

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT COMMITTEE
OPEN SESSION

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

MONDAY, MARCH 19, 2018
9:08 A.M.

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

COMMITTEE MEMBERS:

Mr. Henry Jones, Chairperson

Mr. Richard Costigan, Vice Chairperson

Ms. Margaret Brown

Mr. John Chiang, also represented by Mr. Steve Juarez, Mr. Frank Moore

Mr. Rob Feckner

Mr. Richard Gillihan

Ms. Dana Hollinger

Ms. Priya Mathur

Mr. David Miller

Mr. Ramon Rubalcava

Mr. Bill Slaton

Mr. Theresa Taylor

Ms. Betty Yee, represented by Ms. Lynn Paquin

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Charles, Asubonten, Chief Financial Officer

Mr. Ted Eliopoulos, Chief Investment Officer

Mr. Matt Jacobs, General Counsel

Ms. Natalie Bickford, Committee Secretary

Mr. Dan Bienvenue, Managing Investment Director

Ms. Kit Crocker, Investment Director

Mr. Matt Flynn, Interim Chief Operating Investment Officer

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

STAFF:

Ms. Divya Mankikar, Investment Manager

Ms. Simiso Nzima, Investment Director

Ms. Anne Simpson, Investment Director

ALSO PRESENT:

Mr. Serob Abrahamian, Armenian National Committee of America, Western Region

Mr. Haig, Baghdassarian, Armenian National Committee of America, Western Region

Ms. Rebecca Bar, Ceres

Mr. Jeff Conant, Friends of the Earth

Ms. Janet Cox

Dr. Bill Durston, Sacramento Physicians for Social Responsibility, American Against Gun Violence

Mr. Allan Emkin, Pension Consulting Alliance

Mr. Shane Fedderman

Ms. Lisa Fine, Route 91 Strong

Ms. Janine Firpo, New Wave Impact Fund Advisor

Ms. Karina Gonzalez, Friends of the Earth

Ms. Natalie Heim

Ms. Hiwet Huile

Mr. Daniel Ingram, Wilshire Associates Consulting

Mr. Phillip Jonas, Peace Officers Research Association of California

Ms. Akilah Jones, speaking for Debra Hixon

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

ALSO PRESENT:

Mr. Andrew Junkin, Wilshire Associates Consulting

Ms. Elizabeth Leslie, California League of Women Voters

Mr. George Linn, Retired Public Employees Association

Assembly Member Ash Kalra, California State Assembly

Ms. Tina Meins

Ms. Trena Meins

Ms. Kimberly Meyer

Mr. Joe Morgan

Assembly Member Adrin Nazarian, California State Assembly

Mr. Jason Perez, Corona Police Officers' Association

Ms. Eric Porteous

Mr. Dennis Ralls, City of Corona

Mr. Michael Ring, Service Employees International Union

Ms. Laurie Saffian, Women Against Violence

Mr. Steve Silberstein

Ms. Donna Snodgrass, Retired Public Employees Association

Mr. Samir Sonti, Unite Here

Mr. Tom Toth, Wilshire Associates Consulting

Ms. Genevieve Tovar

Mr. Robert Velasco

Mr. Arlen Verdehyou

Ms. Suzanne Verge, Brady Foundation

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

ALSO PRESENT:

Ms. Rene Wetzel

Mr. Matthew Wollman

Mr. Rosemary Yoshikawa, Mothers Demand Action

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

2 CHAIRPERSON JONES: Okay. Why don't we call the
3 Investment Committee meeting to order. And the first
4 order of business is roll call, please.

5 COMMITTEE SECRETARY BICKFORD: Henry Jones?

6 CHAIRPERSON JONES: Here.

7 COMMITTEE SECRETARY BICKFORD: Richard Costigan?

8 VICE CHAIRPERSON COSTIGAN: Here.

9 COMMITTEE SECRETARY BICKFORD: Margaret Brown?

10 COMMITTEE MEMBER BROWN: Here.

11 COMMITTEE SECRETARY BICKFORD: John Chiang
12 represented by Steve Juarez?

13 ACTING COMMITTEE MEMBER JUAREZ: Here.

14 COMMITTEE SECRETARY BICKFORD: Richard Costi --
15 excuse me. Rob Feckner?

16 COMMITTEE MEMBER FECKNER: Good morning.

17 COMMITTEE SECRETARY BICKFORD: Good morning.
18 Richard Gillihan?

19 COMMITTEE MEMBER GILLIHAN: Here.

20 COMMITTEE SECRETARY BICKFORD: Dana Hollinger?

21 COMMITTEE MEMBER HOLLINGER: Here.

22 COMMITTEE SECRETARY BICKFORD: Priya Mathur?

23 COMMITTEE MEMBER MATHUR: Good morning.

24 COMMITTEE SECRETARY BICKFORD: Good morning.

25 David Miller?

1 COMMITTEE MEMBER MILLER: Here.

2 COMMITTEE SECRETARY BICKFORD: Ramon Rubal --
3 Rubalcava?

4 COMMITTEE MEMBER RUBALCAVA: Here

5 COMMITTEE SECRETARY BICKFORD: Pardon me.
6 Bill Slaton?

7 COMMITTEE MEMBER SLATON: Here.

8 COMMITTEE SECRETARY BICKFORD: Theresa Taylor?

9 COMMITTEE MEMBER TAYLOR: Here.

10 COMMITTEE SECRETARY BICKFORD: Betty Yee?

11 ACTING COMMITTEE MEMBER PAQUIN: Lynn Paquin.

12 COMMITTEE SECRETARY BICKFORD: Excuse me. Thank
13 you.

14 CHAIRPERSON JONES: Okay.

15 COMMITTEE MEMBER MATHUR: Richard Costigan. I
16 don't think she --

17 VICE CHAIRPERSON COSTIGAN: She did.

18 CHAIRPERSON JONES: Did you get Mr. Costigan?

19 COMMITTEE MEMBER MATHUR: And you too.

20 VICE CHAIRPERSON COSTIGAN: We were the first
21 two.

22 COMMITTEE MEMBER MATHUR: Oh, you were the first
23 two?

24 CHAIRPERSON JONES: Yeah. Okay. Thank you. So
25 all are present. Okay. Thank you. We're going to skip

1 the Chief Executive -- CII report rather, to later in
2 the -- this morning, and we're going to go to item --

3 COMMITTEE MEMBER BROWN: Mr. Chair.

4 CHAIRPERSON JONES: Yes.

5 COMMITTEE MEMBER BROWN: I have a point of order?

6 CHAIRPERSON JONES: Yes.

7 COMMITTEE MEMBER BROWN: Thank you.

8 CHAIRPERSON JONES: Turn your mic on.

9 VICE CHAIRPERSON COSTIGAN: Turn your mic on.

10 COMMITTEE MEMBER MATHUR: You have turn it on.

11 CHAIRPERSON JONES: Okay. Hold -- wait a minute.

12 Push it back. Okay. Ms. Brown.

13 COMMITTEE MEMBER BROWN: Thank you. I need to
14 know whether I might be subject to arrest for trespassing
15 for being here today. I was informed by the Board
16 President on Friday that she claims to have the authority
17 to lock me out of the Board Chambers on certain days --

18 COMMITTEE MEMBER TAYLOR: Point of order.

19 COMMITTEE MEMBER BROWN: -- and it's not clear to
20 me --

21 CHAIRPERSON JONES: Point of --

22 COMMITTEE MEMBER TAYLOR: Point of order.

23 CHAIRPERSON JONES: Ms. Brown, point of order
24 Ms. Taylor.

25 COMMITTEE MEMBER TAYLOR: Thank you.

1 VICE CHAIRPERSON COSTIGAN: Wait a second. It's
2 not on yet.

3 COMMITTEE MEMBER TAYLOR: It's not on yet.

4 COMMITTEE MEMBER MATHUR: You should double click
5 it, Mr. Chair.

6 CHAIRPERSON JONES: Okay.

7 COMMITTEE MEMBER TAYLOR: Great. Thank you.
8 This is not on the agenda, so this is not appropriate time
9 for this to be discussed right now.

10 CHAIRPERSON JONES: Okay. That's -- I think that
11 is the rule, and so it's not appropriate to discuss it at
12 this time. So we need to move on.

13 COMMITTEE MEMBER TAYLOR: Turn it off.

14 CHAIRPERSON JONES: Okay. Now back to the
15 agenda. The -- I'm going to pull Item 4e from the
16 information consent items. As I understand we have a
17 request to speak on this item. This item is CalPERS's
18 report to the legislature on outcomes of our constructive
19 engagement activities with portfolio companies involved in
20 the construction or financing of the Dakota Access
21 Pipeline.

22 CalPERS take issues related to universal human
23 rights, including indigenous tribal rights, very
24 seriously. In fact, in response to recent events, as part
25 of Item 6c, the Committee is considering a proposal to

1 enhance CalPERS' Governance and Sustainability Principles
2 to clarify our commitment to the UN standards of free,
3 prior, and informed consent.

4 I'd like to acknowledge staff for all the hard
5 work that went into these engagements and review of our
6 principles. A compilation of this report is in response
7 to the passage of Assembly Bill 20 by Assembly Member Ash
8 Kalra. And I'm not -- if I'm not mistaken he's in the
9 audience. I know he's in the audience here, and he will
10 be speaking to you shortly.

11 So Mr. Kalra, you are free to speak. Thank you.

12 MR. KALRA: Thank you, Mr. Chair and members.

13 It's really a privilege for me to have the
14 opportunity to come after the passage and signage of AB
15 20. AB 20 was a bill that I authored literally moments
16 after being sworn into office. And it initially started
17 as a divestment bill regarding the Dakota Access Pipeline
18 project. In hearing concerns not just from the CalPERS
19 Board and staff, as well as some of my fellow members --
20 assembly members, I continued to work on the bill. Rather
21 than stick to the principle of divestment and allow the
22 bill to die on that principle, I thought there was
23 something constructive that could come out of the bill and
24 the conversation that ensued.

25 So ultimately, the bill required the boards of

1 CalPERS and CalSTRS to submit a report to the legislature
2 and Governor regarding investments in the Dakota Access
3 Pipeline, and to also review and consider factors related
4 the tribal sovereignty, and indigenous tribal rights as
5 part of the Board's investment policies related to
6 environmental, social, and governance issues.

7 I'm very grateful to the Committee and the Board,
8 as -- and especially grateful to your wonderful staff who
9 have done a tremendous job in the directive from AB 20 in
10 doing what I believe to be a groundbreaking report.

11 Had it not been for AB 20 and working
12 collaboratively with the CalPERS staff, our State's
13 institutions would continue to sit out of a particular
14 global conversation surrounding responsible investment.
15 The Equator Principles is a risk management framework
16 adopted by financial institutions for determining,
17 assessing, and managing environmental and social risk in
18 projects, and it provides minimum standards for due
19 diligence, and monitoring to support responsible risk
20 decision making.

21 The Equator Principles are adopted by 92 banks
22 across the world, including Barclays, Bank of America,
23 Citigroup, Credit Suisse group, HVB group, Rabobank,
24 JPMorgan Chase, Wells Fargo. These banks underwrote
25 approximately \$14.5 billion of project loans in 2002,

1 representing approximately 30 percent of the project loan
2 syndication market globally and certainly as bears 16
3 years subsequent to 2002. I imagine that number is much
4 larger today.

5 And so the Equator Principles, I think, allow us
6 the opportunity to work with the banking industry to
7 determine how we not just as CalPERS as a state, but
8 really California and the nation thinks about these same
9 principles when investing. It's a -- these are principles
10 that these banks are already considering when they invest
11 internationally, however had not been considered
12 necessarily in terms of investments here in our nation.

13 And so I'm very grateful and would like to thank
14 CalPERS and CalSTRS for being open to the dialogue
15 surrounding the environmental and social responsibility of
16 the financial institutions that uphold our government and
17 our values. And I'm very grateful to the Committee Chair
18 and members for allowing me the opportunity to pull this
19 item off consent to express my gratitude to your staff.

20 CHAIRPERSON JONES: Thank you very much for your
21 comments, and thank you for your presence today.

22 MS. KALRA: Thank you.

23 CHAIRPERSON JONES: Okay. We will now go back to
24 our action consent item, the minutes needs to be approved,
25 if we could get --

1 COMMITTEE MEMBER TAYLOR: Move approval.

2 CHAIRPERSON JONES: Move approve by Ms. Taylor.

3 Second --

4 VICE CHAIRPERSON COSTIGAN: I'll second.

5 CHAIRPERSON JONES: Second by Mr. Costigan.

6 Questions, discussion?

7 Seeing none.

8 All those in favor say aye?

9 (Ayes.)

10 CHAIRPERSON JONES: Opposed?

11 Hearing none. The item passes.

12 The information consent items. No additional
13 items were there, where I have a request to pull anything
14 from that area.

15 So we will now move to Item 5, Review of
16 Investment Committee Delegation.

17 INVESTMENT DIRECTOR CROCKER: All right. Thank
18 you. Good morning.

19 CHAIRPERSON JONES: Good morning.

20 INVESTMENT DIRECTOR CROCKER: Thank you and good
21 morning.

22 CHAIRPERSON JONES: Good morning.

23 INVESTMENT DIRECTOR CROCKER: The Board's
24 Governance Policy requires an annual review and
25 affirmation of each Board Committee's delegation. Item 5a

1 is the review of the Investment Committee delegation. The
2 only change proposed is to reflect the recent appointment
3 of Ms. Mathur as the new Board President. And red line is
4 included with your Board packet. And this is an action
5 item, specifically for the Committee to recommend to
6 the -- for the Board's review and affirmation of this item
7 at its April meeting.

8 So with that, I'll pause for any questions.

9 CHAIRPERSON JONES: Okay. Seeing no questions.
10 This is an action item. So do I have a motion?

11 COMMITTEE MEMBER MATHUR: Move approval.

12 VICE CHAIRPERSON COSTIGAN: Second.

13 CHAIRPERSON JONES: Moved by Mrs. Mathur, second
14 by Mr. Costigan.

15 Further discussion?

16 Seeing none.

17 All those in favor say aye?

18 (Ayes.)

19 CHAIRPERSON JONES: Opposed?

20 The items passes.

21 We now will move to Revision of Real Assets
22 Program Policy, second reading.

23 INVESTMENT DIRECTOR CROCKER: As reminder, staff
24 reviews each individual program's Investment Policy on a
25 roughly annual basis for any indicated changes. Item 5b

1 is a second reading of staff's proposed updates to the
2 Investment Policy for the Real Assets Program.

3 There were no comments at the first reading, so
4 this draft is identical to the version distributed in the
5 February IC. And this is an action item. So with that,
6 I'll pause for any questions and invite comments from PCA,
7 Meketa, or Wilshire.

8 CHAIRPERSON JONES: Okay. Seeing no questions
9 from Board members. Are there any additional comments
10 from the consultants?

11 MR. TOTH: No additional comments from Wilshire
12 at this time.

13 CHAIRPERSON JONES: Okay. Thank you.

14 Okay. So a motion is needed.

15 COMMITTEE MEMBER TAYLOR: Move approval.

16 COMMITTEE MEMBER MATHUR: Second.

17 CHAIRPERSON JONES: Moved by Ms. Taylor, second
18 by Ms. Mathur.

19 Discussion?

20 Seeing none.

21 All those in favor say aye?

22 (Ayes.)

23 CHAIRPERSON JONES: Opposed?

24 Hearing none, the item passes. Thank you very
25 much.

1 We now will move to the consultant's review of
2 ESSG integration. And Wilshire and Associates.

3 Oh, before -- come on Wilshire. Before you make
4 your comments I'm going to call on Mr. Eliopoulos now to
5 make his introductory remarks.

6 CHIEF INVESTMENT OFFICER ELIOPOULOS: Thank you,
7 Mr. Jones, members of the Investment Committee.

8 My remarks traditionally at the beginning of the
9 meeting have moved before Item 6a, b, c, and d. And
10 really that underscores our focus in this March Investment
11 Committee meeting on governance and sustainability. That
12 was intentional as we put our agenda together that in the
13 spring, and in particular in March, we would focus the
14 annual review as well as other substantive items in our
15 governance and sustainability work.

16 Investment Belief 2 states that a long-time
17 investment horizon is both a responsibility and an
18 advantage, but also requires us to consider the impact of
19 our actions on future generations of members and
20 taxpayers. It is for this reason that we have developed a
21 Sustainable Investment Strategy, because our first
22 priority is to protect the fund's financial
23 sustainability. It is how we will protect the pensions
24 and benefits of our members.

25 In 2016, the Board approved a strategic plan for

1 sustainable investment, which both prioritizes our
2 resources, and our efforts over the following five-year
3 period that the strategic plan governs. The plan itself
4 reflects, in addition to Investment Beliefs 2, Investment
5 Belief 4, which states that long-term value creation
6 requires the effective management of three forms of
7 capital: Financial, physical, and human.

8 Now, we underscore these topics many times, and
9 we've heard these words, but it's meaningful to cover them
10 again and underscore them as we consider these agenda
11 Items 6a through d. So I'll spend a little bit more time
12 talking again about why it is that we consider these
13 issues.

14 Physical capital is the environment, the basic
15 resources and infrastructures that the companies and
16 people that we invest in need. It's why the E, in ESG,
17 matters. Companies rely on inputs from the physical
18 environment, but also have an impact themselves on the
19 physical environment with an example being carbon
20 emissions. Both inputs and impact will vary by sectors.
21 Managing environmental risk, as well as the opportunities
22 they provide, is vital for the long-term performance and
23 sustainability of the portfolio.

24 Human capital is how economists traditionally
25 think about the role of employees, the impact of supply

1 chains, and more broadly how companies manage their
2 relationships within the communities within which they
3 operate. It's the S in ESG.

4 Financial capital and its impact is why the G in
5 ESG matters. Good corporate governance is vital to
6 ensuring an alignment of interest between a company's
7 management and its shareowners. In our long experience at
8 CalPERS, companies with good governance practices deliver
9 better long-term value to their investors. Effectively
10 managing the physical, human, and financial capital
11 requires us to consider the risks posed by the many topics
12 under the rubric of ESG, as well as consider the
13 opportunities that might be provided by the impact of the
14 many topics and issues within the rubric of ESG.

15 And that really is why we spend today, in
16 particularly Agenda Item 6a through d, to look at how we
17 as an organization, how we as an Investment Office focus
18 our efforts on how to integrate the many varied topics
19 under the rubric of ESG into our portfolio.

20 On the agenda today you just heard from
21 Assemblyman Kalra on the requested report from the
22 California Legislature to CalPERS on engagement around the
23 Dakota Access Pipeline. I'm also pleased that today and
24 shortly we'll be hearing from Wilshire, the Board's
25 independent fiduciary consultant on their first review of

1 the CalPERS ESG integration efforts in this item.

2 I fundamentally believe it's very important for
3 this Board to have an independent and expert assessment of
4 CalPERS progress along all of our programs. And we're
5 looking forward to hearing from Wilshire today on their
6 presentation to the Board and the discussions around the
7 issues that the review has highlighted for further
8 consideration. That's Item 6a.

9 Next, in line, we'll have a first progress report
10 from our own Investment staff on the five-year ESG
11 strategic plan. That's agenda Item 6b. This report sets
12 out the progress that we've made against the KPIs the
13 Board agreed to when the plan was adopted by the Board in
14 August of 2016.

15 It's our first check-in, and an opportunity to
16 assess how the plan is being executed. We'll be giving a
17 progress report on each of the main substantive strategic
18 priorities that are outlined in this -- in the strategic
19 plan. In particular, we'll have a deep dive on climate
20 change and Board diversity projects.

21 It's also an opportunity for us to check-in on a
22 wide range of other issues, which we've addressed, around
23 governance and sustainability. In our -- as part of our
24 core workload, we're often asked and often proactively
25 looked to respond to emerging issues and stakeholder

1 requests as an important part of our work. And the last
2 year has certainly brought out many complex issues for us
3 to examine.

4 Among those issues are highly sensitive and
5 important issues, such as the response of companies to the
6 tragic loss of life through gun violence and the growing
7 societal debate on firearm safety. We will be covering in
8 detail how your Investment staff have responded to those
9 issues to date.

10 We have also had requests, during the course of
11 the year, to address other issues, such as executive
12 compensation, clawbacks, the Dakota Access Pipeline, which
13 has prompted serious efforts of engagement by your
14 Investment staff across our portfolio and with many
15 companies that we do business with.

16 Other topics brought to our attention by
17 stakeholders include product safety, geopolitical risk, in
18 light of concerns and countries such as Turkey, South
19 Africa, and regions including the Middle East, and the
20 Korean peninsula.

21 In addition, as we'll see in Agenda Item 6c, we
22 continue to make our way through the list of outstanding
23 issues from our Board review of the governance and
24 sustainability principles that we undertook in 2016.

25 As promised, we're coming back each year with

1 proposed new language on substantive topics that were
2 highlighted as parking lot items during that year-long
3 review. And this year, we'll be coming back with
4 important new proposed recommended language around
5 indigenous people's rights following up on the Dakota
6 Access Pipeline engagement as we heard briefly this
7 morning.

8 We're also introducing language that deepens and
9 broadens our principles on environmental issues, focused
10 mainly or much, in a large degree, to capture the impact
11 of the Paris Accord, as well as our other work on climate
12 change.

13 Last, in this series of items under Agenda Item
14 6, we'll complete a detailed review of CalPERS proxy
15 voting, shareowner campaigns, and corporate engagement.
16 We've listened to the Committee last -- last year during
17 last year's review and we're providing much more
18 additional detail to set out how we've been supporting
19 both management and shareowner proposals, plus trend
20 analysis, so that the Board can see how the work is
21 progressing over time.

22 Mr. Chair, thank you so much for the time to set
23 the stage for these important agenda items 6a through d.
24 I believe we have much time within each of these
25 discussions to go over the specifics of each of these.

1 But I thought it important at least to set out that
2 outline of what the Committee would hear, so that we'd all
3 have the context for the day.

4 CHAIRPERSON JONES: Okay. Thank you very much
5 Mr. Eliopoulos. We will now move forward to the
6 presentation.

7 Just a minute, we have a question.

8 Mr. Costigan.

9 VICE CHAIRPERSON COSTIGAN: Thank you, Chairman
10 Jones.

11 Mr. Eliopoulos, I just wanted just some
12 observations. So the volatility in the market, again the
13 market is down 300 today. The Feds are talking about
14 raising interest rates by a quarter of a point. They're
15 looking at four interest hikes this year, or -- so I just
16 one more of a -- sort of a global perspective right now.
17 What should we expect over the next several months? The
18 continued volatil -- do you see volatility continuing? Do
19 you see the raise in the rates softening that? I assume a
20 raise -- you know, we're seeing again wage, potential
21 inflation has been low. Just again, interest in the
22 observations as we move into some of these afternoon
23 suggestions.

24 CHIEF INVESTMENT OFFICER ELIOPOULOS: Sure. As I
25 pointed out, I believe it was last month, some of the

1 months --

2 (Laughter.)

3 CHIEF INVESTMENT OFFICER ELIOPOULOS: -- tend to
4 blend together.

5 I and the staff do expect more volatility in the
6 coming calendar year and the years to come. We're coming
7 off on a very unusual period of low volatility, as we've
8 discussed many times in the Investment Committee.

9 The setting for this year is one of the -- one of
10 the drivers of low volatility following -- coming out of
11 the financial crisis was the sheer amount of quantitative
12 easing that the various central banks around the world
13 have pumped into the marketplace. That quantitative
14 easing is now signaled to becoming to an end.

15 The U.S. certainly is withdrawing the amounts of
16 QE, the Bank of Japan and European Central Banks are also
17 signaling withdrawal of quantitative easing over the
18 course of the next one to two years.

19 That macroeconomic environment, the taking away
20 of capital from the punch bowl at a time when valuations
21 are at elevated levels, and volatility has been a low
22 signal that going forward as this monetary policy reverses
23 quite substantially that we should expect more volatility
24 going forward as these monetary policies play out. And
25 I'll just underscore one other. I think you have another

1 question coming.

2 But in addition to that, we are -- we are at a
3 period at the very -- you know, in late stages of our
4 economic cycle in the U.S. And the other factor that
5 we're monitoring quite -- you know, quite closely is the
6 addition of fiscal stimulus at the time of a late economic
7 cycle. So the administration's tax policy, as well as
8 other stimulus to the economy and infrastructure program
9 is quite an experiment and hasn't -- there aren't many
10 times in history to look back at this collection of
11 macroeconomic conditions.

12 The withdrawal of a massive QE program at the
13 same time as a long and sustained economic cycle is coming
14 to the end, and a late cycle fiscal stimulus are -- are
15 new -- are interesting phenomenon, and new, and lead us to
16 believe we should have more volatility going forward over
17 the next few years.

18 VICE CHAIRPERSON COSTIGAN: Well, and that just
19 goes back -- we sort of have a triple witching hour a
20 little bit. You've had -- you have a new Fed Chair, we
21 have Mr. Kudlow coming in, who seems to take a different
22 view of the world than his predecessor, and they you have
23 Mr. Navarro sort of an America first -- I do hate, the
24 word "Nationalist", but more of an internal-centered view
25 of the world.

1 And so when we look at volatility -- I mean, what
2 I'm trying to get at is long-term planning, and you have
3 taught us well, long term we'll be fine. It's just trying
4 to understand the short-term volatility between Kudlow
5 coming in, the disagreement that he's currently had on --
6 you know, as you were talking about Mr. Eliopoulos, the
7 months begin to blend together.

8 Last month, we were talking about tax cuts. In
9 the intervening 30 days, we've now got tariffs, we've had
10 sort of a change in the Fed, we've had the market have a
11 correction, a recovery, maybe it looks like another
12 correction going on, had the economic advisor resign,
13 you've brought in Mr. Kudlow, and then you've got Mr.
14 Navarro. And then Mr. Laffer today is commenting on a
15 second round of tax cuts coming forward that would lead to
16 even more economic growth.

17 I don't know if you want to opine on any of that.
18 But that is something over the next couple months I would
19 ask you all to sort of keep track on Mr. Jones, because
20 given Mr. Kudlow's various statements, and then
21 particularly Mr. Navarro's, and I believe he's out of UC
22 Irvine, it's going to have some effect on the overall
23 portfolio.

24 CHIEF INVESTMENT OFFICER ELIOPOULOS: Your points
25 are very well taken. And adding, you know, new trade

1 policy to that list of unusual and new circumstances is
2 certainly worthy.

3 CHAIRPERSON JONES: Yeah. And so thank you, Mr.
4 Costigan and Mr. Eliopoulos, yes, keep us updated as we go
5 forward on the federal reserve activities going forward.
6 Appreciate that.

7 CHIEF INVESTMENT OFFICER ELIOPOULOS: Sure will.
8 Okay. Mr. Junkin.

9 MR. JUNKIN: Thank you. Good morning. Andrew
10 June with Wilshire. I will just be speaking very briefly
11 just to kind of give an introduction into this next item
12 and to Daniel specifically kind of laying out the
13 framework. And having now worked with CalPERS for 13
14 years, I've been around through various iterations of ESG.
15 And while CalPERS has long been viewed as a leader in the
16 ESG space, the approach has really changed quite a bit.

17 And I think it used to be very targeted almost ad
18 hoc with the CalPERS effect, and the focus list companies.
19 And I think for me a tipping point really occurred when
20 the Investment Beliefs were adopted, and it became more
21 formalized, but it was still -- initially, it was kind of
22 asset class by asset class, and it was almost a checklist
23 at the beginning as people were learning about the
24 process. And I think it's really moved towards full
25 integration that Daniel is going to spend a lot of time on

1 that today.

2 Historically, we've commented on ESG integration
3 as part of our asset class reviews that you get on global
4 equity, and fixed income, and forestland, and real assets,
5 but never really addressed it holistically across the
6 total fund until now.

7 So by way of background, Daniel Ingram has been
8 with us for about a year now, and has joined Wilshire as
9 our ESG expert, and really has a background as an ESG
10 practitioner. So someone that has been a peer of much of
11 your ESG staff, and can really dig deeply into these
12 matters that require the kind of expertise that you're
13 going to see today.

14 So with that, I'm going to turn it over to Daniel
15 for the rest of the presentation.

16 MR. INGRAM: Thank you, Andrew, thank you, Ted,
17 for the introduction, particularly around sort of setting
18 clarifying some of the terminology that we'll be using
19 environmental, social, and governance. It is probably
20 worth just plugging our paper that we've published in the
21 past week or so, somewhat provocatively titled, "Where is
22 the F in ESG"?

23 And the F very much there is about trying to help
24 investors find the financial in some of these what can
25 occasionally be slightly more squishy hard-to-understand

1 broader concepts, but very much linking them back to the
2 financial materiality. That's really what that paper is
3 about, and happy to kind of answer any questions on that
4 paper further down the line.

5 I'm just pulling up the slides here. The purpose
6 of our presentation really is to give you all some
7 constructive feedback from Wilshire's perspective on two
8 things, CalPERS people and its processes on ESG
9 integration. And slide 7 here, if I can just put it on
10 to --

11 MR. JUNKIN: We're working on it.

12 MR. INGRAM: Okay. Well, if you all have slide 7
13 in front of you, just hopefully helps to set the context
14 for this. So the scope of the review, we couldn't cover
15 everything as much as we'd like to in this first review.
16 So we deliberately designed a very narrow scope. So we're
17 focused, like I said, on ESG integration, which is
18 different to divestment. It's different to impact
19 investing. We're not today going to be talking about some
20 of the, you know, commenting on CalPERS broader
21 sustainable investment choices. We're not talking about
22 the efficacy of the divestment program.

23 MR. JUNKIN: We'll get it. Just keep going.

24 MR. INGRAM: Okay. I'm going to carry on. And
25 other areas -- you know, we're not going to be talking

1 about investment performance of CalPERS ESG investment
2 strategies. But going forward, we would really value the
3 Investment Committee's input and staff's input on what's
4 been helpful about this review, and how it can be expanded
5 in different ways and what areas you would find helpful
6 for us to look into.

7 So just a first note on our process, information
8 gathering. I came up to the CalPERS office, spent 48
9 years with -- around about 20 staff. I wanted to
10 understand their roles, their responsibilities in this
11 space -- thank you, Andrew -- and others.

12 --o0o--

13 MR. INGRAM: We now have slide 7 up on the scope
14 and process. The second step of our information gathering
15 was a bit more innovative in that we went into the
16 principles for responsible investment database. As you
17 know, sustainable investing really is a relatively new
18 emerging area. And therefore, the data sets by which we
19 could compare CalPERS to was somewhat limited. But PRI
20 represents a good opportunity for us to delve into what
21 some of your peers are doing.

22 So we went in there and decided we needed to
23 define a peer group, which again is not easy, given
24 CalPERS size, its complexity. We settled on a North
25 America peer group. We felt that was sensible, perhaps

1 more sensible than looking further across the globe. And
2 we felt the size was an important determinant, so we took
3 a cutoff of \$100 billion.

4 And, you know, it's worth saying there are, you
5 know, some holes in the assessment, in the database, and
6 disclosures. But it's the best we've got at the moment.

7 The second area -- in fact, I'll move on from the
8 scope and start really, I think, all the way right at the
9 end of the presentation. I tend to find it's good to get
10 right to the punch points. And so if we flip to slide
11 17 --

12 --o0o--

13 MR. INGRAM: What are we on? Sorry. Yeah, slide
14 17 here. We thought it would be helpful to walk you
15 through the three main considerations, and give you
16 examples really of why we formulated these
17 recommendations, and maybe give you something to think
18 about going forward.

19 The first question we asked is how can CalPERS
20 ensure that its future strategic objectives on ESG are
21 aligned to its resource planning, and its internal
22 capabilities.

23 Second, have we got the right balance and
24 coordination between dedicated ESG resources in the
25 centralized teams, ESG resources working within investment

1 teams, and investment staff working on ESG issues for just
2 some of their time, say 10 to 20 percent of their time.

3 And then lastly, how can CalPERS create an
4 innovative investment culture on ESG, which helps to
5 nourish the future leaders around ESG for tomorrow. So I
6 thought it might be helpful just to backtrack a little bit
7 on to slide 8.

8 --o0o--

9 MR. INGRAM: Slide 8 is one of the key findings.
10 As Andrew said, CalPERS is a global leader in sustainable
11 investing. It consistently tops best practice surveys.
12 It consistently tops league tables. Its PRI assessment
13 score puts it into certainly the top decile compared to
14 other asset owners.

15 CalPERS wins prizes, responsible investor awarded
16 its inaugural award for innovation and industry leadership
17 for your five-year strategic plan, and the Bretton Woods
18 responsible asset allocation initiative, which is based on
19 10 core principles rated again CalPERS as a top quintile
20 performer alongside your peers, such as CalSTRS, and New
21 York State Common Fund.

22 --o0o--

23 MR. INGRAM: Slide 9 goes into, you know, what
24 are those practices that makes CalPERS a leader? And
25 during our kind of review and research, we found a number

1 of different areas that I can't full do justice to all of
2 the, and I'm sorry to staff for not being able to go into
3 each of those. There's some fantastic work being done.
4 We really just want to pull out one example here, which is
5 around the real estate team, their Energy Optimization
6 Initiative, EO. Slide 9 gives you a little bit of detail
7 on that.

8 And this is really important, because, you know,
9 looking at these longer term risks, the building sector
10 accounts for around a third of the world's energy
11 consumption and greenhouse gas emissions. And the real
12 estate team spotted here some low-hanging fruit really in
13 terms of energy savings, and that's what we liked about
14 this example is there's a kind of tangible link to risk
15 and return from this ESG integration project.

16 So following the extent of stakeholder
17 consultation, the CalPERS real estate team, they added a
18 total of 20 energy optimization projects to the 17-18
19 annual investment program. And the team expect a combined
20 net present value of savings from those energy projects of
21 around \$14.8 million. And it's worth pointing out this
22 project is in its infancy, it's in its early stages, and
23 the goal is to become more systematic in terms of
24 monitoring those benefits. But I think what's important
25 to note is that there's a real savings which will be --

1 which will be seen, which will show up in lower operating
2 expenses for the relevant assets.

3 Switching back now to the slide around
4 recommendations, slide 16, and this really kind of
5 hopefully brings to life what we're trying to get out on
6 the third -- the third area, which is how can we look at
7 best practice examples like the energy optimization
8 initiative and encourage more of these.

9 How can we encourage more of these type of
10 projects, which clearly link to risk and return within the
11 culture of how CalPERS is being run.

12 --o0o--

13 MR. INGRAM: So can we begin to see staff being
14 incentivized, sufficiently empowered to step outside of
15 their day-to-day sort of responsibilities and seek to
16 reflect on and contribute to these type of ESG integration
17 projects. And to help address this, we -- we actually
18 recommend CalPERS set a clearer expectation on the levels
19 of formal and informal training for staff to further their
20 investment knowledge, and similarly for Investment staff
21 to broaden their ESG skill set.

22 So we'd recommend signaling the importance of ESG
23 integration practices in staff's future career development
24 and reward the implementation of ESG integration
25 initiatives.

1 Coming back to the first recommendation around
2 strategic objectives, I think this is perhaps the most
3 important, but perhaps the hardest. We've talked about
4 CalPERS having an award winning five-year strategy. And
5 we know that the process that you all went and undertook
6 to develop that strategy was extremely comprehensive.

7 And so we felt that talking to staff and others
8 that now we're at this kind of midpoint of thinking
9 through what are our long-term objectives on ESG. This
10 might be quite a good time just to take stock to try to
11 think about what lessons have been learned, how is the
12 plan stacked up, how is it stacked up in terms of thinking
13 through some of these kind of emerging risks and
14 opportunities and issues, which perhaps weren't on the
15 plan when the plan was first conceived, but have since
16 emerged, like the sustainable development goals, like
17 other issues.

18 So, you know, one of the things that we're
19 keen -- you know, Committee and others tried to think
20 through is as we're setting new strategic objectives, can
21 we more clearly link those strategic objectives to
22 resources and to implementation?

23 I think what struck me actually out of the peer
24 review, if we could just flick to slide 10 --

25 --o0o--

1 MR. INGRAM: And just to be clear, the peer
2 comparison here that -- you know, the idea is we're not
3 trying to highlight areas that CalPERS does or doesn't do.
4 You know, we've talked about CalPERS being a leader.

5 MR. JUNKIN: Is that the right one?

6 MR. INGRAM: Yeah, that's a good slide for now.

7 MR. JUNKIN: Those don't match.

8 MR. INGRAM: Oh, that's right. They're off by
9 one, so excuse me. This is slide 11. And what we're
10 trying to do is really highlight what others are doing,
11 rather than necessarily focus on what CalPERS isn't doing.
12 And so on slide 11, the box says interesting to me, and it
13 actually shows an example of what I've just referred to,
14 which is another asset owner very clearly setting their
15 criteria for new strategic objectives, which come on to
16 their long-term planning.

17 And so every new addition to a plan would have to
18 pass kind of three tests, three criteria. I thought that
19 was interesting

20 Slide 12 --

21 --o0o--

22 MR. INGRAM: -- if I've got my numbers right,
23 actually goes into kind of the resource and delegation.
24 Sorry we'll flip on one more to slide 13 --

25 --o0o--

1 MR. INGRAM: -- if I may, which is people. So
2 this kind of -- just taking a step back a little bit.
3 There are differences in the way that PRI signatories
4 respond to their assessments. You know, the survey itself
5 is kind of designed to be standardized, and people answer
6 the same question in different ways, which doesn't
7 necessarily always help, but we know it's -- the whole
8 process is betting down.

9 In CalPERS case, this we know, overstates the
10 number of employees. We know that if you break down the
11 38 here, it's actually made up of -- of a lot less. So we
12 spoke to the team and went through the numbers, which
13 break down. There's certainly around 18, which are
14 full-time employees. Ten in the -- in the global equity
15 team, and eight in the sustainable investing team. And
16 the other 20 actually touch ESG in some way or another.

