

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

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FECKNER AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

TUESDAY, SEPTEMBER 17, 2024

3:25 P.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Mullissa Willette, Chair

Kevin Palkki, Vice Chair

Lisa Middleton

Eraina Ortega

Jose Luis Pacheco

Theresa Taylor

Yvonne Walker

BOARD MEMBERS:

David Miller, Vice President

Ramón Rubalcava

Malia Cohen, represented by Deborah Gallegos (Remote)

STAFF:

Marcie Frost, Chief Executive Officer

Doug Hoffner, Chief Operating Officer

Matthew Jacobs, General Counsel

Michelle Tucker, Chief, Human Resources Division

INDEX

	<u>PAGE</u>
1. Call to Order and Roll Call	1
2. Executive Report - Doug Hoffner	2
3. Action Consent Items - Doug Hoffner	3
a. Approval of the September 17, 2024, Performance, Compensation & Talent Management Committee Timed Agenda	
b. Approval of the June 12, 2024, Performance, Compensation & Talent Management Committee Meeting Minutes	
4. Information Consent Items - Doug Hoffner	4
a. Annual Calendar Review	
b. Draft Agenda for the February 2025 Performance, Compensation & Talent Management Committee Meeting	
5. Information Agenda Items	
a. Succession Planning Overview	4
6. Summary of Committee Direction - Doug Hoffner	40
7. Public Comment	40
8. Adjournment of Meeting	41
Reporter's Certificate	42

PROCEEDINGS

1
2 CHAIR WILLETTE: Good afternoon. This is our
3 Performance, Compensation, and Talent Management Committee
4 meeting being called to order. Can we get a roll call,
5 please?

6 BOARD CLERK ANDERSON: Mullissa Willette.

7 CHAIR WILLETTE: Here.

8 BOARD CLERK ANDERSON: Kevin Palkki.

9 VICE CHAIR PALKKI: Good afternoon.

10 BOARD CLERK ANDERSON: Lisa Middleton.

11 COMMITTEE MEMBER MIDDLETON: Present.

12 BOARD CLERK ANDERSON: Eraina Ortega.

13 COMMITTEE MEMBER ORTEGA: Here.

14 BOARD CLERK ANDERSON: Jose Luis Pacheco.

15 COMMITTEE MEMBER PACHECO: Present.

16 BOARD CLERK ANDERSON: Theresa Taylor.

17 COMMITTEE MEMBER TAYLOR: Here.

18 BOARD CLERK ANDERSON: Yvonne Walker.

19 COMMITTEE MEMBER WALKER: Here.

20 CHAIR WILLETTE: Okay. And we have one member
21 via zoom, so I'm going to read the attestation. Good
22 morn -- good afternoon. Because we're not all present in
23 the same room and Board members are participating from
24 remote locations that are not accessible to the public,
25 Bagley-Keene requires the remote Board members to make

1 certain disclosures about any other persons present with
2 them during open session. Accordingly, the Board members
3 participating remotely must each attest that they are
4 either alone or if there is one or more persons present
5 with them who are least 18 years old, the nature of the
6 Board member's relationship to each person. At this time,
7 I will ask our Board member participating remotely to
8 please attest.

9 ACTING BOARD MEMBER GALLEGOS: I do so attest.

10 CHAIR WILLETTE: Thank you so much.

11 And with that, we will begin with our executive
12 report. Mr. Hoffner.

13 CHIEF OPERATING OFFICER HOFFNER: Good afternoon,
14 Committee members. Doug Hoffner, CalPERS team member.
15 Today, we have one information agenda item before you
16 before we'll be talking about an overview of succession
17 planning efforts within the organization. And then the
18 Committee will move into closed session for the annual
19 performance evaluation agenda materials.

20 The Committee's next regularly scheduled meeting
21 is in February of 2025. The Committee will receive the
22 CEO's mid-year status report for the year, along with
23 other market compensation data for statutory positions.

24 In addition, the Board's compensation policy for
25 statutory positions calls for a market compensation survey

1 to be done every two years. The last one was conducted
2 and approved in 2023. We'll have two different fiscal
3 years of the same program. And then we'll be bringing
4 back data from McLagan in the spring of 2025. And should
5 the Board approve any changes, that would go into effect
6 in fiscal year 25-26, along with any other recommendations
7 from the Board consultants. With that, that concludes my
8 report and happy to answer any questions.

9 CHAIR WILLETTE: Thank you. Any questions?
10 All right. Seeing none, thank you for that
11 report.

12 We will now move to our action consent items for
13 which we have two. Is there a motion?

14 VICE CHAIR PALKKI: (Hand raised).

15 CHAIR WILLETTE: All right. That has been moved
16 by Mr. Palkki.

17 COMMITTEE MEMBER PACHECO: Second.

18 CHAIR WILLETTE: And I will recognize Mr.
19 Pacheco.

20 And we will do a roll call vote.

21 BOARD CLERK ANDERSON: Kevin Palkki?

22 VICE CHAIR PALKKI: Aye.

23 BOARD CLERK ANDERSON: Lisa Middleton?

24 COMMITTEE MEMBER MIDDLETON: Aye.

25 BOARD CLERK ANDERSON: Eraina Ortega?

1 COMMITTEE MEMBER ORTEGA: Aye.

2 BOARD CLERK ANDERSON: Jose Luis Pacheco?

3 COMMITTEE MEMBER PACHECO: Aye.

4 BOARD CLERK ANDERSON: Theresa Taylor?

5 COMMITTEE MEMBER TAYLOR: Aye.

6 BOARD CLERK ANDERSON: Yvonne Walker?

7 COMMITTEE MEMBER WALKER: Aye.

8 CHAIR WILLETTE: Thank you so much.

9 And now we have our two information consent
10 items.

11 And we will move to information agenda items, the
12 succession planning overview presentation.

13 (Thereupon a slide presentation).

