

VIDEOCONFERENCE MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT COMMITTEE
OPEN SESSION

ROBERT F. CARLSON AUDITORIUM
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A P P E A R A N C E S

COMMITTEE MEMBERS:

Ms. Theresa Taylor, Chairperson
Mr. David Miller, Vice Chairperson
Mr. Rob Feckner
Mr. Henry Jones
Ms. Lisa Middleton
Ms. Stacie Olivares
Mr. Jason Perez
Mr. Ramon Rubalcava
Ms. Betty Yee

BOARD MEMBERS:

Mr. Margaret Brown
Ms. Fiona Ma, represented by Mr. Frank Ruffino
Ms. Eraina Ortega
Ms. Shawnda Westly

STAFF:

Ms. Marcie Frost, Chief Executive Officer
Mr. Matt Jacobs, General Counsel
Dr. Yu (Ben) Meng, Chief Investment Officer
Mr. Eric Baggesen, Managing Investment Director
Mr. Dan Bienvenue, Interim Chief Operating Investment Officer
Ms. Kit Crocker, Investment Director

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

STAFF:

Mr. Kelly Fox, Chief, Stakeholder Relations

Ms. Pam Hopper, Committee Secretary

Mr. Simiso Nzima, Investment Director

Mr. John Rothfield, Investment Director

Ms. Anne Simpson, Investment Director'

ALSO PRESENT:

Mr. Steve McCourt, Meketa Investment Group

Mr. Tom Toth, Wilshire Associates Consulting

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P R O C E E D I N G S

CHAIRPERSON FECKNER: Good morning. We're going to call the Investment Committee open session to order. And the first order of business will be to call the roll.

Ms. Hopper.

COMMITTEE SECRETARY HOPPER: Rob Feckner?

CHAIRPERSON FECKNER: Good morning.

COMMITTEE SECRETARY HOPPER: Henry Jones?

Lisa Middleton?

One second, Mr. Chair.

COMMITTEE MEMBER MIDDLETON: Present.

COMMITTEE SECRETARY HOPPER: David Miller?

COMMITTEE MEMBER MILLER: Present.

COMMITTEE SECRETARY HOPPER: Stacie Olivares?

COMMITTEE MEMBER OLIVARES: Here.

COMMITTEE SECRETARY HOPPER: Jason Perez?

COMMITTEE MEMBER PEREZ: Good morning again.

COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

Theresa Taylor?

VICE CHAIRPERSON TAYLOR: Here.

COMMITTEE SECRETARY HOPPER: Betty Yee?

COMMITTEE MEMBER YEE: Here.

CHAIRPERSON FECKNER: Thank you, Ms. Hopper.

Mr. Jones, have you joined us yet?

COMMITTEE SECRETARY HOPPER: Not yet, Mr. Chair.

1 CHAIRPERSON FECKNER: Okay. Well, let's give him
2 another minute or two.

3 COMMITTEE MEMBER JONES: Yeah, I was on. I was
4 just on -- I was muted. Can you hear me now?

5 CHIEF EXECUTIVE OFFICER FROST: Yes.

6 COMMITTEE SECRETARY HOPPER: Henry Jones?

7 COMMITTEE MEMBER JONES: Here.

8 CHAIRPERSON FECKNER: Very good.

9 Thank you. So we'll --

10 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?
11 We're waiting on one more, Mr. Chair.

12 CHAIRPERSON FECKNER: Very good. Thank you.
13 Try him again, Ms. Hopper.

14 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

15 COMMITTEE MEMBER RUBALCAVA: Present.

16 CHAIRPERSON FECKNER: Very good. Thank you. I
17 think we're all present and accounted for. Good morning,
18 everyone. These are certainly some interesting times
19 we're in. So let's continue on with our meeting and see
20 how we can get through this day.

21 The second order will be the Pledge of
22 Allegiance. I'm going to suspend that since President
23 Jones did that already at the beginning of the open
24 session earlier.

25 So we're going to move on to Item 3, the election

1 of the Chair and Vice Chair. I will now open the floor
2 for nominations for Chair of the Investment Committee.

3 I don't see any requests. So anybody typing me a
4 text --

5 COMMITTEE MEMBER JONES: I typed in a motion.
6 You don't see it?

7 CHAIRPERSON FECKNER: I don't

8 COMMITTEE MEMBER JONES: Okay. Well, any way,
9 can you hear me though?

10 CHAIRPERSON FECKNER: I can hear you.

11 COMMITTEE MEMBER JONES: I move --

12 CHAIRPERSON FECKNER: Mr. Jones, go ahead,
13 please.

14 COMMITTEE MEMBER JONES: Yeah. Okay. I nominate
15 Theresa Taylor for Chair of the Investment Committee.

16 CHAIRPERSON FECKNER: All right. Ms. Taylor has
17 been nominated for Chair of Investment Committee. Are
18 there any other nominations for Chair of the Investment
19 Committee?

20 Any further nominations for the Office of Chair?

21 Third and final --

22 COMMITTEE MEMBER OLIVARES: I nominate Stacie.

23 CHAIRPERSON FECKNER: Pardon?

24 COMMITTEE MEMBER OLIVARES: I nominate Stacie.

25 I'm having issues with the chat as well.

1 CHAIRPERSON FECKNER: Yes, I can't see
2 anybody's -- well, I can see Jason's chat. Yes, I missed
3 a good breakfast too, Jason, but I don't see anybody
4 else's chats.

5 COMMITTEE MEMBER OLIVARES: So I want to nominate
6 myself, given that we're in extraordinary economic turmoil
7 and offer my service.

8 CHAIRPERSON FECKNER: Okay. Ms. Olivares has
9 nominated herself.

10 Any further nominations for the Chair of
11 Investments.

12 Any further nominations for the Chair of
13 Investments?

14 Third and final time, any further nominations for
15 the Chair of Investments?

16 Seeing none.

17 Ms. Hopper, we're going to have to call the roll.
18 And please, we have two people on the hopper, Ms. Taylor
19 and Ms. Olivares. When she calls your name, please give
20 us the person that you wish to place your vote for for the
21 position of Chair of Investment Committee.

22 Ms. Hopper, please.

23 COMMITTEE SECRETARY HOPPER: Henry Jones?

24 COMMITTEE MEMBER JONES: Ms. Taylor.

25 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

1 COMMITTEE MEMBER MIDDLETON: Ms. Taylor.

2 COMMITTEE SECRETARY HOPPER: David Miller?

3 COMMITTEE MEMBER MILLER: Ms. Taylor.

4 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

5 COMMITTEE MEMBER OLIVARES: Stacie Olivares.

6 COMMITTEE SECRETARY HOPPER: Jason Perez?

7 Jason Perez?

8 COMMITTEE MEMBER PEREZ: Stacie Olivares.

9 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

10 COMMITTEE MEMBER RUBALCAVA: Theresa Taylor.

11 COMMITTEE SECRETARY HOPPER: Theresa Taylor?

12 VICE CHAIRPERSON TAYLOR: Theresa Taylor.

13 CHAIRPERSON FECKNER: Betty Yee?

14 COMMITTEE MEMBER YEE: Ms. Taylor.

15 CHAIRPERSON FECKNER: Thank you.

16 COMMITTEE SECRETARY HOPPER: Mr. Chair, I have
17 six votes for Theresa Taylor, two votes for Stacie
18 Olivares.

19 COMMITTEE MEMBER FECKNER: Thank you, Ms. Hopper.
20 Ms. Taylor, congratulations. You've been elected Chair of
21 the Investment Committee.

22 CHAIRPERSON TAYLOR: Thank you, Mr. Feckner.
23 Thank you, everyone. I appreciate it.

24 So now we are doing the election for Vice Chair.
25 And I'll open nominations for election of Vice Chair.

1 Lisa, you're still muted.

2 COMMITTEE MEMBER MIDDLETON: I'd like to nominate
3 Mr. Taylor -- or, excuse me, Mr. Miller.

4 CHAIRPERSON TAYLOR: All right. Thank you, Lisa.
5 I have a nomination for David Miller for Vice Chair of
6 investment.

7 Are there any more nominations?

8 Are there any more nominations?

9 Are there any more -- oh, Mr. Perez.

10 COMMITTEE MEMBER PEREZ: Yeah. I nominate
11 Stacie.

12 CHAIRPERSON TAYLOR: I have a second nomination
13 for Ms. Olivares.

14 Are there any more nominations?

15 I'm just going to run that two more times.

16 Any more nominations?

17 Any more nominations?

18 Okay. Ms. Hopper, if you would call the roll
19 for -- we've got two on deck again. If you would call the
20 roll for the David Miller and Ms. Olivares for Vice Chair.

21 COMMITTEE SECRETARY HOPPER: Rob Feckner?

22 COMMITTEE MEMBER FECKNER: Mr. Miller.

23 COMMITTEE SECRETARY HOPPER: Henry Jones?

24 COMMITTEE MEMBER JONES: Ms. Olivares.

25 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

1 COMMITTEE MEMBER MIDDLETON: Mr. Miller.

2 COMMITTEE SECRETARY HOPPER: David Miller?

3 COMMITTEE MEMBER MILLER: David Miller.

4 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

5 COMMITTEE MEMBER OLIVARES: Stacie Olivares.

6 COMMITTEE SECRETARY HOPPER: Jason Perez?

7 COMMITTEE MEMBER PEREZ: Ms. Olivares.

8 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

9 COMMITTEE MEMBER RUBALCAVA: Mr. David Miller.

10 COMMITTEE SECRETARY HOPPER: Betty Yee?

11 COMMITTEE MEMBER YEE: Ms. Olivares.

12 COMMITTEE SECRETARY HOPPER: I have four votes,
13 Ms. Chair, for David Miller. Also, four votes for Stacie
14 Olivares. So it would come down to you, Ms. Chair.

15 CHAIRPERSON TAYLOR: I'm voting for Mr. Miller.

16 COMMITTEE SECRETARY HOPPER: Five votes for David
17 Miller for Vice Chair, four votes for Stacie Olivares.

18 CHAIRPERSON TAYLOR: All right. Congratulations,
19 Mr. Miller. You are Vice Chair of Investments. And I
20 appreciate that, everybody. Thank you very much.

21 I think we are now going to move into closed
22 session for investments. So I'm going to adjourn open
23 session to move into closed session.

24 (Off record: 9:41 a.m.)

25 (Thereupon the meeting recessed

1 into closed session.)

2 (Thereupon the meeting reconvened
3 open session.)

4 (On record: 2:48 p.m.)

5 CHAIRPERSON TAYLOR: I'm going to go ahead and
6 call to order -- the meeting to order, the Investment
7 Committee open session meeting to order. And can I have
8 you call roll, Pam.

9 COMMITTEE SECRETARY HOPPER: Theresa Taylor?

10 CHAIRPERSON TAYLOR: Here.

11 COMMITTEE SECRETARY HOPPER: Rob Feckner?

12 VICE CHAIRPERSON TAYLOR: Working on it.

13 COMMITTEE SECRETARY HOPPER: Henry Jones?

14 COMMITTEE MEMBER JONES: Here.

15 Lisa Middleton?

16 David Miller?

17 VICE CHAIRPERSON MILLER: I'm here.

18 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

19 COMMITTEE MEMBER OLIVARES: Here.

20 COMMITTEE SECRETARY HOPPER: Jason Perez?

21 COMMITTEE MEMBER PEREZ: Here.

22 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

23 COMMITTEE MEMBER RUBALCAVA: Here.

24 COMMITTEE SECRETARY HOPPER: Betty Yee?

25 COMMITTEE MEMBER YEE: Here.

1 COMMITTEE SECRETARY HOPPER: Rob Feckner?

2 Still waiting.

3 CHAIRPERSON TAYLOR: Not yet. Okay.

4 So what I need to do right now is approval of the
5 April 2020 Investment Committee timed agenda.

6 Can I get a motion?

7 VICE CHAIRPERSON MILLER: So moved.

8 CHAIRPERSON TAYLOR: Moved by Mr. Miller?

9 Can I get a second?

10 COMMITTEE MEMBER PEREZ: Second.

11 CHAIRPERSON TAYLOR: Second by Mr. Perez.

12 All those in favor?

13 And now we have to take a vote.

14 COMMITTEE SECRETARY HOPPER: Again, waiting for
15 Rob.

16 CHAIRPERSON TAYLOR: Yes.

17 COMMITTEE SECRETARY HOPPER: Theresa Taylor?

18 CHAIRPERSON TAYLOR: Yes.

19 COMMITTEE SECRETARY HOPPER: Henry Jones?

20 COMMITTEE MEMBER JONES: Yes.

21 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

22 COMMITTEE MEMBER MIDDLETON: Yes.

23 COMMITTEE SECRETARY HOPPER: David Miller?

24 VICE CHAIRPERSON MILLER: Aye.

25 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

1 COMMITTEE MEMBER OLIVARES: Yes.

2 COMMITTEE SECRETARY HOPPER: Jason Perez?

3 COMMITTEE MEMBER PEREZ: Yes.

4 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

5 COMMITTEE MEMBER RUBALCAVA: Yes.

6 COMMITTEE SECRETARY HOPPER: Betty Yee?

7 COMMITTEE MEMBER YEE: Yes. Aye.

8 COMMITTEE SECRETARY HOPPER: Thank you.

9 CHAIRPERSON TAYLOR: Okay. And it looks like
10 we're still waiting on Rob.

11 So our next item is executive Report from our
12 Chief Investment Officer Ben Meng.

13 CHIEF INVESTMENT OFFICER MENG: Thank you, Madam
14 Chair. Good afternoon, members of Investment Committee.
15 I will spend the next 20 to 25 minutes to give you update
16 how we are managing portfolio through the current COVID-19
17 crisis, and particularly draw upon the work -- benefiting
18 from the work we have done in the past preparing such a
19 drawdown.

20 So I'm real pleased to be joining you this
21 afternoon. So although we're not meeting in person, I'm
22 very grateful for -- to our CalPERS' team members who are
23 making it possible for us to use technology to hold
24 meetings remotely. And I hope you and your loved ones
25 stay safe and well during these challenging times.

1 I won't touch on -- I won't touch on recent
2 events in the financial market, since shortly you will be
3 hearing from our Chief Economist (inaudible) to 100
4 percent remote operations in just a week. This is truly
5 an extraordinary achievement, which reflects their
6 dedication and their great skill in serving our members.

7 I also would like to express my heartfelt
8 gratitude to our Investment team, who are working alone
9 from home and pulling together as one team. I feel a
10 great sense of pride and confidence in the hard work which
11 is under way. We will navigate this crisis together. We
12 do not know what exactly lies ahead, but our portfolio is
13 prepared to weather the storm.

14 After the 2008 global financial crisis, we took a
15 hard look at our portfolio management processes and our
16 governance structure. We did not know when and how the
17 next crisis would unfold, but we knew it would come
18 eventually. Because of this, over the last several years,
19 we have developed a comprehensive plan to prepare for a
20 market drawdown like this one. And we are currently
21 acting on that plan in managing our portfolio through the
22 COVID-19 crisis. We are confident in saying that we are
23 much better positioned now than we were during the 2008
24 global financial crisis.

25 The COVID-19 crisis has generated some extreme

1 market dislocations, which, in turn, present opportunity.
2 We are happy to report to you that our plan, by and large,
3 is working as expected. Some of the investment strategy
4 seeds we planted last year have started germinating
5 already. In addition to managing the portfolio through
6 the COVID-19 crisis, we are also preparing for the future.
7 We are continually developing and dynamically adjusting
8 our future plan as the current crisis unfolds, so to
9 ensure that we are positioned, not only to survive this
10 crisis, but to thrive afterwards.

11 So given this challenging environment and the
12 related volatility in financial markets, I thought it was
13 important that I briefly revisit some of our priorities.
14 The three portfolio priorities that the Board approved
15 are, number one, mitigate market drawdowns. Number two is
16 to achieve seven percent return in the long run. And
17 number three, is to -- is to stabilize contribution rates.

18 To support these priorities, the Board approved
19 allocation to this segment in December 2017 to be
20 effective on June 30th, 2018. And these risk segments are
21 scalable, effective, and inexpensive way of offering
22 tail-risk protections to our portfolio.

23 In addition, several changes were implemented
24 shortly -- shortly after I arrived. I'm proud to say that
25 we are in a much better position to survive and then

1 thrive. These changes include the migration to total fund
2 portfolio management, including a centralized governance
3 structure. It also includes an enhanced balance sheet
4 liquidity management framework, which includes the
5 visibility into both the sources as well as uses of
6 liquidity at different future time horizons.

7 During times of crisis, our enhanced balance
8 sheet liquidity management framework has allowed us to
9 generate liquidity on demand, while centralized the
10 governance structure allows us to allocate balance sheet
11 liquidity in the most efficient way, maximizing the
12 benefits to the total fund. Those recent enhancements
13 were put to the test during the recent market turmoil and
14 they have been working as anticipated.

15 The results of our enhanced ability to generate
16 and allocate liquidity during time of crisis is critical
17 for us to ensure paying the benefits promised to our and
18 members.

19 With these improvements and the fact that our
20 drawdown mitigation plan is standing the test of the
21 current market turmoil, it is time for us to pivot to the
22 second priority, which is to achieve the seven percent
23 return in the long run, hence our discussion with you on
24 the topic this morning.

25 So now let's meet -- turn to the total fund.

1 First, I'm glad to report that our asset allocation is
2 behaving in alignment with expectations. Our risk
3 mitigation plans have provided meaningful diversification
4 and mitigated drawdown impact on the portfolio during this
5 time of market volatility.

6 Second, as I just mentioned, that our liquidity
7 profile -- our liquidity profile is robust. Our
8 centralized cash management has been key to our ability to
9 control and reduce risk in our cash portfolio. The team
10 has been diligent and proactive in ensuring adequate
11 liable offset liquidity for the total fund. And third, we
12 are benefiting from our total fund governance structure
13 and new data tools to put us in a better position to
14 respond to this volatility. So again, I cannot emphasize
15 enough how the team's great work in all these areas over
16 the last couple years has put us in a strong position to
17 face the challenges ahead.

18 Now, I would like to take a moment to speak to a
19 topic that has received some attention in the media.
20 Basically, our portfolio management decision related to
21 explicit options-based tail-risk hedging strategies. I
22 want to address this in order to put the facts on the
23 record. Although this decision in and of itself does not
24 rise to the level of materiality to our total fund, it
25 does give us an opportunity to review a broader topic, our

1 efforts taken in the recent past to prepare ourself for a
2 market drawdown such as this and how that plan is holding
3 up during this crisis.

4 I would like to note that tail-risk hedging, left
5 tail-risk hedging, market drawdown mitigations, and
6 insurance are closely related topics that have been used
7 interchangeably. These are all strategies that an
8 investor can use as part of their risk management toolkit.
9 The question for any investor is what are the most
10 efficient and cost-effective ways to protect the
11 portfolio?

12 So a large and complex portfolio such as ours, we
13 often have a top-down portfolio construction themes. And
14 then we build a portfolio of strategies to reflect these
15 themes. But top-down portfolio decision often consist of
16 several individual strategies. One should not take an
17 individual strategy out of the portfolio context and
18 analyze it individually. Further, time periods for review
19 of portfolio decisions warrant careful attention.

20 CalPERS is a long-horizon investor, so
21 decision-making efficacy should be viewed over a similar
22 horizon, especially when reviewed with the benefit of
23 hindsight

24 The difference of opinion related to tail-risk
25 strategies recently in the media in the past two weeks

1 focused on just one part of the portfolio strategy, which
2 is the explicit options-based tail-risk hedging strategy,
3 and analyzed it only for the period of the recent market
4 turbulence, and assumed perfect market foresight
5 capability.

6 One article calculated that CalPERS forfeited and
7 estimate of \$1 billion in profit by exiting these
8 strategies. Just to be clear, explicit options-based
9 tail-risk hedging strategies are valued investment
10 strategies and can be useful for some investors and during
11 certain time periods. However, different type of
12 investors usually have different utility functions and
13 risk appetite and operate under different organizational
14 constraints.

15 Some of the most reputable and highly regarded
16 researchers have studied this topic. For example, Robert
17 Litterman's paper published in the Financial Analyst's
18 Journal in 2011, titled *Who Should Hedge Tail Risk*, and
19 Antti Ilnaman's article, *Do Financial Markets Reward*
20 *Buying or Selling Insurance and Lottery Tickets*, published
21 in the same journal in 2012. These studies have shown that
22 for large institutional investors with a long investment
23 horizon and low level of leverage, it is not economical to
24 buy explicit options-based tail-risk hedging strategy as a
25 long-term strategy, especially the cost of such insurance.

1 We're also humble enough to question our ability
2 to time markets. And without perfect foresight to time
3 the market, we do not believe explicit options based
4 tail-risk hedging is a viable long-term strategy for large
5 institutional investors such as CalPERS.

6 The decision to terminate such strategies was not
7 about their validity, but rather about their fit in our
8 portfolio today. And if we were to review the strategy
9 again today, we would make the same decision. This is
10 clear in that had we known the COVID-19 crisis was coming,
11 we would still have terminated explicit options-based
12 tail-risk hedging strategies.

13 Now, let me explain why. So first, on cost. The
14 first issue for CalPERS is cost. As the risk-free rate
15 and expected return on our portfolio get lower, it becomes
16 even more important for us to take a closer look at our
17 investment costs. One of the objectives of the active
18 risk review conducted last year was to identify cost
19 saving opportunities by funding more cost effective
20 alternatives.

21 It is our experience that explicit options-based
22 tail-risk hedging strategies have an expected cost of
23 three to five percent of the protected notional amount,
24 which is about half of the expected return from the
25 underlying asset being hedged. We are trying to hedge the

1 drawdown risk from global equity portfolio mainly. And as
2 you recall, that's the expected return for the global
3 equity -- it's an asset class is only about six to seven
4 percent. And this explicit options-based tail-risk
5 hedging will cause us three or five percent, so more than
6 half of the expected return.

7 And also, we would have to pay an insurance
8 premium regardless of market conditions. In contrast, in
9 fiscal year '18-'19, which was the first year we put our
10 risk mitigation segments in place and also was a relative
11 benign market environment with limited opportunities for
12 explicit options-based tail-risk hedging strategy to
13 generate returns. And our risk segments realized a
14 roughly \$2 billion of relative value again, not lost, over
15 60 bps at a total fund level gain.

16 Well, during the same time period, our explicit
17 options-based tail-risk hedging strategy incurred a cost
18 of 7 bps at the total fund level. Well, we cannot speak
19 to the performance or cost assertions made by others. We
20 can fully reflect on our own experience regarding strategy
21 costs and the relative performance.

22 The second consideration is really the
23 scalability. This is also the question of scale. In
24 addition, given the size of our portfolio, it is not only
25 uneconomical but also ineffective to purchase explicit

1 options-based tail-risk hedging strategy. These type of
2 strategies are often executed in the options market,
3 where, due to lack of depths in the market, it is
4 difficult to gain enough exposure to be meaningful to the
5 size of our portfolio.

6 In addition to the consideration of the cost and
7 the scalability, there's also the fact that there were
8 better and more scalable alternatives available to us.

9 So as I say, that the good news is that we have
10 other alternatives, which are more cost effective, which
11 we can scale to size. As highlighted, one of the
12 portfolio priorities that our Board approved is to
13 mitigate market drawdown risk. In December, 2017, the
14 Board approved allocations of 15 percent to
15 factor-weighted equity, and ten percent to the long
16 treasuries effective in June 30, 2018.

17 As of the June 2019 Investment Committee, we had
18 an extensive discussion on preparing the fund for the next
19 market drawdown, where we answered a series of questions,
20 such as what is a market drawdown, what are the potential
21 impacts on our portfolio, and more importantly, how are we
22 positioned to mitigate such negative impacts on our
23 portfolio?

24 And at the June IC discussion, as well as on
25 several other occasions, we discussed the implementation

1 of the risk segment, such as factor-weighted equity and
2 the long treasuries as drawdown mitigation measures. And
3 we are glad to report that during the peak-to-trough of
4 the recent market turmoil from February 21st to March
5 23rd, these risk mitigation segment measures provided a
6 drawdown mitigation benefit of more than \$11 billion.

7 So one of the reasons we terminated the explicit
8 options-based tail-risk hedging strategy was the
9 availability of better alternatives, namely the risk
10 segments. And this allocation decisions has proven --
11 proven to be a better alternative during the recent market
12 rout.

13 Now, let's take a back -- take a step back and
14 ask ourself the question, what was the original intent to
15 have any assurance to against the market drawdown? So
16 when considering market drawdown mitigation measures, it
17 is also important to say -- to note why we are adverse to
18 market drawdowns. It could be the case that the plan
19 would not survive an extreme market drawdown that would
20 force us to default on our financial obligations or the
21 plan may not have the means, it means liquidity, to
22 maintain its desired long-run risk exposures that
23 compromising its ability to earn the seven percent return
24 in the long run.

25 So to some degree, CalPERS experienced each of

1 these scenarios during the 2008 and '09 global financial
2 crisis. Both concerns were related to our balance sheet
3 liquidity management and a lack of centralized portfolio
4 management framework back then.

5 Now, I would like to give some historical
6 background of these strategies that were terminated.
7 Explicit options-based tail-risk hedging strategies were
8 first added to the portfolio in August 2017, as an
9 experiment and implemented as an active risk. As we
10 worked to implement the risk segments, we continued to
11 compare and contrast the explicit options-based tail-risk
12 hedging with our risk-segment strategies.

13 In 2018, we also enhanced our balance sheet
14 liquidity management framework -- sorry, in 2019. In
15 2019, we also enhanced our balance sheet management
16 liquidity -- balance sheet liquidity management framework
17 and also adopt a more centralized governance structure.
18 The improved visibility into our balance sheet liquidity
19 over future time horizons, along with a more efficient
20 allocation of balance sheet liquidity from the total fund
21 perspective, eliminated a need for the payoff from
22 explicit options-based tail-risk hedging strategy.

23 As part of the broader active risk review in
24 2019, it became clear that such expensive and unscalable
25 strategies were no longer warranted in our portfolio,

1 especially -- especially when better -- when better
2 alternatives are available to us.

3 So what are the lessons learned. So in summary,
4 we are focused on four parts of our market drawdown
5 mitigation plan or strategy, or some call the tail-risk
6 hedging strategy. So the four parts are factor-weighted
7 equities, long treasury, an enhanced balance sheet
8 liquidity management framework, and a more centralized
9 governance structure.

10 This four-part drawdown mitigation strategy was
11 developed with a thoughtful, consistent, and logical
12 process. And the plan is largely working as expected.

13 There are some lessons to be learned from the
14 recent market turmoil, such as the effective -- the
15 effectiveness of diversification benefits from interest
16 rate duration. But terminating expensive and unscalable
17 explicit options-based tail-risk -- tail-risk hedging is
18 not one of those lessons.

19 If we were to review this strategy again today,
20 we would make the same decision. This is clear, in that
21 had we known the COVID-19 crisis was coming, we would
22 still have terminated explicit options-based tail-risk
23 hedging strategy and instead done outright short on our
24 equity exposure, because that would have been a less
25 expensive and more scalable strategy. And, of course, we

1 acknowledge that we do not have the perfect foresight.

2 We are proud -- we are proud of the level of
3 transparencies that public agencies, such as CalPERS,
4 provide and we welcome public scrutiny. We do believe,
5 however, that when looking at the hundreds of investment
6 decisions, big and small, that we make in a year, that
7 they be reviewed through a portfolio context and using a
8 long-term lens.

9 We also constantly -- constantly remind ourself
10 to be humble enough to acknowledge that we do not have
11 perfect foresight. And we should not succumb to behavior
12 biases, such as resulting bias or hindsight bias.

13 We cannot accurately -- accurately predict the
14 future, so we should always plan for different future
15 scenarios. Having a preparation plan in place is similar
16 to having a fire exit sign in the room, in that the fire
17 exit sign doesn't tell us when the fire will break out,
18 but it guide us in what to do once we see the smoke.

