

VIDEOCONFERENCE MEETING  
STATE OF CALIFORNIA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
RISK AND AUDIT COMMITTEE  
OPEN SESSION

WEBEX PLATFORM

WEDNESDAY, FEBRUARY 17, 2021

11:21 A.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Lisa Middleton, Chairperson

David Miller, Vice Chairperson

Margaret Brown

Fiona Ma, represented by Frank Ruffino

Jason Perez

Betty Yee, represented by Lynn Paquin

BOARD MEMBERS:

Henry Jones, President

Rob Feckner

Stacie Olivares

Eraina Ortega

Ramon Rubalcava

STAFF:

Marcie Frost, Chief Executive Officer

Doug Hoffner, Chief Operating Officer

Matthew Jacobs, General Counsel

Marlene Timberlake D'Adamo, Chief Compliance Officer

Beliz Chappuie, Chief Auditor

Forrest Grimes, Chief Risk Officer

Pam Hopper, Committee Secretary

APPEARANCES CONTINUED

ALSO PRESENT:

David Driscoll, Buck Global

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PROCEEDINGS

1  
2 CHAIRPERSON MILLER: So I will call to order this  
3 meeting of the Risk and Audit Committee open session.  
4 It's good to see everybody's happy, smiling faces here.

5 And so is that Margaret coming on? Oh, no,  
6 that's Beliz.

7 Okay. Well, let's go ahead and call the roll and  
8 we'll -- hopefully, Margaret will jump in here  
9 momentarily. So let's go ahead and get started with the  
10 roll call.

11 COMMITTEE SECRETARY HOPPER: David Miller?

12 CHAIRPERSON MILLER: Here.

13 COMMITTEE SECRETARY HOPPER: Margaret Brown?  
14 Frank Ruffino for Fiona Ma?

15 ACTING COMMITTEE MEMBER RUFFINO: Present.

16 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

17 VICE CHAIRPERSON MIDDLETON: Present.

18 COMMITTEE SECRETARY HOPPER: Jason Perez?

19 COMMITTEE MEMBER PEREZ: Here.

20 COMMITTEE SECRETARY HOPPER: Shawnda Westly  
21 excused.

22 CHAIRPERSON MILLER: Yes, excused.

23 COMMITTEE SECRETARY HOPPER: Betty Yee?

24 I mean -- I apologize. Lynn Paquin for Betty  
25 Yee?

1           ACTING COMMITTEE MEMBER PAQUIN: Here.

2           COMMITTEE SECRETARY HOPPER: Thank you.

3           Mr. Chair, I have all in attendance, waiting upon  
4 Margaret Brown to attend.

5           CHAIRPERSON MILLER: Yeah. Could somebody see if  
6 she's having a technical problem or anything? Yeah, she  
7 was just with us minutes ago, so I'm hoping it's just a  
8 little challenge logging back on or something.

9           CHIEF EXECUTIVE OFFICER FROST: I'm sending her  
10 an email. Although, if she's having technical problems,  
11 that may not be helpful.

12           (Laughter.)

13           CHAIRPERSON MILLER: Yeah. Well, I hate to do  
14 it, but if we don't hear from her in another minute or  
15 two, I think we'll go forward. But I am inclined to give  
16 her another minute or two to see if we can track her down  
17 and get it sorted out. She may have just misheard the  
18 time we were coming back even, so...

19           CHIEF EXECUTIVE OFFICER FROST: Jared, do you see  
20 Margaret at all?

21           MEETING MODERATOR: I do not, Marcie. She's not  
22 in the queue yet.

23           CHIEF EXECUTIVE OFFICER FROST: Okay. Thank you.

24           Mr. Miller, you do have a quorum when you  
25 determine whether to proceed.

1 CHAIRPERSON MILLER: Yeah. I'm -- okay. Well,  
2 it seems she's aren't replying to text or anything, so  
3 maybe her little dog escaped and she's chasing him around  
4 the neighborhood. So we'll go forward. We have a quorum.

5 And so the next item on our agenda, Item 2, is  
6 the election of the Risk and Audit Committee Chair and  
7 Vice Chair. And so I will turn the gavel over to the Vice  
8 Chair, Director Middleton.