14 HUMAN RESOURCES DIVISION CHIEF TUCKER: Good
15 afternoon, Chair Willette, members of the Committee.
16 Michelle Tucker, CalPERS team member. I'm happy to be
17 here today to provide an overview of succession planning.
18 I'd like to provide a visual description of myself for
19 anyone who needs it. I am woman with blond hair. I'm
20 wearing a blue blazer and a smile because I'm happy to be
21 here today.

22 (Laughter).

23 HUMAN RESOURCES DIVISION CHIEF TUCKER: That's my
24 big picture.

25 Today, I'm excited to share our 2024 succession

1 plan. A strategy to ensure CalPERS is fully prepared for
2 future leadership transitions. This plan aligns with our
3 long-term goals and demonstrates our commitment to
4 proactive leadership development and operational
5 continuity. By sharing this with you, we're ensuring
6 strategic oversight, mitigating potential risks, and
7 positioning ourselves to strategically and effectively
8 support the organization in our future.

9 [SLIDE CHANGE]

10 HUMAN RESOURCES DIVISION CHIEF TUCKER: So let's
11 begin at the beginning. As mentioned previously,
12 succession planning is a real plan-ahead look for an
13 organization. It is a critical process where we identify
14 and develop future leaders who can fill critical roles in
15 the future. It is our way of making sure we always have a
16 leadership pipeline when we need it most. It's ensuring
17 that we have the right leaders available at the right time
18 and is the leadership companion to workforce planning.
19 But it's not just about filling vacancies. It's about
20 making sure that we have the right people ready to take on
21 the challenges of tomorrow.

22 While now we didn't come up with this practice
23 and our approach in a vacuum, our approach is grounded in
24 best practice research that shows just how vital
25 succession planning is for organizations like ours. In

1 fact, a study of 200 boards of directors from various
2 industries and countries found that 81 percent of boards
3 rate knowledge or awareness of high potential team members
4 as a priority. Another 79 percent consider succession
5 management plans as critical. And that's pretty telling,
6 right? It highlights an investing in future leadership.
7 It's a top concern everywhere.

8 And, of course, as a State agency, we are
9 required by the California Department of Human Resources
10 to have a succession plan. So even though this is
11 something that is ideal to do anyways as strong business,
12 it's also a requirement in the State of California. And
13 we've had strong succession plan -- planning elements for
14 years. Our new approach brings those components together
15 and includes Board input for CEO succession.

16 Now, while we need to meet these requirements,
17 we've taken a step further. Our succession planning
18 framework is deeply aligned with CalPERS 2022 through 2027
19 strategic plan, specifically supporting our goal of
20 organization excellence.

21 This framework helps us foster a culture of
22 innovation, inclusivity, and intelligent risk taking. We
23 made it part of our strategic planning to always be
24 forward thinking, always developing, and always making the
25 best opportunities for our talented team members. And

1 that's something we hope we can all be proud of.

2 [SLIDE CHANGE]

3 HUMAN RESOURCES DIVISION CHIEF TUCKER: Okay.

4 I'm glad I can be proud of my ability to advance these
5 slides. We talked about why succession planning is
6 essential and how it's a priority for organizations
7 everywhere. So let's zoom in on what we think is unique
8 and effective for our planned approach. Our 2024 CalPERS
9 succession plan is carefully designed to ensure that we
10 match the right candidates, with the right roles, at the
11 right time. We want to make sure that we're prepared well
12 before any roles become vacant.

13 We've researched succession planning at several
14 private investment firms and other public government
15 agencies. We've noticed four key themes within all of
16 these different plans. On this slide, you'll see those
17 four themes. I'd like to take time to talk to you more
18 about them.

19 So first, objective. We're going to be
20 objective. We're going to use evidence-based assessments
21 and gather inputs from a range of internal business
22 partners and stakeholders to make sure that we're
23 selecting the best fit and the best pipeline for each key
24 role. It's all about making informed decisions and making
25 sure that we have a range of qualified candidates

1 available.

2 Integrated. And we can't make those decisions
3 without being integrated, so we're embedding our
4 succession planning into our performance management
5 processes. We'll discuss career aspirations with our team
6 members and align their development plans with our
7 organization's strategic goals. We want to ensure that
8 everyone's career path is not just a personal journey, but
9 also a strategic asset for CalPERS.

10 Efficient. Integrating succession planning into
11 existing performance management efforts is efficient.

12 (Clears throat).

13 HUMAN RESOURCES DIVISION CHIEF TUCKER: Excuse
14 me. Our approach to succession planning is efficient
15 because it's forward-thinking. By positioning our top
16 candidates in advance and making sure that all of our team
17 members have access to critical development tools will
18 minimize the impact of vacancies on our operations. This
19 approach ensures continuity of business and helps us avoid
20 disruption associated with sudden role vacancies.

21 And inclusive. I want to note that our
22 succession planning is committed to inclusivity. We're
23 actively promoting the development of a diverse workforce.
24 This ensure that our succession planning aligns with and
25 enhances CalPERS core values. In this regard, diversity

1 is a fundamental part of our strategy. We'll talk about
2 this in a little bit more depth later on.

