

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
FINANCE & ADMINISTRATION COMMITTEE

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

MONDAY, FEBRUARY 13, 2023

1:01 P.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Lisa Middleton, Chairperson

David Miller, Vice Chairperson

Fiona Ma, represented by Frank Ruffino

Jose Luis Pacheco

Ramon Rubalcava

Theresa Taylor

Yvonne Walker

BOARD MEMBERS:

Malia Cohen, represented by Lynn Paquin

Eraina Ortega

Mullissa Willette

STAFF:

Marcie Frost, Chief Executive Officer

Matthew Jacobs, General Counsel

Michele Nix, Acting Chief Financial Officer

Dallas Stone, Chief, Operations Support Services Division

ALSO PRESENT:

Troy Nicolini, Peninsula Community Services District

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PROCEEDINGS

1
2 CHAIRPERSON MIDDLETON: Good after -- good
3 afternoon, everyone. I'd like to call to order the
4 Finance and Administration Committee meeting.

5 The first order of business is the roll call.

6 BOARD CLERK TRAN: Lisa Middleton?

7 CHAIRPERSON MIDDLETON: Present.

8 BOARD CLERK TRAN: David Miller?

9 VICE CHAIRPERSON MILLER: Here.

10 BOARD CLERK TRAN: Frank Ruffino for Fiona Ma?

11 ACTING COMMITTEE MEMBER RUFFINO: Present.

12 BOARD CLERK TRAN: Jose Luis Pacheco?

13 COMMITTEE MEMBER PACHECO: Present.

14 BOARD CLERK TRAN: Ramon Rubalcava?

15 COMMITTEE MEMBER RUBALCAVA: Present.

16 BOARD CLERK TRAN: Theresa Taylor?

17 COMMITTEE MEMBER TAYLOR: Here.

18 BOARD CLERK TRAN: Yvonne Walker?

19 COMMITTEE MEMBER WALKER: Here.

20 CHAIRPERSON MIDDLETON: Thank you.

21 Next item on our agenda is the election of the
22 Finance and Administration Committee Chair and Vice Chair.
23 And fort that, I'd like to ceremoniously turn the gavel
24 over to our Vice Chair David Miller.

25 VICE CHAIRPERSON MILLER: Okay. I've got a

1 gavel. What do I do here?

2 COMMITTEE MEMBER TAYLOR: You want to turn on the
3 mic.

4 VICE CHAIRPERSON MILLER: There it is. Okay.
5 I'm all set. I've got a gavel and microphone.

6 At this time, we'll be doing the election for the
7 Chair and Vice Chair. And we'll start with the Chair.
8 And I will take this opportunity to nominate Lisa
9 Middleton for Chair of Finance and Administration.

10 Are there any other nominations?

11 Are there any other nominations?

12 And for a third time, are there any other
13 nominations?

14 Okay. Seeing no other nominations, I will call
15 for a question. Can I have a second?

16 COMMITTEE MEMBER TAYLOR: Second.

17 COMMITTEE MEMBER PACHECO: I'll second it.

18 VICE CHAIRPERSON MILLER: Seconded by Director
19 Taylor.

20 So at this point, any discussion?

21 Okay. I'll call for the question. And we'll do
22 this by roll call.

23 BOARD CLERK TRAN: David Miller?

24 VICE CHAIRPERSON MILLER: Aye.

25 BOARD CLERK TRAN: Frank Ruffino for Fiona Ma?

1 ACTING COMMITTEE MEMBER RUFFINO: Aye.

2 BOARD CLERK TRAN: Jose Luis Pacheco?

3 COMMITTEE MEMBER PACHECO: Aye.

4 BOARD CLERK TRAN: Ramon Rubalcava?

5 COMMITTEE MEMBER RUBALCAVA: Aye.

6 BOARD CLERK TRAN: Theresa Taylor?

7 COMMITTEE MEMBER TAYLOR: Aye.

8 BOARD CLERK TRAN: Yvonne Walker?

9 COMMITTEE MEMBER WALKER: Aye.

10 VICE CHAIRPERSON MILLER: Okay. The ayes have

11 it. The motion passes unanimously. Thank you.

12 Congratulations, Director Middleton.

13 (Applause).

14 VICE CHAIRPERSON MILLER: And I will
15 ceremoniously pass the gavel back to its rightful wielder.

16 CHAIRPERSON MIDDLETON: All right. Thank you
17 very much.

18 Next item on our agenda is the election of a Vice
19 Chair. And I would like to nominate David Miller to be
20 Vice Chair.

21 COMMITTEE MEMBER RUBALCAVA: I'll second.

22 CHAIRPERSON MIDDLETON: Are there -- are there
23 any other nominations?

24 Are there any other nominations?

25 And lastly, are there any other nominations?

1 Seeing none. Do we have a second?

2 COMMITTEE MEMBER RUBALCAVA: Second.

3 CHAIRPERSON MIDDLETON: Mr. Rubalcava. With
4 that, roll call, please.

5 BOARD CLERK TRAN: David Miller?

6 VICE CHAIRPERSON MILLER: Aye.

7 BOARD CLERK TRAN: Frank Ruff -- Frank Ruffino
8 for Fiona Ma?

9 ACTING COMMITTEE MEMBER RUFFINO: Aye.

10 BOARD CLERK TRAN: Jose Luis Pacheco?

11 COMMITTEE MEMBER PACHECO: Aye.

12 BOARD CLERK TRAN: Ramon Rubalcava?

13 COMMITTEE MEMBER RUBALCAVA: Aye.

14 BOARD CLERK TRAN: Theresa Taylor?

15 COMMITTEE MEMBER TAYLOR: Aye.

16 BOARD CLERK: Yvonne Walker?

17 COMMITTEE MEMBER WALKER: Aye.

18 CHAIRPERSON MIDDLETON: The ayes do appear to
19 have it and congratulations to Mr. Miller.

20 (Applause).

