

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

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

MONDAY, MAY 14, 2018  
3:20 P.M.

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

A P P E A R A N C E S

COMMITTEE MEMBERS:

Ms. Priya Mathur, Chairperson

Ms. Dana Hollinger, Vice Chairperson

Ms. Margaret Brown

Mr. John Chiang, represented by Mr. Steve Juarez

Mr. Rob Feckner

Mr. Ramon Rubalcava

Ms. Theresa Taylor

BOARD MEMBERS:

Mr. Richard Gillihan, represented by Mr. Danny Brown

Mr. Henry Jones

Mr. David Miller

Mr. Bill Slaton

Ms. Betty Yee, represented by Ms. Lynn Paquin

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Matt Jacobs, General Counsel

Mr. Robert Carlin, Senior Attorney

Ms. Jan Falzarano, Chief, Retirement Research and Planning  
Division

Ms. Kristen Garner, Committee Secretary

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

STAFF:

Ms. Anne Simpson, Investment Director

Ms. Marlene Timberlake D'Adamo, Chief Compliance Officer

ALSO PRESENT:

Mr. Al Darby, Retired Public Employees Association

Ms. Cathy Jeppson, California Teachers Association,  
California Faculty Association

Mr. Neal Johnson, Service Employees International Union  
Local 1000

Mr. George Linn, Retired Public Employees Association

Mr. Jason Perez, Corona Police Officers Association

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

CHAIRPERSON MATHUR: I'm going to call the  
Governance Committee to order.

The first order of business is roll call.

COMMITTEE SECRETARY GARNER: Priya Mathur?

CHAIRPERSON MATHUR: Here.

COMMITTEE SECRETARY GARNER: Dana Hollinger?

VICE CHAIRPERSON HOLLINGER: Here.

COMMITTEE SECRETARY GARNER: Margaret Brown?

COMMITTEE MEMBER BROWN: Here.

COMMITTEE SECRETARY GARNER: Steve Juarez for  
John Chiang?

ACTING COMMITTEE MEMBER JUAREZ: Here.

COMMITTEE SECRETARY GARNER: Rob Feckner?

COMMITTEE MEMBER FECKNER: Good afternoon.

COMMITTEE SECRETARY GARNER: Ramon Rubalcava?

COMMITTEE MEMBER RUBALCAVA: Here.

COMMITTEE SECRETARY GARNER: Theresa Taylor?

COMMITTEE MEMBER TAYLOR: Here.

CHAIRPERSON MATHUR: Okay. We have a quorum.

Please also note for the record that Mr. Jones,  
Ms. Paquin, Mr. Slaton, and Mr. Brown are all in  
attendance as well -- oh, I'm sorry -- and Mr. Miller are  
all in attendance as well.

Next item on the agenda is the Executive report.

1 Mr. Jacobs.

2 GENERAL COUNSEL JACOBS: Good afternoon, Chair  
3 Mathur and Committee members.

4 I'd like to start with an update on the report on  
5 timely compliance with Form 700 filings. CalPERS had a  
6 99.1 percent timely completion rate for the 2017 annual  
7 Form 700 filings that were due on April 2nd. There were  
8 quite a large number of folks who had to file. There were  
9 1,047 Board members, employees, and consultants who were  
10 scheduled to file.

11 Within the Board and employee population, there  
12 were eight outstanding filers who were either on a leave  
13 of absence or had left the agency. So what that means is  
14 that all active employees filed -- and Board members filed  
15 on time.

16 Within the consultant population, one consultant  
17 did file late, bringing consultant percentage to a hundred  
18 percent complete.

19 So that is the report on Form 700. Beyond that,  
20 Chair Mathur, I think we can just proceed to the agenda.

21 CHAIRPERSON MATHUR: Okay. Terrific. Thank you.  
22 The next item on the agenda is the action consent  
23 items.

24 Before I ask for a motion, we do have some  
25 members of the public who wish to speak on Agenda items 3b

1 and 3c, so I'll ask those members of the public to come  
2 forward now.

3 On 3b, Cathy Jeppson and George Linn. If you  
4 would please come forward and take your seat.

5 I'm going to allow four minutes for each of you  
6 the this item.

7 MR. LINN: Sorry I'm so slow.

8 CHAIRPERSON MATHUR: No, that's quite all right.

9 Ms. Jeppson, if you want to start so --

10 MS. JEPPSON: Sorry, I was waiting for George.

11 CHAIRPERSON MATHUR: That's quite all right.

12 Thank you. And then we'll turn to George.

13 MS. JEPPSON: Good afternoon. Mine will not take  
14 four minutes.

15 My name is Cathy Jeppson. I'm from California  
16 Teachers Association and California Faculty Association.  
17 And I only wanted to make a comment on -- I know I don't  
18 have the same pages that you do, but on attachment 1 of  
19 Consent Item -- Consent Action Item 3b, on page 13, number  
20 5c, as well as on page 14, number 3b.

21 I understand that in theory we need to take,  
22 because the meetings are running -- you know, sometimes  
23 the meetings run late into the evening. But I don't think  
24 that the ability to -- I don't really understand why you  
25 would need approval if it's an estimated time. I

1 certainly agree with everything else there, restating the  
2 motion and the order that you want to have Board members  
3 speak. But I don't think in theory it's going to work  
4 with setting time, because the perception of that I think  
5 from stakeholders is that it's eliminating conversation  
6 between the Board members.

7           And I think that when tomorrow comes, and there  
8 is a discussion on finance and administration about the  
9 results of the stakeholders' survey, if you haven't had a  
10 chance to look at that, I think you're going to be shocked  
11 by what the perception of the stakeholders are with  
12 regards to CalPERS.

13           And that's the only reason that I am bringing  
14 this up, that it's a good idea but I don't think that it's  
15 going to work in actuality.

16           CHAIRPERSON MATHUR: Thanks so much, Ms. Jeppson.  
17           Mr. Linn.

18           MR. LINN: Yes, my is George Linn. I'm president  
19 of the Retired Public Employees Association of California.

20           Chairman Mathur and Committee members and other  
21 Board members:

22           I'm a little bit of a parrot here from what my  
23 friend Cathy has said. One of my concerns is -- and  
24 having sat on a number of boards, including national  
25 boards, the interaction between board members is sometimes



1 the most critical thing that can happen. Staff can stand  
2 on their head, they can talk for hours. But it's the  
3 interaction between board members that really brings  
4 things to a focus.

5           So any time that you're trying to limit things, I  
6 have a problem with this. Because we need to make certain  
7 that every board member has an opportunity to vet their  
8 questions; and even listen to those members of the board  
9 that are not part of the committee, because they may have  
10 insightful information that may or may not be something  
11 that the board members of the committee will be voting on,  
12 and I think that it is not in the best interests of good  
13 business, frankly.

14           So that's one topic I wanted to talk on.

15           The other topic I want to talk on, because these  
16 are both items in the same agenda item - and thank you for  
17 the extra time, Chairman Mathur - I'm concerned that we're  
18 diluting the power of the Board when we strike out and  
19 give sole responsibility and sole authority to the CEO for  
20 the hiring of the CIO.

21           In my opinion -- and, you know, I think Marcie's  
22 fine. But what is the goal here of CalPERS? Well, the  
23 CalPERS goal, I always thought, would be return on  
24 investment so that the pensions can be paid to those  
25 members that have been working to get those pensions.

1           So we're talking about, in my opinion, maybe the  
2 most important person in the organization.

3           Yes, the CEO has good authority. But I think the  
4 CIO is one that has to interact very closely with the  
5 Board, and so the Board I think in my opinion should have  
6 a very integral part in selecting and working with that  
7 individual.

8           Thank you.

9           CHAIRPERSON MATHUR: Thank you very much.

10          So this is an action item, 3A, B, and C.

11          What's the pleasure of the Committee?

12          COMMITTEE MEMBER TAYLOR: Move it.

13          CHAIRPERSON MATHUR: Moved by Ms. Taylor.

14          Is there a second to the motion?

15          Seconded by Mr. Feckner.

16          CHAIRPERSON MATHUR: Any discussion on the  
17 motion?

18          COMMITTEE MEMBER BROWN: Can we separate them  
19 out? Is A, B, and C all together?

20          CHAIRPERSON MATHUR: It has been moved -- if you  
21 could use your mic please.

22          COMMITTEE MEMBER BROWN: Oh, sorry.

23          CHAIRPERSON MATHUR: Thank you.

24          Your question, Ms. Brown?

25          COMMITTEE MEMBER BROWN: So are we acting on all

1 three at once?

2 CHAIRPERSON MATHUR: On 3a, which is the approval  
3 of the March meeting minutes; 3b, which is the approval of  
4 the revisions to the Board Governance Policy; and 3c,  
5 approval of Revisions to the Board Governance Policy with  
6 respect to the "Views Expressed" Disclaimer.

7 COMMITTEE MEMBER BROWN: I'd like to pull 3b so I  
8 can vote on it separately or just vote "no" on that item.

9 CHAIRPERSON MATHUR: Okay. We will take up 3b  
10 separately.

11 COMMITTEE MEMBER BROWN: Thank you.

12 CHAIRPERSON MATHUR: So on the motion for 3a and  
13 3c, any further discussion on the motion?

14 Seeing none.

15 All those in favor say aye?

16 (Ayes.)

17 CHAIRPERSON MATHUR: All opposed?

18 Motion passes.

19 Oh, I'm sorry. Yes, Mr. Johnson. Forgive me.

20 Thank you.

21 I'm sorry. We -- I had it underneath my  
22 notebook.

23 Mr. Johnson on 3c.

24 Thank you.

25 MR. JOHNSON: Good afternoon. My name is Neal

1 Johnson. I represent Service Employees International  
2 Local 1000. And I'm speaking on 3c.

3 I agree with the concept. But I think there was  
4 a drafting error in -- on what shows on mine as page 21 of  
5 35, under M, because it -- what it says now is that if you  
6 speak, you give the statement. Part of that statement  
7 says those views do not reflect PERS. And I think you  
8 really want to qualify or -- such as "necessarily,"  
9 because they may. You know, Ms. Mathur may get asked a  
10 question that's so factual, that nobody would inherently  
11 say -- you know, well -- like today's Monday. But you  
12 have to say, no, it's not Monday or it didn't happen --

13 CHAIRPERSON MATHUR: Yeah. Fair enough.

14 MR. JOHNSON: So I think there's -- just it was a  
15 drafting error, and I would suggest adding a word like --  
16 such as "necessarily" or some similar word.

17 Other than that, we're in support of it.

18 CHAIRPERSON MATHUR: Thank you for your comment.

19 Thank you so much, Mr. Johnson.

20 Mr. Jacobs, would that -- is -- do you have any  
21 comment --

22 GENERAL COUNSEL JACOBS: I think that's fine. I  
23 think that's a good idea.

24 CHAIRPERSON MATHUR: I would agree with that.

25 So we'd already took a vote. Can -- sorry?

1 Can I just direct that that change be made?

2 GENERAL COUNSEL JACOBS: Yes.

3 CHAIRPERSON MATHUR: I think that's acceptable to  
4 the rest of the Committee.

5 GENERAL COUNSEL JACOBS: Yes. And we'll just add  
6 the word "necessarily" and upload the new --

7 CHAIRPERSON MATHUR: Terrific.

8 GENERAL COUNSEL JACOBS: -- Board Governance  
9 Policy with that change.

10 CHAIRPERSON MATHUR: Great. Thank you.

11 So the motion did pass on 3a and 3c. And I've  
12 now directed that we add the word "necessarily" before the  
13 word "reflect."

14 Then now on 3b, Ms. Taylor, did you want -- oh, I  
15 guess we just split it. So it's still made.

16 So on 3b, is there a discussion on the motion?

17 Ms. Brown.

18 COMMITTEE MEMBER BROWN: Thank you.

19 I appreciate the comments from members in the  
20 audience.

21 You know, I'm wondering if we actually wouldn't  
22 have had more public comment if we didn't have a lengthy  
23 closed session before Board Governance. So I don't know  
24 how all the scheduling necessarily works, but it would be  
25 nice to not have a four-hour closed session, then an open

1 session at the end of the evening. I think for  
2 accountability and transparency, we should try to work on  
3 that scheduling, Ms. Frost, if we could do that in the  
4 future.