17 And you'll see there, you know, the Canadians --
18 actually, the Public Sector Pension Investment Board, for
19 those kind of equivalent of the other 20, they say we have
20 two that spend 12.5 percent of their time on responsible
21 investment. That's very exactly clearly.

22 But actually, what's interesting about this is
23 that perhaps there are lessons we can think about on
24 trying to have a better handle on what the -- how the sort
25 of non-dedicated ESG staff are spending their time.

1 But the point here on this slide is that CalPERS
2 is well resourced in this space, and that's clearly what
3 helped it a large degree to deliver its leadership
4 position.

5 So I think really, you know, what -- what we're
6 trying to get at here is that we do recommend taking stock
7 on this five-year plan, trying to prioritize emerging ESG
8 issues as they come on line to consider the resource
9 implications of new ESG issues, and importantly help to
10 translate those ESG issues into investment terms.

11 And we like the example of appraising each ESG
12 issue according to a predetermined set of criteria,
13 including the potential risk and return impact on the fund
14 and the staff and resource commitment for each ESG
15 objective.

16 I'm just going to go and switch back to the last
17 recommendation here.

18 --o0o--

19 MR. INGRAM: So this is very much around the
20 middle recommendation on, 2, clarifying leadership roles
21 and responsibilities. So here, we're wondering whether,
22 you know, have we got the right balance of ESG -- ESG
23 integration resource and efforts based -- which are
24 focused on, you know, the individual asset class teams.
25 How well is that being coordinated across -- across the

1 firm? Are we being sufficiently clear to stakeholders
2 about how ESG objectives flow from the top in terms of the
3 ESG plan all the way through the organization?

4 And I think to me what was interesting about
5 slide 14 -- I've probably got number one off, so it's
6 slide 13. It's not. It's slide 12. Actually here -- it
7 actually just shows the bottom table is more interesting.
8 But some of other funds that are out there actually they
9 have one responsible individual, and some of the other
10 funds have multiple responsible individuals for ESG.

11 So CalPERS is in the multiple responsible
12 individuals highlighting that multiple Managing Investment
13 Directors have accountability for ESG. And then we know
14 that others, University of California, appoint one person.
15 So really the point here is just the difference in
16 approaches, appointing one person and having a more sort
17 of decentralized approach for accountability.

18 Are there some things we can think about as we
19 have multiple staff responsible that we're clear around
20 who is in charge of which -- delivering which aspects of
21 the ESG report.

22 So I think really hopefully that gives you a
23 sense of our findings, CalPERS leadership position that we
24 hope will continue to be cemented. Over time, we do feel
25 thinking throughout these three core considerations can

1 help it to sustain its leadership position over time and
2 would welcome any questions on our -- on our report.

3 CHAIRPERSON JONES: Yeah, thank you very much for
4 the report. And this is the first one, and we're pleased
5 to see that you have started your process to deal with the
6 ESG issues, because it's a very important part of our
7 processes now. So we look forward to continuing this
8 dialogue and discussion with you as we move forward.

9 I have one question. On the anticipated net
10 returns of 14. -- \$14 million, I think it was, in your
11 chart, you know, many times we receive proposals or new
12 plans that come before us to be implemented, and it talks
13 about outcomes and goals.

14 But I've been asking is that how do we verify
15 those outcomes and those goals. So how do we verify the
16 14 million has been achieved, so what mechanisms are going
17 to be provided so that we could evaluate whether or not
18 those goals are -- have been met?

19 MR. INGRAM: Yeah. So I'll comment particularly
20 on that -- that cost saving itself. So that particular
21 14.8 million cost saving will be realized in improvements
22 in the real estate team's net operating income for those
23 assets. And we know that net operating income is a driver
24 of the fair market value of CalPERS' real estate assets.
25 So we should see those savings show up in both the net

1 operating income, and the fair market value.

2 In terms of kind of broader efficiency savings
3 and that kind of cost versus benefit analysis of different
4 ESG inter -- different ESG integration innovations, I
5 think absolutely this is core to us kind of tracking and
6 demonstrating the efficacy and attribution of ESG within
7 the investment process. So the more that we're able to
8 capture the benefits, as well as the costs in a more
9 systematic way, perhaps we can learn lessons from this
10 particular case study for how CalPERS might want to
11 approach it for different asset classes.

12 CHAIRPERSON JONES: Okay. Thank you.

13 Mrs. Mathur.

14 COMMITTEE MEMBER MATHUR: Thank you.

15 I was intrigued by the peer group example of
16 strategy setting that you identified, about the Caisse de
17 dépôt. And I'm wondering maybe we can -- can we sort of
18 go through what a real life example might look like. And
19 one of the issues that has arisen recently as an investor
20 issue is around sexual harassment, sexual violence in the
21 workplace, retaliation.

22 And obviously we saw with the Wynn Company that
23 it lost, what, \$3.5 billion as reported by Forbes in
24 January of this year, as a result of allegations that --
25 or claims that have arisen around Steve Winn's sexual

1 harassment back -- history. Similarly, we say the
2 Weinstein Group has suffered considerably. The Weinstein
3 Company has suffered considerably, and is -- has filed for
4 bankruptcy as a result of Harvey Weinstein's activities.

5 Anyway. So clearly, there's some investment
6 linkage there. There's a loss in value for shareholders
7 of these companies. And I'm wondering how you would take
8 that as an emerging issue, and use these criteria to
9 determine whether and how to incorporate it into our own
10 strategic plan?

11 MR. INGRAM: Yeah. So I mean, obviously, the
12 challenge with kind of setting criteria is kind of --
13 would need to be an evolving process. I know that
14 CalPERS's Investment Beliefs perhaps could help act as a
15 guide, as an anchor to help through its thinking through
16 the steps of what new issues could be relevant and indeed
17 what could be financially material to the assets.

18 I think with that in mind, you know, when we
19 wrote our paper, we focused on one risk that ESG has --
20 certainly has an impact in, and that is around drawdown.

21 So we went through a number of examples of how,
22 particularly on the governance side, funds may be exposed
23 to increased drawdown risk from -- from some of the
24 governance factors. You've talked about issues which I
25 think are very much around corporate governance, around

1 culture, around providing checks and balances.

2 So, you know, one of the things you could do is
3 look to see what kind of -- what the exposure is perhaps
4 to some of these practices looking through kind of an ESG
5 ratings. We can get to perhaps, you know, highlight some
6 of those individual security examples, and kind of, you
7 know, stress test the portfolio against those kind of
8 risks.

9 I think the challenge is when you try and step up
10 to look across the portfolio, how you would go about doing
11 that. But I think having a kind of exercise where every
12 time there's a new issue looking through the portfolio,
13 looking at exposure and testing the sensitivity to
14 drawdown risk, I think is a helpful approach.

15 MR. JUNKIN: And I would just add, I think that
16 just like our annual reviews are still developing and
17 we're going to incorporate the feedback that we get today
18 to make next year's more fulsome, and continue on. I
19 think this whole field is continuing to develop. And it's
20 easy to find -- as you named a couple of examples, you
21 could throw Wells Fargo into the mix, right?

22 It's ease to find sinners that are punished.
23 It's harder to find, you know, good ESG practitioners that
24 excel, because they don't have the same magnitude of
25 outperformance that we see in the underperformance when

1 something really comes to light.

2 So I think that will one that we'll take away and
3 try to figure out how to present a more balanced
4 perspective to highlight some of the pros and the drawdown
5 risks, if you will.

6 COMMITTEE MEMBER MATHUR: Yeah. But certainly in
7 terms of -- I would think of in terms of crafting an
8 engagement strategy, looking at the downside risk, the
9 drawdown risk, litigation risk, financial risk, it's all
10 those things might be -- might be things we would want to
11 consider in developing a strategy.

12 MR. INGRAM: I think that's absolutely right.
13 And I don't know whether we can pull it up. But, you
14 know, some of the Board members know this extremely well
15 around kind of the three different approaches to
16 sustainable investing. And, you know, sometimes it's
17 worth kind of reminding ourselves that on -- I'm not even
18 going to try to number the slide for -- okay. Good --
19 that we have -- we have different tools in the toolbox in
20 this area.

21 And I think, you know, a lot of the conversation
22 has focused around what -- you know, perhaps spotting
23 those losers or wanting to avoid those potential losers,
24 as a result of a particular mission or view on the -- the
25 kind of left-hand side of the column. This review is very

1 much at the core of trying to focus on the middle of the
2 column around ESG integration. And this is about
3 identifying ESG risks, still perhaps taking on those ESG
4 risks, as long as we're being sufficiently financially
5 compensated for doing so.

6 And I think the key to taking on those ESG risks
7 is corporate engagement and stewardship. And I think the
8 more that we're able to demonstrate the efficacy of
9 stewardship over time with hard real objectives for
10 delivering change at individual companies, the more that
11 we're able to lend kind of credibility to the ESG
12 integration approach.

13 COMMITTEE MEMBER MATHUR: Thank you.

14 CHAIRPERSON JONES: Okay. Ms. Paquin.

15 ACTING COMMITTEE MEMBER PAQUIN: Thank you, Mr.
16 Chair. Thank you for the report, and appreciate the
17 report. I had a couple of questions about your
18 recommendations. And one, you suggested establishing an
19 ad hoc working committee to review the strategic plan on a
20 regular basis. And then you also pointed out making sure
21 that responsibilities are clearly aligned and identified
22 and defined.

23 And I know the Investment Office over the past
24 year have been doing a lot of work along those lines to
25 make sure that everybody who's responsible for ESG is

1 clearly aware of what the expectations are, and there's
2 been a number of new committees established.

3 So are you suggesting that there needs to be more
4 work done along those lines in another committee or what
5 were you thinking?

6 MR. INGRAM: I wouldn't be suggesting another
7 committee. I don't think that's necessarily what --
8 what's required. I think certainly from my interviews and
9 discussions over time, there's a willingness to let the
10 existing processes kind of bed down. And I think
11 recognizing that no kind of structure is always going to
12 be kind of perfect, I think it's working within the
13 structures that are there and improving the kind of
14 coordination and communication frankly across different
15 asset classes, different skill sets, different
16 backgrounds. What are the best means by which to bring
17 people together to share ideas to innovate?

18 I'm not sure there's necessarily and optimal
19 approach to that. We've focused on one or two things that
20 we think would help, which is more carrots rather than
21 necessarily sticks. So, you know, do people feel that
22 taking on an ESG project is going to be good for their
23 career, is going to be good for their growth within the
24 organization, for developing their skill set, those type
25 of things that, you know, within training, within hiring

1 staff, setting the expectations clearly to them that this
2 is part of your career development and the expectations in
3 this area.

4 We think those things will perhaps have a good
5 impact on -- on kind of the coordination and communication
6 that we're trying to encourage.

7 ACTING COMMITTEE MEMBER PAQUIN: And I agree with
8 you. I think those are very important as far as the
9 Investment Office culture. I just wanted to make sure
10 that you weren't -- you know, I think when this process
11 was first put together, there were a few bumps in the road
12 as there are when you're establishing something new.

13 But from your review currently, I just wanted to
14 make sure that you are comfortable that going forward that
15 that process is working, and --

16 MR. INGRAM: So I think that's kind of at a more
17 sort of implementation level. What we're trying to talk a
18 little bit about here is what happens going forward in
19 terms of setting strategic objectives? So is there sort
20 of further scope for more collaboration, not so much
21 within Investment staff, but also across kind of different
22 aspects of the organization in setting its strategic
23 objectives. And I think this translation point is pretty
24 key, which is as new objectives come onto the plan, are
25 they kind of imple -- are they ready to implement? Have

1 they been kind of translated for Investment staff?

2 And I think that's what we're talking about,
3 whether it's an ad hoc committee, or a kind of working
4 group, it's up to sort of further -- further discussion.
5 But having something which kind of really takes stock and
6 reviews how we got to where we are, what's worked, what
7 hasn't, and what can be improved on, I think could be a
8 helpful -- helpful initiative going forward.

9 ACTING COMMITTEE MEMBER PAQUIN: Okay. All
10 right. Thank you.

11 CHAIRPERSON JONES: Okay. Ms. Brown.

12 COMMITTEE MEMBER BROWN: Thank you, Mr. Chair.

13 Mr. Junkin, we talked a little bit I think last
14 week or the week before about this report. And so it's no
15 surprise that I have a couple of concerns about this
16 report. Again, we're talking about objective evaluations.
17 And I do have a concern that we're using the PRI score
18 card, because it is a self-assessment.

19 And we -- the first time I saw that was in
20 January of 2018. And right in there, there's a little --
21 a little warning that says that this is not audited. And
22 we provide no warranty, and do not use or rely on this
23 data. And I don't know what page it's on, on the first
24 PRI report. So I am concerned that we're taking that data
25 that they say is unaudited and then we're using it to

1 evaluate ourselves. I just want to be clear to say that
2 publicly.

3 And also, I really have concerns with winning
4 prizes. I think that's very subjective, especially in the
5 first year. I mean, if it's a Pulitzer, I think awesome.
6 But this is our first year of this, and I just have -- I
7 have concerns when we use subjective things to evaluate
8 how we're doing with ESG.

9 MR. JUNKIN: I'll just add what my crystal ball
10 tells me about ESG. And in some ways, it ties back into
11 what Ms. Paquin was talking about. I think that -- I
12 mentioned I've been working with CalPERS for 13 years now,
13 and I've had the pleasure of working with four different
14 CIOs. You think about that, a generation within CalPERS,
15 it -- you know, it's maybe not three years, but within the
16 entire Investment staff.

17 You know, 10 years from now, ESG is going to be
18 fully integrated. There's not going to be how do we make
19 this process kind of work better. I think the industry is
20 going to come along the way as well. And just as we saw -
21 boy, I don't know - 25 years ago, the CFA institute back
22 then, AIMR, put together GIPS-compliant standards about
23 how to report, I think you'll see some industry movement
24 along the way to try to get to that same point. And we've
25 seen it with -- you know, completely blanked on the name

1 of the organization that's --

2 MR. INGRAM: The SASB, the Sustainable --

3 MR. JUNKIN: SASB. Thank you.

4 MR. INGRAM: -- Accounting Standards Board,
5 right.

6 MR. JUNKIN: Yeah. SASB is certainly taking a
7 big step that way, a big leadership position in terms of
8 trying to get all companies to report on a similar basis,
9 so that as an investor you can even say, well, wait, if
10 Exxon reported this way, and Target reported this way, is
11 there a way to make an apples to apples comparison despite
12 their -- the fact that they're in entirely different
13 businesses.

14 So I think that this is going to be a field that
15 grows and evolves considerably. The other thing that we
16 talked about was, you know, are we getting value for our
17 expenditures. And that's --

18 COMMITTEE MEMBER BROWN: I was going to ask Mr.
19 Eliopoulos, because we don't know --

20 MR. JUNKIN: I didn't mean to still your thunder.

21 COMMITTEE MEMBER BROWN: No, no, because we don't
22 know what those expenditures are. At least, when we last
23 met, Mr. Eliopoulos, we talked about how many staff,
24 what's the FTE. You did mention you have some part-time
25 staff. You know, how much are they working?

1 But really, what is that costing us a year in
2 terms of staff time, travel, consultants, all that. And,
3 you know, what is that costing us? And do we think
4 there's value for that investment? And we still don't
5 have those numbers.

6 CHAIRPERSON JONES: Ted.

7 CHIEF INVESTMENT OFFICER ELIOPOULOS: I was
8 careful not to jump on the consultant's time. So I think
9 on the resource question, this is the first year we've
10 done our annual review. That's coming up in 6 -- 6b, in a
11 few moments now. We did not include the slide that we
12 have in the other annual reviews for the other asset
13 classes that would list those resource costs. And that's
14 a good point, and one we will include in the future. And
15 I'm looking to see, I'm not sure whether we've been able
16 to calculate those numbers presently, but we'll cover it
17 in 6b if we have all the information that we have today.

18 COMMITTEE MEMBER BROWN: Thank you. Appreciate
19 that.

20 CHIEF INVESTMENT OFFICER ELIOPOULOS: Yeah.

21 COMMITTEE MEMBER BROWN: Thank you, Mr. Chair.

22 CHAIRPERSON JONES: Okay. Thank you.

23 Ms. Hollinger.

24 COMMITTEE MEMBER HOLLINGER: Thank you.

25 Appreciate the report. Just one or two questions and some

1 commentary. I wanted to know when you were doing the
2 ratio of staff to ESG, does that factor in that certain
3 organizations may outsource it?

4 MR. INGRAM: Yeah. So one of the slides --
5 sorry, Andrew -- is around proxy voting. There you go.

6 COMMITTEE MEMBER HOLLINGER: Right. I saw it in
7 relation to proxy voting.

8 MR. INGRAM: Sorry, next slide there. Around
9 proxy voting. So, you know, here is a particular
10 strategic choice which has implications for resources. If
11 you choose to vote your proxies in-house and engage with
12 portfolio companies in-house, you can be slightly more
13 nimble perhaps in terms of the -- the full-time employees
14 you recruit on ESG.

15 And whether that's the core motivation for those
16 who are yes in this camp, or whether it's -- so whether
17 it's an efficiency story otherwise, there are clearly
18 trade-offs, and CalPERS has made a strategic clear
19 decision to vote its proxies in-house. So I think the
20 point is that there -- the differences in full-time
21 employees can be often explained by strategic decisions.
22 Hence our point that the more that we're able to link the
23 two strategic decisions with resource implications
24 together, the more efficient we can be at utilizing that
25 existing resource.

1 COMMITTEE MEMBER HOLLINGER: And then my other
2 just commentary. I think really the governance structure
3 drives the E and the S. If you don't have good
4 governance, you're probably never going to get to E and
5 the S. And I thought with what Ms. Mathur said regarding
6 either gender discrimination or harassment, I think it's a
7 suggestion that maybe we ask key executives to disclose
8 the pay between the women and men on the executive level,
9 because I think as people are compensated equally, it will
10 lead to better governance.

11 So disclosures on pay would be a suggestion.
12 That would be something that you can't check the box, as
13 Ms. Brown points out. We wouldn't have a way to audit it.
14 We could just get it out there.

15 CHAIRPERSON JONES: Okay. Ms. Taylor.

16 COMMITTEE MEMBER TAYLOR: Thank you, Mr. Chair.
17 I really appreciate the report. It was very, very, very
18 good. It gave us a good idea of who we compare to. And I
19 had a couple of questions on the proxy voting. I think we
20 had -- we have this great proxy voting that we're doing,
21 what was it? It was 504 just on -- I'm trying to find the
22 slide right now. Come on. There we go -- just on the
23 lack of gender and diversity.

24 And as Ms. Hollinger and Ms. Mathur were talking
25 about, the -- I'm wondering if -- and I don't know if you

1 had any conclusions about this, but not just doing our
2 proxy voting or writing letters, are we picking
3 institutions or people we invest with to engage in at the
4 same time we're doing this? And is that an objective or a
5 strategic plan to maybe get to disclosure of pay?

6 And I know we used to really push. I think it
7 was my first year on the Board. We were really pushing
8 disclosure on executive pay to get that data. And we were
9 doing that through letters. We were doing that through
10 our proxy voting, as well as doing that through
11 engagement.

12 So I think -- I'm not seeing here in your report
13 where we have a lot of intertwining of those strategies.
14 And I'm wondering if that would be part of a better
15 strategy moving forward. As you said, we were looking at,
16 you know, more leadership. I think that would be a huge
17 leadership role for us if we intertwined those strategies.

18 And how we do that, as we implement it into the
19 entire fund, I don't know. You mentioned resourcing. I
20 know that we have a lot of resources it looks like, but
21 I'm wondering if that resourcing is misallocated, and that
22 we're separating things into silos.

23 So like we have our letter writing campaigns, and
24 we have our proxy voting, and we have our engagement, but
25 it's all separated into silos, because we're engaging

1 through our asset classes. So does that impact how
2 effective we can be?

3 MR. INGRAM: So I think it's -- it's a really
4 helpful question, and a challenging one for the
5 organizations I've worked with and worked within. Perhaps
6 the hardest sort of element of all of this is linking back
7 the kind of engagement and stewardship work into the
8 investment process.

9 I think what we've seen over the past year, the
10 changes taking place with bringing that within, you know,
11 the equities team, I think we're seeing it all sort of
12 begin to bed down. New recruitment is coming in. I think
13 it's a constant challenge, and I think the team are doing
14 some great work.

15 We highlight one example of what we thought was
16 really great practice for CalPERS, which really I think
17 came forward last year was the ExxonMobil vote --

18 COMMITTEE MEMBER TAYLOR: Right.

19 MR. INGRAM: -- as a -- as a sort of the logical
20 conclusion to what started off as work around, from the
21 sustainable investment team, undertaking carbon
22 footprinting of the public equity asset class, and then in
23 a highly innovative move undertaking carbon footprinting
24 of fixed income, which hasn't, as you know, I don't think,
25 been done by many other asset owners.

1 COMMITTEE MEMBER TAYLOR: Hmm-um.

2 MR. INGRAM: That work led all the way through
3 to, you know, this really focused intensive engagement
4 work with carbon intensive companies. And I think to me
5 that's a very good example of thinking through a kind of
6 core strategic objective, going through the analysis
7 what's our exposure, all the way through to delivering
8 change at a particular company level, which has
9 repercussions across the industry.

10 And the more that we can kind of, you know, bring
11 all that together for other issues like the ones you're
12 talking around, around pay and others, I think that's
13 where we'll have full integration.

14 COMMITTEE MEMBER TAYLOR: Right. So basically
15 maybe break down those silos is what you're talking about,
16 because it sounds like the Exxon example you're giving us
17 did break down those silos, and they worked together with
18 the engagement proxy voting, and letter-writing campaigns.

19 So I think that's why we were so successful. So
20 I'd love to see us do that on our -- as we move forward on
21 sexual harassment or executive pay, if we can. But I
22 think this was a great way of outlining what we are doing,
23 so that we can see what we need to do moving forward. So
24 thank you very much.

25 CHAIRPERSON JONES: Okay. Mr. Costigan.

1 VICE CHAIRPERSON COSTIGAN: I'll be very quick,
2 because I know we have another item coming up. First, I
3 want to thank Chair -- Madam President Mathur for raising
4 the issue as it relates to those two individuals. I do
5 think it's one thing that we should be looking at. They
6 do have long-term implications when you go back and look
7 at settlements that occurred decades ago that suddenly
8 drive down the stock prices. And so that is something I
9 thank you -- thank Ms. Mathur for raising that.

10 A couple issues just on the report. And again, I
11 do like the report. One of the issues that I've raised
12 over the last couple years, I appreciate that we sent 504
13 letters on diversity. I really think the policy -- and at
14 some point as I've raised before, we have 25,000 Board
15 seats, not including those on private equity.

16 We really need to look into a policy. If you're
17 serving on more than three boards - I know it's an
18 informal process - you're getting voted out. I mean what
19 we're seeing is we use the word "diversity", then when you
20 peel back into it, you see it's similar individuals. The
21 other thing I also think is very important is educational
22 diversity. When you start looking back, they tend to be
23 from the same Ivy League, Stanford, Cal schools.

24 If we really want diversity, it's more than just
25 gender, it's more than just the color of skin. And I

1 would certainly hope that Ms. Mathur and Mr. Jones that we
2 would broaden it, because there are many qualified people
3 who have gone to other schools that I don't think are
4 given the opportunity to it.

5 But I really do think down the road, the policy,
6 rather than sending letters -- and I think Mr. Juarez and
7 I had this conversation several months ago. I was picking
8 on a certain individual on a financial services board.
9 And then he pointed out to me the skin color. And I said
10 that's exactly the point I was making, because that
11 individual was on six boards. That's not diversity when
12 it's the same individual.

13 So I would certainly hope we end up with a policy
14 with 25,000 people, or 25,000 board seats, not including
15 again those on our private equity, because I don't think
16 your report really addresses private equity boards, when
17 we start looking at the number of seats, and again going
18 back to the educational diversity.

19 So again, Ms. Mathur, I really appreciate it. I
20 do think we need to have form -- a more formal policy.
21 The Weinstein and the Wynn issues with the hundreds of
22 millions of dollars of equity that was wiped out once the
23 settlements came out. I'd like to know where the boards
24 were and what their obligation and responsibility were to
25 investors such as us.

1 Thank you.

2 CHAIRPERSON JONES: Okay. Mr. Miller.

3 COMMITTEE MEMBER MILLER: Yes. Thank you.

4 Appreciated the report. As a relatively new Board
5 member -- and I can only get away with qualifying my
6 statements that way for a little longer, so I'm going to
7 continue to do it as long as I can. But I think what I
8 would be interested in seeing, especially going forward
9 more is -- it will be, I'm sure, part of a dialogue
10 between staff, our leadership, and consultants, is we have
11 stood out as a leader. We have committed resources.
12 We're, you know, I think I would say well resourced.

13 But in terms of moving from aligning those
14 resources to really, you know, how do we really integrate
15 them, how do we get everything across the organization
16 kind of, you know, aligned and integrated to actually
17 function, and the impact that will have on efficiency and
18 effectiveness, which kind of makes that a moving target,
19 the resources.

20 So I'll be real interested going forward, I think
21 our attention, to how do we most effectively integrate as
22 we've aligned things to optimize, you know, where we put
23 our resources before we get too far down the line. At
24 some point, you know, we're building. Now, we need to
25 optimize before we, you know, throw in a lot more bricks

1 and mortar. So that's kind of what I'd like to see more
2 focus on as we go forward.

3 CHAIRPERSON JONES: Okay. Thank you very much.

4 We do have a request from the public to speak on
5 this item. Mr. Michael Ring from SEIU. If you can come
6 down to the speaker's bench, as we call it, and

7 MR. JUNKIN: While he's coming up, could I just
8 make one comment --

9 CHAIRPERSON JONES: Yes.

10 MR. JUNKIN: -- to Mr. Miller. I put it back on
11 the personnel slide for a minute, and they took it away.
12 And that's fine. You don't need to put it back up. I
13 think -- as part of that evolution that I see going on, I
14 think that slide will be impossible to do in 10 years. I
15 think ESG will be so integrated into what everyone does
16 across this Investment Office, and other investment
17 offices, not -- I don't think it's going to be CalPERS
18 specific. I think it's going to be hard to count FTEs
19 when with it's part of everybody's job, and it's fully
20 integrated.

21 CHAIRPERSON JONES: Okay. Thank you. Yeah, Mr.
22 Ring. You -- please State your organization or
23 association. And you will have three minutes, and the
24 timer is right here that you can help monitor your time.

25 MR. RING: Thank you, Mr. Jones. Thank you,

1 members of the Committee. Michael Ring with the Service
2 Employees International Union Capital Stewardship Program.

3 Three points I'd like to share with you. First,
4 I want to thank Wilshire for the report, and I want to
5 congratulate CalPERS Investment Committee, and the staff
6 for your leadership in the ESG area, and the three forms
7 of capital, and figuring out since the time you adopted
8 the Investment Beliefs, how you use your resources to
9 manage these most fundamental of systemic risks.

10 You know, CalPERS commitment to ESG to me in our
11 organization indicates that you understand that the
12 biggest risk to paying the benefits to our members is a
13 systemic risk. We can't have another market meltdown like
14 2008. We can't have an energy sector that can't deliver
15 energy going forward. We can't have workers who can't
16 make a living, because then they can't buy products from
17 the companies we're invested.

18 System risk is the one thing that actually could
19 threaten the future of this fund, as opposed to a lot of
20 other things that are said about it. So I really
21 appreciate the investment in this area, and our leaders do
22 as well.

23 Second, I want to note that while labor unions --
24 it might not be a surprise in that we feel that way, it's
25 not just us. I mean, Larry Fink, in his latest letter to

1 CEOs, indicated that social purpose is the fundamental
2 thing that companies must figure out. The World Economic
3 Forum, hardly noted as a progressive organization, rather
4 as a global elite, indicates that systemic risk is the
5 fundamental threat to the global economy.

6 So I don't think you're out on a limb. And as
7 Mr. Junkin indicated, this is where the world is going,
8 because we have to figure these things out in order for a
9 fund the size of CalPERS to be able to invest three,
10 hopefully four, hopefully five hundred billion dollars
11 inside the global economy.

12 Second, I want to support Wilshire's suggestions,
13 and -- that the staff, and the Board, and the Committee
14 continue to work to integrate and align the work. I think
15 this is challenging. You're going through a lot of
16 change. Mr. Eliopoulos has led a lot of transition that's
17 led to great integration. The one area that I think we
18 would flag is that it's really important that CalPERS
19 continue to dedicate resources to working and mobilizing
20 other investors.

21 There's no one investor that can manage systemic
22 risk. It's got to be a coalition of investors who share
23 the interest in long-term value.

24 And lastly, while there's way too many people to
25 recognize for CalPERS leadership in this area over the

1 years, I do have to recognize one person. I know for the
2 last decade that I've been paying attention to this fund,
3 that Anne Simpson has just done a marvelous job of
4 bringing innovation, creativity, and groundbreaking
5 thinking, not only to this fund, but to the world's
6 thinking in this area.

7 And there's a real opportunity and gift that
8 CalPERS has to have someone like Anne on staff. And I
9 think our leaders and our members really appreciate the
10 work she does to help make sure that the benefits will be
11 there when they retire. So personal and professional than
12 you to Anne and to all of you, and to Ted and his team.

13 Thank you very much.

14 CHAIRPERSON JONES: Thank you, Mike.

15 We are scheduled to take a break in about a
16 little over 30 minutes. And so this next item -- items is
17 certainly going to take some time. And in order to have
18 continuity, I'm going to take a break now for 10 minutes
19 and then we will reconvene. And that way when we start
20 the next item, we will have the continuity going forward.

21 (Off record: 10:26 a.m.)

22 (Thereupon a recess was taken.)

23 (On record: 10:38 a.m.)

24 CHAIRPERSON JONES: I'd like to reconvene the
25 Investment Committee meeting.

1 I'll wait until everyone takes their seat.

2 Before we move to the next items, I would like to
3 thank Controller Yee for her correspondence regarding
4 inadequate oversight of executive compensation, and
5 Treasurer Chiang for his correspondence regarding
6 investment with retailers who sell assault weapons.

7 Our investment team will address each of these
8 topics, but I wanted to provide an update to set the stage
9 for this important dialogue we will have today.

10 On the matter of executive compensation, new
11 language has been drafted within our Governance and
12 Sustainability Principles to address the issues raised by
13 the Controller.

14 Regarding the Treasurer Chiang's request, staff
15 identified five retailers that fit the parameters and have
16 engaged with all five. Through these efforts, meaningful
17 exchange, and change, and progress has been made. It's a
18 strong example of how CalPERS can use our size and
19 influence to make a real impact through our engagement
20 efforts.

21 Again, I will have -- excuse me. I will leave it
22 to our Investment team members to provide details, but I
23 wanted to make sure we started this item by acknowledging
24 and thanking both the Controller and the Treasurer.

25 This agenda item has several parts, but I'm going

1 to ask our investment team to present their work on
2 retailers that sell guns and assault weapons, and then I
3 want to see if there are questions from our Board members,
4 and then I will call on our State Treasurer for comments.

5 Following the Treasurer's remarks, we will take
6 public comment on this topic and then complete the
7 remainder of the item.

8 And when I call for public comments, we're going
9 to clear the bench here, and all those individuals that
10 are sitting in designated spaces, I'm going to ask you to
11 just come up and fill this row as we go forward. And so
12 we don't have to introduce every person. You will be
13 asked to introduce yourself by giving your name, and your
14 association. And each of you will have three minutes.
15 And there's a timer right below my name here that will
16 help guide you in terms your public comments and remarks.

17 So with that, we can now start. Mr. Eliopoulos,
18 you can begin.

19 CHIEF INVESTMENT OFFICER ELIOPOULOS: Great.
20 Terrific. Thank you, Mr. Chair, and members of the
21 Committee. This is Item 6b, our review of our five-year
22 strategic plan. I covered most of the introduction in
23 my -- in my other remarks. And I know we have many
24 members to speak, so I'm going to skip over a more
25 thorough introduction into the piece, and really

1 immediately hand it over to Anne to start with the
2 substance of the report.

3 INVESTMENT DIRECTOR SIMPSON: Thank you very much
4 Ted. Anne Simpson, CalPERS Sustainable Investments
5 Program. Thank you for the opportunity to update you on
6 this engagement. It's an extremely important issue for
7 CalPERS. As our presentation shows in 2013, the Board
8 directed CalPERS Investment staff to divest from two
9 manufacturers of assault style weapons that are illegal
10 for sale in California.

11 And in the wake of the Las Vegas shooting and
12 tragedies, the Treasurer wrote to staff and to the Board
13 asking for us to look at our exposure to companies which
14 sell such weapons to the public.

15 CalPERS has a total fund investment policy on
16 divestment, which actually highlights the responsibility
17 we have as owners of these companies to engage them in
18 order to have issues of concern to be addressed.

19 The first step for us using our resources through
20 our ICOR people was to identify companies which may be
21 within the scope of the Treasurer's letter. We looked at
22 online retailers, and identified that, for example,
23 Amazon, eBay, and others actually have written and public
24 policies that their boards have taken a view, that this
25 type of product will not be available to the public.

1 So we focused our attention on the high street
2 retailers and we've given you the details that we had at
3 the time of writing the report. We wrote, shortly after
4 the receipt of the Treasurer's letter, to those five
5 companies that we'd identified. And our intention was to
6 hold the boards accountable. I think this is our
7 appropriate role as the shareowners of these companies.

8 We ask the companies to carry out a review of
9 both the revenues, which are associated with the sale of
10 weapons banned for sale to the public in California, and
11 consider the risks to the company which are associated in
12 the light of the tragedies, as they were at the time of
13 Las Vegas.

14 Since then, we've had further horror to -- ahead
15 to review with the Florida shootings. And I'm glad to say
16 that each of the companies we approached indeed did have a
17 board review, and two of them were able to assure us that
18 the board had already taken a decision to not continue to
19 sell these types of weapons, but also so-called bump
20 stocks and other accessories that accelerate the ability
21 of such weapons to wreak havoc when misused.

22 And two companies announced at the time of our
23 engagement with them that they would be taking new steps,
24 and that was Dick's Sporting Goods. And I think what was
25 interesting in this is that the companies were not just

1 responding to what we asked for, but in more than one case
2 going further.

3 There's a final company which we hadn't spoken to
4 at the time of writing the report, that's Sportsman's
5 Warehouse. In terms of taking our request for a review
6 seriously, I can report that in the conversation, the
7 company provided the chair of the board, the CEO, and the
8 CFO to have the conversation with us. They did undertake
9 a review, and came to the conclusion that the company
10 would not alter its policy.

11 I would be happy to answer any questions on this
12 important and sensitive topic. But if there are no
13 questions, I'd be glad to hand over to Ted to address the
14 next -- the next point, which was raised at our last Board
15 meeting, which is to consider the pros and cons of
16 divestment.

17 Thank you.

18 CHAIRPERSON JONES: Okay. We have one question,
19 Ms. Simpson. Hold on.

20 Ms. Taylor.

21 COMMITTEE MEMBER TAYLOR: Yes. It's not really a
22 question. I just wanted to lift up the -- Anne's team's
23 work on this and the engagement that you have done in a --
24 As I mentioned earlier, I think engagement is an extremely
25 important process that we use. And I'm just wowed by the

1 results. I know that some of it has come on the heels of
2 other things. But I'm seeing here in the results that in
3 2016, we had, what was it, sporting -- where did it go?
4 Yeah, Big 5 Sporting Goods, through our engagement, had
5 done some work already, and Walmart had discontinued some
6 of this -- the sale of assault weapons in 2015.

7 And I just want to thank you all for the
8 engagement that you've done over the years as well as
9 currently on this. So again thank you very much.

10 CHAIRPERSON JONES: Okay. Thank you.

11 Mrs. Mathur.

12 COMMITTEE MEMBER MATHUR: Thank you. Thank you,
13 Mr. Chair, and thank you, Ms. Simpson and your whole team.
14 You know, as a mother of two school-aged children, the
15 issue of gun violence, particularly in our schools, you
16 know, hits me right in the heart. And I am, you know, so
17 moved and heartened by this student activism that has
18 arisen following the horrific and tragic shooting Marjory
19 Stoneman Douglas High School in Parkland, Florida. And,
20 of course, there have been many voices raised even before
21 that.

22 The compelling words and actions of the Parkland
23 students in particular has sparked a movement across this
24 country, and has elevated I think the public conversation
25 regarding the safety of our nation's children.

1 Momentum around this issue has also driven
2 consumer pressure around the sale of firearms, as well as
3 public policy conversations in many jurisdictions across
4 this country. And that is why I am particularly proud of
5 the efforts of our investment team headed -- and in this
6 case headed by Anne Simpson, that our team has undertaken
7 to engage these five largest retailers of five arms. And
8 through that engagement, as you so well articulated, we
9 have supported the students' efforts, and the efforts of
10 those who are advocating against gun violence in this
11 country, providing the investor voice regarding how this
12 issue is a real business issue. And I think that is a key
13 part of this conversation.

14 And as a result, partly I think in response to
15 our engagement efforts, four of these five retailers have
16 identified it as such, as a real business risk, and have
17 made significant policy changes along four -- I think,
18 four key dimensions as you identified, the discontinued
19 sale of assault weapons, if they sold them at all, the
20 discontinued sale of high capacity magazines, the
21 discontinued sale of accessories like bump stocks, there
22 raising of the age to acquire firearms and ammunition from
23 18 to 21, all really important, I think, progress.

24 And in the case, as you noted, of Dick's Sporting
25 Goods, they have also announced that they will move --

1 they will be more active in the public policy debate
2 around firearms.

3 And so I just wanted to really, you know, credit
4 our team for your really important efforts on this issue.
5 That obviously is a -- is a visceral human issues, but
6 also a truly relevant investment issue, and that our
7 engagement efforts is the right approach to really getting
8 to change on this issue.

