

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
RISK AND AUDIT COMMITTEE
OPEN SESSION

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

TUESDAY, FEBRUARY 18, 2020

1:25 P.M.

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

COMMITTEE MEMBERS:

Mr. David Miller, Chairperson

Ms. Lisa Middleton, Vice Chairperson

Ms. Margaret Brown

Ms. Fiona Ma, represented by Mr. Matthew Saha

Mr. Jason Perez

Ms. Shawnda Westly

Ms. Betty Yee

BOARD MEMBERS:

Mr. Henry Jones, President

Ms. Stacie Olivares

Ms. Eraina Ortega

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Matthew Jacobs, General Counsel

Ms. Marlene Timberlake D'Adamo, Chief Compliance Officer

Ms. Beliz Chappuie, Chief Auditor

Mr. Forrest Grimes, Chief Risk Officer

Ms. Carrie Lewis, Committee Secretary

ALSO PRESENT:

Mr. William Collins

Mr. David Driscoll, Buck Consulting

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P R O C E E D I N G S

1
2 CHAIRPERSON MILLER: Okay. It is 1:25 by the
3 clock on the wall, so I would like to call the Risk and
4 Audit Committee to order. So the first matter is to do
5 the roll call.

6 COMMITTEE SECRETARY LEWIS: David Miller?

7 CHAIRPERSON MILLER: Here.

8 COMMITTEE SECRETARY LEWIS: Lisa Middleton?

9 VICE CHAIRPERSON MIDDLETON: Present.

10 COMMITTEE SECRETARY LEWIS: Margaret Brown?

11 COMMITTEE MEMBER BROWN: Here.

12 COMMITTEE SECRETARY LEWIS: Matthew Saha for
13 Fiona Ma.

14 ACTING COMMITTEE MEMBER SAHA: Here.

15 COMMITTEE SECRETARY LEWIS: Jason Perez?

16 COMMITTEE MEMBER PEREZ: Here.

17 COMMITTEE SECRETARY LEWIS: Shawnda Westly?

18 COMMITTEE MEMBER WESTLY: Present.

19 COMMITTEE SECRETARY LEWIS: Betty Yee?

20 COMMITTEE MEMBER YEE: Here.

21 CHAIRPERSON MILLER: Okay. On to Item 2,
22 approval of the February 18th, 2020 Risk and Audit
23 Committee timed agenda.

24 COMMITTEE MEMBER BROWN: Move approval.

25 CHAIRPERSON MILLER: Moved by Brown.

1 VICE CHAIRPERSON MIDDLETON: Second.

2 CHAIRPERSON MILLER: Seconded by Middleton.

3 All in favor -- well, any discussion?

4 No.

5 All in favor, aye?

6 (Ayes.)

7 CHAIRPERSON MILLER: Call for the vote.

8 Any noes?

9 Any abstentions?

10 The ayes have it. The measure passes.

11 On to the election of the Risk and Audit
12 Committee Chair and Vice Chair. And I will recognize Ms.
13 Middleton.

14 VICE CHAIRPERSON MIDDLETON: Okay. Thank you,
15 Mr. Chair.

16 I would like to nominate David Miller to be Chair
17 of the Risk and Audit Committee.

18 COMMITTEE MEMBER PEREZ: I'll second.

19 CHAIRPERSON MILLER: Okay. Motion by Ms.
20 Middleton seconded by Mr. Perez.

21 Any other nominations?

22 Any other nominations?

23 And a third time, any other nominations?

24 Okay. Hearing no other nominations, I will call
25 for the question.

1 All in favor?

2 (Ayes.)

3 VICE CHAIRPERSON MIDDLETON: We need a motion.

4 CHAIRPERSON MILLER: Oh, we need a motion.

5 Okay.

6 VICE CHAIRPERSON MIDDLETON: I'll so move.

7 CHAIRPERSON MILLER: Okay. So moved.

8 Do we need a second for that motion?

9 VICE CHAIRPERSON MIDDLETON: (Nods head.)

10 CHAIRPERSON MILLER: Okay. A second the motion
11 would be to elect Ms. Miller to be the Chair.

12 So we have a motion by Ms. Middleton.

13 COMMITTEE MEMBER BROWN: Second

14 CHAIRPERSON MILLER: Second by Ms. Brown.

15 So any further discussion?

16 Okay. I'll call for the question on that.

17 All in favor?

18 (Ayes.)