5 But on the actual point of the item, I do agree  
6 that there are some concerns about making sure that  
7 everybody does have an opportunity to speak; and so I'm  
8 going to be voting "no" on the motion.

9 CHAIRPERSON MATHUR: Thank you.

10 Ms. Taylor.

11 COMMITTEE MEMBER TAYLOR: Sure, thank you, Madam  
12 Chair.

13 Just -- I'm going to be voting "yes" on this. I  
14 will note that we did have -- we were 20 minutes behind is  
15 all. We were scheduled for 3 o'clock. So we actually  
16 were running ahead earlier.

17 But I will say that I'm on a bunch of boards  
18 myself, and most of those boards run very close to  
19 Robert's Rules of Order, which is what -- Chair can cut  
20 off debates -- any -- actually anyone can call the  
21 question.

22 So at any time, I mean, if we were really running  
23 on Robert's Rules of Order, anyone can call the question.

24 These are really very around-the-edges type of  
25 let's try to do this. And I think in the spirit of the

1 way it reads, I think that it's basically maintaining the  
2 ability for all board members to be able to speak. It's  
3 just that we're going to address -- and I've forgotten to  
4 do it myself sometimes as a chairman of a committee --  
5 we're going to address the people on the committee first  
6 and then the board members that want to speak. It's not  
7 saying we're not going to let board members speak. So I  
8 just -- I want to make that clear.

9           So, again, I'm going to be voting yes on this.  
10 And, again, on many of the boards I'm on, there's much  
11 more stringent time-based Robert's Rules of Order. We're  
12 very liberal in the way we handle our Board meetings here.

13           CHAIRPERSON MATHUR: Thank you, Ms. Taylor.  
14           Mr. Slaton.

15           BOARD MEMBER SLATON: Thank you, Madam Chair.

16           On C, could I ask for counsel's interpretation of  
17 what C actually means. What would occur?

18           GENERAL COUNSEL JACOBS: You can, but C --

19           CHAIRPERSON MATHUR: We already approved C. We  
20 are on B.

21           BOARD MEMBER SLATON: No, no, no, no. I'm  
22 talking -- I'm sorry. I'm talking about D3c. Pardon me.

23           CHAIRPERSON MATHUR: Can you give a page number  
24 please.

25           BOARD MEMBER SLATON: Did we already approve 14

1 to 25? This is attachment 1 of 3 -- are we doing B  
2 right --

3 CHAIRPERSON MATHUR: We're doing 3b.

4 BOARD MEMBER SLATON: 3b?

5 CHAIRPERSON MATHUR: Uh-huh.

6 BOARD MEMBER SLATON: Okay. So 3b, attachment 1,  
7 page 14 to 25.

8 CHAIRPERSON MATHUR: Page 14.

9 BOARD MEMBER SLATON: 3b, attachment 1.

10 CHAIRPERSON MATHUR: And so number C is:  
11 Securing approval of estimated times...?

12 BOARD MEMBER SLATON: That's the one.

13 CHAIRPERSON MATHUR: That one?

14 BOARD MEMBER SLATON: That's the one I'm asking  
15 the interpretation for.

16 GENERAL COUNSEL JACOBS: My interpretation of  
17 that, Mr. Slaton, is that at the beginning of each meeting  
18 there would be an estimate attached to each agenda item,  
19 and the chair of that committee would ask for a vote or  
20 for comment or for changing it or whatever; but by the end  
21 of the discussion, on approving the timed agenda, the  
22 committee would vote that this is our timed agenda.

23 BOARD MEMBER SLATON: Okay. So it's basically  
24 the committee approving this sheet?

25 GENERAL COUNSEL JACOBS: Exactly.



1 BOARD MEMBER SLATON: Okay.

2 GENERAL COUNSEL JACOBS: Well -- yes, correct.

3 BOARD MEMBER SLATON: Or changing it?

4 GENERAL COUNSEL JACOBS: Yes.

5 BOARD MEMBER SLATON: Right. Okay. So --

6 GENERAL COUNSEL JACOBS: Keeping in mind that the  
7 committee can always make changes to the time and the  
8 chair can always make changes to the amount of time for  
9 any particular item.

10 BOARD MEMBER SLATON: I understand. Does that  
11 denote that this is also made available to the public? Is  
12 this timesheet --

13 GENERAL COUNSEL JACOBS: Yes. It's not made  
14 available --

15 BOARD MEMBER SLATON: Right?

16 GENERAL COUNSEL JACOBS: But it would be.

17 BOARD MEMBER SLATON: It would be?

18 GENERAL COUNSEL JACOBS: Made public.

19 BOARD MEMBER SLATON: Because of this language in  
20 C, or is there some other --

21 CHAIRPERSON MATHUR: Yes, because it would be  
22 adopted by the committee at the start of the committee  
23 meeting.

24 BOARD MEMBER SLATON: So because it's on the  
25 agenda?

1 CHAIRPERSON MATHUR: It would be part of the  
2 committee materials.

3 BOARD MEMBER SLATON: Right, so it would be on  
4 the agenda standing out there?

5 CHAIRPERSON MATHUR: Right.

6 BOARD MEMBER SLATON: Great. Because that's --  
7 the main part of this I think is - and to address the  
8 comments other people made - is that this is not about  
9 limiting conversation, unless we as a group decide to  
10 limit -- to cut off discussion. It's just to -- it's  
11 information. So it lets everybody know and the audience,  
12 everybody know. So to me it's kind of a no-brainer now  
13 given your interpretation.

14 Thank you.

15 CHAIRPERSON MATHUR: Thank you, Mr. Slaton.  
16 Mr. Jones.

17 BOARD MEMBER JONES: Yeah, thank you, Madam  
18 Chair.

19 Yeah, the time that is estimated on this  
20 document, I'm wondering what's the value of adopting it?  
21 Because the Chair and the appropriate senior staff, you  
22 know, they talk about an estimated time. And I think it  
23 would be disingenuous for someone, who hadn't had that  
24 discussion with the staff about how much time, then to  
25 come and then make changes to the time. So I would just

1 say leave it like this without an adoption, because the  
2 Chair is going to -- has worked with the staff for these  
3 estimated times anyway.

4 CHAIRPERSON MATHUR: I think the point of  
5 adopting it is that the whole committee acknowledges that  
6 this is the time that we are shooting for, so that we can  
7 be efficient in our conversation. Not eliminate  
8 discussion or squash discussion in any way, but to be  
9 cognizant of the time estimate in the comments that we  
10 make so that we are -- we run the committees more  
11 efficiently.

12 That's -- so it's really acknowledging on the  
13 part of the committee members that they understand -- that  
14 they acknowledge that we are -- these are the time limits,  
15 that we're not limited to but that we are trying to --  
16 that we're shooting for. That --

17 GENERAL COUNSEL JACOBS: They're estimates.

18 CHAIRPERSON MATHUR: They're estimates.

19 BOARD MEMBER JONES: Well, if, you know --

20 CHAIRPERSON MATHUR: Your microphone.

21 BOARD MEMBER JONES: Yeah. If I'm on the  
22 committee and these estimated times are here -- for  
23 example -- normally it's not an issue with the action  
24 consent and information consent. It's only when you get  
25 to the -- either action items or the information item. If

1 a Board member has a question on this and we have gone 30  
2 minutes, for example, on Item 6, I think the Board member  
3 has a right to be heard.

4 CHAIRPERSON MATHUR: Sure. It's not that the  
5 Board member won't be heard. It's that perhaps the Chair  
6 would say, "Okay, we had estimated 20 minutes for this  
7 item. We're now at 20 minutes. Would the committee like  
8 to continue the conversation? Do we" -- you know, how  
9 many -- you know, you could have the conversation. Should  
10 we extend the time five more minutes? Would that satisfy?  
11 Or are we ready to close debate make a motion or -- you  
12 know, so it prompts the committee to be aware of the time.  
13 Not necessarily to cut off debate, but to make  
14 affirmative, thoughtful decisions about whether -- how  
15 long to spend on each agenda item.

16 Mr. Slaton.

17 BOARD MEMBER SLATON: So let me make a  
18 suggestion, because it seems to me we're blending two  
19 separate things.

20 One is, by having this language in here, this  
21 becomes part of the public record and everybody who's  
22 attending the meeting gets to see it. Whereas today that  
23 does not occur. And I think that's a helpful piece of  
24 information for everyone to have of "Here's the plan."

25 But the plan was determined by the Chair, Vice

1 Chair, working with staff to determine the times  
2 associated with the committee.

3 I'm not sure I see -- I think this really goes to  
4 the Chair managing the meeting. Since everyone who's on  
5 the committee and on the Board -- and then if we modify  
6 this slightly, it doesn't have to be a vote, it could just  
7 be part of the record and passed out -- that everyone has  
8 this. So now the responsibility is for the committee  
9 chair to manage according to this and to say, "We've gone  
10 20 minutes and we allocated 10. Do people want to  
11 continue the conversation?"

12 So I don't think that -- that we require this  
13 language or an affirmation at the start to be able to have  
14 the Chair have the authority to manage the meeting to the  
15 schedule.

16 So I would suggest to the Committee that you just  
17 make this -- make the agenda -- timed agenda part of the  
18 record, and that that covers the issue, in my opinion.

19 CHAIRPERSON MATHUR: Mr. Miller.

20 BOARD MEMBER MILLER: I just had a question for  
21 the General Counsel.

22 It seems like this -- this language would not  
23 allow any of the committee chairs discretion to manage  
24 their committee without going through this formal process.  
25 Would that be correct?

1           GENERAL COUNSEL JACOBS: I don't think so. I  
2 think the idea would be you get a general concurrence of  
3 the committee at the outset of a meeting, but it would  
4 remain within the chair's discretion as to how to manage  
5 the time.

6           BOARD MEMBER MILLER: Yeah, but the committee  
7 chair would have to come to that committee meeting  
8 prepared with a -- with a timed agenda and would have to  
9 put it before the members of the committee and get their  
10 concurrence?

11           GENERAL COUNSEL JACOBS: Right.

12           BOARD MEMBER MILLER: Okay.

13           CHAIRPERSON MATHUR: Thank you.

14           Mr. Jones.

15           Oh, were you not --

16           BOARD MEMBER JONES: No, thank you. Sorry.

17           CHAIRPERSON MATHUR: Ms. Brown.

18           COMMITTEE MEMBER BROWN: So I'll propose an  
19 alternate motion approving of Agenda Item 3b and striking  
20 number 5c on page 15, and I think on page -- is it on page  
21 14 as well?

22           CHAIRPERSON MATHUR: DC, um-hmm.

23           COMMITTEE MEMBER BROWN: Yes. So that as well.

24           CHAIRPERSON MATHUR: All right. Dies for lack of  
25 a second.

1 Mr. Juarez.

2 ACTING COMMITTEE MEMBER JUAREZ: I'm going to  
3 move the item as it's been proposed in the staff agenda if  
4 it hasn't been done already.

5 CHAIRPERSON MATHUR: Thank you, Mr. Juarez.  
6 There's already a motion on the floor.

7 ACTING COMMITTEE MEMBER JUAREZ: Oh, okay. Sorry  
8 about that.

9 CHAIRPERSON MATHUR: But I appreciate that.  
10 And I have no further requests to speak.  
11 So on the motion which is to approve 3b as it was  
12 originally drafted, all in favor say aye.

13 (Ayes.)

14 CHAIRPERSON MATHUR: All opposed?

15 (Noes.)

16 CHAIRPERSON MATHUR: Please record Mr. Miller's  
17 and Ms. Brown's noes.

18 Thank you very much.

19 Motion passes.

20 That brings us to Agenda Item 4.

21 I've had no requests to pull anything off of 4.

22 So that will bring us to Agenda Item 5, the  
23 Annual Review of CEO Delegation Resolution.

24 Actually Mr. Miller's not on the Committee, so he  
25 did not vote in the last vote.

1 Thank you.

2 Mr. Jacobs.

3 GENERAL COUNSEL JACOBS: Yes. I'm going to pass  
4 this one to Marlene Timberlake D'Adamo.

5 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

6 Good afternoon, Madam Chair, Vice Chair, members  
7 of the Committee and Board. Marlene Timberlake D'Adamo,  
8 CalPERS team member.

