

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

THURSDAY, JUNE 22, 2023

9:49 A.M.

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

APPEARANCES

BOARD MEMBERS:

Theresa Taylor, President

David Miller, Vice President

Malia Cohen, represented by Lynn Paquin

Fiona Ma, represented by Frank Ruffino

Lisa Middleton

Eraina Ortega

Jose Luis Pacheco

Kevin Palkki

Ramón Rubalcava

Yvonne Walker

Mullissa Willette

Gail Willis, PhD

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

Nicole Musicco, Chief Investment Officer

APPEARANCES CONTINUED

STAFF:

Michele Nix, Acting Chief Financial Officer

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

Danny Brown, Chief, Legislative Affairs Division

David Teykaerts, Assistant Division Chief, Stakeholder Relations Division

ALSO PRESENT:

Al Darby, Retired Public Employees Association

Linda Evans, Mayor, City of La Quinta

INDEX

	<u>PAGE</u>
1. Call to Order and Roll Call	1
Closed Session	2
1. Call to Order and Roll Call	2
2. Pledge of Allegiance - Theresa Taylor	4
3. Board President's Report - Theresa Taylor	4
4. Chief Executive Officer's Report (Verbal) - Marcie Frost	8
5. Action Consent Items - Theresa Taylor	22
a. Approval of the April 18, 2023, Board of Administration Meeting Minutes	
b. Board Travel Approvals	
c. Approval of the June 22, 2023, Board of Administration Timed Agenda	
6. Information Consent Items - Theresa Taylor	23
a. Board Meeting Calendar	
b. Draft Agenda for the September 20, 2023, Board of Administration Meeting	
c. General Counsel's Report	
d. Communications and Stakeholder Relations	
7. Committee Reports and Actions	
a. Investment Committee (Verbal) - David Miller	23
b. Pension & Health Benefits Committee (Verbal) - Ramon Rubalcava	27
c. Finance & Administration Committee (Verbal) - Lisa Middleton	28
d. Performance, Compensation & Talent Management Committee (Verbal) - Jose Luis Pacheco	29
e. Risk & Audit Committee (Verbal) - David Miller	32
f. Board Governance Committee (Verbal) - Theresa Taylor	
8. Information Agenda Items	
a. State and Federal Legislative Update - Danny Brown	34
b. Summary of Board Direction - Marcie Frost	55
c. Public Comment	55

INDEX CONTINUED

	<u>PAGE</u>
Adjournment of Meeting	56
Reporter's Certificate	57

PROCEEDINGS

1
2 PRESIDENT TAYLOR: I'd like to call the Board of
3 Administration meeting to order. If we could go ahead and
4 call roll.

5 BOARD CLERK TRAN: Theresa Taylor?

6 PRESIDENT TAYLOR: Here.

7 BOARD CLERK TRAN: David Miller?

8 VICE PRESIDENT MILLER: Here.

9 BOARD CLERK TRAN: Lynn Paquin for Malia Cohen?

10 Frank Ruffino for Fiona Ma?

11 PRESIDENT TAYLOR: She's here somewhere.

12 ACTING BOARD MEMBER RUFFINO: Here.

13 BOARD CLERK TRAN: Lisa Middleton?

14 BOARD MEMBER MIDDLETON: Present.

15 BOARD CLERK TRAN: Eraina Ortega?

16 PRESIDENT TAYLOR: She also is here somewhere.

17 BOARD CLERK TRAN: Jose Luis Pacheco?

18 BOARD MEMBER PACHECO: Present.

19 BOARD CLERK TRAN: Kevin Palkki

20 BOARD MEMBER PALKKI: Good morning.

21 BOARD CLERK TRAN: Ramón Rubalcava?

22 BOARD MEMBER RUBALCAVA: Here.

23 BOARD CLERK TRAN: Yvonne Walker?

24 BOARD MEMBER WALKER: Here.

25 BOARD CLERK TRAN: Mullissa Willette?

1 BOARD MEMBER WILLETTE: Here.

2 BOARD CLERK TRAN: Dr. Gail Willis?

3 PRESIDENT TAYLOR: Is she on yet?

4 No. Okay.

5 Alright, let's note that Lynn Paquin for Malia is
6 here, Eraina Ortega is here, and Frank for Fiona is here.

7 BOARD CLERK TRAN: Noted.

8 PRESIDENT TAYLOR: At this point, we will recess
9 now into closed session for items 1 through 2 from the
10 closed session agenda, and then we will immediately
11 reconvene in open session after the closed session. So
12 thank you, everyone.

13 (Off record: 9:50 a.m.)

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

16 (Thereupon the meeting reconvened
17 open session.)

18 (On record: 10:35 a.m.)

19 PRESIDENT TAYLOR: Alright. Good morning, every
20 one. I'm calling the open session back to order. And our
21 first order of business is to do roll call one more time.

22 BOARD CLERK TRAN: Theresa Taylor?

23 PRESIDENT TAYLOR: Here.

24 BOARD CLERK TRAN: David Miller?

25 VICE PRESIDENT MILLER: Here.

1 BOARD CLERK TRAN: Lynn Paquin?

2 ACTING BOARD MEMBER PAQUIN: Here.

3 BOARD CLERK TRAN: Frank Ruffino?

4 ACTING BOARD MEMBER RUFFINO: Present.

5 BOARD CLERK TRAN: Lisa Middleton?

6 BOARD MEMBER MIDDLETON: Present.

7 BOARD CLERK TRAN: Eraina Ortega?

8 BOARD MEMBER ORTEGA: Here.

9 BOARD CLERK TRAN: Jose Luis Pacheco?

10 BOARD MEMBER PACHECO: Present.

11 BOARD CLERK TRAN: Kevin Palkki?

12 BOARD MEMBER PALKKI: Good morning.

13 BOARD CLERK TRAN: Ramón Rubalcava?

14 BOARD MEMBER RUBALCAVA: Present.

15 BOARD CLERK TRAN: Yvonne Walker?

16 BOARD MEMBER WALKER: Here.

17 BOARD CLERK TRAN: Mullissa Willette?

18 BOARD MEMBER WILLETTE: Here.

19 BOARD CLERK TRAN: Dr. Gail Willis?

20 PRESIDENT TAYLOR: Anything yet?

21 BOARD CLERK ANDERSON: Yes.

22 PRESIDENT TAYLOR: Okay.

23 BOARD CLERK TRAN: Dr. Willis, can you hear us?

24 BOARD MEMBER WILLIS: Yes, I can hear you. Can

25 you hear me?

1 BOARD CLERK TRAN: Yes, thank you.

2 PRESIDENT TAYLOR: Excellent. Thank you.

3 Next order of business is the Pledge of
4 Allegiance, and I have asked Lisa Middleton to lead us in
5 the pledge.

6 (Thereupon the Pledge of Allegiance was
7 recited in unison.)

8 PRESIDENT TAYLOR: Thank you, Ms. Middleton.

9 So it's been a long week. Good morning. Happy
10 Pride. Thanks, everybody, for being here all week. We
11 thank our stakeholders for their input.

12 June marks a month of celebrating the voices, and
13 lives, and contributions of our friends, family, and
14 colleagues in the LGBTQ+ community. This year's
15 celebrations are particularly important, given the record
16 breaking number of anti-LGBTQ+ pieces of legislation
17 introduced in State Houses across the country. According
18 to the Human Rights Campaign, that number has reached 520
19 bills with 220 bills specifically targeting transgender
20 and non-binary people. CalPERS is a place of acceptance
21 and inclusivity and we stand in solidarity with the LGBTQ+
22 community.

23 This month also includes Juneteenth, a holiday we
24 celebrated earlier this week marking the end of slavery in
25 the United States. Last year, Governor Newsom proclaimed

1 Juneteenth as a holiday along with Luna New Year, Native
2 American Day, and Genocide Remembrance Day. As we all
3 know, it is also a federal holiday, so eventually maybe he
4 will give the State workers the day off. We adjusted our
5 meeting schedule this week in recognition of Juneteenth
6 however. And I hope you were able to celebrate the day by
7 participating in one of our many events here in Sacramento
8 and around Sacramento.

9 So now I'd like to kind of -- we give you guys an
10 overview. There was several of us that went to the
11 Harvard Trustee Leadership Forum in Boston last week. And
12 I had the privilege to attend the Retirement Security
13 Forum at the Harvard University School of Law, which it
14 has moved from the Kennedy School of Administration --
15 Public Administration. The forum is specifically designed
16 for trustees of public and Taft-Hartley pension fan --
17 funds. So I want to kind of give a little bit of a
18 report. It focuses on the core issues we face in
19 developing strategies for long-term sustainable value
20 creation in all of our pension funds, and how we manage
21 that role, that portfolio theory, fiduciary duty,
22 stakeholder outreach, and legal issues that intersect with
23 our duties.

