

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

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

TUESDAY, FEBRUARY 18, 2020  
9:15 A.M.

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

A P P E A R A N C E S

COMMITTEE MEMBERS:

Ms. Theresa Taylor, Chairperson

Mr. David Miller, Vice Chairperson

Mr. Henry Jones

Ms. Fiona Ma, represented by Mr. Matthew Saha

Ms. Stacie Olivares

Mr. Jason Perez

Mr. Ramon Rubalcava

BOARD MEMBERS:

Ms. Margaret Brown

Mr. Rob Feckner

Ms. Lisa Middleton

Ms. Eraina Ortega, represented by Ms. Michelle Mitchell

Ms. Shawnda Westly

Ms. Betty Yee

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Michael Cohen, Chief Financial Officer

Mr. Matthew Jacobs, General Counsel

Mr. Dan Bienvenue, Interim, Chief Operating Investment Officer

Mr. Kelly Fox, Chief, Office of Stakeholder Relations

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

STAFF:

Ms. Kimberly Malm, Chief, Strategic Health Operations  
Division

Mr. Simiso Nzima, Investment Director

Ms. Renee Ostrander, Chief, Employer Account Management  
Division

Ms. Arnita Paige, Chief, Pension Contract and Prefunding  
Program

Ms. LaRiesha Simmons, Committee Secretary

Mr. Dallas Stone, Acting Chief, Operations Support  
Services Division

ALSO PRESENT:

Mr. Tim Behrens, California State Retirees

Mr. Terry Brennand, Service Employees International Union

Mr. Al Darby, Retired Public Employees Association

Mr. Jerry Fountain, California State Retirees

# I N D E X

	PAGE
1. Call to Order and Roll Call	1
2. Election of the Finance and Administration Committee Chair and Vice Chair	1
3. Approval of the February 18, 2020 Finance and Administration Committee Timed Agenda	3
4. Executive Report - Michael Cohen	4
5. Action Consent Items - Michael Cohen	4
a. Approval of the November 19, 2019 Finance and Administration Committee Meeting Minutes	
b. Judges' Retirement System Actuarial Valuation Report and Employer and Employee Contribution Rates	
c. Judges' Retirement System II Actuarial Valuation Report and Employer and Employee Contribution Rates	
d. Legislators' Retirement System Actuarial Valuation Report and Employer and Employee Contribution Rates	
6. Information Consent Items - Michael Cohen	5
a. Annual Calendar Review	
b. Draft Agenda for the April 20, 2020 Finance and Administration Committee Meeting	
c. Treasury Analysis and Liquidity Status Report	
d. Reporting on Participating Employers	5
7. Action Agenda Items	
a. Review of Finance and Administration Committee Delegation - Michael Cohen	13
b. CalPERS 2019 Retired Member Election Results and Review of Board Election Program - Dallas Stone, Kim Malm	16
c. Revised Proposed Regulation for Social Security Administration Fees - Renee Ostrander	77
d. Barra, LLC Contract Extension - Dan Bienvenue	82

I N D E X   C O N T I N U E D

	PAGE
8.    Information Agenda Items	
a.    Annual Diversity Report - Brad Pacheco, Kelly Fox, Simiso Nzima	91
b.    Summary of Committee Direction - Michael Cohen	118
c.    Public Comment	120
Adjournment	120
Reporter's Certificate	121

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

CHAIRPERSON TAYLOR: All right. I'd like to call the Finance and Administration Committee meeting to order. The first order of business is roll call.

COMMITTEE SECRETARY SIMMONS: Theresa Taylor?

CHAIRPERSON TAYLOR: Here.

COMMITTEE SECRETARY SIMMONS: Davie Miller?

VICE CHAIRPERSON MILLER: Here.

COMMITTEE SECRETARY SIMMONS: Henry Jones?

COMMITTEE MEMBER JONES: Here.

COMMITTEE SECRETARY SIMMONS: Matthew Saha for Fiona Ma?

ACTING COMMITTEE MEMBER SAHA: Here.

COMMITTEE SECRETARY SIMMONS: Stacie Olivares?

COMMITTEE MEMBER OLIVARES: Here.

COMMITTEE SECRETARY SIMMONS: Jason Perez?

COMMITTEE MEMBER PEREZ: Here.

COMMITTEE SECRETARY SIMMONS: Ramon Rubalcava?

COMMITTEE MEMBER RUBALCAVA: Here.

CHAIRPERSON TAYLOR: Okay. So I'm -- I think our next order of business is election of the Committee's Chair and Vice Chair. And for that, I'm going to hand the gavel over to David Miller.

There you go. You can have that little thing there.

1 VICE CHAIRPERSON MILLER: Okay. Okay. Do I call  
2 for nominations or -- or just -- okay. I would like to  
3 nominate Theresa Taylor for Chair of the Finance and  
4 Administration Committee.

5 COMMITTEE MEMBER RUBALCAVA: Second.

6 VICE CHAIRPERSON MILLER: Second from Ramon  
7 Rubalcava.

8 Any other nominations?

9 Any other nominations?

10 And a third time, any other nominations?

11 Okay. Hearing none. I will call for a vote.

12 All in favor of Theresa Taylor by unanimous  
13 acclamation, or whatever it is, just no one opposing, aye?

14 (Ayes.)

15 CHAIRPERSON TAYLOR: Any nays?

16 VICE CHAIRPERSON MILLER: Okay. The ayes have  
17 it.

18 Any nays?

19 The ayes have it. Congratulations, Ms. Taylor.

20 CHAIRPERSON TAYLOR: Thank you.

21 GENERAL COUNSEL JACOBS: Mr. Miller?

22 VICE CHAIRPERSON MILLER: While I've got the  
23 hammer I'll --

24 GENERAL COUNSEL JACOBS: Mr. Miller, for the  
25 record, you do need to ask for any no votes.

1 VICE CHAIRPERSON MILLER: Oh, I thought I did.

2 CHAIRPERSON TAYLOR: He did just a second ago.

3 GENERAL COUNSEL JACOBS: He asked for no votes?  
4 I didn't hear it. Okay. Sorry.

5 CHAIRPERSON TAYLOR: Okay. So. Now, the  
6 election of Vice Chair of Finance and Administration. And  
7 I'd like to nominate David Miller.

8 Are there any other nominations?

9 Any other nominations?

10 Any other nominations?

11 Hearing no other nominations, I'd like to take a  
12 vote for David Miller for Vice Chair by acclamation. All  
13 those in favor say aye?

14 (Ayes.)

15 CHAIRPERSON TAYLOR: All those opposed?

16 All right. Motion carries.

17 Congratulations, Mr. Miller.

18 VICE CHAIRPERSON MILLER: Thank you.

19 CHAIRPERSON TAYLOR: All right. Please be  
20 patient. I have a cold.

21 We are moving to approval of the February 18th  
22 2020 Finance and Administration Committee meeting agenda.  
23 Can I get a move for approval?

24 COMMITTEE MEMBER JONES: Move it.

25 VICE CHAIRPERSON MILLER: Second.



1 CHAIRPERSON TAYLOR: It's moved by Mr. Jones,  
2 seconded by Mr. Miller.

3 All those in favor say aye?

4 (Ayes.)

5 CHAIRPERSON TAYLOR: All those opposed?

6 Motion carries.

7 Looks like we are on the executive report, Mr.  
8 Cohen.

9 CHIEF FINANCIAL OFFICER COHEN: Good morning.  
10 Michael Cohen with CalPERS. Congratulations to retaining  
11 your seat. Just a couple notes. Administratively, there  
12 were some updates on materials. Your materials are  
13 updated. There's copies in the back for anyone in the  
14 audience who wants them.

15 My only other note was on 6d, one of our  
16 employers, which if we go through the presentation there,  
17 then we can hit it at that point --

18 CHAIRPERSON TAYLOR: Okay.

19 CHIEF FINANCIAL OFFICER COHEN: -- but otherwise,  
20 that's all I've got for you.

21 CHAIRPERSON TAYLOR: All right. Thank you, Mr.  
22 Cohen.

23 So our next Item is 5, action consent items.  
24 Anybody want to move the action consent items?

25 COMMITTEE MEMBER JONES: So moved.

1 VICE CHAIRPERSON MILLER: Second.

2 CHAIRPERSON TAYLOR: Okay. So I got it moved  
3 from Mr. Jones, second from Mr. Miller.

4 All those in favor say aye?

5 (Ayes.)

6 CHAIRPERSON TAYLOR: All those opposed?

7 Hearing none. Motion carries.

8 So Item 6, information consent items. Based on  
9 what Mr. Cohen said, I'd like to pull 6d for Mr. Cohen to  
10 give us a report on that.

11 CHIEF FINANCIAL OFFICER COHEN: Thank you, Madam  
12 Chair. I'm going to turn it over to Arnita Paige who runs  
13 our Employer Contract Unit. And she can walk through the  
14 PowerPoint that are in -- that's in your materials, and  
15 also highlight the one thing that we wanted to talk about.

16 CHAIRPERSON TAYLOR: Okay. Great.

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

19 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

20 PAIGE: Good morning. Arnita Paige, CalPERS team member.  
21 I'm here to provide an update on our reporting on  
22 participating employers.

23 --o0o--

24 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

25 PAIGE: If we could go to slide two our termination

1 report, an update since we last reported. We had five  
2 agencies who provided their final resolution to terminate.  
3 And we had two agencies who paid their termination costs  
4 in full.

5 CHAIRPERSON TAYLOR: Wow, that's good.

6 --o0o--

7 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

8 PAIGE: I'd like to move now to our collections report.  
9 This report provides an update on our collection activity.  
10 And this is for quarter through December 2019. This  
11 quarter, we had one agency, Samoa Fire Protection  
12 District, who reported a temporary financial challenge  
13 with paying their unfunded liability payments. So you can  
14 see they're actually in the 61 to 90 day column. We  
15 provided a temporary payment plan to this agency to assist  
16 them.

17 And that concludes my presentation.

18 CHAIRPERSON TAYLOR: Okay. Thank you. I just  
19 wanted to have you go a little bit -- so the payment plan  
20 for that department is -- and this -- as I understand it,  
21 this particular entity has only retirees, correct?

22 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

23 PAIGE: Correct.

24 CHAIRPERSON TAYLOR: Could you kind of go into a  
25 little bit for us?

1 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

2 PAIGE: Yes, I can. They have a total of -- it's a small  
3 agency. They have no active members. They have a total  
4 of nine members in total, eight of which are retirees, and  
5 one of which is a surviving benefit.

6 Is there anything specific? I want to make sure  
7 in terms of answering, was there --

8 CHAIRPERSON TAYLOR: No. No. No. You're  
9 going --

10 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

11 PAIGE: Okay.

12 CHAIRPERSON TAYLOR: -- perfectly fine. I just  
13 wanted to make sure that the Committee was aware of what  
14 this was.

15 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

16 PAIGE: Sure.

17 CHAIRPERSON TAYLOR: And so -- so they are on a  
18 payment plan. They entered on a payment plan basically --  
19 and, I mean --

20 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

21 PAIGE: Oh, yeah, I can expand on that.

22 CHAIRPERSON TAYLOR: Yeah.

23 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

24 PAIGE: What we did is we worked them and they provided  
25 information on what their challenges were and they were

1 temporary in nature. And what we did is we looked at  
2 their financial statements going back the last five years  
3 and did an assessment in terms of their ability to pay,  
4 and what the future cash projections were, where they have  
5 a few upcoming revenue opportunities. They were very  
6 strong, so we established a payment plan based on that.

7 CHAIRPERSON TAYLOR: Okay. Great. Okay. That's  
8 kind of what I -- what I wanted to get out to the  
9 Committee. Are there any questions on this?

10 Hold on just a second.

11 Ms. Brown.

12 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

13 PAIGE: Hi.

14 BOARD MEMBER BROWN: Hi. Thank you, Madam Chair  
15 and congratulations.

16 I have a question about just sort of process.  
17 I'm on page two of eight on the PowerPoint.

18 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

19 PAIGE: Sure.

20 BOARD MEMBER BROWN: And what we see here is a  
21 list of agency who have -- basically, giving you a notice  
22 of intent to terminate.

23 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

24 PAIGE: Um-hmm.

25 BOARD MEMBER BROWN: So if I sort of just look at

1 the first one, Central Sierra, they gave us a notice in  
2 2011, a final resolution to terminate -- so is that an  
3 agreement we signed with them?

4 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

5 PAIGE: Yes. The final resolution to terminate is their  
6 board passing a resolution to actually terminate the  
7 contract.

8 BOARD MEMBER BROWN: Okay. So it took them eight  
9 years to do that.

10 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

11 PAIGE: Yes.

12 BOARD MEMBER BROWN: Okay. That's a long time.

13 And then -- but you don't have anything in the other two  
14 columns. So are we currently calculating that termination  
15 cost?

16 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

17 PAIGE: Absolutely. So the next step after we receive the  
18 final resolution is the termination cost is calculated.  
19 And that's what's happening with these agencies. Once  
20 that report is completed and returned to the employers,  
21 they'll -- if they have an amount owed after the  
22 termination, then they'll receive a bill. And then from  
23 there, we will correct the termination cost that's due.

24 BOARD MEMBER BROWN: And so how long does it take  
25 us to do that, because it's been more than six months,

1 according to -- right, it's March, and this was August, so  
2 it's --

3 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

4 PAIGE: So I'm looking -- okay. That's a good question.  
5 I mean, it normally takes -- a final termination ballot  
6 can take up nine -- 90 days. There's also communication  
7 going back and forth with the agency on validating the  
8 data.

9 BOARD MEMBER BROWN: Oh, so in case they  
10 disagree.

11 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

12 PAIGE: It takes a little time.

13 BOARD MEMBER BROWN: In case they disagree,  
14 because there's analysis.

15 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

16 PAIGE: Yes. Um-hmm.

17 BOARD MEMBER BROWN: Okay.

18 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

19 PAIGE: There's some time there as well.

20 BOARD MEMBER BROWN: All right. Thank you.

21 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

22 PAIGE: You're welcome.

23 BOARD MEMBER BROWN: I just wanted to get an  
24 understanding of the --

25 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

1 PAIGE: Any time.

2 BOARD MEMBER BROWN: -- process.

3 So eight years is an anomaly, I would assume,  
4 right?

5 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

6 PAIGE: Yes. We recently passed legislation so we --  
7 right, we won't see that. They have up to a year. And if  
8 they -- from the time that they notice us. And then if  
9 they don't do it, they have to start over.

10 BOARD MEMBER BROWN: They have to do another  
11 notice of intent.

12 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

13 PAIGE: Yes.

14 BOARD MEMBER BROWN: So we won't see another one  
15 of those.

16 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

17 PAIGE: No.

18 BOARD MEMBER BROWN: All right. Thank you.

19 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

20 PAIGE: Oh, you're welcome.

21 CHAIRPERSON TAYLOR: All right. Thank you.

22 Ms. Middleton.

23 BOARD MEMBER MIDDLETON: Okay. Thank you, Madam  
24 Chair and congratulations as well.

25 I'm on page five of the handout. Appendix two.



1 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

2 PAIGE: Yes.

3 BOARD MEMBER MIDDLETON: Okay. And this is very  
4 helpful information. And I'm not expecting you to answer  
5 this now --

6 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

7 PAIGE: Okay.

8 BOARD MEMBER MIDDLETON: -- but I do have some  
9 more specific questions. I would like to dig down on this  
10 report and be able to identify the cities, the counties,  
11 the special districts all by name. And then within the  
12 name, I would like to know, to the best of our knowledge,  
13 how many public safety employees and how many  
14 miscellaneous employees are attached to each one of these  
15 organizations and what was the date of incorporation?

16 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

17 PAIGE: Okay. We can work on that for you.

18 BOARD MEMBER MIDDLETON: Okay. And in case  
19 there's any questions, the purpose of my digging into this  
20 is there is a considerable amount of, I believe,  
21 misinformation out in the public regarding funded status  
22 and what leads to funded status. And if we can dig down  
23 into this data in more detail, I believe we can break some  
24 of those myths.

25 Thank you.

1 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

2 PAIGE: Uh-huh.

3 CHAIRPERSON TAYLOR: All right. So, Mr. Cohen --  
4 and you had mentioned also that we're looking at a  
5 different report anyway.

6 CHIEF FINANCIAL OFFICER COHEN: Yes.

7 CHAIRPERSON TAYLOR: So can we add this to the  
8 menu of things?

9 CHIEF FINANCIAL OFFICER COHEN: Absolutely.  
10 We'll get starred on that as Committee direction, but  
11 we -- we provide this report to you quarterly. We are  
12 going to take a fresh look at how we present this. I  
13 think we can do a better job of making it clearer in terms  
14 of some of the questions we got this morning.

15 CHAIRPERSON TAYLOR: Okay. Great. Thank you.

16 So seeing no further questions from the  
17 Committee. It looks like we're moving on to Agenda Item  
18 7a, Review of Finance and Administration Committee  
19 Delegation, if you want to go over that, Mr. Cohen.

20 CHIEF FINANCIAL OFFICER COHEN: Sure. Thank you.  
21 Normally, every year, we review the Committee's delegation  
22 and would put it on an action consent item. This year, we  
23 wanted to bring it to you for discussion, based on last  
24 year's workstreams. Workstream 3 talked about trying to  
25 put these things in plain English. So you'll see the rest

1 of today each of the committees sort of bringing the  
2 delegations to you to convert the language as best we can  
3 into plain English.