21 CHAIRPERSON MIDDLETON: Our next item is the
22 executive report and Ms. Mix.

23 ACTING CHIEF FINANCIAL OFFICER NIX: Good
24 afternoon, Madam Chair and Committee members. Michele
25 Nix, CalPERS Acting CFO.

1 The agenda before you today has one action item
2 for your consideration. This item seeks your approval to
3 terminate the Samoa Peninsula Fire Protection District
4 agency contract.

5 In addition, we will review the 20 -- 2022
6 CalPERS Board of Administration election results for the
7 State, school, and retired member seats.

8 The next Finance and Administration Committee
9 meeting is scheduled for April 2023 here in Sacramento.
10 The April agenda will include the 23-24 annual budget
11 proposal, the annual review of the Board member employer
12 reimbursements, State and school valuation, and employer
13 employee contribution rates, the long-term care valuation
14 report, and the semiannual health plan financial report.

15 Thank you, Madam Chair and this concludes my
16 report. I'm pleased to take questions if you have them at
17 this time. Thank you.

18 CHAIRPERSON MIDDLETON: Are there any questions
19 for Ms. Mix?

20 Seeing none.

21 We will move on to Item 4, A through E and I did
22 not receive any requests to pull any of these items. It
23 is an action consent item.

24 COMMITTEE MEMBER TAYLOR: Move approval.

25 COMMITTEE MEMBER PACHECO: I'll second it.

1 CHAIRPERSON MIDDLETON: It's been moved and
2 seconded. And I believe all of our members are here
3 present, so I do not believe we need to do a roll call
4 vote.

5 So all favor -- in favor, please say aye?

6 (Ayes.)

7 CHAIRPERSON MIDDLETON: Any opposed?

8 And abstentions?

9 It is approved.

10 Next is Item 5A through D. And again no one has
11 requested that any of these items be pulled.

12 Is there a motion to approve?

13 VICE CHAIRPERSON MILLER: Move approval.

14 CHAIRPERSON MIDDLETON: Moved approval.

15 COMMITTEE MEMBER TAYLOR: Second.

16 CHAIRPERSON MIDDLETON: Motion by Mr. Miller,
17 second by Ms. Taylor. All those in favor, please say aye?

18 (Ayes.)

19 CHAIRPERSON MIDDLETON: Any opposed?

20 Any abstentions?

21 That is approved.

22 We next move to Item 6A, which is an action
23 agenda item. And I will note before we begin that before
24 we take a vote on this, I will make certain that if there
25 is any public comment, that we have received those public

1 comments before we vote. With that, Ms. Nix, could you
2 give us the report, please.

3 ACTING CHIEF FINANCIAL OFFICER NIX: Certainly.
4 I'll wait for the PowerPoint to come up.

5 It's loading, I'm sure.

6 (Thereupon a slide presentation).

7 ACTING CHIEF FINANCIAL OFFICER NIX: Okay. Good
8 afternoon, Madam Chair and members of the Committee.
9 Michele Nix, CalPERS Acting CFO. We are here this
10 afternoon to present this action item 6A the Samoa
11 Peninsula Fire Protection District recommended termination
12 of the agency contract.

13 --o0o--

14 ACTING CHIEF FINANCIAL OFFICER NIX: I just want
15 to give you a little background on this item, because I
16 think it's important to know all the different changes
17 that occurred during the course of this contract. So I'm
18 going to just kind of go off my notes, but the slide will
19 also have it up there.

20 Originally, CalPERS contracted with the Fairhaven
21 Fire Protection District in 1970. The Fairhaven Fire
22 Protection District was renamed Samoa Peninsula Fire
23 Protection District in 1993 and renamed again in 2017 to
24 become the Peninsula Community Service District.

25 In 2001 the Samoa Peninsula Fire Protection

1 District became all volunteers and no longer had active
2 members that reported their payroll to CalPERS. This
3 district first became delinquent in January 2020. In
4 March 2020, CalPERS agreed to a payment arrangement to
5 assist the direct -- the District's reorganization to
6 mitigate involuntary termination due to default. In May
7 2021, CalPERS extended the payment schedule to allow
8 additional time to complete its reorganization before
9 paying off its outstanding unfunded act -- accrued
10 liability by December 31st, 2022. Unfortunately, that
11 didn't happen.

12 CalPERS agreed to the extension of this payment
13 based upon the District's projections that presented a
14 positive tax base revenue that could be used to pay off
15 the UAL. The District stopped paying CalPERS in 2022
16 November.

17 This brings us to today where the District owes
18 us \$363,789 for the amount in arrears.

19 --o0o--

20 ACTING CHIEF FINANCIAL OFFICER NIX: So my next
21 slide is -- I'm going to tell you a little bit about the
22 collection efforts and the things that CalPERS has done to
23 try to help keep this from being terminated.

24 So we started off, as I said before, with two
25 payment arrangements that spanned over the course of three

1 years starting in March 2020 to allow the District to have
2 time to formulate and generate revenue streams to continue
3 payment of the liabilities assumed from the reorganization
4 of the Samoa Peninsula Fire Protection District.