24 The goals of the program is to support systematic
25 thinking about responsible investment by trustees in the

1 service of long-term pension fund sustainability. This
2 year's program covered sustainability and the just energy
3 transition, investment risk in companies that deny
4 employees rights, racial equity, and private equity
5 benchmarking to name just a few of the topics. It was
6 kind of a meaty two days of meetings.

7 Trustees came from across the world. We had a
8 strong showing from California. We had some Canadians and
9 we had several trustees from Australia this year, as well
10 as from all over the country. We had Pennsylvania. We
11 had Chicago. So it was really a wonderful convening, and
12 we do convene this once a year for our educational
13 benefit.

14 Also, new this year to the Trustee Leadership
15 Forum is a mentoring program for new trustees on pension
16 funds, because it's a big learning curve for trustees and
17 it's being piloted by the Harvard Trustee Leadership
18 Forum, and all of us in attendance signed up for it as
19 part of our ongoing education. We'll give you a little
20 bit of feedback as we move into the program. And then I'd
21 like to ask, if you don't mind, Ms. Willette, if you'd
22 kind of share a few thoughts about your program -- the
23 program, just really quickly.

24 And let me-- if you'd push your button, I can --
25 thank you.

1 BOARD MEMBER WILLETTE: Thank you so much. As
2 President Taylor stated, it was a really educational
3 informing couple of days at the Trustee Leadership Forum.
4 We find it really enlightening to meet with other trustees
5 that are like us, right, as some of us are laypeople that
6 work each day, and then also have the massive
7 responsibility of the retirement security of, you know,
8 millions of folks. And so having that comradery amongst
9 other trustees, learning from each other, learning from
10 experts and other stakeholders is really valuable
11 education.

12 PRESIDENT TAYLOR: Thank you. Thank you.

13 And, Mr. Palkki, you're one of our newer ones.
14 I'd also like to hear from you on this.

15 BOARD MEMBER PALKKI: Yeah. Yeah. It was --
16 just to reiterate, it was a great convening, a lot of
17 great discussions. Being relatively new to the Board, a
18 lot of the information was relatively new to me. And so
19 to learn what's being done nationwide was a bit eye
20 opening, but then also it allows me to create my own
21 perspective of things and put them in perspective of what
22 we do here at CalPERS, and -- but it was also great to see
23 the respect that CalPERS receives nationwide. And so I
24 was very pleased to see that. So thank you.

25 PRESIDENT TAYLOR: Yeah. Thank you both. That

1 is very true. We walk in the room and we actually had a
2 contingent of five folks. Yes, definitely made an impact
3 for us being there, so...

4 Thank you, both, for giving us some of your
5 story. Finally, I wanted to invite our stakeholders to
6 join us for our off-site on July 17th through the 19th in
7 Monterey. The agenda should be posted just after the July
8 4th holiday. And I am -- I just want to wish everybody a
9 great weekend and the rest of the month. It is a short
10 month, it seems like it.

11 And I will move on to the Chief Executive
12 Officer's report.

13 CHIEF EXECUTIVE OFFICER FROST: Thank you. It
14 does feel like a short month.

15 Thank you, President Taylor and good morning,
16 everyone. I would like to first start my update on the
17 data compromise that was experienced at our death
18 identification vendor named PBI Berwyn. We did announce
19 this yesterday in the Risk and Audit Committee meeting, as
20 well as meeting with a number of our stakeholder groups.

21 You know, first, I'd like to thank our CalPERS
22 members for the trust that they do place with CalPERS to
23 protect their interests and provide for their futures.
24 But I do say that with some humility this morning, because
25 our CalPERS retirees are now starting to learn about the

1 data breach experienced by the vendor we use. And that
2 vendor's vulnerability means all of our retirees had
3 personal information that was wrongly obtained in a global
4 security breach.

5 I think we can all understand their fear and
6 frankly their frustration. At this point, we'd like to
7 assure those retirees we are working hard to assist them.
8 We have set up the free credit monitoring for two years,
9 as well as having our team ready to answer any questions
10 that they might have. There are two contact centers that
11 have been set up to address those questions.

12 Since we announced the third-party vendor
13 cybersecurity breach yesterday, the Experian contact
14 center received about 20 calls from the time of the news
15 release to this morning. And they track these numbers and
16 report them out to CalPERS on daily basis.

17 We had two of those members -- two of those 20
18 members who asked for a return call from a CalPERS team
19 member. The dedicated webpage that was set up had about
20 2,600 visitors yesterday, and I think partially this
21 morning. So the direct member letters that we spoke with
22 you about were started to be mailed this morning and they
23 have to be mailed in batches. I believe the first batch
24 is 100,000, followed by 250,000 per day, until we get to
25 the total population.

1 The dedicated email account - I think I mentioned
2 also that we have an email account - that our team is
3 resourcing that email account received six emails. And
4 the team has been able to respond within the 24 hours that
5 we've said would be our service level agreement to those
6 members. We will continue to keep our stakeholders
7 updated and update the frequently asked questions as new
8 questions are coming into the Contact Center that may not
9 directly be addressed in the current draft of the FAQs.

10 My email is popping up.

11 And then also just a commitment to work with the
12 retiree associations as well. We'll keep them updated on
13 a weekly basis. And if there's anything that we can help
14 them do, writing articles for their newsletter, whatever
15 that might be, we're here to help them as well.

16 So next, I'd like to speak about a few updates on
17 the events that we have taking place this summer. The
18 first one is next week. We're quite excited about
19 Catalyst. So beginning next Monday evening and then on
20 Tuesday and Wednesday, we'll convene our Catalyst Forum.
21 We're looking forward to what we're calling a next
22 generation investor event, one that is designed both for
23 allocators as well as investors, investor entrepreneurs,
24 and diverse managers.

25 Catalyst is really intended to forge those new

1 partnerships and explore opportunities that this audience
2 really has not had access to, and they've long been
3 underrepresented in the market as a result. Registration
4 is topping out at above 600 attendees. We -- I think I'd
5 mentioned to you or I reported out to all of you that we
6 had to suspend registration because we had hit capacity
7 for the hotel. We will report the outcomes of the event
8 in our July off-site on our DEI panel happening on day
9 one.

10 The second event I'd like to highlight, which is
11 two months later in August, we'll hold the Third Annual
12 Pathways for Women's Conference in recognition of Women's
13 Equality Day. This event will take place at the Anaheim
14 Hilton. And the dates are August 21st and 22nd. Now, in
15 its third year, we've made a format change that we're
16 really looking forward to.

17 We've chosen to split the conference into two
18 days, starting off with a keynote speaker on the 21st at 4
19 o'clock p.m. -- sorry about this -- and then moving
20 directly into our networking reception at 5:30 p.m. We'll
21 start day two at 9 a.m. with a full schedule of what we
22 really believe are inspiring and practical panel
23 discussions, along with a second keynote speaker, who will
24 lead an interactive session, similar to the session that
25 was done last year that the audience did appreciate, and

1 was noted in their review of the conference.

2 The current registration there is about 300
3 attendees, which is ahead of where we were at this time
4 last year. I think that's a good indicator of the growing
5 demand for the conference. Ms. Malm did indicate, but I
6 think it's worth repeating, our summer CBEEs, also called,
7 you know, defined as our Benefit Education Events. These
8 are, you know, really hallmark events where our members
9 can go and plan for their retirement. They're able to
10 talk directly to our team. They can do a sit and get,
11 kind of a sit and receive information, but also they can
12 go into the exhibition hall and meet directly with
13 retirement counselors, as well as vendors that we bring
14 on-site.

15 We do hear a lot of positive feedback about those
16 events. And the number one comment is they leave with a
17 much better understanding of how their benefit works and
18 then also the information that they need to plan for their
19 own retirement dates. So that first CBEE does take place
20 tomorrow and Friday in Bakersfield at the Marriott
21 Convention Center. And then July 27th and 27, it will be
22 in Eureka.

23 Next, which is a really fun part of my update
24 this morning, I'd like to spend a moment on our internal
25 recognition program called APEX. While we have several

1 ways to recognize our team members throughout the year,
2 the highest honor any team member can receive is to become
3 an APEX recipient. The rec -- the award recognizes
4 performance excellence above and beyond the day-to-day
5 responsibilities that our team has. Each year employees,
6 and any employee can nominate someone for an APEX award.