9 VICE CHAIRPERSON MIDDLETON: Thank you, Mr.  
10 Chair. Is there a nomination for Chair of the Committee?

11 I'd like to recognize Mr. Ruffino.

12 ACTING COMMITTEE MEMBER RUFFINO: Thank you, Ms.  
13 Middleton. I would like to place in nomination Lisa  
14 Middleton as the Chair of the Committee.

15 VICE CHAIRPERSON MIDDLETON: Thank you.

16 Are there any other nominations?

17 Are there any other nominations?

18 And a third time, are there any other  
19 nominations?

20 Not hearing any other nominations, I will close  
21 the nominations and we will take a vote for Chair of the  
22 Risk and Audit Committee.

23 COMMITTEE MEMBER PEREZ: I'll second.

24 VICE CHAIRPERSON MIDDLETON: Thank you.

25 COMMITTEE SECRETARY HOPPER: Okay.

1 I have Margaret Brown is not on yet?

2 Okay. Frank Ruffino for Fiona Ma?

3 ACTING COMMITTEE MEMBER RUFFINO: Aye.

4 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

5 VICE CHAIRPERSON MIDDLETON: Aye.

6 COMMITTEE SECRETARY HOPPER: Jason Perez?

7 COMMITTEE MEMBER PEREZ: Aye.

8 COMMITTEE SECRETARY HOPPER: Shawnda Westly

9 excused.

10 Lynn Paquin for Betty Yee?

11 ACTING COMMITTEE MEMBER PAQUIN: Aye.

12 COMMITTEE SECRETARY HOPPER: Mr. Chair, I have  
13 all ayes, motion made by Frank Ruffino, seconded by Jason  
14 Perez for the Chair being Lisa Middleton.

15 COMMITTEE MEMBER MILLER: Okay. Put me down as  
16 an aye as well and with that --

17 COMMITTEE SECRETARY HOPPER: And I'll make that  
18 change now.

19 COMMITTEE MEMBER MILLER: The motion passes and  
20 congratulations Director Middleton. And, you know, just  
21 hang onto that gavel.

22 CHAIRPERSON MIDDLETON: All right. Thank you.

23 And I appreciate the confidence of the Committee  
24 and thank Mr. Miller for his service as Chair.

25 With that, the next agenda item is nominations



1 for Vice Chair of the Committee.

2 Mr. Ruffino.

3 ACTING COMMITTEE MEMBER RUFFINO: Thank you,  
4 Madam Chair and congratulations. And I would like to  
5 nominate David Miller as the Vice Chair of the Committee.

6 CHAIRPERSON MIDDLETON: Are there any other  
7 nominations?

8 Are there any other nominations?

9 And a third time, are there any other  
10 nominations?

11 Hearing none. The nominations are closed.

12 Ms. Hopper, would you call the roll -- or call  
13 the vote.

14 COMMITTEE SECRETARY HOPPER: Okay. Madam Chair,  
15 do we want to have a second on this?

16 CHAIRPERSON MIDDLETON: Can we get a second?

17 COMMITTEE MEMBER PEREZ: (Raises hand.)

18 CHAIRPERSON MIDDLETON: Mr. Perez.

19 COMMITTEE SECRETARY HOPPER: Thank you.

20 Margaret Brown still is not in attendance.

21 Frank Ruffino for Fiona Ma?

22 ACTING COMMITTEE MEMBER RUFFINO: Aye.

23 COMMITTEE SECRETARY HOPPER: David Miller?

24 COMMITTEE MEMBER MILER: Aye.

25 COMMITTEE SECRETARY HOPPER: Jason Perez?

1 COMMITTEE MEMBER PEREZ: Aye.

2 COMMITTEE SECRETARY HOPPER: Shawnda Westly is  
3 excused.

4 Lynn Paquin for Betty Yee?

5 ACTING COMMITTEE MEMBER PAQUIN: Aye.

6 COMMITTEE SECRETARY HOPPER: Madam Chair, I have  
7 four ayes, Shawnda Westly excused, Margaret Brown has not  
8 yet come into attendance, with the motion made by Frank  
9 Ruffino, seconded by Jason Perez for Vice Chair David  
10 Miller for the Risk and Audit Committee.

11 CHAIRPERSON MIDDLETON: Thank you, Ms. Hopper.  
12 We will move on to Agenda Item 3, approval of the February  
13 17, 2021 Risk and Audit Committee Timed Agenda. Can I get  
14 a motion to approve?