19 We learned a number of lessons from the 2008
20 global financial crisis. And since then, we have made
21 some important improvements. We spent last year on three
22 major initiatives. One, an active risk review, so we can
23 identify our structural advantage -- advantages, as well
24 as shortcoming, which then allows us to focus more on our
25 core activities.

1 The second improvement we did last year was
2 building a one-found, one-team culture, resulting in a
3 more centralize governance structure, so we can allocate
4 resources more efficiency to maximize the benefit to the
5 total fund.

6 And the third initiative of last year is really
7 rolling out a comprehensive balance sheet liquidity
8 management framework. All three initiatives are part of a
9 plan to survive a market drawdown, like what we have just
10 experienced. We are greatly benefiting from the
11 thoughtful planning in the past, in that not only can they
12 continue to pay members' benefits and other financial
13 obligations, but we are also able to maintain the --
14 maintain the appropriate risk exposure -- exposure to
15 support our ability to generate our assumed rate of return
16 in the long term.

17 In addition, COVID-19 crisis has generated --
18 generated some extreme market dislocations globally,
19 which, in turn, has created opportunities. As part of our
20 overall plan, last year, we put some specific investment
21 strategies in place to capture such investment
22 opportunities. It is encouraging to see that some of
23 these seeds we planted last year are already germinating.

24 As a long-horizon organization, just managing
25 through the current crisis is not good enough. We need to

1 continue to plan for the future. As we discussed this
2 morning, COVID-19 crisis may provide an opportunity to
3 accelerate our plan toward a seven percent solution. As
4 the market environment continues to evolve rapidly, we
5 will dynamically address our approach to resume our focus
6 on achieving a seven percent return in the long run, in
7 support our -- in support of our ability to pay members'
8 benefits.

9 We do not know what lies ahead exactly, but our
10 portfolio is prepared to weather the storm and we are now
11 in a better position to thrive after the storm. With
12 that, I'm more than happy to address any questions you may
13 have.

14 Thank you.

15 CHAIRPERSON TAYLOR: Thank you, Ben. I want to
16 thank you for that and thank you for the presentation --
17 sorry about that, guys -- presentation on the tail risk,
18 because we've heard so much about it in the news. And I
19 just wanted to make a quick comment that this is just a
20 really positive story in terms of what our success as
21 CalPERS left tail risk really was. And it wouldn't -- and
22 like you said in your comments, it's not something,
23 because we do hundreds of investments, we wouldn't
24 normally highlight. And it is under our delegated
25 authority for us to have it highlighted.

1 It's a disappointment when, you know, we're
2 supposed to, as Board members and staff, work as a team.
3 If there's a misunderstanding, I would hope that, you
4 know, a phone call to you, or me, or Marcie, or whoever
5 would be the place that we would go rather than just put
6 it out in the ether. Unfortunately, that's what happens.

7 But what amazes me is that you -- once you came
8 in, you positioned the portfolio to really be able to
9 withstand something like this pandemic, even though nobody
10 knew that COVID was even coming. And I just want to
11 commend you all for that and commend the Investment Office
12 for that. I also want to also kind of bring a little bit
13 of focus. Just the whole CalPERS' team working at home,
14 getting -- making sure benefits are still being paid. You
15 guys working and making sure that our investments are
16 working. And this is how California works. These are all
17 California workers. And I just want to tell you all how
18 much we appreciate that. And again, I think this story is
19 much more a positive story than -- and should have been
20 reported as such.

21 But let me make sure -- and thank you again, Ben.
22 I'm sorry. Do I have anymore questions?

23 I have -- somebody is raising his hand here. Is
24 that Henry?

25 Go ahead Henry.

1 COMMITTEE MEMBER JONES: Am I on now?

2 CHAIRPERSON TAYLOR: You are on.

3 COMMITTEE MEMBER JONES: Okay. Yeah, I was
4 trying to make sure that my mic was live, so I could -- I
5 echo some of the comments that you made, Theresa. And I
6 also just, you know, several -- I guess, a couple weeks
7 ago now that -- when I first heard about the issue of the
8 loss of the opportunity of a billion dollars. And, you
9 though, my question -- radar went up also, what's going on
10 here? And then after further discussing with Ben and
11 Investment staff, I said that was just part of the story.

12 That was a decision that was made to look at an
13 alternative way of diversification through a downturn.
14 And come to find out, as Ben has reported now, that it was
15 \$11 billion. So we have to be mindful that when pieces of
16 information come out, I hope that we -- the lesson learned
17 here is that we will get the whole story before we reach a
18 conclusion.

19 And so I remember, you know, back when we had our
20 educational workshop back in, I think it was, May of last
21 year. The CFA person gave the Investment Committee an
22 in-service training. And one of his parts of his
23 discussion and comments was managing risk through
24 diversification. And he made comments about the -- the
25 risk of paying hefty insurance premiums to protect the

1 fund. But he went on to expand on there were other
2 simpler types of diversification that would provide the
3 portfolio the investment returns without us -- without
4 being as expensive. So I do remember that in-service
5 training.

6 And also, I know we -- I think we have Wilshire
7 on the phone. Is Wilshire -- I would like to call and ask
8 them for their -- Tom is so the phone and I'd like to
9 see -- have his comments on this issue.

10 INTERIM CHIEF OPERATING INVESTMENT OFFICER
11 BIENVENUE: Mr. Jones, in order to -- I was going to say,
12 Jared, can you move Tom Toth, T-o-t-h from attendee to
13 panelist.

14 Thank you.

15 CONFERENCE MODERATOR: Yes.

16 Okay. Tom you should be able to turn on your
17 camera and our audio.

18 MR. TOTH: Thank you.

19 Can everybody hear me?

20 COMMITTEE MEMBER JONES: Yes.

21 MR. TOTH: Great.

22 COMMITTEE MEMBER JONES: Yeah. This is Wilshire,
23 our -- the Board's consultant. Okay. Go ahead, Tom.

24 MR. TOTH: Tom Toth with Wilshire Associates. I
25 appreciate the opportunity to chat with you all this

1 afternoon. And I -- specifically, as it relates to this,
2 I think, you know, the current market environment really
3 provides kind of a live stress test on the organizations
4 and individual risk tolerance. And I think it's important
5 that we reflect on how this market volatility has the
6 potential to impact decision-making behavior. And I think
7 Mr. Meng did a nice job discussing how the decision
8 maked -- decision making preceded in this case and really
9 a reasonable rationale for expanding other risk-mitigating
10 strategies at the expense of these explicit tail-risk
11 hedges.

12 Now, that being said, I think during challenging
13 market environments like the one we're currently going
14 through, that questions, you know, can and should be asked
15 regarding how the portfolio is being managed. And I think
16 communication and transparency can really be bolstered
17 around that. And particularly in these periods of time,
18 we've talked a bit about that earlier about increasing the
19 level of transparency, making sure that the Board and the
20 Investment Committee and their oversight function is made
21 aware of what's going on.

22 Because one of the key structural advantages that
23 CalPERS has is one of being a long-term investor. But
24 that can really only be harvested when stakeholders feel
25 like they have all of the information that they need and

1 that they're adequately informed. So that's just the one
2 last comment I'll make around this specific situation.

3 Happy to answer any questions from the Committee
4 members or other Board members.

5 CHAIRPERSON TAYLOR: So I'm not sure I had any
6 questions, Mr. Toth. I appreciate that. I think I had
7 Rob who has no communication with us wanted to make a
8 comment. Do you have the ability to make comment, Rob?

9 COMMITTEE MEMBER FECKNER: I do. Can you hear
10 me?

11 CHAIRPERSON TAYLOR: Yes.

12 COMMITTEE MEMBER FECKNER: Yes. I don't know. I
13 used the chat bar, but I guess that's not showing up on
14 your end.

15 I wanted to, first of all, thank Ben for such an
16 open and honest explanation. I wish mainly that the media
17 that had reached out and started this story had actually
18 gone to you versus using second- and third-hand
19 information without going to get factual information from
20 you first. It would have stemmed off a lot of the
21 heartache, heartburn, and concern. But again, I thank you
22 for your honest and open dialogue and I appreciate it.
23 Thank you for a job well done.

24 CHIEF INVESTMENT OFFICER MENG: Thank you, Rob.

25 CHAIRPERSON TAYLOR: Okay. So my next question

1 is from Stacie. And then I want to remind everybody, if
2 you're not already -- so far, I've called on everybody who
3 has their camera on. But if you're going to ask a
4 question and your camera is off, please turn it on.

5 Thank you.

6 COMMITTEE MEMBER OLIVARES: Thank you, Madam
7 Chair.

8 So, Ben and the rest of the investment team,
9 congrats on doing remote within a week. So within the
10 investment industry, people typically don't work from
11 home, and that's because of the confidentiality of the
12 investments. So it's highly unusual and I think this is
13 great.

14 Number two, Ben, you had mentioned something
15 about meaningful risk mitigation and robust liquidity.
16 Could you quantify that a little bit?

17 CHIEF INVESTMENT OFFICER MENG: Yes. So on the
18 more effective and scalable mitigation strategy, are the
19 risk -- two risk segment work the Board approved in
20 December 2017 and put into effect in June 30. So these
21 two risk segment work provided during the recent market
22 turmoil from February 21st to March 23 provided the
23 diversification benefit of about \$11 billion. So that was
24 the two of the four components of our risk mitigation
25 plan.

1 And the other two components is really the
2 liquidity management framework plus the centralized
3 governance. So as I said that you know when -- why do we
4 need insurance? We need the insurance, because we need
5 the money when the crisis comes. We need the liquidity.
6 But now, given the new balance sheet liquidity management
7 framework, we build -- we have much better visibility into
8 our potential sources, as well as uses of balance sheet
9 liquidity. And more importantly, you know, we build into
10 a lot of on-demand feature into our liquidity management
11 framework. It means that we only pay for the liquidity
12 when we need it. As opposed to explicit insurance policy,
13 you have to pay for the policy, you know, regardless of
14 market conditions.

15 So our balance sheet liquidity framework has a
16 built-in on-demand feature. When we don't need, don't --
17 if we don't need it, we don't pay for it. We only pay for
18 it during the time of crisis when we need it. So that was
19 a very important feature in our liquidity management
20 framework.

21 So the enhanced liquidity management framework is
22 partly to make sure we have the liquidity. The other --
23 the last of the four components of our risk mitigation
24 plan is the centralized governance. The centralized
25 governance allows a more efficient allocation of that

1 balance sheet liquidity to maximize the benefit to the
2 total fund.

3 So once you see the last two components together
4 with much better management of balance sheet liquidity and
5 much better allocation for the balance sheet liquidity,
6 that's -- with that eliminated the need to pay for
7 expensive insurance policy that you had to pay for
8 regardless if you need it or not.

9 So that's the -- how we tie in the four
10 components -- the two components. One -- the first two
11 components. One is equity -- factor-weighted equity, the
12 second component is long-treasury components. So they
13 provided \$11 billion benefit during most market turmoil.
14 And the last two components give us the constance to
15 terminate expensive, unscalable insurance policy, because
16 we have achieved the same goal that an insurance policy
17 would do.

18 COMMITTEE MEMBER OLIVARES: You don't like
19 extended warranties?

20 (Laughter.)

21 CHIEF INVESTMENT OFFICE MENG: Well, you -- your
22 opinion -- their opinion the insurance, you can sell
23 another reinsurance product.

24 (Laughter.)

25 COMMITTEE MEMBER OLIVARES: There's another thing

1 I was going to ask you too. So I know we have an
2 economist speaking soon. It would be great to get a
3 better understanding of kind of COVID-adjusted risk
4 performance, in -- at our next meeting.

5 CHIEF INVESTMENT OFFICER MENG: Okay. So
6 COVID-adjusted risk performance?

7 COMMITTEE MEMBER OLIVARES: Um-hmm. Risk miti --
8 so the performance of our risk mitigation measures
9 adjusted for COVID.

10 CHIEF INVESTMENT OFFICER MENG: Right. Can you
11 specify a little. What do you mean by adjusted for COVID,
12 with or without it?

13 COMMITTEE MEMBER OLIVARES: So I think -- right.
14 We looked at our risk mitigation measures in the context
15 of a little bit of a downturn. We have the historic
16 points from, you know, 9/11, 2008. But what we're looking
17 at with COVID is different. And we're looking at
18 potentially the intersection of an economic decline
19 similar to 911, right, because there's a travel ban of
20 sorts, not entire, and then with the 2008 global
21 recession.

22 So if you combine the pandemic and you combine a
23 recession, that intersection, how do our new risk
24 mitigation measures then perform in that context? I mean,
25 if this is something we anticipated before, but it would

1 be good to have an understanding of what we can expect
2 over the next 18 to 24 months.

3 CHIEF INVESTMENT OFFICER MENG: Okay. So we'll
4 come back in June with some of the analysis.

5 COMMITTEE MEMBER OLIVARES: Um-hmm. Great.
6 Thank you.

7 CHAIRPERSON TAYLOR: Thank you, Stacie. Let me
8 see. I want to -- I have Betty -- oh, I'm sorry. I have
9 David Miller first. I'm sorry.

10 VICE CHAIRPERSON MILLER: Okay. I think I'm off
11 mute now.

12 I just wanted to echo what -- wow, I'm getting a
13 huge echo here on myself. But just, thanks so much to the
14 team, to Ben. It's just been extraordinary that you've
15 been able to stay calm, and carry on, and work remotely.
16 And it's just quite an amazing accomplishment.

17 I wanted to kind of repeat some thoughts that
18 I've expressed before. I'm really disappointed and sad
19 that you've had to endure some of the disparaging remarks
20 and characterizations. I hope that you appreciate that I
21 and a lot of others still have full confidence in the
22 CalPERS team and your leadership on these. And I would
23 hope that if I had a misunderstanding or didn't understand
24 something, that I would come to you or the team to
25 understand before I would assume that experts who I trust

1 were trying to mislead me, or cover something up, or hide
2 something and make disparaging remarks to the press. And
3 I'm sorry you guys have had to endure that. And I hope
4 that that kind of behavior will not continue in the
5 future.

6 CHIEF INVESTMENT OFFICER MENG: Thank you, David.

7 CHAIRPERSON TAYLOR: Thank you, David.

8 Also, you sound like you're an announcer at a
9 baseball stadium, just FYI.

10 Betty.

11 COMMITTEE MEMBER YEE: Thank you, Theresa.

12 You know, I can't help but to think that we're
13 going to see more of this armchair quarterbacking going
14 on. And so I'm trying to figure out, as I'm listening to
15 all of this, and I really appreciate Ben's explanation and
16 really walking us through the thinking about, you know,
17 just why we, you know, abandoned that strategy. But I'm
18 wondering if there's a way to -- I think about we heighten
19 transparency around this going forward.

20 And I think it's a little tricky, because
21 obviously, we don't want to play there --

22 CHAIRPERSON TAYLOR: Betty, one quick second.
23 Can everybody mute just -- I think we're getting some
24 feedback. Thank you.

25 COMMITTEE MEMBER YEE: It's tricky, because, I

1 mean, this is something that we -- I think all of us leave
2 to the experts. On the other hand, I think we're going to
3 see more of these judgments being cast with respect to,
4 you know, the position of the fund and particularly when
5 it's in these volatile times.

6 And so I guess what I would ask Marcie and Ben
7 and the team is, you know, are there opportunities to
8 really get out ahead of this, you know, where you've taken
9 some action and perhaps, you know, when it's appropriate
10 before anyone casts aspersions or judgment on it, just be
11 completely up front about what we've done.

12 And I think one of the ways to do this is to, you
13 know, have obviously regular updates with us, that as
14 you're taking these actions that could be sensitive, and
15 particularly during these times where we're, you know,
16 probably headed into a prolonged downturn, there is a
17 lot -- there's a little misunderstanding with respect to
18 these strategies. And it would be good to just think
19 about some way of getting out in front of it a little bit
20 better.

21 We're spending more time trying to manage, you
22 know, frankly the misinformation than we are about just
23 trying to stabilize the portfolio as a whole. And so I
24 would ask maybe Marcie, Ben, and working with our Public
25 Affairs team to figure out how we can be a little bit more

1 maybe proactive around just how we tell this sorry going
2 forward. This will not be the last of armchair
3 quarterbacking.

4 CHAIRPERSON TAYLOR: I agree. Thank you very
5 much, Betty. I think that's -- you know, Marcie and Ben,
6 we've talked about that before. I know this was a really
7 small portion of the strategy around, you know, working to
8 make sure that we had -- we were shored up for the
9 downturn. But I think if we were in front of a little
10 better, this wouldn't have happened.

11 Again, I do understand it was such a small part
12 that we didn't -- it wasn't something we were thinking
13 about, but -- go ahead, Marcie.

14 CHIEF EXECUTIVE OFFICER FROST: Oh. Just thank
15 you for your feedback. We completely understand. We are
16 working on an improved process by which we can get some of
17 these decisions that maybe at the time do not seem like
18 large decisions. But large monetary decisions versus
19 large political decisions are two very different things.
20 And I do believe, not just because CalPERS is the largest
21 fund, but, you know, we -- there are a lot of people who
22 are really interested in what we're doing and how we're
23 managing the portfolio, in particular if you're COVID-19.

24 And so, you know, to the extent that we can be
25 more transparent with the Board, but as well as just more

1 transparent generally out to the stakeholder community,
2 and then get in front of the stories and, you know, do
3 some proactive outreach to a curated set of reporters who
4 really genuinely want to write the facts about what's
5 going on with us.

6 And I think there are a lot of interesting
7 stories that could be written. And I would like to see us
8 be more in the driver's seat for those.

9 So appreciate the feedback. Thank you.

10 CHAIRPERSON TAYLOR: Great. Thank you very much.
11 Thank you, Ben. I appreciate your candor and your report.

12 We are moving into 7, action consent items. I've
13 been asked to pull 7B, the review of the Investment
14 Committee Delegation. So I'd like to get a motion for a
15 approval of the December 2016 Investment Committee meeting
16 minutes. Do I have a motion?

17 Anybody?

18 COMMITTEE MEMBER OLIVARES: I move.

19 CHAIRPERSON TAYLOR: Okay. Moved by Ms.
20 Olivares.

21 VICE CHAIRPERSON MILLER: Second.

22 CHAIRPERSON TAYLOR: Second by Mr. Miller.

23 All those in favor of -- and I'll need a roll
24 call.

25 COMMITTEE SECRETARY HOPPER: Theresa Taylor?

1 CHAIRPERSON TAYLOR: Aye.
2 COMMITTEE SECRETARY HOPPER: Rob Feckner?
3 COMMITTEE MEMBER FECKNER: Aye.
4 COMMITTEE SECRETARY HOPPER: Henry Jones?
5 COMMITTEE MEMBER JONES: Aye.
6 COMMITTEE SECRETARY HOPPER: Lisa Middleton?
7 COMMITTEE MEMBER MIDDLETON: Aye.
8 COMMITTEE SECRETARY HOPPER: David Miller?
9 VICE CHAIRPERSON MILLER: Aye.
10 COMMITTEE SECRETARY HOPPER: Stacie Olivares?
11 COMMITTEE MEMBER OLIVARES: Aye.
12 COMMITTEE SECRETARY HOPPER: Jason Perez?
13 COMMITTEE MEMBER MIDDLETON: The voice in the
14 background, David is CalPERS. But I'm on mute.
15 CHAIRPERSON TAYLOR: No, you're not.
16 Lisa, you are not on mute.
17 COMMITTEE MEMBER PEREZ: Aye.
18 COMMITTEE SECRETARY HOPPER: Jason Perez?
19 COMMITTEE MEMBER PEREZ: Aye. Aye. Aye.
20 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?
21 COMMITTEE MEMBER RUBALCAVA: Rubalcava, yes
22 COMMITTEE SECRETARY HOPPER: And Betty Yee?
23 COMMITTEE MEMBER YEE: Aye. Thank you.
24 CHAIRPERSON TAYLOR: Welcome to the wonderful
25 word of videoconferencing.

1 So I'm going to move -- I want to make sure that
2 we have everybody here that we need to have here before we
3 move into 7B. So is Anne Simpson available?

4 INTERIM CHIEF OPERATING INVESTMENT OFFICER

5 BIENVENUE: Yeah. Thank you, Theresa. Jared, if we can
6 move Katherine Crocker -- Kit Crocker and then also to Ms.
7 Taylor's point Anne Simpson to panelist from attendees,
8 please, to field questions on this item.

9 CONFERENCE MODERATOR: Okay. Anne Simpson, you
10 should be able to show your video. And Katherine Crocker,
11 you should also be able to share your video.

12 CHAIRPERSON TAYLOR: I'm not seeing. There she
13 is. All right. Everybody appears to be here. So the 7B
14 is review of the Investment Committee delegation. It's an
15 action consent item. And I'm going to throw this to Anne
16 to go over this for us really quickly, because this is
17 part of our workstreams.

18 Go ahead.

19 INVESTMENT DIRECTOR SIMPSON: Madam Chair, thank
20 you very much and for the opportunity to remind us of what
21 this work is all about. The Board went through a very
22 comprehensive self-evaluation that was facilitated by the
23 National Association of Corporate Directors. And this
24 process raised a number of issues for the Board to address
25 in order to improve the Board's own performance. That was

1 the goal.

2 Board President Henry Jones formed a number of
3 working groups of Board members who would pick up the key
4 issues that came out of the evaluation. One of the issues
5 was an observation that many of the documents that the
6 Board refers to, the delegation for policy, were quite
7 lengthy. There was duplication. There was some very
8 arcane language, and there was a lot of legalese,
9 repeating advice and material, which is set out in other
10 places for the law, for example, quotations from the
11 California Constitution.

12 So on this delegation of the Investment
13 Committee, what we've done with help from our legal team
14 and Enterprise Compliance, and reviewed by the Investment
15 Office compliance team is put forward a new draft, which
16 holds on to all of the Investment Committee's authority
17 and responsibilities. There's no change in the delegated
18 power. We've had some colorful comments in the media
19 about this.

20 But the whole purpose of this new draft is to
21 bring clarity about roles and responsibilities. This
22 draft is not intended to change those roles and
23 responsibilities. It reflects current practice, which is
24 the role of the Board delegating authority to the
25 Investment Committee. And then the Investment Committee,

1 through its Investment Policy, delegating to the Chief
2 Executive, who, in turn, delegates to the Chief Investment
3 Officer.

4 So when you look at the track change version of
5 this document, you'll see that repetition from other legal
6 sources has been removed. And the logic here is that all
7 of this material will be available through the website and
8 through the Board's own platform, so that when there needs
9 to be a reference to say the California Constitution and
10 what it requires of the Board, that's something that's
11 going to be there in the original. It doesn't need to be
12 repeated through each of the separate documents, because
13 then everything gets very long, gets repetitive. It
14 duplicates. And what we're hoping here is to have real
15 clarity about roles and responsibilities and have
16 everything put into plain English.

17 And that also, I think, is a better outcome for
18 stakeholders to understand what the different elements of
19 the CalPERS' governance structure are, the roles of the
20 Board, committees, the consultants, and management. So
21 that's the purpose of this draft.

22 And we look forward very much to the Committee's
23 review and recommendations.

24 Thank you, Madam Chair.

25 CHAIRPERSON TAYLOR: Thank you, Anne. I really

1 appreciate you going over this. So I just want to remind
2 everybody that that's what this was was really just to
3 make it less legal. And it hasn't changed anything, but
4 I'd like to throw it to Ms. Crocker to kind of go over it
5 itself, if you'd like, real quick.

6 INVESTMENT DIRECTOR CROCKER: Yes. Happy to.
7 And I first want to echo what Anne said. The role clarity
8 and better, simpler, plainer English is all in support of
9 good governance. And we've eliminated any of the language
10 that was -- we suggested removing was either illustrative,
11 detailed, or something that's really subsumed in policy.

12 So it is the Committee dele -- directs staff,
13 with respect to its behavior in managing a portfolio
14 through Investment Policy, and everything should be within
15 policy in terms of the direction from our committee.

16 CHAIRPERSON TAYLOR: Okay. Thank you. I do have
17 a couple of questions. So first, Ms. Yee. Controller
18 Yee, go ahead.

19 COMMITTEE MEMBER YEE: Thank you, Madam Chair.
20 And just a couple of thoughts. So I know that part of --
21 one of the goals of the workstream, different work groups,
22 was to look at how we streamlined the -- I guess, the
23 oversight responsibilities of the Board. And so there are
24 a couple places that kind of gave me pause.

25 But I guess what I want to do, before I kind of

1 point out the one section that I have concerns about, is
2 just to maybe talk about the practical aspects of what's
3 happened since we started the workstream process, and that
4 is concurrently with looking at, I guess, changes like
5 this to the delegation and other potential changes in
6 policy.

7 We also, with respect to the Investment Committee
8 reduced the number of meetings. And we also don't have a
9 full Board membership on the Investment Committee. And so
10 I think given that, I -- it gives me pause with respect to
11 the -- how do we -- I mean, I -- the one deletion that
12 I'm -- that I find problematic is the deletion of the
13 oversight of the asset class strategic plans, as well as
14 the risk management and control environment.

15 And we've -- I just think we don't have enough
16 time to cover this, given that we reduced the number of
17 meetings. But this seems to me very, very core to the
18 oversight function of the Investment Committee.

19 The staff, we typically have the presentations of
20 the asset class annual reviews in the fall. And so I'm
21 just concerned about the fact that we are, I guess,
22 compromising a little bit of our oversight authority.

23 And then also, I think we need to have the asset
24 class strategic plans to really understand the total fund
25 perspective. And so I mean, in my mind, and this is the

1 way kind of my head works, is that it's kind of building
2 blocks, if you will. So I don't know how we really can
3 say that we're retaining robust oversight responsibility
4 with the deletion of that -- of that particular section.
5 So I would just ask for some comment there, as well as
6 just how we kind of accommodate all this, because I don't
7 think, you know, really streamlining meant that we were
8 going to be moving to this extreme of where we don't
9 necessarily understand the construction of the overall
10 portfolio by giving up oversight of the asset strategic --
11 asset class strategic plans.

12 INVESTMENT DIRECTOR CROCKER: Actually, if I
13 might respond to that. That is a very valid concern. The
14 Committee does retain full authority over the strategic
15 plan activity via the Investment Policy, which requires
16 staff to develop the strategic plans annually by program
17 area, and also specifies that the Board consultants will
18 also present and comment on the strategic plans.

19 So I think it's really more an intent here of
20 sort of equal dignity. You had a level of generality in
21 the rest of the delegation. And then to go to get really
22 specific in some areas could imply you need that level of
23 specificity elsewhere.

24 So that -- that I think was really one of the
25 guiding principles, just from a drafting perspective, but

1 absolutely not intending to remove -- to suggest that the
2 Committee doesn't have oversight of those important
3 activities, because absolutely you do. And you absolutely
4 control that via Investment Policy.

5 CHAIRPERSON TAYLOR: Anne, can you address that
6 too? Thank you.

7 INVESTMENT DIRECTOR SIMPSON: Yeah. Thank you.
8 Thank you very much. Yes, I want to emphasize that the
9 purpose of this is to make sure that the draft is clear
10 and it does not change or seek to change any of the
11 delegations or authorities that the Board retains in its
12 plenary role and responsibility overseeing everything,
13 including things that are delegated.

14 So as Kit says, when you look at the Investment
15 Policy, which the Committee oversees, which is 97 pages,
16 it goes into a tremendous amount of detail on risk
17 management, on asset classes, total fund performance, and
18 more, benchmarks, and so forth. So I think the thinking
19 here was that we don't want to repeat little bits of
20 what's in the policy in the delegation.

21 However, this is the Board's document. And if in
22 the drafting we've lost something that we are viewing as
23 being implicit, or referenced in the policy, then it
24 should be restored. I think we, you know, look forward to
25 the Committee's -- the Committee's recommendations to us.

