

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
OPEN SESSION

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

WEDNESDAY, SEPTEMBER 20 2023

8:31 A.M.

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

APPEARANCES

BOARD MEMBERS:

Theresa Taylor, President

David Miller, Vice President

Malia Cohen (Remote)

Fiona Ma, represented by Patrick Henning

Lisa Middleton

Eraina Ortega

Jose Luis Pacheco

Kevin Palkki

Ramón Rubalcava

Yvonne Walker

Mullissa Willette

Gail Willis, PhD (Remote)

STAFF:

Marcie Frost, Chief Executive Officer

Michael Cohen, Interim Chief Operating Investment Officer

Douglas Hoffner, Chief Operating Officer

Matthew Jacobs, General Counsel

Stephenson Loveson, Chief Information Officer

Kim Malm, Interim Deputy Executive Officer, Customer Services & Support

Donald Moulds, PhD, Chief Health Director

Michele Nix, Acting Chief Financial Officer

APPEARANCES CONTINUED

STAFF:

Brad Pacheco, Deputy Executive Officer, Communications & Stakeholder Relations

Scott Terando, Chief Actuary

Marlene Timberlake D'Adamo, Chief Diversity, Equity, and Inclusion Officer

Michelle Tucker, Chief, Human Resources Division

Dan Bienvenue, Deputy Chief Investment Officer

Danny Brown, Chief, Legislative Affairs Division

ALSO PRESENT:

Abe Bailey, Retired Public Employees Association

Tim Behrens, California State Retirees

Al Darby, Retired Public Employees Association

Elnora Fretwell, California State Retirees

Debb Jachens, California School Employees Association

J.J. Jelincic (Remote)

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PROCEEDINGS

1
2 PRESIDENT TAYLOR: Good morning, everyone. I am
3 calling to order the Board of Administration meeting.
4 Happy Wednesday. I'm going to start with roll call,
5 please. Thank you.

6 BOARD CLERK TRAN: Theresa Taylor.

7 PRESIDENT TAYLOR: Here.

8 BOARD CLERK TRAN: David Miller?

9 Malia Cohen?

10 Patrick Henning for Fiona Ma?

11 ACTING BOARD MEMBER HENNING: Here.

12 BOARD CLERK TRAN: Lisa Middleton?

13 BOARD MEMBER MIDDLETON: Present.

14 BOARD CLERK TRAN: Eraina Ortega?

15 BOARD MEMBER ORTEGA: Here.

16 BOARD CLERK TRAN: Jose Luis Pacheco?

17 BOARD MEMBER PACHECO: Present.

18 BOARD CLERK TRAN: Kevin Palkki?

19 BOARD MEMBER PALKKI: Good morning.

20 BOARD CLERK TRAN: Ramón Rubalcava?

21 BOARD MEMBER RUBALCAVA: Present.

22 BOARD CLERK TRAN: Yvonne Walker?

23 BOARD MEMBER WALKER: Here.

24 BOARD CLERK TRAN: Mullissa Willette?

25 BOARD MEMBER WILLETTE: Here.

1 PRESIDENT TAYLOR: And David is here.

2 BOARD CLERK TRAN: Dr. Gail Willis?

3 And David Miller.

4 PRESIDENT TAYLOR: All right. Thank you.

5 BOARD MEMBER COHEN: Good morning everyone. This
6 is Malia. Good to see you on screen. Just checking in.

7 PRESIDENT TAYLOR: Hi, Malia.

8 All right. We're going to go right into closed
9 session, Malia. So when you get back on, I'm going to
10 have you attest to the closed session.

11 BOARD MEMBER COHEN: No problem, I'll be ready.

12 PRESIDENT TAYLOR: All right. So we'll recess
13 now into closed session for items 1 and 2 from the closed
14 session agenda and we'll immediately reconvene in open
15 session after the closed session. So thank you very much,
16 everybody. Sorry, we have to clear the room.

17 (Off record: 8:32 a.m.)

18 (Thereupon the meeting recessed into
19 closed session.)

20 (Thereupon the meeting reconvened
21 open session.)

22 (On record: 8:45 a.m.)

23 PRESIDENT TAYLOR: Good morning, everyone. We
24 are rejoining our open session. So we're going to move
25 back into the remainder of the open session agenda

1 starting with -- we don't need to do call to order again,
2 do we? Roll call?

3 BOARD CLERK ANDERSON: We do.

4 PRESIDENT TAYLOR: We do. Okay. We're going to
5 started with roll call all over again

6 BOARD CLERK TRAN: Theresa Taylor?

7 PRESIDENT TAYLOR: Here.

8 BOARD CLERK TRAN: David Miller?

9 VICE PRESIDENT MILLER: Here.

10 BOARD CLERK TRAN: Controller Malia Cohen?

11 PRESIDENT TAYLOR: Is she on?

12 BOARD CLERK TRAN: She is.

13 PRESIDENT TAYLOR: Malia? She must be on the
14 phone or something.

15 BOARD CLERK TRAN: Patrick Henning?

16 ACTING BOARD MEMBER HENNING: Still here.

17 BOARD CLERK TRAN: Lisa Middleton?

18 BOARD MEMBER MIDDLETON: Present.

19 BOARD CLERK TRAN: Eraina Ortega?

20 BOARD MEMBER ORTEGA: Here.

21 BOARD CLERK TRAN: Jose Luis Pacheco?

22 BOARD MEMBER PACHECO: Present.

23 BOARD CLERK TRAN: Kevin Palkki?

24 BOARD MEMBER PALKKI: Good morning.

25 BOARD CLERK TRAN: Ramón Rubalcava?

1 BOARD MEMBER RUBALCAVA: Aye -- present.

2 BOARD CLERK TRAN: Yvonne Walker?

3 BOARD MEMBER WALKER: Here.

4 BOARD CLERK TRAN: Mullissa Willette?

5 BOARD MEMBER WILLETTE: Here.

6 BOARD CLERK TRAN: Dr. Gail Willis?

7 PRESIDENT TAYLOR: No. Okay. All right. Good
8 morning, everybody. Thank you very much. I didn't ask
9 anybody to lead the -- for the Pledge of Allegiance, so
10 Mr. Pacheco, would you like to lead the Pledge of
11 Allegiance.

12 (Thereupon the Pledge of Allegiance was
13 recited in unison.)

14 PRESIDENT TAYLOR: Thank you for Mr. Pacheco for
15 the short notice and helping.

16 So that -- we're going to move on to Item number
17 4, which is our Chief Executive Officer's report, Mr.
18 Frost.

19 CHIEF EXECUTIVE OFFICER FROST: Thank you,
20 President Taylor and good morning, everyone. I'd like to
21 the focus my remarks on a few items of interest on our
22 calendar. And then I will also discuss some promising
23 developments on the issue of corporate transparency,
24 something that CalPERS has been passionate about for a
25 very long time.

