

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
PERFORMANCE, COMPENSATION &
TALENT MANAGEMENT COMMITTEE
OPEN SESSION

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

TUESDAY, SEPTEMBER 19, 2023

4:11 P.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Jose Luis Pacheco, Chairperson

Mullissa Willette, Vice Chairperson

Lisa Middleton

Eraina Ortega

Kevin Palkki

Theresa Taylor

Yvonne Walker

BOARD MEMBERS:

David Miller, Vice President

Malia Cohen (Remote)

Ramón Rubalcava

STAFF:

Marcie Frost, Chief Executive Officer

Doug Hoffner, Chief Operating Officer

Matthew Jacobs, General Counsel

Michelle Tucker, Chief, Human Resources Division

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PROCEEDINGS

1
2 CHAIRPERSON PACHECO: Good afternoon, everyone.
3 I'd like to call the Performance, Compensation and Talent
4 Management Committee to order. The first order of
5 business in open session will be to call -- to call the
6 roll, please.

7 BOARD CLERK TRAN: Jose Luis Pacheco?

8 CHAIRPERSON PACHECO: Present.

9 BOARD CLERK TRAN: Mullissa Willette?

10 VICE CHAIRPERSON WILLETTE: Here.

11 BOARD CLERK TRAN: Lisa Middleton?

12 COMMITTEE MEMBER MIDDLETON: Present.

13 BOARD CLERK TRAN: Eraina Ortega?

14 COMMITTEE MEMBER ORTEGA: Here.

15 BOARD CLERK TRAN: Kevin Palkki?

16 COMMITTEE MEMBER PALKKI: Good afternoon.

17 BOARD CLERK TRAN: Theresa Taylor?

18 COMMITTEE MEMBER TAYLOR: Here.

19 BOARD CLERK TRAN: Yvonne Walker?

20 COMMITTEE MEMBER WALKER: Here.

21 CHAIRPERSON PACHECO: Now, we're going to
22 recess -- were going to recess now into closed session for
23 the items --

24 BOARD MEMBER COHEN: Hey, what about me?

25 CHAIRPERSON PACHECO: Oh, sorry.

1 BOARD CLERK TRAN: Malia Cohen?

2 BOARD MEMBER COHEN: Controller Cohen present.

3 CHAIRPERSON PACHECO: Sorry.

4 COMMITTEE MEMBER TAYLOR: So when you go into
5 closed, you don't need to --

6 CHAIRPERSON PACHECO: Yeah, I've got it right
7 here. Thank you.

8 Sorry about that -- sorry about that, Malia.

9 Now, we'll re -- we'll recess now into closed
10 session for items 1 through 4 from the closed session
11 agenda. We'll immediately reconvene in open session after
12 the closed session.

13 Thank you.

14 (Off record: 4:12 p.m.)

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

17 (Thereupon the meeting reconvened
18 open session.)

19 (On record: 6:45 p.m.)

20 CHAIRPERSON PACHECO: I'd like to call the
21 open -- I'd like to call the Performance, Compensation and
22 Talent Management Committee open session open now.

23 The first item -- the next item on the agenda is
24 Item number 3, Executive report by Mr. Hoffner. Thank
25 you.

1 CHIEF OPERATING OFFICER HOFFNER: Good evening,
2 Committee members. Doug Hoffner, CalPERS team members.
3 They're just standard consent items on the agenda. The
4 next time this Committee will meet will be in February
5 2024 at which time we'll conduct the annual review of the
6 Committee's delegation and authority of the CEO's mid-year
7 status report. And that concludes my report.

8 CHAIRPERSON PACHECO: Thank you.

9 Next item is item number 4, action consent item.
10 What is the pleasure of the Committee?

11 COMMITTEE MEMBER TAYLOR: Move approval.

12 COMMITTEE MEMBER PALKKI: Second.

13 CHAIRPERSON PACHECO: I have a motion by Ms.
14 Taylor, a second by Mr. Palkki. Is there any discussion?

15 Those -- all those -- do we need to do a roll
16 call or just say -- all those in favor?

17 (Ayes.)

18 CHAIRPERSON PACHECO: All those opposed?

19 Motion carries.

20 There's -- number 5 is the information consent
21 items. I have not heard anybody who wanted to pull
22 anything.

23 So now we're moving forward to summary of
24 Committee direction. Mr. Hoffner.

25 CHIEF OPERATING OFFICER HOFFNER: There wasn't

1 any.

2 CHAIRPERSON PACHECO: Okay.

3 (Laughter).

4 CHAIRPERSON PACHECO: So the next item on the
5 agenda is public comment and we do have one public
6 comment. It is Ms. Dev Berger. And I have -- I'm going
7 to read a comment on this.

8 So We -- yes, Ms. Berger, you can sit right
9 there.

10 DEV BERGER: Before I speak, I wasn't clear if
11 my extra two to three minutes was granted.

12 CHAIRPERSON PACHECO: Yeah. I'm going to read
13 that right now.

14 DEV BERGER: Okay.

15 CHAIRPERSON PACHECO: We received a request for
16 minutes to speak. In the interests of the time, we are
17 going to stick with the three minutes. Thank you.