4 So basically what we've done is strip out a lot  
5 of the resolved and sort of the prelude to the delegation.  
6 The content itself is largely the same, but we did want to  
7 sort of identify that we're following through on your  
8 workstream conclusions and recommendations.

9 CHAIRPERSON TAYLOR: Great. And I think you and  
10 I spoke about this. But where it's citing government code  
11 sections, I'm wondering if we wanted to put that in a  
12 citation at the end or an index of some kind, so that we  
13 just know that they're there. We don't have to cite it in  
14 the whole thing, but --

15 CHIEF FINANCIAL OFFICER COHEN: Sure. Why don't  
16 I take that as Committee direction to prepare kind of a  
17 summary of all of the code sections that are referenced in  
18 the existing resolutions that are about to go away.

19 CHAIRPERSON TAYLOR: Sounds good. Thank you.  
20 Thank you.

21 All right. Ms. Brown.

22 BOARD MEMBER BROWN: Thank you. On Attachment 2,  
23 page two of four, Mr. Cohen, one of the changes -- the  
24 first paren (1), it used to say, "Approve enterprise-wide  
25 budgets and resource allocations, and oversee the budget

1 process". And so with this change in delegation, the  
2 Committee is no longer overseeing the budget process, and  
3 instead, we are approving the budget policy. So what's --  
4 tell me what the change is?

5 CHIEF FINANCIAL OFFICER COHEN: I would say  
6 we're -- this is largely just reflective of current  
7 practice. The budget policy sort of lays out the Board's  
8 overall vision of the budget process. And then the budget  
9 process is more sort of a management responsibility to,  
10 you know, put a budget together and bring it to you in  
11 April. But I don't view this as being a substantive  
12 change in any information that the Board is going to see  
13 or anything that will change in terms of the process  
14 itself.

15 BOARD MEMBER BROWN: All right. Thank you.

16 CHAIRPERSON TAYLOR: Okay. Seeing no other  
17 questions from the Committee.

18 We are now moving on to 7b, CalPERS Retired  
19 Member Election Results and Review of Board Election.

20 CHIEF FINANCIAL OFFICER COHEN: That one is an  
21 action item.

22 CHAIRPERSON TAYLOR: Oh, that was an action item.  
23 I'm sorry.

24 CHIEF FINANCIAL OFFICER COHEN: Thank you, Chair.

25 CHAIRPERSON TAYLOR: So I need to move the review

1 of the Committee delegation.

2 VICE CHAIRPERSON MILLER: So moved.

3 CHAIRPERSON TAYLOR: It was moved by Mr. Miller.

4 COMMITTEE MEMBER JONES: Second.

5 CHAIRPERSON TAYLOR: Seconded by Mr. Jones.

6 All those in favor say aye?

7 (Ayes.)

8 CHAIRPERSON TAYLOR: All those opposed?

9 Hearing none. The motion carries.

10 I'm sorry.

11 And second one, this is also an action item. 7b,  
12 CalPERS Retired Member Election Results and Review of  
13 Board Election Program.

14 CHIEF FINANCIAL OFFICER COHEN: And this one I'm  
15 going to turn over to Dallas Stone and Kim Malm to run  
16 through the results and some recommendations for you.

17 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:

18 Good morning, Madam Chair. Kim Malm, CalPERS  
19 team member. I think all of you are probably aware that  
20 for the last ten months I've been over in the Health  
21 Branch. And during that time, Dallas Stone, my Assistant  
22 Division Chief in Operations has been running the  
23 Operations Division. So he gets the pleasure today to  
24 present this Board election item to you guys.

25 But before he starts, I just want to say thank

1 you to Dallas for all of his hard work and to the team --  
2 the Board election team that works really hard on this and  
3 tries to come up with some ideas for you guys every four  
4 years on things that you consider to make the -- you can  
5 consider to make the process better.

6 So with that, I'm going to turn it over to Dallas  
7 Stone.

8 (Thereupon an overhead presentation was  
9 Presented as follows.)

10 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

11 STONE: Thanks, Kim.

12 Good morning. Members of the Finance and  
13 Administration Committee, Dallas Stone, CalPERS team  
14 member.

15 This is an action item that will cover the 2019  
16 retired member election results and a review of the Board  
17 Elections Program. We will be discussing our voter  
18 experience over the last election cycle and seeking  
19 direction on options for the upcoming 2021 through 2024  
20 election cycle.

21 The retired member position was decided by a  
22 majority vote. And Henry Jones was elected with 65.97  
23 percent of the votes. The election was officially  
24 certified by the Secretary of State on October 17th, 2019.  
25 The term of office is January 16th 2020 through January

1 15th, 2024.

2           Congratulations, Mr. Jones, on his reelection.

3           The following is a summary of those results.

4           Voter turnout for the election was 116,065 votes  
5 out of 604,192 eligible voters, which was 19.7 percent.  
6 The paper ballot was the most popular voting method coming  
7 in at 77.84 percent, followed by online voting at 17.41  
8 percent, and telephone voting at 4.75 percent.

9           We continue to partner with the Office of Public  
10 Affairs and Stakeholder Relations on outreach efforts  
11 focused on increasing voter awareness and participation.  
12 A number of those outreach efforts included two email  
13 blasts reminding voters to participate. On September 6th,  
14 2019, we sent approximately 348,000 emails. 36.61 percent  
15 of those emails were opened. On September 23rd, 2019, we  
16 sent approximately 346,000 emails and 35.31 percent of  
17 those emails were opened. There were seven press releases  
18 sent with election updates beginning with the notice of  
19 election and ending with the election results. The Public  
20 Affairs team posted 18 Facebook messages, 17 Twitter  
21 messages, and six LinkedIn messages.

22           We recorded and posted candidate statement videos  
23 on our external election site. And we hosted a candidate  
24 forum which was streamed live and the recording was placed  
25 on our external election's site for future viewing. The

1 forum had 355 people view the livestream and 1,651 YouTube  
2 replays.

3 Attachment one in the report includes the top ten  
4 cities with the highest voting participation, as well as  
5 additional voter demographics, including age group,  
6 gender, and participation by voting method. The total  
7 cost to conduct the 2019 retired member election was  
8 \$1,354,782.76. The cost per vote received was  
9 approximately \$11.38.

10 That concludes my update on the 2019 retired  
11 member election. I would now like to move on to the  
12 review of the Board Election Program, and this is where  
13 we're going to need you to take action.

14 CHAIRPERSON TAYLOR: Do you want to ask a  
15 question first?

16 Okay. Go ahead.

17 --o0o--

18 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
19 STONE: All right. So today's presentation will consist  
20 of reviewing our voter -- voting experience, trends, and  
21 costs over the last election cycle. We're going to be  
22 requesting the Board's direction on two items as we  
23 prepare for the upcoming 2021 through 2024 election cycle.  
24 The two items are related to our ballot package and voting  
25 option moving forward.



--o0o--

OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

STONE: Here's a brief overview of our typical elections cycle. An election cycle runs over a four-year period. Elections are conducted in years one through three. Year four is our off year, where we conduct an RFP to secure a Board election services vendor and make administrative and regulatory updates as needed.

--o0o--

OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

STONE: This chart provides a quick breakdown of our last elections cycle. Year one was our member-at-large election, which consists of our entire active and retired membership. Year two was our active members State, school, and public agency elections. These elections are ran simultaneously. Year three is our retired member election.

--o0o--

OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

STONE: So this slide is a breakdown of our actual voter; turnout, total costs, and cost per vote by election. Please note that CalPERS did not conduct a State or school member election last cycle. Those positions ran unopposed.

--o0o--

1 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

2 STONE: So this graph illustrates our voter turnout over  
3 the last 20 years. CalPERS has seen a steady decline in  
4 overall voter participation. Our member-at-large, public  
5 agency, and State elections had a voter turnout range of  
6 approximately 15 to 20 percent in the early 2000s, and  
7 have declined since.

8 Prior to our retired member election in 2019, our  
9 last election was held in 2007 with voter turnout at 32  
10 percent. Last year's election came in at 19.7 percent.

11 --o0o--

12 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

13 STONE: So based on the decline in voter participation,  
14 CalPERS introduce two additional voting methods beginning  
15 with our 2017 member-at-large erection. Online and  
16 telephone voting were added to complement the paper  
17 ballot.

18 The rationale behind the voting method  
19 enhancement was to increase accessibility to our members.  
20 Besides the paper ballot, members can vote online from  
21 their personal computer, smartphone, tablet, or by  
22 telephone.

23 --o0o--

24 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

25 STONE: In addition to the multiple voting channels, our

1 Board election program changed its marketing efforts to  
2 raise overall voter awareness.

3 Some of those efforts were: online voting  
4 demonstrations at Stakeholder Forums and Benefit Education  
5 Events; marketing partnerships with the top ten largest  
6 public agency employers; candidate statement videos;  
7 toolkits for employers and retired associations; spotlight  
8 ads and banners on our inside CalPERS page, press releases  
9 and social media posts; candidate forums both in-person,  
10 lifestream, and on YouTube; and election reminder email  
11 blasts.

12 --o0o--

13 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
14 STONE: So we provided additional voting channels and we  
15 revamped our marketing platform with the goal of increasing  
16 voter participation. The real question is were we really  
17 able to move the needle?

18 Outside of the 2019 retired member election,  
19 voter participation did remain low. Two key observations  
20 were made over the last election cycle. Mail-in ballot  
21 continues to be our most popular voting method, and the  
22 second observation is that we did see a large increase in  
23 online voting preference in our active member 2018 public  
24 agency election.

25 --o0o--

1 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

2 STONE: So if we turn our attention to costs associated  
3 with conducting our last election cycle, the paper ballot  
4 continues to be our most expensive voting channel at \$4  
5 million, when you take into account the cost of paper,  
6 printing the ballot materials, and postage for the ballot  
7 package and prepaid return ballot envelope. The online  
8 and telephone voting methods were approximately \$2.6  
9 million over the same voting period.

10 --o0o--

11 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

12 STONE: So we've looked at our voting experience by  
13 election, voting channel, the cost to run these elections,  
14 and our efforts to increase voter participation. How can  
15 we continue to improve our program?

16 Two cost-saving ideas we'd like to explore with  
17 you today that we think will hopefully increase voter  
18 participation are simplifying our ballot package and  
19 customizing our voting methods based on voter preference.

20 --o0o--

21 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

22 STONE: So let's start with our ballot package. When our  
23 members currently receive their ballot package in the  
24 mail, they get a candidate statement booklet, which is  
25 approximately eight to ten pages, they get a ballot card

1 with voting instructions, and the customer contact  
2 information, personal identification number, and tear-off  
3 ballot, and they also receive a prepaid return envelope.

4 What we would like to explore is moving to a  
5 one-page document which is very similar to what CalSTRS  
6 provides in their election. That would provide voting  
7 instructions, customer service contact information, the  
8 webpage to the candidate information, personal  
9 identification number, tear-off ballot for return, and a  
10 prepaid return envelope.

11 Now, regardless of what decision is made today,  
12 we did want to tell you that we are moving to a security  
13 tinted pre-paid return envelope for our next election  
14 cycle.

15 --o0o--

16 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
17 STONE: So why simplify the ballot package?

18 We believe the benefits are it's an  
19 environmentally-friendly ballot package. It's going to  
20 reduce complexity for voters, and there will be cost  
21 savings. The challenges would be that there is a  
22 modification to voter experience, regulatory amendments  
23 would be required. If we went with a simplified ballot  
24 package, there would be approximately \$425,000 in savings  
25 based on the previous election costs.

--o0o--

OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

STONE: The second proposed change to our election process would be to tailor the voting methods offered by election type using voter preference from our last election cycle. This slide is a brief summary breaking out the election conducted and what voting methods our members used during that specific election.

--o0o--

OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

STONE: So the first option would be not to change our current menu of voting methods offered and continue to offer online telephone and the paper ballot for all elections. The benefits of that was -- is that we have received positive feedback from our stakeholders. It's a secure and accessible experience and no regulatory updates would be -- would be needed.

The challenges would be we would continue to incur high costs, possible low voter turnout would continue, and it does require heavy reliance on enterprise support. If we stick with our current offering, the approximately cost for the next election cycle would be \$8.5 million.

--o0o--

OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

1 STONE: Option B. This would be an option similar to all  
2 elections prior to 2017. This would be our program moving  
3 back to mail and ballot only. The benefits of this would  
4 be it is our most popular voting stream. There would be a  
5 cost savings. The challenges would be that our active  
6 members are trending towards online voting preference.  
7 This option would not support our sustainability goals and  
8 reduction of paper. We could see a possible decrease in  
9 voter turnout, and regulation amendments would be  
10 required.

11 If we move back to our mail-in ballot, there  
12 would be approximately \$3 million in savings, based on the  
13 previous election costs.

14 --o0o--

15 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
16 STONE: Option C, this would need -- this would be to move  
17 to an online and telephone ballot only. The benefits of  
18 this would be active members are trending towards online  
19 voting. There would be an overall reduction in paper,  
20 use, and cost.

21 The challenges would be this would be a  
22 modification to our voter experience, a -- we could see a  
23 possible decrease in voter turnout, and regulation  
24 amendments would be required.

25 If we went with only online and IVR, the

1 approximate savings would be \$2.1 million, based on the  
2 previous election cycle.

3 --o0o--

4 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
5 STONE: The next option is Option D, which would allow us  
6 to move to a hybrid voting system. An example of a hybrid  
7 voting system would be to offer for our member-at-large  
8 election, the mail-in ballot, online, and telephone. For  
9 State, school, and public agency, we would offer online  
10 and telephone voting only. And for the retired member  
11 election, we would offer the mail-in ballot only.

12 The benefits of this would be we'd be tailoring  
13 the voting options to each voting community and there  
14 would be costs savings.

15 The challenges would be this would be a  
16 modification to our voter experience and regulation  
17 amendments would be required.

18 --o0o--

19 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
20 STONE: If we move to a hybrid Voting system, there would  
21 be approximately \$730,000 in overall savings based on the  
22 previous election cycle.

23 --o0o--

24 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
25 STONE: So what's next for our Board Elections Program?



1 We will be releasing an RFP to secure a Board elections  
2 services vendor by this fall. In April, we will be  
3 returning to this Committee and providing a regulation  
4 package. This package will include minor regulation  
5 changes and the decisions that are made today. These  
6 changes would be a effective January 2021.

7 After the award of the RFP, we will be working on  
8 onboarding our Board election services vendor and  
9 beginning to prepare for the 2021 member-at-large  
10 election.

11 --o0o--

12 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
13 STONE: And that concludes my presentation, and we're  
14 available to answer any questions at this time.

15 Thank you.

16 CHAIRPERSON TAYLOR: Certainly. It looks like  
17 you have a lot of questions. My question was you said the  
18 total cost for this election, for the retired election was  
19 1.354 mil --

20 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
21 STONE: Yes.

22 CHAIRPERSON TAYLOR: -- is that correct?

23 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
24 STONE: Correct.

25 CHAIRPERSON TAYLOR: But you are also saying that

1 if we stay with that option, with all three availabilities  
2 of access to voting, it's -- it normally costs 8.5  
3 million?

4 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
5 STONE: If we had to run every single election in the  
6 election's cycle, it would cost approximately \$8.5  
7 million.

8 CHAIRPERSON TAYLOR: Okay. So that's overall for  
9 all the years --

10 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
11 STONE: Correct.

12 CHAIRPERSON TAYLOR: -- all the elections?

13 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
14 STONE: Correct.

15 CHAIRPERSON TAYLOR: Okay. That's what I was  
16 trying to figure you.

17 Okay. So, Mr. Jones.

18 COMMITTEE MEMBER JONES: Thank you, Madam Chair.  
19 I would like to continue the current practice of our  
20 election processes. In looking at the historical voter  
21 turnout, it may suggest that if we had not had the  
22 electronic and phone, it may have even decreased more as  
23 opposed to increasing?

24 So that's -- I mean, looking at the data, it does  
25 suggest that there's a flattening of the reduction after

1 you went to. And now we have about 22 percent in the last  
2 election that -- where members voted online or by phone.  
3 And so I don't want to remove any opportunity for our  
4 members to vote. So I would strongly suggest that we keep  
5 the current practice.

6 As a matter of fact, I'm thinking about adding  
7 information to the election process as opposed to  
8 decreasing. We just had a board evaluation, where we  
9 talked about more transparency. And so by limiting the  
10 information to a -- deleting all information about a  
11 candidate is less transparent to me.

12 I would like to also suggest two additional items  
13 to be added. One is that we have a Board Governance  
14 Policy that requires each Board member, after they're on  
15 the Board, to certify that they have not had a financial  
16 negative condition over the last five years. So why not  
17 have that up front when they're running and have a  
18 statement in there whether or not they had been exposed to  
19 financial such as bankruptcy, and liens on property, et  
20 cetera, so -- because that gives the member more  
21 information about that candidate.

22 And I also would like to suggest that we add that  
23 any -- a certification that any potential member that has  
24 been convicted by a government body of sexual harassment,  
25 it be noted on that form also.