7 So CalPERS team members then determine who they
8 would like to nominate for one of those recognition
9 events. There are several criteria that need to be met
10 representing our core values, and a commitment to our
11 members, to the team, to efficiency and effectiveness, to
12 partnerships, or to best practices. APEX recipients are
13 genuinely admired for the work that they do, the way that
14 they support their teams, and their dedicated service to
15 our members.

16 I'm pleased to say that this year's class of
17 recipients is in the auditorium with us today. And so
18 I -- they will appear on the screen here shortly. There
19 they are. And so I'd also like to ask them to stand.

20 (Applause).

21 CHIEF EXECUTIVE OFFICER FROST: Just another
22 congratulations to all of them. This is -- like I said,
23 this is a peer-nominated award and there is a group of
24 team members around the organization who evaluate each one
25 of these applications, and it's a very high bar to hit.

1 So again, another congratulations to them.

2 Next up, just a quick update on the limited
3 duration regulations that the Board approved and we sent
4 over to Department of Finance. Those have been put on
5 hold and are due to expire next week. We have spoken with
6 Department of Finance on a couple of occasions to better
7 understand their concerns, and we will continue to work
8 with them over the next few months to determine if we can
9 find a path forward that we would then come back and bring
10 that -- those changes to the Board for your review and
11 subsequent approval.

12 Now on to a legislative item that I know many of
13 us have been spending time on. And this is our last
14 meeting of the fiscal year. Just taking a few moments to
15 discuss what's on the horizon for our investment returns,
16 and also the growing concerns we have with an effort to
17 force CalPERS and CalSTRS to sell off billions of dollars
18 in energy related assets.

19 We won't have all of the data for a few more
20 weeks, but we do expect to have another tough year for
21 overall investment returns. Our expectation and your
22 direction as a Board is to generate annual returns of 6.8
23 percent in order to provide the retirement benefits that
24 we have promised to the members. The 6.8 percent is used
25 in calculating what we call the normal cost of the

1 retirement contributions and that is paid by employers as
2 well as by our members.

3 When CalPERS does not hit that 6.8 percent
4 return, the difference between that expectation and what
5 we actually earned moves to what's called the unfunded
6 actuarial liability number, which is paid predominantly,
7 although there are some situations where there is the
8 member's share and that as well, which is paid by our
9 public employers with an additional 6.8 percent interest
10 charged on that.

11 As an underfunded system roughly having 72
12 percent of the assets needed to pay liabilities, every bit
13 of return matters. And that's why we've been particularly
14 worried about this group of very passionate,
15 well-intended, but, you know, frankly misguided
16 Californians who believe that CalPERS should be forced to
17 divest more than \$9 billion of investments in the energy
18 sector. That's what's at stake as the California
19 Legislature continues to consider Senate Bill 252.

20 No one disputes that some of the companies
21 targeted by Senate Bill 252 must do more in the global
22 fight against the climate change. And also the fact that
23 we are in those energy companies is not an endorsement of
24 CalPERS that these companies are doing all the right
25 things.

1 And as investors, we are there day in and day out
2 demanding that they do better, that they are transparent
3 about energy transition impacts and the associated risks.
4 And you heard some of that yesterday -- or, excuse me, on
5 Tuesday in Mark Carney's presentation on what it's going
6 to take to transition the energy sector. It's trillions
7 of dollars. But we really don't believe that Senate Bill
8 252 is the right solution. It does assume that none of
9 the energy companies want to be a part of a low carbon
10 future. It assumes the voice we have in the marketplace
11 should also be silenced. If you don't hold shares, you
12 don't get to vote your proxy.

13 And Senate Bill 252 does assume that a broad
14 based divestment doesn't violate the fiduciary duty to
15 California's public servants and their families and the
16 fiduciary duty that you all are held personally
17 responsible for.

18 We work really hard here to identify risk. So
19 let's talk for a few minutes about the risk that would
20 arise from a ban on investing in an entire sector of the
21 global economy. First, I think we would call the bottom
22 line. The assets identified by Senate Bill 252 are valued
23 again at more than \$9 billion. That's a value that's
24 larger than any other divestment effort that has come
25 before it. It would far eclipse the 2001 decision to

1 divest from the tobacco industry, a decision that's now
2 valued at a net loss of more than \$4 billion, according to
3 the report that Wilshire provides to us on an annual
4 basis.

5 As a reminder, pension math is really quite
6 simple. Every dollar in retirement promises that isn't
7 paid by our investments must be paid instead out of the
8 budgets of State and school -- or excuse me, State and
9 local governments, and schools, and in some circumstances,
10 by our members, as I indicated earlier. But I do want to
11 be really clear on this, that -- the numbers on SB 252 are
12 troubling to our fiduciary responsibility. Our team has
13 indicated that the bill results in a 4.4 basis point per
14 year loss over 10 years and a 3.6 basis point loss over a
15 20-year time period.

16 Based on those numbers, the mandatory divestment
17 from these energy companies could trigger higher payments
18 from our employer partners by an average of at least \$328
19 million every year for 20 years. By the middle of this
20 century that could be a net cost where our public sector
21 employers own more than six and a half billion dollars.
22 And here is why S -- excuse me, where SB 252 supporters
23 make one of the most troubling claims that we've had to
24 address in our visits with stakeholders and legislators.
25 They've actually said that CalPERS can easily divest from

1 these investments because other pension funds around the
2 world have already done so with little or no impact.

3 One of the examples that is often cited is the
4 Netherlands National Pension Fund and its decision to
5 divest from fossil fuels. But what is not clear and what
6 is not being said is that the Netherlands Pension System,
7 which is a fund I know pretty well, is 124 percent funded.
8 It actually has more money on hand than pension
9 commitments. It also has what is called risk sharing -
10 that is their term, not mine - where if they drop below a
11 certain funded status, they can reduce pensioners' checks,
12 something that we would never want to do here. Our
13 members have worked very hard for their pensions. And
14 what the -- that system assumes to earn on their
15 investments is roughly half of what we expect to earn in
16 most of the U.S. plans.

17 That's why we talk so much about fiduciary duty.
18 As much as we have a wide array of policy goals, those
19 efforts must first meet our responsibility to do what's in
20 the financial best interest of our two million members.
21 And we believe in moving toward a low carbon economy. And
22 you're going to see that path to net zero and the path to
23 strategy -- 2030 strategy at the July off-site. So a lot
24 more context about -- around the comments that I'm making
25 to you today.

1 We are continually looking at ways to ensure that
2 our portfolio is on the road to those net zero emissions.
3 We do continue to believe, and we identified this as one
4 of the key risks to the system, is climate change. And we
5 believe that that is a clear risk to the long-term
6 sustainability of the markets and then subsequently to the
7 trust fund. But as we work toward dressing these -- the
8 global crisis, we must also meet the needs of our members,
9 whether that's a firefighter, whether that's a school
10 cafeteria worker, whether that's a 911 dispatcher. We
11 know that our job first, and foremost, and only is to be
12 able to pay those benefits.

13 We know that Senate Bill 252 feels like the right
14 thing to do for some people, but the sponsors do admit
15 that forcing CalPERS to sell energy investments won't cost
16 the companies a penny. Other investors who don't speak up
17 in the manner in which we do, and really ask the questions
18 that we ask at the table, will simply take our place.

19 So Senate Bill 252 does face some key hearings
20 potentially in the coming days in the State Assembly. We
21 urge legislators to read the fine print of the bill.
22 There is a provision in SB 252 that would take effect on
23 January 1, one that says CalPERS cannot make any new
24 investments or renew its existing investments in these
25 companies. That would require a full fiduciary review

1 before the end of this year.

2 We do prefer to stay out of public debates on
3 these topics typically, but unfortunately it's not a time
4 that we can be silent. The impact is too great. We do
5 urge legislators -- and in my meetings, and I know some of
6 you have met with legislators as well, that we just ask
7 that they continue to work with us to find a better way
8 forward. We're happy to come and participate in a hearing
9 to explain our net zero path, once we've had an
10 opportunity to present that to all of you and get your
11 feedback and comments.

12 That does conclude my report, President Taylor.

13 PRESIDENT TAYLOR: Thank you, Marcie. That was
14 really informative. We really appreciate you going into
15 depth on that. So thank you very much.