18 DEV BERGER: May I please request more time?
19 I've been here for four hours.

20 CHAIRPERSON PACHECO: I have to get -- is it --

21 VICE CHAIRPERSON WILLETTE: Just give her two
22 minutes.

23 CHAIRPERSON PACHECO: Yeah, two minutes. Two
24 additional minutes, so --

25 DEV BERGER: Thank you very much.

1 CHAIRPERSON PACHECO: -- it will be five minutes.
2 Thank you.

3 DEV BERGER: Good evening. My name is Dev Berger
4 and I'm here on behalf the 769,000 retirees and
5 beneficiaries who were breached when they gave their --
6 when our data was hacked via PBI, the vendor, used to
7 identify deceased CalPERS members.

8 I need you to know there's a large number of
9 retirees and beneficiaries who were furious about the
10 breach, how it was handled, and the many unanswered
11 questions. It's my understanding that Ms. Frost's
12 2022-2023 performance for a pay rate raise and a bonus was
13 discussed in closed session today. We don't believe that
14 she deserves either, because of the way the breach was
15 handled, came about, and many other issues which I cannot
16 address all because of the limited time.

17 CalPERS said that it contracted with PBI because
18 Social Security no longer provided access to its death
19 files to track dead members. And yet qualifying federal
20 and State agencies do have quantified access. More to the
21 point, a September 14th, 2021 CalPERS Risk and Audit
22 videos transcript discussed negotiations with Social
23 Security Administration with access to its full death --
24 death master file to identify dead members.

25 Approval for this safe option that wouldn't have

1 compromised our data was expected to happen by the end of
2 2021 with implementation underway by August 2022. The
3 transcript also discussed CalPERS' efforts with vendors to
4 develop death files based on obituaries. But for unknown
5 reasons, and we'd like to know why, CalPERS ditched the
6 safe options and instead went with a riskier one with PBI
7 whose software was hacked.

8 CalPERS said it contracted with PBI to fulfill
9 its fiduciary duty, and it -- as it relates to the \$41
10 million identified in an internal audit. However, we have
11 read that CalPERS called a \$67 million loss on Silicon
12 Valley Bank a drop in the bucket. The number one priority
13 should have been protecting our data. Why wasn't it done?
14 Losing our personal data exposed people to immediate
15 dangers for identity theft and financial fraud. Yet,
16 instead of holding an emergency Board meeting about this
17 disastrous breach, Frost waited for a regularly scheduled
18 closed Board session, where staff rebuffed furious
19 stakeholders who had questions on this massive disaster.

20 Retirees didn't learn of the breach until weeks
21 later and many like myself didn't receive Frost's letter
22 about the breach until July 1st, and that is inexcusable.
23 The letter wasn't direct, it wasn't succinct, and it
24 wasn't forthcoming about the immediate dangers that people
25 faced against identity theft and fraud. It failed to urge

1 us that it was critical to take actions immediately to
2 protect ourselves. And the letter seemed to downplay the
3 breach and I think that accounts for why there are less
4 than 80 percent of people who've signed up to have the
5 free credit monitoring, which incidentally is highly
6 inadequate.

7 I think that the numbers show how Frost's letter
8 poorly framed the dangers of identity theft and fraud. We
9 have a September 30th deadline to sign up. That's absurd.
10 We face identity theft and fraud for the rest of our
11 lives. Why are you having a deadline? Frost needs to
12 tell us why she didn't use the CalPERS Ransomware Policy
13 to payoff the hackers and buy te information back. And we
14 want to know would active members be treated so cavalierly
15 as we retirees and beneficiaries have experienced.

16 The media reported Frost's misrepresentations
17 about her educational background and those provided during
18 the CalPERS hiring process. Two former ex officio Board
19 members requested that Frost be investigation, but it was
20 rebuffed and many believe had Frost been investigated, she
21 would not be CEO.

22 Under Frost, for fiscal year 2022-2023, CalPERS
23 did not meet the discount rate of 6.8 percent for
24 investments. Under her leadership, the overall 2024
25 health plan rate increase are almost 11 percent, which is

1 double what experts said would be for employer purchasers.

2 How do we reward for these two things? Employees
3 are filing class action suits against employers, because
4 they failed to protect their personal data from a PBI
5 breach, which is exactly what Frost has failed to do. Her
6 role in the breach deserves a thorough investigation. We
7 deserve honest answers about the breach, and answers to
8 our questions about why belated actions were taken. Thank
9 you.

10 CHAIRPERSON PACHECO: Thank you. Thank you,
11 ma'am.

12 No -- are there any additional public comments?

13 I see none in the audience, so I would like to
14 call the meeting adjourned.

15 (Thereupon the California Public Employees'
16 Retirement System, Board of Administration,
17 Performance, Compensation, & Talent Management
18 Committee open session meeting adjourned
19 at 6:53 p.m.)

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CERTIFICATE OF REPORTER

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

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration, Performance, Compensation & Talent Management Committee open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California;

That the said proceedings was taken before me, in shorthand writing, and was thereafter transcribed, under my direction, by computer-assisted transcription.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 24th day of September, 2023.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
License No. 10063