

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
RISK AND AUDIT COMMITTEE
OPEN SESSION

ROBERT F. CARLSON AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

MONDAY, FEBRUARY 13, 2017

4:18 P.M.

JAMES F. PETERS, CSR
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A P P E A R A N C E S

COMMITTEE MEMBERS:

Ms. Dana Hollinger, Chairperson

Mr. Ron Lind, Vice Chairperson

Mr. Rob Feckner

Mr. Richard Gillihan

Ms. Priya Mathur

Mr. Bill Slaton

Ms. Betty Yee, represented by Mr. Alan Lofaso

BOARD MEMBERS:

Mr. Henry Jones, Vice President

Mr. Michael Bilbrey

Mr. John Chiang, represented by Mr. Eric Lawyer

Mr. J.J. Jelincic

Ms. Theresa Taylor

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Matthew Jacobs, General Counsel

Ms. Marlene Timberlake D'Adamo, Interim Chief Financial Officer

Ms. Beliz Chappuie, Chief Auditor

Mr. Forrest Grimes, Chief Risk Officer

Ms. Carrie Lewis, Committee Secretary

Ms. Kami Niebank, Deputy Chief Compliance Officer

A P P E A R A N C E S C O N T I N U E D

ALSO PRESENT:

Mr. David Driscoll, Buck Consultants

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1 P R O C E E D I N G S

2 CHAIRPERSON LIND: Okay. I'm going to call to
3 meeting -- call to order the meeting of the Risk and Audit
4 Committee.

5 For item of business is the roll call.

6 COMMITTEE SECRETARY LEWIS: Rob Feckner?

7 COMMITTEE MEMBER FECKNER: Good evening.

8 COMMITTEE SECRETARY LEWIS: Richard Gillihan?

9 COMMITTEE MEMBER GILLIHAN: Here.

10 COMMITTEE SECRETARY LEWIS: Dana Hollinger?

11 COMMITTEE MEMBER HOLLINGER: Here.

12 COMMITTEE SECRETARY LEWIS: Ron Lind?

13 CHAIRPERSON LIND: Here.

14 COMMITTEE SECRETARY LEWIS: Priya Mathur?

15 COMMITTEE MEMBER MATHUR: Here.

16 COMMITTEE SECRETARY LEWIS: Bill Slaton?

17 COMMITTEE MEMBER SLATON: Here.

18 COMMITTEE SECRETARY LEWIS: Alan Lofaso for Betty
19 Yee?

20 ACTING COMMITTEE MEMBER LOFASO: Here.

21 CHAIRPERSON LIND: Thank you.

22 The next item is the election of the Risk and
23 Audit Committee Chair and Vice Chair. First up is
24 election of Chair. I'm going to take the privilege of the
25 Chair and nominate Dana Hollinger for Chair of the Risk

1 and Audit Committee.

2 Are there any other nominations?

3 Any other nominations?

4 Any other nominations?

5 Seeing none.

6 I'd entertain a motion to elect Dana by
7 acclamation.

8 PRESIDENT FECKNER: So moved.

9 CHAIRPERSON LIND: Got a motion.

10 Is there a second?

11 COMMITTEE MEMBER MATHUR: Second.

12 CHAIRPERSON LIND: Motion by Feckner, seconded by
13 Mathur.

14 All in favor say aye?

15 (Ayes.)

16 CHAIRPERSON LIND: Any opposed?

17 Thank very much. Congratulations, Dana.

18 CHAIRPERSON HOLLINGER: Thank you.

19 COMMITTEE MEMBER LIND: And Dana is going to do
20 the Vice Chair thing and then we're going to do a little
21 logistic switch.

22 But they want us to do this piece first. So I
23 have to recognize. So you've got to push your button,
24 then I'll recognize you.

25 Oops, she's not showing up

1 Hold on. Okay. Here we go.

2 Okay. Got it now.

3 Okay.

4 COMMITTEE MEMBER FECKNER: Now you took her off.

5 COMMITTEE MEMBER LIND: Now I took her off.

6 Okay. Request again.

7 CHAIRPERSON HOLLINGER: Okay. Elections are open
8 for Vice Chair of the Risk and Audit Committee.

9 And you want to say I'm calling to -- okay. Bill
10 Slaton.

11 COMMITTEE MEMBER SLATON: Thank you, Madam Chair.
12 I don't want to let Mr. Lind get away without any
13 obligation. So we're going to ring him back in. So I
14 nominate Ron Lind to be Vice Chair of the Committee.

