

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

ROBERT F. CARLSON AUDITORIUM
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TUESDAY, AUGUST 20, 2019
3:35 P.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
Ms. Mona Pasquil Rogers, Vice Chairperson
Mr. Rob Feckner
Ms. Lisa Middleton
Ms. Stacie Olivares
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

STAFF:

Ms. Marcie Frost, Chief Executive Officer
Mr. Matt Jacobs, General Counsel
Mr. Brad Pacheco, Deputy Executive Officer
Ms. Kristin Garner, Committee Secretary

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

STAFF PRESENT:

Ms. Anne Simpson, Board Governance and Strategy Director

Mr. Timothy Taylor, Chief, Information Technology Services
Branch

ALSO PRESENT:

Mr. Tim Behrens, California State Retirees

Mr. Al Darby, Retired Public Employees Association

Ms. Cari Dominguez, National Association of Corporate
Directors

Ms. Ashley Dunning, Nossaman

Mr. Jerry Fountain, California State Retirees

Mr. Dane Hutchings, League of California Cities

Mr. J.J. Jelincic

Ms. Cathy Jeppson, CSU, ERFSA

Mr. Derick Lennox, School Employers Association of
California

Mr. Geoff Neill, California State Association of Counties

Ms. Martha Penry, California School Employees Association

Mr. Larry Woodson, 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.

4 The first order of business is roll call, please.

5 COMMITTEE SECRETARY GARNER: Henry Jones?

6 CHAIRPERSON JONES: Here.

7 COMMITTEE SECRETARY GARNER: Mona Pasquil Rogers?

8 VICE CHAIR PASQUIL ROGERS: Here.

9 COMMITTEE SECRETARY GARNER: Rob Feckner?

10 COMMITTEE MEMBER FECKNER: Good afternoon.

11 COMMITTEE SECRETARY GARNER: Lisa Middleton?

12 COMMITTEE MEMBER MIDDLETON: Present.

13 COMMITTEE SECRETARY GARNER: Stacie Olivares?

14 COMMITTEE MEMBER OLIVARES: Here.

15 COMMITTEE SECRETARY GARNER: Jason Perez?

16 COMMITTEE MEMBER PEREZ: Here.

17 COMMITTEE SECRETARY GARNER: Ramon Rubalcava?

18 COMMITTEE MEMBER RUBALCAVA: Here.

19 CHAIRPERSON JONES: Okay. Thank you.

20 I'd like to note that Ms. Brown, Mr. Miller, Ms.
21 Taylor, Ms. Yee, and Mr. Ruffino are also present at this
22 meeting.

23 Okay. The next item of business is Executive
24 Report -- approval of the Board Governance Committee timed
25 agenda. I need a motion for that.

1 COMMITTEE MEMBER PEREZ: I'll move it.

2 CHAIRPERSON JONES: Moved by Mr. Perez.

3 COMMITTEE MEMBER FECKNER: Second.

4 CHAIRPERSON JONES: Second by Mr. Feckner.

5 All those in favor?

6 (Ayes.)

7 CHAIRPERSON JONES: Opposed?

8 The item passes. Thank you.

9 The next item on the agenda is Executive Report.

10 Mr. Jacobs.

11 GENERAL COUNSEL JACOBS: Yes. Good afternoon,
12 Chair Jones and members of the Board. You have a very
13 packed agenda this afternoon. So in the interests of
14 time, I'm just going to pass on the Executive Report and
15 pass it over to my colleague here -- colleagues to get
16 going on the substantive agenda.

17 CHAIRPERSON JONES: Okay. Thank you. Before we
18 go to that, we do have the consent items, action consent
19 items.

20 Do we have a motion?

21 COMMITTEE MEMBER MIDDLETON: So moved.

22 CHAIRPERSON JONES: Moved by Mrs. Middleton.

23 Second by?

24 COMMITTEE MEMBER RUBALCAVA: Second.

25 CHAIRPERSON JONES: Second by Mr. Rubalcava.

1 All those in favor say aye?

2 (Ayes.)

3 CHAIRPERSON JONES: Opposed?

4 Hearing none. The item passes.

5 Nothing has been requested to be removed from the
6 cons -- information consent items. So now we will go to
7 Item 6. But before we get started, I'd like to take a
8 moment and set the stage for our discussion this
9 afternoon.

10 (Thereupon an overhead presentation was
11 Presented as follows.)

12 CHAIRPERSON JONES: More than a year ago, we set
13 a goal of assessing our strengths and identifying
14 opportunities for us to enhance our governance and our
15 performance as a Board.

16 We did this through surveys and interviews and
17 100 percent participation of all Board members. The
18 findings from our work included a list of qualities that
19 unite as a Board and even longer lists of areas that we
20 felt need some improvement.

21 Many ideas emerged on how we could enhance our
22 governance and be more effective in our oversight role of
23 the system. What we have before us today is a culmination
24 of our work and a set of recommendations to -- that's set
25 forth by our own colleagues. Each one of these

1 recommendations is stitched together and serves as the
2 fabric of good governance for us and even more importantly
3 for the members we serve.

4 I want to thank the workstream leaders for taking
5 on this important work in driving us forward. It is
6 critical that this work is driven by the Board and the
7 work is very timely. The Center for Retirement Research
8 at Boston College issued a new study in early August. The
9 research shows that public pension funds with good
10 governance have the best performance.

11 I also -- I was also delighted to see that the
12 National Association of Corporate Directors has once again
13 given their prestigious -- their prestigious award to Anne
14 Simpson our Board Governance and Strategy Director.

15 NACD --

16 (Applause.)

17 CHAIRPERSON JONES: NACD Has recognized Anne as
18 one of the 100 most influential people in the board room.
19 Congratulations Anne for winning this award for the last
20 eight years in a row. So that's quite an accomplishment.
21 It demonstrates that we are in good hands.

22 (Applause.)

23 CHAIRPERSON JONES: I'm personally proud that we
24 have taken up this challenge of improving our governance,
25 raising the bar for ourselves, so that we can perform the

1 very best for -- of our ability.

2 Before I turn it over to Anne, I wanted to
3 address the process for going through the next several
4 agenda items, 7A through 7e. They're identified as action
5 items. However, that does not mean that the Committee is
6 required to take action at this time. If a Committee
7 members feels they need additional information in order to
8 make a decision, they can make a motion to postpone the
9 decision to a future meeting. With that, I'm going to
10 turn the floor over to Anne, who will provide a broader
11 overview of how we got here today.

12 Anne.

13 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

14 Thank you very much, Chair Jones. Thank you to
15 all the Board members who participated in this project.
16 And also, I'd like to recognize Dana Hollinger, who was
17 part of one of the work streams when Lisa Middleton joined
18 the Board, Ms. Middleton graciously took over that role,
19 but she's not here today, but a lot of her good work is
20 being shown in the recommendations coming forwards and we
21 greatly appreciate that.

22 I think that Chair Jones has really highlighted
23 the most important points to bring forwards The first is
24 that CalPERS, for many years, has had a policy of carrying
25 out a self-evaluation every two years. This time, I think

1 the depth and the breadth of the process are truly world
2 class. By partnering with the leading authority in the
3 field, their Board has access to best practices, to
4 leading thinking, and the experience of an independent
5 body.

6 And as Chair Jones said, this whole process has
7 taken over a year. And that really, I think, is a
8 reflection of the Board's commitment to self-improvement
9 and the dedication of each Board member who's participated
10 to see how CalPERS own governance can be strengthened.
11 Because there's if one thing we've learned in our
12 Corporate Governance Program it's that governance affects
13 returns, governance affects performance.

14 --o0o--

15 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

16 And we've had this view for some years, I
17 suppose, that that must be true in all types of
18 organization. And I think the beauty of the research,
19 which Chair Jones referenced and which he asked to be
20 circulated to all Board members is that a leading
21 authority has said, you know what, the same applies.
22 Source for the goose is source for the gander, or the
23 governance goose.

24 Regardless of the organization, if you meet high
25 standards of transparency, and accountability, and you

1 have diversity of perspectives, and a vision, and a
2 culture to meet your objectives, then you're going to be a
3 high-performing pension fund and health system.

4 So we greatly appreciate the timing, if nothing
5 else, of this Boston College research, because it really
6 puts some numbers to something, which I think until now
7 has been an assumption, maybe a fair assumption. But now
8 we really have some evidence. And it's always important
9 to work from evidence.

10 --o0o--

11 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

12 So welcoming our new Board member, Ms. Olivares,
13 and maybe also just to recap for all the Board members,
14 some of whom joined us halfway through the process. And I
15 have to say every single new Board member immediately got
16 involved either by joining a workstream or by having
17 briefings and giving input to the beta testing,
18 particularly on the new technology platform that's being
19 built to support a lot of this work.

20 I also want to acknowledge that it wasn't just
21 the Board members, it was also their designees, who've
22 given a lot of time, wisdom, and insight into this
23 project. So as Chair Jones rightly says, this is by the
24 Board and for the Board. And it's with that, that this
25 project has strength.

1 So just to recap on the timing, the
2 self-evaluation was launched in October last year. But
3 prior to that, we were delighted to have Cari Dominguez
4 from the NACD come to the Board offsite and introduce the
5 whole project of a board self evaluation and explain how
6 NACD went about this. And Cari will add some remarks in a
7 few moments when I finish just recapping the background.

8 The way that the evaluation was structured was
9 first of all to have confidential surveys. And why does
10 confidentiality matter? Well, it's almost like going into
11 the confessional. For those of you brought up in the
12 catholic community, we all understand what that means.
13 The point of the confidentiality was to allow a frank
14 conversation for -- allow sensitive issues to be raised in
15 an honest way, because the purpose of this is to improve
16 how the Board, its committees, and individual Board
17 performance is assessed.

18 The importance of working with NACD was the
19 expertise many years -- I think 40 years --

20 MS. DOMINGUEZ: Forty years.

21 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

22 -- 40 years, Cari, of NACD experience that we
23 could draw upon. But, of course, CalPERS is sort of a
24 interesting beast. CalPERS has many special features, so
25 NACD worked with us to tailor their normal process for the

1 purposes of a public pension fund like CalPERS.

2 I'd also like to thank Rick Funston who was
3 involved in helping develop the technology project at the
4 time for weighing in. It was extremely valuable. There
5 were three online surveys. Again, I just want to say, you
6 know, 100 percent participation, as Chairman Jones said.
7 Every single Board member, at that point, fully completed
8 all three surveys, one on the Board, one on the
9 committees, and one on individual attributes, and
10 approaches.

11 On top of that, through Cari, every Board member
12 gave of their time to do a one-on-one confidential
13 interview to allow complex, and challenging, and sensitive
14 issues to be raised, so that Cari could then, when she
15 came to the Board in January, feed all of this rich
16 collection of input and insight from the Board members.
17 And that was her presentation.

18 --o0o--

19 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

20 We've linked all of the presentations -- sorry,
21 Lexi, you were ahead of me. Thank you. I think you're
22 more on point with the slide timing, and I'm trying to
23 jump ahead.

24 In the presentation, it's only a short recap, but
25 we've given you the link to each of those presentations

1 from prior Board and Committee meetings, so that you can
2 go back in and have a look at what was said, because a
3 year is a long time. And I know we've -- this our fifth
4 discussion with Committee and Board members on these
5 topics, but it's important to be able to go back and see
6 how the thinking from the Board workstreams has evolved.

7 But suffice it to say, the January feedback
8 session, which I'll let Cari recap for you in just moment
9 was followed by a March presentation on progress, and also
10 in June, and, of course, we had a four-hour discussion
11 with Board members at the July offsite last month.

12 And, of course, throughout the process, it's not
13 just been input from Board members and comments that we've
14 received and you've received directly from stakeholders,
15 we've had the ability to tap into best practice through
16 NACD

17 So I think I'd like to hand over to Cari for
18 these last two slides, because these really are the NACD
19 findings. And before we move into the recommendations,
20 Chair, this is just the -- more of the scene setting, I
21 think looking at the package of recommendations the Board
22 workstreams are coming forwards with, as you rightly say,
23 they're woven from whole cloth. They're connected to each
24 other.

25 But the most important thing is the cloth that

1 they're woven from is the Board's own findings. So in
2 other words, the findings are all about what is it that
3 the Board is trying to achieve, what are the goals. And
4 for me, the test of good recommendations is they're very
5 focused in a practical way on something you want to make
6 better. And if we make the governance better, we expect
7 this is going to help CalPERS improve its performance.
8 And that's the one goal where we are all absolutely --
9 management, Board, consultants, and stakeholders, we all
10 firmly agree this is a priority for us at CalPERS.

11 So let me hand to Cari, if I may, for the last
12 couple of slides. One on what the Board evaluation found
13 were the Board's strengths. In other words, how the Board
14 itself had identified its strengths. And as Chair Jones
15 put it rather nicely, what were the opportunities to
16 select the Board's report card on itself, where some more
17 work could be done.

18 So Cari let me hand over to you and let you take
19 a quick recap on the findings on strengths and findings on
20 opportunities.

21 MS. DOMINGUEZ: Great. Well, thank you, Anne,
22 and Chair Jones, and members of the Committee, as well as
23 members of the Board. I'm delighted to be back. And I
24 am -- on behalf of NACD, let me say how encouraged we are
25 to see the tremendous interest that you've taken in

1 leading practices and continuous improvement. As Anne
2 mentioned, this is not a destination. This is a journey.
3 And so as things change, and this morning you heard from
4 Hiro, you heard about the aging, the demographics issues,
5 the macro and microeconomic issues. All of these things
6 have a tremendous impact on governance and you position
7 the structure of governance going forward. So it will be
8 for future, whatever that future may bring, the continuous
9 improvement process is critical.

10 So I'm delighted to share once again the results.
11 This is all your work and the work of previous Board
12 members. But very insightful comments, very thoughtful
13 feedback. And in terms of the strengths again, the
14 overriding component was a tremendous commitment that
15 every Board member has expressed towards the mission of
16 CalPERS, making sure that the sustainability, the value,
17 creation for future -- for current as well as future
18 stakeholders is there. So it's a tremendous dedication
19 that all of you need to really -- it needs to be
20 recognized and you need to be congratulated for such
21 commitment.

22 Equally, your practices of transparency and the
23 dedication to accountability was identified as another
24 major strength. Again, it's a continuous process, so
25 there's always opportunities for improvement. But you

1 certainly have identified that as an important strength.
2 And similarly, the diversity that you have. This one of
3 the most diverse boards that I've ever presented to. And
4 believe me, it will be one of the most diverse boards for
5 a long time to come, because we just don't have this level
6 of diversity in most boards.

7 So congratulations to you on that and for your
8 commitment to making sure you're not just have diversity
9 in terms of race, color, gender, religion, and other kinds
10 of characteristics, but also diversity in terms of the
11 expertise that you bring, the focus that you bring, the
12 interest that you bring in representing the difference
13 sectors that you represent.

14 And certainly, stakeholder engagement and how
15 important that is to all of you, that was identified 100
16 percent again by all of the Board members. And as we
17 mentioned, desire for continuous improvement. And so this
18 is really a continuation of that work, how can we make it
19 better? What's out there? What does NACD have? NACD
20 serves as a mirror of leading practices. What does it
21 have that we could tailor and adapt to make our own
22 organization high performing, highly effective, and a
23 strategic asset to your stakeholders?

24 So those were the strengths that were identified.

25 --o0o--

1 MS. DOMINGUEZ: In terms of opportunities,
2 opportunities for improvement, opportunities for further
3 development, consistently the comments revolved around we
4 need role clarification. We need to better understand our
5 responsibilities as a member of the Board, as a member of
6 a Committee, and as an individual Board member, all three
7 levels, which, by the way, all three levels were assessed
8 and evaluated by all the Board members.

9 Looking for more professional board development,
10 looking for a richer program of Board education, what's
11 out there? What are the trends that we really need to be
12 aware of? How is that going to affect our strategy?
13 Without the education, without the types of presentations
14 that you hear, and some complimentary education, it's a
15 challenge to try to stay on top of what's happening in a
16 very fast-changing environment.

17 Developing a board curriculum, again to further
18 strengthen the skills and your expertise. We -- there was
19 a lot of discussion about equitable allocation of
20 remunerated Board time. We understand that compensation
21 is something that varies depending on how you joined the
22 Board, what you represent. And so that came up as
23 something that perhaps, at some point in the future, if
24 not now, needs to be looked at and needs to be addressed,
25 and look for ways to make it more equitable.

1 Materials. How do we make sure that the meeting
2 agenda and the materials presented really are supportive
3 of the key operating and strategic issues. The -- what's
4 the priority? How do we prioritize the agenda items.
5 Those kinds of things came up at every conversation that I
6 had.

7 The calendar and format for Board meetings,
8 again -- how often do we meet, what's the importance of
9 meeting regularly for the full Board. We understand that
10 committee structures and how committees meet. The whole
11 purpose of a committee is a delegation of skills, of
12 expertise, of knowledge to specific individuals assigned
13 to various committees that can then get into a deep dive
14 and can provide the specialized knowledge, make it more
15 efficient for their discussion at the full Board level.

16 So that's a very important component in committee
17 structure and committee composition. Similarly, you
18 raised a number of issues regarding the role of Board
19 consultants, and whether or not this body was really
20 maximizing the benefit of consultants across all areas of
21 interest.

22 And finally, developing a Board of -- a Board
23 code of conduct. There was a lot of discussion in our
24 one-on-ones regarding the importance of creating a
25 culture. It's a culture of transparency, a culture of

1 mutual respect, a culture of collegiality, a culture of
2 trust, and what is the operating framework for creating
3 that type of conduct?

4 You know, in sports, we talk about that. We just
5 had the World Cup. The World Cup, you know, you have
6 certain requirements. And if you don't do it, you get the
7 yellow card or you get the red card. And it's not a very
8 pleasant experience for those who are affected by it. Out
9 of bounds, whatever it is, every organization has a set of
10 standards of conduct that is expected. And so all of you,
11 all of the participating Board members raised this as an
12 issue that was an important one for preserving the
13 confidentiality of your deliberations.

14 --o0o--

15 MS. DOMINGUEZ: And so out of that, we came up --
16 you came up, I should say, with the five Board
17 workstreams. And again, there role of NACD was to provide
18 you with support, with leading practices to perhaps tailor
19 some of these leading practices that were customized to
20 your own unique and particular areas.

21 So with that, let me send it back to Anne.

22 CHAIRPERSON JONES: Anne, before you move on, I
23 got a note that someone had requested to speak on 5a, so
24 I'm going to pause before we get into the meat of our
25 agenda today.

1 And recognize Mr. Tim Behrens. He had asked to
2 speak on 5a.

3 MR. BEHRENS: Thank you, Chair -- President Jones
4 and Committee members and Board members. So I want to
5 talk about the agenda item on the calendar again. And I
6 don't see the 2020 in this packet, so I'm assuming that it
7 was just left out of there by mistake.

8 CHAIRPERSON JONES: No, we'll be discussing it
9 later today.

10 MR. BEHRENS: Oh. Okay. Well, that's what I'm
11 here to talk about, so I'll talk about it now and listen
12 to you later, is that right

13 CHAIRPERSON JONES: Yes. Go ahead. You've got
14 three minutes.

15 MR. BEHRENS: Okay. So one of the things I saw
16 on there was an offsite where stakeholders, and the Board,
17 and the staff would meet. I think that's an excellent
18 idea. Great idea. One of my recommendations for your
19 consideration is that on one of those canceled Board
20 months that you consider having a one item agenda item,
21 like mental health. I think that the last hour spent on
22 talk on mental health signifies that we need to meet with
23 the health care providers providing mental health to our
24 stakeholders. And that would be a great opportunity to
25 spend a half a day with them sitting at this table with

1 you asking them questions and us from the audience having
2 an opportunity to speak. I think that would be a great
3 benefit to the stakeholders, the Board, and the staff.

4 I also want to comment, because I left it out in
5 my first presentation, that we do, in fact, have the
6 ability to call staff that are in charge of the health
7 programs for CalPERS any time, any day, and we get answers
8 whenever we ask them. And I want to commend staff for
9 their ability to work with us on those kinds of issues.

10 Thank you.

11 CHAIRPERSON JONES: Okay. You're welcome.

12 Okay. And when we get to Item 8, we'll be
13 getting Ashley Dunning on the phone. That's the Board's
14 fiduciary counsel in case any Board member has -- may have
15 a question for her. So just know that we'll pause at that
16 stage when we get to 8.

17 Okay. Anne

18 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

19 Thank you very much. Again, thank you very much.
20 And I'm remiss for not introducing Cari Dominguez again.
21 She's a Board member of NACD. She's had experience in
22 California. She's a Commissioner on the Equal
23 Opportunities Board. She's been on corporate boards and
24 is a highly respected figure in the business community.

25 Her biography has been circulated on more than

1 one occasion. But I do apologize for -- we're sort of
2 like, you know, neighbors now. We all know each other by
3 first name and forget to say hello and how are you.

4 So, Chair, what I'd like to do is just finish
5 with the final slide, if I may, on this information item.
6 There's one more.

7 --o0o--

8 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

9 Yeah. Thank you. There's a -- thank you.

10 So this graphic really shows how all of that work
11 has translated into the recommendations that you're going
12 to hear from the workstreams. And what it shows is how
13 the working groups have put together a set of
14 recommendations which support each other. And I -- I
15 think this graphic really shows that this is like building
16 a bridge. You have each section of the bridge and all
17 together these sections make the bridge stronger.

18 So the first recommendation that will come
19 forward when we move to the action item will come from the
20 Board workstream that looked at the issues of education.
21 And this was Ms. Taylor, Ms. Pasquil Rogers. That's
22 number one.

23 Number two was a workstream again which the Board
24 President put together. And it was your good self and Ms.
25 Yee looking at this whole question of role and

1 responsibilities and how do we bring clarity. And they
2 have some proposals for you to consider.

3 The third workstream that the President put
4 together was on meetings and materials. And David Miller,
5 thank you, and Dana Hollinger began this work. And when
6 Dana stepped down, Lisa Middleton had just joined the
7 Board. And thank you Ms. Middleton for coming in for the
8 second reel of the movie and just not missing a beat.

9 The fourth workstream, which the President
10 established, was on considering the value that the Board
11 may derive from developing its own code of conduct. And
12 that work has been led by Mr. Feckner and Mr. Perez.

13 All of this sits on top of a new technology
14 platform called Insight. You've had a look at this at the
15 July offsite. You've also, on those of you who've been
16 involved on the beta testing, thank you Ms. Brown, thank
17 you Mr. Rubalcava, thank you, Mr. Ruffino, on behalf of
18 the Treasurer, and others who've taken the time to really
19 look at this tool and give a lot of feedback.

20 But the idea of this Insight tool is for you to
21 consider the approval of a further development that's
22 going to give you real-time comprehensive access to the
23 information that you need during, before, in preparation,
24 and between meetings.

25 So I think with that, Chair Jones, I'd be very

1 glad to answer any questions. But this is really the end
2 of our overview of the process and the main points --

3 CHAIRPERSON JONES: Right.

4 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
5 -- that you're about to follow.

6 CHAIRPERSON JONES: Right. So that's great. So
7 why don't we just go right in starting at 7a. You have an
8 overhead slide presentation --

9 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
10 Yes.

11 CHAIRPERSON JONES: -- and lets deal with that
12 one by one, and see what the pleasure of the Committee is.
13 And if it's approve, then we'll go to the next one. If
14 it's deferred, we will move it, and still go to the next
15 one. So let's just move straight through.

16 (Thereupon an overhead presentation was
17 presented as follows.)

18 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
19 Thank you. With no further ado. My job here is
20 to be the messenger. Please, I do invite the workstream
21 leads to add to the recommendation in any way that they
22 see fit. I'm simply hear to help bring it all together
23 and present the recommendation to you.

