

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, MARCH 20, 2023

9:00 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 Deborah Gallegos

Fiona Ma, represented by Frank Ruffino

Lisa Middleton

Eraina Ortega, also represented by Nicole Griffith

Jose Luis Pacheco

Kevin Palkki

Ramón Rubalcava

Mullissa Willette

STAFF:

Marcie Frost, Chief Executive Officer

Dan Bienvenue, Interim Chief Investment Officer

Michael Cohen, Chief Operating Investment Officer

Douglas Hoffner, Chief Operating Officer

Matthew Jacobs, General Counsel

Stephenson Loveson, Chief Information Officer

Kim Malm, Deputy Executive Officer, Customer Services & Support

Donald Moulds, PhD, Chief Health Director

Michele Nix, Interim 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

Danny Brown, Chief, Legislative Affairs Division

Travis Antoniono, Investment Director

ALSO PRESENT:

Aaron Avery, California Special Districts Association, California State Association of Counties

Terry Brennand, Service Employees International Union California

Carolyn Coleman, League of California Cities

Dan Crowley, K&L Gates

Cari Dominguez, National Association of Corporate Directors

Bryant Miramontes, American Federation of State, County and Municipal Employees (AFSCME)

Brian Molina, California Calls

Mitch Steiger, CFT

Meagan Subers, California Professional Firefighters

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PRESIDENT TAYLOR: Good morning, everybody.
Welcome to the Board of Administration meeting. And our
first order of business of course is roll call.

BOARD CLERK ANDERSON: Theresa Taylor?

PRESIDENT TAYLOR: Here.

BOARD CLERK ANDERSON: David Miller?

VICE PRESIDENT MILLER: Here.

BOARD CLERK ANDERSON: Deborah Gallegos for Malia
Cohen?

ACTING BOARD MEMBER GALLEGOS: Here.

BOARD CLERK ANDERSON: Frank Ruffino for Fiona
Ma?

ACTING BOARD MEMBER RUFFINO: Present.

BOARD CLERK ANDERSON: Lisa Middleton?

BOARD MEMBER MIDDLETON: Present.

BOARD CLERK ANDERSON: Nicole Griffith for Eraina
Ortega?

ACTING BOARD MEMBER GRIFFITH: Here.

BOARD CLERK ANDERSON: Jose Luis Pacheco?

BOARD MEMBER PACHECO: Present.

BOARD CLERK ANDERSON: Kevin Palkki?

BOARD MEMBER PALKKI: Good morning

BOARD CLERK ANDERSON: Ramón Rubalcava?

BOARD MEMBER RUBALCAVA: Present.

1 BOARD CLERK ANDERSON: Yvonne walker?

2 PRESIDENT TAYLOR: Excused.

3 BOARD CLERK ANDERSON: Mullissa Willette?

4 BOARD MEMBER WILLETTE: Here.

5 BOARD CLERK ANDERSON: Dr. Gail Willis?

6 PRESIDENT TAYLOR: Excused.

7 All right. Thank you.

8 Our next order of business is the Pledge of
9 Allegiance and I have asked Jose Luis Pacheco to lead us
10 in the Pledge.

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

13 PRESIDENT TAYLOR: Thank you, Mr. Pacheco.

14 So good morning, everybody and again welcome
15 to -- March is Women's History Month. And a little over a
16 week ago, we celebrated International Women's Day. And I
17 just wanted to say I mentioned this last year and I think
18 it is worth repeating, I'm proud to serve on this Board
19 that consists of a majority of women. I'm proud that this
20 organization is led by a woman. And I'm proud of all the
21 women at CalPERS whose contributions every day make our
22 organization a better place. Thank you for everything you
23 do.

24 This year's theme for Women's History Month is
25 Women Who Advocate for Equity, Diversity and Inclusion.

1 We must all work to ensure a positive future for all and
2 acknowledge that bias and discrimination must be
3 eliminated from our lives and our institutions. It is
4 women's current lived experience whether Black, Brown,
5 White, that we are being discriminated against since
6 landmark decision to overturn Roe versus Wade by this
7 Supreme Court.

8 States all over the country have proven what we
9 taught our daughters and what our mothers taught us from
10 the last time we fought for reproductive rights. Once we
11 lose those rights, we will become second class citizens.
12 Every time I open my email or the news, there's another
13 horror story of a women who just needed life-saving
14 medical care to be told that her life doesn't matter and
15 that the State has decided you must wait until you are
16 almost dead before receiving the needed life-saving
17 abortion care, or, you know, regular medical care.

18 These decisions are being made by men with no
19 medical degrees, by State legislators who have decided
20 that women's rights and freedoms do not matter. Let's
21 remember on its way to the Supreme Court is an appeal to
22 outlaw medical abortion pills and under consideration in
23 several states is the outlawing of contraception.

24 International Women's Day and Women's History
25 Month in the United States reminds us to celebrate our

1 achievements as women, but also to remember we must
2 continue to fight for our rights every single day.

3 I'd like now to turn to the topic of ESG, or more
4 precisely, the anti-ESG movement. I have the privilege of
5 serving on the Board of the International Corporate
6 Governance Network. CalPERS was one of the founding
7 members of the network. And it's membership today
8 includes investors representing more than \$77 trillion in
9 assets. ICGN works to advance the highest standards of
10 corporate governance and investor stewardship worldwide in
11 pursuit of long-term value creation.

12 Last week, we met in Washington D.C. and I had
13 the opportunity to address the group, and this is what I
14 told them. For CalPERS, how well we measure risk and
15 climate risk is at the heart of providing retirement
16 benefits to our members. But lately, one of the biggest
17 risks has been the risk caused by misinformation when it
18 comes to the issue of sustainable investments. The facts
19 speak for themselves. According to The Pew Charitable
20 Trusts, 14 U.S. states have adopted laws discouraging ESG
21 considerations or in some cases even banning ties to
22 financial companies that do so.

23 Most of the State legislation has focused on
24 public pension investments. Several states that have
25 proposed but not passed ESG-related legislation, such as

1 Arizona and Missouri, have seen law makers reintroduce
2 those bills this year. And in California, we still face
3 legislation that would require the state's pension systems
4 to divest from fossil fuels.

5 As President of the CalPERS Board, let me be
6 clear, we are fully committed to actively managing climate
7 risk to preserve long-term value for our members in line
8 with our fiduciary duties. I share those words with you,
9 because I want to our members, employers, and stakeholders
10 to know that this Board is in full support of our climate
11 work. It is part of the fabric of our investment analysis
12 and we will continue to work with like-minded investors to
13 educate and advocate on the importance of sustainable
14 investing. And I do know Marcie will have more to say
15 about this in her report.

16 So now, I want to bring your attention to our
17 self-assessment. It's scheduled this morning. We conduct
18 this exercise every two years in accordance with our
19 Governance Policy. And the most recent assessment was
20 completed in the fall and facilitated by the National
21 Association of Corporate Directors. The assessment
22 centers around five core governance competencies, Board
23 structure, operational oversight, CEO succession, strategy
24 oversight, and risk management oversight.

25 Based on this year's assessment, three priorities

1 did emerge that will focus on over -- that we will focus
2 on over the next two years. So those are leadership
3 development and education, increased focus on strategy
4 both short and long term, and executive management
5 succession planning. We do have a time certain for this
6 discussion at 10 a.m. and welcome you folks to attend and
7 listen.

8 So finally, I'd like to address a friend of mine.
9 I'd like to take personal privilege to recognize and honor
10 the life of Neal Johnson of SEIU Local 1000. We learned
11 last week that Neal passed away and our hearts go out to
12 his family and the Local 1000 family. Neal was a regular
13 fixture at our Board meetings, always providing his words
14 of wisdom during public comment. Neal knew how to
15 disagree with us with politeness while also making great
16 counterpoints. He served SEIU Local 1000 with distinction
17 and was a strong advocate for public employees.

18 Neal started his State career before State
19 workers had the right to organize before the Dill Act --
20 Dills Act was passed. He had an over 40-year career with
21 the State of California and in service to SEIU Local 1000
22 to our members as a steward and a bargaining unit
23 representative, and served at the bargaining table during
24 a huge amount of cycles. I can't even give you the
25 number. Neal was the beating heart of our union, as he,

1 along with others, saw us through so many very difficult
2 times. Neal was also our institutional knowledge of
3 everything SEIU Local 1000, its history, how it started,
4 why even the bylaws and policy files were written the way
5 they were written.

6 Neal attended every CalPERS Board meeting even
7 before I was on the Board and his depth and breadth of
8 knowledge of our Health Care Program was inexhaustible.
9 He will be sorely missed. He was my friend. We thank him
10 for his many contributions and wish his family the very
11 best. That concludes my report.

12 CHIEF EXECUTIVE OFFICER FROST: Thank you,
13 President Taylor.

14 On behalf of our team as well, we'll certainly
15 miss Neal. He was a very active stakeholder, shared a lot
16 of his wisdom and experience as we were contemplating
17 really key decisions for the fund. And so that voice
18 being silenced will definitely be missed by us as well.

19 So I thought today -- I did modify my comments a
20 bit after our discussions, particularly on Monday. So
21 during Monday's Investment Committee we did discuss the
22 importance of Climate Action 100 and really the
23 perseverance it takes to stay engaged with companies whose
24 emissions really pose risks to long-term investments.

25 Perseverance to require transparency and how

1 these companies are being -- are managing their risks
2 related to climate, and we're talking a lot about climate,
3 but there are risks related to human capital and there are
4 certainly risks to governance. And these are highly
5 correlated. After all, this is our capital. We are
6 investing in these companies. We are an active owner.
7 And that is just a part of meeting the fiduciary duty that
8 you all have and many of us have as well.

9 As we have seen there are a company CEOs who
10 basically have been leaders in energy transition who are
11 no longer in those roles simply, in my opinion, because
12 they attempted to acquire new assets to ensure a just
13 energy transition.

14 Bloomberg is reporting recently, and I believe
15 that was this week or over the weekend, the headline the,
16 "Exxon Chief Goes on the Offensive as Wall Street Sours on
17 ESG," I think really documents this appropriately and how
18 important it is to stay as a collective.

19 CalPERS has been a long-standing leader in
20 efforts to understand long-term risks and convening
21 like-minded investors to really share in a collective
22 voice. It's obvious to me and I think to President Taylor
23 based on her comments that we will need to step up our
24 efforts in being a counterbalance to political headwinds.
25 And I think Chair Miller -- yeah, Chair of the Investment

1 Committee Miller, you did a really nice job explaining the
2 need for that counterbalance.

3 Our international counterparts remain committed
4 to engagement and transparency. Significant progress has
5 been made in light of a lot of the negative news stories
6 more recently. We've seen regulators across the globe
7 creating news standards, new transparency. Our own SEC
8 finalized rules on Scope 1 and Scope 2 and they will also
9 work through several challenges that we certainly have
10 seen at CalPERS. We respect the work and we also provided
11 comment during the open period.

12 Our advice is now is not the time to step away as
13 an active owner. We -- regardless of the pressure to do
14 so, we did release our Sustainable Investing 2030 Plan.
15 And as you know, we did have -- we're invited to
16 participate in a joint informational hearing with the
17 Legislature that was scheduled on March 13th.
18 Unfortunately, that informational hearing was canceled.