9 This agenda item is the Annual Review of the  
10 Chief Executive Officer Delegation Resolution. Each year  
11 at this time, CalPERS' Board approves each of the  
12 committee and the CEO delegation.

13 Since the final committee delegations were  
14 approved at last month's Board meetings, this month you  
15 have the CEO delegation which has been modified to  
16 incorporate any changes that have occurred through the  
17 affirmation of the committee delegations and other  
18 ministerial changes we've accumulated through the course  
19 of the year.

20 Specific modifications to this delegation include  
21 clarity to the role and authority of the CEO and alignment  
22 with the Performance, Compensation & Talent Management  
23 Committee Delegation Resolution that was approved on April  
24 18th, 2018.

25 Additional modifications specified that the



1 Board's Outside Independent Counsel for Administrative  
2 Appeals and the Board's Self-Assessment Consultant are  
3 procurements the Board has reserved the authority to  
4 approve, consistent with the Board Governance Policy and  
5 the Board procurement policies.

6 This concludes my presentation, and I would be  
7 happy to take any questions.

8 CHAIRPERSON MATHUR: Thank you.

9 Are there any questions from the Committee?

10 Mr. Slaton. One moment.

11 Go ahead.

12 BOARD MEMBER SLATON: Thank you, Madam Chair.

13 So it's not a question, but it's a suggestion to  
14 the Committee, that you entertain making one modification  
15 as Chair of the Performance & Comp Committee. I think  
16 that I would refer everybody to Item 9, which is page 2 of  
17 the delegation -- page 2 of 4. And that's the one that  
18 starts out: "Set the compensation of employees listed in  
19 Government Code section 20098 and those in Career and  
20 Executive Assignments consistent with the Board's  
21 established compensation policies and procedures."

22 And the change I would ask the Committee to  
23 consider is the next sentence. "The Board retains the  
24 authority for setting the compensation structure and  
25 performance goals for the CEO." The --

1           CHAIRPERSON MATHUR: I think it was the prior  
2 sentence that you wanted to amend.

3           BOARD MEMBER SLATON: Yeah. Yeah, correct.  
4 Well, it's "The Board retains the authority for setting  
5 compensation, structure, and performance goals for the  
6 CEO." I don't have any problem with that. That's okay.

7           But I think that the compensation for 20098 and  
8 for executive positions, that we should be -- the Board  
9 should be only reserving the right to set the ranges, the  
10 compensation range rather than the whole what's variable  
11 pay and what's base pay.

12           And I'm not sure of the right wording in this to  
13 accomplish that, but that's what I'm trying to get to;  
14 that we delegate to the CEO that authority to hire and  
15 fire people in those categories. And I think that we  
16 should step away from setting what the compensation  
17 package should be, with the exception of meeting our  
18 fiduciary duty. And our fiduciary duty is to make sure  
19 that we set a cap to the total compensation.

20           So that's what I'm trying to get to, is for us --  
21 for this Board to be responsible for setting what the  
22 total compensation is and having the CEO actually  
23 determine the base versus variable, and for us to hold her  
24 accountable for that to be accomplished.

25           CHAIRPERSON MATHUR: Thank you, Mr. Slaton.

1 Mr. Feckner.

2 COMMITTEE MEMBER FECKNER: Thank you, Madam  
3 Chair.

4 I have concerns on Item 8, the cross -- taking  
5 out the responsibility or shared responsibility for the  
6 hiring and terminating of the CIO. This was a lengthy  
7 discussion we had that arrived at a compromise. This was  
8 our compromised decision. And now we're taking it out.  
9 And I just have a very strong feeling about that that we  
10 discuss this for a great period of time and come up with  
11 this compromise that we would ever a shared  
12 responsibility. And to just take it out now I think is a  
13 misstep.

14 CHAIRPERSON MATHUR: Okay. Thank you.

15 Mr. Juarez.

16 ACTING COMMITTEE MEMBER JUAREZ: Yeah, I wanted  
17 to comment on 9.

18 So where it says, "Consistent with the Board's  
19 established compensation policies and procedures," I'm  
20 assuming that's where, going to Mr. Slaton's point of  
21 view -- or point, where we would have -- whatever the  
22 rules are there, that's what you're -- that's what you're  
23 concerned about, that we're not overreaching with regard  
24 to our own procedures and policies.

25 So I mean I think -- I guess what I'm saying is I

1 think we could leave this alone, and worry about what we  
2 have in policies and procedures as it relates to  
3 compensation. So that's where you want -- I think you'd  
4 want to be certain that we're not getting in too deep in  
5 terms of doing anything other than the ranges.

6 BOARD MEMBER SLATON: Yes.

7 ACTING COMMITTEE MEMBER JUAREZ: But I think we  
8 could leave this alone. And that's my perspective on  
9 that.

10 CHAIRPERSON MATHUR: Okay. Thank you.

11 So that's to leave -- when you say leave it  
12 alone, you mean -- you mean --

13 ACTING COMMITTEE MEMBER JUAREZ: Leave it as it's  
14 being proposed.

15 CHAIRPERSON MATHUR: -- leave as the proposal?

16 ACTING COMMITTEE MEMBER JUAREZ: -- as it's being  
17 proposed.

18 CHAIRPERSON MATHUR: Yeah.

19 ACTING COMMITTEE MEMBER JUAREZ: Can I just -- I  
20 still have the floor.

21 CHAIRPERSON MATHUR: Yes, please.

22 ACTING COMMITTEE MEMBER JUAREZ: I would demur  
23 from Mr. Feckner's point of view. I just feel it's very  
24 important that the CEO have responsibility directly to  
25 manage and the -- both the hiring and the affairs of the

1 CIO in any organization. And it's something that I know  
2 has been, as Mr. Feckner said, probably discussed a lot.  
3 But I just -- coming to this and having seen it work in  
4 other organizations, I just feel very strongly that the  
5 CEO should have that authority and responsibility, and  
6 that's -- would be the way I view it.

7 CHAIRPERSON MATHUR: Thank you, Mr. Juarez.  
8 Ms. Brown.

9 COMMITTEE MEMBER BROWN: Thank you.

10 I was wondering if I could ask a question of  
11 Mr. Feckner.

12 Are you suggesting on page 2 for number 8 that  
13 you strike all the red and put it all back in?

14 CHAIRPERSON MATHUR: If I may. I think what he  
15 was suggesting is that the Board -- that retaining the  
16 language the Board and CEO share responsibility for  
17 hiring, evaluating, et cetera, and terminating the CIO,  
18 period.

19 Is that right, Mr. Feckner.

20 COMMITTEE MEMBER FECKNER: Correct.

21 CHAIRPERSON MATHUR: So just that -- the first  
22 red-lined sentence.

23 COMMITTEE MEMBER BROWN: If you were to make an  
24 alternate motion, I would support that.

25 CHAIRPERSON MATHUR: Okay. Mr. Rubalcava.

1 COMMITTEE MEMBER RUBALCAVA: Thank you.

2 I think number 9 has been addressed, because I  
3 think if you read the previous section, this all applies  
4 to the CIO. So I think we're okay.

5 On number 8 I just had a question. I'm okay with  
6 this one. But is it my -- I'm new. Does the Board have a  
7 role in the, I'll say -- not selection possibility. Maybe  
8 selection -- is there like a -- what role does the Board  
9 play in the search for the CIO? Is there some input, I  
10 guess?

11 CHAIRPERSON MATHUR: Ms. Frost, perhaps maybe you  
12 should come up.

13 CHIEF EXECUTIVE OFFICER FROST: Thank you for the  
14 question.

15 So with the announcement that was made this  
16 morning, my plan would be to begin recruitment for the CIO  
17 replacement. I would invite members of the Investment  
18 Committee, likely the Chair and Vice Chair perhaps of the  
19 Committee, but that could be determined by the Committee  
20 itself, to participate in the selection process of the new  
21 CIO.

22 COMMITTEE MEMBER RUBALCAVA: Thank you.

23 CHAIRPERSON MATHUR: Okay.

24 COMMITTEE MEMBER RUBALCAVA: I'm good.

25 CHAIRPERSON MATHUR: Okay. Great.

1 Mr. Feckner.

2 COMMITTEE MEMBER FECKNER: Thank you, Madam  
3 Chair.

4 Again, you know, I expressed already my concerns  
5 about this. And I appreciate Mrs. Frost's point. But  
6 putting this in place is not for Ms. Frost. It's for the  
7 CEO. So if there's a different CEO, they don't have to  
8 have that perception. And I think that that handcuffs us  
9 to some point. And this was put in as a safeguard during  
10 our discussions. So I would like to add back in the first  
11 red-lined -- or red-lined sentence there.

12 CHAIRPERSON MATHUR: Is that a motion,  
13 Mr. Feckner?

14 COMMITTEE MEMBER FECKNER: That is a motion  
15 please.

16 COMMITTEE MEMBER BROWN: I'll second that.

17 CHAIRPERSON MATHUR: Motion made by Feckner,  
18 seconded by Brown.

19 We have a public comment request for this one?

20 Okay. Thank you.

21 On the motion. Mr. Slaton.

22 BOARD MEMBER SLATON: Thank you.

23 And by the way, I'm fine with number 9, and we  
24 can take care of it in Performance & Comp.

25 I think this would be a big mistake to do this.

1           I think that we have moved to the CIO being a  
2 direct report to the CEO. And I think that was a very  
3 excellent change that we made.

4           That change allows the CEO to be a true CEO. And  
5 I think that this organization is well served by that  
6 structure. I think this moves us back toward a -- kind of  
7 a quasi-CEO when it comes to this particular position.

8           I think for Mr. Feckner's concern about a  
9 safeguard, the best safeguard we have is having a good  
10 CEO. And when we go to interview the next CEO, part of  
11 the interview process will be us being comfortable that in  
12 fact we have someone that we can trust to work with us and  
13 involve us in hiring a critical position.

14           But I think the authority for it organizationally  
15 should vest with the CEO.

16           Otherwise, the CEO is really a COO and we're sort  
17 of acting as the CEO in this particular situation.

18           And I don't think we're well served from a  
19 governance standpoint by being -- reserving that ability  
20 to be a decider on the CIO. I think the CEO, who serves  
21 at the pleasure of this Board, certainly is going to take  
22 into account our reaction and our judgment when it comes  
23 to filling such a critical position. And if that -- if  
24 the CEO does not do that, then they're not the right  
25 person to be in that position.



1 CHAIRPERSON MATHUR: Thank you, Mr. Slaton.

2 We do -- we have no further requests from the  
3 Committee or the board.

4 We do have a request from the public to speak on  
5 this item.

6 Mr. Darby, would you please make your way down.

7 GENERAL COUNSEL JACOBS: If I may, while  
8 Mr. Darby is making his way down, I would just point out  
9 that the PCTM - Performance, Comp and Talent Management  
10 Committee - did strike this very language from its  
11 delegation a couple of months ago. And then that was  
12 adopted by the full Board last month.

13 CHAIRPERSON MATHUR: That's an important point,  
14 because we would want to be consistent between the two  
15 delegations.

16 GENERAL COUNSEL JACOBS: Correct.

17 CHAIRPERSON MATHUR: So what happens if two  
18 committees pass different lang -- conflicting language?

19 Sorry, Mr. Darby. We'll get to you in one  
20 moment.

21 GENERAL COUNSEL JACOBS: Yeah, I don't know. I  
22 think that what we would have to do is come back around  
23 and make it consistent at a later date. But it has been  
24 full Board approved as of right now. So, I guess we would  
25 see what the Board did on Wednesday and figure it out

1 then.

2 CHAIRPERSON MATHUR: Okay. On the item,  
3 Mr. Darby. If you could identify yourself and your  
4 affiliation for the record. You'll have three minutes to  
5 speak.

6 MR. DARBY: Madam Chair and Board members. Al  
7 Darby, Retired Public Employees Association Vice  
8 President.

9 I believe that Mr. Feckner's amendment is in  
10 accordance with our view of this situation. And I believe  
11 that amendment was to reserve the right of the Board to  
12 participate in selection of the CIO. Is that correct?