19 CHAIRPERSON MILLER: Any opposition?

20 Any abstentions?

21 Hearing none. The motion passes.

22 So I guess I stay here.

23 Okay. So on to the election of the Risk and
24 Audit Committee Vice Chair.

25 And I would move to elect Ms. Middleton as the

1 Vice Chair.

2 COMMITTEE MEMBER PEREZ: Second.

3 CHAIRPERSON MILLER: Seconded by Mr. Perez.

4 Any discussion on that?

5 Okay. Any other nominations?

6 Any other nominations?

7 Any other nominations?

8 Okay. I would move that we elect Lisa Middleton
9 as the Vice Chair of the Risk and Audit Committee.

10 Is there a second to my motion?

11 COMMITTEE MEMBER PEREZ: Second.

12 CHAIRPERSON MILLER: Seconded by Mr. Perez.

13 Any discussion on the motion?

14 I'll call for the question.

15 All in favor, aye?

16 (Ayes.)

17 CHAIRPERSON MILLER: Any opposition?

18 Any abstentions?

19 The ayes have it and the motion passes. So
20 congratulations, Lisa.

21 VICE CHAIRPERSON MIDDLETON: Thank you.

22 Congratulations, David.

23 CHAIRPERSON MILLER: So we will move on to the
24 Item number 4, the executive reports. And I'll turn it
25 over to Marlene Timberlake D'Adamo.

1 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

2 Thank you. Good afternoon, Mr. Chair, Madam Vice
3 Chair, Committee Members. Marlene Timberlake D'Adamo,
4 CalPERS team member.

5 First, I'd like to congratulate Mr. Miller and
6 Ms. Middleton on their retaining their positions --
7 leadership positions in the Committee. I continue to look
8 forward working with you and I'd also like to welcome Ms.
9 Westly to the Committee. I also look forward to working
10 with you.

11 Our only action agenda item today is the review
12 of the Risk and Audit Committee delegation in support of
13 the reduced -- in support of the reduced complexity and
14 risk management strategic -- my tongue is tied today.

15 The delegations have been rewritten in clear and
16 concise language. You've heard about that from the two
17 previous committees. We will present those changes to you
18 today.

19 On information, we have Buck Global, who is the
20 third-party actuarial firm. And they will be talking --
21 or, Ms. Chappuie, excuse me, will be bringing their
22 independent review of the actuarial valuations of the
23 State and schools pension plan as of June 30th, 2018. And
24 they are here today to present their findings.

25 Lastly, Enterprise Compliance, and Enterprise

1 Risk Management will provide the committee with our
2 mid-year plan updates.

3 The next Risk and Audit Committee meeting is
4 scheduled for April 20th, 2020 and includes the 2020-2021
5 plans, annual plans, for enterprise compliance and
6 enterprise risk management.

7 Thank you, Mr. Chair. This concludes my report.
8 I would be happy to take questions.

9 CHAIRPERSON MILLER: I'm seeing no requests to
10 ask questions or speak, so we'll move on to Item 5, action
11 consent item. This is the approval of the November 19th,
12 2019 Risk and Audit Committee meeting minutes. What's the
13 Committee's pleasure?

14 COMMITTEE MEMBER BROWN: Move approval.

15 CHAIRPERSON MILLER: Moved by Brown.

16 I'll second the motion.

17 Any discussion?

18 Call for the question. All in favor, aye?

19 (Ayes.)

20 CHAIRPERSON MILLER: Any noes?

21 Any abstentions?

22 COMMITTEE MEMBER WESTLY: I abstain.

23 CHAIRPERSON MILLER: Oh, an abstention.

24 Okay. And so the ayes have it. The abstention
25 is noted.

1 Okay. Information consent items. I haven't had
2 any requests to pull anything.

3 Number -- oh, is that a request?

4 COMMITTEE MEMBER BROWN: Yes.

5 CHAIRPERSON MILLER: Okay. So I have a request.

6 COMMITTEE MEMBER BROWN: 6c.

7 CHAIRPERSON MILLER: 6c. So I will call on Ms.
8 Timberlake D'Adamo for 6c.

9 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

10 6c, that's the Office of Audit Services, right?