19 What I thought I would do for the remainder of my
20 CEO report is to share with you the comments that we were
21 planning on making. We really do see this as a missed
22 opportunity to tell our story and to really share the
23 plan. We do understand that the divestment bill is still
24 active. But we wanted to give again a counterpoint, give
25 the plan that CalPERS is working on, as a long-term

1 investor, we have a much longer time horizon than say a
2 particular legislator. And so we would start by saying
3 that we're underscoring that urgency that we all feel when
4 it comes to climate change. And most of my comments will
5 be around climate change.

6 We know that 2024 is already on a dangerous path
7 with the hottest January on record and 2023 was the
8 warmest year since at least 1850. Climate scientists tell
9 us the world has reached a tipping point in the fight
10 against these alarming trends. Fortunately, a different
11 tipping point has also emerged, the opportunity to make
12 large meaningful investments in climate solutions.

13 Last year, worldwide climate invested --
14 investments totaled some \$1.7 trillion. That's half the
15 size of California's entire GDP. But even that still does
16 not fully meet the need. Analysts believe the need is
17 nearly double that amount at more than \$3 trillion per
18 year. That translates into enormous investment
19 opportunities for large pools of capital like CalPERS.

20 Last November, we did announce our hundred
21 billion dollar Climate Action Plan, which is really a
22 significant new chapter in the pension funds, our fund's
23 long-stated goal, to move our portfolio to net zero by
24 2050. This is a commitment that we made several years
25 ago. As I said, we see a wide array of opportunities,

1 ones that meet our goals for generating excess returns
2 above our benchmark targets. And we do believe that there
3 are investments in the state of California as we look at
4 new innovation also.

5 So first, CalPERS ended 2023 with more than \$47
6 billion in climate investments. These investments are
7 largely found in our public equity and real estate
8 portfolios. They include investments in renewable energy,
9 sustainable packaging, which is a real burden on climate
10 and water in particular, electric vehicles, and green
11 buildings.

12 Last fall, we began our campaign to more than
13 double the amount by 2030. That means more than \$50
14 billion of new climate investments in less than seven
15 years time. Those investments will have real impact,
16 cutting the carbon intensity of the CalPERS portfolio by
17 half. Our effort is not only one of the most ambitious
18 any U.S. pension fund, we believe it is also highly
19 achievable. And most importantly, this is an investment
20 strategy that is strongly aligned with our fiduciary duty.

21 So they hundred billion dollar Climate Action
22 Plan includes significant new investments across all five
23 of CalPERS's asset classes. By including both public
24 equity and private equity, as well as real estate,
25 infrastructure, and private debt, we are also assured that

1 the plan is well diversified.

2 Our Climate Action Plan will focus on
3 opportunities in three specific types of climate
4 investments. First, we will invest in climate change
5 mitigation efforts, investments that reduce emissions,
6 such as renewable energy, carbon capture and storage, and
7 waste management. Next, we'll make investments in
8 adaptation strategies. In this category think of systems
9 designed to manage floods and drought, developing heat
10 resistant crops, or even new technology related to
11 disaster preparedness and early warning systems.

12 And then finally, CalPERS is seeking to support
13 climate transition investments. These are investments
14 that will help companies with high emissions to transition
15 to become low emitters. This is probably one of the more
16 controversial parts of the plan. One particularly
17 important effort will be moving energy producers from
18 so-called brown to green energy production. As an
19 example, we want to support a forward-thinking utility to
20 move from coal-fired power to renewable power generation.
21 This results in direct benefits for the climate and for
22 the company's bottom line, which is what we really care
23 about as well.

24 These types of companies need our investment
25 dollars. Walking away from these opportunities could

1 stall or even derail such critically important
2 transitions. Our sustainable investing plan is balanced.
3 It's aligned with the best practices of climate science
4 and climate finance and it's at a scale that will have
5 impact now and well into the future. And as I said, we
6 are already well underway. In just a few months we are
7 already evaluating more than \$3 billion in new climate
8 related investments. Some of these we will be able to
9 announce in the next few months, which I know the Board is
10 really excited about being able to make that public
11 announcement. And then I think the pace will only pick up
12 from there.

13 So I know the magnitude of this can be a little
14 hard to follow, so let me pause for a moment just to give
15 some historical context. And again, we -- we're planning
16 on talking about, you know, going back to 1992 and the
17 tech revolution. And if we would have known then what we
18 know today, we would have doubled down on some of the tech
19 companies like a Microsoft. And so we're in the beginning
20 stages of this, but we are seeing really interesting
21 opportunities for us to be a real leader in this space,
22 not only leading on the voice and engagement, but also
23 really most importantly actions and investments that we
24 believe will give us those excess returns.

25 So I'll pause there and then I'm going to also

1 talk a little bit about women's history. I just wanted to
2 announce that our Pathways for Women event is coming back
3 this year. We initially launched that back in 2021. You
4 may remember we had to do that virtually. Most, you know,
5 everyone -- the world was sitting at home and everyone was
6 doing remote work and Zoom bloomed during that time frame.
7 So we took full advantage of that and were able to put on
8 I think just a really interesting program with speakers
9 who, you know, I still have that network today.

10 So please save the date for August 26th and 27th.
11 That will be in Anaheim, California. Christina will get
12 out a save the date calendar notice to all of you. But
13 remember, this event is open to everyone. As we know,
14 most women's pathways have included strong relationships
15 with their entire network, and not just women, allies and
16 sponsors. We've heard that throughout every one of the
17 Pathways events that we've hosted remain a critical part
18 of the path as we've also heard through our women on this
19 Board.

20 These are people who will endorse and use their
21 own professional networks to open doors, to clear
22 challenges, have those crucial conversations with you,
23 about where you might need some skill set development.
24 Those are not always easy as we know, if you've been on
25 the other side of that, but critically important for that

1 next step in your career, if that is your interest.

2 We do host this event in August of each year to
3 celebrate women's right to vote, which was ratified on
4 August 18, 1920. So that does complete my report,
5 President Taylor, but I'm happy to take questions on the
6 Sustainable Investment Plan, or any other questions the
7 Board may have.

8 PRESIDENT TAYLOR: Thank you, Ms. Frost. And we
9 appreciate your comments. We should figure out a way to
10 put that on our website.

11 CHIEF EXECUTIVE OFFICER FROST: You got it.

12 PRESIDENT TAYLOR: So we are moving on with
13 regular business now, and that means we're moving on to
14 agenda item 5, action consent items.

15 VICE PRESIDENT MILLER: Move approval.

16 BOARD MEMBER PACHECO: Second.

17 PRESIDENT TAYLOR: It's been move by Mr. Miller,
18 seconded by Mr. Pacheco.

19 All those in favor?

20 (Ayes.)

21 PRESIDENT TAYLOR: All those opposed?

22 Any objections

23 Motion passes.

24 Information consent items, I have not received
25 anything on this to pull.

1 So then we will move on to Committee reports.
2 And first on Committee reports is -- hold on, let me --
3 yeah, you've got to put your thing -- Mr. Miller, for
4 investments. There you go.

5 VICE PRESIDENT MILLER: Good morning, everyone.
6 The Investment Committee met on March 18th, 2024. The
7 Committee approved the following:

8 Agenda Item 6a, Mid-Cycle Public Employees'
9 Retirement Fund Asset Liability Management Review.

10 The Committee received reports on the following
11 topics:

12 CalPERS Trust Level Review Consultant's Report;
13 CalPERS Trust Level Review; Proxy Voting and Corporate
14 Engagement Update; Total Fund Policy Review, first
15 reading; and Policy Changes for Responsible Contractor
16 Policy, first reading.

17 The Chair directed staff to provide an in-depth
18 review of the proxy voting policy, including a Board
19 education system -- session with a discussion of key
20 principles and themes.

21 The Committee heard public comment on the
22 following topics: management of the total portfolio, labor
23 issues, and climate change.

24 At this time, I would like to share some
25 highlights of what to expect at the June Investment

1 Committee meeting: Quarterly Chief Investment Officer
2 Report; private equity, private debt, and real assets
3 annual program reviews; implementation of Labor
4 Principles; mid-cycle affiliate investment program asset
5 liability management review; and second readings for the
6 Total Fund Policy review and Responsible Contractor
7 Policy.

8 The next meeting of the Investment Committee is
9 scheduled for June 10th, 2024 in Sacramento, California.

10 Thank you, President Taylor.

11 PRESIDENT TAYLOR: Thank you very much, Mr.
12 Miller.

13 Next, the agenda is Pension and Health Benefits
14 Committee. Mr. Rubalcava.

15 BOARD MEMBER RUBALCAVA: Thank you, Madam
16 President. The Pension and Health Benefits Committee met
17 on March 19th, 2024. The Committee recommends and I move
18 the Board adopt the following:

19 Agenda Item 5a, approve staff's recommendation to
20 amend Section 574 of Chapter 2 of Division 1 of Title 2 of
21 the California Code of Regulations to describe how a
22 classified school member's full-time pay rate shall be
23 reported to the California Public Employees' Retirement
24 System followed by submission of the final rulemaking
25 package to the Office of Administrative Law upon

1 conclusion of the 45-day public comment period, if no
2 public comments are received.

3 PRESIDENT TAYLOR: All right. On --

4 BOARD MEMBER RUBALCAVA: I think --

5 BOARD MEMBER PALKKI: I move to approve.

6 PRESIDENT TAYLOR: Okay. Motion has been
7 approved. Is there any discussion on the motion?

8 He actually already moved that, so you don't need
9 to do.

10 BOARD MEMBER PALKKI: Second.

11 PRESIDENT TAYLOR: All right. No discussion on
12 the motion.

13 All those in favor?

14 (Ayes.)

15 PRESIDENT TAYLOR: Any opposition?

16 Any abstentions?

17 Okay. Moving on. Go ahead

18 BOARD MEMBER RUBALCAVA: Thank you.

19 The Committee received reports on the following
20 topics: the Committee received the health option -- the
21 health open enrollment results, 2024 retiree cost of
22 living adjustment, the COLA, and a health spotlight
23 representation from Western Health Advantage, and Sharp
24 Health plans; the Committee received public comment
25 regarding the -- regarding 90-day prescriptions, that's

1 OptumRx, and long-term care.

2 At this time, I would like to share some
3 highlights of what to expect at the next Pension and
4 Health Benefits Committee. The Committee will meet in
5 closed session in May to discuss an update on health plan
6 rate renewal negotiation strategy, and on the PPO, the
7 preferred provider organization third-party
8 administration -- administrator solicitation.

9 The next meeting of the Pension and Health
10 Benefits Committee is scheduled for May 2024 in
11 Sacramento, California.

12 Thank you.

13 PRESIDENT TAYLOR: Thank you, Mr. Rubalcava.

14 We had no meeting of the Finance and
15 Administration Committee, Performance and Compensation, or
16 Risk and Audit, therefore we're moving on to Board
17 Governance Committee. And with that, Mr. Miller.

18 VICE PRESIDENT MILLER: The Board Governance
19 Committee met on March 19th, 2024. The Committee held an
20 election for the Board Governance Committee Chair and Vice
21 Chair. Theresa Taylor was elected Chair and David Miller
22 was elected Vice Chair.

23 The next meeting of the Board Governance
24 Committee is tentatively scheduled for June 12th, 2024 in
25 Sacramento, California. And that's all I have, President

1 Taylor.

2 PRESIDENT TAYLOR: All right. Thank you, Mr.
3 Miller. Don't turn of your microphone, because we are now
4 moving into action agenda items. A, Proposed Decisions of
5 Administrative Law Judges.

