. I think your CFO is a great example of that.

MR. LANDERS: The only thing I'll add to what Brad was saying is when you look at, you know, making that change in size, we actually don't anticipate there being that many more private sector organizations added, because to Brad's earlier point, there isn't that many -- you know, you're talking about the BlackRocks and that, that are in the trillions of dollars. So overall, we don't anticipate the peer group changing all that much in terms of the private sector organizations moving up to that, I believe, 500 million -- 500 billion dollar level that we're speaking about.

And to Rob's earlier point as well, I think that is part of these discussions, these interviews, that we're talking about rolling up the sleeves is really getting a view from this Board, this makeup of the Board on what you feel are the appropriate comparators, both for the executive management staff, but also on the investment side. And then once we have a good consensus and understanding of everyone's views that they're bringing to the table, we can then come back and, if required, make any changes to the policy to reflect the views of this -- of this Board, because to Rob's point, it has been a few years since the specific criteria have been looked at. So I just wanted to add that point in before we move forward.

CHAIRPERSON FECKNER: Thank you.

Anything else, Ms. Ortega?

VICE CHAIRPERSON ORTEGA: Yeah, if I could, just on the issue of the lag and that. I wonder if we should take action on this item today, given that the compensation issues are going to come back at a later time and whether we should pause for that conversation. I do think that there are -- rather than putting a specific time frame in here, I think there are other ways. I certainly, you know, won't repeat the comments I made at the last meeting, but, you know, I would advocate for something that pegs the increases in the positions on a regular basis to the State employee increases overall, that would then make adjustments to the positions on a regular basis rather than sort of waiting until there's another compensation study or whatever it might be. So -- but it feels like we have to have that conversation about what we're doing with the comp items before we could -- you know, before there would be a recommendation on that here.

And then the last thing -- I don't know if you're going to talk about the matrix for the -- if there's further conversion on that.

MR. KELLY: (Nods head.)

VICE CHAIRPERSON ORTEGA: Okay. I'll hold on my comment on that.

And then just on the new hires issue, I'm a little unclear where that's coming from, only because in our system, all the candidates have to be treated with the same opportunity to progress through the civil service competitive process for the position. So I would think that all the outside candidates and internal candidates are already afforded the same opportunity for the positions. So I'm not -- I'm just not sure where that came from. That was sort of --

MR. KELLY: It's -- it tends to be this embedded mindset. And it's not just the fair and equitable treatment throughout the process, but it's the indetermination of where within that band. So typically what we would -- what we see is that an external candidate coming in would be at -- you know, would be brought in at the middle of the band or the upper end of the band, whereas a new candidate coming in who's just progressively going up tends to be in the bottom end of the band. So it's also the fair and equitable treatment of how you assess where within that band they will reside when they come into the position. And that's -- that's another treatment. So we want to make sure that it's not just the selection process, but it's the determination of the compensation as well that's treated fairly and equitably.

VICE CHAIRPERSON ORTEGA: Okay. I think that makes -- I just want to say it might be necessary to have some reference to the existing salary rules that are in place for current employee, so just so that it's clear that it still operates within the rules that we have in place.

MR. LANDERS: And just circling back on the review question. While you definitely would on an annual basis look and review performance in that to say should someone receive a salary adjustment or not. What we're saying is a review like process like we're going through right now where you get the market data, you understand where your positioned, that you obviously get consensus on the peer group, that -- a typical process and a best practice would be to conduct that review either every two or every three years. That's really what we're trying to get -- put into the policy.

It doesn't necessarily mean you'll make any adjustments to the bands at that specific time, but it's just going through that review process, so the Board and the Committee understand how you stack up against your approved peer group on a more regular basis. And that's really what we're going for here is just setting in place that sort of review every two to three years, but not saying that any adjustments will be made. We're not saying that should be done every three years. It's really just having an understanding of where you stack up every two to three years and doing a more detailed dive like we've been going through the last few months.

CHAIRPERSON FECKNER: Thank you. And that being said, not saying whether I agree or disagree with the assessment, I think we're going to pull the timing of the assessment off for now and act on that at a future date when we can have a larger discussion on the issue.

CHAIRPERSON FECKNER: I have Ms. Paquin.

ACTING BOARD MEMBER PAQUIN: Thank you, Mr. Chair. I just wanted to add that the Controller is very supportive of the comments that Mr. Feckner and Ms. Ortega made surrounding the inclusion of which private funds should be benchmarked against. And I do have a concern, as Mr. Feckner expressed, that there's no way that we're going to be able to ever match the salaries of some of the very large private funds. And I think that you were very eloquent when you said that there are other reasons why people choose to come and work for CalPERS here.

Thank you.

MR. KELLY: And might I also remind this Committee that the policy currently states that you're not benchmarking solely against the private sector. It's a blended peer group, as we've said before. And that blend itself brings you down from that pure private sector level. So the inclusion of public pensions and public State agencies will help to bring that down. So again, you're going -- you're going to be kind of in that suite spot in between. So we never say that pensions should be offering, you know, Wall Street rates, because that's just not who you are, but you should be offering something that's competitive, so that anyone who is working in that industry in the private sector might actually consider coming to a fund like yourself for, you know, all the various challenges and great career progression that they can experience.