15 VICE CHAIRPERSON MILLER: Move to approve.

16 CHAIRPERSON MIDDLETON: Mr. Miller.

17 Second?

18 ACTING COMMITTEE MEMBER PAQUIN: Second.

19 CHAIRPERSON MIDDLETON: Ms. Paquin.

20 Is this a roll call vote, Ms. Hopper?

21 COMMITTEE SECRETARY HOPPER: Yes, it is.

22 CHAIRPERSON MIDDLETON: All right. Would you  
23 call the roll, please?

24 COMMITTEE SECRETARY HOPPER: Sure.

25 Frank Ruffino for Fiona Ma?

1 ACTING COMMITTEE MEMBER RUFFINO: Aye.

2 COMMITTEE SECRETARY HOPPER: David Miller?

3 VICE CHAIRPERSON MILLER: Aye.

4 COMMITTEE SECRETARY HOPPER: Jason Perez?

5 COMMITTEE MEMBER PEREZ: Aye.

6 COMMITTEE SECRETARY HOPPER: Shawnda Westly  
7 excused.

8 Lynn Paquin for Betty Yee?

9 ACTING COMMITTEE MEMBER PAQUIN: Aye.

10 COMMITTEE SECRETARY HOPPER: MadaM Chair, I have  
11 four ayes. Shawnda Westly excused. And again, Margaret  
12 Brown, I do not show that she's in attendance as of yet.

13 COMMITTEE MEMBER BROWN: I just joined and I'll  
14 say aye.

15 COMMITTEE SECRETARY HOPPER: Thank you.

16 CHAIRPERSON MIDDLETON: Thank you, Ms. Brown.

17 COMMITTEE SECRETARY HOPPER: And that makes it  
18 for five ayes with a motion made by David Miller, Lynn  
19 Paquin seconding it, for the approval of the timed agenda.

20 CHAIRPERSON MIDDLETON: Thank you. And  
21 everything okay, Ms. Brown?

22 COMMITTEE MEMBER BROWN: (Thumbs up.)

23 CHAIRPERSON MIDDLETON: All right. Thank you.

24 With that, we will move on to Item number 4 in  
25 the agenda, the Executive Report, Ms. Timberlake D'Adamo.

1 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

2 Good morning. Can you all hear me?

3 CHAIRPERSON MIDDLETON: Yes.

4 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

5 All right. Thank you. Thank you. Good morning,  
6 Madam Chair, Mr. Vice Chair, Committee members. Marlene  
7 Timberlake D'Adamo, CalPERS team member. Congratulations  
8 to Ms. Middleton and Mr. Miller on their appointments as  
9 Chair and Vice Chair of the Risk and Audit Committee. I  
10 look forward to working with you during the upcoming year.

11 I'd like to quickly point out that attachment 1  
12 for Agenda Item 6C had the wrong date at the header. It  
13 should read status of audit observations dashboard as of  
14 September 30, 2020, not June 30, 2020, as it currently  
15 reads.

16 Today, we have the Committee delegation as an  
17 action consent item. And we will present the mid-year  
18 plans for both Enterprise Compliance and Enterprise Risk  
19 Management. These information items will provide an  
20 update on accomplishments for the first half of the fiscal  
21 year 2020 to 2021.

22 Also, Buck Consulting, our third-party actuarial  
23 firm, has completed their reviews of the actuarial  
24 valuations for CalPERS various pension plans. This report  
25 provides a summary of reviews performed for the period of

1 March 1, 2016 through October 31st, 2020 and the resulting  
2 comments from each review.

3 The next Risk and Audit Committee meeting is  
4 scheduled for April 19th, 2021 and includes the 2021-22  
5 plans for Enterprise Compliance and Enterprise Risk  
6 Management and the revised Audit Resolution Policy. Thank  
7 you, Madam Chair. This concludes my report and I would be  
8 happy to take any questions.

9 CHAIRPERSON MIDDLETON: Are there any questions  
10 for Ms. Timberlake D'Adamo dam?

11 Seeing none.

12 We will move on to action consent items. I see  
13 that Ms. Brown has asked for 5B to be pulled, so we will  
14 begin with 5A, which is approval of the November 17, 2020  
15 meeting minutes. Is there a motion to approve?