13 COMMITTEE MEMBER FECKNER: Correct.

14 MR. DARBY: Okay. And we agree with that  
15 position.

16 Thank you.

17 CHAIRPERSON MATHUR: Thank you very much,  
18 Mr. Darby.

19 Seeing no further requests to speak.

20 The motion is before the Committee to adopt the  
21 CEO delegation resolution as it is drafted, with the one  
22 exception of reinstating on page 2 of 4 under item 8 the  
23 first struck sentence.

24 Is that clear as mud to everyone? I think so.

25 All in favor of the motion say aye?

1 (Ayes.)

2 CHAIRPERSON MATHUR: The two ayes that I heard  
3 were Brown and Feckner.

4 All opposed say no.?

5 (Noes.)

6 CHAIRPERSON MATHUR: So the motion fails.

7 So we still need a motion on this item.

8 COMMITTEE MEMBER TAYLOR: So moved.

9 COMMITTEE MEMBER RUBALCAVA: Second.

10 CHAIRPERSON MATHUR: Thank you.

11 Ms. Taylor moved the original motion -- the  
12 original recommendation and it was seconded by Mr.  
13 Rubalcava.

14 Mr. Juarez, did you wish to speak on --

15 ACTING COMMITTEE MEMBER JUAREZ: Yeah. I'm going  
16 to vote for the motion.

17 But I'm sensitive to Mr. Feckner's point about  
18 participating in the selection. Just being involved in --  
19 obviously he makes a good point in saying, "Well, that may  
20 be Marcie's point of view but it may not be a future CEO's  
21 point of view." I would -- and, you know, we could add  
22 language to that effect. But I would just say that we  
23 should have an understanding or you should all have an  
24 understanding as we go forward that it's a good idea to --  
25 on key decisions like CIO positions and maybe a couple of

1 the others involving the Board I think is instrumental.  
2 And I know that that -- it won't be guaranteed once we get  
3 a new CEO that that's going to be the case, but it should  
4 be the culture of the Board that that's the case that --  
5 so again --

6 CHAIRPERSON MATHUR: And certainly I imagine the  
7 Board will not be silent if they're unhappy with the  
8 process.

9 ACTING COMMITTEE MEMBER JUAREZ: In any case, I  
10 just wanted to recognize that -- I think the point is well  
11 made but I'm very comfortable with the language.

12 CHAIRPERSON MATHUR: Thank you, Mr. Juarez.

13 So on the motion which is to adopt the original  
14 staff recommendation regarding the CEO delegation  
15 resolution, all those in favor say aye?

16 (Ayes.)

17 CHAIRPERSON MATHUR: All opposed?

18 (Noes.)

19 CHAIRPERSON MATHUR: Please note Mr. Feckner and  
20 Ms. Brown's noes.

21 Motion passes.

22 Okay. That brings us to the information items.

23 Agenda Item Number 6, Other Government Agencies'  
24 Processes for Handling Harassment Allegations Against  
25 Board Members.

1 Mr. Jacobs.

2 GENERAL COUNSEL JACOBS: Yes, thank you, Chair  
3 Mathur.

4 This agenda item presents the question of whether  
5 the Board should pursue a procedure like the one laid out  
6 by the UC Regents in the attachment to the agenda item for  
7 handling harassment allegations against Board members.

8 The question to the Committee is what it thinks  
9 about this particular policy. As stated in the agenda  
10 item, we didn't find any others of statewide agencies. It  
11 doesn't mean they don't exist, but we didn't find them.

12 And so, it's really something that the Committee  
13 can discuss, whether this is something that the Board  
14 should adopt for itself.

15 I will note that there's one constraint on the  
16 wholesale adoption of the Regents' policy, were that the  
17 Committee's and ultimately the Board's inclination, which  
18 is that the UC policy appoints the General Counsel to  
19 investigate allegations and then consult with a  
20 three-member panel.

21 Under Bagley-Keene, a three members would be too  
22 many. And such an advisory panel could only have two  
23 members, unless it wanted to meet in open session, which I  
24 don't believe is the intent of the UC policy.

25 So I don't know what rules UC is operating under,

1 but that wouldn't quite work for us.

2 CHAIRPERSON MATHUR: Okay. Thank you.

3 This is an information item for discussion by the  
4 Committee.

5 What is the pleasure of the Committee.

6 Ms. Taylor.

7 COMMITTEE MEMBER TAYLOR: So I -- I still think  
8 that we should have a policy. I'm understanding  
9 Mr. Jacobs' view to say that we -- that UC didn't have a  
10 policy right now. Is that correct, that I'm  
11 understanding --

12 CHAIRPERSON MATHUR: If you look at attachment 1,  
13 there is a policy that talks about allegations, violations  
14 of ethical principles.

15 GENERAL COUNSEL JACOBS: No, UC has a very  
16 well-developed policy.

17 COMMITTEE MEMBER TAYLOR: Okay. I'm sorry.

18 So I guess our question then is, can we adopt a  
19 similar policy like this? And I did read it earlier. I  
20 just don't -- I'm hearing something completely different.  
21 I'm sorry.

22 Because it is still the State of California. And  
23 I think what our questions were before were, can we have  
24 these values and this policy without violating anything?  
25 And it sounds like that there are some things that we can

1 do.

2 CHAIRPERSON MATHUR: I think the only exception  
3 that was identified by Mr. Jacobs is that we would have to  
4 have a two-member panel, and perhaps that would be the  
5 Chair and Vice Chair of the Governance Committee or we  
6 could determine -- or the Board President and Vice  
7 President might be two options.

8 And that that's the only change that would need  
9 to be made for us to adopt a similar policy.

10 GENERAL COUNSEL JACOBS: Correct.

11 COMMITTEE MEMBER TAYLOR: And we don't have to  
12 have any kind of written law or anything like that for us  
13 to have these kind of like sanctions that I'm reading  
14 about here?

15 GENERAL COUNSEL JACOBS: No, these sanctions, I  
16 will note, do not include the termination of a Board  
17 member.

18 COMMITTEE MEMBER TAYLOR: Right.

19 GENERAL COUNSEL JACOBS: These sanctions are all  
20 similar to the ones that currently exist in the Board  
21 Governance Policy.

22 But to answer your question more directly: No,  
23 there's no law that would stand in the way of the adoption  
24 of this type of policy. I mean there'd be some wording  
25 changes to be sure. But other than what the Bagley-Keene

1 point that I raised, you could adopt it.

2 COMMITTEE MEMBER TAYLOR: Okay. I don't know if  
3 everybody agrees, but I think that we could move forward  
4 with this.

5 CHAIRPERSON MATHUR: Well, unless there's any  
6 opposition to that, I would direct the team to bring back  
7 a policy largely similar to this, but of course take into  
8 account any Bagley-Keene considerations for adoption by  
9 this Committee and the Board.

10 GENERAL COUNSEL JACOBS: Great. Happy to.

11 CHAIRPERSON MATHUR: Ms. Brown.

12 COMMITTEE MEMBER BROWN: Yes. So I'm actually  
13 just sort of reading through this.

14 I'd like to hear what maybe somebody from the  
15 university says, if they think this policy works for  
16 them -- works well for them. Have they had to use it with  
17 any of their Regents to date? So it'd be kind of nice to  
18 know if it works or is this just something they have in  
19 their policy and they really don't -- it's not a -- it's  
20 not a go-to document.

21 It's also kind of interesting, on page 5 of 5,  
22 number 3, it says, "The Board may revoke a Regent's  
23 university privilege such as access to university  
24 property, use of administrative staff, or parking and  
25 library privilege. So I just want to make sure this



1 all -- if we were going to adopt this, that we relook at  
2 that and make sure that this -- this works  
3 constitutionally for those of us who are elected members.

4 CHAIRPERSON MATHUR: I think that's fair to --  
5 upon -- before you -- when you bring something back to  
6 just ensure that those things are all consistent.

7 GENERAL COUNSEL JACOBS: Yes. I would note that  
8 it was only adopted last year. So I don't know that UC  
9 has a lot of experience under it, but we can certainly  
10 check.

11 CHAIRPERSON MATHUR: Okay. Thank you.  
12 Mr. Juarez.

13 ACTING COMMITTEE MEMBER JUAREZ: Yeah, I was  
14 going to go down that same road of suggesting that we at  
15 least check in with the General Counsel at the Office of  
16 the President of the University.

17 And it's interesting -- again, I don't know  
18 Bagley-Keene that well. And if it suggests that you can't  
19 do three-member boards, the predicament of -- or dilemma  
20 you have is that, let's say, you have a two-member board  
21 and they don't agree.

22 At least this policy allowed for when two of the  
23 three members have a decided point of view, that's what  
24 carries the day. If you have two members and they're not  
25 in accord, you're going to be -- there's going to be a

1 stalemate. Not that that's the worst thing in the world,  
2 but that clearly is not what would be intended by the  
3 resolution.

4 So I would just -- I'd be curious again -- and  
5 I'm not challenging you on this, Mr. Jacobs, but I just --  
6 why we could not have a three-member advisory board.

7 Is that strictly written in Bagley-Keene?

8 GENERAL COUNSEL JACOBS: Let me ask my colleague,  
9 Robert Carlin, to come up and address that question.

10 SENIOR ATTORNEY CARLIN: Robert Carlin from the  
11 CalPERS Legal Office.

12 Mr. Juarez, it is clear in the statute that once  
13 you get to three members, you're now a body that's subject  
14 to all the requirements of Bagley-Keene including having  
15 to be in an open session. So it's only a body less than  
16 three members that's acting in an advisory capacity that  
17 doesn't have to comply with all those requirements.

18 ACTING COMMITTEE MEMBER JUAREZ: And none of the  
19 prerequisites for a closed meeting apply to -- would apply  
20 to this situation where you're reprimand -- potentially  
21 reprimanding a member of the Board.

22 SENIOR ATTORNEY CARLIN: Not in the context of a  
23 Board member. The exceptions for -- the personnel  
24 exception applies to employee of the agency but doesn't  
25 cover the members of the Board themselves. So that's why

1 there's a problem if we get beyond two.

2           ACTING COMMITTEE MEMBER JUAREZ: As far as I  
3 know, UC operates according to Bagley-Keene. I'm just  
4 cur --

5           GENERAL COUNSEL JACOBS: And UC may very well  
6 have some other statutory authorization. I know UC is --  
7 got kind of special privileges under the California  
8 Constitution independence and --

9           ACTING COMMITTEE MEMBER JUAREZ: But I don't  
10 think it's exempt from Bagley-Keene. But it's worth  
11 checking anyway.

12           CHAIRPERSON MATHUR: Okay. So the direction has  
13 been given. I think it was clear.

14           So seeing no further discussion, let's move on to  
15 Agenda Item No. 7, Process for Reviewing Closed Session  
16 and Other Confidential Materials.

17           Mr. Jacobs.

18           GENERAL COUNSEL JACOBS: Yes, this item calls on  
19 the community to consider whether to recommend to the  
20 Board essentially to ratify the current policy of  
21 requiring members to review confidential materials such as  
22 the minutes of closed -- or that transcripts of closed  
23 session meetings at CalPERS' headquarters here in  
24 Sacramento.

25           I think the written agenda item frames the issue

1 well. The CalPERS team, as noted in the agenda item,  
2 agrees with the policy, because we think it helps minimize  
3 even inadvertent leaks which can completely undermine the  
4 work that CalPERS' both staff and Board is doing and the  
5 decisions that we are making.

6 And as you debate or consider and discuss this  
7 agenda item, I would just suggest that you consider a  
8 simple scenario in which a Board member -- and this gets  
9 to the -- kind of the inadvertent part -- loses, misplaces  
10 his or her CalPERS's iPad over the weekend that has these  
11 transcripts or other confidential information on it.

12 So there's the intentional problem, but I don't  
13 think that ought necessarily to be what's focused upon,  
14 although it's important. But really the inadvertent is  
15 also something -- the inadvertent disclosure of these  
16 types of materials is something that needs to be  
17 considered in our opinion.

18 CHAIRPERSON MATHUR: Thank you.

19 Discussion by the committee.

20 Mr. Slaton.

21 BOARD MEMBER SLATON: Thank you.

22 Does that mean I'm ahead of rest of the --

23 CHAIRPERSON MATHUR: That means you're the only  
24 one who pushed your button.

25 BOARD MEMBER SLATON: Okay. Just make sure we're

1 following our new process, I guess, until tomorrow at  
2 least.