15 CHAIRPERSON HOLLINGER: Any other nominations for
16 Vice Chair?

17 Any other -- I noticed other people asked 3
18 times. Oh, Okay.

19 Any other nominations for Vice Chair?

20 Last call, any other nominations for Vice Chair?

21 Well, congratulations, Ron.

22 I'm sorry. I'm sorry. I'd like to do a motion
23 for Vice Chair for Ron Lind.

24 PRESIDENT FECKNER: So moved.

25 COMMITTEE MEMBER MATHUR: Second.

1 CHAIRPERSON HOLLINGER: Okay. So moved.

2 COMMITTEE MEMBER LIND: We've got to vote.

3 CHAIRPERSON HOLLINGER: Oh, okay.

4 All those in favor -- thank you, guys. All those
5 in favor?

6 (Ayes.)

7 CHAIRPERSON HOLLINGER: Okay. So moved.

8 VICE CHAIRPERSON LIND: So we're going to do a
9 little switch-a-roo right now. Just a little logistic
10 thing for on minute.

11 CHAIRPERSON HOLLINGER: Okay. Great. So the
12 first order of business, Marlene Timberlake-D'Adamo on the
13 Executive Report.

14 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE

15 D'ADAMO: Thank you. There we go.

16 Thank you. Good afternoon, Madam Chair and
17 Committee members. Marlene Timberlake-D'Adamo, CalPERS
18 team member.

19 Congratulations on your election as Chair and
20 Vice Chair.

21 CHAIRPERSON HOLLINGER: Thank you.

22 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE

23 D'ADAMO: And I also like to welcome Mr. Feckner and Mr.
24 Gillihan to the Committee.

25 Before we dive into action and information items,

1 I would like to point out, and you may have noticed, that
2 the ethics helpline report is actually not a separate
3 item. We have included it in the regular compliance
4 activity report. We haven't changed the information.
5 We've just consolidated it into one report.

6 Today's Risk and Audit Committee agenda consists
7 of only one action item, which is the review of the
8 Committee's delegation. Proposed changes to the
9 delegation include an additional statement to recognize
10 the Committee's increased oversight relevant to risk
11 activity -- I'm sorry, risk management activities, as well
12 as some refinement in our descriptions. All of the
13 changes were made in an effort to clarify the Committee's
14 duties.

15 As it relates to information items, we will
16 present 2 audit information items and the mid-year plans
17 for both Enterprise Risk Management and Enterprise
18 Compliance. The first audit item is the third-party
19 valuation and certification of the State and schools plan
20 as of June 30th, 2015.

21 Our third-party actuarial firm Buck Consultants
22 has completed its independent review of the actuarial
23 valuations of the State schools plan, and will present
24 their findings and recommendations.

25 The second audit item is the external assessment

1 of the Office of Audit Services Quality Assurance and
2 Improvement Program. Beliz Chappuie, CalPERS Chief
3 Internal Auditor is here to provide you with an update.

4 Lastly, Enterprise Risk Management and Enterprise
5 Compliance will provide mid-year updates on their plan
6 progress, present accomplishments, and keep priorities for
7 both divisions since the last update this past June.

8 The next Risk and Audit Committee meeting is
9 scheduled for June 20th, 2017, and includes the 2017-19
10 plans for Enterprise Compliance and Enterprise Risk
11 Management, the 2017-18 plan for the Office of Audit
12 Services, the independent auditor's 2017 annual plan, and
13 the semiannual enterprise risk report.

14 Thank you, Madam Chair. This concludes my
15 report, and I would be happy to take any questions.

16 CHAIRPERSON HOLLINGER: Any questions?

17 Okay. Seeing none.

18 Then we'll go on to 4a, approval of the November
19 15th Risk and Audit Committee minutes.

20 COMMITTEE MEMBER MATHUR: So moved.

21 VICE CHAIRPERSON LIND: Second.

22 CHAIRPERSON HOLLINGER: Okay. So moved. The
23 minutes have been approved.

24 Now, we're on 5 --

25 VICE CHAIRPERSON LIND: We've got to vote.

1 CHAIRPERSON HOLLINGER: Oh, we have to vote.

2 Sorry, guys. Okay. So we'll vote on the
3 approval of the minutes.

4 Is it voice or --

5 VICE CHAIRPERSON LIND: Yes, voice.

6 CHAIRPERSON HOLLINGER: All in favor say aye?

7 (Ayes.)