11 COMMITTEE MEMBER BROWN: Yes.

12 CHAIRPERSON MILLER: Okay. Do you have a
13 question?

14 COMMITTEE MEMBER BROWN: Yes.

15 CHAIRPERSON MILLER: Are you on?

16 Let me click it again. Maybe I need to click it
17 more vigorously.

18 There we go.

19 COMMITTEE MEMBER BROWN: Great. Thank you.

20 Hello, Ms. Chappuie. How are you?

21 CHIEF AUDITOR CHAPPUIE: Good.

22 COMMITTEE MEMBER BROWN: I assume you know what
23 I'm probably going to ask you about and that's Agenda Item
24 6c, Attachment 1, page one of one. And this is sort of
25 our dashboard of audit findings is what we're calling

1 this. We see these quarterly, is that correct?

2 CHIEF AUDITOR CHAPPUIE: Correct.

3 COMMITTEE MEMBER BROWN: And this is the way that
4 this Audit Committee provides oversight that we know that
5 you're solving these audit findings, is that correct? The
6 bars will either shrink or they will grow.

7 I have a concern, because we actually, as a
8 Committee in open or in closed session, never discuss the
9 findings or what we're doing to resolve them. I know when
10 we see an audit report, you show the findings and then
11 management writes something. And then all we see these
12 little bars. And eventually, I guess they all get
13 resolved.

14 I mean, I just don't feel that this is any type
15 of oversight. And what I'm hoping for is that as a
16 Committee we could get a more detailed report. What are
17 the outstanding items? Say, when I look at that first
18 table, there are 52 findings outstanding between the
19 year -- one and two years with employers.

20 I'd like to know which employers, and what are
21 the findings, and what we're doing to resolve them. And
22 then the same with the internal audits. There are 27 open
23 findings, and I don't know for which audits, and which
24 ones have been resolved and what we're doing to resolve
25 those.

1 So this is really not a way to provide oversight.
2 So I'm hoping we could get a more detailed table, because
3 I'm just guessing as to which items are still open for
4 which audits.

5 CHIEF AUDITOR CHAPPUIE: Would you like to see
6 just the list or details of the findings as well, the
7 nature of the finding, what the issue was, or do we just
8 want to refer maybe the report that was issued, the date
9 of the report and the findings related to those that are
10 outstanding still?

11 COMMITTEE MEMBER BROWN: I'd like to see like a
12 little Excel table that says what's the -- what's the
13 audit, and the date of the audit, and what the finding is.
14 And maybe if you can even give me a in progress or -- sort
15 of like you guys do with enterprise -- you tell me it's in
16 progress, or it's going to be done, or when you expect to
17 complete that. I just want to make sure that the
18 outstanding audits aren't -- the outstanding findings
19 aren't something really serious, like from the IT report
20 or something like that.

21 We have -- I have no way of knowing which
22 findings these are. And maybe we can start with a brief
23 outline. And then if that's good enough for everybody, I
24 think that would be fine.

25 CHIEF AUDITOR CHAPPUIE: Okay.

1 COMMITTEE MEMBER BROWN: Thank you.

2 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

3 This -- should we record this as direction?

4 CHAIRPERSON MILLER: Yeah, I would say so.

5 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

6 Okay.

7 CHAIRPERSON MILLER: Okay. So moving on to Item
8 7, action agenda items, review of the Risk and Audit
9 Committee delegation. Back to you, Ms. Timberlake
10 D'Adamo.

11 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

12 Yes. Thank you. So this is the annual review of
13 the Committee's delegation. As has been mentioned in the
14 two previous committees, this is an annual process where
15 the Committee members review the delegation. If there's
16 any suggested changes, you can provide them to me, and
17 those will be taken into account.

18 This year, there were minor changes made as a
19 result of sort of I'll say grammatical. We did do an
20 update last week, where we had made a grammatical change.
21 There was a typo, which is what you got in your folders
22 today.

23 And then the other thing that we did was as was
24 mentioned in the two previous committees, in accordance
25 with Workstream number 3, we tried to do our best to put

1 the delegations in plain English or any easily -- more
2 easily read form per your request. So that was the major
3 change that was done in the delegation this year.