1 But there is no intention to change delegated authorities.
2 That is not what this project was all about. And
3 Controller Yee and Henry Jones, this was your workstream.

4 And really the purpose of this was clarity on
5 roles and responsibilities, and putting things into plain
6 English and avoiding duplication. That's really a simple
7 task.

8 And I'll take your comments.

9 CHAIRPERSON TAYLOR: So, Anne, could you also
10 address the overseeing Investment Office risk assessment
11 and control environment. Controller Yee mentioned that as
12 well.

13 INVESTMENT DIRECTOR SIMPSON: Yes. Thank you.
14 Thank you very much and thank you for the question,
15 Controller Yee. Again, in the overall risk responsibility
16 of the Investment Committee, this, again, is implied.
17 It's a part of what you need to be -- have as an integral
18 part of overseeing risk management. And as Kit said,
19 rather than elaborating all the different elements, which
20 are set out in the policy, we summed this up as the risk
21 responsibility that you have.

22 But however, this is particularly in a time like
23 this, the idea that there would be some abandoning of due
24 diligence, rigor, care on the risk front could not be
25 further from our minds. So we very much look -- we're

1 here to make this draft simple, and clear, and efficient
2 to help with the Board's governance project.

3 So as I said, we very much welcome suggested on
4 how to improve the draft.

5 So thank you.

6 COMMITTEE MEMBER YEE: Madam Chair, if I could,
7 maybe just elaborate by example.

8 CHAIRPERSON TAYLOR: Sure.

9 COMMITTEE MEMBER YEE: And I appreciate that
10 we're still guided by the overall policy, so that hasn't
11 changed.

12 But I think the delegation suggests is that now
13 we're actually getting down to roles and responsibilities.
14 And I guess what I'm concerned about are two things. One,
15 as I look at this delegation and the lang -- some of the
16 language that's been stricken or proposed to be deleted,
17 it -- if you're just looking at the delegation, and
18 particularly as it relates to -- as we're all each, you
19 know, on this Committee thinking about, you know, what
20 are -- what is oversight responsibility going forward, it
21 does leave some question, in my mind.

22 So I'll just go on page two of four, attachment
23 2, where you have -- let's see, it was under the second
24 Resolved (B), subparagraph (5), "Approve and oversee the
25 asset class strategic plans and portfolio construction

1 guidelines". I mean -- and that may be implied in the
2 policy, but that seems like a big deal to be deleting in
3 the delegation, at least in my mind, so -- and I think
4 we've seen some public response to that as well.

5 So without kind of referring back to the
6 policies, I think it's hard for, you know, all of our
7 stakeholders to really understand, you know, what is
8 our -- what is our role here.

9 And then the second question, and I really do
10 think this is going to be the reality of what's going to
11 happen. We're going to get the annual review scheduled in
12 the fall, we're going to run out of time, and we're not
13 going to spend that time. And that just to me is like
14 not -- we're not doing our diligence, if that's the case.

15 And so this came also on the heels of where we
16 had changes in committee membership, members of
17 committees, you know, being reduced. So I think there's a
18 cumulative effect in terms of, you know, are we really
19 compromising with respect to transparency and our
20 oversight responsibility?

21 So I think I'll leave at that, but that was just
22 an example I wanted to highlight.

23 CHAIRPERSON TAYLOR: Okay. So, Anne, did you want
24 to answer to any of that before I go on to the next
25 person?

1 INVESTMENT DIRECTOR SIMPSON: Yes. This is the
2 Committee's document. And our job is to make sure that it
3 is clear and it's simple. I want to reiterate this came
4 out of the Board's own governance evaluation. And the
5 intention is to have clarity and avoid duplication. But
6 if there's something that has been lost in the public
7 perception or even in where the Committee feels what's set
8 out in this, then that needs to be -- that needs to be
9 dealt with.

10 So I guess the question, once this is through,
11 Madam Chair, is for you to give us your feedback on how
12 you'd like to -- how you'd like the next draft to look or
13 if you'd like us to come back with a new draft, having
14 heard these -- heard these comments? And thank you for
15 all the questions that are being raised, because these are
16 very important issues, and certainly exactly what good
17 governance is all about.

18 CHAIRPERSON TAYLOR: So, Ms. Yee, if you could
19 like kind of outline what it is you're looking for that we
20 can give to staff, and then I'm going to go -- because
21 everybody has got questions. So I'm going to -- and then
22 I'm going to get other people to -- like if there's stuff
23 that you don't want taken out or if you have language
24 you'd prefer --

25 COMMITTEE MEMBER YEE: Well, yeah, that was on

1 example I offered. I mean I could go through the document
2 again. And, I mean, I -- here -- here's my concerns.
3 Anyone who looks at this exercise who may not have been a
4 part of it, would think that we are essentially reducing
5 our oversight responsibility with some of the deletions.
6 True, not true, whatever, but that's the appearance of
7 what we're dealing with.

8 And I still think the other thing that we did not
9 reconcile was that there were parallel workstreams with
10 respect to committee membership and, you know, as you
11 recall, all of us recall, the Investment Committee used to
12 be a committee of the whole. It's no longer. There were
13 several members who expressed a desire not to be on
14 Investment Committee and that's fine. But just because
15 they expressed a desire not to be on Investment Committee
16 doesn't mean it diminishes our oversight role. I mean, it
17 was -- that wasn't the intent.

18 CHAIRPERSON TAYLOR: And I don't -- I get it.

19 COMMITTEE MEMBER YEE: Because -- and maybe
20 because they had competing interests. I mean, this is a
21 time-intensive committee. I get that. But at the same
22 time, those of us who are serving I think have -- have a
23 job to do. And I think when it comes down to this
24 delegation, which is really now about roles and
25 responsibilities, it just has to be made more clear. And

1 maybe, Anne, the way to do this would be to look at
2 whatever you're deleting is to make a reference back to
3 the policy that we haven't necessarily lost ground here,
4 because that's what it look like. That's what it appears
5 to be here.

6 And I just want to be just very, very clear about
7 the fact that this Committee -- I mean, I will always say
8 I think we're going to be challenged in terms of the times
9 that we're in, the issues that we have to stay on top of,
10 the number of meetings that we've been reduced to having,
11 the, you know, kind of less-than-full membership on the
12 Committee. I mean, this -- we're going to be challenged.
13 And so I would think that we would err on the side of, you
14 know, not making these changes for the time being until we
15 get a sense of how operationally these really are going to
16 be -- what kind of effect they're going to have
17 operationally.

18 CHAIRPERSON TAYLOR: Okay. So I'm hearing a vote
19 for just leaving it the way it was from Ms. Yee. I'm
20 going to move on to Jason, and then we can all discuss
21 this. So, Jason, go ahead.

22 COMMITTEE MEMBER PEREZ: Thank you. Betty
23 brought up a lot of what I was going to say. I was trying
24 to look it up, because my notes did not transfer over. I
25 was reading somewhere it said that we have to adopt as

1 opposed to approve on a lot of this stuff. And I can't
2 find where I had that, so I apologize. Kit, can you
3 comment, did we -- did I imagine that? Keep in mind, I've
4 been working a lot.

5 INVESTMENT DIRECTOR CROCKER: Yeah, we did change
6 a verb in a spot or two. Let's see, I think
7 "conduct..." -- "Conduct strategic asset allocation",
8 became, "Approve strategic asset allocation".

9 COMMITTEE MEMBER PEREZ: I'm fine with that.

10 INVESTMENT DIRECTOR CROCKER: And I should let
11 Anne speak. I think these really were Anne's governance
12 suggestions. I thought they were good and on the clarity
13 point.

14 INVESTMENT DIRECTOR SIMPSON: Right.

15 INVESTMENT DIRECTOR CROCKER: But the idea here
16 was that it is staff that conducts the ALM and then the IC
17 approves it and the Board approves. So I think that was
18 that little tweak where that was intended. Anne, you
19 should speak to that though.

20 INVESTMENT DIRECTOR SIMPSON: Yes. Thank you,
21 Kit. And thank you, Mr. Perez, for noticing that
22 particular point. This was about being clear. So I'm
23 sure the Investment Committee would be horrified if you
24 actually had to conduct the asset allocation. Obviously,
25 that's team work in practical terms between the Investment

1 Office and the Actuarial Office. The governing role of
2 the Committee is oversight and approval. So that was in
3 order to clarify roles and responsibilities.

4 I do also want to say that if, in this process,
5 other questions are being raised, that this is not useful
6 in -- at this point, there is absolutely nothing that
7 requires the Investment Committee to change anything in
8 the existing delegation. The existing delegate -- this
9 was intended to be a tidying up exercise to get rid of
10 legalese and duplication. But if it's raising concerns,
11 that's absolutely not what this project is about. This
12 project is about plain English, clarity, clear
13 communication, and making sure the right things are in the
14 right place. So things that are in policy are in policy,
15 delegation is delegation, California Constitution stays as
16 the California Constitution. But if it's right to leave
17 this be for now, we completely understand that. Our job
18 here is to be helpful.

19 COMMITTEE MEMBER PEREZ: I tell you what, to
20 suspend the rest of my questions, I know --

21 INVESTMENT DIRECTOR SIMPSON: Oh, I apologize.

22 COMMITTEE MEMBER PEREZ: No. No. No. Theresa
23 said just -- we're potentially going to go to a vote, so
24 I'll suspend the rest of my comments or questions until
25 after that, because they may not be necessary.

1 CHAIRPERSON TAYLOR: Jason, I'm not sure. I have
2 a whole bunch of people that want to ask questions, so
3 finish your question.

4 COMMITTEE MEMBER PEREZ: Okay. So on Attachment
5 2, page four of four, where it says resolved -- it's
6 stricken out resolved E that -- and I know kit spoke to
7 this a little bit. But it says, "This resolution is
8 effective immediately upon adoption and supersedes all
9 previous delegations of authority to this or any
10 predecessor committee". That's pretty powerful. So now,
11 this is -- this is (inaudible) basically.

12 CHAIRPERSON TAYLOR: Okay. Yeah. So is that
13 your last question there, Jason?

14 COMMITTEE MEMBER PEREZ: Well, that's the
15 question. And my statement is, look, I want to empower
16 you guys to do the strong word that you absolutely do.
17 You're the professionals. I am not. There's only a
18 couple of investment professionals on the Board. But like
19 Anne alluded to a second ago, at the end of the day, it's
20 my rear that's on the line. All of our -- 13 of us. So
21 I'd like to see some more robust reporting, in the
22 discussion that I had with Dan privately and with Marcie
23 as well.

24 And I'll stop there.

25 CHAIRPERSON TAYLOR: All right. Thank you, Mr.

1 Perez.

2 So I'm just going to give you guys who I've got
3 in order. Lisa is next, then Stacie, Henry, and Margaret.
4 So that's who I have so far.

5 Okay. And so let's start with Lisa.

6 COMMITTEE MEMBER MIDDLETON: All right. Thank
7 you, Madam Chair. And I -- I'm not going to repeat
8 everything that Controller Yee said, but I agree with it
9 completely. And I'm going to add to number five that she
10 raised, questions with regard to number seven, where we
11 are eliminating the words "including ensuring that the
12 fund has sufficient liquid assets to respond to market
13 conditions and meet investment obligations, e.g. capital
14 calls, collateral calls". I'm struggling to understand
15 how that's not plain and directive English that anyone
16 could follow.

17 I do appreciate Ms. Crocker's point that by being
18 specific in some areas and general in others, it raises
19 questions. But I think in the times that we are in today,
20 we raise far more questions by eliminating the kind of
21 language that was in number five and in number seven.

22 Thank you.

23 INVESTMENT DIRECTOR SIMPSON: Thank you.

24 COMMITTEE MEMBER MIDDLETON: The last question
25 that I would have, it is my understanding whatever we

1 approve as a Committee, this has to go back to the full
2 Board for approval, correct?

3 INVESTMENT DIRECTOR SIMPSON: Yes. Correct.

4 CHAIRPERSON TAYLOR: That's correct.

5 COMMITTEE MEMBER MIDDLETON: All right. Thank
6 you.

7 CHAIRPERSON TAYLOR: Okay. Next is Stacie.

8 COMMITTEE MEMBER OLIVARES: Thank you, Madam
9 Chair. I echo those comments of Controller Yee as well.
10 And Anne, based on what you were saying earlier, I don't
11 think this is the right time. We've had a lot of headline
12 risk and we're going to have a lot more over the next 24
13 months. So making changes to Board authority during an
14 economic crisis is probably not the best time.

15 I would also add while, you know, staff has said
16 that authority wasn't removed, I would say that there's a
17 temporal difference here, right? So if you're involved
18 with conducting something or if you're involved in the
19 review and selection versus the approval, there's major
20 time difference. So on an annual basis, you might get a
21 performance report, but there's a lag there, right? The
22 performance happens much earlier and it's going to take a
23 lot more time for that change to actually go into effect
24 versus being involved in the selection process. So I
25 would support holding off on making these changes right

1 now.

2 INVESTMENT DIRECTOR SIMPSON: Thank you. I would
3 just like to emphasize that this document does not propose
4 to change the Board's authority. There's a -- the Board's
5 authority comes from the California Constitution. The
6 Committee's authority comes from the Board. This is
7 intended to make it clear in the delegation what the key
8 responsibilities are and to be read in conjunction with
9 the Investment Policy, the 97 pages, which goes into all
10 the detail.

11 But I absolutely accept your comment and made on
12 the timing issue. But it's very important for the record,
13 because this has been said in the media and it's not
14 accurate. This is not intended to change delegation,
15 authority, not intended to change the plenary authority of
16 the Board. And indeed, that cannot be done through this
17 process. This would require the California Constitution
18 to be amended.

19 The purpose of this is to improve governance by
20 bringing plain language and clarity between different
21 governing documents.

22 But I absolutely respect the point you're making
23 about timing. But I don't want the record to suggest that
24 this is intending to change the authority, because it's
25 not.

1 COMMITTEE MEMBER OLIVARES: Right. And I think
2 there's been some misunderstandings regarding this,
3 especially when it comes to deleting the word "conduct"
4 and changing that with "approved". And so I think -- I
5 understand it's important to have guidelines that are very
6 easy to understand. But again, I think this might wait
7 for another time.

8 CHAIRPERSON TAYLOR: So -- and I will -- thank
9 you, Ms. Olivares. I will say that I'm hearing duplicate
10 requests, one on number five and one on number seven,
11 which is to keep those in.

12 INVESTMENT DIRECTOR SIMPSON: Right.

13 CHAIRPERSON TAYLOR: I haven't heard from
14 everybody else yet. I still have Margaret to go and now I
15 have David to go.

16 COMMITTEE MEMBER JONES: You missed me.

17 CHAIRPERSON TAYLOR: Did I miss you, Henry?

18 COMMITTEE MEMBER JONES: Yeah. You said I was
19 next.

20 CHAIRPERSON TAYLOR: Oh, gosh darn it.

21 COMMITTEE MEMBER RUBALCAVA: Theresa, I don't
22 know if you saw my name.

23 CHAIRPERSON TAYLOR: Oh, my gosh. You guys are
24 all moving up. That's why.

25 Okay.

1 COMMITTEE MEMBER JONES: Okay. Am I on?

2 CHAIRPERSON TAYLOR: So -- Yeah. So real quick,
3 I just want to -- so so far what I've got, I've got two
4 options. I'm just putting this out so everybody knows.
5 Stacie's option, which is not to change. It sounds like
6 Betty, her option is to make sure that we keep option five
7 in the strike-out to put it back in.

8 INVESTMENT DIRECTOR SIMPSON: Um-hmm.

9 CHAIRPERSON TAYLOR: And option seven to not
10 strike out all that language that we struck out in option
11 seven. So I just want to make that clear for everybody.
12 Henry, you are next.

13 COMMITTEE MEMBER JONES: Thank you, Madam Chair.
14 Yeah. I -- you know, I echo many of the comments that are
15 made. And I know the purpose of this was to -- good
16 governance and clarity. And somehow, it may not have
17 totally accomplished that goal. And so I would suggest,
18 since I am one of the Board members assigned to this,
19 along with Betty, I would suggest we do what we did with
20 the code of conduct is that take it back, and, you know,
21 I -- we've heard from the members their concerns, and kind
22 of do like the code of conduct with --

23 INVESTMENT DIRECTOR SIMPSON: Right.

24 COMMITTEE MEMBER JONES: -- (inaudible) is to see
25 side by side what the issues are and you raised a number

1 of them. And then Betty and I could then, being the
2 members responsible for working with Anne, to come back to
3 this Committee with another document.

4 INVESTMENT DIRECTOR SIMPSON: Right.

5 CHAIRPERSON TAYLOR: That's what I would suggest.

6 INVESTMENT DIRECTOR SIMPSON: Thank you.

7 CHAIRPERSON TAYLOR: Oops. I think that's a
8 great idea. I want to get everybody's questions in before
9 we take a vote on that.

10 So next was -- after Henry was Margaret, and then
11 Ramon, and then David. Go ahead, Margaret.

12 BOARD MEMBER BROWN: Thank you, Madam Chair. My
13 issues are similar to that of Ms. Olivares and Ms. Yee,
14 also Ms. Middleton. And that is I really think it does
15 appear that we are giving away the Board's authority.
16 It's always our responsibility, but we can, in fact, give
17 away our authority.

18 With respect to number three, "conduct" versus
19 "approve", you know, the concern is, is that if we switch
20 it to approve, we may only get one option. You know, I
21 was not on the Board in 2017 when we did -- when you did
22 that asset allocation, but you basically got four options,
23 because you were conducting it. That's my recollection of
24 that process.

25 And I want to make sure that if you would do --

1 if you change number three to approve, that staff might
2 just bring you one to approve as opposed to all the
3 variables, and that's a concern.

4 I certainly don't agree with removing five, so I
5 think five needs to stay in there. I also want to talk
6 about number ten, especially for some of the newer Board
7 members, which is to oversee the selection process and
8 performance of investment partners. I wasn't on the Board
9 at the time, but I remember there was an opportunity for
10 the staff to give all the private equity to one manager.
11 And it came out in a newspaper story. The Board didn't
12 even know about it. And there was a big brouhaha than
13 there was for an RFP, and it turns out their price was too
14 expensive.

15 But if you remove number ten, we don't get the
16 option of selecting or looking at the process the managers
17 uses to bring us these investment partners and managers.
18 And this could be with respect to private equity, real
19 estate, or anything else that I don't think we should ever
20 give up, number ten. And then, of course, not 13, oversee
21 the Investment Office risk assessment and control
22 environment. I think all these are critical and we need
23 to -- we need to hang on to them.

24 Thank you.

25 CHAIRPERSON TAYLOR: Okay. Thank you, Ms. Brown.

1 And I am on Mr. Rubalcava, please.

2 COMMITTEE MEMBER RUBALCAVA: Thank you, Madam
3 Chair. I had a couple comments and then a question.
4 First, I think it's enlightening that we are responsive to
5 press and the stakeholders' comments. There's been some
6 press that, you know, somehow adopting this would somehow
7 be a violation of our fiduciary duty, but I don't think
8 that can be delegated.

9 And I had two other comments. One is there is a
10 consultant memo associated with this action. And in it
11 Wilshire mentions some comment about that they're still
12 reporting mechanisms in place and there would be the
13 right -- still -- we still have the governance tools, so
14 to speak. So I just want to put that in perspective.

15 On the other hand, I understand how -- what is
16 intent can be looked at differently from different points
17 of view. And so my question is more procedural. If this
18 is not adopted, because I understand there's always an
19 annual delegation, at some point there will have --
20 there's two questions. Do we still need to make an annual
21 delegation or does it just rollover? And second, if
22 there's no change or if there's -- we don't adopt this, I
23 notice there's language that talks about the annual
24 appointment by the President -- the Board President of an
25 Investment Committee to be comprised of not -- no fewer

1 than nine members of the Board. So would that still --
2 will we go back to the old way or is the action -- I mean,
3 are we revisiting that action too, if we don't adopt this
4 document? That's my question. Thank you.

5 CHAIRPERSON TAYLOR: Anne, you want to answer
6 that?

7 INVESTMENT DIRECTOR SIMPSON: Well, that was --
8 this is a -- my understanding is as follows:

9 This is a draft for this Committee to review. If
10 the draft hasn't got to the right place yet, then we
11 should do some more work on it. There is a full Board
12 decision about forming an Investment Committee. And
13 again, I -- I do want to recall the argument at the time
14 from a different working group on the Board about this.
15 And the argument here was that it would strengthen
16 governance, because all Board members still have their
17 plenary full authority as Board members, but that by
18 creating an Investment Committee, there was an opportunity
19 for a deep dive, just as there are deep dives with all the
20 other important topics that the Board has to have
21 oversight, approve policy, approve decisions on critical
22 issues.

23 And you know, the discussion at the time, I
24 remember was something as important as investment needs
25 more than one pass-through. So you measure twice, you cut

1 once. So by creating an Investment Committee, it's not
2 that people are being kept out. This is creating a new
3 body to do extra work and the full Board still retains the
4 decision-making authority. So that's a little bit more of
5 an answer than you answer asked for.

6 GENERAL COUNSEL JACOBS: Anne, if I may
7 interject.

8 INVESTMENT DIRECTOR SIMPSON: But my
9 understanding is that the decisions --

10 CHAIRPERSON TAYLOR: Go ahead, Matt.

11 INVESTMENT DIRECTOR SIMPSON: -- by the full
12 Board -- oh, Matt. Thank you.

13 GENERAL COUNSEL JACOBS: Yes. To get -- circling
14 back to Mr. Rubalcava's question, which is a good one, it
15 would not change the decision that was already made with
16 respect to the re-jiggering of the reconstitution of the
17 Investment Committee. That was a decision that was made.
18 It was affirmed by the full Board. This -- that part of
19 this redrafting or revising of the delegation is really
20 ministerial and was put in there to reflect a decision
21 that was already made.

22 So that decision would not change, but we would
23 want to bring forward -- if nothing else was amended, we
24 would simply want to bring back an amended delegation that
25 reflects that decision that the Board already made.

1 CHAIRPERSON TAYLOR: Okay.

2 COMMITTEE MEMBER RUBALCAVA: Thank you.

3 CHAIRPERSON TAYLOR: Okay.

4 INVESTMENT DIRECTOR CROCKER: And if I may, Madam
5 Chair, I think that may already be reflected in the
6 current delegation. And I say that because it's not red
7 lined here. And I had asked that question and I believe
8 that's the answer I got, that that had already been
9 reflected and the Board -- and to answer Mr. Rubalcava's
10 question that, yeah, excellent question. The Board
11 Governance Policy is what -- is the reason we're here
12 actually. It requires that the Committee's delegation be
13 reviewed annually and updated as needed. So if the answer
14 is we don't need to update it, I think -- I think we're
15 good.

16 CHAIRPERSON TAYLOR: Okay.

17 INVESTMENT DIRECTOR CROCKER: We can confirm
18 that, but I think we'd be good.

19 CHAIRPERSON TAYLOR: Okay. So last question is
20 with Mr. Miller.

21 VICE CHAIRPERSON MILLER: Thank you. You know,
22 it strikes me that I still very much support the idea
23 behind doing this to make things in plain English, to
24 clarify things, to not be redundant of the -- basically,
25 what are decisions the Board has already made or that have

1 been set into law for the Board about what our
2 responsibilities, what is required of us.

3 But I think that right now to Ms. Olivares' point
4 and Controller Yee's point about the timing how this will
5 be viewed by stakeholders and others, I think that the
6 degree of disinformation that has kind of gotten out
7 there, where people didn't understand it, I think we've
8 got to do a better job of communicating to folks,
9 especially those who really don't understand that a lot of
10 this would be reiteration of other documents that, you
11 know -- so I think really this is not the time to do it.
12 We should take a look at it again, bring it back after
13 we've had a chance to correct the disinformation,
14 communicate with stakeholders, allow Board members to
15 think about how they would like to see it.

16 But I think that right now with the degree of
17 disinformation and the degree to which people are inclined
18 to think the worst of our motives and intents on things
19 has been played upon, this is probably not the time to do
20 that, because it reinforces some of those negative
21 impressions. Fair or not, that's kind of what's happened
22 with this. And so I think we're probably better off not
23 trying to do this certainly not today.

24 CHAIRPERSON TAYLOR: Okay. Thank you, Mr.
25 Miller. I agree -- I agree with you. I think we're about

1 ready to take a vote. And I think that I kind of see
2 where -- oh, Henry, did I miss you again?

3 COMMITTEE MEMBER JONES: Yes, you did. Do we
4 need a vote? I mean, because this is one of the -- coming
5 out of the workstreams. And on all the other workstreams
6 when there were concerns or -- that committee members had,
7 we just directed it to go back for review. And I think
8 that you've heard four or five of us say --

9 CHAIRPERSON TAYLOR: Yeah.

10 COMMITTEE MEMBER JONES: -- that it needs some
11 work. So I would suggest that you just --

12 CHAIRPERSON TAYLOR: So if we can direct the
13 Committee to take it back for review, and for -- it also
14 sounds like I'm hearing other people say they just don't
15 want it changed at all. But in any event, I do have
16 public comment on this.

17 But at this point, am I -- do I have most
18 Committee members agreeing to send it back to the
19 originating committee for a review, yes?

20 Thumbs up?

21 Okay.

22 COMMITTEE MEMBER JONES: Okay.

23 CHAIRPERSON TAYLOR: Okay. So that's where we're
24 going to go. I'm going to move --

25 INVESTMENT DIRECTOR SIMPSON: Thank you.

1 CHAIRPERSON TAYLOR: Thank you very much, Anne
2 and Kit. I appreciate the.

3 I'm going to move to public comment on this. And
4 I don't know how that's going to work.

5 CHIEF EXECUTIVE OFFICER FROST: Yeah. So -- this
6 is Marcie. We need to bring Kelly Fox in. And what Kelly
7 will do is he has received the emails that have come in
8 for public comment. And he will read those up to three
9 minutes into the record.

10 CHAIRPERSON TAYLOR: I don't see him on here.

11 STAKEHOLDER RELATIONS CHIEF FOX: Madam Chair.

12 CHAIRPERSON TAYLOR: Go ahead.

13 STAKEHOLDER RELATIONS CHIEF FOX: Okay. So what
14 I'm going to do is give the subject and then read the
15 content of the emails and then who it is from.

16 So we have this one from Warren Grimsley. April
17 20th, 2020 meeting, notice of the CalPERS Board of
18 Administration. In the content, "I firmly oppose the
19 reduction of Board Investment oversight as a rejection of
20 its fiduciary duty".

21 End email.

22 The next one from Adam Reilly. Subject public
23 comment on 4/20 meeting of CalPERS Investment Committee
24 Board.

25 "Hello. I am a California voter and I firmly

1 oppose the reduction of Board investment oversight as a
2 rejection of its fiduciary duty. Passing a change in
3 oversight does not change the legal fiduciary requirements
4 and Board members are subject to being held legally
5 personally responsible should anything go wrong. It would
6 be a grave mistake for Board members to approve this".

7 End email.

8 From Darryl Cleveland, subject public comment for
9 CalPERS Board.

10 "I firmly oppose the reduction of Board
11 investment oversight as a rejection of its fiduciary duty.
12 We the members and beneficiaries have our hard earned
13 pension demand that our elected Board members represent us
14 and the future of our pension plan in a manner of
15 integrity and prudent fiduciary responsibility. It is
16 imperative and incumbent upon you as Board members to do
17 so at all times. Your role as Board members is no
18 different than any other elected member in a
19 representative governance and you only derive your role
20 and authority from we the governed. Therefore, we, the
21 governed, demand your absolute commitment and diligence on
22 our behalf to maintain our pension system as a solvent
23 entity of public service to those who have served the
24 public. If you cannot commit to this demand, then it is
25 incumbent upon you to responsibly resign your Board

1 position and clear the path for more committed and clear
2 minded persons to see this important and critical task.

