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
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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PROCEDINGS

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

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

CHIEF EXECUTIVE OFFICER FROST: Yes.

COMMITTEE SECRETARY HOPPER: Henry Jones?

COMMITTEE MEMBER JONES: Here.

CHAIRPERSON FECKNER: Very good. Thank you. So we'll --

COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

We're waiting on one more, Mr. Chair.

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

COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

COMMITTEE MEMBER RUBALCAVA: Present.

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

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

So we're going to move on to Item 3, the election
of the Chair and Vice Chair. I will now open the floor
for nominations for Chair of the Investment Committee.

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

COMMITTEE MEMBER JONES: I typed in a motion.

You don't see it?

CHAIRPERSON FECKNER: I don't

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

CHAIRPERSON FECKNER: I can hear you.

COMMITTEE MEMBER JONES: I move --

CHAIRPERSON FECKNER: Mr. Jones, go ahead,

please.

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

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

Any further nominations for the Office of Chair?

Third and final --

COMMITTEE MEMBER OLIVARES: I nominate Stacie.

CHAIRPERSON FECKNER: Pardon?

COMMITTEE MEMBER OLIVARES: I nominate Stacie.

I'm having issues with the chat as well.
CHAIRPERSON FECKNER: Yes, I can't see anybody's -- well, I can see Jason's chat. Yes, I missed a good breakfast too, Jason, but I don't see anybody else's chats.

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

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

Any further nominations for the Chair of Investments.

Any further nominations for the Chair of Investments?

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

Seeing none.

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

Ms. Hopper, please.

COMMITTEE SECRETARY HOPPER: Henry Jones?

COMMITTEE MEMBER JONES: Ms. Taylor.

COMMITTEE SECRETARY HOPPER: Lisa Middleton?
COMMITTEE MEMBER MIDDLETON: Ms. Taylor.
COMMITTEE SECRETARY HOPPER: David Miller?
COMMITTEE MEMBER MILLER: Ms. Taylor.
COMMITTEE SECRETARY HOPPER: Stacie Olivares?
COMMITTEE MEMBER OLIVARES: Stacie Olivares.
COMMITTEE SECRETARY HOPPER: Jason Perez?
Jason Perez?
COMMITTEE MEMBER PEREZ: Stacie Olivares.
COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?
COMMITTEE MEMBER RUBALCAVA: Theresa Taylor.
COMMITTEE SECRETARY HOPPER: Theresa Taylor?
VICE CHAIRPERSON TAYLOR: Theresa Taylor.
CHAIRPERSON FECKNER: Betty Yee?
COMMITTEE MEMBER YEE: Ms. Taylor.
CHAIRPERSON FECKNER: Thank you.
COMMITTEE SECRETARY HOPPER: Mr. Chair, I have six votes for Theresa Taylor, two votes for Stacie Olivares.
COMMITTEE MEMBER FECKNER: Thank you, Ms. Hopper.
Ms. Taylor, congratulations. You've been elected Chair of the Investment Committee.
CHAIRPERSON TAYLOR: Thank you, Mr. Feckner.
Thank you, everyone. I appreciate it.
So now we are doing the election for Vice Chair.
And I'll open nominations for election of Vice Chair.
Lisa, you're still muted.

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

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

Are there any more nominations?
Are there any more nominations?
Are there any more -- oh, Mr. Perez.

COMMITTEE MEMBER PEREZ: Yeah. I nominate Stacie.

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

Are there any more nominations?
I'm just going to run that two more times.
Any more nominations?
Any more nominations?
Okay. Ms. Hopper, if you would call the roll for -- we've got two on deck again. If you would call the roll for the David Miller and Ms. Olivares for Vice Chair.

COMMITTEE SECRETARY HOPPER: Rob Feckner?
COMMITTEE MEMBER FECKNER: Mr. Miller.
COMMITTEE SECRETARY HOPPER: Henry Jones?
COMMITTEE MEMBER JONES: Ms. Olivares.
COMMITTEE SECRETARY HOPPER: Lisa Middleton?
COMMITTEE MEMBER MIDDLETON: Mr. Miller.

COMMITTEE SECRETARY HOPPER: David Miller?

COMMITTEE MEMBER MILLER: David Miller.

COMMITTEE SECRETARY HOPPER: Stacie Olivares?

COMMITTEE MEMBER OLIVARES: Stacie Olivares.

COMMITTEE SECRETARY HOPPER: Jason Perez?

COMMITTEE MEMBER PEREZ: Ms. Olivares.

COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

COMMITTEE MEMBER RUBALCAVA: Mr. David Miller.

COMMITTEE SECRETARY HOPPER: Betty Yee?

COMMITTEE MEMBER YEE: Ms. Olivares.