8 CHAIRPERSON HOLLINGER: All opposed, no?

9 Okay. Motion passes.

10 Okay. So we're on 5, Consent Items. Again, back
11 to Marlene, the information consent items.

12 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE

13 D'ADAMO: Yes.

14 CHAIRPERSON HOLLINGER: On the 2017 annual
15 calendar review, and 2018 -- we just -- okay. We did
16 that.

17 Okay. Does anybody want to pull anything off?

18 No. Okay.

19 So 6, now review of the Risk and Audit Committee
20 Delegation.

21 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE

22 D'ADAMO: Yes. So this is part of the normal process for
23 our annual review of delegations. You have it in your
24 packet. I will just see if anyone has any questions. I
25 think I had noticed in my executive report that we had

1 made just a couple of descriptive changes, tried to
2 clarify some of the risk management, particularly act --
3 particularly activities that the Committee has undertaken.

4 CHAIRPERSON HOLLINGER: Okay. Priya.

5 COMMITTEE MEMBER MATHUR: I'll move the
6 delegation as amended.

7 CHAIRPERSON HOLLINGER: Okay.

8 VICE CHAIRPERSON LIND: Second.

9 CHAIRPERSON HOLLINGER: All in favor?

10 (Ayes.)

11 CHAIRPERSON HOLLINGER: Okay. Motion passes.

12 Okay. So we're on 7 on the audit. So that's
13 Beliz, David, and Buck Consultants. The third-party
14 valuation and certification of the State and schools plans
15 as of June 30th 2015.

16 CHIEF AUDITOR CHAPPUIE: Good afternoon, Madam
17 Chair and members of the Committee. Beliz Chappuie,
18 Office of Audit Services.

19 Congratulations --

20 CHAIRPERSON HOLLINGER: Thank you.

21 CHIEF AUDITOR CHAPPUIE: -- Madam Chair and Vice
22 Chair. Look forward to working with you this year.

23 The Board retains the services -- I'm sorry.
24 Agenda Item 7a is an information item related to actuarial
25 parallel valuation of the State and school plans. The

1 Board retains the services of an outside actuarial firm to
2 review the work of CalPERS Actuarial staff and to certify
3 that their work complies with the actuarial professional
4 standards.

5 Buck Consultants, a third-party actuarial firm,
6 selected by the Board in November 2015 completed its
7 independent review of the State and school plans as of
8 June 30, 2015. David Driscoll from Buck Consultants is
9 joining me today to present their report and their
10 findings to the Committee and answer any questions that
11 you may have.

12 I'd like to turn it over to David at this time.

13 MR. DRISCOLL: Thank you. Yes, we have completed
14 Task 2 under our contract to 2015-8123, which is the
15 actuarial audit and parallel valuation for the State and
16 schools systems.

17 Our findings generally are that the work of the
18 CalPERS actuarial staff is quite good, and certainly
19 complies with actuarial standards of practice. In the
20 course of examining the report and reproducing the results
21 obtained by the CalPERS Actuarial staff, we made note of a
22 number of things.

23 First of all, the values that we were asked to
24 reproduce for employer contributions were all within 5
25 percent, which is the tolerance specified in the

1 assignment we have from CalPERS for all the systems we
2 reviewed.

3 We did note that in the case of the Miscellaneous
4 Tier 2 system that some of the intermediate values for
5 such things as the present value of future benefits, the
6 actuarial accrued liability and the total normal cost,
7 there were differences between our figures and those of
8 the -- produced by the CalPERS Actuarial staff that
9 exceeded 5 percent. And we have identified some reasons
10 why we believe those discrepancy exist.

11 These relate primarily to the -- the accumulation
12 of what are called special employee contributions. The
13 special employee contribution amount is an amount that is
14 calculated within the actuarial valuation that reflects
15 the ability of Miscellaneous Tier 2 participants to buy up
16 to Tier 1 benefits by making additional contributions.
17 It's not required that they do this on an ongoing basis.
18 These contributions can, in fact, be made at the point of
19 retirement.

