

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

WEDNESDAY, JUNE 19, 2019
9:01 A.M.

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

COMMITTEE MEMBERS:

Mr. Henry Jones, Chairperson

Mr. Rob Feckner

Ms. Lisa Middleton

Ms. Mona Pasquil Rogers

Mr. Jason Perez

Mr. Ramon Rubalcava

BOARD MEMBERS:

Ms. Theresa Taylor, Vice President

Ms. Margaret Brown

Ms. Fiona Ma, represented by Mr. Frank Ruffino

Mr. David Miller

Ms. Eraina Ortega

Ms. Betty Yee, represented by Ms. Lynn Paquin

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Matt Jacobs, General Counsel

Ms. Kristin Garner, Committee Secretary

Ms. Anne Simpson, Investment Director

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

ALSO PRESENT:

Mr. Tim Behrens, California State Retirees

Mr. Jerry Fountain, California State Retirees

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P R O C E E D I N G S

1
2 CHAIRPERSON JONES: I'd like to call the
3 Governance Committee to order. And the first order of
4 business is roll call, please.

5 COMMITTEE SECRETARY GARNER: Henry Jones?

6 CHAIRPERSON JONES: Here.

7 COMMITTEE SECRETARY GARNER: Dana Hollinger?

8 CHAIRPERSON JONES: Excused.

9 COMMITTEE SECRETARY GARNER: Rob Feckner?

10 COMMITTEE MEMBER FECKNER: Good morning.

11 COMMITTEE SECRETARY GARNER: Lisa Middleton?

12 COMMITTEE MEMBER MIDDLETON: Present.

13 COMMITTEE SECRETARY GARNER: Jason Perez?

14 COMMITTEE MEMBER PEREZ: Here.

15 COMMITTEE SECRETARY GARNER: Mona Pasquil Rogers?

16 COMMITTEE MEMBER PASQUIL ROGERS: Here.

17 COMMITTEE SECRETARY GARNER: Ramon Rubalcava?

18 COMMITTEE MEMBER RUBALCAVA: Here.

19 CHAIRPERSON JONES: Good. And I'd also like to
20 acknowledge that Ms. Paquin, Ms. Ortega, Mr. Miller, Ms.
21 Brown, Ms. Taylor and Mr. Ruffino are also in attendance
22 at the Governance Committee meeting.

23 The next action on the agenda is the election of
24 the Board Governance Vice Chair. And this is because Ms.
25 Hollinger, who was the Vice Chair of this Committee, has

1 tendered her resignation effective June 30th. And so
2 therefore, we are going to elect a Vice Chair of this
3 Committee that would be effective July 1st.

4 So with that, I call on Mr. Feckner.

5 COMMITTEE MEMBER FECKNER: Thank you, Mr. Chair.

6 I would like to place in nomination the name of
7 Mona Pasquil Rogers for the Vice Chair of this Committee
8 starting July 1st.

9 CHAIRPERSON JONES: Okay.

10 COMMITTEE MEMBER PEREZ: Second.

11 CHAIRPERSON JONES: Okay. Are there any further
12 nominations?

13 Are there any further nominations?

14 Are there any further nominations?

15 Seeing no further nominations, we have a motion
16 to elect Ms. Pasquil by acclamation.

17 So all those in favor say aye?

18 (Ayes.)

19 CHAIRPERSON JONES: Opposed?

20 Hearing none. Congratulations, Ms. Pasquil.

21 (Applause.)

22 CHAIRPERSON JONES: Okay. The next item on the
23 agenda is the Executive Report. Mr. Jacobs.

24 COMMITTEE MEMBER FECKNER: Timed agenda.

25 CHAIRPERSON JONES: Timed agenda. I'm sorry.

1 I need a motion on the timed agenda.

2 COMMITTEE MEMBER FECKNER: Move approval.

3 CHAIRPERSON JONES: Moved by Mr. Feckner.

4 COMMITTEE MEMBER MIDDLETON: Second.

5 CHAIRPERSON JONES: Second by Ms. Middleton.

6 All those in favor say aye?

7 (Ayes.)

8 CHAIRPERSON JONES: Opposed?

9 Hearing none, the item passes.

10 The next item is the Executive Report, Mr.
11 Jacobs.

12 GENERAL COUNSEL JACOBS: Yes. Good morning,
13 Chairman Jones and Board members. I have no executive
14 report beyond the agenda today. And so I think we can
15 just get right into the agenda.

16 CHAIRPERSON JONES: Okay. Thank you very much.

17 The next item on the agenda is the action consent
18 item. We have a motion for the action consent items.

19 COMMITTEE MEMBER PEREZ: Move approval.

20 COMMITTEE MEMBER FECKNER: Second.

21 CHAIRPERSON JONES: Moved by Mr. Perez, second by
22 Mr. Feckner.

23 All those in favor say aye?

24 (Ayes.)

25 CHAIRPERSON JONES: Opposed?

1 the materials that are being developed by the different
2 workstreams will live on that portal, along with agenda
3 items and other information that the Board needs.

4 So we think this is going to be a terrific
5 resource. So let me turn to the first workstream.

6 --o0o--

7 INVESTMENT DIRECTOR SIMPSON: This Workstream 1,
8 and it's led by Ms. Taylor and Ms. Mona Pasquil Rogers.
9 And this goal was identified through the self-evaluation.
10 This was you as the Board identifying something that's
11 going to help you be more effective, and give you better
12 tools and skills for improving the performance of the
13 CalPERS Board.