16 The one thing I wanted to ask is on the reporting
17 for -- from Equifax -- not Equifax.

18 PRESIDENT TAYLOR: Experian.

19 PRESIDENT TAYLOR: -- Experian, are we also
20 keeping track of how many of our internal calls are
21 actually focused on this issue?

22 CHIEF EXECUTIVE OFFICER FROST: Yeah.

23 PRESIDENT TAYLOR: Okay.

24 CHIEF EXECUTIVE OFFICER FROST: Yeah, and we can
25 provide that on our tracking. Not only will we update our

1 stakeholders, I'll provide a weekly report to the Board --

2 PRESIDENT TAYLOR: Okay.

3 CHIEF EXECUTIVE OFFICER FROST: -- on the
4 activity that I spelled out in the report.

5 PRESIDENT TAYLOR: Perfect. That's what I was
6 going to ask, if we could get a report on that.

7 Thank you very much.

8 CHIEF EXECUTIVE OFFICER FROST: Alright. You're
9 welcome.

10 PRESIDENT TAYLOR: Moving on to action Item 5,
11 action consent items.

12 Oh, You have a question. I'm so sorry. Hold on
13 second. Go ahead.

14 BOARD MEMBER PACHECO: Thank you. Thank you,
15 President Taylor. And thank you, Ms. Frost, for your
16 presentation. I just want to go back to SB 252 and I just
17 wanted to understand where are we exactly? Where is the
18 bill exactly now in what Committee or is it already in the
19 Governor's office? I'm just curious where it is.

20 CHIEF EXECUTIVE OFFICER FROST: Yeah. So the
21 bill -- Senate -- SB 252 again did pass off of the Senate
22 floor and it moves over to the Assembly. So the Assembly
23 has not scheduled a hearing -- Assembly PERS Committee has
24 not scheduled a hearing on this bill yet. There are three
25 potentials for a hearing date, but it has not been

1 scheduled yet.

2 BOARD MEMBER PACHECO: Okay. And if there's a
3 schedule that -- would they be -- would we be informed of
4 the schedule?

5 CHIEF EXECUTIVE OFFICER FROST: Danny tracks that
6 for us.

7 BOARD MEMBER PACHECO: Okay. Very good then.
8 Thank you very much.

9 CHIEF EXECUTIVE OFFICER FROST: Um-hmm.

10 PRESIDENT TAYLOR: Alright, any other questions
11 from the Board before we move on?

12 All right. Action consent item number 5.

13 VICE PRESIDENT MILLER: Move approval.

14 BOARD MEMBER PACHECO: (Hand).

15 PRESIDENT TAYLOR: Moved by Mr. Miller, seconded
16 by Jose Luis Pacheco. And that's for A and B, approval of
17 the meeting minutes, Board travel approvals. And because
18 we have someone online, we have to take roll call vote.
19 So go ahead.

20 BOARD CLERK TRAN: David Miller?

21 VICE PRESIDENT MILLER: Aye.

22 BOARD CLERK TRAN: Lynn Paquin?

23 ACTING BOARD MEMBER PAQUIN: Aye.

24 BOARD CLERK TRAN: Frank Ruffino?

25 ACTING BOARD MEMBER RUFFINO: Aye.

1 BOARD CLERK TRAN: Lisa Middleton?

2 BOARD MEMBER MIDDLETON: Aye.

3 BOARD CLERK TRAN: Eraina Ortega?

4 BOARD MEMBER ORTEGA: Aye.

5 BOARD CLERK TRAN: Jose Luis Pacheco?

6 BOARD MEMBER PACHECO: Aye.

7 BOARD CLERK TRAN: Kevin Palkki?

8 BOARD MEMBER PALKKI: Aye.

9 BOARD CLERK TRAN: Ramón Rubalcava?

10 BOARD MEMBER RUBALCAVA: Aye.

11 BOARD CLERK TRAN: Yvonne Walker?

12 BOARD MEMBER WALKER: Aye.

13 BOARD CLERK TRAN: Mullissa Willette?

14 BOARD MEMBER WILLETTE: Aye.

15 BOARD CLERK TRAN: Dr. Gail Willis?

16 BOARD MEMBER WILLIS: Aye.

17 PRESIDENT TAYLOR: Alright, the motion carries.

18 Thank you very much.

19 Moving on to information consent items. I have
20 not received anything from the Board members to pull any
21 items, so we will move on to -- hold on a second -- the
22 Committee reports. And my first committee up is
23 Investment Committee. And for that -- Mr. Miller, hold on
24 a second. Alright, go ahead, Mr. Miller

25 VICE PRESIDENT MILLER: Hello, everyone.

1 The Investment Committee met on June 30th[SIC],
2 2023. Covered Agenda Item 5a, divisions to the CalPERS
3 Investment Policy for Insider Trading. So the Committee
4 voted to postpone approval of the revisions to the
5 Statement of Investment Policy for Insider Trading until
6 the September 2023 Investment Committee meeting and to
7 provide a copy of the imposed policy -- proposed policy to
8 union and supervisors prior to the September meeting.

9 The Committee received reports on the following
10 topics: current trends in investing and sustainability,
11 Investment Office 2022 to 2023 strategic initiatives
12 update, quarterly Chief Investment Officer report, private
13 equity annual program review, real assets annual program
14 review, and introduction to risk budgeting strategy.

15 The Chair directed staff to: provide the
16 Investment Policy for Insider Trading to the union and
17 supervisors prior to approval in September, provide a
18 review and refresh of the real estate Responsible
19 Contractor Policy, RCP, as soon as feasible, provide a
20 discussion of ESG principles at the July off-site, and
21 provide updates to the Board regarding steps taken in
22 response to the labor dispute that was mentioned in public
23 comments.

24 The Committee heard public comment on the
25 following topic: climate change and labor disputes.

1 At this time, I would like to share some
2 highlights of what to expect at the September Investment
3 Committee meeting: CalPERS trust level review, CalPERS
4 trust level review consultant report, global fixed income
5 annual program review, and global public equity annual
6 program review.

7 The next meeting of the Investment Committee is
8 scheduled for September 18th, 2023 in Sacramento,
9 California. That concludes my report Madam President.

10 PRESIDENT TAYLOR: Thank you, Chair Miller.
11 Before we move on to 7b, I understand that Mr. Darby would
12 like to make public comment. So please come up here.

13 MR. DARBY: Is this on?

14 PRESIDENT TAYLOR: You're on.

15 MR. DARBY: Okay. Al Darby, Retired Public
16 Employees Association, Vice President. Good morning to
17 the Board. And I just want to make a quick comment about
18 what happened in the Investment Committee on Tuesday
19 regarding concerns by some members of the Board about the
20 questionable behaviors or certain behaviors of private
21 equity GPs regarding some events that have occurred in
22 their operations, one of which was the child labor issue,
23 and the other -- another was Carlyle and huge oil holdings
24 that they have, and the questionable conversion that these
25 oil companies are making to renewable energy.

1 Another concern was medical delivery entities
2 that are being gobbled up by private equity and situations
3 like ACO REACH, and so forth, that have some dire results
4 already. And then there was one problem with sexual
5 harassment in one of the GP portfolio companies, I
6 believe, as well as grocery chain labor issues.

7 But I want to -- what I intend to do was to add
8 another concern and that is ESOPs. We have several, you
9 know, general partner that are involved in using ESOP as a
10 way to relieve themselves of questionable and
11 unprofitable -- unperforming portfolio companies. And
12 they tried to give the impression that these were
13 altruistic efforts on their part to provide their -- the
14 employees of these acquired companies a way to, you know,
15 improve their life in general. But it turns out that
16 generally speaking these ESOPs are simply designed as a
17 tool for general partners to either lend money to them and
18 then got a tax advantage. There's certain tax advantages
19 attached to ESOPs related to these portfolio companies.

20 So it's questionable and certainly should be
21 added to your list of concerns about the behaviors of
22 these general partners in private equity.

23 Thank you.

24 PRESIDENT TAYLOR: Mr. Darby, I appreciate it.
25 If you wouldn't mind putting that in an email to the

1 Board, so we can forward it. Thank you.

2 MR. DARBY: Okay. Thank you.

3 PRESIDENT TAYLOR: Alright, moving on to 7b,
4 which is Pension and Health Benefits Committee. And for
5 that I'm calling on Ramón Rubalcava.