3           So I think the inadvertent thing is really -- I  
4 think that's the important consideration. And I  
5 understand, and then therefore I have no problem with  
6 having to come from Carmichael to downtown if I want to  
7 review transcripts.

8           The challenge comes for those who do not live in  
9 Sacramento. But we happen to have something called  
10 regional offices. So, I would suggest that we can -- if  
11 it's not an administrative burden, to create some process  
12 so that if a member does not reside in Sacramento, that  
13 they in fact could do the same review in a CalPERS  
14 regional office. And maybe that solves the access where  
15 every Board member has comparable access to the written  
16 material.

17           So that's just a suggestion to the committee.

18           CHAIRPERSON MATHUR: Thank you, Mr. Slaton.

19           Ms. Brown.

20           COMMITTEE MEMBER BROWN: Well, Mr. Slaton that's  
21 an awesome idea. I don't know what staff thinks of that.  
22 I'd like to hear what they think of that. But I could  
23 certainly make it to the Orange office much easier than I  
24 can to the Sacramento office to review transcripts.

25           So is it possible to get a confidential computer

1 at the regional offices in Glendale or wherever you'd go,  
2 Mr. Jones? Where would you go to review those?

3 BOARD MEMBER JONES: That's too far.

4 (Laughter.)

5 GENERAL COUNSEL JACOBS: It might be easier to  
6 get to Sacramento.

7 CHAIRPERSON MATHUR: Ms. Frost, do you want to  
8 address that?

9 CHIEF EXECUTIVE OFFICER FROST: We could  
10 certainly look at the regional locations and their  
11 capacity to have, you know, a confidential area set up for  
12 the Board to review close-session transcripts. There may  
13 be some offices that would have a better setup  
14 logistically to be able to do that, but we could certainly  
15 take a look at it.

16 CHAIRPERSON MATHUR: Okay. Mr. Jones.

17 BOARD MEMBER JONES: Yeah. So if you talk about  
18 setting up a confidential, why not set up a confidential  
19 computer in my house?

20 CHAIRPERSON MATHUR: Yeah, I think the -- the  
21 question is if somebody broke into your house and took  
22 your computer, then that would be -- you know, it wouldn't  
23 be through any fault of your own, but there is still an  
24 opportunity -- and if it's a laptop, it could be taken out  
25 of your house.

1           Anyway, I --

2           CHIEF EXECUTIVE OFFICER FROST: I was just going  
3 to add. I think the one additional safeguard you would  
4 have by having it in a regional location is that it's on  
5 the CalPERS network still. So that would be an additional  
6 safeguard.

7           BOARD MEMBER JONES: Well, you know -- and I  
8 understand the need to address leaks and information being  
9 shared when it shouldn't be. But I think we need to focus  
10 on the problem; you know, find out who's leaking and have  
11 consequences for leaking information. Because what  
12 happens, we don't deal with the cause and we just penalize  
13 everybody. And, you know, I just think we need to change  
14 our focus and let's find a way to deal with these leaked  
15 pieces of information and deal with them accordingly.

16           CHAIRPERSON MATHUR: I think the -- I don't know,  
17 Ms. Frost, if you want to address that. But I think part  
18 of the concern is that in this digital age it's so easy  
19 for information to be inadvertently disclosed that's meant  
20 to be kept confidential. It's not that anyone is  
21 deliberately doing anything. It's really that we want to  
22 protect -- given the risks that are currently at play, in  
23 that we want to protect the system and our members. I  
24 think that's really what it's about.

25           Mr. Jacobs, Ms. Frost, if you want to add

1 anything to that.

2 CHIEF EXECUTIVE OFFICER FROST: I was going to  
3 concur with your statements. I think it's more of  
4 concern -- I think I've spoken with you about this. I  
5 came out of a system where we actually had a data leakage  
6 issue that had arose, and it was related to an inadvertent  
7 loss of a laptop that was filled with actuarial data. It  
8 was done by our external actuarial auditor. And so my  
9 sensitivities around data management are probably honed  
10 from that time frame. It was a very stressful period of  
11 time where we did not know where that data had landed, if  
12 you will.

13 So I think the regional location is certainly  
14 another option. It doesn't sound like that's much of a  
15 viable option for you, Mr. Jones.

16 But we're happy to continue looking.

17 But this is really around data management, it's  
18 around protection of really important data that we talk  
19 about here in Sacramento. It's not necessarily around  
20 leaks. You're right, we have had leaks in the past, but  
21 that is not the reason for this policy -- the  
22 consideration of this policy today.

23 It could be a consideration for individual  
24 Committee members or Board members to be worried about  
25 leaks. But I think this is really more about what is the



1 effective data management policies, data governance  
2 policies for a board and an entity like CalPERS, with the  
3 significance of the work that we all do together.

4 CHAIRPERSON MATHUR: And the sensitivity of the  
5 information with which we're entrusted.

6 Okay. Mr. Miller.

7 BOARD MEMBER MILLER: I don't know if this is a  
8 potential solution for the future. We've got this to deal  
9 with today. But having secure read-only access to  
10 specific files for specific people set up based on their  
11 needs might be a possibility. I work in a regulatory law  
12 enforcement agency, and there are some things that I can  
13 access from home, there other things I can access only at  
14 work. But when I need to work on something that's  
15 specific, they can usually set me up. But it never comes  
16 into my hard drive. It's read-only. I can't print it, I  
17 can't -- well, maybe some brilliant hacker could. But  
18 just a possibility to explore.

19 CHAIRPERSON MATHUR: Okay. I think there's a  
20 desire to explore this further, perhaps explore the  
21 regional offices, maybe some other ideas. I haven't heard  
22 much else than that.

23 We do have a member of the public who wishes to  
24 speak on this item.

25 So did you want to say anything before --

1 CHIEF EXECUTIVE OFFICER FROST: I was just going  
2 to make one point. There was no data loss as a result of  
3 the example that I just gave. I want to be really clear  
4 about that.

5 CHAIRPERSON MATHUR: Thank you.

6 CHIEF EXECUTIVE OFFICER FROST: But it still  
7 raised the sensitivities around this issue.

8 CHAIRPERSON MATHUR: Fair enough.

9 Mr. Perez, please come down, take a seat. The  
10 mics are on. You'll have three minutes in which to speak.

11 Please identify yourself and your affiliation for  
12 the record.

13 MR. PEREZ: Thank you. My name is Jason Perez.  
14 I'm the president of the Corona Police Officers  
15 Association.

16 In regards to this specific agenda item, I think  
17 a simple solution -- and I know your IT team members are  
18 squared away. So I think a simple solution is a VPN with  
19 the two-factor authentication. You have a little thing on  
20 your phone. You have to enter the code, and then  
21 Mr. Jones, Ms. Hollinger, Ms. Brown, folks that live far  
22 away, you can VPN into your computer here, read everything  
23 you want, from the comfort of your recliner. And it's  
24 very secure.

25 CHAIRPERSON MATHUR: Well, thank you for that

1 suggestion. We will also include that in the further work  
2 that we will do, and we'll bring it back to a future --

3 GENERAL COUNSEL JACOBS: Yeah, I would just  
4 comment. It's foolproof because there is also the  
5 possibility of screen shots from people's -- from  
6 whatever, cameras, intruders cameras, whatever. So I just  
7 want to point that out.

8 CHAIRPERSON MATHUR: Yeah. Thank you very much.

9 Okay. That was just an information item. So we  
10 will move on to Agenda Item 8, the Process for Handling  
11 Mail Directed to Board Members.

12 Mr. Jacobs.

13 GENERAL COUNSEL JACOBS: Happily pass this on to  
14 Ms. Falzarano.

15 CHAIRPERSON MATHUR: Ms. Falzarano.

16 RETIREMENT RESEARCH AND PLANNING DIVISION CHIEF

17 FALZARANO: All right. Good afternoon, members of the  
18 Committee. Jan Falzarano, CalPERS team member.

19 So this is an information item in response to the  
20 Board's request for additional information on the process  
21 for handling correspondence addressed to the Board of  
22 Administration and/or to individual Board members.

23 In your agenda item packet there are two process  
24 maps for today's discussion.

25 The first map, marked Option A, aligns with the

1 current process that we practice today. The only change  
2 is that the CEO would review approve the approaches for  
3 responding to stakeholder correspondence rather than the  
4 Board President.

5 The second map, which is marked Option B, has a  
6 similar intake process to Option A. However, all the  
7 correspondence addressed to a specific Board member will  
8 be forwarded unopened directly to that Board member.

9 So I'll start by just walking you through Option  
10 A, and then we'll go on to Option B.

11 So in general, CalPERS mailroom does not open any  
12 correspondence that is addressed specifically to a named  
13 Board member or Board members. These are forwarded to  
14 Board Services Unit for review and for dissemination. If  
15 any of the correspondence is marked "Confidential," the  
16 Board Unit will not open the correspondence, and it will  
17 be forwarded or mailed directly to that Board member.

18 If a correspondence is addressed to a general  
19 group, often it would just say the CalPERS Board of  
20 Administration, or maybe it will address a specific  
21 committee. The mail room will open the correspondence and  
22 ensure that it's routed appropriately to the program  
23 areas.

24 So often, these correspondence will include  
25 benefit forms, so they may have retirement application,

1 health and election forms, or just requesting any kind of  
2 general assistance from CalPERS. So we would route those  
3 directly to the appropriate program areas, which will  
4 reduce the response time and increase the customer service  
5 level for our members.

6 Correspondence that does request the Board's  
7 assistance will go directly to the Board Unit for review,  
8 as they can identify where the issue is currently being  
9 worked on, because sometimes a member can make the same  
10 letters to multiple Board members and also help coordinate  
11 a response with the program area.

12 So this prevents the duplication of efforts;  
13 ensures stakeholders receive a timely and consistent  
14 response; and also protects the confidential data, because  
15 often members also send in their medical data or  
16 information that may have their Social Security numbers  
17 listed on them.

18 So currently the process for responding to a  
19 stakeholder is reviewed and approved by the Board  
20 President; and under Option A, this responsibility is  
21 reflected as the CEO.

22 So as stated earlier, Option A does align with  
23 the current process that we practice today.

24 So any questions before I move forward to Option  
25 B?

1           CHAIRPERSON MATHUR: I don't see any at this  
2 time.

3           RETIREMENT RESEARCH AND PLANNING DIVISION CHIEF

4 FALZARANO: Okay. So under Option B, the Board Unit team  
5 will mail all correspondences directly to the Board  
6 member. Since Option B does require the Board Unit team  
7 to forward a correspondence which may include any members  
8 of stakeholder inquiries, it may require an additional  
9 step to log the correspondence forwarded to the Board  
10 member in the event members or employers or the  
11 stakeholders call to inquire about the status of their  
12 inquiry. This process may also require notification to  
13 the Call Center to forward the calls to the Board Unit  
14 team to research if the correspondence has been forwarded  
15 to the individual Board members.

16           If members are to forward their information to  
17 the individual Board members, there are some  
18 responsibilities that must be considered. So each Board  
19 member will be responsible for properly securing the  
20 confidential correspondence and any attachment that may  
21 contain personal health information or their personal  
22 identifiable information; so both the PHI and the PII  
23 data. So if it does require for you to send the  
24 information back to us to help the individual, it will  
25 require scanning and encrypting those documents before you

1 email them back to CalPERS so that we can respond to the  
2 member, as well as returning the documents to CalPERS for  
3 proper destruction.

4           Board members can opt to mail the confidential  
5 documents back to CalPERS in lieu of emailing them.  
6 However, this approach could result in a longer response  
7 time for our members.

8           The correspondence may also be potentially  
9 subject to the California Public Records Act requests, and  
10 Board members could be required to search their  
11 correspondence in order to comply with the PRA requests.  
12 As a best practice for ensuring compliance, it would be  
13 beneficial if Board members tracked and logged  
14 business-related correspondence.

15           When documents are mailed back to CalPERS for a  
16 response, the Board Unit at that time will review and log  
17 the correspondence as they do in Option A to prevent  
18 duplication and ensure that stakeholders receive a  
19 consistent response. And this process is also followed  
20 under Option A. However, there would be delayed responses  
21 under Option B due to additional time to forward and  
22 return the mail.