5 Frequent phone calls and email communications
6 were made with the community service district to
7 communicate the importance of the timely payments, which
8 resulted in payment arrangements increasing from \$1,000 to
9 \$1,500 in July of 2021. Collection letters and notice --
10 notification were sent both to the Peninsula Community
11 Service District and affected members in September 2022,
12 November 2022, and December, 2022. Notifications were
13 also sent to the County of Humboldt 4th District
14 Supervisor and Executive Officer of Humboldt County Local
15 Agency Formation Commission. We additionally briefed
16 Assemblymember Jim Woods office of the California 2nd
17 Assembly District on this matter and we held virtual
18 meetings and sent a letter to the general counsel for the
19 Peninsula Community Services District.

20 Staff communicated with Capitol Connections --
21 Capitol Connection, I'm sorry, who are the legislative
22 representatives for the California Professional
23 Firefighters and provided names so that they can
24 cross-reference their database to see if any of their
25 members are listed as receiving benefits.

1 We virtually met with Senator Majority Leader
2 Mike McGuire's staff to identify the issues and to discuss
3 potential ways to satisfy the amount in arrears to avoid
4 this potential termination. We also participated in
5 virtual meetings and phone calls with a representative
6 from Renne Public Law Group and a senior consulting
7 actuary from Foster and Foster - these were both
8 recommended by the District - to discuss potential ways --
9 we went -- we had these meetings to discuss potential ways
10 to satisfy the amount in arrears to avoid this potential
11 termination. These discussions were held as recently as
12 February 2022.

13 As of today, we have not received any further
14 payments from the District and CalPERS team has exhausted
15 all of their efforts to collect the amount owed by the
16 District. Staff is recommending termination of the
17 agency's contract, which, if approved, will be effective
18 April 15th, 2023. Since this is a contract that is
19 specific to Samoa Peninsula Fire Protection District, I
20 want to make sure that you know that there's no effect on
21 CalPERS benefits for any other State agencies and entities
22 that have contracts with CalPERS.

23 --o0o--

24 ACTING CHIEF FINANCIAL OFFICER NIX: This slide
25 just reminds you of the authority you have to terminate

1 the contract and declare the agency in default.

2 --o0o--

3 ACTING CHIEF FINANCIAL OFFICER NIX: Okay. Slide
4 5 shows the termination cost and the impacted retirees and
5 beneficiaries. There are five retirees and four
6 beneficiaries of the retire -- beneficiaries of retirees
7 that will be impacted. The dollar amounts of the
8 reductions range from \$35 to about a little over \$3,000
9 per month.

10 --o0o--

11 ACTING CHIEF FINANCIAL OFFICER NIX: The average
12 benefit will -- the average benefit will be reduced
13 90 per -- 90.5 percent and it will be effective in April,
14 if approved.

15 --o0o--

16 ACTING CHIEF FINANCIAL OFFICER NIX: Lastly, this
17 slide just gives you a brief timeline of all the things
18 that I rattled off earlier. I think it shows that CalPERS
19 has done as much as we possibly can at this point to be
20 able to avoid this termination. I'm happy at this time to
21 take any questions, if you have them.

22 CHAIRPERSON MIDDLETON: Let me begin with just a
23 couple of questions. The five retirees and the four
24 beneficiaries, have they been notified of this impending
25 action?

1 ACTING CHIEF FINANCIAL OFFICER NIX: Yes, they
2 have. We sent them a notice. I believe it was starting
3 in September. Did they get on in September? Oh, there we
4 go. It's right up there. Yes, they were notified in
5 September. They were also notified by phone. We called
6 them all and we even called them last week to make sure
7 that they were aware of this. So they've been made aware.

8 CHAIRPERSON MIDDLETON: All right. And their
9 reaction, comments to you have been what?

10 ACTING CHIEF FINANCIAL OFFICER NIX: Oh, it
11 hasn't -- it's ranged, I mean, depending on the -- on the
12 beneficiary, the retiree. You know, just obviously
13 concerned, but some of them -- many of them have other
14 CalPERS benefits as well, so this does not impact that at
15 all. So it's just the Samoa piece that's impacting their
16 benefits.

17 CHAIRPERSON MIDDLETON: All right. And the many
18 comments and questions that you've raised with other
19 stakeholders from members of the Legislature to the county
20 supervisors, did any of them help in bringing a resolution
21 to this matter?

22 ACTING CHIEF FINANCIAL OFFICER NIX: No. We
23 had -- we had some potential hope there in January because
24 I believed that Senator McGuire's office -- I think it was
25 Senator McGuire's office helped kind of broker a deal with

1 the developer up there that's working on some projects who
2 has obviously interest in having a strong fire protection
3 district ongoing. So I believe they were able to get a
4 loan. And I don't know if this is -- I mean, I haven't
5 seen it in their bank account, but I was told that they
6 received a loan of \$300,000 in January.

7 CHAIRPERSON MIDDLETON: All right. Thank you.

8 We have some other questions.

9 Mr. Miller.

10 All right.

11 VICE CHAIRPERSON MILLER: There it is. It's
12 trying.

13 Yeah, thank you for the -- this report. I mean,
14 this is kind of the nightmare, you know, we have on behalf
15 of constituents. I mean, it's enough to almost make you
16 physically ill to think that someone is going to have a
17 90-plus percent reduction in benefits that they have
18 earned serving the public, you know, sometimes in a
19 dangerous capacity. And I'm just hoping that if there is
20 any other legal recourse for these members, if there's any
21 way we can help them. Yeah, it's just a very -- it's
22 beyond pathetic. It's just disturbing. And I hope that
23 we're really looking at root causes and thinking about a
24 path forward that prevents this kind of thing from ever
25 happening again. This is -- it's just the most

1 unacceptable of outcomes.