16 COMMITTEE MEMBER BROWN: Move.

17 VICE CHAIRPERSON MILLER: Second.

18 CHAIRPERSON MIDDLETON: Ms. Brown moving, Mr.  
19 Miller seconding.

20 Ms. Hopper.

21 COMMITTEE SECRETARY HOPPER: Thank you.  
22 Margaret Brown?

23 COMMITTEE MEMBER BROWN: Aye.

24 COMMITTEE SECRETARY HOPPER: Frank Ruffino for  
25 Fiona Ma?

1 ACTING COMMITTEE MEMBER RUFFINO: Aye.

2 COMMITTEE SECRETARY HOPPER: David Miller?

3 VICE CHAIRPERSON MILLER: Aye.

4 COMMITTEE SECRETARY HOPPER: Jason Perez?

5 COMMITTEE MEMBER PEREZ: Aye.

6 COMMITTEE SECRETARY HOPPER: Shawnda Westly

7 excused.

8 Lynn Paquin for Betty Yee?

9 COMMITTEE MEMBER YEE: Aye.

10 COMMITTEE SECRETARY HOPPER: Madam Chair, I have  
11 all ayes, motion being made by Margaret Brown, seconded by  
12 David Miller for the approval of the November 17th, 2020  
13 Risk and Audit Committee meeting minutes.

14 CHAIRPERSON MIDDLETON: Thank you, Ms. Hopper.  
15 That takes us to Item 5B, Review of Risk and Audit  
16 Committee Delegation. Ms. Brown asked that to be pulled.  
17 Ms. Brown, do you have a question or comment you would  
18 like to make initially or would you like a staff report to  
19 precede.

20 COMMITTEE MEMBER BROWN: Let me ask my questions  
21 and maybe we can just, you know, abbreviate it just a  
22 little bit. By the way, congratulations on your  
23 reelection. I would have voted for that.

24 So on page two, Item 5B, where the red line is  
25 that shows us that we're striking out real estate audits,

1 and public agency reviews, and now we're calling that  
2 employer compliance reviews. And so I have a huge concern  
3 about removing real estate audits, especially if you're  
4 trying to say that they'll be reviewed as a part of  
5 internal audits. This is my -- one -- well I have many,  
6 but this is one of my greatest concerns is that we never  
7 review the internal audits or rarely review the internal  
8 audits. And so I certainly would not want to encompass  
9 real estate audits into internal audits, because they're  
10 confidential. We could never get them on this public  
11 session and they don't qualify for closed session. So I  
12 would -- I'm adamantly opposed to that.

13 And then public agency reviews, I'm concerned  
14 about the difference between public agency and employer  
15 compliance reviews. I am not sure about that, so I just  
16 need an explanation on that.

17 CHAIRPERSON MIDDLETON: All right.

18 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:  
19 Okay.

20 CHAIRPERSON MIDDLETON: And would that be Ms.  
21 Chappuie that would like to comment on that?

22 CHIEF AUDITOR CHAPPUIE: Sure. Madam Chair,  
23 Beliz Chappuie, Office of Audit Services. Ms. Brown, what  
24 those two items do are they're trying to clarify what our  
25 practice is. First, the real estate audits have been,

1 always been part of the internal audit reviews, and we  
2 just wanted to clarify what the delegation is and then how  
3 it's encompassing. It falls under the internal audits. I  
4 don't know why in the past it was spelled out. That's the  
5 reason why.

6           And then to answer your second question regarding  
7 the public agency reviews versus employer compliance  
8 reviews, again is to clarify the definitions. And we  
9 audit -- we're auditing the public agencies, the State,  
10 and the schools. They're all the different parties that  
11 contract -- employers that contract with CalPERS. So when  
12 we say employer compliance reviews, it's all encompassing.  
13 But in the past, again, we were only spelling out the  
14 public agencies, which I do not have a clear understanding  
15 of why it was done that way, but just to clarify that we  
16 are auditing all various different kinds of agencies,  
17 employers that contract with CalPERS.

18           COMMITTEE MEMBER BROWN: Okay. So Ms. Chappuie,  
19 I understand that second part, we're expanding the  
20 definition, so that gives us more opportunities. It does  
21 not restrict us. But the first one with real estate  
22 audits, can you tell me when is the last time we discussed  
23 with you a real estate audit?