ACTING BOARD MEMBER PAQUIN: And currently, what kind of weighting do we place on the public sector funds in the comparison group versus private sector? Are they all weighted equally?

MR. KELLY: Our understanding is McLagan did a full blend of both State agencies, the public funds, and the private sector organizations.

Peter.

MR. LANDERS: And that's something, to Brad's point, is they're sort of equally weighted right now, but that is something we can also get into as part of the peer group discussion, because we do have some clients that have actually specifically stated if we are blending the peer group, we want it to be X percent public sector and public funds, and X percent private sector. So that's a discussion we can also have as part of these interviews that we plan on going through. But right now, it is more of an equally weighted sort of company by company type of approach.

So that's definitely something that we can talk about moving forward, if we want to make any tweaks in that area, because that is something we've seen some organizations, not all, choose to do in these types of settings where you are competing against both the public and private sector peers to have that appropriate blend that everyone feels is fair and defensible.

ACTING BOARD MEMBER PAQUIN: Okay. Mr. Chair, will that also be a topic to be included in the workshop that you've suggested earlier?

CHAIRPERSON FECKNER: It will. In fact, I'm going to go a little beyond that and say that although I understand the blended routine that we have that we've put together, I think it's also fair that we would have a side-by-side comparison of just public funds, so that we can see -- well, you say the blended brings us down -- or brings us up into the median. I want to see where we are as just public funds, so that we can make an educated decision amongst ourselves. Does that work?

ACTING BOARD MEMBER PAQUIN: Yes. Thank you.

CHAIRPERSON FECKNER: Very good.

Ms. Taylor.

COMMITTEE MEMBER TAYLOR: Yes. I wasn't -- there we go. I wasn't going to say anything, but I agree that we need this workshop. I also agree with my cohorts' comments on this regarding the -- the private sector and I -- I think that's an amazing thing that, you know, BlackRock -- the person from BlackRock is now going to New York Common. But I think when we look at this, these people are coming -- they may be in a certain part of their career where they feel like they can -- that they've already made their money --

MR. KELLY: Yep.

COMMITTEE MEMBER TAYLOR: -- right? So it's all about the experience of wanting to work in a pension fund, not just for the experience of the pension fund, but also for the mission. So I think we need to be cognizant of that, that -- so when we take -- like everyone has said here, when we take the comparison, we really -- our comparisons really should be other pension funds and foundations. But the insurance and banking industry seems a little outside of our purview. But if we're going to -- if we're looking at having this workshop and, you know, having -- seeing how we want to weight these, I think that's a really great idea.

I just also wanted to say that I feel like we -- we do raises, as I've seen them since I've been here, kind of on the State agency -- the way the State agencies do theirs for a lot of our management. And we have a -- we've hit an average of raise. We don't -- apparently SIRI thought I was talking to her.

(Laughter.)

COMMITTEE MEMBER TAYLOR: We don't have -- I mean we hit a certain average of raises, but we don't reward just because, right? So we do -- we -- everyone isn't getting a raise if they don't deserve it. So I think -- and that is kind of -- we're in a merit based system in the State of California. Everybody, I think, understands that, yeah, you're not just going to get a raise if you're not performing, et cetera, et cetera. But we are still kind of in the realm of State agencies. And I want to make sure that some of these positions, which has kind of bugged me a little bit, that we're looking at are -- they're still State agency positions. I -- our Investment Office aside, a lot of these positions are State agency position.

And while I agree that we should be -- because we are a different entity, we should be paying a little bit differently. I don't think we should be so far outside the realm that we're creating a different class of State employee, and that comes from being a State employee. So --

MR. KELLY: Absolutely.

COMMITTEE MEMBER TAYLOR: So -- but I -- I -- again, I agree with Ms. Paquin and Mr. Feckner over making sure that we kind of put this off and look at this a little deeper and make sure we're making the right decisions.

MR. KELLY: And, Ms. Taylor, just to -- just to address that, that is an element we're going to get into in a bit deeper context in just about a minute here.

COMMITTEE MEMBER TAYLOR: Great. Thank you.

CHAIRPERSON FECKNER: All right. Seeing no other or requests, please continue.

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MR. KELLY: Excellent. Thank you.

In terms of items that -- that we noted needed further work, both with Legal and with CalPERS HR, the first one was -- is the merit increases. And what was communicated to us is that there is a definite psychological alignment between the treatment or the current policy within the State and the treatment of merit increases internally here in CalPERS.

And as you can see, we -- last -- the last meeting we quoted a North American study that had been done just recently through the pandemic. Because of the Great Resignation that has taken place, there is an upward pressure on base salaries to go up. And through all sectors in North America economy, it was deemed that -- it's anticipated in 2022 base salaries will go up roughly about three percent. That is high actually from North America perspective. Typically, we see about one and three-quarters to two and a half percent annually. So three percent is at the upper level.

And we -- and we'd also like to note that the current State level typically is, what, five percent annually. Okay. So -- so again, you're treating your employees quite well, which is great, but we also want to look at sustainability. And we also want to recognize that everyone within this policy are incentive eligible. They're either solely eligible for a short-term incentive or both a short-term and long-term incentive. So that five percent increase that you typically would see at the State level tends to get amplified through the application of the incentives.