2 CHAIRPERSON MIDDLETON: All right.

3 VICE CHAIRPERSON MILLER: That's it.

4 CHAIRPERSON MIDDLETON: All right. Mr. Pacheco,
5 you're next as soon as I can get your mic to work. There
6 we go.

7 COMMITTEE MEMBER PACHECO: Thank you. Thank you,
8 Chair Middleton and congratulations on your Chairmanship
9 again as well as Mr. Miller's Vice Chairmanship.

10 So my question is more of kind of like backtrack
11 on the page number two on the background. So I -- you
12 know, I noticed that in 2017 the SPFFD began their
13 reorganization process to become the Peninsula Community
14 Service District. And between that year and until January
15 of 2020, they -- you know, from my understanding, I just
16 want to be clear, there was no problems at that time,
17 right? There were -- were there any issues?

18 ACTING CHIEF FINANCIAL OFFICER NIX: No, they
19 didn't become delinquent until 2020.

20 COMMITTEE MEMBER PACHECO: Was there any -- you
21 know, this is just a learning process to understand it, so
22 we can -- we don't have this -- we could learn from this
23 and not have this happen again. Are there any systems in
24 place for us to identify any issues that would come up,
25 you know, like prove -- be like a doctor looking for

1 preventative care, but for us looking for something to --
2 before it happens and see if we can address it. Are there
3 anything like that?

4 ACTING CHIEF FINANCIAL OFFICER NIX: Right. Yes,
5 I think that, first of all, you can see from all the
6 different name changes that they reorganized how many
7 times. So this is a completely different agency than what
8 we originally contracted with. But when we contract with
9 an agency, we do our due diligence and look at their
10 financials and make sure that they can afford to be
11 brought on as a CalPERS employee. And then throughout
12 their agency life with us, we make sure that they stay
13 current. And if they don't, we make sure we contact them
14 and explain what will happen if they didn't and the
15 severity really of not paying the benefit on time and
16 making your normal payments, and, you know, getting
17 behind.

18 So we do all of that with them and we also weekly
19 take a look at anything that's delinquent and make sure
20 that we're following up on it. And so I get a report and
21 we do -- we do -- we do that every week.

22 COMMITTEE MEMBER PACHECO: I see. And so -- I
23 see. So it was -- as we were going -- as we were viewing
24 the process -- the reorganization process, we went through
25 a due diligence process of evaluating their financials and

1 seeing if it was okay.

2 ACTING CHIEF FINANCIAL OFFICER NIX: Yeah.

3 COMMITTEE MEMBER PACHECO: And then -- and
4 then -- but then regardless of all that, they still
5 some --

6 ACTING CHIEF FINANCIAL OFFICER NIX: Right.
7 That's why we started the payment process with them,
8 because we were told that they would get some revenue
9 streams in two to three years or -- and we wanted to make
10 sure that we gave them time --

11 COMMITTEE MEMBER PACHECO: Um-hmm.

12 ACTING CHIEF FINANCIAL OFFICER NIX: -- to get
13 that in place, so that they could pick up -- make the
14 payment pick up and go forward.

15 COMMITTEE MEMBER PACHECO: Okay. Okay. Thank
16 you very much.

17 CHAIRPERSON MIDDLETON: All right. Are there any
18 other questions from the dais?

19 Seeing none.

20 Are there any public comments on this issue?

21 BOARD CLERK ANDERSON: (Shakes head).

22 CHAIRPERSON MIDDLETON: All right. There being
23 no public comments, we will move forward. This is
24 something that is one of the hardest decisions for any of
25 us to take and make. We hate to have our members, through

1 no fault of their own, lose any portion of the pension
2 that they earned through their hard work. And I want to
3 congratulate staff for their work and thank them for the
4 many hours that went in to trying to avoid us coming to
5 the conclusion that I'm afraid we are going to have to
6 come to today when it comes to the Samoa Peninsula Fire
7 Protection District. But I can take that vote satisfied
8 that I believe our team has done everything that is
9 possible to avoid us getting to the place that we are
10 today. So with that, if -- are there any further comments
11 or if not, is there a motion?

12 COMMITTEE MEMBER TAYLOR: I'd like to make a
13 motion --

14 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF
15 TEYKAERTS: Madam Chair, we do have one call that is
16 coming through right now on the public call-in line if you
17 wish to wait just a few seconds since we process them.

18 CHAIRPERSON MIDDLETON: All right. Thank you.

19 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF
20 TEYKAERTS: One moment, please.

21 And we do have a caller on the line. Caller,
22 please identify yourself and go ahead.

23 MR. NICOLINI: My name is Troy Nicolini. I'm the
24 Board President of the Peninsula Community Services
25 District, which is the successor agency to the Samoa

1 Peninsula Fire Department.

2 We've actually sort of given up on trying to
3 convince your staff to not cancel their contract with us,
4 so we're not here to really contest that, but it's
5 important that you have a clear picture of what it took to
6 get us to this feeling we have today. And I also want to
7 mention that we are intending to continue to pay our
8 retirees benefits outside of the CalPERS contract.

9 And you did have a nice summary of our
10 reorganization. I'm not sure where notion comes from that
11 we've changed our name a bunch of times. We went from the
12 Samoa Peninsula Fire District to the Peninsula Community
13 Services District. Those are our only two names.

14 And, you know, our revenue projections were
15 delayed, because all of our projects were in the coastal
16 zone, but I think what wasn't shared with you is that
17 those broad -- those economic development projects now are
18 materializing. They're being built on the ground now and
19 our revenue is going to increase significantly in time to
20 again make our full CalPERS payment.