9 So thank you very much.

10 CHAIRPERSON JONES: Okay. Thank you. Seeing --
11 at this time, I'd like to call on the Treasurer, Mr.
12 Chiang.

13 COMMITTEE MEMBER CHIANG: Thank you, Mr.
14 Chairman.

15 CHAIRPERSON JONES: Okay.

16 COMMITTEE MEMBER CHIANG: Thank you, Mr.
17 Chairman.

18 Chairman Jones and Investment Committee members,
19 just over a month ago on February 14th, a disturbed former
20 student armed with a AR-15 assault rifle was dropped off
21 by an Uber driver at Marjory Stoneman Douglas High School
22 in Parkland, Florida. It was 2:19 PM near dismissal time.
23 He proceeded to building 12, an instructional facility
24 containing 30 classrooms.

25 At 2:21 p.m., he pulled a fire alarm to start

1 confusion and then began firing at students and teachers.
2 From the moment the first round was fired to the time he
3 dropped his rifle and left the scene by blending in with
4 fleeing students, a mere six minutes had passed.

5 But was an eternity for the approximately 900
6 students and 30 teachers in building 12 who were
7 desperately fleeing the three-story structure, trying to
8 find cover, clinging to life, saying their last goodbyes.

9 Most Americans are shocked and deeply saddened by
10 the massacre that killed 17 innocent kids and teachers,
11 and injured 17 more.

12 But shock and remorse provide little consolation
13 to the families who had to bury a child, a sibling, a
14 spouse, or a loved one. If thoughts and prayers could be
15 converted into currency, our pension fund's \$139 billion
16 unfunded liability would have been zeroed out long ago.

17 When will bold action replace the hollow
18 platitudes?

19 Let me remind this Board that just in the first
20 two months and two weeks of this year, there have been 46
21 mass shootings killing 73 and wounding another 181. There
22 have been 14 - 14 shootings that have occurred on school
23 grounds since the year began. The time for empty promises
24 of never again are over. The time for reckless law makers
25 who promise fidelity to their constituents but remain

1 wholly-owned subsidiaries of the NRA are over.

2 If Congress and State houses are unwilling or
3 unable to deliver real change, then it is up to us to take
4 the fight to, borrowing from the notorious banker Willie
5 Sutton, to where the money is.

6 I call upon the nation's largest institutional
7 investors, BlackRock, Fidelity, Vanguard, Alliant, All
8 State, PIMCO, State Farm, and yes, CalPERS and CalSTRS to
9 use the power of their purse strings to prevent more of
10 the schools workplaces and places of worship from becoming
11 killing fields.

12 We have a responsibility now to do what needs to
13 be done, to be responsible public servants, to be
14 responsible investors, to be responsible citizens in a
15 nation besieged by gun violence unknown to any of the
16 other world's developed countries.

17 In 2013, this Board responsibly reacted to the
18 shootings at Sandy Hook Elementary School by divesting
19 from companies that manufacture firearm and ammunitions
20 that are illegal in California.

21 Now, I urge you to go further. I respectfully
22 call upon this Board to divest its holdings of wholesale
23 or retail sellers of these banned weapons. Neither
24 taxpayer funds nor the pension contributions of any of the
25 public servants we represent should be invested in the

1 purveyors of banned military-style assault weapons. This
2 includes bump stocks, slide fire devices, and other
3 accessories that can accelerate a semi-automatic rifle's
4 rate of fire.

5 These relatively easy-to-buy and inexpensive
6 after-market products allow semi-automatic weapons to
7 simulate automatic fire. A rifle that may normally fire
8 at a rate of 45 to 60 rounds per minute can now be altered
9 to release a torrent of devastation at 400 to 800 rounds
10 per minute.

11 The deadly efficiency of these senseless products
12 was on display at a Las Vegas outdoor concert last October
13 when 58 were killed, and more than 546 wounded in the span
14 of 10 short minutes. According to the ATF 12 bump stocks
15 were found on weapons recovered from the murderer's hotel
16 room.

17 Pension funds like those managed by CalPERS and
18 CalSTRS exist to provide for the economic security and
19 prosperity of our teachers, social workers, first
20 responders, and other public servants. It makes no sense
21 to pour taxpayer and pension fund members' dollars into
22 products that are not only illegal to possess or sell in
23 the state, but are snuffing out the lives of some of the
24 very real people we call our beneficiaries.

25 Divestment in such companies would be faithful to

1 CalPERS existing investment policy and uphold the Board's
2 fiduciary responsibilities to its members. I remind this
3 Board that current policy allows us to take harmful
4 external factors into account when determining the overall
5 return of an investment. External factors include such
6 things as reputational injury that could cause the stock
7 value of a company to fall, costly litigation, as well as
8 increased regulation and new laws that could restrict
9 sales.

10 Does anyone here really actually believe that
11 banned military grade assault weapons are not covered by
12 these factors?

13 Even red states like Florida are beginning to
14 heed the public's call to end gun violence. Some of our
15 countries largest companies, including Dick's Sporting
16 Goods, and Delta Airlines are disassociating themselves
17 from the toxicity of the NRA and its golden calf assault
18 weapons.

19 Tell me that our fiduciary standard of care
20 requires us to own the futures in bump stocks when the
21 Trump White House plans to circumvent Congress and ban
22 them through regulation.

23 As the Irish statesman and philosopher Edmund
24 Burke once wrote, the only necessary -- thing necessary
25 for the triumph of evil is for the good people to do

1 nothing. It's been 169 days since thoughts and prayers
2 were first expressed in the wake of the Las Vegas Mandalay
3 Bay massacre; 645 days since the Orlando Pulse Nightclub
4 shootings; 838 since San Bernardino; 1,006 since
5 Charleston, South Carolina; 1,921 since Sandy Hook, 3,990
6 since Virginia Tech; 6,908 since Columbine.

7 It's time. It's time for the good people who I
8 am proud to call my colleagues and friends on this Board,
9 to do more. If we don't do this, we'll be going against
10 the tide of history. I respectfully ask you to agendaize
11 my proposal for a vote at the next scheduled meeting of
12 this Board.

13 And Anne, thank you very much for the work that
14 you're doing.

15 CHAIRPERSON JONES: Okay. Thank you. And so the
16 next step is to hear from public speakers. So I'm going
17 to ask staff to vacate the bench. And I would invite the
18 speakers to come in and take seats along the front at the
19 bench here. And as you complete your comments, if you
20 would move back to your other seats so additional members
21 can come up and be prepared to make their comments.

22 And as I mentioned before, each speaker will have
23 three minutes, and the timer is right in front of me here.
24 And state your name and your association, or organization,
25 and then you can begin to speak. And once you begin to

1 speak the clock will start, and it will advise you as to
2 how much time you have left.

3 Okay. So in order to have some continuity, we'll
4 just start at this end and go to my left and your right.
5 And then we'll just move this way. And then as you
6 complete your comments, if you will vacate that seat, so
7 the next person can just automatically be prepared and
8 we'll keep going. So, sir, you want to begin.

9 MR. VELASCO: Yes, Mr. Chairman.

10 Good morning, Mr. Chairman, members of the Board.
11 Thank you for giving us this opportunity to speak to you
12 this morning.

13 My name is Robert Velasco. I am a retired
14 Lieutenant with the California Highway Patrol. And for 27
15 years I proudly served the people of this grate State of
16 California in various assignments throughout the southern
17 part of the State. I have been a CalPERS member since
18 September of 1988. That's when I began my career at the
19 CFP Academy not too far from here.

20 Yvette, the youngest of my daughters was only
21 five months old when I entered the academy. And her life
22 paralleled my career with the CHP, you see, because she
23 brutally -- she was brutally murdered two weeks and one
24 day after my first day of retirement.

25 On December 2nd, 2015, my precious daughter

1 Yvette was one of the 14 victims and the -- 14 innocent
2 and defenseless victims killed in the San Bernardino
3 terrorist attack. Yvette was attending a work-related
4 training day and holiday event at the Inland Regional
5 Center, when she and her co-workers were slaughtered by
6 two heavily armed heartless terrorist monsters wielding
7 semi-automatic assault rifles equipped with high-capacity
8 magazines. The rounds from these weapons are designed to
9 tear and destroy tissue inside the human body causing
10 maximum deadly tissue damage. And that is exactly what
11 they did to my -- to the inside of my baby daughter, who
12 was shot three times.

13 I am haunted by the terror that -- the thought of
14 the terror that she must have felt at that time. The
15 cowardly killers preyed on my beautiful daughter and her
16 co-workers using weapons designed for war, not for sport,
17 not for hunting, not for personal protection. They're
18 designed for one thing, and one thing only, for killing as
19 many people as possible in the shortest amount of time.

20 These same types of weapons were also used by the
21 killers in Sandy Hook, Orlando, Las Vegas, Sutherland
22 Springs, Parkland, Florida, and they were all purchased
23 legally.

24 And each time these mass shootings occur, my
25 family and I are heart broken, reliving that horrific day

1 of December 2nd, 2015, because we know the pain and
2 overwhelming heartache that the families of the victims
3 are experiencing. I am here before you today as a citizen
4 of this great country, as a retired law enforcement
5 officer, CalPERS member, but most importantly as a
6 grieving father of Yvette Velasco whose loving memory and
7 spirit will live inside of me and her mother for eternity.

8 I respectfully request and plead with you to
9 support, as I do, Treasurer John Chiang's proposal of not
10 investing CalPERS funds to -- in companies involved in the
11 production, and/or sale of military-style assault weapons
12 that are banned in the state of California.

13 I realize much needs to be done to prevent mass
14 killings in our country, but we need to start somewhere.
15 Your vote to divest California pension funds from these
16 companies will encourage other institutional investors to
17 do the same. It will send a powerful message to
18 Washington and state politicians who are unwilling to take
19 action to prevent mass killings in our country.

20 Thank you.

21 CHAIRPERSON JONES: Thank you.

22 MS. JONES: Good morning. I'm Akilah Jones. This
23 isn't my story. My life is relatively comfortable and
24 untouched by tragedy, but it could be mine. It could be
25 any of ours.

1 A youth appears in a school. It's Valentine's
2 day. The youth begins stalking students with an AR-15.
3 And AR-15 is a military style assault rifle. It fires 45
4 rounds per minute. The woman's husband does not flee with
5 the students. He heads towards the shooting, and is
6 gunned down. Here is his widow's letter to you.

7 "My name is Debra Hixon. I'm the wife of
8 Christopher Hixon. He was killed in the Marjory Stoneman
9 Douglas shooting on February 14th, 2018. Everyone wants
10 to know what they can do for me. Here is what I need from
11 you, the people of the United States, the politicians of
12 the United States, and the big institutional investors of
13 the United States, I need you to ban the sale,
14 manufacturing, and use of any weapons that are light
15 weight, magazine fed, gas operated, air cooled, shoulder
16 fired, incapable of semi-automatic fire such as the AR-15.

17 "I would also like you to ban rifles with pistol
18 grips, and barrels with at least -- with a length of 16
19 inches or less. And I need you to stop taking the
20 public's money and investing it in the companies that are
21 selling these weapons.

22 "Most people in America are in agreement with
23 this request. Those that are not say that it is an
24 infringement on their Constitutional right as per the
25 Second Amendment. The Second Amendment states quote, 'A

1 well-regulated militia being necessary to the security of
2 a free state, the right of the people to keep and bear
3 arms shall not be infringed', end quote.

4 Why does everyone skip the first three words,
5 quote, 'A well-regulated', end quote?

6 Our society has changed, and these weapons are
7 not being used to ensure the security of a free state.
8 They are being used to gun down innocent people for no
9 reason. Please, stop this insanity, and work towards
10 getting these weapons banned. Citizens of the United
11 States, you can vote for legislators that will work for us
12 and make new laws that will get these weapons off the
13 streets. If you're legislators, both State and federal,
14 are not doing what you ask, vote them out.

15 "Politicians of the United States, you can work
16 together to make laws that will ensure that everyone in
17 the U.S. is safe from this kinds of violence. Ban these
18 weapons.

19 "Institutional investors, stop putting your money
20 into the companies that sell these guns. Since many of
21 these weapons are already banned in California, you may be
22 asking what can you as pension board members do? You can
23 support Treasurer John Chiang's call to divest from retail
24 or wholesale sellers of these weapons. You can use your
25 financial clout to put pressure on the makers and sellers

1 of these military-style assault weapons and support the
2 national gun violence safety movement.

3 "This isn't a political issue. It's about what's
4 right and wrong. These weapons have no purpose in our
5 society and they must be removed. Once we can do this,
6 then you will have done all that you can do for me, and
7 maybe my family and I will find some piece".

8 Thank you.

9 CHAIRPERSON JONES: Thank you. Next.

10 MS. WETZEL: I just wanted to say thank you for
11 hearing us, first of all.

12 My name is Renee Wetzel. My husband, Mike
13 Wetzel, was murdered in the December 2nd terrorist attack
14 in San Bernardino. He was my best friend. He was my
15 favorite person in the whole world. I would have rather
16 spent time with him than anyone. And he's gone.

17 The people that murdered him and 13 others that
18 day used assault rifles that fired hundreds of bullets in
19 the few minutes they were in that room. They're extremely
20 destructive, and the add-ons that you can add to these
21 guns make them even more destructive.

22 They're designed to kill. If it had been any
23 other type of gun, he might have lived. The bullets that
24 these guns shot are designed to tear through bodies and
25 destroy organs, and leave no survivors behind.

1 His strong body that could spin our kids in
2 circles and do crazy gymnastic stunts with them was
3 totally destroyed. His life, and so many others before
4 and after December 2nd, have been taken, because there's
5 been no change. This is not a political issue. These
6 guns are designed to kill, and there's no need for these
7 type of guns to be in the hands of the public.

8 Sadly, a majority of lawmakers in this country
9 don't react to seeing the faces of the victims. They
10 don't care that people are being murdered at school, at
11 work, at church, at the movies at a nightclub. They just
12 offer their thoughts and prayers, which isn't helping to
13 solve the problem that this country has. The only thing
14 that seems to cause any change is money. We have to hit
15 them where it will hurt the most, and by doing so make
16 them realize that we, the families, the people that care,
17 are demanding change. We will not sit back and allow the
18 mass shootings to continue to occur without any resource.

19 I would like to urge you to refrain from
20 allocating investments of CalPERS and CalSTRS to benefit
21 the wholesale or retail sellers of the military style
22 assault weapons, and other add-on devices, such as bump
23 stocks, large capacity magazines that can accelerate the
24 semi-automatic weapon's rate of fire to be like an
25 automatic weapon.

1 Divestment in these companies that sell these
2 weapons and accessories will send a clear message that the
3 thoughts and prayers that are sent when these tragedies
4 occur are not enough, that the state of California is
5 demanding change.

6 Don't let my husband's death be in vain. Let us
7 use his memory to make a change. Let California say no
8 more. When are people's lives going to be more important
9 than the right to own a gun.

10 CHAIRPERSON JONES: Okay. Thank you.

11 Sir. Sir, are you -- you're not going to speak.

12 MR. HEIM: We're going to go this way, if you
13 don't mind. If you don't mind?

14 MR. FEDDERMAN: We're going to go this way.

15 One, two, three, four.

16 CHAIRPERSON JONES: Okay.

17 MR. FEDDERMAN: Thank you.

18 MS. HEIM: It's a coordinated speech.

19 Hello. My name is Natalie Heim. Thank you for
20 having us here.

21 I'm here as a Marjory Stoneman Douglas alumni,
22 and I'm joined by my fellow alumni who will focus on our
23 specific support of the Treasurer's initiative. But I
24 would like to take this opportunity to remember why I have
25 come before you today.

1 For the past two years, I've been a Los Angeles
2 resident. But not long before that, I was a student at
3 Stoneman Douglas, graduating with class of 2012.

4 Parkland, Florida was where I grew up. Parkland, Florida
5 was a place that no one had ever heard of when they asked
6 me where I'm from.

7 Parkland was named the safest town in the state
8 until February 14th, 2018. On that date, Parkland,
9 Florida became a national headline. On that date, Marjory
10 Stoneman Douglas became the site of one of the worst
11 school shootings in American history. Seventeen people
12 shot in a school in my quaint little town, 17 people at
13 the hands of an assault rifle. Why is it easy for an 18
14 year old to get an assault rifle? Why?

15 We all know why, and it's not because of the
16 second amendment. We all know who and what controls our
17 gun laws in America. It's a sad and horrific truth that
18 we have let money overshadow common sense. It is a
19 shameful and incoherent blemish on our society when the
20 generations look back and bear witness to the extent of
21 this country's denial, greed, and inaction, which has led
22 to the murder of thousands of lives. Who will be to
23 blame? We are all culpable until we do our part in
24 creating change

25 Sorry.

1 Since the tragedy, I've been astounded not only
2 by the bravery displayed by the Parkland students, but
3 also by the mobilization of my entire community. The day
4 of the shooting three MSD alumni started a Facebook group
5 called Mobilizing MSD Alumni. That night 500 joined. By
6 the next day, we had 1500. Today, we are a group of over
7 11,000 alumni from over 25 regions who have organized
8 under structured leadership to support the students'
9 demand for action.

10 I have since assumed a position as a regional
11 leader for the California group activating about 180
12 alumni across this State alone.

13 As California residents, we are in a privileged
14 position, because our gun laws are ahead of the curve.
15 But with that position, and with that privilege, we can
16 and we must do more.

17 This tragedy has left me devastated, terrified,
18 shocked, and heart broken. But I can't cry at my desk and
19 move on with my life like I have in the past. I'm so
20 sorry it took this happening to my high school, and my
21 friends, and my family for me to feel so passionately. I
22 am angry at myself for not taking action sooner.

23 So I hope my presence at this meeting signals
24 that I have heard the cries of the MSD students from 3000
25 miles away, and that we, as MSD alumni, will fight for our

1 beloved hometown, for this town, and for every town in
2 America.

3 Today, we are urging you to help this cause in
4 the way that you actually can. Change can be in your
5 hands. Let's start at the root of the problem, let's
6 start here, and please let's start now.

7 CHAIRPERSON JONES: Thank you.

8 MS. MEYER: Thank you. Good morning. My name is
9 Kim Meyer. I'm a graduate Marjory Stoneman Douglas High
10 School with the class of 2008. Today, I'm a lawyer
11 practicing civil litigation in Los Angeles.

12 In 2013, in response to the tragedy at Sandy
13 Hook, this Board divested from manufacturers of firearms
14 and ammunition that are banned in the State of California,
15 and we applaud that measure. But events like the Sandy
16 Hook shooting continue to happen, and they are happening
17 increasingly often, and with increasingly high death
18 tolls.

19 In fact, five of the 10 deadliest shootings in
20 modern American history have occurred since Sandy Hook:
21 San Bernardino, Orlando, Las Vegas, Sutherland Springs and
22 now in our home town of Parkland.

23 Gun violence also continues to impact communities
24 throughout the country, every single day with Gun Violence
25 Archive reporting 15,549 non-suicide gun-related deaths

1 just in 2017 alone. With some of the strongest laws in
2 the country, California is national leader in gun violence
3 prevention, but it's clear that we as a nation have a long
4 way to go. And until all state and national
5 representatives are willing to pass meaningful legislation
6 to reduce gun violence, it is up to us.

7 Individuals and institutions need to send the
8 message that we will no longer accept living in a country
9 where the price of freedom is 15,000 lives a year. So we
10 as a alumni Marjory Stoneman Douglas and as California
11 citizens ask you to honor the codified values of this
12 State and help us change this dangerous trajectory. Don't
13 wait until it happens in your home town, don't wait until
14 it happens in your community, don't wait until it happens
15 to your friends, or your family, or your loved ones. The
16 time is now. Thank you.

17 CHAIRPERSON JONES: Thank you.

18 MR. WOLLMAN: My name is Matthew Wollman, class
19 of 2002, resident of Southern California for 10 years. I
20 work in wealth management as a financial advisor. My
21 clients are generally retail folks, teachers,
22 firefighters, doctors, business owners, lawyers, even a
23 municipal judge. And a lot of them have funds with you
24 guys.

25 Today, Board members, you have the opportunity to

1 invoke monumental change by rectifying a long-lasting
2 lingering hypocrisy, the failure of public funds to
3 represent our values as Californians. Public policies
4 instituted in the state of California are reflective of
5 our state's values. The continued ownership of publicly
6 traded companies within these portfolios that sell
7 weapons, that are banned under California statutes
8 undermines our values and our democracy.

9 The weapon used in the Douglas -- Stoneman
10 Douglas shooting, the shooting that has devastated our
11 high school, our community, and my personal faith in
12 democracy in and of itself, which is serving the public
13 good was an AR-15. CalSTRS, the retirement fund for
14 teachers in the state of California have a portion of
15 their retirement assets in companies that sell AR-15s.

16 In essence, CalSTRS has funded the sale of a
17 weapon in some form or fashion that was used to kill
18 students at Marjory Stoneman Douglas, San Bernardino, Las
19 Vegas, the list goes on and on.

20 Does this at all sound hypocritical? The
21 hypocrisy ends today. I understand the Board's position.
22 You're investing as a fiduciary on behalf of thousands of
23 employees, past and present, managing aggregately over
24 \$500 billion, and there's a great deal of risk when it
25 comes to a misallocation of funds.

1 The gun industry has been historically
2 profitable. But the notion that investing in the gun
3 industry today, that profit is now a fallacy. A gentlemen
4 was talking about systemic risk earlier from the Wilshire
5 group. And systemic risk is generally something that you
6 cannot diversify away from and you cannot control.

7 This is not systemic risk, folks. The writing is
8 on the wall, and it is in English. If we can't read it as
9 a forward-thinking group of board members, then I don't
10 understand where the disconnect is.

11 It's and industry that has been profitable as a
12 result of failing to implement common sense gun
13 legislation, and unfortunately, allowing mentally unstable
14 individuals, including the 18-year old who legally
15 purchased an assault rifle that managed to kill 17 in six
16 minutes at my high school.

17 I'm glad to say times are changing. Gun
18 manufacturers are rebranding, because people are beginning
19 to demand change. And there's a number of catalysts for
20 that reason. Smith and Wesson for 160 years was called
21 Smith and Wesson, they're now called American Outdoor
22 Brands. It is because they just started selling fishing
23 poles and tents?

24 No, they understand the stigma, and what hurts
25 and what's negative about the connotation of being a gun

1 company, especially a publicly-traded gun company.

2 So the good news is since November of '16, when
3 they changed their name - and I know that they're not
4 selling the guns, they're making them, and you guys have
5 divested from them, as it's my understanding - the shares
6 are down 64 percent in a year and a half.

7 People are voicing their opinions via social
8 media. They now have a voice. And as a result, I really
9 think that, you know, we're turning the corner. South
10 Florida passed -- or Florida passed its first gun
11 legislation in 20 years. The City of Miami ran the most
12 successful gun buy back program.

13 Attitudes are changing, and the outcry is
14 growing. More changes to come. And your current
15 investments, if there are any still in that portfolio, are
16 at risk as well.

17 CHAIRPERSON JONES: Sir, could you --

18 MR. WOLLMAN: We all know that you are
19 forward-thinking individuals who have the ability --

20 CHAIRPERSON JONES: Could you wrap-up, sir.

21 MR. WOLLMAN: Absolutely. Thank you for your
22 time.

23 CHAIRPERSON JONES: Okay. Thank you.

24 MR. FEDDERMAN: Good morning. My name is Shane
25 Fedderman. I've been a California resident for 12 years.

1 But I grew up in Parkland. I went to Stoneman Douglas and
2 graduated 20 years ago in '98. My entire family still
3 lives there.

4 But I'm here today to continue the points that
5 myself and my fellow alumni here are trying to make clear.
6 For me, it really comes down to accountability. I'm
7 accountable for making sure my voice is heard, making
8 ethical decisions when I vote and in life, to give back to
9 my community, and encourage others to do the same things.

10 So about accountability. Columbine '99; Virginia
11 Tech '07; Sandy Hook, 2012. And not just places of
12 Education. Things like movie theaters. Aurora, Colorado
13 with an AR-15, 58 wounded, 12 killed. Parking lots.
14 Parking lots in Las Vegas, 58 dead, 851 injured. Night
15 clubs, Pulse, 49 dead, 58 wounded.

16 I know everyone knows these statistics, but I'm
17 saying them again, and again, and again, because we didn't
18 do enough then. We can now. We all heard these events
19 happening on the news. We didn't do enough. The adults
20 haven't done enough.

21 Cameron Kasky, one of the Stoneman Douglas
22 leaders of, you know, "Never Again" said we're losing our
23 lives while the adults are playing around. He is right.

24 Well, I'm done playing around.

25 Yes, I should have marched in '99 after

1 Columbine. Yes, I should have been more aggressive about
2 who I voted into office after Pulse. I should have been
3 talking to parents and Moms Demand Action meetings, middle
4 school kids, and high school kids about being agents of
5 change back then, but I'm doing it now.

6 I've seen the desperate tears of moms who are
7 scared to drop their kids off at school. I've asked rooms
8 full of kids to raise their hands if they feel unsafe in
9 school, and every single one raises their hand.

10 This is not okay. And I hold myself and every
11 adult in this room and in this nation accountable,
12 accountability, for what we do next. We know. You know.
13 Make the ethical choice. Divest from anything that has to
14 do with these weapons of war. They're destroying our
15 kids, our nation. Set an example for the rest of the
16 country. Stand behind this movement for a safer nation.
17 Be on the right side of history, and please do the right
18 thing.

19 CHAIRPERSON JONES: Thank you.

20 Okay. If the four of you could allow the next
21 group to come up to these seats, please, and then we'll
22 start back over at the left, ma'am.

23 MS. TRENNNA MEINS: Thank you very much, I really
24 appreciate you sitting here and having the courage to sit
25 here and listen to all of us. And I do appreciate that

1 very much.

2 My name is Trenna Meins, and I'm the widow of
3 Damian Meins killed in the terrorist attack in San
4 Bernardino, and I collect widow's benefits from PERS --
5 CalPERS.

6 I'm sorry if you can't hear me. I apologize.

7 So I'm coming to you because I heard just now
8 that you're talking about ethical -- ethical decisions
9 making a -- decision makings regarding your investments.
10 I work for the Diocese of San Bernardino. I'm the on the
11 Lay Pension Board at the Diocese of San Bernardino. And
12 we have done our due diligence in investing in things that
13 go along with our beliefs. I think we can do that here.

14 Are we making a ton of money? We're not.
15 However, we're doing the right thing, and we're doing the
16 ethical thing. I'm coming to you now because there is
17 just a couple things. I don't know whether you know some
18 of the details of our -- of the shooting in San
19 Bernardino. You can look it up in the FBI report.

20 You're talking about 24 shots in eight seconds
21 from an AR-15. We're talking about by the time you figure
22 out something is happening, it's already done.

23 My husband was shot five times, and the bullets
24 ricocheted throughout his body. Then when they went to go
25 ahead and capture the people that did this, there's a

1 shootout.

2 Here's the amount. The SWAT team and the police
3 shot 400 rounds. The perpetrators shot 80. These are
4 trained individuals that know how to go ahead and get bad
5 guys. And because of the tactical gears and other things
6 that they had, they couldn't bring two individuals down in
7 less than 400 rounds.

8 So I'm asking you right now, the NRA is sitting
9 here telling you go ahead arm the teachers, arm this, arm
10 that. All they're doing -- they used to be responsible --
11 for responsible gun ownership, but now all they're doing
12 is putting the responsibility and the liability on
13 everybody else, and the money on everybody else, but them.

14 Because of PLCAA laws, we can't even touch them,
15 all right? So I'm asking you very much, please, to listen
16 to Mr. Chiang and to go ahead and vote for his proposal.
17 My daughters and I went to Washington D.C. afterwards
18 three times and talked to our legislators, and they did
19 nothing but give us our thoughts and prayers. They
20 listened to us, but there was no action taken.

21 I'm asking you please to have the courage to do
22 what our leaders do not. Thank you.

23 CHAIRPERSON JONES: Thank you. Next in line.

24 MS. TINA MEINS: Hello. My name is Tina Meins.
25 I'm here today to show support for Treasurer Chiang's

1 urging to divest holdings from companies that sell assault
2 weapons and their accessories. I'm the daughter of Damian
3 Meins, who, as my mom stated, was killed in the terrorist
4 attack in San Bernardino on December 2nd, 2015.

5 A little bit about my dad. He was amazing, as
6 most dads are. He was incredibly intelligent. He was
7 hilarious. He was tolerant, compassionate, and kind. He
8 was a good man, an astounding husband of 36 years to my
9 mother. He was an amazing dad, and my best friend.

10 As my mom said, he was shot five times, and
11 according to the autopsy report, he died in less than a
12 minute. He had no chance. The gun used during his
13 shooting was a military-style assault weapon attained
14 through a straw purchase.

15 This weapon, and weapons like one, are modeled
16 after the weapons our military uses. They are quite
17 literally weapons of war designed with every attention to
18 detail to make them as lethal and efficient as possible.

19 Their very conception, their design is to kill
20 people. The rapid fire capability of these weapons leaves
21 little recourse to those targeted by them. When people
22 are ambushed, they have little time to react or do
23 anything at all. And though I know a great deal of people
24 who own these weapons have no intention of harming others,
25 there's plenty of evidence that shows that these types of

1 weapons are increasingly being used in mass shootings and
2 in terrorist attacks, specifically incidence of domestic
3 terrorism.

4 In fact, that historically explosives have been
5 used in a majority of terrorist and lone wolf attacks on
6 U.S. soil. Since 9/11, most attacks involve fire arms. A
7 2015 SPLC report found that of the 61 incidents that were
8 studied between 2009 and 2015, 59 percent used firearms,
9 and another five percent used firearms and explosive.

10 In a book called Preventing Lone Wolf Terrorism,
11 some CT approaches discussed. The authors found that the
12 most concrete clue concerning lone-wolf operators and
13 their tactics is their modus operandi. In recent cases of
14 shooting sprees, including high school shootings and mall
15 shootings, all perpetrators were male, and all had license
16 to possess semi-automatic firearms.

17 Also, lone-wolf attacks typically kill more
18 people United States than these types of acts in other
19 countries. And it may be attributable to easier access to
20 high capacity weapons.

21 Consistent with the relaxation of U.S. gun laws
22 since the 1990s and the recent trend in mass shootings,
23 the lone wolf's preferred weaponry is now a staggering
24 range of high velocity of firearms. The ease of access to
25 guns and ammunitions in this country is well known, with

1 Al-Qaeda Adam Gadahn encouraging supporters in a widely
2 seen available -- in a widely available video from 2011,
3 that shown on YouTube to take advantage of lax
4 restrictions on gun and firearm ownership here and carry
5 out attacks using fire articles.

6 Additionally, attacks by firearms are deadlier.
7 And death by a firearm in the commission of a lone-wolf
8 attack are more prevalent than deaths by explosives. The
9 United States also leads the world in mass shootings.
10 Again, one factor that contributes to this is the
11 availability and accessibility of firearms. The overall
12 levels of violence have decreased, mass shootings have
13 gone up, according to a 2015 study by the Harvard School
14 of Public Health performed before the San Bernardino
15 shootings, before Charleston, before Orlando, before Las
16 Vegas, before Parkland.

17 According to that study, the rate of mass
18 shootings in the United States has tripled since 2011.
19 They define mass shootings as public attacks in which the
20 shooter and victim were generally unknown to each other
21 and four or more people were killed.

22 At that time, they -- in the previous 29 years,
23 mass shootings occurred on average every 200 days. And
24 during the past three years, there were 14 shootings
25 occurring on average every 64 days. And I suspect current

1 research would support this acceleration as well.

2 Gun violence for lack of a --

3 CHAIRPERSON JONES: Can you wrap-up?

4 MS. TINA MEINS: -- better descriptor is not
5 limited --

6 CHAIRPERSON JONES: Ma'am, can you wrap-up?

7 MS. TINA MEINS: -- to people with unsavory
8 business dealings. It hurts us all. And I just want
9 everyone to understand that we have a problem, and that
10 need action to change it, and change can be here today.
11 As a society where we put and spend our money speaks to
12 our values, and I'm asking you to value human life and
13 please divest.

14 Thank you.

15 CHAIRPERSON JONES: Thank you.

16 Sir.

17 MR. PEREZ: Good morning. My name is Jason
18 Perez. I represent the men and women of the Corona Police
19 Officers Association. I also sit on the board of Corona
20 Life Services, which is a faith-based crisis pregnancy
21 center. I'm also an endowment member of the NRA.

22 And I see some of the faces -- the dumbfounded
23 faces, why would I be bringing this stuff up? Because it
24 has nothing to do with having the fund healthy.

25 The things I do outside of work, or outside of my

1 official capacity have nothing to do with the way you guys
2 should operate and sustain the fund.

3 While I'm not trying to take away the losses and
4 the pain you have felt. I can't imagine. Some people
5 said that this is not political. Mr. Chiang, you made it
6 political by bringing these folks here. This is nothing
7 more than a political ploy for you and your run for being
8 a Governor for this state.

9 You have said before in this auditorium that it
10 is against CalPERS policy to divest. Yet, here you are
11 introducing, or strongly encouraging, the Board to divest.
12 Whether you land on one side of the case or the other, it
13 has nothing to do with CalPERS and its fiduciary
14 responsibility to invest to maximize returns for the
15 sustainability and the health of the fund, the retirees,
16 and the current members, and for that matter, for the
17 entire state, because they're all taxpayers. We're all
18 paying into this.

19 Thank you.

20 CHAIRPERSON JONES: You're welcome.

21 Madam, your turn.

22 MS. VERGE: My name is Suzanne Verge. I've got
23 to collect myself. My father was the registrar at Santa
24 Monica College for 40 years. And we collect his pension
25 and long-term care with CalSTRS, because he was in the

1 teachers, and I have family that does CalPERS with the
2 nursing.

3 I can't imagine the money that -- the profits
4 that you guys are making are the weapons that killed my
5 brother. So I will collect myself. People talk about
6 statistics. My brother is not a statistic. He was 18
7 years old, murdered one mile from our house by a UC
8 Berkeley Boalt Law School graduate, member of the
9 California State Bar. He wasn't a criminal until he
10 killed my brother.

11 I was 15 and a half. I know how these Parkland
12 kids feel, crying so hard that you think your heart is
13 going to break and you hope it does, so you can have it
14 just end.

15 I've been doing this for 18 years. My brother
16 died 40 years ago. I'm a member of a club that no one --
17 no one wants to belong to. And yet, our membership keeps
18 growing. There's more and more of us.

19 I got involved with this with the Million Mom
20 March when there was a shooting at the North Valley Jewish
21 Community Center, where a racist with an assault weapon
22 went in there to kill Jewish people and he shot two
23 children. And luckily, they lived. Then he left and went
24 and killed a postal worker, because he was Asian.

25 I went to the march. And then I ended up driving

1 a pink RV that said, "Halt the Assault", in 2004, because
2 I wanted to renew the assault weapon ban. My kids were
3 eight and they were 13. They stayed home. And while that
4 summer I took that time to drive across. I should have
5 been on vacation with my family. Instead, we go to
6 Sacramento, we go to Washington D.C.

7 Next week, my daughter goes to school at the
8 University of Miami, one hour south of Parkland. There
9 are many students who lost loved ones at MSD. And now,
10 new daughter texts me and says, mom, we've got to march
11 again. And that's what I'm doing, and it's not right.

12 As a society, we are paying too high of a price
13 for the gun retailers and gun wholesalers profits. I urge
14 you to choose life and divest over bloody, bloody profits.

15 CHAIRPERSON JONES: Thank you.

16 Next.

17 MS. TOVAR: Hello. My name is Genevieve Tovar.
18 My sister, Yvette Velasco, was murdered, along with 13
19 others during the San Bernardino mass shooting on December
20 2nd, 2015. One of her co-workers and his wife stormed
21 into a holiday gathering with AR-15s and opened fire.
22 Because of the legally obtained weapons they used, they
23 were able to brutally injure and kill a large amount of
24 unsuspecting, innocent people.

25 Before she was killed, Yvette, my sisters, and I

1 were all very close. We spoke every day and spent much of
2 our most valuable time together. Needless to say, we were
3 an integral part of each other's lives. Yvette has six
4 nieces and nephews, all of whom she has lived with at some
5 point in their lives. She baby sat often, and, in fact,
6 Yvette was like a second mother to my oldest nephew whose
7 biological father has been absent a great deal of his
8 life.

9 She was the go-to person in our family when
10 anyone wanted and honest and loving opinion. She always
11 had the best interests at heart for those she loved.
12 Yvette was never afraid to do what she believed was right.

13 She worked hard to accomplish her goals. And her
14 hard work was about to payoff that December 2nd when she
15 was supposed to receive her Registered Environmental
16 Health Specialist badge.

17 When I think about that day, I can't help but
18 consider her size. Yvette stood 5'1" tall, she weighed no
19 more than 100 pounds, and was not even big enough to
20 donate blood.

21 To imagine that she was shot several times with
22 such a damaging weapon is traumatic in itself. It is one
23 thing to never have my sister again, but it is another
24 thing to know she was murdered in such a violent
25 destructive manner.

1 I read an in the article New York Times in which
2 military doctors describe the damage AR-15 bullets can do.
3 They describe the wounds from those weapons as being as if
4 a bomb had gone off, and that the exit wounds were up to a
5 foot wide. To think that weapons like this were also used
6 this in the murdering of children in places like Newtown
7 and in Parkland is unfathomable.

8 Having to try to explain to my children what
9 happened to their auntie has been inconclusive. They
10 think about -- they talk -- they still talk about their
11 auntie Yvette often. Many times they ask questions that I
12 don't know how to answer, questions like why did someone
13 want to kill auntie? Why can't I see her anymore?

14 But most baffling question of all, "Mommy, why do
15 they let the bad guys have the guns"? My answer to that
16 is, "I don't know". Because I don't know what person with
17 a conscience would allow these war weapons to be so easily
18 attainable. The type of weapons intended for military use
19 that are capable of maiming as many people as possible in
20 a short span of time.