6 VICE PRESIDENT MILLER: Okay. You've got --
7 everybody has their materials on this subject. And so at
8 this point, I'll move to adopt the proposed decisions at
9 agenda items 8a1 through 4, all those together, as the
10 Board's own decisions with the minor modifications argued
11 by staff to agenda items 8a2 and 8a 4, and remand the
12 proposed decision at agenda item 8a5 for the taking of
13 additional evidence as argued by staff.

14 PRESIDENT TAYLOR: All those in favor?

15 VICE PRESIDENT MILLER: Do we need a second?

16 PRESIDENT TAYLOR: I'm sorry, I need a second.

17 So he moved.

18 BOARD MEMBER PACHECO: I'll second.

19 PRESIDENT TAYLOR: Second by Mr. Pacheco.

20 All those in favor?

21 (Ayes.)

22 PRESIDENT TAYLOR: All right, any opposition?

23 Or abstentions?

24 All right, thank you. Go ahead.

25 VICE PRESIDENT MILLER: Okay. We have two

1 petitions at agenda items 8a1 and 2, I'll move them
2 separately.

3 So I move to deny the petition at agenda item
4 8b1.

5 PRESIDENT TAYLOR: Right. I need a second on
6 that motion.

7 BOARD MEMBER PACHECO: I'll second it.

8 PRESIDENT TAYLOR: Mr. Pacheco seconds the
9 motion.

10 All those in favor?

11 (Ayes.)

12 PRESIDENT TAYLOR: Okay. Any opposition?

13 Any abstention?

14 All right. Motion carries.

15 VICE PRESIDENT MILLER: Okay. Now, I move to
16 deny the petition agenda item 8b2

17 PRESIDENT TAYLOR: All right. On motion, I need
18 a second.

19 BOARD MEMBER PACHECO: Second again.

20 PRESIDENT TAYLOR: Seconded by Mr. Pacheco. All
21 those in favor of the motion, aye?

22 (Ayes.)

23 PRESIDENT TAYLOR: Opposed?

24 Abstentions?

25 ACTING BOARD MEMBER GRIFFITH: Abstain.

1 PRESIDENT TAYLOR: Okay. Let the record not that
2 CalHR abstains.

3 And that's it for this item. Back to you
4 President Taylor.

5 PRESIDENT TAYLOR: We don't have anything on
6 petitions for reconsideration, right?

7 Is it on your thing.

8 VICE PRESIDENT MILLER: I think that's what we
9 just did.

10 PRESIDENT TAYLOR: Oh, petitions for -- okay.
11 Sorry.

12 All right. Now, we're moving on to agenda item
13 9a, State and Federal Legislative Update.

14 Oh, I'm sorry. That is still Danny. Go ahead,
15 Danny. 8c.

16 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Sure.
17 Good morning, Madam President, Board Members. Danny
18 Brown, CalPERS team members. And yes, this item is 8c, an
19 action item on a ballot initiative called the Taxpayer
20 Protection and Government Accountability Act. This
21 initiative would amend the California State Constitution
22 to change the definitions and processes State and local
23 governments use to impose new or higher taxes or other
24 charges. This initiative is eligible for the November
25 ballot. However, it does not officially qualify for the

1 ballot until the end of June.

2 Today, in order to increase statewide taxes, the
3 State Constitution requires both the Senate and Assembly
4 to approve the increase with the two-thirds vote in each
5 House or approval through a statewide ballot initiative
6 with a majority vote. To increase local taxes, existing
7 law requires the approval of the local governing body and
8 the approval of the local jurisdiction of voters.

9 Tax increases for a specific purpose require a
10 two-thirds vote from local voters, while tax increase for
11 any purpose require a majority vote from local voters.
12 Additional local governing bodies may increase or change
13 fees and other charges within certain limits. This
14 initiative, among other things, would require that new or
15 higher State taxes passed by the Legislature also be
16 approved by a statewide ballot initiative with the
17 majority vote. For local governments, the initiative
18 specifies that no local law may impose, extend, or
19 increase a general tax or impose a special tax unless it
20 has been approved by the local jurisdiction of voters by a
21 majority vote. A lawsuit has been filed by the Governor
22 and the Legislature that argues that this initiative is
23 invalid, because it would not amend the State Constitution
24 but revise it, and that it impairs general government
25 functions.

1 The California Supreme Court is expected to hear
2 arguments soon with the hope it renders a decision in late
3 June. Generally, the initiative is supported by business
4 and tax groups and opposed by the Governor, local
5 governments, and labor groups. And I believe you received
6 many letters from local governments and labor groups
7 requesting the Board oppose this initiative.

8 And with that, I'll end my remarks and answer any
9 questions.

10 PRESIDENT TAYLOR: Okay. I do have quest --
11 comments by Ms. Middleton.

12 BOARD MEMBER MIDDLETON: All right. Danny, I'm
13 afraid I don't have any questions, but I do want to make
14 some comments. It's my hope that this Board will
15 unanimously stand in opposition to this initiative. This
16 initiative, if passed by the voters, would significantly
17 weaken the financial stability of every city and every
18 county in the state of California. It would impair the
19 ability of local government to carry out essential
20 services, including police, fire, all public safety, and
21 our -- the ability of local government to be able to fund
22 the retirement programs that we have committed to for all
23 of our employees.

24 Beyond just simply trying to limit the ability of
25 major tax increases, this initiative goes so far as to

1 define simple normal fees that individuals pay, such as a
2 permit fee, as a tax that would require approval of the
3 voters before we could change fees on planning department
4 fees and any other fee that is passed by a city council,
5 throwing into complete disarray the ability of
6 municipalities to charge for the services that they render
7 to individuals.

8 Lastly, and very importantly, this initiative
9 seeks with the ability of no more than 50 percent plus 1
10 voter the ability of that very small majority to require a
11 super majority of two-thirds voters going forward on any
12 initiative. So again, it is my hope that we unanimously
13 stand with cities, and counties, and local government
14 across the State in opposing this very radical new
15 interpretation of our tax structure.

16 PRESIDENT TAYLOR: Thank you, Ms. Middleton.

17 I'm going to take personal privilege myself and
18 say that I also hope the Board opposes this as well. I
19 see this as another way for our governments not to be able
20 to fund themselves. I was -- I was 16 when Prop 13 passed
21 and watched everything go away in our schools. So this
22 will hit every level of government and touch everyone's
23 lives. And to think that the Business Roundtable,
24 multi-billion dollar companies are trying to take our
25 ability to have ballot initiatives and use it against the

1 people of California should make people very angry,
2 because that's what they're doing, so -- and finally, I
3 just want to make sure that everybody knows.

4 Remember, it hasn't been that long. I think
5 Governor Brown was the one that finally got that passed
6 that we didn't -- we had to have a two-thirds majority to
7 pass the budget. So how long it took for us to get
8 budgets passed in the state of California, not only that,
9 but it will absolutely impact the ability for CalPERS to
10 have its employers funding the system, and that's
11 unacceptable and lot of these companies we invest in, so
12 we need to take a look at that.

13 And with that, I'm going to call on Mr. Miller.

14 VICE PRESIDENT MILLER: Yeah, I'm -- I think, you
15 know, there's really no point for me to ramble adding
16 more. This is not surprising, because we've seen these
17 kind of concerted attacks before, but -- so at this point,
18 I'll -- I will by move that we take a position to strongly
19 oppose this.

20 BOARD MEMBER PALKKI: Second.

21 BOARD MEMBER PACHECO: I'll second it.

22 PRESIDENT TAYLOR: Well, we're not there yet.
23 Hold on. I have more of us and public comment.

24 VICE PRESIDENT MILLER: Okay.

25 PRESIDENT TAYLOR: Ms. Willette.

1 BOARD MEMBER WILLETTE: Thank you. I just want
2 to echo the sentiments of my colleagues. And I say that
3 this act is a serious threat to pension and retirement
4 funds at the State level, the local levels. And as
5 written, it's a careless initiative that I think
6 jeopardizes our ability to meet our pension obligations.
7 As stated, it would break the promise of a dignified
8 retirement and badly needed health care for millions of
9 current and future retirees.

10 I do want to also just appreciate the public
11 comment written in support of the Board for that -- for
12 this act to take a position.

13 Sorry. Thank you.

14 PRESIDENT TAYLOR: We will vote on moving this in
15 a moment. I have no -- oh, I do. I'm sorry, Mr. Pacheco.

16 BOARD MEMBER PACHECO: Thank you. I would just
17 like to concur as well with my colleagues taking an
18 opposition position on this, because I feel that, you
19 know, it is in -- the opposition position is in line with
20 our CalPERS fiduciary duty to ensure the stability of our
21 fund, because the ballot would basically restrict local
22 and State government ability to raise revenue to pay for
23 their pension obligations. So thank you very much.

24 PRESIDENT TAYLOR: Thank you, Mr. Miller. I'm
25 sorry. Mr. Pacheco.

1 So now I'm going to call on public commenters for
2 8c. And first I'm going to bring up Carolyn Coleman and
3 Mitch Steiger. Over to my left here and the microphones
4 will go on. Ms. Coleman, you start.

5 CAROLYN COLEMAN: Thank you.

6 Thank you, Madam President and Mike condolences
7 on the loss -- the loss of your friend.

8 Good morning, President Taylor and members of the
9 Board. My name is Carolyn Coleman. I'm executive
10 Director and CEO of the League of California Cities. And
11 I want to thank this Board and I want to thank your CEO,
12 Marcie Frost for the continued focus and attention on
13 employer affordability. We all know that local
14 government's ability to pay their CalPERS' obligations is
15 critical to a healthy pension fund.

16 Today, I want to talk about the Taxpayer
17 Protection Act, or what we refer to as the Taxpayer
18 Deception Act. This measure, which is scheduled to be on
19 the November 2024 ballot is an existential threat to our
20 local governments, our state, and the pension fund itself.
21 It should also be noted that the provisions of this
22 measure are retroactive to January 2022, which would and
23 could possibly invalidate over a hundred local measures
24 that have already been passed and their residents are
25 already relying upon.

1 To put it simply, this Act sponsored by the
2 California Business Roundtable is a wolf in sheep's
3 clothing. While it claims to protect taxpayers, it will
4 endanger public services and put the public employee
5 pension system at risk. If passed, it would upend local
6 government finances overnight, attacking local
7 government's ability to provide the services that our
8 residents depend upon and to meet their pension
9 obligations to the fund and really to its beneficiaries.

10 Now, you may ask what are these services we're
11 talking about? They're the public services that we all
12 know and love in our communities. It's preventing and
13 reducing homelessness. It's planning for more housing.
14 It's picking up the trash. It's putting out fires. It's
15 paving streets and roads. And it's guarantying that when
16 anyone of us calls 911, that someone will be there to pick
17 up the phone. We all know here that employer
18 contributions are vital to the long-term fiscal viability
19 of the fund. And if local governments cannot predictably
20 meet their obligations to the fund, then the very health
21 of the system is at risk.

22 Over 200 cities throughout California have
23 specifically opposed this dangerous measure. And this
24 number is growing daily. As you have already heard from
25 some of the folks who have written letters to you, this

1 measure is opposed by a broad coalition of labor, of local
2 governments, of firefighters, teachers, the working class
3 and so many more.