23           And similar to Option A, the next steps will  
24 include the CEO or the Board President approving the  
25 approach for response, and the Board Unit team will work

1 with the program areas to respond to the stakeholder  
2 inquiries and notify the appropriate Board members with  
3 the final response.

4           So this concludes my presentation. I'M happy to  
5 answer any questions.

6           CHAIRPERSON MATHUR: Thank you.

7           From the Committee?

8           Mr. Juarez.

9           ACTING COMMITTEE MEMBER JUAREZ: Yeah, I guess  
10 I -- I just want to ask the question, what our assumption  
11 is about -- when someone addresses a letter to an  
12 individual Board member, do we assume that it's intended  
13 for that Board member?

14           RETIREMENT RESEARCH AND PLANNING DIVISION CHIEF  
15 FALZARANO: In my program experience, what I've  
16 experienced is that the want to have escalation issue that  
17 gets handled immediately. And so, if it's addressed to a  
18 Board member, usually it's forwarded to the program area,  
19 and we would have to respond to the member and we would  
20 have to cc the Board.

21           And so usually we would respond sometimes quicker  
22 when it's addressed to a Board member for us to handle.

23           ACTING COMMITTEE MEMBER JUAREZ: I guess I'm just  
24 having trouble with your answer, only in that why would  
25 they send me a letter asking for an issue to be resolved



1 by the system?

2 RETIREMENT RESEARCH AND PLANNING DIVISION CHIEF

3 FALZARANO: It depends on what -- it depends on what the  
4 question is. And it varies. We -- it could be that they  
5 are -- they disagree with the decision. So in my prior  
6 days working in the Disability Retirement, we may deny a  
7 disability retirement. But they would write to a Board  
8 member asking for help because they disagree with the  
9 decision that program staff has made.

10 And so in that instance, they -- we would work  
11 with the program area as well to look at the case to make  
12 those determinations, and we would respond back to that  
13 individual member.

14 But it could be various reasons. Sometimes they  
15 just don't know who to address it to, so they do address  
16 it to a Board member.

17 ACTING COMMITTEE MEMBER JUAREZ: Or it could be  
18 that they want a response from that Board member.

19 RETIREMENT RESEARCH AND PLANNING DIVISION CHIEF  
20 FALZARANO: It could be that they could want a response  
21 from that Board member.

22 ACTING COMMITTEE MEMBER JUAREZ: And that's  
23 really -- the decision here is where do you err? And so,  
24 again, I don't feel that strongly about it, but I just  
25 figure if somebody's sending me a letter here for some

1 reason, that I should get that letter first. And if I  
2 feel it's better served to have the system respond, then  
3 I'll send it back to the system and I'll -- I don't mind  
4 logging it. I realize the bureaucratic delay that may  
5 occur, but I just -- I -- you know, it's just interesting  
6 to me that something that would be addressed on a personal  
7 level would be opened and dealt with, and then maybe I  
8 find out after the fact?

9 CHAIRPERSON MATHUR: Mr. Jacobs, could you  
10 address the legal question of whether something addressed  
11 to a Board member in our official capacity is actually  
12 private correspondence.

13 GENERAL COUNSEL JACOBS: Yes. Well, it's not  
14 private correspondence. If the mail comes in to an  
15 agency, no matter who it's directed to, it is the property  
16 of the agency itself, just like it would be for a  
17 corporation if the item came into a corporation.

18 Now, as a matter of discretion, if the team sees  
19 something identified on that envelope that says "personal"  
20 or some other identifying information that makes it clear  
21 that it's really not in the normal course of corporate, if  
22 you will, activity but was meant as something else, then  
23 they may decide not to follow the usual protocol and send  
24 it on, and understand that it was misdirected and it  
25 should have been a personal letter.

1           But that doesn't change the fact that legally, if  
2 it comes in to CalPERS, it is CalPERS' mail, it is  
3 CalPERS' property.

4           CHAIRPERSON MATHUR: Thank you.

5           Sorry. Yeah --

6           ACTING COMMITTEE MEMBER JUAREZ: I assume that  
7 means then that if we adopted B, wouldn't we be in  
8 violation of that legal prescription?

9           GENERAL COUNSEL JACOBS: I have to go back and  
10 look at B.

11           ACTING COMMITTEE MEMBER JUAREZ: B would be sent  
12 directly to the person to who it was addressed without  
13 being opened. Isn't that what B says?

14           GENERAL COUNSEL JACOBS: Well, it --

15           RETIREMENT RESEARCH AND PLANNING DIVISION CHIEF  
16 FALZARANO: That is correct.

17           GENERAL COUNSEL JACOBS: -- it wouldn't be a  
18 violation. It would be a choice by the enterprise to  
19 handle mail that it owns in a different fashion.

20           ACTING COMMITTEE MEMBER JUAREZ: Hmm.

21           CHAIRPERSON MATHUR: Ms. Taylor.

22           COMMITTEE MEMBER TAYLOR: Thank you.

23           I would recommend our Board members take Option  
24 A. And here's -- I work for the State of California  
25 Franchise Tax Board. And I can't even imagine having

1 correspondence sent to me as a Board member of Franchise,  
2 because it would happen all the time. And I imagine it  
3 happens frequently here, at least frequently enough that  
4 Board members get cc'd on correspondence that's not  
5 necessarily anything but "Can you help me on my medical  
6 claim?" or "I didn't get my retirement in 90 days." And  
7 they look our names up. We're right on the web, and  
8 they're hoping that they can get a quicker response. And  
9 you're saying that does happen.

10 I can't -- and it's the same thing where I work.  
11 If somebody's got a tax compliance issue, and I'm sure --  
12 you know, Ms. Yee's -- Ms. Paquin knows this. I mean, Ms.  
13 Yee probably gets con -- has been contacted numerous times  
14 directly for that stuff.

15 We have a process that handles that. So I don't  
16 know that it makes sense for us to receive every single  
17 piece of mail that's directed to us. So I'm thinking that  
18 Option A is our best option.

19 CHAIRPERSON MATHUR: Yeah, thank you, Ms. Taylor.  
20 I mean, I think some of the issues at hand, which are  
21 really: How quickly do we want member issues to be  
22 resolved? There might be time-sensitive information or  
23 urgent requests in these letters. How accurately do we  
24 want them to be resolved? Are we willing to bear the risk  
25 that a Board member may not open the mail in a timely

1 fashion and get it back to whomever it ought to go to to  
2 be reviewed? I think there are a number of risks to  
3 actually addressing the member's needs and requirements  
4 that -- in Option B -- that are embedded in Option B.

5 Okay. But we have several members who wish to  
6 speak.

7 Ms. Brown.

8 COMMITTEE MEMBER BROWN: So let me start by  
9 saying I respectfully disagree with your opinion,  
10 Mr. Jacobs - and so does the Postal Inspector and the U.S.  
11 Attorney - regarding who that mail belongs to. You're  
12 citing a code that refers to us as employees. And we are  
13 not employees. We are elected officials, and therefore we  
14 have constitutionally protected rights to that mail.

15 But to -- so I'm just going to tell you I  
16 disagree; and we could have another conversation, and we  
17 could have another conversation with lawyers over this.

18 But I'd like to know -- you say you log it. So  
19 how many pieces of mail are we talking about? You say you  
20 have logs on Option A. You log -- you log private  
21 correspondence that says it's confidential and you log  
22 correspondence that is not confidential. Do you have  
23 that --

24 RETIREMENT RESEARCH AND PLANNING DIVISION CHIEF  
25 FALZARANO: I don't work in the mailroom.

1           So the logging is if it does require the Board to  
2 respond to, the Board Unit will log it. And then they'll  
3 forward it to the program area to work --

4           COMMITTEE MEMBER BROWN: So it might b helpful to  
5 have some data around this discussion.

6           RETIREMENT RESEARCH AND PLANNING DIVISION CHIEF  
7 FALZARANO: So we did try to grab the data around it.  
8 There's approximately 65- to 68,000 pieces of mail that  
9 comes in monthly. Unfortunately the mail data is not  
10 broken out that way where they track every single mail and  
11 which area that it goes to.

12           And so only the mail that requires response from  
13 the program area or a letter or correspondence is logged.  
14 So we don't log every piece of publication. So if you get  
15 some information in the mail about a training, that  
16 information isn't logged. So the only items that are  
17 logged are those that require a response that goes back to  
18 the individual.

19           So not every single item is logged. So if  
20 someone just writes a letter to ask the Board, you know,  
21 to support a legislation, right, that's all kept in a  
22 binder. But it doesn't require any action necessarily  
23 that you'd have to write back to the member. So those are  
24 just kept in a binder, but it's not actually logged into a  
25 system.

1           We only log those items to make sure that we  
2 actually respond back to the member.

3           COMMITTEE MEMBER BROWN: Well, I'd just like to  
4 say that if someone is going to personally address a  
5 letter to me, that I would like to take the time to read  
6 it. And if I need help with staff to answer it, we have  
7 self-addressed stamped envelopes. It'll take five seconds  
8 to put it back in the envelope and send it back.

9           And I would like to say for the very first time I  
10 received an unopened piece of mail, and I really  
11 appreciated it. It was a lovely card from a local retiree  
12 group inviting me to come speak. But it's the very first  
13 time I received a piece of mail only because I address  
14 this issue. And we need -- as Board members, I want to  
15 hear from my constituents. I want to know what the issues  
16 are. And if someone on the staff is not responding or if  
17 they think there's some waste, fraught, or abuse to  
18 letting me know, I want to know about it. I don't want  
19 the staff to intercept that mail, and I'd like it.

20           So I'm going to vote for Option B.

21           CHAIRPERSON MATHUR: Mr. Jacobs, could you  
22 address the first part of Ms. Brown's comments about  
23 whether you're citing a code or -- with respect to the  
24 mail being owned by CalPERS and not by the individual  
25 Board member. What are the citations for your --

1           GENERAL COUNSEL JACOBS:  You know, I don't have  
2 those handy.

3           CHAIRPERSON MATHUR:  Okay.

4           GENERAL COUNSEL JACOBS:  But I'm happy to come  
5 back.  And if I'm proven wrong, I'm happy to change my  
6 opinion.  But I believe that to be the case and I'm pretty  
7 confident of it.  But I'd be happy to come back, but I  
8 just don't have it on hand.

9           CHAIRPERSON MATHUR:  Okay.  All right.

10          Mr. Slaton.

11          BOARD MEMBER SLATON:  So I think Ms. Brown raises  
12 an interesting issue.  And I'm trying to compare this to  
13 how we handle issues that come to our attention at the  
14 SMUD Board where we have a million and a half customers,  
15 7-member board.  Most of those come by email to us rather  
16 than through letters in the mail.

17                 And so we get the information.  But our protocol  
18 is to immediately forward that to the -- what -- our  
19 equivalent of the Board Service Unit, where the staff  
20 figures out how to address the particular issue.

21                 And we hold our CEO accountable for that board  
22 unit being responsive.  And the first thing they do is get  
23 back to the person, saying, "We got your correspondence,  
24 and we're working on the issue."  And then they work  
25 through it and keep us in the loop on what the resolution



1 is.

2 But we don't drive trying to find the solution.  
3 That's a staff function to do that.

4 I think the one thing that may address Ms.  
5 Brown's issue is, in the flowchart where you get -- it's  
6 not marked "Confidential," so it goes to the "review and  
7 log correspondence" and the discuss approach to assist and  
8 respond to stakeholder. That's a segment where you could  
9 send a copy of that electronically to the Board member.

10 So the Board member knows that it got received,  
11 and that it's in process, the staff is working on the  
12 issue if it's a staff issue -- if it's something that  
13 needs to get resolved by staff. But that way, you know  
14 that something has come in that was addressed to you; and  
15 staff then loops around, and once the resolution is done,  
16 you are then copied with the resolution at the end, if I  
17 understand the -- at the end of the chart where it says  
18 "copy Board member on the response."

19 So that may be a way to solve this issue of you  
20 knowing what's happening. But at the same time, letting  
21 the solution be driven by staff rather than by us, you  
22 know, trying to be part of that solution process.