6 BOARD MEMBER RUBALCAVA: Thank you, President
7 Taylor. The Pension and Health Benefits Committee met on
8 June 21st, 2023. The Committee received reports on the
9 following topics:

10 The Committee received the preliminary 2024
11 Health Maintenance Organization and Preferred Provider
12 Organization's plan premiums. The Committee received
13 public comment regarding continued opposition on ACO REACH
14 from CSR and is hopeful CalPERS can support their request
15 to end it immediately as well as -- and put it on the
16 agenda for discussion.

17 The Chair directed staff to: enhance the letter
18 to members receiving a nine percent or higher increase to
19 include -- that's a premium increase, to increase -- to
20 include additional and regional information about
21 alternative pricing and options, as well as remind them of
22 the tools on the myCalPERS website, which includes
23 viewing, which plans cover which doctors; deliver the
24 message to the plans to sharpen their pencils before July;
25 and provide the Board any additional information in

1 preparation for the July meeting so the Board can make
2 decisions.

3 At this time, I would like to share some
4 highlights of what to expect at the September Pension and
5 Health Benefits Committee: Finalize the HMO and -- I'm
6 sorry, the final HMO and PPO health plan rates will be
7 approved at the July Board of Administration off-site; the
8 Committee will review an update on the Health Benefits
9 Program proposals for the 2025 plan year.

10 The next meeting of the Pension and Health and
11 Benefits Committee is scheduled for September 19th in
12 Sacramento, California.

13 That concludes my report, Madam President.

14 PRESIDENT TAYLOR: Thank you, Mr. Rubalcava.

15 Moving on to 7c, Finance and Administration
16 Committee. And for that, I'm calling on Ms. Middleton.

17 BOARD MEMBER MIDDLETON: Thank you, Madam
18 President.

19 The Finance and Administration Committee met on
20 June 21, 2023. The Committee received a report on the
21 semi-annual health plan financial report.

22 At this time, I would like to share a highlight
23 of what to expect at the September 2023 Finance and
24 Administration Committee meeting: One, annual actuarial
25 valuation for Terminated Agency Pool; two, CEM

1 transparency update.

2 In addition, yesterday -- on the 21st, the
3 Committee heard a public comment regarding CalPERS
4 Investment Policy for investor insider trading.

5 The next meeting of the Finance and
6 Administration Committee is scheduled for September 19,
7 2023 in Sacramento.

8 Thank you.

9 PRESIDENT TAYLOR: Thank you, Ms. Middleton.

10 Moving on to the Performance, Compensation and
11 Talent Management Committee meeting. And for that, I call
12 on Director Pacheco.

13 BOARD MEMBER PACHECO: Thank you, Madam President
14 Taylor.

15 The Performance, and Compensation, and Talent
16 Management Committee met on June 22nd, 2023. The
17 Committee recommends and I move the Board approve the
18 following:

19 Agenda Item 5a, annual review of the 2023-2024
20 incentive metrics. Approve the incentive metrics for the
21 fiscal year 2023-2024 as presented by the Board's
22 compensation consultant Global Governance Advisor.

23 Agenda Item number 5b, 2023-2024 incentive plan
24 of the Chief Executive Officer. Approved -- approve the
25 fiscal year 2023-2024 incentive plan for the Chief

1 Executive Officer as proposed by the Board's compensation
2 consultant, Global Governance Advisor.

3 And finally, Agenda Item 5c, revision to the
4 Board's Compensation Policy for executive and investment
5 management position. Approve the revision to the Board's
6 Compensation Policy for executive and investment
7 management positions as presented by the Global Governance
8 Advisor, GGA, the Board's primary executive and investment
9 compensation consultant.

10 PRESIDENT TAYLOR: Okay. Thank you. Any
11 discussion on any of these agenda items from the Board?

12 On motion by Committee. All -- whoops, we have
13 to do a roll call vote. Thank you.

14 BOARD CLERK TRAN: David Miller?

15 VICE PRESIDENT MILLER: Aye.

16 BOARD CLERK TRAN: Lynn Paquin?

17 ACTING BOARD MEMBER PAQUIN: Aye.

18 BOARD CLERK TRAN: Frank Ruffino?

19 ACTING BOARD MEMBER RUFFINO: Aye.

20 BOARD CLERK TRAN: Lisa Middleton?

21 BOARD MEMBER MIDDLETON: Aye.

22 BOARD CLERK TRAN: Eraina Ortega?

23 BOARD MEMBER ORTEGA: Aye.

24 BOAR 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 BOARD CLERK TRAN: Dr. Gail Willis?

10 BOARD MEMBER WILLIS: Aye.

11 PRESIDENT TAYLOR: Motion carries. Thank you
12 very much. You can go on, Mr. Pacheco.

13 BOARD MEMBER PACHECO: Thank you, President --
14 Madam President Taylor. The Committee received reports on
15 the following topics: updated Compensation Policy for
16 executive and investment management positions to implement
17 previous Board direction.

18 The Chair directed the staff to explore other
19 languages for the annual stakeholder survey.

20 At this time, I would like to share some
21 highlights of what to expect at the September Performance,
22 Compensation and Talent Management Committee meeting. The
23 Committee will conduct the annual performance evaluation
24 of the Chief Executive Officer and review the CEO's report
25 for the fiscal 2022-2023 performance for executives and

1 investment management positions in closed session.

2 The next meeting of the Performance,
3 Compensation, and Talent Management Committee is scheduled
4 for September 19th, 2023 in Sacramento, California.

5 Thank you.

6 PRESIDENT TAYLOR: Thank you, Mr. Pacheco.

7 Moving on to the Risk and Audit Committee, I call
8 on Mr. Miller.

9 VICE PRESIDENT MILLER: Hello again. The Risk
10 and Audit Committee met on June 21st, 2023.

11 The Committee recommends and I move the Board
12 approve the following:

13 Agenda Item 5a, 2023 to 24 Enterprise Compliance
14 and Risk Management plans. Approve the proposed 2023 to
15 2024 Enterprise Compliance and Risk Management plans.

16 Agenda Item 5b, this will be for approval of the
17 proposed 2023 to 2024 Office of Audit Services plan.

18 Agenda Item 5c, approve the proposed independent
19 auditor's annual plan.

20 And Agenda Item 5d, approve staff's
21 recommendation to amend the CalPERS Conflict of Interest
22 Code followed by submission to the Office of
23 Administrative law on conclusion of the comment periods,
24 if no public comments are received.

25 PRESIDENT TAYLOR: On motion by Committee. Are

1 there -- is there any discussion from the Board?

2 Alright, seeing no discussion, roll call vote,
3 please.

4 BOARD CLERK TRAN: David Miller?

5 VICE PRESIDENT MILLER: Aye.

6 BOARD CLERK TRAN: Lynn Paquin?

7 ACTING BOARD MEMBER PAQUIN: Aye.

8 BOARD CLERK TRAN: Frank Ruffino?

9 ACTING BOARD MEMBER RUFFINO: 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: Aye.

22 BOARD CLERK TRAN: Mullissa Willette?

23 BOARD MEMBER WILLETTE: Aye.

24 PRESIDENT TAYLOR: Thank you. The --

25 BOARD CLERK TRAN: Dr. Gail Willis?

1 BOARD MEMBER WILLIS: Aye.

2 PRESIDENT TAYLOR: Thank you. Motion carries.
3 Was there anything else?

4 VICE PRESIDENT MILLER: Yeah. The Committee
5 thanks the Board for their vote.

6 The Committee received reports on the following
7 topics: the 2022 to 23 Annual Compliance Report.

8 The next meeting of the Risk and Audit Committee
9 is scheduled for September 19th, 2023 in Sacramento,
10 California. And that concludes my report Madam President.

11 PRESIDENT TAYLOR: Thank you very much.

12 That concludes Agenda Item 7, Committee reports.

13 We will move on to Agenda Item 8, information
14 agenda items, starting with the State and federal
15 legislative update. Mr. Brown.

16 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Good
17 morning, Madam Chair and Board members. Danny Brown,
18 CalPERS team member. And I have Dan Crowley joining me on
19 the phone to assist with the federal update, but we will
20 start with the State.

21 On the State side, pending legislation is being
22 considered in second House policy committees with the
23 deadline to pass those committees by July 14th. After
24 this deadline, the Legislature has a four week summer
25 recess before it reconvenes in mid-August to finish the

1 2020 -- 2023 session by September 14th. So by the time we
2 meet in September, the Legislature will be done with their
3 work and we'll just be waiting for the Governor to sign
4 and veto bills.