21 So I'll ask you in the wake of this epidemic of
22 mass shootings caused so easily by people with assault
23 rifles, will you continue to let the bad guys have the
24 guns? I hope and pray that your answer is no, and that
25 you grant Treasurer John Chiang's request to divest of all

1 investments in companies involved in the selling and
2 wholesaling of assault rifles.

3 CHAIRPERSON JONES: Thank you.

4 Next.

5 MS. PORTEOUS: Good morning, members of the
6 Board. Before I proceed with my statement, I would like
7 to ask each one of you to take a moment to think of the
8 five people you love and cherish the most in this entire
9 world. Imagine that one of them is brutally murdered this
10 morning, and you return to your respective lives after
11 this meeting to pure hell and devastation, traumatic
12 grief, as you learned your loved one was murdered by an
13 AR-15.

14 Members of the Board, this hell on earth happened
15 to me and my family on December 2nd, 2015. My name is
16 Erica Porteous and my baby sister, Yvette Velasco, was one
17 of 14 innocent people killed in the largest terrorist
18 attack at the time on U.S. soil.

19 This is a picture of my beautiful sister. I
20 passed -- am passing that around. That's a picture of
21 Yvette. She was a college graduate that would soon pursue
22 her Master's in Environmental Health Sciences. She was a
23 lover of nature and mankind, always seeking to understand
24 different perspectives and cultures. She was driven and
25 passionate about the work she was doing as an

1 Environmental Health Specialist. She wanted to influence
2 the world for the greater good.

3 The past two years have been the hardest years of
4 my life. I've learned that our family is experiencing a
5 different type of grief, not the type that a -- not the
6 type of grief that you experience because your loved one
7 died of sickness, or disease, or even a freak accident.

8 My sister was purposely murdered in a manner
9 reserved for military warfare. My parents, sisters, and I
10 struggle daily proceeding in life without Yvette. Even
11 Yvette's nephews have entered into therapy to help their
12 little minds cope with the fact that they won't see their
13 auntie again.

14 I will never see Yvette accomplish her dreams or
15 play with our children, as she once did. I will not see
16 her marry or have children of her own. She would have
17 turned 30 a few weeks from now on April 3rd. And it
18 saddens me to no end that not only did she die at the
19 hands of military weapons, but innocent people, including
20 children, continue to die because these weapons are
21 readily available to the public.

22 Yvette was a quiet and private person, but she
23 was the type of woman that would not stay quiet if she saw
24 injustice or wrongdoing. It is because of her that I
25 stand before you today to ask for you to withdraw

1 investments in all wholesale and retail distributors of
2 military style weapons, like the ones that killed my
3 sister.

4 Yvette was brutally killed. After she was
5 brutally killed, my family and I have tried to find ways
6 to influence change within our ourselves and gradually
7 spanning outside of our greater circles of influence. We
8 know that change will not happen overnight. It occurs by
9 way of many cumulative decisions. One of those decisions
10 is in your circle of influence. I echo the Treasurer's
11 stance that there is no place for these types of weapons
12 in the hands of general public, absolutely none.

13 I urge you to think of Yvette and the fact that
14 she could have been your sister, your daughter, your
15 granddaughter, or your niece. You have the ability to
16 influence change, and I am pleading for you to use it.

17 Thank you.

18 CHAIRPERSON JONES: Thank you.

19 Sir.

20 MR. VERDEHYOU: Good afternoon.

21 Good afternoon.

22 Thank you, Treasurer. Thank you, Board. My name
23 is Arlen Verdehyou. My wife was Bennetta Betbadal. She
24 was one of the 14 killed in San Bernardino.

25 I'm a member of CalPERS. I've been a police

1 officer for school districts, college districts for over
2 25 years. I protect lives, children, K through 12,
3 college now. I do anything to protect them, but I
4 couldn't protect my wife on that day by gun battle rifles.

5 I know most people, most officers, CalPERS,
6 CalSTRS, they want the best investment for their
7 retirements. I'm about to retire in a couple years, and
8 I'm hoping to get the best investment myself. But if I
9 could save a life from gun violence because of my -- from
10 you guys, I'll do it. There's no amount of money on human
11 life.

12 And I beg you guys and I thank you, Treasurer,
13 for allowing me to be here to say from myself and my
14 family, do anything possible to put a dent in gun
15 violence, and reduce guns in the hand of wrong people.

16 Thank you

17 CHAIRPERSON JONES: Thank you.

18 So we're going to start back over here. And if
19 the three of you can allow the next group to come forward,
20 that would be helpful. And, ma'am, you can start now.

21 MS. HUILE: Hi. Hi, all. Thank you for allowing
22 me to come here and to share some problems just to make
23 change, and support joint change.

24 My name is Hiwet. I am wife of Isaac Amanios
25 which he lost his life in December 2nd, San Bernardino.

1 Why I am coming to explain this, just I don't
2 want any family to feel what I am passing through just to
3 protect for the future family. The tragic day of Isaac
4 got killed remains in the family. Members, especially my
5 children and my -- and me.

6 Ever since, I have been grieving. My children
7 too are having difficult time finding -- it's very hard to
8 overcome their loving father's untimely death. My
9 children were outstanding students. But because of loss
10 of dad, that -- they couldn't make it. They are
11 struggling. All of us our struggling morally,
12 spiritually, and physically because we lost him.

13 It's a little different mine I can say. We chose
14 to live in America because we believe America is the
15 safest place, but we lost the main one, the father of the
16 house. We lost him and everything was devastated.

17 We try -- I try -- I am a registered nurse
18 working in the county, San Bernardino. I tried my best to
19 be strong, to help my kids, and help myself, but still
20 struggling. And now, I am really -- I'm here to support
21 John Chiang, because I don't want any family to be like
22 what I'm going through.

23 Please, it's in your hand to support American
24 people to live in safe. Safety is priority.

25 Thank you.

1 CHAIRPERSON JONES: Thank you.

2 Sir.

3 MR. MORGAN: Hi. My name is Joe Morgan. I
4 should probably start off. I am a teacher. I stand in
5 front of a classroom at a junior college three times a
6 week. I've had to stand in front of a classroom of junior
7 high kids, and explain, and talk to them about school
8 shootings. This is -- this is really to me.

9 The school that I teach at has been targeted
10 twice for school shootings, one time by the San Bernardino
11 shooters. I live in Corona, so I get it. I'll probably
12 be out there Saturday marching with the people. I
13 appreciate the efforts. I believe in the efforts.

14 But the fact is divestment doesn't work. This is
15 not a role for -- that this Board should be doing. You
16 face significant reputational risk by divesting. It's not
17 listed on your pros and cons, you know, but this costs you
18 every time you do it in terms of reputation.

19 CalPERS has is become essentially kind of a wish
20 basket for everybody to put their dreams and desires and
21 to make a better world. And there's a limit to the power
22 that you have. And there's a limit to the ability of the
23 tax paying public to absorb these kind of activities. You
24 know, we -- your main purpose is to get a return. I
25 appreciate a lot of the efforts that you've -- that you've

1 put forth to try to maintain sustainable investments.

2 A lot of them make a lot of sense. But your own
3 paper right here says divestment doesn't work. You're
4 better off being in the game than being out of the game.

5 And, look, I live in Corona. None of the -- none
6 of the shootings that have been listed here says that
7 these people bought this stuff at Walmart, or Dick's, or
8 Big Five. You know, they were bought at mom and pop
9 places. And there's no -- there's no corporate entities
10 that sell bump stocks. And those are going to be banded
11 by the Feds pretty soon, and probably by the State. And,
12 you know, this is like a red herring. You know, this
13 really has been made entirely too political. You know,
14 there's no purpose for this hearing other than politics.

15 You know, there's a got to be a limit. And
16 you've got to see at the end of the day, this is costing
17 you credibility just in terms of the Job that you do. I
18 know that overall you do a good jon, but this costs you
19 every time you do this.

20 So that's -- thank you very much.

21 CHAIRPERSON JONES: Thank you.

22 Sir.

23 DR. DURSTON: I'm Dr. Bill Durston -- Mr. Chair
24 and Members of he Board, I'm Dr. Bill Durston. I am a
25 former expert marksman in the U.S. Marines, a Vietnam

1 combat vet, and retired ER doc. And I'm here to speak on
2 behalf of Americans Against Gun Violence and Sacramento
3 Chapter of Physicians for Social Responsibility in strong
4 support of Treasurer's Chiang's divestment proposal.

5 We also commend the Board on your prior
6 divestment after the Sandy Hook massacre. Contrary to
7 what the prior speaker said, that was a very important
8 move that you took. It was followed in California by the
9 adoption of laws to close some of the loopholes in our
10 assault weapons ban. Obviously, it didn't stop the
11 shameful epidemic of gun violence in our country. We
12 still have the horrific mass shootings.

13 On an average day in the United States, more than
14 100 people are killed by guns, some by guns that have
15 been -- of the type you divested from the manufacture of,
16 but are still available in California as a result of
17 grandfather clauses, most by guns that are still legal for
18 sale in California, and mainly handguns which confer no
19 net protective value.

20 Treasurer Chiang's divestment proposal is another
21 important step -- small step, but an important step in the
22 right direction. Of course, we acknowledge it's not going
23 to bring rates of gun violence to the United States down
24 to rates in other high income democratic countries, in
25 which on average the rate of gun-related deaths for the

1 overall populations is 10 times lower than the United
2 States, for high school age students 82 times lower than
3 in the United States.

4 If we're going to lower our rates of gun violence
5 to levels comparable to other high income democratic
6 societies, we have to adopt comparable stringent gun
7 control regulations. These include stringent
8 restrictions, if not complete bans, on civilian ownership
9 of handguns and all semi-automatic and automatic rifles.

10 Senator Thomas Dodd of Connecticut called for
11 such regulations in 1968, after the assassinations of
12 Martin Luther King and Robert Kennedy. Since 1968, more
13 U.S. civilians have been killed by guns than all the U.S.
14 soldiers killed in all the wars in which our country has
15 ever been involved.

16 As Treasurer Chiang has implied, you don't
17 wait -- need to wait for a President, a new Congress, a
18 new Governor, a new State legislature before you can make
19 divestment decisions. And you certainly don't need to
20 wait for a reversal of the NRA's rewrite of the second
21 amendment, endorsed in the rogue Heller decision in 2008,
22 which essentially eliminated the term, "a well regulated
23 militia", from the United States Constitution.

24 If you adopt Secretary -- or Treasurer Chiang's
25 current proposal, you'll send a ripple across the country.

1 If you adopt divestment from all businesses involved in
2 the manufacture of all automatic and semi-automatic rifles
3 and all handguns, you will create a tidal wave that could
4 completely change the parameters of the gun control debate
5 in our country.

6 Thank you very much.

7 CHAIRPERSON JONES: Thank you. Madam.

8 MS. YOSHIKAWA: Thank you. My name is Rosemary
9 Yoshikawa, and I'm here to represent Moms Demand Action, a
10 national organization that works with legislators on all
11 levels, state/federal. We work with corporations and
12 schools to enact common sense gun reforms.

13 We are here to support Treasurer Chiang's request
14 to divest holdings from companies that manufacture and
15 sell banded weapons. Thank you.

16 CHAIRPERSON JONES: Thank you.

17 MS. SAFFIAN: Good morning, Board members. My
18 name is Laurie Saffian. I am president of Women Against
19 Gun Violence. And I am here today to speak in support of
20 Treasurer Chiang's divestiture proposal.

21 The law of California is clear, and the voters of
22 California, and no doubt many of the employees this fund
23 represents, resoundingly agree that assault weapons, high
24 capacity magazines and their accessories have no place on
25 our streets.

1 By taking a strong stand with the sellers of
2 these weapons designed to kill as many people as possible,
3 as rapidly as possible, you not only uphold the spirit of
4 the law, but you set an example for the rest of the
5 country.

6 The tide is shifting. We've heard it this
7 morning toward a boldness and outspokenness to reject the
8 myths perpetrated by the gun lobby, manufacturers, and
9 retailers. Treasurer Chiang's proposal and his call for
10 institutional investors across the country to similarly
11 divest offers this Board the opportunity to lead that tide
12 again, just as you did five years ago when you divested
13 from manufacturers.

14 In Women Against Gun Violence's 25 years, we have
15 been proud to stand with California as it has blazed a
16 trail taking the strongest actions in the nation to
17 protect its citizens from gun violence. I want to close
18 with excerpts from an essay recently written by Alec
19 Foster. He's now a college junior. He was just 10 months
20 old strapped in his car seat when his seven year old
21 brother, Evan was murdered sitting next to him by an
22 assault weapon.

23 His mother Rhonda had taken Evan to the park to
24 pick up his soccer trophy, and their car was caught in
25 cross fire. Alex wrote this five days before Parkland.

1 This is Alec. "It is rather difficult to
2 accurately describe how heartbreaking it is for me to say
3 that I don't remember my brother, but that is the reality
4 I live with. I'm angry that my brother's life was taken
5 from me. I long to know what it would have been like to
6 grow up with him right beside me. It infuriates me that
7 someone ripped him away from me without my having any say
8 with a firing of a deadly gun.

9 "But what really shakes me to my core is that
10 these assault rifles are legal to possess and fairly
11 easily accessible to the common person. Enough is enough.
12 I do not want another human being to have to go through
13 what I and my family have had to go through. I do not
14 want to see another innocent child on the news that has
15 been gunned down at the hands of an assault rifle. I do
16 not want another community to have to grieve and feel
17 unsafe going to church or going to school or going to the
18 movies, or going to concert".

19 For Alex, for Evan, for all of the children and
20 adults whose lives have been taken, their stories we heard
21 this morning, and for all who look to us to protect them,
22 I urge you to take this important divestiture stand.

23 Thank you, Treasurer Chiang for your leadership
24 on this issue. It is not political. It is humane, and it
25 is the right thing.

1 And thank you, Board members, for your time.

2 CHAIRPERSON JONES: Thank you.

3 Next.

4 MS. LESLIE: Good morning, CalPERS Board,
5 Chairman Jones. Thank you for allowing me to be here
6 today. My name is Elizabeth Leslie, and I'm here on
7 behalf of the League of Women Voters of California. As
8 many of you may know, the League has been around offering
9 good public policy for almost 100 years. We've been
10 fighting for three decades for common sense gun control.

11 Today, we are here to offer our support
12 enthusiastically for the proposal from Treasurer Chiang to
13 divest from companies that deal in weapons that are legal
14 to own or sell in California.

15 It is clear that the proliferation of handguns
16 and semi-automatic assault weapons is a major health and
17 safety threat to all of us. The League supports strong
18 measures to limit the accessibility and regular the
19 ownership of these weapons by private citizens.

20 We believe that divestments and boycotts such as
21 this one make an important public statement and serve to
22 change public policy. We strongly urge the Board to
23 support this proposal and ensure that CalPERS retirement
24 money is not invested in companies that sell or promote
25 banned weapons.

1 The time is now for you to make your legacy, to
2 take every action to stop the violent slaughter of
3 Americans by assault weapons.

4 Thank you.

5 CHAIRPERSON JONES: Thank you.

6 Next.

7 MS. FIRPO: My name is Janine Firpo. I'm a
8 native Californian and a recently retired international
9 business executive. I'm here because I know that it is
10 possible to achieve financial returns and social returns
11 at the same time. And I know this because I have been
12 personally and professionally involved in the impact
13 investing space for over 10 years. And because you are
14 leaders in the ESG space, I think you know this as well.

15 And I plan to refute the claims that divestment
16 doesn't work. And I think the people who don't understand
17 social-responsible investing are on the wrong side of
18 future trends in this country and around the world.

19 Gun violence in this country has become an
20 absolute epidemic. It is now the third largest killer of
21 children in the United States. I'm also speaking for my
22 husband who is a 20-year veteran in the public school
23 system. He has personally been in numerous drills, and at
24 least one school lockdown, because of fears of guns on
25 campus.

1 Our students, our teachers, and the public should
2 not have to live like this. Mass killings should not
3 become the new normal. The issue that we're discussing
4 today is about more than financial return, it's actually
5 about our values. And we know that 65 to 75 percent of
6 Americans in this country want stricter gun laws. Yet, we
7 can't get our government to act.

8 People in this country want to see change. And
9 one mechanism that has been effective in other campaigns
10 is divestment. Examples include the movement against
11 apartheid in the 1980s. And we've seen more recent
12 departures from fossil fuel companies that are having an
13 impact.

14 While divestment is not the sole driver of
15 change, it is an important tool, and importantly, it
16 allows people to align their money with their values.
17 Divestment and socially responsible investing do not mean
18 giving up returns. A recent report that analyzed 2,200
19 studies over a 40-year period concluded that the business
20 case for social screening was empirically well-founded.
21 And just last year, Morningstar found that their
22 sustainable fund group is actually performing better than
23 the overall fund universe. So the argument that
24 divestment will reduce -- result in reduced gains is not
25 necessarily true, and it's definitely not true in the long

1 term.

2 What's more, increasingly numbers of people in
3 this country are demanding opportunities to align their
4 money with their values. Eighty-four percent of women, 81
5 percent of young men want to invest in sustainable
6 investing. And we're seeing 22 percent of total assets
7 under managements in this country are now in ESG
8 principles.

9 You are administering the money of 1.6 million
10 former and current public employees in California. They
11 have the right, including my husband, to make a decision
12 about where their money is invested. And the fact that so
13 many people in this country want to do something with gun
14 laws suggests that investment in the gun industry is going
15 against the values of the very people that you're
16 representing.

17 We also know that values-based divestment does
18 not mean that you have to give up your fiduciary
19 responsibility. As investors of the people's money, you
20 hold an increasing duty to not only meet their financial
21 objectives, but also their social concerns.

22 Thank you.

23 CHAIRPERSON JONES: You're welcome. Okay.

24 Back over.

25 MS. SNODGRASS: Donna Snodgrass, Director of

1 Health Benefits, Public Employees Retirement System[SIC].

2 RPEA concurs with the report by staff to not
3 divest in the companies engaged in lawful activities.
4 They shouldn't be excluded from the CalPERS portfolio.
5 Working on engagement on controversial company boards and
6 stockholder meetings to redirect the company toward good
7 corporate behavior, in our opinion, would be a better
8 idea.

9 Proactive participation in corporate affairs is
10 more likely to produce positive results within the
11 controversial businesses, specifically in the case of
12 guns.

13 The first priority and responsibility of each and
14 every Board member here is the health of the Public
15 Employee Retirement Fund. The last official report was 68
16 percent funded. That's a low number.

17 If a motion to divest is passed, I would like to
18 know if the Treasurer is prepared to make contributions to
19 the fund in the same amount that is lost in investment
20 revenue. According to the report in the package today,
21 that's almost \$1 billion of divestiture.

22 There's no P in ESG, p being political. Using
23 this fund for political purposes is wrong.

24 Now, the victims that are here today speaking,
25 and their survivors, went through hell. There is no doubt

1 about that. And I sincerely hope that each and every one
2 of them are receiving the follow-up care that they
3 deserve. But I will point out to you today that the
4 entire system failed the children on February 14th. The
5 entire system. In other words, Mr. Chiang, good people
6 stood by and did nothing leading up to that incident.

7 Thank you.

8 CHAIRPERSON JONES: Next.

9 MR. LINN: Chairman Jones, Board members, my name
10 is George Linn. I am the President of the Retired Public
11 Employees Association. And I'm going to be much briefer
12 than my colleague Donna was.

13 One of my concerns is this item is about ESG
14 strategy. And, you know, I hear all of the things about
15 one item, but I don't hear about ESG in particular. You
16 know, quoting from the Governance and Sustainability
17 Principles on page four, CalPERS expects all internal and
18 external managers of CalPERS capital to integrate the
19 principles into investment decision making, including
20 proxy voting, consistent with fiduciary responsibility, to
21 seek the highest possible returns at an acceptable level.

22 Now, in my view, that doesn't exclude ESG. But
23 when I read Ms. Simpson's section on this item, nowhere
24 did I find the comments return on investment has priority.
25 In my opinion, as a member of CalPERS, as a retired

1 member, we need to focus on return on investment. If ESG
2 fits into the picture, hey, that's a winner. But I think
3 that we have not focused on return on investment based on
4 what I've heard.

5 And also quoting from some of her information in
6 her item, it says that divestiture may generate media
7 attention for the issue. Oh, wow, that's good. Let's
8 have some media attention.

9 But when you go on down to the cons for
10 divestiture, the item that hits me right between the eyes
11 is divesting appears to almost invariably harm investment
12 performance.

13 So what are we all about?

14 You know, I also have looked at the article in
15 the November CalPERS announcements, and we invested in a
16 wind farm. And that's great, but what's the return on
17 investment? I know that we have solar. We have other
18 kinds of investments that are ESG. What's the return on
19 investment? Are those returns getting the PERF to jump up
20 or is it just stationary?

21 CHAIRPERSON JONES: Thank you.

22 Next.

23 MR. SONTI: Good morning, Board. Samir Sonti.
24 Unite Here, Local 11, the hospitality workers union in Los
25 Angeles. On behalf of our union, I want to first express

1 our deep admiration for and gratitude towards all the
2 speakers who have shown such strength and conviction this
3 morning.

4 I also want to commend Treasurer Chiang for his
5 leadership on this really defining issue of our times.
6 Union Hotel members at the Mandalay Bay Hotel in Las Vegas
7 witnessed firsthand the unthinkable horrors that result
8 from the unregulated sale of military style firearms.

9 And given the distressing political climate in
10 Washington, we all know that we can't expect any action
11 from the federal government. So it's incumbent upon
12 states like California and institutional investors like
13 CalPERS to lead on this issue. We applaud the past
14 leadership by CalPES on this. The Board and staff has
15 done a lot to address this epidemic, and we encourage you
16 to take this important next step.

17 Thank you.

18 CHAIRPERSON JONES: Thank you.

19 Next.

20 MR. RALLS: Hello. Good afternoon, CalPERS
21 Board. My name is Dennis Ralls. I'm the president of the
22 Corona Supervisors Association. I represent 40 of the
23 middle management in the City of Corona.

24 I've been in CalPERS for almost 20 years now.
25 And I kind of want to talk about this very emotional

1 topic. As a father of two sons -- elementary school sons,
2 having to have conversations about gun violence it's hard.
3 I personally have had friends who were in the building at
4 San Bernardino. I've had friends who were at the concert
5 at Las Vegas, some of them had their hats shot off. Their
6 family was -- their family had to lay down and were saved
7 by another off-duty officer. Another friend still suffers
8 from PS -- PSD.

9 And I -- when I heard about the Florida
10 shootings, you know, and then hearing these folks speak
11 today, my heart weighs heavy with those. But despite
12 that, this isn't public money. This is our money. You
13 know, we are investing to make sure that our future, and
14 my kids' future, continues on, so that they have the
15 opportunities to continue to hopefully take on a cause
16 like this, and fight for what they believe in.

17 I would challenge you, rather than divest from
18 companies that do business like this, use your influence
19 and your power to fight back. Get them to -- speak to
20 them. Get to them to change their ways, if that's what
21 needs to be done. Use your power and your influence that
22 way. Don't run away from the fight. Double down. Hit
23 them head on, and challenge them to change their ways, if
24 that's the will of the people.

25 Thank you.

1 MR. JONAS: Good afternoon. My name is Phil
2 Jonas. I'm a member of the Peace Officers Research
3 Association of California, PORAC, board of directors.
4 PORAC represents over 70,000 California law enforcement
5 officers, nearly 50,000 of whom are CalPERS members.

6 Recently, the American Council Capital Formation
7 warned that CalPERS has quote, "Demonstrated a troubling
8 pattern of investments in social and political causes that
9 are truly jeopardizing the retirement fund". Pension
10 funds are entrusted to treat -- to treat fiduciary
11 responsibility above all and design stocks to invest.

12 As Andy Kessler wrote last week in the Wall
13 Street Journal, if you don't like where you money -- where
14 your returns are, someone else will.

15 If CalPERS recklessly invests with social
16 responsibility as a top priority, CalPERS will suffer, and
17 society will be left unchanged as the divested stocks will
18 be quickly bought up on the secondary market by other
19 investors. CalPERS executives are the agents of the
20 owners of CalPERS, in other words, the members. You have
21 a direct responsibility to the members. And that
22 responsibility is to manage the investments in accordance
23 with their desires.

24 A recent survey found that focusing on maximizing
25 returns and returning the fund to 100 percent funded

1 status was supported by 74 percent of CalPERS members.
2 Only a small percentage supported investing in projects
3 that supported political, or social causes, or divestment
4 schemes.

5 As a person, you may have many other
6 responsibilities that you recognize or assume voluntarily
7 to your family, your conscience, your community. You may
8 feel impelled by these responsibilities to devote part of
9 your income to causes you regard as worthy, or to refuse
10 to work for or invest in particular corporations, such as
11 gun retailers. We may refer to some of these
12 responsibilities as social responsibilities. But in these
13 respects, you are acting as a principal, not an agent.

14 You are spending your own money, or time, or
15 energy not the money of your employers. If these are
16 social responsibilities, they are your social
17 responsibilities as individuals, not that of CalPERS.
18 Profits are the best measure of CalPERS valued members to
19 taxpayers and to society.

20 P.T. Barnum famously said there's a sucker born
21 every minute. Many of them go into so-called socially
22 responsible investing. But the basic idea is to throw
23 money away. For their -- for this Board to push their
24 view of social responsibility is simply to force CalPERS
25 members and taxpayers to contribute against their will to

1 social causes favored by activists.

2 In short, do whatever you want with your money.
3 However, as pension managers, you are not investing your
4 money, you are gambling with the financial future of
5 retirees and public employees. This runs contrary to your
6 fiduciary responsibility as pension managers.

7 Public pensions are a right earned by State and
8 municipal workers and retirees, who have devoted much of
9 their lives to protecting and serving the public. They
10 should not be used as policy experiments or be part of
11 some agenda to affect social change.

12 Regardless, divestment from gun retailers will
13 have no effect upon the frequency or lethality of mass
14 shooting events, and this is because mass murder is among
15 the most pre-meditated of crimes. A determined murderer
16 will not be deterred by gun laws.

17 Thank you.

18 CHAIRPERSON JONES: Okay. Thank you.

19 The list that I have from the public, in terms of
20 the requests to speak, there are about five additional
21 individuals on this list that have not spoken. So if
22 you're in the audience, you have the right now to come
23 forward to speak. And if you were not on the list, I'm
24 going to ask if there is anyone else who would like to
25 speak at this time.

1 Okay. We have one. So again, indicate your name
2 and organization and you have three minutes.

3 MR. SILBERSTEIN: So my name is Steve
4 Silberstein. I'm just a citizen here. Although, as a
5 citizen, I serve on a pension board in Marin County. I
6 just wanted to urge the Board to consider a more activist
7 proxy voting strategy. We talked earlier today about the
8 risk of drawdowns, frauds in corporations that we invest
9 in, sexual harassment and so on, which detracts from the
10 value of our investments.

11 When there are women and minorities on the boards
12 of these corporations, there is less such risk. There
13 have been numerous academic studies to that effect. Some
14 pension funds, in particular Massachusetts and Rhode
15 Island, have a policy of voting against reelecting to the
16 corporate board the members of the Board nominating
17 committee unless the board has 30 percent women and
18 minorities. That's a very simple voting strategy to
19 de-risk the portfolio. And I would suggest that CalPERS
20 consider doing that.

21 The second thing is the executive compensation,
22 as we all know, has gone out of control. The average
23 corporation puts about 10,000 words in its proxy statement
24 in some convoluted scheme to show how the CEO deserves
25 another five or ten million dollars this year, and so on.

1 CalPERS, unfortunately, approves a great many of
2 these excessive CEO compensation packages, which detracts
3 from the returns. Because when the CEO is taking more and
4 more money for himself, there's less money for the
5 shareholders. So there's some pension funds, Minnesota
6 for example, votes against 60 percent of the CEO pay
7 packages in the S&P 500 companies.

8 Florida votes against 40 percent. The Alberta
9 pension fund votes against 80 percent. And some European
10 funds vote against 90 percent. And I would suggest that
11 CalPES, which votes only against about 15 or 16 percent is
12 way out of line in what's going on there.

13 So I would suggest it's part of increasing
14 returns de-risking that we have a more aggressive policy
15 to tell these boards that if they can't do their job,
16 we're not going to reelect them. And the CEO needs to,
17 you know, take his hand out of the till.

18 Thank you.

19 CHAIRPERSON JONES: Okay. Thank you.

20 Next. If you would indicate your name and
21 organization and you'll have three minutes to speak. And
22 the time is right here.

23 MS. FINE: Thank you.

24 So my name is Lisa Fine, and I'm a Vegas shooting
25 survivor. And I support the Treasurer's opinion and

1 views.

2 I was in the front row in VIP section when the
3 war zone opened up. I have founded a nonprofit
4 organization called Route 91 Strong. And our main focus
5 is to help the victims and survivors of that horrible
6 tragedy. I went to a concert, and automatic weapons were
7 used to try to kill myself and 22,000 people. I'm very
8 emotional right now, and I apologize. I've never done
9 anything like this.

10 But what I do stand for is for these victims that
11 are being murdered. We have voted on having two new board
12 members come on to Route 91 Strong, one being the Parkland
13 shooting survivor Thomas Holgate. Also, another survivor
14 from Washington D.C. that was a victim of gun violence.

15 Something has got to change. And I just -- I see
16 there is a big shift happening. And I'm just a girl that
17 went to a concert that was -- that somebody tried to
18 murder myself. And I watched and listened to people die.

19 It was the worst thing I've ever experienced, and
20 we are all vulnerable. We have to be vigilant. We cannot
21 be complacent. And I am here to take that stand.

22 If anybody would like to help us with
23 Route91Strong.org anyway you can to help these victims,
24 and survivors get through the worst horrific tragedies of
25 their lives. We are helping other victims and survivors

1 of tragedies including Parkland, and in Texas. I mean, we
2 need to be safe in our schools, our churches, concerts,
3 movie theaters. We need to feel safe. And that's why I'm
4 here.

5 And I'm finished. Thank you so much for
6 listening. And sorry about being so nervous. It's been
7 an emotional roller coaster. It's been five months and I
8 just want to be a voice for those that don't have a voice.
9 Thank you.

10 CHAIRPERSON JONES: Thank you.

11 Okay. That concludes the speakers list that we
12 have.

13 And so, Mr. Chiang, did you want to make any
14 closing comments?

15 COMMITTEE MEMBER CHIANG: I shared earlier my
16 request.

17 CHAIRPERSON JONES: Okay. So is that by a motion
18 or are you just requesting --

19 COMMITTEE MEMBER CHIANG: I'm requesting the
20 Chair to set that on the agenda.

21 CHAIRPERSON JONES: Okay. So the Chair is ruling
22 that we have already a schedule of divestment policy
23 coming up early part of next year. And so that will give
24 staff additional time to complete this process that
25 they're already in. So unless there's a motion to

1 overrule that decisions, that's my direction.

2 Okay.

3 COMMITTEE MEMBER CHIANG: I'd like to have a --

4 VICE CHAIRPERSON COSTIGAN: Push your button.

5 CHAIRPERSON JONES: Wait.

6 VICE CHAIRPERSON COSTIGAN: Push your button.

7 CHAIRPERSON JONES: Okay. There you go.

8 COMMITTEE MEMBER CHIANG: I'd like to get a sense
9 of the Board.

10 CHAIRPERSON JONES: So if you want to make a
11 motion, you need to set --

12 COMMITTEE MEMBER CHIANG: I make that motion.

13 CHAIRPERSON JONES: So it's been moved by Mr.
14 Chiang to have a discussion on this item investment on
15 guns in April. Is there a second?

16 COMMITTEE MEMBER FECKNER: Second.

17 CHAIRPERSON JONES: Second by Mr. Feckner.

18 Discussion?

19 Ms. Taylor.

20 COMMITTEE MEMBER TAYLOR: Thank you. I agree. I
21 think that we can discuss this. I'm not sure that I agree
22 with the Treasurer's idea, but I haven't fully looked at
23 it. But I do want to thank everybody for testifying
24 today. And I can't even imagine what all of you have gone
25 through. And the activism that you are currently showing

1 and turning your grief and your anger into this energy is
2 admirable.

3 I also wanted to thank the staff for really
4 reaching out to who we are invested with, to engage with
5 them - I think I said this earlier - to make sure that we
6 got them to answer to the Marjory Stoneman Douglas
7 request, which was the four items, which no longer selling
8 assault style weapons, no longer selling firearms to
9 anyone under the age of 21, no longer selling
10 high-capacity magazines, and never selling bump stocks.

11 And I -- I think it's amazing that we have gotten
12 all four of these large corporations to agree to all of
13 this. And in addition to that, Dick's has agreed to be an
14 advocate against gun violence, and calling on policymakers
15 to issue regulations to ban assault style firearms. So
16 with all of you and all of them, the large corporations,
17 working together, maybe we will finally get some movement
18 at the federal legislative level.

19 I will also say that I think that it's important
20 that we have engaged and accomplish this, but we didn't do
21 this alone. I think all of your activism with us engaging
22 with the companies that we own, enabled us to accomplish
23 this. And I want to thank you all for your activism. I
24 don't think we would have gotten it done otherwise.

25 I also want to say that I look forward to the

1 activism as it continues. And I look forward to a
2 conversation on this, but I want to also say that I think
3 that CalPERS has done a really good job of engagement and
4 getting where we needed to be.

5 So therefore, I think that it's not entirely
6 necessary for us to divest. I don't have a problem with
7 the conversation, if we want to have the conversation at a
8 later date. But if we are acting responsibly, and as we
9 always do, we do have a divestment policy that states that
10 we generally don't divest.

11 And if we are divesting, we lose our seat at the
12 table. So we wouldn't have been able to get Dick's or
13 Walmart or any of the other companies to engage with us if
14 we no longer own those stocks. So I just wanted to make
15 sure that the folks understand that we -- our divestment
16 policy is pretty clear.

17 But also, we have engaged, and we -- and it has
18 worked. So -- and again, thank you all for coming. I
19 know this has to be really hard. I'm a mother of two
20 children. My kids are old enough that they didn't have to
21 go through this, but thank you very much.

22 CHAIRPERSON JONES: Mr. Chiang, I just want to be
23 sure that your request is to bring a report in to divest,
24 not to have additional discussion, is that correct?

25 COMMITTEE MEMBER CHIANG: Um-hmm.

1 CHAIRPERSON JONES: Okay. And the seconder of
2 the motion, you concur with that? You still second that,
3 Mr. Feckner?

4 COMMITTEE MEMBER FECKNER: Yes.

5 CHAIRPERSON JONES: Okay. So I just want to be
6 sure we're talking about bringing a report to divest next
7 month.

8 Okay. Mr. Gillihan.

9 COMMITTEE MEMBER GILLIHAN: Thank you, Mr. Chair.
10 I just wanted clarification before we take a vote on the
11 Treasurer's motion. As to what was the specifics of your
12 direction to staff absent this motion?

13 CHAIRPERSON JONES: Because we have -- it's
14 already on our annual calendar to review our whole
15 investment Divestment Policy in an upcoming meeting. And
16 so guns will be part -- Mr. Eliopoulos maybe wants to --

17 COMMITTEE MEMBER GILLIHAN: Yeah, what's the
18 timing of that though I guess is what I'm trying to
19 understand.

20 CHAIRPERSON JONES: Okay. The time of that.

21 CHIEF INVESTMENT OFFICER ELIOPOULOS: Yeah. In
22 our divestment policy, we've set up time periods for
23 review of existing divestments. If you remember, we
24 reviewed tobacco divestment last year. Later this year,
25 we're scheduled to review our Iran/Sudan divestments. And

1 then next year -- next year, we're slated to review the
2 gun Divestment Policy. So it would be at that time, we
3 could take up not only existing divestments, but whether
4 or not to apply it to retailers as well as manufacturers.
5 I think that's what the Chair was referring to.

6 CHAIRPERSON JONES: Yes. Okay. Thank you.

7 Mr. Slaton. Oh, did that answer your question?
8 I'm sorry.

9 COMMITTEE MEMBER GILLIHAN: (Nods head.)

10 CHAIRPERSON JONES: Okay. Mr. Slaton.

11 COMMITTEE MEMBER SLATON: Thank you, Mr. Chair.
12 First of all, I want to thank the people who have come
13 here to speak today. The strength you've shown at being
14 willing to come before us, and be here with us says a lot
15 about your character. And we appreciate every comment
16 that was made.

17 My takeaway from some of the comments, somebody
18 said that we're all culpable, which is true. Somebody
19 else said we have to have change. That is also true.
20 Bill Durston talked about some of the statistics. We
21 obviously have a significant problem in this country. We
22 are 4.4 percent of the world's population. And in private
23 hands, almost 50 percent of the guns in the world are
24 owned by citizens in the United States.

25 We are 10 times more likely to be killed by a gun

1 than the average of other developed countries. And by the
2 way, the problem is not only with assault weapons, it's
3 with handguns as well, as we all know.

4 So we have to address this. And I know that
5 there's a tremendous effort going on right now, and you
6 are all part of this effort to address this on the
7 political stage. We have an election coming up in 2018.
8 We have another election in 2020. And we have the ability
9 in this country to elect people to represent us at the
10 federal level who can change the gun laws in this country,
11 and implement an assault weapon ban along with some of the
12 other bans that need to occur.

13 So those gun laws can happen if we are able to
14 change our political culture. And personally, I hope that
15 assault weapons get reclassified and are not classified as
16 a rifle. These are not rifles. These are weapons of war.

17 The question now before us is what can CalPERS
18 do?

19 And we know what the outcome that we want, which
20 is a reduction in gun violence, and a reduction in access
21 to weapons. So that's the outcome we're trying to get to.
22 The question is what's the means to get to the outcome.
23 And we have before us two choices, one is divestiture, and
24 the other one is engagement.