14 And the goal, as we have it here, is to establish
15 a richer and ongoing Board orientation and education
16 program, in other words, not just for when Board members
17 arrive, but to make sure that there's a continuing
18 education program, so that you have the skills and insight
19 that you need for the Board and the Committees.

20 --o0o--

21 INVESTMENT DIRECTOR SIMPSON: So this is the plan
22 that's been developed. The first is that we're planning
23 to develop a timeline and a matrix by each committee. And
24 on that Committee, obviously the skills and knowledge that
25 you need for each committee are quite different, but what

1 we're going to do is be able to map those skills and
2 experience by Committee, and out of that, build an
3 education program, a curriculum.

4 The other thing we're planning with the timeline
5 is to make sure that we're getting the orientation, or
6 onboarding as it sometimes called -- get the orientation
7 developed and delivered for Board members within set time
8 periods. So we're thinking what is it Board members need
9 to know, be familiar with before the first Board meeting?
10 On what do Board -- new Board members need in the first 90
11 days, and then what's needed annually.

12 And the example that we have here is what we
13 think an enhanced orientation program would include, not
14 just the introduction to CalPERS, but also ensuring that
15 you have all the information you need as new Board members
16 to understand the compliance and required reporting. That
17 CalPERS is quite a complicated institution. There's a lot
18 to take on board there.

19 Also, to give an overview of Board governance and
20 policies, ensure fiduciary training is given, and the
21 famous Robert's Rules of Order, which were developed by a
22 military gentleman in the 19th century, but still give
23 good advice on how meetings can be conducted in a
24 respectful and in an efficient way. And CalPERS has
25 traditionally incorporated Robert's Rules of Order into

1 its own -- into its own policies.

2 --o0o--

3 INVESTMENT DIRECTOR SIMPSON: The other thing
4 that came through in the workstream was the idea that it
5 might be useful when a new Board members comes in to team
6 them up with an experienced Board member. I think we all
7 know this is a buddy system. But at the beginning when
8 you need to find your way around and understand what's
9 going on in this complicated institution, it might be
10 helpful to have somebody who's there to help you get
11 settled in.

12 I've mentioned the matrix. So let's then go to
13 the example from the Investment Committee. So this work
14 has already begun as you know. We've teamed up with the
15 CFA and CII to start building out the curriculum for the
16 Investment Committee. And what we're thinking is what is
17 the body of knowledge that all Board members sitting on
18 that Committee need to have in order to prepare for big
19 decisions that need to be made further down the road?

20 So we started with risk return and benchmarks in
21 May. We've just this week had an overview of global fixed
22 income. Next, we'll be moving to global equity in our
23 August Board meeting. And then in the autumn moving to
24 the private markets, so that we can look at real assets
25 and private equity to give all Board members a really

1 thorough grounding on the key issues in those asset
2 classes.

3 And then we want to wrap it up with a session on
4 asset allocation and liability modeling just to tie all
5 the asset class training together.

6 So that's just an example. And what we'll be
7 doing is moving through each of the committees with the
8 same approach, identifying what the key bodies of
9 knowledge are, and the skills that are needed, and
10 building out a curriculum with outside independent
11 expertise to help the Board gain and improve the skills
12 that they bring to bear when they're on committees.

13 --o0o--

14 INVESTMENT DIRECTOR SIMPSON: The second
15 workstream reflects another issue which surfaced through
16 the Board's self-evaluation, and that's a need to clarify
17 roles and responsibilities in the complex structure that
18 CalPERS has. So the goals of this workstream, which is
19 led by our President, Henry Jones, and Betty Yee, the
20 goals are to revisit the Committee structure and
21 composition, and check that these are all at their highest
22 and best use; review the role of Board consultants; and
23 also explore equitable allocation of remunerated Board
24 time, recognizing that Board members have very different
25 arrangements that allow them to time to fulfill their

1 responsibilities.

2 --o0o--

3 INVESTMENT DIRECTOR SIMPSON: So in terms of what
4 we'll plan to deliver is looking at the documents that set
5 out roles and responsibilities. Obviously at the highest
6 level, this is the California Constitution. That's what
7 gave birth to CalPERS many years ago during the depression
8 in the United States, but also then look at the Board's
9 delegations to Committees. These are the documents which
10 give authority to the Committees to act on behalf of the
11 Board. And then the Committee delegations themselves,
12 which set out what the role of each of the committees is.
13 And out of that gain a better understanding of out of the
14 six committees, many are connected, somehow shared
15 responsibility for big topics like asset liability
16 modeling. But make sure we've got this all set out with
17 real clarity, so that everybody can understand the Board,
18 and the committees, and how they interact.

19 We're also going to make sure in the documents
20 that there's clarity around the delegation to the Chief
21 Executive Officer. This is a normal part of a Board
22 delegation, because the Board's job is to oversee and from
23 time to time to act and to approve. That the execution is
24 through the Chief Executive. So the delegation to the
25 Chief Executive is important that we have clarity for all

1 Board members on what that covers.

2 And finally, touching again on the issue of the
3 role of the consultants, ensuring that the scope of work
4 and the contracts are well understood, and the role of
5 consultants in supporting the Board we have clarity there
6 too.

7 --o0o--

8 INVESTMENT DIRECTOR SIMPSON: The other issue,
9 which this workstream is looking at, is ensuring that the
10 Board agenda items themselves better reflect the roles
11 that are set out in the delegations. So for the oversight
12 role, the question being what's the flow of information
13 the Board needs to prepare itself for decisions, but also
14 to exercise oversight.