20 But in order to keep track of them, and more
21 importantly to reflect an assumption that Tier 2 employees
22 will generally avail themselves of this opportunity, it's
23 necessary to maintain this balance on a running basis.

24 We found that it appeared that for some separated
25 participants, the special employee contribution account

1 was set to 0, when perhaps it shouldn't have been. Our
2 understanding is that this is a reflection of a change in
3 systems that was made some years ago where balances that
4 were transferred over we're not quite the current ones at
5 that point.

6 Also, for separated participants, we found that
7 the special employee contribution account was being
8 accumulated, both with additional notional contributions,
9 as well as with interest. People who, of course, have
10 separated from the system are no longer able to make
11 additional special contributions, and therefore their
12 account should be accumulated only with interest.

13 We made note of a slight methodological
14 difference between our approach and that of the CalPERS
15 actuaries, which also pertains to the special employee
16 contribution balance. In our process, we calculate the
17 special employee contributions from entry age to attained
18 age, so that they replicate the balance that is reported
19 as of the valuation date.

20 In CalPERS' case, they accumulate special
21 employee contributions from entry age independently of
22 what the current value of special employee contributions
23 might be. This is not a major discrepancy. We don't find
24 that either method is arguably better than the other.
25 It's simply a source of differences in our results for

1 this group that we want to make note of.

2 Finally, we do not that for separated employees
3 in all plans, even those where we had closer matching than
4 we did in Miscellaneous Tier 2, the mortality assumption,
5 which is to say the assumed probabilities of death were
6 not being applied to separated employees during the period
7 during which their benefit is deferred, which is to say
8 from attained age in the valuation date to the time their
9 benefits are assumed to start, there were not any assumed
10 removals due to death prior to retirement. This results
11 in a very modest under -- very modest overstatement of
12 liabilities for this group.

13 But again, overall, our findings were that the
14 work of the actuaries at CalPERS was good. The tolerances
15 within which we wanted to see employee contribution --
16 employer contribution levels were met for all plans, and
17 the suggested changes we've recommended to the CalPERS
18 actuarial staff will have a modest effect on results, if
19 implemented.

20 CHAIRPERSON HOLLINGER: Okay. Richard Gillihan.

21 COMMITTEE MEMBER GILLIHAN: Thank you, Madam
22 Chair. Thank you for that report. And while I appreciate
23 the findings weren't significant, and that Tier 2
24 represents a small sort of pool of our total group of
25 retirees -- or plan participants, I'm just curious why

1 these discrepancies weren't found in prior year peer
2 reviews and they're being found now?

3 MR. DRISCOLL: Well, we like to think it's
4 because of the excellence of the review that was performed
5 this time.

6 (Laughter.)

7 COMMITTEE MEMBER GILLIHAN: Did your firm do the
8 prior reviews?

9 MR. DRISCOLL: We did not, no.

10 COMMITTEE MEMBER GILLIHAN: Oh. So perhaps it's
11 just your methodology applied to the current practices.

12 MR. DRISCOLL: Well, one of the things we raised
13 with the Board when we presented for the opportunity to be
14 awarded this assignment was that we would conduct, what we
15 called, an enhanced reconciliation, where we looked not
16 only at the results for the groups as a whole, but at
17 individual participant results. And I do believe that
18 looking at individual participant results was instrumental
19 in identifying the issues related to special employee
20 contributions. Because when we had the larger than
21 expected mismatch, you know, not on the employer
22 contribution rate, but on the intermediate values in
23 Miscellaneous Tier 2, we delved into the employee and
24 separated participant results on an individual basis, and
25 we were matching results obtained by the CalPERS actuarial

1 staff, until we got to the point where it was necessary to
2 bring in the special employee contribution balances.

3 So it was -- it was, in this way, easy to
4 identify that as a -- the primary source of the
5 differences we had with them.

6 COMMITTEE MEMBER GILLIHAN: Okay. Thank you.

7 CHAIRPERSON HOLLINGER: Yeah. I want to know
8 that are we applying that now --

9 MR. DRISCOLL: I think.

10 CHAIRPERSON HOLLINGER: -- going forward.

11 MR. DRISCOLL: I believe a decision has been made
12 that -- well, I'll let the authoritative person speak on
13 that matter.