24 So Workstream 1 has the following recommendation:
25 First, to direct management as follows: One, to

1 enrich the onboarding program for Board members and for
2 their designees; also to develop tailored education
3 modules for each committee, and doing this through
4 partnering with specific organizations, really just to
5 build up the independence and expertise.

6 There's more discussion in the agenda item
7 itself, but I think in the interests of time, Chair, we'll
8 just move from the recommendation.

9 CHAIRPERSON JONES: Okay. Sounds good.

10 Okay. Are there any questions on the -- this
11 recommendation?

12 Mr. Miller.

13 BOARD MEMBER MILLER: No, I just think it would
14 be nice to hear from Ms. Dominguez, if she has any
15 thoughts on this particular recommendation in terms of
16 best practice or in terms of NACD's advice or...

17 MS. DOMINGUEZ: Thank you, Mr. Miller. I think
18 it's an excellent recommendation. The whole standing of
19 NACD is on Board education. And we have a curriculum of
20 different programs. We're now moving towards a
21 certification program for Board members to make sure that,
22 at a minimum, there's a certain general understanding of
23 the various roles and responsibilities of a Board member.

24 That's something that no other organization has
25 tackled. It's a very difficult one. I was on the Panel

1 that was involved in that development of the certification
2 process. It's going to be a very comprehensive one. But
3 I think it speaks to the importance of continuing to
4 elevate our professionalism as Board members, and our
5 understanding of the complexities that are facing it.

6 So I believe this is a real critical component.
7 And from NACD's perspective, we would wholeheartedly
8 support it.

9 CHAIRPERSON JONES: Okay. So seeing no further
10 requests to speak, I'm going to call for the motion in a
11 moment, but we have a request to speak on this Item 7a,
12 Larry Woodson.

13 MR. WOODSON: You know, I don't think I want to
14 speak on this item per se. It was confusing to me. I
15 think I need to pick out -- I didn't know you were going
16 to make decisions after everyone, so I was going to speak
17 at the very end. But if you're going to make a decision
18 as you go through, maybe I can hold my hand when you come
19 to the item I want to speak on.

20 CHAIRPERSON JONES: The item you want to -- okay

21 MR. WOODSON: Thank you.

22 CHAIRPERSON JONES: Okay. Okay. So motion on
23 this item.

24 Mr. Feckner.

25 COMMITTEE MEMBER FECKNER: Thank you, Mr.

1 President. I move both recommendations be adopted.

2 CHAIRPERSON JONES: Okay. Moved by Mr. Feckner.

3 COMMITTEE MEMBER RUBALCAVA: Second.

4 CHAIRPERSON JONES: Second by Mr. Rubalcava.

5 All those in favor say aye?

6 (Ayes.)

7 CHAIRPERSON JONES: Opposed?

8 The item passes item. Thank you.

9 We move to Item 7b Ms. Simpson.

10 --o0o--

11 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

12 Thank you. Oops. Getting the microphone.

13 I'll just pull this up this recommendation. So

14 this workstream is addressing the hole issue of roles and

15 responsibilities. And there's more discussion in the

16 agenda item. But the recommendation in the interests of

17 time simply as follows:

18 The workstream recommendation is: First, to

19 propose a change in the CalPERS rules and guidelines for

20 the conduct of meetings, which would bring the Rosenberg

21 Rules of Order, which were developed in California, to be

22 the parliamentary authority in substitute for Robert's

23 Rules. And just to help you all get prepared, we gave you

24 the 700-page edition of Robert's Rules before the meeting,

25 because I think some people had not seen it before.

1 So the first recommendation has a slightly
2 technical wording, because of the need to ensure that we
3 don't lose anything in the possess.

4 The second part of the recommendation is that
5 we -- that the Board direct management to redraft the
6 Board's policies and documents in plain English. And if
7 that is approved, red-lined versions of all the materials
8 will come back for consideration by the Governance
9 Committee and approval by the Board.

10 So if there are any questions, please let me
11 know. That's a bit of a short summary of a big issue.

12 CHAIRPERSON JONES: Yeah. Thank you.

13 No questions.

14 We do have a request to speak on this item. We
15 have Ms. Jeppson, Mr. Darby, and Mr. Fountain, if you
16 would all come down. And you will have three minutes to
17 speak. And state your name and your organizations.

18 Just a minute, before you speak, we do have
19 questions from the Board members that just came up. So
20 why don't you go ahead.

21 Mr. Miller.

22 BOARD MEMBER MILLER: Yeah. Again, I kind of
23 wanted to come back to Ms. Dominguez and see if she has
24 any thoughts on these recommendations. You can see a
25 patter developing here perhaps.

1 (Laughter.)

2 MS. DOMINGUEZ: Well, thank you. NACD has
3 actually thoroughly reviewed the Rosenberg's Rules. And
4 we believe they are consistent with the Robert's Rules,
5 except a lot more updated and a lot simpler. And I know
6 that Ms. Middleton mentioned that at the last session that
7 we had a month ago. And so we are very supportive. We
8 believe that the clearer the understanding, plain English,
9 is perfect for better understanding your roles and
10 responsibilities. And certainly, Rosenberg's rules are a
11 significant improvement over the 800 pages that Robert's
12 Rules provides. So we're very supportive of this
13 recommendation

14 CHAIRPERSON JONES: And Ms. Dominguez, why don't
15 we have you comment on each one after it's presented to
16 see if there's -- your observations and Mr. Miller won't
17 have to ask each time.

18 (Laughter.)

19 CHAIRPERSON JONES: Okay. Mr. Perez.

20 COMMITTEE MEMBER PEREZ: In regards to the
21 redrafting the Board policies and documents in plain
22 english, it seems like a lot of work for the team to have
23 to jump into. Is there a way we can just put like a
24 glossary of -- a glossary, instead of having to have the
25 team redo everything. Because even some of that stuff can

1 get lost in translation.

2 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

3 Yeah. Thank you very much. I hope it wouldn't
4 be lost in translation. I'd be really stuck. I think
5 this is a really important project. And I perhaps can
6 turn to my colleague Matt Jacobs on this. And here's why,
7 I think in translating into plain english, that means
8 terms that everyone can understand. That's not only for
9 the Board, I think this is really important for the
10 stakeholders, so that everybody knows who's meant to be
11 doing what, when, where, and how, and how all the
12 different pieces hang together.

13 So I accept your point, Mr. Perez, that it's a
14 lot of work. But as I am your resident governance geek, I
15 actually think this is really important, that we have
16 simplicity and clarity to help understanding, so it might
17 take time --

18 COMMITTEE MEMBER PEREZ: I thought we were
19 directing this.

20 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

21 Sorry?

22 COMMITTEE MEMBER PEREZ: I thought we, the Board
23 was directing this.

24 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

25 Oh, yes. I meant just saying that if it's a

1 concern about it being a burden of work, it's a burden
2 that I would welcome as management.

3 COMMITTEE MEMBER PEREZ: So it would fall to you?

4 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

5 But I'm asking the General Counsel to comment.

6 He may --

7 GENERAL COUNSEL JACOBS: I hope it's falling to

8 Anne --

9 (Laughter.)

10 GENERAL COUNSEL JACOBS: -- because I mean, I
11 think it would be a substantial amount of work. We
12 haven't discussed this --

13 (Laughter.)

14 COMMITTEE MEMBER PEREZ: I'm sorry, that's funny.

15 GENERAL COUNSEL JACOBS: But -- so we'd have to
16 collaborate. I don't think the idea would be that we'd
17 bring this all back next month. But over time, we would
18 work on redraft -- the critical thing to me is that with
19 respect to this recommendation is, "Revise both the
20 Board's rules and guidelines and the Board Governance
21 Policy to effectuate this change".

22 The change that is most significant to me, from a
23 governance perspective, is the change to Rosenberg's Rules
24 as opposed to Robert's Rules. And I think that that could
25 be done in relatively short order. I don't know if we

1 could do it by next month, but we could do it relatively
2 quickly, but that's what needs to be done.

3 Then the part about plain english, I really don't
4 know what Ms. Simpson and Ms. Dominguez, or anybody else
5 has in mind are really the people who put that forward.
6 But, you know, we'll do it in due time, to be sure. I
7 don't know -- so I don't really know what the demands are
8 there.

9 CHAIRPERSON JONES: Let's -- okay. Ms. Yee.

10 BOARD MEMBER YEE: Thank you. Our Committee
11 Chairman and I were the leads on this workstream. And I
12 think we looked at this a little bit more broadly than
13 just kind of how it's stated here, in terms of redrafting
14 the policies and documents in plain english. This really
15 gives us an opportunity to also review the Board policies
16 with respect to clarity and potentially -- well, with any
17 kind of Board policy being sure it synchs up with our
18 authority.

19 But this is meant to at least have the policies
20 be more accessible to not just the Board but to all of our
21 stakeholders. And so particularly if we're preparing a
22 lot of our information to be on this Insight platform,
23 it's just to have it be more user-friendly, I guess.

24 But I think it's a just a good governance
25 practice to review our policies from time to time anyway

1 for clarity sake. And I know we've done this. I Chair
2 Board Governance at CalSTRS, and it was actually a very
3 informative exercise.

4 CHAIRPERSON JONES: Okay. Okay. So now we will
5 go to Ms. Jeppson.

6 MS. JEPPSON: Is it on?

7 Yes. Kathy Jeppson CSU ERFSA. I really don't
8 have a complaint, because I don't have an answer. I did
9 have a question and it's on the benefits and risk. You
10 probably have different page numbers, but it says, "The
11 risk in replacing Robert's Rules with Rosenberg Rules, if
12 there is one, is the....", and then when you flip to the
13 next page, it doesn't finish the sentence. It just says
14 attachments 1, 2, and 3.

15 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

16 I do apologize. I'd be glad to share the copy
17 that I have. It seems as though there might have been a
18 page stuck in the photo copier.

19 MS. JEPPSON: And while I'm on that subject,
20 Anne, I'd like to personally thank you, because I know how
21 much hard work that you put through in this. So please
22 don't take this as a complaint about all that you've done.

23 The other thing is that when I look at the
24 Robertson's[SIC] Rules, which I'm -- they look awfully
25 simple -- simplified. And to me, it gives a lot of wiggle

1 room into what you're trying to do. I don't think
2 Robert's Rules of Order is the answer, but then I -- on
3 the other hand, I think that the Robertson's -- sorry, the
4 Robertson's -- the Rosenberg's Rules are maybe too
5 simplistic. So maybe you want to take a look at, you
6 know, doing a comparison.

7 I don't think that lowering standards is really
8 what you're intending to do. I think that if a person is
9 a Board member, they need to be familiar with Robert's
10 Rules of Order or the rules that you are going to adopt.
11 So I think that the answer is somewhere between the two.
12 Thank you.

13 CHAIRPERSON JONES: Mr. Darby.

14 MR. DARBY: Al Darby, President, RPEA.

15 In addition to the remarks that Ms. Jeppson made,
16 which suggest some shortcomings in the Rosenberg system,
17 I've attended numerous meetings -- CalPERS Committee and
18 Board meetings over many years and never observed a
19 serious problem associated with Robert's Rules of Order.

20 So, to me, there's an apropos expression that
21 applies here, and that is if it ain't fixed -- or if it
22 ain't broke, why fix it? Why learn a new system if the
23 old one still works well. I have seen no problems with
24 Robert's Rules in any committee or Board meeting that I've
25 ever attended.

1 Thank you.

2 CHAIRPERSON JONES: Mr. Fountain.

3 MR. FOUNTAIN: Yes. I'm Jerry Fountain, Chief
4 Financial Officer of the California State Retirees. And I
5 want to thank you for this opportunity to speak.

6 I think this is mixing apples and oranges.
7 You're talking about Robert's Rules of Order in a method
8 of conducting business. But you're talking about
9 redrafting Board policies, delegations, and documents,
10 which is sole -- something different. Yes, redo your
11 documents to better understandable language, but that has
12 nothing to do with conducting your meetings. Robert's
13 Rules of Order have worked quite well over long periods of
14 time.

15 And I believe the 700 plus pages better prepares
16 any Chair that's conducting a meeting to handle any
17 situation that may come up. So they're better prepared
18 with that. They work good. I'll go along with what Al
19 just said, I haven't seen a problem with them. And
20 Robert's Rules of Order are basically used throughout
21 other organizations, other committees, no matter how large
22 or small.

23 My way of thinking right now if -- and I'll
24 borrow what Cathy said. If you can't meet the standards,
25 what you're trying to do now is lower your standards.

1 Stay with Robert's Rules of Order.

2 Thank you.

3 CHAIRPERSON JONES: Thank you.

4 Ms. Middleton.

5 COMMITTEE MEMBER MIDDLETON: Okay. Just a couple
6 of words. And I want to thank the speakers. The original
7 founding document that drove Judge Rosenberg in the
8 development of what's now known as the Rosenberg Rules
9 actually was Robert's Rules of Order.

10 And these are by anyone who has used them simply
11 a simplification of the original document. With respect
12 to what does happen when there are breakdowns with regard
13 to Robert's is that almost everyone who has attended a
14 meeting that has been conducted by Robert's Rules of Order
15 believes themselves to be an expert in what those rules
16 say.

17 Yet, when actually put in front of a lie
18 detector, almost everyone has to admit that they've not
19 read Robert's Rules of Order, in terms of the entire seven
20 hundred and ninety odd pages. And some of them are, in
21 fact, quite odd, addressing matters that are incredibly
22 arcane.

23 What Rosenberg brings is the ability that when
24 there is a dispute over parliamentary procedure, that
25 you're able to get to the source document and rather

1 quickly resolve the issue of parliamentary procedure. And
2 most -- I think all of us are not here to engage in
3 parliamentary debate. We're here to try to resolve issues
4 for our members and for our localities. And I can tell
5 you as someone who's referenced both, one is not higher or
6 more important than the other. One is just simpler to
7 use.

8 CHAIRPERSON JONES: Okay. Thank you. Okay.
9 Seeing no further requests. And each of these that
10 requires additional work, we will be getting reports back
11 and we will have further discussion, clarification,
12 whatever we may need to do to make sure that the outcome
13 is what we intended. So this is the first pass of going
14 forward in this process.

15 Mr. Miller.

16 BOARD MEMBER MILLER: Yeah. I would just make
17 the comment that I would urge the members of the Committee
18 to move these recommendations forward. They will still,
19 as Henry said, come back to the full Board for -- if
20 there's any further thoughts or decision by the full
21 board. But I'd suggest the Committee should move these
22 recommendations forward. A lot of time and effort went
23 into them and I think they've been well presented.

24 CHAIRPERSON JONES: Okay.

25 COMMITTEE MEMBER FECKNER: So moved.

1 CHAIRPERSON JONES: Okay. It's been moved by Mr.
2 Feckner.

3 BOARD MEMBER YEE: Second.

4 CHAIRPERSON JONES: Second by Ms. Yee.

5 All those in favor say aye?

6 (Ayes.)

7 CHAIRPERSON JONES: Opposed?

8 (No.)

9 CHAIRPERSON JONES: The item passes. Thank you.
10 Okay. We will now move --

11 COMMITTEE MEMBER MIDDLETON: Mr. Chair?

12 CHAIRPERSON JONES: Yes.

13 COMMITTEE MEMBER MIDDLETON: We had one no vote.

14 CHAIRPERSON JONES: You're a no?

15 COMMITTEE MEMBER PEREZ: Oppose.

16 CHAIRPERSON JONES: Okay. Note Mr. Perez as a no
17 vote. But Ms. Yee, you're not on the Committee, you
18 can't --

19 BOARD MEMBER YEE: Oh, I'm sorry.

20 (Laughter.)

21 CHAIRPERSON JONES: Even though you're part of
22 the team.

23 (Laughter.)

24 CHAIRPERSON JONES: So I need a second
25 replacement

1 VICE CHAIR PASQUIL ROGERS: Second.

2 CHAIRPERSON JONES: Second by Mrs. Pasquil
3 Rogers.

4 Okay. Thank you.

5 But you were very involved in the work, just
6 can't do --

7 (Laughter.)

8 CHAIRPERSON JONES: Okay. So let's then move to
9 recommendation 7c.

10 --o0o--

11 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
12 Thank you. The third area of recommendation,
13 this is workstream 3 --

14 CHAIRPERSON JONES: Yes.

15 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
16 Issues was identified by the Board in its
17 self-evaluation as relevant to improving governance and
18 thereby improving performance. And here are the
19 recommendations.

20 The first is to consolidate the two strategy
21 offsites into one. The reason for this is to give a
22 chance to check in on the enterprise strategy and make the
23 discussion more closely focused on tracking the strategic
24 plan.

25 The second is to respond to the commitment to

1 stakeholder engagement and accepting the maintaining
2 public comment continues to be important, stakeholder
3 engagement briefings continue to be important, this
4 workstream thinks there's room for an additional
5 opportunity for stakeholder dialogue by CalPERS
6 establishing a Stakeholder Forum.

7 Initially, the thought is this could be annual,
8 but there's no reason for it not to be more frequent than
9 that and to come to different parts of the State. But the
10 goal is to allow an opportunity for stakeholders both to
11 express their concerns in dialogue with the Board and also
12 for the -- for CalPERS to be able to have a more in-depth
13 discussion. So that's the second part of the
14 recommendations.

15 The third part of the recommendations is that the
16 Committee meetings be scheduled for four times a year. If
17 additional meetings are to be needed, then the Chair of
18 the Committee would be able to respond accordingly. The
19 chief impact of this would be for the Investment Office,
20 which currently has a cycle of meeting reports, which is
21 distracting from their day job of focusing on performance.
22 That's the concern that's been expressed by the Board
23 workstream leads.

24 The number that comes to mind is that 80 percent
25 of reports are for information and there have been 511 of

1 these in the last two years. And there's such concern to
2 get the focus on performance when we're underfunded that
3 for the Investment Committee to meet quarterly in synch
4 with the financial reporting, a quarterly cycle could be
5 beneficial.

6 This recommendation did consider whether the
7 cycle of Board meetings themselves should change. And in
8 the course of discussion, their recommendation evolved.
9 So currently, this recommendation proposes that the Board
10 meetings stay as they are. In part, this means that
11 stakeholders will continue to have public comment every
12 month, and also will be able to raise any issue that's
13 under consideration in the committees.

14 One benefit that the workstream leads identified
15 here was that typically this would look like a Board
16 meeting and two committee meetings for each month, which
17 could mean that the three days could be shrunk to two
18 days, which would save money and save time.

19 They're working on the assumption, of course,
20 that workstreams 5 is approved, which is the new
21 technology platform to give real-time reporting for Board
22 members, but also for stakeholders.

23 The final part of their recommendation is looking
24 at the structure of Board committees. And what they're
25 recommending is that we have, at CalPERS, for the Board a

1 consistent structure. At the moment there are six
2 committees, five of them are committees which meet in
3 addition to the Board, apart from Investments. The
4 Investment Committee meets as a committee of the whole,
5 which means there's only one pass at the issues.

6 So to strengthen the due diligence process --
7 really, if I was going to put it in simple terms, it's a
8 question of measure twice, cut once. That's what a
9 committee structure gives you. The committee looks at
10 something, does a deep dive, and then the full Board
11 continues to make the decision.

12 Right now, the Investment Committee does it in
13 one go, because the Committee is the full Board and it
14 makes the decision. It's not a two-step process.

15 The workstream leads feel that it's important to
16 continue with the current practice that all Board members
17 can attend all meetings, as we have today. Also, that the
18 Board -- the Committee meetings would meet in sequence, so
19 that all Board members can continue to attend all the
20 meetings that they want. But what this would offer Board
21 members is choice also about where to focus their
22 attention when they join the Board.

23 The Investment area, health, pension, governance,
24 risk, audit, there's a lot of opportunity for work in the
25 Committee arena. I offer this to the workstream leads for

1 any further points that I may not have covered, as this is
2 an important and complicated area of governance. So thank
3 you.

4 CHAIRPERSON JONES: Okay. Before Ms. -- we're
5 going to have -- Ms. Middleton wanted to speak now.

6 Ms. Middleton.

7 COMMITTEE MEMBER MIDDLETON: All right. Thank
8 you, Mr. Chair. And I want to again thank someone who's
9 not here, Dana Hollinger, for her work. It was very
10 intimidating to step in to see the work that had already
11 been done. And so I have great appreciation not only for
12 her, but Ms. Simpson and Mr. Miller.

13 We did, after the last Board meeting, go back and
14 revisit the recommendations and came back with the
15 conclusion that moving away from monthly meetings of the
16 Board would detract from the ability of the public to be
17 able to engage with us on a monthly basis and we didn't
18 want to do that. We thought it was important to make sure
19 that as new events arise, and sometimes in an unexpected
20 way, that we always have that ability to come back. As
21 well as new events arise, that staff has the ability to
22 say that there is a critical issue that needs to be
23 addressed.

24 But one of the things that we all know when we're
25 trying to schedule meetings is we need to find a balance

1 between giving staff the time to actually do the job and
2 us having the time to do our oversight responsibilities.

3 So in making a recommendation that we meet four
4 times a year, which would probably be quarterly for most
5 committees, but probably not for, as example, Pension and
6 Health, where a strict meeting of just once a quarter
7 would not be appropriate. But that we would schedule at
8 least four meetings per year with an expectation that if
9 there were other events that arose, we could always
10 schedule an additional meeting to address those specific
11 needs that would occur.

12 And so this would give us greater flexibility,
13 but it would also give staff the ability to have a bit
14 more time between meetings. And that, as someone who in a
15 former life had to prepare agendas for boards and prepare
16 staff reports for boards, it takes an incredible amount of
17 effort. For every minute that we spend here, there are
18 hours spent by staff preparing for the work that we are
19 going to be presented with.

20 So I think we've hit a really good balance in
21 this. We do believe that if staff is asked to go back and
22 take a look at the 2020 calendar, that it is probable that
23 they could put a calendar together that would include
24 meetings that would be Monday Tuesday as opposed to three
25 days. But our feeling was let's challenge staff to see

1 whether or not that works for them and come back and
2 report to us at a later time with how they would structure
3 those meetings.

4 Mr. Miller and I were able to identify on a
5 back-of-envelope type of analysis that, yes, it could be
6 done, but we're not the experts in exactly what needs to
7 be done.

8 Lastly, we really do feel that two bites out of
9 the apple are important when it comes to the Investment
10 Committee. It's an incredibly important committee. But
11 having a full Committee causes us to, in effect, treat the
12 Investment Committee meetings as the full Board meeting.
13 And by having a committee, we get the opportunity to dig a
14 little more deeply.

15 But the last two days have also been
16 illustrative. And I would suggest, and this comes
17 somewhat from the experience of the last two days, we
18 reserve for the Chair of the Investment Committee the
19 ability to always call a meeting of the whole when there
20 are going to be issues, such as what we have seen in the
21 last two days, where it is clear everyone is going to want
22 to weigh in on the issues, and particularly when we're
23 dealing with educational programs where all of us want to
24 have the value of that education.

25 CHAIRPERSON JONES: Okay. Mr. Feckner.

1 COMMITTEE MEMBER FECKNER: Thank you, Mr.
2 President. First of all, I agree with Ms. Middleton on
3 the quarterly versus four times a year, because as she
4 pointed out, that would not work well for the Pension and
5 Health Committee. So I think between the Chair and Vice
6 Chair of the committee, and the President of the Board,
7 the Committee should be able to decide when the committees
8 actually meet.

9 As for the offsite, removing an offsite, I would
10 hope that we would consider taking that meant that we're
11 going to leave vacant without an offsite an actually
12 holding education sessions here in our building. We're
13 always look for educational opportunities normally during
14 Board week. It's too long or cumbersome of a week
15 already. This would give us a dedicated time to actually
16 have some educational opportunities. So I'd like us to
17 consider that.