5 Now, I just want to update you on a few bills
6 starting with SB 885. This is the Retirement Committee's
7 Omnibus Bill, which contains several provisions pertaining
8 to CalPERS, as well as with CalSTRS, and the '37 Act
9 counties. The Committee took it upon themselves to amend
10 the Bill earlier this month to align provisions in the
11 PERL with the Internal Revenue Code as it relates to
12 required minimum distributions in order to conform with
13 recent changes in the SECURE Act 2.0 and any future
14 increases in federal law.

15 So earlier this year, or the end of last year,
16 you may recall that the federal government passed a bill
17 that changed the -- increased the required minimum
18 distribution ages from 72 to 73 this year, and then it
19 goes up to 75 in 2033. So this will just make sure that
20 our law is conformed with that. The bill did pass out of
21 the second House policy committee and is now awaiting to
22 be heard in Assembly Appropriations.

23 Another bill I wanted to mention is SB 300, since
24 Mr. Pacheco asked about it in April. The scope of this
25 bill was substantially narrowed coming out of Senate Labor

1 to only require the LAO to perform an analysis on bills
2 that dealt with divestment or limiting a retirement
3 board's investment authority. Despite these amendments to
4 narrow the bill, it was still held in Senate
5 Appropriations or -- so that bill is dead for the year.

6 PRESIDENT TAYLOR: Mr. Brown, can I interrupt
7 you?

8 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Sure.

9 PRESIDENT TAYLOR: Ms. Middleton had a question.

10 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Oh,
11 I'm sorry.

12 BOARD MEMBER MIDDLETON: It's later.

13 PRESIDENT TAYLOR: Oh, it is for later. Okay.

14 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: And
15 then just to end with SB 252, I know Ms. Frost did do a
16 great job of outlining our concerns and the messaging
17 we've been providing to members of the Assembly PERS
18 Committee, I'll just kind of touch on the logistics a
19 little bit more. The Assembly PERS Committee has a
20 hearing scheduled for next Wednesday June 28th. As of
21 right now, this bill is not on that agenda. And then
22 their next hearing after that is likely July 12th. And as
23 of right now, they have not put out an agenda for that
24 hearing. If it does get out of the PERS Committee, then
25 it would go to Appropriations. Likely, some -- it will

1 be -- we'll just -- we'll know if it gets out of
2 Appropriations sometime at the end of August. So that's
3 kind of the timeline that we're working on right now.

4 This bill will be -- definitely be the -- my
5 focus for the next three weeks. And, you know, we're
6 coordinating our efforts with CalSTRS and other
7 stakeholder groups who are opposed to the bill as we
8 advocate on this bill over this -- over this next three
9 weeks.

10 So that ends my State update and I was going to
11 move to the federal update, unless you want to take
12 questions on the State first.

13 PRESIDENT TAYLOR: Mr. Brown, I had a question.
14 So on 252, I really appreciate Ms. Frost's presentation.
15 So I understand the PERS Committee has not yet taken it
16 up. And we had a discussion with one of the Assembly
17 folks. In the PERS Committee, are they going to take up?
18 Do we know where that's going?

19 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: We
20 don't know at this point. You know, it's kind of a wait
21 and see. But obviously, we're, you know, pushing that if
22 the bill is taken up, that we get the necessary no votes
23 to stop the bill in the Assembly PERS Committee.

24 PRESIDENT TAYLOR: If we need to go back and
25 visit, I'd be happy to help. I'm sure many of the Board

1 members would. So thank you very much. Oh, you do have a
2 question. Thank you.

3 Oh, you turned yourself off. I had you on.

4 BOARD MEMBER MIDDLETON: Alright. Thank you.
5 Danny, one bill that I got some interest in is SB 839,
6 which deals with, as I understand it, equalizing the
7 ability for individuals to access obesity drugs. Could
8 you talk about that bill and any position that CalPERS has
9 taken on the bill?

10 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Sure.
11 As of right now, we have not, you know, taken a -- brought
12 it to the Board for a position. It is something that
13 we're closely watching as a master bill. The bill is a
14 two-year bill, so it will be something -- we're waiting
15 for the CHBRP, the entity that has to put out a fiscal
16 analysis on any mandated health bill. So we're waiting
17 for their analysis to come out. We know this not a
18 benefit that we do -- that we do cover, so there will be
19 some cost on it, but that doesn't necessarily mean it's a
20 bad policy. So but right now we're just -- we're -- we'll
21 probably pick this one up later in the year once it starts
22 moving again.

23 BOARD MEMBER MIDDLETON: So for our members, this
24 is going to be a covered benefit, correct?

25 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: If --

1 I mean, if the bill passes, but I'll let Don.

2 CHIEF HEALTH DIRECTOR MOULDS: Yeah, it is -- it
3 is a covered benefit. It will be a covered benefit
4 starting in 2024 for our members. It's a -- there are --
5 it's an extraordinarily expensive class of drugs that --
6 as you know, so there will be utilization management
7 protocols in place to make sure that it's appropriately
8 used, and addresses -- you know, hits the right target
9 audiences et cetera.

10 You know, a year's supply of some of these drugs
11 exceeds the cost of a year's health insurance. So it's
12 obviously something we're being really careful with, but
13 obesity is a -- is a huge detriment to the health of many
14 of our members. And we're excited about the prospect of a
15 drug that helps address the condition.

16 BOARD MEMBER MIDDLETON: And I really want to
17 applaud you, and Dr. Logan, and everyone for the steps
18 that you've taken on this. And this is, as I understand
19 it, independent of this legislation. But I would like to
20 ask, and since this is a two-year bill, we do have some
21 time, that we have an evaluation and perhaps give the
22 Board an opportunity to make a determination as to whether
23 we want to take a position in support of this bill.

24 Thank you.

25 PRESIDENT TAYLOR: Thank you. Alright, Mr.

1 Brown, you can move on.

2 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Sure.
3 So now moving to the federal update. But before I hand it
4 off to Dan Crowley, I did want to mention two comment
5 letters that we have submitted since the last Board
6 update. At the end of April, we wrote to the Substance
7 Abuse and Mental Health Services Administration in support
8 of their draft 2023-2026 strategic plan aimed at various
9 efforts to improve behavioral health access and treatment.

10 And then last week, we submitted a letter of
11 support to Health and Human Services in response to its
12 proposed HIPAA privacy rule on reproductive health care
13 privacy, which aligns with our current goals and strategic
14 priorities related to achieving equitable health outcomes
15 and ensuring that our members have access to care when and
16 where they need it.

17 We also supported recommendations to expand the
18 definition of highly sensitive PHI to include sexual
19 health and gender affirming care or health services
20 supporting gender diverse individuals. Both of these
21 letters are posted on our external website.

22 And with that, I can turn it over to Dan Crowley,
23 if he's on the line.

24 MR. CROWLEY: Thank you, Danny. Can you hear me?

25 PRESIDENT TAYLOR: Yes.

1 MR. CROWLEY: Okay. Great. Madam Chairman and
2 members of the Board. My name is Dan Crowley. I'm
3 privileged to lead the team that is your federal policy
4 counsel in Washington D.C. Unfortunately, I'm not able to
5 be joined by my two primary colleagues on this matter.
6 Bill Kirk just had back surgery that he's recovering from
7 and Karishma has a meeting at this time in the
8 administration, so it's just me.

9 I'll give you a quick overview on where things
10 have developed since our last discussion and then I'd be
11 happy to take any questions. But you will remember that
12 when I was with you in person in March, I talked about the
13 new dynamic between the House leadership and in particular
14 Kevin McCarthy and Hakeem Jeffries close bipartisan
15 working relationship and I expressed optimism that that
16 would lead to bipartisan solutions to policy challenges.

17 Since then, we've had a debt ceiling increase
18 with broad bipartisan support. And hopefully that bodes
19 well for negotiations going forward, but it's also
20 important to note that the Chairman of the House Financial
21 Services committee Patrick McHenry has also been working
22 in bipartisan fashion to such an extent that on June 6th
23 after the House passed eight financial services related
24 bills, ranking member Maxine Waters put out a press
25 release praising the effort, and even indicating that five

1 of the bills that were passed with broad bipartisan
2 support by the House were actually introduced by
3 Republicans. So that's a very welcome development.

4 Unfortunately, it is juxtaposed juxtapose with
5 the ESG debate, which is heating up for good, the long
6 awaited report of the Republican ESG working group we
7 understand is going to be issued tomorrow. It will be 14
8 or 15 pages long and will be a high level summary of
9 justifications for pursuit of legislation, much of which
10 we've seen before, including a bill that was just
11 introduced yesterday Andy Barr in Ensuring Sound Guidance
12 Act, or the ESG Act, which goes to this whole question of
13 pecuniary factors that was the subject of the DOL ESG
14 guidance that we've discussed many times over the years,
15 starting in the Obama administration when they opened the
16 door to fiduciaries, such as yourselves, taking into
17 consideration ESG factors, to the Trump administration,
18 which tried to put the toothpaste back in the tube by
19 establishing a pecuniary return requirement.