21 And then we did raise \$500,000 to bridge from
22 today to that point at 2025 when our revenue would go up.
23 And that money actually did come from -- much of it came
24 from a private developer, because they believe in what
25 we're doing and they see the economic development and

1 opportunities that are happening. And they're significant
2 and our revenue is going to go up significant. In fact,
3 the revenue will be more than adequate to cover our
4 CalPERS obligation by 2025.

5 But the thing is that we tried really hard to
6 work with your staff. And they've been great. I don't
7 fault any individual staff member in CalPERS. I feel
8 like the system is not geared to a small district like
9 ours that's struggling under essentially bankruptcy to try
10 and cover our CalPERS obligation. And we've gone to
11 extreme measures to try and ensure that we could continue
12 to make that payment over the years.

13 And I just -- you know, I feel like even with
14 \$500,000 asking to try and bridge us to 2025, they
15 couldn't get us there, so -- and I know it's a different
16 story than you're hearing from your staff, but I'll just
17 share with you that every objective third party has gotten
18 involved in this including McGuire's office, have
19 concluded that we are doing everything we can. We're
20 going to extraordinary measures to try and make this work
21 for our retirees, but that actually CalPERS staff they
22 just do not seem willing to find a solution to move
23 forward, and I just think that's really unfortunate. But
24 again, I don't want to fault the staff. I feel like it's
25 the systems in place that are not flexible, not the staff.

1 The staff has been wonderful.

2 And I just want to mention this in closing. I
3 mean I know that you're concerned about the optics of
4 all -- of this cancellation is all, but, you know, the
5 loss of retirements for nine firefighters is a great
6 tragedy. And, you know, it's just not the case where you
7 can declare that it's our fault for being negligent and
8 not paying our bills. That's just not the case. And
9 again, no objective third party would find that way.

10 Our perspective tells a very different story than
11 you're hearing today. I shared that story with some of
12 you through your LinkedIn accounts. I hope you had a
13 chance to look at it. And I'll tell you, 90 percent of
14 what I shared with you is actually specifically what was
15 asked for as far as what can be done in the future to
16 avoid this situation happening again. So it's 90 percent
17 constructive.

18 There is a way forward if this cancellation wants
19 to be paused. But I think in the future scenarios where
20 CalPERS burden is going to literally take a small district
21 into bankruptcy, a third-party mediator should be brought
22 in. And that's no fault of my or CalPERS staff. I think
23 issues with trust and credibility crept up. And frankly,
24 that's just what happens when you're facing bankruptcy.

25 I even heard it mentioned not sure if the money

1 is in our bank account. I could show you the bank
2 account. We have the \$300,000 in our bank account today,
3 so -- but that's an issue of trust and credibility. And I
4 think that just comes from the stress of the situation.

5 So thank you very much for the opportunity to
6 speak. That's all I have.

7 CHAIRPERSON MIDDLETON: All right. Thank you,
8 sir.

9 Are there any other public comments either in
10 person or on the phone?

11 All right, then we are back to --

12 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF

13 TEYKAERTS: No more calls on the phone.

14 CHAIRPERSON MIDDLETON: Kelly?

15 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF

16 TEYKAERTS: No, there are no further public callers.

17 CHAIRPERSON MIDDLETON: All right, thank you.

18 I think we had Ms. Taylor

19 COMMITTEE MEMBER TAYLOR: I was seconding -- I
20 was making the motion to support staff's recommendation --

21 CHAIRPERSON MIDDLETON: And is there a second?

22 COMMITTEE MEMBER TAYLOR: -- on Item 6A.

23 CHAIRPERSON MIDDLETON: Is there a second?

24 VICE CHAIRPERSON MILLER: I'll second it.

25 CHAIRPERSON MIDDLETON: All right. And is this a

1 roll call vote, I believe?

2 Yes. All right. Roll call, please.

3 ACTING CHIEF FINANCIAL OFFICER NIX: Madam Chair,
4 do you -- Madam Chair, can I -- can I interject before you
5 take the vote?

6 Troy mentioned -- the caller just mentioned that
7 he had \$300,000 in his bank account and 200 to help. If
8 he'd be willing -- is he willing to give that money to us
9 today? I mean, that would definitely help not terminate
10 this contract, if -- I don't know if you want to bring
11 this up out loud, but I just did, so.

12 CHIEF EXECUTIVE OFFICER FROST: Yes.

13 COMMITTEE MEMBER TAYLOR: So we could do the vote
14 pending that.

15 CHAIRPERSON MIDDLETON: Ms. Walker.

16 COMMITTEE MEMBER TAYLOR: There you go.

17 COMMITTEE MEMBER WALKER: So since he's off the
18 phone, right, and we'd have to call him back to see if
19 they can do it now, I feel like it's worth it to make that
20 call before we take this vote. I mean...

21 ACTING CHIEF FINANCIAL OFFICER NIX: I will tell
22 you that if you delay it, that it just reduces the
23 benefits more, because it eats into their here reserves.
24 So the longer you delay this decision --

25 CHIEF EXECUTIVE OFFICER FROST: Michele, I think

1 we could check with counsel, but we may be able to delay
2 this meeting --

3 ACTING CHIEF FINANCIAL OFFICER NIX: Okay.

4 CHIEF EXECUTIVE OFFICER FROST: -- in order for
5 you to go make a phone call, based on what the gentleman
6 just offered. That is not --

7 COMMITTEE MEMBER WALKER: Oh, that would be good.

8 CHIEF EXECUTIVE OFFICER FROST: That is not --

9 COMMITTEE MEMBER WALKER: What they said.

10 CHIEF EXECUTIVE OFFICER FROST: That's new
11 information --

12 COMMITTEE MEMBER WALKER: Um-hmm.

13 CHIEF EXECUTIVE OFFICER FROST: -- that they have
14 that money available to give us today.

15 COMMITTEE MEMBER WALKER: I would fee more
16 comfortable if we were able to do that.

17 COMMITTEE MEMBER TAYLOR: So do we want to take a
18 break?

19 VICE CHAIRPERSON MILLER: You want to just
20 withdraw the motion pending the answer?

21 COMMITTEE MEMBER TAYLOR: Yeah.

22 COMMITTEE MEMBER WALKER: She's checking with
23 counsel though.

24 VICE CHAIRPERSON MILLER: So you made the motion.

25 CHAIRPERSON MIDDLETON: I'm going to let counsel

1 finish his conferral. One of the questions -- I will have
2 a question for counsel.