18 My next piece is the Investment Committee, my
19 concern is -- and I totally understand Mr. Meng's point of
20 needing to have time to actually do the investment side of
21 the house. At the same time, my fear is that we drop down
22 to our meetings a year, they're going to be four days
23 long.

24 As we've seen, what we've been doing here
25 lately -- I mean yesterday was a classic example. We were

1 there till almost 5:00 o'clock. So I think going down to
2 four I think is a stretch. I would recommend down to six.
3 Trying to stay somewhere consistent with what like what
4 our sister fund is across the river. But at the same
5 time, I think we need to find a balance to where Mr. Meng
6 can put down reports that are consolidated reports that
7 come out on our Diligent page, come out in our Board
8 books, that we don't have to sit and go through these
9 reports at Board meetings, which takes up a lot of your
10 time, and your staff's time.

11 Those can be done on the off months when we have
12 a month and a half to them, instead of having to sit here
13 and do it during the week, which then would hopefully
14 shorten up the time of your meetings that you actually
15 need to come and meet before us.

16 So those are just some thoughts that I would like
17 us to consider.

18 CHAIRPERSON JONES: Okay. Mr. Miller.

19 BOARD MEMBER MILLER: Yeah. I'll kind of try to
20 stay in order on this. One of the things that we were
21 really thinking about in terms of the annual Stakeholder
22 Forum. And this is -- you know, and hats off to Dana and
23 Lisa for jumping in on this with us, was that rather than
24 have a forum where we sit up here on the dais, and you all
25 sit there, and we can bloviate for as long as we feel like

1 it and you get two minutes to talk to us, we could have an
2 actual dialogue. We could do things where we're not even
3 necessarily in this kind of room, where we sit down
4 together and have some structured dialogue and really have
5 conversations that we really can't do in this kind of
6 forum. So that's hopefully some of what our thinking was
7 on that.

8 As far as the schedule of monthly committee
9 meetings, quarterly is kind of the minimum that we would
10 be looking at. The potential to have two days of
11 meetings, but also potentially to, you know, have a third
12 day or to -- for committee chairs to say, no, we need
13 another meeting as long we have time for adequate public
14 notice, and the further the better, it wouldn't prevent us
15 from having more meetings.

16 And as was mentioned, it also -- we still intend
17 to -- whenever we have Committee meetings, all the Board
18 members who want to attend can attend and can participate.
19 There was no intention for that to change. We're just
20 trying be more effective and efficient. And especially
21 with regard to the staff work, those 511 documents wasn't
22 just someone throwing a document together. It was time
23 away from the regular work for Ben and his team. And I
24 know, I'm a bureaucrat my whole career, none of those
25 documents come to us without a review chain, with review

1 loops, and refinements, and revisions. And it's a massive
2 amount of time, and work, and effort.

3 And the new Insight tool will allow the
4 information that we and stakeholders need to be delivered
5 without that massive burden, because I, for one, want Ben
6 and his team focused like lasers on, you know, making that
7 seven percent target or better.

8 So that was the thinking there. And we really
9 kind of will defer somewhat to staff to help us how do we
10 implement this the best and will there be the need for an
11 addition meeting here or there, or the flexibility. This
12 gives us the flexibility to do it, if we need to.

13 And finally, for the Board Committees, I would
14 assert that Investment is the most important committee, in
15 many respects. It's the one that -- the complexity, the
16 importance, the priority, the consequences of not getting
17 it right. And in practical terms, we do not have an
18 Investment Committee. We have a Board and we really need
19 an Investment Committee, a subcommittee of that Board for
20 all the reasons you have subcommittees, to have
21 individuals bring their expertise and their desire to do
22 the deeper dive, to work more closely, to get things
23 queued up so that we can be more effective and efficient
24 when that decision comes to the Board to make.

25 And every Board member will be able to

1 participate, but every Board member won't be required to
2 participate in both steps. But to me, it's in addition.
3 It's saying this is important enough that we're going to
4 invest in this additional level of work and effort to make
5 sure we get these decisions right, get them queued up in a
6 way that the Board can make more effective and efficient
7 decisions. So it's additive and that's -- that was our
8 view of it.

9 CHAIRPERSON JONES: Okay. Mr. Perez.

10 COMMITTEE MEMBER PEREZ: I completely -- I don't
11 know the work that he does day-in and day-out, but I
12 absolutely want to free up time for Ben and his team to
13 concentrate on the investments.

14 The problem I have is in the Constitution and the
15 PERF, and all the language, the responsibility of the fund
16 falls onto the Board, not staff, to the Board. And we
17 delegate that authority to staff.

18 So by us not meeting, but a quarter -- once a
19 quarter on different committees, and by us limiting the
20 number of members on the Investment staff, I think that
21 just starts to erode the authority that we have and
22 responsibility we have to the members.

23 CHAIRPERSON JONES: Finished?

24 COMMITTEE MEMBER PEREZ: I would like Ms.
25 Dominquez to -- did I miss that part? Did you already

1 think about -- did you already say something about this
2 part?

3 CHAIRPERSON JONES: No. No. I have -- I was
4 going to have Board members --

5 COMMITTEE MEMBER PEREZ: Oh, sorry.

6 CHAIRPERSON JONES: -- make their comment, then
7 I'll have her to comment. So did you want to say anything
8 else, Mr. Perez?

9 COMMITTEE MEMBER PEREZ: Let's see, keep the full
10 Board for the committee, quarter meetings. No, that's it.

11 CHAIRPERSON JONES: Okay.

12 COMMITTEE MEMBER PEREZ: Thank you.

13 CHAIRPERSON JONES: Ms. Brown.

14 BOARD MEMBER BROWN: Thank you.

15 With respect to the first recommendation for two
16 strategy offsites into one, I'm perfectly fine with that.
17 I want to make the same recommendation that I made in
18 July, that we have them close to an airport, so people can
19 actually participate and we can get there.

20 Napa was a little far in traffic. So it is
21 complicated -- or just have them here. I mean, it saves
22 us all money. We don't have to have hotels for staff and
23 it really does save money. So one I'm fine with.

24 Annual stakeholder forum I'm fine with that as
25 long as it does not impact the ability of our stakeholders

1 to get information in the smaller groups settings. I
2 think that's still critical for us.

3 I do not agree with the consolidated schedule of
4 monthly meetings into quarterly meetings. I know I've
5 commented, Ms. Taylor has commented, Neal is not here
6 today, but he's commented too that it seems like we're
7 covering less and less information in our meetings. I
8 have concerns with Risk and Audit, that mainly we're just
9 approval consultants and hiring people who are going to do
10 the work as opposed to actually looking at the risks and
11 reviewing the audits.

12 There's real work to be done. This Board has an
13 obligation to provide oversight. We don't -- we delegate
14 work to the staff, but we keep the authority. We have the
15 responsibility and we have the financial responsibility
16 personally for what happens. I would not feel comfortable
17 relegating any of my Board colleagues as observer.

18 So if you're talking about making the Investment
19 Committee a committee of nine, four of you would be
20 observers, and I think that's a terrible idea.

21 That means that the investment team, the experts
22 will come twice, because as an observer you don't get to
23 make motions, and you don't get to vote. And so you are
24 actually relegating Board members to second class citizens
25 for the most important meetings we have.

1 I also want to say that monthly meetings of the
2 Investment Committee have been done forever. They've been
3 doing -- going forever, and they've never impacted our
4 returns. They haven't impacted. Look at our ten-year
5 returns, they're fabulous. And what I'm saying is you've
6 got the cause and effect wrong here, I believe.

7 The things that are causing more work for the
8 staff in terms of investment, there's many, many items
9 that have changed. We've had changes in staffing. You
10 had a major private equity change starting in July of 2017
11 that caused a huge disruption in the Investment Office.
12 And then that strategy kept shape-shifting over the months
13 and for the last two years. You've had a turnover in
14 COIOs, and now you've got an Investment Manager doing
15 COIO, and he's doing equity.

16 I mean, of course, they're stressed. You don't
17 have enough staff to do the work. This is my opinion.
18 You had no private equity MID for two years. I mean, you
19 had a stand-in, but you didn't have the real manager in
20 there. We had the turnover of the CIO. We had a turnover
21 in Board consultants. We had a turnover in asset
22 managers. So all these turnovers cause disruption and
23 more work for the staff.

24 So it's not the monthly meeting that causing the
25 problem, it's all this turnover. And, Ben, I think with

1 you in charge, you're going to fill those positions and
2 stop that turnover.

3 You know, we are not a corporate board. We must
4 do our business in the public. We are more like a school
5 district or a city council, and those people meet two
6 times a month. We should not reduce the number of
7 meetings. We owe our beneficiaries accountability,
8 transparency, and that means monthly meetings.

9 And, Ben, if you need more staff to get the work
10 done to hire and keep them, then let us know, and I'm sure
11 we'll be able to approve that. But we should not reduce
12 our oversight role.

13 Thank you.

14 CHAIRPERSON JONES: Ms. Olivares.

15 COMMITTEE MEMBER OLIVARES: Thank you, Mr. Chair.

16 First, I want to start with a question. The
17 Annual Stakeholder Form, how much do we expect that to
18 cost?

19 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

20 I'm just asking Brad Pacheco if he'd kindly
21 answer that question --

22 COMMITTEE MEMBER OLIVARES: Thank you.

23 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

24 -- as he organizes stakeholder affairs.

25 DEPUTY EXECUTIVE OFFICER PACHECO: Hi. Brad

1 Pacheco, CalPERS team. Anne and I've talked about this a
2 little bit. As she point out, it says an Annual
3 Stakeholder Forum. But certainly it could be more than
4 one. I think we'd have to assess what the goals of the
5 Board are to accomplish. And we could do that and look at
6 where we could hold this and whether it would be in
7 multiple places across the state.

8 It's hard to determine what the cost would be. I
9 can give you an estimate that when we hold our board
10 offsites, they're anywhere between 30 and 50 thousand
11 dollars during the month. We have our Benefit Education
12 Events that we also hold. They're approximately the same
13 cost. So it's really going to depend on the format of the
14 event, but it would probably require a contract with a
15 hotel or a space, and some travel by the team, if we did
16 it outside of Sacramento. So that would be kind of a best
17 case estimate.

18 COMMITTEE MEMBER OLIVARES: What is the cost of
19 the Diversity Forum?

20 DEPUTY EXECUTIVE OFFICER PACHECO: The Diversity
21 Forum, off the top of my head, it was split between
22 CalPERS and CalSTRS. And I believe it ended roughly 35 to
23 \$40 thousand dollars per system. And that included the
24 contract with the convention center, any speakers,
25 logistics, set-up, audio, visual, and so forth.

1 COMMITTEE MEMBER OLIVARES: So it's not revenue
2 neutral after fees, for example, registration fees?

3 DEPUTY EXECUTIVE OFFICER PACHECO: No. Most of
4 our events are not -- our Educational Forum, we do charge
5 a registration fee. We try to keep it minimal, because it
6 is a cost to the employers that we're trying to bring
7 there and educate. But it is not a wash. The Educational
8 Forum can cost anywhere between \$300,000 to \$400,000 each
9 time we hold it, again, depending on locations. We find
10 that Northern California is more expensive than Southern
11 California, because they have just more facilities that
12 meet our needs.

13 COMMITTEE MEMBER OLIVARES: Thank you.

14 DEPUTY EXECUTIVE OFFICER PACHECO: Sure.

15 COMMITTEE MEMBER OLIVARES: I also wanted to
16 comment on the frequency of the Investment Committee
17 meetings. And I want to thank the Investment staff for
18 their hard work. So as a Chief Investment Officer myself
19 and having led funds, I understand the amount of time that
20 it takes, and I understand that there will be multiple
21 influences. From what I've seen, the most frequent
22 investment committee meeting is quarterly. I've seen it
23 semi-annually and I've seen it annually. So this is very
24 different.

25 I understand that this is a public board, but

1 there are other public boards too, such as one that I've
2 led in the past, and we met quarterly as a Board with the
3 Investment Committee meeting quarterly in between Board
4 meetings. So there is some precedent for that.

5 It can be very challenging to provide the
6 information that the Board needs, especially in times of
7 economic uncertainty. And so there are many platforms,
8 some of which have been discussed, through which Board
9 members can educate themselves. We can get updates,
10 economic overviews, things of that nature, so we don't
11 have to use this this time.

12 But I do think it's very critical to the
13 performance of CalPERS fund that the Investment team be
14 able to focus. I really do. There are 20 work days in a
15 on. Right now, three of those days are dedicated to Board
16 meetings -- to attending Board meetings. That does not
17 include any of the preparation time, or any of the follow
18 up, which I would estimate is a minimum of two days, so
19 that takes out an entire week.

20 It is very hard to track the market and make the
21 necessary corrections if you're hear on a monthly basis,
22 very hard.

23 Thank you.

24 CHAIRPERSON JONES: Ms. Taylor.

25 VICE PRESIDENT TAYLOR: Thank you, Mr. Chair.

1 So I will -- thank you guys for this and thank
2 the Board members who put this together, Mr. Miller and
3 Ms. Middleton. I believe that we should pare down our
4 meetings. I'm not -- I know that -- I think Ms. Middleton
5 said that we could have that as a bare minimum and then
6 schedule more, is that what I heard?

7 COMMITTEE MEMBER MIDDLETON: (Nods head.)

8 VICE PRESIDENT TAYLOR: Which is fine with me. I
9 heard Mr. Feckner say that maybe going down to four is too
10 quick for us or too much. I can't remember the word you
11 used. Sorry.

12 So maybe we could meet in the middle and make a
13 motion to go down to six meetings rather than four
14 meetings. That's up to the Committee. I'm not on the
15 Committee.

16 I will say I've been here for five years, I do
17 know that it takes more than a week for our Investment
18 Office to prepare for these meetings, especially when it's
19 trust fund review. Any of our large reviews that we come
20 across, it takes almost the entire month for them to
21 prepare for the meeting. Then the three-day meetings, and
22 then I would imagine they do the debrief.

23 So let's be clear that it is very time-consuming.
24 And it does take our staff away from their job. So
25 whether -- yes, we are here in the public, but the other

1 thing is if staff is preparing documentation for a
2 downturn and they see -- you know, here's some information
3 everybody needs to know, it will be on the Insight tool,
4 and we can review that, we can make phone calls. We have
5 the ability to call folks.

6 If our stakeholders need to hear this
7 information, I'm sure that we can -- if we feel it's
8 public information, we can put it out on the website.
9 They have access to the website. But I think it's very
10 important, if we are to make a seven percent return at 70
11 percent funded, that we focus. Has it changed -- I don't
12 know whether or not it's changed our returns. I do notice
13 a difference in returns since Ben has gotten here. So
14 let's be clear that if we're going to make sure that Ben
15 gets his vision through, which he said is going to take
16 time, we need to give him time to do that.

17 So again, I would recommend whomever on the Board
18 to make -- kind of meet in the middle and do a
19 recommendation for six.

20 CHAIRPERSON JONES: Okay. Ms. Yee.

21 BOARD MEMBER YEE: Thank you, Mr. Chairman. I
22 just had also a couple questions for Ms. Dominguez. And
23 that is one of best practices and whether committees of
24 the whole are -- I mean it seems like something of a
25 past-time, but is it -- was it a best practice, and if so,

1 what was the rationale?

2 MS. DOMINGUEZ: I'm sorry. The question was,
3 were committees as a whole --

4 BOARD MEMBER YEE: Yes.

5 MS. DOMINGUEZ: -- best practice?

6 BOARD MEMBER YEE: What -- has it ever been a
7 best practice, and if so, what was the rationale or the
8 origin of the thought of that?

9 MS. DOMINGUEZ: Right. The whole -- well, as
10 we've talked before, the -- you're looking at Board
11 structure, you're looking at operational oversight, you're
12 looking at strategy, one of the primary responsibilities
13 of the Board. So the concept of committees came about as
14 a way of decentralizing and allowing for the acquisition
15 of expertise and acknowledge among the various board
16 members, so that they could do the deep dive and then
17 bring it up to the full Board.

18 So to my knowledge, while there are some -- in
19 the nonprofit world that are, I would say, committees of
20 the whole, it really is -- it's almost like an oxymoron to
21 be honest, because it's -- the whole focus of a Committee
22 is to be -- to delegate some of these responsibilities, so
23 that the individuals can have the expertise, the
24 efficiency, and the accountability.

25 One of the challenges when you have a committee

1 of the board, of the full board, is that there might be
2 sort of a tendency to defer to the individuals with the
3 deep expertise. And so the whole board doesn't really
4 identify the accountability of the expertise of each
5 individual. So when you have committees and you assign
6 the committee -- the board members to the various
7 committees, based on their expertise, it doesn't obfuscate
8 the accountability of each Board member.

9 So that was one of the rationales as the
10 evolution of boards. And the Board structure and the
11 composition that was one of the rationales for making sure
12 that that happens.

13 So I serve on the Calvert Funds board and we meet
14 four times a year. We do get reports when necessary. We
15 get updates. If we have to have a meeting, we'll have a
16 board call. In your instance, because of the uniquenesses
17 of CalPERS, I heard that you would have the flexibility to
18 call a special meeting or to add another meeting, based on
19 the workload.

20 But I do think that what's really important is to
21 keep in mind that the role -- the primary role of a board
22 is that of strategy and making sure that the risk is
23 managed, along with the other components of talent and
24 succession planning.

25 So to the extent that you have the flexibility to

1 establish these meetings, as you deem appropriate based on
2 the different committees, I think that's a plus. It's
3 unique, but most boards meet the committees meet four,
4 maybe five times a year. And I am not aware of any board
5 having a committee of the whole, as a leading practice.

6 BOARD MEMBER YEE: Okay. Mr. Chairman, I'm
7 thinking through each of these recommendations. And I'm
8 trying to thread the needle among each of them, because it
9 seems to me -- I mean, I -- I know there's been some
10 practices with respect to a good rationale for having
11 quarterly meetings. But, to me, it's really the quality
12 of the meetings and what you do with your time.

13 And so -- and I just have to say, I'm having a
14 little bit of a hard time thinking about how we transition
15 from the Investment Committee being something other than
16 the committee of the whole. And I get it the one -- the
17 first bite, second bite of the apple in terms of the
18 Board, you know, then looking to ratify the Committee's
19 recommendations.

20 But everything we do in Investment Committee is
21 about oversight. It's about policy. It's about strategy.
22 It's about -- I mean -- and I don't -- that gets lost in a
23 Board meeting by the time it gets to the Board. So those
24 who wouldn't be serving on the Committee I think would not
25 have the opportunity to -- well, they could come to a

1 meeting, I suppose, and be engaged. But this is our bread
2 and butter business of this fund, serving on this Board.

3 And so I'm feeling a little -- like we're, in
4 some ways, kind of diminishing our role by moving in that
5 direction.

6 But reducing the number of meetings I'm probably
7 not as exercised about, if the meetings are using our time
8 in a very quality way. And I think certainly with the use
9 of the platform, there are things that don't need to take
10 up actual meeting time.

11 Maintaining the current schedule of the Board
12 meetings, I'm not sure what that buys us, if we don't have
13 committee meetings kind of meeting the same number of
14 times. I don't want to make work and just have Board
15 meetings either. So I'm looking at maybe encompassing one
16 of those Board meetings to be, you know, the annual
17 stakeholder forum, and maybe having one be the strategy
18 offsite. I want to give the investment staff as much
19 breathing room as possible, but I also don't want to be
20 taken for granted.

21 So I want information. I want us to dig deep. I
22 would hope that anyone in this Board who has an interest
23 in serving on the Investment Committee has the opportunity
24 to do so, because I do think the broad array of
25 perspectives we bring and the expertise we bring makes us

1 a richer -- has come to richer decisions.

2 But I'm feeling like we're kind of cutting and
3 dicing and not really getting to, I think, how we can be
4 the most effective, in terms of carrying out our duties,
5 which I think is kind of the whole point of governance.

6 So, I guess what I would say is one strategy
7 offsite is fine. Annual Stakeholder Forum is fine. I
8 would be happy to just to convert one board meeting to be
9 an annual stakeholder meeting. People are used to meeting
10 here in Sacramento. I think people have an easy time
11 getting here.

12 I think the quarterly meetings I would be fine
13 about if I could be assured that, you know, we would have
14 ample communication in all ways in between -- in the
15 intervening time. I'm not so sure about maintaining the
16 current schedule of Board meetings, because I don't know
17 what that means, why we would need that then. And then
18 the consistent structure for Board meetings, I would say
19 probably, yes, with the exception of Investment Committee.

20 CHAIRPERSON JONES: Mr. Miller.

21 BOARD MEMBER MILLER: Okay. There we go.

22 Just two things. One, this idea that -- I'm not
23 on this Committee. I think for the audience, unless
24 you've memorized who's on the Committee or maybe from the
25 seating arrangement -- although, we've got folks at each

1 end who aren't, I don't feel I'm a second class citizen.
2 I don't feel on this Committee that the Chair is not
3 allowing me the opportunity to participate fully.

4 BOARD MEMBER BROWN: Make a motion then.

5 BOARD MEMBER MILLER: And any decision that's
6 made, I will get to actually make motions and vote when it
7 comes to the full Board. But I benefit from the work done
8 by this Committee. And if I want to participate, I may.
9 None of that will change with these recommendations.

10 That's the whole point. We're adding more to
11 the -- we're not taking anything away. And I have a sense
12 that people feel like this is trying to take something
13 away from them, and I don't know where that comes from.
14 It's not about them. It's about how do we enhance our
15 performance.

16 As far as the schedule of keeping basically a
17 monthly Board meeting, but having the schedule of the
18 various committee meetings coordinated with that, so that
19 we have quarterly meetings, but, for example, we would
20 certainly be deferring to Rob if he said, okay, we've got
21 four quarter meetings scheduled for Investment Committee,
22 but we need to add another one. So on this month where it
23 wasn't scheduled, we're going to add one, because of the
24 circumstances that require it or need it.

25 But I would suggest that perhaps putting them on

1 the calendar without knowing we need them would then -- t
2 pretty much guarantees you're going to have them, whether
3 you need them or not. So I would, you know, urge you to
4 move the recommendation as written, knowing that there's
5 the flexibility to address that issue. And if we need
6 more than a quarterly meeting or need an ad hoc meeting,
7 we can certainly schedule it.

8 CHAIRPERSON JONES: Mr. Perez.

9 COMMITTEE MEMBER PEREZ: It seems like we're
10 trying to make something happen just to fit the
11 nomenclature of the subcommittee and it doesn't -- it
12 doesn't feel right.

13 So I will motion that we keep the Investment
14 Committee as a Committee of the whole, and I will motion
15 that we go to six investment -- six meetings a year, not
16 counting the offsite or any kind of education, six like
17 meat and potato meetings. And by meat and potato
18 meetings, I mean that any kind of the reports that we
19 need, no presentation from staff. Let's free up them
20 time. They can provide us that information with the
21 Insight tool. And this is all predicated that the Insight
22 tool will indeed give us the time and the time we need to
23 read that information before we make any decisions.

24 CHAIRPERSON JONES: Okay. Mr. Perez, you made a
25 motion. And I'm going to accept that motion, and if you

1 got a second. But we have at least six other people who
2 want to speak, so I don't want to take action on that
3 until we've heard everybody --

4 COMMITTEE MEMBER PEREZ: That's fine.

5 CHAIRPERSON JONES: -- and then go back to Ms.
6 Rodriguez to hear. And I see the public also raised in
7 this. Mr. Woodson raising his hand. This is the item he
8 wanted to talk about.