1           So those are the two suggestions that I would  
2 suggest. And, number one, keep it as it is, but add more  
3 transparency rather than less going forward.

4           CHAIRPERSON TAYLOR: So let me get this right.  
5 So if we -- for Board direction. The first policy that  
6 you want is financial disclosure like a -- that it's  
7 disclosed on the ballot, or --

8           COMMITTEE MEMBER JONES: It could even be a just  
9 a check mark --

10          CHAIRPERSON TAYLOR: Oh, hold on. I got you off.  
11 Hold on.

12          Where did you go, Henry?

13          Thank you.

14          COMMITTEE MEMBER JONES: Okay. Yeah. I would  
15 defer to staff on how best to accomplish that goal, but it  
16 doesn't have to be -- it could be just a certification  
17 that they have not had these financial difficulties. And  
18 if they were to say, yes, then there should be a process  
19 of what -- to alert members of what was involved in that  
20 situation.

21          CHAIRPERSON TAYLOR: Okay. Okay. Great.

22          Thank you, Mr. Jones.

23          Ms. Brown.

24          BOARD MEMBER BROWN: Thank you, Madam Chair. I  
25 don't have a vote, but I'm in support of Option B, which

1 is the mail-in ballot only. First of all, it has a cost  
2 savings of 2.6 million. Probably more, when you -- and  
3 when you get the new contract for online and IVR services.  
4 It's the safest way to vote. You get a piece of paper.  
5 You turn it in and it's completely auditable. My concern  
6 has always been that the online and telephone voting does  
7 not have an audit trail for the member, so they actually  
8 can't tell if their vote was counted.

9           You can -- I know you said it doesn't support our  
10 green policies, but use recycled paper, which probably  
11 will increase the cost, but use recycled, and that way  
12 you'll get there, but -- and also you need to include the  
13 candidate statements. If you do not include the candidate  
14 statement in the packet, your voting percentage will  
15 decrease by somewhere between 30 and 50 percent.

16           I tried to quickly look up a study I read. My  
17 degree is in policy sci. I studied on actually -- on data  
18 and polling. And I'll find that study for you. But if  
19 you do not include the information, people are going to  
20 open the ballot, say who are these people? And most  
21 people read the candidate statements and chose based off  
22 those statements. They're not going to go -- 80 percent  
23 of the voters are not going to go online and look to read  
24 the statement. They are just not going to vote or they're  
25 going to make an uninformed vote. And we really don't

1 want that for the Pension Board.

2 So you need to include the statement. And I  
3 really just think we should save money and do a paper  
4 ballot. But no matter what you do, you need to include  
5 the same voting channels for all members. So if you're  
6 going to -- if the Committee is going to agree to do  
7 online and IVR, you need to do it for the retirees and for  
8 the -- all members. You can't have different voting  
9 channels for different groups. I don't think that's  
10 Constitutional.

11 Thank you.

12 CHAIRPERSON TAYLOR: Mr. Perez.

13 COMMITTEE MEMBER PEREZ: Thank you.

14 The -- I have a couple questions. First, the  
15 security tinted envelope that you referenced, is that more  
16 robust than the one we have now or different than what we  
17 have now, or that we've used in the past?

18 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
19 STONE: You will not be able to tell the vote by the voter  
20 in the envelope, holding up to light or just looking at  
21 it.

22 COMMITTEE MEMBER PEREZ: Thank you.

23 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
24 STONE: It's a sleeve, correct.

25 COMMITTEE MEMBER PEREZ: All right. Thank you.

1           And then for Option B, you mentioned there would  
2 be some regulation amendments. Can you specify, please?

3           OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
4 STONE: Yeah, correct. In our retirement law, our PERL,  
5 we have stated that online and IVR voting is permitted in  
6 our elections, so we would just have to -- if the decision  
7 was made by the Board to go back to the paper ballot, we  
8 would have to revert back to much likely our older  
9 verbiage to prior to 2017 to allow us to administer the  
10 election in that manner.

11           COMMITTEE MEMBER PEREZ: But it's permitted, not  
12 shall include?

13           CHAIRPERSON TAYLOR: I'm sorry?

14           COMMITTEE MEMBER PEREZ: Does the PERL say it's  
15 permitted or does it say it shall include?

16           OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
17 STONE: It's shall include now.

18           COMMITTEE MEMBER PEREZ: Are you sure?

19           STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:  
20 I think it's shall, sir, but I'd have to look at  
21 the PERL.

22           COMMITTEE MEMBER PEREZ: Kim, don't "sir" me.

23           STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:  
24 I believe it's shall.

25           COMMITTEE MEMBER PEREZ: That's fine. The --

1 just watch the news, recent past has shown that online  
2 isn't secure. I prefer the mail-in ballots. It's good  
3 enough for the federal government, good enough for the  
4 State government, I think it should be good enough for us.  
5 We-- you guys do a fantastic job of outreach and trying to  
6 get folks engaged. You can lead a horse to water, but you  
7 can't make them drink.

8 And I don't see the benefit of getting that 22  
9 percent or that -- even in my case was 34 percent, of  
10 people using telephonic or online voting. I think the  
11 risk is greater than that. The juice isn't worth the  
12 squeeze on this, in my opinion.

13 Also, I think it's important to include the  
14 candidate statement on that.

15 And for mail-in ballots, on myCalPERS, I think I  
16 had to click or submit a box saying that I will allow  
17 direct mails. Is that the case for ballots?

18 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
19 STONE: No. So the ballot is an exception to that.

20 COMMITTEE MEMBER PEREZ: Okay.

21 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
22 STONE: So even if you opted out of having -- you know,  
23 going online and doing all your business with CalPERS  
24 online, we would still mail the ballot to each eligible  
25 voter.



1 COMMITTEE MEMBER PEREZ: Thank you.

2 And then lastly to Mr. Jones' two points that he  
3 wanted to bring up. So right now, if we make sanctions  
4 against other Board members, those are kept in closed  
5 session. And I have some heartburn with stuff that we  
6 deal with on attorney-client stuff to submit to the  
7 public. For the record, I'm clean on both. I'm good with  
8 my finances and I haven't been alleged of harassment. But  
9 we can't -- we have to be consistent in the way we handle  
10 those.

11 That's it. That's all my notes. Thank you.

12 CHAIRPERSON TAYLOR: All right.

13 COMMITTEE MEMBER PEREZ: Thank you for your hard  
14 work.

15 CHAIRPERSON TAYLOR: Ms. Yee.

16 BOARD MEMBER YEE: Thank you, Madam Chair, and  
17 thank you for the opportunity to speak on this. I'm not a  
18 member of the Committee and congratulations to you and Mr.  
19 Miller.

20 I'm troubled by this conversation, because it's  
21 all being framed within the context of cost savings. And  
22 I think it really should be framed within the context of  
23 improved voter participation. And from that perspective,  
24 and given kind of the context in which we're all operating  
25 in terms of voting methods, I guess I would concur with

1 Ms. Brown and Mr. Perez that I think moving away from  
2 mail-in ballots is a real mistake at this point. And it  
3 really depends on what your objective is.

4 If it's to save money, then you can make the case  
5 for the other methods. But if it's to enhance voter  
6 participation -- and I will say 19 percent is not robust.  
7 We need to do better. And we're running for the nation's  
8 largest pension fund and we don't have robust  
9 participation by our members. That's, I think, a real  
10 stain on the system.

11 And I would hope that if we are going to move  
12 into other methods, that there is a little bit more of a  
13 transparent process about identifying what those methods  
14 are, how they work, some of the drawbacks, robust  
15 stakeholder engagement around that. But -- and I also  
16 agree that all the elections should be run consistently in  
17 terms of the methods used.

18 So I would say, I mean, just on the heels of what  
19 we're seeing nationally with respect to just doubts around  
20 online voting and other types of voting methods, that I  
21 hope that we can stay with mail-in ballots and have as  
22 much information provided to the voters -- voting members  
23 as much as possible, and then really have a robust public  
24 process about moving into the consideration of other  
25 methods.

1 CHAIRPERSON TAYLOR: Thank you, Ms. Yee.

2 Mr. Rubalcava.

3 COMMITTEE MEMBER RUBALCAVA: Thank you. And  
4 again, congratulations.

5 Yes, a couple points. I noticed that IVR phone  
6 has the lowest participation. And I'm not very  
7 experienced with voting procedures, but I participated  
8 on -- with many jurisdictions on the open enrollment for  
9 medical plans, and most of them have moved out -- out of  
10 IVR, because it's cumbersome and there's a lot of  
11 mistakes, because there's always confirmation and stuff.

12 So I agree with many of the speakers that we want  
13 to enhance voting and participation, but we also want to  
14 be -- ensure that it facilitates it, not cumbersome and  
15 it's accurate, of course, so -- and at the same time, I  
16 think we should encourage new technologies and what have  
17 you, which is happening in the -- again, I'm not sure this  
18 is a good comparison, but I'm familiar with the open  
19 enrollment for medical, and online is becoming more and  
20 more popular.

21 So I would suggest to allow people's choice in  
22 familiar -- well, they're familiar with, but to also  
23 enhance participation, that we stay with like a hybrid.  
24 We have both mail-in and online. It's options for the  
25 employee -- for the member and retiree.

1 I also got some emails saying that people are  
2 interested in having their candidate statement, and  
3 perhaps not included the mailing for some people who have  
4 problems accessing it by online. It may be cumbersome or  
5 a hardship.

6 So I would favor two things, I guess. One, I  
7 don't think we need the IVR phone. I don't think it's --  
8 I don't think it's people are participating. It's  
9 probably not growing, so I would suggest we don't need  
10 that. And we should allow the candidate statement to  
11 continue on the mail-in.

12 Thank you.

13 CHAIRPERSON TAYLOR: Thank you, Mr. Rubalcava.  
14 Mr. Miller.

15 VICE CHAIRPERSON MILLER: Yeah. I concur with  
16 Controller Yee and some of my other colleagues about  
17 feeling the written statements are really valuable. For  
18 many of our voters, that's the only information they  
19 really get or have. It's also information that's  
20 constrained by some standards of content.

21 I think our voters can legitimately trust that  
22 those candidate statements are not going to have  
23 demonstrably false statements. They're not going to have  
24 personal attacks. They're not going to have the kind of  
25 thing that if we -- they don't have those statements and

1 the only information they're getting is information that  
2 they're just hearing out in the world, I worry about that.

3 I also feel, on the other hand, that having all  
4 options open for voting, while the percentages may not be  
5 high, we're talking about thousands of our members who  
6 voted with something other than a mail-in ballot. And  
7 sometimes that was because of the timing. They learned  
8 about the election, or decided to vote, or were spurred to  
9 action, or lost their mail-in ballot, or whatever, and at  
10 the last minute or later in the process, that was the way  
11 to vote for them that was convenient, and would ensure  
12 that they could vote. And without it, they may not have  
13 voted.

14 And that was a point that was brought up at the  
15 stakeholder forum the other day by an astute commenter.  
16 And it struck me as something I hadn't really considered a  
17 lot before the additional value of having those additional  
18 mechanisms. And participation really needs to be our  
19 goal, not -- you know, cost savings is important, but in  
20 the grander scheme of things.

21 As far as President Jones' comments about adding  
22 additional things, I would -- it's one thing to ask people  
23 to disclose proven wrongdoing or issues related to  
24 wrongdoing. But in my experience, a lot of people who  
25 have had financial problems, and bankruptcies, or have

1 creditors chasing them, may have done nothing wrong in  
2 their lives. They may have run afoul of the mortgage  
3 crisis. They may have had a family member or spouse with  
4 medical conditions that sadly in this country can put you  
5 into bankruptcy, or put you in financial distress, or put  
6 you in arrears on taxes, or whatever it may be.

7 And so I would hope that if we do add something  
8 like that, which I'm not necessarily opposed to, we keep  
9 it to substantiated wrongdoing, something that would  
10 really reflect on the fitness of that person for this job,  
11 not necessarily something that could just be a result of,  
12 you know, circumstances living in the U.S. of A.

13 CHAIRPERSON TAYLOR: Thank you, Mr. Miller.

14 Ms. Olivares.

15 COMMITTEE MEMBER OLIVARES: Thank you, Ms.  
16 Taylor. I wanted to follow up on Mr. Jones' and Mr.  
17 Miller's comments regarding the attestations. I think if  
18 we were going to look at two attestation, we might look at  
19 all attestations. So perhaps an attestation for no  
20 financial hardship, one for no substantiated claims of  
21 sexual harassment. But in addition, no conflicts of  
22 interest and an attestation that confidentiality measures  
23 will be followed.

24 So that way it's including -- I mean, there may  
25 be more that we should include in there. But whatever the

1 Board is subject to, that that be included in there and  
2 the attestation be made at that time.

3 And then the second point I wanted to make, it  
4 was in deciding between the option -- the different  
5 options on the ballots. So for Option A, in terms of  
6 mail -- well, for all the mail-in ballots, how many  
7 returned envelopes did we receive with an incorrect  
8 address notification?

9 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
10 STONE: I don't have the -- that exact number, but we  
11 average between one to one and a half percent return  
12 envelopes for bad addresses. I would also add though that  
13 we, as an organization, send out two mass mailers to all  
14 of our members twice a year, where we have received  
15 information from our Post Office saying that it could be  
16 an undeliverable and we reach out to those members, you  
17 know, prior to the election just for typical business to  
18 have the most updated address on file for us.

19 COMMITTEE MEMBER OLIVARES: And during the  
20 election, when we received notification that the address  
21 is incorrect, do we take any measures?

22 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
23 STONE: Yeah. So the envelopes do come back to us and  
24 then we typically work with our customer service branch on  
25 those addresses. And then they get -- their file gets

1 added to the names that are mailed when we send out that  
2 twice a year notification to update addresses.

3 But if you're an active member employee, you do  
4 have to do it through your employer. Retired members  
5 would either go through the CalPERS portal or they would  
6 work with our contact center or come into our regional  
7 office.

8 COMMITTEE MEMBER OLIVARES: Are there any  
9 measures taken during the election process?

10 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
11 STONE: No. We don't -- if we get an undeliverable back,  
12 we -- our vendor stores those undeliverables until the end  
13 of the election and we're not -- we take no action at that  
14 time.

15 COMMITTEE MEMBER OLIVARES: Thank you.

16 CHAIRPERSON TAYLOR: Thank you.

17 Ms. Middleton.

18 BOARD MEMBER MIDDLETON: Okay. Thank you, Madam  
19 Chair. And I want to thank all of my colleagues for their  
20 comments. Unfortunately, we're in a time when Public  
21 Trust in institutions is as low as it is has ever been.  
22 And I think we have to go the extra mile to make sure that  
23 in all of our elections, that there is a trail that allows  
24 us to document what someone's voting intention was. The  
25 questions are going to emerge and we need to have the



1 ability to create a trail.

2 But given that, I want to second the comments  
3 also of Ms. Yee. I think our primary goal needs to be to  
4 enhance the number of individuals who are participating in  
5 the selection.

6 And one of the things that we have found in the  
7 public sector is giving individuals the opportunity to  
8 either vote by mail or to vote in person has increased  
9 voter participation. And if there are members who prefer  
10 to vote online and we can find a way to track how they  
11 have -- track a vote back not to an individual, but can  
12 track it, so as to be able to determine how many votes  
13 were for a particular individual, that is something we  
14 need to do.

15 And I hope I got that sentence right.

16 CHAIRPERSON TAYLOR: I'm confused.

17 (Laughter.)

18 BOARD MEMBER MIDDLETON: We need to be able to  
19 validate, in some fashion, not who voted for who, but how  
20 many votes there were for a particular individual.

21 CHAIRPERSON TAYLOR: Okay. Okay. I got it.

22 BOARD MEMBER MIDDLETON: There has to be a  
23 documentation trail.

24 CHAIRPERSON TAYLOR: Right. Right. All right.  
25 Thank you.

1 Ms. Yee.

2 BOARD MEMBER YEE: Thank you, Madam Chair. I  
3 neglected to ask a question. In attachment 1, and it was  
4 in the staff report, we talked about the number of invalid  
5 ballots. And I know there was a good number of them that  
6 were invalid because they were late, but could you speak  
7 to some of the other reasons why we had like 2,900 invalid  
8 ballots.

9 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
10 STONE: Yeah, an invalid ballot is a ballot that might  
11 have an over or under vote. They voted for multiple  
12 people. They did not select a candidate. They're also in  
13 multiple cases where the return envelope was opened and  
14 there was nothing in it, or another piece of paper outside  
15 of the ballot --

16 BOARD MEMBER YEE: Uh-huh.

17 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
18 STONE: -- or if there was no -- obviously, no signature  
19 on the return envelope, it would be deemed invalid.

20 BOARD MEMBER YEE: Got it. Okay. Thank you.

21 CHAIRPERSON TAYLOR: Thank you, Ms. Yee.

22 I would like to say, Mr. Stone, thank you very  
23 much for this report. It was very helpful. Before we go  
24 on for voting on any of this, and we've got a whole lot of  
25 stuff to discuss still, it sounds like, because we've got

1 some suggestions, I have people from the public that would  
2 like to talk and ask questions or talk.