1 But first, I want to briefly express my support -
2 I didn't get a chance to do that on Monday - for our Chief
3 Investment Officer, Nicole Musicco, who did announce her
4 intent to step down later this month. Nicole's tenure at
5 CalPERS was shorter than either she or I had hoped, but
6 she has helped the organization bridge the gap between its
7 aspirations and its operations. And we are better for it.
8 Her decision to focus on family took courage and we will
9 rooting here for her as she returns home to Canada.

10 There is one thing I would like to correct when
11 it comes to some of the news coverage of the past few
12 days. Our leadership team remains in place. From the
13 very capable managing investment directors to the
14 organization's entire executive team, our members should
15 know that we aren't going to miss a beat when it comes to
16 the work that we need to do to fulfill the mission of
17 CalPERS. As you know, Deputy CIO, Dan Bienvenue will step
18 in at the end of this month. Excuse me. And we will
19 waste no time in launching a wide-ranging recruitment for
20 our new permanent CIO.

21 Now on to a look at what's on the horizon. Since
22 we last met in July, our teams have been busy working
23 behind the scenes on outreach events for members and for
24 our public employers. The Annual Education Forum is one
25 of those events taking place October 2nd through October

1 4th at the Westin Bonaventure Hotel in Los Angeles. This
2 is our annual event with employers. It's very well
3 attended and we have an opportunity to get together and
4 strengthen the partnership that we have with those public
5 agencies and employers. We provide them with up-to-date
6 education on policies, rules, and regulations, and really
7 try to assist them in managing their employees' CalPERS
8 benefits.

9 Attendees do tell us that the opportunity to make
10 real personal connections with our teams has been
11 invaluable to them. And through our educational sessions,
12 the exist hall where our health plans are also present,
13 one-on-one consultations, our actuaries are always very
14 popular there as well. They just completed all the
15 valuations for all our public employers. And so they are
16 taking appointments to meet one on one with them as well.

17 In addition, we -- every year, we get to honor
18 the Spotlight on Excellence recipient whose service to the
19 community has been exemplary. The keynote speaker is
20 Erica Dhawan who is a sought after speaker and New York
21 Times best selling author of two books on strengthening
22 collaboration to drive innovation and move big ideas
23 forward. I know that several of you will be on hand to
24 interact with our employers and hear firsthand about the
25 issues they face. Registration closed last week and we're

1 expecting more than 900 attendees.

2 Moving on now to an important reminder for all of
3 our retired members regarding the data breach we reported
4 in June. The deadline to sign up for the two year of
5 credit monitoring through Experian is September 30th.
6 That's just 10 days from now. We sent out a new round of
7 communication on September 6th to raise awareness of that
8 deadline. We know -- we now have nearly 180,000 members
9 who have signed up for credit monitoring, which is almost
10 one of every four retirees who were impacted.

11 The team from Experian tells that they typically
12 see a four to six percent take-up rate in the incidents
13 that they handle. Regardless, we want to ensure that our
14 retirees are well aware of the time they have left to
15 respond. I do want to take just a moment to thank the
16 team.

17 There was the email that we generated as a
18 reminder did accumulate a lot of inbound calls as well as
19 emails coming in. I just want to thank the team.
20 Everyone pitched in from our Senior Leadership Council,
21 which is all the CEAs in the organization, down to some of
22 our Staff Service Manager Is. Everyone just came in to
23 help Kim Malm and her team. So I just want to express my
24 appreciation for our entire team in willing to step up and
25 help handle this for our retirees.

1 Finally, I want to take a few minutes to
2 highlight some significant developments in recent days and
3 weeks in an effort to expand transparency when it comes to
4 both our investments and corporate America. I wanted to
5 call out some of these items, because it feels as though
6 there's been finally some real momentum on the issue,
7 something we've been advocating for a number of years.

8 Our first belief in the importance of
9 transparency both in our partners and in ourselves is
10 deeply engrained in almost everything we do. We have
11 championed a number of initiatives through the years
12 designed to bring more consistent clarity to the decisions
13 we make when it comes down to where we invest on behalf of
14 our members and their families. Late last month, the U.S.
15 Securities and Exchange Commission finalized a rule to
16 require more disclosure from private fund advisors. As
17 the Board knows, we were outspoken during the process
18 about the need for clear and consistent information about
19 the operations of our partners. As we said last year,
20 it's important for us to know whether these partners are
21 managing our capital effectively. The ruling is lengthy
22 and our team continues to review how well it meets the
23 standards we support in our communications with the SEC.

24 We've also seen a number of developments on the
25 State level and those efforts now have the support of

1 Governor Gavin Newsom. Our Legislative Affairs team
2 closely monitored two bills relating to transparency, both
3 of which the Governor said this week that he would sign
4 into law. Senate Bill 253 will require large companies to
5 more broadly disclose greenhouse gas emissions. Senate
6 Bill 261 meanwhile will soon require even more companies
7 to report on the financial risks due to climate change.

8 While the Board did not take a formal position on
9 either bill, we've been in frequent contact with the
10 Legislature on these topics. These bills represent what
11 could be called the California way when it comes to
12 climate change. We agree with those who feel the urgent
13 need to act and these bills may spark more of the kind --
14 more of this kind of national discussion that is long
15 overdue. As we have said many times, we view the sweeping
16 disruptions to our climate and the warming of the earth as
17 a material risk that needs to be disclosed and documented.
18 Climate change represents risk to the portfolio, one of
19 the key three risks that this organization has identified,
20 but it also does represent opportunity to partner with
21 those who are leading the fight to stop it.

22 It's welcome news that others also see the
23 urgency for more information about these risks and we will
24 continue to seek out partners both in the halls of
25 government and in corporate boardrooms. So that does

1 conclude my report President Taylor, but I'm happy to take
2 questions.

3 PRESIDENT TAYLOR: Thank you very much, Ms.
4 Frost. I'm not seeing any questions from the Board. I do
5 have --

6 BOARD MEMBER COHEN: President Taylor.

7 PRESIDENT TAYLOR: Malia, go ahead.

8 BOARD MEMBER COHEN: Good morning. Yes, I just
9 wanted to let you know I missed the roll call, but I am
10 present.

11 PRESIDENT TAYLOR: Yes, Malia is present. Thank
12 you, Malia.

13 BOARD MEMBER COHEN: And thank you to the
14 Executive Director for her report.

15 PRESIDENT TAYLOR: Thank you.

16 I do have one public comment from Mr. Behrens, if
17 you'd like to come down here and make your public comment.
18 And then I'll do my President's report.

19 I love the tie, Tim.

20 TIM BEHRENS: President -- oh, my phone is going
21 off in the back of the room. Sorry.

22 Tim Behrens, California State Retirees.
23 President Taylor, members of the Board, I just wanted to
24 give you some feedback about the breach. And we
25 appreciate the fact that Kim keeps giving us updates and

1 on what percentage of our retirees, million plus, have
2 been affected by this. My travels across the state, while
3 the members are thankful to get two years of identity
4 theft protection, the majority of them would prefer to
5 have 10 years or a lifetime. The issue is that two years
6 is not very long for somebody that steals your information
7 to wait and then use your information. So I wanted to
8 give you that feedback and again thank CalPERS for giving
9 us the updates.