And so I want everyone to note that. And Peter and I, we always want to make sure that the recommendations we're bringing forward are in the best interests again of your members and your fund. And sustainability is a key, key fiduciary duty that you need to be looking at. And so therefore, we want you to be aligned to market as best as possible.

As you can see, the typical distribution that we provided at the last meeting, you'll see the lion's share is at target, like right at target. So that's 60 -- 60 to 70 percent of your staff should typically be at that level. It was communicated to us that because of the alignment with the five percent State merit increases, the lion's share of your employees were coming out at exceeding target, which again is misaligned to the general distribution of -- that we see typically in a North American market. And so we'd like to -- again, recognizing that these are all incentive eligible, employees --

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MR. KELLY: -- we did our assessment. And if you call back to some previous items that we presented, we always liked to see a nice distribution on the performance levels. And we also had recommended in the policy that you move to a standard five level assessment matrix, so that there's consistency regard -- irregardless of -- of which element of compensation you're assessing, you -- everyone has a general understanding, a universal understanding of what each of the levels mean. If I recall correctly, the original policy had about five or six different assessment matrix and tools. And so therefore, we'd like to have a standard five set -- or five stage possess that everyone can -- can rely on, just to ease the administration of -- of all of the elements of compensation within this plan.

So when you look at this, your previous matrix had, you know, everything from zero, which, you know, does not fully meet to meet, which again aligning to the market should be, what, 50 to 70 percent of your employees. And then exceeds -- consistently exceeds is five percent. And that's aligned to the CalPERS -- or the State practice and then outstanding is seven percent.

So again, our understanding is that the lion's share of your employees hit that five percent exceeds level or consistently exceeds on a regular basis. And we'd like to bring you back to, you know, the lion's share of your employees being at target, again reminding you that everyone in this policy have additional incentives that are added on.

And so our recommendation is that -- again aligning to that five step process or five step matrix that we're -- we're advising you to adopt, we'd like to see again fully meets at three percent, which again right now it's meeting market, but going forward, I'll say that three percent on a consistent basis will still good. It will be slightly above market.

And then consistently exceed expectations is four and a half percent. We want and we added an additional condition that anyone who is deemed that they consistently exceed, so they're above target, we want there to be further administrative responsibilities around that to justify why that individual does truly exceed -- consistently exceed expectations, because we want there to be a better distribution of, you know, your lion's share at target, and then your upper higher end performers throughout your organization.

So I know that's -- that's a lot, but again, we want to make sure that sustainability is key and we are also recognizing that there are additional incentives that are on top of the typical compensation structure within the State here.

Are there any questions?

CHAIRPERSON FECKNER: There is. Ms. Taylor.

COMMITTEE MEMBER TAYLOR: So I have -- I think I have a problem with this, because our -- what you're talking about are merit raises, right?

MR. KELLY: (Nods head.)

COMMITTEE MEMBER TAYLOR: Our five percent, it's actually State mandated, right? I mean, it's not -- but the five percent is mandated, the actual raise isn't. So it's not like we -- I don't know how that works with management, but in rank and file, there is no choice between -- you either meet and get your five percent or you don't meet. So I have a little problem with consistently exceeds at 4.5 percent, and then dropping the percentage increase for exceptional a whole point. So I just -- I really question this recommended matrix is -- I have a -- it just doesn't fit the State's -- the actual State requirements is what it looks like to me. And I don't know if we have any -- and I'm going to let Ms. Ortega answer to that.

VICE CHAIRPERSON ORTEGA: Well, I don't want to answer, but I -- and I was going to -- actually, I was going to ask if Ms. Tucker had any thoughts about this from a practical perspective. I mean, one of the things that I think could happen is that if you were an employee who had come up through the positions and -- a long time have -- typically would have experienced that five percent a year as long as you were meeting your expectations. The way it typically works is that you would just move up at five percent each year until you reached the max. And then you either stay there or you get promoted and then you have more opportunities.

COMMITTEE MEMBER TAYLOR: Until you max out.

VICE CHAIRPERSON ORTEGA: Exactly. So we have lots of people maxed out, right?

I do think that it -- I can imagine culturally it being difficult to transition into a place where you would maybe then move into a different type of position where that's not the way it's assessed any longer, so that then -- I think I've -- you may have the experience with employees where suggesting they get three percent instead of five percent seems like what did I do wrong? That's the part of this that I find a little confusing in our system. So I just wondered if you had any thoughts about sort of mechanically how it might work and whether that transition is realistic?

HUMAN RESOURCES DIVISION CHIEF TUCKER: Sorry. Okay. Thank you, Ms. Ortega. I'm happy to respond to that. So, yes, generally, in the State system, there is a up to five percent -- well, a five percent merit salary adjustment for regular civil service team members. And that's tied to the anniversary date of their appointments.

For our 20098 team members, there is a base pay adjustment that's reviewed annually. So it's the same time for that whole body of employees. So that's one difference. And Mr. Landers and Mr. Kelly are right in that the majority of the group does tend to get 60 -- about 60 percent every year is in the consistently exceeds category. And I think that's for the reasons that you stated, Ms. Ortega, because I think typically people perceive five percent as being I've fully met standards. So this would be a cultural shift.