14 CHIEF ACTUARY TERANDO: Good afternoon. Scott
15 Terando, Chief Actuary.

16 Yes. After reviewing the findings of Buck
17 Consultants, we've gone ahead and we've made --
18 implemented all the changes that they've suggested. And
19 they'll be in effect for the 2016 valuations this year.

20 CHAIRPERSON HOLLINGER: Okay. Great. Any other
21 questions?

22 Okay. So 7b, the External Assessment of the
23 Office of Audit Services and Quality Assurance.

24 CHIEF AUDITOR CHAPPUIE: Good afternoon, Madam
25 Chair and members of the Committee. Beliz Chappuie,

1 Office of Audit Services.

2 Agenda Item 7b is an information item related to
3 external assessment of the CalPERS Office of Audit
4 Services Quality Assurance and Improvement Program.

5 The Department of Finance completed its external
6 quality assessment of the Office of Audit Services
7 operations for the period of July 12, 2011 through June
8 30th, 2016 and issued its report in December 2016.

9 I'm happy to inform you that the Office of Audit
10 Services received the highest overall opinion, generally
11 conforms. The report also included some successful
12 practices that the Office of Audit Services employs, which
13 are critical to its function in the organization and its
14 compliance with the internal auditing standards and code
15 of ethics.

16 These include the Office of Audit Services
17 organizational independence, unrestricted access to
18 information, risk assessment, quality assurance and
19 improvement program, professional development of staff,
20 and quality of work products.

21 This concludes my presentation. I'm happy to
22 answer any questions.

23 CHAIRPERSON HOLLINGER: Seeing no questions, then
24 we'll move on to 8a, Enterprise Risk Management.

25 Forrest.

1 (Thereupon an overhead presentation was
2 presented as follows.)

3 CHIEF RISK OFFICER GRIMES: Thank you, Madam
4 Chair and congratulations. I look forward to working with
5 you and the Committee. And congratulations to you, Mr.
6 Lind, as well.

7 This is really a mid-year update. And I wanted
8 to just get -- Forrest Grimes CalPERS team. I don't know
9 if I stated my name. Sorry.

10 I wanted to let you know the status of the
11 mid-year update. The risk team has continued to mature
12 the Enterprise Risk Management framework. We presented
13 the revised dashboard to the Committee in November, which
14 really consolidated the 30 previous risks to the 10 risks
15 that are on the dashboard today.

16 We developed risk profiles for each risk, and we
17 presented the new heat map. We then prepared the risk
18 appetite workshop material that you thankfully
19 participated in in January. And I appreciate the
20 contributions that you made to that.

21 With that, I wanted to stop with questions prior
22 to letting you know what our next steps will be.

23 CHAIRPERSON HOLLINGER: Any questions?

24 Ms. Mathur.

25 COMMITTEE MEMBER MATHUR: Thank you. It's

1 actually not a question, but I just wanted to say that I
2 thought the risk workshop went very well in January. It's
3 a challenging area to get your arms around what is your
4 risk appetite. But I think the way you and your team
5 designed and led the workshop was really effective. So
6 thanks for your efforts.

7 CHIEF RISK OFFICER GRIMES: Thank you for your
8 comments.

9 CHAIRPERSON HOLLINGER: Mr. Lind.

10 VICE CHAIRPERSON LIND: Yeah, I just wanted to
11 reinforce what Priya said. It helped all of us think
12 about risk in a way that maybe we hadn't done before. And
13 I just wanted to also comment just in general, because
14 unfortunately this Committee always tends to come up at
15 the very end of the day, but I don't want it to seem like
16 that minimizes the importance of this Enterprise Risk
17 Management Plan. It's critically important to this
18 organization. And the work that you all have done on it
19 is outstanding. So I just wanted to say that at almost
20 5:00 o'clock in the afternoon. Thanks for the work on it.

21 CHIEF RISK OFFICER GRIMES: You're welcome and
22 thank you.

23 CHAIRPERSON HOLLINGER: Yeah, I wanted to thank
24 you all as well, being as I'm from the insurance industry.
25 So I thought that the risk workshop was so meaningful,

1 because it forced us to look in the mirror and really look
2 at our own risk appetite when we're evaluating these
3 things on behalf of CalPERS. So I want to thank you all
4 for your efforts. It made an impact.