15 And we'll continue to use the annual agenda items
16 to clarify the roles and responsibilities making sure
17 CalPERS is checking in on best practice data, and also
18 responding to the Board's own preferences. So that's
19 Workstream number 2.

20 --o0o--

21 INVESTMENT DIRECTOR SIMPSON: So Workstream
22 number 3 flows very nicely on from the other two
23 workstreams. And the goals here are to review the
24 calendar and the format for Board meetings, look at
25 whether it's possible to streamline the format and the

1 content of agenda item materials. And some of that work
2 is already underway.

3 We're very grateful to Dana Hollinger, who was a
4 co-lead on this Committee until recently, and a warm
5 welcome to Ms. Middleton for stepping in to join David
6 Miller. This is a very important area of work.

7 --o0o--

8 INVESTMENT DIRECTOR SIMPSON: So the deliverables
9 as they get called if life. The first thing this
10 workstream will be delivering is a calendar looking
11 forward for the next 12 to 18 months of the key decisions,
12 but also the preparatory discussions that all the Board
13 committees need to undertake. And making sure we've got
14 these very clearly categorized for action, for
15 information, and also bearing in mind our first
16 workstream, from the Board education, because the role of
17 the Board encompasses all three.

18 Linking to another workstream, making sure that
19 all of this information for these three categories of
20 information action and education, having all of this
21 available on the portal. And we'll say a little bit more
22 about that in a moment when we -- when we come to
23 Workstream 5.

24 --o0o--

25 INVESTMENT DIRECTOR SIMPSON: The other important

1 issue for this workstream is looking at the -- what I
2 think of as the lunar cycle for CalPERS Board meetings.
3 The Board and some of the committees meet every 30 days,
4 apart from in October, when there's the Education Forum,
5 which is another very big area of work, because it's
6 stakeholder outreach, which again is an extremely
7 important function of the Board.

8 So what this workstream will be doing is looking
9 to benchmark meeting frequency based on industry best
10 practices, see how other large public pension funds
11 arrange their meeting calendar, and see what we can learn
12 about making the CalPERS Board more effective.

13 This workstream will also be looking to refine
14 the agenda item, supporting documentation. And the idea
15 here is that we could have a new template for Board agenda
16 items, which really gets to the heart of the matter for
17 the Board more quickly by giving you an executive summary,
18 but also background on prior decisions, and the
19 alternatives that were looked at, and the pros and the
20 cons. And there's been a lot of very useful feedback on
21 what would give you the speed read, the at-a-glance view
22 on an issue, whilst allowing you to dig deep on all the
23 background material and prior decisions that get us to the
24 point of the summary.

25 --o0o--

1 INVESTMENT DIRECTOR SIMPSON: Workstream 4 is
2 around the development of a code of conduct for CalPERS
3 Board members. And this again was an issue which came
4 through from many then Board members who participated in
5 the self-evaluation, which is a recognition that you can
6 write things down on paper, but at the end of the day, the
7 Board's functioning is dynamic, is about people, and how
8 people interact with each other. And a code of conduct is
9 intended to help set expectations for how that behavior,
10 how that conduct is undertaken by different Board members.

11 Rob Feckner and Jason Perez are the two Board
12 members leading this important work.

13 --o0o--

14 INVESTMENT DIRECTOR SIMPSON: Their plan is to
15 provide a draft code of conduct for the Board, which will
16 give guidelines, or if you like, expectations on how Board
17 members interact with each other, also with team members,
18 with stakeholders, and the wider public. And the idea is
19 that it serves as a statement of CalPERS organizational
20 values, commitment, and reflects the CalPERS brand.

21 So the work is underway, as many of you know.
22 And the code, in its draft form when you review it, may
23 include the following topics, which are of great
24 importance to any governing body: The duty of loyalty and
25 care, which is part of Board member's fiduciary duty set

1 out in the California Constitution; addressing potential
2 conflicts of interest or even the appearance of conflicts
3 of interest; the process for decision making, that is to
4 be able to come to a decision and then move on with
5 collegial support for the decision, rather than
6 revisiting; confidentiality, which is, of course, is the
7 utmost importance for CalPERS members to protect, not just
8 their information, but also decisions before they come
9 into the public domain that can affect the performance of
10 the fund and our ability to meet our investment goals; and
11 finally, accountability, how will the Board hold itself,
12 its members, how will Board members hold each other
13 accountable for demonstrating not just the letter but the
14 spirit of the code of best practice. That would be an
15 important area for this -- for this workstream.

16 --o0o--

17 INVESTMENT DIRECTOR SIMPSON: So the next steps
18 here by Mr. Perez, Mr. Jones in the lead will be to seek
19 discussion and feedback, and eventually approval for the
20 draft code for the Board members, and also to establish a
21 process for annual attestation by Board members. And
22 attestation is fancy word for saying I understand, and I
23 agree, and yes. And that's important probably at the
24 beginning with onboarding, so that new Board members
25 understand expectations around the code. But having an

1 annual attestation will give Board members an opportunity
2 to refresh their commitment to CalPERS code of conduct.

3 --o0o--

4 INVESTMENT DIRECTOR SIMPSON: And finally, as we
5 showed in the first slide, the platform for all of this
6 good work is going to be the Insight Tool, which Tim
7 Taylor and Doug showed you first at the January Board
8 offsite. A lot more work is underway, and Tim and his
9 team are really waiting for the conclusions from each of
10 the other work streams, so that they can start loading on
11 the material onto the portal.