4 This measure will simply not protect taxpayers.
5 It will jeopardize our communities, their local services,
6 and the pension benefits of those who have earned them and
7 deserve them.

8 Thank you so much for your time today and I urge
9 your opposition to this measure. Thank you.

10 PRESIDENT TAYLOR: Thank you.

11 Next up - thank you Ms. Coleman - Mitch Steiger.
12 I don't know if I'm saying that correctly.

13 MITCH STEIGER: Yes, you did. Thank you.

14 Good morning. Thank you, President Taylor,
15 members, and staff. Mitch Steiger with CFT, a union of
16 educators and classified professionals, also here to echo
17 the comments of the previous speaker and those on the
18 Board urging opposition to this measure for a few reasons.

19 First, we think it's important to kind of pause
20 and think about where we are in terms of the current
21 budget situation. We're looking at the worst budget
22 definite in recent memory. We've been told everything is
23 on the table. Our members are going to be fighting for
24 their jobs, fighting to protect what we've got. And into
25 this situation comes the Taxpayer Deception Act to really

1 add fuel to the fire, and really put us in a very scary
2 place in terms of what the long-term impact of this could
3 be both to our members' jobs, but also everything else
4 that all these investments go toward in terms of a
5 functioning education system, a functioning transportation
6 infrastructure, all of these systems that connect that
7 make California great. They are all facing grave risk as
8 a result -- (clears throat) -- excuse me -- of this
9 measure.

10 We also think it's important to think about
11 really just the mission of CalPERS and what's happening
12 here, where we have members, many of whom don't make much
13 money, setting aside a pretty large percentage of that
14 money to take care of them in their own retirement. This
15 is money that they need right now to deal with a lot of
16 the inflation that ironically is being forced on them by
17 some of the funders of this measure. And they're saying
18 we need this for later on in our lives when we can no
19 longer work or when we don't want to work, where we've put
20 in our decades of service and we now deserve a dignified
21 retirement.

22 This measure will very much make it less likely
23 that CalPERS is able to hold up their end of the bargain,
24 as all of these different systems struggle, as our
25 investments struggle, and potentially even the entire

1 economy of our state struggles. We have a lot of money
2 tied up in private businesses that need a functioning
3 infrastructure. And as the negative effects of this
4 measure ripple throughout the economy, it is going to make
5 it so that our members are not only struggling now because
6 of the money that they're setting side, but struggling the
7 future as their retirement benefits, as they're retirement
8 health care is not funded as well, is less reliable, is in
9 a much more difficult place than it should be.

10 So for a variety of reasons, we very much urge
11 the Board to take the position that it sounds like you're
12 strongly considering today. We think it's a really
13 important message to send statewide and to our members who
14 are relying on these systems to give them the dignified
15 lives in retirement that they deserve and we urge you to
16 oppose the measure today.

17 Thank you.

18 PRESIDENT TAYLOR: Thank you.

19 Brian Molina and Meagan Subers if you would come
20 up. And you can both sit down. You don't have to stand
21 and wait. There's two chairs there.

22 Brian, you go first.

23 BRIAN MOLINA: Thank you.

24 Good morning and thank you for being here. My
25 name is Brian Molina and I'm the legislative campaign

1 manager with California Calls. Our alliance is made up of
2 31 grassroots community-based organizations spanning 16
3 rural suburban, urban counties across the state. We
4 educate, engage, and motivate new and infrequent voters
5 from communities of color, and from poor and working class
6 neighborhoods to make California's electorate more
7 reflective of our state's diverse population.

8 I'm here today to say that we stand in strong
9 opposition to the Taxpayer Deception Act along with the
10 growing and diverse coalition of over 200 community-based
11 organizations, labor unions, faith-based organizations,
12 California teachers, California firefighters, and over 200
13 California cities.

14 We stand in opposition to this dangerous measure
15 for three reasons. Number one, this measure would
16 systematically defund State and local governments. It
17 would make it nearly impossible to generate revenue at the
18 local level, and end critical safety-net programs our
19 people need and depend on.

20 Number two, this measure allows for a super
21 minority of just 33 percent to block every funding measure
22 every time.

23 And number three, the retroactivity clause in
24 this measure could nullify up to 140 State and local
25 measures spanning the last two years. This overturns

1 billions of dollars in revenue and has the biggest impact
2 on working class Californians across the state who are
3 already struggling to make ends meet.

4 I have to say this, California is home to some of
5 the richest and wealthiest communities in the world. It's
6 also home to some of the poorest and most dangerous in the
7 world. California Calls and the organizations and cities
8 who oppose this measure represent working folks from
9 communities that have so little that they have almost
10 nothing left to take from them.

11 Standing on the other side of this, the folks who
12 support and fund this measure come from communities so
13 rich and so in excess that there is almost literally
14 nothing more that can be given to them. What this measure
15 does is take that little bit from the working class -- the
16 working class communities have left and transfer it to the
17 absolute richest among us. Our communities deserve
18 investment, dignity and funding. We strongly urge CalPERS
19 to oppose this measure.

20 Thank you.

21 PRESIDENT TAYLOR: Thank you very much.

22 Meagan.

23 MEAGAN SUBERS: Thank you.

24 PRESIDENT TAYLOR: Hold on. There you go.

25 MEAGAN SUBERS: Thank you very much, members of

1 the Board. Meagan Subers here on behalf of the California
2 Professional Firefighters. We represent about 35,000
3 career firefighters and emergency medical service
4 personnel across the state, many of which are employed by
5 CalPERS contracted agencies and hope to one day earn their
6 retirement from CalPERS.

7 I think you've heard a lot about the very
8 dramatic negative impacts this ballot measure will have on
9 the State and local's ability to just make sure they have
10 the revenue needed to support everything, every service
11 they provide, including fire and emergency response. So
12 maybe I'll just hit on a couple quick points. This
13 measure threatens that ability for a local government to
14 decide what is needed in their community when it comes to
15 who responds to that 911 call when people have to make
16 that call on sometimes the worst day of their lives.

17 So we feel like this an important action for
18 CalPERS to take to send a strong message that we support
19 local governments. We support the State's ability to
20 decide what's best for emergency response for the state of
21 California.

22 And as you heard, the retroactivity provision
23 will have severe consequences on a government's ability to
24 manage and plan its fiscal affairs. We locals up and down
25 this state that have worked hard with their board of

1 supervisors, city council to pass local measures to fund
2 emergency response and fire services locally. And as you
3 heard, there are over a hundred that we know of that could
4 be nullified and pulled back.

5 The financial health of public agencies is
6 crucial for bargaining wages and benefits, but also
7 ensuring that local governments have the ability to, you
8 know, stay true to their commitment to provide a secure
9 retirement to their members. So that's also obviously a
10 very important point that we think is important for
11 CalPERS to maintain their fiduciary responsibility to
12 their members of the system, and for those reasons hope
13 that you will stand with us to oppose this measure.

14 Thank you.

15 PRESIDENT TAYLOR: Thank you. Thank you very
16 much, Ms. Subers.

17 Aaron Avery and Bryant Miramontes, these two
18 seats on my left, on your right. Bryant, you are up
19 first.

20 BRYANT MIRAMONTES: Good morning, President
21 Taylor, members of the Board. My name is Bryant
22 Miramontes, and I am with the American Federation State,
23 County and Municipal Employees. We represent
24 approximately 200,000 workers in the state, including over
25 130 municipalities who are a part of the CalPERS system.

1 As was shared by the Board members and the
2 speakers before me, the forthcoming ballot measure
3 deceptively coined the Taxpayer Protection and Government
4 Accountability Act is an attack on State and local
5 government's ability to meet the needs of their
6 communities, essentially tying their hands and preventing
7 them from providing critical services that the public
8 relies on.

9 This would create chaos, exacerbate the deficit,
10 and create unbalanced budgets, all of which would have
11 significant repercussions on the pension fund. We urge
12 the Board's position on the measure as it is critical and
13 in line with CalPERS fiduciary responsibility to protect
14 the fund's solvency.

15 Thank you.

16 PRESIDENT TAYLOR: Thank you.

17 AARON AVERY: Good morning, President Taylor and
18 members of the Board. My name is Aaron Avery, Director of
19 State Legislative Affairs for the California Special
20 Districts Association. I've also been asked to make
21 comments today on behalf the California State Association
22 of Counties.

23 CSDA represents more than 1,000 special district
24 local governments employing tens of thousands of
25 front-line public employees, providing essential services

1 in the State including water, fire protection, health
2 care, recreation and parks and more. We join our partners
3 in labor and local government partners as well in
4 respectfully urging the Board to adopt an opposed position
5 today on the initiative known as the Taxpayer Protection
6 and Government Accountability Act, but More aptly called
7 the Taxpayer Deception Act.

8 Opposing this initiative is consistent with the
9 Board's fiduciary responsibilities to CalPERS members for
10 two primary reasons I will touch on today. First, the
11 initiative would limit the ability of voters to express
12 their will through local initiatives and vastly complicate
13 how State and local governments fund core services. This
14 initiative would undermine local government's ability to
15 fund our operations and meet financial and contractual
16 obligations, including to CalPERS. Keeping faith with the
17 commitments our voters and the elected representatives
18 have made to our workforce in the communities they serve
19 is important to all of us.

20 Second, this initiative would upend the economy
21 and potentially undermine the businesses and other assets
22 that CalPERS invests in. This state's economic success
23 depends on a robust public infrastructure including
24 adequate water supply, safe roads and bridges, and
25 reliable public safety. This initiative would undermine

1 these key pillars of economic vitality through defunding
2 public safety efforts that protect our communities and
3 their local businesses through thwarting economic
4 development investments, including convention centers,
5 meeting places, sports complexes, entertainment venues,
6 and other amenities that help businesses grow, and that
7 stimulate our economy.

8 The initiative would cutoff federal
9 infrastructure dollars by severely limiting and
10 restricting matching funds and the ultimate purpose of
11 grant funds from the federal government. And finally, the
12 initiative would destabilize the municipal financing
13 market by pulling the rug out from -- out from under
14 already obligated capital improvement financings. And
15 perhaps most notably, and as note by several commenters
16 already this morning, this initiative would apply
17 retroactively for three years.

18 For these reasons, we respectfully urge the Board
19 to adopt an oppose position on the initiative and we thank
20 you for your consideration.

21 PRESIDENT TAYLOR: Thank you, Mr. Avery.

22 And lastly -- oh no, never mind. Terry is on
23 something else.

24 So we are now -- the Board -- yeah we need a
25 motion. I have you on 9c -- 9a.

1 TERRY BRENNAND: That was wrong.

2 PRESIDENT TAYLOR: Okay. Come on up, Mr.
3 Brennand. That's -- I was going to call you and then I
4 saw it said 9a.

5 TERRY BRENNAND: My apologies for not knowing the
6 difference between 9a and 8c, but -- good morning. And
7 one of the privileges of going last is everybody has
8 virtually said everything that needs to be said.

9 You wish.

10 (Laughter).

11 TERRY BRENNAND: I'm going to try and use my
12 three minutes wisely. A couple things. We need to focus
13 on your fiduciary duty here. It's to the members of the
14 agencies -- I'm sorry, the member agencies, the members,
15 and the system as a whole. Nothing interferes with your
16 ability to interact and fulfill that obligation than this
17 initiative. It makes it virtually impossible for local
18 governments to manage their budgets and therefore make the
19 necessary contributions.