3 Mr. Darby, Mr. Behrens, Mr. Brennand, and Mr.  
4 Fountain, if you'd come up.

5 Yes.

6 GENERAL COUNSEL JACOBS: Chair Taylor, if I may  
7 interject just a comment at this point. With respect to  
8 the various suggestions about a disclosure requirement, I  
9 just wanted to bring to the Committee's attention that  
10 there are serious legal issues with doing that.

11 CHAIRPERSON TAYLOR: Okay.

12 GENERAL COUNSEL JACOBS: We -- the California  
13 Constitution basically says, as of 1991, you cannot change  
14 the regulations or the qualifications for Board members  
15 who are elected. That was part of the Proposition 162  
16 that passed. It kind of froze the selection process at  
17 that point.

18 So quite arguably the addition of a disclosure  
19 requirement would change the qualifications -- well, I  
20 should say -- I left a little part out there. You can't  
21 change the qualifications without a vote of the  
22 electorate, so -- because 162 was, of course, a vote of  
23 the electorate, so --

24 CHAIRPERSON TAYLOR: I got it.

25 GENERAL COUNSEL JACOBS: So to add a

1 disclosure -- specific disclosure requirements would  
2 potentially violate that provision. Very recently, we've  
3 seen this play out in a somewhat different context with  
4 the State requirement that was passed last year, that said  
5 any -- anybody to be listed on the California ballot for  
6 President of the United States has to disclose his or her  
7 tax returns.

8 CHAIRPERSON TAYLOR: Tax returns.

9 GENERAL COUNSEL JACOBS: And that was ruled by  
10 the California Supreme Court as violating the California  
11 Constitution, and also by a federal district court here in  
12 Sacramento as violating the U.S. Constitution. Again, I  
13 don't want to stress that that's entirely the same case,  
14 because there were different policies at play and  
15 different provisions of the constitutions at play.

16 But I just wanted to point out that before we get  
17 too far down that road, that there are substantial legal  
18 issues with doing that. So to be thrown into the mix as  
19 you consider that -- that suggestion or those suggestions.

20 CHAIRPERSON TAYLOR: I do appreciate that. I was  
21 thinking that this might not be the venue for that, but I  
22 have a couple of comments from the Board and then we will  
23 get to you. Sorry.

24 Ms. Olivares.

25 COMMITTEE MEMBER OLIVARES: Thank you, Ms.

1 Taylor. Thank you, Madam Chair.

2 Would there be any obstacle to having voluntary  
3 disclosure?

4 GENERAL COUNSEL JACOBS: No. In fact, as I  
5 recall, the regulation now, it encourages certain types of  
6 disclosure, not necessarily the ones that the Board  
7 members were talking about here today, but it encourages  
8 disclosure in your candidate statement. And that would  
9 certainly be permissible.

10 COMMITTEE MEMBER OLIVARES: Thank you.

11 GENERAL COUNSEL JACOBS: You're welcome.

12 CHAIRPERSON TAYLOR: Thank you.

13 Mr. Jones.

14 COMMITTEE MEMBER JONES: Yeah. Thank you, Madam  
15 Chair. Mr. Jacobs, the regulations I thought provide for  
16 the Board to develop processes for Board member's  
17 election. So you're saying that if we develop within that  
18 authority, that still would be outside of our ability to  
19 include these kinds of things.

20 GENERAL COUNSEL JACOBS: You raise the  
21 counterargument, and it's a good one, which is, hey, these  
22 are just the regulations for the administration of Board  
23 elections. So it's a fine line, but it -- in my judgment,  
24 it tends to move over the line toward if you're actually  
25 going to require, as opposed to what Ms. Olivares just

1 said of kind of urging or recommending a certain  
2 disclosure, if you're going to require them, then that  
3 kind of moves you potentially over the line toward  
4 changing the qualifications for a potential Board member  
5 and that would be a problem.

6 COMMITTEE MEMBER JONES: Okay. Thanks.

7 CHAIRPERSON TAYLOR: Okay. Thank you.

8 So I will move on to our public comment and go  
9 ahead, Mr. Behrens, you have three minutes.

10 MR. BEHRENS: Thank you, Madam Chair.  
11 Congratulations on your appointment. Members of the  
12 Committee, Tim Behrens, President of the California State  
13 Retirees.

14 We are going on record today as supporting Option  
15 A for many of the same reasons that the Committee members,  
16 and some of the Board members that are visiting, have put  
17 out there. We think that it's more important to try to  
18 increase the number of people that vote in the election.  
19 We recognize that the expense is important as -- and also  
20 recognize the fact that using my phone or my laptop may  
21 have some security issues, because it's hard to hack those  
22 paper ballots, but it's not -- it's questionable about how  
23 bad the rest of the election process is.

24 So we support all three continuing as they are.  
25 Hopefully, our new cybersecurity here at CalPERS will

1 overcome many issues related to use of phone and/or  
2 laptop. We also believe that it's very important that the  
3 candidate statement continue to go out with the ballot. I  
4 was wondering, as I was listening to your conversation,  
5 whether or not we could put the candidate statements in  
6 the CalPERS PERSpective that goes out to every retired  
7 member in the state. I don't know if there's a time  
8 between the time that the candidate statement would be  
9 final and the time people would receive that PERSpective,  
10 and whether or not that could take the place of putting it  
11 in the ballot and save a few bucks. I don't know. It's  
12 just an idea that popped in my head.

13 So I would urge you to recommend to the Board  
14 that we continue with Option A.

15 Thank you.

16 CHAIRPERSON TAYLOR: Thank you, Mr. Behrens.

17 Mr. Darby.

18 MR. DARBY: Al Darby, President, Retired Public  
19 Employees Association.

20 Congratulations to you and Mr. Miller for your  
21 reelection to the officer positions here.

22 The important thing to remember here is that  
23 Internet and IVR are not secret ballots. There's a pin  
24 number that's required, so you can identify who cast the  
25 ballot. That would not be the case or is not the case

1 with paper ballots.

2           Secondly, the options proposed to enhance CalPERS  
3 Board election processes by adding Internet and telephone  
4 will cause these elections to be about \$3 million more  
5 than they need to be. And until you can come up with a  
6 secret ballot method to perform Internet or IVR, it would  
7 appear to be an invalid way to conduct an election.

8           Also, you have no paper trail of those votes, so  
9 you could have manipulation and we have hacking from all  
10 over the world, even China may want to hack into a CalPERS  
11 election.

12           For all these elections, secret ballots are  
13 mandated outside in the outside world. So this isn't an  
14 anomaly what we're doing here with IVR and Internet  
15 voting.

16           The two elections that we've conducted offering  
17 added non-secret ballot options have not significantly  
18 enhanced voter turnout. Voter turnout has declined even  
19 with those options available in the last two elections.

20           In fact, the -- all of the voting options offered  
21 here require a mailing of printed material. So it -- you  
22 can't save much money on a mailing. All you'd be doing is  
23 suggest -- it's suggested you take out candidate  
24 statements.

25           So in all cases, Option B would appear to be the



1 best option at this point in time.

2 Thank you.

3 CHAIRPERSON TAYLOR: Thank you, Mr. Darby.

4 Mr. Brennand and Mr. Fountain.

5 MR. FOUNTAIN: Good morning. Congratulations  
6 again on the election for the -- both of you that were  
7 elected. I'm Jerry Fountain, Chief Financial Officer,  
8 California State Retirees.

9 And the work that this Board does is extremely  
10 important, so it's significant to have the members that  
11 you know what their beliefs are and what their feelings  
12 are. And I agree with Board Member -- Ms. Yee, it's more  
13 important to get members to vote than it is for the costs.

14 Now, you have some costs that are important to  
15 track what's going on, like your cost per ballot return.  
16 But that is a phantom figure. Because if you allow a  
17 person to vote by phone, or Internet, then they're not  
18 going to return a paper ballot, so the cost per ballot  
19 returned is going to be higher, so it's a phantom figure.  
20 So that should not be considered.

21 The paper is the only way to go. You have  
22 approximately 30 percent of the retirees, I believe the  
23 figures are, that are at least 90 or 100 years of age.  
24 I'm willing to bet a significant amount of funds that they  
25 are not computer literate, or don't want to be computer

1   literate, and don't understand computers, because they're  
2   not in the computer culture.

3               So going with at least a minimum of the paper  
4   ballot I feel is extremely important.

5               Thank you.

6               CHAIRPERSON TAYLOR:   Thank you, Mr. Fountain.  
7               Mr. Brennand.

8               MR. BRENNAND:   Madam Chair and members, Terry  
9   Brennand on behalf of SEIU California.  We've done a lot  
10   of research, SEIU has, with its members and its retirees  
11   about voting in CalPERS elections.  And the two main  
12   reasons why they do not participate are, one, they don't  
13   know about the election.  They threw away their ballot,  
14   didn't pay attention, don't know.  So whatever we're doing  
15   about outreach and announcement it's not enough.

16              Two, they're don't know enough about the  
17   candidates to choose.  That was -- about 40 to 50 percent  
18   of the people who did not vote said I didn't know enough  
19   to make a choice.

20              So you have two proposals in front of you, one of  
21   them to restrict, in one way or another, access to voting,  
22   which seems counter to solving that problem, and the other  
23   is providing less information to the voters?

24              We're going the wrong way.  I mean, at a minimum,  
25   we're supporting Option A.  There is another option,

1 Option A1, which is you spend more money. You get more  
2 aggressive. You spend more time interacting with our  
3 members and our retirees about the upcoming election,  
4 about the importance of the election, about when the  
5 ballots are coming, about how to participate.

6 And just to respond to the IVR issue. One of the  
7 biggest problems with that is that you call to get your  
8 pin number and you have to call another number to vote.  
9 You can't go I'm ready to vote, press one, and you're sent  
10 to the voting site. So you've now created another  
11 obstacle to voting. If we could change that part, we  
12 could increase IVR. It's doubled by your numbers from the  
13 initial, in 2017, which was the first time you did it, to  
14 2019 with the retirees to almost five percent of the vote  
15 from something like 2.48 or 58 in December -- in 2017.

16 And in terms of the online, I mean, 34 percent of  
17 the people who voted in the public agency election voted  
18 that way. I'd like to take a little credit for it. We  
19 had a very aggressive online program, because people in  
20 those situations feel comfortable doing it.

21 So I want to discourage anything that limits your  
22 options to voting and limits your options to information.

23 Politics is messy. Politics, democracy is  
24 expensive. We've just got to figure out a way to do it  
25 better.

1 Thank you.

2 CHAIRPERSON TAYLOR: Thank you, Mr. Brennand.

3 So I had a couple of questions that came up from  
4 our commentary here, Mr. Stone.

5 The pin number that we're using for the online,  
6 and that's for -- does that identify the actual voter or  
7 is that just a pin number to get in?

8 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

9 STONE: So each -- each eligible voter is provided a  
10 unique identification number. That's just a random number  
11 that we provide. When you -- when you access the landing  
12 page, you then are required to put in your last four of  
13 your social, your pin to enter the voting portal.

14 After that, the vote is completely separated how  
15 you vote and what's logged. All we really care about is  
16 we know that that voter went in at that time online and  
17 cast a vote. That way we can ensure that only one vote  
18 was cast per eligible voter.

19 CHAIRPERSON TAYLOR: Okay.

20 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF

21 STONE: And that -- and that has happened on occasion  
22 where, you know, someone is confused. They're trying to  
23 log back in. It's not allowing them to log back in. They  
24 call our help desk provided by the vendor. That vendor  
25 then is able to look at their account and identify you

1 logged in at 10:38 a.m. on Saturday and you did submit a  
2 vote. And sure enough, they recall doing that.

3 CHAIRPERSON TAYLOR: Okay. So basically it's to  
4 prevent double voting?

5 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
6 STONE: Correct.

7 CHAIRPERSON TAYLOR: But otherwise, it's separate  
8 from --

9 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
10 STONE: The voter --

11 CHAIRPERSON TAYLOR: -- and there isn't a way for  
12 the vendor to go back and say, hey, this ID -- this pin ID  
13 was from Theresa Taylor?

14 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
15 STONE: Correct.

16 CHAIRPERSON TAYLOR: Okay.

17 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
18 STONE: The vote and the voter is disassociated.

19 CHAIRPERSON TAYLOR: And then second -- my second  
20 question -- my second question was on the Internet votes,  
21 I know we've talked about this before, is there a paper  
22 trail that can be created?

23 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:

24 So the vendor handles this entire election,  
25 right, CalPERS does not. And they have -- are required to

1 have auditable trails.

2 CHAIRPERSON TAYLOR: Okay.

3 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:

4 And they're not audits performed by CalPERS, but  
5 CalPERS can request an audit of the election, and a  
6 third-party would then have to come and do an audit of  
7 their election process.

8 CHAIRPERSON TAYLOR: So they have some kind of  
9 trail?

10 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:

11 They -- Yes. And it's certified by Secretary of  
12 State. And they have -- let me see. Where is that one?

13 Right here.

14 In the frequently asked questions that we  
15 provided to all of our members, it talks about -- I have  
16 the wrong page. Sorry. Here we go. It uses  
17 enterprise-grade hardware and encrypted security  
18 procedures, housed in a highly secured accredited data  
19 center facilities, and that they have received  
20 accreditations from the United States Department of  
21 Defense. They follow guidelines of encryption, threat  
22 modeling, physical server security, and tamper detection  
23 monitoring.

24 CHAIRPERSON TAYLOR: Okay. I saw Ms. Frost step  
25 up. Did you want to comment?

1 CHIEF EXECUTIVE OFFICER FROST: (Shakes head.)

2 CHAIRPERSON TAYLOR: Okay.

3 Okay. So those were my questions. I had --  
4 before we go forward with some of the direction here, I've  
5 got one more question from the Committee or outside the  
6 Committee, but a Board member.

7 Margaret Brown.

8 BOARD MEMBER BROWN: Thank you.

9 Ms. Malm, just to go back over, when you say that  
10 they're certified by the Secretary of State, I know that  
11 the print shop is certified to print ballots, but are you  
12 telling me that the online company is certified by the  
13 Secretary of State to do online voting, because I don't  
14 think that's true?

15 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:

16 The Secretary of State does not certify online  
17 voting.

18 BOARD MEMBER BROWN: Right. I just want to be  
19 clear. So it's just to print the ballots. It's not to --

20 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:

21 And their facility is evaluated every two years.  
22 They just got accreditation -- right.

23 BOARD MEMBER BROWN: But the Secretary of State  
24 of California does not certify any online voting?

25 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:

1           Except for ours. They certify our vote, our  
2 elections.

3           BOARD MEMBER BROWN: They're not certified to do  
4 online voting.

5           STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:  
6 That's correct.

7           BOARD MEMBER BROWN: Thank you.

8           CHAIRPERSON TAYLOR: Okay.

9           STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:  
10          If I could take a swing at the candidate  
11 statements maybe. So let me -- so here's the one page  
12 that is currently used that only has basically the  
13 instructions and the ballot. And then this is our ballot  
14 package. And as you can see, it's folded, stapled,  
15 numerous -- oops -- numerous pages, so -- and blank pages,  
16 because it's in a booklet form.

17          And so I agree that the candidate statements are  
18 valuable information. I certainly like Mr. Behrens  
19 comment about putting it in the PERSpective. But what if  
20 there was a secondary page that was like this as opposed  
21 to a booklet, and it had like the candidate statement on  
22 the top half, second candidate statement on the bottom  
23 life. It's still a lot easier, cheaper to print, as  
24 opposed to going all the way back to the booklet. That's  
25 just a consideration for you guys to think about.



1           CHAIRPERSON TAYLOR: Okay. Great. So -- and I  
2 will say that does make sense, if -- so if we have more  
3 than one candidate, then you can just have it on both  
4 sides, right?

5           STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:  
6 Right.

7           CHAIRPERSON TAYLOR: Okay. That makes sense  
8 then, rather than having a booklet. I get the booklet  
9 looks know officious, because they do it for Sacramento  
10 county and every thing -- every place else.

11           I do have questions from the Board members.  
12 Mr. Saha for Ms. Ma.

13           ACTING COMMITTEE MEMBER SAHA: Thank you, Madam  
14 Chair. Two quick questions. Are there any issues  
15 historically speaking with security issues related to the  
16 online or the phone voting?

17           OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
18 STONE: None.

19           ACTING COMMITTEE MEMBER SAHA: Okay. And a  
20 question about -- I know one of the options might be not  
21 providing all the voting options to all members. I  
22 believe it's Option D. Is there any issue  
23 constitutionally with that option. Maybe it's a question  
24 for Matt, I guess.

25           CHAIRPERSON TAYLOR: For D?

1           ACTING COMMITTEE MEMBER SAHA: Yeah, for D.

2           CHAIRPERSON TAYLOR: Okay.

3           OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
4 STONE: D is just the hybrid voting options, so maybe only  
5 offering paper for retired, offering online and IVR for --

6           GENERAL COUNSEL JACOBS: It's not clear. It's a  
7 good question. I think that if there were sufficient  
8 rationale for the distinction, that would probably be  
9 fine. I've not -- that would have to be more fully  
10 articulated than it has been yet.

11          ACTING COMMITTEE MEMBER SAHA: Okay. Thank you.

12          CHAIRPERSON TAYLOR: Thank you.

13          CHIEF EXECUTIVE OFFICER FROST: But it would  
14 require a regulatory change, because the current  
15 regulation requires all three voting methods.