4 CHAIRPERSON MILLER: Okay. Thank you. Okay.
5 This is an action item. So what's the Committee's
6 pleasure?

7 COMMITTEE MEMBER BROWN: Move approval.

8 CHAIRPERSON MILLER: Okay. Moved by Ms. Brown.

9 VICE CHAIRPERSON MIDDLETON: Second.

10 CHAIRPERSON MILLER: Seconded by Ms. Middleton.

11 So any further discussion?

12 Okay. I'll call for the question. All in favor,
13 aye?

14 (Ayes.)

15 CHAIRPERSON MILLER: Any opposition?

16 No abstentions.

17 So the ayes have it. The motion passes.

18 So moving on to information agenda items.

19 Eight. And this is Beliz Chappuie. Welcome back
20 to the hot seat.

21 CHIEF AUDITOR CHAPPUIE: Good afternoon, Mr.
22 Chair and members of the Committee. Belize Chappuie,
23 Office of Audit Services.

24 Agenda Item 8a is an information item related to
25 actuarial parallel valuation of the State and school

1 plans. The Board retains the services of an outside
2 actuarial firm to review the work of CalPERS actuarial
3 staff and to certify that their work complies with
4 actuarial professional standards.

5 Buck Global, a third-party actuarial firm,
6 selected by the Board in November 2015 completed its
7 independent review of the State and school plans as of
8 June 30th, 2018. David Driscoll, from Buck Global, is
9 joining me today to present their report to the Committee
10 and answer any questions that you may have.

11 I would like to turn it over to David.

12 MR. DRISCOLL: Thank you. Yes, as mentioned, the
13 latest audit report has been delivered. It is task number
14 five under contract 2015-8123 and involves an audit of the
15 June 30th, 2018 actuarial valuations for the State and
16 schools plans, as prepared by the CalPERS actuarial staff.

17 We reviewed first the assumptions, methods, and
18 procedures used, and found that they are all in
19 conformance with actuarial standards of practice. We
20 also, as part of this engagement, conduct parallel
21 valuations of the State and schools plans as of June 30th,
22 2018, which is to say that we take the same data
23 assumption and methods that the CalPERS actuarial staff
24 used to prepare those valuations, and we independently
25 prepare our own valuations.

1 We found that in every case, our results were
2 quite close to those of the CalPERS actuarial staff. They
3 are well within the five percent margin that would trigger
4 a need for additional analysis under the contract. So
5 we're very pleased overall by the extent to which we found
6 that we matched so closely.

7 Though not required by our contract, we go a step
8 further and look at differences in actuarial valuation
9 results on a participant-by-participant basis, just so
10 that we make sure that we're not missing anything that is
11 camouflaged in the aggregate by having some cases where
12 our results differ a lot in one direction and other cases
13 in which they differ a lot in the other direction. We
14 found no such pattern. All of our results matched very
15 closely.

16 The differences between our results and those
17 obtained by CalPERS's actuarial staff are attributable
18 almost completely to what I would call differences in
19 technical approaches to modeling the careers of
20 participants and differences in rounding, and things of
21 that nature, which, as you might imagine, produce very
22 small differences, insignificant differences I should say,
23 in the level of results.

24 We did have some recommendations for the CalPERS
25 actuarial staff in terms of content of the report. These

1 are more in the nature of suggestions rather than -- than
2 strong recommendations for change.

3 Again, we found the report to be of very high
4 quality as -- as we did the work generally. But we are
5 recommending that some changes be made to reports in the
6 way of the description of the way certain tables of
7 probabilities are applied in the valuation process. This
8 is a somewhat technical actuarial matter, as you might
9 imagine, in terms of the way the group term life benefit
10 provided under the plans are modeled and the valuation
11 process, and in terms of the way that changes in actuarial
12 assumptions are described.

13 But again, these are refinements. These are not
14 corrections really. And again, we match results closely.
15 We found a very high level of compliance with the
16 standards of practice, underwhich the work is to be
17 performed. And so we would say to the Board that we
18 believe you have ample reason to have a very high level of
19 confidence in the actuarial work being performed for the
20 State and schools plans by the actuarial staff here at
21 CalPERS.

22 CHAIRPERSON MILLER: Okay. I have a few requests
23 here. Controller Yee.

24 COMMITTEE MEMBER YEE: Thank you, Mr. Chairman,
25 and congratulations to you and Ms. Middleton. I guess on

1 the additional comments and recommendations that you made,
2 the first relating to the group term life insurance
3 benefit. So is this just a recommendation or suggestion
4 that there be further -- I guess that this benefit be
5 included in subsequent reports along with a -- with a
6 methodology or -- I mean, I guess I'm trying to figure out
7 what to do with these recommendations.