20 The only other thing I think that was referenced
21 was many of the people funding this initiative are your
22 partners to the tune of about \$12 billion. And I just
23 want to recognize a few of them, Blackstone, Kilroy,
24 Hudson, Pepsi, Chevron, Wells Fargo just to name a few.
25 The level of greed that says it's okay for them to evade

1 taxation and restriction, and then impinge upon your
2 ability to invest in real estate, to invest in
3 infrastructure, and all the other things you want to do,
4 it's obscene, it's unconscionable, it's irresponsible, and
5 we urge you not only to vote against this but to engage
6 those partners and talk to them about that's not going to
7 stand in the CalPERS portfolio. You can't use my members'
8 money, my agency money to devastate our own system.

9 Thank you very much.

10 PRESIDENT TAYLOR: Thank you, Mr. Brennand.

11 And at this point with no further public comment,
12 I will entertain a motion.

13 VICE PRESIDENT MILLER: I'll move it.

14 BOARD MEMBER PACHECO: Second.

15 PRESIDENT TAYLOR: I need a motion for what it
16 is.

17 VICE PRESIDENT MILLER: Okay. I move that we
18 a -- that the Board take a position of strong opposition
19 to the Taxpayer Deception --

20 PRESIDENT TAYLOR: Act

21 VICE PRESIDENT MILLER: -- Act.

22 BOARD MEMBER PACHECO: I'll second it.

23 BOARD MEMBER RUBALCAVA: I'll second.

24 BOARD MEMBER PALKKI: I'll second.

25 PRESIDENT TAYLOR: I've got so seconds --

1 (Laughter).

2 PRESIDENT TAYLOR: -- so I'm going to just pick
3 Kevin Palkki, because I think Mr. Pacheco has a whole
4 bunch of seconds. So with that, I'm -- this is a voice
5 vote, is that correct, or is this electronic vote?

6 BOARD CLERK ANDERSON: Voice.

7 PRESIDENT TAYLOR: I'm going to put us on the
8 record. It's an electric vote.

9 All those in favor or oppose, go ahead.

10 BOARD MEMBER RUBALCAVA: So yes means oppose,
11 right?

12 PRESIDENT TAYLOR: Correct, we're opposing it by
13 a yes vote.

14 (Thereupon an electronic vote was taken.)

15 PRESIDENT TAYLOR: One abstention. Is that all
16 of us?

17 I guess so.

18 Okay. All right, thank you very much. The
19 motion to oppose the Taxpayer Protection and Government
20 Accountability Act has passed. The Board of
21 Administration does oppose this legislation.

22 Thank you.

23 VICE PRESIDENT MILLER: Unanimously.

24 PRESIDENT TAYLOR: No, I have an abstention.

25 VICE PRESIDENT MILLER: Oh, okay.

1 PRESIDENT TAYLOR: Thank you very much.

2 We will move on at this point now to 9a.

3 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Thank
4 you, Madam President. And I will be quick, because I know
5 you have a -- you said a 10 o'clock certain and I have a
6 very short State update, but I do have Dan Crowley on the
7 line for the federal update. So for the State update,
8 I'll just say that the bill introduction deadline is
9 passed. You have a updated bill list in your material
10 packet. We've added a handful of retirement bills. We're
11 still going through about three dozen health care related
12 bills. And so we will add those next month as necessary.

13 And then as was mentioned earlier by Ms. Frost
14 that the joint information hearing was canceled last week,
15 but I did want to point out that Ms. Frost and I have had
16 the opportunity though to meet with a number of members
17 individually and discuss the plan and covering many of the
18 points that she shared with you today. And so we will
19 continue to do that as we meet with legislators and any
20 future meetings.

21 So moving to the federal update. Before I turn
22 it over to Dan, I did just want to mention that on Friday
23 we submitted a response to a Request for Information put
24 out by the House Education and the Workforce Committee.
25 In our response we provided valuable insight into proven

1 strategies that reduce health care cost and improve
2 quality of care. With our specific comments, we focused
3 on specialty drug coverage, prohibited transactions, as it
4 relates to vertical integration and consolidation in the
5 health care sector, and data sharing. And that letter
6 should be on our website soon.

7 And with that, I will turn it over to Dan
8 Crowley. Hopefully he is on the line.

9 PRESIDENT TAYLOR: This is off so he can't hear
10 me either. Dan, are you here?

11 DAN CROWLEY: I am hear. Can you hear me?

12 PRESIDENT TAYLOR: Yes, we can.

13 DAN CROWLEY: Okay. That's great. Give me one
14 second here to reconfigure my speaker, so I can hear you.
15 Are we still online?

16 PRESIDENT TAYLOR: Yes.

17 DAN CROWLEY: Okay. Wonderful. Thank you. So I
18 know you're pressed for time. I will just give a very
19 quick update. I'm Dan Crowley with law firm of K&L Gates.
20 I lead the bipartisan seam that represents your interests
21 on federal policy issues in Washington, D.C.

22 We've been very carefully tracking the state of
23 play on federal funding. Congress has passed the first
24 six appropriations bills for FY 2024 and they have until
25 this Friday March 22nd to pass the remaining six. If they

1 are unable to do that, there will be at least a short-term
2 government shutdown.

3 I head breakfast this morning with Senator Mike
4 Rounds from South Dakota who tells me that while the
5 intent is there, the logistics make it quite possible that
6 they will exceed that deadline and we will, in fact, have
7 a short government shutdown, but it's not expected to go
8 beyond that.

9 On China investments, there's a stalemate in the
10 House while they await passage of the appropriations
11 bills, but there does continue to be bipartisan interest
12 in restricting outbound investments to China. There's a
13 working group in the House that's working through those
14 issues as well as a competing group that is supporting the
15 Countering Communist China Act, which would basically
16 prohibit all outbound investments into Chinese technology
17 companies. The House Financial Services Committee
18 Chairman Patrick McHenry working with the ranking member
19 Maxine Waters are focused on the current system for
20 vetting of foreign investment through OFAC and establish
21 procedures.

22 And since they are the bipartisan leaders on the
23 Committee of jurisdiction, I expect that that approach
24 ultimately will prevail. And it's worth noting that there
25 continues to be an incredible amount of bipartisan

1 cooperation on the House Financial Services Committee.
2 It's not all bipartisan and we'll get into the hearing
3 that's ongoing as we speak in a moment. But it is notable
4 that Congresswomen Waters has issued a number of press
5 releases this year praising the bipartisanship on dozens
6 of bills that have cleared the House. Most of them won't
7 pass the Senate, but I think that bipartisanship is
8 notable, particularly because it conflicts with press
9 reports about how dysfunctional Washington is these days.

10 Very quickly, on the SEC climate rule. This is
11 something that CalPERS has advocated for the past two
12 years, since the proposal was initially introduced. The
13 SEC finally approved the rule on March 6th.

14 There are -- there is pushback, mostly from
15 Republicans. It is expected that Senate Banking ranking
16 member and House Financial Services Committee Chair --
17 Subcommittee on Oversight Chair Bill Huizenga will
18 introduce a Congressional Resolution Act resolution to
19 disapprove the SEC rule. If that passes somehow, it is
20 certain that President Biden would veto it, so it's purely
21 a political gesture.

22 I mentioned the House Financial Services
23 Committee hearing that is occurring as we speak. That is
24 a hearing on SEC overreach and it covers a number of
25 proposed rules, including the climate risk disclosure

1 rule. More importantly, lawsuits have been filed now in
2 six separate federal circuit courts in different
3 jurisdictions by different actors, most of the suits have
4 been filed in Republican dominated courts like the Fifth
5 Circuit. But the Sierra Club has sued in the Court of
6 Appeals for the District of Columbia, and National --
7 Natural Resources Defense Council has sued in the second
8 circuit.

9 And the reason that's important is that on
10 Friday -- or, I'm sorry, just yesterday the SEC has
11 petitioned the judicial panel on multi-district litigation
12 for a lottery to determine which of those public courts
13 will hear the case. And Natural Resources Defense Council
14 and Sierra Club have both filed in jurisdictions where
15 Democrats dominate the court. And I think the plan is to
16 increase the chances that the lottery goes to one of those
17 jurisdictions.

18 My objective assessment is that the SEC narrowed
19 the proposal sufficient to withstand judicial scrutiny.
20 And the question is whether a federal judge agrees with
21 that analysis. My sense of it is that a federal judge
22 will be reluctant to undermine the disclosure framework
23 for investors that has served the country well for nearly
24 90 years and no federal judge is going to want to be
25 responsible for calling into question the efficacy of that

1 disclosure regime, but that remains to be determined.

2 So Madam President, with that, I'd be happy to
3 pause and take any questions.

4 PRESIDENT TAYLOR: Thank you. I do have -- can
5 we turn that off. Sorry about that.

6 I do have Mr. Ruffino for Fiona Ma. Go ahead.

7 ACTING BOARD MEMBER RUFFINO: Thank you, Madam
8 President. Real quick, two quick questions. The first
9 one is for Mr. Brown. With respect to the canceled joint
10 hearing -- legislative hearing, have they announced is it
11 going to be rescheduled or we don't know at this -- at
12 this time?

13 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN:

14 There's been no indication at this time as to
15 that they have a plan to reschedule it. I say it's likely
16 not going to be happen -- not going to be rescheduled.

17 ACTING BOARD MEMBER RUFFINO: Okay. And then,
18 sir, on the federal side, may I ask if you have a sense of
19 any progress on HR 82. I know that the Senate is very
20 close to get to the 60. I believe, Senator Schumer --

21 PRESIDENT TAYLOR: You want to give us what HR 82
22 is, Frank, so that --

23 ACTING BOARD MEMBER RUFFINO: Yeah. So that's
24 Government Pension Offset and Windfall Elimination
25 Provision, which we've been talking about for many, many

1 years, and a very difficult complex subject. But I'm just
2 curious if we've made any progress. I know that we have
3 more co-sponsors that we ever had in the history of this
4 legislation. And we were waiting for the Senate to reach
5 that magic number and I think Senator Schumer just signed
6 on on the -- on this legislation. So from your
7 perspective, do you have any news, good, bad, indifferent
8 to share?

9 DAN CROWLEY: Well, no, sir, I don't. And I
10 would be happy to look into that and refer it as soon as I
11 can get you better information.

12 ACTING BOARD MEMBER RUFFINO: And --

13 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Well,
14 Mr. Ruffino, I was -- I was just going to add, and I think
15 this is -- I may have said this before, but, you know, I
16 think one of the reasons why the bill was referred to the
17 Ways and Means Committee is to prevent it from moving,
18 because it does have enough authors where it could just
19 move through the floor through suspension of the rules.
20 But by submitting it -- by sending it to the Committee,
21 it's kind of being held hostage by the Committee Chairs
22 and leadership and probably around the funding of it.

23 PRESIDENT TAYLOR: Okay.

24 ACTING BOARD MEMBER RUFFINO: And one last SECURE
25 2, there's rumors that we may see a SECURE 3. Do you --

1 what do you hear at the federal level? Is there any
2 initiative to that effect that we may get a SECURE 3 this
3 year or is that too premature?