3 End email.

4 From Martha Donohoe, public comment, 4/20/20
5 Investment Committee. To the CalPERS Board.

6 "I am a retiree from Santa Clara County currently
7 receiving a CalPERS pension. I would like to publicly
8 comment about the proposed changes to the Investment
9 Committee Delegation Resolution.

10 "Very unfortunately, the CalPERS staff has had a
11 history of criminal behavior, Messrs. Buenrostro and
12 Villalobos that should have impressed the Board with the
13 importance of intensive oversight of Cal -- of PERS staff.
14 Any reduction in oversight should be avoided even if it
15 means you have to work harder as a Board due to these
16 difficult times. The complexity of staff investment
17 recommendations should be a reason to dig deeper, not step
18 back as a Committee and a Board. You should have complete
19 access to information and prompt answer to your questions.
20 The staff works for you and you are fiduciaries for us the
21 beneficiaries.

22 "Engage in more not less oversight of staff.
23 Make sure staff can explain and justify what they are
24 doing and planning and who they are doing it with. These
25 are obligations you undertook when you joined the Board

1 and it is especially important given the past history of
2 fraud and the current economic crisis, which is still
3 unfolding.

4 "Therefore, in regard to Agenda Items 7b, I urge
5 you to reject these proposed changes that are on a consent
6 calendar for 4/20/20".

7 And then it names number five, number ten, and
8 number 13.

9 End email.

10 From Anthony Butka, public comment on April 20
11 Investment Committee Agenda Item 7b, Investment Committee
12 Delegation.

13 "Honorable Board, as a retired beneficiary of
14 CalPERS, I believe this proposed delegation of the Board's
15 Constitutional fiduciary duty to we the beneficiaries is
16 wrongheaded, inappropriate, and quite possibly illegal
17 under California law. It would result in there being
18 little functional oversight by the Board of their mandated
19 oversight duties under the California Constitution,
20 Article 16, Section 17(s), which states, '(a) *The*
21 *retirement board of a public pension or retirement system*
22 *shall have the sole and exclusive fiduciary responsibility*
23 *over the assets of the public pension or retirement*
24 *system. The retirement board shall also have sole and*
25 *exclusive responsibility to administer the system in a*

1 manner that will assure prompt delivery of benefits and
2 related services to the participants and their
3 beneficiaries. The assets of a public pension or
4 retirement system are trust funds and shall be held for
5 the exclusive purposes of providing benefits to
6 participants in the pension or retirement system and their
7 beneficiaries and defraying reasonable expenses of
8 administering the system'.

9 "Recent decisions made by CIO Ben Meng have
10 clearly had disastrous financial results for the Plan, and
11 yet there is no indication of any affirmative oversight
12 being taken by the CalPERS Board. Rather this consent
13 request for further delegation. I believe that to simply
14 throw away the limited oversight which the Board currently
15 exercises is the height of folly.

16 "I further believe that in the event the Board
17 adopts Consent Item 7's proposed Delegation of Authority,
18 the Board will open itself up to a potential class action
19 lawsuit on behalf of all CalPERS beneficiaries on the
20 grounds that the Board has violated their fiduciary
21 responsibility as required by law".

22 End email.

23 Ellen Brown. Subject, board oversight.

24 "What is going on with CalPERS investments when a
25 loss of a billion dollars can be shrugged off. There must

1 be more oversight by 'knowledgeable'..." -- in quotes --
2 "...board members. The responsibility falls directly upon
3 the Board members' shoulders. My husband is a retired
4 correctional officer with a background in finance. He
5 would be a more responsible Board member than the current
6 members".

7 End email.

8 From Kathleen Astor, CalPERS Board oversight.

9 "I firmly oppose the proposed reductions in Board
10 oversight for CalPERS. The organization is poorly run and
11 I pay high premiums for my long-term care insurance. I
12 want better management and more oversight. Please reject
13 the changes and begin to look at the managers. Some need
14 to be terminated. Thank you".

15 End email.

16 From Sarv Grover. Subject responsibility of the
17 Board. Forward. "I Sarv M. Grover is a CalPERS member
18 and am asking the Board not to abdicate its responsibility
19 of overseeing the fund's management. I appreciate you
20 consideration. Thanks".

21 End email.

22 From David Soares. Subject Public Comment, April
23 20, 2020. Investment Committee, Item 7b, opposition.

24 "My name is David Soares. I am a CalPERS
25 beneficiary, retiring at the end of 2016 after 32 years as

1 a prosecutor in Silicon Valley. I represented over 300
2 prosecutors and public defenders in collective bargaining
3 for 12 elected terms on the board of the Santa Clara
4 County Government Attorneys Association, and I currently
5 serve as an assistant area director of the California
6 Retired Public Employees Association.

7 "I write in strong opposition to proposed
8 Delegation IC-20-01, which would delegate this Board's
9 historic and (inaudible) mandated oversight to the
10 unqualified and unaccountable staff. The PERF has
11 recently struggled to reach even 70 percent funded status.
12 Staff needs more oversight, not less.

13 "Article XVI section 17 of the California
14 Constitution declares that the Board of Administration is
15 the sole fiduciary of the fund, and states that, 'A
16 retirement board's duty to its participants and their
17 beneficiaries shall take precedence over any other duty.'

18 "As a fiduciary, each member of this Board owes a
19 Duty of Care to the members and beneficiaries which cannot
20 be lawfully delegated to staff. This Duty of Care
21 encompasses the..." - bolded - "...Duty of Inquiry, that a
22 fiduciary make Reasonable Inquiry, entertain a Good Faith
23 Belief in the prudence of a course of action, and have No
24 Personal Interest in the outcome.

25 "If any member of this Board feels that

1 discharging their constitutional duty as a fiduciary is
2 such an inconvenience that they must unlawfully delegate
3 that obligation to staff, I respectfully request that they
4 submit their resignation forthwith. I caution the Board
5 that you are each personally responsible for the discharge
6 of your obligation to act as a fiduciary, and it would
7 constitute a theft of public funds to expend trust monies
8 opposing the members and beneficiaries should they seek to
9 compel you to perform your duties".

10 End email.

11 COMMITTEE MEMBER PEREZ: Hey, Kelly, your volume
12 is dropping. We can barely hear you.

13 STAKEHOLDER RELATIONS CHIEF FOX: All right. I
14 will do better.

15 From Al Darby. Subject Investment Committee
16 Public Comment.

17 "Mr. Chair and Investment Committee Members, Good
18 Afternoon. Al Darby, President, Retired Public Employees
19 Association.

20 "RPEA finds Item 7b misplaced in the Investment
21 Committee agenda as a Consent Item; these proposed changes
22 to the delegation should be fully aired as action agenda
23 items. We believe the surrendering of Board member
24 fiduciary duty contained in the proposed new Investment
25 Committee Delegation to be a continuation of serious

1 erosion in Board oversight and its responsibility for
2 Investment Office function and policy. Staff usurpation
3 of more and more Board oversight duty threatens the
4 security and soundness of the PERF and permits
5 proliferation of non-transparency and uninformed Board
6 decisions.

7 "Several clauses in Item 7b raise serious
8 questions around Board participation in formulating
9 policies that provisions in Item 7b interfere with. In
10 Clause 5, Board member involvement in asset class
11 strategic plans and portfolio construction guidelines is
12 limited to simply approving and not conducting
13 deliberations. This deprives the full Board of complete
14 information about specific details when debating approval
15 of, for example, ALM options. The deletion of Clause 10
16 is an egregious change that deprives the Board of its
17 responsibility to select investment and PE managers, which
18 is already somewhat abrogated, and non-Board consultants.
19 This creates an opening for favoritism and substandard
20 performance. Clause 13, clearly denies the Board its
21 ability to exercise its fiduciary duty by eliminating its
22 risk assessment and control environment oversight.

23 "All of this adds up to abdication of even more
24 Board responsibility and fiduciary duty, if these changes
25 are allowed to stand. RPEA urges rejection of this

1 consent item and recommends that the entire policy be
2 reconsidered. Thank you".

3 End email.

4 From Stephanie Hueg. Subject, Investment
5 Committee Item 7b, changes in delegation of authority.

6 "Stephanie Hueg, a CalPERS beneficiary. I oppose
7 the proposed changes to the delegation of authority
8 drafted by staff wherein the Board is siting -- sliding
9 its responsibility to oversee staff and the investments of
10 the pension and retirement fund.

11 "I watched the March meetings. I heard that the
12 left-tail hedge was preforming as expected. I did not
13 hear that it had already been abandoned last year. I read
14 reports in various media about the staff eliminating
15 billions of dollars in left-tail hedge protection mere
16 weeks before the market crashed, and an approximate loss
17 of \$1 billion. It appeared the Board was not informed nor
18 did they authorize this. This is why staff needs more
19 oversight, not less.

20 "The Board and this Committee have an obligation
21 as fiduciaries to oversee the fund, the staff, conducting
22 the Asset Liability Management study, and the overall risk
23 for the fund.

24 "I request that you do not slough off your
25 oversight of the staff and your responsibilities to

1 beneficiaries. It is your fiduciary duty to ensure our
2 pension fund and investments survive.

3 "Thank you for your time".

4 End email.

5 From Michael McKaskle. Subject, public comment,
6 April 20, 845 a.m.

7 "For the Investment Committee agenda item,
8 8:45am, April 20th 2020.

9 Dear CalPERS Board, my name is Michael McKaskle,
10 I am a Californian and Board member of a member agency and
11 a JPA, former chair of both. I am very concerned about
12 the abdication of your fiduciary responsibility by
13 reducing Board oversight of our investments.

14 "When specifically asked by a Board member about
15 left-tail investments, your CIO replied about any
16 left-tail hedge -- any left-tail risk-hedging strategy
17 you're referring to without mentioning that most of what
18 was thought to be being referred to had been liquidated.
19 There is a small amount of sociopathic wiggle room in this
20 response since he qualified it as regarding any hedges
21 being referred to, which could imply being ones CalPERS
22 currently held and happened to exclude the[SIC] the big,
23 recently dropped one. This is a very glaring material
24 omission. I fear what other surprises may be in store.

25 "In the context of a staff member reporting to

1 fiduciaries, I see no other interpretation than his
2 response being a blatant lie. The fact that your General
3 Counsel and CEO witnessed that and have done nothing to
4 protect CalPERS or you as Board members from liability
5 shows your problems run deep. I strongly urge you to
6 replace top management.

7 "You may be personally liable for CalPERS losses
8 as your D&O insurance will not cover gross abdication of
9 fiduciary responsibility. I repeat, your staff are lying
10 to you in public, on the record, and your CEO and General
11 Counsel seem OK with that. You have a fiduciary
12 responsibility. You must replace top management and
13 increase your oversight of our investments.

14 "Thank you, Michael McKaskle.

15 End email.

16 From Jim Rusconi. Subject Investment Committee
17 meeting April 20, 2020.

18 "I am a CalPERS active member and I adamantly
19 oppose this agenda item as written. You must NOT reduce
20 the Board's investment oversight. This is literally an
21 abdication of the Board's fiduciary duty. The Board has
22 already relinquished far too much authority and latitude
23 to staff. Staff needs to be held accountable by the
24 Board.

25 "Strong Board oversight needs to be maintained

1 now more than ever. Especially now, in light of the
2 recent market actions and the incompetent decision
3 regarding the exiting of a tail-risk hedge fund by CIO Ben
4 Meng"... -- in parentheses "... (who knows what other dire
5 consequences will rear their ugly head as a result of
6 other not-so-transparent decisions made by the CIO and
7 staff)"... -- end parentheses.

8 "The Board must maintain their fiduciary duty to
9 active members, retirees, and taxpayers who fund this
10 institution. More oversight is needed, not less".

11 End email.

12 From Roxanne Woodward. Subject Agenda Item 7b,
13 changes to delegation of authority.

14 "Hello. My name is Roxanne Woodward. I am a
15 retired CalPERS beneficiary. I gave nearly forty years to
16 public service of this State. I deserve the right to
17 protect my retirement funds. I deserve transparency. I
18 deserve my pension. I earned it and not you.

19 "I oppose -- I oppose the Board proposed changes
20 to the Delegation of Authority drafted by staff wherein
21 the CalPERS Board is abandoning its responsibility to
22 oversee staff and the investments of the PERF.

23 "I've read the media reports about staff
24 eliminating billions of dollars in hedge protection just
25 weeks before the market fell. I fully understand that

1 this action ever disclosed by staff to the Board."

2 I think it should say "never".

3 "Simply speaking, staff needs more oversight, not
4 less. More importantly, when the CIO was asked about our
5 investments at a public meeting, staff failed to advise
6 the Board that the hedge protection had been eliminated,
7 and that we would not be receiving billions of dollars in
8 our hedge protection.

9 "As fiduciaries, the Board has an obligation to
10 its beneficiaries to consider the overall risk to the
11 PERF, oversee staff, and conduct an Asset Liability
12 Management Study.

13 "As a CalPERS beneficiary, I ask that you do not
14 abandon your oversight of the staff and your
15 responsibilities to each of us beneficiaries. We've
16 worked hard for, earned, promised, and need our pension to
17 survive".

18 End email.

19 From David Yuguchi. Subject, delegation
20 resolution, number IC-20-01.

21 "Please read the following message to the
22 Investment Committee on April 20, 2020 to the Board of
23 Administration, CalPERS.

24 "It has come to my attention that the Board of
25 CalPERS is attempting to transfer all decision-making

1 authority regarding investment decisions to its staff in
2 violation of both its own rules and Constitution of the
3 State of California. So what the Board is attempting to
4 do is not only to brazenly avoid responsibility for their
5 actions, they want to not have any actions for which to be
6 responsible by not doing any work. This is not only lazy,
7 it is unconstitutional.

8 "May I remind the Board of its own Governance
9 Policy: Number one, The California Constitution provides
10 that the Board shall have plenary authority and fiduciary
11 responsibility for the investment of moneys and
12 administration of the system, is charged with the sole and
13 exclusive fiduciary responsibility over the assets of the
14 system, and is granted the sole and exclusive
15 responsibility for administering the system in a manner
16 that will assure prompt delivery of benefits and related
17 services to system members and beneficiaries.

18 "'Sole and exclusive' -- in quotes -- '...means
19 just that. I think it is outrageous that elected Board
20 members would seek to abdicate their constitutional duties
21 and responsibilities to staff, leaving no one accountable
22 to the people and to the employees whose money and future
23 is invested in this large pension fund. A Board without
24 decision-making responsibilities is a rudderless ship.

25 "I strongly urge you to not approve this

1 resolution. Best regards".

2 End email.

3 Next email was submitted -- they are identical by
4 two people. So I'll list both their names and read it
5 once. From Robert Girling and from Sherry Keith.

6 "Dear Members of the CalPERS Board of
7 Administration. On behalf of CSU-ERFSA, we would like to
8 register our extreme concern with regard to the management
9 of our investments. ERFSA firmly opposes the reduction of
10 Board investment oversight as a rejection of its fiduciary
11 duty.

12 "Bloomberg, the Wall Street Journal, and
13 Institutional Investor have published new reports in the
14 last week on the escalating controversy surrounding
15 CalPERS CIO Ben Meng missing out on over \$1 billion in
16 gains by exiting a tail-risk hedge right before the recent
17 crash. The issue here isn't simply that Mr. Meng made
18 poor investment calls, every investor makes mistakes. The
19 issue is that Mr. Meng appears to have exceeded his
20 authority by firing the tail-risk managers without
21 informing the Board or even CalPERS' consultant, Wilshire
22 Associates.

23 "CalPERS is afflicted with the worst crisis since
24 the Great Depression and, based on a series of articles in
25 the Wall Street Journal and other financial publications,

1 it appears that the Chief Investment Officer is not up to
2 his job. In the last two weeks, two of CalPERS best and
3 brightest employees have quit to go back to the private
4 sector. Ron Lagnado who has essentially -- who
5 essentially followed Meng's career path as the fund's
6 Fixed Income quant and then became the deputy head of
7 Asset Allocation..." -- and in parentheses -- "... (and is
8 a CalPERS..." -- or excuse me -- ".... a Caltech PhD)..."
9 -- end parentheses -- "...has just left to work for an
10 options specialty firm.

11 "Paul Mouchakka who ran Real Assets and did much
12 to turn the real estate portfolio around and divest bad
13 assets is going back to his native Canada to be a senior
14 partner at one of the biggest Canadian real estate firms.

15 "Furthermore, CSU-ERFSA strongly requests that
16 Margaret Brown, State Treasurer Fiona Ma, and Board Member
17 Eraina Ortega be reinstated as members of the Investment
18 Committee. We need all of the best minds on board
19 actively reviewing our investments".

20 And finally, "According to State Law, the
21 retirement board of a public pension or retirement system
22 shall have the sole and exclusive fiduciary responsibility
23 over the assets of the public pension or retirement
24 system.

25 "To reiterate, ERFSA firmly opposes the reduction

1 of Board investment oversight as a rejection of its
2 fiduciary duty. We are committed to ensure that prudent
3 oversight and competent management be restored to CalPERS.

4 "Sincerely".

5 End email.

6 From Margo Sara or Sara Margo. I can't tell
7 here. Subject, public comment rejection -- reject the
8 delegation resolution.

9 "Dear CalPERS Board, this public comment is for
10 the April 20 meeting, open session, Item 7b, Review of the
11 Investment Committee Delegation.

12 "I strongly urge you to not delegate any
13 oversight duties to the staff. Chief Investment Officer
14 Ben Meng just made a serious of grave mistakes lying to
15 the CalPERS Board about left-tail investments, ignoring
16 Wilshire when he exited a hedge just before it would have
17 made the fund a great deal of money in the way of the
18 Coronavirus economic crash, exaggerating the cost of the
19 Universa program, and misrepresented that the positions he
20 chose made \$11 billion when, in fact, they lost 30 billion
21 in 2019.

22 "The CalPERS Board needs to exert more rigorous
23 oversight, not less. And if you choose to delegate more
24 oversight to unqualified people like CIO Meng, your
25 fiduciary duty means that you are liable to lawsuit and

1 could go bankrupt when the staff continues to behave like
2 CIO Meng has been behaving recently".

3 End email.

4 From Tim Behrens. Subject, Investment Committee.

5 "I'm giving public testimony on agenda item 7B.

6 Good morning, Committee Chair and Committee
7 members. My name is Tim Behrens, President of the
8 California State Retirees. I am speaking against the
9 strike-out language in Agenda Item 7B, attachment 2,
10 delegation of authority.

11 "I believe the CalPERS Board has the fiduciary
12 responsibility for oversight of CalPERS' investments.
13 This oversight is each Board member's responsibility and
14 is a duty you were elected or appointed to do.

15 "Please vote this agenda item down and continue
16 to protect the stakeholders' pensions. Thank you".

17 End email.

18 From Steve Kachur, subject, more Board oversight
19 not less.

20 "I have read the financial press with growing
21 alarm about recent failures by CalPERS to protect
22 adequately the retirees and taxpayers of California. This
23 shows that the current direction, reducing Board meetings
24 and reducing oversight is wrong. I call upon the Board to
25 wake up and take its constitutional required fiduciary

1 duty much more seriously. We need much more oversight,
2 not less".

3 End email.

4 From Ray Snodgrass. Subject, investment
5 committee meeting 4/20/2020, Consent Item 7B.

6 "I am Ray Snodgrass. I represent the active and
7 retired firefighters of Cal Fire Local 2881. We do not
8 support the changes proposed in Consent Item 7b. The
9 proposed language goes to far in relinquishing Board
10 oversight of staff relative to investments of our
11 retirement fund" - in parentheses (PERF).

12 "During this unprecedented period of fiscal
13 uncertainty, oversight and protection of the PERF is most
14 important to all members of CalPERS. Now is not the time
15 to make such policy changes. Thank you".

16 End email.

17 From Joseph Papa. Subject, Board Investment
18 oversight.

19 "Good morning. My name is Joseph Papa and I am a
20 retiree dependent on the PERS pension program. I have
21 just read the Naked Capitalism article stating that the
22 PERS Board is considering reducing its already paltry
23 efforts to perform its responsibility to guide the PERS
24 staff toward safe and sane investment strategies. If you
25 cannot be bothered to do what is required to provide this

1 guidance, then I suggest that you remove yourself from the
2 Board in the interests of its members and beneficiaries.

3 "Lest you have forgotten it, I have reproduced
4 your responsibility per Article 16 section 17(a) --
5 subsection (a) of the California Constitution:

6 "'The retirement board of a public pension or
7 retirement system shall have the sole and exclusive
8 fiduciary responsibility over the assets of the public
9 pension or retirement system'. I firmly oppose the
10 reduction of Board investment oversight as it is a
11 rejection of its fiduciary duty as outlined in the
12 California Constitution".

13 End email.

14 From J.J. Jelincic, subject public comment
15 Investment Committee 7B.

16 "I'm JJ Jelincic, a beneficiary speaking to my
17 trustees. You are managing MY..." - in capital letters -
18 "...money and have a fiduciary responsibility to me. This
19 is a time when you need to pay more attention to my
20 assets, not less. The actions staff takes as your agents
21 are your actions. It is not responsible to say that you
22 will monitor your agents and my assets even less than you
23 already do. The responsibility and liability remains with
24 you.

25 "Remember that as a fiduciary, you are held to

1 the highest standard. I also point out that the liability
2 waiver agreement you entered into with CalPERS is a
3 probable Government Code 1090 violation and will offer
4 little protection.

5 "Please reject the proposal. Thank you".

6 End email.

7 On the next 11 emails, they were all identical,
8 so I'm going to read the names of the submitters, and each
9 one of those emails is exactly the same.

10 From Marlon L Brandle, Senior, Pat Fuller,
11 Michael Warren, Kathy Martin, Rita Peres, Laura Haupt,
12 Eddie Roberts, Daniel Heredia, Robert Trevizo, Antoinette
13 Renwick, Carri Matsumoto.

14 "I oppose the proposed changes to the delegation
15 of authority drafted by staff wherein the Board is
16 abandoning its responsibility to oversee staff and the
17 investments of the PERF. All you have to do is read
18 reports in the media about the staff eliminating billions
19 of dollars in the left-tail hedge protection mere weeks
20 before the market crashed and that never told the Board,
21 to understand the staff needs more oversight, not less.

22 "More importantly, when the CIO was asked about
23 our investments at a public meeting, staff failed to
24 advise the Board that the left-tail strategy had been
25 eliminated and we would not be receiving billions of

1 dollars in our hedge protection.

2 "The Board has an obligation as fiduciaries to
3 oversee staff, conduct the Asset Liability Management
4 study, and the overall risk for the fund. I beg you
5 please do not abandon your oversight of the staff and your
6 responsibilities to beneficiaries. We need our pension to
7 survive".

8 Lastly. This email is exactly the same, although
9 there are additions to it.

10 It begins by saying, "Dear friends and
11 colleagues, can you send me an email today to protect your
12 CalPERS pension. Please share with your colleagues who
13 should also be concerned about their CalPERS pension. The
14 meeting starts tomorrow at 9:00 a.m. Your comments should
15 be in by 9:00. Thank you for helping me protect our
16 pensions. Send your emails to board@calpers.ca.gov". And
17 it is signed at the bottom by Margaret Brown, Member,
18 CalPERS Board of Administration.

19 That concludes public comments for items 7B.
20 Madam Chair, back to you.

21 CHAIRPERSON TAYLOR: Thank you. Thank you very
22 much. I'm trying to see. I know we have -- we have a
23 break coming up. We have that. It was kind of -- I'm
24 tempted to ask if Ben would respond to some of these --
25 I'm getting all kinds of messages from people. If Ben

1 would respond to the last part that we're hearing.

2 CHIEF INVESTMENT OFFICER MENG: Yes. Madam
3 Chair. I don't know which one you would like me to
4 respond.

5 (Dog barking.)

6 CHAIRPERSON TAYLOR: Oh, I'm so sorry. Hold on.
7 Go ahead, Ben.

8 CHIEF INVESTMENT OFFICER MENG: Yeah. So a
9 moment ago, we addressed the Committee in depth about our
10 decision to terminate the explicit options based tail-risk
11 hedging strategy. We terminated that because of the cost
12 and scalability and also because we have other better
13 alternatives.

14 And as we reported again, that our better
15 alternatives turn out to be a better alternative proven
16 over the recent crisis. We gained more than \$11 billion
17 of benefit from the drawdown mitigation.

18 In terms of the disclosure or why there -- the
19 Board didn't know or not, there are two major
20 considerations. One is the materiality. As we mentioned
21 that the termination decision was made really as part of
22 the broad active risk review -- strategy review of last
23 year. And, in total, we redeployed capital \$60 billion
24 dollars. And this strategy only represent only a quarter
25 percent of the capital total -- total capital redeployed.

1 On the total fund level, it is not even four
2 basis points. So in terms of materiality, it does not
3 rise to the level to report to the Board, one. For two,
4 the termination of the strategy was continuing --
5 continued until the end of last month. And I just know
6 what these kind of securities kind of illiquid in the
7 market.

8 So I need -- we need to protect the financial
9 interests of the system before the trades were fully
10 executed, given the size and the illiquid nature of the
11 position. So that is on the -- in terms of transparency
12 with the Board. And then some -- there's a few comments
13 mentioned about the question last March from one of the
14 Board members.

15 So I went back to the record. So the question to
16 me was, Ben, could you tell me how our left-tail
17 investments are performing? Are they performing the way
18 we thought they would in this economic downturn?

19 So since I returned to CalPERS as CIO on January
20 2nd, 2019, I have been discussing with the Committee on
21 our tail-risk hedging strategy in the context of a
22 portfolio over four components, equity segment, long
23 treasury segment, enhanced benefit liquidity management,
24 and then centralized governance structure. And this
25 four-part strategy is working largely as expected. That's

1 my answer to that Board Member's question, that from what
2 we know, most of these strategies are performing as
3 anticipated.

4 The reason I said most of these strategies, not
5 all, because one of the four components, that long
6 treasuries is not working in that way as anticipated when
7 it comes to providing tail-risk hedging benefits. Without
8 specific mentioning of the explicit options-based
9 strategy, no names of specific managers in the question.
10 I interpret the question as a general question and
11 referring to what I have been discussing with the
12 Committee since I became the CIO for CalPERS, which is our
13 four-part drawdown risk mitigation strategy.

14 I answer the question truthfully and honestly,
15 based on my interpretation of the question. And as I said
16 in my reply, most of these strategies are performing as
17 expected, and that's still the case.

18 It was only in the past week and only via media
19 and socia media posting did it become clear to me that the
20 Board member -- the Board -- particular Board member had a
21 follow-up question on the details around the options-based
22 strategy, which we have canceled for the reason I
23 explained early. The cost is too high. The impact is too
24 low. And for the fact that we have better alternatives,
25 which proven to be better alternative -- alternatives,

1 thus the decision was the best decision for CalPERS.

2 So that's my answer to Madam Chair.

3 CHAIRPERSON TAYLOR: Ben, thank you very much.

4 And I just want to say I was -- I said earlier that the
5 Board and staff is -- works as a team. And after hearing
6 commentary calling into question our CIO's honesty, et
7 cetera, I want to make it very clear that a Board member
8 has a right, after they ask a general question in open
9 session, especially if it can be interpreted, if you go
10 too much into the granular, that it's something we can't
11 talk about in open session, which is investment strategy,
12 that they can go directly to the person they asked the
13 question for. That's -- we're Board members, so it's not
14 like we're members of the public. So it's really
15 important that Board -- the Board members work as a team
16 as well.

17 So I think after Ms. Brown made sure that she
18 coerced and helped other people get with -- by this last
19 letter that was read into the record, having other people
20 put letters in with misinformation -- and I'm so sorry
21 that they were given misinformation, because she had every
22 opportunity to talk to Ben, to talk to Marcie, to talk to
23 Rob, who's in -- Chair of the Investment Committee at the
24 time, to talk to Henry, the President of the Board. She
25 did none of those things. And I think it's incumbent upon

1 us to call on bad behavior when we see it.