20 That was changed again by the Biden
21 administration, prompting a congressional resolution, a
22 bicameral resolution disallowing the new ESG guidance.
23 When I say new, somewhat tongue in cheek, because it's
24 very close to what the Obama administration had
25 promulgated. But that rule was -- or guidance an ES --

1 from DOL was subject to a disapproval resolution that
2 passed the House of Representatives on February 28th and
3 then by the Senate on March 2nd and resulted in the very
4 first Biden veto, which happened on March 20th.

5 The reason I go through that in some detail is
6 that two Democrats voted in favor of the resolution to
7 knock down the DOL ESG Rule, senators Manchin and
8 Tesler -- Tes -- Tester. And, of course, there's only a
9 one seat margin in the Senate, which means that if the
10 matter were brought back up in the form of this ESG bill,
11 it might very well pass. And so, you know, I think it's
12 clearly likely to the pass the House. We are going to
13 know probably by the end of July whether that's the case,
14 because there has been a series of hearings scheduled.
15 It's not yet public, but I understand that the first ESG
16 hearing, of approximately six, will be on July 17th with a
17 tentative markup of all the bills that are likely to be
18 introduced between now and then.

19 On July 26th, Chairman McHenry plans to finalize
20 the Committee consideration of sort of the anti-ESG bills
21 by the end of July in time for the August recess. There
22 may be a follow-up effort toward the end of the year with
23 another legislative package. And then, of course, as the
24 Presidential campaign season picks up next year, we should
25 expect the draw -- anti-ESG drum beat to continue.

1 We -- there's a couple of things to mention.
2 First is that Republicans collectively are very
3 aggressively pushing back on SEC Chairman Gary Gensler's
4 regulatory agenda. He's promulgated something like 46
5 rules, and there are even bipartisan concerns about the
6 pace of change and whether some of these proposals are
7 needed or, in fact, are solutions in search of a problem.
8 And so the Republicans will be pushing back very
9 aggressively on the SEC rulemaking agenda, and, of course,
10 much of the Biden policy agenda as well. And it's
11 important to keep in mind that that political dynamic has
12 sort of caught ESG in the crosshairs. In a sense, ESG has
13 become a proxy war for this much broader battle on the
14 role of government and the role of regulation and that
15 sort of thing.

16 But I think it's very important to keep in mind
17 the huge disconnect between the political rhetoric on the
18 one hand and the policy changes on the other. And quite
19 frankly, the DOL guidance on ESG is a great case study for
20 that dynamic, because while the rhetoric makes it sound
21 like things are changing fundamentally between the
22 administrations, the reality is that the focus on returns,
23 as we've discussed many times, is implicit in ERISA, and
24 requiring that ESG considerations impact pecuniary returns
25 really is the whole point behind considering

1 sustainability in the investing context.

2 And so from a policy standpoint in terms of the
3 impact on fiduciaries, it's minimal, but you would not
4 understand that by listening to the political rhetoric.
5 And so I think over the next three or four weeks, there's
6 going to be a tremendous amount -- a flurry of activity, a
7 lot of press reports, a lot of headlines that will capture
8 the politics, but are not likely to fully reflect the
9 actual policy developments on the ground. And there, I
10 think there is room for some bipartisan agreement. And we
11 will see whether the bipartisanship we saw on the debt
12 ceiling increase and the eight bills that have passed the
13 House from the Financial Services Committee can carry over
14 and have a favorable impact on the ESG discussions.

15 So that's a very quick overview of where things
16 stand. I would certainly be happy to take any questions.

17 PRESIDENT TAYLOR: Sure. I definitely have a
18 couple of questions. So are these package of laws going
19 through markup and stuff, are they going to make any -- so
20 let me -- let me preface this with I understand the DOL
21 bill basically just says you can take ESG into
22 consideration for long-term value creation. It's really
23 non-commental. I mean it's not forcing anybody to do
24 anything. Are the bills that are currently under
25 consideration forcing us to abandon our ESG strategies as

1 fiduciaries?

2 MR. CROWLEY: In short, no. I think that they're
3 dancing around the edges on some of these issues. The
4 Capital Markets Subcommittee, for example, will be focused
5 on proxy voting and proxy advisors, the regulation of
6 proxy advisors, which, by the way, is the other political
7 football that has changed back and forth from Democratic
8 to Republican administrations. And again, the changes are
9 far less significant than the rhetoric would suggest.

10 But, you know, we've seen some of the bills that
11 are likely to be introduced before, including the ESG Act.
12 And again, adding a pecuniary requirement really doesn't
13 have any impact on CalPERS, because, as we've discussed
14 for, you know, almost a decade, the consideration of ESG
15 is always through the lens of how it impacts long-term
16 returns to the fund. So adding the pecuniary requirement
17 is sort of stating the obvious. My belief is that it is
18 implicit in ERISA already and so it will not have a
19 significant impact on the Board of trustees.

20 Now, there are other investigations going on.
21 The House Oversight Committee under Chairman Comer is
22 focusing on the role that the administration is playing
23 vis-à-vis the Europeans, and in particular whether there's
24 been some untoward collusion with the European
25 policymakers, you know, when they make a request for all

1 kinds of documents and communications.

2 The other ongoing effort is the House Judiciary
3 Committee effort on antitrust issues, which we have
4 discussed in the past. And I think it's important to
5 understand that this is mostly political theater, so the
6 actual impact on CalPERS and the trustees is likely to be
7 de minimis, if anything.

8 PRESIDENT TAYLOR: Okay. So what exactly, as our
9 representative, are you doing, since we -- I think we can
10 only change -- maybe change two minds, and that would be
11 Tester and Manchin. Have you had discussion with them
12 about what this actually means and why the rhetoric
13 doesn't match what -- because I don't think people really
14 understand what ESG is, so --

15 MR. CROWLEY: Yeah, right. No, that's certainly
16 true. And, in fact, I often just talk about
17 sustainability as a way to sort of short circuit the
18 discussion, because that seems to be somehow less
19 offensive. But, you know, the political dynamic really
20 boils down to geography, and the businesses, and
21 industries located in those states. Manchin, of course,
22 represents West Virginia, which is heavily dependent on
23 coal. And, so, you know, it's -- I don't know that if the
24 Democratic leadership is unable to change his mind on the
25 issue, I don't there's much we can do to change in. But,

1 you know, of course the devil is in the details. And this
2 bill is different than simply saying the DOL can't
3 implement the ESG rule. It goes beyond that and it has
4 the new version. I understand from Congressman's Andy
5 Barr's press release was working out in conjunction with
6 former Secretary of Labor Eugene Scalia, who, of course,
7 is a partner in major law firm that has been on the tip of
8 the spear for successfully challenging SEC rules in the
9 wake of Dodd-Frank.

10 And so there's very much a political agenda
11 attached to it. Petroleum -- American Petroleum Institute
12 has reported to be behind a lot of these efforts along
13 with some of the right wing think tanks, Heritage
14 Foundation, Federalist Society, and that sort of -- those
15 types of groups.

16 But the question is whether the changes made in
17 the ESG Act give us the basis to go back and say, look, we
18 understand that you had to vote in favor of the resolution
19 disallowing the DOL ESG Rule for political reasons back
20 home, but the new bill that has been introduced addresses
21 a number of other issues that are more complicated, and
22 therefore we recommend that you do not support it. And so
23 we will be having those discussions.

24 I think it will be easier once we see the report
25 that comes out tomorrow, which will effectively be a

1 roadmap of where the Republicans are headed. I asked to
2 see a draft, to see if we could provide comment, and they
3 said, well, that's kind of pointless, because the ink is
4 already dried and we won't be making any changes, but we
5 welcome your feedback when it comes out. So when it comes
6 out tomorrow, we will be sharing it with Danny, and
7 reviewing it, and preparing comments appropriately.

8 PRESIDENT TAYLOR: Okay. And the changes that
9 are in this new bill still won't impact us, is what you're
10 saying, if we choose to, on the basis of our fiduciary
11 duty, continue to work on sustainability.