9 So is there a second to Mr. Perez motion for --

10 COMMITTEE MEMBER PEREZ: It can wait. It can
11 wait.

12 CHAIRPERSON JONES: It can wait?

13 COMMITTEE MEMBER PEREZ: Yeah, absolutely.

14 CHAIRPERSON JONES: Okay. You remove it. Okay.
15 Good. Thank you. Okay. Mrs. Pasquil Rogers.

16 VICE CHAIR PASQUIL ROGERS: Thank you, Mr.
17 Chairman. I want to thank the leads who worked really
18 hard on this. And I know that it's tough, but I do
19 support the Committee structure and I do appreciate the
20 fact that I can sit here even if I'm not a member of the
21 Committee and speak. I think that it's wise to have
22 two -- you know, to have a Committee structure, and then
23 go to the full Board.

24 I've -- since just being here a few months, I've
25 been concerned about, yes, the Investment Team, but all of

1 the team. Because when you think about once we leave this
2 room after the -- you know, on Wednesday, they aren't
3 thinking about all the grand wonderful things that they
4 can do and are creative. They've -- they're working
5 backwards on, you know, notice dates and whatnot.

6 And I worry that if we don't give them more
7 flexibility to do their jobs, all the staff, that we
8 could -- you know, we suffer because of that. So I feel
9 very strongly about I like paring down. But I also want
10 to be mindful that if we're think -- you know, if we're
11 not doing this right, or if you guys disagree, you know,
12 let us know.

13 I think that -- I agree that it might be -- it
14 might be better to do a phase-in if we're -- there's going
15 to be any change, because I think sometimes an abrupt
16 change, especially like this, will not only upset all of
17 us, but it could really upset the stakeholders and I'm
18 mindful of that. I think though that the opportunity to
19 try something out is always a good way to go.

20 Thank you.

21 CHAIRPERSON JONES: Ms. Ortega.

22 BOARD MEMBER ORTEGA: Thank you. Thank you.

23 I am also not on the Committee, but I wanted to
24 express my support for reducing the number of meetings, in
25 addition to the items that have been mentioned about the

1 staff's time, and the ability for them to focus on their
2 primary job responsibility rather than preparing for the
3 next meeting is being good stewards of the fund. And I
4 think that using our resources and the fund's resources
5 efficiently is also part of what we should be doing.

6 And when I look at even this week's meeting
7 agenda, where we have tomorrow as being a very short day,
8 where we could have combined that into a fewer number of
9 days. I know the first couple of months I was here we had
10 several days of the three days that were half days. And I
11 don't think those are good uses of our time. That means
12 people have traveled here when they could have maybe had
13 one fewer hotel night, one fewer night of per diem. They
14 could have gone back to their day job.

15 There are lots of ways that I don't think that
16 the current Board schedule uses the time or money of the
17 fund efficiently. So that would be another reason why I
18 would support reducing it down.

19 I think Ms. Taylor, Mr. Perez's comments about
20 the six rather than four is perhaps a good place to land.
21 I think if I were on the Committee I probably would second
22 that motion, so...

23 CHAIRPERSON JONES: Thank you.

24 BOARD MEMBER ORTEGA: Thank you.

25 CHAIRPERSON JONES: Ms. Brown.

1 BOARD MEMBER BROWN: Thank you.

2 You know as we're talking about having a Board
3 meeting every month, or Board of Administration meeting
4 every month, I think that is actually -- is actually
5 wasteful, because you're paying for flights, which is the
6 most expensive part. So if you're going to reduce -- if
7 you're going to reduce the days, the number of months we
8 meet, then we should still go back to three days, Monday
9 Tuesday, Wednesday, if you go every other month, kind of
10 like STRS does.

11 And I'm just wondering, it's kind of nice to have
12 Monday, Tuesday and then think about what happened and
13 then you come back for the full Board meeting. You have
14 some time on that Wednesday. And I'm wondering, does
15 anybody have a conflict with meeting on Wednesdays? We
16 typically meet the third Wednesday of the month. And I
17 just want to make sure that we're not changing this just
18 because somebody has a conflict with meeting on the third
19 Wednesday?

20 Thank you.

21 CHAIRPERSON JONES: Okay. Mr. Rubalcava.

22 COMMITTEE MEMBER RUBALCAVA: Thank you, Mr.
23 Chair.

24 I appreciate the discussion, and the
25 deliberation, and the other work -- other workstreams have

1 done, particularly this one. And I am on the Committee
2 and I was prepared to make a motion, or offer a substitute
3 motion, if need be, that we accept the recommendations
4 from the workstream team from Workstream 3 with the
5 exception that the Investment Committee -- I see the merit
6 in the discussion that the Investment Committee meet six
7 times a year rather than four, but also with the
8 understanding that the -- that the quarterly meetings for
9 the other committees be a minimum.

10 And it will be up to the Chair and the Vice Chair
11 of the Committee whether they need to do a special
12 meeting. So that would be my motion or substitute motion
13 as the case may be after we hear from Cari.

14 Thank yo.

15 CHAIRPERSON JONES: Okay. I think I'm going to
16 take a turn here. I -- you know, I think that I could
17 support reducing the number of meetings. I think it would
18 be rather disruptive though to be on call for meetings,
19 because people have other lives. And even staff may plan
20 vacations and then you all of a sudden call a meeting and
21 staff is on vacation or I may be on vacation, and you call
22 a meeting. And so I think it's -- it would be just a
23 little disruptive in terms of calling a meeting on the
24 last moment for people to then gather.

25 I think if you want to reduce the number of

1 meetings, I think the appropriate approach would be to
2 cancel a meeting, rather than trying to add one, if you
3 wanted to do it. But I could support the -- I think the
4 six meetings. I think that the comment was made about the
5 Investment Committee having a final decision as opposed to
6 having two bites at the apple. You always have the
7 opportunity to have two bites at apple, because you could
8 vote not to vote to approve an item on Investment
9 Committee and ask staff to bring it back. So you can do
10 that as many times as you want, so I don't think it's a
11 rationale to say you won't have an opportunity to have
12 further discussion because you have that one bite at the
13 apple for the Investment Committee.

14 And I think that -- I think it does make a
15 difference when you are part of the Committee, in terms of
16 your involvement as opposed to just being at the end.

17 So I would support a reduction of the number of
18 meetings, and quarterly meetings for others, except the
19 six months for the investment, and -- but I would also
20 support continuing at this stage to have the -- all
21 members part of the Investment Committee meeting. So
22 that's my view on this subject so far.

23 So now, we go back to Ms. -- oh, wait a minute.
24 We've got another one.

25 Mr. Ruffino

1 ACTING BOARD MEMBER RUFFINO: Thank you, Mr.
2 Chair. Although, the Treasurer Fiona Ma is not a member
3 of the Committee, and therefore we don't vote, but I would
4 like to lend -- or I would like to express our support for
5 the reduction of the meeting. And I think the great
6 Controller Betty hit right on the nail. It's quality.
7 It's not frequency. And I have this little flash-back in
8 my previous life, being a member of a board, and we used
9 to meet two and a half days a week -- I mean, sorry two
10 and a half days a month, and, you know, for many, many,
11 many, many years.

12 And then when the recommendation came to become
13 more efficient and be able to accomplish even more, and to
14 reduce not only the meeting dates from two and a half days
15 to one day, or one and half, it was needed, but also
16 reduce the frequency of the meeting to quarterly meeting.
17 And everybody was like no way. They just -- it's not
18 going to work. There was so much opposition and folks
19 were just not ready, because we resist change. We don't
20 know. Change by the very nature of the definition gives
21 us all stress and anxiety, because we don't know.

22 Let's have a -- let's be a little bit more
23 optimistic and have faith, first of all, in our staff.
24 And we all -- I haven't heard any negative comment about
25 Mr. Meng and his ability. So let's give him the time that

1 he needs and let's give him -- and lets us -- you know, we
2 can change again, if it doesn't work, in a year from now.
3 We can go back just like we do it now or next time around.

4 But I think it's -- again, it's about quality.
5 It's not frequency. And by the way, I'm happy to report
6 that particular group we did well. Now, like one day and
7 we're done. And we very efficient. We're saving money.
8 We did all the right things.

9 So for whatever it's worth, I just wanted to
10 share that little personnel anecdote, you know, about my
11 personal experience, and -- but the Treasurer does support
12 a reduction in the meetings.

13 Thank you, Mr. Chair.

14 CHAIRPERSON JONES: Okay. Ms. Middleton.

15 COMMITTEE MEMBER MIDDLETON: Yeah. I think we've
16 got some choices to make and we can plow through this and
17 try to do this here from -- from the dais today in terms
18 of all of these recommendations. Some it's pretty clear
19 where the majority of everyone is.

20 But one alternative always is to allow this
21 workstream to go -- to hear -- accept these comments and
22 come back with a proposal for the September meeting that
23 would be based on everything that has been heard here
24 today. And I think some of the recommendations will be
25 very easy to make, but others we'll have an opportunity,

1 if we -- rather than try to decide today, we kick this to
2 the next meeting. We'll also have an opportunity to
3 confer with staff as to what works best for them, and come
4 back with a full set of recommendations that we can then
5 debate, and decide in September.

6 CHAIRPERSON JONES: Okay. We have still more
7 people to speak.

8 Mr. Feckner.

9 COMMITTEE MEMBER FECKNER: Yeah. Thank you, Mr.
10 Chair. I mean, I'm kind of up in the air whether or not
11 we do it today or if we wait till September and let the
12 Committee work on it. But I guess my point when I said
13 earlier the six meetings for Investments, that would be
14 either six Investment Committee meetings and then
15 Investments not be included as part of the offsite, or
16 five Investment Committee meetings and the investment
17 staff be part of the offsite.

18 So the President and the CEO can make that
19 determination. But not having them have to present at the
20 offsite might free up even more time than they have
21 already, because that's a pretty big lift to move all
22 their staff and everything to the offsite. So if we just
23 went to six meetings and left them out of the offsite,
24 could be able to give them an open opportunity.

25 CHAIRPERSON JONES: That's a good point. Good

1 point.

2 Ms. Brown.

3 BOARD MEMBER BROWN: Yes. Thank you. I'm hoping
4 that whatever the recommendation is, you come back with a
5 sample calendar of how it would work. It would be nice to
6 see it rather than just talk about it. That's pretty
7 simple to do.

8 Thank you.

9 CHAIRPERSON JONES: Okay. Mr. Miller.

10 BOARD MEMBER MILLER: Yeah. I would just urge
11 the Committee to move on this today, move these
12 recommendations. We could kick the can down the road. I
13 don't know that there's anything new you're going to hear
14 from anyone. I think there -- it's a decision that the
15 Board will then kick around some more and have the final
16 say. And I just don't want us to fall into this pattern
17 of, oh, well, we can't quite decide right now, so we're
18 just going to push it off another month or two.

19 And I think the issues are pretty clear. They're
20 before you, and you've got a couple motions already that
21 have been kicked out there. So I'd like to see you move
22 it.

23 CHAIRPERSON JONES: And I agree with -- I agree
24 with Mr. Miller, because I don't think it's fair to have
25 the staff just having heard all this and see which way

1 we're thinking. I think we should make that decision to
2 which way we want to go. So I think it would be
3 appropriate to have some kind of motion or direction to
4 staff to come back with how this would look, based on the
5 recommendation.

6 But before we do that, I'm going to go back to
7 Ms. Dominguez -- we have three people -- four people to
8 speak on this item. And before I do that, though, I
9 wanted to -- let me see who we have here. Okay. Just one
10 minute.

11 We have four people to speak. Okay. Now, did
12 you want to -- hit your button though. Okay. But hit
13 your button though I can't --

14 CHAIRPERSON JONES: Okay. There you go.

15 COMMITTEE MEMBER PEREZ: I'd like to make that
16 motion I said earlier.

17 CHAIRPERSON JONES: Could you wait till we hear
18 the public comments first, before you make the motion?

19 COMMITTEE MEMBER PEREZ: Yes.

20 CHAIRPERSON JONES: Just so that we get all the
21 input and then -- okay. Let's go ahead and hear the
22 public -- oh, yeah, we're going to hear from Cari first,
23 because we have this request that she has an opportunity
24 to comment, then we're going to go to the public speakers
25 and then motion.

1 MS. DOMINGUEZ: Thank you. Well, I think you've
2 illustrated that challenges before this Board, in terms of
3 the different complexities of your governance model. I do
4 think that -- as I said earlier, I do think that as long
5 as we -- as you continue to differentiate between strategy
6 versus operational reports, because oftentimes -- I heard
7 511 reports -- oftentimes, it's just sort of rear-view.
8 It's what's transpired. And that type of information
9 shouldn't consume your time, your deliberation's time. So
10 it's very important for you to really differentiate what
11 should be coming to the Board for action, for oversight
12 versus what should the Board be informed about for
13 purposes of your governance.

14 So I think that will differentiate what, you
15 know, the timing or the structure of your meetings --
16 meeting times and meeting dates.

17 So -- but again, keeping in mind that whatever
18 the model is the overriding responsibility is one of
19 strategy and how are you supporting that strategy, is it
20 through the reports or is it through other kinds of
21 resources that you can invite to bring to the Board.

22 I don't know what the turnover issues had -- you
23 know, I'm not sure if exit conferences were done, but it
24 really is something to be concerned about in terms of the
25 turnover that has happened at CalPERS, whether that had

1 something to do with the overwhelming amount of data, I
2 don't know, but it's something that I think the Board
3 should certainly explore.

4 CHAIRPERSON JONES: Okay. Thank you.

5 Okay. So now we have -- and as I call your name,
6 the first three can come up to the mics and you will have
7 three minutes to speak. Mr. Jelincic, Mr. Hutchison[SIC]
8 and Mr. Woodson.

9 CHAIRPERSON JONES: Mr. Jelincic, you were called
10 first.

11 MR. JELINCIC: J.J. Jelincic. The trust
12 documents charge the Board with the admin -- with the
13 responsibility to manage the assets of the trust. They
14 also charge the Board with the Administration of the
15 system.

16 Staff considers the Board a problem to be
17 managed. This proposal is designed to make that easier.
18 Meeting less frequently will not improve oversight.
19 Trustees will face longer agendas, that will be even
20 further -- which will further reduce the likelihood that
21 Board members will have the time or the inclination to
22 actually read the material. It will provide more Board
23 travel time.

24 Just yesterday, you did the annual review of what
25 you and your agents have done in the Opportunistic

1 Strategies. Can you tell what the returns were? How
2 about what the costs were? Does that include the
3 opportunities costs? What were the opportunity costs?
4 What opportunities did you see? What investments did you
5 make to take advantage of those opportunities? Why? What
6 opportunities did you identify but were unable to take
7 advantage of and why not?

8 You did learn that you need more resources, but
9 learned nothing about the types of resources you actually
10 need. Do you really think less frequent meetings will
11 improve your understanding? I urge you to either reject
12 this or at least kick it back and think about it some
13 more.

14 Points I had not planned on making, but will
15 since I have some time. The stakeholder meeting, if it is
16 like the Ed Forum, it really will serve as an ability to
17 tell the stakeholders what you think they need to know.

18 Public comment will be available every month with
19 the Board meeting, except that your own rules say that the
20 only thing you can comment on in public comment are things
21 that are relevant to that agenda.

22 And one of the other issues that's come up is
23 people say, well, why does the Board meet monthly? And I
24 will -- or continue to meet on its regular schedule? And
25 I will tell, quite frankly, it's because you've got

1 administrative law decisions you have to get approved in a
2 timely manner. And if you go to quarterly meetings, you
3 won't meet that legal requirement.

4 So I really urge you to either reject this or at
5 least take Ms. Middleton's suggestion and kickback --
6 think about it for another month.

7 Thank you.

8 CHAIRPERSON JONES: Mr. Hutchings.

9 MR. HUTCHINGS: Good evening, Chair and Members.
10 Dane Hutchings, representing the League of California
11 Cities. There is certainly a lot to unpack here, so I'm
12 going to focus really my comments specifically to the
13 frequency of the Investment Committee meetings. As the
14 representative that represents the cities who will most
15 assuredly be the ones who face the brunt of what is to
16 come over the next five to ten years, I can tell you
17 wholeheartedly we are 100 percent in support of the
18 Investment team here at CalPERS, ensuring they have the
19 tools they have need to maximize investments.

20 I would say that if your CIO is advising that you
21 allow them to spend every waking moment they can
22 forecasting and working on trying to maximize returns and
23 not fixating on the past, creating 511 reports that really
24 tell you where you're -- where you've been and not where
25 you're going, I think it's certainly something that we

1 need to take into consideration.

2 Furthermore, you know, one of the things that the
3 staff report mentioned is focusing on core duties. We
4 need to ensure that our Investment team is prepared,
5 engaged, and spending time tracking the market, and not up
6 here every month spending time away from doing their
7 primary duties.

8 Moreover, I would say that, you know, there's a
9 lot of issues with regards to the retention in the
10 Investment Office. I would say first and foremost, we
11 would -- you know, and the League of Cities would
12 certainly be behind this, we need to pay their Investment
13 staff what they're worth, so they don't get poached by the
14 private guys. I think that's one big reason that we're
15 getting turnover as well, but that's maybe a conversation
16 for a different day.

17 You know, when -- you know, we look at it this
18 way, the employers are the insurers of this benefit. And
19 as such, we support the staff recommendation to explore
20 all options to maximize returns. Get them the time they
21 need to focus on, you know, moving in a direction of
22 exploring more options for private equity. Let them focus
23 on, you know, steering way out of these divestment issues
24 and focusing on maximizing returns.

25 And I should also note too that like the

1 legislate -- like the State Legislature, you know, with
2 regards to folks who are on the Committee, there are
3 policy committees that are specified that are designed for
4 the folks who have a -- who have an experience in that
5 matter. They discuss the policy implications at length,
6 and then it's brought before the entire body for a full
7 debate, discussion, and vote.

8 Nothing would change in that regard. You
9 certainly would have an opportunity to weigh in, share
10 your opinions, and take a vote on that issue.

11 And so again, the League of California Cities --
12 I should also say I was asked to speak on behalf of the
13 California Special Districts Association who could not be
14 here today, also in strong support of the Committee,
15 whether it's four meetings or six. Let's cut this work in
16 half for these guys and let them get to work.

17 Thank you.

18 CHAIRPERSON JONES: Thank you.

19 Mr. Woodson.

20 MR. WOODSON: Larry Woodson, California State
21 Retirees. Thank you for the opportunity to address you
22 again.

23 In preparatory information, there were two
24 variables that were identified as key to good governance,
25 transparency and stakeholder participation. I'm not sure

1 if it's -- it was a little disheartening to hear from some
2 of the Board members that you've got enough information
3 now to move ahead and not kick the can down the road, and
4 yet, that was before public comment.

5 In Thursday's meeting when we -- when I first
6 learned of this, there was a how to get here slide -- how
7 did we get here slide saying the opportunities for
8 stakeholder input occurred in January, March, and June.
9 And I asked Ms. Simpson at the time what were those
10 opportunities? What form did they take? And she said you
11 could have commented in three minutes at Board meetings
12 where updates were given.

13 But none of those three months the stakeholders
14 meetings that were held was this a topic for discussion.
15 We were never informed this very important effort was
16 underway. I learned for the first time about it on
17 Thursday. So I don't think that is adequate stakeholder
18 involvement.

19 Specific content concerns, reducing Committee
20 meetings, especially for Investments and Pension and
21 Health Benefits is troubling. I hear some flexibility in
22 terms of Pension and Health Benefits. But in the four
23 years I've been Chair of that committee, Health Benefits,
24 it deals with extremely complex, ever-changing health
25 benefits issues. When I first became chair, the Pension

1 and Health Benefits Committee met nine times a year. Then
2 it was reduced to eight two years ago. Then it was reduced
3 to the current six. I don't think that's adequate.

4 The workload for CalPERS has not changed in any
5 of these areas. I don't think it's decreased. The
6 Committees is where the work occurs. And to say, as Ms.
7 Middleton suggested, that the Board meetings -- not
8 cutting back on the Board meetings will give us an
9 opportunity to give input. That's not where we give good
10 input, because it's the information exchange is in the
11 Committee. That's where we learn and that's where really
12 decisions are made when they're brought back to the Board
13 for a full vote, then it's usually as the Committee
14 suggested.

15 And so lastly, I would just say these meetings,
16 if they're only four or even six, they're going to be 10
17 or 12 hour meetings, and that's not going to be
18 productive, and that's not good governance.

19 So I would just end on that note. I hope you do
20 discuss a little further and blend something -- come back
21 with something a little more flexible.

22 Thank you.

23 CHAIRPERSON JONES: Okay. Thank you.

24 Okay. The next groups of speakers Mr. Lennox,
25 and Ms. Jefferson -- Jeppson.

1 MS. JEPSON: He called you first.

2 MR. LENNOX: Sure. Good evening Chair and
3 Members. Derick Lennox on behalf of the Small School
4 Districts Association, as well as the School Employers
5 Association of California. You can probably tell by the
6 organizations I'm representing, I spend a lot of time with
7 school employers. These are superintendents, business
8 officials, and staff that they work with all across the
9 State.

10 It's not often that they come up and ask me a
11 question about CalPERS. Sometimes it's about their own
12 retirement, or health benefits, or something along those
13 lines. But when they do, the number one question they
14 have is what's going on with investment returns? Because
15 they understand the very clear nexus between the good work
16 that your Investment staff does with respect to meeting
17 return assumptions, and the costs that they have to pay at
18 the local level to make sure that pension benefits are
19 paid out in the long run.

20 We support pensions very strongly, so it's an
21 important priority for schools. But at the same time,
22 there's a really direct connection between the Investment
23 returns and the services that can actually be provided at
24 the school site level.

25 You've heard us talk time again about the

1 increasing kind of encroachment of pension costs, as well
2 as other fixed costs, such as health care premiums,
3 special education, Step and Column, important things, but
4 things that are rising across the school front. All of
5 that collectively makes it more difficult to close the
6 achievement gap, to provide lunches and breakfasts to
7 kids, to provide the essential services that we need
8 across our schools.

9 So I'm trying to bring it all back to the
10 important work that your investment team does and what it
11 means that you as Board are thinking about, steps that you
12 can take strategically to help them maximize those
13 risk-adjusted returns, because that's something that we
14 all really care about.

15 On the other subjects that you have here, I'm
16 really happy that you're talking about them as well. The
17 Stakeholder Forum, I don't know what that looks like yet,
18 but I'm really excited for it. I think that your annual
19 Ed Forum, you do a really good job of being accessible to
20 school leaders. So the more that we can talk about
21 engagement with stakeholders, that's a great thing.

22 And the other thing that I'll mention in terms of
23 the frequency of Board meetings is I have the pleasure of
24 not only monitoring and attending your Board meetings, but
25 CalSTRS as well. And you both do a really great job, but

1 they have six meetings over the course of the year and one
2 offsite meeting, and an additional meeting that's in
3 closed session for appeals.

4 So the idea of going to six meetings for them,
5 from the stakeholder perspective, wouldn't be totally
6 irregular. It makes total sense to us and it's really
7 about what the Board thinks is best strategically for
8 maximizing those risk-adjusted returns. So thanks so much
9 for the opportunity to talk about these items. We really
10 appreciate your consideration of them.

11 Thank you.

12 CHAIRPERSON JONES: Thank you.

13 MS. JEPPSON: Cathy Jeppson, CSU, ERFSA. I
14 apologize for running out of the room. I had put in a
15 phone call to Dana Dillon who is on the STRS Board and
16 has -- I don't think she's currently the Chair, but she's
17 been the Chair for many years. And I asked her this same
18 question, how many investment meetings do you have per
19 year? And the answer was six plus the one offsite.

20 And then I asked her how many people are on the
21 Investment Committee and she said it's a Committee of the
22 whole, so that everybody that is on the Board is also a
23 member of the Investment Committee.