10 Thank you.

11 PRESIDENT TAYLOR: Thank you, Mr. Behrens.

12 I have one more that just showed up. Elnora, you
13 want to come down and talk.

14 ELNORA FRETWELL: Good morning. Elnora Fretwell
15 with CSR. Hopefully is not the wrong question to ask.
16 The Educational Forum, is it too late to enroll?

17 PRESIDENT TAYLOR: That's a question I don't know
18 the answer to.

19 Marcie does.

20 CHIEF EXECUTIVE OFFICER FROST: Registration did
21 close, but let's talk on a break.

22 ELNORA FRETWELL: Okay. Thank you.

23 CHIEF EXECUTIVE OFFICER FROST: Okay.

24 PRESIDENT TAYLOR: All right. Thank you very
25 much.

1 All right. With that, I'm going to do -- move on
2 to the President's report. Apologies, Ms. Frost.

3 (Laughter).

4 PRESIDENT TAYLOR: My bad. I just skipped right
5 over it.

6 So good morning, everyone. I'd like to take a
7 moment of personal privilege because last week the
8 financial news journal Pensions and Investments announced
9 its inaugural class of Influential Women in Institutional
10 Investing. And our own Marcie Frost was named to the
11 list. Marcie is one of the 65 women on the list
12 representing nearly 47 trillion in capital. In writing
13 about these women, P&I's President and Publisher Nikki
14 Pirrello said the group represents the power of this
15 industry to drive positive change across markets, the
16 desire to improve outcomes for beneficiaries, and the
17 opportunity to shine a spotlight on what it means to be a
18 successful woman in institutional investing today.

19 The field of women were selected by nearly 20
20 judges in financial research, education, and investment
21 services and a stellar advisory board that developed the
22 selection criteria. The women were celebrated last week
23 at the Pension and Investments Conference in Chicago. And
24 Marcie, I know you couldn't go to the event because you
25 were preparing for our Board meeting, so we wanted to, as

1 a Board, recognize you and congratulate you today on this
2 well deserved.

3 So congratulation

4 (Applause).

5 PRESIDENT TAYLOR: If I had your little award,
6 I'd bring it over to you, but I don't.

7 So I'm going to move on to -- a week ago our
8 nation celebrated Labor Day, a day that recognizes
9 American labor -- the American labor movement and the
10 contributions of workers. It's more than a federal
11 holiday or the unofficial end of summer and barbecue day.
12 We celebrate the day to recognize the women and men who
13 campaign tirelessly for workers rights. Their hard-fought
14 wins are why so many of us enjoyed paid time off, sick
15 leave, and safe working conditions. These are the same
16 freedoms and liberties that we support in the companies we
17 invest in and why this week we discussed consolidating and
18 refining our existing labor principles into our Total Fund
19 Policy.

20 The greatest asset a company has is its workers.
21 And research has shown that good management of workers
22 leads to better companies and better performance. I want
23 to thank the Board for the discussions and feedback we had
24 on Monday around this topic, and as well as our labor
25 brothers and sisters who showed up to comment on it. And

1 we look forward to the second reading of the labor
2 principles in November.

3 Now, let me turn to the Education Forum. I'm
4 sorry, let me to turn education. In my role as President,
5 I've made this one of my top priorities. For those that
6 not -- may not be aware, the Board has a formal policy on
7 education and State law requires that all Board members
8 and their designees receive a minimum of 24 hours of
9 education within the first two years of assuming office.
10 This can be in the form of workshops that are put together
11 by our leadership team, annual fiduciary training,
12 accredited courses, online training, and participation at
13 conferences and seminars.

14 Each of us sitting up here come to this Board
15 with diverse backgrounds and experiences, and this
16 education helps broaden our perspectives and knowledge, so
17 that we can make informed decisions that are in the best
18 interests of our members and employers. If you want to
19 follow along on our education journey, we do provide
20 reports on our website that list the training -- the
21 trainings and hours of education by an individual Board
22 member, many of you have seen some of them here that take
23 place. It will give you a -- kind of a picture of where
24 we spend some of our time outside of our scheduled Board
25 meetings. And I think it's important to note that while

1 this training is required, we do so in a fiscally
2 responsible manner.

3 So I'm going to end here with a preview of our
4 next meeting. We will not be meeting in October due to
5 our employer Educational Forum. We are scheduled to meet
6 next November 13th through 15. And there is one item up
7 for discussion that I'm anxiously awaiting and that's the
8 building blocks of our sustainable investment strategy and
9 the path to net zero being presented by our new head of
10 sustainable investments, Peter Cashion. It should be a
11 really good discussion.

12 And with that, we'll move on to the next point --
13 I'm sorry, the next agenda item, and that is -- yeah, hold
14 on. That's our action consent items. So I need to know
15 the pleasure of the board.

16 BOARD MEMBER PACHECO: I'll move.

17 PRESIDENT TAYLOR: It's moved by Mr. Pacheco.

18 VICE PRESIDENT MILLER: Second.

19 PRESIDENT TAYLOR: Seconded by Mr. Miller.

20 We need a roll call. So go ahead.

21 BOARD CLERK TRAN: David Miller?

22 VICE PRESIDENT MILLER: Aye.

23 BOARD CLERK TRAN: Controller Cohen?

24 BOARD MEMBER COHEN: Aye.

25 BOARD CLERK TRAN: Patrick Henning?

1 ACTING BOARD MEMBER HENNING: Aye.

2 BOARD CLERK TRAN: Lisa Middleton?

3 BOARD MEMBER MIDDLETON: Aye.

4 BOARD CLERK TRAN: Eraina Ortega?

5 BOARD MEMBER ORTEGA: Aye.

6 BOARD CLERK TRAN: Jose Luis Pacheco?

7 BOARD MEMBER PACHECO: Aye.

8 BOARD CLERK TRAN: Kevin Palkki?

9 BOARD MEMBER PALKKI: Aye.

10 BOARD CLERK TRAN: Ramón Rubalcava?

11 BOARD MEMBER RUBALCAVA: Aye.

12 BOARD CLERK TRAN: Yvonne Walker?

13 BOARD MEMBER WALKER: Aye.

14 BOARD CLERK TRAN: Mullissa Willette?

15 BOARD MEMBER WILLETTE: Yes.

16 PRESIDENT TAYLOR: All right. Motion carries.

17 With that, we will move on to the information
18 consent items. And having no -- having received no
19 requests to remove anything, then we will move on to 7,
20 Committee reports.

21 So let's start with Mr. Miller. You want to hit
22 your -- on Investment Committee. It didn't -- oh, sorry.
23 It's being --

24 VICE PRESIDENT MILLER: I'm not the only one.

25 PRESIDENT TAYLOR: Nope, you're not.

1 VICE PRESIDENT MILLER: There we go. Hello,
2 everyone. Good morning.

3 The Investment Committee met on September 18th,
4 2023. The Committee received reports on the following
5 topics: revisions to the Total Fund Policy, Governance and
6 Sustainability Principles, first reading; CalPERS trust
7 level review; CalPERS trust level review consultant
8 report; Global Fixed Income annual program review; and
9 Global Public Equity annual program review.