16          OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
17 STONE: And just to answer your questions, Mr. Perez, the  
18 actual regulations section 554.7 of the California Code of  
19 Regulations says that CalPERS will allow online and  
20 telephone voting on there.

21          COMMITTEE MEMBER PEREZ: Thank you.

22          CHAIRPERSON TAYLOR: All right. Mr. Feckner.

23          BOARD MEMBER FECKNER: Thank you, Madam Chair.  
24 Unless, I'm mistaken, although I agree with Mr. Behrens  
25 comment, I don't think the regulations allow us to do any

1 advertising for campaigns or political information in the  
2 PERSpective, correct?

3 CHIEF EXECUTIVE OFFICER FROST: You are correct,  
4 Mr. Feckner.

5 BOARD MEMBER FECKNER: Thank you.

6 CHAIRPERSON TAYLOR: So it would -- so basically,  
7 let's restate that. We cannot put the candidate statement  
8 in the CalPERS PERSpective. However, there are other  
9 discussions about how we can do that. So I just wanted to  
10 have that restated.

11 And I'm being asked by -- Mr. Miller -- please  
12 everyone speak into your --

13 VICE CHAIRPERSON MILLER: Lisa.

14 BOARD MEMBER MIDDLETON: Microphones.

15 CHAIRPERSON TAYLOR: -- microphones.

16 BOARD MEMBER MIDDLETON: Thank you.

17 CHAIRPERSON TAYLOR: Go ahead, Mr. Miller.

18 VICE CHAIRPERSON MILLER: Okay. One thing that  
19 strikes me as one of the kind of challenges to some of  
20 these is that they do, they require regulations, and they  
21 would be suggest to being opposed, and potential legal  
22 challenges.

23 But the thing I really wanted to come back to was  
24 this idea of -- that we could potentially put -- if there  
25 were only two candidates, we could have something back to

1 back and save that blank piece of paper by using that. As  
2 long as we have the opportunity for those candidate  
3 statements to be delivered to our members, I think that  
4 would be fine.

5 But this isn't my first rodeo. I've been running  
6 for CalPERS Board, you know, since somewhere around 2001,  
7 I believe, the first time. And I remember being at a  
8 couple candidate forums with a lot of other candidates.  
9 And so I don't know that that necessarily would, you know,  
10 minimize or change the -- make a big difference in putting  
11 together a package, if we had a contested election with  
12 multiple candidates.

13 But I just do want to reiterate -- in having run  
14 for the Board number of times going way back and having  
15 seen the concerns, the questions, the perceptions, the  
16 distrust of our election processes, and changes, and why  
17 changes have been made over time during the course of  
18 various election cycles, especially the perception that  
19 things were being done to benefit incumbents, which you  
20 wouldn't think I'd be complaining about, but -- but I'm  
21 acutely sensitive to that -- that perception.

22 And so I also think, at least for myself, I also  
23 don't want to contribute to that perception that I would  
24 be kind of self-dealing as a potential future candidate by  
25 making changes that would again limit information going

1 directly to our members that would potentially benefit me  
2 as an incumbent.

3 So I'm more inclined to stay with the status quo  
4 or, in fact, actually beef up our efforts going forward,  
5 as suggested by others.

6 CHAIRPERSON TAYLOR: Before I move on to the next  
7 speaker, I just had one other comment that Mr. Miller's  
8 comments reminded me of. We have -- we spend time and  
9 money notifying people of the election, right? And I see  
10 that we have engagement with the ten largest agencies. So  
11 how people don't know is, you know, I don't know. I mean,  
12 I don't know what the response is when you engage with  
13 those ten large agencies. Could you give us kind of an  
14 idea?

15 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:  
16 Mr. Stone contacted each one of them himself, so  
17 I'm going to let him talk about it.

18 CHAIRPERSON TAYLOR: Okay.

19 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
20 STONE: Positive. You know, I would make contact with  
21 each agency and work with their public affairs director,  
22 information officer. Our Public Affairs team has done a  
23 fantastic job actually creating marketing toolkits.  
24 It's -- it's a kit that we send out to all of our  
25 interested stakeholders, all of our public agencies, or

1 whoever is voting that -- that election, as well as our  
2 retired and labor associations.

3 And it's a one-stop shop with regards to  
4 newsletter help or email blasts. And, you know,  
5 unfortunately, we just haven't seen the traction, you  
6 know, we thought we would.

7 CHAIRPERSON TAYLOR: Okay. So is Franchise Tax  
8 Board to that as one of the ten large agencies?

9 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
10 STONE: There was no State election this last election  
11 cycle or school.

12 CHAIRPERSON TAYLOR: Oh, so this is the first  
13 time you've done it.

14 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
15 STONE: Yeah. So I personally called the top ten public  
16 agency --

17 CHAIRPERSON TAYLOR: Okay.

18 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
19 STONE: -- elections in 2018 and worked with their  
20 information officer on the toolkit and marketing the  
21 elections.

22 CHAIRPERSON TAYLOR: And we haven't done that  
23 before for any of the other elect -- okay. So maybe we'll  
24 see it move forward, because I was going to say if you did  
25 that before, I don't think anybody ever heard about it

1 from my agency, but -- so we have to know whether or not  
2 that got disseminated as maybe a follow-up? You know,  
3 because they can say that they will, and they get busy,  
4 and it's not on the top of their radar, and maybe they  
5 didn't disseminate that information. So that would be  
6 something we could talk about as well.

7 Mr. Perez.

8 COMMITTEE MEMBER PEREZ: I'm -- I got thoroughly  
9 confused in regards to the certification process from the  
10 Secretary of State, from whoever certifies here in  
11 California. Can you --

12 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
13 STONE: So Integrity Voting Systems, who was our  
14 administrator of the election, they have to go through a  
15 certificated process with the Secretary of State with  
16 regards to them being an authorized ballot printer, as  
17 well as printing those ballots that can be read on  
18 authorized election machines. So they -- they are audited  
19 every two years to get that accreditation, and they've had  
20 that for several years. And I think they were just  
21 reaccredit -- reaccredited.

22 COMMITTEE MEMBER PEREZ: Okay.

23 CHAIRPERSON TAYLOR: So I think -- I think it was  
24 what you were talking about, which was the online voting  
25 is not accredited by the Secretary of State directly. The

1 entire vote is accredited by the Secretary of State, is  
2 that correct?

3 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:  
4 Correct. The election is certified by the  
5 Secretary of State.

6 CHAIRPERSON TAYLOR: The whole election?

7 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:  
8 The entire election.

9 CHAIRPERSON TAYLOR: But online and IVR voting is  
10 not certified by Secretary of State, correct?

11 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:  
12 No, it is not a method that they utilize.

13 CHAIRPERSON TAYLOR: Yeah. All right.

14 COMMITTEE MEMBER PEREZ: So do those votes -- do  
15 the members that use that system, do those votes count?

16 CHAIRPERSON TAYLOR: Yes.

17 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:  
18 Yes. The election is certified, including all of  
19 the votes, by the Secretary of State. Even though they  
20 don't recognize or utilize online and telephone voting,  
21 they do recognize and certify our elections.

22 COMMITTEE MEMBER PEREZ: Thank you.

23 CHAIRPERSON TAYLOR: Okay. So we have some  
24 decisions here. From the Chair's point, it sounds like we  
25 still want candidate statements. Maybe you guys can bring



1 us a copy of a State election that would have multi, so it  
2 would be two people running at the same time that would  
3 maybe have four candidate statements -- four our five  
4 candidate statements.

5 So if you're doing it on a sheet of paper or a  
6 couple sheets of paper, rather than a booklet, and bring  
7 the booklet kind of sample, or show us something like  
8 that. But it sounds to me, if I'm hearing the Committee  
9 correctly, that we want more information not less  
10 information.

11 Okay.

12 Now, here's the voting part. Okay. We have  
13 Options A, B, C, and D. So I'm going to -- who wants to  
14 vote for Option D? Anybody? Does anybody have an  
15 appetite for Option D?

16 Because I didn't hear a lot of appetite for that.

17 So anybody?

18 So I'm just -- does anybody -- I'm going over the  
19 options now, Stacie, I'm sorry. It didn't sound to me  
20 like anybody had an appetite for Option D. So I'm  
21 actually trying to get rid of options now as we move into  
22 voting for this. So does anybody have a problem with us  
23 not going for Option D?

24 Okay. Then Option C was online and IVR only.  
25 Did anybody have an appetite to see that one?

1           It's looking like no.

2           Okay. So we're going to get rid of C and D.

3           Option B is return to mail-in ballot only. Okay.

4       So we do have a bit of an appetite for that in the  
5       Committee. It looks like I have one person. So I'm going  
6       to ask for everybody who's in favor of Option B to hold up  
7       their hand on the Committee?

8           (Hand raised.)

9           CHAIRPERSON TAYLOR: It looks like I've got one  
10       person. Okay. So we don't have an Option B viable vote  
11       here.

12           So we do have a viable vote, I take it, for  
13       Option A is where we're at, which is staying the status  
14       quo. So now I need a vote on continuing with Option A.  
15       So all -- all of those in favor --

16           VICE CHAIRPERSON MILLER: You need a motion.

17           CHAIRPERSON TAYLOR: Oh, I'm sorry. I need a  
18       motion for Option A.

19           COMMITTEE MEMBER JONES: I move that we adopt  
20       Option A to continue.

21           VICE CHAIRPERSON MILLER: I second.

22           CHAIRPERSON TAYLOR: Okay. So it's been moved by  
23       Mr. Jones, seconded by Mr. Miller.

24           All those in favor?

25           (Ayes.)

1 COMMITTEE MEMBER RUBALCAVA: What about  
2 discussion?

3 CHAIRPERSON TAYLOR: Oh, we have two discussions.  
4 I'm sorry.

5 Mr. Perez.

6 COMMITTEE MEMBER PEREZ: I was going to ask for a  
7 substitute. I don't know how it works.

8 CHAIRPERSON TAYLOR: A substitute motion?

9 COMMITTEE MEMBER PEREZ: Yeah, that one.

10 CHAIRPERSON TAYLOR: That one.

11 COMMITTEE MEMBER PEREZ: To approve number B --  
12 letter B. I don't think the raising hand cuts it.

13 CHAIRPERSON TAYLOR: Okay. So you're asking us  
14 to go back to Option B and ask for a vote.

15 COMMITTEE MEMBER PEREZ: Yeah.

16 CHAIRPERSON TAYLOR: Okay. Can I do that.

17 COMMITTEE MEMBER PEREZ: Just to clean it up.

18 CHAIRPERSON TAYLOR: Fine.

19 CHIEF EXECUTIVE OFFICER FROST: Mr. Perez is  
20 making a motion. He needs a second to his motion and then  
21 you can take the vote.

22 CHAIRPERSON TAYLOR: So we're asking to go back.  
23 We have a motion to go back -- I don't -- I guess it's a  
24 substitute motion -- to Option B and take a vote on Option  
25 B.

1 I need a second.

2 So it fails for no second.

3 Mr. Rubalcava.

4 COMMITTEE MEMBER RUBALCAVA: Thank you.

5 I would support Option A, but I was persuaded by  
6 Mr. Terry Brennand's testimony. I think we need to see if  
7 we can improve the IVR process.

8 Thank you.

9 CHAIRPERSON TAYLOR: Certainly. I don't know  
10 what that entails, but...

11 COMMITTEE MEMBER RUBALCAVA: So it wouldn't be  
12 the double calling in, like was stated.

13 CHAIRPERSON TAYLOR: Oh. So, yeah, so instead --  
14 if there's a way to --

15 COMMITTEE MEMBER RUBALCAVA: Simplify it.

16 CHAIRPERSON TAYLOR: And that would come with the  
17 RFP. You can kind of put those parameters in the RFP,  
18 right?

19 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
20 STONE: Yeah. We've gone through about tree iterations of  
21 our -- of our flowchart, and we've gotten a lot better  
22 with the voting experience using IVR. We would just work  
23 with our vendor on adding an option if they call our help  
24 desk line for help, that we can get them transferred from  
25 there directly to the voting portal via IVR.

1           CHAIRPERSON TAYLOR: Is that -- so it's our -- so  
2 that's the problem. So our initial phone call -- I think  
3 Mr. Brennand is gone. The initial phone call to get our  
4 pin number, if we don't have it with us, to vote online or  
5 to vote via IVR is to our help desk, is that what I'm  
6 hearing?

7           CHIEF EXECUTIVE OFFICER FROST: Chair Taylor,  
8 when a member has lost their pin and they call into the  
9 IVR. Mr. Brennand's point was that there was not the  
10 ability to transfer that person directly into the voting  
11 system, that they had to make a separate call. That was  
12 changed during the retiree election. So if --

13          CHAIRPERSON TAYLOR: So that was changed?

14          CHIEF EXECUTIVE OFFICER FROST: It was changed in  
15 the retiree election.

16          CHAIRPERSON TAYLOR: Okay. So that's already  
17 been done.

18          CHIEF EXECUTIVE OFFICER FROST: We will make sure  
19 that we change it in the documentation so it's very clear.

20          CHAIRPERSON TAYLOR: Okay. Good. Okay. All  
21 right. Mr. Jones.

22          COMMITTEE MEMBER JONES: After you vote on this,  
23 I have a comment.

24          (Laughter.)

25          CHAIRPERSON TAYLOR: All right. So I think we

1 were -- had a first -- or, I'm sorry, we had a motion and  
2 a second for Option A.

3 All those in favor of Option A say aye?

4 (Ayes.)

5 CHAIRPERSON TAYLOR: All those opposed?

6 (Nay.)

7 CHAIRPERSON TAYLOR: I have one nay.

8 COMMITTEE MEMBER PEREZ: I oppose.

9 CHAIRPERSON TAYLOR: Please show that Mr. Perez  
10 is a no vote.

11 Any abstentions?

12 All right. Motion carries.

13 We are Option A and streamlining -- we still want  
14 the candidate statement, but streamline it as best as  
15 possible.

16 And Mr. Jones.

17 COMMITTEE MEMBER JONES: Yeah. Madam Chair, I  
18 would ask if you could direct staff to also explore the  
19 optional attestation provisions of the process.

20 CHAIRPERSON TAYLOR: So I think that's a  
21 two-parter. So then we'll need Mr. Jacobs to look into  
22 whether or not that's actually constitutional.

23 COMMITTEE MEMBER JONES: Yeah, he said --

24 GENERAL COUNSEL JACOBS: Well, I can tell you  
25 right now, if you want to make something optional, you can

1 do it.

2 COMMITTEE MEMBER JONES: Right. That's why I  
3 asked.

4 CHAIRPERSON TAYLOR: So optional, how would that  
5 work? I don't understand how that would work.

6 GENERAL COUNSEL JACOBS: I think the question  
7 would be what do you want to direct staff to include in  
8 the voter -- well, no, I guess this would be in the  
9 regulation. It would be a change to the regulation,  
10 because the regulation says what should be included in the  
11 candidate statement, right?

12 OPERATIONS SUPPORT SERVICES DIVISION ACTING CHIEF  
13 STONE: Correct.

14 GENERAL COUNSEL JACOBS: So it would be a  
15 direction to -- Ms. Malm is speaking, so I'm going to  
16 defer to her. She's got a better idea how to do this than  
17 I do.

18 CHAIRPERSON TAYLOR: Do you?

19 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:  
20 No, I don't have a better idea than General  
21 Counsel.

22 CHAIRPERSON TAYLOR: She's like, oh, no.

23 GENERAL COUNSEL JACOBS: Okay. Well, then I'll  
24 continue.

25 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:

1           Sorry. I was giving him an idea. I'm just --  
2 we're bringing back regulations in April. And so the --  
3 we can work with the legal counsel to look at optional  
4 language, and then it goes to you, and it goes to the  
5 public comment to get input on what's -- what fits.

6           CHAIRPERSON TAYLOR: And if it's optional, is --  
7 am I understanding this correctly, that that doesn't  
8 necessarily mean they have to disclose this.

9           GENERAL COUNSEL JACOBS: Correct.

10          CHAIRPERSON TAYLOR: It's just an option,  
11 correct?

12          GENERAL COUNSEL JACOBS: Correct.

13          CHAIRPERSON TAYLOR: So it's not changing the  
14 way --

15          GENERAL COUNSEL JACOBS: It's not changing the  
16 qualifications --

17          CHAIRPERSON TAYLOR: Right.

18          GENERAL COUNSEL JACOBS: -- to run for office.

19          CHAIRPERSON TAYLOR: Right.

20          GENERAL COUNSEL JACOBS: It's an encouragement  
21 to --

22          CHAIRPERSON TAYLOR: To be honest.

23          GENERAL COUNSEL JACOBS: -- disclose certain  
24 things.

25          CHAIRPERSON TAYLOR: It's kind of like, gee, we



1 really want the President's tax returns, but --

2 GENERAL COUNSEL JACOBS: Exactly.

3 CHAIRPERSON TAYLOR: I gotcha. Okay.

4 GENERAL COUNSEL JACOBS: Exactly.

5 So I think that before April though, it would be  
6 useful -- there were a number of things that were proposed  
7 to get an idea of whether there's a coalescence around a  
8 few -- two, or three, or four of them, so that staff can  
9 put drafts of those into a proposed regulation.