5 CHIEF RISK OFFICER GRIMES: You're welcome. And
6 I know the team really appreciates your comments. So
7 thank you.

8 I wanted just to take us through a couple quick
9 next steps, if that's okay. As you mentioned, and I think
10 this is really true, this risk evolution is a continuous
11 improvement effort, quite frankly. And in April, we're
12 going to come back and we're going to, I think, expand our
13 conversation in a workshop setting by talking about our
14 initial findings of the risk appetites that you discussed,
15 and additionally go into a tradeoff conversation. That
16 was a question that you may remember that Mr. Jelincic had
17 raised during that workshop. So we're going to be going
18 into that conversation.

19 Additionally, the risk team is going to be
20 finalizing and implementing training for new employees to
21 promote the risk intelligent organization that we want to
22 continue to evolve. And we also -- the risk team will
23 also be playing a facilitation role in the 2017-18 ALM
24 cycle in collaboration with the Investment, Actuarial,
25 Public Affairs, and Legal offices. So we'll be involved

1 in that work as well.

2 And with that, that concludes my report, unless
3 you have questions?

4 CHAIRPERSON HOLLINGER: Seeing none. No.
5 Thank you.

6 CHIEF RISK OFFICER GRIMES: Thank you.

7 CHAIRPERSON HOLLINGER: Thank you very much.

8 Ms. Timberlake -- Ms. Dia -- so now we're on
9 Enterprise -- the summary, I guess, of Committee
10 Direction.

11 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE
12 D'ADAMO: Actually, we're going to do the Enterprise
13 Compliance --

14 CHAIRPERSON HOLLINGER: Oh, Enterprise
15 Compliance, right.

16 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE
17 D'ADAMO: -- mid-year update.

18 CHAIRPERSON HOLLINGER: Right.

19 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE

20 D'ADAMO: And so Kami Niebank, Deputy --

21 CHAIRPERSON HOLLINGER: Sure.

22 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE

23 D'ADAMO: -- Chief Compliance Officer will provide you
24 with the information.

25 (Thereupon an overhead presentation was

1 presented as follows.)

2 DEPUTY CHIEF COMPLIANCE OFFICER NIEBANK: Hi.
3 Good afternoon. Kami Niebank, CalPERS Enterprise
4 Compliance Division.

5 I'm going to take you somewhat quickly, but not
6 too quickly, through an update of our mid-year compliance
7 plan. This is year 2 of a 5-year plan. And so we have
8 made some progress that the team is really proud, so I
9 wanted to highlight some of those accomplishments.

10 If we move forward here --

11 --o0o--

12 DEPUTY CHIEF COMPLIANCE OFFICER NIEBANK: -- on
13 to slide 5 of 21, this will give you an overview of the
14 focus areas that we have been focusing on this year, as
15 well as a little bit of the status of where we are on the
16 plan.

17 And I wanted to point out a couple of things.
18 First, in that enterprise ethics programs, we actually
19 were starting the fiscal year thinking that we would be
20 more in a reinforce mode, since this was and area that has
21 been in place for a number of years. But after further
22 assessment, we decided there were some things that we
23 really wanted to do after a further look. And so we sort
24 of pulled back into the plan and design mode. And as you
25 can see as of December 31st, we were in build mode.

1 communications and education. And we've really been doing
2 a lot to build a compliance aware culture. And so this
3 includes creating an internal social media page. The
4 Spark page. And the team is really proud that we are the
5 most followed Spark page within the organization.

6 And I think that really speaks to the fact that
7 the staff put a lot of effort into making sure that we are
8 active on our page, we're really out there communicating
9 what we're doing, what we're working on. We make sure
10 that we put articles out there that we think are really
11 relevant and pertinent, and we get a lot of really good
12 feedback. We've used it for ideas and just to really
13 generate conversations.

14 We have also done a lot around -- like, we
15 participated in a CalPERS first ever compliance and ethics
16 week. And we had, you know, activities down by the
17 cafeteria, real engaging folks. We had a speaker come in.
18 Just really tried to engage with that.

19 We've also been working on developing articles in
20 the organization, and circulating articles, participated
21 in an idea factory challenge on what can we do better to
22 really, you know, get compliance ideas out there. So a
23 lot of really great things out of that.