10 The Committee heard public comment on the
11 following topics: labor practices and issues, investment
12 reporting, environmental issues, and climate change.

13 At this time, I would like to share some
14 highlights of what to expect at the November Investment
15 Committee meeting: revisions to the CalPERS Investment
16 Policy for Insider Trading; revisions to the Total Fund
17 Policy, Governance and Sustainability Principles, second
18 reading; emerging and diverse managing report to the
19 Legislature; mid-cycle asset liability management review;
20 Total Fund Portfolio Management Program annual review;
21 Sustainable Investing annual program review; Responsible
22 Contracting Policy; and consultants review of CalPERS
23 divestments.

24 The next meeting of the investment Committee is
25 scheduled for November 13th, 2023 in Sacramento,

1 California. Thank you.

2 PRESIDENT TAYLOR: Thank you, Mr. Miller.

3 With that, I'm going to move on to the Pension
4 and Health Benefits Committee. And, Mr. Rubalcava, can
5 you hit your button?

6 There you go.

7 BOARD MEMBER RUBALCAVA: Thank you. The Pension
8 and Health Benefits Committee met on September 19, 2023,
9 yesterday.

10 The Committee received reports on the following
11 topics: the Committee received an overview of the PPO
12 solicitation and reviewed a new business plan initiative
13 to engage audiences to proactive policy communications;
14 the Committee received public comment regarding ACO REACH
15 and better communication about Delta Dental and the vision
16 plan administered by CalHR.

17 The Chair directed staff to explore out-of-state
18 plan options through the PPO solicitation process and
19 report back.

20 At this time, I would like to share some
21 highlights of what to expect at the November committee
22 meeting. The Committee will receive the 2022 CalPERS
23 Health Benefits Program annual report, a presentation on
24 Health Policy Forum, and will approve the Health Benefits
25 Program proposals for 2025, and a long-term care request

1 for a proposal -- Request for Proposal.

2 The next meeting of the Pension and Health
3 Benefits Committee is scheduled for November 14, 2023 in
4 Sacramento, California.

5 Thank you, Ms. President.

6 PRESIDENT TAYLOR: Thank you, Mr. Rubalcava.

7 I have public comment on 7b, Mr. Behrens.

8 TIME BEHRENS: President Taylor, members of the
9 Board, Tim Behrens, California State Retirees. As I had
10 this epiphany last night about the issues I was talking
11 about yesterday, and that is Delta Dental and vision. And
12 I'm wondering -- I'm not sure about when the date was that
13 retirees were incorporated into CalHR to have them
14 administrate that particular fund, but we don't bargain,
15 so we don't have a voice when it comes to our dental and
16 our vision. So I'm wondering if there could be a meeting
17 between CalPERS and CalHR to see if they wanted to bring
18 retirees back into the CalPERS fold and have CalPERS
19 administrate dental and vision. It's a very big ask and I
20 know it's a very complicated manner, but it's -- I just
21 wanted to throw it out there, so you don't stop talking
22 about it.

23 Thank you. Have a good day.

24 PRESIDENT TAYLOR: Thank you, Mr. Behrens.

25 We will move on to 7c, Finance and Administration

1 Committee. And that's Ms. Middleton.

2 Hold on. Gotcha. Maybe.

3 There you go.

4 BOARD MEMBER MIDDLETON: All right. Thank you.

5 The Finance and Administration Committee met on
6 September 19, 2023. The Committee recommends and I move
7 the Board approve the following:

8 Agenda Item 3c, approve the annual discharge of
9 accountability for uncollectible debt.

10 PRESIDENT TAYLOR: On motion by Committee.

11 Is there any discussion?

12 Hearing none, we will need a roll call vote,
13 please.

14 BOARD CLERK TRAN: David Miller?

15 VICE PRESIDENT MILLER: Aye.

16 BOARD CLERK TRAN: Controller Cohen?

17 BOARD MEMBER COHEN: Aye.

18 BOARD CLERK TRAN: Patrick Henning?

19 ACTING BOARD MEMBER HENNING: Aye.

20 BOARD CLERK TRAN: Lisa Middleton?

21 BOARD MEMBER MIDDLETON: Aye.

22 BOARD CLERK TRAN: Eraina Ortega?

23 BOARD MEMBER ORTEGA: Aye.

24 BOARD CLERK TRAN: Jose Luis Pacheco?

25 BOARD MEMBER PACHECO: Aye.

1 BOARD CLERK TRAN: Kevin Palkki?

2 BOARD MEMBER PALKKI: Aye.

3 BOARD CLERK TRAN: Ramón Rubalcava?

4 BOARD MEMBER RUBALCAVA: Aye.

5 BOARD CLERK TRAN: Yvonne Walker?

6 BOARD MEMBER WALKER: Aye.

7 BOARD CLERK TRAN: Mullissa Willette?

8 BOARD MEMBER WILLETTE: Aye.

9 PRESIDENT TAYLOR: Thank you. Motion carries.

10 BOARD MEMBER MIDDLETON: All right. The
11 Committee received reports on the following: annual
12 actuarial valuation Terminated Agency Pool; CalPERS Board
13 election methods and stakeholder engagement; investment
14 returns impact on employer contributions.

15 The Chair directed staff to bring back the
16 Funding Risk Mitigation Policy as an information item at a
17 future date.

18 The Committee heard public comment on the
19 following topics: CalPERS Board election methods and
20 stakeholder engagement.

21 At this time, I would like to share a highlight
22 of what to expect at the November 2023 Finance and
23 Administration Committee meeting: the 2023-24 mid-year
24 budget revisions; the 2022-23 basic financial statements.

25 The next meeting of the Finance and

1 Administration Committee is scheduled for September[SIC]
2 14, 2023. Thank you.

3 PRESIDENT TAYLOR: Thank you, Ms. Middleton.

4 We will move on to Mr. Pacheco for his report on
5 7d, Performance, Compensation and Talent Management
6 Committee.

7 BOARD MEMBER PACHECO: Thank you, President
8 Taylor and good morning.

9 The Performance, and Compensation, and Talent
10 Management Committee met on September 19th, 2023. The
11 Committee heard public comment.

12 At this time, I would like to share some
13 highlights of what to expect at the February 2024
14 Performance, Compensation and Talent Management Committee
15 meeting: the mid-year status report on the CEO's fiscal
16 year 2023-2024 incentive plan.

17 The next meeting of the Performance, Compensation
18 and Talent Management Committee is scheduled for February
19 2024 in Sacramento, California.