8 MR. DRISCOLL: Well, I think -- I think it's --
9 we believe the benefit is being handled properly in the
10 valuation, but that there isn't a lot of description of
11 the manner in which it is reflected in the valuation,
12 perhaps because it's a rather small percentage --

13 COMMITTEE MEMBER YEE: Right.

14 MR. DRISCOLL: -- of the liability. So just for
15 the sake of completeness, we're -- we are recommending
16 that additional detail be provided in the handling --
17 regarding the handling of that benefit in the valuation.

18 COMMITTEE MEMBER YEE: Okay. And I guess for
19 staff, is it because of the -- I mean, is this a de
20 minimis issue or is it really --

21 CHIEF ACTUARY TERANDO: Yeah. So what Ms. -- Mr.
22 Driscoll said, it's not how we're valuing the benefits,
23 it's how we described them in the report.

24 COMMITTEE MEMBER YEE: Oh, okay.

25 CHIEF ACTUARY TERANDO: So they're looking for us

1 to add a little bit more clarity in how we -- how our
2 process is. He's not -- there's not a recommendation on
3 changing the process.

4 COMMITTEE MEMBER YEE: Okay.

5 CHIEF ACTUARY TERANDO: It's just describing what
6 our process is, so it's a little bit more clear in the
7 report as opposed to Buck having to give us a call and get
8 a finer explanation of the details.

9 COMMITTEE MEMBER YEE: Okay. All right.

10 And then I guess the second recommendation in
11 that section about the phase in of the change in the
12 discount rate, I guess I'm -- the question would be how is
13 staff kind of perceiving this particular recommendation?
14 This is going to be what we would accept as a
15 recommendation for any future contribution rate smoothing.

16 CHIEF ACTUARY TERANDO: Yeah. That's mostly in
17 terms of when we phase in the change of a discount rate,
18 what they're referring to is you can phase -- when we
19 phase in the discount rate, there's two ways of going
20 about it. You can phase the impact in. --

21 COMMITTEE MEMBER YEE: Uh-huh.

22 CHIEF ACTUARY TERANDO: -- or you can phase the
23 change in the assumptions in. And what we -- we phase in
24 the change of assumptions over three years.

25 COMMITTEE MEMBER YEE: Got it.

1 CHIEF ACTUARY TERANDO: We didn't just go right
2 to the final discount rate and amortize the impact. We
3 get to the same number eventually -- you know, after the
4 end of the phase in. It's just a matter of how we did it.
5 And it wasn't -- as David mentioned, we weren't clear in
6 the report that -- we talked about phasing it in, but we
7 didn't talk about we phased in the change of assumptions.

8 COMMITTEE MEMBER YEE: Got it. Okay. Great.
9 Thank you.

10 CHIEF ACTUARY TERANDO: Sure.

11 CHAIRPERSON MILLER: Okay. Mr. Perez.

12 COMMITTEE MEMBER PEREZ: On page four of the
13 slide deck at the bottom -- towards the bottom half of
14 that page, can you explain the differences in those two
15 valuations in plain English, please?

16 MR. DRISCOLL: Page four?

17 COMMITTEE MEMBER PEREZ: Four, yeah. Yes, sir.

18 It's the section 4, summary of findings, towards
19 the bottom.

20 MR. DRISCOLL: Oh, section 4.

21 COMMITTEE MEMBER DRISCOLL: It's page four on
22 mine.

23 MR. DRISCOLL: Oh, okay.

24 COMMITTEE MEMBER PEREZ: Sorry.

25 MR. DRISCOLL: Yeah. This is -- this is what I

1 was describing earlier as one of the manifestations of
2 differences between the valuation system that we use and
3 the one used by the CalPERS actuarial staff, in terms of
4 the way that they model somebody's career.

5 The objective evaluation is to allocate a
6 projected benefit to be earned by a participant over that
7 individual's entire career. And there's a -- there are a
8 number of different ways you can go about modeling it.
9 And if you model the benefit the way that -- the
10 distribution of the benefit over somebody's career the way
11 that we do, you can get a higher allocation of benefit to
12 past service than you do if you use the CalPERS approach.