3 I have a question for Mr. Jacobs. Would it be
4 possible for us to move forward with a conditional vote
5 that would allow time for Ms. Nix and staff to continue
6 these negotiations, but if they fail by some date certain,
7 that an action of the Board would go into effect?

8 GENERAL COUNSEL JACOBS: Yes, that is certainly
9 an option. Another option is simply that since this is a
10 committee, your -- what you're doing here today is making
11 a recommendation to the full Board. The full Board will
12 hear that tomorrow, so that would also enable Ms. Nix time
13 to make the phone call and see if the money can be wired
14 in today or before the Board meeting tomorrow, in which
15 case you could not go forward with this action, but -- so
16 you've got the option of either making it conditional, as
17 you proposed and Ms. Taylor proposed, or going through
18 with the vote, but then seeing whether we've got a
19 development and have Ms. Nix back here for -- to report on
20 that at the same time that the FAC reports to the full
21 Board.

22 CHAIRPERSON MIDDLETON: All right. Is that a --
23 I see Mr. Miller and then Ms. Taylor wanting to comment.

24 VICE CHAIRPERSON MILLER: Yeah, I think the Chief
25 Counsel has answered that question. I also thought

1 perhaps just with -- the maker of motion could withdraw a
2 motion pending, you know, an answer as well.

3 COMMITTEE MEMBER TAYLOR: Well, we can condition
4 it as well.

5 VICE CHAIRPERSON MILLER: Yeah, so that does it
6 for me.

7 CHAIRPERSON MIDDLETON: All right, Ms. --

8 COMMITTEE MEMBER TAYLOR: So can I just say
9 something first?

10 CHAIRPERSON MIDDLETON: Ms. Taylor.

11 COMMITTEE MEMBER TAYLOR: I just want to make
12 sure -- the collector in me wants to make sure that the
13 money is in the account before we vote on this, okay, or
14 we -- however we conditionalize the vote, right, that -- I
15 just -- we've been through this. It looks like we've been
16 through a lot of this, right? And they made a promise
17 several times to have this money and then they didn't. So
18 if they can wire it today, then we can vote on it tomorrow
19 or we can conditionalize the vote for negotiations for 30
20 days. I don't know.

21 CHIEF EXECUTIVE OFFICER FROST: I wouldn't give
22 that much lead time.

23 COMMITTEE MEMBER TAYLOR: One week.

24 CHIEF EXECUTIVE OFFICER FROST: Right. The
25 caller just made an offer that was not on the table even a

1 week ago and Michele and team and Michael Cohen were all
2 trying to work this with the Senator's office, with their
3 outside law firm, their asset actuarial firm. We were
4 expecting that money to come in by a date certain. It did
5 not. And so the offer today that there is money available
6 to payoff this obligation and to keep them on track to the
7 2025, of course, we're open to that. We do want to impact
8 the members' benefits. That's the last option.

9 COMMITTEE MEMBER TAYLOR: Let's withdraw this and
10 then vote on it at full Board. Was does that sound like?

11 GENERAL COUNSEL JACOBS: Well, the formality of
12 it would be -- the formality of it would be you would vote
13 on it today as recommendation to the Board --

14 COMMITTEE MEMBER TAYLOR: To the Board, okay.

15 GENERAL COUNSEL JACOBS: -- but then the Board
16 would take it up tomorrow --

17 CHIEF EXECUTIVE OFFICER FROST: Yep.

18 GENERAL COUNSEL JACOBS: -- and Ms. Nix could
19 update us at that time.

20 ACTING CHIEF FINANCIAL OFFICER NIX: Right.

21 CHIEF EXECUTIVE OFFICER: And that should give
22 plenty of time --

23 COMMITTEE MEMBER TAYLOR: Okay. So we keep the
24 motion in place.

25 CHIEF EXECUTIVE OFFICER FROST: -- for Michele to

1 get this worked out.

2 COMMITTEE MEMBER TAYLOR: Okay.

3 CHAIRPERSON MIDDLETON: So if I understand the
4 will of the Committee, and we will take a vote on this,
5 it's to make a recommendation to the Board, but allow,
6 over the course of the next 24 hours, for conversation to
7 take place between our staff and the Samoa Fire District.
8 And if those are successful, then the full Board in acting
9 tomorrow may come to a different conclusion.

10 COMMITTEE MEMBER TAYLOR: Correct. So we still
11 need to take the vote on the motion I made.

12 CHAIRPERSON MIDDLETON: We do. So would you like
13 to repeat your motion?

14 COMMITTEE MEMBER TAYLOR: Make my motion again.
15 So I'd like to recommend supporting the recommended action
16 from staff on Agenda Item 6A.