24 I would support six Investment meetings, but I
25 would also support six Pension and Health Benefit

1 meetings, and I wouldn't include those -- for example, in
2 the April 2020 calendar, there is a meeting scheduled, but
3 it is only a closed meeting. It is not an open meeting.
4 But there's so many things going on with Pension and
5 Health Benefits, that I would think that you would want to
6 make that one six also.

7 And, you know, the two strategy offsites, I was
8 on the freeway from the Oakland Airport for a little over
9 two hours going to the offsite. I wouldn't have a problem
10 whatsoever of making it one meeting. And I think Brad
11 that the Annual Stakeholder Forum or Forums is a great
12 idea. And I would suggest you hold them here to keep the
13 cost down. You've got rooms over here. It would work.

14 And I think that's it. Thank you very much for
15 the opportunity to speak.

16 CHAIRPERSON JONES: Okay. Thank you.

17 MS. JEPPSON: Um-hmm.

18 CHAIRPERSON JONES: Yeah. We have another
19 request to speak, Mr. Neill.

20 MR. NEILL: Good evening, Mr. Chair.

21 CHAIRPERSON JONES: You have three minutes and
22 identify yourself and your organization.

23 MR. NEILL: I won't take all of it. I promise.
24 Geoff Neill with the California State Association of
25 Counties. Appreciate the opportunity to speak here today

1 on this issue.

2 We also support the Board and the Committees
3 having fewer meetings. We -- our own -- just speaking
4 from the experience not only of our own board, but the
5 Board's of the counties that we represent, they do
6 frequently more commonly -- more frequently than this
7 Board does, but they meet for a much shorter period of
8 time for each of those meetings.

9 And so they -- you know, they make sure that they
10 have time to deal with the business that they need to deal
11 with both strategically and in an oversight manner. They
12 have subcommittees, the same as this Board does that meet
13 again less frequently.

14 So if the schedule that they keep, if they need
15 more meetings, they're always free to add them on an
16 as-needed basis. And they don't seem to have a problem
17 doing that. I think that this Board meeting less
18 frequently, as others have said, would give the Investment
19 staff and the other staff more time to fulfill their
20 primary duties, and then still be able to give full and
21 complete reports to this body, to the full Board, whether
22 it's acting as a Board or as a Committee to make the
23 strategic decisions they need to make.

24 So again, appreciate the opportunity to speak
25 here today.

1 CHAIRPERSON JONES: Okay. Thank you very much.
2 Okay. So that concludes the requests to speak. So, Jason
3 you had the -- yeah, okay. You wanted to make a -- can I
4 request that we separate the motion to deal with the --
5 what I've heard is the Investment Committee has a separate
6 recommendation and the six-month is a separate
7 recommendation, or --

8 COMMITTEE MEMBER PEREZ: Not in the motion that
9 I --

10 CHAIRPERSON JONES: Okay. All right. Go ahead,
11 Mr. Perez.

12 COMMITTEE MEMBER PEREZ: Not on the motion that I
13 made, sir.

14 CHAIRPERSON JONES: Okay. So go ahead and make
15 your motion, because it wasn't -- you took it back, so now
16 you go ahead and make your motion.

17 COMMITTEE MEMBER PEREZ: So I motion that we go
18 to six meetings including Investment for six meetings, but
19 not -- not in -- so these meetings do not include
20 offsites. Offsites are for educational, team building,
21 stuff like that.

22 And I still -- and I motion that -- I done know
23 how to word it -- that the Insight tool provides us with
24 the information that we need on the off months that we can
25 study, and raise questions, and email the team about. And

1 then that we remain a Committee of the whole.

2 CHAIRPERSON JONES: Okay.

3 COMMITTEE MEMBER FECKNER: I'll second.

4 CHAIRPERSON JONES: Moved by Mr. Perez, second by
5 Mr. Feckner that we go to six meetings for IC, and also
6 provide the Insight tool on a regular basis, and also
7 continue the Investment Committee as a committee of the
8 whole.

9 All those in favor say aye?

10 (Ayes.)

11 CHAIRPERSON JONES: Opposed?

12 (Noes.)

13 CHAIRPERSON JONES: Let's vote by electronic, so
14 we can see who's --

15 (Thereupon an electronic vote was taken.)

16 COMMITTEE MEMBER OLIVARES: Can -- I just wanted
17 to clarify.

18 CHAIRPERSON JONES: Okay. Clarification. Go
19 ahead.

20 COMMITTEE MEMBER OLIVARES: This will be six
21 meetings the --

22 CHAIRPERSON JONES: You need to --

23 COMMITTEE MEMBER PEREZ: She hit it.

24 CHAIRPERSON JONES: Yeah, but the -- okay. The
25 problem is I got -- I can't get out of this.

1 Okay. She turned it on. I can't turn it on
2 because of the vote.

3 COMMITTEE MEMBER OLIVARES: Okay. So it would be
4 six general Board meetings.

5 CHAIRPERSON JONES: Investment.

6 COMMITTEE MEMBER OLIVARES: I thought it was
7 both, so six --

8 COMMITTEE MEMBER PEREZ: It's six. The motion I
9 had or the thinking I have was six meetings altogether.

10 COMMITTEE MEMBER OLIVARES: Six meetings of the
11 Board and that -- those Board meetings would include a
12 presentation from the Investment Committee?

13 COMMITTEE MEMBER PEREZ: Yep.

14 COMMITTEE MEMBER OLIVARES: Versus six meetings
15 of the Board and six --

16 COMMITTEE MEMBER PEREZ: Yeah.

17 COMMITTEE MEMBER OLIVARES: Okay. So those would
18 be together. This would not include the offsite?

19 COMMITTEE MEMBER PEREZ: Correct.

20 COMMITTEE MEMBER OLIVARES: And the Investment
21 Committee would continue to be comprised of the Board as a
22 whole.

23 COMMITTEE MEMBER PEREZ: Yes. And good info
24 from -- excuse me. Good info from Insight.

25 CHAIRPERSON JONES: Well, excuse me though. I

1 think what I heard her question was is it was combined in
2 the Board and Investment Committee. I don't -- that's not
3 what you're suggesting.

4 COMMITTEE MEMBER PEREZ: No, I'm saying that we
5 all meet six times a year as Board for Board business.
6 And during that Board meeting, we have a meeting with the
7 Investment team.

8 CHAIRPERSON JONES: So you're saying during that
9 period we have an Investment Committee, which would be on
10 a different day than a Board meeting.

11 COMMITTEE MEMBER PEREZ: It doesn't have to be.

12 CHAIRPERSON JONES: Yeah.

13 MS. HOPPER: Cancel the vote?

14 CHAIRPERSON JONES: Yeah, cancel the vote.

15 Clarify the --

16 COMMITTEE MEMBER RUBALCAVA: Can I make a
17 substitute motion?

18 CHAIRPERSON JONES: Yes, you can.

19 COMMITTEE MEMBER RUBALCAVA: Thank you, Mr.

20 Chair. I will make a --

21 CHAIRPERSON JONES: Wait a minute just -- okay.
22 She's -- could you -- okay. I can control this now.
23 Okay. Go ahead. No, go ahead.

24 COMMITTEE MEMBER RUBALCAVA: Oh. I just
25 procedurally, we did vote on his. So can I still make a

1 substitute motion, even though -- I'm not sure if it
2 passed or not.

3 CHAIRPERSON JONES: We didn't finish.

4 COMMITTEE MEMBER RUBALCAVA: Okay. So I can make
5 a substitute motion?

6 CHAIRPERSON JONES: Yeah, a substitute motion.

7 COMMITTEE MEMBER RUBALCAVA: Yeah. My substitute
8 motion is similar to what I stated earlier. It would be
9 based on the recommendations from the workstream. And
10 I'll go by bullets so everybody is clear, consolidate two
11 strategy sessions -- offsites into one; institute an
12 annual stakeholder forum, I'll separate it by the
13 committees would meet at least quarterly, with the
14 understanding Investment Committee will meet at least --
15 will meet six times a year; and the Health -- Pension and
16 Health will be as needed, which will be -- could be six,
17 but at least four; and that the Board meetings will
18 continue the current schedule. Okay. Then establish a
19 consistent structure for Board Committees. That will mean
20 it would apply to all committees, meaning that the
21 Investment Committee would no longer be a Committee of the
22 whole. That is my motion.

23 COMMITTEE MEMBER FECKNER: Second.

24 COMMITTEE MEMBER PEREZ: Hold on. We started
25 voting and we didn't finish. It was up there.

1 COMMITTEE MEMBER FECKNER: It's a substitute
2 motion.

3 CHAIRPERSON JONES: He has a substitute motion.

4 VICE PRESIDENT TAYLOR: It was improper because
5 you didn't discuss the motion.

6 CHAIRPERSON JONES: Right.

7 So, Mr. Jacobs.

8 GENERAL COUNSEL JACOBS: This substitute motion
9 takes the place of Mr. Perez's motion. And then if it
10 goes down, then Mr. Perez's motion would be up for a
11 decision.

12 CHAIRPERSON JONES: And further discussion.

13 GENERAL COUNSEL JACOBS: Yes.

14 CHAIRPERSON JONES: Ramon.

15 COMMITTEE MEMBER PEREZ: So if I'm copying
16 correctly, it's basically to do what they referred to.

17 CHAIRPERSON JONES: Yes. Mr. Rubalcava, is that
18 the --

19 COMMITTEE MEMBER RUBALCAVA: Yes. Just the
20 one -- with one clarification, that instead of -- it will
21 be at least quarterly as opposed to -- because this one
22 doesn't say at least quarterly. The Committee meetings
23 will be at least quarterly, meaning the Chair would have
24 the option of making it more than -- but with the other
25 standing that the Investment Committee will meet six times

1 a year. That would be doing an amendment to the
2 recommendation of Workstream 3.

3 CHAIRPERSON JONES: Excuse me, could you put back
4 on the screen, so we can see those recommendations?

5 THE COURT REPORTER: Who seconded the motion?

6 MR. PEREZ: Mr. Feckner.

7 CHAIRPERSON JONES: Rob seconded it

8 COMMITTEE MEMBER FECKNER: I seconded it.

9 COMMITTEE MEMBER MIDDLETON: Mr. Chair, if I
10 could speak.

11 CHAIRPERSON JONES: Okay. Just a minute. Just a
12 minute. This is -- yeah. Okay. Okay. So this -- yeah,
13 Ms. Taylor is first and then -- she was on the -- in the
14 queue.

15 VICE PRESIDENT TAYLOR: So I would recommend -- I
16 can't vote, but I would recommend supporting this
17 motion -- thank you very much. It's getting late, guys --
18 simply because I think we've made the change to six. I
19 think that's a good change. I think that gives us the
20 ability to pare down the meetings, while having enough
21 meetings to satisfy everyone. But I also think it's very
22 important that we stay consistent for the Board structure
23 for Committee meetings and go down to nine members for the
24 Investment Committee, because I understand that -- I think
25 Ms. Jeppson said that CalPERS -- CalSTRS has a Committee

1 of the whole for the Investment Committee, but it is an
2 unusual makeup. And I don't know who -- what, the chicken
3 or the egg came first, and whether PERS and STRS both
4 decided to do that.

5 But I think it's important that we are able to
6 drill down into the work. Everybody gets to vote,
7 everybody gets to talk. As you can see, we are all here.
8 We get to have commentary. We get to call, you know,
9 Robert's Rules of Orders or Rosenberg's Rules of Orders
10 and say that vote was out of order.

11 So we've had the ability -- we will have the
12 ability to be here, and make commentary, and listen to
13 everything that's being said. So I think it's important
14 that we support Mr. Rubalcava's motion.

15 CHAIRPERSON JONES: Okay. Ms. Middleton.

16 COMMITTEE MEMBER MIDDLETON: Yeah. Okay. I like
17 Mr. Rubalcava's motion, but I think for the purpose of
18 clarity so that everyone understands exactly what they're
19 voting for, this would be easier if we would address each
20 one of the four bullet points with an individual vote on
21 each one of the four, rather than trying to bring all four
22 of them into one motion. And I say that again strictly
23 for clarity.

24 It will take a minute -- a couple of minutes
25 longer, but we'll know exactly what we're voting for.

1 CHAIRPERSON JONES: So you could make a
2 substitute motion then.

3 COMMITTEE MEMBER MIDDLETON: I'm offering that as
4 a suggestion at this point to the maker of the motion.

5 COMMITTEE MEMBER RUBALCAVA: If it's a friendly
6 amendment, I would accept it.

7 CHAIRPERSON JONES: You could accept that as a
8 friendly. Okay. So we now have a motion and a second
9 with the friendly amendment.

10 So Mr. Perez.

11 COMMITTEE MEMBER PEREZ: I'm already on.

12 GENERAL COUNSEL JACOBS: If I might --

13 COMMITTEE MEMBER PEREZ: I think I confused
14 myself. So what I'm saying is just six meetings
15 altogether, not nine meetings, just six meetings, instead
16 of four. Did that come through last time or no?

17 COMMITTEE MEMBER FECKNER: Yeah.

18 CHAIRPERSON JONES: Yeah.

19 COMMITTEE MEMBER PEREZ: Oh. Okay. Never mind.

20 CHAIRPERSON JONES: Okay. So, Mr. Jacobs.

21 GENERAL COUNSEL JACOBS: If I might? The
22 amendment is so significant that it really gets rid of the
23 substitute motion if it's accepted by Mr. Rubalcava. So
24 we have a motion from Mr. Rubalcava with several sections
25 to it. And if he accepts the amendment, we're not really

1 voting on Mr. Rubalcava's original motion. What I would
2 suggest is that he withdraw that motion and put forward
3 each component of that motion as a separate motion. Does
4 that make sense, Mr. Rubalcava?

5 COMMITTEE MEMBER RUBALCAVA: And I will do so --

6 CHAIRPERSON JONES: Okay. So you withdraw it and
7 the second.

8 COMMITTEE MEMBER RUBALCAVA: -- for clarity and
9 for ease of voting.

10 COMMITTEE MEMBER PEREZ: Wouldn't that change
11 what I had already asked for so significantly?

12 GENERAL COUNSEL JACOBS: Yes. But he's making --
13 he's going to withdraw his substitute motion, which had
14 four or five parts and replace it with a substitute motion
15 on one part, followed by additional motions with respect
16 to each of the previous components.

17 CHAIRPERSON JONES: Okay. Okay. So let's go,
18 Mr. Rubalcava, you -- you have the floor and you motion.

19 COMMITTEE MEMBER RUBALCAVA: So now that first
20 motion is to consolidate two strategy offsites into one.

21 COMMITTEE MEMBER MIDDLETON: Second.

22 CHAIRPERSON JONES: Okay. Moved by Mr.
23 Rubalcava, second by Ms. Middleton.

24 All those in favor say aye?

25 (Ayes.)

1 CHAIRPERSON JONES: Opposed?

2 That item passes.

3 Okay. Mr. Rubalcava.

4 COMMITTEE MEMBER RUBALCAVA: The second motion is
5 to institute an Annual Stakeholder Forum.

6 COMMITTEE MEMBER MIDDLETON: Second.

7 CHAIRPERSON JONES: Second by Ms. Middleton.

8 Moved by Mr. Rubalcava, second by Ms. Middleton.

9 All those in favor say aye?

10 (Ayes.)

11 CHAIRPERSON JONES: Opposed?

12 The item passes.

13 Mr. Rubalcava.

14 COMMITTEE MEMBER RUBALCAVA: The third item, it's
15 a two-parter. We will consolidate the schedule of monthly
16 committee meetings into at least quarterly meetings, while
17 maintaining the current schedule of Board meetings. So in
18 other words, the Board meetings will still be monthly.
19 The Committee meetings, like for example the Investment
20 Committee and the Pension and Health Committee, the
21 Governance Committee will be meet at least quarterly. The
22 number of meetings would be determined by the Chair. I
23 think we've heard the Investment Chair say six times a --
24 would be for the Investment.

25 COMMITTEE MEMBER FECKNER: Second.

1 COMMITTEE MEMBER PEREZ: I'd like to make a
2 substitute motion first.

3 CHAIRPERSON JONES: Okay. There's a substitute
4 motion. Mr. Perez.

5 No. Wait a minute. You need --
6 Microphone.

7 Mr. Feckner second Mr. Rubalcava's motion.

8 So now go ahead, Mr. Perez.

9 COMMITTEE MEMBER PEREZ: Did I understand right
10 that he said he wants a monthly meeting?

11 CHAIRPERSON JONES: Just a minute.

12 COMMITTEE MEMBER PEREZ: Did I understand
13 correctly that, Ramon, you said we're still having monthly
14 meetings?

15 COMMITTEE MEMBER RUBALCAVA: For the Board of --
16 for the -- for this Board, Board of Administration will be
17 monthly, yes.

18 COMMITTEE MEMBER PEREZ: So --

19 COMMITTEE MEMBER RUBALCAVA: Maintain the current
20 schedule of Board meetings, yes, monthly.

21 COMMITTEE MEMBER PEREZ: Okay. I say we go down
22 to six meetings a year, including investment.

23 CHAIRPERSON JONES: Okay. So that's a substitute
24 motion. Is there a second?

25 So the motion fails for lack of a second. Okay.

1 Mr. Rubalcava's motion.

2 All those in --

3 MR. JELINCIC: Can you repeat it, Henry.

4 CHAIRPERSON JONES: Huh?

5 MR. JELINCIC: Can you repeat it? I'm confused.

6 CHAIRPERSON JONES: Just a minute.

7 Ms. Brown.

8 BOARD MEMBER BROWN: No, I was going to suggest
9 that Mr. Perez make the substitute motion he did, meaning
10 that basically we would only fly to Sacramento six times a
11 career for Board meetings, including an Investment
12 Committee meeting, and then any other meetings that need
13 to happen, Pension and Health, things like that. I think
14 you may your substitute motion and it died. So it looks
15 like we're going to fly to Sacramento every month, it
16 looks like.

17 Thank you.

18 CHAIRPERSON JONES: Okay. Ms. Ortega.

19 BOARD MEMBER ORTEGA: Yeah, I want to make the
20 same comment. I think that -- connected to my earlier
21 comments, the idea of having a monthly just stand-alone
22 Board meeting seems wildly inefficient to me. So I -- I'm
23 not voting, but I strongly recommend the Board not adopt
24 that motion.

25 CHAIRPERSON JONES: Okay. So that's the motion

1 on the floor.

2 So Committee, all those -- repeat

3 COMMITTEE MEMBER MIDDLETON: Mr. Rubalcava, could
4 you repeat --

5 CHAIRPERSON JONES: Would you repeat the --

6 COMMITTEE MEMBER RUBALCAVA: Sure. I'm sorry.

7 Yes. Once again, the motion is similar to what
8 was recommended with one minor change, which instead of
9 the committees meeting quarterly, it will be committees
10 meeting at least quarterly, while maintaining the current
11 schedule of Board meetings, meaning the Board of
12 Administration will continue its regular schedule monthly,
13 and the committees would meet at least quarterly with the
14 Investment Committee meeting six times a year.

15 CHAIRPERSON JONES: Okay. So the regular Board
16 is 12 -- well, Board --

17 COMMITTEE MEMBER RUBALCAVA: Board of
18 Administration, yes.

19 CHAIRPERSON JONES: And the Investment Committee
20 would meet six, and all the others would meet quarterly,
21 is that it?

22 COMMITTEE MEMBER RUBALCAVA: At least quarterly.

23 CHAIRPERSON JONES: At least quarterly.

24 Is there a second for that.

25 COMMITTEE MEMBER MIDDLETON: I'd like to make a

1 friendly amendment.

2 CHAIRPERSON JONES: Okay. Just a minute. Ms.
3 Middleton.

4 COMMITTEE MEMBER MIDDLETON: That each one of
5 the --

6 COMMITTEE MEMBER FECKNER: You're not on.

7 CHAIRPERSON JONES: There it is.

8 COMMITTEE MEMBER MIDDLETON: My friendly
9 amendment would be that Committee meetings are organized
10 in such a way, so that every Board meeting would also
11 include at least one Committee meeting, if not more than
12 one.

13 COMMITTEE MEMBER RUBALCAVA: That would be moving
14 forward to be efficient, which I think this was the whole
15 purpose of this exercise. So, yes, I will accept the
16 friendly amendment.

17 CHAIRPERSON JONES: Okay. So -- is there a
18 second?

19 COMMITTEE MEMBER PEREZ: I am beyond confused.
20 So we're voting now to have -- to still meet 12 months a
21 year --

22 COMMITTEE MEMBER FECKNER: No.

23 COMMITTEE MEMBER PEREZ: -- right?

24 COMMITTEE MEMBER FECKNER: Nine.

25 COMMITTEE MEMBER MIDDLETON: Nine. Nine months a

1 year.

2 CHAIRPERSON JONES: So we don't --

3 COMMITTEE MEMBER FECKNER: We meet 9 now.

4 CHAIRPERSON JONES: Yeah. We have two offsites
5 and the educational --

6 COMMITTEE MEMBER RUBALCAVA: Whatever the current
7 schedule is.

8 CHAIRPERSON JONES: -- right now. We have an
9 Educational Forum and two offsites now, so that's three
10 times we don't meet as a Board here, so that's nine.

11 COMMITTEE MEMBER PEREZ: Okay.

12 CHAIRPERSON JONES: And so what I'm hearing Mr.
13 Rubalcava saying to continue to meet those nine times, but
14 then the various committees would meet quarterly in
15 conjunction with those meetings.

16 COMMITTEE MEMBER PEREZ: Except for INVO, and
17 INVO will be --

18 CHAIRPERSON JONES: Would meet six.

19 VICE PRESIDENT TAYLOR: And unless there's no
20 Committee meetings. There's no stand-alone Board meeting.

21 CHAIRPERSON JONES: Yeah. Is that kind of clear?
22 You got it.

23 COMMITTEE MEMBER PEREZ: I think so. That's
24 three more meetings than what I said, but okay.

25 CHAIRPERSON JONES: Okay. So let's see if we

1 could -- we could vote on that then, because you -- it's a
2 friendly amendment

3 So all those in favor of the motion say aye?

4 (Ayes.)

5 CHAIRPERSON JONES: Opposed?

6 It passes.

7 Okay. You've got -- is that all of them.

8 CHAIRPERSON JONES: No.

9 COMMITTEE MEMBER RUBALCAVA: There's one more
10 point -- one more motion, which is to establish a
11 consistent structure for Board Committees, which means, in
12 my reading, that the Investment Committee would no longer
13 be a committee of the whole.

14 CHAIRPERSON JONES: Okay. So that's the motion
15 by Mr. Rubalcava is to establish a consistent structure of
16 all Board committees, including Investment Committee.

17 Is there a second?

18 VICE CHAIRPERSON PASQUIL ROGERS: I second.

19 CHAIRPERSON JONES: Second by Ms. Pasquil Rogers.

20 All those in favor say aye?

21 (Ayes.)

22 CHAIRPERSON JONES: Opposed?

23 (No.)

24 CHAIRPERSON JONES: Mr. Perez opposed. So the
25 item passes.

1 So I think that's does it on this item, I think.

2 COMMITTEE MEMBER PEREZ: Can I take my vote back
3 from the first one?

4 CHAIRPERSON JONES: No.

5 Okay.

6 COMMITTEE MEMBER PEREZ: No, really?

7 CHAIRPERSON JONES: Okay. Let's move on to
8 the -- I beg your pardon.

9 COMMITTEE MEMBER PEREZ: No, really, can I -- I
10 think --

11 THE COURT REPORTER: Microphone.

12 CHAIRPERSON JONES: Just a minute.

13 Yeah.

14 COMMITTEE MEMBER PEREZ: I think the purpose of
15 this was to allow staff to do good work. And so I think
16 that's a six-meeting structure, not the nine, so can I
17 change my early vote to no?