12 MR. CROWLEY: That's correct. I mean, they don't
13 have any direct jurisdiction over you. They do amend the
14 1940 Investment Company Act to require disclosure of
15 expenses associated with ESG investing and any losses that
16 may be associated, but that -- that kind of thing. And
17 frankly, I question whether the proposal even applied to
18 other people is even workable. But the bill was just
19 introduced yesterday. We haven't actually seen the text
20 yet. So we'll have to dig into it and see what problems
21 that there might be with it.

22 PRESIDENT TAYLOR: Okay. Thank you very much.
23 Danny, go ahead.

24 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I was
25 just going to add that as these bills roll out -- because,

1 you know, some of them we haven't even seen the text yet,
2 but as they roll out, we'll definitely review them with
3 our investment team, and if there's any concerns, we'll
4 obviously let Dan and his team know.

5 You know, many of the -- the focus of a lot of
6 these bills are the large asset managers of retail
7 investors, those that are, you knowing, managing funds for
8 retail investors around pensions. It's not, you know,
9 pension plan -- you know, public pension plans, so, you
10 know, a lot of this is around ERISA rules, which don't,
11 you know necessarily impact us directly. You know,
12 sometimes we follow -- you know, we look to guidance for
13 ERISA, but it doesn't follow us -- you know, impact us
14 directly. But we'll definitely -- it's an important issue
15 that we'll be monitoring and weighing in as needed.

16 PRESIDENT TAYLOR: I will --

17 MR. CROWLEY: Danny, that's a --

18 PRESIDENT TAYLOR: Go ahead.

19 MR. CROWLEY: If I could just add to that, Danny
20 is exactly right. In fact, I've had very constructive
21 discussions with some of the senior leaders on the
22 Financial Services Committee. They really are very -- and
23 the reason I mentioned that the Capital Markets
24 Subcommittee is going to be focused on proxy voting is
25 because they're really focused on this disconnect between

1 the investor who may have an account at Merrill Lynch
2 with -- which is invested in a BlackRock fund. The
3 concern is that Larry Fink, the CEO of BlacRock, is voting
4 proxies on behalf of investors he doesn't even know, much
5 less know what their preferences might be.

6 And the point has been made to me more than once
7 that they distinguish the situation of retail investor in
8 a fund where there's no nexus between the people voting
9 the proxies and CalPERS. They actually used CalPERS as an
10 example of where it's okay to vote proxies, because you
11 have a very clear field of membership, of community of
12 interest, you know who your members are, and you're --
13 they elect you as fiduciaries on their behalf, and so
14 they're fine with CalPERS voting proxies.

15 They are not fine with large asset managers
16 voting proxies on behalf of investors they have no
17 relationship with.

18 PRESIDENT TAYLOR: Okay. I will just say that we
19 had Ali Khawar, Principal Deputy, Assistant Secretary of
20 Employee Benefits Security Administration from the U.S.
21 Department of Labor talk to us -- that's a heck of a
22 title -- at the Trustee Leadership Forum. And he
23 basically talked about the rule coming out of DOL and I
24 think it couldn't be anymore innocuous than it is. So I
25 find it hilarious that everybody is up in arms over this,

1 but -- and making the political statement over something
2 that eventually they're all going to have to get on board
3 with, you know, but that's just my opinion.

4 Go ahead, Danny. Is there anything else?

5 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I
6 think -- I think that's it, unless -- if Dan was done, I
7 think we're done unless taking questions.

8 PRESIDENT TAYLOR: Do I have any questions from
9 the Board?

10 It appears I do not, so I think we're on to
11 Committee Direction. I do have public comment on the
12 Phone for 8a. Hold on a second. Go ahead.

13 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF
14 TEYKAERTS: Thank you, Madam President. We have Linda on
15 the phone. Go ahead Linda.

16 PRESIDENT TAYLOR: Okay. Thank you.

17 LINDA EVANS: Thank you very much, everybody.
18 Thanks for -- hello.

19 PRESIDENT TAYLOR: Hello. You went away for a
20 second. You're here. Can she not hear us. Hello?

21 LINDA EVANS: I can hear you.

22 PRESIDENT TAYLOR: So go ahead.

23 LINDA EVANS: Thank you very much. My name is
24 Linda Evans. I'm the Mayor for the City of La Quinta in
25 Riverside County. La Quinta is a city that does promote

1 health and wellness for its residents and its employees.
2 And I called in to public comment on both 7b, the Pension
3 and Health Benefits Committee and the Legislative Update,
4 specifically to support Senate Bill 839, the Obesity
5 Treatment Parity Act, by Senator Bradford, which you have
6 discussed. And it is, of course, a two-year bill that
7 requires extensive financial analysis.

8 But in addition to my support for SB 839, my
9 comments today and request was for this group to consider
10 making an impact now by adding those anti-obesity
11 medications as a covered benefit on the formulary for
12 CalPERS members, effective in 2024. I was pleased to hear
13 that that appears to be in the process, so that
14 individuals can have access to those meds, which is
15 outstanding news.

16 As we know obesity is not a life style choice.
17 It's a decease recognized by the American Medical
18 Association, California Medicaid, and federal employee
19 programs. And these medications are currently covered by
20 both Medi-Cal and federal employees. Filling access for
21 the CalPERS members is really just not equitable and I
22 thank you for taking steps to ensure that equity.

23 The high expense of these medications was
24 mentioned earlier as well, but reducing adult body mass
25 index, the BMI, by just five percent could save California

1 \$81.7 billion in obesity related health care costs by the
2 year 2030. Imagine the savings that could occur
3 within the 650,000 CalPERS members should a BMI reduction
4 occur, even with the cost of these medications.

5 I just would like to say that again it will
6 improve jobs retention and satisfaction by reducing
7 obesity. In your last meeting, you approved a
8 compensation policy that will result in a quote, "Stronger
9 performance based work culture and improve retention
10 moral." These obesity-related medications can also
11 provide those similar benefits. They will lower health
12 care costs again to related diseases, such as diabetes,
13 hypertension, and depression, which are -- most of which
14 are caused by obesity.

15 Kaiser, of course, is your health plan advisor to
16 CalPERS, and they have taken a lead as well and have
17 started to add these medications to their formulary for
18 members and employees in the northwest part of the state.
19 We could accelerate as well and be a role model for the
20 rest of the state.

21 Just some quick stats. Under the California
22 Department of Health Let's Get Healthy California, 27
23 percent of California adults have obesity. Of that mix,
24 the Black Californians are at 40 percent, Latino
25 Californians are at 34 percent that have obesity. And we

1 just know that obesity does affect the low income
2 Californians, which is probably why Medi-Cal covers this.
3 However, we do have a diverse population within our
4 CalPERS members' group and achieving good health and
5 cost-effective outcomes is very important.

6 In conclusion again, I just want to say thank you
7 for the discussion. I appreciate knowing that we are
8 taking steps to provide that health and wellness benefit
9 to our employees, so that we can set examples, because we
10 are servicing the State of California citizens. And I
11 just want to say thank you for the work that you all are
12 doing. And I'm happy to be part of this meeting today.
13 There's been a lot of good information shared.

14 Thank you.

15 PRESIDENT TAYLOR: Thank you very much.

16 Alright, I'm seeing no other speakers on this
17 portion. I will move on to summary of committee -- Board
18 direction.

19 CHIEF EXECUTIVE OFFICER FROST: Thank you. I
20 noted one, and that is relative to Senate Bill 839 to
21 bring that back to the board for a position.

22 PRESIDENT TAYLOR: Alright, thank you.

23 With that, I'm moving on to public comment.
24 Anybody in the auditorium or on the phone want to make
25 public comment?

1 Hearing none, then that is the end of our Board
2 meeting, and we adjourn for the rest of the month. Thank
3 you very much everyone for attending.

4 Oh, we're moving into closed session. I
5 apologize. It's here somewhere.

6 (Off record: 11:47 a.m.)

7 (Thereupon the meeting recessed
8 into closed session.)

9 (Thereupon the meeting reconvened
10 open session.)

11 (On record: 12:42 p.m.)

12 PRESIDENT TAYLOR: So we are reconvening in open
13 session. I have nothing to report. This adjourns this
14 month's Board of Administration and Committee meetings.
15 And thank you for joining us. Hopefully, we will see you
16 folks in July in Monterey at our off-site.

17 So thank you very much.

18 (Thereupon, the California Public Employees'
19 Retirement System, Board of Administration
20 meeting open session adjourned at 12:43 p.m.)

CERTIFICATE OF REPORTER

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, 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 29th day of June, 2023.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
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