23 So that's my suggestion to the Committee.

24 CHAIRPERSON MATHUR: Thank you.

25 Mr. Miller.

1 BOARD MEMBER MILLER: Yeah, thank you.

2 I have mostly gotten emails from members, as  
3 Mr. Slaton has. And I almost would rather people sent a  
4 letter in here, because then -- I have a lot of confidence  
5 in staff to be able to look at something that comes in  
6 that may be addressed to me and say, "Oh, this a routine  
7 correspondence, it's a question from a member about their  
8 status" or something, and respond to it and let me know.

9 When I get them by email, it's just additional  
10 extra steps that delays a response to them because I  
11 typically cannot give them an authoritative response, and  
12 would rely on staff to do that anyway.

13 I'm also pretty confident in staff's ability to  
14 open something and say, "Oh, no, no. This has to" --  
15 "this really needs to go David Miller personally because  
16 it's a deposed prince and he needs help to get his money  
17 out of the bank and he's really going to want to see  
18 that." So -- but whatever it is.

19 I think the trick for me is as long as there is  
20 some consistent systematic circle-back at the tail end to  
21 let me know, you know, on a reasonably frequent basis,  
22 whatever that turns out to be, depending on the volume,  
23 that, oh, we responded to these things on your behalf that  
24 were addressed here and here's -- you know, here's a copy;  
25 just to come to me by email on those routine things. But

1 anything that doesn't fit that mold, just get it to me  
2 ASAP and chances are it will be fine.

3 CHAIRPERSON MATHUR: Okay. Thank you.

4 Ms. Taylor.

5 COMMITTEE MEMBER TAYLOR: Yes, thank you.

6 So since this is an information item, I would  
7 maybe make a suggestion to the Chair that maybe we add  
8 some -- to section -- to A -- choice A we add some stopgap  
9 where we can have either an email sent to the Board member  
10 or a -- so you open it, you take care it, and you cc the  
11 Board member, however you want to do it; scan it into the  
12 system so that you can directly email it, send the Board  
13 member a copy to Board Services, however you guys want to  
14 do it. But then we could at least -- I don't know if that  
15 would be sufficient for Mr. Brown, but at least she would  
16 know, "Okay, this was handled by staff because it is a  
17 standard staff question, but it was directed to you. And  
18 here's your copy of your letter." And you get it at  
19 the -- mainly about the same time they're trying to  
20 address it.

21 And one of the reasons I ask that maybe we do  
22 that is because, in the State of California we have rules  
23 regulating how long our turnaround time is before we  
24 violate those rules. And I think -- I don't know how long  
25 CalPERS' is, but every agency has its own. And those

1 rules are very stringent; and if you violate those rules,  
2 you can get in a lot of trouble. So...

3 As to cards, personal cards, I've never had one  
4 of my personal cards opened. I've received several. I  
5 don't get a lot, but, yeah I've received -- from different  
6 folks I've received cards.

7 So I've never had them opened before. All of my  
8 stuff -- all my training stuff like ICGN, all that stuff,  
9 comes already opened, and that's okay. It's just  
10 advertisements for training. So...

11 But I think -- maybe there's a solution to not  
12 having to have everything go to the Board member. And I  
13 got to tell you, I have a mailbox, right, and I have to go  
14 down to the mailbox and get it. And, granted, it's, you  
15 know, three houses down but I don't do it every day.

16 So -- and if everyone does that and you don't get  
17 your mail, and then you've got a pile of mail and you  
18 don't go through your mail, that could end up being a real  
19 problem with response time.

20 So that's my concern.

21 CHAIRPERSON MATHUR: Yeah. Thank you.

22 I would wonder too if we would need to consider  
23 what consequences there would be for a Board member who  
24 failed to forward a member's request where a member missed  
25 a deadline or didn't get something resolved that otherwise

1 would have been, and whether we would need to amend the  
2 governance policy to contemplate that issue.

3 Mr. Rubalcava.

4 COMMITTEE MEMBER RUBALCAVA: Yeah, I was trying  
5 not to speak on the -- but I think I will.

6 No, I share Ms. Taylor's concern. The member --  
7 if a member writes to a Board member, they're seeking  
8 assistance. So we should not get in the way of that.

9 And so I would think, like a comprom -- the  
10 suggestion Ms. Taylor made about notifying, alerting --  
11 the Board Services Unit, once it's been logged, alerting  
12 the member -- Board member would be sufficient, because  
13 some of those -- Option A at the end, once there is a  
14 response, the Board member is cc'd and receives a copy.

15 So all we're doing is getting an advanced copy.  
16 And if it's -- they'll determine. If it's personal,  
17 they'll forward it.

18 So I'm happy with Option A with the little  
19 reminder amendment to set up another in the front end as  
20 opposed to the end.

21 Thank you.

22 CHAIRPERSON MATHUR: So then I think, absent any  
23 opposition from the Committee, that I will direct the team  
24 to bring back that revised option that would provide for  
25 simultaneous notification of Board members that a piece of

1 correspondence has been received, that this is how it's  
2 being proposed to be handled, and that it -- so that they  
3 get simultaneous notification.

4 Ms. Brown.

5 COMMITTEE MEMBER BROWN: That's assuming that  
6 it's legal. So we'll have that conversation about whether  
7 or not you can actually intercept a Board member's mail.  
8 So --

9 CHAIRPERSON MATHUR: So that will -- thank you.  
10 That will also --

11 COMMITTEE MEMBER BROWN: Thank you.

12 CHAIRPERSON MATHUR: That's also part of the  
13 direction, that that will be brought back, the citations  
14 that support the opinion that you've shared, Mr. Jacobs.

15 Thank you.

16 Mr. Jones.

17 BOARD MEMBER JONES: Yeah, thank you, Madam  
18 Chair.

19 What is the difference in what we do now in  
20 relationship to Option A? Because --

21 CHAIRPERSON MATHUR: That's pretty much what we  
22 do now.

23 BOARD MEMBER JONES: Yeah, because I'm saying I  
24 get from the Board Services Unit a copy of a mail -- of  
25 mail that has come and been opened, and they indicate that

1 they would forward it to a certain program for a response,  
2 "Do I have any questions?" And 9 out of 10 times I don't  
3 have a question. And that's an immediate response to our  
4 stakeholders.

5 And so I don't know what -- why we're changing  
6 that. And if it's confidential, I agree that it should be  
7 left to the Board member to determine, you know. But on  
8 the other hand, if it's routine mail, being more  
9 responsive to the stakeholders I think is important.  
10 Because if you've sent it to me -- and you say a week  
11 here, but sometimes maybe 10 days. And if I'm not at  
12 home, it could be three weeks, you know. And then the  
13 member, "Well, why isn't he responding to me?"

14 But at least in my email I can -- wherever I am,  
15 I see the staff is already working on it.

16 And so I think it's working fine. I don't see  
17 what the problem is.

18 CHAIRPERSON MATHUR: Okay. Thank you.

19 I have no further requests -- oops. Sorry. I  
20 just turned somebody off.

21 I might have turned you off, Jan.

22 I have no further requests on this item.

23 Is the direction clear and does that seem like  
24 something that can be brought back at the next Governance  
25 Committee meeting?

1 Yes?

2 RETIREMENT RESEARCH AND PLANNING DIVISION CHIEF

3 FALZARANO: (Nods head.)

4 CHAIRPERSON MATHUR: Okay. Terrific.

5 I don't believe I have any public comment on this  
6 one.

7 So that will bring us to Agenda Item Number 9,  
8 the Board Self-Evaluation Process.

9 GENERAL COUNSEL JACOBS: Yes. And on this item  
10 I'm going to ask for the able assistance of Anne Simpson.

11 INVESTMENT DIRECTOR SIMPSON: Thanks very much.  
12 Anne Simpson.

13 This item sets out some issues for consideration  
14 on the self-evaluation that CalPERS carries out every two  
15 years. Matt Jacobs has helpfully summarized the different  
16 ways in which this could be done, and also summed up the  
17 ways it has been done I think on the last three occasions.

18 Since the agenda item went out, and we've been  
19 looking at how to make sure that this process is really  
20 valuable for the Board, because the goal of this is to  
21 ensure that the Board is contributing to its full  
22 potential, and individual members feel confident and  
23 competent about what they're doing. And I think if  
24 there's something we've learned over the years in our  
25 Corporate Governance program is that governance really



1 affects performance. And the evaluation is an opportunity  
2 to look into what's going on at the moment and come up  
3 with ideas for improvement. And I think everyone benefits  
4 from that.

5           So this is really a wonderful opportunity for the  
6 board to think about how it wants to go through the  
7 self-evaluation process.

8           Matt Jacobs and I spoke to an organization which  
9 CalPERS has been a member of for a very long time, the  
10 National Association of Corporate Directors, NACD. And I  
11 think those of you who know this group, it's a widely  
12 recognized body, a center of excellence on governance.  
13 And one of the services that they offer members -- for  
14 members like CalPERS is facilitating evaluation.

15           And the nice thing is that they have a menu of  
16 options, which range from a very simple process of  
17 providing a survey which individual members can complete,  
18 through to having an actively involved professional  
19 facilitator who would be somebody who's qualifications  
20 would include experience working with a large complex  
21 public body like CalPERS, right through to not just having  
22 a facilitator who can interview Board members and give  
23 them feedback on the evaluation process, but through to a  
24 third option which would be -- include recommendations and  
25 ideas for improving governance.

1           So I think our conclusion at the end of this  
2 conversation is that there could be a benefit to thinking  
3 about how we use our existing membership of the NACD for  
4 this process, and see how we can really draw on a wide  
5 range of expertise that they've got to offer.

6           I did, when looking back through the files, find  
7 that NACD had actually given CalPERS an award for board  
8 governance in 2014. And I think that was a reflection  
9 that although CalPERS is a very large complex  
10 organization, there are some very high standards of  
11 transparency and accountability at work. And the Board  
12 having a code of conduct, having a commitment to doing  
13 regular self-evaluation, CalPERS was really viewed as  
14 being a pioneer in its own sector.

15           So with that, I think either one of us would be  
16 glad to answer any questions and seek the Board' input on  
17 next steps on how you'd like to proceed.

18           Thank you.

19           CHAIRPERSON MATHUR: Ms. Hollinger.

20           VICE CHAIRPERSON HOLLINGER: Yeah. I'm in favor  
21 of moving forward in whatever next steps would be  
22 necessary. I'd like to lend my support.

23           CHAIRPERSON MATHUR: So I think part of the  
24 question is how to proceed, what type of self-assessment  
25 we would like to proceed with, is that right?

1           So the question is whether we want NACD to  
2 perform this service for us, and what form that would  
3 take, and are there various -- you said -- maybe you could  
4 restate some of the options that NACD offers with respect  
5 to the types of self-assessments we could embark on.

6           INVESTMENT DIRECTOR SIMPSON: Yes. And I'm  
7 looking at our counselor here to see if he'd like to add.  
8 They have three options with -- which are wonderfully  
9 named. There's the basic option. This is worthy and  
10 useful, and cost \$20,000. There is the classic option,  
11 which is \$40,000. And there is the premium option, which  
12 is \$65,000.

13           And the way that this is worked out is the basic  
14 option allows NACD to work with CalPERS to tailor a  
15 survey, a questionnaire basically, which each Board member  
16 would complete. And then, if you like, I think this was  
17 your phrase, Matt, they would crunch the numbers. There  
18 would be an independent source for giving feedback to  
19 people individually. That's the basic.

20           The second, called the classic option, takes that  
21 one step forwards, and it actually looks at aggregating  
22 the results and gives some feedback so that you have a  
23 much deeper picture of the dynamics across the whole of  
24 the Board.

25           And then the third option, which is the premium,

1 it is where the results are delivered to the full Board  
2 and NACD facilitates up to two-hour discussion on the  
3 results, with recommendations for how the Board's  
4 performance can be enhanced, based on what they've seen,  
5 what they've learned, and also the fact that, you know,  
6 CalPERS has always been committed to be thought leader on  
7 governance. So they know that, you know, really that  
8 CalPERS wants to be at the forefront of best practice.

9 So with that in mind, in other words, CalPERS is  
10 not a beginner. I'm sure it would be a different process  
11 for a smaller or simpler organization, or one that was  
12 just get started.