10 So what I heard was financial defalcations, which  
11 is too vague. So we should probably say something more  
12 specific there, something about sexual harassment findings  
13 by government agencies. And then I think there were some  
14 others.

15 CHAIRPERSON TAYLOR: It was --

16 STRATEGIC HEALTH OPERATIONS DIVISION CHIEF MALM:  
17 Conflict of interest and confidentiality.

18 CHAIRPERSON TAYLOR: Conflict of interest, yeah,  
19 and confidentiality.

20 GENERAL COUNSEL JACOBS: Right. I think that's  
21 the --

22 CHAIRPERSON TAYLOR: Sexual harassment and  
23 financial.

24 GENERAL COUNSEL JACOBS: That's the -- that's  
25 everything that we heard. So I think we can put those

1 into a draft regulation, bring it back, and the Committee  
2 can vote on which of those makes -- makes the grade.

3 CHAIRPERSON TAYLOR: I got it.

4 GENERAL COUNSEL JACOBS: Does that make sense?

5 CHAIRPERSON TAYLOR: Yeah. All right. Thank  
6 you.

7 GENERAL COUNSEL JACOBS: Does that work?

8 CHAIRPERSON TAYLOR: Thank you.

9 So we are finally done with 7b. Thank you very  
10 much.

11 We are moving on to 7c. Item 7c, Revised  
12 Proposed Regulation for the Social Security Administration  
13 Fees.

14 CHIEF FINANCIAL OFFICER COHEN: Let me have Renee  
15 Ostrander walk you through the proposed changes in  
16 regulations. You have seen these regulations before, but  
17 let me turn it over to Renee.

18 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF  
19 OSTRANDER: Good morning, Madam Chair and members of the  
20 Committee. Renee Ostrander, CalPERS team member.

21 I'm here today to present Agenda Item 7c, the  
22 revise proposed regulations for the Social Security  
23 Administration fees. We're requesting approval to submit  
24 the revised regulations for a 15-day comment period, and  
25 if no comments are received submit those revised

1 regulations to the Office of Administrative Law for review  
2 and publication.

3 As you may recall, the regulations were first  
4 brought forward to you in September. The regulations  
5 identified the calculation of fees to support CalPERS'  
6 administration of the State Social Security program.  
7 After that time, we released the proposed comments for a  
8 45-day public comment period. We did receive one comment  
9 and the information related to that comment is in your  
10 agenda item.

11 Since that time, we've had the opportunity to  
12 revenue data, complete additional analysis and discussion.  
13 And as a result of that, we are requesting to make a  
14 revision to the calculation of the adjustment of fees on  
15 an annual basis.

16 And this adjustment will align with the  
17 requirement that we stay within the annual fund balance  
18 that has been set by statute and provides for more minor  
19 adjustments in the calculation. We'd be moving away from  
20 utilizing the CPIU, and instead adjusting based on the  
21 actual fund balance.

22 If approved today, we'll release the proposed  
23 regulations for a 15-day public comment period to the  
24 public to comment on the revised language only.

25 If no comments are received, we'll submit the

1 revised language to the Office of Administrative Law for  
2 their review, approval, and then the publication by the  
3 Secretary of State.

4 This concludes my presentation. I'd be happy to  
5 answer any questions you may have.

6 CHAIRPERSON TAYLOR: Sure. So thank you. So  
7 basically as I understand it, this change is that you  
8 would like to be able to not come before the Committee  
9 every year and ask for additional funds?

10 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF  
11 OSTRANDER: Correct.

12 CHAIRPERSON TAYLOR: Okay.

13 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

14 OSTRANDER: It was already in there to not do that,  
15 because there -- it is a pretty lengthy process to be  
16 adjusting them, so we had originally built it in with  
17 CPIU. But over concerns over new data that we had  
18 available to us, there were concerns that we might go over  
19 our fund balance. So we've adjusted how -- we've adjusted  
20 how we'll do those adjustments annually.

21 CHAIRPERSON TAYLOR: So can you give me a  
22 little -- so it's not CPIU. How are you doing it now?

23 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

24 OSTRANDER: So now we're going to be looking at the actual  
25 fund balance, so it's related to our annual program

1 expenditures for the upcoming year. And then where our  
2 actual fund balance is in terms of billing and collection.

3 And so we put all of that information together  
4 and then calculate what the adjustment in the -- in the  
5 request -- the invoices that would go out.

6 CHAIRPERSON TAYLOR: Okay. So then I had a  
7 request that I had spoken to Mr. Cohen about. And just to  
8 make sure, since -- if we're not seeing this come forward  
9 and we can see it in the budget, correct?

10 CHIEF FINANCIAL OFFICER COHEN: Yes. We'd be  
11 happy to put the proposed fee amount in the April budget  
12 proposal on an annual basis, so that everyone could see --

13 CHAIRPERSON TAYLOR: And then just for -- if you  
14 could report that out just as an additional --

15 CHIEF FINANCIAL OFFICER COHEN: Yes. Everyone  
16 could see what the fund balance is and what the proposed  
17 fee would be for the upcoming fiscal year, absolutely.

18 CHAIRPERSON TAYLOR: Okay. Great. Great.

19 And then I had -- it sounds all wonderful. I  
20 appreciate your help on that.

21 Ms. Brown.

22 BOARD MEMBER BROWN: Thank you.

23 I was on the Committee when this first came and  
24 I had asked for a copy of that calculation and the  
25 certification of that calculation, because it originally

1 was not included in our packet. So my question was -- and  
2 it looked like when you looked at the calculation, that we  
3 could have 150 percent of the required fees in the fund  
4 balance at some point in time.

5 So -- so this new regulation is going to -- we're  
6 going to do more math. We're going to do more work to get  
7 the number closer to what it needs to be, not less than 50  
8 and not greater than 100.

9 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

10 OSTRANDER: Correct.

11 BOARD MEMBER BROWN: Okay. So that way we are  
12 not harming the employers who have to pay this.

13 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

14 OSTRANDER: Correct.

15 BOARD MEMBER BROWN: Okay.

16 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

17 OSTRANDER: The anticipation is to stay between 50 and 100  
18 percent, because 50 percent gives us about a six-month,  
19 you know, window, or cushion for the annual fees.

20 BOARD MEMBER BROWN: So did we figure this out or  
21 did somebody tell us that we were going to be collecting  
22 probably too much and we needed to change that?

23 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

24 OSTRANDER: We figured this out based on some new data  
25 that we started collecting. I mean, everything for us in

1 the beginning was an estimate. So we were doing our best  
2 with that. We've started collecting actual data. And so  
3 based on that data and based on new information we  
4 received, we did this recalculation.

5 BOARD MEMBER BROWN: Great. Well, I'm glad that  
6 we discovered this issue and that it's important that we  
7 don't overcollect on the fees.

8 Thank you.

9 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

10 OSTRANDER: Um-hmm, definitely.

11 CHAIRPERSON TAYLOR: Thank you.

12 So given this -- I have no other questions from  
13 the Committee. Given this is an action item, can I get a  
14 motion for the revised proposed regulation for --

15 VICE CHAIRPERSON MILLER: So moved.

16 CHAIRPERSON TAYLOR: It's moved by Mr. Miller.

17 COMMITTEE MEMBER JONES: Second.

18 CHAIRPERSON TAYLOR: Second by Mr. Jones.

19 All those in favor say aye?

20 (Ayes.)

21 CHAIRPERSON TAYLOR: All those opposed?

22 Hearing none. Motion carries, 7c.

23 We're on 7d.

24 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

25 OSTRANDER: Thank you.

1           CHAIRPERSON TAYLOR: And that's the Barra, LLC  
2 contract.

3           CHIEF FINANCIAL OFFICER COHEN: That's right.  
4 Let me have Dan from our Investment Office quickly  
5 describe this item. It's basically asking for a contract  
6 extension that exceeds our current delegated authority.

7           INTERIM CHIEF OPERATING INVESTMENT OFFICER  
8 BIENVENUE: Thanks, Michael. Dan Bienvenue, Acting Chief  
9 Operating Investment Officer.

10           Yes, management is requesting a two-year contract  
11 extension for the Barra contract. The rationale for our  
12 request is that we currently have a handful of technology  
13 projects in flight, specifically the data strategy, and  
14 our multi-asset training platform project in flight.

15           The risk management platform, which Barra serves  
16 as, is closely intersected with those. We would like to  
17 progress those a bit further, before we make a final  
18 determination on the -- on our risk platform. But to get  
19 to that point, we need an extension of the contract.

20           So I'm happy to take any questions.

21           CHAIRPERSON TAYLOR: Okay. Do I have any  
22 questions on this?

23           I do.

24           (Sneeze.)

25           CHAIRPERSON TAYLOR: Bless you.



1 Ms. Olivares.

2 COMMITTEE MEMBER OLIVARES: Thank you, Madam  
3 Chair. What's the current cost to the system?

4 INTERIM CHIEF OPERATING INVESTMENT OFFICER  
5 BIENVENUE: That's about two and a half million dollars a  
6 year.

7 COMMITTEE MEMBER OLIVARES: And that -- so the  
8 cost hasn't increased at all?

9 INTERIM CHIEF OPERATING INVESTMENT OFFICER  
10 BIENVENUE: As a result of this extension?

11 COMMITTEE MEMBER OLIVARES: Yes.

12 INTERIM CHIEF OPERATING INVESTMENT OFFICER  
13 BIENVENUE: Correct.

14 COMMITTEE MEMBER OLIVARES: How many users?

15 INTERIM CHIEF OPERATING INVESTMENT OFFICER  
16 BIENVENUE: I don't know that off the top of my head. You  
17 know, it would be the whole risk team, many of the total fund  
18 portfolio management team. There would be definitely  
19 tens.

20 COMMITTEE MEMBER OLIVARES: So is -- it's  
21 primarily the Investment Office that accesses it or only  
22 the Investment Office?

23 INTERIM CHIEF OPERATING INVESTMENT OFFICER  
24 BIENVENUE: I believe it's only the investment office that  
25 has access.

1 COMMITTEE MEMBER OLIVARES: Will the Board have  
2 access, so that we can look at this and understand the  
3 risk?

4 INTERIM CHIEF OPERATING INVESTMENT OFFICER  
5 BIENVENUE: The Board certainly has access to the  
6 reporting that comes out of it. That's what you see  
7 monthly. That's the stuff that is now populated in  
8 Insight. All of that is stuff that the Board would have  
9 access to the reporting, absolutely.

10 COMMITTEE MEMBER OLIVARES: Will we have access  
11 to this service, so that we can see this dynamically and  
12 not just on every investment meeting?

13 CHIEF EXECUTIVE OFFICER FROST: That is not the  
14 current practice of having Board members have direct  
15 access into those systems. It's more the output that  
16 we're providing to you in your oversight role, but we're  
17 happy to have a further conversation about it.

18 COMMITTEE MEMBER OLIVARES: What would the  
19 additional cost be to add the Board members?

20 CHIEF EXECUTIVE OFFICER FROST: We would have to  
21 look at it. I don't know if this is an enterprise license  
22 or a user license, so we'd have to take a look at that.

23 COMMITTEE MEMBER OLIVARES: So we don't know that  
24 right now whether or not it's enterprise or user based?

25 CHIEF EXECUTIVE OFFICER FROST: I do not. I

1 don't know if Dan does.

2 INTERIM CHIEF OPERATING INVESTMENT OFFICER

3 BIENVENUE: I believe it's an enterprise. It's a  
4 site-wide license, I believe, but I'd have to confirm  
5 that.

6 COMMITTEE MEMBER OLIVARES: I'd like to know if  
7 there are any additional costs for adding the Board  
8 members, so that we can understand the investment risks on  
9 an ongoing basis.

10 CHIEF EXECUTIVE OFFICER FROST: Yeah. Like I  
11 said, we're happy to meet with you on that. And some of  
12 the reporting, if the reporting is not generating the  
13 transparency that you need around risk, we're happy to  
14 customize other reports that would come out of the system  
15 as well.

16 CHAIRPERSON TAYLOR: So our role is oversight.

17 COMMITTEE MEMBER OLIVARES: Yes.

18 CHAIRPERSON TAYLOR: And I believe that we're  
19 looking to ask for that kind of access might be looking at  
20 going down further than our actual oversight role.

21 COMMITTEE MEMBER OLIVARES: My understanding that  
22 other trustees, such as LACERA has access to several types  
23 of investment --

24 CHAIRPERSON TAYLOR: They have a different  
25 investment office than we do.

1 COMMITTEE MEMBER OLIVARES: Right, but many other  
2 public pension funds have similar types of access. So I  
3 just want to make sure --

4 CHAIRPERSON TAYLOR: And -- and let's talk about  
5 that. Let's talk about that.

6 Ms. Yee.

7 BOARD MEMBER YEE: Thank you, Madam Chair. So  
8 the two-year extension will we then see within this period  
9 of time the full implementation of the multi-asset trading  
10 platform?

11 INTERIM CHIEF OPERATING INVESTMENT OFFICER  
12 BIENVENUE: We hope so.

13 BOARD MEMBER YEE: Okay.

14 INTERIM CHIEF OPERATING INVESTMENT OFFICER  
15 BIENVENUE: We certainly will have the answer. We -- the  
16 current contract expires in November of 2020. We believe  
17 that around that time is where we'll be at a decision  
18 point, and then we can -- and then we can move forward.  
19 The challenge would be that if we move to a decision point  
20 that goes a different direction, in that we would have an  
21 expiring contract, and that puts us in a tougher  
22 situation. So this just buys us a couple of years to make  
23 sure that we progress the other technology projects.

24 BOARD MEMBER YEE: Okay. And then is this  
25 extension period also, I guess, encompassing a test

1 period, so that we know what may be required in terms of  
2 the RFI for future risk platform services?

3 INTERIM CHIEF OPERATING INVESTMENT OFFICER

4 BIENVENUE: It would. So currently On the multi-asset  
5 trading platform specifically, we did a test system. We  
6 confirmed that that worked, but had some reservations  
7 about it. It's workable, but not perfect. We're doing  
8 another test of a different potential. And then once we  
9 work our way through those two sets of tests, we should be  
10 approaching a decision point.

11 BOARD MEMBER YEE: Okay.

12 INTERIM CHIEF OPERATING INVESTMENT OFFICER

13 BIENVENUE: And we'll have also progressed the data  
14 strategy, which also again sort of intersects with this.

15 BOARD MEMBER YEE: Okay. Can I just ask for  
16 maybe some periodic updates with respect to the  
17 implementation of this?

18 INTERIM CHIEF OPERATING INVESTMENT OFFICER

19 BIENVENUE: Absolutely.

20 BOARD MEMBER YEE: Okay. Great. Thank you.

21 CHAIRPERSON TAYLOR: Okay. It appears I don't  
22 have any more questions. I had one more question. When  
23 we extend contracts for IT, I always have a little  
24 hesitancy, because IT projects in the state of California  
25 tend to be a problem. So I just want to make sure, as Ms.

1 Yee was asking, that the cost is staying the same, but  
2 also that we don't foresee this being used over, and over,  
3 and over again. And is there -- once this is -- this risk  
4 platform is active, is there knowledge transfer?

5 INTERIM CHIEF OPERATING INVESTMENT OFFICER

6 BIENVENUE: So the risk platform is currently active and  
7 there has been knowledge transfer and there continues to  
8 be knowledge transfer. I would say that if we were to go  
9 in a new risk platform, then that would also be the case.  
10 That would be part of that -- part of that decision  
11 calculus.

12 And, yes, I share your concern around technology  
13 projects going too long. That's something that we are  
14 certainly pushing on. Does -- that's the reason for a  
15 two-year extension. And it's only on a contract that's  
16 existing in place, while these other technology projects  
17 progress, and --

18 CHAIRPERSON TAYLOR: So -- and as I see that,  
19 then I kind of expect the next -- if we have to do this  
20 again, then I would expect that you guys have vetted what  
21 they've done, right, to see, well, do we really need an  
22 extension or is this just trying to get more money out of  
23 the State of California.

24 INTERIM CHIEF OPERATING INVESTMENT OFFICER

25 BIENVENUE: We need a platform. We know we need that for

1 sure. What we don't know is if, through doing some of  
2 these other things, if we can actually save some money on  
3 that platform on a go-forward basis, we're just -- we  
4 don't have enough information yet to be able to make that  
5 decision.

6 And that's the reason to extend this contract for  
7 two years to progress the other things to see if we can --  
8 if we can get to that place of potential savings.

9 CHAIRPERSON TAYLOR: Hopefully.

10 INTERIM CHIEF OPERATING INVESTMENT OFFICER  
11 BIENVENUE: Hopefully.

12 CHAIRPERSON TAYLOR: All right. Great.

13 I have no other questions. So this also is an  
14 action item. I'd like to have someone move it.

15 COMMITTEE MEMBER JONES: Move it.

16 CHAIRPERSON TAYLOR: So it's moved by Mr. Jones.

17 I need --

18 VICE CHAIRPERSON MILLER: Second.

19 CHAIRPERSON TAYLOR: Second by Mr. Miller to  
20 approve the recommendation for a two-year contract  
21 extension on Barra, LLC contract.