24           CHIEF AUDITOR CHAPPUIE: When was the last time?  
25 We just -- we don't separately report those or discuss



1 them. They're -- again, as I explained, they're part of  
2 the internal audit reviews my team completes. So they're  
3 part of the Investment Office audit reviews.

4 COMMITTEE MEMBER BROWN: So when is the last time  
5 you did a real estate audit?

6 CHIEF AUDITOR CHAPPUIE: So we would have to go  
7 back to the audit plan. I do not have it ready right now,  
8 but it was approved during last June. And we present that  
9 to the Risk and Audit Committee every year. So whatever  
10 the Office of Audit Services chose or reported to the Risk  
11 and Audit Committee as part of their plan to review the  
12 areas within the Investment Office, it would be included  
13 in the audit plan that was presented to the Risk and Audit  
14 Committee in June.

15 COMMITTEE MEMBER BROWN: Yeah. My concern is  
16 that I don't think we've ever discussed real estate  
17 audits. I mean, we did just -- just earlier in Finance,  
18 because there was an adjustment and that was important,  
19 but I don't -- other than a specific real estate issue,  
20 like on the specific, like the hole in the ground, we  
21 typically don't discuss real estate audits. And so my  
22 concern is that if we lump them in with all internal  
23 audits, that it's a problem. And if we haven't been  
24 following our delegated authority, you know, if we haven't  
25 been doing it all along, maybe we should.

1           Those are my comments.

2           CHAIRPERSON MIDDLETON: Ms. Chappuie, a question  
3 for you. The change in wording that you have here, does  
4 that result in any change in operational practices of you  
5 or your department?

6           CHIEF AUDITOR CHAPPUIE: No.

7           CHAIRPERSON MIDDLETON: All right.

8           CHIEF AUDITOR CHAPPUIE: It's just to clarify.

9           CHAIRPERSON MIDDLETON: All right. Will it  
10 result in any change as you understand it or anyone else's  
11 staff understands it, in terms of the extent of oversight  
12 that this committee has?

13          CHIEF AUDITOR CHAPPUIE: No.

14          CHAIRPERSON MIDDLETON: All right. Thank you.

15                 I appreciate the questions, but I think what  
16 we've got is clarifying language without making a change  
17 in practice or policy. And I do think that's important to  
18 emphasize.

19          COMMITTEE MEMBER BROWN: I appreciate the help,  
20 Ms. Middleton on that. Thank you.

21          CHAIRPERSON MIDDLETON: Okay. Thank you. Are  
22 there any other questions or comments?

23                 Seeing none.

24                 Could I get a motion to approve Item 5B?

25                 Mr. Miller

1 VICE CHAIRPERSON MILLER: So moved.

2 CHAIRPERSON MIDDLETON: Second?

3 Is there a second?

4 ACTING COMMITTEE MEMBER PAQUIN: (Raised hand.)

5 CHAIRPERSON MIDDLETON: Ms. Paquin seconds.

6 Ms. Hopper, would you call the roll, please?

7 COMMITTEE SECRETARY HOPPER: Margaret Brown?

8 COMMITTEE MEMBER BROWN: No.

9 COMMITTEE SECRETARY HOPPER: Frank Ruffino for  
10 Fiona Ma?

11 ACTING COMMITTEE MEMBER RUFFINO: Aye.

12 COMMITTEE SECRETARY HOPPER: David Miller?

13 VICE CHAIRPERSON MILLER: Aye.

14 COMMITTEE SECRETARY HOPPER: Jason Perez?

15 COMMITTEE MEMBER PEREZ: Aye.

16 COMMITTEE SECRETARY HOPPER: Shawnda Westly  
17 excused.

18 Lynn Paquin for Betty Yee?

19 ACTING COMMITTEE MEMBER PAQUIN: Aye.

20 COMMITTEE SECRETARY HOPPER: Madam Chair, I have  
21 four ayes, one no made by Margaret Brown, motion made by  
22 David Miller, seconded by Lynn Paquin for the approval of  
23 Item 5B, Review of the Risk and Audit Committee  
24 Delegation.