However, they are also correct that it does tie to the future incentive wards, so it's all connected. So I do think that we would need to message this and have some communication if we did adopt this change.

CHAIRPERSON FECKNER: Anything else?

Okay. Continue.

MR. KELLY: I can --

CHIEF OPERATING OFFICER HOFFNER: Let me make one clarify statement I guess to that. These positions and the individuals also have the incentive opportunity that is outside of all the other civil service positions in the State, minus a couple departments. So in combination with this, there's another set of compensation opportunities.

So it maybe balances itself out over time. This is definitely a change from existing practice, but the seven percent is also different than what exists in the merit matrix for other civil service positions that exist too. So I just -- it's different. It has been that way for some time, but...

CHAIRPERSON FECKNER: Ms. Ortega.

VICE CHAIRPERSON ORTEGA: Yeah. I just had a quick clarification. The -- the ratings that are discussed here are these under Marcie's assessment? Is it -- there -- there is a -- I -- there is an item that comes before us where this is reported out, right?

CHIEF EXECUTIVE OFFICER FROST: (Nods head.)

CHIEF OPERATING OFFICER HOFFNER: Correct.

VICE CHAIRPERSON ORTEGA: Okay. Then I guess I'm going to take this opportunity to say that this is maybe something for the workshop or for our future conversation is thinking about how we structure this entire compensation system, so that we can get input directly from the CEO on some of these questions. It's -- I'm finding it very hard to think about how the CEO implements these changes without being able to get her input. And since she's subject to this same structure, we cannot get her input. So I think it might be something that's worthy of a project to think about whether we should be splitting that out, so that we could get her input on something like this.

CHAIRPERSON FECKNER: So Doug, Michelle, or Brad, or Peter either, any of you, how does STRS do this? Do any you know what their metrics is here?

MR. LANDERS: I mean, I can talk briefly and then I'm sure Michelle can add some additional insight. But they have a matrix type of approach. Unfortunately, off the top of my head, I can't remember what exactly the percentages are, if they're seven, five, three. I think they're slightly different than that, off the top of my head. But they have, I believe, a four or five -- five level matrix approach. I recall we worked with them a couple years ago on a similar type of analysis to try and streamline a little bit how they reviewed their individuals. But I can't recall exactly what the percentages were that are used in their matrix, but I think they have moved to more of like a -- they had like a seven level approach. I think we've tried to streamline over the years to lesser levels.

HUMAN RESOURCES DIVISION CHIEF TUCKER: And their policy range is 0 to 10, so their pay increases can be anywhere within that band. And we don't know right offhand what -- how many steps there are, but it sounds like Pete had some information.

CHAIRPERSON FECKNER: So 10 is their top end and 0 is the bottom end?

HUMAN RESOURCES DIVISION CHIEF TUCKER: Correct.

CHAIRPERSON FECKNER: Okay. All right. Okay. Continue.

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MR. KELLY: The next element that requires some additional work was the treatment of pro rata awards. So this is basically awards that were given to individuals who were either hired half way through or partly through a fiscal year. And so one of the typical things -- one of the things that was communicated to us is that if someone was brought in, typically what would happen is that individual would be given -- would not be eligible for an award at that -- the end of that fiscal year that they came in, but they would be given a balloon award at the end of the following fiscal year that not just covered the fiscal -- that fiscal year, but the part of the additional fiscal year that they came in.

We saw this as problematic, one from an administrative standpoint, it's pretty difficult to manage. And then secondly, what you're doing is you're now assuming that the performance requirements for that fiscal year that they received award for were the same for those two fiscal years. And that could not -- that could, you know, sometimes not be the case. And so we want to make sure that there's fair and equitable treatment of these individuals.

But at the same time, there's appropriate application of the performance objectives, targets, and strategy that's applied to that fiscal year. And so what we're recommending is that anyone coming in within the first six months of the fiscal year up to, I believe, December 31st would be eligible for a pro rata award. And then anyone coming in after that would not. So anyway -- any -- fromJanuary 1st onward would not be eligible, and strictly because of what I just mentioned. And as long as you're clear and transparent about that, we haven't seen any other organizations that adhere to such a policy, have any problems with recruitment, retention, what have you. It's just about being, you know, fair and transparent about the application.

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MR. KELLY: So we did work with the HR Department as well as the Legal team. And so we put together this quick table so that everyone can see what we're recommending. So anyone appointed before December 31st would be eligible for a prorated award. Appointment after that January 1st onward would not be eligible. If they vacate their position within six months of the appointment, they would not be eligible for a prorated award or if they were promoted from Investment Office classification to a covered position, they, too, would be eligible for a prorated award.

And again, this was all vetted through Legal. And so the recommended -- recommended wording is all in the multiple -- multiple copies of the policy that -- that you have.

Any questions with regard to this?

CHAIRPERSON FECKNER: Seeing none.

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MR. KELLY: Excellent.

In terms of treatment of termination, this is both, you know, with and without cause. When we look at the treatment of terminations, sometimes there can be unanticipated behaviors that permeate within your organization. And so we want to make sure that individuals are not incentivized in any way to stretch -- to stretch out their time to stay in a position that they're not psychologically committed to or not performing. And again, that's detrimental from, you know, your -- your -- your employment at your employee environment, your morale. You want to make sure that everyone is coming in and they're giving it their all every day.