20 Thank you.

21 PRESIDENT TAYLOR: Thank you, Mr. Pacheco.

22 With that, we have public comment on 7d on the
23 phone.

24 STAFF SERVICES MANAGER I FORRER: We have J.J.
25 Jelincic on 7d. Go ahead, J.J.

1 PRESIDENT TAYLOR: J.J.?

2 J.J. JELINCIC: J.J. Jelincic, beneficiary,
3 speaking for myself.

4 You talk about openness, and transparency, and
5 accountability. The California Attorney General's Office
6 in its guide to the Bagley-Keene Act has said we do not
7 think discussion of employee compensation may be conducted
8 in closed session in light of the Appellate Court decision
9 interpreting a similar exemption in the Brown Act.
10 However, this may be one of the laws that Matt Jacobs
11 doesn't think applies to CalPERS. The attitude you hold
12 towards the public and beneficiaries is disclosed by the
13 fact that the Committee only agendized and accepted
14 comments after the Committee had discussed and made a
15 decision on compensation.

16 The Board discussed the Committee recommendations
17 in closed session today. Reviewing committee actions and
18 reports is one of the frequent exemptions to the
19 requirements for open meetings that the Legislature failed
20 to include in the Government code.

21 Since I have no idea what the compensation
22 decision was, I have no basis for further rational comment
23 and therefore I will make none.

24 Thank you.

25 PRESIDENT TAYLOR: Thank you, Mr. Jelincic.

1 With that, we will move on 7 -- I'm sorry, 7e,
2 Risk and Audit. And that's -- Mr. Miller, I need you to
3 push your button.

4 There you go.

5 VICE PRESIDENT MILLER: Hello, again. The Risk
6 and Audit Committee met on September 19th, 2023. There
7 were no action agenda items presented to the Committee.

8 At this time, I would like to share some
9 highlights of what to expect at the November 2023 Risk and
10 Audit Committee meeting: independent auditor's report for
11 fiscal years 2023 through 2024; and review of the
12 independent auditor's management letter.

13 The next meeting of the Risk and Audit Committee
14 is scheduled for November 15th, 2023 in Sacramento,
15 California.

16 That's my report. Thank you.

17 PRESIDENT TAYLOR: Thank you, Mr. Miller.

18 I have no public comment on 7e.

19 Board Governance did not meet this month. I
20 think we're meeting in November.

21 With that, we're going to move on to the action
22 agenda items. And for that, I'm going to turn this over
23 to Mr. Miller again.

24 VICE PRESIDENT MILLER: Okay. I move to adopt
25 the proposed decisions at Agenda Items 8a1 through 5 with

1 the minor modifications argued by staff to Agenda Items
2 8a1, 3, and 4.

3 PRESIDENT TAYLOR: On -- I'm sorry. On motion --

4 VICE PRESIDENT MILLER: You need a second.

5 BOARD MEMBER PALKKI: I'll second

6 BOARD MEMBER PACHECO: I'll second.

7 PRESIDENT TAYLOR: Oh, I had -- I think that's
8 Mr. Palkki had said that earlier. I couldn't understand
9 him.

10 So it's been seconded by Mr. Palkki, moved by Mr.
11 Miller. All -- I can't do all those in favor. Can I get
12 a roll call vote, please?

13 BOARD CLERK TRAN: David Miller?

14 VICE PRESIDENT MILLER: Aye.

15 BOARD CLERK TRAN: Controller Cohen?

16 BOARD MEMBER COHEN: Aye.

17 BOARD CLERK TRAN: Patrick Henning?

18 ACTING BOARD MEMBER HENNING: Aye.

19 BOARD CLERK TRAN: Lisa Middleton?

20 BOARD MEMBER MIDDLETON: Aye.

21 BOARD CLERK TRAN: Eraina Ortega?

22 BOARD MEMBER ORTEGA: Aye.

23 BOARD CLERK TRAN: Jose Luis Pacheco?

24 BOARD MEMBER PACHECO: Aye.

25 BOARD CLERK TRAN: Kevin Palkki?

1 BOARD MEMBER PALKKI: Aye.

2 BOARD CLERK TRAN: Ramón Rubalcava?

3 BOARD MEMBER RUBALCAVA: Aye.

4 BOARD CLERK TRAN: Yvonne Walker?

5 BOARD MEMBER WALKER: Aye.

6 BOARD CLERK TRAN: Mullissa Willette?

7 BOARD MEMBER WILLETTE: Aye.

8 PRESIDENT TAYLOR: With that, the motion carries,
9 and thank you, Mr. Miller. We are going to move on to 5b,
10 which is the Chief Executive Officer's 2022-23 incentive
11 award and 2022 -- 2023-24 base salary.

12 So, Ms. Tucker.

13 HUMAN RESOURCES DIVISION CHIEF TUCKER: Thank
14 you, President Taylor. Good morning, members of the
15 Board. Michelle Tucker, CalPERS team member. The Board's
16 Compensation Policy for executive and investment
17 management positions requires an annual review of
18 performance for the CEO. Agenda Item 8b is an action item
19 resulting from the Performance, Compensation, and Talent
20 Management Committee's closed session evaluation of the
21 CEO's fiscal year 22-23 performance. All members of the
22 Board were encouraged to participate in the Committee's
23 performance discussion. Based on the Committee's closed
24 session evaluation, along with the incentive metrics
25 outcomes, the resulting fiscal year 22-23 incentive award

1 for the CEO is \$192,682.

2 PRESIDENT TAYLOR: All right. Thank you very
3 much.

4 Is there a vote on that?

5 HUMAN RESOURCES DIVISION CHIEF TUCKER: There's a
6 vote, yeah.

7 PRESIDENT TAYLOR: There is a vote on that.

8 Okay. So it is an action item. So with that, I
9 need a motion.

10 VICE PRESIDENT MILLER: So moved.

11 PRESIDENT TAYLOR: Okay. It's moved by Mr.
12 Miller.

13 BOARD MEMBER PALKKI: Second.

14 PRESIDENT TAYLOR: Seconded by Mr. Palkki.
15 And I need a roll call vote.

16 BOARD CLERK TRAN: David Miller?

17 VICE PRESIDENT MILLER: Aye.

18 BOARD CLERK TRAN: Controller Cohen?

19 BOARD MEMBER COHEN: Aye.

20 BOARD CLERK TRAN: Patrick Henning?

21 ACTING BOARD MEMBER HENNING: Aye.

22 BOARD CLERK TRAN: Lisa Middleton?

23 BOARD MEMBER MIDDLETON: Aye.

24 BOARD CLERK TRAN: Eraina Ortega?

25 BOARD MEMBER ORTEGA: Aye.

1 BOARD CLERK TRAN: Jose Luis Pacheco?

2 BOARD MEMBER PACHECO: Aye.

3 BOARD CLERK TRAN: Kevin Palkki?

4 BOARD MEMBER PALKKI: Aye.

5 BOARD CLERK TRAN: Ramón Rubalcava?

6 BOARD MEMBER RUBALCAVA: Aye.

7 BOARD CLERK TRAN: Yvonne Walker?

8 BOARD MEMBER WALKER: Abstain. As I stated in
9 the Committee, I have not had the full year to be able to
10 evaluate, and I look forward to participating fully next
11 year.