13 For the particular employee whose data is
14 represented here, you can see that we both agree to the
15 dollar that we are talking about somebody who's present
16 value of future benefits is worth \$272,638. But the
17 difference between the way that we estimate the service
18 variable that is used as the basis for the allocation over
19 that person's career leads to differences in the way we
20 allocate to past service and current service from the
21 approach taken by the CalPERS actuarial staff.

22 It's not a criticism of their approach at all.
23 It's simply a difference in approach in modeling.

24 COMMITTEE MEMBER PEREZ: It's a pretty
25 significant difference though when you talk about the

1 entry age of normal cost.

2 MR. DRISCOLL: It is for this particular
3 individual who was, I think, selected because they
4 illustrate this phenomenon in kind of an eye-catching way.
5 But in the aggregate, it doesn't have much --

6 COMMITTEE MEMBER PEREZ: Okay.

7 MR. DRISCOLL: -- what we could consider a
8 significant impact on results. And for that reason, we
9 are acknowledging it is a source of difference while not
10 recommending that anybody take steps to change it in some
11 way.

12 COMMITTEE MEMBER PEREZ: Perfect. Thank you.

13 CHAIRPERSON MILLER: Okay. Seeing no more
14 requests to speak on this item, we'll move to Item 8b,
15 Enterprise Compliance Mid-Year Plan Update.

16 Ms. D'Adamo.

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

19 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

20 Yes. Hi. Good afternoon.

21 So this is an annual item where we bring the
22 mid-year update to our compliance plan. The annual plan
23 was brought to you in June of 2019. And we are presenting
24 you with our mid-year update. As you see, we are in the
25 green at 50 percent for all three of our initiatives, as

1 well as our strategic measure.

2 And at this point, I'll take any questions, if
3 anyone has any questions they'd like to ask.

4 This is an information item.

5 CHAIRPERSON MILLER: Okay. I'm not seeing any
6 questions, so we will move to 8c mid-year plan update for
7 the enterprise risk management.

8 Mr. Forest Grimes.

9 (Thereupon an overhead presentation was
10 presented as follows.)

11 CHAIRPERSON MILLER: It's an information --

12 CHIEF RISK OFFICER GRIMES: Good afternoon, Mr.
13 Chair. Committee members, members of the Board, thank for
14 attending. Forrest Grimes, CalPERS team.

15 Item 8c is the enterprise risk management
16 mid-year update. And if I could get you please to turn to
17 page 83. Let's go to the red ones. I'm sure you'll want
18 to hear about that. This is for internal control
19 initiative. And that one is in red because we changed our
20 focus from really mapping high level core processes to
21 program activities. And we found that taking a bottom-up
22 approach versus a top-down approach was much more
23 intuitive to the CalPERS team. And it's been more
24 effective.

25 And so therefore, we have 13 very high level core

1 processes, which we thought we wanted to map initially.
2 But we think that actually going through program's request
3 to the various initiatives -- or various processes that
4 they would like us to look at, have proven much more
5 effective. And so that's really, for transparency
6 purposes, a change in our direction at this point, which
7 you'll be able to comment fully on when we bring back our
8 workplan in April this year. But that's really the reason
9 that that one is in red.

10 Some additional highlights are that we modified
11 the funded status strategic risk measure to provide more
12 near-term alignment to the pension outlet tool. And Ms.
13 Middleton gets the credit for having us go down that path.

14 Ongoing reporting of strategic risk measures, as
15 you saw in Item 6d earlier in the agenda. In November, we
16 reviewed with you the historical risk appetite evolution
17 and how the Committee applies strategic risk measure
18 tolerances to provide guidance to the organization. And
19 ongoing training of all CalPERS team members to continue
20 to cultivate a risk-intelligent organization. And
21 currently we're over 50 percent trained now. And that's a
22 number of 1,385 team members, which I'm very proud of and
23 has taken the team a lot of work to get there. And this
24 is really not a mandated training. It's really people
25 actually coming to the trainings on their own volition,

1 which is a really nice accomplishment.

2 With that, I'm going to stop and see if you have
3 any questions on any of the other initiatives that are
4 before you.