3 This approach ensures that we're not just meeting
4 requirements, we're exceeding the requirements and really
5 taking the best of what the industry is offering. So
6 let's continue to have -- to explore how these principles
7 will come to life in our detailed succession planning
8 framework.

9 [SLIDE CHANGE]

10 HUMAN RESOURCES DIVISION CHIEF TUCKER: Thank
11 you. I feel bad that the CEO had to advance my slides.

12 (Laughter).

13 CHIEF EXECUTIVE OFFICER FROST: I just figured
14 I'd handle it.

15 (Laughter).

16 HUMAN RESOURCES DIVISION CHIEF TUCKER: Sorry,
17 Marcie.

18 All right. So we've set up a clear structured
19 approach to insert -- ensure our succession planning is
20 both effective and aligned with our strategic goals. We
21 broke this down into five phases, which I'm going to
22 review at a high level here. You can also see the broad
23 strokes of each of those five phases on the slide.

24 Will kick things off with a comprehensive
25 workforce and environmental analysis. Using the CalHR

1 workforce planning model, we'll carefully review our
2 existing workforce data and conduct research to understand
3 our current and future needs. This thorough analysis will
4 help us tailor our succession plan to fit in with our
5 already developing 2024 through 2029 workforce planning
6 strategies. It will be a companion piece. One of our
7 goals is to align our succession efforts with our
8 organizational objectives and internal KPIs and BPIs.

9 Next, in the analyze phase, we'll focus on
10 identifying enterprise level priorities through
11 collaboration and conversations with our executive
12 leadership team. This process will help us pinpoint the
13 roles that are most critical for our success. We'll then
14 assess the competency levels of potential succession
15 candidates using industry standard tools like the nine box
16 grid, 365 degree assessment and candidate fit assessments.
17 The examination and evaluation of enterprise level
18 priorities and competency level assessments will help
19 provide us with a clear picture of both current
20 capabilities and future potential within our leadership
21 pipeline.

22 Moving on to develop, once we have these
23 insights, we'll move forward with formulating workforce
24 planning recommendations. This will include developing a
25 succession management strategy to gauge the readiness of

1 our talent pool. We'll also create customized training
2 plans for each potential successor. These training plans
3 will incorporate shadowing, stretch assignment, formal
4 leadership programs and coaching. If we identify any
5 competency or pipeline gaps, we'll collaborate with
6 external partners to make sure that we keep a ready
7 pipeline of external candidates available. We'll also
8 make sure that we stay aware of any pending legislative
9 changes in California.

10 Next, implement. After training, we will conduct
11 a post-training assessment to reevaluate each potential
12 succession candidate using the nine box grid and update
13 their talent profiles. This updated data is crucial for
14 our annual people review process. The annual people
15 review will be how we assess the readiness and potential
16 of our leadership pipeline.

17 And finally evaluate. The insights from our
18 assessments and reviews contribute to our final succession
19 management plan, which integrates seamlessly into our
20 overall workforce plan. The succession management plan
21 includes a comprehensive talent summary. A talent summary
22 will be provided for each succession candidate. We will
23 present to this Board regularly for ongoing alignment and
24 visibility.

25 Before we deep dive -- dive deeper into these

1 five phases, let's take a moment to discuss the roles and
2 responsibilities of everyone involved in this effort.

3 [SLIDE CHANGE]

4 HUMAN RESOURCES DIVISION CHIEF TUCKER: Seamless.
5 Thank you.

6 As we continue to build a strong succession
7 planning framework, it's crucial to understand the roles
8 and responsibilities of everyone involved. On this slide
9 you'll see a breakdown of key players in our 2024
10 succession planning process. So we'll go through each
11 role one by one.

12 So first, we have the succession planning lead.
13 So this will be the individual on the CalPERS team who
14 works to lead the efforts and ensures that each phase of
15 the process is executed consistently and aligns seamlessly
16 with CalPERS strategic goals guiding us towards our
17 objectives. We'll have succession planning panels, which
18 will be made up of key internal business partners and
19 other stakeholders. These individuals would be actively
20 involved in our annual people review and play crucial
21 roles in ensuring that all candidates are assessed fairly
22 and equitably.

23 The CalPERS Human Resources team is -- will be
24 the real backbone of the succession planning logistics.
25 They will manage things from candidate assessments to the

1 implementation of training plans. When necessary, HR will
2 coordinate with external recruiting resources to ensure we
3 have the best possible support for our succession needs.

4 And then, we also have external recruiting
5 resources as needed. So let's talk about what that -- we
6 might mean by as-needed. So suppose that we do not
7 have -- when we do our evaluation, we don't have a clear
8 succession candidate who's ready to go in the time frame
9 when we think we will need one, or maybe we just want
10 additional support, or we just want to have the broadest
11 pool possible, which is probably the most common reason.

12 So in these cases, we would partner with an
13 external recruiting firm. The external recruiting
14 resources will be able to provide external expertise and
15 insights. And they also would be able to help us identify
16 a diverse and qualified pool of candidates. This would
17 also be an opportunity for us to monitor and stay
18 connected with candidates who emerged in various
19 recruitments and share updated opportunities with them.
20 Each member of this team will play a vital part in
21 ensuring that our plan is thorough, fair, and aligned with
22 our strategic vision.

23 Now, that we reviewed some of the key players,
24 let's provide more detail about the 2024 CalPERS strategic
25 planning process.

1 [SLIDE CHANGE]

2 HUMAN RESOURCES DIVISION CHIEF TUCKER: We
3 started with our succession planning phase with our
4 role-based workforce and environmental analysis. So
5 that's what you see up on this slide there and I'll walk
6 you through it.