17 VICE CHAIRPERSON MILLER: I'll still second it.

18 CHAIRPERSON MIDDLETON: All right. Roll call,
19 please.

20 BOARD CLERK TRAN: David Miller?

21 VICE CHAIRPERSON MILLER: Aye.

22 BOARD CLERK TRAN: Frank Ruffino for Fiona Ma?

23 ACTING COMMITTEE MEMBER RUFFINO: Aye.

24 BOARD CLERK TRAN: Jose Luis Pacheco?

25 COMMITTEE MEMBER PACHECO: Aye.

1 BOARD CLERK TRAN: Ramon Rubalcava?

2 COMMITTEE MEMBER RUBALCAVA: Aye.

3 BOARD CLERK TRAN: Theresa Taylor?

4 COMMITTEE MEMBER TAYLOR: Aye.

5 BOARD CLERK TRAN: Yvonne Walker?

6 COMMITTEE MEMBER WALKER: Aye.

7 CHAIRPERSON MIDDLETON: All right. Thank you.

8 The matter is -- okay. The matter is -- Mr.
9 Jacobs.

10 GENERAL COUNSEL JACOBS: You do need -- as a
11 formality, you do need to make sure that -- or just
12 announce that it was passed.

13 CHAIRPERSON MIDDLETON: All right. Measure is
14 passed and approved. And we will hope that we have a
15 change in plans by tomorrow. But if not, we will move --
16 have the ability to move forward.

17 All right, thank you.

18 With that, we will move on to agenda item number
19 7, which is an information item. And for that, we'll ask
20 Mr. Stone to come up and talk to us about the recent
21 elections.

22 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

23 Good afternoon, members of the Finance and
24 Administration Committee. Dallas Stone, CalPERS team
25 member. This is an information item on the results of the

1 2022 State, school, and special retired member election.

2 Theresa Taylor was reelected unopposed to the
3 State member seat. And Kevin Palkki was elected unopposed
4 to the State school member seat on the CalPERS Board. The
5 term of office for both seats began on January 16th, 2023
6 and end on January 15th, 2027.

7 The special retired member primary election
8 didn't have a candidate with a majority vote, and
9 therefore we had to conduct a runoff election. In the
10 runoff, Yvonne Walker was elected with 56.90 percent of
11 the votes. The term of office for this seat began
12 immediately upon certification of the official election
13 results by the Secretary of State on December 21st, 2022
14 and ends on January 15th, 2028.

15 Congratulations to Ms. Taylor, Mr. Palkki, and
16 Ms. Walker.

17 Since the State and school member seats ran
18 unopposed, there are no election results to share. The
19 following is a summary of the results of the special
20 retirement member primary and runoff elections. Voter
21 turnout of the primary election was 17.21 percent and the
22 runoff election was 17.51 percent. This is a slight
23 decrease from the 2019 retired member primary election,
24 which had a voter turnout of 19.7 percent.

25 We continue to -- we continue to partner with the

1 Office of Public Affairs and stakeholder relations to
2 increase voter awareness and participation. A number of
3 those outreach efforts included candidate statement
4 videos, toolkits for retiree stakeholder organizations,
5 press releases, social media messages through Facebook,
6 Twitter, LinkedIn, and Instagram. We also hosted a
7 virtual candidate forum for the primary election,
8 streaming it live and placing it on the CalPERS website
9 for future viewing.

10 Attachment 1 provides a breakdown on voter
11 participation demographics in the primary election by
12 gender, age group, voting method, and top 10 cities.
13 Attachment 2 provides the same information, but for the
14 runoff election.

15 There were 656,151 retirees eligible to vote for
16 the primary election. Voter participation by voting
17 stream in the primary election was as follows. For
18 mail-in votes, they made up 76.03 percent of the total,
19 online votes made up 20.75 percent, and telephone votes
20 made up of 3.23 percent. For the runoff election, there
21 661,033 retirees eligible to vote. And voting
22 participation was by streams as follows. For mail-in
23 votes, it was 76.42 percent, online votes made up 19.84
24 percent, and telephone votes made up 3.74 percent.

25 Attachment 3 and 4 provide a breakdown on voter

1 outreach statistics for the primary and runoff elections.

2 Attachment 5 provides the cost summary for the
3 primary and runoff elections. The total cost to conduct
4 the primary election was 1.6 million and includes the
5 production and mail-in costs of the notice of elections
6 for retirees. The cost per eligible voter was \$2.44. The
7 cost based on the number of votes submitted that were
8 received was \$14.20. The total cost to conduct the runoff
9 election was \$889,000. The cost per eligible voter was
10 \$1.35. The cost based on the number of votes submitted
11 received was \$7.68.

12 I wanted to add one last comment that we'll be
13 back in April to present the trends in voter participation
14 and a cost analysis of this election cycle, along with
15 some options for the Board to consider adopting in the
16 next election cycle.

17 This concludes my presentation. I'm happy to
18 answer any questions you have at this time. Thank you.

19 CHAIRPERSON MIDDLETON: Are there any questions
20 for Mr. Stone?

21 I see none. This was an information item.

22 We will move on to Item 7B, which is summary of
23 committee direction.

24 COMMITTEE MEMBER TAYLOR: I did have a question.

25 CHAIRPERSON MIDDLETON: Oh, excuse me. Ms.

1 Taylor.

2 COMMITTEE MEMBER TAYLOR: So I'm trying to figure
3 out -- it's not on yet.

4 There we go. I know. I'm trying to figure out
5 we got a lot of information here, but I'm wondering if we
6 can get kind of a breakdown of voting statistics, like who
7 voted already, right, as the reports go in, right? We
8 know who -- we don't need to know what they voted, right?
9 But we already -- we do know when the election is going
10 on, who already voted. And I think -- like we do that for
11 actual voting, right?