25 CHAIRPERSON MIDDLETON: All right. Thank you.

1           With that, we will move on to information consent  
2 items. That is agenda item number 6. Is there any of the  
3 agenda items that any member wishes to be pulled from  
4 number 6?

5           Seeing none.

6           Can we get a motion to approve agenda item number  
7 6?

8           VICE CHAIRPERSON MILLER: Move approval.

9           COMMITTEE SECRETARY HOPPER: Madam Chair, we do  
10 not need approval on information consent items.

11          CHAIRPERSON MIDDLETON: All right. Thank you.

12          Then we will move to item number 7, information  
13 agenda items. Let's begin with 7a, Ms. Timberlake  
14 D'Adamo.

15          CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

16          Thank you. Agenda Item 7a is meant to provide an  
17 update regarding the completion status of Enterprise  
18 Compliance's fiscal year annual plan, which was brought to  
19 you in April of 2020. The annual plan, as you are aware,  
20 is meant to improve compliance program maturity and is  
21 built on the results of our annual survey. The identified  
22 items are meant to increase the overall maturity of the  
23 Compliance Program.

24          So before you are -- is the updates. We've  
25 recognized, or put forth, three areas: Build Risk-Specific

1 Mitigation Plans, Manage Third-Party Risks, and then  
2 Measure Compliance Training Effectiveness. And within  
3 each of these areas, we've provided an update on the  
4 activities of the Compliance group for achieving these  
5 results.

6 At this point, I can stop and see if anybody has  
7 any questions on this information item.

8 CHAIRPERSON MIDDLETON: All right. Are there any  
9 questions?

10 I don't see any.

11 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

12 Okay. Well, thank you. And look forward to  
13 bringing you the new annual plan at our next meeting.

14 The next item would be 7b, and that's going to be  
15 the Risk Management update.

16 CHAIRPERSON MIDDLETON: All right. And for that,  
17 we're going to call on Mr. Grimes.

18 CHIEF RISK OFFICER GRIMES: Madam Chair, Vice  
19 Chair, congratulations. Committee members, members of the  
20 Board, Forrest Grimes, CalPERS team. It's nice to be with  
21 you today. And I hope you're all doing well. Item 7b is  
22 the Enterprise Risk Management Division 2020-21 mid-year  
23 workplan update.

24 A dashboard providing a snapshot of our progress  
25 appears on page 87 of your materials. Fund sustainability

1 includes the asset liability management business plan  
2 initiative with the following milestones still left to  
3 accomplish prior to year end, as mention by Christine and  
4 Sterling yesterday in the Investment Committee:

5           Provide capital market assumptions to the Board,  
6 provide inflation estimate to the Board, and execute on  
7 the stakeholder engagement plan that includes ongoing  
8 webinars, as was conducted in January.

9           Under risk management, you can see that  
10 integrating risk management into enterprise strategy is  
11 presently yellow. This is because we had a vacancy and  
12 the team member that was working on the reassurance of  
13 performance measures portion of this work filled in on the  
14 risk assessment work that was presented to the Committee  
15 at your November 2020 meeting. We are now focused on  
16 catching up and completing the performance reassurance  
17 work prior to fiscal year-end.

18           The Risk team is also leading an enterprise-wide  
19 effort to enhance CalPERS' data governance with policy and  
20 business glossary deliverables outlined in the enterprise  
21 data management business plan initiative. This initiative  
22 is on track with deliverables all due in -- by June 2021,  
23 which is why it is presently shown as 20 percent complete.

24           We also continue to evaluate CalPERS insurance  
25 portfolio and bring various insurance policy options to

1 the executive team for risk transfer considerations. This  
2 effort is also on track and proceeding as planned.

3 With that, I will stop and ask, Madam Chair, if  
4 you have any questions from the Committee or members.

5 CHAIRPERSON MIDDLETON: Are there any questions  
6 from the Committee?

7 I don't see any in the chat and I don't see any  
8 from any of the -- any individuals. So, Mr. Grimes, thank  
9 you for an excellent report.

10 And we will move on to Item 7c, Ms. Chappuie.

11 CHIEF AUDITOR CHAPPUIE: Good morning, Madam  
12 Chair and members of the Committee. Beliz Chappuie,  
13 Office of Audit Services.