7 So we'll begin by identifying and assessing the
8 roles that will be included in those planning efforts. We
9 want to focus on the CEO and executives first. In the
10 future, we will extend this to senior leader and middle --
11 well, what's called middle management, but really is all
12 of other team leaders.

13 On the screen, you can see a visual that depicts
14 the four things that will be included as part of the
15 role-based workforce and environmental analysis. By each
16 role, we'll want to look at four primary things. First,
17 the incumbent retention risk level. So this is the
18 likelihood of the current incumbent leaving. And in a few
19 slides, I'll talk about how we will assess that risk.

20 Next, current capabilities of the role. So this
21 looks at the key skills that are associated with the
22 current core job functions. Next, the degree of change
23 expected within the role. And so this looks at how much
24 the key job functions are expected to change because of a
25 number of factors. Those could social, or environmental

1 let's look at the succession candidates who can
2 potentially fill that role, now that we've got the role
3 fully established. So this next phase is what we call our
4 successor based workforce and environment analysis. You
5 can see a sample of what that analysis looks like on the
6 screen here.

7 Our goal with this is to assess the different
8 readiness levels of our succession candidates. Per role,
9 we will look at succession candidates who are ready for an
10 interim role or ready for a full-time role. We will also
11 look at candidates who could be ready in one to two years
12 or in three to five years. Each level has its own set of
13 criteria and consideration. So I'll summarize each of
14 those criteria for each readiness level.

15 So first, interim roles. This is someone who can
16 step in seamlessly and manage the position temporarily.
17 So this could be due to an emergency or another immediate
18 need. So here, we would consider their current
19 competency level, their performance, their understanding
20 of the role, and the stakeholder confidence among other
21 aspects. We also have We're "ready now" candidates. And
22 so a "ready now" candidate is ready for a full-time
23 position, and therefore we would really want to have
24 worked with them a little bit more comprehensively on some
25 of those development tools. We want to make sure that

1 they're not just ready for the current function of the
2 job, but they're ready for future job functions too.

3 So here, we would like at competency mastery,
4 track record of success, alignment with organizational
5 culture, stakeholder feedback, readiness for
6 accountability, and their problem solving and
7 decision-making skills.

8 Succession candidates who are ready now, or who
9 are ready for an interim role will likely need less
10 development than some of the candidates who come in the
11 later phases. Succession planning is beneficial because
12 it gives us an opportunity to develop candidates to be
13 competitive and compete for a role. We can help
14 succession candidates have development plans to get the
15 skills they need.

16 So moving on to the ready one to two years, let's
17 look at the future oriented planning from a high level.
18 For candidates who will be ready in one to two years,
19 we'll develop short-term development plans that include
20 targeted training, stretch assignments, coaching and more.
21 I'll go into detail in those development plans when we
22 talk about the development phase of our succession plan.

23 And then ready in three to five years. So these
24 candidates would be expected to be ready in three to five
25 years and are typically earlier in their development

1 journey. These team members would have longer term plans
2 that include broadening experience, additional leadership
3 exposure, and further and deeper mentorship and coaching
4 opportunities. Once we've identified potential succession
5 candidates and assessed their readiness, we'll administer
6 competency level assessments.

7 [SLIDE CHANGE]

8 HUMAN RESOURCES DIVISION CHIEF TUCKER:

9 Competency level assessments are part of the next
10 phase of our succession planning. We want to use
11 competency level assessments to identify strengths and
12 weaknesses for our succession candidates. So some
13 examples of tools that are commonly used are 360 degree
14 feedback tools, self-assessments, performance reviews,
15 skill assessments, and other behavioral based interviews.

16 All of the information that we glean from these
17 assessments in the workforce and environmental analysis
18 will be used to evaluate succession candidates on a nine
19 box grids. This is an industry standard, future-oriented
20 competency level assessment that's used to evaluate
21 succession candidates. So as you see, it evaluates
22 candidates on two axes, one measures their current job
23 performance and then one measures their growth potential.

24 So there -- we would have recommended action
25 plans for candidates for each of these boxes, but we would

1 really be focused in terms of succession candidates on
2 candidates who fall into the three categories that are
3 highlighted in the darker blue there. And so these would
4 be candidates who currently have high performance levels
5 and have demonstrated a high growth potential.

6 And so a summary of the workforce and
7 environmental analysis and succession candidates
8 competency levels would be included in our regular Board
9 update in a summary.

10 [SLIDE CHANGE]

11 HUMAN RESOURCES DIVISION CHIEF TUCKER: So now
12 I've identified those high performance or medium
13 performance and high potential candidates that would
14 benefit from additional growth opportunities and
15 development. In the development phase, we're going to
16 build and implement the custom training plans to further
17 develop succession candidates. We're going to call those
18 custom training management plans or succession management
19 plans.

20 On this slide, you'll see a high level overview
21 of how we would structure those development plans. Each
22 development plan would come with its own timeline by
23 individual that contains short-term goals, long-term
24 goals, and key milestones and checkpoints. We would then
25 provide access to additional support and resources and

1 monitor succession candidate progress. By monitoring
2 progress as we go, we'll be able to adjust the plan as
3 needed.

4 [SLIDE CHANGE]

5 HUMAN RESOURCES DIVISION CHIEF TUCKER: And so at
6 this point, we've identified the roles. We've determined
7 press and future needs for each role, identified
8 candidates, and have developed succession candidates to
9 fit those rules or be ready to compete to possibly fit
10 those roles. So now we'll pull all that together for our
11 annual people review. So this slide shows the items from
12 previous steps that would go into making a leader
13 readiness evaluation. So those three items are the
14 workforce an environment analysis, competency level
15 assessments, and succession management plans.