25 And we have found that engagement is a better

1 alternative for us to be able to accomplish something in
2 this arena. And the statistics that we have just from the
3 recent engagement of Big 5 Sporting Goods, they're
4 discontinuing the sale of assault weapons. Dick's
5 Sporting Goods discontinuing the assault of -- the sale of
6 assault weapons. Kroger Company, they're reviewing the
7 policy on assault weapons. It announced on March 1st no
8 longer sell any of the stores, or even accept special
9 orders. Walmart not only have a decision about assault
10 weapons, but they do not sell any handguns in the
11 continental United States.

12 So the movement it's happening. And I -- while I
13 appreciate you coming to us, we then have to make a
14 decision what's the most effective thing that we can do,
15 because we have exactly the same mission that you have in
16 regard to the issue of guns.

17 And so while I appreciate the Treasurer's
18 objective to accomplish here, and certainly if the motion
19 passes, then we can have an engagement on this topic. But
20 I think our best effort, as it is with many other areas,
21 is to continue engagement to change behavior.

22 Thank you.

23 COMMITTEE MEMBER CHIANG: So I don't disagree
24 with many of the points made here, but I think we need a
25 complete picture, right? So first of all, we're trying to

1 maximize risk-adjusted return, right? Nowhere in this
2 conversation people talk about optimizing return have we
3 talked about managing the risk, right? We subject
4 ourselves to extraordinary liability. And we've seen what
5 happens when we didn't appropriately take action based on
6 risk.

7 Secondly, the very point of engagement, and I
8 strongly support engagement, is that you have to make sure
9 that you're going to follow up on the engagement's failure
10 to act on the engagement, right? If we don't take action
11 here, nobody is going to take us seriously on engagement,
12 right? The -- yes, we've been successful because if you
13 have the threat of divesting, and people who don't act
14 upon, or we don't act upon as the largest public pension
15 plan in the United States of America, right, and we say
16 we're going to engage and we're going to engage, we can
17 engage from here to kingdom come and get nothing done, if
18 they know that this Board on critical issues, right -- and
19 I'm not saying on every single issue, but we're going to
20 have to say we're going to stand and divest from certain
21 things that are absolutely critical that don't meet our
22 fiduciary obligation.

23 So not to even have this conversation to look at
24 how it impacts risk-adjusted return, not to fully explore,
25 right, the -- we took some promises from these companies,

1 but if they know we're not going to have any teeth to our
2 action, how do we know that they're going to fulfill on
3 the words that they promise to -- you know, to this Board,
4 and to others.

5 And so I think that's why we need to take this
6 next step, so that we can make sure that people take the
7 actions of us seriously. And so I don't know why we
8 wouldn't want to engage in this conversation.

9 CHAIRPERSON JONES: Okay. We have a motion on
10 the floor. It's been seconded. And discussion. There's
11 no addition request to speak, so --

12 CHIEF INVESTMENT OFFICER ELIOPOULOS: Mr.
13 Chair --

14 CHAIRPERSON JONES: Oh, yes, Mr. El --

15 CHIEF INVESTMENT OFFICER ELIOPOULOS: -- if I
16 could just -- just on the timing of bringing back the item
17 in April, our -- I can't assure you that we'd be able to
18 complete the analysis that would be required, you know, by
19 next month. You know, the agenda items are due in just
20 two weeks. So aside from all the substantive issues that
21 the Committee has so well debated, I think the timing of
22 having an analysis in front of you, I just want to make
23 sure the Committee is aware that we could -- will be time
24 constrained in the types of analysis we could bring back
25 on such short notice.

1 CHAIRPERSON JONES: Okay. Thank you. That's an
2 important piece of information.

3 Okay. So I'm going to call for the vote. All
4 those in favor of the motion say aye?

5 (Ayes.)

6 CHAIRPERSON JONES: Okay. Maybe we better do a
7 roll call.

8 (Laughter.)

9 CHAIRPERSON JONES: Roll call, please.

10 (Thereupon an electronic vote was taken.)

11 CHAIRPERSON JONES: The motion fails.

12 Okay. We will now return to the rest of the
13 items. Well, we have to take a break in about six
14 minutes, so now would be a good time to break for lunch,
15 and then we will come back and reconvene and take care of
16 the rest of the items in 6b. Okay. Thank you.

17 (Off record: 12:29 p.m.)

18 (Thereupon a lunch break was taken.)
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1 A F T E R N O O N S E S S I O N

2 (On Record: 1:16 p.m.)

3 CHAIRPERSON JONES: I'd like to reconvene the
4 Investment Committee meeting. And so I ask my fellow
5 Board members to rejoin us, if you can hear me.

6 We have a quorum.

7 Okay. Okay. So we're back on Item 6 again. And
8 we have additional information to discuss on 6b, right?
9 Okay. That was just one piece of 6b. Okay. Proceed.

10 CHIEF INVESTMENT OFFICER ELIOPOULOS: Okay.
11 Anne, take it away.

12 INVESTMENT DIRECTOR SIMPSON: Thank you very
13 much, Ted.

14 (Thereupon an overhead presentation was
15 presented as follows.)

16 INVESTMENT DIRECTOR SIMPSON: Anne Simpson in the
17 Sustainable Investment Program. I'm joined Divya
18 Mankikar, who's an Investment Manager in the Sustainable
19 Investment Program. And Divya will be presenting one of
20 our key initiatives on the Climate Action 100+, and also
21 by Simiso Nzima who will be presenting the section on
22 diversity -- our diversity initiatives.

23 Simiso is the Investment Director Corporate
24 Governance in global equity. And, of course, my co-chair
25 of the Governance and Sustainability Committee, Dan

1 Bienvenue, who will be talking about some of the new
2 governance architecture that we've put around our
3 integration effort.

4 So with those introductions, Chair and Board
5 members, let me begin.

6 --o0o--

7 INVESTMENT DIRECTOR SIMPSON: This chart puts
8 onto one page the highlight from CalPERS ESG strategic
9 plan, which the Board adopted some 18 months ago. This is
10 the first time that we've given you a progress report.
11 It's critical to note that the purpose of this plan was to
12 say we're focusing on a number of strategic initiatives,
13 which will be committed to for the long term, because
14 we've identified to our satisfaction as investment
15 professionals that they are relevant to risk and return.

16 Now, I know that issue was raised earlier. But
17 as fiduciaries, but also as investors, we went through a
18 very careful review of the academic literature with our
19 Sustainable Investment Research Initiative. We reviewed
20 our own experience and insight on investment topics, and
21 the Board decided on the six initiatives precisely because
22 we see the impact across the total fund on risk and
23 return.

24 So the purpose of this strategic plan is to
25 underpin our ability to pay benefits in a sustainable

1 manner for the long term. This is not a separate topic.
2 And if anything, the strategic plan gives us the vision
3 for integrating these insights on risk and return into our
4 day to day investment work.

5 The other point I'd like to highlight on this
6 chart is unfortunately the world does not stand still. We
7 reviewed what was in front of us 18 months ago when the
8 plan was adopted. However since then, a number of issues
9 have been brought to our door, important topics that are
10 already included in CalPERS Investment Beliefs, or
11 referenced in our principles. So staff has been rightly
12 making a response.

13 I also want to flag that a number of these issues
14 we've been able to deal with through an engagement program
15 under existing policy. But in several cases, we've
16 also -- we'll be coming back in the next item to talk to
17 you about recommended language in the principles, because
18 something came to our door, and it wasn't entirely clear
19 that we did have guidance in the principles. And we
20 really want to ensure that we have clarity.

21 And that includes important issues like
22 indigenous people's rights, which is something that came
23 out of our engagement under the Dakota Access Pipeline,
24 but also specific issues around topics like product
25 safety, which came to our door as we began to look at

1 issues like the opioid crisis and other matters.

2 So my conclusion from this chart is there's a lot
3 of red on it. And apologies for those who don't see red
4 differently from other colors. But I think what we are
5 aware of, and it's something that I think Wilshire
6 highlighted in their helpful review, is that we probably
7 need a process for filtering out topics that require more
8 work before we know what we're actually going to try and
9 do some about something.

10 And at the moment, we tend to have everything
11 split between what we're calling strategic, where we know
12 what we're doing, the evidence is clear, we have a plan,
13 and we're getting on with it, and core work, which is
14 really the foundation of CalPERS activity on governance
15 and sustainability, for example, through our proxy voting
16 and corporate governance work, which Simiso Nzima leads.

17 Let me turn to the next. I'm about to try and
18 change slides with my phone. That would be very clever
19 of me.

20 --o0o--

21 INVESTMENT DIRECTOR SIMPSON: Excuse me. Let
22 me -- the next slide is just to give a reminder of how
23 CalPERS can have an impact on these topics. Many of them
24 are complex, they're global, they're topics where we're
25 still piecing together our understanding of the evidence.

1 So a question rightly is, well, how do we make any
2 difference at all? We know that we're a very big fund.
3 Globally, one of the biggest, but also our portfolio is
4 diversified. And that means whatever we own in the public
5 markets, usually it's a tiny little piece.

6 So I just want to highlight that a foundation to
7 all of the work that we do is our partnerships. In other
8 words, our ability to work with other asset owners and
9 investment managers is what enables us to be effective.

10 And the three areas where we intend to be
11 effective are set out in this -- in this building block
12 chart. The top is integration. And this is where we are
13 engaged with a process of working out how to factor in
14 sustainability into the investment decision-making
15 processes right across the fund. And that is no mean
16 feat. We've made a first step, and we're talk more about
17 that in a moment.

18 The other is engagement. We are co-owners of the
19 companies in the portfolio, and we use our engagement
20 strategy to talk to the companies as owners -- as
21 long-term owners, but also to talk to the managers, our
22 internal managers and our external managers, who hold the
23 shares on CalPERS behalf.

24 And thirdly, there's a very important role for
25 CalPERS as an advocate. The law, the regulation, both in

1 the United States and in markets beyond are essential to
2 making sure that we have market safety and soundness. I
3 think the issue of the financial crisis was referenced
4 earlier in Wilshire's review, and the danger of drawdown.
5 It's a polite term for the financial crisis, but that is a
6 tremendous risk to the portfolio. And we know that this
7 isn't something that the private sector can solve on its
8 own.

9 The role of regulators and policymakers is
10 essential. And it's with that sense of partnership,
11 again, between private sector and public sector, that we
12 proceed, and not just thinking about the United States,
13 but thinking internationally. So -- and that really just
14 is some scene setting, a reminder of what we're focusing
15 on, but now, how we're focusing on those issues, let me
16 turn to this very detailed timeline.

17 --o0o--

18 INVESTMENT DIRECTOR SIMPSON: Now, what we've
19 done on this timeline I think is quite interesting,
20 because we've said the plan is a five-year plan, and
21 that's good. That sort of coincides with an economic
22 cycle. But what we've accepted is that some of the
23 outcomes that we want are going to take 20 years, 30
24 years. Now, that's very consistent with the thinking that
25 goes into our asset liability modeling, when we're

1 thinking about the purpose of CalPERS, which is to pay
2 pensions over decades. But I think it's quite rare for us
3 to say, well, what does that mean we need to do now, next
4 year, the year after, every five-year cycle?

5 But then really we know that the results we're
6 looking for are going to take much longer. So I think
7 even the fact of this timeline existing shows we're really
8 putting the Investment Belief number 2 about being long
9 term is an advantage, but it's also a responsibility.

10 And I think we expect to course correct as we go
11 through this process, looking at the KPIs and whether
12 we've achieved them. That's the key performance
13 indicators on which we spend a good deal of time.

14 --o0o--

15 INVESTMENT DIRECTOR SIMPSON: I'm going to turn
16 now to Dan Bienvenue, who's the Managing Investment
17 Director of Global Equity to talk a little bit about how
18 we've developed internal governance architecture to help
19 us mobilize the resources to achieve those goals.

20 So, Dan, over to you.

21 MANAGING INVESTMENT DIRECTOR BIENVENUE: Thanks
22 Anne. Dan Bienvenue, CalPERS team member. So as Anne
23 said, obviously there's quite a bit going on. And I'm the
24 person she's referring to with the inability to see red,
25 so I'll take her word that there's red on there. But

1 there's a lot going on, both on the strategic plan and
2 then even more that we're pondering. So there's, you
3 know, a lot of strategic work and core work. And, you
4 know, when we call on governance for our investing
5 companies and others, it's critical that we hold ourselves
6 to those standards, both, you know, to be consistent, but
7 also to be effective.

8 So we thought it made sense to go through our
9 governance structures. We certainly have an org chart,
10 where is Anne described we have a very strong centralized
11 hub of sustainable investment. And then we also have some
12 of the core work around proxy voting and engagement
13 happening in global equity. But it's also important to
14 have a governance structure. And between new members of
15 the Investment Committee and also the criticality of the
16 topic, we thought it made sense to go through the
17 governance structure.

18 So on slide 5, you can see the we have, what we
19 call, our Investment Strategy Group which is also known as
20 our ISG. That is the central deliberative and
21 decision-making body for the Investment Office. It's made
22 up of all the Managing Investment Directors, as well as
23 several program heads, and also gets participation from
24 the senior most levels of the enterprise, including
25 Marcie, our CEO; Matt, the General Counsel; and Charles

1 the Chief Financial Officer. So very high level members
2 participating in that group.

3 That group is supported by four subcommittees of
4 the ISG. And we'll start at the top left. There's a
5 trust level risk and attribution subcommittee. That's
6 co-chaired by Kevin Winter and Michael Krimm. And that
7 ensures that investment risks are intended and understood.
8 Really it's about risk and attribution reporting. Another
9 term for it that we call it sometimes is a transparency
10 factory. It's about being that objective view into all
11 the things that we're doing.

12 Then we've got the Portfolio Allocation
13 Subcommittee. And to be fair, this slide is a bit dated.
14 And all apologies to Ron Lagnado. Ron is now the chair of
15 that Committee though certainly with great participation
16 from Eric. And that's all about how we manage -- the
17 portfolio management of the holistic set of trusts, both
18 the PERF, but also the affiliate trusts.

19 Then you've got at the bottom Right Trust Level
20 Investment Review Subcommittee. This committee is tasked
21 with figuring out what is in and what is out of the
22 portfolio, and what is in and out of our processes. So
23 that -- the Chairmanship of that has also transitioned
24 from Paul Mouchakkaa to Matt Flynn. So apologies to Matt
25 as well.

1 And then finally at the bottom left what we're
2 here to talk about today is the Governance and
3 Sustainability Subcommittee. As Anne mentioned, she and I
4 co-chair that committee. And it's probably worth just
5 reading what -- you know, what it says there. It ensures
6 that ESG risk and opportunity -- right, so that's all
7 about the fiduciary and investment the management --
8 considerations are integrated into the investment
9 decision-making process.

10 So the GSS has senior level members from across
11 the Investment Office at the Investment Manager and
12 Investment Director level, and again with high level
13 participation from the enterprise, someone like Brad
14 Pacheco and others sit on that -- on that committee -- or
15 that subcommittee.

16 --o0o--

17 MANAGING INVESTMENT DIRECTOR BIENVENUE: And
18 again, it's all about making sure that what we're doing is
19 grounded in the fiduciary responsibility and the
20 investment outcome.

21 The Governance and Sustainability Subcommittee is
22 supported by four main working groups. Given the size and
23 the breadth of the Governance and Sustainability
24 Subcommittee, that's mostly about just determining --
25 ensuring broad ownership by the holistic investment office

1 and enterprise. And then the working groups feed
2 recommendations into the Governance and Sustainability
3 Subcommittee.

4 There are four of those, the Financial Markets
5 Working Group, which is led by Don Pontes. It advises on
6 legislative and regulatory advocacy. The Proxy Working
7 Group, that's led by Simiso here. That's all about how we
8 make decisions around proxy voting and engagement. The
9 Research Working Group that Anne leads, and you'll hear in
10 Item 6c, one of the major outputs of that group, and a
11 great accomplishment, is our update to the principles.
12 And then finally the Correspondence Working Group that I
13 chair -- or that I lead, which is really about kind of
14 what we lend our name to, what letters do we sign onto,
15 what letters do we write, all of that stuff.

16 So all of these feed into the Governance and
17 Sustainability subcommittee with the Governance and
18 Sustainability Subcommittee ultimately making the decision
19 on behalf of the organization. But that's kind of our
20 governance structure. And given the criticality of it, we
21 thought it made sense to cover that. And I know some of
22 you have seen those slides, but we just thought it was
23 worth -- it was worth going through it.

24 So with that, I'll hand it back to Anne, unless
25 there are any questions.

1 CHAIRPERSON JONES: Yes. Mrs. Mathur.

2 COMMITTEE MEMBER MATHUR: Thank you. Yeah, I
3 have a question. How is the leadership of these
4 committees, subcommittees, working groups selected? How
5 does someone become chair of one of these groups?

6 CHIEF INVESTMENT OFFICER ELIOPOULOS: I see you
7 looking this way, so I'll take it.

8 COMMITTEE MEMBER MATHUR: I don't know who knows
9 the answer to that question.

10 CHIEF INVESTMENT OFFICER ELIOPOULOS: No. We
11 review it annually as part of the review of the charter
12 for each of the committees and subcommittees, and actually
13 take recommendations then vote at the ISG level on chairs
14 and working group members. And for each different
15 committee and working group, there are different skill
16 sets that are desired. We've made a decision not to
17 absolutely require a representative from each asset class.
18 Sometimes that's considered necessary given the breadth of
19 a committee, and sometimes skill level in a particular
20 area overweights having a broader set of members.

21 We also look at skill set representatives from
22 different groups as well as the diversity of attributes of
23 the different chairs and working members.

24 CHAIRPERSON JONES: Okay. I would just note that
25 looking at this list, it's not a very diverse group of

1 leaders. And I recognize that the committees themselves
2 might become -- might be more diverse in their
3 composition, but -- and certainly this is only one. You
4 know I'm -- but I just wanted to highlight that, that to
5 me it's -- there's only -- there's only one woman who has
6 leadership in this group. And that sticks out to me.

7 CHIEF INVESTMENT OFFICER ELIOPOULOS: Yeah. And
8 it's something that we've discussed internally as well.
9 And we've assured that we have at least one woman on each
10 group. And in addition to that are discussing
11 opportunities for women within the Investment Office to
12 promote and get into leadership positions like these now
13 and into the future.

14 COMMITTEE MEMBER MATHUR: Okay.

15 CHAIRPERSON JONES: Ms. Taylor.

16 COMMITTEE MEMBER TAYLOR: Yes. Thank you.

17 Dan, I just had a quick question. You're over
18 correspondence. So it says, "Determine CalPERS' response
19 to requests to sign on to comment letters". So my
20 question to you is what exactly is your criteria when you
21 get letters that come in?

22 MANAGING INVESTMENT DIRECTOR BIENVENUE: That's
23 a -- that's a great question. It's really about
24 Investment Belief 3 in looking at where we can have --
25 where we can be successful, what's the effect of that

1 success? You know, we have a whole -- and candidly, the
2 correspondence working group is new. If you recall, these
3 slides from maybe a year, year and a half go it didn't
4 exist.

5 COMMITTEE MEMBER TAYLOR: Yeah.

6 MANAGING INVESTMENT DIRECTOR BIENVENUE: And we
7 had some challenges in this space. And this is kind of
8 our response to that, but it's really all about what's
9 material, where can we have an impact. We have a template
10 that walks through all the different criteria that let us
11 say, yes, we think that this is something that we should
12 engage in or not.

13 COMMITTEE MEMBER TAYLOR: So you put a template
14 together to --

15 MANAGING INVESTMENT DIRECTOR BIENVENUE: We do.

16 COMMITTEE MEMBER TAYLOR: -- so per -- I would
17 imagine for expeditious purposes, right? So you kind of
18 check the boxes, does it fit this, does it fit that?

19 MANAGING INVESTMENT DIRECTOR BIENVENUE: It's
20 less about checking the box and more about just having
21 pros in each -- in each place, and kind of looking at how
22 is it consistent with CalPERS Investment Beliefs,
23 policies, principles. Is it someplace where we think we
24 can be successful, and is it -- if it's consistent with
25 those, can we be successful here, what's the impact of

1 success, what are the resources required to go into it?

2 It's a series of things. And then we -- and then
3 it comes to the members of that working group, as a
4 six-member team, to make a recommendation to the
5 Governance and Sustainability Subcommittee.

6 COMMITTEE MEMBER TAYLOR: Okay. So it's a
7 six-member team. I guess one of the things that you said
8 that kind of stuck in my head there was that you make
9 recommendations for what kind of resources will be needed.
10 Does that also mean then, say for example, a letter comes
11 in. You guys don't think you should sign on it, but
12 Oregon, New York, CalSTRS signed on it, I don't know. But
13 you guys are going to engage, so that -- you want to
14 engage instead of signing on -- just signing on the
15 letter.

16 So then do you pass it over to -- I'm trying to
17 see which one that would be. Oh, that's you, engagement?
18 Oh, no, no, no. Who is that? That is proxy. So that's
19 Simiso. Do you pass it over to Simiso's group?

20 MANAGING INVESTMENT DIRECTOR BIENVENUE: So, you
21 know, it's probably not quite as binary as that, but yes,
22 I mean it's definitely the case where these groups work
23 together. So actually Simiso and Anne both sit on the
24 correspondence team.

25 COMMITTEE MEMBER TAYLOR: Oh, good.

1 MANAGING INVESTMENT DIRECTOR BIENVENUE: Anne has
2 representatives on the proxy team. So there's quite a bit
3 of cross-pollination among those teams. But, yes, the
4 idea is for them all to work kind of hand in glove to say,
5 all right, we want to sign, but we also want to engage.
6 You know, this isn't one that we're comfortable signing,
7 but we'll engage instead. This is one that we'll sign
8 only and we're going to let one of our partners take the
9 lead on engagement. There are all kinds of answers that
10 can be brought to those questions depending on what the
11 topic is.

12 COMMITTEE MEMBER TAYLOR: Okay. And then, Anne
13 is leading the research, so how does that research come
14 down to the committees to do work? How does that work?
15 And that might be an Anne question.

16 INVESTMENT DIRECTOR SIMPSON: Yeah. Thank you
17 very much. And I'd really like to highlight the
18 tremendous amount of work that the Research Working Group
19 has done. And we'll see that, as Dan mentioned, when we
20 come to the principles. They've produced new language on
21 all sorts of important topics.

22 So the way that we are working is we do have a
23 representative from each of the asset classes, and also
24 from the Trust Level Performance Management Team. And we
25 look at issues which have come to our door, either through

1 stakeholders or through the Board asking a question of
2 staff. And what we've then been able to do is look at
3 what we have in our own academic pool of papers, the
4 Sustainable Investment Research Initiative. That's been a
5 very valuable resource. But we've also been able to look
6 at how other pension funds are approaching a topic, our
7 peers.

8 And finally, we've been able to check in with the
9 investment practitioner research, which isn't in this
10 SIRI. That's just an academic body of work, so that we
11 can actually see what's out there in the financial markets
12 on that topic.

13 Out of that, then we've asked for a member of
14 that group to take the lead in drafting some language,
15 which then the whole group, I would honestly say, has
16 mulled on, rewritten, come back. It's been -- I know the
17 word is iterative process, but really it's almost like
18 we're brewing something till we've actually distilled the
19 approach that we think is going to best reflect CalPERS
20 Investment Beliefs, but also is informed by the evidence.

21 So that group has been meeting monthly and at
22 times more often than that over the last year and a bit.
23 And I think you'll see the results in the next item.

24 COMMITTEE MEMBER TAYLOR: Great. Thank you,
25 both. I just wanted to make sure that I was hearing some

1 of -- what I talked about earlier was that -- getting out
2 of the silos and making sure that everybody is
3 communicating and working with each other.

4 MANAGING INVESTMENT DIRECTOR BIENVENUE: Yeah,
5 I'm really glad you mentioned that, because candidly, that
6 is one of the most critical things. And these -- this
7 governance is -- you know, there's a lot to it. It's a
8 challenge, but it is all about governance,
9 cross-ownership. You know, as Anne said, it's a very
10 iterative process. It's a very collaborative process,
11 because the key is just being a team and working together
12 as a team to ensure that we all own these things and did
13 not be in silos, but be --

14 COMMITTEE MEMBER TAYLOR: Right.

15 MANAGING INVESTMENT DIRECTOR BIENVENUE: -- be
16 across the asset classes and programs.

17 COMMITTEE MEMBER TAYLOR: Great. Thank you.

18 CHAIRPERSON JONES: Mr. Juarez.

19 ACTING COMMITTEE MEMBER JUAREZ: Yeah. Thank
20 you, Chair. I wanted to follow up on Priya's question.
21 And just wondering in this area of ESG if you sort of
22 exercise the same amount of zeal in ensuring that your
23 groups and leadership are also ethnically diverse. And so
24 I want to get your thoughts as to whether you're having
25 the same discussions when you talk about women, that

1 you're also making sure that, in fact, representation,
2 especially in this area, is made up of folks from
3 different stripes when it comes to ethnicity.

4 INVESTMENT DIRECTOR SIMPSON: Thank you for the
5 question. I've found over many, many years in the
6 investment business that diversity and inclusion are
7 essential for two reasons: One, you need the best pool of
8 talent; and secondly, you don't want group think.

9 And therefore, I -- I have found it essential to
10 put together diverse teams for the benefit of the project.

11 So I don't think we've -- certainly on the
12 research group, this is -- this is a diverse team. And
13 also, I think, as Ted mentioned, we have got a Diversity
14 and Inclusion Committee, which we're not reporting on
15 here. This came to the Board last month in an enterprise
16 report. But we have got a range of work that is being
17 undertaken to help CalPERS in the Investment Office really
18 build its talent management strategy to bring diversity
19 and inclusion into everything that we're doing.

20 I don't know, Ted, if you'd like to add to that,
21 but that -- that area of work was brought into the
22 Sustainable Investment Program family earlier in the year,
23 along with the Responsible Contractor Program. And we're
24 just in the -- in the midst of blending those programs
25 together, but I think it's very consistent with the

1 Investment Beliefs that we have around the importance of
2 human capital, not just for the companies we invest in,
3 and the managers we hire, but also for our own -- for our
4 own projects.

5 But Ted.

6 CHIEF INVESTMENT OFFICER ELIOPOULOS: Yeah. So
7 one area that Anne underscored is talent management. So
8 we have a number of initiatives underway to increase our
9 recruiting capabilities amongst all sorts of diversity
10 characteristics including ethnicity and gender, as well as
11 other, you know, skill sets and backgrounds as well.

12 In terms of these committee make-ups, we're -- we
13 are looking to see that we have, you know, diverse
14 committees set up. They're usually committees of five to
15 seven for them to be sort of working committees, and
16 functioning committees.

17 And in putting together the groups of five to
18 seven we're looking at all these -- all of these
19 characteristics in trying to find committees that have
20 diverse characteristics that we've talked about, as well
21 as ones such as not all public asset class membership have
22 a, you know, diversity of public and private members.
23 Different asset classes are not different backgrounds in
24 terms of what companies that someone might have worked on
25 as well. So it's a work-in-progress, but ethnicity is one

1 of the things we do look at, is the short answer to your
2 question.

3 ACTING COMMITTEE MEMBER JUAREZ: If I may. So I
4 think in this general -- or in this specific area, it's so
5 important. As some of you may know, and maybe you don't
6 know, in November, the Treasurer sent a letter to this
7 Board requesting that we consider establishing a 30/30
8 goal as a standard goal for any engagement that we do
9 where we would exercise our proxies against those who
10 don't meet such a standard.

11 And I think, you know, that's still outstanding,
12 and we still have to have that discussion. But I think if
13 we're not diverse enough internally to be able to then try
14 to impose that on others externally, I think we have some
15 issues.

16 So I want to make sure -- and maybe as part of
17 that discussion, Marcie, whenever we're going to have it,
18 that we also get from the staff what is the level of
19 diversity that -- and again, I'll just hold us accountable
20 in the ESG area. What is the level of diversity when it
21 comes to women, minorities, LGBT, so that -- and I realize
22 on that one, that's a little more difficult.

23 But nonetheless, whatever we can again push for
24 internally, it can only help us make those arguments
25 externally, if we're going to go to people and ask them to

1 be -- to have diverse boards. So thank you.

2 CHAIRPERSON JONES: Thank you, Mr. Juarez.

3 Excuse me.

4 And I echo Mr. Juarez's comment about our
5 diversity definition, because it goes beyond just gender.
6 And if you look at it through those lens, and you look at
7 this chart, it's 50/50. So we have to make sure we keep
8 incorporating our definition of diversity, which is
9 broader than just a gender.

10 Okay. Mr. Costigan.

11 VICE CHAIRPERSON COSTIGAN: So I'll actually take
12 it in reverse. Mr. Juarez, I appreciate your comments.
13 In fact, as the State Personnel Board representative, we'd
14 appreciate yours and the Treasurer's engagement. As you
15 know, we're limited in State hiring practices. And so
16 outside of being able to do more active recruitment, when
17 you run into the rank of 3, you know, we already had some
18 preference points for veterans, foster kids, things of
19 that nature.

20 So, I mean, on one hand, we'd much like to see --
21 our office is very diverse. But do understand there are
22 limitations because of State civil service as to what we
23 can ask of our private sector partners because they're not
24 governed to the extent that 209 impacts our hiring
25 practices. And I know that Mr. Eliopoulos and his team

1 have been trying from a recruitment standpoint.

2 And again, one of the things we're limited to,
3 and I know we'll be taking this up at Perf and Comp, is
4 still we have pay issues. So oftentimes in recruitment,
5 one of our biggest barriers is pay. Sometimes they heard
6 Sacramento, but I love Sacramento.

7 So just a couple questions sort of following up
8 even on what Mr. Juarez was raising. How low do we go
9 title wise on these groups? What are the classifications
10 of the folks that -- who are the six? What's their
11 classification? Not who the people are, but what's our
12 classifications?

13 MANAGING INVESTMENT DIRECTOR BIENVENUE: Well,
14 within the Investment Office, I would say the lowest we go
15 is Investment Manager, is that right? I'm -- I think
16 that's --

17 VICE CHAIRPERSON COSTIGAN: So among those six --

18 MANAGING INVESTMENT DIRECTOR BIENVENUE: With --
19 I'm sorry, within the Correspondence Working Group. I do
20 think in some of the other working groups, we go all
21 levels. And again, that -- that's another, you know, kind
22 of counts towards diversity.

23 VICE CHAIRPERSON COSTIGAN: So within
24 Correspondence, for example, it's an MID?

25 MANAGING INVESTMENT DIRECTOR BIENVENUE: Right.

1 VICE CHAIRPERSON COSTIGAN: Okay. Then how
2 many -- how many layers below that?

3 MANAGING INVESTMENT DIRECTOR BIENVENUE: I think
4 only down to Investment Manager level, and then one member
5 from the enterprise whose title I candidly don't know.
6 It's Joe DeAnda.

7 VICE CHAIRPERSON COSTIGAN: And he's in -- a
8 former CalHR back in comps. And appreciate all the work
9 that he does.

10 MANAGING INVESTMENT DIRECTOR BIENVENUE: You and
11 me both.

12 VICE CHAIRPERSON COSTIGAN: So what I'm just
13 trying to get at is again as we look to diversify, I mean
14 we need to internally be training -- why aren't we going
15 deeper into the ranks in order to increase the
16 diversification or for the training?

17 INVESTMENT DIRECTOR SIMPSON: I'd -- it is Anne
18 Simpson again. We've actually got quite a range of
19 different approaches in the working groups. On the
20 Research Working Group, we actually do have a number of
21 Investment Officers. I think the most junior of whom is
22 Investment Officer II.

23 VICE CHAIRPERSON COSTIGAN: Okay.

24 INVESTMENT DIRECTOR SIMPSON: And as she is also
25 the main author of the Dakota Access Pipeline, I would say

1 that rank is no barrier to excellence. And that's Tiffany
2 Pokk. So I fully agree with the sentiment that allowing
3 talent to shine and to be developed is actually very
4 important.

5 And I think the contribution of the next
6 generation -- I think I'm a Baby Boomer, but the
7 Millennials, Generation X, there's ideas, there's talent,
8 there's energy. And that's something we can -- we can
9 really benefit from, so --

10 VICE CHAIRPERSON COSTIGAN: All right. And then
11 just a couple more follow-ups. So for example, is Mr.
12 Pontes here? I can't see -- is Don here?

13 Okay. So I just want to know what's the
14 coordination, if you could speak to it, Dan, between our
15 leg and our contract lobbyist and this working group? So
16 if he's advising on legislative and regulatory advocacy --
17 okay. So we have Brad and his group, and we've got our
18 outside consultants, and you've got the executive staff.
19 So what is that coordination?

20 MANAGING INVESTMENT DIRECTOR BIENVENUE: Very
21 close is the idea. Certainly to work very closely with --
22 so certainly Gretchen Zeagler sits on the Financial
23 Markets Working Group, along with Don, right? Gretchen is
24 in Legislative Affairs. And then constant consultation
25 with the folks over at K&L Gates.

1 VICE CHAIRPERSON COSTIGAN: All right. And
2 then --

3 MANAGING INVESTMENT DIRECTOR BIENVENUE: And this
4 is one that does go a bit deeper into the organization.
5 And for what it's worth, to Anne's point, Tiffany also
6 excellently sits on the Proxy Voting Working Group. So we
7 do go -- it kind of depends on which working group it is,
8 whether it's going to be expected to -- the correspondence
9 tends to make much more rapid decisions. So that was kept
10 at a little bit higher -- more senior levels. They could
11 be actually decision making in that instance more so, with
12 some of the more diverse sort of research, as Anne says,
13 lots of different ideas to be brought to bear. So it kind
14 of depends on the topic how diverse the group -- or not
15 how diverse the group, how deep the group goes into the
16 ranks.

17 VICE CHAIRPERSON COSTIGAN: All right. Just one
18 last question on that one. The final decision to engage
19 on legislative and regulatory advocacy rests with who, out
20 of this working group?

21 MANAGING INVESTMENT DIRECTOR BIENVENUE: Well --

22 VICE CHAIRPERSON COSTIGAN: TO engage. If you
23 were to have K&L Gates take a position, who makes that
24 final decision?

25 MANAGING INVESTMENT DIRECTOR BIENVENUE: Well,

1 ultimately it's your priorities. It's the Board
2 priorities.

3 VICE CHAIRPERSON COSTIGAN: Well, we don't vote
4 on every bill. So who --

5 MANAGING INVESTMENT DIRECTOR BIENVENUE: Not
6 voting on every bill --

7 CHIEF INVESTMENT OFFICER ELIOPOULOS: It goes
8 right up -- it goes right up to me and Marcie is the
9 answer.

10 VICE CHAIRPERSON COSTIGAN: Okay.

11 CHIEF INVESTMENT OFFICER ELIOPOULOS: There's
12 a -- for all four of these and at the GSS, there's a
13 process for Dan and Anne to flag any sensitive issues. So
14 that's part of the working group's job is to elevate
15 issues for decision making. So certainly when we're going
16 to take a position on particular legislation, that gets
17 elevated up to me and then to Marcie for a final decision
18 making. So that's part of the architecture of the
19 governance.

20 VICE CHAIRPERSON COSTIGAN: All right. Thank
21 you. I'll have questions later. Thank you.

22 CHAIRPERSON JONES: Okay. Ms. Paquin.

23 ACTING COMMITTEE MEMBER PAQUIN: Thank you, Mr.
24 Chair.

25 I had a follow-up question on the Correspondence

1 Committee. So from the time that you receive a request to
2 sign on to a letter, and it goes to the Correspondence
3 Committee and then up to your Governance and
4 Sustainability Committee, how long does that generally
5 take?

6 MANAGING INVESTMENT DIRECTOR BIENVENUE: We ask
7 for two weeks. So -- now that -- that doesn't mean we
8 always get two weeks. There are occasions where we've had
9 to go more quickly, which is again one of the reasons to
10 have someone as senior as Joe, and someone as senior as
11 some of the other members of that correspondence working
12 group is so that if we don't have as much time and we have
13 to do something quickly, we can do so quickly.

14 So I think Anne and I feel sort of empowered to
15 ultimately -- if it has to go quickly, Anne and I sitting
16 on there as the co-chairs of the Governance and
17 Sustainability Subcommittee, we're comfortable making a
18 decision, if necessary. But to Ted's point, if there's
19 enough, you know, tension or something that just -- that
20 requires more senior level involvement, it will be a
21 recommendation or -- you know, but we've seen decisions
22 happen in maybe three days. I'm looking at Anne. I'm
23 trying to think of the fastest one was probably about
24 three days from the time that we got it to the time that
25 we were able to come up with a -- with a collective

1 position on it.

2 ACTING COMMITTEE MEMBER PAQUIN: Okay. So there
3 is the ability to expedite it. And then if certain people
4 are out or unreachable for whatever reason, the process
5 would still move forward?

6 MANAGING INVESTMENT DIRECTOR BIENVENUE:

7 Absolutely. I mean ultimately, it -- it can get
8 to Ted for a call -- for a call. I mean, ultimately, it's
9 Ted's and Marcie's decision, if necessary. But yes, I
10 mean, it can move more quickly. We'd prefer it not to to
11 be fair --

12 ACTING COMMITTEE MEMBER PAQUIN: Understood.

13 MANAGING INVESTMENT DIRECTOR BIENVENUE: -- but
14 if necessary, absolutely. The idea is never for this to
15 get in the way of anything.

16 ACTING COMMITTEE MEMBER PAQUIN: Great. Thank
17 you.

18 CHAIRPERSON JONES: Okay. Proceed.

19 INVESTMENT DIRECTOR SIMPSON: Thank you very
20 much. So with that, I think helpful discussion of how
21 we're getting organized on this. Let me turn to the
22 progress report itself.

23 So the first of the strategic priorities that we
24 want to report on is our commitment to improving data and
25 corporate reporting. And this is a fundamental challenge

1 for all investors is that we're relying on the market to
2 price both private markets through evaluation, or public
3 markets, to price risk and opportunity on sustainability
4 factors.