12 So the goal here is to enable Board members to
13 rapidly gain insights into key decisions and policy
14 decisions required by the Board, and also to carry out the
15 prudent oversight of the execution of those decisions.

16 And we've had three Board members in two beta
17 streams test driving, if you like, an early version, and
18 giving a lot of very useful feedback. That's Ms. Brown,
19 Mr. Rubalcava, and Ms. Ma.

20 --o0o--

21 INVESTMENT DIRECTOR SIMPSON: The portal is
22 envisaged that it will look back to give an archive of
23 materials. Currently, Tim has two years of all Board
24 items, all Board decisions. And the goal is to expand
25 that to three years. And this will be word searchable.

1 So when we say a comprehensive search tool. This will be,
2 you know, like a CalPERS version of Google. You'll be
3 able to put in a key term and pull up the agenda items,
4 and the attachments on that topic that go back over that
5 three-year period.

6 We're also, by popular request, going to include
7 a glossary of terms and acronyms. My favorite finding
8 during this process is that we use the same acronym for
9 more than one thing, depending on which committee is
10 calling a PPO. It could be a prudent person opinion or in
11 the health world, it's a health provider.

12 So our alphabet soup, the CalPERS alphabet soup,
13 we're going to be able to really help by having these
14 acronyms dealt with there. We'll have the 12- to 18-month
15 meeting calendar, which one of the other work streams is
16 working on. But we're also going to make sure it's your
17 place for all the resources you need as Board members, so
18 the policies, the delegations, the code of conduct, and,
19 of course, all the prior agenda materials and research
20 that's gone into recommendations and decisions that the
21 Board has made.

22 Finally, we think this new platform, this Insight
23 Tool, is going to be a marvelous place to have the
24 curriculum and onboarding materials. So you can envisage,
25 for example, with Jeff Bailey, who's just been in to talk

1 about risk and return, and global fixed income, be able to
2 have the video of his presentation, the slides, the
3 homework, if you like, the background reading that was
4 provided to the Board, and have it all there, so that when
5 Board members are coming to make a decision, it will be
6 ah-ha, what do we really mean by standard deviation? It's
7 not a normal term you come across in your daily life, but
8 be able to go back into the education section of the
9 portal and refresh -- refresh your thinking on that
10 particular topic.

11 I think that's -- that's it. I'd be very happy
12 to answer any questions. Many thanks to all the Board
13 members who've been working so hard on all of this.
14 There's a tremendous amount of activity, and I think it's
15 a great credit to CalPERS that the Board itself has been
16 willing to pick up this wide range of important topics.

17 Thank you.

18 CHAIRPERSON JONES: Okay. And thank you, Ms.
19 Simpson. I want to thank you for your efforts in pulling
20 all this together, and thank the Board members who have
21 been participating very actively and getting us to this
22 point. We look forward to the next update.

23 Ms. Brown.

24 BOARD MEMBER BROWN: Thank you. And I do
25 appreciate staff's work on this. And the Board -- my

1 colleagues on the Board's work on this. And I just have a
2 couple of questions or comments. I want to go to slide 4.
3 This is the workstream Board curriculum. I think
4 onboarding is essential for new Board members. I just
5 think, you know, we got some fiduciary training, and a
6 little introduction. But really I think this is critical.

7 Also, I'm glad to see Robert's Rules of Order on
8 here. When I joined, I asked for a copy. We were given
9 like several pages. It was like an old Xerox from the
10 nineties. And I asked for a copy and it was denied. So
11 I'm hoping that all Board members will get copies of the
12 Robert's Rules of Order, because I think it's important to
13 know how we make a motion, or how we call for a -- if we
14 have a -- just -- or we want to dissent. So I think it's
15 very helpful, because I've made some silly little mistakes
16 as we move forward.

17 I'd like to go to now page nine, which is the
18 meeting materials. I think it's great that we're going to
19 streamline the format and content. But I hope that in
20 streamline doesn't eliminate documentation or information
21 that could hinder the Board's ability to fulfill its
22 fiduciary duties. And I saw later on slide 12 you talked
23 about that. But I want to make sure that -- you know, I
24 get in -- a long time ago, when it was all paper and
25 binders, you know, that's a lot. But it's electronic now,

1 and it's very easy to include the attachments.

2 I think I had a question on an Investment
3 Committee where there was documents or opinions by
4 consultants referenced, but they weren't included. And it
5 turns out not even our Chair had them. So again, we -- I
6 want to make sure that we don't eliminate attachments for
7 those of us who have nothing better to do than read the
8 research.

9 INVESTMENT DIRECTOR SIMPSON: Thank you. Thank
10 you very much. Just to give the Board some sense of where
11 we with meeting materials at the moment --

12 CHAIRPERSON JONES: Ms. Simpson, before you go --

13 INVESTMENT DIRECTOR SIMPSON: Oh, I'm sorry.

14 CHAIRPERSON JONES: -- or proceed, I'm would just
15 like to mention, Ms. Brown, you can have a copy of
16 Robert's Rules, and I'll see that you got a copy.

17 BOARD MEMBER BROWN: Thank you, sir. Appreciate
18 that.

19 CHAIRPERSON JONES: Go ahead.

20 INVESTMENT DIRECTOR SIMPSON: Thank you. Thank
21 you, Mr. Jones.

22 I just wanted to give a data point to give the
23 Board a sense of where we are at the moment with meeting
24 materials. I asked Tim Taylor to kindly look back over
25 the last two years for the Investment Committee, which

1 meets every month at the moment. He found there were 511
2 items of information prepared by staff over that two-year
3 period. So obviously this is an enormous flow of
4 information to you. But if we were to calculate the time,
5 and effort, and opportunity cost of staff spending all
6 that time on 511 items, to Ms. Brown's point, a more
7 efficient way is to have this available on the portal, so
8 that Board members can take their queries directly into
9 the material, I think it's going to be more efficient for
10 staff and hopefully more efficient for you, too.