18 CHAIRPERSON JONES: The one --

19 COMMITTEE MEMBER PEREZ: It won't matter if it's
20 going to pass or not.

21 CHAIRPERSON JONES: The motion that passed,
22 you're asking to change that vote.

23 MR. PEREZ: Yes.

24 CHAIRPERSON JONES: Don't you have to be on the
25 prevailing side to change a vote?

1 GENERAL COUNSEL JACOBS: Technically, you do.
2 It's so recently ago though --

3 CHAIRPERSON JONES: Okay.

4 GENERAL JACOBS: -- that I don't see any harm in
5 allowing Mr. Perez --

6 CHAIRPERSON JONES: Okay.

7 GENERAL COUNSEL JACOBS: -- to change his vote on
8 that one.

9 CHAIRPERSON JONES: Okay. All right. Your vote.

10 GENERAL COUNSEL JACOBS: So the point is that
11 that particular motion we have now a one nay vote, as
12 opposed to previously it was unanimous.

13 CHAIRPERSON JONES: Yea. Okay. So that's the
14 vote.

15 Okay. We now go to the last recommendation, I
16 think.

17 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
18 Thank you, Chair.

19 CHAIRPERSON JONES: Oh, before you start, could
20 you get Ms. Dunning on the phone in case --

21 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
22 Not yet, the next item we'll be talking about the
23 code.

24 CHAIRPERSON JONES: Okay. Yeah, just a minute
25 before. I think we've got to give the reporter a break,

1 so let's take a ten minute break. Ten minutes. Okay.

2 (Off record: 5:58 p.m.)

3 (Thereupon a recess was taken.)

4 (On record: 6:10 p.m.)

5 CHAIRPERSON JONES: I'd like to reconvene the
6 Governance Committee meeting.

7 Can you get Mrs. Dunning -- she's on the phone?

8 VICE PRESIDENT TAYLOR: Not yet. We're not there
9 yet.

10 CHAIRPERSON JONES: Okay. We're getting ready to
11 get there.

12 VICE CHAIRPERSON PASQUIL ROGERS: It's not till
13 8.

14 CHAIRPERSON JONES: Oh. Okay.

15 VICE CHAIRPERSON PASQUIL ROGERS: So we're at --

16 CHAIRPERSON JONES: 7d. Okay. All right. Let's
17 then -- let's go to the 7d then. This does say Code of
18 Conduct.

19 GENERAL COUNSEL JACOBS: If I might?

20 CHAIRPERSON JONES: It's on there twice then.
21 It's on the agenda twice.

22 GENERAL COUNSEL JACOBS: No. If I --

23 CHAIRPERSON JONES: Yes, it is.

24 COMMITTEE MEMBER FECKNER: It may be different
25 subjects, but it's on there.

1 CHAIRPERSON JONES: Okay. You're going to give
2 the overview and then we'll go into the action item.

3 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
4 Yeah, I'll explain -- I'll explain what's going
5 on.

6 CHAIRPERSON JONES: Okay. Go ahead.

7 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
8 Thank you, Chair. Thank you, everybody. I
9 realize it's late, so much appreciate your continuing time
10 and attention, as this is all very important.

11 There's a recommendation from Workstream 4. This
12 workstream responded to an interest that was identified in
13 the evaluation, in CalPERS Board having its own code of
14 conduct, that would set out expectations of Board members
15 for themselves and for fellow Board members.

16 This is not intended to be a legal document.
17 It's tended to -- it's intended to set out expectations on
18 behavior and to deal with issues around confidentiality,
19 cordiality, and respect.

20 This workstream recommendation is to develop and,
21 afterwards, adopt a Board code of conduct. A first
22 reading of a potential draft follows in an information
23 action after this section of the agenda. But this is the
24 action item to develop and adopt a code of conduct. The
25 code itself needs more work. The Board will discuss it,

1 and then when appropriate come back to agree, a bit like
2 with the curriculum. The decision today was to develop a
3 Board curriculum, but that's obviously going to take time,
4 and the work will come back.

5 And I'm happy to answer any questions. And the
6 workstream leads may like to add to that, if I haven't
7 characterized it properly.

8 CHAIRPERSON JONES: Yeah. Ms. Taylor.

9 VICE PRESIDENT TAYLOR: So just to clarify,
10 because I think we're all confused. So here, we're just
11 voting to adopt -- develop and adopt a Board of -- code of
12 conduct. We're not --

13 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
14 In principle.

15 VICE PRESIDENT TAYLOR: In principle. Okay. And
16 then we go down to another one, we're going to do a first
17 reading of a code of conduct. Got it.

18 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
19 Correct.

20 VICE PRESIDENT TAYLOR: I just want to clarify
21 for everybody. Thank you.

22 CHAIRPERSON JONES: Okay. Mr. Perez.

23 COMMITTEE MEMBER PEREZ: So when do we have -- do
24 we have input on this part or the second part or both
25 parts?

1 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

2 Both. So this is to adopt in principle a code of
3 conduct and then later on in the agenda, there will be a
4 first reading of the working draft, which the two
5 workstream leads are putting forward just for discussion,
6 so it's in two pieces. In principle, does the Board agree
7 that it wants to develop and adopt a code of conduct. And
8 then here's the working draft for you to consider, if that
9 is approved. If it's not approved, then that discussion
10 isn't needed. If the Board decides it doesn't want a code
11 of conduct, the second piece falls away.

12 If the Board agrees it does, then there's an
13 opportunity to look at that first draft today.

14 Thank you.

15 CHAIRPERSON JONES: Okay. Ms. Pasquil Rogers.

16 VICE CHAIR PASQUIL ROGERS: I'd like to make a
17 motion to develop and adopt a Board code of conduct.

18 CHAIRPERSON JONES: Okay. It's been moved by Mr.
19 Pasquil Rogers.

20 COMMITTEE MEMBER FECKNER: Second.

21 CHAIRPERSON JONES: Second by Mr. Feckner.

22 All those in favor say aye?

23 (Ayes.)

24 CHAIRPERSON JONES: Opposed?

25 The item passes. Okay.

1 Number 5.

2 MS. HOPPER: Henry, you have public comment on
3 this.

4 VICE CHAIR PASQUIL ROGERS: You have public
5 comment.

6 CHAIRPERSON JONES: Yes. Okay. Yep. We've
7 got -- I'm wondering if they really want to make their
8 public comments when we talk about the document itself, as
9 opposed to this -- is that -- did I interpret that
10 correctly?

11 Mr. Darby, Mr. Hutchings, you want to speak now
12 or after we discuss the big item?

13 MR. HUTCHINGS: The big item.

14 CHAIRPERSON JONES: Okay. That's what I thought.
15 Okay. So we'll hold on the -- I know you -- they signed
16 up for this, but it's the next item that they want talk
17 to. Okay. Continue.

18 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
19 Thank you. We'll now turn to Workstream 5.

20 --o0o--

21 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
22 Moving swiftly along. Thank you.

23 Could you move to the recommendation?

24 And here it is. The recommendation. Workstream
25 5 had a number of Board members both at their -- for the

1 evaluation and who joined later, who've been giving input
2 to the design of a new technology platform, which has the
3 name Insight, which is not just a title. It's what its
4 meant to deliver for you.

5 And the idea is that you will have a new Board
6 dashboard of what Rick Funston calls vital signs. And the
7 purpose is to give you real-time management reporting,
8 which will improve Board oversight, but it will also, for
9 information that is not confidential, it will give better
10 reporting and transparency to all stakeholders.

11 So this is the recommendation. Having -- you'll
12 see in the agenda item, that what's being proposed by the
13 development team, Tim Taylor and friends, is that they
14 will continue to get input from interested parties.
15 They'll pilot it, intend to have a working functional
16 platform by the end of the year.

17 But not intending the best to be the enemy of the
18 good, this is something that we'll develop out in an
19 iterative way. And once it's fully functional and tested
20 can replace the current arrangement, but not until. So
21 the recommendation is before you. And I believe one of
22 the beta teams -- several members of the beta teams are
23 here, who may like to comment on the recommendation or add
24 to what I've said. Thank you.

25 CHAIRPERSON JONES: Are there any comments from

1 the workstream sponsors on this, or are there any comments
2 from other Board members?

3 Ms. Brown.

4 BOARD MEMBER BROWN: Thank you. I was on the
5 first flight of Insight, I'll say. And it's probably
6 because I complained the most about the current tool we
7 had. I like the fact that this will be available to our
8 stakeholders and the public who want to see it. But I do
9 have concerns that this is confidential, that you don't
10 tag or identify, track who's on the site, who's reading
11 what documents, how much time they spend, because from a
12 liability -- a fiduciary liability point of view, you
13 wouldn't want the Board making decisions on investments
14 when they actually never opened the item. If Insight is
15 tracking that, that could be a serious legal problem for
16 this Board, including when we make decisions on the ALJ.
17 If it tracks what we're doing, it could potentially be a
18 problem for us.

19 And that's why Diligent books and all the other
20 Board books do not track what pages or what documents
21 either Board members or the public go to. I mean, in
22 terms of Diligent, of course, it can't be the public.
23 It's only -- only the Board that could do that. But they
24 don't track what pages you're on, how long you've spent.
25 There's no tracking or tagging. And I want to make sure

1 that we're not doing that with Insight as well.

2 CHAIRPERSON JONES: Do you have a response to
3 that?

4 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
5 I'm not aware that that was intended. I'm not
6 sure if Tim Taylor is here. He is indeed.

7 CHIEF EXECUTIVE OFFICER FROST: I can answer that
8 question.

9 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
10 Thank you.

11 CHIEF EXECUTIVE OFFICER FROST: It is not
12 designed to do any kind of tracking as you described, Ms.
13 Brown.

14 BOARD MEMBER BROWN: Great. Thank you.

15 CHAIRPERSON JONES: Okay. Mr. Miller.

16 BOARD MEMBER MILLER: Yeah. I will just say that
17 I saw the early versions of the Insight tool and was very
18 impressed, and had some thoughts, and we shared them.
19 Then when I saw the later version, A, it was even better,
20 and the responsiveness to the issues that I knew of that
21 we had raised and others had raised was especially
22 gratifying. So I'm really looking forward to the Insight
23 tool.

24 And I was curious whether our distinguished
25 visitor Ms. Dominguez had a chance to look at the Insight

1 tool and whether you had any thoughts to share in terms of
2 your perspective on it?

3 MS. DOMINGUEZ: Thank you, Mr. Miller.

4 I have not looked at it, other than the
5 presentation that I witnessed last month. I do know, for
6 example, in the private sector we use Diligent as an
7 example of -- or Boardvantage and some of these, and
8 there's an assurance of confidentiality in the information
9 that is posted in that portal.

10 But based on what I was shown last month, I
11 thought it was really a tremendous improvement over the
12 information that's available now. And I think it could
13 really help to make the meetings a lot more efficient,
14 because you'll have that way in advance.

15 CHAIRPERSON JONES: Ms. Yee.

16 BOARD MEMBER YEE: Thank you, Mr. Chairman.

17 I wanted to -- I like the idea of this tool, but
18 I wanted to see if we could make it even more robust. And
19 I had mentioned this last month, and that is to provide
20 some room on the platform for reports from our consultants
21 and communications from our consultants.

22 CHAIRPERSON JONES: Okay. Okay. That can be
23 done. I see heads shaking. Yeah. Okay.

24 It's Ms. Olivares.

25 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

1 I saw thumbs up from Mr. Taylor. No relation.

2 CHAIRPERSON JONES: Ms. Olivares.

3 COMMITTEE MEMBER OLIVARES: Yes. I'd like to
4 know the budget and fiscal impacts. Here it just says NA.

5 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
6 Would you like to join us here, Tim. Thank you.

7 INFORMATION TECHNOLOGY SERVICES BRANCH CHIEF

8 TAYLOR: Good evening. Timothy Taylor, CalPERS team
9 member. Budget and fiscal impacts. At this point, what
10 we're doing is in-house development for the product. We
11 currently have approximately two full-time equivalents
12 working on it, not steadily. What we do is we'll have
13 periods of time where we work with the workstreams,
14 identify desired functionality. We'll make those
15 adjustments. We look for the next opportunity to sit down
16 and walk through.

17 As Mr. Miller had mentioned, he had seen an
18 early iteration of it and then he had seen subsequent
19 iterations for it. Currently, we're not leveraging any
20 consultants in its development. We're using open source
21 tools. We're leveraging a lot of stuff that we've already
22 developed.

23 The NA right now is because we're still -- even
24 though we're developing it in iterative fashion, we're
25 still trying to get an understanding of what the full

1 scope would be. And it's real hard for us to commit to
2 specific costs until we get that dialed in.

3 COMMITTEE MEMBER OLIVARES: Could you give me a
4 better understand of the company's cost structure, just
5 their business model when it comes to pricing.

6 INFORMATION TECHNOLOGY SERVICES BRANCH CHIEF
7 TAYLOR: It's custom developed. It's not a license
8 agreement with any external vendor. It's being developed
9 internally by State employees.

10 COMMITTEE MEMBER OLIVARES: Thank you.

11 INFORMATION TECHNOLOGY SERVICES BRANCH CHIEF

12 TAYLOR: Sure.

13 CHAIRPERSON JONES: Mr. Ruffino.

14 ACTING BOARD MEMBER RUFFINO: Thank you, Mr.
15 Chair. So real quick, our office, as you know, we're one
16 of the team that came sort of on the second half or later,
17 whatever. And so first and foremost, we want to thank
18 Anne and her staff for accommodating. As you can tell,
19 that was perhaps not the highest prior for the newly
20 elected State Treasurer, but she certainly wanted to
21 engage. As you all know, she's very hands on.

22 That said, she definitely supports. She's
23 impressed with the design and the enhancement. And she
24 definitely supports anything that provides better
25 transparency and oversight on a more timely basis.

1 CHAIRPERSON JONES: Okay.

2 ACTING BOARD MEMBER RUFFINO: Thank you, Mr.
3 Chair.

4 CHAIRPERSON JONES: You're welcome.
5 Ms. Pasquil Rogers.

6 VICE CHAIR PASQUIL ROGERS: I'd like to move that
7 we forward building out Insight to provide a new dashboard
8 for the Board's stakeholders and staff.

9 COMMITTEE MEMBER PEREZ: Second.

10 CHAIRPERSON JONES: Moved my Ms. Pasquil Rogers,
11 second by who?

12 COMMITTEE MEMBER RUBALCAVA: Perez.

13 CHAIRPERSON JONES: Perez. Okay.

14 (Laughter.)

15 CHAIRPERSON JONES: Discussion?
16 Ms. Taylor.

17 VICE PRESIDENT TAYLOR: I actually just want to
18 thank our team. And I want to thank the IT folks for --
19 I'm very pleased to hear that we're using in-house State
20 employees to create a system. It's unusual, so I do
21 appreciate it.

22 CHAIRPERSON JONES: Okay. So on the motion by
23 Ms. Pasquil Rogers, second by Mr. Perez.

24 All those in favor say aye?

25 (Ayes.)

1 CHAIRPERSON JONES: Opposed?

2 Hearing none. The item passes.

3 Thank you.

4 Now, we go to code of conduct. So do you need a
5 minute to get Ms. Dunning on the phone?

6 Okay.

7 MS. HOPPER: Calling her right now.

8 CHAIRPERSON JONES: Huh?

9 MS. HOPPER: Calling her right now.

10 CHAIRPERSON JONES: Okay.

11 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

12 Chair Jones, if I could just say, Cari Dominguez
13 has a flight to catch.

14 CHAIRPERSON JONES: Okay.

15 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

16 And, of course, we're running rather late on
17 time, so she will have to be -- she'll have to leave.

18 CHAIRPERSON JONES: Okay.

19 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

20 But I wanted to just draw that to the Board's
21 attention and the Governance Committee in particular.

22 VICE CHAIRPERSON PASQUIL ROGERS: Thank you,
23 Cari.

24 MS. DOMINGUEZ: If I may, I just want to say
25 thank you. I think that it's been a real privilege

1 working with you for the past year. But I also think that
2 change is so hard and that you, by taking on these action
3 steps, you're following through, which is a lot of -- a
4 lot of Boards have their evaluations, and they -- you
5 know, they identify recommendations, but then they fall
6 short on the action steps.

7 And so you're doing that. And I think that is a
8 real credit to your courage and to your desire for
9 continuous improvement. So it's been a real privilege to
10 work with you. And, of course, NACD continues to be
11 available for any type of consult or service. But you do
12 have a governance guru with you here in Anne Simpson,
13 so --

14 (Laughter.)

15 MS. DOMINGUEZ: But thank you all for allowing me
16 to be part of this effort.

17 CHAIRPERSON JONES: Okay. Thank you very much
18 and for all your services.

19 (Applause.)

20 CHAIRPERSON JONES: Safe travels.

21 Okay. Ms. Dunning, are you on the phone?

22 MS. DUNNING: Yes, I am.

23 CHAIRPERSON JONES: Okay. Thank you.

24 So we are about to start on Item 7 -- 8a, the
25 Code of Conduct.

1 Ms. Simpson.

2 --o0o--

3 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

4 Thank you very much, Chair. Thank you,
5 everybody. With the Board -- Committee's agreement that a
6 code of conduct be developed, hey, presto, as if by magic,
7 looking ahead, we have the first reading of work that has
8 been underway over the summer.

9 The draft has been developed with the leadership
10 of the two workstream lead and incorporates examples drawn
11 together from other funds and best practice organizations.
12 There was a discussion at the July offsite, as you will
13 recall. And at that stage, proposed edits were included
14 in an appendix. And I would like to put the record
15 straight, that there was some misinformation reported in
16 the media about what the code was proposing.
17 Specifically, I think this was headline -- a rather gory
18 headline suggesting it was intended as a gag order.

19 But I think that was quoting part of the code out
20 of context. If you looked at the workstream lead's edits
21 in the appendix, you would see that that was clearly not
22 their recommendation.

23 So following that discussion, what happened was
24 it was direction to management to integrate all of the
25 workstream leads' edits from the appendix into the text,

1 which is what you have before you, with one further
2 addition, which is taken from Robert's Rules of Order.
3 There was some concern in that early discussion of the
4 working draft that perhaps it was a little too vague in
5 parts.

6 So there was some existing language in Robert's
7 Rules of Order, which puts a little flesh on the bones
8 around what is meant by conduct or misconduct. And that
9 has been put forward into this draft.

10 Other than that addition from the workstream
11 leads from Robert's Rules of Order, which are currently
12 the parliamentary guidance for CalPERS own rules and
13 guidelines. So if you like, this is already an existing
14 standard. Other than that change, this is identical to
15 the document that was discussed in its early form in July.

16 So with that, Chair, I am -- I think look for
17 your guidance on how to proceed regarding comments and to
18 the workstream leads to add to -- add to what I've just
19 said to make sure I haven't miss anything out --

20 CHAIRPERSON JONES: Okay.

21 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
22 -- or misconstrued anything that they intended.
23 Thank you.

24 CHAIRPERSON JONES: Okay. So we'll just
25 entertain the questions from Board members any part of the

1 document. You've had it for some time now and respond to
2 those comments. And then we will seek a motion to --
3 if -- to accept this as a first reading.

4 Okay. Ms. Taylor.

5 VICE PRESIDENT TAYLOR: Yes. Thank you. And
6 again, thank you, Anne, for your work on this.

7 I wanted to jump out in front. I went through it
8 early while we were sitting here, made some corrections
9 that I thought were necessary. There's a lot of repeating
10 of the same kind of either thought or actual statement
11 throughout the document.

12 So the first part of it is on 1.2. And you all
13 can disagree with me. I'm just pointing out these are
14 repetitions. 1.2, "The Board duty is..." -- "The Board's
15 duty to its participants and their beneficiaries shall
16 take precedence over any other duty". And you -- and that
17 was said basically in 1.1, which is, "The CalPERS Board of
18 Administration is a 13 Board Member..." -- "...Board of
19 Trustees with fiduciary responsibility to pension system
20 members, and beneficiaries, and health care benefits. The
21 Board shall discharge their duties with respect to the
22 system solely in the interest of, and for the exclusive
23 purpose of providing benefits to, participants and their
24 beneficiaries...".

25 So it's all said there. And it's just you're

1 repeating it. So if you get rid of that, then you can
2 also get rid of, "Additionally...", which is the next
3 sentence.

4 I don't think I saw -- duties -- I think -- I
5 think it's repetitious to talk about, but I didn't cross
6 it out, "This code summarize..." -- In 1.3, "This code
7 summarizes a set of ethical expectations to promote a
8 culture of integrity and accountability...", and then this
9 comma here, which I think this part is unnecessary,
10 "...but nothing in this code should be considered as
11 limiting duties, obligations, or fiduciary requirements
12 with which Board members must comply", which is in our
13 1.1. So we've already stated that. We already know.

14 But that's just my opinion. Number two is a
15 repetition of the same -- Number 2, Duty of Loyalty, 2.1,
16 repetition of the same statement. "Board members shall be
17 free from conflicting personal interests and shall serve
18 the interests of the CalPERS Pension System over those of
19 any other person or group". And we have said this
20 earlier.

21 And then we did it again on 6, number 6.1, it
22 says, "Board members will not allow personal bias,
23 conflicts of interest or the influence of other people to
24 override their trustee responsibilities".

25 So hold on, I think we did it one more time. Oh,

1 yeah, we did. 8.2, "Members will not allow bias,
2 conflicts of interest or the influence of other people to
3 override their fiduciary responsibilities and loyalty to
4 the beneficiaries".

5 So there's a few words tweaked here and there,
6 but it's the same thing over and over again. We don't
7 need it, I think. Hold on, let me go make sure.

8 Okay. Yeah. I just wrote already said.
9 Sometimes I can't read what I write on the iPad.

10 So -- and I kind of thought, if you didn't want
11 to get rid of the 1 and 6, you could put it up under
12 Conflicts of Interest. That's up to you guys. Because
13 you're saying will not allow personal bias, conflicts of
14 interest, or influence, you could put it up over there.
15 But it still kind of says the same thing as the other ones
16 that I pointed out and said. And it said it -- it's
17 repeated again in 1.2. But I thought, okay, so we can
18 leave that there and then the rest are considered gravy.

19 But that's my recommendations for getting rid of
20 those. I think it's kind of messy and unprofessional if
21 we're saying the same thing over and over again.

22 I like the addition of 9.4. I thought about
23 whether or not 9.4 should go under Integrity. I don't
24 know. It's up for discussion.

25 But those are the things that are just out and

1 out blatant things that we should probably just get rid
2 of.

3 CHAIRPERSON JONES: I don't think we're going to
4 spend the evening wordsmithing. But your comments we'll
5 just ask staff to look at it and make sure you address
6 duplication, grammar and stuff like that, because --

7 VICE PRESIDENT TAYLOR: Yeah, there was no --
8 it's just duplication.

9 CHAIRPERSON JONES: Yeah. Yeah. Okay. Okay.
10 Mr. Perez.

11 COMMITTEE MEMBER PEREZ: Thank you. I have
12 some -- some edits to it. They must have been lost in
13 translation or through the tons of emails we had to
14 explaining, I'm sure.

15 On page 82, I go back to that, 1.1, if we can
16 include the trustees or their --

17 VICE CHAIR PASQUIL ROGERS: Designees.

18 COMMITTEE MEMBER PEREZ: Those guys.

19 Thank you.

20 ACTING BOARD MEMBER RUFFINO: This guy.

21 (Laughter.)

22 COMMITTEE MEMBER PEREZ: Page 83. Come on,
23 little guy.

24 You guys are going to look at grammar. 4.2,
25 fourth line down, "Board members will be professional and

1 respect to one another, management, staff,...", so we're
2 missing a comma there.

3 5.1, first sentence, "to make policy decisions".