5 But the barrier to that is a lack of high
6 quality, comparable, assured, timely, reporting. And it's
7 very difficult for the market to price what it can't see
8 or know. So we have developed a strategy which is about
9 improving voluntary standards through which we're working
10 through the Sustainability Accounting Standards Board.
11 And you heard from that group through Janine Guillot when
12 we were first building out the strategy.

13 And that has a working group of investors, which
14 Ted sits on. So CalPERS has been very involved both in
15 helping to build out the voluntary standards, and now
16 working with SASB to start piloting with an initial group
17 of 100 companies.

18 We're not in the lead on those engagements, but
19 we are in a supporting role. And we sit -- we think it
20 has tremendous potential. On the international front,
21 we've been able to make progress through the standard
22 setting, the formal accounting standard setting body,
23 which is the International Accounting Standards Board.
24 That's overseen by an advisory council.

25 And we sit on that representing CII. And at our

1 request, they have initiated a review of what they call
2 wider reporting, and identified some 400 or other
3 different approaches in markets around the world. And I'm
4 glad to say the advisory council has asked this now to go
5 into the work program.

6 The chief executive of that body I don't think
7 feels they're geared up for it. They think they're
8 overloaded. They don't have the expertise. But I think
9 that this meeting of minds between financial and
10 non-financial reporting is now something which is
11 irresistible. It has to happen. It's a question of how
12 do we do it, how do we get the resources, and how do we
13 blend in the expertise. So I think we think that's
14 tremendous progress.

15 We've also worked with a group of almost 20 other
16 pension funds led by VEBA, the General Motors,
17 Vehicle[SIC] Employee Benefits Association, to build out a
18 petition to the SEC in the United States calling on the
19 SEC to introduce new reporting standards. And I think the
20 key data point there is that back in the 1970s when the
21 SEC last introduced a requirement on human capital
22 management reporting, 85 percent of the balance sheet for
23 the S&P 500 was in fixed assets.

24 Fast forward to 2015, 85 percent of the balance
25 sheet for that group of -- for that index, 85 percent is

1 intangibles. So in other words, what's going on to drive
2 value and potentially risk is -- is not being reported.

3 So I have to thank the Chair of the SEC, Jay
4 Clayton, who took the time to sit with us and talk about
5 this issue in some detail. And he framed it as the issue
6 of modernizing corporate reporting, which I think is a
7 very good term. The economy is changing. Human capital,
8 people are more important than ever, and we need a
9 reporting regime that's going to enable us to understand
10 that.

11 And finally, I think we saw tremendous progress
12 on the issue of physical capital, or natural capital as
13 economists would call it, through the work of the task
14 force on climate related financial disclosures.

15 I'm proud to say that our Chief Executive, Marcie
16 Frost, gave a statement supporting the work of this group.
17 It came through the Financial Stability Board, which is
18 the club for the world's Central Banks. So we could not
19 be in better company in terms of financial safety and
20 soundness.

21 And the task now for us is to see how we can
22 roll-out that risk reporting framework. And Divya will
23 talk more about that in a minute when we turn to the
24 climate risk agenda.

25 So I'll pause there, Chair, just to see if there

1 are any questions on this particular strategic --

2 CHAIRPERSON JONES: No.

3 INVESTMENT DIRECTOR SIMPSON: No. We can roll
4 forward.

5 CHAIRPERSON JONES: Yes.

6 INVESTMENT DIRECTOR SIMPSON: So we're on it with
7 accounting.

8 (Laughter.)

9 INVESTMENT DIRECTOR SIMPSON: I think that's -- I
10 know that's an important issue for you too.

11 Let me turn now to our second strategic priority
12 and ask Divya Mankikar to update the Board on progress
13 here.

14 Divya.

15 --o0o--

16 INVESTMENT MANAGER MANKIKAR: Thank you, Anne.
17 Divya Mankikar, Investment Manager, Sustainable Investment
18 Program.

19 So this is an update to the deep dive that we had
20 in January with you all on the Climate Action 100+. In
21 terms of the strategic goal, we had in our five year ESG
22 plan to manage climate risk and opportunity by engaging 80
23 Montreal Pledge companies. Again through that process of
24 establishing the strategic plan, we identified climate
25 change as a source of systemic risk to CalPERS, but also a

1 source of potential opportunity for those companies who
2 are managing that risk well and following the change in
3 consumer behavior.

4 So we are progressing towards this strategic goal
5 that you have along the bottom of collaboratively engaging
6 the 100 plus companies. This year we -- or in the past
7 year, we focused on identifying those companies forming
8 partnerships with regional investor coalitions or
9 leveraging those existing partnerships to form a steering
10 committee to orchestrate this global engagement agenda.

11 And also, we advanced in our carbon footprinting
12 that informs this process. So as you might recall in
13 2015, we signed the Principles for Responsible
14 Investment's Montreal Pledge, which asked us to report on
15 the carbon footprint of any asset class. CalPERS picked
16 up that pledge and committed to footprinting each asset
17 class over the five years.

18 So far, we've reported on public equity, and we
19 believe we're the first North American pension fund to
20 also report on the carbon footprint of fixed income.

21 Those results inform the formation of this
22 Climate Action 100+ target list of companies that we will
23 focus on partnering with through the transition. The goal
24 there is really for those companies to establish emission
25 reduction targets in line with the Paris agreement on its

1 goal of limiting global warming to below two degrees.

2 We're calling these firms the 100 systemically
3 important carbon emitters. So that's the title that you
4 have there. Just as during the financial crisis, certain
5 banks were termed systematically important financial
6 institutions, due to their potential impact on financial
7 stability. These firms are impactful for climate
8 stability, and the global economy's ability to meet the
9 two degrees Paris target.

10 So going to the next slide.

11 --o0o--

12 INVESTMENT MANAGER MANKIKAR: This gives you a
13 more detailed view of the steering committee that we have
14 been working to create this last year. We have global
15 representation with the PRI representing global -- its
16 global investor network, Ceres of North America, the
17 Institutional Investor's Group on Climate Change is in
18 Europe. And I won't read through all those, but we also
19 have Asia and Australia represented

20 Each of these peers -- or rather partners has
21 formed a working group to coordinate engagement with the
22 list of Climate Action 100+ companies that falls within
23 that region. And we are active in each of these working
24 groups. We will likely be playing a lead role in engaging
25 partnering with the PRI, Ceres, and the Asian Investor

1 Group on Climate Change in North America and also Asia.

2 --o0o--

3 INVESTMENT MANAGER MANKIKAR: So a major
4 milestone that we hit in this past year was launching the
5 initiative publicly. And thank you, Madam President,
6 Priya Mathur and Madam Controller Yee for your support in
7 helping us with that successful launch.

8 We see the attention from major publications as a
9 sign of the potential impact of this work, but, of course,
10 now the task is to actually deliver against those
11 expectations.

12 --o0o--

13 INVESTMENT MANAGER MANKIKAR: So just as a recap,
14 the coalition is currently over 250 signatories with just
15 \$28 trillion in assets represented.

16 Also, this year we saw a change in climate risk
17 proposals, and majority voting in favor of them,
18 particularly in the U.S. Over the many years, we have
19 been partnering with investor coalitions, primarily in
20 Europe and in North America around climate risk proposals,
21 seeking greater disclosure in line with our desire to be
22 able to better manage climate risk.

23 And so in the 2015 and 2016 seasons, we saw the
24 management of BP, Shell, Rio Tinto, Anglo American, and
25 Glencore join investors, including CalPERS, in voting in

1 favor of this climate -- of climate risk proposals.

2 In 2017, we saw a shift. So we co-filed a
3 Chevron, Exxon, and Occidental, withdrawing at Chevron due
4 to substantial implementation. And we are happy to have
5 built support over a number of years in those successful
6 engagements in Europe and in North America to see now
7 Exxon, Occidental, and PPL passing with the majority of
8 shareowner support.

9 At each of these companies where CalPERS
10 co-filed, we also saw greater climate-related disclosure
11 towards the end of last year, and even carbon reduction
12 target at PPL.

13 So this is substantial progress. But, of course,
14 the devil is in the details. And we look forward to
15 seeing more reduction targets across the Climate Action
16 100+, and reduction targets that aren't only pegged to
17 2050, but interim targets, so that we can have comfort
18 that we're moving towards the Paris Agreement in a timely
19 and orderly fashion.

20 --o0o--

21 INVESTMENT MANAGER MANKIKAR: Of the companies
22 listed here, I've already mentioned Chevron, Exxon,
23 Occidental, PPL. I would also say in Japan, Hitachi has
24 established a goal of 50 percent emissions reduction by
25 2030 across its value chain, and 80 percent by 2050. In

1 the U.S., PPL's goal of 70 percent reduction is by 2050.
2 And in Italy Enel has committed to carbon neutrality by
3 2050.

4 So we're seeing a growing trend of emissions
5 reductions targets. Some of these made before the launch
6 of Climate Action 100+, but these are examples for us of
7 industry best practice in this area.

8 So this is encouraging progress, and we look
9 forward to partnering with the 100+ companies on
10 intermediate goals, as I said. We're also looking for
11 greater disclosure from them on the just transition. The
12 Paris Agreement calls for quote, "Taking into account the
13 imperatives of a just transition of the workforce, and the
14 creation of decent work and quality jobs in accordance
15 with nationally defined development priorities".

16 Just as it's stated in our Investment Beliefs,
17 physical, financial, and human capital are all important
18 for value creation. And this is an area where we think is
19 a case study of how they are linked.

20 As we turn to 2018, we volunteered, as I said
21 earlier, to serve as lead on several companies in North
22 America and Asia. And we are also supporting the
23 initiative through developing benchmarking research, so
24 that we can understand where all the 100 companies are
25 currently.

1 Anne mentioned the Financial Stability Board's
2 Task Force on Climate Related Financial Disclosures. This
3 forms the engagement agenda with the 100+ companies. And
4 just as the financial stability Board has asked for
5 reporting from the companies, it's also asked for
6 reporting from asset owners on particularly starting with
7 the governance elements.

8 And so the PRI is supporting asset owners in
9 reporting according to their governance around climate
10 change for the first time this year.

11 So this will be our first attempt to do such
12 reporting. It may be far from perfect, but we'll learn
13 from doing and understand better I think what we're asking
14 of companies. And we hope to see continued progress in
15 partnering with these companies the meet the Paris goal.

16 With that, I'll turn to my colleague Simiso --
17 oh, sorry, are there questions?

18 CHAIRPERSON JONES: Yes. Mrs. Mathur.

19 COMMITTEE MEMBER MATHUR: Thank you very much.
20 Well, I'm a great supporter of this Climate Action 100+
21 initiative. I think it is -- it stands to be a really
22 effective mechanism for driving industry-wide change
23 globally. And that is a huge ask. And what it
24 exemplifies to me is how working collaboratively with
25 other significant investors, getting trillions of dollars

1 of assets, and hundreds of institutional investors behind
2 an initiative can really make much more of an impact than
3 our voice alone can do. So really excited about this
4 initiative.

5 And I know that a lot of recent activity has been
6 around forming and -- this organization and getting all
7 these parties to work together, which is no small task.

8 But my question is about sort of what -- are
9 we -- how is the engagement going? Is it -- is it already
10 underway under this rubric or this structure? What are we
11 doing around climate this year? Have we filed any proxy
12 proposals? Are we supporting any proxy campaigns?
13 What are we doing around climate this year 2018?

14 INVESTMENT MANAGER MANKIKAR: So I think I'll
15 share the answer with the global equity team here as we
16 share delivery of this strategic goal. In terms of the
17 engagement this year, we are engaging companies as we have
18 in prior lead ups to proxy season on climate risk. And
19 we're prioritizing those who are on the Climate Action
20 100+ list.

21 But we are also helping to form engagement teams
22 for each of the companies in North America. So making
23 sure that there are investors with the resources to really
24 be able to effectively deliver on this engagement agenda.

25 INVESTMENT DIRECTOR NZIMA: Simiso Nzima,

1 Investment Director, Global Equity. In terms of the proxy
2 filings, the proposals, we have not filed any climate risk
3 proposal. I think we discussed this sometime, I think,
4 last year. Anne and I and the team met. And what we --
5 you know, we looked at the three companies where we filed
6 last year, and we decided for those that we'll wait until
7 they actually present their reports.

8 And then at the other 15 companies where we did
9 not file last year, but we actually ran proxy
10 solicitations, we plan to do the same thing this year in
11 terms of running proxy solicitations, and let the people
12 who have been filing at those companies continue to file
13 there. But we'll be happy to actually run proxy
14 solicitations for those climate risk proposals.

15 COMMITTEE MEMBER MATHUR: Okay. So we are
16 supporting 15, you said, proposals? Is that what you --
17 I'm sorry, maybe I didn't understand.

18 INVESTMENT DIRECTOR NZIMA: Well, last year we
19 supported -- we ran proxy solicitations for 15.

20 COMMITTEE MEMBER MATHUR: Right.

21 INVESTMENT DIRECTOR NZIMA: I'm not sure how
22 many -- the number that is filed as of now.

23 COMMITTEE MEMBER MATHUR: Okay.

24 INVESTMENT DIRECTOR NZIMA: But what we're going
25 to do -- going to support and run proxy solicitations for

1 all the climate risk proposal.

2 COMMITTEE MEMBER MATHUR: Okay.

3 INVESTMENT DIRECTOR NZIMA: The two degree
4 scenario climate risk proposal, that will be filed this
5 year.

6 COMMITTEE MEMBER MATHUR: Okay. That are
7 consistent with what we did last year?

8 INVESTMENT DIRECTOR NZIMA: Yes.

9 COMMITTEE MEMBER MATHUR: Okay. That's helpful.
10 Thank you.

11 CHAIRPERSON JONES: Ms. Paquin.

12 ACTING COMMITTEE MEMBER PAQUIN: Thank you, Mr.
13 Chair. I just want to say on behalf of the Controller,
14 she's so excited about this program, and the powerful
15 partnership that you've brought together to work with
16 these companies. It's very exciting. And I guess my
17 question revolves around the companies last year, Chevron
18 and Exxon and Occidental. Now, that they have agreed to
19 produce these reports, what type of engagement will you
20 have going forward with them?

21 INVESTMENT MANAGER MANKIKAR: I think as with any
22 company that has begun reporting, we're taking a close
23 look at that reporting, and its alignment with the task
24 force's recommendation. So are they discussing
25 governance? How the Board and management have oversight?

1 Are they talking about metrics and targets? Are they
2 looking at their physical assets and the exposure of those
3 assets to climate risk, and are they disclosing that to
4 us?

5 So where we have reporting, we're trying to
6 actually develop that through the Benchmarking Working
7 Group, a standardized way of looking at each of the
8 companies, what would be the best-in-class reporting from
9 that sector - it's a very sector-specific activity - and
10 then whether they meet our criteria.

11 So in some cases, there's decent disclosure
12 around governance, but maybe not a metric or a target tied
13 to the Paris goal. In other case, of course, there isn't
14 any reporting related to climate risk. So it's a
15 case-by-case sort of nuanced approach.

16 ACTING COMMITTEE MEMBER PAQUIN: Thank you.

17 CHAIRPERSON JONES: Okay. No further questions
18 on that item.

19 Okay. Next.

20 --o0o--

21 INVESTMENT DIRECTOR NZIMA: Members of the
22 Investment Committee, good afternoon. My name is Simiso
23 Nzima, Investment Director, Global Equities.

24 I'll take you through the diversity and inclusion
25 presentation. The objective of the diversity and

1 inclusion strategic priority is to enhance total fund
2 performance by increasing the level of diversity on
3 corporate boards. Existing research shows that companies
4 that have a more diverse board tend to have better
5 financial performance than companies that have less
6 diversity on their boards.

7 Our Governance and Sustainability Principles
8 define diversity broadly in terms of skill sets, age,
9 gender, nationality, race, ethnicity, experiences,
10 background, sexual orientation, and historically
11 underrepresented groups.

12 In July last year, staff wrote to over 500
13 companies in the Russell 3000 that lacked gender
14 diversity. We used gender as a selection criteria and to
15 identify which companies to engage, only because there's
16 not publicly available data in terms of other forms of
17 diversity. For example, the Investment Committee has been
18 talking about race and ethnicity and so forth. Companies
19 are not currently required to report that data publicly,
20 even though they may be reporting it under the Equal
21 Employment Opportunity Commission rules. But that data is
22 not publicly available to investors, so we use gender as a
23 criteria just to identify the companies.

24 However, as we engaged these companies, we
25 actually engaged them on the broader definition of

1 diversity as it's stated in our Governance and
2 Sustainability Principles.

3 We also successfully transitioned 3D, which is
4 our Diverse Director Data source to Equilar Diversity
5 Network. And since July last year, 14 members of 3D have
6 been appointed to public boards. So we're really excited
7 about that in terms of the diversity work that we're
8 doing.

9 --o0o--

10 INVESTMENT DIRECTOR NZIMA: Moving on to slide
11 14, this slide really shows the engagement score card in
12 terms of the companies that we engage. So -- and the
13 companies are -- the companies are broken down into tiers.
14 So tier one, which is about 13 percent of companies, these
15 are companies that have either added a female director to
16 their board or are in the process of adding one within a
17 year. So that's 13 percent of the companies that we wrote
18 to, which is 63. And as of today, 60 of those 63 have
19 already added a female director to their board.

20 Tier 2 companies, these are companies that have
21 either enhanced or have committed to enhance their
22 disclosure to explicitly state that they will consider
23 diversity in its broadest form when they actually refresh
24 their boards. That's about 22 percent of companies.

25 And tier 3, those are companies which really have

1 provided what we consider to be inadequate responses. So
2 we have received about 38 percent responses since we wrote
3 this -- the initial letter in July. Sixty-two percent of
4 companies, which are tier 4, these are companies that have
5 not responded to our engagement.

6 --o0o--

7 INVESTMENT DIRECTOR NZIMA: Slide 15 really shows
8 the level and trend of women that sit on boards, both
9 Equilar and Russell 3000. Only 21 percent of available
10 board seats at Equilar 500, and 16 percent at Russell 3000
11 companies are occupied by women. And if you think these
12 numbers are abysmal, wait until we see what race and
13 ethnicity and stuff like that. Those are even much, much
14 less. Unfortunately, we don't have the numbers here.

15 The changes over time, as you can see, they have
16 been marginal at best, if you look at from 2013 to 2017.
17 So there's still a lot of work to be done here. And in
18 terms of disclosure, even if you look at the big
19 companies, if you look at the Equilar 500 companies, when
20 they look at board composition, the disclosure on gender
21 and race and ethnicity is not really there. It's not as
22 much.

23 --o0o--

24 INVESTMENT DIRECTOR NZIMA: Slide 16. Here, we
25 show using data that we obtained from ISS that the U.S.

1 really is an outlier in terms of both the average director
2 age, as well as the length of tenure. And this slide
3 really touches one of the core issues in terms of if we
4 really want to move the market in terms of diversity, we
5 need to get a greater level of board refreshment. I think
6 this is a question which Mr. Costigan has raised before,
7 in terms of, you know, how do we move the needle in terms
8 of increasing diversity. We need to get these boards to
9 be refreshed. I'll stop there and take any questions.

10 CHAIRPERSON JONES: Okay. Ms. Mathur.

11 COMMITTEE MEMBER MATHUR: Thank you.

12 Well, I think it is notable -- well, first of
13 all, I think it is a good start to send these 504 letters.
14 I'm -- I was very pleased that that was -- that we
15 undertook that. I think it is very instructive that 3/5th
16 of the companies have not responded.

17 And I'm interested, number one, when we sent out
18 the letter, were we coordinating these letters with any
19 other institutional investors, any of our peers, in
20 engaging these companies around this issue? Because I
21 know there must be others who are equally concerned about
22 the performance implications of lack of diversity on
23 corporate boards and on corporate leadership. So that's
24 number one.

25 Number two, have we followed up with the

1 companies that did not respond, and what is our plan to do
2 so?

3 Number three, have we considered the correlation
4 between other governance factors like majority voting or
5 the lack thereof at these companies, and diversity on
6 these boards? And have we considered running proxy
7 campaigns, or filing shareholder proposals, around that
8 issue, so that we can actually have some control over, or
9 have a say in who sits on these boards?

10 So I know that was a number of questions.
11 Forgive me if I spoke too quickly, and I'm happy to repeat
12 any of them.

13 INVESTMENT DIRECTOR NZIMA: Thank you for the
14 question. When we wrote the initial letter, we're not
15 coordinating with anyone in terms of writing that letter.
16 However, if the Board -- if the Investment Committee
17 recalls, we have worked jointly with CalSTRS in terms of
18 engaging California companies that lack gender diversity
19 on their board. And that's an effort that's still
20 ongoing.

21 However, after we had written the letters to the
22 504 companies, we've reached out to some of the
23 institutional investors, both on the asset management side
24 and on the asset owner side and shared with them the fact
25 that we've returned to these companies and asked them what

1 they're doing in terms of diversity?

2 And the most positive thing that we've heard is
3 that almost every institutional investor that we've talked
4 to, they have their own diversity efforts, and the
5 feedback that they gave us was that they were happy that
6 we're doing something, and they think as -- if companies
7 are hearing this from different investors at different
8 times during the year, then that will help in terms of
9 drive this -- the market-wide adoption of diversity.

10 And one of the things I'm going to be doing after
11 this Investment Committee is really to -- to go back to
12 some of the institutional investors and talk to them about
13 some of the actions that we intend to take regarding those
14 companies that have not responded to us.

15 So moving on to your question number two in terms
16 of the non-responders. In December, last year, we wrote a
17 second letter to companies that did not respond to our
18 initial letter, and reemphasizing that this is something
19 that is important to us, and stating the fact that we will
20 consider using the shareowner tools such as proxy voting
21 and shareowner proposals to bring the -- to hold these
22 companies accountable.

23 As part of Agenda Item 6d, there is a
24 presentation in terms of the voting enhancements. We have
25 already instituted a voting mechanism for 2018 where we'll

1 be voting against board chairs, members of the nominating
2 and governance committees, and long-tenured directors at
3 these companies that did not respond to our letter. So we
4 have something in place.

5 However, even looking forward to 2019, we're
6 considering whether to file proposals at those companies
7 that continue not to respond to our request in terms of
8 increasing the diversity and so forth. So we -- we are
9 not going to hesitate in terms of using the tools that are
10 available to shareowners to hold these companies
11 accountable.

12 COMMITTEE MEMBER MATHUR: But if there's no -- if
13 there's no majority voting at these companies, then a
14 withhold vote doesn't mean very much.

15 INVESTMENT DIRECTOR NZIMA: Yes. Yes. So the --
16 the third to your question -- your third question, what
17 we've done as part of the -- this analysis, we've done
18 the -- we've looked at the correlation. I think 306 of
19 the 504 companies lack majority voting. So as part of our
20 majority voting initiative, which is something we've been
21 doing since 2010, we are going to be including these
22 companies where in terms of engaging them, we're not just
23 going to be engaging them on diversity, we'll engage them
24 on majority vote, and any other governance issues sort of
25 that are lacking in terms of trying to move this forward.

1 So that's something which we're already looking
2 at. And that would lead to some of those issues where we
3 may file shareowner proposals and try and change the
4 governance structures of these companies.

5 COMMITTEE MEMBER MATHUR: So you think it's going
6 to be another whole year before we can file proposals at
7 some of these companies?

8 INVESTMENT DIRECTOR NZIMA: I think so. And the
9 reason I say that, so the way we've sort of implemented or
10 executed some of these initiatives, especially the
11 market-wide initiatives, is first, we telegraph what we're
12 going to do. So I'll use the Japan board independence
13 initiative, which we started way back in 2014 as an
14 example, just to share the -- sort of the template of our
15 approach in this.

16 So in 2014, we telegraphed to the Japanese market
17 where, you know, they -- most companies had at most one
18 independent director on their board. We telegraphed then
19 that we would expect them to move to at least one-third
20 board independence at some point in the future. And we
21 identified 2017 as the timeframe to say three years we
22 expect that companies should be having one-third board
23 independence.

24 At that time, even the Japanese Companies Act
25 required just, you know, one independent director. And in

1 2015, we publicly supported the Japan Corporate Governance
2 Code. And then 2016, we signed on to the Japan
3 Stewardship Code, so again engaging more people in terms
4 of the market and respecting the market norms.

5 And then in 2017, we changed our voting practice
6 related to Japan companies to actually vote against
7 companies where they didn't have at least one-third
8 majority board independence. And we communicated that to
9 the market, we communicated that to the Japan Financial
10 Services Agency, which is the regulator which oversees
11 banking, securities and exchange, and insurance companies
12 in Japan.

13 So this is something now again going really full
14 steam on with this. And we voted against directors at 864
15 companies out of 1200 companies in the Japan Stock
16 Exchange in 2017.

17 And I'm glad to say last week, the FSA, which is
18 the Financial Services Agency, came out with a draft
19 revision of the Japan Corporate Governance Code, where
20 they're now calling for a one-third minimum board
21 independence threshold for Japanese companies.

22 So if you look at that timeline from 2014 to
23 2018, it took -- it took a while. And these things can be
24 slow moving and they take awhile. And this is sort of the
25 same template we are using with diversity. This year,

1 we're going to vote against those companies that haven't
2 responded to us.

3 We expect that before the end of this year, we'll
4 make a position -- we'll take a position whether it's on
5 filing shareowner proposals and communicate that position
6 to the entire market, and communicate that it's not just
7 gender.

8 COMMITTEE MEMBER MATHUR: Sure.

9 INVESTMENT DIRECTOR NZIMA: We're looking at the
10 broad definition of diversity. So that's the approach
11 we're going to use in this initiative.

12 COMMITTEE MEMBER MATHUR: So I totally understand
13 that some of these things don't -- we don't material -- it
14 doesn't materialize all in one year, and it requires a
15 multi -- a multi-pronged and multi-stage effort.

16 I guess I would suggest that one of the things
17 that I have learned over the years, and I think we as an
18 organization have learned over the years, is that
19 collective engagement, collective action can be much more
20 powerful. And I think we -- I think the Climate Action
21 Risk Initiative - I might be misstating it - you know, the
22 results that came out of that engagement, which was a
23 collaboration of multiple asset owners and investment
24 managers, that we were able to make more significant
25 progress because, of course, you have a higher percentage

1 of the ownership of the company behind it.

2 I mean, as many of you have stated before, we
3 own, what, maybe half a percent of any given company. So
4 to -- if we want to be more impactful, leverage our impact
5 and our efforts, it seems like collaboration is a more --
6 it might be an effective strategy. So I would just
7 suggest that we consider that as we move forward.

8 MANAGING INVESTMENT DIRECTOR BIENVENUE: I think
9 as we get to the point of filing proposals, that is
10 absolutely the expectation, right, is that we start with a
11 letter. And as Simiso said, in discussing with some of
12 the asset managers and owners, we thought it made sense to
13 do our own letter. However, when we get to a point of
14 proposals, we will absolutely be looking to get others on
15 board with us, both the -- you know, the owner community,
16 but then especially the management community, because
17 that's where --

18 COMMITTEE MEMBER MATHUR: Yeah.

19 MANAGING INVESTMENT DIRECTOR BIENVENUE: -- you
20 know -- and a number of those managers have been very
21 vocal about this. You know, Larry Fink and BlackRock,
22 SSGA, Vanguard, a number have been very vocal about this
23 being an important issue for them. So we -- you know, as
24 Simiso said, as we work our way through, we want to make
25 sure we maintain trust and we -- and we work

1 collaboratively with the company at first. But then in
2 the absence of that, then we come back with a -- with
3 something with more teeth.

4 COMMITTEE MEMBER MATHUR: Um-hmm. Okay. Well,
5 that is also something -- of, sorry. Go ahead, please.

6 INVESTMENT DIRECTOR NZIMA: I was going to say
7 and to add to what Dan has said, I think we've already
8 started talking about that. I think Anne and I and a few
9 others I think three weeks or so ago, we're talking about
10 how are we going to engage these companies on a
11 collaborative basis, and we're going to use the Climate
12 Action 100 coalition as sort of a template, again, in
13 terms of our looking at that.

14 So that's something which we're already thinking
15 about, but we're thinking about it as something for the
16 next proxy season --

17 COMMITTEE MEMBER MATHUR: Okay.

18 INVESTMENT DIRECTOR NZIMA: -- and not something
19 for this proxy season.

20 COMMITTEE MEMBER MATHUR: Well, I'm glad to hear
21 that you're thinking about it now, because these things
22 can take a little while to come together. So thank you.

23 CHAIRPERSON JONES: Mr. Juarez.

24 ACTING COMMITTEE MEMBER JUAREZ: Thank you,
25 Chair.

1 I want to see if I could just have you take me
2 back to I guess it's slide 14, where we talk about the5 04
3 businesses that we're engaging. I assume those are
4 letters that went to those businesses.

5 Sixty-two percent of those businesses did not
6 respond at all, so we don't know. And we were just asking
7 about gender diversity at this point?

8 INVESTMENT DIRECTOR NZIMA: No, we're asking
9 about all forms of diversity. We mentioned in the letter
10 that the selection criterion was gender, because that was
11 the only way for us to identify some of these companies,
12 but we're talking about all forms of diversity.

13 The KPI under this initiative really says a form
14 of diversity. And I think it's something which, as the
15 Investment Office is the Governance and Sustainability
16 Subcommittee, we need to look at that definition and make
17 sure that it aligns with our governance and sustainability
18 principles, which is a broader definition of diversity.

19 ACTING COMMITTEE MEMBER JUAREZ: And so the
20 responses we're getting back, while it's not indicative
21 here, would be broader than just the number of women that
22 they've either added or that they're considering? This is
23 broader in the sense when we get a response back, it's
24 here's what we're doing to make sure that we have a
25 diverse -- ethnically diverse board or a talent-based

1 diverse board, whatever -- whatever terms of ethnicity.
2 It's beyond just gender.

3 INVESTMENT DIRECTOR NZIMA: That is correct. And
4 we've asked companies to actually publicly disclose that
5 commitment in terms of their governance documents to put
6 in there that they'll consider diversity in its broader
7 terms when they refresh -- when they refresh the boards.

8 ACTING COMMITTEE MEMBER JUAREZ: Okay. And going
9 to -- I think Ms. Mathur may have asked this question, but
10 I want to make sure I understand it. Are we going back to
11 those 504 companies to now -- and especially in particular
12 the 315 companies that did not respond, and see if we can
13 get further information as to what they're doing, or find
14 out why they didn't respond? I mean, what is our thought
15 about how do we generate a better response rate from this
16 collective group?

17 INVESTMENT DIRECTOR NZIMA: So we -- we wrote a
18 second letter in December last year to the 315 companies
19 that had not responded. And we're going to be withholding
20 votes, like I say, from the board chairs, from the members
21 of the Nominating and Governance Committee, and from all
22 long tenured directors who sit on those boards.

23 ACTING COMMITTEE MEMBER JUAREZ: And that's
24 what -- we told them that, that we would withhold our
25 votes for those until we got a response, is that what

1 we --

2 INVESTMENT DIRECTOR NZIMA: We told them that
3 their response would determine how we cast our votes at
4 the 2018.

5 ACTING COMMITTEE MEMBER JUAREZ: So let's say
6 they don't respond again at all. Is it likely to lead for
7 us to use our proxy to vote against the governance and
8 nominations committees?

9 INVESTMENT DIRECTOR NZIMA: We will vote against
10 them, but we'll also write a letter to explain why we
11 voted against that as part of the -- you know, our
12 engagement with the company.

13 MANAGING INVESTMENT DIRECTOR BIENVENUE: So I
14 think at its highest level we started with a more friendly
15 letter, right, saying we want to understand --

16 INVESTMENT DIRECTOR NZIMA: Right.

17 MANAGING INVESTMENT DIRECTOR BIENVENUE: -- what
18 your practices are. When we didn't hear back, the
19 December letter was a we're going to allow a lack of
20 response or what we hear to inform our voting practices.
21 Candidly, as Simiso mentioned in Item 6d, we're going to
22 go through those voting practices.

23 We didn't want to get ahead of the Committee --
24 the Investment Committee, and tell them exactly what we
25 were going to do, because we want to make sure that, you

1 know, we feel pretty comfortable that this committee will
2 be supportive of that expected voting practice, but we
3 want to walk through that voting practice with this
4 committee, so we can hear any concerns.

5 Assuming this Committee's comfort with that
6 voting practice, then this proxy season, we will voting in
7 that way, and then gradually escalating our response to
8 the questions Ms. Mathur asked about filing proposals,
9 around potentially asking for other ways to get access to
10 this.

11 ACTING COMMITTEE MEMBER JUAREZ: Okay. The last
12 thing I'll say about this is, is I was taken with the
13 person who -- from the Marin Pension Board, who testified
14 previously on Item 6b. He suggested, and again without
15 having any verification, but he suggested that other
16 boards, a similar vain, he mentioned Ontario, Rhode
17 Island, a couple of others. He said internationally,
18 their percentages of voting against boards that are not
19 either gender or ethnically diverse were in the high 80s
20 to 90s. He mentioned for this Board it was like 15
21 percent.

22 And so I think as -- if those figures are
23 anywhere close to being accurate, I think as you come back
24 to us, we need to know the context sort of more broadly as
25 to where do we stand relative to those other types of

1 exemplars, if you will, in terms of our activity, because
2 there must be something about what they're either saying
3 or doing that would suggest that they're -- they're taking
4 a much more, I think, a stern or proactive stance than we
5 seem to be taking with regard to this issue.

6 Now again, I can't -- I can't speak to the
7 veracity of his -- of his numbers, but they -- we've
8 seen -- it seemed way out of whack with what we're doing.

9 INVESTMENT DIRECTOR NZIMA: Thank you for that
10 point. What the public speaker was referring to was not
11 the diversity of votes, that was on executive
12 compensation, the number of --

13 ACTING COMMITTEE MEMBER JUAREZ: Voting them on
14 executive compensation --

15 INVESTMENT DIRECTOR NZIMA: Yes.

16 ACTING COMMITTEE MEMBER JUAREZ: -- where they
17 were out of whack --

18 INVESTMENT DIRECTOR NZIMA: Yes.

19 ACTING COMMITTEE MEMBER JUAREZ: -- in that
20 regard?

21 INVESTMENT DIRECTOR NZIMA: Yes.

22 ACTING COMMITTEE MEMBER JUAREZ: I would still be
23 curious though, if we could, come back to us if we know
24 what other boards do relative to this issue. If that's
25 public knowledge, and maybe it goes to Ms. Mathur's point

1 about working with others who may be a little bit ahead of
2 the curve. And to the extent that we're not, it may be
3 worth while to know what they're doing, and maybe we can
4 join their efforts to get at this.

5 I know I was at the CII last week, and the Deputy
6 Treasurer from Rhode Island said that they'd been very
7 active in just casting no votes, because they do adhere to
8 a 30 percent principle. So I'd just be curious where we
9 stand relative to states like Rhode Island and any other
10 pension funds that do this type of activity.

11 INVESTMENT DIRECTOR NZIMA: Yeah. We will follow
12 up with other investors to find out their voting -- their
13 voting levels.

14 ACTING COMMITTEE MEMBER JUAREZ: Okay. Thank you
15 for that.

16 INVESTMENT DIRECTOR NZIMA: Sure.

17 INVESTMENT DIRECTOR SIMPSON: Anne Simpson. I
18 just wanted to return to the issue of majority voting,
19 just to set level expectations about how quickly we can
20 make progress here.

21 As Simiso said, over 300 of these companies don't
22 have majority voting. That means right now, we cannot
23 vote against directors. And as Simiso said, we started in
24 2010 to file batches of proposals and engage companies.
25 So I think what this speaks to is that until you've got

1 your governance rights in place, you can follow up on
2 anything.

3 You know, financial, social, diversity, climate
4 change or whatever it might be. So I think we need to
5 look at the non-responders who are 315. And the 300 plus
6 Simiso, where we know we don't have majority voting,
7 because we're going to have to put something in place
8 first. So that is the -- I think the next -- the next
9 step. Just to be clear, we can't race out and start
10 voting against directors at all of these companies yet.

11 So that won't be possible for this season. So
12 just adjusting. Level setting.

13 CHAIRPERSON JONES: Okay. All right. So that
14 means that it will be a little bit more time to respond to
15 Mr. Juarez's question, am I hearing you correctly, on
16 that?

17 MANAGING INVESTMENT DIRECTOR BIENVENUE: I think
18 getting data is something that we can do potentially
19 sooner. Although, we have to figure out how he would
20 gather that data.

21 CHAIRPERSON JONES: Okay.

22 MANAGING INVESTMENT DIRECTOR BIENVENUE: You
23 know, I think what Anne is saying is that as far as
24 actually making progress, I think we will all collectively
25 be frustrated by the pace of that progress, but at least

1 we'll be making progress, and we're -- we are determined
2 to make progress in this space.

3 CHAIRPERSON JONES: Okay. Mr. Costigan.

4 VICE CHAIRPERSON COSTIGAN: Thank you, Mr. Jones.

5 Just a few questions. So I appreciate what the
6 Treasurer is talking about on 30 percent, third, third,
7 and third, which are laudable goals.

8 Do we -- do we have a goal in mind? Is there a
9 target that we have in mind?

10 I see nodding.

11 INVESTMENT DIRECTOR NZIMA: We have -- our KPI
12 says that ensure that all of our 10,000 public company
13 holdings have a form of diversity on their board. And
14 that was what I was referring to, to say that we need to
15 really go back to that KPI and define what that form of
16 diversity and make sure that it aligns with our governance
17 standard.

18 VICE CHAIRPERSON COSTIGAN: I'm sorry, but they
19 don't set a percentage.

20 INVESTMENT DIRECTOR NZIMA: It doesn't set a
21 percentage, yes.

22 VICE CHAIRPERSON COSTIGAN: So I'm going to just
23 wheel a little bit. First of all, I appreciate the hard
24 work you all are going, because this a bit can be of a
25 rabbit hole. I'm going to take us down one for a minute,

1 because you can just pick apart.