And so we want to make sure that there's a real transparent application of how they might be eligible for incentive awards or how long they have to stay. So that no one is incentivized to just keep their seat warm solely for the purpose of being eligible for an incentive at the end of the period.

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MR. KELLY: And so work -- again, working with the HR Department and with Legal, our recommendation is to basically look at termination, which this would be termination without cause, this would be retirement, death, or disability on or after January 1st, they would be eligible for a prorated award. And then the policy strictly says, "Unless they relinquish their duties", so if they've stepped away from the duties.

And this is the application of leave credits, so again, you don't want someone who has stepped away from their role, they've relinquished their duties, but they're -- they're just waiting out their leave credits. We don't want those leave credits to be considered part of that, you know, employment time. And so if they are stepping away and applying their leave credits, the date that they leave, and you'll see that in green in your -- in your suggested wording, the leave credits do not apply, so it's upon the date that they actually step away.

And then secondly, if they retire or if there's a vacancy due to death or disability on or before December 31st, they also would be eligible for prorated awards. But again, discretion would be applied to this and they would have to have a compelling circumstance around that for the Board to apply their discretion and to grant them that prorated award.

Any questions with regard to that?

CHAIRPERSON FECKNER: Seeing none.

MR. KELLY: And again, a lot of this is just to be more prescriptive and add clarity to the policy, so that there's very clear application of the policy going forward.

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MR. KELLY: Next is eliminating, adjusting, deferring incentive payouts. This is -- this is a real murky element and very discretionary. And so there we -- therefore, we wanted to add a bit more detail around this, be more prescriptive again, as I said before.

And so what we recommended going forward, again working with the Legal and your HR Department, is that there be three distinct and what we would call qualifying triggers that would enable your Board to apply discretion. And those triggers would, one, be investment performance, both on total fund and asset class. And the asset class element would be added in if this Committee deemed that they would like to include the asset class component back into the incentive structure.

Next is policy violations, so any violation of your Investment Policy, code of ethics, what have you would also deem a triggering event where your Board can apply discretion.

And then finally, reputational risk, if -- whatever the actions of this employee have taken could be deemed a reputational or headline risk for this fund, therefore, again your Committee would be eligible to apply discretion on the -- the elimination adjustment or deferral of incentive payouts.

MR. LANDERS: The only thing I'll add to this is, you know, it's important that you definitely as a Board have the discretion that if these triggers are hit to consider it. I will say in practice, unless it's been a very severe violation, we typically see most boards not choose to use the discretion. But it's important for you, at least in the policy, to have that ability to take a second look, identify here are potential triggers, and, you know, have a discussion before, you know, agreeing to again eliminate, defer, or adjust any of the incentive payouts.

But I just wanted to from a practical

perspective, a lot of boards -- you know, yes having these triggers in place is important. You want to have that discussion, but they often will choose actually not to utilize that discretion, but have that discussion before they finalize that decision.

CHAIRPERSON FECKNER: Ms. Taylor.

COMMITTEE MEMBER TAYLOR: I appreciate this. I'm not sure if we're not already -- if we don't already have this written down somewhere. And maybe we should also put this in -- in our workshop, so that we can discuss this and make sure that we're not duplicating processes and stuff. So, if that's okay.

CHAIRPERSON FECKNER: Yep.

COMMITTEE MEMBER TAYLOR: All right.

CHAIRPERSON FECKNER: Okay.

CHIEF EXECUTIVE OFFICER FROST: I think I can comment on this one, if I could, Chair. So in -- we have calibration sessions and I can talk about the Investment Committee -- or the Investment Office and the calibration we do there. But we take these under consideration and we do reduce payouts or eliminate payouts, if there is a -- and I'll give one example, if they've had trading violations, there is a reduction in the incentive or an elimination of the incentive.

COMMITTEE MEMBER TAYLOR: Thank you.

CHIEF EXECUTIVE OFFICER FROST: As one example.
CHAIRPERSON FECKNER: Very good. All right. Continue, please.

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MR. KELLY: And again, this strictly to be more prescriptive. And there work -- if you recall, the previous policy did have a process in place where you could apply your discretion and some examples, but it wasn't as -- as descriptive and prescriptive as we're -- we're recommending here. Again, it's for your own protection and have added clarity for both your Board and for your employees, so that everyone understands, you know, what could possibly lead to a discretionary event that your Board has the ability to apply.

And that takes us to the end. Are there any -- any questions with regard to the policy item? And I would imagine we're going to be covering a lot of these in this future workshop.

CHAIRPERSON FECKNER: Yeah. I think that is an appropriate comment. I don't see another request to speak.

Ms. Tucker, what do we need here?

HUMAN RESOURCES DIVISION CHIEF TUCKER: So I think the Board can adopt some or part of the items. And what I have noted that the Board would indicate approval for is the adoption of the pro rata and the adoption of the treatment of termination, with the remaining items noted in red on the action items to be included in the workshop.

And then there also were a number of administrative updates in green text, which you could consider to adopt or not as you wish.

CHAIRPERSON FECKNER: Mrs. Ortega.