4 Page 84. Why isn't it coming up?

5 "Breaches of this code, whether intentional or
6 unintentional, shall be reviewed by the Board Governance
7 Committee, excluding any Board members whose breaches are
8 under review, which, if necessary, shall make
9 recommendations to the full Board". So this has to go in
10 conjunction with the next edit, which is signing this
11 under penalty of perjury.

12 So let's pretend that there's a leak of -- an
13 intentional leak of closed session material or some kind
14 of other secret, that could be a misdemeanor. Signing
15 this under penalty of perjury with an unintentional leak
16 is now a felony.

17 VICE PRESIDENT TAYLOR: No.

18 COMMITTEE MEMBER PEREZ: If you're signing it
19 under penalty of perjury.

20 CHAIRPERSON JONES: Let Mr. Jacobs respond, Ms.
21 Taylor.

22 GENERAL COUNSEL JACOBS: What's the question?

23 CHAIRPERSON JONES: Repeat it.

24 COMMITTEE MEMBER PEREZ: The language signing
25 under penalty of perjury if we willfully or

1 unintentionally violate this code of conduct, does that --

2 GENERAL COUNSEL JACOBS: If you will fully -- if
3 you -- when you sign this under penalty of perjury
4 certifying that you are in compliance with the policy or
5 with the code of conduct when you knew that you weren't,
6 you would be -- you would have committed a felony.

7 COMMITTEE MEMBER PEREZ: Yep. So we need to take
8 that out.

9 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

10 So to take out the --

11 COMMITTEE MEMBER PEREZ: Because this section
12 says willfully or unwillfully.

13 COMMITTEE MEMBER FECKNER: Which section are you
14 on?

15 COMMITTEE MEMBER RUBALCAVA: 10.1, I think,
16 right?

17 COMMITTEE MEMBER PEREZ: The language about
18 willfully or not willfully, that's 9.2.

19 CHAIRPERSON JONES: 9.2.

20 COMMITTEE MEMBER PEREZ: "Breaches of this code,
21 whether intentional or unintentional...".

22 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

23 "...shall be reviewed by the Board Governance
24 Committee...", et cetera. And then the reference to
25 affirmation and perjury is in Section 10. So, Mr. Perez,

1 are you recommending that the reference under penalty of
2 perjury be deleted?

3 COMMITTEE MEMBER PEREZ: Yes, please.

4 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
5 Thank you. Just so I'm clear.

6 COMMITTEE MEMBER PEREZ: It was in the original
7 edit that I had, but again probably got confused.

8 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
9 Yeah. If -- no -- the drafting is always they
10 say, you know, the making of sausage. Don't -- do not ask
11 how it's done. Just be glad when it's all finished. It's
12 a messy process.

13 COMMITTEE MEMBER PEREZ: Those were the -- those
14 were the --

15 CHAIRPERSON JONES: Just one minute. I -- you
16 know, it's one thing to not wordsmith, but that's a
17 substantive piece of the document that I don't think we
18 just should go and start taking them out, unless there's a
19 concurrence of the committee, because that's a pretty
20 substantive piece of the document itself.

21 So I just would like to see if there are any
22 other Committee members or any other Boards have a concern
23 with deleting that, because that's a pretty substantive
24 piece of information in the document.

25 Let's see. Mr. Feckner.

1 COMMITTEE MEMBER FECKNER: Yeah. Thank you, Mr.
2 Chair. I understand what Mr. Perez is trying to say, but
3 I think if we can just work on the wording and keep the
4 penalty of perjury, but somehow isolate that inadvertent
5 piece that he's referring to, I think that would comp --
6 would fix the issue. I understand what he's trying to
7 say, but at the same time, we don't want to give somebody
8 a free pass, just because it was inadvertently. It just
9 won't be under the penalty of perjury. It still would be
10 under the Board's obligation or authority to discipline
11 them, even if it's innocent.

12 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
13 The Duty of Care?

14 COMMITTEE MEMBER FECKNER: Correct.

15 COMMITTEE MEMBER PEREZ: Henry?

16 CHAIRPERSON JONES: Okay. Yeah. Just a minute,
17 Jason. Your mic is still on.

18 COMMITTEE MEMBER PEREZ: What's that?

19 CHAIRPERSON JONES: Your mic is still on.

20 COMMITTEE MEMBER PEREZ: So let's take, for
21 example, a couple of recent allegations of people
22 revealing closed session material. Those people would now
23 be felons.

24 CHAIRPERSON JONES: I guess so, yeah. Okay. We
25 have -- I've got a list here, so, let's -- I'm going to go

1 to the list.

2 Mr. Rubalcava.

3 COMMITTEE MEMBER RUBALCAVA: Thank you.

4 And I just lost my language here. Hold on.

5 Sorry. I hit the wrong button. I had some -- I have
6 three comments.

7 First, with respect to wordsmithing, I do have
8 a -- I think there's a sentence that can be cleaned up a
9 little bit. That's section 9.2. Let me get to it. The
10 first sentence in 9.2. It's a long sentence, but I think
11 it reads better if we add two words to it, the word
12 "including" and the word "that".

13 So it would read as follows, 9.2, "Board members
14 are encouraged to bring issues that may rise concerning
15 compliance with this code to attention of the President of
16 the Board or share of the Board Governance Committee...",
17 and add "...including any questions or issues at that...",
18 T-h-a-t, "...that may arise concerning compliance with
19 this code".

20 With those two new words inserted, it would read
21 a lot cleaner and make sense. That's the first point.

22 CHAIRPERSON JONES: Again --

23 COMMITTEE MEMBER RUBALCAVA: I don't think it
24 changes the substance of it. It's just --

25 CHAIRPERSON JONES: Yeah, I know, but we'll be

1 here all night if everybody is going to say make this
2 change. So what I would suggest is that if it's a
3 wordsmithing issue, if you write it down and give it to
4 Anne. And then she'll take all of that information and
5 then --

6 COMMITTEE MEMBER RUBALCAVA: Sure. Fine. I'll be
7 happy to do that.

8 CHAIRPERSON JONES: -- do the document. Because
9 I don't think we should sit here and line 4, line 5,
10 because it will be all night. But if it's a substantive,
11 like Jason raised about that, that is a substantive issue
12 and so we should discuss that.

13 COMMITTEE MEMBER RUBALCAVA: I have two more
14 statements. One is more like an explanation. Ms. Taylor,
15 perhaps rightly mentioned there's a lot of repetition, but
16 I think sometimes I understand the intent. For example,
17 the whole thing about the precedence of one duty over
18 another duty, I think the source of that is the State
19 Constitution.

20 The reason it's there is because the State
21 Constitution also talks about there's a -- that this duty
22 is governing over another subordinate duty, which is to
23 defray the cost of the employer plan sponsor. That's why
24 it's there, so I don't know if we need it or not.

25 I mean, it's already in the State -- in the State

1 Constitution, so I'm not sure if we need it or we need to
2 repeat what's already in State Constitution.

3 And to speak -- the third point is I think it is
4 necessary that we have that information, 10.1, basically
5 that you will abide by this code of conduct or else why
6 would we have it.

7 So there has to be some bite to it. But I am
8 willing, as Mr. Rob Feckner mentioned, you know, fix it,
9 so there's no inadvertently violation.

10 CHAIRPERSON JONES: Okay.

11 COMMITTEE MEMBER RUBALCAVA: Thank you. And that
12 concludes my statements.

13 CHAIRPERSON JONES: Ms. Middleton.

14 COMMITTEE MEMBER MIDDLETON: Okay. Thank you,
15 Mr. Chair. And I definitely don't want to try to
16 wordsmith. Just a couple of observations. All of us
17 before joining the Board were required to complete the
18 fiduciary training that Ms. Dunning provided. And as I
19 recall, we signed that document. It would seem to me that
20 what is in that fiduciary training simply needs to be
21 acknowledged, and that we certify, once again, we did go
22 through that training, we understand it, and we are
23 complying with it.

24 And we shouldn't try to repeat, in the course of
25 this code of conduct, things that are covered within that

1 fiduciary training that we have gone through. I think
2 that would -- if we can do that, that may help to reduce
3 the length of the document, which I believe would be
4 beneficial. There are some fundamental things that should
5 be in a code of conduct. And let's try to stay as close
6 as we can to those fundamental requirements.

7 I would make note the only place that I find we
8 are speaking to our obligations to those employers that
9 are providing the benefits here is the one phrase,
10 "minimizing employer contributions thereto". And we have
11 a fundamental obligation, I believe, that is broadly
12 within our fiduciary responsibilities to do en -- to do
13 our best to make sure that this system is affordable, that
14 it's sustainable, and that it is something that the
15 employer community can support.

16 And I was comfortable within the fiduciary
17 responsibilities as I understood them from Ms. Dunning and
18 from that training, that my obligation, as a local elected
19 official, was certainly covered within that training to
20 make sure the system is sustainable.

21 I get a little bit more nervous when I read a
22 phrase such as in 2.1, "...will operate in a manner where
23 it places its loyalty to members as its only priority".
24 That causes me to struggle.

25 Okay. Thank you.

1 CHAIRPERSON JONES: Ms. Brown.

2 BOARD MEMBER BROWN: Thank you.

3 Ms. Middleton, I'm going to agree with you.
4 Happy days. I do agree that the duty of loyalty and duty
5 of care is different than our fiduciary training. We have
6 the slides from January when we had our training. Ms.
7 Middleton you must have got it separately, because you
8 joined us after January.

9 But it's very clear what our duty of loyalty is.
10 And the phrase in the training is that, "Above all,
11 CalPERS Board will operate in a manner where it places its
12 loyalty to the members, participants, and beneficiaries of
13 its members as its highest priority". It is not "only".
14 But why are we rewriting our duty of loyalty and our duty
15 of care, when it's already been prescribed for us by
16 our -- by our fiduciary lawyer and it's different. It's
17 written different. I have -- so that's mine.

18 I do have some wordsmithing. And so Henry, I
19 like the idea if like we all get sent the Word document we
20 could track it, and send changes back, because they're all
21 a little different.

22 But -- so that's one of my issues. I had the
23 same issues with Theresa that we're repeating the same
24 statements over, and over, and over again.

25 I do have concerns with 1.3, where "CalPERS'

1 reputation depends upon the manner in which Board members
2 conduct business". I believe CalPERS reputation depends
3 on investment returns, in my -- in my opinion. So I don't
4 agree with that.

5 That's also in the Duty of Loyalty, this is where
6 I think it's different than our training. At the very
7 last two lines, it says that we, "...shall serve the
8 interests of the CalPERS pension system...". That is not
9 our duty. It's our duty to serve the beneficiaries.

10 There's also some problems with when it talks
11 about Integrity, 6.1, and personal bias, or conflicts of
12 interest, or influence of other people. We all have our
13 personal biases. We're not -- you know, we're not AI
14 computers. We all have our biases and they come with us.
15 And so if you say we're not supposed to have any personal
16 biases, you know, I couldn't sign that under penalty of
17 perjury, because I do have personal biases. I do.

18 I think it's terrible that we're going to have
19 nine Board meetings and spend extra money to fly us up
20 here when we could do it in six, but that's my personal
21 bias.

22 More importantly, though, when we continue to
23 talk about personal bias and you go to Section 8.2, it
24 says that, "Board members understand they are representing
25 CalPERS in and outside of Committee and Board meetings".

1 Well, you know, I would have to -- I would have to
2 disagree with that. When I am outside of CalPERS, I might
3 be representing maybe my association, or maybe some other
4 group I belong to. So I want to be very, very clear that
5 you can't -- you have to be very clear that who we
6 represent, especially people like that work for CalHR, or
7 SPB, or even the Treasurer and the Controller. When
8 they're outside this Committee meeting, they represent
9 their public agency, not necessarily CalPERS. And there
10 are conflicts between the two and there are biases.

11 And so I want to be clear that you're asking them
12 to sign this under penalty of perjury. And I think it's a
13 huge problem.

14 More importantly, when you add --

15 CHAIRPERSON JONES: Ms. Brown, excuse me?

16 BOARD MEMBER BROWN: Yes.

17 CHAIRPERSON JONES: I just -- Ms. Dunning, you're
18 listening, because I'm going to ask you when this
19 discussion is over to comment on these various aspects
20 that deals with our fiduciary responsibilities in
21 questions. So just be prepared for that.

22 MS. DUNNING: Yes, I'm listening. Thank you.

23 BOARD MEMBER BROWN: Okay. And then this new
24 section that was added 9.4, this is even more subjective
25 than what I think this document already was too

1 subjective. And so this says -- and this is for you,
2 Matt, I'm going to ask you this questions. "CalPERS
3 considers a breach of this code to be conduct which is
4 tending to injure the good name of the organization,
5 disturb its well-being, or hamper it in its work". So
6 what do you understand that to mean?

7 GENERAL COUNSEL JACOBS: I don't know.

8 BOARD MEMBER BROWN: Exactly. That -- that is my
9 point. We don't know what it means. And it could mean
10 anything to the majority on the Governance Panel who's
11 going to punish members who speak out.

12 GENERAL COUNSEL JACOBS: I think the idea --

13 BOARD MEMBER BROWN: So it's a problem. It's a
14 problem.

15 GENERAL COUNSEL JACOBS: I think the idea -- and
16 I've had limited involvement, but I think the idea is to
17 be more specific about what a breach is. I personally am
18 not fond of this language, but I think that's the idea.
19 And I think that perhaps your suggestion might be to come
20 back with more specific language.

21 But anyway, that's my -- that's my take on that
22 language. I'm not entirely sure what it means. It comes
23 from Robert's Rules, which is very old.

24 BOARD MEMBER BROWN: It's for running meetings,
25 Robert's Rules. It's for running meetings.

1 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:

2 Yeah. Maybe -- maybe I can help here. Robert's
3 Rules of Order are already incorporated into CalPERS own
4 rules and guidelines for meetings. So this, as we've said
5 before, is a very long document. But this is page 644 for
6 those of you who want to flip to the back, and it has a
7 section which attempts to say what does misconduct which
8 might spark discipline, what does that mean?

9 And I accept it's rather old fashioned. I mean,
10 this goes back to 1865. And that is the reason for
11 everyone considering, and I think now agreed, to adopt
12 Rosenberg. We're moving into the 21st century. But this
13 is the 19th century. And a 19th century way of saying
14 tending to injure the good name of the organization. If I
15 was going to update that, I'd say reputational risk.

16 Disturb its well-being. I would say, if you're
17 doing, let's take an issue like harassment. If your staff
18 are being harassed, their well-being is being disturbed.
19 It's one example, and likewise, hamper it in its work.

20 If something is being done which is preventing --
21 we've just been talking about this -- is a well-
22 intentioned series of requests for information, impeding
23 the Investment Office in doing its work. So that seems to
24 be like there's three categories.

25 It's a rather old fashioned way of expressing,

1 but I think the logic behind bringing it to the surface in
2 the code is this is already embedded in rules. But
3 because the document is long, they don't get paid
4 attention.

5 Now, I'm all in favor, in the spirit of plain
6 english, that this gets updated. And we talk about
7 reputational risk, or we talk about harassment, or we talk
8 about distracting people from their day job, whatever, you
9 know, think is more clear. But it's trying, I think, to
10 indicate that misconduct, which is not a crime, but
11 misconduct not behaving in the way the code sets out for
12 expectations can have different dimensions to it. It's
13 not just, you know, I didn't wash my coffee cup after the
14 break. There's something about behavior, as a Board
15 member, which again may well -- may be well intentioned,
16 may not be fully understood, but it could -- it would be
17 then taken to the Governance Committee to look at these --
18 as I said, it's an existing set of definitions.

19 BOARD MEMBER BROWN: Well, and that's -- and that
20 is the problem. You can't ask the Board to sign something
21 under penalty of perjury where you could possibly be
22 committing a felony when even our own counsel doesn't know
23 what it means. And when you say there are dimensions, you
24 know, it depends on what the Board Governance Committee
25 thinks.

1 There's no way any lawyer would say that I should
2 sign this document. None. Not even Mr. Jacobs would tell
3 me to sign this document. So, I'm telling you it's a
4 problem. If it's subjective, I can't be subject to a
5 felony. I know Mr. Perez can't be either. But I'm
6 telling you it's a problem and it can't stand. Right, you
7 can't commit a crime, can you, Mr. Perez?

8 Well, I can, but I won't lose my job.

9 Thank you.

10 CHAIRPERSON JONES: Okay. I think that's enough
11 discussion on that. The concerns has been raised and we
12 will take another look at it. And also get Ms. --
13 eventually Ms. Dunning to chime in on this item also,
14 okay.

15 Anything else, Ms. Brown?

16 BOARD MEMBER BROWN: That's it. Thank you.

17 CHAIRPERSON JONES: Okay. Ms. Olivares.

18 COMMITTEE MEMBER OLIVARES: Thank you.

19 I just wanted to discuss two items. I think --
20 or actually it's one. Just under confidentiality, 7.1, I
21 think, for me, and maybe this is because I'm so new, but
22 it would be very help to have any confidential materials,
23 any information including emails clearly designated as
24 confidential. So any items like the materials we're
25 reading have a watermark that says "Confidential". That

1 there is text at the bottom of the document that discusses
2 how it's not for distribution, or replication.

3 And I think when there are sensitive email
4 communications, there should be a similar practice. So
5 maybe it's something at the bottom of the email in the
6 signature block, which references the communications
7 therein being confidential not for distribution.

8 CHAIRPERSON JONES: Okay. Ms. Yee.

9 BOARD MEMBER YEE: Thank you, Mr. Chairman. I
10 want to echo a point that Ms. Middleton made and that is I
11 think this code of conduct is too long. It's kind of
12 getting away I think from what I believe the original
13 intent of a code of conduct is, and is to really, I guess,
14 address ethical risk, I guess. Is that what it is? I
15 can't think of a better -- well, the -- yeah, I guess
16 ethical risk.

17 And I liken it to kind of more recently having
18 worked on some sexual harassment policies, but it really
19 is about how we kind of foster a culture as a board of
20 accountability for one another. And so I agree with Ms.
21 Middleton a lot of what's in here I think has been covered
22 through some of the fiduciary responsibilities. So I want
23 to kind of cleanse that piece of it.

24 I -- but it should really be about how we
25 together try to minimize our ethical reputational risk as

1 a Board, how we identify any potential unethical activity
2 that we may witness maybe happening, a mechanism for how
3 we report it. I have questions with respect to sections
4 9.2 and 9.3 about how these allegations of misconduct get
5 reviewed, and whether our Board Governance Policies are
6 clear about that.

7 But I think this should be simply stated, it
8 should have clear expectations, and the consequences ought
9 to be known ahead of time. And if the Board Governance
10 Policies aren't caught up yet with this, I think this is
11 premature.

12 I also think that the section that Ms. Brown
13 raised about kind of the different hats that some of us
14 wear on this Board, I can say that I'm the independent
15 auditor of the State, and I don't know that I can
16 represent CalPERS necessarily outside of this venue at all
17 times.

18 So it's -- I think this is -- there's some kind
19 of just -- there's a lot of stuff here that I don't think
20 belongs here. And if we're really after how we together
21 foster an environment of accountability, working to
22 protect the -- certainly, the reputation on behalf of the
23 members of the fund, I think it could be much more simply
24 stated, but that there are some components that really
25 need to be there.

1 I mean, if we witness any of these kind of
2 perceived unethical activities, we ought to know what to
3 do about it. And I don't think any of that is stated
4 here, in terms of the process. And as I said, the Board
5 Governance Policies better well be damn clear ahead of
6 this. Because if it's not, this is way premature.

7 CHAIRPERSON JONES: Okay.

8 Ms. Taylor.

9 VICE PRESIDENT TAYLOR: Yes. Thank you. I was
10 thinking maybe -- and I know that we're taking this back
11 and -- to the Board -- or the Committee that's working on
12 this. "All Board members shall read this code...", et
13 cetera, under penalty of perjury. I think you can just do
14 an acknowledgement. I've read and understood this,
15 because that's how we do it at the State with any kind of
16 discrimination policy and sexual harassment policy. It
17 just says at the bottom I've read and understood this.
18 And if somebody gets in trouble for that, you put it in
19 front of them and say, hey, did you sign that?

20 So -- I mean and then you're avoiding the whole
21 penalty of perjury, even though people who fake file their
22 taxes with their signature, we don't prosecute.

23 CHAIRPERSON JONES: Okay. Mr. Miller.

24 BOARD MEMBER MILLER: Yeah, a couple thoughts
25 similar in that, you know, acknowledgement or an

1 affirmation is one thing, signing something, you know,
2 after the fact saying I haven't done something is another
3 thing. And the whole idea of, you know, with knowledge,
4 without knowledge, negligence, know, should have known, I
5 mean that's all stuff that I would think we would -- if we
6 wanted that kind of thing, we would be asking legal
7 counsel for suggestions on language that would reflect our
8 actual intent.

9 And, you know, we're all subject to a felony
10 based on our behavior. And that's the trick. And then I
11 still may not be a felon unless I'm adjudicated thus. So
12 I think we really need to figure out what we want people
13 to -- if we're going to sign something, what's its
14 purpose, what do we need, and what's the appropriate
15 standard of language that we would want in there. So I
16 would hope that we would ask our legal experts, you know,
17 what makes sense for what we're trying to do.

18 And then the second thing is when it comes to
19 representation, I think we need to be much more clear too,
20 to both Margaret and Betty's point, because my
21 understanding, as soon as I thought, was, oh, this is
22 about reputational risk. And this is in the context of
23 failures of good behavior, ethical breaches, or how I
24 behave out in the world that could reflect, not
25 necessarily the content of a talk I give on behalf of say

1 professional scientists in wearing a different hat.

2 And I think we may need to make that really clear
3 that that's what we're talking about when we talk about
4 how we represent CalPERS out in the world through our
5 personal good behavior or failure thereof.

6 GENERAL COUNSEL JACOBS: If I may, Mr. Jones?

7 CHAIRPERSON JONES: Yes.

8 GENERAL COUNSEL JACOBS: To Mr. Miller's point,
9 the Legal Office would be happy to work with Workstream --
10 whichever workstream this is --

11 BOARD GOVERNANCE AND STRATEGY DIRECTOR SIMPSON:
12 Four.

13 GENERAL COUNSEL JACOBS: Four. Thank you -- and
14 to work out some of the language and some of the issues
15 that people have identified here. I think the critical
16 part here is what do you want in it? And then once
17 you've -- the Board and this Committee decides, you know,
18 what the principles are that they want in it, we'd be
19 happy to work with probably the same workstream, and Ms.
20 Simpson to work on the language and bring something back
21 that would reflect that.

22 CHAIRPERSON JONES: Okay. That sounds like a
23 good option. Okay. And also, at the same time, include
24 Ms. Dunning in that discussion, our fiduciary counsel, so
25 we could --

1 GENERAL COUNSEL JACOBS: Sure.

2 CHAIRPERSON JONES: -- capture that, her thoughts
3 too.

4 Okay. Mr. Ruffino.

5 ACTING BOARD MEMBER RUFFINO: Thank you.

6 CHAIRPERSON JONES: You turned -- what -- you
7 turned yourself -- okay. Don't hit it again.

8 ACTING BOARD MEMBER RUFFINO: I'm on. All right.
9 I thought for a moment I was going to get censored before
10 we even passed it.

11 (Laughter.)

12 ACTING BOARD MEMBER RUFFINO: Thank you, Mr.
13 Chair.

14 Just a couple observations, because we are
15 think -- we start saying sort of the same thing using
16 different names. But the first thing I think maybe we
17 need to think about this being a statement of value and
18 culture, rather than a legal document. The moment that
19 you make it a legal document, or you start looking like a
20 legal document, the antennas are going to go up and things
21 are just -- you know, it's going to get really -- but it
22 should -- it should really be -- and I'm not sure, because
23 we came, you know, in January, so this was already in
24 progress. We, quite frankly, were surprised to learn that
25 there was not a code of conduct in place that it existed

1 already.