14 Agenda Item 7b is an information item. Buck  
15 Global completed its independent review of the actuarial  
16 valuations. And their staff is here to present their  
17 final report. I would like to turn it over to David. I  
18 hope David is here. I didn't see his name on the  
19 participants, but I think he was invited.

20 David?

21 MR. DRISCOLL: Hello. Yeah. They didn't enable  
22 my audio or camera till just now for security reasons, I'm  
23 sure.

24 Yes. Thank you, Beliz.

25 As Ms. Chappuie pointed out, we have completed

1 task 7, the final task, in our engagement which is  
2 contract number 2015-8123 to provide parallel valuation  
3 and certification services for the actuarial valuation  
4 reports prepared by the CalPERS Actuarial Office over the  
5 course of the last six years. So in each of task one  
6 through six, we examined valuations for various groupings  
7 of the plans for which the CalPERS Actuarial Audit --  
8 Office prepares annual valuations.

9 In task one, we examined the actuarial valuations  
10 prepared as of June 30th, 2014 for the public agency  
11 plans. And then again for those same plans in task four  
12 as of June 30th, 2017.

13 Tasks two and five were for the State and schools  
14 systems. Those were -- involved auditing and replication  
15 of the results of the June 30th, 2015 and June 30th, 2018  
16 valuations.

17 And then in tasks three and six, we examined the  
18 valuations prepared for Judges' Retirement Systems II and  
19 II, the legislative plan, and the 1959 Survivor Benefit  
20 Plan, those valuations as of June 30th, 2016 and June  
21 30th, 2019.

22 In all of our examinations, we found that the  
23 work of the CalPERS Actuarial Office was in very good  
24 order. It demonstrated a very high level of technical  
25 sophistication, attention to detail, and a high level of



1 compliance with actuarial standards of practice. We did  
2 find certain areas in which our results differed from  
3 those of the Actuarial Office. These differences were  
4 minor. In some cases, they were attributable to  
5 differences in the valuation programs used by the  
6 Actuarial Office and those used by my firm, Buck. Those  
7 are -- those differences are minor and they just represent  
8 differences that result from alternative approaches to  
9 approximating future benefits for participants in the  
10 various systems through the replicating valuation results.

11 In some other areas, we did find things that we  
12 thought pointed to potential improvements, again, of a  
13 rather modest nature in terms of their impact on results.  
14 In the work that was being done by the Actuarial Office,  
15 we highlighted those in our report. And in all of those  
16 cases, I can report that the changes we suggested have  
17 been implemented or are in the course of being  
18 implemented.

19 And then finally, in terms of the content of the  
20 report, and the extent to which the content complied fully  
21 with actuarial standards of practice, again, we found a  
22 very high level of compliance generally. We did find some  
23 areas in which we thought compliance could be more fully  
24 achieved as certain details were added to reports. And  
25 here again, all of the recommendations we've made in tasks

1 one through six have either been implemented or are in the  
2 process of being implemented.

3 So with that, I would entertain any questions  
4 that anyone would care to ask me.

5 CHAIRPERSON MIDDLETON: Are there any questions  
6 for Mr. Driscoll?

7 Mr. Driscoll, could you give us just an example  
8 of one of the minor process improvements that you  
9 suggested that are in the process of being implemented.

10 MR. DRISCOLL: Certainly. There is a -- there  
11 was a difference of approach in the application of certain  
12 actuarial assumptions. And this goes back to tasks one  
13 and four, there was a -- there was a difference in terms  
14 of whether or not decrements that are applied on the basis  
15 of the amount of service that a participant had was  
16 determined on the basis of elapsed time or on the basis of  
17 actual service accrual. And that only matters in the case  
18 of people who work part-time schedules, so that with each  
19 12 months of elapsed time, there's actually the accrual of  
20 less than a full year's of credited service.

21 So when that particular issue was pointed out,  
22 which was minor in terms of its overall impact, the  
23 Actuarial Office acknowledged fairly readily that, yes, it  
24 really should be on the basis of credited service  
25 accumulated to date rather than elapsed time. And that --

1 that particular change has actually been fully  
2 implemented.

3 CHAIRPERSON MIDDLETON: All right. Thank you.  
4 Are there any questions for Mr. Driscoll?  
5 If not - I see none - I'll thank you for your  
6 work and our appreciation to you and your firm.