11 BOARD MEMBER BROWN: Great. Just a few more
12 comments. Page 11, where you talk about refining agenda
13 item supporting material, including background on prior
14 decisions. That is also helpful, not only for new Board
15 members, but for staff members. I know there was a
16 question with the CFO eliminating sort of a practice or
17 policy. And Mr. Jones very clearly pointed out, no, the
18 Board had agreed that we're going to do it this way.
19 So -- and he didn't know that, and it would have been
20 helpful to know that with the background material. So
21 that's great. Because you're relying on basically
22 people's knowledge as opposed to what's in the background.
23 And the Board -- you know, we have eight newer Board
24 members now, so it's a little different.

25 And then I want to go on to the code of conduct.

1 And my comments on those are just general, which is I hope
2 whatever that you come up with as a draft, that -- that in
3 no way does it hinder the Board's ability to fulfill their
4 fiduciary duties, to stifle dissent, or basically -- and I
5 know you wouldn't cancel anybody's First Amendment Rights
6 to freedom of speech. I just want to point that out.

7 Thank you.

8 CHAIRPERSON JONES: Okay. Ms. Taylor.

9 VICE PRESIDENT TAYLOR: Yes. Thank you. Anne,
10 thank you very much for all the support and work with us
11 to show work on these workstreams. And I really
12 appreciate it. And I also am appreciative of the process
13 and how it started and getting our opinion, because I
14 think all of us being able to do the Board self-evaluation
15 enabled us to go this direction. So I'm really happy that
16 we've done this.

17 I had a couple of questions on the Insight Tool.
18 I cannot remember, and I know you guys told me, so I
19 apologize ahead of time, was this replacing Diligent? Do
20 we remember?

21 INVESTMENT DIRECTOR SIMPSON: Do you want to
22 talk?

23 VICE PRESIDENT TAYLOR: Yeah, go ahead.

24 CHIEF EXECUTIVE OFFICER FROST: It would have the
25 ability to replace the Diligent service that you're using

1 today.

2 VICE PRESIDENT TAYLOR: Okay.

3 CHIEF EXECUTIVE OFFICER FROST: That would be the
4 intent. But obviously, it would have to be as
5 comprehensive as what you currently have available to you.
6 What we are building out is something that we think would
7 be more intuitive, contain more information. And, for
8 example, one of the pieces of feedback that I get from
9 several of you is the -- how difficult it is to find prior
10 agenda materials.

11 VICE PRESIDENT TAYLOR: It is. Yes.

12 CHIEF EXECUTIVE OFFICER FROST: And the way that
13 you have to search is by Committee and by date. And so
14 this Insight Tool is intended to help create a better
15 search feature as well.

16 VICE PRESIDENT TAYLOR: Okay. Awesome. That --
17 I thought I remembered that, but I wasn't sure, so I
18 wanted to make sure that we were -- and maybe as we
19 implement the Insight Tool, we have, you know, our pilot
20 period and keep Diligent until the pilot period is over
21 and we're sure it works.

22 CHIEF EXECUTIVE OFFICER FROST: Right.

23 INVESTMENT DIRECTOR SIMPSON: Right.

24 CHIEF EXECUTIVE OFFICER FROST: Yeah. We would
25 give you the opportunity to run dual services for a period

1 of time.

2 VICE PRESIDENT TAYLOR: Right.

3 CHIEF EXECUTIVE OFFICER FROST: And then
4 eventually once it's fully tested by the Board, we would
5 make this, other than closed session material, we'd put
6 this out on the website and the stakeholders would be able
7 to have the same capability.

8 VICE PRESIDENT TAYLOR: Oh, good. Awesome.
9 Thank you. And then I was thinking about, as we --
10 reading the Insight Tool and what we can go back and look
11 at, and the comprehensive -- so sometimes I read all the
12 white papers that you guys give us, or whatever, and
13 sometimes I don't, because I don't have time. But
14 afterwards, I would like to be able to and sometimes
15 you've archived the books. And then I'm -- have a hard
16 time finding it. But I think -- I don't know, but I was
17 thinking if we had like a click through.

18 So it doesn't have to be part of the Board
19 materials, but it can be a link that you can click on that
20 says, here's the background reading material. And then if
21 you don't want to read it, you don't have to click on it.
22 I don't know how that's going to work, but I was thinking
23 that might be helpful as well. And those were my two
24 things for Insight.

25 INVESTMENT DIRECTOR SIMPSON: Thank you.

1 CHAIRPERSON JONES: Thank you.

2 Ms. Middleton.

3 COMMITTEE MEMBER MIDDLETON: Okay. Thank you,
4 Mr. Chair. First, I want to congratulate Ms. Simpson and
5 the Board for this effort. This looks incredibly
6 professional and very necessary. So my compliments and I
7 look forward to working with Mr. Miller on the calendar
8 and those issues.