4 DAN CROWLEY: I don't think we'll see a SECURE 3
5 this year. We may see some movement in that correction.
6 It is notable that there are bipartisan discussions going
7 on with respect to taxes generally. That is sort of
8 counterintuitive, given the composition of Congress and
9 the very close divide. But House Ways and Means Chairman
10 Jason Smith has been reaching across the aisle to find
11 areas of agreement. And they have a package of proposals
12 that enjoys bipartisan support.

13 The biggest problem we have is the dysfunction in
14 Congress and the inability to agree on basic fundamentals
15 like funding the government. So I think progress on
16 SECURE Act 3.0 is likely to be deferred into the next
17 Congress, but there is bipartisan agreement on the need to
18 Move forward on a number of issues related to pensions and
19 retirement security.

20 ACTING BOARD MEMBER RUFFINO: Great. Thank you
21 so much, sir. Appreciate it. Thank you, Madam President

22 PRESIDENT TAYLOR: Thank you.

23 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yes,
24 Madam President, if I may add to the question about the
25 joint informational hearing. We have been told that

1 Assembly Member McKinnor is going to hear SB 252 this
2 year. So as you remember -- recall last year, she did not
3 hear it. She is hearing it this year. And so that might
4 have played into -- that's probably going to play into the
5 fact of whether or not there is a rescheduling of a joint
6 informational hearing, since there's going to be hearing
7 on 252 likely in June.

8 ACTING BOARD MEMBER RUFFINO: Thank you.

9 PRESIDENT TAYLOR: All right. Thank you. I
10 think we -- that's all the questions we have from the
11 Board. With that, thank you, Danny.

12 We will move on to the Board self-assessment.
13 And with that, I'm calling up it looks like Travis and
14 Cari.

15 (Thereupon a slide presentation).

16 INVESTMENT DIRECTOR ANTONIONO: All right. Great
17 to be here this morning. Good to see everyone one again.
18 Travis Antoniono, Investment Director with Sustainable
19 Investments. I'm here today to be able to provide a
20 little bit of an introduction on the Board self-assessment
21 item.

22 As mentioned earlier this morning, this is an
23 item that is revisited on a every two-year basis as
24 required by the CalPERS Board Governance Policy. Back in
25 July, I presented to the Board at the Board off-site a bit

1 of an overview of the comprehensive Board self-assessment
2 process, the governance model, as well as the requirements
3 from different Board members as well, and some historical
4 aspects of what was taken place in previous Board
5 self-assessments.

6 After July, I worked with Christina Ortega and
7 the Board Services group to be able to identify a vendor,
8 ultimately which led to NACD. That process was carried
9 out during the fall. And then that takes us to today,
10 where the Honorable Cari Dominguez will be able to
11 actually provide all the findings and some insights into
12 perhaps what's next. So with that said, I'll pass it off
13 to Cari. Thank you.

14 (Thereupon a slide presentation).

15 CARI DOMINGUEZ: Thank you. Thanks. Thank you
16 very much.

17 PRESIDENT TAYLOR: The mic is not on.

18 There we go.

19 CARI DOMINGUEZ: Good. Good. Well, thank you
20 very much, Travis, for setting the stage so nicely. And
21 good morning President Taylor, Vice President Miller,
22 members of the Board. It's a privilege for me. First of
23 all, it's great to see you in person. We have Zoomed and
24 it's nice to be together in person, and it's a privilege
25 for me to meet with you today to discuss the findings of

1 the 2023 CalPERS Board self-evaluation.

2 A colleague of mine, we serve on a board
3 together, and he recently quipped that serving on a board
4 is a part-time job with full-time responsibilities. And I
5 think that's a very accurate statement. Given the
6 volatility, the uncertainty, the types of issues that
7 board members are dealing with, it's a full-time job. And
8 being prepared, trying to address all the challenges, the
9 complexity, it really requires more of your time, of your
10 expertise than ever before.

11 So identifying ways to enhance your Board
12 effectiveness, while operating as efficiently as possible,
13 is really pivotal to a successful outcome. And that's
14 what we hope to accomplish today, to really further your
15 mission and to further your commitment to organizational
16 excellence. And we hope that in a small way, this effort
17 will allow you to move forward with your commitment to
18 continuous improvement.

19 Again, I want to thank the full Board for the
20 insights, for the candor, and for the commitment in terms
21 of time and effort that you gave to this effort. And I'd
22 like to thank management, CEO Marcie Frost, and members of
23 her staff, for all the cooperation and assistance that was
24 rendered to NACD during this time.

25 Let's see if I can talk and click at the same

1 time.

2 [SLIDE CHANGE]

3 CARI DOMINGUEZ: There we go.

4 Okay. So for our agenda today, we're going to
5 begin with a brief refreshment of the self-assessment
6 process. President Taylor, you mentioned that it was done
7 in the fall. So this is a bit of a refresher just to keep
8 everyone using the same baseline.

9 We're then going to get into the qualitative and
10 the quantitative analysis of the findings. I'm going to
11 highlight some of the prevalent themes that came up. And
12 then we're going to conclude with some next steps that we
13 leave. You may want to consider and I believe you're
14 already considering in your journey towards continued
15 enhancement. Just a few things to set the stage.

16 First of all, this is entirely the Board's
17 feedback. These are your views and your comments. And
18 NACD simply served as a facilitator as the analyst trying
19 to interpret the scores and the comments. And
20 essentially, what we're doing is we're a mirror reflecting
21 back to you what your views, your areas of interest, what
22 you believe your strengths are.

23 By the way, looking at the ratings, that compared
24 to many other board self-assessments that I have
25 conducted, you are all pretty hard raters, which tells me

1 CARI DOMINGUEZ: In addition to the full Board,
2 we self-assessed -- you self-assessed three committees,
3 Performance, Compensation and Talent Management, Pension
4 and Health Benefits, Finance and Administration
5 committees. Again, all the statements were ranked on a
6 one to five scale, one being poor, five being excellent,
7 three being good, four being great. We tried to aim at
8 the four rating. It's hard to do when you're hard raters,
9 but we think that that's an area of opportunity and focus
10 for boards.

11 [SLIDE CHANGE]

12 CARI DOMINGUEZ: Any questions about the process?
13 Okay. Hearing none, in terms of leading
14 strengths.

15 [SLIDE CHANGE]

16 CARI DOMINGUEZ: A complete commitment to CalPERS
17 mission and its vital role on the marketplace and in the
18 well-being of its beneficiaries. Particularly noteworthy
19 was the number of references made to the collegiality and
20 the spirit of partnership that prevails during the Board's
21 proceedings and interactions. Great desire expressed for
22 continuous improvement whether through professional board
23 development, executive education, outreach to subject
24 matter experts, both within or outside the organization,
25 or mentorship.

1 Another noteworthy I'd like to emphasize is the
2 resiliency that given some of the issues that CalPERS
3 faced last year, how resilient and how quickly CalPERS was
4 able to respond to those issues. And again, as it has
5 been in previous years, stakeholder engagement is
6 considered a very strong organizational strength, and also
7 one that Board members would like to continue to find
8 opportunities to further those engagements and those
9 relationships.

10 [SLIDE CHANGE]

11 CARI DOMINGUEZ: Okay. Drilling down to each
12 specific -- well, let me -- let me go back. This is the
13 overall Board assessment. This looks at all the five
14 governance competencies across the Board. And as you can
15 see, there's very little alignment. And it's typical of
16 boards. Little alignment between importance, which is the
17 dark blue, and effectiveness, which is the light blue.
18 But again, as I said earlier, we do try to aim for a
19 rating of 4.

20 And so anything under a 4 rating provides an
21 opportunity for the Board to focus on it. And in this
22 particular set of competencies, we see that talent
23 oversight and CEO succession planning is the key category
24 where the Board would like to expand its focus this year
25 followed by strategy and risk. And again, those three

1 components go together. You can't have a good strategy
2 without the right talent to execute it.

3 [SLIDE CHANGE]

4 CARI DOMINGUEZ: And if we drill down, Board
5 structure. Again, the questions that this particular
6 category aims to address include things like are we
7 organized in a manner that is responsive to our roles and
8 responsibilities? Do we understand our roles vis-à-vis
9 management's roles? Are we developing role -- Board
10 leadership by the manner we rotate committee chairships,
11 we delegate responsibilities? Are we developing future
12 skills that will be needed for our Board members?

13 This is a very full slide. But given the time
14 that -- since the time that you completed, we thought it
15 might be helpful to refresh your memory and to add the
16 specific statements that you responded to.

17 As you can see, the top three areas to the left
18 are the key areas of focus where you have the greatest
19 variance between importance and effectiveness.

20 [SLIDE CHANGE]

21 CARI DOMINGUEZ: Specifically, even though this
22 Board is quite diverse and, in fact, it's one of the most
23 diverse boards that I have worked with, it is committed
24 and sees a strategic asset in not just the Board
25 diversity, but ensuring organizational diversity. And so

1 category is designed for the Board to assess the breadth
2 and depth of the organizational talent that drives the
3 execution of strategy.

4 The Board is acutely aware of its importance and
5 it generated most of the comments that we received with
6 significant agreement around the ways to enhance the
7 oversight process for succession planning. By the way,
8 you're not alone. The top three priorities that boards
9 across the nation have identified as their top priorities
10 include talent, capital allocation, and technology,
11 whether it's cyber data private -- cybersecurity, privacy
12 data, or artificial intelligence. So this Board is very
13 consistent with the trends that we've been seeing and
14 hearing about throughout all boards.

15 [SLIDE CHANGE]

16 CARI DOMINGUEZ: Again, eagerness to have a
17 succession planning process in place, not because there's
18 urgency, but because it is a top fiduciary responsibility.
19 With the shortage of key talent and the challenges of
20 attracting and retaining talent, there is a great desire
21 to continue discussions around talent acquisition,
22 development, retention, succession, and again diversity as
23 a key strategic asset of CalPERS. We can -- again, we can
24 have the best developed plan, but -- and products, but if
25 you don't have the right talent to drive it, it's all for

1 not. So the Board sees it that way.

2 [SLIDE CHANGE]

3 CARI DOMINGUEZ: Next to talent, strategy
4 oversight was a big area of focus for the Board. Engaging
5 and development of strategy is one of the most important
6 fiduciary responsibilities, as you know, whether it's
7 gathering input early and often, from the stakeholders, or
8 looking at alternatives, anticipating disruptions,
9 particularly the technological disruptions, but also
10 social and environmental. There are also considerations
11 for the Board to engage with management on. But the Board
12 continues its commitment to find more opportunities for
13 stakeholder engagement, for reaching out. And these
14 findings reflect a strong desire for more discussion and
15 time around strategy development.

16 [SLIDE CHANGE]

17 CARI DOMINGUEZ: And particularly around the
18 importance of clarifying roles and responsibilities in the
19 area of capital allocation. It is the capital allocation
20 strategy, investment strategy development process.

21 Growing external factors affecting economic
22 conditions, geopolitical issues, funding pressures, and
23 other social and environmental issues. The Board is very,
24 very keen to work with management to look at alternatives
25 to this strategy to consider potentially disruptive risks

1 effective handling of recent risk management issues; a
2 desire to better understand the CalPERS enterprise risk
3 management program. Great comfort with the CEO's
4 knowledge of ERM, but they would like to get more details,
5 more fundamental understanding of the executive -- of the
6 enterprise risk management, its infrastructure, and
7 accountability procedures. Also, a lot of interest
8 expressed in engaging in more discussions on guidance on
9 cybersecurity, geopolitical and population fundability
10 risks.