2 That is all I'm going to say. My next commenter
3 is Mr. Perez.

4 COMMITTEE MEMBER PEREZ: Thank you. So I
5 telephoned our consultants on this exit of the tail
6 strategy. And hindsight being what it was, I asked them
7 to ignore the -- what we know now. And they said that it
8 would -- it is -- it was a prudent move, especially given
9 the complexity of what we -- we're going through in
10 regards to protecting -- protecting our funds.

11 There -- I do have concerns that I voiced to the
12 appropriate people. And I was assured that there were
13 steps in place to help the notification of that type of
14 decisions.

15 But all in all, I still stand behind Ben and the
16 Investment Office to do the work that they need to do.
17 And we need to do whatever we can to minimize this noise
18 to allow them to get the work done as opposed to work on a
19 PR nightmare. That is all.

20 CHAIRPERSON TAYLOR: So next is Mr. Miller.

21 VICE CHAIRPERSON MILLER: Thank you, Madam Chair.
22 I think this kind of reiterates to me that it's really
23 incumbent on us to communicate with the stakeholders to
24 help them understand when there's things that they are
25 liable to misunderstand or be actively misinformed about

1 and we can anticipate it, that as Board members, it's
2 incumbent on us to help them understand. For example,
3 that changes are not an abdication of responsibility that
4 do not change anything about our responsibilities and are
5 not us failing to be effective fiduciaries, or -- and that
6 these things don't indicate that we're not doing our job,
7 or that staff are not doing their job, or are criminals.

8 And so it's our job to help communicate that to
9 stakeholders, not to fan the flames of these things. And
10 I feel very sorry that our staff have been subjected to
11 this kind of disparaging characterizations and I've seen
12 it happen too many times now. And I really hope that, as
13 a Board and as individuals, we can help step up and
14 support the CalPERS' team, the CalPERS' leadership at
15 setting the record straight. And I would hope in future
16 that our stakeholders, some of whom have been former Board
17 members and know very well what is in our delegations and
18 how they relate to what's in the Constitution, and the
19 law, and our Board Governance structure, to not continue
20 this kind of behavior.

21 And we can hopefully go forward and not have
22 these kind of damaging to our system, damaging to our
23 interests and the interests of our members, and our
24 retirees and their dependents, because that's a failure of
25 fiduciary responsibility.

1 Thank you.

2 CHAIRPERSON TAYLOR: Thank you, Mr. Miller.

3 I am seeing that Rob wanted to talk, is that
4 true, Rob?

5 COMMITTEE MEMBER FECKNER: It is.

6 CHAIRPERSON TAYLOR: All right.

7 COMMITTEE MEMBER FECKNER: (Inaudible).

8 CHAIRPERSON TAYLOR: Yes, you are.

9 COMMITTEE MEMBER FECKNER: Thank you Madam Chair.

10 Well, first, I want to join in with Mr. Perez and
11 Mr. Miller in their comments. Very well stated. I do
12 also want to thank all of the folks that took the time to
13 write in. Unfortunately, I wish you'd been given more
14 accurate information. I think Mr. Meng did a good job
15 earlier today explaining the situation. And again, this
16 afternoon, I think he did a good job explaining why he did
17 what he did, and explaining the conversation that took
18 place at the Board meeting.

19 I do want to state for the record that I heard a
20 number of times in those emails about the March Board
21 meeting. We didn't have a Board meeting in March, folks.
22 So I want to make sure that we have that correct on the
23 record. That conversation took place in February. So
24 again, there was even more time for anyone to reach out to
25 Mr. Meng and ask for clarifying information.

1 Beyond that, I just can't sit back and watch
2 staff continue to be berated, especially I believe it was
3 Mr. Soares that said unqualified staff. Unqualified?
4 Sir, who gave you the ability to say who is qualified or
5 unqualified? These people work hard every day. This is
6 the same staff that has come to work every day during this
7 entire Coronavirus outbreak. Twenty percent of them
8 coming into the building every day, making sure that your
9 retirement checks are paid every month on time, that your
10 health care is taken care of, that you're always put in
11 the right place. They're protecting you.

12 And I do want to point out that these are all
13 public employees. And you all represent retired public
14 employees. I'm not sure how many of our 2,500 people are
15 going to be willing to join your organization the way
16 you're treating them.

17 Thank you.

18 CHAIRPERSON TAYLOR: All right. My next
19 commenter is Henry. Thank you.

20 COMMITTEE MEMBER JONES: Thank you, Madam Chair.
21 Yeah, I echo all of the comments that my colleagues have
22 said. And I just want to let Ben, and the Investment
23 staff, and the whole organization know that the Board is
24 100 percent behind you and we do not subscribe to the
25 derogatory types of comments that have been made about

1 your -- about your ability to carry out your
2 responsibility.

3 I think that if you look back that, you know,
4 people forget about the uncontrollable, or what I refer to
5 as Black Swan, events that causes some of these
6 discussions to be raised to the level of everybody's
7 concern. But I think we need to also be prepared to
8 applaud our staff when they take the necessary steps to
9 mitigate the impact of those events, as Ben Meng has done.

10 And, Mr. Meng, you -- some of you might not know,
11 but I remember when Mr. Meng was here before, because most
12 of the -- I think Mr. Feckner and myself were the only two
13 members on the Board at that time. But this factor-based
14 strategy, Mr. Meng was talking about we need to pursue
15 something like that years ago.

16 And so he probably -- when he returned, he was
17 able to now implement it. And it turned out to be good
18 for the system. And I also would like to also mention
19 that these writers from various blogs and newspapers, I
20 would just hope that you get all the facts before you
21 start to write one part or one side of the story.

22 I do know that there was one news media that had
23 an opportunity before they released their story, they did
24 call Mr. Meng, and they did have a -- didn't have a more
25 balanced story, because they was able to hear from Mr.

1 Meng of what his -- what steps he had taken. So I would
2 just hope all of those who are sending out information to
3 others, that they do the same thing.

4 And to my retiree members, I -- you know, I go
5 out every time you ask me to come speak to you. I know
6 our CEO goes out and talk with you to your groups. I know
7 our Chief CIO goes out and talk to you. So when you have
8 these concerns, call on us and let us come and explain to
9 you, or have Mr. Meng, or his staff come and explain to
10 you before taking on one side of the problem and then
11 reprinting that and going out to just literally hundreds
12 of people. So then, therefore, it's a broader
13 misinterpretation of what has really happened.

14 So I just hope that you -- you know, because some
15 of the changes that have occurred about stakeholder
16 involvement came from you guys. And you want us to come
17 out and talk to you. But what good is it, if you -- we
18 come out and share this information with you and then when
19 some pieces of information come to you, you don't come
20 back and have it clarified through the proper process. So
21 we'd appreciate if you could do that going forward.

22 CHAIRPERSON TAYLOR: Okay. And I have Lisa
23 Middleton is our last commenter before we go on break and
24 take up a vote on 7B.

25 COMMITTEE MEMBER JONES: We're not --

1 CHAIRPERSON TAYLOR: First -- I'm sorry, we're
2 going to take a vote first and then go on break. So Lisa,
3 go ahead.

4 COMMITTEE MEMBER JONES: Madam Chair. I don't --
5 we weren't going to take a vote. We were going to send it
6 back for work --

7 CHAIRPERSON TAYLOR: I'm being told we have to
8 vote.

9 COMMITTEE MEMBER JONES: I am --

10 CHAIRPERSON TAYLOR: I'm sorry. I checked twice
11 here. I'm being told we have to vote on it, because we
12 pulled it from delegated authority -- I'm sorry, we pulled
13 it from action consent, so we have to vote to send it back
14 to the staff is what I'm being told.

15 GENERAL COUNSEL JACOBS: Chair Taylor, I don't
16 believe that to be the case.

17 COMMITTEE MEMBER JONES: No. No.

18 GENERAL COUNSEL JACOBS: This is Matt Jacobs
19 speaking.

20 COMMITTEE MEMBER JONES: Yeah.

21 CHAIRPERSON TAYLOR: Okay.

22 GENERAL COUNSEL JACOBS: I think that you can --
23 you will have to send it on back and bring it forward the
24 next time. And having done some checking, by the way, on
25 Mr. Rubalcava's question, the document as it stands now

1 does, in fact, effectuate the decision by the Board last
2 fall about changing the makeup of the Board. It's just --
3 it's a little bit confusing when you look at it, because
4 that's got some verbiage changes with respect to those
5 particularly revisions. But it -- as it stands, the
6 delegation does, in fact, effectuate that decision.

7 CHAIRPERSON TAYLOR: So we do have to vote on
8 that part of it.

9 GENERAL COUNSEL JACOBS: No. I'm saying that
10 that part already exists.

11 CHAIRPERSON TAYLOR: Okay. That does already
12 exist. Okay. I misunderstood you. All right. Thank
13 you. I'm sorry. I was being told by someone else that I
14 had to take a vote.

15 So then my last commenter is Lisa Middleton. We
16 do not have to take a vote, but we do have to take a break
17 so. So go ahead, Lisa.

18 COMMITTEE MEMBER MIDDLETON: Thank you, Madam
19 Chair and I will keep it short. I second all of the
20 comments that were made by my colleagues. These are very
21 difficult times. It is incredibly easy to scare people.
22 It is very difficult to bring facts back to the situation
23 once people have become frightened. We need, as one of
24 our obligations, to ensure that all of us who are
25 dedicated to defined benefit pensions are working

1 together, Board and staff, to make sure that we're doing
2 everything that we can to move through this crisis
3 together.

4 We are being stressed and we are being tested.
5 And we're going to find out whether or not we have the
6 ability to work together to weather the financial storm
7 and ensure that the things that people have worked for all
8 of their lives are actually delivered to them. There is a
9 sacred obligation that each and every one of us takes on
10 when we have the responsibility that we have here and we
11 take it seriously.

12 And it is incumbent on us to make sure that we
13 are reforming in such a way that we give confidence to
14 this system.

15 Thank you.

16 CHAIRPERSON TAYLOR: Thank you, Ms. Middleton.

17 I'm going to call for a break right now. And we
18 will take up the rest of the items after the break. And
19 it's 15 minutes. Five, ten, fifteen, so about 20 after
20 5:00 -- about 22 after 5:00. So everybody be back at 22
21 after 5:00.

22 (Off record: 5:07 p.m.)

23 (Thereupon a recess was taken.)

24 (On record: 5:21 p.m.)

25 CHAIRPERSON TAYLOR: It is 5:22. We are back on.

1 Just want to say our next item is infor -- Item 8,
2 information consent items. I did not have any requests to
3 pull -- pull anything from information consent.

4 So we're going to move on to Item 9, action
5 agenda item, independent oversight.

6 COMMITTEE SECRETARY HOPPER: Madam Chair?

7 CHAIRPERSON TAYLOR: Yes.

8 COMMITTEE SECRETARY HOPPER: I see that we have a
9 public comment for 8c.

10 CHAIRPERSON TAYLOR: 8c?

11 COMMITTEE SECRETARY HOPPER: 8c, quarterly update
12 Performance and Risk.

13 CHAIRPERSON TAYLOR: Okay. And are we going to
14 have that read into the record?

15 STAKEHOLDER RELATIONS CHIEF FOX: Yes, are, Madam
16 Chair.

17 CHAIRPERSON TAYLOR: All right. Go ahead, Mr.
18 Fox.

19 STAKEHOLDER RELATIONS CHIEF FOX: All right. So
20 this is on Item 8c. I'll read the name, the subject, read
21 into the record their comments. I don't think we'll have
22 any problem with our three-minute time limit.

23 Betsy Thagard, the 4/20/2020 Investment Committee
24 meeting agenda item 8c.

25 "My comments related to Item 8c. Your

1 investments in fossil fuel companies waste my taxpayer
2 money and potentially devastate my partner's retirement.
3 The financial folly of fossil fuel investments due to
4 volatility has never been more obvious. The recent crash
5 in oil prices reveals just how dismal the financial
6 prospects are for fossil fuel industries. A recent study
7 showed that if CalPERS had divested ten years ago, CalPERS
8 would have generated an estimated additional 11.9 billion
9 in value. Your failure to divest betrays your fiduciary
10 duty to the people of California. It is morally obscene.
11 And, undercurrent circumstance, it suggests a coziness
12 with the fossil fuel industry that is unethical in the
13 extreme".

14 End email.

15 Jane Scantlebury, subject Investment Committee
16 meeting, 8c, risk and performance.

17 "Dear All, I am Jane Scantlebury, a retired
18 public librarian. Very fortunate to be a CalPERS'
19 recipient. I had planned to come to the Investment
20 meeting on March 16th. Alas, we are all at home,
21 hopefully all well, and taking time with reading and
22 family.

23 "I'm also a member of Fossil Free California, a
24 wonderful organization that is committed to making sure
25 our grandchildren and their grandchildren will continue to

1 live in a healthy world.

2 "This pandemic has presented us with the reality
3 of life and death and our individual and collective
4 responsibility to strive for safety and health. We have
5 this same challenge to stop climate crises caused by the
6 production and use of fossil fuels. Now is the time to
7 divest CalPERS from fossil fuel companies. As we all
8 know, it's an industry with a short future, a bad
9 investment with a horrendous impact on our earth, and our
10 future existence.

11 "Thank you for your time and consideration".

12 End email.

13 From Richard Godfrey, divesting from fossil fuel,
14 Item 8c.

15 "A letter to Board off Directors - CalPERS - due
16 April 20, 2020.

17 "Please consider and then act on the need to
18 divest from the fossil fuel industry that threatens the
19 health of the planet. Please reflect on the importance of
20 your role in lowering the Carbon Dioxide greenhouse
21 effect..." - in parentheses - "... (414.5 ppm) that
22 continues to threaten most at-risk populations around the
23 world. It took two years for the City of Fremont to make
24 a decision and divest, but they understood the long-term
25 consequences financially and for the critical differences

1 it would make for California. Your time is now. With
2 respect, best wishes, and request that you act morally and
3 with financial wisdom. Richard Godfrey".

4 End email.

5 From Dana Stokes, amendment to fossil fuel
6 investments too risky.

7 "As a CalPERS retiree, I strongly urge the
8 CalPERS Investment Committee to adopt a policy to phase
9 out investment in fossil fuels. These types of
10 investments have reached such a high level of financial
11 risk and devaluation that they should no longer be a part
12 of the CalPERS investment portfolio. Thank you for
13 representing all present and future CalPERS retirees by
14 taking this action".

15 End email.

16 From Louise Chiatovich, subject CalPERS meeting
17 4/20 comments from retirees on agenda item 8c.

18 "Dear CalPERS Investment Committee members, thank
19 your for continuing to represent us in this very important
20 time to help sustain and improve our investments. I have
21 been a member, now retired, since 1981. My husband is
22 also a member since 1980.

23 "We are very concerned about the continued
24 investment in fossil fuels given their grim projections
25 for our planet, their growing crisis supply glut, and the

1 dependence on the financial overestimation of in-ground
2 assets.

3 "I, Louise Chiatovich, have attended several
4 CalPERS meetings, submitted similar comments, and spoken
5 out -- spoken about this issue at the UC Regents meeting,
6 on behalf of divestment of coal and fossil fuels, on
7 behalf of Fossil Free California. If CalPERS had divested
8 ten years ago, the portfolio would be safer and more
9 financially successful.

10 "CalPERS has had a great opportunity now to move
11 in a more sustainable direction and apply the strategy of
12 moving from the high risk investment of fossil fuels and
13 to reassess the continuing growing costs of fossil fuel
14 investment.

15 "Thank you for your consideration".

16 Louise Chiatovich and Kevin Crawford.

17 End email.

18 From Karen Jacques, subject CalPERS need to
19 divest from fossil fuels.

20 "When I sent this email originally, I did not
21 include the agenda item which it pertained to. The item
22 is 8c on the April 20th agenda. My husband and I are
23 CalPERS members and we are also extremely concerned about
24 the climate crisis. In the past, I've attended CalPERS'
25 hearings and pleaded for divestment from fossil fuels as

1 have many, many others.

2 "I want CalPERS to divest from fossil fuels
3 because I want the world I want and the world needs a
4 rapid end to the burning of fossil fuels, because it is
5 bringing our world closer and closer to catastrophe. I
6 want CalPERS to divest, because I am outraged by the
7 destruction of land and the violation of human rights that
8 results from fossil fuel extraction, from the construction
9 of pipelines, from exploding oil/gas trains, and from
10 their refining, all which has an outsize impact on poor
11 communities and communities of color, including Native
12 American tribal land and tribal lands in other parts of
13 the world..." - in parentheses - "... (Remember Standing
14 Rock!) "

15 "I want CalPERS to divest because this is a moral
16 issue. I feel sick that my retirement money and that of
17 my friends and family is being used to fund climate/human
18 rights catastrophe. I want CalPERS to divest because it
19 is one of the largest retirement funds in the world and
20 its divesting would set an example for the entire world
21 and make a difference -- a real difference. I also want
22 to divest because fossil fuels are performing badly as an
23 investment and a growing number of reputable financial
24 analysts and advisors are saying that their performance
25 will only get worse as the world shifts to clean,

1 renewable energy, and as rational governments take action
2 to protect the planet.

3 "And now, the coronavirus adds one more reason
4 for divestment, because burning fossil fuels causes the
5 kind of air pollution that makes people sick. And studies
6 are showing that, other things being equal, people who
7 live in areas with badly polluted air are more likely to
8 die of coronavirus than people who don't.

9 "The UC system divested for financial reasons.
10 If they can recognize the risk and they can make the
11 decision to divest, surely CalPERS can too.

12 "Stop propping up a dying energy source that is
13 killing all of us.

14 "Sincerely".

15 End email.

16 Sara Theiss, subject comment on item 8c at the
17 CalPERS Investment Committee meeting on April 20th.

18 "My name is Sara Theiss. I am a CalPERS' retiree
19 and member of Fossil Free California. First, I hope that
20 the Board, staff, and all those listening are safe and
21 healthy. I know everyone at CalPERS is doing their best
22 in these very difficult times. I hope you will hear my
23 remarks in that light.

24 "Last year, at the March 2019 Investment
25 Committee meeting, I commented on CalPERS' sustainable

1 investing program. I don't understand why this and other
2 items that were previously part of the open session are
3 now in the closed session. CalPERS may hold closed
4 meetings..." in parentheses[SIC} -- "...'when considering
5 investment decisions'" - end parenthese[SIC].

6 "However, for years CalPERS has been successfully
7 separating discussions and decisions regarding actual
8 investments from reports on outcome and policy. I hope
9 that these changes in the agenda are a temporary measure.
10 If not, I request that one or more Board members agendize
11 this for the public portion of the next Investment
12 Committee meeting so that staff and the Board can explain
13 to CalPERS' members, retirees, stakeholders, and the
14 public why these changes are necessary and lawful.

15 "You know well that oil and gas are among the
16 industries hardest hit by the current crisis, with leading
17 companies losing an average of 45 percent of their value
18 since the start of 2020. What I want to speak to is not
19 that, but the fact that even some Wall Street types are
20 advising investors to dump fossil fuel stocks.

21 "Moreover, the reputational risk of holding these
22 stocks is apparent even to television pundits like Jim
23 Cramer, who in January announced on his program the 'death
24 knell' of fossil fuels. He went on..." - in quotes -
25 "'...fossil fuels...they're just done. We're starting to

1 see divestment all over the world...It's going to be a
2 parade that says, 'Look, these are tobacco and we're not
3 going to own them.'" - end quote.

4 "Given the financial volatility of fossil fuel
5 investments and their decreasing attractiveness to
6 investors, it makes sense to use the current situation to
7 begin the long process of winding down CalPERS' fossil
8 fuel investments. I ask the Board to start this process
9 now. Thank you".

10 End email.

11 From Lynne Nittler, comments to CalPERS
12 Investment Committee on April 20th for agenda item 8c.

13 "Members of the CalPERS Board: I am Lynne
14 Nittler, a retired teacher on a CalSTRS' pension with my
15 health care through CalPERS. Thank you for the
16 opportunity to offer my written comments.

17 "I am glad that CalPERS is cautious with the
18 pension money I depend upon for my healthcare. Our
19 present circumstances with the COVID-19 pandemic certainly
20 illustrates the need for long-term sustainability and
21 caution in taking risks. As an advocate of eliminating
22 fossil fuels from the CalPERS' portfolio for the sake of
23 preserving a livable climate on earth, I am actually
24 proposing a cautious approach to risk by calling for
25 divestment.

1 "Fossil fuel assets have been losing value for a
2 decade now and they are in danger of becoming stranded
3 assets. The Corporate Knight Report revealed that had
4 CalPERS divested from fossil fuels ten years ago, CalPERS
5 would have generated an estimated additional \$11.9 billion
6 in value. In other words, CalPERS would do better
7 financially to divest.

8 "Simultaneously, by divesting, the planet gets a
9 chance to breathe...like we are experiencing around the
10 globe by sheltering in place. The spectacular views as
11 the air clears in the most polluted cities around the
12 globe are a welcome relief, and most people want to keep
13 that air -- keep the air that clean to protect their
14 health.

15 It is equally compelling that if CalPERS fails to
16 divest its fossil fuel holdings from its current 394
17 billion (or however much remains now since COVID-19), then
18 it's guaranteed physical impacts, such as rising sea
19 levels, fiercer storms and heat waves will become the norm
20 as climate change progresses.

21 "CalPERS prides itself on its concern about
22 climate change. Then surely it would be wise not to hold
23 investments that contribute directly to making climate
24 change worse.

25 "Thank you for your consideration".

1 End email.

2 From Glenn Fieldman, comment at the Investment
3 Committee 4/20/2020, agenda item 8c.

4 "Dear Members of the Investment Committee: It is
5 time to get CalPERS out of fossil fuels. I write as a
6 still-employed CalPERS' member and a soon-to-be retiree
7 with an anxious eye on both the health of the fund and the
8 health of the climate.

9 "The fact that fossil fuels' stock values,
10 especially in oil, have taken a coronavirus-induced
11 nosedive should not blind CalPERS' investment managers to
12 the long-term decline in the value of these companies.
13 Governments and consumers are waking up fast to the
14 terrible climate corner we've painted ourselves into and
15 the need to take drastic action to get out of it. Threats
16 to land and water posed by new fossil fuel projects and
17 infrastructure, and attacks on people who want to protect
18 their land and water, are further eroding the legitimacy
19 of the whole industry. Policy action to reduce emissions
20 becomes more and more likely, despite the desperate
21 rearguard battle fought on behalf of fossil fuels by their
22 friends in the Senate and the White House.

23 "Falling renewable prices, now followed by
24 falling energy storage prices, are putting an all-electric
25 energy system within reach. It is no wonder that the value

1 of fossil fuel holdings is declining, nor is there any
2 reason to think that it will recover.

3 "While fossil fuel stock values have always been
4 notoriously volatile, the industry has never before faced
5 the threats or the viable competition from alternative
6 energy sources that it faces now. Despite the claims of
7 more progressive fossil fuel companies like Shell that
8 they will be carbon neutral by 2050, they have not to date
9 offered a plausible plan to achieve that outcome. So why
10 CalPERS continues to hold on to these stocks is a mystery.
11 This investment inertia, I believe, represents a real
12 threat to my pension and to those of hundreds of thousands
13 of others.

14 "You meet today on the tenth anniversary of the
15 blowout of the Macondo well in the Gulf of Mexico and the
16 destruction of the Deepwater Horizon drill ship that
17 killed eleven people and injured many others. I read
18 today in the Guardian of Mexican fishermen and their
19 families whose livelihood was ruined by that spill. The
20 abundant shellfish that allowed them to send their kids to
21 college are completely gone. BP has ignored their request
22 for compensation.

23 "Please consider the scope and scale of the
24 disasters that the fossil fuel industry has wrought
25 already and the dreadful future, social, financial,

1 ecological, that is in store if we do not end our
2 relationship with it and do the right thing, divest from
3 fossil fuels now.

4 "Thank you".

5 End email.

6 From Deborah Silvey, comment on item 8c at the
7 CalPERS Investment Committee meeting on April 20th.

8 "My name is Deborah Silvey. I am a CalPERS'
9 retiree and the former president of Fossil Free
10 California. I spoke before you at the March 2019
11 Investment Committee commenting on the report on CalPERS'
12 sustainable investing program. It disturbs me that this
13 item is now part of the closed agenda. I realize that
14 CalPERS is legally permitted to hold closed sessions when
15 considering investment decisions. I do not recall any
16 discussion of investment decisions at last year's meeting.
17 I hope that the movement of this and other items from the
18 open agenda, where they have been for years, to the closed
19 portion of the meeting, is a temporary measure.

20 "I and other members of FFCA have been attending
21 these meetings since 2014, expressing our view that it is
22 bad for the planet and our pension to keep investing in
23 the fossil fuel sector. Never has this been more true.

24 "First, we watch with horror as COVID-19 kills
25 tens of thousands and brings untold suffering to millions

1 across the globe. Extreme crises like these will become
2 more common as climate change accelerates.

3 "Second, fossil fuel investments have dropped
4 through the floor, through the -- though the energy sector
5 was in crisis before the pandemic. In the past five and a
6 half years, the S&P surged more than 70 percent,
7 outperforming energy stocks by 100 percentage points. And
8 it's not just fracked shale oil companies, which are
9 highly leveraged and never made money, they are in
10 trouble.

11 "Big Oil is also having major problems getting
12 the capital it wants. Both BP and Exxon planned to sell
13 assets to cover expenses, but as of this past week, buyers
14 cannot find willing lenders. Shell also needed asset
15 sales to help cover dividends and buybacks.

16 "For these reasons and many others, I request
17 that this Board instruct staff to report back on the
18 fund's exposure to fossil fuels and begin the steps needed
19 to transfer its assets from fossil fuels by a certain
20 date.

21 "Thank you".

22 End email.

23 Finally, Arnold Erickson, subject fossil fuel
24 investments.

25 "As a CalPERS member, retired, I want to express

1 my concern with investing in fossil fuel. Whether viewed
2 as a matter of environmental necessity or financial
3 policy, it is time to divest".

4 End email.

5 That concludes public comment on item 8C, Madam
6 Chair

7 CHAIRPERSON TAYLOR: Okay. Thank you. I'm just
8 making sure nobody wanted to comment. Okay. I appreciate
9 that, Mr. Fox. And we're going to move on to Item 9a,
10 Action Agenda Item, Independent Oversight, Contracts
11 Administration, General Board -- General Pension Board
12 Investment Consultant.

13 I think that's Dan, right?

14 INTERIM CHIEF OPERATING INVESTMENT OFFICER
15 BIENVENUE: Thank you Madam -- yes, ma'am. Thanks Madam
16 Chair. So in the interests of time, I'll keep this brief.
17 Adam -- Adam -- sorry, Andrew Junkin has left Wilshire
18 effective the middle of this month. And this agenda item
19 is to remove him as a key person in the contract, which
20 does require Board action.

21 This leaves the following key persons on the
22 contract, Tom Toth, who you heard from earlier today,
23 Steve Foresti, Rose Dean, and Ali Kazemi. And as I say,
24 this is an action item. So the recommendation of
25 management is to make this change, but we're happy to take

1 any questions.