2 So you pick 500 within the Russell 3000 is kind
3 of our benchmark, is that the way we did it? I just want
4 to make -- I've been trying -- I was asking the Chair, did
5 we look at the Dow 30, for example?

6 INVESTMENT DIRECTOR NZIMA: So we picked the
7 Russel 3000, which is really the broad mark within the
8 U.S. and with certain U.S. companies. So we're starting
9 with our home country.

10 VICE CHAIRPERSON COSTIGAN: Okay. So Ms. Simpson
11 talked about majority voting, I just want to -- does Apple
12 have majority voting?

13 INVESTMENT DIRECTOR SIMPSON: Following
14 successful adoption of a CalPERS proposal, yes?

15 VICE CHAIRPERSON COSTIGAN: They do.

16 As I tell my son the other day, I already know
17 the answer to the question ask.

18 Does BlackRock have majority voting?

19 INVESTMENT DIRECTOR SIMPSON: Correct.

20 VICE CHAIRPERSON COSTIGAN: Okay. So here's a
21 concern I have, back to a point I made earlier. I'm not
22 picking on this Board member. I'm just making my point.
23 Ms. Wagner is a board member both Apple and BlackRock.

24 Apple has two women out of eight, which
25 constitute 25 percent of the board. BlackRock only has

1 five women out of 25 -- or out 20, which again is one
2 quarter. You have the same individual occupying two spots
3 to drive up those percentages.

4 I think we've talked in the past about doing this
5 cross-pollinization of trying to find out where these
6 folks are. If she accounts for two positions out of 28, I
7 don't think that's acceptable. I mean, to me, that's not
8 very diverse. I mean -- and that's just in my quick
9 research without going further back and seeing what other
10 boards they sit on.

11 So what I'm curious about, since we have majority
12 voting, did we vote against their directors or did we vote
13 with their directors last time for Apple and BlackRock?

14 INVESTMENT DIRECTOR NZIMA: I believe we voted
15 with the directors. And in terms of the multiple board
16 seats, our principle -- or at least our voting practice
17 right now is that if you're an executive and sit on more
18 than two boards, including where you're an executive,
19 we'll vote against you.

20 So if that's the case in one the examples used
21 they would have voted against. But if you're not an
22 executive, if you sit on more than five boards, that's
23 when we'll vote against you.

24 So that's something which we've been doing over
25 the last couple of years.

1 VICE CHAIRPERSON COSTIGAN: Well, not to speak
2 for Ms. Mathur. Just from what I thought I heard, and Mr.
3 Juarez, I mean, when you talk about working others or
4 actually sending a message, we had majority voting on two
5 boards comprised of boards of directors of less than 25
6 percent, using same Board members that sit on multiple
7 boards. I'm not sure what fact pattern we're looking for
8 where you'd send a message. Again, I, mean Apple is the
9 largest capitalized company in the world.

10 I find it unacceptable that two of their eight
11 board members are women. I mean, just -- and then we
12 haven't even broken down the gender inclusion or diversity
13 issues. But again, when you start -- and the same thing
14 with BlackRock rock, five out of 20 for 25 percent.

15 So I'm curious, if we already have majority
16 voting, if it's the policy to diversify boards, why are we
17 voting for these individuals?

18 I'm just -- I mean, we're supposed to be sending
19 a message. And so I'm -- what fact pattern where would we
20 be -- absent the CEO who serves on two boards, what fact
21 pattern exists where we would vote against their board of
22 directors, if we have majority vote -- if we already have
23 majority vote? I get, Ms. Simpson, where you're talking
24 about you can vote for something till you take care of
25 majority voting. You took care of that. That's

1 tremendous work.

2 How have we utilized that power?

3 CHIEF INVESTMENT OFFICER ELIOPOULOS: So I think
4 I'll tee this up, and then turn it to Anne, and then
5 Simiso so, if necessary, because in 6c we'll be reviewing
6 our Board-adopted principles, which govern our voting
7 practices on these dimensions, in particular, the section
8 on boards of directors of companies -- public companies,
9 and our -- basically our rules in our principles with
10 respect to quality, and independence, and diversity of
11 these boards. So we'll be looking at that, including some
12 additions, I think, in this -- in this round of upgrades
13 to the principles.

14 We have avoided having a percentage test within
15 our principles. That's been, I would say, a long-standing
16 philosophical view of CalPERS, both prior boards as well
17 as the current principles that are adopted, as well as the
18 viewpoints of the Investment staff that we've chosen a
19 principles-based proxy voting system that values
20 diversity, but does not define a percentage of diverse
21 characteristics for each board, which would govern a yes
22 vote or a no vote.

23 The advantage of having percentages like a 30
24 percent gender or ethnicity vote is that it's easier to
25 apply across -- you know, across 10,000 companies that you

1 own.

2 On the other hand, it doesn't necessarily speak
3 to all the dimensions of diversity that we have in our
4 principles system. And we don't have currently all of the
5 data that would allow the -- you know, the voting of --
6 according to those dimensions.

7 But I think that's a healthy discussion to have
8 during the principles item. And your questions are very
9 fare in terms of, well, without a strict percentage
10 application, how do you go about assessing the quality and
11 independence and diversity of a board? And at the end of
12 the day under our principles approach, it's a judgment
13 call.

14 VICE CHAIRPERSON COSTIGAN: No, and I agree. I'm
15 also -- back to the earlier point, I'm not necessarily
16 into percentages. The fact is if you're going to
17 diversify boards, you have to open up more seats. And
18 when on simple research, two large companies have the same
19 person serving, we don't even have to talk about
20 percentages, we can talk about adding more people. It's
21 the -- it's about the ability of addition not subtraction.
22 And right now, at least those companies, it's attracting
23 the opportunity for other people to serve.

24 Thank you.

25 CHAIRPERSON JONES: Okay. Mr. Slaton.

1 COMMITTEE MEMBER SLATON: Thank you, Mr. Chair.
2 For awhile you had up on the screen there page 16 of 28,
3 which was the trends. And speaking of one of at least two
4 board members who have passed their seventh decade --

5 (Laughter.)

6 COMMITTEE MEMBER SLATON: -- particularly the
7 issue of age versus tenure, and I know we have -- and
8 maybe we'll get into this in the next section, I don't
9 have any problem with focusing on tenure. I am concerned
10 about focusing on age as a specific criteria. I don't
11 think the shareholders of Berkshire Hathaway are chomping
12 at the bit to have Warren Buffett at age 87 step aside.

13 So I just want to raise that issue and make sure
14 that we're not trying to go down a path that says if
15 you've reached a certain age, you can't be effective in --
16 and effectively adding another element of diversity, which
17 is long experience.

18 INVESTMENT DIRECTOR SIMPSON: Anne Simpson.
19 Thank you very much for raising that. You'll recall when
20 we were doing the big overhaul of the principles a little
21 while back, we had a very thorough discussion about this
22 question about board refreshment how a board is going to
23 stay fresh.

24 And I think there was a very thoughtful debate,
25 in which we decided that the issue was tenure, and there

1 is no reference in our principles to age.

2 COMMITTEE MEMBER SLATON: Okay.

3 INVESTMENT DIRECTOR SIMPSON: You know, at what
4 point, which day does somebody stop bringing value, or
5 does somebody have -- sometimes boards want to keep people
6 for experience. What we're -- what we're keen to do is
7 make sure that we are, as Mr. Costigan said, opening up
8 opportunity.

9 So there's question about boards with very long
10 tenure. And also, I think to be fair, the other thing
11 that we've seen and you'll remember from the research that
12 Todd Mattley showed us at that occasion, retirement ages
13 are being abolished or getting higher and higher, and
14 higher.

15 Now, that, in part, is in synch with longevity.
16 People are living longer, and you'd expect that to happen.
17 But the worry for us is that you've got this snail's pace
18 of change on board diversity. So if we don't do something
19 here, we're not going to open up seats, but we
20 deliberately did not put an age limit.

21 COMMITTEE MEMBER SLATON: Good. Okay. On the
22 other hand, what we don't want to do is go down, if you
23 look at the lower left of that graph --

24 INVESTMENT DIRECTOR SIMPSON: Russia.

25 COMMITTEE MEMBER SLATON: You know, I'm not sure

1 that's the model that we would want to seek. So you've
2 got to be careful what you wish for.

3 Thank you.

4 INVESTMENT DIRECTOR SIMPSON: Yes. Thank you.

5 CHAIRPERSON JONES: Okay. That completes the
6 questions on that.

7 MANAGING INVESTMENT DIRECTOR BIENVENUE: Okay.
8 So we'll hand it back to Anne, because you'll recall we
9 went through - just to recap real quickly - data and
10 corporate reporting was the first strategic initiative.
11 Then the Montreal Pledge engagements, then diversity, and
12 now Anne will take us through the -- through the next
13 three.

14 INVESTMENT DIRECTOR SIMPSON: Yes. We've covered
15 three of the six strategic priorities. So thank you, Dan.
16 And thank you also for getting us to the right slide.

17 So we're on slide 17.

18 --o0o--

19 INVESTMENT DIRECTOR SIMPSON: So this strategic
20 priority is all about how do we get this done? This goal
21 to have integration of the relevant environmental, social,
22 and governance factors, what we're calling sustainable
23 investment, right across the fund.

24 And it's important to say that this objective is
25 actually rolled up into the enterprise strategic plan,

1 which is, I think, a sign of how very seriously CalPERS
2 takes this work.

3 The goal here is unequivocal. It says all
4 managers have policies and procedures for including ESG
5 information in decision making. Furthermore, that asset
6 classes establish and implement documented procedures for
7 due diligence, contracting, and monitoring activities. In
8 other words, right through the lifecycle of appointing a
9 manager.

10 I think it's very important that we've chosen to
11 include internal as well as external managers. And each
12 asset class was given the task of developing their own
13 sustainable investment practice guidelines. Now, rather
14 than trying to pull something off the shelf, and roll it
15 out across the whole fund, we realized we actually had to
16 build this. We couldn't buy something off the peg.

17 And that's important because the asset classes
18 are -- have very different strategies, the use of external
19 managers, the type of investment vehicles into which they
20 deploy capital. It really meant that each asset class had
21 to craft its own approach. And you'll remember last year
22 that the -- each of the asset classes came forward to
23 present to you the results of their pilot.

24 So there was a period of time developing the
25 Sustainable Investment Practice Guidelines based on a lot

1 of surveying and inquiry with external managers, and also
2 with our peers. Then there was a pilot phase. And there
3 was some fine-tuning. And I'm glad to say that these
4 Sustainable Investment Practice Guidelines, SIPGs, I don't
5 know how we say that acronym, but you can find each asset
6 class's approach set out now on the CalPERS website.

7 So I think that's very important to Simiso's
8 point about how we communicate to the market. This is no
9 longer some mysterious back-room exercise. We've actually
10 put all of this into the public domain.

11 And I'm happy to answer any questions, if that's
12 helpful.

13 CHAIRPERSON JONES: Ms. Mathur.

14 COMMITTEE MEMBER MATHUR: Thank you. Well, I
15 think this is a hugely important initiative and component
16 of our work to -- both internally facing and with our
17 external managers.

18 Couple of questions. One is sort of what is
19 next? And then the other is how are we sort of gleaning
20 the best practices from our peers, and from the industry?
21 I mean, this is obviously a moving target, still an
22 evolution at most asset owners that I know. And so how
23 are we continuing to refine and upgrade these practice
24 guidelines, and sort of the underlying infrastructure?
25 And then finally, to what degree are these practice

1 guidelines embedded in compensation as well?

2 And I don't know if that's a question for you.
3 It might not be. But how is -- how are these manager
4 expectations embedded in the compensation structure, both
5 with internal and external managers?

6 INVESTMENT DIRECTOR SIMPSON: I think I can take
7 the first two, and maybe I can ask Ted to take the final
8 question about how it's included in performance plans.

9 Gleaning best practices, it's essential. I'm not
10 even sure we have best. I think we have emerging
11 practices. And we find it extremely helpful to talk with
12 other large asset owners globally. I think you'll see in
13 the back that we've listed out our partnerships, and we
14 have many networks which enable us to meet with, and talk
15 to, and compare notes with other asset owners, like
16 ourselves.

17 But we have a very special group called the
18 Global Peer Exchange, which is around a dozen of the
19 largest global asset owners who are pioneers in this field
20 to whom we look to with admiration and respect, who are
21 often there solving problems along side us, or being
22 innovative and giving us insights into how we can do a
23 better job?

24 So I think, you know, we -- two things for us.
25 One is humility. I think that, you know, Ted and I use

1 this word often, because although CalPERS is praised for
2 doing a lot of good work, often what we're doing is just
3 breaking new ground. We're opening up a subject. But
4 then it doesn't mean we've necessarily got all the best
5 ideas on how to make progress.

6 So I'm just -- I'm keenly aware of this and these
7 network of partnerships are really the community of
8 practitioners, who we look to to learn from.

9 On the second question about assessing progress,
10 you'll recall a little while back there was an idea that
11 in the Chief Operating Investment Officer shop, there was
12 and Investment Manager expectations program. And the idea
13 we thought would be to have a third party, which could
14 look right across the fund and do, if you'd like, some
15 calibration, and also be a place where we could start to
16 look at best practices, common standards, where did we
17 need to be different, was it for the right reason, and
18 give us some internal check and balance.

19 Because obviously if the asset classes and
20 ourselves, the sustainable investment, we're developing
21 ideas, well, hopefully we think they're good ideas. But
22 really, we want to try and get some third-party view.

23 Now, that program is busy with our emerging
24 manager projects, and a lot of other work. So we're just
25 in the middle of some discussions about what's the best

1 way to resource that. We want to be able to draw on the
2 expertise of the Investment Managers and Investment
3 Directors and Officers in each of the asset classes, but
4 we also know we're going to have to start thinking about
5 standards, appropriately tailored for the different
6 investment strategies at work, and also think about -- I
7 think the ultimate question is going to be around
8 attribution, which we don't have on our workplan at the
9 moment.

10 But ultimately, we want to be able to answer the
11 question hand on heart, did this make a difference? Did
12 this process of including sustainability factors keep you
13 out of trouble, was it good for risk management, or did it
14 help you find new opportunities, which were good for value
15 to the fund?

16 And that's both at the individual investment
17 level, but also we have to be able to look at the total
18 fund as well. So we haven't even begun to look at that
19 second piece, but I think that's ultimately where all this
20 needs to go.

21 But, Ted, please correct me if I'm -- if I'm
22 wrong on the attribution bit is the Holy Grail on this
23 one.

24 CHIEF INVESTMENT OFFICER ELIOPOULOS: Yeah,
25 that's going to take -- this is going to take time. It's

1 a iterative five-year plan. I think the key piece will be
2 communication review. I do think having an independent,
3 you know, group within the Investment Office looking
4 across the asset classes to glean best practices and
5 encourage that type of learning and communication will be
6 helpful, as well as, you know, having substantially fewer
7 external managers within our universe allows us to have
8 much -- you know, have a deeper understanding and review.

9 So a lot of the different initiatives that we
10 have underway work together. And this is one way that
11 that works with that.

12 So I think it will just take -- it will take
13 time. I think the partnerships that Anne alluded to at
14 the beginning is also an important learning opportunity.
15 So the strategic partnerships that we have are vital. I
16 just got back from PPI. I spent quite a bit of time with
17 the New Zealand PG -- PGGM funds talking through with them
18 what their approaches are, so collaboration with other
19 partners, internal collaboration, and iterative review
20 over the course of this five years.

21 I think at the end of the fifth year and having
22 this discussion continuously through then will get us to a
23 better spot five years from now, at least in terms of
24 understanding than where we are today.

25 COMMITTEE MEMBER MATHUR: So just a follow-up

1 question, if I might. So do we have each asset class head
2 MID or someone within each asset class in communication
3 with -- I mean, obviously, there's probably centralized in
4 someway through the sustainability group, but how do we
5 ensure that that information gets disseminated, and maybe
6 adopted within each asset class? The

7 CHIEF INVESTMENT OFFICER ELIOPOULOS: Which
8 information?

9 COMMITTEE MEMBER MATHUR: I guess, I mean sort of
10 the best practices around emerge -- or the new emerging or
11 leading practices around manager expectations, and how to
12 embed sustainable investment practices internally?

13 CHIEF INVESTMENT OFFICER ELIOPOULOS: Well,
14 internally, you know, these governance groups that we
15 spent time reviewing is a -- is a good place for that
16 review, as well as our Management Committee as well.

17 And the intention is for our IMEP team, our
18 Investment Manager Evaluation Program team, to more -- to
19 formalize that review across both our external and
20 internal managers over time. That's on their five-year
21 workplan to institute that ecosystem, we call it,
22 internally.

23 COMMITTEE MEMBER MATHUR: Okay.

24 CHIEF INVESTMENT OFFICE ELIOPOULOS: I think we
25 have work to do on our external partnerships to do a

1 better job of both assigning a more diverse team of
2 Investment Office members to attend those events.

3 COMMITTEE MEMBER MATHUR: Yeah.

4 CHIEF INVESTMENT OFFICER ELIOPOULOS: And in this
5 case, the diverse part I mean in terms of our asset class
6 investment professionals. Have them spend more time and
7 perhaps join working groups, so they can come into contact
8 more regularly with some of the other funds and some of
9 the other practitioners in the ESG world. So that's a
10 to-do item I think we can do more.

11 And our intention is, over the course of the next
12 few years, to assign more and more of our Investment staff
13 to some of those external groups to, you know, get -- take
14 the advantage of those -- of those learning opportunities.

15 COMMITTEE MEMBER MATHUR: Well, I do think that
16 would be really useful and would help advance the
17 integration internally. So, thank you.

18 CHIEF INVESTMENT OFFICER ELIOPOULOS: And then
19 the last piece is on the -- on the plans, on the
20 compensation. In the qualitative section of the
21 compensation plans, it varies by level. So mine, you
22 know, is fairly high level, implement the CalPERS
23 strategic plan.

24 And then at the MID level, and ID level, and IM
25 level and AM level, there's increasing levels of

1 specificity tied to these ESG goals. So we're -- an IM or
2 an AIM, an Associate Investment Manager, has a particular
3 item that they're responsible for, it goes to that level
4 of specificity.

5 COMMITTEE MEMBER MATHUR: Thank you.

6 CHAIRPERSON JONES: Ms. Hollinger.

7 COMMITTEE MEMBER HOLLINGER: Yeah. Thank you. I
8 really appreciate this. I had a question. I know
9 traditional accounting when we examine a company always
10 tells us about the history. But ESG we're investors in
11 the future. And so what's happening from an accounting
12 perspective? Because it seems that -- can you just kind
13 of give me an update where -- because that whole area is
14 under construction, where we can get some standardized
15 reporting, where these risks are reflected in, you know,
16 the accounting statements.

17 INVESTMENT DIRECTOR SIMPSON: Thank you. It's an
18 excellent question. It's sort of how do we report on the
19 future? It hasn't happened yet.

20 But given that we're long term, everything hasn't
21 happened yet. And we can't, as every regulator's warning
22 tells you, the past is no guide to the future. And all of
23 these issues reflect that.

24 So I think there are some elements of traditional
25 accounting, you know, like contingent liability, for

1 example, something that might happen, depending on
2 something else happening, that are embedded in there.

3 But that's not really enough for some of these
4 very long-term, systemic issues like say climate risk. So
5 I think this is why the work of the task force on
6 climate-related financial disclosure that Divya mentioned
7 is so important. Because what they've done is borrow from
8 the regulator's toolkit. Now, we know during the
9 financial crisis this whole concept of stress testing was
10 really brought forward for financial institutions.

11 And it was enabling regulators to do a big sort
12 of what if this happened? How vulnerable are you? And
13 also to bury some of the assumptions about how hard
14 something could hit you, at what speed, and how resilient,
15 and what sort of knock on effect to other companies. So I
16 do feel that the Financial Stability Board, when it set up
17 this task force, came to it with that mindset. Systemic
18 risk regulators, like central banks, this is absolutely
19 their day job to think about safety and soundness on a
20 what if.

21 And therefore, in their recommendations for risk
22 reporting, they're asking companies to put forward
23 scenarios, what if. And including one of the scenarios to
24 be the goals in the Paris Agreement. So the Paris
25 Agreement says we can, more or less, make it through if

1 global warming, post-industrial sticks to around two
2 degrees Celsius, 2 degrees centigrade.

3 If we start wandering above that and it gets
4 hotter, you're going to have all kinds of impacts on the
5 physical environment that are going to make life extremely
6 difficult, not just for investors.

7 So what we're seeing with companies with this
8 scenario, this forward-looking analysis in the United
9 States real worry about litigation, because scenarios --
10 that fear is I think from companies, is -- the fear is
11 that you're going to put things into the public domain on
12 which litigation could then be spun.

13 It's a different litigation environment in
14 Europe, so I think you're seeing companies making more
15 progress there, more comfortable, because I think that
16 they -- there is far more of a safe harbor for that type
17 of information.

18 So I'm glad to say that SASB, who we mentioned
19 earlier, is actually commissioning some work on this fear
20 of litigation. Is that the inhibiting factor that is
21 preventing the forward-looking analysis and modeling that
22 we want, or is it a question of where does the information
23 come? Because if it comes into the MDNA, you've got some
24 safe harbor provision there about, you know, commentary on
25 future possibilities.

1 So I think this really speaks to the importance
2 of CalPERS having a voice, and also sitting there to learn
3 with the accounting set -- accounting standard setting
4 bodies. So through Lou Zahorak in global fixed income, we
5 have been sitting on the FASAC in the United States. And
6 as I mentioned, we do have a spot for CII on IFRS.

7 But this is definitely something on corporate
8 reporting that we need to get -- we need to go deeper on,
9 because we aren't calling for just more. It's not just a
10 question of quantity, data pouring out. It's actually the
11 quality and the connection to the financial reports. So I
12 hope that's helpful, but it's -- it's an important issue,
13 but it's a complicated one.

14 CHAIRPERSON JONES: Okay.

15 MANAGING INVESTMENT DIRECTOR BIENVENUE: The only
16 thing I would add to that is just exactly to Anne's point
17 on strategic initiative number one is all about that, you
18 know, consistent, comparable, cross-sectional, so that we
19 can actually do that. I mean, our hope would be that just
20 the way that FASB was brand new, you know, decades ago,
21 that decades hence, these kinds of topics will be -- you
22 know, because what's impactful for one industry is very
23 different from another, is different from another. And
24 that it's as broad as possible, but as comparable, so that
25 as investors we can make those decisions about what are

1 the risks, what are the opportunities, and how is this
2 company navigating those for the investment outcome.

3 CHAIRPERSON JONES: Okay. No further questions
4 on that.

5 Are you finished, Anne?

6 INVESTMENT DIRECTOR SIMPSON: No we have one
7 more.

8 --o0o--

9 INVESTMENT DIRECTOR SIMPSON: Two more. It's a
10 lot. Thank you for your patience.

11 The fifth strategic initiative is research. And
12 this really reflects again our fiduciary obligations to be
13 prudent. So making sure that we are using our insight
14 from our practitioner position, and also understanding
15 evidence as it emerges is extremely important.

16 So under this strategic plan, the first task that
17 we had was to refresh the Sustainable Investment Research
18 Initiative, and include some new topics. Chiefly on this
19 occasion diversity, and also papers around income
20 inequality. And we had over a thousand new papers put in
21 to that library, and it is available on the CalPERS
22 website.

23 So the beauty now is that you can go in and
24 search for papers by topic, by keywords, and I think this
25 has been a tremendous resource.

1 I will also mention, and perhaps hand to Dan for
2 details if there are questions, there was a commitment by
3 global equity to explore new strategies in this arena,
4 which Dan has been leading in global equity, and that work
5 is in full swing.

6 Finally, we do have some more topics to explore,
7 which we're tackling in an orderly manner through the
8 Research Working Group, which Dan talked about as one of
9 the working groups attached to the global -- sorry the
10 Governance and Sustainability Subcommittee to the ISG.

11 So I think I'll leave that there. Are there any
12 questions?

13 CHAIRPERSON JONES: No questions.

14 INVESTMENT DIRECTOR SIMPSON: Very good.

15 The final strategic priority is on the theme of
16 alignment of interests. And in the Investment Beliefs,
17 there's an important statement that costs matter. And
18 these costs eat away incrementally at the returns that
19 CalPERS can make. And costs in private equity have been
20 understood to be high. But the question of disclosure, of
21 course, is the first step to understanding what's driving
22 that.

23 So our private equity asset class who's been
24 actively involved with the institutional limited partners
25 association, has helped to develop a fee reporting

1 template as you all know, and provide profit sharing
2 information through that. And we have progress on this to
3 report by private equity that the template submission rate
4 is currently at the 80 percent level, and that the overall
5 submission rate is at approximately 90 percent. The
6 target, the KPI, for this project is that we have 90
7 percent of all partnerships at the five-year mark signed
8 up and reporting under that template.

9 Happy to answer any questions.

10 CHAIRPERSON JONES: No questions on this one.

11 INVESTMENT DIRECTOR SIMPSON: Very good. The
12 afternoon is pressing on. It's tea time calling.

13 (Laughter.)

14 INVESTMENT DIRECTOR SIMPSON: Yeah. Ted has just
15 made a good suggestion which is to finish with the
16 stakeholder requests and if there's questions we can
17 answer them. Thank you, Ted.

18 CHIEF INVESTMENT OFFICER ELIOPOULOS: I notice
19 we're going late into the afternoon, so there are a
20 listing of ad hoc stakeholder requests, but I think the
21 Committee has had a chance to review those and see those.
22 So maybe we could stop here if there any more questions
23 and end our staff presentation after any other Committee
24 questions on 6b. We're happy to take -- you know, take
25 them.

1 CHAIRPERSON JONES: Seeing no questions. So
2 let's proceed. So that concludes 6b.

3 CHIEF INVESTMENT OFFICER ELIOPOULOS: That
4 concludes 6b.

5 CHAIRPERSON JONES: And so why don't we take a
6 10-minute break and we'll come back with 6c.

7 (Off record: 3:07 p.m.)

8 (Thereupon a recess was taken.)

9 (On record: 3:20 p.m.)

10 CHAIRPERSON JONES: I'd like to reconvene the
11 Investment Committee meeting, so we now are on 6c, I
12 think.

13 Mr. Eliopoulos.

14 (Thereupon an overhead presentation was
15 presented as follows.)

16 CHIEF INVESTMENT OFFICER ELIOPOULOS: Yes, Mr.
17 Chair. In the interests of time, your Investment staff
18 used the recess period to talk about approach for this. I
19 think this item very clearly lays out the topics for
20 revision. And I've put the page that has the main
21 revisions in the principles. We also covered most of
22 these topics either in my talking points or in the course
23 of the discussion.

24 So I'm going to hand it over to Anne really to
25 just walk through these five topic areas. Each of the

1 slides that follow included the actual language
2 discussion, and then we had red-lined versions of the
3 language changes as well. And we'll stop at the end of
4 going through this page and ask for questions at that
5 time, in the interests of time, Mr. Chair.

6 CHAIRPERSON JONES: Okay. Thank you.

7 INVESTMENT DIRECTOR SIMPSON: Thank you very
8 much, Ted. Anne Simpson.

9 As you'll see from the item, we've got a group --
10 we've divided the new language in the principles into two
11 groups, one that's come through, if you like, from the
12 to-do list from the principles review. We've got
13 significant new language on environmental management and
14 also on compensation.

15 On the emerging issues, which Ted has referenced,
16 we have a clawback policy. And thank you to the
17 Controller for raising this with us. We're also
18 referencing the Board's responsibility for product safety,
19 and there's a series of much of concern there, which have
20 led to us to recommend that.

21 Next, extremely important, geopolitical risk.
22 And this is a topic that hasn't been referenced in CalPERS
23 principles before. But it's come to our understanding the
24 relevance of this topic for long-term global investors
25 like CalPERS. And some examples of countries and regions

1 where this is a relevant topic are listed out above.

2 Obviously, Brexit, the Korean peninsula, countries such as
3 South Africa, also Turkey, and the region of the Middle
4 East.

5 We're also calling for enhanced disclosure on
6 human capital management. As our petition to the SEC on
7 this, our principles need to do a bit of catch up. And
8 finally, as was discussed this morning in more detail, the
9 Dakota Access Pipeline controversy really brought to our
10 attention that our commitment to universal human rights
11 needed to be very specific on indigenous peoples, and
12 their right to the UN standard of free, prior, and
13 informed consent. This has previously been understood
14 just to be a right to consultation, but this is stronger.

15 So please let me leave it there. Thank you to
16 all the members of the Research Working Group for their
17 hard work on all of these issues. And Divya and I would
18 be happy to answer any questions.

19 CHAIRPERSON JONES: Okay. Thank you.

20 Before I call on Committee members, Mr. Nazarian
21 was here earlier to talk to this item, but he had to
22 leave. And so he did leave a note of appreciation of
23 working with the team, and Ms. -- Marcie on these
24 geopolitical issues. So I just wanted to share that with
25 you that he did leave a note and each Board member has a

1 copy of his note.

2 Okay. So with that, Ms. Mathur.

3 COMMITTEE MEMBER MATHUR: Thank you.

4 Well, first, I just want to thank the team and
5 the Research Subcommittee or Working Group or -- for all
6 of its work on this. I think it's -- we've made
7 meaningful progress on all of the areas that you
8 identified. And so I really -- I really so appreciate the
9 work that went into this.

10 I did want to raise again the question of sexual
11 harassment, sexual violence in the workplace, which is
12 slight -- somewhat mentioned in the human capital
13 management component, but not really in a very substantive
14 way. And I do think it perhaps belongs even under the
15 Board responsibilities, something around, you know, where
16 we're talking about disclosure, maybe disclosure of
17 harassment/discrimination/retaliation settlements, or --
18 and sort of -- that the Board is responsible for ensuring
19 that there are effective sexual harassment/violence/
20 discrimination/retaliation policies, et cetera, in place,
21 and processes to support those policies to ensure that,
22 you know, people can -- individuals who are targeted can
23 raise those issues.

24 So I'm not necessarily -- you know, so I wanted
25 to raise that. I recognize that that was not raised

1 previously, but I wanted to suggest that for inclusion at
2 the next opportunity.

3 INVESTMENT DIRECTOR SIMPSON: I'm looking at Ted
4 for a yes or no. I think he and I agree on this. It
5 would be timely and absolutely the right thing for us to
6 bring this back to you in April when this item will come
7 as a proposed attachment to the Total Fund Policy. So I
8 think we need to take that good suggestion back to the
9 Research Working Group and come back having crafted some
10 language.

11 COMMITTEE MEMBER MATHUR: Great. Thank you.

12 INVESTMENT DIRECTOR SIMPSON: And thank you for
13 raising it.

14 COMMITTEE MEMBER MATHUR: And so maybe it belongs
15 in those two places, attachment 2, page 15, number 7,
16 Board Responsibilities, and then page 23, number 16, Human
17 Capital Management Practices. There's probably an element
18 in each of those components, and maybe you've -- you'll
19 identify others, but thank you.

20 CHAIRPERSON JONES: Thank you.

21 Did that conclude that part?

22 We do have a -- I don't know if there's -- oh,
23 not yet.

24 Ms. Paquin.

25 ACTING COMMITTEE MEMBER PAQUIN: Thank you, Mr.

1 Chair.

2 I wanted to thank you, Anne and your team, for
3 all the hard work on this, and in particular the clawback
4 language was exactly what the Controller was hoping to
5 include in the principles. And I think it will become
6 even more useful, given all the sexual harassment
7 litigations and the opioid lawsuits going forward and so
8 on. So thank you again for that.

9 And I also wanted to bring up one other issue.
10 And I know it's getting late in the day, but this may be
11 something that we could discuss in April as well. And
12 this was a conversation that we had back in August or
13 September when Snap did their IPO without any shareholder
14 voting rights. And initially, CalPERS did not purchase
15 any shares, but then it was included in the benchmark, so
16 it was included in the portfolio.

17 And my question is how do we determine whether or
18 not we're going to go by what's in the principles versus
19 what's in the benchmark? And I think at the time that we
20 had an initial conversation in September, we were thinking
21 about having that as part of this discussion or it could
22 be in April as well too.

23 CHIEF INVESTMENT OFFICER ELIOPOULOS: Well,
24 that's a -- that it is a much longer discussion for sure.
25 And it's under the topic of capital formation in the U.S.,

1 as well as our approach, both from a benchmark standpoint,
2 as you relay. I don't know that we'd be ready to bring a
3 discussion of that item by April. I think that as a topic
4 matter of capital formation and our rules we would need to
5 take back and think when we'd bring back a discussion on
6 that point.

7 ACTING COMMITTEE MEMBER PAQUIN: Would you be
8 able to report back in April on -- of when you'd be able
9 to take that up?

10 CHIEF INVESTMENT OFFICER ELIOPOULOS: I think
11 that's a good -- I think that's reasonable.

12 ACTING COMMITTEE MEMBER PAQUIN: Okay. Is that
13 okay with you, Mr. Chair?

14 CHAIRPERSON JONES: Yes, that's the direction.

15 ACTING COMMITTEE MEMBER PAQUIN: Thank you.

16 CHAIRPERSON JONES: Okay. Mr. Juarez.

17 ACTING COMMITTEE MEMBER JUAREZ: Yeah. I don't
18 know that this is the appropriate point to bring it up,
19 but I wanted to take Mr. Eliopoulos up on his invitation
20 to talk about the setting a standard by which we can hold
21 firms accountable in terms of their diversity.

22 As I mentioned before, the Treasurer has proposed
23 a 30/30 standard. And I think I have the wherewithal on
24 his behalf to say that's a -- you know, that's a number,
25 and it may not be the right number. I think we're open to

1 discussions about it, and we're also open to exceptions.
2 Let's say, for instance, a firm shows significant
3 progress, not quite there, not quite meeting the standard
4 of 30/30 or they meet it in some regards, but don't meet
5 it in others. I think those are all exceptions that
6 certainly we would consider having the staff use its
7 discretion on.

8 But I do think, and to the question that Ted
9 posed, I do think there's value in having a set standard
10 that we can hold people accountable to. It lets them know
11 what our expectations are, and it sets for us what our --
12 what our standard is. And so I think going -- I'll use
13 the word nilly-willy without making it sound pejorative.

14 But going along without having a set standard I
15 think is mistake. And I think if we think we're going to
16 get -- not only get progress but make progress and hold
17 people accountable, I think you're -- you're naive. So I
18 would hope that this Board would take this issue on and
19 have a discussion about setting a standard whenever that
20 appropriate time is, and certainly would want to
21 participate actively in that discussion as to what that
22 standard should be.

23 So I'll stop there and just get any reaction from
24 the staff that they care to offer.

25 INVESTMENT DIRECTOR SIMPSON: No. Thank you.

1 Thank you very much for raising it. It's extremely
2 important, because if we don't have some vision in mind,
3 we don't know whether we're making progress or whether
4 we're in line with where the market is heading, whether we
5 are a leader or a laggard. So this is a really important
6 question.

7 I think what we've been a bit cautious about up
8 until now, as Ted was saying, is about quotas, because,
9 you know, there's been talk around 30 percent. But
10 arguably, that is poverty of ambition. You know, if women
11 are 50 percent of the population, why take 30 percent as
12 your target. So I think what we want is this theme of
13 board quality, where we've said that is a mix of
14 independent, competence, and diversity. You don't trade
15 one off for the other. They're all part of a high
16 performing board.

17 So I'd really welcome the opportunity for us to
18 revisit this, and check in with our fellow asset owners,
19 and see how they're approaching it to make sure we're not
20 being one dimensional because it's not just about gender,
21 but also that we're not producing a formula which has no
22 logic to it.

23 Anyway, that's my initial thought, Ted, and maybe
24 for us to put this on to the agenda for the Research
25 Working Group would be -- would be a good -- good next

1 step.

2 CHIEF INVESTMENT OFFICER ELIOPOULOS: Yeah, we do
3 see some other institutional investors taking the approach
4 of using a percentage or quota number. So I think that
5 approach has seen more traction in the marketplace to be,
6 you know, completely transparent.

7 So I do think we can add it to our research list,
8 but it's not something that we'll be able to come back in
9 April, but we'll have to put it into our research review
10 and prioritize it. And it might be something that we can
11 come back at next year's Principles review with a fuller
12 discussion.

13 ACTING COMMITTEE MEMBER JUAREZ: Can I just
14 follow up?

15 CHAIRPERSON JONES: Sure

16 ACTING COMMITTEE MEMBER JUAREZ: You're holding a
17 letter from the Treasurer from November that specifically
18 asked that this issue be agendized before this Board. So
19 I'm going to press you a little bit to say waiting till
20 next year to take this up again I think is not a good
21 response. And I would just tell you, Anne, if you want to
22 propose 50/50, I think you might have a supporter in the
23 Treasurer's Office.

24 (Laughter.)

25 ACTING COMMITTEE MEMBER JUAREZ: So just be

1 careful what you put out there.

2 But seriously, I think, you know, we raised this
3 issue, it's going on five months, and so I haven't heard a
4 response back.

5 CHAIRPERSON JONES: Mr. Juarez --

6 ACTING COMMITTEE MEMBER JUAREZ: Yeah.

7 CHAIRPERSON JONES: -- I'm going to ask Mr.
8 Eliopoulos to look at when it may come back sooner than --

9 ACTING COMMITTEE MEMBER JUAREZ: Yeah, I hope
10 it's not next year. Let me just close with that.

11 CHAIRPERSON JONES: So we'll report --

12 CHIEF INVESTMENT OFFICER ELIOPOULOS: I just want
13 to be clear though --

14 CHAIRPERSON JONES: Yeah.

15 CHIEF INVESTMENT OFFICER ELIOPOULOS: -- since it
16 was a direct question to me, we did look at this issue.
17 And what we've reaffirmed, and what we're presenting is
18 our traditional approach to not have quotas or
19 percentages. That is our recommendation.