11 [SLIDE CHANGE]

12 CARI DOMINGUEZ: These were -- the Board was
13 quite unanimous that these were the three most often
14 mentioned and the key accomplishments of the past 12
15 months. There were many that were mentioned, but these
16 were the three that were most often mentioned, the labor
17 principles, the commitment to green infrastructure
18 investments, and the key hires and the compensation
19 adjustments that are able to facilitate attracting and
20 having competitive compensation, so that you can retain
21 the right talent.

22 There were other notable accomplishments included
23 the importance of ongoing communications with stakeholders
24 and the outreach to continue to find innovative ways to
25 engage with stakeholders, look and successfully navigating

1 through data security challenges, delivering on a health
2 care program structure designed to promote equal access,
3 the solicitation of PPO health care plans, all with the
4 goal of making sure that health equity across all your
5 members remains a priority.

6 [SLIDE CHANGE]

7 CARI DOMINGUEZ: These were the top three
8 priorities that were already mentioned by President Taylor
9 earlier in terms of opportunities for enhancing
10 effectiveness over the next two years.

11 Leadership development and education. Again,
12 this is a very uniquely constructed board and so you have
13 more turnover more frequently. So it's important that all
14 the members stay abreast and engage in leadership
15 development and education. Make sure that you access that
16 information and educational opportunities, which is always
17 made available.

18 Increase focus on strategy, short and long term.
19 Investment performance, risk volatility, uncertainty,
20 monitoring all of the external and internal factors that
21 could impact CalPERS funds.

22 And of course, again the top priority, executive
23 management, executive leadership, CEO succession planning
24 process, with a focus on diversity. Ensuring that an
25 oversight process is in place to develop the bench

1 strength in all the key executive roles. The CIO, Chief
2 Investment Officer position being top of mind. Other
3 often mentioned priorities include again ways to keep the
4 stakeholders engaged and informed of CalPERS achievements,
5 its impact not only on the marketplace, but in society in
6 general.

7 [SLIDE CHANGE]

8 CARI DOMINGUEZ: In terms of the attributes,
9 these are just trending compared to the 2021 Board
10 evaluation that you did. It's a way to measure how
11 engaged, and creative, and insightful the different --
12 depending on the issues that each board -- obviously, it's
13 difficult to compare because issues change from one cycle
14 to another. But you can see the trends seem much more
15 improved. Everything that you've rated is pretty much 4.4
16 and above.

17 And the collegiality -- a lot of reference about
18 the importance of culture and how important building a
19 foundation of trust, openness, transparency continues to
20 be a key driver for this Board.

21 Attentiveness to issues that make for a high
22 performing board was another priority. As you can see,
23 it's significantly higher than the 2021 cycle.

24 [SLIDE CHANGE]

25 CARI DOMINGUEZ: Again, much higher ratings. A

1 number of comments expressed about the continuing to
2 foster appreciation and inclusion of diverse points of
3 views. And so board culture came up quite a number of
4 times, and particularly in the attributes component of
5 this assessment.

6 [SLIDE CHANGE]

7 CARI DOMINGUEZ: We -- as I mentioned earlier, we
8 also had the Board self-assess three of its committees.
9 The Performance, Compensation and Talent Management
10 Committee scored considerably higher compared to the 2021
11 cycle, particularly in its use of -- and quality of
12 outside consultants. High marks on the external
13 consultants. The performance monitoring, as you can see,
14 had a bit of a dip compared to 2021. That's because a
15 number of members have not gone through that process, so
16 they weren't able to rate that particular piece of the --
17 of the statements.

18 Again, lots of focus on CEO succession planning
19 and the importance to have a very tight and focused agenda
20 that allows for more -- for fuller discussions of the
21 issues before the Committee.

22 [SLIDE CHANGE]

23 CARI DOMINGUEZ: The Finance and Audit Committee
24 stayed on a steady course compared to the 2021 cycle. As
25 you can see, it's very consistent. A lot of focus around

1 asset liability management with a desire for more input to
2 ensure that the assumptions underpinning the projections
3 remain sound. The very high marks given to that CalPERS
4 staff for their support. It's good comments being a well
5 organized committee. We'd like to have more detailed
6 information around some of the investment strategies and
7 overall budget strategies and actions, but as you can see
8 fairly high marks.

9 [SLIDE CHANGE]

10 CARI DOMINGUEZ: The Pension and Health Benefits
11 Committee. This Committee received high marks for its
12 leadership and the high caliber of CalPERS staff support.
13 Highly focused on ways to keep down health care costs and
14 in check. The Committee would like to focus this year on
15 the process -- better understanding the process for
16 retaining consultants, more clarity around how rates are
17 compared and determined. The Committee members fully
18 recognize the challenge of controlling health care costs,
19 but are fully committed to that effort. And then holding
20 plans accountable for that focus is a key priority of many
21 of the comments that we received.

22 [SLIDE CHANGE]

23 CARI DOMINGUEZ: So in summary, the key themes
24 that resonated across this assessment process. Number
25 one, above all, the CEO succession planning and talent

1 oversight process - we talked about that - along with
2 investment strategy development and role clarification.
3 What's the role of the Board? What's the role of
4 management? Are there any particular points that need to
5 be clarified to make sure that both parties are fully
6 engaged and carry out their fiduciary responsibilities.

7 Board processes and participation. Particularly
8 with the newer Board members, you know, process,
9 communications, access is key. And so making sure that we
10 find ways of efficiencies in reporting, more effective use
11 of the agenda-setting process to follow through on issues,
12 all part of number three.

13 Onboarding and leadership development. How do we
14 find opportunities to delegate, to rotate? And then
15 onboarding, allowing for more time to absorb all the
16 information that you are responsible for. And again, as I
17 mentioned earlier, continuous improvement, looking at
18 informal personal, you know, lessons learned, what can we
19 do better. Those types of opportunities that Board
20 members are looking for.

21 [SLIDE CHANGE]

22 CARI DOMINGUEZ: Opportunities for further
23 governance enhancements. Again, this is what we recommend
24 based on the feedback that we received from you. Adopting
25 a succession plan and talent oversight process that is

1 continuous with regular updates. Looking at the roles and
2 responsibilities in light of shifting trends, how do we
3 clarify? Do we make sure that everybody understands what
4 they're responsible for?

5 Engaging in communications across all levels,
6 Board member to Board member, Board to CEO, Board to
7 executive leadership, and stakeholders as well.

8 Looking at ways to give staff feedback on the
9 Board materials that need to be refined or could be
10 refined further to give the -- each Board member an
11 opportunity to focus on the key priorities. As I said, it
12 is -- it is a tall order for directors is -- in this
13 environment. And so prioritizing that information and
14 allowing more time for discussion is a key priority. And
15 that involves the agenda setting process and focusing on
16 those key priorities.

17 [SLIDE CHANGE]

18 CARI DOMINGUEZ: The onboarding program to
19 maintain sustainability consider -- there's an opportunity
20 to consider assigning more tenured Board members to newer
21 ones, whether for mentoring purposes, maybe extending the
22 onboarding program longer. But this is an important
23 feedback that the newer Board members were able to
24 provide.

25 Again, Board leadership development, rotational

1 opportunities, delegation, and finally overseeing the
2 CalPERS diversity profile to ensure that it remains a
3 strategic asset, a strategic priority.

4 [SLIDE CHANGE]

5 CARI DOMINGUEZ: Just a couple of observations.
6 A number of Board members raised culture as an important
7 ingredient for enhancing Board effectiveness, and I just
8 wanted to bring to your attention the most recent blue
9 ribbon commission report that NACD issued last year. It's
10 really an outstanding product as board -- as members of
11 NACD, all of you, are able to download this report. And
12 it really speaks to the importance of having culture as
13 the foundation of all the -- all that involves Board
14 effectiveness and efficiencies. So I encourage you to
15 take a look at that. And again, it's been very well
16 received by other Board members.

17 [SLIDE CHANGE]

18 CARI DOMINGUEZ: I also wanted to highlight some
19 of the courses that NACD is offering this year. I've
20 customized the list based on the interests that were
21 expressed by a number of Board members during this
22 process. You have full access to them by virtue of being
23 members again. So please take a look, particularly great
24 feedback on the certificate in cyber risk oversight has
25 been very well received. Obviously, ESG oversight, but

1 you're all -- you're all pros at that, but there may be
2 some opportunities to take a look at what some of the
3 other board members and boards are focusing on. Financial
4 oversight course, technology. Of course, we have an NACD
5 chapter in Northern California that all of you are welcome
6 to participate. And you have a board advisor, Christina
7 Hung. Any kind of question, any kind of information you
8 need, please feel free to reach out to Christina.

9 So you're to be commended on your commitment to
10 continuous improvement, as you continue to rise to higher
11 levels of impact and growth. And again, this captures a
12 point in time in your Board evaluation. So you may have
13 already identified many of these issues. But there may be
14 other steps that you can take to continue on your journey
15 to greater effectiveness.

16 I thank you for the opportunity. And if there
17 are any questions, I'm happy to take them. The appendix,
18 its pretty much some background material doing further
19 comparisons between 2021 and 2023 cycles.

20 Any questions, comments, feedback?

21 PRESIDENT TAYLOR: That's what I'm waiting for
22 from the Board. Do we have any questions?

23 Mr. Palkki.

24 BOARD MEMBER PALKKI: Not so much a question, but
25 just wanted to share I recently went through the

1 cybersecurity oversight program and I spent my holiday
2 season learning all about cybersecurity and all the fun
3 technology stuff. But it was -- it was a great program.
4 It was full of great information. I learned a lot. And I
5 know I've been speaking frequently with Stephenson about
6 what we do in our cybersecurity area and how can improve
7 that aspect as we move forward here. So thank you for
8 that program.

9 CARI DOMINGUEZ: Great. Thank you.

10 PRESIDENT TAYLOR: So and I want to thank you
11 Cari. You did such a wonderful job on this and working
12 with us. I know it's tough, especially wrangling us. I
13 can't -- I remember trying to get the last couple of
14 people to do it. And it -- yeah, we're like cats
15 sometimes.

16 (Laughter).

17 PRESIDENT TAYLOR: I want to say that I kind of
18 took pictures of a few of these because I think this would
19 be very good for our Board members and I do have other
20 commenters. As we get -- in the Governance Committee talk
21 about how we're going to construct the, moving forward,
22 educational sessions for -- to address these. So I'm
23 really happy that we have these and that the Board was
24 candid about it, so that we can address what everybody
25 wants, so -- and that's for a future meeting and me to

1 talk to Matt about, so -- but right now, I've got Ms.
2 Willette and then Mr. Pacheco.

3 BOARD MEMBER WILLETTE: Thank you. I don't have
4 a question, just also a comment. I just want to say thank
5 you for going through the process with us. I want to
6 thank my colleagues on the Board for being candid and also
7 being earnest in this endeavor. And along the lines of
8 since it was brought up with the orientation, I'm going to
9 try to tie this in. I want to say thank you to Mr. Bill
10 McGrew for yesterday. A lot of the Board members got a
11 tour of the office and a welcome kind of piece. And so I
12 think that's a -- it was fabulous. I think he is a
13 phenomenal asset to CalPERS organization and I want to
14 thank him for his 23 years of service and the rest of the
15 team at CalPERS for making it a great place to be.