2 CHAIRPERSON TAYLOR: Okay. So I don't see -- oh,
3 I do. I'm sorry. Mr. Jones, go ahead.

4 COMMITTEE MEMBER JONES: Yeah. Thank you, Madam
5 Chair. I move approval.

6 VICE CHAIRPERSON MILLER: I'll second that.

7 CHAIRPERSON TAYLOR: Sorry I clicked on something
8 else.

9 Mr. Jones moved approval for Item 9a. Mr.
10 Miller, I believe, seconded the motion. So we need to
11 take a vote.

12 COMMITTEE SECRETARY HOPPER: Thank you, Madam
13 Chair.

14 Robert Feckner -- Rob Feckner?

15 COMMITTEE MEMBER FECKNER: Aye.

16 COMMITTEE SECRETARY HOPPER: Henry Jones?

17 COMMITTEE MEMBER JONES: Aye.

18 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

19 COMMITTEE MEMBER MIDDLETON: Aye.

20 COMMITTEE SECRETARY HOPPER: David Miller?

21 VICE CHAIRPERSON MILLER: Aye.

22 COMMITTEE SECRETARY HOPPER: Stays Olivares?

23 COMMITTEE MEMBER OLIVARES: I actually had a
24 question, but we just went to a vote.

25 CHAIRPERSON TAYLOR: Oh, I did not see it till

1 just now, Stacie. I'm sorry.

2 COMMITTEE MEMBER OLIVARES: So how should I
3 proceed?

4 CHAIRPERSON TAYLOR: So hold off on the vote and
5 we'll redo the vote.

6 Go ahead, Stacie.

7 COMMITTEE MEMBER OLIVARES: So it's been my
8 experience with key man provisions that then the contract
9 has to be evaluated again. Is that not the case with
10 CalPERS?

11 CHAIRPERSON TAYLOR: Dan, do you want to answer
12 that?

13 INTERIM CHIEF OPERATING INVESTMENT OFFICER
14 BIENVENUE: No. We can make an amendment with action from
15 the -- from the Board. And for what it's worth, we
16 actually just re -- you know, just went through the
17 process to renew the contract with Wilshire. So the next
18 contract will be for the years 2020 to 2025 with these
19 four key persons, if the Board approves this.

20 COMMITTEE MEMBER OLIVARES: That's significant,
21 given that he's their primary contact.

22 CHAIRPERSON TAYLOR: So I just -- all of these
23 people are also on the contract.

24 COMMITTEE MEMBER OLIVARES: I understand that. I
25 understand that. I understand, but he was their primary

1 contact.

2 CHAIRPERSON TAYLOR: Anybody want to address
3 that?

4 INTERIM CHIEF OPERATING INVESTMENT OFFICER

5 BIENVENUE: I mean, I would say, you know, Andrew was the
6 President of Wilshire Consulting. And, yes, he was our
7 primary contact for quite awhile. Although, I will say
8 that, you know, Steve, Tom, Rose, and Ali are very
9 familiar I would say to the -- you know, to the
10 relationship. They were also on the panel that presented
11 at the subgroup on the RFP process.

12 So, you know, as I say, management would
13 recommend just, you know, making the update to the
14 contract, but certainly -- certainly open to -- you know,
15 to other ideas or, you know, as I say, it is an action
16 item to the Board.

17 CHAIRPERSON TAYLOR: Okay. So we had a motion by
18 Mr. Jones, a second by Mr. Miller. I'm going to continue
19 the vote unless I hear something else from anybody else.

20 So, Pam, if you want to -- oh, I see a hand
21 raising. I'm sorry. Go ahead, Ms. Middleton.

22 COMMITTEE MEMBER MIDDLETON: Dan, given how
23 quickly the resignation came after the RFP was completed,
24 is there any reason to believe that Wilshire failed to
25 disclose to us that there was a pending departure of Mr.

1 Junkin?

2 INTERIM CHIEF OPERATING INVESTMENT OFFICER

3 BIENVENUE: Ms. Middleton, I don't have any reason to
4 believe that. You know, as I say, I do -- you know, I do
5 think that we are very familiar with Steve, and Tom, and
6 Rose, and Ali.

7 COMMITTEE MEMBER MIDDLETON: All right.

8 INTERIM CHIEF OPERATING INVESTMENT OFFICER

9 BIENVENUE: We're optimistic and I've actually spoken to
10 Andrew since he left and one of the things that he said
11 was that he's happy with the team that he's built. And he
12 thinks that the service can continue. But I don't have
13 any reason to believe that, but the timing does follow
14 closely, candidly.

15 COMMITTEE MEMBER MIDDLETON: If there was reason
16 to believe that, if that was to become apparent, at some
17 time in the future, that would be a concern to me and I
18 think would warrant us revisiting the contract. But
19 absent any evidence of that, I'm comfortable with moving
20 forward.

21 CHAIRPERSON TAYLOR: Okay. Pam, if you want to
22 continue, I think we have -- some people votes on -- oh,
23 Betty. Did you want to talk?

24 COMMITTEE MEMBER YEE: No.

25 CHAIRPERSON TAYLOR: No. Okay. Sorry. I saw

1 your mic was off.

2 But anyway, go ahead, Pam.

3 COMMITTEE SECRETARY HOPPER: Okay. Would you
4 like me to do a revote or just continue on?

5 CHAIRPERSON TAYLOR: Just do a revote. Let's
6 start over. We have a first -- or we have a motion and a
7 second, Mr. Jones and Mr. Miller. So go ahead and do the
8 vote over.

9 COMMITTEE SECRETARY HOPPER: Rob Feckner?

10 COMMITTEE MEMBER FECKNER: Still aye.

11 COMMITTEE SECRETARY HOPPER: Henry Jones?

12 COMMITTEE MEMBER JONES: Aye.

13 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

14 COMMITTEE MEMBER MIDDLETON: Aye.

15 COMMITTEE SECRETARY HOPPER: David Miller?

16 VICE CHAIRPERSON MILLER: Aye.

17 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

18 COMMITTEE MEMBER OLIVARES: Abstain.

19 COMMITTEE SECRETARY HOPPER: Jason Perez?

20 COMMITTEE MEMBER PEREZ: Aye.

21 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

22 COMMITTEE MEMBER RUBALCAVA: Aye.

23 COMMITTEE SECRETARY HOPPER: Betty Yee?

24 COMMITTEE MEMBER YEE: Aye.

25 CHAIRPERSON TAYLOR: All right. Motion carries.

1 Thank you, everybody.

2 We're moving on to 10, information agenda item,
3 Trust Fund, Trust Level Review Consultant Reports.

4 INTERIM CHIEF OPERATING INVESTMENT OFFICER

5 BIENVENUE: Thank you. And, Jared, if we can move from
6 attendee to panelist, if we can move Tom Toth and Steve
7 McCourt from attendee to panelist. They -- the -- this is
8 the trust level review, the semiannual, where the
9 consultants go first. So we'll start with Tom and then
10 over to Steve and then it goes to staff.

11 CONFERENCE MODERATOR: Okay. Tom and Steve, you
12 should be able turn your video on and make comments.

13 (Thereupon an overhead presentation was
14 Presented as follows.)

15 MR. TOTH: Fantastic. Thank you very much. And
16 we do appreciate the discussion on the last agenda item.
17 I did want to make one comment specific to Ms. Middleton's
18 question. I can say without reservation that we did not
19 hide or have any knowledge that Andrew was going to be
20 leaving us. I have been fortunate enough to work with
21 Andrew for about 15 years, ten years of those on the
22 CalPERS relationships and -- relationship and we've become
23 quite close. And so this was not something that was on
24 our radar.

25 And second, as soon as we found out about it, we

1 were immediately on the phone to the CalPERS organization
2 to inform them of that and that was prior to the contract
3 being signed. So we pride ourselves on being up front and
4 I just wanted to make that one comment recognizing that
5 you've voted.

6 COMMITTEE MEMBER MIDDLETON: Thank you. I
7 appreciate that.

8 MR. TOTH: Of course. So I'm going to be quite
9 succinct here, because I think the information provided
10 here as of the end of last year doesn't have a whole lot
11 of bearing on our current situation, but I do think it's
12 helpful to provide some context of where the portfolio has
13 come from.

14 COMMITTEE MEMBER JONES: Lost the sound.

15 MR. TOTH: Can you hear me?

16 COMMITTEE MEMBER JONES: I can't hear.

17 MR. TOTH: Can you hear, Henry?

18 COMMITTEE MEMBER JONES: Now, I hear you.

19 MR. TOTH: It -- can -- okay. It looks maybe I
20 just started speaking too fast.

21 Please let me know if that cuts out again. So as
22 I was saying I think this -- while the information here
23 doesn't have a whole lot of bearing on where we are now,
24 given the extraordinary market events related to COVID-19,
25 I do think it's helpful to provide some context in terms

1 of where we've come from.

2 As you look at -- I'll have you move to Item 10a,
3 page two of 45 and the following pages.

4 --o0o--

5 MR. TOTH: By and large, the statistics that you
6 see here and the picture that they paint are quite
7 different from where we find ourselves now with growth in
8 the U.S. being expected at the end of the year to continue
9 at a about a two, a little bit below, two percent pace.
10 That's been completely thrown out the window with the slow
11 down related to COVID-19. As Ben alluded to in his
12 comments to start open session, we're now looking at
13 growth down three percent globally. And these
14 expectations are really all over the map in terms of, A,
15 how steep the drawdown is, and how quickly the recovery
16 comes, whether it's going to be V shaped or U shaped.

17 I maintain a relatively cautious view here, given
18 that the uncertainty around the spill-over effects are
19 quite extraordinary. And I think I wanted to make one
20 comment around investment risk versus uncertainty. We're
21 living in a very uncertain world and I draw the
22 distinction between that and investment risk, because
23 it -- it really, I think, highlights the challenges with
24 this pandemic, in that uncertainty is not really
25 quantifiable, whereas investment risk is understanding

1 what a distribution looks like and being able to construct
2 a portfolio to manage through that distribution.

3 The current situation does not lend itself to
4 that. And there's so much uncertainty around what the
5 infection rate actually is, how long it's going to last,
6 how long it's going to take to come out of lockdown, even
7 at a staged manner, and the effect that that's going to
8 have in sectors really around the globe.

9 A couple of other statistics, as we flip through
10 the next couple of pages, I won't really even ask you to
11 go there.

12 --o0o--

13 MR. TOTH: But unemployment claims, as everybody
14 is aware, are orders of magnitude higher than we have seen
15 previously, really from the full historical record.

16 If I have you flip to page 92, just so you have
17 something to look at, this is our risk monitor, which is a
18 standard report. I'm sorry. That is page five of 45,
19 page 92 in the Board packet.

20 The risk monitor now shows a sharp uptick at the
21 very -- it's really actually hard to see on credit
22 spreads, both -- both investment grade and non-investment
23 grade. The stress index has also moved materially higher.
24 And the volatility index related to equity markets has
25 also jumped quite precipitously. All very different from

1 the picture that's painted in these charts.

2 On the very next page --

3 --o0o--

4 MR. TOTH: -- you can see the short-term rates,
5 where it sat and where market expectations were going
6 forward. That dark blue line is now down at zero. So
7 substantially different from the market environment we saw
8 at the end of 2019 and going into 2020.

9 So what does that mean for our asset class
10 assumption going forward? There are a few notable things
11 to point out, if you flip to page seven of 45.

12 --o0o--

13 MR. TOTH: Our global stock expectations
14 currently are about one percent higher than those figures
15 shown on this at 6.2 percent. Our expectations now sit
16 right around 7.2 percent. At the same time, our core
17 fixed income expectation has come down by about one
18 percent to 1.8 percent. So the risk premium associated
19 with being in equities, relative to fixed income, has
20 shifted. And that's an important consideration as we look
21 at the impact of our asset class risk and return
22 expectations, as we go through the mid-cycle ALM review,
23 and then on to the full-blown ALM review later on.

24 I think it's important to remember that risk
25 premium, just because it has expanded, that doesn't

1 necessarily mean it's going to contract in a rapid
2 fashion. And I think a lot of that has to do with that
3 risk versus uncertainty dynamic I started off the
4 discussion with. I think investors are going to
5 appropriately look at the potential for a second wave
6 around the globe and the impact that that would have on
7 economic markets, and taking that into account when
8 they're looking at how to position their portfolios. And
9 so I want -- I think it's important to be prudent and to
10 really stress the benefits of rebalancing, based on your
11 strategic plans, as the best way of managing through these
12 very quick short-term dislocations, why the eye to
13 planning strategically utilizing the best available
14 information in the asset liability, the asset allocation
15 work that the Board and the Investment Committee is tasked
16 with.

17 I will ask that we flip forward, more for the
18 record than because it's particularly relevant to page 11
19 of 45.

20 --o0o--

21 MR. TOTH: And this is where I will stop. Over
22 2019, the portfolio was up just over 17 percent at 17.3.
23 The -- it was right -- almost right in line with its
24 policy fund benchmark. The slight underperformance from
25 public equity was offset by positive contributions from

1 private equity and fixed Income, and a substantial
2 positive impact from the real asset portfolio.

3 So I say that, and I'll stop there in the
4 interests of time and see if there are any questions from
5 the Committee members.

6 CHAIRPERSON TAYLOR: Oh, I turned my camera off
7 too. It looks like -- is that, Henry, did you have a
8 question?

9 You're on mute.

10 COMMITTEE MEMBER JONES: Thank you. No, that was
11 a previous item.

12 CHAIRPERSON TAYLOR: Previous. Okay. So I don't
13 have any questions. So if you want to --

14 MR. TOTH: I will turn it over, I believe --
15 either return it to the Chair or to Mr. McCourt from
16 Meketa.

17 CHAIRPERSON TAYLOR: I think we are -- hold on a
18 second. Yeah, go ahead, Mr. McCourt.

19 MR. McCOURT: Thank you. Am I coming through
20 okay?

21 CHAIRPERSON TAYLOR: Yes. I can see you this
22 time. I couldn't see you last time.

23 (Thereupon an overhead presentation was
24 presented as follows.)

25 MR. McCOURT: Excellent. So we've provided in

1 your material our private equity, real estate, and
2 infrastructure semiannual reviews. I'll be going through
3 just some verbal summaries of each and then happy to
4 answer questions afterwards. I do want to note that our
5 real estate infrastructure and private equity teams are on
6 the phone as well, if there's more detailed questions that
7 the Investment Committee has.

8 I'll start with -- with real estate, just going
9 from largest to smallest private market asset class. As
10 of December 31st, the real estate portfolio was valued at
11 \$36.8 billion. That was 9.3 percent of the total CalPERS'
12 fund.

13 For the period ending December 31st, the real
14 estate portfolio was performing in line with expectations.
15 Over the previous five years, the Corps real estate
16 allocation, which represents nearly 90 percent of your
17 total real estate now, returned 10.9 percent versus 8.3
18 percent for the benchmark. So the forward-looking real
19 estate continues to perform very well.

20 The non-core legacy real estate assets have now
21 been reduced over the last five years from 50 percent to
22 15 percent of the overall real estate portfolio. And the
23 intention is to reduce that to zero percent over time.

24 At the end of the year, lower risk core real
25 estate represented 87.1 percent of the real estate

1 portfolio. And in aggregate, that core real estate was in
2 excess of 92 percent occupied and generating more than
3 four percent annual net distributions. The real estate
4 portfolio was leveraged conservatively at a 30 percent
5 loan-to-value and over three times debt service coverage
6 ratio.

7 The focus on high-quality assets in the property
8 types we believe will benefit CalPERS during this current
9 downturn. While the CalPERS' portfolio has a modest
10 overweight in retail, it has almost no hotel or
11 hospitality exposure, which has been other sectors that
12 have been hit hard by recent Coronavirus events.

13 And finally, the real estate portfolio was in
14 full compliance with all policy parameters.

15 A quick note on the market for real estate, much
16 like the rest of the capital markets, the condition of the
17 market throughout 2019 and the first month and a half of
18 2020 no longer is all that relevant. We've shifted to a
19 economic environment, where interest rates are much lower,
20 and economic activity is much lower as well.

21 In the real estate space, that's likely to
22 manifest itself in a variety of ways. While through March
23 31st, we believe, based on conversations with real estate
24 managers, that real estate valuations will likely holdup
25 fairly well. We don't expect the industry in the

1 aggregate to see significant losses. We do expect that
2 over the second and third quarters of this calendar year,
3 you're likely to see reductions in the value of real
4 estate properties as you become -- you roll on to full
5 quarters of reductions in rent. And cash flow is somewhat
6 offset by the reduction in the interest rates, which are
7 used to discount those future cash flows.

8 And I'm going to switch onto private equity. At
9 the end of December 2019, the private equity portfolio was
10 valued at \$26.1 billion. That's 6.6 percent of the total
11 CalPERS' portfolio. Approximately two-thirds of the
12 private equity portfolio is invested in buyout strategies.
13 Buyouts in all other sectors were near policy targets at
14 the end of the year.

15 In terms of vehicle type, 69 percent of the
16 private equity portfolio was invested in funds, 18 percent
17 in customized investment accounts, five percent in
18 co-investments, and eight percent in fund of funds or
19 secondary funds. Roughly 60 percent of the private equity
20 portfolio was U.S. based and 40 percent non-U.S.

21 Since 2011, now a total of \$34.3 billion in cash
22 has been returned to CalPERS, net of all contributions,
23 fees, and expenses into the private equity program. For
24 calendar year 2019, net cash flow was two and a half
25 billion dollars.

1 For the calendar year, staff committed a total of
2 \$6.9 billion to private equity investments. That was the
3 highest total since 2008.

4 From a performance perspective, the private
5 equity portfolio produced a return of 2.9 percent over the
6 trailing year, exceeding its benchmark by 30 basis points.
7 I'll make a note, much like real estate and
8 infrastructure, these performance numbers are based on
9 valuations through September 30th, as opposed to December
10 31st because of the lag.

11 Over the last ten years, private equity returned
12 12.4 percent per year, one percent per year behind
13 CalPERS' private equity benchmark, but 3.4 percent per
14 year in excess of global public equities over that
15 ten-year time frame.

16 From a performance perspective, while it still is
17 a smaller but growing segment of the private equity
18 portfolio, co-investments have continued to be the
19 strongest investment vehicle for CalPERS.

20 In terms of the market for private equity, 2019
21 was a very strong year for the market in terms of
22 transactions, capital flows, and valuations. That has all
23 changed in the last six weeks. The private equity
24 transaction volume has slowed considerably since the
25 Coronavirus and the shutdown of the global economy as a

1 consequence.

2 It is too early to know the performance impact of
3 the asset class through the Coronavirus slow down. Our
4 early indications are that we're likely to see first
5 quarter returns for the asset class down in the
6 neighborhood of five to 15 percent in aggregate, but we'll
7 learn a lot more over the next few weeks and quarters.

8 And much like with real estate, the bulk of the
9 economic impact on private equity is likely to be felt in
10 the second and potentially third quarters, as the first
11 quarter only saw about six weeks of the shutdowns.

12 And finally, I want to summarize our
13 infrastructure review. At the end of December,
14 infrastructure was at -- the infrastructure portfolio was
15 valued at \$4.7 billion, largely unchanged from the end of
16 2018. It represented 1.2 percent of the total portfolio.
17 The infrastructure portfolio was in full compliance with
18 all policy parameters at the end of the year.

19 As a reminder, like real estate, the vast
20 majority of infrastructure that you have is in core
21 assets, which are intended to be more defensive than value
22 added or opportunistic sectors of the market.
23 Eighty-three percent of the assets were defined as core at
24 the end of the year. Fifty-six percent of the
25 infrastructure assets were in the U.S., 44 percent outside

1 the U.S. And leverage on the portfolio was well below
2 policy limits. The loan-to-value ratio of the portfolio
3 was 44 percent. The policy maximum was 65 percent. The
4 performance of the infrastructure portfolio for CalPERS
5 continues to be superb. The one-year return was 7.3
6 percent. That was 2.8 percent above the infrastructure
7 benchmark.

8 Over the trailing ten years, infrastructure
9 posted a return of 14.6 percent per year. That's a full
10 8.6 percentage points per year above the return of the
11 benchmark.

12 Much like real estate and private equity, it's a
13 little too early to tell what the economic impact and
14 infrastructure assets will be. Within infrastructure, the
15 types of assets that are likely to be most affected are
16 the slow down in economic activity, include transportation
17 assets, like ports, airports, and toll roads, midstream
18 energy, assets, pipelines, and storage facilities, and
19 some utilities.

20 In the aggregate, the asset managers we speak
21 with, much like private equity, are guiding first quarter
22 returns in the neighborhood of minus five to minus ten
23 percent. But the bulk of the impact from the economic
24 slow down is more likely to be felt in the second and
25 potentially third quarters.

1 With that, I will conclude and happy to answer
2 any questions that the Committee has.

3 CHAIRPERSON TAYLOR: Thank you, Mr. McCourt. I
4 do have some questions. First, Ms. Olivares.

5 You're not on, Stacie.

6 COMMITTEE MEMBER OLIVARES: Can you hear me?

7 CHAIRPERSON TAYLOR: Yeah, now I can.

8 COMMITTEE MEMBER OLIVARES: Okay. I don't know
9 what happened there. This is actually for both Mr. Toth
10 and Mr. McCourt. So as we've gone to a quarterly meeting
11 system for the Investment Committee and we are in the
12 middle of a recession, it's going to be a protracted
13 recovery, I'm wondering if we can get reports on a
14 quarterly basis.

15 MR. MCCOURT: From Meketa's perspective, we're
16 happy to provide reports as frequently as the Committee
17 wishes.

18 COMMITTEE MEMBER OLIVARES: Thank you.

19 MR. TOTH: And I'd echo that from Wilshire's
20 perspective. We're happy to provide them as needed to
21 ensure you feel well prepared and well informed.

22 COMMITTEE MEMBER OLIVARES: Thank you. I'd
23 appreciate that.

24 CHAIRPERSON TAYLOR: Thank you.

25 Next is Ms. Middleton.

1 COMMITTEE MEMBER MIDDLETON: Thank you, Madam
2 Chair.

3 This is for Mr. McCourt and specific to real
4 estate. Two questions for you. Are you concerned about
5 the amount of retail that is in the portfolio? And then
6 secondly, and I'm looking at page 207 in our report on
7 performance by geography. And I note that the asset value
8 is relatively small, but we underperformed exceptionally
9 poorly in Asia. Do you have any explanation for that and
10 what does that foretell for the future?

11 Thank you.

12 And I also will have a question on private equity
13 later.

14 MR. MCCOURT: Great. So I'll address retail and
15 Asia. And I might invite staff to provide a response as
16 well, if helpful for detail.

17 The non-U.S. assets in your real estate portfolio
18 are largely legacy non-core assets. They're not part of
19 the forward-looking strategy of the real estate portfolio.

20 With respect to the retail allocation of the
21 portfolio. We do believe the real estate portfolio is
22 well diversified by sector. We also believe that on the
23 whole, the quality of assets that CalPERS holds within its
24 real estate portfolio are of somewhat higher quality than
25 the industry as a whole.

1 The final thing I want to note with retail is
2 CalPERS took the step last year, well in advance of the
3 real estate market at large, of writing down the value of
4 its real estate retail assets, when it became apparent
5 that retail traffic well before Coronavirus was declining
6 because of the so-called Amazon effect. So we viewed that
7 as the responsible thing to do and also sort of highlights
8 the level of conservatism in the management of the real
9 estate portfolio.

10 COMMITTEE MEMBER MIDDLETON: Thank you.

11 And with regard to private equity, that is
12 certainly something that we are trying to increase. How
13 concerned are you about increased volatility and risk in
14 the portfolio as we increase private equity holdings?

15 MR. McCOURT: Well, the volatility of the markets
16 and the portfolio as a whole challenges private equity in
17 a couple different ways. From a strategic perspective,
18 probably the most significant impact is on the pacing of
19 the Private Equity Program. If public market stocks are
20 moving up and down quite rapidly as they have for the last
21 six to eight weeks, and they may continue to, it makes it
22 a little harder for staff and all investors to plan for
23 how much capital they should be deploying in private
24 equity in order to achieve a target allocation. Staff is
25 aware of that, of course, and is constantly reevaluating

1 pacing models to make sure that the commitment pacing is
2 appropriate, given -- given the market volatility that
3 we're seeing.

4 The other impact it has -- that volatility has on
5 private equity I would argue is quite positive, in that
6 the volatility brings for the first time in likely a
7 decade, likely some better valuations and entry points for
8 new capital being put into the -- into the space. So as
9 we've reported and staff for, it seems like, five, six,
10 seven years now, for all of these private market asset
11 classes, the biggest challenge has been valuation and
12 deploying assets.

13 And the silver lining to the volatility in the
14 markets is that going forward one would hope that there's
15 a stronger and better valuation for new capital being
16 invested in those -- in those markets.

17 COMMITTEE MEMBER MIDDLETON: Thank you, sir.

18 CHAIRPERSON TAYLOR: Ms. Yee.

19 COMMITTEE MEMBER YEE: Thank you, Madam Chair.

20 Actually, also on private equity, I was noticing
21 on, I think it was, slide five about the pace of
22 commitments. And it looked like it may have slowed in the
23 second half of the year. And I just wanted to see what
24 that was attributable too. I think it went from nine to
25 three, whether that was a change in the quality -- or the

1 lack of quality investments or whether there was a change
2 in strategy, lack of staff resources. What's your
3 observation there, Steve?

4 MR. McCOURT: Again, I'd be happy to have staff
5 comment on that. But from our perspective, the
6 commitments every year tend to be lumpy in terms of when
7 they occur during the year. We've not seen any change in
8 pacing that would cause us to believe that there's
9 concerns with staffing or concerns with the ability to
10 appropriately pace commitments over time.

11 In fact, the commitments that staff has made to
12 private equity funds in co-investments has -- has markedly
13 increased the last couple of years. So I think it's been
14 on the right trajectory.

15 COMMITTEE MEMBER YEE: Thank you.

16 CHAIRPERSON TAYLOR: Okay. I'm not seeing
17 anymore questions. I want to thank Mr. McCourt and Mr.
18 Toth for going through this with us and move on to --
19 unless there's any other questions, I want to move on to
20 CalPERS Trust Level Review, which is 10b. Is that Dan
21 again?

22 (Thereupon an overhead presentation was
23 presented as follows.)

24 CHIEF INVESTMENT OFFICER MENG: Good afternoon
25 Madam Chair. This is Ben. Ben Meng. Actually, this item

1 will be covered by our Chief Economist, John Rothfield and
2 Eric Baggesen, the Managing Investment Director of TLPM.

3 CHAIRPERSON TAYLOR: Great.

4 CHIEF INVESTMENT OFFICER MENG: So with that,
5 turn it over to John and Eric.

6 Eric and John, are you on the line?

7 CONFERENCE MODERATOR: Hi, Eric and John. You
8 should be able to share your video feed and audio.

9 INVESTMENT DIRECTOR ROTHFIELD: Yes, Ben. I'm on
10 the line. John Rothfield. I think we were starting with
11 Eric, but -- Eric not there?

12 CHIEF INVESTMENT OFFICER MENG: So why don't you
13 start first while we're waiting for Eric.

14 INVESTMENT DIRECTOR ROTHFIELD: Okay.

15 MANAGING INVESTMENT DIRECTOR BAGGESEN: I'm here
16 now, Ben. Sorry.

17 CHIEF INVESTMENT OFFICER MENG: Oh, okay. Eric.

18 MANAGING INVESTMENT DIRECTOR BAGGESEN: Sorry.
19 The muting wasn't working okay.

20 CHIEF INVESTMENT OFFICER MENG: Okay.

21 MANAGING INVESTMENT DIRECTOR BAGGESEN: Anyway.
22 It's Eric Baggesen Managing Investment Director for Trust
23 Level Portfolio Management. And obviously, a lot of the
24 material in this -- in this presentation is incredibly
25 dated now that we've had three or four months of just

1 unusual activities.

2 Maybe if we could just turn to page four of the
3 presentation material.

4 --o0o--

5 MANAGING INVESTMENT DIRECTOR BAGGESEN: Okay. I
6 think -- I'm only going to make a couple of short comments
7 before turning it over to John Rothfield. But I thought
8 that one of the elements that the Board would very much
9 like to understand is sort of the performance impact of
10 the events that we've seen taken place.