24 --o0o--

25 DEPUTY CHIEF COMPLIANCE OFFICER NIEBANK: Jumping

1 ahead, I'm going to go to slide 12 here. This really
2 speaks to the work around policies and delegations that
3 we've been working on. We've created some standards, and
4 then actually just revising policies and revising
5 delegations, so a lot of good work going on there.

6 --o0o--

7 DEPUTY CHIEF COMPLIANCE OFFICER NIEBANK: And
8 then lastly, I'm going to take us to slide 16. I would
9 like to point out that we've really done a lot around
10 revamping our personal trading procedures and guidelines.
11 This has resulted in a 95 percent decrease in violations,
12 which we are very proud of, and -- over the 12-month
13 period since we started tracking this. Just a lot of good
14 communication and education has gone into that, and
15 reporting at the management and the Board level.

16 And in addition, we have increased the number of
17 covered accounts that are on an automatic data feed. And
18 so that has resulted in a 6 percent increase in overall
19 accounts for a total of 84 percent. So the information
20 comes to us on an automated basis versus us having to look
21 at things in arrears.

22 So that's kind of it for the highlights of the
23 plan. We'll be back in June with our new plan, and I'm
24 happy to answer any questions.

25 CHAIRPERSON HOLLINGER: Thank you. A 95 percent

1 decrease in -- I mean, that's just extraordinary. It's
2 unheard of. Thank you for your work.

3 DEPUTY CHIEF COMPLIANCE OFFICER NIEBANK: Sure.

4 CHAIRPERSON HOLLINGER: Yes, we have some
5 questions.

6 Mr. Slaton.

7 COMMITTEE MEMBER SLATON: Thank you, Madam Chair.

8 Going back to page 7 of 21, which was the
9 conflict of interest work on Form 700. And I probably
10 should have raised this during the information consent
11 items, because there was an item there that -- people have
12 to file a Form 700 upon leaving office. And you had 32 of
13 them, but 8 were delinquent, not filed on time, at least
14 according to that report.

15 So my question -- it's a two-part question. One
16 is what is the risk to us, and what enforcement capability
17 do we have to get the form -- the leaving office Form 700
18 filed?

19 DEPUTY CHIEF COMPLIANCE OFFICER NIEBANK: So the
20 filing of a Form 700 is an obligation between the
21 individual and the FPPC. And what we're trying to do is
22 really make sure that our processes that we're
23 communicating with them timely, and we're following up
24 with them, so we've actually worked with Human Resources
25 to make sure that we are getting notified when people

1 leave, and can -- can try to get to them before they walk
2 out the door.

3 And then we do -- you know, based on FPPC
4 protocols, we follow up with them, and will send certified
5 mail. And at a certain point, then we fulfill our
6 obligation and we turn them over to the FPPC, who then
7 further follows up with them.

8 COMMITTEE MEMBER SLATON: Okay. Thank you.

9 DEPUTY CHIEF COMPLIANCE OFFICER NIEBANK: So we
10 have been doing everything we can. And the reporting, I
11 think, has really helped internally with management to see
12 what they can do to make sure that, you know, they're
13 notifying us timely, and --

14 COMMITTEE MEMBER SLATON: So what I hear you
15 saying this is not a risk to us as an institution, if
16 someone leaves and ultimately doesn't file it. We've done
17 our work.

18 DEPUTY CHIEF COMPLIANCE OFFICER NIEBANK: As long
19 as we are fulfilling our part of communicating, yes.

20 COMMITTEE MEMBER SLATON: Okay. Very good.
21 Thank you.

22 CHAIRPERSON HOLLINGER: Any other questions?

23 Okay. So next the Summary of Committee
24 Direction.

25 I don't know that I see anything.

1 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE

2 D'ADAMO: I don't have anything on my white piece of
3 payer.

4 CHAIRPERSON HOLLINGER: I don't have anything
5 either.

6 Well, that concludes the Risk and Audit
7 Committee, the open session.

8 Thank you.

9 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE

10 D'ADAMO: Thank you.

11 (Thereupon the California Public Employees'
12 Retirement System, Board of Administration,
13 Risk & Audit Committee open session
14 meeting adjourned at 4:48 p.m.)

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C E R T I F I C A T E O F R E P O R T E R

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, Risk & Audit 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 20th day of February, 2017.

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