7 MR. DRISCOLL: Well, thank you. And  
8 congratulations to the new Chair and Vice Chair of the  
9 Risk and Audit Committee.

10 CHAIRPERSON MIDDLETON: All right.

11 ACTING COMMITTEE MEMBER PAQUIN: Madam Chair,  
12 excuse me?

13 CHAIRPERSON MIDDLETON: Yes. Ms. Paquin.

14 ACTING COMMITTEE MEMBER PAQUIN: Yes, sorry. I  
15 think this might be more of a question for staff. I'm  
16 just curious, since this is the end of the five-year cycle  
17 with Buck, what is the process for going forward? Do you  
18 plan to issue an RFP for another five-year cycle or is  
19 this just something that is undertaken periodically?

20 CHIEF EXECUTIVE OFFICER FROST: I think we have  
21 Mr. Hoffner on the line. Doug, if you could, yeah, come  
22 on video and audio, please.

23 CHIEF OPERATING OFFICER HOFFNER: I'm here.  
24 Could you repeat the question. I didn't think I heard all  
25 of it.

1           ACTING COMMITTEE MEMBER PAQUIN: Sure. I was  
2 just curious now that we're at the end of this five-year  
3 cycle, what is the process going forward? Is this  
4 something in an RFP that's already been released for the  
5 next cycle or is it just an activity that's done  
6 periodically?

7           CHIEF OPERATING OFFICER HOFFNER: I'll have to  
8 double check. I don't know that the RFP has been  
9 released. I think that would be -- it's typically our  
10 process is to basically have a new set of requirements  
11 going out for that basically concurrent review. But I can  
12 double check to see what the process is for that and  
13 timing.

14           ACTING COMMITTEE MEMBER PAQUIN: Okay.

15           CHIEF AUDITOR CHAPPUIE: May I chime in real  
16 quick? This is Beliz Chappuie. Ms. Paquin, last  
17 November, I believe, Actuarial Office brought it to the  
18 Risk and Audit Committee's attention. There should be --  
19 I think there's another one coming up and I can't remember  
20 the timelines, but yes, there will be another RFP.

21           ACTING COMMITTEE MEMBER PAQUIN: Okay. Great.  
22 Thank you so much.

23           CHIEF EXECUTIVE OFFICER FROST: So our Actuary  
24 just sent me a message that the Committee approved the  
25 schedule. So we'll send that out post-meeting to

1 everyone, just as a reminder of what that schedule is.

2 ACTING COMMITTEE MEMBER PAQUIN: Thank you.

3 CHAIRPERSON MIDDLETON: Thank you for that  
4 question. Are there any other questions for staff on Item  
5 7c?

6 Seeing none.

7 We will move on to Summary of Committee  
8 Direction, Ms. Timberlake D'Adamo.

9 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

10 Thank you. I did not record any Committee  
11 direction prior to the last item, where Ms. Frost had  
12 indicated that we would send out the schedule post-meeting  
13 for the RFP for the actuarial consultant. So if that  
14 meets with everyone's approval, I will record that as  
15 Committee direction.

16 CHAIRPERSON MIDDLETON: That is --

17 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO: I  
18 see nodding, so...

19 CHAIRPERSON MIDDLETON: That is my understanding.  
20 So thank you.

21 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

22 Thank you.

23 CHAIRPERSON MIDDLETON: Mr. Fox, do we have any  
24 public comment?

25 STAKEHOLDER RELATIONS CHIEF FOX: Madam Chair,

1 there are no callers at this time.

2 CHAIRPERSON MIDDLETON: All right. Then with  
3 that, we will adjourn the open session. We will reconvene  
4 in the closed session. And as we're getting to the end of  
5 our schedule for the day, I'd like to charge right ahead.  
6 If we will take -- it's a couple of minutes short of  
7 noon -- noon right now. Let's reconvene in five minutes  
8 in closed session with an opportunity to speak to Ms.  
9 Timberlake D'Adamo, Ms. Chappuie, and Mr. Grimes.

10 Thank you all and have a good day.

11 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

12 Thank you.

13 (Thereupon the California Public Employees'  
14 Retirement System, Board of Administration,  
15 Risk & Audit Committee open session  
16 meeting adjourned at 11:57 a.m.)

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