16 Thank you.

17 PRESIDENT TAYLOR: Thank you, Ms. Willette.
18 Mr. Pacheco.

19 BOARD MEMBER PACHECO: Yes. Thank you. Thank
20 you, President Taylor. First of all, I want to thank you
21 for your presentation. And all of the information. I
22 really found this really enlightening in terms of how we
23 as a Board can be more successful, more collaborative,
24 more positive in the long run. Because as you mentioned
25 in your presentation, we are relatively a brand new Board,

1 many of us serving our first term and many of us also
2 serving our first elected position. So I find that -- I
3 found the information quite useful.

4 I also want to -- just as a thought. Last year,
5 I took several -- I took one of the master courses in DEI,
6 cybersecurity, and I believe on governance. And I found
7 that to be really useful as a really -- a good basis of
8 understanding the material. And I just -- a question I
9 have. I noticed on the -- on the form there was the NACD
10 Directorship Certification Program. I believe it's the DC
11 Program. Can you elaborate more on that and what is --
12 the utility of that with respect to our situation?

13 CARI DOMINGUEZ: Certainly, Mr. Pacheco. It's a
14 program that was launched about three years ago. And it's
15 really an emphasis on elevating and making directors have
16 a complete understanding. Oftentimes, directors, board
17 members are assigned based on their expertise, based on
18 the perspective. But this is a very comprehensive program
19 that looks at every board member as a key contributor, not
20 just based on their expertise, but based on all the issues
21 that relates. So it's a very challenging program, very
22 difficult to pass. A couple of fellow board members of
23 mine have tried it on two, three occasions to make it,
24 because it's very comprehensive, but it is a unique
25 program. It's the only one that exists. As you know,

1 NACD has been in businesses for close to 50 years. So
2 we've been able to gather a lot of the intelligence that
3 says, okay, what are the -- what are the key fiduciary
4 roles and how can every Board member learn and prepare for
5 that.

6 And so I highly recommend that program, that
7 certification program, to be considered. But again, it's
8 very time-consuming, but well worth it.

9 BOARD MEMBER PACHECO: Thank you for those
10 comments. I appreciate that very, very much.

11 PRESIDENT TAYLOR: Okay. Ms. Gallegos.

12 ACTING BOARD MEMBER GALLEGOS: Great. Thank you.
13 It was very interesting. I didn't get to participate,
14 because I am I think the newest Board member at this
15 point, but it was very interesting to have the
16 introspective. What I would request though is that we get
17 more information on best practices. And in the future, I
18 don't know if we can schedule -- we talked about maybe
19 having some additional fiduciary training, but learning
20 what we could do better relative to best practices out in
21 the industry.

22 PRESIDENT TAYLOR: So -- and I think -- thank
23 you, Ms. Gallegos. I think that's part of our maybe
24 ongoing education, and we'll address that through our
25 Governance Committee. And I -- I've got thoughts in my

1 head about maybe a subcommittee or -- you know, so.

2 Did -- and a questions for you, Ms. Gallegos.

3 Did Ms. Cohen take this? I think she did, right?

4 ACTING BOARD MEMBER GALLEGOS: I believe she did,
5 either her or Regina did.

6 PRESIDENT TAYLOR: Okay.

7 ACTING BOARD MEMBER GALLEGOS: I know we
8 participated, because it was full participation.

9 PRESIDENT TAYLOR: Okay.

10 ACTING BOARD MEMBER GALLEGOS: I just -- I wasn't
11 the one giving the answers.

12 PRESIDENT TAYLOR: Got it.

13 ACTING BOARD MEMBER GALLEGOS: Just wanted to
14 acknowledge that.

15 PRESIDENT TAYLOR: Just making sure.

16 CARI DOMINGUEZ: And if I may, President Taylor,
17 I do think that the issues that you highlighted really
18 speak to leading practices. Every board is now looking at
19 CEO succession, developing bench talent is a key priority.
20 So whether you get an outside consultant to help you with
21 the process, whether you have the internal resources, you
22 had -- you really hit on the number one priority along
23 with capital allocation that is a leading concern and a
24 leader practice in terms of how do we access those
25 resources to be as effective as we possibly can.

1 PRESIDENT TAYLOR: In the future, yeah. I just
2 want to make sure that everybody knows that we feel this
3 is very important, but our CEO is going nowhere right now.

4 (Laughter.)

5 CARI DOMINGUEZ: No.

6 PRESIDENT TAYLOR: So -- anyway, so I think -- I
7 want to thank you both. Travis thanks for also all the
8 help for this and we appreciate it. This is always a good
9 exercise for us. Sometimes it's a little hard, because I
10 think people are like ooh, I don't want to say anything,
11 but we really appreciate it, so...

12 ACTING BOARD MEMBER RUFFINO: Madam.

13 INVESTMENT DIRECTOR ANTONIONO: Thank you.

14 PRESIDENT TAYLOR: Oh, Mr. Ruffino, I'm sorry. I
15 gave you -- I opened the mic and then you're not there and
16 I forgot.

17 ACTING BOARD MEMBER RUFFINO: Thank you, Madam
18 President. Can I just do a quick follow-up on the
19 previous question that Mr. Pacheco asked with respect to
20 the Director certification, because frankly I went -- I
21 got attracted to that, especially when you said it's a
22 very rigorous program. I love those rigorous programs.
23 It challenges you.

24 But then I -- and I could also be wrong. My
25 perception was that it deals more with corporate world,

1 and our Board and our mission is somewhat different. And
2 I was not really sure if it really would benefit in the
3 long run. So I'm just trying to understand, because I got
4 cold feet afterwards and I thought, well, I don't think
5 it -- this is the best. There may be other ways where I
6 can enhance, you know, my preparation to be -- or some
7 other type of certification. Perhaps, I was wrong. I'm
8 not sure, but I'm -- I'm wondering -- you know, I know you
9 kind of touched upon a little bit, but do you think for us
10 public agency government entity -- I don't think that --
11 the focus of the program is directed as us, but like I
12 said, I could be totally wrong.

13 CARI DOMINGUEZ: No, you're absolutely right, Mr.
14 Ruffino. You know, the focus is not customized to public
15 pension boards, to mutual funds. The principles are
16 applicable and they can be adapted to your type of board.
17 The principles of governance, the principles of what are
18 the key strategic priorities for a board and strategy,
19 it's risk -- you know, what's the risk appetite? What --
20 and so a lot of those components, what are the external
21 factors? They constantly change and how do we absorb that
22 and deal with it.

23 So it provides you with a broad sort of panoramic
24 view of governance issues that relate to the role,
25 fiduciary responsibilities of a board member. But you're

1 absolutely right, it's not totally customized. It really
2 captures -- NACD has 22, 23 thousand members. We're very
3 proud of having CalPERS as a board -- for a long, long
4 time, CalPERS has been a long-time member. In fact, we
5 had Rich Koppes, who was your General Counsel. He was one
6 of our board members for many years. And that -- those
7 perspectives get included, but it's more geared toward the
8 broader concept based on court cases, State of Delaware
9 what are they focusing, the kinds of things, so -- but
10 you're right.

11 PRESIDENT TAYLOR: Yeah.

12 ACTING BOARD MEMBER RUFFINO: Well, maybe Madam
13 President, we can have it, you know, offline to explore a
14 little bit more whether it would be --

15 PRESIDENT TAYLOR: Yeah, and I think I know what
16 you're talking about, because I think Mullissa and I have
17 discussed this as well, that it -- sometimes these classes
18 feel very not applicable to our roles. So, yeah, we can
19 discuss that offline.

20 ACTING BOARD MEMBER RUFFINO: And may I, Madam
21 President, also add what -- not add, but concur with
22 Director Willette comment. Yesterday's tour and
23 educational tour, part of the education, I want to thank
24 the staff that accompanied us, the security force. We --
25 I felt like I was a CIA operative, you know, up there

1 every --

2 (Laughter).

3 ACTING BOARD MEMBER RUFFINO: -- it was really
4 cool to go around the buildings and see all the nice
5 areas. And so thank you staff. Thank you to the tour
6 coordinator. I mean, he was great. And very -- And I
7 learned. By the way, I learned quite a bit just by doing
8 it. So maybe it's something that we might consider doing
9 in the future just for --

10 PRESIDENT TAYLOR: Earlier on in your tenure.

11 ACTING BOARD MEMBER RUFFINO: Yeah.

12 PRESIDENT TAYLOR: Okay.

13 CHIEF EXECUTIVE OFFICER FROST: Well, and we have
14 another building you haven't seen. So go visit --

15 ACTING BOARD MEMBER RUFFINO: Oh, so there's more
16 to come.

17 CHIEF EXECUTIVE OFFICER FROST: -- our IT
18 Department and --

19 ACTING BOARD MEMBER RUFFINO: I like it. All
20 right.

21 CHIEF EXECUTIVE OFFICER FROST: -- yeah, our
22 facilities, and imaging, and mail services.

23 PRESIDENT TAYLOR: I don't know. ITs don't like
24 to see people. Are you sure about that?

25 (Laughter).

1 CHIEF EXECUTIVE OFFICER FROST: Yeah, I
2 understand Dan was able to join for a little while to help
3 post, so --

4 ACTING BOARD MEMBER RUFFINO: Yes, he was. Yeah.
5 So thank you, Madam President.

6 PRESIDENT TAYLOR: Absolutely. Again --

7 CARI DOMINGUEZ: That's a leading practice as
8 well on-site, and just getting to meet the people. It's
9 really helpful --

10 PRESIDENT TAYLOR: Exactly. Yeah.

11 CARI DOMINGUEZ: -- and a leading practice.

12 PRESIDENT TAYLOR: All right, so I want to thank
13 you guys very much. This concludes our open session --
14 well, not completely, because I want to know if we have
15 public comments.

16 BOARD CLERK ANDERSON: (Shakes head).

17 PRESIDENT TAYLOR: And I don't think there was
18 some -- any summary of Committee direction, correct?

19 CHIEF EXECUTIVE OFFICER FROST: There's no
20 specific Board direction, but I think it's more working
21 with the President, Vice President, who are also the Chair
22 and Vice Chair of governance of how to do the follow-up on
23 the self-assessment.

24 PRESIDENT TAYLOR: And I think we should. I
25 wrote down some ideas. So yeah, we probably should, so

1 that we can get it on the next Governance Committee. So
2 thank you very much.

3 And, of course, I accidentally closed out my open
4 session. Let me go back. And that was it. So yes, if
5 there's no public comment, we are going to recess into
6 closed session after a 15-minute break. So we will be
7 back at 11:15 in closed session to address items 1 through
8 3, which will include Liu versus CalPERS, Los Angeles
9 County Superior Court case number -- and I'm not going to
10 read it for you. We will also receive the General
11 Counsel's update on pending litigation. And then after
12 closed session, we will reconvene in open session. So
13 thank you very much.

14 (Off record: 10:58 a.m.)

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

17 (Thereupon the meeting reconvened
18 open session.)

19 (On record: 11:41 a.m.)

20 PRESIDENT TAYLOR: All right. Good morning
21 still. This adjourns the Board of Administration meeting.
22 And we will -- for this month, and we will -- the next
23 meeting is scheduled for Tuesday, April 16th, 2024. We
24 will see everyone then.

25 Thank you all very much.

(Thereupon, the California Public Employees'
Retirement System, Board of Administration
meeting open session adjourned at 11:42 a.m.)

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