16 All the succession candidates' leadership
17 readiness evaluations will be completed each year. It's
18 important to note, and I really want to make sure that we
19 emphasize this, that we will be applying masked
20 recruitment techniques through these processes. So we
21 will be, depending on the step that we're in, removing
22 personal information such as name, gender, and ethnicity
23 from the materials to ensure that we're focusing on
24 candidate skills, competencies, and qualifications. And
25 we'll share a little bit more about that would look on the

1 next slide.

2 [SLIDE CHANGE]

3 HUMAN RESOURCES DIVISION CHIEF TUCKER: So this
4 shows a sample of the leadership readiness evaluation that
5 could be presented in a profile view to either the
6 executive team or the Board. And so in -- at this point,
7 we're using the pseudonym for a succession candidate. So
8 we've got Alex Smith up here on our screen. We would note
9 the role that the succession candidate is being considered
10 for or prepared for. We'll remove their image and any
11 mentions of protected characteristics. And we would also
12 list the following information, the readiness status of
13 the candidate. So we established that in the nine box
14 grid. And we also will talk about the performance and
15 growth potential of the candidate. And so that might have
16 changed when we initially evaluated that, because they've
17 been working on a plan for the past year.

18 Candidate desire. We haven't talked too much
19 about that yet, so let's give an overview here. So we
20 have noted high, medium, and low just to indicate
21 different levels of readiness, stated ambition, and stated
22 commitment to taking on new responsibilities. So these
23 would be candidates who are actively seeking additional
24 responsibility. We also want to be aware and cognizant
25 that some team members might need additional encouragement

1 of predicting and making available those succession
2 candidates, organizational performance impacts, feedbacks
3 from stakeholders, Board members, and key business
4 partners.

5 For example, some of the things that we could
6 measure would be the percentage of critical roles that
7 have at least one identified successor, and then the depth
8 of the succession pool. So how many viable candidates you
9 have ready with each time-bound zone.

10 Promotion success. So we could track the
11 percentage of leadership in key role vacancies that are
12 filled via this process.

13 And then performance in new role, so we could
14 look at how employees perform when they've been put
15 through and promoted through the succession plan. Are
16 they doing well? How was their performance level?

17 KPIs. We could analyze changes in key business
18 indicators, such as customer satisfaction, team member
19 engagement. It could be attributed to effective
20 leadership transitions. And we could also look at time to
21 fill, particularly with some of our critical roles.

22 [SLIDE CHANGE]

23 HUMAN RESOURCES DIVISION CHIEF TUCKER: As part
24 of our talent summary's key metrics, we also critically
25 want to look at diversity, equity, and inclusion. CalPERS

1 is deeply committed to DEI principles. And we are, of
2 course, and equal opportunity employer. We want to make
3 sure that our leadership and talent developments are
4 inclusive and equitable. Some actions that we'll be
5 taking to meet this goal will be to work with DEI subject
6 matter experts and other industry professionals to help
7 develop ways that we could assess and measure our
8 progress. An example here might be how we represent
9 underrepresented groups, and then using those metrics to
10 monitor progress, having an inclusive talent
11 identification process that reaches diverse groups. So
12 making sure that all of our outreach efforts really focus
13 on organizations that work with all of our various
14 communities.

15 And then make sure that we use bias-free
16 criteria, when evaluating potential candidates. We'll use
17 standard competency assessments and ensure that all
18 candidates have access to career development programs.
19 But all of this information could be reported regularly in
20 aggregate at the appropriate time, whatever the cadence is
21 that we determine for the reporting cycles.

22 [SLIDE CHANGE]

23 HUMAN RESOURCES DIVISION CHIEF TUCKER: So thank
24 you and that is our high level overview of the 2024
25 CalPERS succession plan. So before we move into

1 questions, just a quick overview of our next steps.

2 First, we will complete the implementation of the
3 2024 CalPERS succession plan. This will ensure that all
4 critical roles have a clear succession strategy in place.
5 Then we'll expand succession planning to additional roles
6 within the organization. As promised, we will revisit
7 current plans as needed to adopt to changing
8 circumstances. And, of course, as part of our ongoing
9 efforts, we'll include recurring talent spotlights in
10 future Board meetings ensuring that our top talent is
11 recognized and their development is closely monitored.

12 So that does conclude our presentation on the
13 CalPERS 2024 succession plan. And I am happy to take any
14 questions that you may have.

15 CHAIR WILLETTE: Thank you very much. We do have
16 a couple of questions from the Committee here. And I will
17 go to Ms. Walker first.

18 COMMITTEE MEMBER WALKER: Hi. Thank you. That
19 was a lot. You guys talk real fast when you're doing your
20 presentations. I just want to put that out there.

21 (Laughter).

22 COMMITTEE MEMBER WALKER: You talk faster than I
23 can listen sometimes.

24 (Laughter).

25 HUMAN RESOURCES DIVISION CHIEF TUCKER: We'll put

1 that in our plans.

2 COMMITTEE MEMBER WALKER: Yes, please.

3 (Laughter).

4 COMMITTEE MEMBER WALKER: So I'm excited about
5 the succession planning. I had some questions, so we
6 start out -- we're going to start out with the CEO and
7 then the top leadership team, right?

8 HUMAN RESOURCES DIVISION CHIEF TUCKER: Yes.

9 COMMITTEE MEMBER WALKER: And so, as you were
10 talking, I was struggling -- and maybe it will be further
11 down, because this was a higher level thing, because as I
12 understand it, most of the CEOs typically come from
13 outside the organization. And so how does that all work
14 in? I was just -- I just was struggling to apply it and I
15 didn't -- I couldn't get there.