12 BOARD CLERK TRAN: Mullissa Willette?

13 BOARD MEMBER WILLETTE: Yes.

14 PRESIDENT TAYLOR: All right. Thank you very
15 much. Motion on that carries.

16 Go ahead, Ms. Talker.

17 HUMAN RESOURCES DIVISION CHIEF TUCKER: Thank
18 you, President Taylor. Based on the Committee's closed
19 session evaluation, the CEO's 23-24 base salary is
20 \$578,267.

21 PRESIDENT TAYLOR: Okay, 578,267. With that, I
22 need a motion on that.

23 BOARD MEMBER PACHECO: I'll move.

24 PRESIDENT TAYLOR: It's -- motion is made by --
25 made by Mr. Pacheco?

1 VICE PRESIDENT MILLER: Second.

2 PRESIDENT TAYLOR: Seconded by Mr. Miller. And I
3 will need a roll call vote for that.

4 BOARD CLERK TRAN: David Miller?

5 VICE PRESIDENT MILLER: Aye.

6 BOARD CLERK TRAN: Controller Cohen?

7 BOARD MEMBER COHEN: Aye.

8 BOARD CLERK TRAN: Patrick Henning?

9 ACTING BOARD MEMBER HENNING: Aye.

10 BOARD CLERK TRAN: Lisa Middleton?

11 BOARD MEMBER MIDDLETON: Aye.

12 BOARD CLERK TRAN: Eraina Ortega?

13 BOARD MEMBER ORTEGA: Aye.

14 BOARD CLERK TRAN: Jose Luis Pacheco?

15 BOARD MEMBER PACHECO: Aye.

16 BOARD CLERK TRAN: Kevin Palkki?

17 BOARD MEMBER PALKKI: Aye.

18 BOARD CLERK TRAN: Ramón Rubalcava?

19 BOARD MEMBER RUBALCAVA: Aye.

20 BOARD CLERK TRAN: Yvonne Walker?

21 BOARD MEMBER WALKER: Abstain.

22 BOARD CLERK TRAN: Mullissa Willette?

23 BOARD MEMBER WILLETTE: Yes.

24 PRESIDENT TAYLOR: Thank you, everyone. Motion
25 carries.

1 PRESIDENT TAYLOR: Ms. Tucker.

2 HUMAN RESOURCES DIVISION CHIEF TUCKER: Well,
3 these calculations were conducted in accordance with
4 the Board's policy using the assigned ratings and
5 weightings and the CEO's fiscal career 22-23 base salary.

6 Thank you, members of the Committee and the
7 Board. That concludes this action item.

8 PRESIDENT TAYLOR: All right. Thank you very
9 much, Ms. Tucker.

10 Let me make sure I don't have anything on that.
11 I do not. Okay. We are going to move on to 9a, State
12 Legislation update and Mr. Brown.

13 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Good
14 morning, Madam President, Board members, Danny Brown,
15 CalPERS team member. And I just have a brief State and
16 federal update for you.

17 On the State side, the Legislature wrapped up
18 their regular session for this year last Thursday. The
19 Governor has about 970 bills on his desk that he will need
20 to sign or veto by October 14th, so we will be monitoring
21 his actions over the next three to four weeks. The
22 Governor has already signed the retirement system Omnibus
23 Bill, which included provisions from CalPERS, CalSTRS, '37
24 Act counties.

25 As a reminder, the provisions in the bill that

1 impacted CalPERS do the following. It authorizes the
2 State Controller's office to execute fund-to-fund
3 transfers between the California Employers' Pension
4 Prefunding Trust, known as the CEPPT fund, and the PERF
5 when requested by a contracting agency. It also caps the
6 interest assessed on CalPERS contracting agencies at 10
7 percent when a contract -- contracting agency fails to
8 remit the required contributions on time. The third item
9 would authorize a judge who is a member of the Judges'
10 Retirement System II to designate a beneficiary, such as a
11 trust, when choosing certain settlement options in cases
12 where there is no surviving spouse. And then finally, it
13 aligns the required minimum distribution age in the PERL
14 with current and future changes in federal law. We will
15 be able to provide you with a full update to the
16 legislative year at next meeting in November along with
17 any leg. proposals that we have for 2024.

18 And with that, I'll shift to the federal update.
19 And I know as you kind of discussed a -- touched on a
20 little bit on Monday in the Investment Committee, Congress
21 is back from their August recess, but most of their focus
22 is trying to keep the government open next -- you know, by
23 September 30th is the deadline to find a funding
24 mechanism. The House is working on a proposal, which even
25 if they pass, it is not likely to get any votes -- or move

1 in the Senate. I think the Senate is also, as I read this
2 morning, working on their own proposal. So we will see if
3 they're able to get something done by the 30th. I think
4 history tells us they'll probably take it right up till
5 the end and I don't think anybody will be surprised if
6 there is a brief shutdown.

7 I did want to point out -- mention that on August
8 9th, President Biden issued a long awaited outbound
9 investment Executive Order. That order directs the
10 Treasury to establish a program to prohibit or require
11 notification of certain types of outbound investments by
12 United States persons into certain entities located or
13 subject to the jurisdiction of a country of concern. This
14 typically is focused on China. The order identifies three
15 categories of national security technologies and products
16 for the program, semi-conductors, and micro-electronics,
17 quantum information technologies, and artificial
18 intelligence.

19 Then on October -- on August 14th, the Treasury
20 Department Office of Investment Security followed up with
21 an Advanced Notice of Proposed Rulemaking intended to
22 solicit comments on the development and implementation of
23 the program. This ANPRM will be followed up by draft
24 regulations at a later stage in the process. And the
25 final rule is likely to go into effect sometime in June or

1 July of 2024. And so we'll be working with some of our
2 national organizations, such as ILPA and NASRA, just to
3 make sure that the rules are clear and easy for CalPERS to
4 implement.

5 And then finally, I'd like to end by mentioning
6 letters we have sent out since my last update. Last
7 month, we responded to the International Sustainability
8 Standards Board Request for Information on their two-year
9 workplan. We advocated that their top priority should be
10 implementing climate disclosures and other sustainability
11 disclosures that we have previously commented on, and that
12 new research projects should focus on human capital
13 management reporting.

14 Then two weeks ago we sent a letter to Senator
15 Menendez of New Jersey in support of Senate Bill 2007 on
16 corporate diversity reporting. This bill would require
17 public companies to annually disclose voluntarily
18 self-identified diversity data. We've supported this
19 legislation in the past. It's not likely to move this
20 year, but we just wanted to let the Senator know that
21 we're in support and have been -- happy to help him move
22 the bill next year.

23 And then as Don Moulds mentioned yesterday in the
24 PHBC, we sent out two health related letters earlier this
25 week. First, we wrote to the Department of Justice and

1 the Federal Trade Commission on draft guidelines related
2 to company mergers. The guidelines offer clarity on the
3 types of mergers that may trigger an investigation by the
4 DOJ or the FTC. And we found that the guidelines align
5 with our goal to mitigate increasing costs of health care.