VICE CHAIRPERSON ORTEGA: Yeah, I'd move approval consistent with Ms. Tucker's remarks and then leave the items that are relevant to the future conversations out of the amendment at this time.

COMMITTEE MEMBER TAYLOR: Second.

COMMITTEE MEMBER MILLER: Second.

CHAIRPERSON FECKNER: It's been moved by Ms. Ortega, seconded by Ms. Taylor.

Any discussion on the motion?

Seeing none.

All in favor say aye?

(Ayes.)

CHAIRPERSON FECKNER: Opposed, no?

Motion carries.

Ms. Tucker.

HUMAN RESOURCES DIVISION CHIEF TUCKER: Thank you. So moving to Item 5c?

CHAIRPERSON FECKNER: 5c.

HUMAN RESOURCES DIVISION CHIEF TUCKER: 5c is an action item. To comply with the Board's policy, incentive metrics are reviewed annually by the Board's primary compensation consultant. GGA will present their recommendations for the incentive metrics for fiscal year 22-23 incentive plan inclusion. They reviewed the existing metrics, past performance data, and the '22 through '27 CalPERS Strategic Plan to ensure alignment.

Final Board-approved metrics will be included in some combination on fiscal year 22-23 incentive plans for eligible executive and investment management positions, including the CEO's incentive plan, which will be presented in Item 5d. So that does conclude my opening remarks and I'd like to again invite Mr. Landers and Mr. Kelly to begin their presentation

CHAIRPERSON FECKNER: Thank you.

MR. LANDERS: Great.

CHAIRPERSON FECKNER: Microphone, please.

Thank you.

MS. LANDERS: Thank you, Michelle.

So we looked at -- overall at the incentive metrics that have been used historically. And fundamentally we felt that, you know, they all still were quite applicable. They still made sense going forward, especially for your executive management staff, because a lot of them go beyond just investment performance and look at other areas like customer satisfaction, engagement, looking at operational costs and things likes. So overall, structurally, we still agree with the metrics. What you will see is a couple of the more material adjustments we are proposing are, one, is to the investment performance grid on the total fund performance. This was taken into account through countless analysis of your historical look-back analysis reflecting on market -- sort of market best practices and typical market practice in terms of how these performance hurdles were set.

And so I would say that that's the most material adjustment is the performance expectations on the total fund side. That would then apply, of course, to the CEO, but also to all of the other incentive eligible positions that are tied to total fund. And then in the other areas around the operational cost metric, we've just provided more clarity in terms of what can be included or excluded in that calculation, but we haven't fundamentally changed any of the performance expectations as well.

And so those were the major ones. Brad, I don't know if you have anything else to add, but I think the most material one was the change on the total fund performance expectation side. And we -- you know, we're happy to answer any questions as it relates specifically to that or any other questions you have on the performance metrics we've included.

CHAIRPERSON FECKNER: The one thing I do want to put in here is that I would like you to find a way -- I don't know that you is. It's a -- well, that's what you guys do, but find a way to carve out the CEO's incentive metrics from the other folks. Because as it sits now, we can't have a discussion with th CEO or any staff regarding those metrics of any of the employees. If we carve out a separate set for the CEO, then the CEO could actually have a discussion with the Committee and/or the Board regarding the metrics of the other staff members. So if you can find a way to do that, I think it gives us a little more flexibility and a little more insight versus us just sitting up here making a blind decision.

MR. LANDERS: Understood. We can work with HR and Legal to make sure whatever we're proposing will fit within any of the guidelines of the State for sure.

CHAIRPERSON FECKNER: All right. Any other questions, comments, Board members, Committee members?

Seeing none.

Ms. Tucker.

HUMAN RESOURCES DIVISION CHIEF TUCKER: Thank you, Chair Feckner. So is the Committee moving to adopt this item with the current metrics proposed?

VICE CHAIRPERSON ORTEGA: I'll move approval.

CHAIRPERSON FECKNER: Ms. Ortega moves approval unless there's any discussion.

COMMITTEE MEMBER MILLER: Second.

CHAIRPERSON FECKNER: Second by Miller.

Any other discussion on the motion?

One thing I do want to say and I talked to you folks about this earlier is that, you know, as we build these metrics, we understand that the civil service side does not get these increases, so we're building a larger disparency between the executives and the rank-and-file workers. We want to be careful to get too far afield of that, because some -- some right now already feel that it's too far aside. And so what we'll start seeing is the attrition will start coming from the rank-and-file workers, which is the worker bees of this group, and then we'll have nobody to do the work and a lot of managers. So we want to make sure that we're keeping that within bounds, so as we go forward.

Ms. Taylor.

COMMITTEE MEMBER TAYLOR: Thank you. I was actually going to say that.

(Laughter.)

CHAIRPERSON FECKNER: Read your mind.

COMMITTEE MEMBER TAYLOR: You read my mind. Also, I was wondering, the fund performance both total fund and asset class based, I thought we -- I thought that wasn't going through quite yet, because I'm not sure about that asset class. I know we're doing it right now.

CHAIRPERSON FECKNER: Still on total fund.

COMMITTEE MEMBER TAYLOR: It's -- oh, okay. It's still on total fund. All right. I'm good then.