16 HUMAN RESOURCES DIVISION CHIEF TUCKER: Yeah,
17 absolutely. So I think I can respond to that and then if
18 Marcie has anything to share. So I think our goal with
19 this would be, as you mentioned, to start with the CEO
20 succession plan and to support the Board. However, you
21 need that support, and however you envision -- envisage
22 that support, as well as with the key executive roles.

23 So for Marcie's direct reports, all of the Deputy
24 Executive Officers. So those I think we would have a
25 similar process. Although, of course, for the CEO that

1 would very closely involve the Board and the PCTM
2 Committee. So for that, I -- what we would do is we would
3 work with Marcie to evaluate her team. There are a number
4 of different candidate assessments that can be given,
5 particularly focused on CEO succession, so we could use
6 those.

7 There are a variety of consultants that could be
8 brought into help or different groups that could work with
9 some of those different evaluation models. And then we
10 would also look to see, once we have that part complete,
11 see what external outreach we might need to do, to where
12 you might need to kind of plant some of those seeds early
13 on. And that's part of what all of this. So if we worked
14 with you to evaluate kind of the internal bench and we see
15 what potential successor candidates are interested and
16 would be available, then that would give you an indication
17 of how much and how early you would need to start those
18 conversations. And, of course, it would include
19 conversations with yourself and Marcie -- Ms. Frost about,
20 you know, what is needed in the role, right? Like what do
21 you see in the future for a CEO? What are changes you
22 might like to make? What's working well, things of that
23 nature.

24 CHIEF EXECUTIVE OFFICER FROST: Yeah. So the CEO
25 I replaced was an internal candidate, who had come over

1 from the Investment Office.

2 COMMITTEE MEMBER WALKER: Right.

3 CHIEF EXECUTIVE OFFICER FROST: But I think you
4 can use this tool where it talks about the existing
5 competencies that you hired eight years ago having a
6 dialogue and a conversation with your fellow Board members
7 about whether those are the same competencies that you see
8 moving forward, and then you would make those changes.

9 So this would be we -- you would probably go out
10 and hire a search firm for a position like this. And then
11 also, I think my obligation is to make sure we have
12 internal candidates who might be interested --

13 COMMITTEE MEMBER WALKER: Understood.

14 CHIEF EXECUTIVE OFFICER FROST: -- getting them
15 ready that they can compete against external candidates.
16 But the process would treat internal and external exactly
17 the same way. But you want me to develop out potential
18 successors, and also making sure that we have an interim
19 successor in case, you know something --

20 COMMITTEE MEMBER WALKER: Right, worst case
21 scenario.

22 CHIEF EXECUTIVE OFFICER FROST: You got it. You
23 got it.

24 COMMITTEE MEMBER WALKER: Don't want to put it in
25 the air, but...

1 CHIEF EXECUTIVE OFFICER FROST: Thank you. I
2 appreciate that.

3 COMMITTEE MEMBER WALKER: And then the other
4 thing, as I was thinking through this, so as we think
5 about succession planning and the different roles and then
6 this is going a little below the top managers, right? But
7 is there a thought or a process where sometimes the best
8 thing to get somebody really ready is to send them some
9 place else, because we might not have the opportunity here
10 or you might want to make sure that your diversifying
11 your -- the culture here, right?

12 I mean, if everybody is here and we're doing --
13 you get a certain mindset, right? And so you want to
14 bring in some fresh -- give the opportunity to bring in
15 fresh thinking. You know, people who have worked together
16 for a long time, they tend to work in shorthand, right,
17 and talk in shorthand. And -- you know, and I have found
18 it is always useful, you know, to -- as you're creating
19 the pipeline also, the ability to send people out, and
20 with the thought that you want them to come back. That's
21 never always a hundred percent.

22 And then also, the notion of I think each of us,
23 right, the Board, your staff, and everything else, have a
24 responsibility for identifying potential people that, you
25 know, you should be looking at, right, because we meet

1 people in different environments. That might not ever hit
2 your radar. And so how does that play in. You don't have
3 to have -- these are just thoughts that -- I'm just --
4 thoughts off the --

5 CHIEF EXECUTIVE OFFICER FROST: So I'll take the
6 first one and maybe you take the second one. So, you
7 know, CalPERS is a airily large organization.

8 COMMITTEE MEMBER WALKER: Um-hmm.

9 CHIEF EXECUTIVE OFFICER FROST: So we do have
10 opportunities where we take high talented individuals and
11 we move them around and -- Kim Malm is one example. Kim
12 Malm has held several positions in this organization.

13 COMMITTEE MEMBER WALKER: Um-hmm.

14 CHIEF EXECUTIVE OFFICER FROST: And the time that
15 Annie decided to leave to go CalSTRS for a new
16 opportunity, we had Kim ready to go into a role that she
17 had not been in before, a program that she had not been in
18 before. So I think we need to think outside of that,
19 outside of CalPERS, where we could use secondment, which
20 would mean they come back to you.

21 COMMITTEE MEMBER WALKER: Right.

22 CHIEF EXECUTIVE OFFICER FROST: So you -- right.
23 So it -- this isn't a hiring or promotion out. This is a
24 secondment type of opportunity.

25 COMMITTEE MEMBER WALKER: Right.

1 CHIEF EXECUTIVE OFFICER FROST: And because we
2 have this amazing strategic partnerships around the globe,
3 we could effectively set those up with a JP Morgan, a
4 Goldman, whatever that might look like, but that's a great
5 idea, and that's not currently in the plan.