9 One simple question, in Robert's Rules of Order,
10 did we consider adoption of the Rosenberg Rules of Order?
11 And I'm --

12 CHAIRPERSON JONES: Mr. Jacobs.

13 GENERAL COUNSEL JACOBS: I'm not familiar with
14 those, so the answer would be no.

15 COMMITTEE MEMBER MIDDLETON: All right.
16 Rosenberg Rules of Order are actually the standard that
17 League of California Cities is now training new municipal
18 appointees and elected officials. Rosenberg is 10-pages
19 long. Robert's is voluminous. Rosenberg is actually a
20 very efficient way of reviewing rules. And it is a 20th
21 century product. And I can get a copy for you. And I
22 very much recommend at least reviewing Rosenberg. For
23 most of us, it will be much easier to follow. If you are
24 familiar with Roberts, I think you'll find Rosenberg very
25 easy to use.

1 GENERAL COUNSEL JACOBS: Great idea.

2 INVESTMENT DIRECTOR SIMPSON: Thank you.

3 CHAIRPERSON JONES: Good. Thank you.

4 Mr. Perez.

5 COMMITTEE MEMBER PEREZ: Thank you.

6 And the only -- the only question or point that I
7 wanted to bring up is when you were describing the code of
8 conduct. One of the last things you said was the
9 collegial way in which we interact. Of course, we should
10 all act like ladies and gentlemen. But there is a --
11 specifically speaking about -- because mentioned not
12 bringing -- bringing it up or not revisiting it. And I'm
13 assuming that you're talking about a decision that the
14 Board makes.

15 And I -- from what I learned in reviewing all the
16 paperwork that you guys provided, I think it's -- and
17 Matt, you can -- Mr. Jacobs -- Ms. Simpson, sorry, you can
18 probably point it out if I'm incorrect or maybe we can
19 get -- we can get something from Dunning. I think it's
20 our duty to -- and not duty in the sense of, you know --
21 and not informal obligation. I think it's a formal duty
22 for us to continue to advocate for what we believe is our
23 fiduciary duty.

24 So to the extent that we may disagree, again,
25 specifically for an item that we discuss and voted upon,

1 not for confidentiality or anything like that,
2 specifically for that one little piece, I think it's our
3 duty to continue to revisit it. Does that sound accurate,
4 Mr. Jacobs?

5 GENERAL COUNSEL JACOBS: I think it sounds
6 accurate. But I think the question is how you do that?
7 Because it would be disruptive to the proceedings if, for
8 example, you wanted to bring up a particular item every
9 session. I think there are -- I don't know about
10 Rosenberg's. I look forward to looking at those, but
11 Robert's there are specific procedures about when you can
12 bring up an issue that has already been decided, which
13 side of the equation or which side of the debate you had
14 to be on to do that.

15 And while it's -- I agree that you don't just
16 give up your ability or the importance of commenting on
17 something if you happen to be on the wrong side of the
18 decision. The question really becomes how you ad --
19 continue to advocate for it and to ensure that it doesn't
20 become disruptive to the efficient operation of the Board
21 or agency.

22 COMMITTEE MEMBER PEREZ: Thank you. And then --
23 excuse me -- the only other thing I had that -- when I was
24 thinking about the question that I asked is, is there
25 anyway we can get a letter from Ms. Dunning or fiduciary

1 counsel to say that our board of conduct falls within --
2 is acceptable practice?

3 GENERAL COUNSEL JACOBS: This is the code of
4 conduct that you are working on?

5 COMMITTEE MEMBER PEREZ: Yes, sir.

6 GENERAL COUNSEL JACOBS: If that would be the
7 direction of the Committee, I think that that would be
8 doable.

9 COMMITTEE MEMBER PEREZ: Thank you.

10 CHIEF EXECUTIVE OFFICER FROST: And we'll also
11 have Cari Dominguez, who you had all worked with on the
12 self-assessment. She'll be joining us at the offsite in
13 July. And she will give you her input on the code of
14 conduct and how that compares to what she's seen in the
15 industry and what best practices would be. So you can ask
16 her, you know, any question around best practices. But I
17 think we can also get Ashley Dunning your fiduciary
18 attorney -- or our fiduciary attorney to weigh in on it.

19 COMMITTEE MEMBER PEREZ: Thank you.

20 CHAIRPERSON JONES: So let that be the direction
21 of the Chair to do that.

22 COMMITTEE MEMBER PEREZ: Thank you.

23 CHAIRPERSON JONES: Okay.

24 GENERAL COUNSEL JACOBS: That would be -- just to
25 clarify, that would be upon the development or adoption of

1 a code of conduct?

2 CHAIRPERSON JONES: Yes. Yes. Thank you.

3 Mr. Miller.

4 BOARD MEMBER MILLER: Yeah. Thank you.

5 I just first want to thank Ms. Middleton for
6 stepping up. And this is an important workstream and
7 we've still got quite a bit to do, so thanks for stepping
8 up to that challenge. I'll certainly miss Dana's
9 contributions, because she's really been a champ on this
10 workstream.

11 And the other thing I think -- I just want to
12 acknowledge, beyond the acknowledgments of staff's work on
13 this, is a big part of the staff's work on this has been
14 helping us on each individual workstream to see the bigger
15 picture on how they relate to the other work streams and
16 the work of us as a Board, but also of staff, and also of
17 our ability to communicate and have things work in a way
18 that's beneficial to stakeholders, especially those that
19 really are paying attention, our -- you know, the folks
20 who I see here engaged with us at every Board meeting.