(Laughter.)

CHAIRPERSON FECKNER: Okay. We do have one request to speak from the audience before we vote.

Mr. Jelincic.

MR. JELINCIC: J.J. Jelincic, beneficiary.

I want to commend the consultant for changing the benchmark on the total fund per -- or suggestion changing the benchmark on total fund performance. I think that it is high time that we quit paying bonuses for below market or below benchmark performance.

I feel that the 10 basis points is -- for the max is too low. The previous 35 basis points was too high, when you're running -- essentially running an index fund, but I am perfectly willing to say let's adopt it even with 10 basis points to get rid of paying a bonus for below market performance.

I also had a comment on 5d, which is the incentive compensation, but it's related. I can either make that now or come back and deal with it at that time. Whatever is the pleasure of the Committee.

CHAIRPERSON FECKNER: You can make that now, if you'd like.

MR. JELINCIC: Okay. In 5d, which is for the Chief Executive Officer, it is -- it has a separate set of criteria, which is a point that you just raised. But one of the objectives is key business objective, which I think clearly belongs in the CEO compensation. It's weighted at 25 percent. The target is for the CEO will be 100 when you get around to making the change. So this is 100 percent times 25 percent. But where it comes -- becomes a problem is when you get occasionally meets expectation, we're going to give you half of that incentive. If the CEO is only occasionally meeting the expectation, there needs to be a different discussion rather than how much of a bonus to be giving them.

But under this plan, it would be 100 percent, times 25 percent, times 50 percent. So for occasionally meeting the expectation, they would be eligible for a 12 and a half percent bonus.

Marcie asked me to point out, because I'd told her I was making the comment, that this isn't really the way the process works, in which case, that's a whole nother set of problems. I remember a year ago this Committee proposed a incentive for the CEO after a closed executive -- or a closed Board meeting, the Committee reported out a different number without even indicating that it was, in fact, a different number. So clearly, the process is not quite as clear as it's laid out here, but I thank you.

CHAIRPERSON FECKNER: Thank you.

Any other comments?

Seeing none.

Motion being before you. All in favor say aye?

(Ayes.)

CHAIRPERSON FECKNER: Opposed, no?

Motion carries.

Ms. Tucker.

HUMAN RESOURCES DIVISION CHIEF TUCKER: Thank you, Mr. Chair.

So that brings us to Item 5d, which is presented annually as part of the regular incentive plan cycle required under the Board's Compensation Policy for executive and investment management positions.

Recommendations for the Chief Executive Officer's fiscal year 22-23 incentive plan will be presented by the Board's compensation consultant, GGA, and have been provided in Attachment 1 to the item.

Base on the Committee's earlier discussion and action on Agenda Item 5c, the annual review of incentive metrics, the CEO's annual incentive plan for fiscal year 22-23 will be updated to reflect the approved incentive metrics and scoring thresholds.

So I'll now turn it over to GGA for their presentation.

MR. LANDERS: Thanks. Thanks, Michelle.

When you look the CEO incentive plan, similar to our comments on the overall metrics, the areas that were covered as part of the CEO's incentive again we felt were appropriate for the CEO position, recognizing that that role doesn't have investment oversight like a CIO. And so, you know, having a relatively small percentage on total fund investment performance made sense along with some comparisons of investment performance against CEM or a broader universe of organizations.

We wanted to keep as well the weighting on what we call quantitative metrics. Those that can be, you know, look -- evaluated quantitatively, keeping that at that 75 percent of the overall incentive. So we felt that remained appropriate and is in line with we see in the broader market for CEOs.

The couple of tweaks hat we have suggested for this year, one, of course, which was already discussed as part of 5c, was around the moving of the total fund investment hurdles from the -- you know, to the new performance expectations. And then a couple of other tweaks more around terminology around switching it from, you know, that 25 percent that was just mentioned, referring to it as qualitative more on the key business objectives, which can be and hopefully can be quantified or described in good detail by the Committee, so you have more of a way of -- you know, it's not just, you know, pulling numbers -- pulling sort of an assessment out of the sky. You have very objectively and easily able to identify, these are all the different things that the CEO did throughout the year that allowed them to earn their incentive in this key objective -- key business objective area.

And then the only other tweak there was you remember last year, when we were work -- when you were working through the strategic plan, we had added in an element that related to the CEO's performance in putting together the strategic plan, the Board's overall confidence, and sort of pleased -- being pleased with, you know, what came out of that strategic plan. That is something that we typically see put in for years that you are working on a strategic plan for the next five -- five years or so.

And so with that plan now being -- you know, moving forward and being approved, that is something that we suggest being taken out of the key business objectives areas, and, you know, just focusing more on the core areas that, yes, you've identified performance expectations in a lot of those areas that you want to hit as part of that Strategic Plan, and embedding those into the annual incentive process and the objectives that you're setting.

So we just have suggested removing that strategic plan component from the key business objectives assessment that will be done at the end of the 2022-23 fiscal year when you do the CEO evaluation.

Other than that, there -- you know, we kept things relatively the same, because we still felt that the areas measured and the weightings were generally appropriate.

CHAIRPERSON FECKNER: All right. Thank you.

What's the pleasure of the Committee?