6 And then secondly, we wrote to congressional
7 leaders in support of legislation designed to lower
8 prescription drug costs by reforming the drug patent and
9 approval systems. Both Senate and House committees have
10 approved legislation that would decrease the cost of
11 prescription drugs and that support the development of a
12 clear, efficient, and timely regulatory pathway. We hope
13 to see these bills continue to move through the
14 legislative process, but, of course, everything is
15 dictated on the government staying open and getting some
16 funding. It's hard to imagine right now what other pieces
17 of legislation may move this year.

18 With that, that's the end of my report and happy
19 to answer any questions.

20 PRESIDENT TAYLOR: Thank you very much, Mr.
21 Brown. Did you have questions on this? Hold on one
22 second. Go ahead.

23 BOARD MEMBER PACHECO: Yes. Thank you, Mr.
24 Brown, for your comments. I'd like to talk about the
25 status on S2007 Menendez Bill. It's called the Improving

1 Corporate Governance Through Diversity Act of 2023.

2 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN:

3 Um-hmm.

4 BOARD MEMBER PACHECO: Now, you mentioned that
5 it's not going to move anywhere further. Is it still --
6 is it still in the Committee on Banking, Housing and Urban
7 Affairs, or did it move from that committee to another
8 committee?

9 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN:

10 Correct. It's still in Senate banking. And
11 according to Senator Menendez's office, he doesn't think
12 it's going to be taken up this year, so -- but anyway, we
13 still wanted to get it noted that we are in support and,
14 you know, can help him next year, you know, maybe move it
15 through the process.

16 BOARD MEMBER PACHECO: Would it be able to
17 acquire additional co-sponsors from other senators and so
18 forth or --

19 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN:

20 There's about nine co-sponsors on the bill right
21 now including senator Alex Padilla.

22 BOARD MEMBER PACHECO: And were there any
23 colleague letters that were sent out anything like that to
24 help?

25 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I

1 don't know about colleague letters. I know that, you
2 know, there's a number of other businesses that are
3 supporting the legislation, such as, you know, even --
4 there's bipartisan support on it, even like the Chamber is
5 supporting it and other business communities.

6 BOARD MEMBER PACHECO: Okay. Thank you so much.

7 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yeah.
8 And I should note this -- I mean, last year the bill got
9 out of the House --

10 BOARD MEMBER PACHECO: Yes.

11 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: -- and
12 then died in the Senate. So, you know, we're hoping that
13 at some point -- it is a bipartisan issue, but I'm not
14 sure what the holdup is.

15 BOARD MEMBER PACHECO: On that note, is there a
16 companion bill in the House with respect to this?

17 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yes.
18 Congressman Meeks again has reintroduced and has the
19 companion bill in the House.

20 BOARD MEMBER PACHECO: And that's in the -- in
21 their committee as well.

22 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: It's
23 in the House Financial Services Committee and this year
24 did not move at all. It didn't get a markup or a hearing.

25 BOARD MEMBER PACHECO: Okay. Thank you so much.

1 I appreciate that.

2 PRESIDENT TAYLOR: Thank you, Mr. Pacheco. Thank
3 you, Mr. Brown. We don't see any other questions from the
4 Board.

5 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Okay.

6 PRESIDENT TAYLOR: Did you have anything else?

7 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Well,
8 I was just going to note, the letter on S2007 and our ISSB
9 survey are both posted on our website, if you want to find
10 them, and then the other two help letters should be up
11 there next week.

12 PRESIDENT TAYLOR: Okay. Perfect. Perfect. So
13 our health -- our letters to the legislatures, correct?

14 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yeah.

15 PRESIDENT TAYLOR: Thank you. Thank you very
16 much.

17 We're going to move on to 9b, which is summary of
18 Board direction.

19 Ms. Frost.

20 CHIEF EXECUTIVE OFFICER FROST: I did not note
21 any additional direction other than from the committees.

22 PRESIDENT TAYLOR: Thank you very much. I did
23 not either.

24 With that, we will move on to 9c, which is public
25 comment. So I have three public commenters. I don't

1 believe I have anybody on the, is that correct?

2 BOARD CLERK ANDERSON: (Nods head).

3 PRESIDENT TAYLOR: So I'm going to call Abe
4 Bailey, and Al Darby, and Debb Jachens down for the three
5 seats down here. We'll start with Abe Bailey.

6 And I think I mispronounced Deb's last name.
7 Sorry.

8 ABE BAILEY: Good morning. As I promised, this
9 is my first, last, and only comment to the Board. I would
10 hope for five minutes if you would be so kind.

11 PRESIDENT TAYLOR: We've got three minutes. You
12 didn't ask ahead of time. Sorry.

13 MR. BAILEY: All right. I'll get going then.
14 This is the journey of a long-time annuitant, 21 years.
15 In 20 years on and off the RPEA Board for whom I speak.

16 And I want to start with inspiration. "Life is a
17 curious treasure." That was a Hiroshima survivor well
18 into his eighties. "When you speak, speak wisely for the
19 sound lasts forever." That's a Native American elder.
20 And Octavia Butler, a science fiction writer said, "There
21 is only one constant truth and that is change."

22 My role now is as a subcommittee chair under
23 legislative action for RPEA. I'm proud to have a couple
24 of former Board members and the President and past
25 President of RPEA in my subcommittee. I answer to Randy

1 Cheek on the Legislative Action Committee.

2 I truly admire what CalPERS does. And personally
3 over those 21 years, you've been wonderful to me, my one
4 passed away wife, my current wife, and supposedly
5 indirectly all my children. Before retiring, I helped
6 found two significant boards in the north valley, Boys and
7 Girls Club and a community foundation. I was chair of the
8 Board of both of those and recognized what
9 responsibilities you must have on this unimaginably large
10 and unique situation.

11 You have plenary authority and fiduciary
12 responsibility. Now, I also happen to have gone to law
13 school with a fellow named Chuck Valdes. And I fully
14 understand what the constitutional slot you fill and that
15 plenary authority is amazing and it's yours. It's yours,
16 the Board, not the staff, the Board.

17 Anyway, after my wife died, I got off the RPEA
18 Board where I'd held two roles. And then shortly after
19 that, I got back on the Board. And when I was on the
20 first time in the early 2000s, I was excited. Oh, I'm
21 already down to 21 seconds. Good lord.

22 The CalPERS effect, where you actually made
23 corporations better. And -- but when I got back on the
24 Board, I see you are more a player than a broker. I want
25 you to be an honest broker. And the dismissive and

1 arrogant comment by the now resigned CIO of a drop in the
2 bucket would provide this -- the annuity for 1,700 of our
3 mid-range, our average people.