6 HUMAN RESOURCES DIVISION CHIEF TUCKER: And then
7 for the second item that you talked about, ensuring that
8 we have folks and we're having conversations with team
9 members. So we talked a lot, I think primarily today,
10 about our CEO and our executive succession planning. But
11 you're right, as we move through the various phases, these
12 are conversations that our team leaders should be having
13 with everybody. And having diversity of background and
14 experiences is part of what really brings that, you know,
15 variety, and that freshness, and that innovation of ideas.
16 So I think that's incumbent on all of our team leaders to
17 have those conversations with team members about what are
18 your development plans, and then make sure we're
19 identifying them.

20 So even though, we are going to start first with
21 the executive team members, that's not where we mean to
22 stop. We want to keep having these conversations.

23 COMMITTEE MEMBER WALKER: Right. Right. Yeah.
24 And also, it's been my experience that not everybody knows
25 how to have those conversations. So that's training that

1 has to be done also, because it's different mindset of how
2 you're thinking and what you're doing. You know, two of
3 my most valuable hires were hired in positions that they
4 did not originally interview for, but seeing the -- you
5 know, the talent that was there and identifying a role
6 that they could be in. And so -- but unless you're
7 thinking in a much broader sense.

8 And then the other thing that occurred to me
9 was -- especially as we go down into the how does this
10 work with civil service, right? Because, I mean, this
11 could be problematic and -- like if I was on the other
12 side, it might be very problematic, but I'm not, so -- so
13 how does it -- have we thought through how that works, so
14 that we don't run into problems?

15 HUMAN RESOURCES DIVISION CHIEF TUCKER: I'm so
16 glad that you raised that, because I mean the merit-based
17 principles are absolutely still a foundation of all this.
18 So all of our team members have, and always will have,
19 access to compete fairly in any position that we post a
20 vacancy for, which is the majority of our positions,
21 unless it's an internal transfer, something of that
22 nature. So these -- this evaluation process does not
23 guarantee somebody a promotion. It provides a forum for
24 them to develop themselves. And then that -- those
25 opportunities to develop yourself will be available to

1 everybody.

2 So, the competition in terms for the -- for an
3 individual recruitment, that will still stand the test of
4 merit. And then the opportunity to be part of additional
5 enriching development opportunities is something that's
6 available for everyone to be part of. So we'll have those
7 conversations with all of our team members. When we did
8 the nine box grade, even if you are at a point where
9 you're still developing, but you still want development
10 opportunities, just because you're not -- it's your
11 highest development and your highest performance doesn't
12 mean that we don't still want to support you. We want to
13 support all of our team members.

14 COMMITTEE MEMBER WALKER: No, and I get that.
15 And high level that is great. Real life, it doesn't
16 always play out that way. And, I mean, I'm -- this is not
17 a surprise that you all have employees out there saying,
18 you know, like, oh, we know who's going to get it. She's
19 hand picked because we've watched all different things.
20 And that happens, right? And it makes a difference on who
21 your supervisor is. Like you might not mesh with that
22 supervisor. That does not mean you're not -- should not
23 be a candidate for the value, but that's the one that's
24 starting with the nine box.

25 Anyway, so these are all things that are floating

1 through my head, that I'm trying to put in your head as
2 you're thinking through your plans. But I -- overall, I
3 think this is good. This just things.

4 CHAIR WILLETTE: Thank you.

5 And we'll go next to Mr. Palkki.

6 VICE CHAIR PALKKI: Thank you. Thank you, Chair.

7 The -- thank you for the presentation. This is
8 great that we're finally getting a chance to start talking
9 about this subject. But I'm sort of already interested in
10 the expansion and that already moving forward.

11 Do you feel that you have the adequate
12 infrastructure in place to sort of deal with that sort of
13 expansion or do you see building in the future or like...

14 CHIEF EXECUTIVE OFFICER FROST: Yeah, I think we
15 will learn quite a bit about this program and the
16 resources that would be necessary to fully support it as
17 we're going through, you know, basically the top lines of
18 the organization. We still have enterprise position
19 pooling and there are positions in that pool that could be
20 assigned to our Human Resources team, once we really
21 experiment with this and understand what that load would
22 be. We just don't have a good understanding of that right
23 now. There is a leadership development team in Human
24 Resources. There are recruiting teams in Human Resources,
25 but we would have to see whether they would have to stop

1 doing other things to add this, but there's some work yet
2 to do on resources. And we'll make sure to keep you
3 informed on that. But again, I think we'll learn a lot as
4 we go through the CEO and the executive team.

5 VICE CHAIR PALKKI: Thank you.

6 CHIEF EXECUTIVE OFFICER FROST: Um-hmm.

7 CHAIR WILLETTE: All right. Thanks. And I'll go
8 next to Mr. Pacheco.

9 COMMITTEE MEMBER PACHECO: Thank you. Thank you,
10 Ms. -- thank you, Chairwoman Willette and thank you, Ms.
11 Tucker for your presentation. My first question is on --
12 back on the plan on the 2024 CalPERS succession plan on
13 the analysis -- analyze party of it. You had mentioned
14 you were going to use -- one of the tools you were
15 thinking about utilizing is the 360 tool. Can you just
16 elaborate on that and just give me some...