HUMAN RESOURCES DIVISION CHIEF TUCKER: Pardon me, Mr. Chair. I just wanted to -- one point of clarification, if I may?

CHAIRPERSON FECKNER: Um-hmm.

HUMAN RESOURCES DIVISION CHIEF TUCKER: So on page three of the Attachment 1, there is a organizational leadership priority and there's a weighting change proposed. This was part of Item 5a that you deferred for the workshop, so that part would not be included in the action today. However, on page four of Attachment 1, the total fund performance change, that would. That's where we've reduced the -- tightened the benchmark.

CHAIRPERSON FECKNER: Correct. And I also want to point out as you bring up that -- the piece about the change, that that was something that GGA put forward, those salary increase changes. That wasn't something that our staff put forward. So I want to make that very clear for the public, that this was something driven by you and your research and bringing this forward. But again, that's not coming to a vote today.

So again what's the pleasure of the Committee?

MR. KELLY: Excuse me, Mr. Chair. Just as a point of clarification. As your member had mentioned earlier, he was applauding the introduction of key -- individual key business objectives. I'd like to point out that these were all -- always in Marcie's plan, but in the policy, they were referred to as qualitative objectives. And then further down the pol -- in the policy, it would say this qualitative -- the qualitative objective component is comprised of key business objectives.

We -- as you know, we've been working with your Committee to change this -- the subjectivity -- as much of the subjectivity of the assessment as possible to objectively apply what we would call smarter objectives, specific attainment, relevant, time-bound, ethical, and results based -- risk weighted, sorry. And so want to make sure that there's -- there's some clarity here.

We're not changing what's in here. We're just changing the terminology, because we want to call it what it really is, which are individual key business objectives. And that 25 percent objective or component has always been there.

CHAIRPERSON FECKNER: Very good. Thank you.

COMMITTEE MEMBER TAYLOR: Move approval with the exception

CHAIRPERSON FECKNER: It's a -- Ms. Taylor moves approval with the exception that Ms. Tucker mentioned.

Is there a second?

COMMITTEE MEMBER PACHECO: Second.

CHAIRPERSON FECKNER: Seconded by Mr. Pacheco.

Any discussion on the motion?

Mr. Miller

COMMITTEE MEMBER MILLER: Yeah. I support the motion and will be voting yes. I just do want kind of -- a thought that, you know, the strategic planning is an iterative process. It's not just a once -- you know, one and done every five years, but I do feel that the focus on the strategic and the potential to have to make revisions in this area is covered in those other business objectives, and our metrics, and everything, but I just don't want anyone to have the impression that, you know, we'll put it in, we'll pull it out, we'll put it in, we'll pull it on a -- on a, you know, a five-year planning horizon or whatever it may be.

MR. KELLY: Just to respond to Mr. Miller. We totally recognize that, but we also recognize that the process through which establishing a new strategic plan is a huge task. And so therefore, we'd like to see it recognized on -- in the incentive plan when it is critical. And not saying that it's not critical afterwards, but when it's critical that, you know, the -- the drafting of that plan and -- and the formulation -- or the creation of that plan is key. It's a key element within your cycle. And so therefore, you know, the process through which you're expecting Marcie to put that plan together and put a plan together that you all like, and approve, and support is very important.

And then after that, it's the -- the implementation and the realization of that plan that you're assess -- you're assessing. There may be squeaks along the way that will be required. But again, the lion's share of your assessment should be about how is

Marcie applying that plan? Is she -- is she making progress throughout that plan? And then when you get close to a point where a new plan needs to be -- needs to be drafted, that's when that item would be normally put back on.

COMMITTEE MEMBER MILLER: Thank you.

CHAIRPERSON FECKNER: All right. Thank you.

Motion being before you.

All in favor say aye?

(Ayes.)

CHAIRPERSON FECKNER: Opposed, no?

Motion carries.

Than you. Thank you both very much.

That brings us to Item 6, Summary of Committee Direction. Mr. Hoffner.

CHIEF OPERATING OFFICER HOFFNER: See if I've got this right. Received feedback from the Chair and Committee members to establish and set up an education session/workshop in the future to go over the Compensation Incentive Policy. And I -- I identified a bunch, but I don't know if I should list them out, or just sort of based upon the feedback.

And then separately, GGA was directed by the Chair and Committee members to develop a incentive plan for the CEO that will be different from others in the plan, so that we'd split out, so their feedback can be sought related to implementation of such incentives for other employees. Does that capture it?

CHAIRPERSON FECKNER: I think you did.

CHIEF OPERATING INVESTMENT OFFICER HOFFNER: Okay. Thank you. That's it.

CHAIRPERSON FECKNER: And I, too, want to not only thank GGA for their presentation today and all their hard work, but I want to thank you and your staff, especially Ms. Tucker Ms. Amerongen for being the gatekeepers of all of this, as we move through the process. There's certainly been a lot of iteration. So we thank you for all the hard work and we know it's not easy.

That being said, this meeting is adjourned.

(Thereupon the California Public Employees' Retirement System, Board of Administration, Performance, Compensation, & Talent Management Committee open session meeting adjourned at 10:04 a.m.)

CERTIFICATE OF REPORTER

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 open session 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 22nd day of June, 2022.

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