12 So I've been precinct captain and you get the
13 names almost, you know, immediately when it's the day of
14 voting, but you also get them as you're working throughout
15 the campaign season. So I'm wondering if we could get
16 that. I know the information is available, but can that
17 be given to campaigns and -- or at least given to us as
18 CalPERS?

19 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

20 I know that our vendor Integrity Voting Systems
21 like you said, Ms. Taylor, does collect that data. They
22 know when a voter did vote and by what channel. We could
23 ask our vendor to provide us that data field and we could
24 make that available for, I guess, the general public or
25 whoever is interested in that for campaigning purposes.

1 COMMITTEE MEMBER TAYLOR: Or whoever asks or
2 whatever. So do we need to change something? Like is
3 that something we would bring up in the new rules or it
4 doesn't matter?

5 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:
6 There's nothing in our regulations that dictate
7 that information. It would just be a process change for
8 us and something that we would request from our vendor who
9 administers the elections on our behalf.

10 COMMITTEE MEMBER TAYLOR: Okay. Could I make
11 that request? That would be awesome if we can do that.

12 CHAIRPERSON MIDDLETON: Certainly.

13 COMMITTEE MEMBER TAYLOR: All right, thank you.

14 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:
15 You're welcome.

16 CHAIRPERSON MIDDLETON: Any other questions or
17 comments?

18 COMMITTEE MEMBER WALKER: I've got one.

19 CHAIRPERSON MIDDLETON: Ms. Walk, thank you.

20 COMMITTEE MEMBER WALKER: Is there a possibility
21 of CalPERS having a -- the ability to -- or our vendor to
22 cure ballots. So I -- as I understand it, there were
23 almost 2,000 ballots that came in in the primary that
24 didn't have the signature on the back of the envelope.
25 And if we had been able to call and say is this yours?

1 Did you intend to send it in? Then they could have been
2 counted and we might not have had a runoff.

3 COMMITTEE MEMBER TAYLOR: Oh, there's a good
4 point.

5 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:
6 So we do not have a signature database on file
7 to, you know, be able to recognize the return envelope and
8 who it came from, if that's what you're asking.

9 COMMITTEE MEMBER WALKER: No. No. No. No.
10 This wasn't their signature itself. This was they didn't
11 sign the back of the envelope. They did not sign the back
12 of the envelope, but they fully intended to vote. I spoke
13 to several, right, and they don't trust us, the world, to
14 have their signature out there going through the mail, so
15 that anybody can look at it.

16 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:
17 That would be a regulation change and something
18 that the Board would have to discuss and adopt.

19 COMMITTEE MEMBER WALKER: Okay.

20 CHAIRPERSON MIDDLETON: Ms. Walker, is that
21 something you would like to ask the Board to have staff
22 research and come back with a presentation for us?

23 COMMITTEE MEMBER WALKER: Absolutely.

24 CHAIRPERSON MIDDLETON: Thank you.

25 So obviously, we cannot act on that today, but we

1 can act to have ballots -- a process for ballots to be
2 cured. Are there any other questions or comments?

3 Mr. Pacheco.

4 COMMITTEE MEMBER PACHECO: Yes, thank you. Thank
5 you for your presentation. I just want to ask a question
6 about the top 10 cities with the highest number of voting
7 participation. I noticed -- very cool -- very cool
8 statistics. I just wondered if the top 10 are the -- has
9 that been the standard for a long time or is it -- can it
10 be the top 20? I'm just curious if there's any
11 regulations that preclude us from adding more or...

12 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:
13 This has generally been historically the
14 information that we've provided the Board. If you'd like
15 to -- if you'd like for us to expand that list of top
16 10 -- top 10 to a top 20 city list, we could absolutely do
17 that. We have that data information available and we
18 could include that in the report.

19 COMMITTEE MEMBER PACHECO: Oh, good. I did not
20 know that. That would be very useful. Thank you.

21 CHAIRPERSON MIDDLETON: All right. Any other
22 questions or comments?

23 I see none. Ms. Nix, it's your turn for a
24 summary of Committee direction.

25 ACTING CHIEF FINANCIAL OFFICER NIX: Thank you,

1 Madam Chair. The summary of Committee direction that I
2 took was to call Troy Nicolini from Samoa to see if he
3 wants to wire in the \$300,000 that he received from the
4 developer by the Board meeting tomorrow and to use his
5 house proceeds to help complete the payoff of the unfunded
6 arrears amount. Secondly -- and to report back tomorrow,
7 if that's either way I guess.

8 Secondly, to ask the vendor -- the voting vendor
9 to provide breakdown of voting statistics post-election.
10 And lastly to see if there's -- to research and see if
11 there's a way to cure ballots, for instance, when there
12 are blank signatures on the back of the envelopes.

13 CHAIRPERSON MIDDLETON: All right. Thank you.

14 With that, is there any public comment, either in
15 person or by phone?

16 BOARD CLERK TRAN: (Shakes head).

17 CHAIRPERSON MIDDLETON: Mr. For any by phone?

18 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF
19 TEYKAERTS: No callers on the phone.

20 CHAIRPERSON MIDDLETON: All right. Thank you.
21 Then we will adjourn the meeting at 1:45. The next
22 meeting is the Risk and Audit Committee meeting. Why
23 don't we take five minutes to rearrange the chairs and
24 then come back.

25 COMMITTEE MEMBER TAYLOR: How about 10 minutes.

1 CHAIRPERSON MIDDLETON: We'll take that as a very
2 good recommendation and take 10 minutes.

3 (Thereupon the California Public Employees'
4 Retirement System, Board of Administration,
5 Finance & Administration Committee meeting
6 adjourned at 1:46 p.m.)

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