13 CHAIRPERSON MATHUR: Okay. Thank you. That's  
14 helpful.

15 Mr. Jacobs.

16 GENERAL COUNSEL JACOBS: I would just add that  
17 one of the options is also that instead of coming back  
18 with feedback to the entire committee or board in an open  
19 session that the consultant would go back to each  
20 individual board member on an individual basis, and give  
21 her or him feedback that they had obtained from the survey  
22 process.

23 And the benefit -- potential benefit of that  
24 being that you don't have the awkwardness and the  
25 discomfort of trying to discuss some of these issues in

1 open session.

2           The other thing I would just point out is that  
3 there are other -- I mean, Anne and I thought that the  
4 NACD would be a good place to go for these services, but  
5 the Governance Policy is very open in terms of different  
6 ways that the Board can choose to do this self evaluation.  
7 You don't have to go with NACD or it's not going to hurt  
8 our feelings too much. But you've got expert third-party  
9 facilitator to lead or co-lead with the Board President,  
10 the self-assessment process, feedback from external key  
11 stakeholders, on board performance, third-party evaluation  
12 of the board's performance, peer to peer, and upward  
13 evaluations from the staff.

14           So for some the Board members who have been  
15 around for a while and have gone through these processes,  
16 you may have your own thoughts and opinions on which have  
17 worked, which haven't worked, maybe none of them have  
18 worked. You want to try something new. I just throw that  
19 out to kind of open the discussion beyond NACD or any  
20 particular type of self-evaluation.

21           CHAIRPERSON MATHUR: Thank you. David Miller.

22           BOARD MEMBER MILLER: I'm really kind of looking  
23 forward to this. This is a topic that is kind of near and  
24 dear to me as a -- I've been doing organizational  
25 assessment stuff for over 20 years based on Baldrige. As

1 organizations have become more mature, higher performance  
2 organizations have kind of been compelled to really look  
3 at how well is our leadership system working objectively,  
4 including our boards.

5           And so I've seen a lot of these ventures into  
6 self-assessment. And so to me the biggest bugaboo is  
7 always, well, how effective was it? Are we better  
8 afterward or after a few cycles of refinement improvement  
9 and how do we know?

10           And so whatever we choose to do, I hope that  
11 we'll build in some kind of meaningful systematic approach  
12 to determine what are we getting? Are we really better  
13 than we were a year or two years ago? And can we  
14 attribute some of that to these assessments, particularly  
15 self-assessments, absent any kind of outside input.

16           INVESTMENT DIRECTOR SIMPSON: No, thank you very  
17 much, Mr. Miller. That's an extremely important point.  
18 And looking back through Matt Jacobs' note, you've had  
19 different consultants, three different consultants. So  
20 probably what the institution is not able to do is harvest  
21 what's been learned. You haven't got the continuity. But  
22 I think the issue of establishing, first, I think through  
23 the process is, okay, what are we good at, where could we  
24 do better, and what are fresh new ideas to make the whole  
25 experience of being on the Board something to enjoy,

1 something challenging, something that's really going to  
2 improve CalPERS performance on behalf of the members.

3           You know, efficiency, not just accountability and  
4 transparency, but, you know, getting the job done well,  
5 and feeling very satisfied that it's being done in the  
6 best way that people know how to do.

7           So I agree with you, I think doing an evaluation,  
8 you always enter into it with a little trepidation,  
9 because you don't know what you'll find out or what you'll  
10 come to understand. But really, being open and honest as  
11 you enter into the process means you got an opportunity to  
12 build out some new ideas, some new thinking.

13           So I think it's always beneficial. But I think  
14 your good advice about establishing some objectives or  
15 KPIs at the beginning is a very good one. And whoever the  
16 Board decides as a facilitator, or even if you decide not  
17 to use a facilitator, I think that's very sound -- very  
18 sound advice.

19           CHAIRPERSON MATHUR: Thank you.

20           Mr. Slaton.

21           BOARD MEMBER SLATON: Thank you, Madam Chair.

22           Having been involved in the 2016 effort, I know  
23 it can be uncomfortable at times, but I think there's a  
24 couple of reasons that I would recommend to the Committee  
25 to consider the NACD offerings. One is this -- they're

1 involved in the corporate world, where we're investing.  
2 So it's -- it sends a signal that we're willing to subject  
3 ourselves to the same kind of introspection that we're  
4 asking for our companies that we own to go through as  
5 well. So I think there's an extra advantage in using  
6 them.

7           Unfortunately, we don't have a lot of continuity  
8 in this, and, you know, that's just unfortunate. We've  
9 had three different consultants to do this. I think using  
10 somebody from the outside is important to do. I think  
11 it's valuable to do. What we lose is we don't have the  
12 continuity of using the same -- every two years, using the  
13 same organization with the same survey questions, so you  
14 start to see the trend lines of whether we're improving or  
15 sliding in a certain area.

16           But that being said, we are where we are. I  
17 think that it's important to have it be in public. I know  
18 that's uncomfortable, and we have shared that discomfort  
19 in doing it in a public setting. But the reality is we're  
20 a public agency, so we should not be afraid to have the  
21 conversation about what are our strengths, what are our  
22 weaknesses, how could we improve, what should we deal  
23 with?

24           And I think that's important to convey that  
25 message to all of our stakeholders and the general public



1 that we are focusing on this, and that we're paying  
2 attention to this. If it's just results to the individual  
3 board member, I don't think it's going to have a very  
4 significant impact, as an end result.

5 And so I would suggest the -- given the  
6 complexity of the organization and as big as we are, that  
7 the -- what was the third one? What was the cadillac one?  
8 What was that?

9 CHAIRPERSON MATHUR: Can you use your microphone,  
10 please, Anne?

11 INVESTMENT DIRECTOR SIMPSON: Excuse me, the  
12 three options are basic, classic, and premium.

13 BOARD MEMBER SLATON: And the different between  
14 classic and premium was recommendations from them you  
15 said?

16 INVESTMENT DIRECTOR SIMPSON: Indeed. So the  
17 premium option includes NACD's --

18 BOARD MEMBER SLATON: Recommendation.

19 INVESTMENT DIRECTOR SIMPSON: -- facilitator  
20 giving a two-hour -- having a two-hour feedback session  
21 with some ideas and recommendations --

22 BOARD MEMBER SLATON: Yeah. I would encourage us  
23 to --

24 INVESTMENT DIRECTOR SIMPSON: -- for raising our  
25 game.

1           BOARD MEMBER SLATON: I would encourage us to do  
2 that, because then it gives us something on the table to  
3 work with.

4           Thank you.

5           CHAIRPERSON MATHUR: Thank you. I have no -- oh,  
6 sorry, Ms. Paquin.

7           ACTING BOARD MEMBER PAQUIN: Thank you. Thank  
8 you, Madam Chair.

9           I also concur. I think that the NACD process is  
10 very intriguing, and I think that having recommendations  
11 from them following the self-assessment study would be  
12 very important. So thank you for bringing this item.

13           CHAIRPERSON MATHUR: So this is an information  
14 item. I've heard two sort of votes -- not votes, but two  
15 members of the Board speak in favor of the NACD premium  
16 process. Is that -- is that acceptable to the Committee?

17           So then I think that will be the direction is to  
18 proceed along that line. Do you need a -- do we need a  
19 motion, Mr. Jacobs, or is direction --

20           GENERAL COUNSEL JACOBS: Well, I'm looking at the  
21 delegation to the Governance Committee, and it says that  
22 the Board Governance Committee is authorized to conduct  
23 and -- conduct and oversee periodic self-assessment of  
24 effectiveness, policies, governing Board conduct, et  
25 cetera, et cetera. And so, I think it would be best --

1 CHAIRPERSON MATHUR: A motion would be best.

2 GENERAL COUNSEL JACOBS: -- practice to have a --

3 INVESTMENT DIRECTOR SIMPSON: Good governance.

4 GENERAL COUNSEL JACOBS: Exactly. Exactly.

5 CHAIRPERSON MATHUR: Ms. Hollinger.

6 VICE CHAIRPERSON HOLLINGER: Okay. I make a  
7 motion to pursue the NACD premium package for Board  
8 self-evaluation.

9 CHAIRPERSON MATHUR: Thank you.

10 COMMITTEE MEMBER TAYLOR: Second.

11 CHAIRPERSON MATHUR: Motion made by Mr.  
12 Hollinger, seconded by Ms. Taylor.

13 Any discussion on the motion?

14 Seeing none. All those in favor say aye?

15 (Ayes.)

16 CHAIRPERSON MATHUR: All those opposed?

17 Motion passes. Thank you very much.

18 So that brings us to Agenda Item number 10,  
19 Summary of Committee Direction.

20 Mr. Jacobs.

21 GENERAL COUNSEL JACOBS: Yes. On Item 6, which  
22 is the --

23 CHAIRPERSON MATHUR: Harassment allegations.

24 GENERAL COUNSEL JACOBS: -- process for handling  
25 harassment allegations, the direction is to come back with

1 a draft policy similar to or based upon the University of  
2 California Regents one that was attached to the agenda  
3 item, and explore UC's experience with that policy on an  
4 informal basis and report back on that.

5 CHAIRPERSON MATHUR: I think there was also a  
6 question of whether they have special constitutional  
7 permission to have a three-person panel, or if there's  
8 some legal rationale for having a three-person panel.

9 GENERAL COUNSEL JACOBS: Okay. On Item 7, which  
10 is the process for reviewing closed session and other  
11 confidential materials, the direction is to investigate  
12 the use of CalPERS' field offices as potentially secure  
13 places for Board members to come and review confidential  
14 materials, and also continue to look at whether there are  
15 technical or other solutions to the issue.

16 CHAIRPERSON MATHUR: Yes. Did you have something  
17 else, Ms. Hollinger?

18 VICE CHAIRPERSON HOLLINGER: Well, no, just --

19 CHAIRPERSON MATHUR: Yeah, that was the  
20 technological solutions, yes.

21 GENERAL COUNSEL JACOBS: And then on Item 8,  
22 which was the process for handling mail directed to Board  
23 members, we are going to come back with an amended option  
24 A to reflect that there would be simultaneous notification  
25 to the Board member of the receipt by the agency of mail

1 directed to her or him, as well as support for the legal  
2 principle that an agency may open the mail to -- that  
3 comes in to the agency, but is directed to individual  
4 Board members.

5 CHAIRPERSON MATHUR: The only other thing that I  
6 heard with respect to the process is whether the -- and  
7 maybe this would be -- there would be two options, but  
8 whether the draft resolution, or response to the member  
9 would be forwarded to the Board member in advance or after  
10 the response is given to the member, him or herself.

11 GENERAL COUNSEL JACOBS: Okay.

12 CHAIRPERSON MATHUR: And sorry. Mr. Juarez.

13 ACTING COMMITTEE MEMBER JUAREZ: Yeah, I thought  
14 the issue that was raised by Ms. Brown, and she can speak  
15 for herself, but I'll raise the issue, and see if she  
16 agrees, was who owns the mail that's addressed to us.

17 CHAIRPERSON MATHUR: Yes. So he's going to  
18 address that.

19 ACTING COMMITTEE MEMBER JUAREZ: That's the  
20 question, not whether you can give to me. Who owns it?

21 CHAIRPERSON MATHUR: That's within of the pieces  
22 that he -- that Mr. Jacobs was referencing that he will  
23 bring back as well.

24 GENERAL COUNSEL JACOBS: Right. And then number  
25 nine, the Board -- or the Governance Committee took a vote

1 that we will pursue and we will pursue the Cadillac option  
2 from the NACD, and -- technical.

3 (Laughter.)

4 GENERAL COUNSEL JACOBS: We will pursue that and  
5 report back as to how those negotiations proceed.

6 CHAIRPERSON MATHUR: Thank you very much,  
7 Mr. Jacobs.

8 GENERAL COUNSEL JACOBS: Thank you.

9 CHAIRPERSON MATHUR: With that, that brings us to  
10 Agenda Item number 11, which is public comment. I've no  
11 requests to speak. Is there any member of the public who  
12 wishes to speak at this time?

13 Seeing none, this meeting is adjourned.

14 Thank you, everyone.

15 (Thereupon California Public Employees'  
16 Retirement System, Board Governance Committee  
17 meeting adjourned at 5:01 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, Board Governance Committee 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 19th day of May, 2018.

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