5 CHAIRPERSON MILLER: Great. I'm not seeing any.
6 And thank you very much for the updates.

7 CHIEF RISK OFFICER GRIMES: Thank you.

8 CHAIRPERSON MILLER: And we'll move to summary of
9 Committee Direction.

10 Ms. D'Adamo.

11 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

12 Yes. Thank you. I have taken one direction.

13 And I am going to read from it to make sure I don't get it
14 wrong. I have here that Ms. Brown has asked for the
15 report, this is the audit report, to be modified to
16 include more detail regarding the status of open items.
17 Ms. Chappuie will undertake to bring something back to the
18 Committee for its consideration.

19 COMMITTEE MEMBER BROWN: Great.

20 CHAIRPERSON MILLER: Sounds great.

21 Okay. We have a request for public comment from
22 William Collins. Could you please come down and take a
23 seat. The microphone is on for you on the end there, and
24 you'll have three minutes to present your comments.

25 MR. COLLINS: Thank you, Mr. Chairman and

1 members. I'm a retired CalPERS annuitant. I started my
2 pension in the middle of 2013 and put it -- it was on auto
3 deposit, and out of sight, out of mind. And I received
4 annual 1099's from CalPERS telling me how much I earned.
5 I paid taxes on the money.

6 And then recently I had occasion to look for my
7 CalPERS pension online. I couldn't find it. I called
8 CalPERS, do you know what's going on? And they said, your
9 money started off going to a Wells Fargo account. I've
10 never had a Wells Fargo account. And then the money went
11 to a checking account in Tampa, Florida. I've never had a
12 Florida account. Then, Minneapolis. I've never had a
13 Minnesota account. And it turns out, according to my
14 bank, I've never received a penny from CalPERS.

15 So I don't know what happened. I don't know if
16 it's an inside job, or if it's -- you know, somebody
17 entered the data wrong, but I have no records from CalPERS
18 about changes in accounts.

19 I save papers. Here's a 37-year old document
20 from CalPERS. I save this stuff. Scraps of paper from
21 notes of people I talk with. I have nothing electronic or
22 in the mail from CalPERS telling me that my accounts have
23 been changed and gone to three different accounts, none of
24 which are mine.

25 So I filed a police report. I've filed a report

1 with the federal agency. I talked to an attorney whose --
2 you know, wants to file in Redwood City and ask for
3 interest -- back interest payments and attorney's fees,
4 and what have you. And I said, well, let me just bring
5 this up in person with CalPERS Board and tell you what's
6 going on. I don't know.

7 I'm sure CalPERS now is sending out
8 announcements, but for -- you know, about changes in
9 accounts. I just changed my password and I did get a
10 notice on that. So some are going out on some things, but
11 I don't have one -- oh, and I also wanted to mention, I
12 have other auto deposits in my checking account, one of
13 them is a larger amount than this. Those were not
14 tampered with, which clearly suggests to me the problem is
15 on the CalPERS site. And again, I have no electronic
16 communications, email mails, nothing on my CalPERS site,
17 and nothing in the mail telling me about these changes in
18 account.

19 CalPERS says that they're not going to cover this
20 money, because quote, "They're not ensured for that". So
21 I realize you don't sit here and dispense pension
22 payments, but I do need some help. The amount of money
23 I've calculated that I'm missing is about \$47,000, and I'd
24 just like to have my pension.

25 So thank you for listening and for helping

1 improve our retirement system.

2 CHAIRPERSON MILLER: Yeah. Well, thank you for
3 your comments. And it certainly sounds like a very
4 impactful and frustrating circumstance, and I regret that
5 that is happening. So, Marcie.

6 CHIEF EXECUTIVE OFFICER FROST: Yes. So we'll
7 have -- Anthony Suine is here in the auditorium today. So
8 I've asked him to sit down and talk directly with you
9 about your case and we'll get some next steps put together
10 for you.

11 MR. COLLINS: All right. Thank you.

12 CHIEF EXECUTIVE OFFICER FROST: Okay.

13 CHAIRPERSON MILLER: Thank you.

14 Okay. Anyone else who wanted to speak?

15 I will -- okay. We'll adjourn now into closed
16 session for items 1 through 3 from the closed session
17 agenda.

18 And so, at this time, I would ask that the
19 auditorium be cleared and then we'll get on with our
20 closed session.

21 Thank you, everybody.

22 (Thereupon the California Public Employees'
23 Retirement System, Board of Administration,
24 Risk & Audit Committee open session
25 meeting adjourned at 1:55 p.m.)

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, Risk & Audit Committee open session 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 23rd day of February, 2020.

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