21 And it's important for them to be able to have a
22 good understanding of what we're doing, how we're making
23 decisions. And I think the relationship of the
24 workstreams to each other and our ability to see -- for
25 example, the opportunity I had to take a look at the

1 Insight Tool and have a walk through of it; to see how the
2 work we're doing in our workstream relates to the work
3 that's going on in those workstreams is also a real
4 important part of what staff's been doing in supporting
5 these workstreams.

6 And I think ultimately, it will benefit
7 everybody, because when I see the volume of material I
8 get, and I just imagine the challenge for someone who is
9 an engaged member in our audience with one of our
10 stakeholder associations or just an individual interested
11 member, how daunting it is for them. So I really
12 appreciate that staff recognizes all of those aspects of
13 it that just the two individual Board members on each
14 workstream can't really cover without that kind of
15 assistance, and kind of facilitation, and the glue that
16 holds the whole thing together and puts it in a holistic
17 framework. So thanks for that.

18 CHAIRPERSON JONES: So that says keep up the good
19 work.

20 (Laughter.)

21 CHAIRPERSON JONES: Okay. No further questions.

22 INVESTMENT DIRECTOR SIMPSON: Thank you.

23 CHAIRPERSON JONES: Okay. Thank you, Ms.
24 Simpson.

25 Okay. We'll move now to Item 7b. That's

1 reporting of Board members overseas travel.

2 INVESTMENT DIRECTOR SIMPSON: Yes.

3 CHAIRPERSON JONES: Anne.

4 INVESTMENT DIRECTOR SIMPSON: Thank you, Mr.
5 Jones.

6 There is an existing provision in Robert's Rules
7 of Order, which covers -- which have been incorporated
8 into the document which Ms. Brown mentioned earlier, which
9 actually already covers this as a request. That when
10 Board members travel, there should be a report back on the
11 activities, and some comment on what was learned, and what
12 can be shared.

13 So I appreciate that Ms. Brown doesn't, at the
14 moment, have a copy of this document, and Mr. Jones you've
15 said this would be provided. So perhaps Ms. Brown would
16 be able to take a look at the existing policy and make
17 sure it ticks all the boxes.

18 But as we look at the next version of Roberts
19 Rules of Order, it might be that we can put that into more
20 clear and plain language. I appreciate it's quite an old
21 document, but it's a firm foundation on which we can build
22 new.

23 CHAIRPERSON JONES: Yeah. This item came from
24 one of our stakeholders. And I think that the focus was
25 to be what was learned for the general public was the

1 nature of the question. So if you could look at how we
2 could come to grips of reporting out through the
3 Governance Committee that -- I think that's where the
4 focus of the question was.

5 CHIEF EXECUTIVE OFFICER FROST: Yeah.

6 INVESTMENT DIRECTOR SIMPSON: Thank you.

7 CHIEF EXECUTIVE OFFICER FROST: Mr. Jones, what
8 we would be looking for is Committee direction that you
9 would want us to place on future agenda items, a report
10 out from any Board member who traveled. And we say
11 overseas here, but I think the stakeholder input was that
12 any travel that's done by the Board, that there would be a
13 report out, so people could understand the purpose of the
14 travel, what was learned in the travel, and how does it
15 apply to CalPERS and the role of the Board.

16 CHAIRPERSON JONES: I think give some thought
17 about what kind of travel, because I know I go out 15
18 times a month to stakeholder retiree chapters. And I know
19 Ms. Brown goes out 15 times perhaps. And I know that
20 others go out on a regular basis. I don't know if that's
21 really what we want to be reporting on.

22 CHIEF EXECUTIVE OFFICER FROST: I think they were
23 more educational --

24 CHAIRPERSON JONES: Yeah. Okay. Okay. Right.

25 CHIEF EXECUTIVE OFFICER FROST: -- and

1 conferences. In particular conferences and in particular
2 overseas conferences.

3 CHAIRPERSON JONES: Okay. Good. Okay. We'll
4 follow up on that.

5 Okay. Thank you.

6 We do have a couple of requests to speak on this
7 item. Mr. Fountain and Mr. Behrens, would you please come
8 up. You will have three minutes for you comment.

9 BOARD MEMBER BROWN: Mr. Jones, I requested to
10 speak.

11 CHAIRPERSON JONES: Oh, you did. Before you
12 start speaking Mr. Behrens -- come on up, but we have
13 another comment from Board members first.

14 Sorry.

15 BOARD MEMBER BROWN: Great. I'm hoping that Ms.
16 Simpson can look at maybe what other agencies do in terms
17 of travel policy or reporting out. I don't expect a
18 verbal report here. But maybe something even that's just
19 automatically on our travel claim when we do it that
20 basically says, you know, what we learned. Like I just
21 spent a week a Wharton. You know, I know that you
22 probably don't want to know what not to order at HomeTown
23 Buffet, but I could tell you that as well.

24 But I think more importantly what we learned, and
25 then any materials that we might want to attach and share

1 that other Board members could look at, especially with
2 the new Insight Tool.

3 And just to be clear, Mr. Jones, you did not deny
4 me the copy of Robert's Rules of Order. But I did try to
5 go and buy my own copy and there is like 40 versions of
6 it. I'm really looking forward to a 10-page version. I'm
7 hoping -- I hope our legal counsel will tell us that that
8 will work.

9 GENERAL COUNSEL JACOBS: There is no 10-page
10 version of Robert's Rules.

11 BOARD MEMBER BROWN: Of Rosenberg. Of Rosenberg.

12 GENERAL COUNSEL JACOBS: Oh, Rosenberg, right.

13 BOARD MEMBER BROWN: Yeah. But no I had looked
14 and there's all these different reversion. I had no idea
15 which one to buy on Amazon. So if we just know what
16 version we're using here, that would be great as well.
17 But maybe we'll just use the 10-page thing and that would
18 be great. So thank you.