17 HUMAN RESOURCES DIVISION CHIEF TUCKER: Yes,
18 happy to. So a 360 degree evaluation is something that's
19 used in the HR field and in the industry. And it
20 describes sort of a circle. And so you are being
21 evaluated not only by the traditional method you're
22 evaluated, which is by your team leader, you're also being
23 evaluated by those that you supervise, so your direct
24 reports, as well your peers. So it really provides a
25 comprehensive review of how you demonstrate leadership

1 behaviors. So it's not, you know, all the components that
2 might be in a performance appraisal, but it asks everyone
3 around you in that circle to say, how, do they engage in
4 these leadership behaviors, right? Do they demonstrate a
5 commitment to diversity? Do they demonstrate a commitment
6 to like change management and different components?

7 So it -- they're anonymous, so that folks do feel
8 that they're able to provide that information in a -- in a
9 way that, you know, feels comfortable to them. And these
10 would be things that folks opt into, because they're
11 opting into our succession planning program, so they would
12 be receiving these. I have gone through a couple of
13 leadership things myself where I've received them and
14 they're really good tools. You have to have a lot of, you
15 know, humility I think when you read them and just be very
16 grateful for the feedback that people have given you.

17 COMMITTEE MEMBER PACHECO: And they're part of
18 the best practices and succession planning and so forth.

19 HUMAN RESOURCES DIVISION CHIEF TUCKER: Yes,
20 absolutely. We have some current capability now with some
21 of our engagement tools that we have, but it's definitely
22 something that's regular and best practice to do.

23 COMMITTEE MEMBER PACHECO: And in terms on the --
24 on the -- when you had mentioned about Mr. Alex Smith --
25 that's very -- actually very.

1 HUMAN RESOURCES DIVISION CHIEF TUCKER: Or -- or
2 Ms. Alex Smith, right? I chose that, yes.

3 COMMITTEE MEMBER PACHECO: Or a Miss. Yeah, it
4 could be either, right or it could be a different gender.
5 I'm just curious, so is this -- is this going to be -- is
6 this the framework of how to -- on the job profile or I'm
7 just trying to understand that.

8 HUMAN RESOURCES DIVISION CHIEF TUCKER: Yeah. So
9 that slide was meant to show what a candidate, like a
10 talent profile would look. So when we did our assessment
11 of best practices of different private investment firms
12 and public firms, a lot of them did that. They did a
13 summary for their board periodically of like candidate
14 profiles, where they would sort of show a view of kind of
15 a single snapshot of kind of the talent pool. And so they
16 would select and show some of the different profiles of
17 the candidates to their Board or their executive team.
18 That gives you kind of an idea this is who your bench is.
19 This is the pipeline that we've got available.

20 So -- and often it's coupled with an aggregated
21 view of what the composition of that might be. So, for
22 example, you might say like we have, you know, a hundred
23 succession candidates and 95 percent of our positions have
24 like a ready-to-go candidate, and of that group maybe 50
25 percent identify as women, 50 percent identify as men -- I

1 didn't leave room. Forty-five percent identify as men,
2 and five percent identify as a different type of gender.
3 So we could do something like that.

4 COMMITTEE MEMBER PACHECO: So but it is
5 considered like a benchmark then? Kind of like a --

6 HUMAN RESOURCES DIVISION CHIEF TUCKER: Those
7 talent profiles that we showed?

8 COMMITTEE MEMBER PACHECO: Yes.

9 HUMAN RESOURCES DIVISION CHIEF TUCKER: I don't
10 know if they're considered a benchmark, but they are
11 considered, I think, a best practice, a way for you to
12 really have a -- kind of a one-shot view or a one-look
13 view of those candidates in the pipeline.

14 COMMITTEE MEMBER PACHECO: Excellent. And then
15 the last question I have is back on the promoting
16 diversity, equity, and inclusion. And I really en -- I
17 really liked that especially the fact on the disability
18 status. And I know that in the state we have the
19 statewide advisory -- is it the Statewide Disability
20 Advisory Council. Is that one of the resources we'll be
21 utilizing in trying to understand with the succession
22 planning?

23 HUMAN RESOURCES DIVISION CHIEF TUCKER: Yeah, I
24 think absolutely. I think that those are great partners.
25 And so I think we have -- I shouldn't -- we get to share

1 all of our succession plans with CalHR. And so that would
2 be, I think, another group that we would definitely want
3 to consult with for their expertise. So I would say these
4 Statewide Disability Council as well as our internal
5 disability council would be very good partners in this
6 effort.

7 COMMITTEE MEMBER PACHECO: Yeah. This is --
8 that's very, very important.

9 Thank you so much for your comments.

10 CHAIR WILLETTE: Okay. I don't see any other
11 comments from any Committee members and I didn't note any
12 Committee direction.

13 Okay.

14 Is there any public comment.

15 BOARD CLERK ANDERSON: (Shakes head).

16 CHAIR WILLETTE: Okay. So thank you so much for
17 the presentation. Thank you for the information. Thank
18 you for the robust discussion. We will now recess into
19 closed session for items 1 through 4 from the closed
20 session agenda, and then we will immediately reconvene in
21 open session after the closed session.

22 So thank you.

23 (Off record: 4:08 p.m.)

24 (Thereupon the meeting recessed
25 into closed session.)

1 (Thereupon the meeting reconvened
2 open session.)

3 (On record: 7:27 p.m.)

4 CHAIR WILLETTE: Okay. We are back in open
5 session. And this adjourns this meeting.

6 Thank you.

7 (Thereupon the California Public Employees'
8 Retirement System, Board of Administration,
9 Performance, Compensation, & Talent Management
10 Committee open session meeting adjourned
11 at 7:27 p.m.)

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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 25th day of September 2024.

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