2 Although, you know, a lot of the provisions in
3 the code of conduct, you know, they already are in current
4 law, they're in regulation, they're in CalPERS policies.
5 But there is a lot of stuff that it's not in CalPERS
6 policy and it's not in law, things that we value, things
7 that we -- things that -- our expectations of each other,
8 simple stuff. We don't need to the create the Magna Carta
9 again. That's already done.

10 We need to create a simple document, a simple
11 understanding on how we are going to build trust and how
12 we're going to, you know react, because without that then
13 it doesn't matter any of these things you're signing. You
14 know, it just -- so that said -- that said, I just want to
15 observe that there is some other things. Yes -- by the
16 way, yes, there's too much duplication already, blah,
17 blah, blah.

18 But there is also, I think, some thing that my
19 boss in particular, the Treasurer of the State of
20 California, would like to see incorporated, would like us
21 to think about, things such -- harassment, is there -- do
22 we value -- you know, is this important enough to be in
23 this document to say unequivocally zero tolerance, not
24 once, not twice, not three times. You know, we should at
25 least adopt that standard. Zero tolerance. And it is, it

1 doesn't even -- it's not even addressed at all.

2 I mean, social media is not addressed. And I'm
3 not suggesting we should, but those are things outside of
4 the realm.

5 Last -- so lastly, the other quick comment is
6 9.3, which is still -- and I brought this up, I believe,
7 at the -- at our last -- at the offsite. The 9.3 that
8 speaks to, "If a Board member is found to have violated
9 this Code, the Board President and/or Board Governance
10 Committee will determine whether the misconduct was...",
11 yada, yada, yada. And so this begs the question, who
12 decides whether the President or the Governance Committee
13 takes the lead on a particular investigation. I think
14 that is important in order to make sure that we all
15 understand the rules, and that we all play by the same
16 rules.

17 So one last thing is financial disclosures. If
18 I'm a Chief Investment Officer that I had issues at my
19 previous job, is that something that you should know
20 about? Is that something that we should know about? Is
21 that something, you know, that the public should know
22 about it?

23 We just -- these are just observations. You
24 know, that should be adopted rather than -- in this
25 document, rather than make it, as I said, you know, a

1 legal document that turns into a whole bunch of antennas.
2 And to somebody's point whether an attorney is going to
3 tell you, hey everybody knows. There's plenty attorneys
4 out there. That's why we have the defense and the
5 prosecution. We'll find an attorney that tells you to
6 sign it and we'll find an attorney that tells you
7 absolutely you should not sign it.

8 Thank you, Mr. President.

9 CHAIRPERSON JONES: Okay. Ms. Pasquil Rogers.

10 VICE CHAIRPERSON PASQUIL ROGERS: Thank you, Mr.
11 Chairman.

12 So my hope is that this is not a long document,
13 but that it just sets forth what most codes of conduct do,
14 and that is, you know, the -- recognizing that there's a
15 path if things -- you know, where we want to go. And if
16 someone is in violation of it, then, you know, we'll deal
17 with it.

18 But it should be a guideline, because Betty and,
19 you know, Ms. Middleton are right, we want to foster a
20 culture of being good to each other and to stakeholders.
21 So I think we need to think about it. We have Form 700,
22 where we have -- we sign the fiduciary form. We do -- we
23 do all this training, so what's really necessary in here?

24 And, you know, I don't think we need to do this
25 sign under perjury, because if someone breaks the law, or

1 if someone misbehaves - Ms. Jacobs will tell me if I'm
2 wrong - and it goes to -- there's an investigation perhaps
3 by this body, or the Attorney General's office, that's out
4 of our hands. That's in the legal -- in the legal
5 system's hand, right? So we don't necessarily need to do
6 that here.

7 So just less is more, and let's not create a lot
8 of headaches for ourselves, but we should have a good
9 guideline on how -- you know, what are our goals, what do
10 we want?

11 Thank you.

12 CHAIRPERSON JONES: Okay. You're welcome.

13 Mr. Feckner.

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

15 I have a couple of comments. One is to Ms.
16 Taylor' points about so much repetition of the comments.
17 At the same time, I will tell you over the years, not just
18 here but other places, constantly you hear, "Well, I
19 didn't know that's what you meant", "I didn't know that's
20 what you meant". If you don't spell out every piece by
21 saying the media, et cetera. So if you want to put it all
22 in one paragraph, I get it. Not putting it in five
23 different places. But I think we need to name each topic,
24 or somebody is going to say, well, I didn't know that's
25 what you meant". And then we're back to somebody's

1 subjective decision.

2 The other pieces I take umbrage with Ms. Brown's
3 comment about the reputation only being related to
4 investment returns. Having lived through it, this
5 organization took a terrible hit in their reputation
6 because of a corrupt CEO and corrupt Board members. It
7 had absolutely nothing to do with investment returns.

8 CHAIRPERSON JONES: Mr. Perez.

9 COMMITTEE MEMBER PEREZ: The challenge that Mr.
10 Feckner and I had in developing this code is having it
11 with teeth, but keeping it vanilla. And the reason we
12 have to keep it vanilla is because we have no teeth.

13 Unless you're convicted of a crime, that would
14 preclude you from serving as an elected official. We're
15 trying to govern -- we're trying to govern good manners.
16 So I'm -- I almost agree with pretty much everything
17 everyone said. We can -- we could shrink it down, but it
18 still wouldn't have teeth.

19 We need to act responsibly. We need to act nice.
20 We can disagree with people, but do it like grownups.
21 Yeah. So I say that to say beyond what's in front of you
22 it's out of my scope. And other than that, I would defer
23 to experts.

24 CHAIRPERSON JONES: Ms. Yee.

25 BOARD MEMBER YEE: Mr. Jacobs asked the elements

1 of what we might like to see in a policy. And I'd like to
2 maybe start that conversation, if I could.

3 It seems to me to set the tone, we should have in
4 the policy what the expected behavior is for each of us,
5 as a member of this Board. And then I think the -- I
6 mean, part of my discomfort about thinking about codes of
7 conduct, is that it gets you -- it forces you to have to
8 think about what bad can happen. And I don't like to
9 think about that, because I don't think that will happen
10 among us, but that's just -- these policies safeguard
11 against that.

12 And then I think a section about what, you know,
13 unacceptable actions, and giving some examples of what
14 those are. It's not an exhaustive list, but it's examples
15 that at least help each of us identify what may be
16 unacceptable actions that we would then elevate.

17 And then I think the issues around process and
18 teeth with respect to corrective action, all of that, has
19 to be spelled out in Board Governance Policy. So the code
20 of conduct references the Board Governance Policy. And
21 that's kind of it.

22 I mean, because we have -- I mean, all these
23 other things are kind of covered either elsewhere, but
24 this is -- I mean, those are kind of the pretty simple
25 elements about how we can be a check on each other and how

1 we can foster that environment or culture of
2 accountability.

3 CHAIRPERSON JONES: And our Board Governance
4 Policy does have action steps that should be taken when --

5 BOARD MEMBER YEE: For the review, right? For
6 the review or also corrective action?

7 CHAIRPERSON JONES: Corrective action, even
8 though the corrective action may not be as stringent as
9 one would expect in some cases, but the Board -- the
10 Governance Policy does spell out what the President --
11 actions the President can take when a violation has
12 occurred.

13 BOARD MEMBER YEE: Okay. And I mean, I -- we
14 haven't -- let's -- not everybody up here has had the
15 opportunity to look at that.

16 CHAIRPERSON JONES: Well, maybe that -- maybe --
17 maybe before we move forward, we need to review the
18 Governance Policy, because there's a lot information in
19 there about --

20 BOARD MEMBER YEE: No, it is. It is, yeah. And
21 I --

22 CHAIRPERSON JONES: And so rather than just
23 sending back to redo this, maybe we need to have that
24 discussion on the Governance Policy, so everyone
25 understands what's already there.

1 BOARD MEMBER YEE: Yeah, I think that -- yea,
2 that's probably the first step.

3 CHAIRPERSON JONES: And then we could move that
4 into the code of conduct.

5 BOARD MEMBER YEE: Um-hmm.

6 CHAIRPERSON JONES: Maybe that's the process
7 that --

8 BOARD MEMBER YEE: Or just a reference to it in
9 the code of conduct, yeah.

10 CHAIRPERSON JONES: Yeah, at least a reference,
11 because there is -- it s a lot of information in there,
12 and it identifies some behaviors that are unacceptable.
13 And it talks about what steps should be taken when that
14 behavior occurs.

15 So given that, but I've going to ask Mr. -- you
16 had your hand -- oh.

17 COMMITTEE MEMBER PEREZ: Forgive me. I know
18 everyone is tired. When I mentioned that a crime will
19 preclude you from serving, I saw some head shakes on the
20 Board. And it's important to know the California Const --
21 or, I'm sorry, the California Penal Code defines a crime.
22 Crime is public -- is a violation of an act committed or
23 omitted in violation of the law forbidding or commanding
24 it, which can be punished upon conviction, a whole bunch
25 of stuff, but including disqualification or removal from

1 office.

2 It hasn't -- may it hasn't happened, but PC 20
3 that's the first thing we learned in the academy. It was
4 a long time ago, so I forgot it, but...

5 CHAIRPERSON JONES: Okay. Okay. So I'm going to
6 ask -- we've heard a lot of comments and a lot of views.
7 And those of you that had some wordsmithing, please
8 provide that information to Anne. And I'm going to ask
9 Anne to work -- if Mr. Perez and Mr. Feckner could take
10 another run with the support of Legal, and also Ms.
11 Dunning to see if we can craft a revised document on the
12 code of conduct, but in recognizing many of the provisions
13 that are already in the Board Governance Policy.

14 And -- but you need to make reference to it. So
15 if the two persons working on it, if you would accept
16 that, I'd appreciate it.

17 Okay. Thank you very much.

18 So -- yeah, so that's all of the questions to
19 speak from Board members. Now, we go to our --

20 VICE CHAIRPERSON PASQUIL ROGERS: Do you want to
21 ask her if she wants to say something.

22 CHAIRPERSON JONES: Oh, yeah. Ms. Dunning,
23 you've heard a lot of discussion. Do you have any
24 overview statements. And I've asked that you participate
25 in the next round of development of this document.

1 MS. DUNNING: Yes, I heard this robust discussion
2 and that request that I be involved in the next round. I
3 appreciate that.

4 I guess my main observations, as I read it, which
5 I did in preparation for this meeting, are that there is
6 duplication in it. There is some editing that's
7 warranted. Some of it is already addressed in my
8 fiduciary training. Whether it needs to be encapsulated
9 here or not is a bit of a question, because often in an
10 attempt to summarize ends up being a little bit of a not
11 truly true to the language of the -- of the law. You do
12 need to be a little careful about that.

13 I think the thing -- other than some editing that
14 was warranted that struck me, what actually really struck
15 me the most was the affirmation. When I have worked on
16 these sorts of codes of conduct in the past, and the ones
17 I'm familiar with, generally you sign more along the lines
18 that was reflected in some of the comments by trustees,
19 that trustees have reviewed it, you know, acknowledged
20 that they've reviewed it, and sometimes even that they
21 will make their best effort to comply with it. I'm not
22 familiar with boards subjecting themselves or purporting
23 to subject themselves to penalty of perjury on this type
24 of a document. I don't -- I don't think that's where this
25 document should go. So I agree that that is a portion of

1 the code -- of the draft code that should be changed.

2 The -- it was an interesting discussion about the
3 new reference to Robert's Rules of Order. I was following
4 the meeting when you were talking about changing the rules
5 to Rosen -- what is it the other --

6 CHAIRPERSON JONES: Berg.

7 MS. DUNNING: -- the more plain language rule.
8 You might want to think about that in connection with
9 references to more antiquated rules, as Anne Simpson
10 noted.

11 I mean, I could go through point by point what
12 trustees said. I agreed with some. I disagree with
13 others. But I think that's probably done better
14 offline --

15 CHAIRPERSON JONES: Yes.

16 MS. DUNNING: -- with your Legal Department.

17 CHAIRPERSON JONES: Yes.

18 MS. DUNNING: I agree with simplifying and not
19 duplicating. You have a very comprehensive and well done,
20 in large part, Governance Policy. And while you want to
21 make sure that everyone reads that, perhaps they affirm
22 that they read it. I mean, that's in addition to
23 affirming that they've taken the fiduciary training
24 course, which they've read and will seek to comply -- will
25 endeavor to comply with the Governance Policy. That's

1 something that might be a way of short-circuiting the
2 repetition.

3 But beyond that, I'm to answer specific
4 questions, but I feel like I'll be getting into
5 line-by-line edits, if I go beyond this point.

6 CHAIRPERSON JONES: Yeah. Okay. I think that
7 overview is fine, Ms. Dunning. So I just ask that you do
8 work with Mr. Perez, and Mr. Feckner, and our Legal
9 Office, and Ms. Simpson in coming back with the -- another
10 document.

11 So we're not going to take any action on this --
12 so -- but I did have a -- several people to speak on this
13 item. So you still can speak, if you'd like.

14 Mr. Lennox. He's gone.

15 Okay. Okay. Ms. Martha Penry, Mr. Al Darby, is
16 he still here?

17 He left.

18 Mr. Hutchings is still here. And, yes, go ahead.

19 MS. PENRY: Okay. Thank you. Thank you, Mr.
20 Chairman

21 CHAIRPERSON JONES: Identify yourself and your
22 organization. Okay. Three -- you have three minutes.

23 MS. PENRY: I'm Martha Penry. And first, I want
24 to say thank you all so much for your due diligence and
25 taking good care of my pension.

1 I am -- like I said, I'm Martha Penry.
2 California School Employees Association is in favor of the
3 CalPERS enhanced code of conduct. CSEA would like to
4 thank Committee members Rob Feckner and Jason Perez for
5 the hard work done to make sure CalPERS members and
6 retirees, like me, feel proud and secure with Board member
7 behavior.

8 This first draft is common sense. You are asking
9 Board members to be confidential and act professionally.
10 California School Employees Association, where I served on
11 the board of directors for 12 years, has a code of ethics
12 for the Board and we have a code of ethics for our staff.

13 We take board professionalism seriously and so
14 should CalPERS. Members should not continue to serve on
15 this Board if they can't sign and adhere to such behavior.
16 If Board members continue without professionalism and
17 confidentiality when speaking to the press and others, it
18 will continue to inflame the media and not be in the best
19 interest of this pension fund.

20 This new code of conduct should provide an
21 environment where Board members can enhance Board
22 partnerships to work for all CalPERS members.

23 I noticed earlier under the Board's
24 self-evaluation of strengths, you show a desire for
25 continuous improvement. I believe the code of conduct

1 will help you achieve that.

2 Thank you.

3 CHAIRPERSON JONES: Thank you.

4 Mr. Hutchings.

5 MR. HUTCHINGS: Good evening, Chair and members.

6 Dane Hutchings representing, at this point, the League of
7 California Cities, Special Districts Association,
8 education folks and the county folks, all who have
9 children. And so I am the one who are -- is here
10 representing all of local government this evening.

11 You know, I -- we wanted to come together and
12 speak on this in support in concept. Clearly, as first
13 reading, there's clearly a lot that still needs to be
14 done. And I agree with most of the comments made by Board
15 members. We don't look at this as a barrier or gag order.
16 In fact, we think it's long overdue.

17 Specifically, local governments depend on this
18 Board to work together and not against each other, to work
19 collective to represent all stakeholders, to protect the
20 integrity of the fund. Local governments -- you know, I
21 said this before, we are the insurer of the benefits for
22 our retirees and our employees.

23 We are on the cusp of a market correction.
24 Cities are bracing for a fallout of submarket returns,
25 declining revenues, higher contributions, which will be

1 shred out over a shorter period of an amortization
2 schedule.

3 I say this because local government needs this
4 Board to find common ground, engage in working as a team.
5 And having a clear code of conduct, we believe, supports
6 this effort.

7 Not to get too much into the wordsmithing, but we
8 do agree on a couple of things, most notably Board Member
9 Middleton with specific verbiage to talk about the health
10 of the employer, ensuring that they are too being taken
11 care of, not simply just the beneficiary. Again, this is
12 a partnership. If we can't afford to pay the benefit, the
13 retire doesn't get their benefit. And so we need to make
14 that clear as far as who we're representing in making
15 these decisions. We're all in this together.

16 And again, you know -- and I also agree with Mr.
17 Perez's statement with regards to, you know, signing this
18 document. It could, you know, result in committing a
19 felony, if you were to violate. I completely understand
20 specifically with regards to closed session documents. If
21 you inadvertently disclose something by accident or, you
22 know, we -- you know, look, mistakes happen.

23 But if you were knowingly leaking closed session
24 confidential documents, putting the fund, and by extension
25 the stakeholders who depend on this fund and their

1 security retirement at risk, there -- they should be held
2 accountable. I don't know the legality, you know, you
3 can -- whether you sign it or not, how that would work, at
4 this point, given that there's members already elected and
5 appointed to this Board.

6 But there feeds to be a level of accountability
7 there. This is -- this is real life. We are talking
8 about our -- the security of our retirement, the health of
9 cities, counties, special districts, and education
10 districts. We want to make sure that we are conducting
11 our business as seriously as it is, because it really is
12 the highest priority for local agencies.

13 And so with that, I appreciate that and support
14 the motion to continue to work on it.

15 Thank you.

16 CHAIRPERSON JONES: Than you, both.

17 Okay. The next group is Mr. Woodson. Is he
18 still here?

19 He's gone.

20 Mr. Neill. He's gone.

21 Mr. Jelincic and Mr. Fountain.

22 MR. FOUNTAIN: Good afternoon. I'm Jerry
23 Fountain and I want to make a statement that I'm speaking
24 for myself as a stakeholder. I'm not speaking
25 representing California State Retirees.

1 As a 24-year retired Commission Officer in the
2 Navy, maintaining a top secret clearance, working 20 years
3 with the California Department of Corrections with
4 incarcerated individuals, and now a Chief Financial
5 Officer for a nonprofit organization, I understand the
6 need for code of conduct. And a code of conduct has to
7 have strict parameters.

8 Something I tell the people I work with, a group
9 of very nice people got together and made some great rules
10 to accomplish good things. They never make a rule for the
11 bad person. You have to take that into consideration.

12 A few things I would like to talk about here in
13 9.2. You're talking about excluding a person that's
14 accused of misconduct. I think that's wrong. You need to
15 speak with that individual, whoever it may be, to find out
16 the circumstances behind the situation they're being
17 accused of.

18 And in 9.3, I think Mr. Ruffino brought it up,
19 having the decision made by the President of the Board
20 individually I think is wrong also. It needs to be done
21 by the entire Board.

22 And lastly, I've heard words from this Committee
23 of discrimination, perjury, felony, I don't think they
24 fall under corrective action. Corrective action to me is
25 extra instruction, instruction under supervision,

1 probation. Those terms that you were saying are punitive
2 in nature. And those limitations of disciplinary action,
3 I think need to be laid out, whether it's a verbal
4 reprimand or letter of punitive action, suspension,
5 dismissal. Those things need to be spelled out if you're
6 talking about a criminal action.

7 So speaking as a stakeholder individual, that's
8 pretty much all I had to say.

9 Thank you.

10 CHAIRPERSON JONES: Thank you.

11 MR. JELINCIC: J.J. Jelincic.

12 You're a public body and you have a legal
13 obligation to conduct the public's business in public.
14 You assert that CalPERS is a highly transparent
15 organization. Yet, this is an example of walking -- of
16 talking the talk and not walking the walk.

17 When the Board President claims that it is both
18 untrue and inherently misleading to say that the trust
19 funds belong to the beneficiaries, when the truth is they
20 do, and members should not what they are up to.

21 This so-called code of conduct is really designed
22 to hide misconduct, not prevent it. It was proposed at
23 the offsite where business is not normally conducted, and
24 it was proposed without warning. It was not available at
25 the stakeholders meeting at 1:00 o'clock last Thursday.

1 It's highly subjective, and therefore, by plan and
2 necessity, will be selectively enforced.

3 Theresa Taylor, the Vice President, supported the
4 plan and talked about the importance of confidentiality,
5 and then disclosed and misrepresented closed session
6 material to defend it. Really?

7 Number 2 misrepresents the trustee's duty of
8 loyalty. Number 4 misrepresents the trustee's duty of
9 care. I would suggest you review the fiduciary training.
10 You have a fiduciary obligation to the beneficiaries, not
11 to the organization, or the ego of staff.

12 Hiding misconduct to prevent CalPERS -- to
13 protect CalPERS' reputation is not your job. If you want
14 to protect CalPERS' reputation, prevent bad behavior. The
15 proposal is subjective and will be selectively enforced.

16 As in the Animal Farm, some Board members are
17 more equal than others. Let me give you some examples.
18 Board Member Mathur disclosed her closed session
19 discussions that CalPERS would not own the companies being
20 created under Pillars 2 and 3.

21 President Jones disclosed the per -- closed
22 session discussions, GPs have been moved away and decided
23 not to participate in Pillars 3 and 4 because they got
24 scared off by the publicity.

25 As I mentioned, Vice President Taylor disclosed

1 closed session materials about the -- an investigation
2 Discipline, none.

3 March 16th -- March 2016, I mentioned an SEC
4 investigation in CalPERS for insider trading. I did it in
5 an open session. But you know how that got disclosed? It
6 got disclosed because the Sacramento Bee reported
7 on management conducting an adverse action against the
8 people in compliance who found the inside trading and
9 refused to comply with repeated orders to bury it.

10 Different strokes for different folks.

11 CHAIRPERSON JONES: Your time is up, Mr.
12 Jelincic.

13 MR. JELINCIC: But I am glad you've decided not
14 to do this as a first reading and take it back.

15 Thank you.

16 CHAIRPERSON JONES: Okay.

17 Summary of direction.

18 GENERAL COUNSEL JACOBS: Very easy to summarize.

19 PRESIDENT JONES: Yeah.

20 GENERAL COUNSEL JACOBS: I think that Committee
21 direction is, for the most part, with respect to items
22 enumerated in the 7 series, subsumed within the workstream
23 recommendations that have been adopted by the Committee
24 and that are in the record. And so I will just rely on
25 those.

1 And then with respect to 8, it is to work with
2 Workstream 2 -- excuse me, Workstream 4, and Ms. Simpson
3 and Ms. Dunning on a new draft that is for the Legal
4 Office to do that. I would suggest that when you actually
5 look at the Board Governance Policy that much of what has
6 been discussed here you will find in there, and that we
7 can probably work -- come up with a code of conduct that
8 is very short and simply refers to specific sections of
9 the Board Governance Policy.

10 And so I think that summarizes the -- with that
11 editorial comment, summarizes the Board -- excuse me,
12 Committee direction.

13 CHAIRPERSON JONES: Okay. Thank you.

14 Seeing no further requests to speak.

15 This meeting is adjourned.

16 (Thereupon California Public Employees'
17 Retirement System, Board Governance Committee
18 meeting adjourned at 7:35 p.m.)

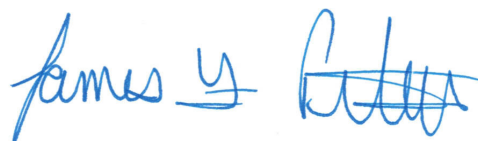
1 C E R T I F I C A T E O F R E P O R T E R

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

4 That I am a disinterested person herein; that the
5 foregoing California Public Employees' Retirement System,
6 Board of Administration, Board Governance Committee
7 meeting was reported in shorthand by me, James F. Peters,
8 a Certified Shorthand Reporter of the State of California,
9 and was thereafter transcribed, under my direction, by
10 computer-assisted transcription;

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

14 IN WITNESS WHEREOF, I have hereunto set my hand
15 this 25th day of August, 2019.

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