20 ACTING COMMITTEE MEMBER JUAREZ: Is that your
21 response to the Treasurer's letter --

22 CHIEF INVESTMENT OFFICER ELIOPOULOS: Yes.

23 ACTING COMMITTEE MEMBER JUAREZ: -- which we
24 never received?

25 CHIEF INVESTMENT OFFICER ELIOPOULOS: No. That's

1 what the principles that are in front of you today is that
2 we have not believed in putting in quotas or percentage
3 numbers. But I hear -- I hear your frustration --

4 ACTING COMMITTEE MEMBER JUAREZ: Very much so.

5 CHIEF INVESTMENT OFFICER ELIOPOULOS: -- and your
6 agitation behind it. And I think what you heard from Anne
7 is that given some of the direction in the marketplace and
8 other things that it's worth another look, and a deeper
9 look.

10 CHAIRPERSON JONES: Yeah, and I think the comment
11 is not necessarily bring back a recommendation to adopt,
12 but to have a discussion on the pros and cons, and the
13 various options.

14 CHIEF INVESTMENT OFFICER ELIOPOULOS: Okay.

15 CHAIRPERSON JONES: And I think that's doable.

16 ACTING COMMITTEE MEMBER JUAREZ: Yeah. And I
17 just have to say, I mean, if the Treasurer or any other
18 member of this Board puts forward a proposal and doesn't
19 hear anything back but has to infer from the materials
20 that somehow there's been -- there's a response there, I
21 don't think that's a good practice for this Board to
22 follow. I think there should be a direct response to a
23 letter that any member of this Board writes requesting a
24 review of a particular issue.

25 And so it's a little disconcerting to hear that

1 somehow the response is in the materials, when it's not
2 explicitly addressed in any way, shape, or form.

3 CHAIRPERSON JONES: Yeah. And I've asked that we
4 will come back and respond.

5 ACTING COMMITTEE MEMBER JUAREZ: I appreciate
6 that.

7 CHAIRPERSON JONES: Okay. Is there anything else
8 on -- oh, we've got a couple more questions.

9 Ms. Taylor.

10 COMMITTEE MEMBER TAYLOR: Yes. Thank you. So
11 I'm going to have to, Ted, follow up on Lynn's question,
12 because I think I was the one that made the big deal out
13 of it last time. So it looks like, as we're looking at
14 the cross-out on investor rights, one share one vote, a
15 shareowner's right to vote is irrevocable - lovely word -
16 and cannot be reduced. All investors must be treated
17 equally, equitably, and upon the principle of one share
18 one vote.

19 And you had said last time that you were -- you
20 were going to bring it back in March. You didn't say
21 April. You said you were going to bring it back in March.
22 That we couldn't discuss it at the time, that you would
23 discuss it in March, because that's when we would be going
24 over our ESG.

25 So, obviously, you don't have it prepared for

1 March. I would like to see it in April. Why -- and
2 that's why we invested in Snapchat when we have this
3 policy.

4 CHIEF INVESTMENT OFFICER ELIOPOULOS: I'll have
5 to --

6 CHAIRPERSON JONES: Wait. I don't know what the
7 issue is, so please -- okay.

8 Go ahead, Mr. Eliopoulos.

9 CHIEF INVESTMENT OFFICER ELIOPOULOS: So I was
10 looking at our team to see whether or not -- we hadn't
11 anticipated bringing this back for March, and maybe we
12 missed that.

13 COMMITTEE MEMBER TAYLOR: We were pretty clear.
14 I thought we were very, very clear about that.

15 CHIEF INVESTMENT OFFICER ELIOPOULOS: So we'll
16 look back at the records to, you know, assess whether we
17 missed something in that regard. We have presented quite
18 a bit of information to the Committee today. But if we
19 missed that, we'll take a look at our processes and
20 procedures to see why we missed it or where there was
21 miscommunication.

22 COMMITTEE MEMBER TAYLOR: Well, that's really not
23 my problem in terms of the process and procedures. We
24 were very clear about it. What I want to know, since we
25 don't have the information now, as to why you went ahead

1 and invested in a company that doesn't allow one share one
2 vote? And you said that you couldn't talk about it back
3 then, that you would bring it now. Can we discuss it next
4 month? Can we put it on the agenda, Mr. Chair, for next
5 month?

6 CHAIRPERSON JONES: Yes, I think he said he
7 wanted to look at his records and see why it was missed.

8 COMMITTEE MEMBER TAYLOR: I don't think that's a
9 concern. I think that the concern is that we all
10 requested it and --

11 CHAIRPERSON JONES: He will report back once
12 he --

13 COMMITTEE MEMBER TAYLOR: -- we're all nodding
14 that we remember it.

15 CHAIRPERSON JONES: Yeah, he will report back
16 once he have an opportunity to review it.

17 COMMITTEE MEMBER TAYLOR: That's next month.
18 That's next month. My problem with that, Mr. Chair, is
19 that we had requested this, and he said in March. Now, if
20 he -- what you're saying is now Mr. Eliopoulos is going to
21 go back and report back how he missed it, that doesn't get
22 us to the question of why we still invested in Snapchat.

23 CHAIRPERSON JONES: And I think that could be a
24 part of his reporting back.

25 CHIEF INVESTMENT OFFICER ELIOPOULOS: There's two

1 or three parts to that. One, procedurally I want to make
2 sure we under -- I understand and the team understands if
3 there was a miscommunication. We missed bringing back a
4 substantive item that you were expecting. Procedurally,
5 we want to know whether we did that or not. That's topic
6 number one.

7 Topic two, in April what we were planning to
8 bring back was when we -- when we expect we could bring a
9 discussion on this topic, which is -- it's a weighty
10 discussion, a substantive discussion.

11 So, the direction, I believe from the Board at
12 that time, from the Committee, was to bring in April when
13 we thought we could -- when we would commit to bringing
14 that discussion back.

15 Thirdly, what you're saying is I thought I was
16 going to hear this in March. I don't want to wait until
17 April, but if I -- I certainly don't want to wait till
18 later than April for a that.

19 COMMITTEE MEMBER TAYLOR: Right. That's
20 basically what I'm saying.

21 CHIEF INVESTMENT OFFICER ELIOPOULOS: So I hear
22 you're saying that. We need to look through our workplan
23 to see whether or not we could bring, you know, a full
24 discussion on this topic in April or not. And we'll look
25 to -- you know, our team to see whether we can bring that

1 in April. And if we can't, we'll just tell you when we
2 think we can bring it.

3 COMMITTEE MEMBER TAYLOR: Okay. Thank you.

4 CHAIRPERSON JONES: Yeah. I think we need to all
5 be reminded that when this meeting is over, in two weeks
6 everything has to be almost completed to be on next
7 month's agenda. So it's not like it's a lot of time to
8 put it. But he -- as he indicated, he will look and see
9 what happened, so that hopefully respond to your concern
10 on that issue.

11 Okay. Anything else on this item?

12 Okay. There were some people who had originally
13 signed up to speak on 6c, and I don't if you're still in
14 the auditorium. But if you are, I see some heads. So if
15 you could come up, please, to my left. And the first two
16 will sit here, and the next group will take that. Dan --
17 Daniel, yeah, would you let them take that row behind.

18 Okay. And now is that everyone that wanted to --
19 ma'am, come on up and have a seat on this.

20 Okay. Is that everyone now that wanted to speak
21 on -- okay. Okay. So would you introduce -- introduce
22 yourself, your name, your organization or association, and
23 then you will have three minutes to speak. And the timer
24 is right here that's going to flash once you start
25 talking. And that will be able to gauge your time. Thank

1 you.

2 MR. CONANT: Thank you, Mr. Chair, and thank you
3 members of the Board. My name is Jeff Conant. I direct
4 the International Forest Program at Friends of the Earth.
5 Friends of the Earth is the largest federation of
6 grassroots environmental groups in the world.

7 And I'm here today, because I and we are
8 extremely pleased to see the revisions to the Governance
9 and Sustainability Principles. We sent a letter that you
10 may have seen to that effect.

11 We've had a number of constructive discussions
12 with your staff over recent months. And we're here to
13 tell you that we think the changes that you're making are
14 very positive. We think they're good for CalPERS, and we
15 think they're good for Californians.

16 Fully implemented in the spirit in which they're
17 written, this improved policy will also be good for
18 CalPERS' entire sphere of influence. We believe that by
19 adopting the improvements to this policy, you strengthen
20 CalPERS' ability to carry out your fiduciary duty by using
21 your influence to better mitigate and manage ESG risk with
22 all that that entails.

23 Now, we recognize that ESG and ESG risk mean
24 different things to different people. We are an
25 environmental group, right? To us at Friends of the

1 Earth, ESG risk means risks to people's livelihoods, their
2 water, their land, their forests, and their climate, which
3 is, of course, our climate.

4 To CalPERS, as a fiduciary, ESG risk means risks
5 to your pensioners, California's working people. This
6 policy takes bold steps to recognize that these ways of
7 understanding risk are intertwined and need to be
8 addressed holistically and comprehensively. The breadth
9 of your investments ensures that your fiduciary duty is
10 not just to Californians, but in some degree, to the
11 entire world. You own companies in agribusiness,
12 electronics, energy, finance, consumer goods and real
13 assets. And somewhere down the value chain all of these
14 investments invariably affect our forests, our water, our
15 air, our climate. And this all brings material risks.

16 So it's your fiduciary duty, as you well know, to
17 assess the risks to your beneficiaries generated by
18 environmental degradation and by human rights abuses in
19 the value chains of the companies you hold. And what we
20 see in this policy recognizes some major risks: Water
21 pollution, deforestation, biodiversity loss. You've also
22 named some important ecosystem values: Pollination, clear
23 water. And you've name some essential rights: Land
24 rights, indigenous people's rights, labor rights.

25 So we really strongly agree with the notion that

1 we see here that it is your fiduciary duty to address the
2 risks in your portfolios by protecting these ecosystem
3 values, and respecting the rights of peoples affected by
4 your investee's operations.

5 And we also believe it's your fiduciary duty to
6 engage with the companies that you own to help them drive
7 down these risks and to guide them towards responsive,
8 resilient, responsible businesses practices, which in turn
9 will bring resilient returns to your beneficiaries.

10 I was going to go on a little longer, but I see
11 my time is just about up. You get the point. We're
12 really pleased with the policy and we hope that you adopt
13 it.

14 CHAIRPERSON JONES: Thank you for your comments.

15 MR. CONANT: Thank you.

16 MS. GONZALEZ: Thank you, Mr. Chairman, and thank
17 you, members of the Board. My name is Karina Gonzalez.
18 Like my colleague here, I am also with Friends of the
19 Earth, but I'm also here as an indigenous person, and I'm
20 also here as a young person, and I'm also here as a
21 Californian.

22 Members of the Board, I am here to ask the Board
23 support the revisions to the CalPERS Governance and
24 Sustainability Principles. At Friends of the Earth, we
25 asked our supporters to send you a letter of

1 encouragement. In literally just a couple of days, we
2 received nearly 4,000 signatures of support, which we'll
3 share with you after today's meeting.

4 There are a number of things in this policy
5 revision that we are pleased to support, and I will name a
6 few. Deforestation. After fossil fuels, deforestation is
7 the leading cause of the climate crisis. We know that
8 deforestation carries real material risks.

9 Land rights. The best way to protect forests, to
10 protect water is to uphold the land rights of indigenous
11 peoples and local communities. We are very pleased to see
12 land rights named here.

13 Free, prior and informed consent. The best way
14 to protect land rights is by upholding the land -- the
15 right of affected peoples to free, prior and informed
16 consent. The right is enshrined in the UN Declaration
17 of -- on the rights of indigenous people, and the UN
18 guiding principles on business and human rights.

19 By recognizing this right in your policy, you
20 will open new ground in addressing human rights. This is
21 precedent setting. Nationally and internationally,
22 California is seen as a human rights and climate leader.
23 With the Global Climate Action Summit set to take place in
24 Northern California, the world's eyes are on us.

25 CalPERS has a responsibility and an opportunity

1 to step into climate leadership and stand on the right
2 side of history. These revisions are in line with that.

3 As an indigenous person, as a young person, as --
4 and as a Californian, I believe these changes to the
5 CalPERS policy are changes for the better, and I am eager
6 to see this policy implemented and in practice.

7 Friends of the Earth and our -- Friends of the
8 Earth and our supporters will be following your
9 implementation of these principles. And we stand ready to
10 support you in implementing it firmly and effectively.

11 My generation, and the generation after me thank
12 you for your leadership.

13 CHAIRPERSON JONES: Thank you for your comments.
14 If you could -- the next two or three -- actually, all
15 four of you can come up. There's four seats there. The
16 other two, if you want to come on up, so we could just go
17 right down the line. We're going to start off on my far
18 left.

19 Okay. And you heard my --

20 MS. COX: Thank you, Mr. Chair.

21 CHAIRPERSON JONES: Okay.

22 MS. COX: My name is Janet Cox, and I'm a CalPERS
23 retiree. I thank you all for the hard work that you've
24 done on this policy, but I'd like to quibble with a couple
25 of the proposed edits. On pages three and four of

1 attachment two, there's -- you've slipped in a definition
2 of fiduciary duty. And I think this is premature. In
3 light of what you heard from Elliott Harris from the
4 United Nations in January, and the Board members response
5 to his remarks. In fact, what I recall from that meeting
6 is that staff said that there would be a discussion of
7 fiduciary duty at the March meeting, but that is not
8 happening today.

9 I'm hoping that you'll be able to have a
10 conversation about fiduciary duty at some point in the
11 future. What you've heard from Mr. Conant, the discussion
12 earlier today about -- about gun sales, I think, it's a
13 complicated and an evolving topic that I hope you will
14 really consider at some length before you drop a very
15 narrow definition of fiduciary duty into this policy
16 document.

17 Thank you

18 CHAIRPERSON JONES: Next, sir.

19 MR. BAGHDASSARIAN: Good afternoon, Chair Jones
20 and honorable members of the Committee and the Commission
21 of the Board. My name is Haig Baghdassarian. I'm with
22 the Armenian National Committee of America's Western
23 Region. We are a -- part of a network of grassroots
24 advocacy organization. And we particularly focus on
25 issues related to human rights, and geopolitics. And for

1 that reason, we're particularly grateful to you and the
2 staff for paying such close attention to these issues, to
3 these emerging issues, which impact citizens around the
4 world.

5 And ultimately, the focus that you're bringing
6 today during this meeting, it will help I think shape
7 California's investments down the road in a manner that's
8 consistent with our values as Californians. It's to be
9 commended. And we hope that this is just going to be yet
10 another step in the right direction for giving efficacy I
11 think to your intent of how you'd like to have our
12 investments done.

13 I'd like to pay -- give particular thanks to
14 Assembly Member Nazarian who's also here, who has really
15 helped lead this discussion in Sacramento. And it's
16 because of his engagement and his dialogue with CalPERS
17 over the past several months that I think we find
18 ourselves here talking about geopolitics in particular.
19 So without taking much time, I'm particularly encouraged
20 that you're considering issues, such as Korea, Turkey, the
21 Middle East, all these various issues that are of concern
22 to us.

23 And with that, I'll turn it over.

24 CHAIRPERSON JONES: Thank you for your comments.

25 MS. BAR: Thank you, Mr. Chair, and members of

1 the Board. My name is Rebecca Bar. I'm from the
2 organization Ceres. Ceres is here to endorse the proposed
3 updates to your Governance and Sustainability Principles.
4 As drafted, these updates significantly improve your
5 policies with respect to ESG integration by, one, focusing
6 Investment staff, consultants, and external managers on
7 the issues most significant to long-term portfolio risk
8 and opportunities;

9 Two, sending clear signals about ESG expectations
10 to the companies you own;

11 Three, addressing the universal institutional
12 investor need for improved and comparable data about your
13 corporate sustainability strategies and performance;

14 And four, aligning your policies with best
15 practices for ESG integration amongst the global community
16 of institutional investors.

17 Specifically, we commend the following aspects of
18 the updated policy:

19 The inclusion of the free, prior, and informed
20 consent as a standard in relation to indigenous people;
21 people rights as an addition to the declaration supported
22 for universal rights for employees and communities where
23 companies operate; the addition of an expectation of CEO
24 pay to employee pay ratio disclosures; the addition of
25 human capital management practices to expectations for

1 integrated financial disclosures; the comprehensive
2 expan -- expression of expectations around environmental
3 management practices and the naming of climate change
4 deforestation, water conservation, ecosystem degradation,
5 transition risk, and supply chain traceability as critical
6 to environmental management; the explicit expectation that
7 ESG issues will become a part of all corporate managed --
8 risk management systems, the naming and rec -- the naming
9 of recognized disclosure standards, including the task
10 force for climate related financial disclosure, the SASB,
11 Sustainable Accounting Standards Boars, GRESB, and CDP.

12 This update to your policy is consistent with
13 Ceres investor network members current work on ESG
14 integration that includes climate risk and clean energy
15 opportunities, water risk management, deforestation,
16 sustainable agriculture, human rights, and just
17 transition.

18 We at Ceres look forward to working with you on
19 these issues as we continue to collaborate on work around
20 Climate Action 100, the Water Risk Toolkit, the 21st
21 Century Investor Blueprint for Sustainable Investing,
22 Carbon Asset Risk, and the Shareholder Initiative for
23 Climate and Sustainability.

24 Your leadership with this policy will inspire
25 greater ambition by improved -- by other institutional

1 investors as the -- at the same time as these policies
2 will improve your own portfolio risk -- management
3 strategies and your corporate engagement practices.

4 Thank you for the opportunity to review your
5 policy and participate in this discussion.

6 CHAIRPERSON JONES: Okay. Thank you for your
7 comments.

8 MR. ABRAHAMIAN: Hello, Chairman Jones, Board.
9 My name is Serob Abrahamian. I'm here from the Armenian
10 National Committee of America West Region as my colleague
11 stated. We're a grassroots organization in the western
12 region. We have about 29 chapters, 14 of them in
13 California.

14 I just wanted to say thank you for bringing this
15 important issue to the table. It is commendable that
16 we're putting our investment policies in line with our
17 human rights principles, in order to send a clear message
18 to authoritarian states.

19 And that's it. Thank you.

20 CHAIRPERSON JONES: Thank you. Mr. --
21 Assemblyman Nazarian, welcome back.

22 ASSEMBLY MEMBER NAZARIAN: Thank you very much.
23 Thanks for having me. Mr. Chairman Jones and Committee
24 members, I thank you very much for your deliberation over
25 the course of the day. And I know you're probably coming

1 to a time when you'd like to end your deliberation. So
2 I'll take a moment of your time and just let you know what
3 a wonderful pleasure it's been of having the privilege to
4 work with Marcie Frost and the rest of your Investment
5 staff over the course of the last year.

6 Today, I'm here to voice my support for the
7 adaptation of the geopolitical risk into CalPERS
8 Governance and Sustainability Principles. There are many
9 regions in the world dealing with political upheaval, war,
10 and massive numbers of refugee -- refugees creating a
11 humanitarian crisis that we see on a daily basis.

12 These factors need to be considered when
13 determining with whom and where we invest the retirements
14 of California workers. In addition to the well-being of
15 the fund, it is important to consider the unethical and
16 immoral actions of government, such as those that engage
17 in the suppression of their own citizens and minorities.

18 Given the strength of the resources and the
19 attention CalPERS can bring, I ask that you place the
20 voice of CalPERS on these issues.

21 With that, I thank you for your time, and I
22 respectfully support the adaptation of the geopolitical
23 risk into the governing principles.

24 Thank you very much.

25 CHAIRPERSON JONES: Okay. Thank you, Mr.

1 Assemblyman. And appreciate your comments and taking the
2 time to come back.

3 ASSEMBLY MEMBER NAZARIAN: Of course.

4 CHAIRPERSON JONES: Thank you very much.

5 Okay. That's the end of the list for us.

6 So is there anyone else that would like to speak
7 on this item?

8 Okay. Seeing none.

9 We'll go back to 6d, I guess. Yes.

10 CHIEF INVESTMENT OFFICER ELIOPOULOS: We've
11 concluded 6c, okay?

12 CHAIRPERSON JONES: Yeah.

13 CHIEF INVESTMENT OFFICER ELIOPOULOS: 6d, we have
14 Dan and Simiso and Anne and -- come back up

15 Simiso, are you ready to start -- Dan and Simiso,
16 your started -- are you ready to start your presentation?

17 (Thereupon and overhead presentation was
18 presented as follows.)

19 MANAGING INVESTMENT DIRECTOR BIENVENUE: Okay.
20 So we're going to move on to 6d, as Ted said. Just really
21 quickly, I just thought I would point one quick thing out
22 and it's been a long day, I know, but you -- you'll notice
23 that Anne, Divya, Simiso, and myself have been up here for
24 this entire time. And really that was intentional.
25 That's to -- to, you know, sooth some of the concerns that

1 there's any siloing or any just -- you know, we are
2 working hand in glove as a team very closely.

3 As you can tell, from the way the day has gone,
4 there is a lot of -- you know, these topics are nuanced
5 and challenged, but we work really closely and try to come
6 up with a team approach. So I just really wanted to kind
7 of underscore that, both visually, but then also verbally.
8 So with that, I'll turn it over to Simiso to take us
9 through the item.

10 CHAIRPERSON JONES: Okay.

11 INVESTMENT DIRECTOR NZIMA: Simiso Nzima,
12 Investment Director, Global Equities.

13 At the August 2017 meeting, the Investment
14 Committee directed staff to provide a more comprehensive
15 view of our corporate governance activities, including
16 trend analysis.

17 Since I'll not go through each and every slide --
18 --o0o--

19 INVESTMENT DIRECTOR NZIMA: -- here, I'm going to
20 call out the particular items that are included in this
21 report, which the Investment Committee directed staff to
22 provide.

23 In this report, you find information on the level
24 and trend on women on corporate boards, the average
25 director age and length of tenure, director tenure by

1 gender, directors with multiple board seats, board
2 composition statistics, U.S. and international shareholder
3 and management proposals voting trends, U.S. top
4 shareowner proposals by issue, our historic votes on
5 advisory vote on executive compensation, illustrative
6 decision making and engagement frameworks and workflows,
7 and other non-strategic engagements and trends, such as
8 proxy access, majority vote, Japan Board independence
9 initiative, and the corporate governance integration into
10 global equities.

11 Our co-activities of proxy voting, shareowner
12 campaigns, and corporate engagement are carried out in
13 line with the CalPERS Total Fund Investment Policy,
14 Governance and Sustainability Principles, and Investment
15 Beliefs, and are aimed at enhancing the risk-adjusted
16 returns of the plan's assets given that we are 68 percent
17 funded and have a seven percent required rate of return.

18 --o0o--

19 INVESTMENT DIRECTOR NZIMA: I'll skip -- I'll
20 skip through a number of these slides in the interests of
21 time, but welcome any questions at the end.

22 So turning to slide 22, this is on voting
23 enhancements. We already spoke about the enhancement on
24 Board diversity and inclusion. So I'm not going to spend
25 anymore time than to say that where we can, we'll be

1 voting against directors where they have long tenure and
2 those who sit nominating and governance committees.

3 --o0o--

4 INVESTMENT DIRECTOR NZIMA: This just provide the
5 workflow in terms of that initiative and how we're going
6 to implement our voting enhancement.

7 --o0o--

8 INVESTMENT DIRECTOR NZIMA: Turning to slide 24,
9 here I would like to spend a little bit more time on slide
10 24 and slide 25. And this touches really on the issue of
11 executive compensation. As part of our annual review at
12 of the end of the post -- proxy season, we take a look at
13 the votes that we cast. And one of the areas we wanted to
14 look and improve our votes was on executive compensation.

15 So in the current process what we have on a
16 case-by-case basis, we vote against proposals that have
17 received a grad of F from Glass Lewis, or that have other
18 negative pay practices.

19 Even though we're using third-party models as
20 part of the review process, staff retains the independence
21 of judgment in terms of voting on these proposals.

22 As an example, Glass Lewis recommends --
23 recommends against votes on only two-thirds of the SOP
24 proposals where they actually grade them F. So they don't
25 even recommend against on all of those. So again, staff

1 retains their own independent judgment in looking at that.

2 In terms of the new priorities, what we've
3 decided to do is to apply an increased level of scrutiny,
4 not only on the F-rated executive compensation proposals,
5 but also to include the ones that are rated D by Glass
6 Lewis.

7 --o0o--

8 INVESTMENT DIRECTOR NZIMA: Here, on slide 25,
9 what we provide is sort of an illustrative view of what if
10 we applied this particular enhancement, how our voting
11 would have looked like over the last couple of years.

12 As you can see from the graph, in 2017, we voted
13 against 18 percent of certain pay plans. If we'd applied
14 this enhancement, we'd have voted against 27 percent.

15 --o0o--

16 INVESTMENT DIRECTOR NZIMA: Here on slide 27,
17 really this is just the workflow on the contested
18 election. One of the asks of the Board last August was
19 really to say how do we go about making decisions and
20 wanted to provide the workflow, so that we can see, one,
21 the timeline, but, two, the involvement of different
22 people within the organization, and the interaction
23 between staff and the companies as well as, in this case,
24 the dissident shareholders we're trying to get board
25 members elected this particular company.

1 --o0o--

2 INVESTMENT DIRECTOR NZIMA: I'll skip. So on
3 emerging issues, which is slide 29, the one thing really I
4 would like to highlight here is that we are paying special
5 attention to a lot of these issues be they opioid crisis,
6 harassment and misconduct allegations, and cybersecurity
7 among others, because we believe these have a real impact
8 to the stock prices of companies that we're investing in.

9 Our engagement with these companies really
10 involve making sure that the Board is providing oversight
11 as far as these issues are concerned.

12 I'll skip the next couple of slides.

13 --o0o--

14 INVESTMENT DIRECTOR NZIMA: And then move on to
15 the corporate governance integration. I think at the last
16 meeting in August, we presented the proxy season update.
17 There was -- there were questions about the progress on
18 integration. I'll only focus really on four things here.
19 I won't go through each and every slide.

20 I'll focus on resources, processes, ESG strategy,
21 and research.

22 On resources, we appointed two Associate
23 Investment Managers and are actively recruiting for a
24 third Associate Investment Manager, and an Investment
25 Officer III.

1 I'll take this time to congratulate Todd Mattley
2 and Craig Rhines whom were appointed as Associate
3 Investment Managers in December last year. Both Todd and
4 Craig have been an integral part of the Corporate
5 Governance team since 2004, and have respectively led the
6 proxy voting and corporate engagement teams for a long
7 time.

8 --o0o--

9 INVESTMENT DIRECTOR NZIMA: On processes, I would
10 like to highlight that now what we have as part of the --
11 you know, the learning that we've done over the last year,
12 we've started a weekly proxy season heatmap meetings with
13 our Chief Investment Officer. And we have the senior
14 leadership of sustainable investments, as well as global
15 equity. So we have these so that we can elevate any
16 issues that come during proxy season on a more timely
17 manner, and discuss these and take a position really that
18 represents the whole enterprise.

19 --o0o--

20 INVESTMENT DIRECTOR NZIMA: On the ESG strategy
21 launches, I'm glad to announce that global equity approved
22 two new internally managed ESG strategies, one of which
23 you already funded to a tune of \$1 billion. And the
24 second strategy is in various -- is going through
25 operation set-ups right now.

1 --o0o--

2 INVESTMENT DIRECTOR NZIMA: The last point, I'll
3 make on the integration is on research. And this is
4 research on pay for performance. We heard earlier that
5 there are other institutions that actually vote against
6 executive comp plans at a higher level than us. And we
7 have instituted an enhancement in terms of the 2018 proxy
8 season.

9 However, we think that there's an opportunity for
10 us to relook and look for other ways of enhancing how we
11 can quantitatively review these executive compensation
12 plans. So we'll be undercarrying additional research
13 throughout the year. And we hope that by next year, we'll
14 have a further enhancement as far as executive
15 compensation is concerned.

16 I think this concludes our presentation. At this
17 point, we can take any questions.

18 CHAIRPERSON JONES: Okay. Mrs. Mathur.

19 COMMITTEE MEMBER MATHUR: Yeah, I have two
20 questions. One is on the say-on-pay proposals. And we
21 heard earlier from Steve Silberstein from the Marin
22 Pension System some numbers around how other -- how some
23 other asset owners vote around executive compensation.
24 And I'm wondering if you've -- and I think we addressed it
25 a little bit at the time. But have you done a review of

1 what some of our -- some other leading peers around -- who
2 are doing work around this issue, what their standards are
3 and considered what other criteria we might consider
4 around proxy voting on these say-on-pay proposals?

5 INVESTMENT DIRECTOR NZIMA: We have talked to a
6 number of peers, as well as asset managers. And almost
7 everyone we talked to, you know, they say this is one of
8 the areas which is difficult in terms of the review. One
9 of the asset managers we spoke with, they vote against 45
10 percent of comp plans. And we're going to engage with
11 them further into terms of really understanding their
12 quantitative way of looking at these and how they get to
13 that decision.

14 And we've also engaged with MSCI. The standard
15 paper where they've looked at compensation relative to
16 pay, there they show that a lot of companies, a lot of
17 executives tend to be paid for no compen -- for no
18 performance at all.

19 Unfortunately, the data that they have only
20 covers about 423 U.S. companies. So we're working with
21 them to look at whether they can get additional data and
22 how we can use that in terms of reviewing and looking at
23 this issue. But that's something which we'll spend this
24 calendar year speaking to other institutional investors
25 and research of in terms of trying to understand the best

1 way to approach this.

2 COMMITTEE MEMBER MATHUR: Good, I'm glad to hear
3 that, because I don't think we've hit on the right formula
4 yet. And clearly, there's some work to be done. CEO pay
5 is -- it's certainly not the -- not the only or maybe even
6 the main driver of economic inequality, but certainly it
7 is -- it is an issue that, you know, CEO pay in this
8 country so out of whack with what your average employee is
9 making.

10 And so -- and I think it also sort of extracts
11 some shareholder value. So I think there's some --
12 there's a concern that it -- you know, if -- are they
13 really delivering the value to the company that is -- does
14 the compensation merit -- that merits the compensation
15 that they're receiving. And I'm not sure that that is
16 very well linked in the United States, and perhaps
17 elsewhere. So thank you for your work on that.

18 The second question I have is about gender pay
19 equity. What kind of disclosure are you looking at?
20 Because I think this is an important question. And
21 granted, I would like to see it go beyond just gender to
22 other vectors of diversity, but I know gender is the
23 easiest one to parse out.

24 But I think it's important to look at different
25 jobs with similar skill requirements, and see what the pay

1 differentials are there too, which is a harder thing to
2 get at, I admit, but it's not just about -- it's not just
3 about pay equity within a class, because what you tend to
4 see in certain industries is that women get tracked into
5 one type of job, men get tracked into another, and they
6 might have -- require the same skill sets or same level of
7 skills, but the pay is vastly different, and it's just
8 based on the gender of the people doing the work. So I
9 think this is a nuanced area, and I would -- I really
10 encourage more work on this subject.

11 Thank you.

12 INVESTMENT DIRECTOR NZIMA: Point taken.

13 CHAIRPERSON JONES: Okay. Is -- no more
14 questions.

15 CHIEF INVESTMENT OFFICER ELIOPOULOS: Okay.
16 Great. Well, I thought I would transition to a...

17 --o0o--

18 CHIEF INVESTMENT OFFICER ELIOPOULOS: Sorry.
19 We'll get back to here.

20 All right. Mr. Chair, what I thought I would do
21 is looking through Item 6a through d catalogue the
22 feedback and some of the -- and the to-do items and
23 Board-directed items and not.

24 CHAIRPERSON JONES: Okay.

25 CHIEF INVESTMENT OFFICER ELIOPOULOS: So it's a

1 bit of a mixture of both what we've heard during 6 as well
2 as moving on to the traditional what's been directed or
3 not.

4 CHAIRPERSON JONES: Okay.

5 CHIEF INVESTMENT OFFICER ELIOPOULOS: Starting
6 with the Wilshire -- the Wilshire review and all of the
7 items that we saw, I did want to make sure to highlight
8 that, number one, Wilshire's point more training and
9 development both for our Investment staff on ESG issues,
10 as well as our Sustainability staff on finance and
11 investment topics is needed, and we agree wholeheartedly
12 with that. And we have a place for that training to
13 occur. We have yet another committee, our Education and
14 Training, ETAC, Committee. So that was heard, and we
15 agree with it, and we'll be moving forward with it.

16 In addition, I think one of the important things
17 that came out of the Wilshire review is the need to
18 separate in those strategic efforts that can be measured
19 and tracked from emerging and developing issues to be
20 studies and prepared over time. And I think that's also
21 point that is well taken. And as we look to improving our
22 strategic plan going forward, and coming next year, I
23 think that notion of separating out those parts of the
24 strategic plan, which are truly, you know, strategic
25 initiatives that can be measured, and tracked from a

1 timeline, to have that. And then separate out, in a
2 separate area, emerging areas, trends both by their nature
3 to be emerging, but also for innovation. So I think
4 that's the main takeaways from the Wilshire, and that's
5 one that resonates with the staff.

6 In terms of things that I think we did well and
7 things that we can improve on in 6a through d, just
8 tracking the to-do items, I think you heard from our
9 staff, and we heard from our Board, and we heard from many
10 stakeholders that we did a number of things well in
11 this -- in this review, and in the sheer work that we've
12 done over the globe it's quite extraordinary. And I think
13 it's a testament to our staff, and the strategic direction
14 that this Board sets for us, and when we have, you know,
15 clarity of strategic direction, and Investment staff
16 appointed at particular areas, it can produce some really
17 amazing -- amazing results for the plan.

18 Going forward, I think we missed two -- two
19 areas. I mean, I'll give you my score from my -- for
20 ourselves. I was hoping Mr. Juarez would still be there.
21 But I reviewed the item, and we certainly thought we were
22 replying to the Treasurer's request in that letter. And
23 the answer is that -- you know, our current policy is the
24 one that we recommend. But I think we could have done a
25 better job spelling that out in the item that we were

1 specifically responding to the Treasurer's item. So
2 that's a good follow up for us. And really, I think in
3 the conversation, it -- we landed at the same spot I think
4 the Treasurer landed at, which is further discussion on
5 the pros and cons of a board -- corporate board diversity,
6 you know, quota percentage versus our principle-based
7 system is merited, and we'll look to schedule that
8 discussion, you know, in the coming months.

9 The other area was on the non-voting shares and
10 benchmarks. That's -- well, that was one of the reasons I
11 had -- had the item -- the page up. You know, our
12 favorite strategic plan summary. Yes, that page. Thank
13 you.

14 We did -- we did include the non-voting share in
15 the G item, you can see in red, as a principal research
16 topic. Anne reminded me that that was where we landed
17 this topic for more research, because, you know, our
18 assessment was more research was needed. And the research
19 team is looking -- looking at this very substantial topic.

20 So we'll come back in April and tell you where we
21 are in our research and what the timeline is going
22 forward. And I'll also look at the procedures to see
23 whether we missed something in terms of agenda item that
24 we were meant to bring back or not.

25 So with that, Mr. Chair, I think that's the

1 summary of items. I do have some Board-directed and not
2 Board-directed, but I just wanted to kind of look back at
3 6a through d and make sure I collected up the main points.

4 CHAIRPERSON JONES: Yeah. Yeah, I think he's
5 going to go into Board direction first, so why don't we
6 wait until then.

7 CHIEF INVESTMENT OFFICER ELIOPOULOS: Okay. So
8 on the Board-directed items, we're taking as directed on
9 divestment that in the review of the gun manufacturing --
10 manufacturer's divestment that is scheduled to be taken up
11 in 2019, that we would include not only review of the gun
12 manufacturers, but also the issue of gun retailers at
13 that -- at that time in 2019. So that's the direction
14 that we heard following that discussion.

15 CHAIRPERSON JONES: Okay.

16 CHIEF INVESTMENT OFFICER ELIOPOULOS: As I said,
17 with respect to the capital formation issue that was
18 brought up, we'll be coming back in April for a status
19 report of where we are on our research into that area, and
20 a discussion on when we might be able to bring an agenda
21 addenda item. And we'll look to a future agenda item to
22 discuss the pros and cons of board diversity percentages
23 versus our principle timeframe. That's what I have
24 listed. If I've missed something, now is the time.

25 CHAIRPERSON JONES: Okay. Ms. Mathur.

1 COMMITTEE MEMBER MATHUR: Yes. The other thing
2 that I think we agreed to was the sexual harassment,
3 tightening of that language in the Governance Principles.

4 CHIEF INVESTMENT OFFICER ELIOPOULOS: Yes.
5 Right. Yes.

6 COMMITTEE MEMBER MATHUR: Sexual harassment,
7 violence in the workplace, discrimination, and
8 retaliation, all those --

9 CHIEF INVESTMENT OFFICER ELIOPOULOS: And we try
10 to bring that back in April, yes.

11 COMMITTEE MEMBER MATHUR: In April, yes. Thank
12 you.

13 CHIEF INVESTMENT OFFICER ELIOPOULOS: Thank you.

14 CHAIRPERSON JONES: Okay. Just one minute.
15 Okay. So I think you got them all with that last
16 addition. So thank you very much.

17 And I just want to congratulate the staff for all
18 of the work you've done in putting this -- it's
19 phenomenal, and it's very needed, so that the Board can
20 get a clear understanding. It was laid out very well.
21 And the engagement was wonderful, I think, in terms of the
22 dialogue. And so we want to thank you on behalf of the
23 Committee for an outstanding job in pulling all these ESG
24 issues together.

25 Okay. And so we have one request to speak,

1 public speaker. Where is it?

2 He's gone. He withdrew.

3 Okay. So this meeting is adjourned.

4 (Thereupon California Public Employees'
5 Retirement System, Investment Committee
6 meeting open session adjourned at 4:18 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, Investment Committee open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, and was thereafter transcribed, under my direction, by computer-assisted transcription;

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

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of March, 2018.



JAMES F. PETERS, CSR
Certified Shorthand Reporter
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