11 If you look in the last column on page four in
12 the table, you'll see that the year-to-date -- fiscal
13 year-to-date return for the fund was 5.6 percent as of
14 December 31st. As of March 31st, the return to the fund
15 had dropped almost 960 basis points to just being negative
16 just over four percent.

17 Now, we move forward through the month of April,
18 at least through last Friday anyway. The returns to the
19 public markets had actually been quite positive through
20 last Friday. They had increased by almost five percent.
21 So our best guess at the moment that the annual fiscal
22 year-to-date return for the fund is going to be somewhere
23 right around zero percent, right about flat.

24 And I think now if we could just turn to page six
25 of the presentation material.

1 --o0o--

2 MANAGING INVESTMENT DIRECTOR BAGGESEN: I just
3 wanted to make a couple of comments about the positioning
4 of the fund. And one comment echoing back to Ms.
5 Olivares' question about the COVID-19 effect on the risk
6 mitigation or diversification in the portfolio.

7 So first, the positioning of the fund was
8 slightly underweight to the public equity markets. And
9 when I say slightly underweight, it's somewhere about the
10 one percent to one and a half percent range. That
11 underweight is offset by a slight overweight to the spread
12 segment within the global fixed income portfolio.

13 Our private assets, which have not been marked to
14 market for the effects of the virus, have become -- moved
15 closer to their target allocations. We were approximately
16 one percent underweight to private equity as of the
17 December 31st time period and about almost two percent
18 underweight to real estate.

19 We're now about 50 basis points underweight, one
20 half of one percent underweight to private equity, and the
21 real estate weight has moved within about a hundred basis
22 points, or one percent, of its target.

23 In relation to the risk comment -- and Ms.
24 Olivares, I thought that was an interesting question that
25 you asked about the effect of the virus on the risk

1 mitigation efforts. And this is actually a discussion
2 that we're having currently within the Investment Office
3 about the ability of the treasury portfolio to continue to
4 provide the sort of downside protection once you've
5 reduced interest rates to the level that they currently
6 exist in the portfolio.

7 So that will be a discussion that we're having,
8 as I say, within the Investment Office, and really trying
9 to understand what the implications of that are. And I
10 think that will be part of the topic that will come back
11 to the Board when we bring the midpoint review around the
12 month of June.

13 And I think without belaboring this, now I turn
14 it over to John Rothfield and let John give you a little
15 bit of background or information around the actual
16 economic structure that he sees going forward.

17 So John.

18 INVESTMENT DIRECTOR ROTHFIELD: Yeah. Thank you,
19 Eric. And thank you for the opportunity to speak to the
20 Board. Maybe we could turn to page ten of the slide
21 presentation.

22 --o0o--

23 INVESTMENT DIRECTOR ROTHFIELD: The -- again, the
24 economic environment has changed a lot since these slides
25 were put together and represent what the economy looked

1 like at the end of the calendar year, so halfway through
2 the fiscal year. But they are slightly relevant, because
3 the economic cycle is a continuum. So it is important to
4 note that at the end of last year, the economy had -- the
5 U.S. economy had grown by 2.3 percent. That was very much
6 the average for the ten and a half year expansion cycle.

7 And so the -- so the so-called volatility of
8 growth had come to an all-time low. So the predictability
9 of the kind of growth we were getting in the economy had
10 become greater than it had before.

11 The -- however, more and more, the economic
12 expansion had been relying on the pillar of the consumer,
13 their employment, their income, and their spending.
14 Because -- because of a lot of global destabilization,
15 including trade wars and trade engagement in general, the
16 CapEx side of the economy -- the business CapEx side of
17 the economy had come way off.

18 That said, and that is why the estimate for
19 growth at the start of the year was the U.S. economy would
20 only grow about 1.9 percent this year, so it would come
21 down. But the International Monetary Fund had expected
22 the global economy to grow by 3.3 percent.

23 The main problem concerning the economy had been
24 the labor market was starting to get tight. At the height
25 of the last recession, we had had 14 million people

1 unemployed -- 14 to 15 million. And as of the turn of the
2 year, we had only five million people unemployed. That
3 sounds like a large number, but it's basically frictional
4 unemployment when you get down that low.

5 Well, fast forward to where we are now, we have
6 an additional 22 million people just in four weeks
7 receiving unemployment benefits. So they will be
8 officially called unemployed. And suddenly the
9 unemployment rate, which during the global financial
10 crisis took over two years to go from four percent to 10
11 percent is probably going to print in the next couple of
12 months somewhere between 20 and 25 percent of unemployment
13 in the economy.

14 So we are in markedly different circumstances.
15 The economic expansion probably will -- almost certainly
16 ended in the month of February. And so the task of macro
17 and the economics in the macro has been trying at the
18 total fund level to be a decision import to the investors
19 in the fund about some key metrics around what happens
20 now.

21 And I just wanted to mention three points, which
22 I think are decision imports. One is the depth, shape,
23 and length of the current recession, presuming that the
24 expansion ended in February. I'll throw a couple of
25 numbers at you. One is the shortest recession since the

1 World War II has been sx months. The average has been 11
2 months. The GFC was 18 months.

3 A six-month time frame was initially propound --
4 proposed, because folks thought about this as a disaster
5 recession, where there would be a collapse in economic
6 activity and then a fairly quick return to work. Well,
7 it's not turning out that way. And the -- basically, the
8 recession is looking more like a U or a W, where you have
9 a relapse into a second leg of lower activity based on a
10 flare-up again of cases and various other factors in the
11 economy, or even an L, which is a much longer stagnation
12 of the economy.

13 And the main factors that go into the issue here
14 about the shape of the recession and the recovery go to
15 the issue of income replacement. So there are three large
16 programs out there now to supplement income. So the
17 Payroll Protection Program, the Main Street Lending
18 Program, and enhancements to unemployment benefits, they
19 are all an effort to make income to unemployed people
20 whole by promoting the idea of retaining employees, or if
21 you are laid off or furloughed to try and make whole your
22 income.

23 Those programs together, once the PPP is
24 enhanced, could amount to two -- \$2 trillion, which is
25 about ten percent of one year's growth through the end of

1 this year. And the second element, of course, is how
2 quickly we can de-stage the lockdown that we've been in
3 now. And there's a huge amount of uncertainty around
4 that, particularly if we have to go back into lockdown.

5 I would say that in reviewing all the numbers, I
6 would think we are more likely to be in a recession that's
7 somewhere between the average of 11 months and the GFC of
8 18 months. I think the idea that the recession is going
9 to be over fairly quickly is probably misguided.

10 The second element of -- the second question that
11 macro is asking is what is the impact of all of the
12 quantitative easing that has resumed in the economy?
13 Well, it's expected that this year the central banks
14 around the world will add about \$8 trillion in money
15 supplied to the economy by buying risk-free bonds, but
16 also other kinds of bonds in the economy. Just in the
17 last four weeks, they've added around three trillion,
18 including more than \$2 trillion by the Fed.

19 The announcement effect of that and the pure
20 growth of money supply, which is now 15 to 20 percent a
21 year, almost double what it got to in the GFC, that is
22 expected to promote some kind of at least temporary asset
23 price recovery. And that's basically what we have seen
24 since the central banks started to do that. So I think it
25 is an important question.

1 The response of the central banks and also the
2 governments has been so aggressive and so proactive this
3 time, that at least it temporarily alleviates the downside
4 pressure that we've had on asset prices. And then as a
5 long-term investor, probably the most important question
6 is, is this the kind of recession that forces the U.S.
7 Economy into more like a secular stagnation or some of
8 the -- one of the terms used is Japanification of the U.S.
9 economy.

10 To give you an example, it's been seven years
11 since Prime Minister Abe in Japan introduced a program
12 that's taken the central bank balance sheet from 30
13 percent of gross domestic product to 110 percent. Massive
14 increase in their purchase of assets. It's been eight
15 years since then ECB Chief Draghi delivered his "whatever
16 it takes" statement. And since then the ECB over eight
17 years has reduced interest rates to minus 50 basis points.
18 And they've continued to do a lot of quantitative easing.

19 And by the way, it took seven years from when
20 Bear Stearns collapsed in the U.S. to the end of the
21 quantitative easing program and eight years before the Fed
22 was able to start raising rates again.

23 So I think one of the more negative elements to
24 this is, firstly, probably the recession is going to be
25 longer than the hoped for minimum of six months we've

1 experienced since the -- since the war. And it's not
2 evidently the case that that's priced in.

3 Secondly, things like quantitative easing and
4 income replacement can have a temporary impact on asset
5 markets, but not a permanent impact. And so -- and
6 thirdly, you know, we -- we are in a situation where even
7 as the economy comes back to work, folks are going to have
8 to replenish their savings. They're going to be cautious.
9 There may be structural changes to the labor force. These
10 programs will tend to keep weak companies alive and supply
11 chains have to evolve over time.

12 So we don't necessarily get capital spending. We
13 get supply chain reorganization, if you like, not only due
14 to Coronavirus, but also some of the geopolitical factors
15 around the world right now.

16 So I think the overall message is not to be too
17 optimistic about how we come out of this recession and
18 what lies ahead us in the next five to ten years, but also
19 that it does pay investors to be dynamic. Central banks
20 have reacted aggressively and proactively and there are
21 going to be opportunities and relative winners and losers
22 in this process going forward. So I think that's the --
23 they're the main two message from the macro.

24 CHAIRPERSON TAYLOR: Okay. Thank you, John.
25 Thank you, Eric. That -- I just had a -- I don't see any

1 questions from anybody else, but I had a couple of
2 questions for you, John.

3 One, you mentioned that people are concerned
4 about how this would impact the purchasing of -- oh, man,
5 I'm so tired. My brain is gone.

6 (Laughter.)

7 CHAIRPERSON TAYLOR: As we invest in the market,
8 as the United States is investing in the market, pushing
9 money into the market, you had said that the people --
10 there was -- people were concerned about that. I had read
11 an article I thought that we were -- and you just
12 mentioned about Japan, that we were going to get closed to
13 a hundred percent of GDP that we're spending in the market
14 alone, is that correct?

15 INVESTMENT DIRECTOR ROTHFIELD. I don't think we
16 get to that level. I see numbers saying that by the end
17 of the year, the Fed's balance sheet should be something
18 like 40 percent of our gross domestic product.

19 And then, of course, on top of that, you can be
20 adding some of the government programs as well. Not doubt
21 the Fed, as the government rolls out these programs, it
22 does mean a larger supply of bonds, which may increase
23 what the Fed buys.

24 So I think we're on our way from 25 to 40
25 percent. We're not on our way from 30 to 100 percent,

1 unless -- unless this is a really bad and prolonged
2 situation.

3 I think one of the positive messages is you could
4 argue that in terms of being -- having some of the
5 characteristics of Japan, like an aging population, less
6 dynamic structure, the U.S. is still somewhere behind
7 Europe, which is still a little bit behind Japan. So if
8 we are able, at some point, to have a vaccine and we are
9 able to -- we are able to improve our situation, in terms
10 of the kind of spending that people can do, then we may be
11 able to avoid the endless cycle of central bank and
12 government support from markets that we've seen in Japan
13 and to some degree Europe.

14 CHAIRPERSON TAYLOR: Yeah, I would hope so. I
15 just -- I feel like that's a tool that we first came up
16 with in 2008 and we just use it for everything now. And
17 as we're watching, you did say earlier, the Paycheck
18 Protection Act actually is not working real well right
19 now.

20 INVESTMENT DIRECTOR ROTHFIELD: I think the
21 problem -- the problem with the Paycheck Protection Act is
22 that it was too small, and -- but it -- a lot of
23 businesses closed down before they found that they were
24 eligible for it. So I think what you're going to see
25 coming out of Washington fairly soon is a bipartisan

1 effort to increase the size of their program, and also --

2 CHAIRPERSON TAYLOR: Yes. Yeah.

3 INVESTMENT DIRECTOR ROTHFIELD: -- you know, you
4 do hear from a lot of displaced people that the
5 unemployment benefits for self-employed and gig workers
6 has been rather confusing and slow to get up. As I say, I
7 think income replacement can only work for so long.
8 Ultimately, you have to get, you know, market forces and,
9 you know, human spirit, et cetera, driving income
10 creation. If you have income replacement that could
11 potential go away at the end of the year, you do tend to
12 get people saving more of that income for a rainy day.
13 And I think you're going to see more of that happening.

14 CHAIRPERSON TAYLOR: It's amazing what happens
15 when --

16 (Laughter.)

17 CHAIRPERSON TAYLOR: Who was -- who ran for
18 President, anyway, that was talking about a universal
19 income?

20 I just had another one more comment and then I
21 have someone else. So you had talked about the supply
22 chain. And I think it's really relevant here that the
23 supply chain is disrupted because people can't work. And
24 I think that it -- I wonder what your take is on the human
25 capital. Somebody gets sick and then the entire world

1 gets sick, and our workers can't work. I just wanted to
2 know if -- how you -- I mean, that's a huge disruption of
3 the supply chain, let alone just working people here. So
4 I wonder, if you could comment, on that as a risk that we
5 hadn't really taken seriously.

6 INVESTMENT DIRECTOR ROTHFIELD: Yes. I think we
7 had started to take that seriously toward the end of last
8 year, because disruptive trade engagement that was
9 happening, and also the technology -- the adversarial
10 relationship with China with regards to technology, et
11 cetera.

12 So there were two views on what happens so supply
13 chain. One is it becomes less complex and more investment
14 returns home. Another is it becomes more complex, because
15 you need alternate suppliers if -- let's face it, every
16 country is closed down from every other country. A
17 country like Vietnam has hardly, you know, its case rate
18 in Coronavirus has been relatively small, maybe no deaths.

19 So in one scenario, supply chains become more
20 complicated, where you -- where you get back-up supply
21 happening. The idea that all that countries are going to
22 go back to homebase, hopefully there will be some of that
23 with regard to the U.S., but more than -- more likely than
24 not, it's going to become a complex issue and firms are
25 going to have to deal with it in a strategic manner. And

1 they're not going to be able to necessarily increase their
2 investment. They're going to divest in one area and
3 increase their investment in another.

4 CHAIRPERSON TAYLOR: Do you think that's human
5 capital that's managed here in the United States
6 differently than a lot of western nations, because we
7 don't have sick leave, we don't have health care. Does
8 that disruption also make it more complicated to get back
9 to where we were?

10 INVESTMENT DIRECTOR ROTHFIELD: I think so. You
11 know, one of the reasons is supply chains have been
12 becoming more complicated anyway since 2012, 2013, had
13 been that China's all-in labor costs had been rising up
14 toward the average of other countries. So that's why
15 you're starting to get a devolution into places like
16 Vietnam, and Malaysia, and Thailand, et cetera is supply
17 chains.

18 So that's all part of a decision-making process,
19 what's the -- what's the cost of labor, but also the
20 reliability of labor, right, if there's a -- if there's a
21 safety-net, et cetera. So I think that, you know, in
22 terms of stability of supply, companies probably take
23 these factors into consideration.

24 CHAIRPERSON TAYLOR: All right. Thank you.

25 I have a question from Ms. Middleton.

1 COMMITTEE MEMBER MIDDLETON: Right. Thank you,
2 Madam Chair. And, John, thank you. Very enlightening.

3 My first question you spoke of the economy prior
4 to COVID-19 being exceptionally reliant on the consumer.

5 INVESTMENT DIRECTOR ROTHFIELD: That's right.

6 COMMITTEE MEMBER MIDDLETON: And there's reason
7 to believe with an unemployment rate that's going to hit
8 20 percent that the consumer is going to retreat from the
9 market for some period of time. What are the kinds of
10 things we should be looking for to give us the signal as
11 to how consumers are responding to the economy over the
12 next few months?

13 INVESTMENT DIRECTOR ROTHFIELD: Well, luckily, we
14 have a lot of data on that. Firstly, I would again
15 mention there are income replacement programs in place,
16 but they are necessarily rather fragile. And I would
17 imagine a lot of consumers would be saving a lot of that
18 income for the future, as we enter into this new
19 environment.

20 But we've already had some retail sales data for
21 the month of March, which suggests that there has been,
22 you know, the usual suspects, hotels, airlines, eating
23 out, leisure and hospitality in general. Spending has
24 come down. Some areas have held up fairly well,
25 obviously, online spending. Although, it was initially

1 for emergency goods. Building materials and gardening
2 supplies. Apparently, folks are taking advantage of these
3 lockdowns and doing some work around the house. So there
4 have been some areas where there has been some growth.

5 And also a number of the banks that we deal with
6 share with investors their credit card data on a daily
7 basis. So we can -- we can get an indication of where
8 spending compared to say a year ago or since the start of
9 the year has been going in different parts of the economy.
10 And so that helps, if you're looking at thematic investing
11 to decide, you know, what is priced in. And you can see
12 those themes starting to play out a little bit in the
13 market.

14 But overall, I would say the aggregate level of
15 spending is going to be lower, because the areas where
16 there's been some more spending are -- like hoarding has
17 already started to fall away. Things like department
18 stores aren't going to come back, et cetera, et cetera.
19 So a lot of -- a lot of themes within a story of an
20 overall weak consumer spending story.

21 COMMITTEE MEMBER MIDDLETON: All right. And I
22 will pass on the anecdotal from my conversations with
23 local business people here in Palm Springs. Lots of
24 applications out for federal aid. Almost no one that's
25 received any aid as of yet.

1 Thank you.

2 CHAIRPERSON TAYLOR: Yeah. We've got to get that
3 next tranche of money.

4 Ms. Yee.

5 COMMITTEE MEMBER YEE: Thank you, Madam Chair,
6 and thank you, John. I know we didn't touch upon this,
7 but I was curious about in attachment two where there's
8 some discussion about our liquidity analysis. And I just
9 wanted to get a sense about whether the recent market
10 turmoil has literally affected our liquidity analysis as
11 you presented in that attachment.

12 INVESTMENT DIRECTOR ROTHFIELD: Is that a
13 question for Eric?

14 COMMITTEE MEMBER YEE: Oh, maybe it's -- yeah,
15 I'm sorry, for Eric. I'm looking at you, but meant for
16 Eric.

17 MANAGING INVESTMENT DIRECTOR BAGGESEN: Okay. I
18 think I'm back on. Ms. Yee, could you repeat that
19 question for me, please? I was basically distracted. I
20 think you were speaking with John.

21 COMMITTEE MEMBER YEE: Yeah. No problem. I'm
22 sorry. I'm looking at him, but I'm thinking of you. So I
23 know we didn't touch upon what you presented in attachment
24 two about our liquidity analysis. And I wanted to get a
25 sense from you about whether what -- how the recent market

1 turmoil has affected that analysis as presented here in
2 our materials.

3 MANAGING INVESTMENT DIRECTOR BAGGESEN: Well, I
4 mean, I think the main thing is that basically we've been
5 looking at the liquidity situation literally on a
6 day-by-day basis. And what we have also done is to really
7 work through maximize, I guess, the overnight liquidity --

8 CHAIRPERSON TAYLOR: Eric?

9 MANAGING INVESTMENT DIRECTOR BAGGESEN: -- that
10 we have the we have right --

11 CHAIRPERSON TAYLOR: Eric.

12 MANAGING INVESTMENT DIRECTOR BAGGESEN:
13 -- portfolio represents probably in excess 15 to
14 17 billion dollars --

15 CHAIRPERSON TAYLOR: Eric.

16 MANAGING INVESTMENT DIRECTOR BAGGESEN: Eric.

17 COMMITTEE MEMBER YEE: I think you volume is --

18 MANAGING INVESTMENT DIRECTOR BAGGESEN: -- on a
19 nightly basis.

20 CHIEF INVESTMENT OFFICER MENG: Eric, can you
21 hear us? Eric? Eric?

22 CHAIRPERSON TAYLOR: I don't think he can hear us
23 either.

24 (Laughter.)

25 CHAIRPERSON TAYLOR: That's not funny.

1 CHIEF INVESTMENT OFFICER MENG: Eric, can you
2 hear us? Eric? Eric, can you hear us?

3 MANAGING INVESTMENT DIRECTOR BAGGESEN: Am I
4 coming through?

5 COMMITTEE MEMBER YEE: No, you're kind of muted.

6 CHIEF INVESTMENT OFFICER MENG: While we're
7 waiting for Eric to get back online --

8 CHAIRPERSON TAYLOR: Not yet, Eric.

9 CHIEF INVESTMENT OFFICER MENG: -- Ms. Yee --
10 Madam Chair and Ms. Yee, do you mind if I take on this
11 question?

12 COMMITTEE MEMBER YEE: Sure.

13 CHAIRPERSON TAYLOR: Sure.

14 CHIEF INVESTMENT OFFICER MENG: So I listened to
15 your question. So as we mentioned that --

16 CHAIRPERSON TAYLOR: Rocko.

17 CHIEF INVESTMENT OFFICER MENG: -- the balance
18 sheet liquidity -- enhanced balance sheet liquidity work
19 that the team did last year, we're benefiting it -- from
20 it greatly. And the liquidity management team every day,
21 at least we get together once a day to talk about the
22 market transaction -- transactional liquidity over what we
23 call the trailing liquidity, how that filter -- how that
24 is reflected or impacting our balance sheet liquidity.

25 So every day we assess the situation and we have

1 developed a number of metrics to monitor our liquidity
2 coverage ratio for overnight, for a week, for a month, 90
3 days, even out to six months. And we're happy to report
4 to you that because of the work -- most of the work we did
5 last year -- the team did last year by building out a
6 diversified -- a large number of diversified types of
7 recent liquidity.

8 You member this morning the key feature --
9 feature of our liquidity management is make sure we have
10 liquidity on demand. It means that when we need it, we
11 can turn it on. But when we don't need it, we don't have
12 to pay for it.

13 You remember one philosophy is that too much
14 liquidity can be costly, but too little liquidity is
15 deadly. So we're constantly, you know, balancing between
16 having enough but not too much. But when we need it, we
17 know where to go. And so far, as we said, that in the
18 crisis, out -- our hard work from last year is really
19 paying off.

20 So I think Eric was going to say it's a very
21 dynamic situation every day. You know, we assess the
22 situation, monitor the situation very closely, reassess
23 it, and adjust our liquidity position.

24 And as one of the examples I mentioned this
25 morning in the closed session, you know, when the

1 treasury -- some part of the treasury and agency mortgage
2 became illiquid, this when a security was very liquid. In
3 terms of trading liquidity, it was very liquid in the last
4 crisis.

5 But this time around, a few -- two weeks or so
6 ago, they became illiquid. And again, because of the work
7 the team put together last year, we were able to quickly
8 switch to a different financing source, and the framework
9 is working.

10 So I hope that answer your question, Ms. Yee.

11 COMMITTEE MEMBER YEE: Yeah. No. Thank you.
12 It's just -- there is -- I'm just curious about all of
13 these -- the interactions of just what we've seen over the
14 last period of weeks, including the Federal Reserve's
15 actions in terms of -- excuse me -- buying out treasuries,
16 and then also --

17 CHIEF INVESTMENT OFFICER MENG: Yes.

18 COMMITTEE MEMBER YEE: -- injecting a pretty good
19 amount into the short-term lending pool obviously, so...

20 CHIEF INVESTMENT OFFICER MENG: Yes. Yes. Just
21 on that note, I have to say, in a way, that's -- you know,
22 this crisis really started out as a public health
23 crisis --

24 COMMITTEE MEMBER YEE: Yeah.

25 CHIEF INVESTMENT OFFICER MENG: -- unlike the

1 past crisis, right, 2008 was a financial market crisis.
2 And then 2000/2001 was the tech bubble was a real economy
3 crisis.

4 But this time around, it's a public health crisis
5 caused a crisis in the real economy. But so far, the Fed
6 has been very effective in terms of ensuring that it
7 doesn't turn into a financial crisis. So for that so far,
8 I have to say that the Fed have made very decisive and
9 very aggressive decisions very -- took very swift actions.
10 And for that, I give the Fed a lot of credit for ensuring
11 that the financial markets continue to function.

12 And as you know, the fiscal policy are targeting
13 the real economy. So you know, we are addressing the
14 symptoms and making sure the financial market continue --
15 continue to function. But the real economy is still a
16 function of the public health crisis, of the pandemic.

17 COMMITTEE MEMBER YEE: Right. Thank you.

18 CHAIRPERSON TAYLOR: Woops. Okay. So next I
19 have, Stacie, did you already ask your question?

20 No?

21 COMMITTEE MEMBER OLIVARES: No, I didn't.

22 CHAIRPERSON TAYLOR: Okay.

23 COMMITTEE MEMBER OLIVARES: And it's going to be
24 quick, I promise.

25 CHAIRPERSON TAYLOR: No. It's my bad. I'm

1 just -- there were other conversations here, so everybody
2 got lost.

3 (Laughter.)

4 COMMITTEE MEMBER OLIVARES: John, this one is for
5 you. So I'm finding it hard to kind of model the
6 predicted economic impact of COVID, because policies
7 differ by state. It's just beginning to go up the curve
8 in some countries, but other countries, you know, they've
9 already flattened their curve.

10 How are you modeling this?

11 INVESTMENT DIRECTOR ROTHFIELD: Well, we're
12 looking at the data from Georgetown. We're looking at the
13 data from Washington. (Inaudible) Looking at all kinds
14 of just -- (inaudible) -- coming out of medical experts,
15 and also the brokers are doing a lot of that as well. So
16 the -- one scenario, for example, is the state that's been
17 worst hit, which is New York State.

18 COMMITTEE MEMBER OLIVARES: Yeah.

19 INVESTMENT DIRECTOR ROTHFIELD: -- could start
20 to, as of June 1, move to say stage one of relaxation,
21 very modest relaxation. So we do think about it on a
22 regional basis, and -- but then we're also watching
23 experience over -- abroad where countries like Germany and
24 Norway have relaxed their -- relaxed their shutdowns a
25 little bit, and so has South Korea. And you've seen a --

1 maybe a reflaming of cases in some of those situations.

2 So I think the -- that's a key issue for how long
3 this recession is going to be. When you're talking about
4 a typical disaster, you get a disaster, and then you get a
5 rebuild, it actually adds to GDP later on. But the
6 scenarios that we're talking about here are so wide.

7 The estimates for U.S. growth this year go from
8 anywhere from, you know, minus three percent to minus 12
9 percent, depending on what you assume for the rate of
10 cases, the rate of lockdown mitigation, things like that.
11 So I would say right now, we have an idea about what the
12 investor community is assuming for the rate of recovery of
13 the economy.

14 The shape is actually called a swoosh. The way
15 you have a big deep decline in activity and then kind of
16 bended recovery. But the range of uncertainty around that
17 is huge right now. And so we do follow the data by state
18 and regional. We do follow the data internationally to
19 try and get a handle on what we can expect. China is the
20 obvious case where China flattened their curve out quite
21 early, and then we actually have some good data from China
22 about what happened in the first quarter of the year and
23 then what's happened in the month of March and the early
24 part of April. They have a lot of high frequency data
25 that does tend to suggest that they had a very deep

1 decline of the kind that we're expecting in the U.S.

2 The return to work has actually been quite slow,
3 particularly on the retail side. The production side has
4 picked up a bit with the retail side. So one of -- one of
5 the ways that we're looking at this is simply looking at
6 countries which are ahead of us in terms of getting back
7 to work, which is China.

8 And so far, the message there is mixed. It's
9 more like a little frustrating at how slow things are
10 getting back to normal.

11 COMMITTEE MEMBER OLIVARES: Thank you.

12 INVESTMENT DIRECTOR ROTHFIELD: Sure.

13 CHAIRPERSON TAYLOR: Mr. Feckner. I have a
14 question from you, it looks like, and my dog.

15 COMMITTEE MEMBER FECKNER: Not from me.

16 CHAIRPERSON TAYLOR: Okay.

17 COMMITTEE MEMBER PEREZ: Your mic is off Theresa.

18 CHAIRPERSON TAYLOR: I think that was all the
19 questions. So if there's another question that I missed,
20 wave your hand at me. I'm not seeing any other questions.