22 All those in favor say aye?

23 (Ayes.)

24 CHAIRPERSON TAYLOR: All those opposed?

25 Hearing none. Motion carries.

1 Oh, you said --

2 COMMITTEE MEMBER OLIVARES: I'm abstaining.

3 CHAIRPERSON TAYLOR: I have an abstention by Ms.  
4 Olivares.

5 All right. Motion carries.

6 And now, we are on Item 8a.

7 CHIEF FINANCIAL OFFICER COHEN: Yes. That  
8 concludes your action items for the agenda.

9 Moving on to informational items, we have our  
10 annual Diversity and Inclusion Report, where I'll turn it  
11 over to our Communications and Investment team to walk you  
12 through the PowerPoint.

13 CHAIRPERSON TAYLOR: Hi, guys.

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

16 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: Good  
17 morning. The set up there was purposeful. So we have our  
18 report here, annual Diversity and Inclusion report. So  
19 this comes out of the Stakeholder Relations Division. So  
20 I'll be giving this report, as well as being accompanied  
21 by Simiso here to talk about the investment component.  
22 And if there are any other questions that come up, we can  
23 have our subject matter experts come in and answer some of  
24 your questions, if you have them.

25 So we'll follow the slide presentation here.



1           So, next slide.

2                       --o0o--

3           OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX:   So  
4   the focus on D&I is to increase engagement of our leaders  
5   and team members.   This -- well, first of all, let me step  
6   back one second here and say that our CalPERS Diversity  
7   Outreach Program we have three practitioners, and a  
8   manager, and then we have our supervisors.   They're in the  
9   audience here, so I'd like to recognize them for their  
10  strong work.   And you'll see as a result of the report  
11  here, they put this together for us, so if they could just  
12  stand up and be recognized.

13                   (Applause.)

14           OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX:   There  
15  they are right here.

16           So this is our fourth year of expanding the D&I  
17  business initiative.   And we're trying to direct our  
18  efforts to increase engagement of the leaders, team  
19  members, expand training to raise awareness, and  
20  understanding of diversity and inclusion, and most  
21  importantly, help our leaders to integrate these best  
22  practices within our teams.

23           So next slide, please.

24                       --o0o--

25           OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX:   So

1 our diversity strategy has three focus areas, talent  
2 management, which is connecting D&I and talent -- excuse  
3 me, talent management efforts to attract, develop, and  
4 advance highly qualified team members. Our education  
5 component to expand and strengthen D&I education, to  
6 increase inclusion and engagement across the enterprise,  
7 and our communication where we leverage our communication  
8 channels to present a consistent message, increase team  
9 member involvement, and showcase CalPERS as a destination  
10 employer.

11 Next slide, please.

12 --o0o--

13 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: So in  
14 measuring our success, our methodology here, you can see  
15 that in 2016 we established a new measure through the  
16 employee engagement surveys questions specific to our  
17 diversity and inclusion. The target goal is to increase  
18 our engagement score by eight percent by the year 2022,  
19 requiring annual target over the five years of 1.6 percent  
20 increase per year.

21 Next slide.

22 --o0o--

23 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: Okay.  
24 Our accomplishments. So far, in 2018-19, we continue to  
25 implement the D&I -- enterprise D&I strategy to increase

1 collaboration, communication, and engagement across the  
2 enterprise. We have established an Enterprise Diversity  
3 and Inclusion Council to support CalPERS strategic goals  
4 and tactical initiatives slated to commence its first  
5 meeting this March.

6 Having increased the D&I strategy measure by one  
7 percent in fiscal year 2018-19, our total increase since  
8 the initiation of the business initiative is over six  
9 percent. We're are on target to raise our engagement by  
10 the eight percent target by 2022.

11 The number of requests for workshops and  
12 presentations has increased by 41 percent, and our team  
13 has conducted workshops and presentations to over 40  
14 teams, including our Senior Leadership Council serving ten  
15 separate divisions and over 360 participants. Senior  
16 leader engagement increased with employee resource group  
17 efforts. And those employee resource groups are diversity  
18 and inclusion -- excuse me, our Disability Advisory  
19 Committee, as well as our CalPERS Diversity and Inclusion  
20 Group. Those are employee generated and employee  
21 participated employee resource groups.

22 Next slide, please.

23 --o0o--

24 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: SO  
25 here, we'll just kind of walk through some numbers here.

1 You can take a look at those. They're pretty  
2 self-explanatory here. I don't need to go ahead and label  
3 all of these, but you can see from the pie cart there, our  
4 ethnicity across the enterprise with this particular  
5 slide.

6 Next slide.

7 --o0o--

8 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: We  
9 will talk about our gender demographics. You can see it  
10 broken down into the executive, senior leader, rank and  
11 file, and team leader components.

12 --o0o--

13 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: And  
14 then our gender by branch. These branches are throughout  
15 our enterprise and you can see there, they're all listed  
16 appropriately there.

17 --o0o--

18 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: And  
19 then the next slide our ethnicity of our team members.  
20 Again, all the numbers are fairly self-explanatory.

21 --o0o--

22 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: And  
23 then the ethnicity of our senior leaders. And senior  
24 leaders, division chiefs and up.

25 --o0o--

1           OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: And  
2 then our ethnicity of team leaders. And this would be our  
3 management level.

4                               --o0o--

5           OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: And  
6 then our ethnicity by program area.

7           So for the next two slides, I'd like to introduce  
8 you to Simiso Nzima and he'll go over these from the  
9 Investment Office and speak about our efforts on our  
10 corporate board diversity.

11           INVESTMENT DIRECTOR NZIMA: Thank you.

12           Members of the Finance and Admin Committee, good  
13 morning. Simiso Nzima, CalPERS staff.

14                               --o0o--

15           INVESTMENT DIRECTOR NZIMA: So corporate board  
16 diversity is one of the six strategy priorities that were  
17 adopted by the Investment Committee in August 2016. And  
18 my team really has been responsible in terms of engaging  
19 companies and trying to get them to increase the number of  
20 diverse Board members. We're making progress. It's slow.  
21 I think some board members were here a year and a half  
22 ago. They heard me say that it's -- you know, it's akin  
23 to trying to boil the ocean in terms of trying to improve  
24 the diversity on our boards.

25           But, you know, if we look at the companies that

1 we've engaged in since 2017, 53 percent of those companies  
2 have actually added an element of diversity that they  
3 didn't have at the beginning of our engagements in July  
4 2017.

5           One of the KPIs of the strategy plan was to have  
6 all S&P companies have at least a woman on their Board  
7 after three years. And that was achieved by July 2019.  
8 So all S&P companies at least have gender diversity. And  
9 again, I want to emphasize the fact that we use gender as  
10 a criteria. But when we engage companies, we actually  
11 look at all forms of diversity. And the reason again we  
12 use gender as a criteria is that you -- we don't have the  
13 data in terms of race, ethnicity, and the other forms of  
14 diverse. So the disclosures are not there, because  
15 they're mandated, and so forth.

16           Where our engagement have not been successful,  
17 we've actually been voting against, you know, directors,  
18 board chairs, nominating and governance committee members,  
19 and so forth. So these numbers, you can see there, we  
20 actually voted against quite a number of directors.  
21 Although, the numbers are coming down, which was really a  
22 reflection of the fact that the message is getting across.  
23 We're getting more companies adding diverse candidates or  
24 diverse members to their Board. So those numbers I would  
25 expect to see them to continue to come down over time, at

1 least where we're voting against directors, and also  
2 filing shareowner proposals.

3 Moving on to the -- to the next slide.

4 --o0o--

5 INVESTMENT DIRECTOR NZIMA: This is really just a  
6 graphical illustration of the cumulative effects. So just  
7 to show you that when we started this, the fiscal 2017-18,  
8 we had identified 504 companies, and 151 companies, are  
9 here actually, have added, you know, diverse directors to  
10 their board.

11 And then fiscal 2018-19, we identified an  
12 additional 178 companies taking the cumulative number to  
13 682 companies. And cumulatively, 361 companies have added  
14 a diverse director to their Board. So that's the 53  
15 percent there. So you're seeing that -- that increase.

16 Before I hand it back to my colleague, I just  
17 want to spend a little bit of time talking about 3D, which  
18 is the Diverse Director DataSource. This is something --  
19 this is a data source, or database, which was founded by  
20 CalPERS and CalSTRS. When we're engaging companies, we  
21 had a lot of companies saying that they could not find,  
22 you know, qualified diverse candidates.

23 And so as part of this initiative, we worked to  
24 co-found 3D. And in about -- in 2016, we moved that to  
25 the war Equilar Diversity Network platform, because they

1 have it over there. And the Equilar Diversity Network has  
2 20 partner members. By partner members, these are  
3 different affinity groups, you know, like Latino Corporate  
4 Directors Association, Black Enterprise, us, and Catalyst.  
5 There's about 24 affinity groups.

6 And again, this is an idea that you want to see  
7 when companies are saying they can't find qualified direct  
8 -- director candidates. They can go to some of these --  
9 the Equilar Diversity Network.

10 But just to give you statistics in terms of 3D.  
11 In terms of the number of candidates that are in 3D right  
12 now, we have about 814 candidates. And on the Equilar --  
13 on the broader Equilar Diversity Network, we have about --  
14 there are about 2,800 candidates.

15 In terms of the number of board appointments from  
16 3D from 2017 -- January 2017 to the end of 2019, we had  
17 about 300 directors appointed to company boards, but 100  
18 of which are on to public company boards. And then the  
19 other 200 are there from -- into private or nonprofit  
20 boards. And from the Equilar Diversity Network we had  
21 about a thousand directors appointed between 2017 -- 2017  
22 to 2019.

23 Those are board appointment. The actual number  
24 of director -- director appointments 189 in 3D and 727 in  
25 EDN. So really there's some directors were appointed to



1 two -- you know, or -- two or three boards. So again,  
2 talking about the issue of whether companies are  
3 appointing the same people, you know, to multiple boards.  
4 But it shows that the number they actually are  
5 appointing -- you know, there's no overboarding here as a  
6 result of this.

7 And one more statistic that I'd like to leave the  
8 Board with on this -- the Finance and Admin Committee on  
9 this, and that if you look at the level of diversity on  
10 the Russell 3000, for example, in January 2017, you had 15  
11 percent of board seats occupied by women. And by the  
12 third quarter of 2019, that number had moved to 21  
13 percent. So that's -- you know, that's a six percentage  
14 point increase, which is a 40 percent increase in the  
15 number of board seats occupied by women on the Russell  
16 3000.

17 So again, like I said, it's a slow move, but we  
18 are -- you know, I believe we're making progress. I'll  
19 hand it back to my colleague.

20 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: Okay.  
21 So we will finish up our -- excuse me, our comments here.  
22 And then open it up to questions.

23 --o0o--

24 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: I  
25 didn't meant to slide over the generational slide. I got

1 passed it there, but that -- all those numbers are fairly  
2 self-explanatory as well. We're losing boomers and  
3 bringing in Gen Xers as we go along, so -- I'm okay with  
4 the term "Okay, Boomer". It works for me too, so...

5 All right. So the next steps and update. We're  
6 on track to increase our goal of eight percent by 2022.  
7 The launching of the Enterprise Council for the D&I  
8 initiatives working together as an enterprise. No  
9 segregation between our enterprise and then the investment  
10 team. Working closely with them has been beneficial for  
11 the organization, for the enterprise, as well as for all  
12 of us that are involved in that process.

13 The investment team continuing to do their work  
14 to engage companies as Simiso just shared with you.

15 And we'll leave it open for any questions that  
16 you may have for us.

17 CHAIRPERSON TAYLOR: Well, thank you, both, for  
18 that great report. And I wanted to -- I think our  
19 diversity is looking better, yea. I did want to ask  
20 Simiso about our corporate board directors from Equilar  
21 and our 3D database. I think -- I think it was Richard  
22 Costigan that had asked for us to break these numbers out.

23 But you talked about having the same people on  
24 several different boards. I'm wondering if we could have  
25 that number in the future, rather than just saying, well,

1 we had this many total, and some of them are doing double  
2 duty on other boards. It just gives us an idea of how  
3 many we're actually placing, and then, you know -- then we  
4 have them being placed on -- I mean, I suppose it's  
5 helpful that they are diverse candidates. But if they're  
6 serving on the same -- or different boards, same person,  
7 it really isn't expanding the diversity.

8 INVESTMENT DIRECTOR NZIMA: Thank you for the  
9 question, Madam Chair. So the numbers -- so, for example,  
10 for 3D, the 300 board appointments went to about 200 board  
11 candidates.

12 CHAIRPERSON TAYLOR: Went to 200.

13 INVESTMENT DIRECTOR NZIMA: So really it's not an  
14 overboarding issue. And as part of our proxy voting  
15 principles, we actually vote against directors who sit on  
16 more than four public company boards. So really we have  
17 that we can look at that from the principles, whereas, I  
18 can, you know, assure you that we don't vote against that  
19 many number of diverse candidates. And it's not because  
20 we give them preferential treatment. It's because they  
21 don't trip the -- you know, the more than four boards --  
22 in terms of sitting on more than four boards.

23 So it's the numbers -- I don't think there's  
24 that -- the number of overboarding or having the same  
25 candidates appointed to too many boards is not that high,

1 in our view, at least from my experience.

2 CHAIRPERSON TAYLOR: It's not what, I'm sorry?

3 INVESTMENT DIRECTOR NZIMA: It's not that high.

4 CHAIRPERSON TAYLOR: It's not that high. Well, a  
5 hundred is high. That's a third, if you're saying 200  
6 were --

7 INVESTMENT DIRECTOR NZIMA: So 200 candidates  
8 pointed to 300 board seats. That's what one and a half --

9 CHAIRPERSON TAYLOR: Right.

10 INVESTMENT DIRECTOR NZIMA: -- persons. So our  
11 principle --

12 CHAIRPERSON TAYLOR: So it's basically a third of  
13 them, a hundred of them, are serving on more than one  
14 board.

15 INVESTMENT DIRECTOR NZIMA: Yes.

16 CHAIRPERSON TAYLOR: Okay.

17 INVESTMENT DIRECTOR NZIMA: But our principles,  
18 we say no more than four public boards. So if you don't  
19 go beyond four public boards, if you're not an executive  
20 of a company, then we actually don't vote against you. So  
21 in terms of our -- we have an overboarding policy in terms  
22 of the -- what we think is too many boards for one  
23 candidate. And that number is four.

24 CHAIRPERSON TAYLOR: And we decided that how?

25 INVESTMENT DIRECTOR NZIMA: This is something

1 which we've -- I think we've moved from -- it is use --  
2 the -- it used to be six, I think, or five. And then  
3 we've actually moved it down to four. So each year, we  
4 actually look at this. And as we -- as we interact with  
5 companies, as we see how the complexity of running and  
6 understanding businesses is, we're always revising that  
7 number and looking at it again to see how many boards are  
8 too much.

9 CHAIRPERSON TAYLOR: Okay.

10 INVESTMENT DIRECTOR NZIMA: And the advantage of  
11 actually sitting on multiple boards is that you can learn  
12 from what's -- being on other boards. It's just that it  
13 cannot be overburdening -- it's overburdening, so that you  
14 are not able to perform your duties. And we've talked to  
15 some directors during our engagements, just in terms of  
16 trying to understand how -- how many ours they're required  
17 to -- you know, for people to actually spend in terms of  
18 attending board meetings, and understanding, and stuff  
19 like that. And it seems four is -- in terms of the  
20 number -- maximum number of boards, four is a reasonable  
21 number, given the time that's required to spend  
22 understanding the business and actually contributing  
23 effectively.

24 CHAIRPERSON TAYLOR: Okay. So in addition then,  
25 as we're moving forward and we're doing the proxy voting,

1 when do we move into more diverse candidates? I mean, it  
2 seems like it's been hard enough to get women. So when do  
3 we move into an expectation of more diverse candidates  
4 racially?

5 INVESTMENT DIRECTOR NZIMA: I think the challenge  
6 there is that unless you have mandatory disclosures, that  
7 information really -- I mean, even right now, when you  
8 look at the Equilar platform, they're asking people to  
9 be -- to voluntarily disclose. And we try to look at  
10 those numbers even for our own appointments from 3D. The  
11 bulk of those appointments, I think it's about 80 percent,  
12 they don't disclose. So it's really hard until you have  
13 that as mandatory disclosures or you have enough companies  
14 actually disclosing voluntarily.

15 And that is part of the reason why, as part of  
16 the Human Capital Management Coalition, which we  
17 co-founded, in 2017, we filed a petition with the SEC in  
18 terms of improving human capital disclosure to include,  
19 you know, not just gender, but race, ethnicity, and so  
20 forth.

21 CHAIRPERSON TAYLOR: Okay. Great. Thank you.  
22 We have a whole lot of questions here. So, Ms. Yee.

23 BOARD MEMBER YEE: Thank you, Madam Chair. First  
24 of all, I want to just applaud CalPERS for its leadership  
25 with respect to moving the needle on corporate board

1 diversity. I think the engagements that we've long been,  
2 you know, just really leading in this respect has really  
3 resulted in a lot of progress and always room for more.