19 CHAIRPERSON JONES: You're welcome.

20 Ms. Taylor.

21 VICE PRESIDENT TAYLOR: Just -- and I'm sorry,
22 guys. I'll be done quick. I just wanted to let everybody
23 know that we do fill out for our own -- for our own --
24 because we have to have education credits, so we do fill
25 out education credits when we come back from each travel.

1 I was thinking that the person that made the request kind
2 of wanted a public overview. So that would -- and then we
3 could, you know, have the video of that available on the
4 Insight Tool.

5 But, I mean, I think it's important when you go
6 to Insight, or when I go to PRI, or whatever that we -- we
7 let the public know what we learned and do a quick
8 overview statement, so...

9 CHAIRPERSON JONES: Okay. Who's first?

10 MR. BEHRENS: Thank you, Chairman Jones and
11 members of the committee. Tim Behrens President of the
12 California State Retirees and one of the requesters of
13 this item and supporting.

14 I think it can be as small as your attendance at
15 one of our Chapter meetings, and a stakeholder ask a good
16 question, and there should be some way for you to be able
17 to share that information with your fellow Board member at
18 least, if nothing else just a written report.

19 All I've heard in the last seven years, where you
20 went, and how long you were gone, and it's approved. So
21 that doesn't tell me anything about the complexities of
22 the -- let's start with Wall Street. I know that several
23 members in the past have gone to Wall Street, and met, and
24 talked about investments. I think that's a valuable piece
25 of information for me as a stakeholder to know what's

1 going on with the CalPERS Board and Wall Street.

2 I also think it's important to know when you go
3 overseas how that impacts the investment of CalPERS and
4 the complexities of what's going on overseas versus what's
5 going on in the United States, and how the two work
6 together, and how it affects the stakeholders and the
7 bottom line, how it affects the unfunded liabilities of
8 CalPERS.

9 So I think it's a really good idea. I don't have
10 any dog in the fight in how you do it and what the
11 end-product looks like, but I just hope you will start
12 reporting it out in some fashion.

13 Thank you.

14 CHAIRPERSON JONES: You're welcome. Okay.

15 MR. FOUNTAIN: Good morning, Board members. I'm
16 Jerry Fountain, the Chief Financial Officer for Cal State
17 Retirees. I can only mirror what President Behrens has
18 said and what Ms. Frost has said. In previous
19 conversations I've had with Henry, he spoke of his
20 personal travels on behalf of CalPERS. And I found it
21 very interesting as to the scope of what goes on in
22 foreign countries with foreign investments. And it gave
23 me a better understanding of the need for the Board to
24 continue to doing this.

25 So having heard what is behind this travel and

1 the importance of it, I think it's very important for the
2 Board to continue to let the stakeholders know the details
3 of what's going on, what you're doing on behalf of the
4 stakeholders.

5 Thank you.

6 CHAIRPERSON JONES: Okay. Thank you both. Okay.
7 Okay. Now we will move Item 7c, Summary of
8 Committee direction.

9 Mr. Jacobs.

10 GENERAL COUNSEL JACOBS: Yes. I think I have
11 two. One is to work with staff to get copies of Robert's
12 Rules to whichever Board members would like them. I would
13 note that on the version issue -- there's really only one
14 official version. Then there are multiple people who have
15 edited them in different ways, or provided commentary, or
16 the like. So we'll take a look and make sure that it's
17 the best one.

18 I've also got to take a look at the Rosenberg's
19 Rules, which a colleague of mine in the Legal Office just
20 emailed me, which he could do, because as Ms. Middleton
21 said, it's only 10 pages. And the a couple pages that I
22 was able to read look very clean. So I look forward to
23 looking at that. I will note that it is in the Board
24 Governance Policy that we follow Robert's Rules, so it
25 would just be, if this is something that we wanted to do,

1 we would just need to make -- bring it to the Board and
2 make that change, but they look interesting.

3 CHAIRPERSON JONES: Okay. Thank you, Matt.

4 GENERAL COUNSEL JACOBS: You're welcome.

5 CHAIRPERSON JONES: And what's the second one?

6 GENERAL COUNSEL JACOBS: That was the second one
7 to look at Rosenberg's Rules.

8 CHAIRPERSON JONES: Okay. Okay. In addition to
9 the Robert's Rules.

10 GENERAL COUNSEL JACOBS: Right.

11 CHAIRPERSON JONES: Okay. Let me see. I thought
12 I asked something else.

13 No, it was the -- Jason. Yeah.

14 GENERAL COUNSEL JACOBS: Oh. Yes. That's -- I'm
15 sorry. Upon the adoption or the close adoption -- or
16 getting close to the adoption of a rule -- excuse me, of a
17 code of conduct --

18 CHAIRPERSON JONES: Conduct. Um-hmm.

19 GENERAL COUNSEL JACOBS: -- we would ask Ms.
20 Dunning to take a look at that and give us her commentary
21 and her views that that conforms with fiduciary duties.

22 CHAIRPERSON JONES: Right. Okay. Okay. Thank
23 you very much.

24 Well with that then, I have no requests for the
25 public to speak on -- as a public comment.

1 So this meeting is adjourned.

2 (Thereupon California Public Employees'
3 Retirement System, Board Governance Committee
4 meeting adjourned at 9:48 a.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 24th day of June, 2019.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
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