4 And finally, since three minutes goes so fast, I
5 would charge you to show what I tried to ask Mr. Miller
6 about at our GA, leadership from a bully pulpit. I mean,
7 you have a unique situation with plenary authority. And
8 please, transparency. Some other pension Board members
9 that said when Nicole resigned that you're in a fish bowl.
10 And you certainly are not in a fish bowl here in
11 California, because we have a hard time finding out what's
12 going on in all of your negotiations, especially with
13 keeping constant leadership at the CIO position and
14 performance. I hope to live long enough to use more of
15 your money and to see again an 80 percent funding.

16 Thank you for the extra time and I'm sorry. I
17 didn't take five, but well past three.

18 PRESIDENT TAYLOR: You did pretty gave. I give
19 you -- I had them give you a couple extra minutes, so
20 thank you, Mr. Bailey. We appreciate your comments.

21 ABE BAILEY: Thank you.

22 PRESIDENT TAYLOR: Mr. Darby, go ahead.

23 AL DARBY: Al Darby, Vice President, Retired
24 Public Employees Association. We want to make it clear
25 that RPEA's objective here is to reiterate its commitment

1 to safeguarding the members' money and CalPERS -- that
2 CalPERS holds in the PERF, grow its funded status, and
3 lessening the unfunded liability along with reducing
4 classic and PEPRAs employee and employer normal costs.
5 This could only come through frugal and transparent
6 administrative practices and investment policies that
7 retain and even increase the allocation of CalPERS in its
8 stable and reliable long-term portfolio of global
9 equities.

10 Despite its fluctuations, equities has been the
11 main source of PERF growth. It is liquid and its
12 valuation is always certain. Wall Street gurus continue
13 to make the same recommendation, invest in the S&P 500.
14 Artificial intelligence and internet security firms top
15 the list of high return opportunities. In addition, there
16 are some interesting new investment funds like art and
17 collectibles and other non-traditional stock funds that
18 offer some unique opportunities. And obviously, hydrogen
19 fuel, renewable energy, longer life, safe charging
20 batteries are among the options there.

21 In private equity, profits continue to decline.
22 Good investment opportunities are scarce, but there are
23 some still in the high tech and biomed. Bad HR behavior
24 that ethics violations -- cause ethics violations erode
25 the efficiency of private equity, and this section resists

1 stronger regulations.

2 Since 2008, PERF funded status has ranged from a
3 low 60 range to the low 70s. It was 81 percent for a
4 short time in mid-2022 after the big stock market run-up.
5 It stands at 72 percent today. Prior to 2008, the PERF
6 was often at or above a hundred percent. We need to
7 return to the safer at least 80 percent level. In late
8 2016, the discount rate was cut from seven and a half to
9 seven percent, causing increased employee and employer
10 normal costs to rises significantly.

11 The discount -- in 2022, the discount rate was
12 cut again to 6.8 while the average public pension fund is
13 at 7.2 percent. This raises employer/employee normal
14 costs and leads to lower benchmarks, and makes it easier
15 for CalPERS administrators and investment manages to
16 collect their bonuses. And the bonuses keep coming
17 despite poor investment returns. With the lackluster
18 CalPERS return to 21 percent in the boom fiscal year 2021,
19 while other funds produced close to 30 percent, along with
20 the seven and a half percent CalPERS fund loss in 21-22,
21 we know that better performance is possible. And after
22 seven years of PERF at 60/70 percent funded improvement si
23 needed. This evidenced by the consistent CalSTRS record
24 of outpacing CalPERS along with other sizable pension
25 funds -- public pension funds around the state that have

1 outperformed CalPERS. So we know that better per --
2 better results are possible.

3 One final note is that I would recommend that you
4 buy all the USFL franchises you can get your hands on.

5 (Laughter).

6 PRESIDENT TAYLOR: Mr. Darby, we hear you. Thank
7 you for your comments.

8 AL DARBY: Thank you.

9 PRESIDENT TAYLOR: Before I move on to Ms.
10 Jachens, Gail is now online, correct?

11 BOARD CLERK ANDERSON: (Nods head).

12 PRESIDENT TAYLOR: All right.

13 BOARD MEMBER WILLIS: Yes.

14 PRESIDENT TAYLOR: Thank you, Gail.

15 BOARD MEMBER WILLIS: You're welcome.

16 PRESIDENT TAYLOR: Debb, Go ahead.

17 DEBB JACHENS: Thank you, President Taylor. Debb
18 Jachens, California School Employees. I just look forward
19 to the employers forum in October and I can't encourage
20 you enough to keep an open mind and different modes of
21 education for the employers. Over the summer, we had the
22 opportunity to work with the Renee Ostrander in changing
23 the way that they delivered some training to the schools.
24 And the employers forum provides so much more of that to
25 them.

1 And I just wanted to call it out this month,
2 because of an error that occurred with the employers and
3 the employers continue to make those errors, where they
4 failed to enroll an employee for over 30 years. In
5 addition to that, when -- as you can imagine trying to
6 correct an error that was over 30 years old was, you know,
7 about digging through boxes of paper with probably moths.
8 There were no microfiche at that point, right? And when
9 it got stuck, I just would like to call out the ERT team,
10 Renee Ostrander, who over the last 10 days unclogged the
11 stick, got the employer to waive their appeal rights, and
12 allow this 70 plus year old woman who has been there for a
13 very long time to retire.

14 So the more that we can do to get the employers
15 to attend the CalPERS trainings, the more partnership that
16 we can do in advertising the trainings with you and for
17 you. The more that we could do to reach out, so that
18 they're accurate on behalf of our members, we will have a
19 more successful team together.

20 Thank you.

21 PRESIDENT TAYLOR: Thank you very much, Debb.

22 All right, everybody. With that, I am hearing no
23 additional public comments. Phone, anything?

24 BOARD CLERK ANDERSON: (Shakes head).

25 PRESIDENT TAYLOR: Okay. So we are going to move

1 into -- we'll adjourn right now into closed session for
2 items 1 through 3 from the closed session agenda. This
3 will include the following litigation matters: Wedding, et
4 al. v CalPERS and McCormick v. CalPERS, et al. We will
5 also receive the General Counsel's update on pending
6 litigation.

7 After the closed session, the Board will
8 reconvene in open session.

9 Thank you very much. Everybody have a nice rest
10 of your week, if you don't come back, and we will see you
11 all in November or at the Ed Forum.

12 (Off record: 9:39 a.m.)

13 (Thereupon the meeting recessed
14 into closed session.)

15 (Thereupon the meeting reconvened
16 open session.)

17 (On record: 10:46 a.m.)

18 PRESIDENT TAYLOR: All right. Thank you very
19 much, every one. We are reentering open session. Welcome
20 back.

21 We are going to adjourn this month's Board of
22 Administration and committee meetings and I have no public
23 comment. Thank you for joining us. We will see everybody
24 at the Ed Forum and then in November. Thank you very
25 much. Have a great rest of your week -- rest of your

1 week.

2 (Thereupon, the California Public Employees'
3 Retirement System, Board of Administration
4 meeting open session adjourned at 10:47 a.m.)

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