21 Okay. Then we're going to move on. That was --
22 and that was trust level review CalPERS, 10b.

23 We're on 10c. I think that is James and Anne.
24 I'm guessing at this point.

25 CHIEF INVESTMENT OFFICER MENG: On the agenda

1 item it says Dan and Simiso. So, Dan and Simiso --

2 CHAIRPERSON TAYLOR: Simiso and Dan, I see it.

3 Yeah.

4 CHIEF INVESTMENT OFFICER MENG: Yeah, the media
5 team, can you promote Simiso to be the panelist from
6 attendee?

7 (Thereupon an overhead presentation was
8 presented as follows.)

9 CONFERENCE MODERATOR: All right, Simiso, you
10 should be able to turn you video and your audio on.

11 INVESTMENT DIRECTOR NZIMA: Can you see me?
12 Hello?

13 INTERIM CHIEF OPERATING INVESTMENT OFFICER
14 BIENVENUE: Yeah, we can see you.

15 CHAIRPERSON TAYLOR: We can see you.

16 CHIEF INVESTMENT OFFICER MENG: We can see you.

17 CHAIRPERSON TAYLOR: I can't see your chin
18 though.

19 INVESTMENT DIRECTOR NZIMA: Perfect. I think the
20 lighting was made for the morning and we ran -- we ran --
21 we ran until this evening.

22 Thank you, Madam Chair and good evening, members
23 of the Investment Committee.

24 If we could move on to slide two.

25 --o0o--

1 INVESTMENT DIRECTOR NZIMA: Before I jump into --
2 into the actual presentation, I just want to spend a few
3 minutes talking about the impact of the COVID-19 pandemic
4 on proxy voting and corporate engagement activities.

5 The 2020 proxy season is like no other that we've
6 experienced before. We're having companies that are
7 postponing annual general meetings. Some companies are
8 moving from in-person meetings to virtual-only meetings.
9 So we're not the only ones who are having a virtual
10 meeting. And some companies are even canceling engagement
11 calls that we have with them.

12 What has changed for us, you know, if you look at
13 our approach in terms of what we're looking at, is that
14 for every engagement call that we're having during this
15 time during this proxy season, we're actually starting
16 asking companies and discussing the impact of COVID-19
17 pandemic on their business operations, on their financial
18 condition, on the human capital management, consumers, and
19 communities, and asking the companies to explain to us the
20 Board's role in oversight as far as this pandemic is
21 concerned.

22 So really we have shifted a little bit in terms
23 of our approach in terms of engagement to emphasize these
24 issues, because we think these are issues that matter
25 quite a lot, and we understand that each company has, you

1 know, each -- the case for each company is different, and
2 as such, really there's one case fits all. Some companies
3 are struggling and, you know, financial -- financially,
4 but some companies are able to do more for their workers
5 and so forth.

6 Having said that, I'll jump into the actual
7 presentation. If we can turn to slide two.

8 --o0o--

9 INVESTMENT DIRECTOR NZIMA: Really here, the -- I
10 won't spend too much time on this slide, but just to say
11 that we are right at the peak of proxy season and we are
12 going to be watching over 8,000 annual general meetings
13 between now and the end of June. Our priorities really
14 haven't changed. We have the three main priorities in
15 terms of our engagements, which is climate change,
16 corporate board diversity, and executive and employee
17 compensation.

18 Again, if I sound like a broken record, it is a
19 good thing. These are things that were identified through
20 the ESG -- the five-year ESG strategic plan, which was
21 adopted by the Investment Committee in August 2016. So
22 these are the priorities that we're looking at. And then
23 situationally, we do look at other things as issues --
24 issues arise.

25 Moving on to slide three.

1 --o0o--

2 INVESTMENT DIRECTOR NZIMA: Really, this is
3 looking back at the 2019 proxy season. Again, I'm not
4 going to spend a lot of time on this slide, because we
5 have seen some of this information. But just to highlight
6 two areas in terms of improving corporate board diversity.
7 We've seen that companies that we've engaged have added --
8 you know, 53 percent of the companies that we've engaged
9 have added diverse directors to their Board.

10 And again, to emphasize in terms of diversity,
11 our definition of diversity is all encompassing. It
12 includes skills, race, gender, ethnicity, sexual
13 orientation, gender identity, you know, all the -- all the
14 aspects of diversity. So when we engage with these
15 companies, we emphasize that they need to look at all the
16 elements of diversity.

17 And then on executive compensation, this we think
18 is really important, because this is the issue about
19 alignment of interests. And we think that company
20 executives should be paid only when shareholders are also
21 getting paid and only when, you know, they're taking of
22 their -- of their employees, you know, everyone and the
23 stakeholders actually are getting a good deal.

24 So we look at this really from a quantitative
25 perspective as well as qualitatively. And last year, we

1 voted against 53 percent or 3,000 companies an executive
2 compensation.

3 I won't go into the appendix. The rest of the
4 slides really go into detail in -- you know, in each of
5 those three years that we're focused on. But I'll stop
6 here and take any questions.

7 CHAIRPERSON TAYLOR: So we're going to have to
8 think about where we put proxy voting reporting in the
9 next Investment Committee.

10 So I will just say I -- so we have -- there's a
11 couple of questions I have for you, Simiso. One is out of
12 the 22 companies, six are Japanese. Notable successes
13 include public comments. And then 60 percent of
14 California went Action -- or you know -- I'm sorry,
15 Climate Action 100 setting long-term emissions. What are
16 the 22 companies that we're -- are we leading those
17 engagements, right? That's what it says.

18 INVESTMENT DIRECTOR NZIMA: Yes, we're leading --

19 CHAIRPERSON TAYLOR: On those 22 companies?

20 INVESTMENT DIRECTOR NZIMA: Yeah. So some of
21 those are global companies, some of them are U.S.
22 companies, but six are Japanese companies in terms of
23 those.

24 I'm trying to recall whether -- I know that we
25 don't publicly state the companies --

1 CHAIRPERSON TAYLOR: I know and we don't have to
2 say it.

3 INVESTMENT DIRECTOR NZIMA: -- that we're
4 involved with engagement in

5 CHAIRPERSON TAYLOR: Yeah.

6 INVESTMENT DIRECTOR NZIMA: But we can -- we can
7 provide the information to the Board after -- after the
8 fact in terms of which -- which companies exactly that
9 we're engaging.

10 CHAIRPERSON TAYLOR: Sure. That would be great.
11 And then the 70 percent that pledge long-term emission
12 reductions and provided commitments to TCFD aligned
13 reporting, is that up from a year before, or is that in
14 addition to, or is that total?

15 INVESTMENT DIRECTOR NZIMA: Well, we -- this --
16 this is the total. And we had our first annual progress
17 report for the Climate Action 100 last year. It was the
18 back end of last year. And so oh we're going to have
19 another, you know, progress report again towards the end
20 of this year. And those numbers are going to change. So
21 those numbers are based on the last annual progress report
22 that was reported under the Climate -- Climate Action 100.

23 And that 70 percent is -- it's not just the 22
24 companies that we're looking at, but the entire, you know,
25 Climate Action 100 companies.

1 CHAIRPERSON TAYLOR: Okay. That's what I kind of
2 thought, because it looked like it could be one or the
3 other, but I wasn't sure. And then lastly, you had
4 mentioned that you have -- you were asking some of the
5 companies we're engaging with what is their COVID-19, you
6 know, response kind of looking like as you're engaging,
7 inclusive of human capital. And I asked John earlier if
8 we're seeing any kind of connection here that we kind of
9 have not looked at the S in the ESG very well, in terms of
10 a material risk to our investments.

11 Now, that we have a pandemic, and our supply
12 chains are disrupted, and people can't work, and -- I
13 mean, is this -- are you getting any kind of feedback on
14 that, since you were talk -- asking those questions?

15 INVESTMENT DIRECTOR NZIMA: Yeah, we are getting
16 feedback and it's different from different companies. I
17 think what this pandemic has done is really to bring the
18 issues of sustainability to the core, even people who
19 maybe didn't believe in ESG or sustainability, now they're
20 looking at this and they're actually seeing that is a real
21 impact on the bottom line.

22 So we're seeing this. And I said different
23 companies have different -- you know, are doing different
24 things, either for their workers -- there are companies
25 that are actually giving full pay and benefits to workers

1 who are not able to work from home, so they still get full
2 pay and benefits. They're companies, which due to their
3 financial conditions, are unable to keep workers at work
4 or the workers can go to work, so they're furloughing
5 workers, but they're keeping -- they're still --

6 CHAIRPERSON TAYLOR: Paying them.

7 INVESTMENT DIRECTOR NZIMA: -- keeping the
8 benefits for them, or something like that. So again, it
9 depends. Each case is different. There are companies
10 that have said if someone is sick, they don't have to use
11 their sick leave. You know, they -- effectively, they
12 have unlimited sick leave, because they don't want people
13 to be forced to come to work, because they're afraid of
14 running out of sick leave, when they're not feeling well.

15 There are companies that have turned their
16 operations to provide some of the materials or PPE that's
17 required by the community at large, and so forth. So
18 it -- so it really -- there's a range of activities that
19 is coming from different companies. And good actors
20 really -- there are good actors out there, but there are
21 some companies where their financial condition is so
22 precarious that really they can't do anything but just
23 hope for the best.

24 CHAIRPERSON TAYLOR: Well, there were companies
25 that their financial condition is not precarious, and I

1 can name a few, but I'm not going to do that on public
2 session --

3 (Laughter.)

4 CHAIRPERSON TAYLOR: -- that are not treating
5 their employees well. And I think that -- and, you know,
6 one of the things that this pandemic has also exposed is
7 the extreme inequality for workers for -- and that's where
8 I think the S in the ESG really comes in. If -- if you're
9 throwing these people out of work, and then you don't have
10 a workforce to come back, because they're on the streets
11 now. I mean, at what point -- you know, some -- somehow
12 or another, this has to be thought about. And there are
13 more than a few of our, you know, Fortune 500 companies
14 that are not treating their employees well and/or did not
15 start doing so until it started getting press.

16 So I just thought I'd bring that up. Anybody
17 else have any questions besides me?

18 I'm holding us between dinner and -- I get it.

19 (Laughter.)

20 INVESTMENT DIRECTOR NZIMA: It's been a long day.

21 CHAIRPERSON TAYLOR: It has been a long day. All
22 right. I see no other questions.

23 Everybody is talking about dinner, so I am --

24 INTERIM CHIEF OPERATING INVESTMENT OFFICER

25 BIENVENUE: Ms. Taylor, I'm seeing questions from Ms. Yee

1 and Ms. Olivares.

2 Ms. Taylor, it looks like you're on mute still.

3 CHAIRPERSON TAYLOR: So Ms. Yee.

4 COMMITTEE MEMBER YEE: Just a comment. I wanted
5 to just congratulate the team, Simiso, Dan and -- for the
6 leadership on all -- in all three of these areas, Climate
7 Action 100+. I mean, the idea that we're moving so many
8 of these companies to look at setting long-term emission
9 targets is really phenomenal. So it's been a long time
10 coming, and that's -- that workload is -- or that work is
11 continuing.

12 The corporate board diversity, I did have a
13 question on. And that is we had -- it looked like a lower
14 number of -- what was it -- in terms of how many we voted
15 against, 314 directors versus 468. I wanted to know if
16 the lower number actually reflected progress or whether it
17 was a different tactic?

18 INVESTMENT DIRECTOR NZIMA: You are correct, the
19 lower number actually is a positive. It means that the
20 companies are doing what we're asking them to do. And
21 we'll continue to use any and all of the investor rights
22 that we have. We have instituted, you know, vote-no
23 campaigns at some companies, which have not responded to
24 us. We were voting against the Board chairs and members
25 of the nominating and governance committees. So you see

1 lower numbers, that's -- that's a good -- that's a good
2 thing. It means that we're making a lot of progress.

3 COMMITTEE MEMBER YEE: Good. Good.

4 And then lastly, your new pay-for-performance
5 model, are you finding that it's improving your ability to
6 analyze executive comp, which is probably going to be an
7 area that's going to be heightened in terms of attention,
8 focusing on it with the economy and COVID?

9 INVESTMENT DIRECTOR NZIMA: It is indeed. And,
10 you know, the feedback that we're getting from companies
11 has been positive, in that, what they've said is the fact
12 that we've been willing to be transparent about how we're
13 analyzing them from a calm perspective, because we
14 actually put a description of this model on our public
15 website, so they -- you know, they can calculate
16 themselves on their own and see how -- how they score,
17 just following how -- what we're doing.

18 And the fact that we've extended it to five years
19 was typically a lot of -- people look at three years. So
20 in our discussions with companies, what we've found is
21 that they're -- they have said they appreciate the
22 transparency and it makes those discussions much more
23 enriched, because really at the end of the day now, the
24 numbers are the numbers. And they can verify those
25 numbers, and then we're actually able to get into, you

1 know, the nitty-gritty and understand what might be
2 driving the issues as far as performance is concerned.

3 COMMITTEE MEMBER YEE: Great. Great. Thank you.
4 Great work. Thank you.

5 CHAIRPERSON TAYLOR: Thank you.
6 Stacie. So sorry.

7 COMMITTEE MEMBER OLIVARES: Thank you, Madam
8 Chair. I want to be really quick about, because it's
9 after 7:00 o'clock and everybody has been very patient. I
10 think it was at the December Board meeting, I asked about
11 looking at the intersection of diversity and -- board
12 diversity, but with women, so women of color, because our
13 numbers are very few in investments and when it comes to
14 leadership. I don't even think our Investment Committee
15 has had a woman of color as Chair ever.

16 And so I want us to be able to take the lead when
17 it comes to this. We had talked about that as an
18 indicate, are we going to start capturing that?

19 INVESTMENT DIRECTOR NZIMA: The answer -- the
20 answer that I have there is that right now we -- I mean,
21 there are studies out there that have been done, whether,
22 there's MSCI or other studies that look at diversity or
23 the number of women on Boards and relationship to
24 performance -- you start getting into race or ethnicity, I
25 think these -- these -- you know, there's a depth of

1 studies out there. The numbers -- when we look at them,
2 the numbers are really, really low. I just --

3 COMMITTEE MEMBER OLIVARES: Only in demand. I'm
4 going to keep pushing. I'm not giving up.

5 INVESTMENT DIRECTOR NZIMA: No, I understand.
6 And we'll also keep pushing. When we engage with
7 companies, we really emphasize the fact that, you know,
8 they should look just beyond, you know, gender and just go
9 into the race, and ethnicity, and so forth. And, you
10 know, we've been in touch with a number of organizations,
11 including the Latino Corporate Directors Association. We
12 actually, you know, in the process of organizing a meeting
13 with them. So we talk to different affinity groups in
14 order to fry and address that particular issue.

15 COMMITTEE MEMBER OLIVARES: Okay. We'll continue
16 on that point later. And then with crude oil crashing
17 today, I think we're going to get some additional pressure
18 from groups regarding our need to divest or take some
19 long-term initiatives. So I just wanted to put that on
20 the radar.

21 CHAIRPERSON TAYLOR: It sounds like something
22 fell there.

23 Go ahead, Simiso.

24 INVESTMENT DIRECTOR NZIMA: So is the question
25 that with crude oil we're going to get additional push to

1 divest, is that the --

2 COMMITTEE MEMBER OLIVARES: Um-hmm. Oh, yeah.

3 INVESTMENT DIRECTOR NZIMA: Yeah. That's the --
4 I think that's the expectation. I think, you know, as --
5 sometime the issue with investments is that, you know, or
6 anything else in life, is that hindsight is 20/20 and it's
7 easy for people to look at the situation and push for
8 divestment. I think we have said before that really, you
9 know, we -- we don't believe that divestment is the right
10 way to go. We believe in engagement, until that is
11 something -- if we change that as the Investment Office,
12 you know, that's something which is obviously for the
13 Investment Committee to think about.

14 But at the end of the day again, we're engaging
15 these companies. Some of these companies announcing plans
16 to transition to a low carbon economy. Just last week,
17 Shell came out with an announcement that really they're
18 moving to net zero and they're looking at even
19 supplying -- when they're supplying to customer, they want
20 to supply to customers, which focused on net zero carbon
21 emissions.

22 So we think this movement, even within the
23 companies that are actually producing, you know, oil
24 and -- oil, and gas, and so forth, are moving into this
25 transition.

1 COMMITTEE MEMBER OLIVARES: Okay. Thank you very
2 much.

3 CHAIRPERSON TAYLOR: Just to add to that, it
4 would be nice if we could get like JP Morgan to stop
5 funding the pipelines. That would be another really good
6 idea. However, I'm just going to leave it at that,
7 because we could have that conversation forever.

8 I -- I have no other comments that I'm seeing
9 unless I am incorrect.

10 Lisa. Ms. Middleton. Thank you.

11 COMMITTEE MEMBER MIDDLETON: Thank you, Madam
12 Chair. And I will keep this very short. I want to thank
13 staff for an outstanding report and I really appreciate
14 that diversity and inclusion included was fully inclusive,
15 including sexual orientation and gender identification.
16 Thank you for that.

17 We still have a dearth of data and need far, far
18 more metrics. And I applaud any efforts that you can make
19 in that direction.

20 Thank you.

21 INVESTMENT DIRECTOR NZIMA: Thank you.

22 CHAIRPERSON TAYLOR: And again, yes, I reiterate
23 that this is a great report. We thank you guys -- all the
24 hard work you guys do. Proxy season can be a mess. I
25 can't even imagine what it is under COVID-19 right now.

1 So, again, thank you very much for all your hard work.

2 And we are moving on to --

3 COMMITTEE SECRETARY HOPPER: Ms. --

4 CHAIRPERSON TAYLOR: Yes.

5 COMMITTEE SECRETARY HOPPER: Madam Chair, we do
6 have one public comment.

7 CHAIRPERSON TAYLOR: At the end of C, you are
8 correct.

9 Go ahead.

10 STAKEHOLDER RELATIONS CHIEF FOX: Thank you,
11 Madam Chair. Kelly Fox again. Reading on behalf of the
12 submitters. This one is from Sheila Thorne, subject 4/20
13 Investment Committee meeting, item 10c.

14 "My name is Sheila Thorne, and I'm a grateful
15 member of CalPERS, as well as a member of CFA, retired,
16 and RPEA. I am commenting on Item 10c. It's apparent
17 that CalPERS considers stakeholder engagement a major way
18 to abate climate change. I question the effectiveness of
19 this strategy. As summarized in a recent Harvard faculty
20 study reporting by ESG, PRI, and Climate Action 100+ was
21 slow, often based on voluntary participation, and produced
22 data with up to 30 percent error.

23 "There are few provisions for enforcement
24 mechanisms and investment in fossil fuel companies that
25 explored for and developed new resources persist.

1 Analysis by As You Sow, a non-profit leader in
2 shareholder advocacy, shows in its 2020 report that oil
3 and gas companies continue to ignore demands from science
4 and shareholders to adjust plans realistically to be
5 compliant with Paris goals. In fact, according to
6 PriceWaterhouseCoopers, Oil and Gas Trends 2018-2019, oil
7 and gas rig activity level has been rising and major
8 projects are being approved. ExxonMobil, for instance, as
9 well as Total and Chevron, plan to increase production.

10 "Last year, ExxonMobil outlined an aggressive
11 plan to more than double its oil production five-fold in
12 the Permian Basin and start up 25 projects worldwide. No
13 amount of clean and sustainable methods of extraction can
14 make up for the Scope 3 emissions released by the end use
15 of this product.

16 "The only way to become carbon neutral by 2050,
17 let alone to prevent climate disaster by 2030, is to leave
18 the fossil fuels in the ground. Yet rather than changing
19 their business models in a meaningful way to alternative
20 energies, the oil and gas companies remain all out to
21 extract as much oil and gas as they can, while making as
22 much profit as they can. Shell's plan is to cut the
23 carbon footprint of the product they sell by only 30
24 percent by 2035, and only 65 percent by 2050, rather than
25 net zero, leaving the rest to consumers.

1 ExxonMobil and Chevron continue to refuse to take
2 responsibility for reducing emissions from the burning of
3 their products". In parentheses "(Union of Concerned
4 Scientists, 4/17/2020)".

5 "The world is facing the crisis of extreme
6 climate disaster in the very near future along with more
7 frequent pandemics. Engagement has not so far led
8 anywhere, and we're running out of time. Please consider
9 divestment of fossil fuel shares, which are toxic in
10 practice both ethically and financially".

11 End email.

12 CHAIRPERSON TAYLOR: And that was it?

13 STAKEHOLDER RELATIONS CHIEF FOX: That is the
14 only one. We have one more for the last subject, item 12.

15 CHAIRPERSON TAYLOR: That's what I thought we
16 had. Okay. So we are on item 11, summary of committee
17 direction, and that would either be Dan or Ben, I think.

18 INTERIM CHIEF OPERATING INVESTMENT OFFICER
19 BIENVENUE: Yep, I'm happy to take that one. Oh, I just
20 saw Ben unmute.

21 CHAIRPERSON TAYLOR: There we go.

22 INTERIM CHIEF OPERATING INVESTMENT OFFICER
23 BIENVENUE: Ben, do you want to take that one or do you
24 want me to take it? I'm happy to take it, if you'd like.

25 CHIEF INVESTMENT OFFICER MENG: Yeah. I only

1 jotted down one, basically from Ms. Olivares about the
2 COVID-19 adjusted in plan of our risk mitigation segments.
3 Other than that, I don't have any -- I did not write down
4 anything else.

5 Do you have anything additional?

6 INTERIM CHIEF OPERATING INVESTMENT OFFICER

7 BIENVENUE: We have the one other from closed session that
8 was consolidated. Ms. Yee and Ms. Olivares's request that
9 we'll come with. And the only other thing I had was that
10 there was a request for consultant reports quarterly.

11 GENERAL COUNSEL JACOBS: Excuse me.

12 INTERIM CHIEF OPERATING INVESTMENT OFFICER

13 BIENVENUE: So we need to think about what that looks
14 like.

15 GENERAL COUNSEL JACOBS: Excuse me, Dan.

16 INTERIM CHIEF OPERATING INVESTMENT OFFICER

17 BIENVENUE: Yep.

18 GENERAL COUNSEL JACOBS: If you're talking about
19 something that happened in closed, let's not for now.

20 CHAIRPERSON TAYLOR: Oops.

21 INTERIM CHIEF OPERATING INVESTMENT OFFICER

22 BIENVENUE: Thanks, Matt.

23 CHIEF INVESTMENT OFFICER MENG: Yeah, also on
24 that note, Dan, the closed session, the Committee
25 direction I think is summarized very well. Madam Chair

1 and the two Board members, they agreed with you. So I
2 don't think you need to relay the closed session Committee
3 direction any more.

4 So open session this afternoon I noted down one
5 from again Ms. Olivares on the COVID-19 adjusted risk
6 mitigation plan, which is the interaction of COVID-19 and
7 the global financial crisis 08/09. So that's the one I
8 noted on from Ms. Olivares this afternoon.

9 In open session, that's all I have.

10 CHAIRPERSON TAYLOR: And, Dan, wasn't there an
11 update on having more reports on the total fund? Wasn't
12 that also part of it?

13 INTERIM CHIEF OPERATING INVESTMENT OFFICER
14 BIENVENUE: There was a request to have quarterly reports
15 from the consultants. So I think what we can do is talk
16 to the consultants about what that looks like.

17 CHAIRPERSON TAYLOR: Okay. I just don't -- I
18 also don't want them to stop their work to produce more
19 reports. But absolutely, if it will help us kind of see
20 and navigate this whole, you know, downturn because of
21 COVID, that might be helpful.

22 INTERIM CHIEF OPERATING INVESTMENT OFFICER
23 BIENVENUE: Yeah, and that was --

24 CHIEF INVESTMENT OFFICER MENG: Yeah, it was --
25 Madam Chair. Sorry. Madam Chair, my understanding that

1 request was to the -- both Board consultants, so it
2 shouldn't be in the summary direction to the staff, but to
3 the management. That's the -- that is really request to
4 the two Board consultants. That's my understanding.

5 CHAIRPERSON TAYLOR: You're correct. And it did
6 come -- and they did say that they would come back to us,
7 so...

8 No other Board direction. And I appreciate it.
9 Thank you, everyone.

10 And our last item is item 12 and we have public
11 comment.

12 STAKEHOLDER RELATIONS CHIEF FOX: Thank you,
13 Madam Chair. This was submitted by Mr. Joseph P Ruiz.
14 Subject, CalPERS public comment, item 12 for Monday, April
15 20, 2020.

16 "Dear Board of Administration, money masks a
17 prolonged indifference to oversight at CalPERS. The judge
18 in my lawsuit against the CalPERS Board of
19 Administration..." - in parentheses - "... (18STCV06908)
20 encouraged me to contact the members directly after I told
21 him that the Board didn't authorize the legal department
22 to respond to my lawsuit in Pro Per in 2018.

23 "This wasn't the first time that the CalPERS'
24 staff had usurped the power of the Board as I've witnessed
25 no internal oversight the past four..." - in parentheses -

1 "... (4) and-a-half years since I filed a complaint against
2 City of Industry, a CalPERS' contracting agency.

3 "I discovered the Board violated the Bagley-Keene
4 Open Meeting Act..." - in parentheses - "... (Government
5 Code Sections 11120-32) in August and September 2017 by
6 not deliberating my request to order staff to complete the
7 City of Industry investigation after staff members from
8 Audit Services and the Employer Account Management
9 Division failed to contact city officials on my allegation
10 of false responses on a State document, the CalPERS'
11 Employment Relationship Questionnaire of July 2011 about
12 me, in violation of Government Code Section 20085 and
13 Penal Code Section 115.

14 "The Legislature created external oversight
15 through legislative committees on this agency, but they're
16 looking the other way. The Bagley-Keene Open Meeting Act
17 has taken a lot of abuse over the years from CalPERS as
18 reported by nakedcapitalism.com and citywatchla.com. It's
19 tragic the major newspapers don't cover this State agency
20 closely.

21 "I brought a motion for preliminary injunction in
22 Los Angeles last summer on a closed session meeting
23 violation from June 19, 2019, but as the CalPERS' attorney
24 and I looked on, the judge announced he didn't have my
25 filing, and instead of postponing the hearing, he

1 dismissed it. The State court used Bagley-Keene as a
2 punching bag too.

3 "The judge ruled in October that the Board was
4 immune from my charges but I later discovered my lawsuit
5 was discussed in closed session throughout 2019 without
6 public agenda notices and that the Board keeps verbatim
7 transcripts of the closed session meetings. The Board has
8 begun to start their meetings..." -- and we are out of
9 time.

10 Three minutes.

11 CHAIRPERSON TAYLOR: All right.

12 STAKEHOLDER RELATIONS CHIEF FOX: That concludes
13 the reports, Madam Chair.

14 And I've confirmed that I have a face for radio
15 and not the voice. Thank you.

16 (Laughter.)

17 CHAIRPERSON TAYLOR: Thank you, Mr. Fox. I
18 appreciate it.

19 So seeing no other public comments, no comments
20 from the Board members, this Investment Committee meeting
21 is adjourned at 7:19.

22 (Thereupon California Public Employees'
23 Retirement System, Investment Committee
24 meeting open session adjourned at 7:19 p.m.)
25

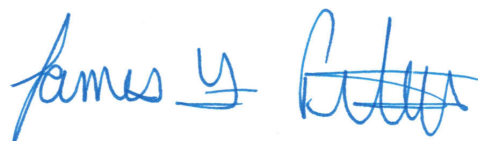
C E R T I F I C A T E O F R E P O R T E R

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, Investment Committee open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, and was thereafter transcribed, under my direction, by computer-assisted transcription;

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

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of April, 2020.



JAMES F. PETERS, CSR
Certified Shorthand Reporter
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