4 I wanted to just take a focus, I guess, more  
5 internally. And that is, even though we're making some  
6 progress, there's still a lack of gender, racial diversity  
7 among the senior level leadership here at CalPERS. And  
8 particularly on the heels of some of the rebalancing we've  
9 had to do in the Investment Office with respect to our  
10 Emerging Managers Program.

11 I wanted to see, Madam Chair, if we could have a  
12 report back on some of the initiatives that we started a  
13 few years ago with respect to how to diversify the top  
14 Investment Office positions. And with one source of that  
15 potential diversity now not necessarily at our -- at  
16 our -- available to us, but just what the plans are for  
17 continuing to look at diversifying the top positions in  
18 the Investment Office.

19 CHAIRPERSON TAYLOR: Okay. Thank you. I'll take  
20 that as Committee Chair.

21 Mr. Jones.

22 COMMITTEE MEMBER JONES: Thank you, Madam Chair.

23 Yeah, I support Ms. Yee's request also to report  
24 back on that.

25 CHAIRPERSON TAYLOR: Okay.

1 COMMITTEE MEMBER JONES: The -- a couple  
2 questions. The mandatory disclosure for corporate  
3 companies of their boards, the -- when I was in Washington  
4 talking to one of the congressmen, she was sponsoring  
5 legislation to require that for females on corporate  
6 boards. What's the status of that legislation?

7 INVESTMENT DIRECTOR NZIMA: Thank you for the  
8 question. I don't believe that legislation has gone far.  
9 I'd have to go back and check. I think our advocacy team  
10 was involved in talking to, you know, the members of  
11 Congress. And I think -- I believe that was actually  
12 legislation which was sponsored by representative Maxine  
13 Waters, if I'm not mistaken. And one of --

14 COMMITTEE MEMBER JONES: No. It was another lady  
15 from one of the middle states, as I recall. I don't  
16 remember her name, because I met with her.

17 INVESTMENT DIRECTOR NZIMA: We can -- we can  
18 check and come back.

19 COMMITTEE MEMBER JONES: Okay.

20 INVESTMENT DIRECTOR NZIMA: I'm coming back to  
21 the Investment Committee in March to talk about the proxy  
22 season. I can check with our advocacy team --

23 COMMITTEE MEMBER JONES: Okay.

24 INVESTMENT DIRECTOR NZIMA: -- and see where we  
25 are with that legislation and our involvement, if any.



1 COMMITTEE MEMBER JONES: Because at the same  
2 time, I requested that why not sponsor legislation that  
3 would also include race and ethnicity. And her comments  
4 were that she didn't think she can get it through at the  
5 time, but she thought she can get it through for the  
6 females. So that's why I'm asking what's the status of  
7 that particular legislation.

8 The other question I have is 800, that's a good  
9 growth in terms of where it -- 3D all started, and when  
10 corporations were indicating that they couldn't find  
11 diverse board members to put on their boards.

12 The 2,800 you made reference to, you said there  
13 were other partners.

14 CHAIRPERSON TAYLOR: Yeah. It was Equilar.

15 INVESTMENT DIRECTOR NZIMA: That's the total  
16 within the equity -- Equilar Diversity Network, which is  
17 24 partner organizations, including 3D. So it is -- it is  
18 the Latino Corporate Directors Association, for example.  
19 It is the Catalyst. It is Ascend. It is Black  
20 Enterprise. It is Women Corporate Directors. So the  
21 combination of those, about 2,800.

22 COMMITTEE MEMBER JONES: Okay. So when we were  
23 managing that 3D program, I recall we made changes to its  
24 parameters, et cetera. So now how -- if there are  
25 suggested changes from CalPERS, how does that get

1 implemented through this new mechanism with Equilar?

2 INVESTMENT DIRECTOR NZIMA: We work closely with  
3 Equilar. I think, you know, our relationship extends  
4 beyond just 3D. For example, in terms of the executive  
5 compensation I've talked -- you know, I've presented to  
6 the Board, they actually host our proprietary model within  
7 their platform, because they have the data. So we  
8 actually work really closely with Equilar. And if we need  
9 any changes to be made, that's something which we can --  
10 we can make.

11 And in terms of administering the 3D, that's  
12 actually something which we do internally in terms of the  
13 administration of 3D. A member of my team is responsible  
14 for that. So they -- we have that direct relationship  
15 with Equilar, which has been fantastic, both from the 3D  
16 and also from the executive compensation side of things.

17 COMMITTEE MEMBER JONES: Okay. Thank you.

18 CHIEF EXECUTIVE OFFICER FROST: Yeah. And, Mr.  
19 Jones --

20 COMMITTEE MEMBER JONES: Yes.

21 CHIEF EXECUTIVE OFFICER FROST: -- we just met  
22 with the head of Equilar within the last couple of weeks.  
23 And there is new mapping functionality available that  
24 helps us to when we're -- when we are interviewing  
25 candidates, even for C-Suite jobs, which is what we're

1 planning on using the Equilar database for, as well as to  
2 source some of our C-Suite opportunities, but, you now  
3 have mapping. And so you see the professional network of  
4 every one of these candidates.

5 So what's really important to us is that we have  
6 people who come in and advocate for these candidates or  
7 someone who we know has worked with that individual before  
8 we bring them into a high level position here at CalPERS.

9 And so they've implemented this mapping  
10 functionality. And I think what might be helpful is for  
11 the Board to see some of that again during the July  
12 off-site.

13 COMMITTEE MEMBER JONES: Okay. Good. Great.  
14 Great suggestion.

15 CHAIRPERSON TAYLOR: That's a good idea.

16 COMMITTEE MEMBER JONES: Great suggestion.

17 And the last question, what is the target date  
18 for the D&I conference by CalPERS in Sacramento?

19 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: Well,  
20 are you talking about Diversity Forum that we share with  
21 CalSTRS?

22 COMMITTEE MEMBER JONES: Right.

23 CHIEF EXECUTIVE OFFICER FROST: Yes.

24 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: I  
25 don't -- I don't know that we have a date established at

1 this point. But as soon as we do, I'll -- I'll find out  
2 here. And if we have an announcement to make, I'll make  
3 that, but I haven't heard.

4 COMMITTEE MEMBER JONES: Okay. I would like to  
5 know that --

6 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: Yes.

7 COMMITTEE MEMBER JONES: -- because we had an  
8 annual program. And then we moved to two years. And I am  
9 concerned about moving to a three-year program. So let's  
10 make sure that --

11 CHIEF EXECUTIVE OFFICER FROST: We're still on  
12 the two-year -- not quite two-year mark. I think we're  
13 actually doing it about every year and a half. But we're  
14 certainly not moving it out to three years.

15 COMMITTEE MEMBER JONES: Okay.

16 CHIEF EXECUTIVE OFFICER FROST: I think it's just  
17 that we don't know about the dates. I'm sure the planning  
18 has already started.

19 COMMITTEE MEMBER JONES: Okay. Thank you.

20 CHAIRPERSON TAYLOR: Ms. Olivares.

21 COMMITTEE MEMBER OLIVARES: Thank you, Madam  
22 Chair.

23 Thank you for this report. It's very insightful.  
24 I'm concerned about some of the numbers, particularly in  
25 the Investment Office. Having worked in investments for

1 quite a while, I understand that there's not a lot of  
2 diversity in the industry.

3 But a couple questions. Is there a reason why  
4 we're not separating ethnicity and race?

5 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX:

6 There's no reason, I don't think. We can  
7 probably put the -- pull that out. We haven't done it  
8 that way. And we're -- for consistency, we just keep it  
9 the same we have each one of the much reports we've done.  
10 But upon request, I'm sure we could do that.

11 COMMITTEE MEMBER OLIVARES: Because a person can  
12 be, for example, Latino and be of multiple races. So I  
13 think that might be more insightful. Do we only consider  
14 gender on a binary basis?

15 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: I  
16 believe so.

17 COMMITTEE MEMBER OLIVARES: Could we possibly  
18 look at other options for that too?

19 CHIEF EXECUTIVE OFFICER FROST: Yeah. So all of  
20 this data is sourced through the CalHR survey that's done.  
21 And so we can certainly work with Eraina - I know she's  
22 here - to make sure that that happens. And we do have an  
23 update on how we're doing that in the health program.

24 COMMITTEE MEMBER OLIVARES: Great. And then I'd  
25 like to know about the executives in the Investment

1 Office. Do we know what percent or number are Latinas,  
2 African-American women, Native American women?

3 CHIEF EXECUTIVE OFFICER FROST: We only know if  
4 they have self-disclosed.

5 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: Yes.

6 CHIEF EXECUTIVE OFFICER FROST: And so if it's  
7 not listed on this report -- and what is the effective  
8 date of this report, Mr. Fox?

9 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: This  
10 is through the fiscal -- last fiscal year, so through July  
11 of '19.

12 CHIEF EXECUTIVE OFFICER FROST: Okay. So there  
13 have been some additional changes that have happened in  
14 Investment Office --

15 COMMITTEE MEMBER OLIVARES: Sure.

16 CHIEF EXECUTIVE OFFICER FROST: -- since the  
17 publication -- or since the collection of this data. But  
18 again, it's self-reported information.

19 CHAIRPERSON TAYLOR: Marcie, Can you pull the  
20 microphone?

21 CHIEF EXECUTIVE OFFICER FROST: Sure. It's  
22 self-reported information. And if this is effective as of  
23 the end of the fiscal year, there have been some changes  
24 in top appointments in the Investment Office.

25 COMMITTEE MEMBER OLIVARES: Would it be possible

1 to see that, so executive level in the Investment Office  
2 by different gender types, by ethnicity, and race, and  
3 then the intersection of the two?

4 CHIEF EXECUTIVE OFFICER FROST: We can certainly  
5 do it by gender and then whatever has been self-identified  
6 through this process. We could certainly do that.

7 COMMITTEE MEMBER OLIVARES: And I also wanted to  
8 say good work on corporate board diversity. I think  
9 leadership is very important. And I think the Board  
10 here -- I mean, we can also look at our own diversity,  
11 right, in the sense of being a very diverse board, but we  
12 should also look at our leadership. And if we're doing a  
13 good job with our leadership and making sure that it's  
14 diverse.

15 Thank you.

16 CHAIRPERSON TAYLOR: Great. Thank you.

17 Ms. Middleton.

18 BOARD MEMBER MIDDLETON: Okay. Thank you, Madam  
19 Chair. I want to second all of the comments from Ms.  
20 Olivares and thank her for those. As I was going through  
21 the report, I found one mention of individuals with  
22 disability, but no data whatsoever regarding our efforts  
23 in that respect. And I found not a single mention of  
24 LGBTQ employees or our efforts at working with corporate  
25 boards in that area. That is disappointing. We have an

1 opportunity to play a leadership role and we need to play  
2 that leadership role.

3 Thank you.

4 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: Thank  
5 you.

6 CHAIRPERSON TAYLOR: Thank you.

7 Mr. Rubalcava.

8 COMMITTEE MEMBER RUBALCAVA: Thank you, Madam  
9 Chair. I join everybody in thanking you for the report.  
10 Very insightful. I noticed in the staff report that  
11 there's a reference of some internal activities. The 12th  
12 Annual Diversity and Inclusion Day, the Disability  
13 Awareness Month, and then something called the Altitude  
14 for -- Altitude for Gratitude Event. Those are very nice.  
15 We should announce them when they're coming up, so the  
16 Board will know -- know about them. And I would encourage  
17 you to continue those efforts.

18 Second in the last slide, next steps, I commend  
19 you that you're continuing the engagement efforts,  
20 particularly on the proxy voting and shareowner campaigns,  
21 especially given the SEC's current stance on proxy steps.  
22 So thank you very much for that.

23 CHAIRPERSON TAYLOR: Thank you.

24 And Ms. Olivares.

25 COMMITTEE MEMBER OLIVARES: Thank you, Madam



1 Chair. You know, as we look at our inclusion efforts, I  
2 wanted to State that California is a majority minority  
3 state. Latinos are the majority of the population now.  
4 We're more than 40 percent. So it outweighs  
5 proportionately all the other ethnicities and races in  
6 terms of -- but I don't see any of that representation  
7 here. I know we're subject to Prop 209, but I hope that  
8 we could do a better job recruiting and providing an  
9 inclusive environment.

10 What more can we do, whether it's here on the  
11 Board and making sure we represent that leadership or  
12 CalPERS as a staff?

13 CHIEF EXECUTIVE OFFICER FROST: If we're talking  
14 about CalPERS as an organization, so the first thing we  
15 work on is culture. All right. So having a culture that  
16 feels inclusive to the people who are work here, so that  
17 they then promote CalPERS as a destination employer to  
18 others. That's really important. It's why we spend so  
19 much time focusing on culture. And it is why we are  
20 focused on improving the engagement goal, because that's  
21 the way these questions are written, that I'm confident  
22 that I can refer others to work at CalPERS. And that it  
23 appropriately represents the diversity of the state or the  
24 community in which I live.

25 So we can get you those questions so you can see

1 what we're trying to accomplish and the importance of  
2 increasing the score in those areas.

3 The second, I really believe that it's more  
4 important what people say about the organization, more  
5 than what we say about ourselves. So again, having the  
6 Board, having others here working at CalPERS, having other  
7 entities really refer CalPERS as a place to work where  
8 people can be successful.

9 So I think as you're out -- I know you do a lot  
10 of traveling out into the Investment Community. I know  
11 others of you do a lot of travel out into the member  
12 community. I think taking some of our jobs that we have  
13 open, because you're right Prop 209 does limit our ability  
14 to do preferences. But what's really important is that we  
15 cast a very wide net. We get a very strong candidate  
16 pool. We have the appropriate processes internally to  
17 make sure that all candidates have a fair process to go  
18 through, and ultimately we get the best talented  
19 candidate.

20 And so I think you all could help in taking job  
21 announcements out to the communities in which you're  
22 working and serving, and getting people to apply for some  
23 of our positions.

24 COMMITTEE MEMBER OLIVARES: Thank you.

25 OFFICE OF STAKEHOLDER RELATIONS CHIEF FOX: I

1 would like to add that the full report is available on the  
2 external facing website. And it will have all -- a lot  
3 more detailed information than what we've provided here.  
4 This is a summary of our report. But the report is on --  
5 has been online, I think, for six days now on the outward  
6 facing site. And I that's within your Insight Tool as  
7 well.

8 But again, taking some of the information that we  
9 received here, we'll see if we can't improve upon that and  
10 make it more comprehensive.

11 COMMITTEE MEMBER OLIVARES: Thank you.

12 CHAIRPERSON TAYLOR: It sounds like direction to  
13 the Committee -- or to the Committee Chair has -- is that  
14 we give -- for this particular report, we give as much  
15 information as we can. And then I guess we are -- I think  
16 that's it.

17 So we are on summary of committee direction, Mr.  
18 Cohen.

19 CHIEF FINANCIAL OFFICER COHEN: Thank you, Chair.  
20 I do have a number of items, so please let me know if I've  
21 missed anything.

22 CHAIRPERSON TAYLOR: Okay.

23 CHIEF FINANCIAL OFFICER COHEN: First, going back  
24 to 6d, the report on participating employers. Chair --  
25 Member Middleton's request for additional data from the --

1 that appendix chart as well as a refresh of the report's  
2 format.

3 On 7a, we'll create a code section  
4 cross-reference in terms of the CalPERS authority that's  
5 coming -- the references that are coming out of the  
6 delegation.

7 7b, we'll be back with April regulations that  
8 will incorporate the optional attestation conversation, as  
9 well as we'll bring you some further examples of booklets  
10 versus candidate statements, those types of options.

11 7c, we will incorporate the annual fee amounts  
12 and fund balances into our April budget document.

13 7d, on the Barra contract, we will provide  
14 periodic updates on the project, as well as the follow-up  
15 information brought by Member Olivares. Further  
16 discussion there.

17 And then on the diversity report that we just  
18 finished, we'll incorporate additional information, as  
19 much as possible, including the number of overlapping  
20 Board members that are on multiple boards, as well as  
21 further information that we have regarding CalPERS'  
22 employees' diversity. We'll also bring back an Investment  
23 Office diversity report, in terms of the status of  
24 initiatives, and the legislative status on mandatory  
25 disclosure that President Jones requested.

1 CHAIRPERSON TAYLOR: Okay. Good. I wanted to  
2 make sure we got everything. It looks everything I wrote  
3 down you have.

4 CHIEF FINANCIAL OFFICER COHEN: Perfect.

5 CHAIRPERSON TAYLOR: Does anybody have anything  
6 that I missed?

7 COMMITTEE MEMBER PEREZ: Can you repeat it?

8 (Laughter.)

9 CHIEF FINANCIAL OFFICER COHEN: Faster this time.

10 CHAIRPERSON TAYLOR: Faster. Backwards.

11 All right. At this point, we are open for public  
12 comment, if somebody would like to make public comment?

13 Seeing none.

14 The Finance and Administration Committee meeting  
15 is adjourned.

16 (Thereupon the California Public Employees'  
17 Retirement System, Board of Administration,  
18 Finance & Administration Committee meeting  
19 adjourned at 11:31 a.m.)  
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24  
25

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

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration, Finance & Administration Committee meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California;

That the said proceedings was taken before me, in shorthand writing, and was thereafter transcribed, under my direction, by computer-assisted transcription.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 22nd day of February, 2020.



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