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

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

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

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

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

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

(Thereupon the meeting recessed)
into closed session.)
(Thereupon the meeting reconvened
open session.)
(On record: 2:48 p.m.)
CHAIRPERSON TAYLOR: I'm going to go ahead and
call to order -- the meeting to order, the Investment
Committee open session meeting to order. And can I have
you call roll, Pam.
COMMITTEE SECRETARY HOPPER: Theresa Taylor?
CHAIRPERSON TAYLOR: Here.
COMMITTEE SECRETARY HOPPER: Rob Feckner?
VICE CHAIRPERSON TAYLOR: Working on it.
COMMITTEE SECRETARY HOPPER: Henry Jones?
COMMITTEE MEMBER JONES: Here.
Lisa Middleton?
David Miller?
VICE CHAIRPERSON MILLER: I'm here.
COMMITTEE SECRETARY HOPPER: Stacie Olivares?
COMMITTEE MEMBER OLIVARES: Here.
COMMITTEE SECRETARY HOPPER: Jason Perez?
COMMITTEE MEMBER PEREZ: Here.
COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?
COMMITTEE MEMBER RUBALCAVA: Here.
COMMITTEE SECRETARY HOPPER: Betty Yee?
COMMITTEE MEMBER YEE: Here.
COMMITTEE SECRETARY HOPPER: Rob Feckner?
Still waiting.
CHAIRPERSON TAYLOR: Not yet. Okay.
So what I need to do right now is approval of the April 2020 Investment Committee timed agenda.
Can I get a motion?
VICE CHAIRPERSON MILLER: So moved.
CHAIRPERSON TAYLOR: Moved by Mr. Miller?
Can I get a second?
COMMITTEE MEMBER PEREZ: Second.
CHAIRPERSON TAYLOR: Second by Mr. Perez.
All those in favor?
And now we have to take a vote.
COMMITTEE SECRETARY HOPPER: Again, waiting for Rob.
CHAIRPERSON TAYLOR: Yes.
COMMITTEE SECRETARY HOPPER: Theresa Taylor?
CHAIRPERSON TAYLOR: Yes.
COMMITTEE SECRETARY HOPPER: Henry Jones?
COMMITTEE MEMBER JONES: Yes.
COMMITTEE SECRETARY HOPPER: Lisa Middleton?
COMMITTEE MEMBER MIDDLETON: Yes.
COMMITTEE SECRETARY HOPPER: David Miller?
VICE CHAIRPERSON MILLER: Aye.
COMMITTEE SECRETARY HOPPER: Stacie Olivares?
COMMITTEE MEMBER OLIVARES: Yes.
COMMITTEE SECRETARY HOPPER: Jason Perez?
COMMITTEE MEMBER PEREZ: Yes.
COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?
COMMITTEE MEMBER RUBALCAVA: Yes.
COMMITTEE SECRETARY HOPPER: Betty Yee?
COMMITTEE MEMBER YEE: Yes. Aye.
COMMITTEE SECRETARY HOPPER: Thank you.
CHAIRPERSON TAYLOR: Okay. And it looks like we're still waiting on Rob.

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

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

So I'm real pleased to be joining you this afternoon. So although we're not meeting in person, I'm very grateful for -- to our CalPERS' team members who are making it possible for us to use technology to hold meetings remotely. And I hope you and your loved ones stay safe and well during these challenging times.
I won't touch on -- I won't touch on recent events in the financial market, since shortly you will be hearing from our Chief Economist (inaudible) to 100 percent remote operations in just a week. This is truly an extraordinary achievement, which reflects their dedication and their great skill in serving our members.

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

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

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

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

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

In addition, several changes were implemented shortly -- shortly after I arrived. I'm proud to say that we are in a much better position to survive and then
thrive. These changes include the migration to total fund portfolio management, including a centralized governance structure. It also includes an enhanced balance sheet liquidity management framework, which includes the visibility into both the sources as well as uses of liquidity at different future time horizons.

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

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

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

So now let's meet -- turn to the total fund.
First, I'm glad to report that our asset allocation is behaving in alignment with expectations. Our risk mitigation plans have provided meaningful diversification and mitigated drawdown impact on the portfolio during this time of market volatility.

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

Now, I would like to take a moment to speak to a topic that has received some attention in the media. Basically, our portfolio management decision related to explicit options-based tail-risk hedging strategies. I want to address this in order to put the facts on the record. Although this decision in and of itself does not rise to the level of materiality to our total fund, it does give us an opportunity to review a broader topic, our
efforts taken in the recent past to prepare ourselves for a market drawdown such as this and how that plan is holding up during this crisis.

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

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

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

The difference of opinion related to tail-risk strategies recently in the media in the past two weeks
focused on just one part of the portfolio strategy, which is the explicit options-based tail-risk hedging strategy, and analyzed it only for the period of the recent market turbulence, and assumed perfect market foresight capability.

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

Some of the most reputable and highly regarded researchers have studies this topic. For example, Robert Litterman's paper published in the Financial Analyst's Journal in 2011, titled Who Should Hedge Tail Risk, and Antti Ilnamen's article, Do Financial Markets Reward Buying or Selling Insurance and Lottery Tickets, published in the same journal in 2012. This studies have shown that for large institutional investors with a long investment horizon and low level of leverage, it is not economical to buy explicit options-based tail-risk hedging strategy as a long-term strategy, especially the cost of such insurance.
We're also humble enough to question our ability to time markets. And without perfect foresight to time the market, we do not believe explicit options based tail-risk hedging is a viable long-term strategy for large institutional investors such as CalPERS.

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

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

It is our experience that explicit options-based tail-risk hedging strategies have an expected cost of three to five percent of the protected notional amount, which is about half of the expected return from the underlying asset being hedged. We are trying to hedge the
drawdown risk from global equity portfolio mainly. And as
you recall, that's the expected return for the global
equity -- it's an asset class is only about six to seven
percent. And this explicit options-based tail-risk
hedging will cause us three or five percent, so more than
half of the expected return.

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

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

The second consideration is really the
scalability. This is also the question of scale. In
addition, given the size of our portfolio, it is not only
uneconomical but also ineffective to purchase explicit
options-based tail-risk hedging strategy. These type of strategies are often executed in the options market, where, due to lack of depths in the market, it is difficult to gain enough exposure to be meaningful to the size of our portfolio.

In addition to the consideration of the cost and the scalability, there's also the fact that there were better and more scalable alternatives available to us. So as I say, that the good news is that we have other alternatives, which are more cost effective, which we can scale to size. As highlighted, one of the portfolio priorities that our Board approved is to mitigate market drawdown risk. In December, 2017, the Board approved allocations of 15 percent to factor-weighted equity, and ten percent to the long treasuries effective in June 30, 2018.

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

And at the June IC discussion, as well as on several other occasions, we discussed the implementation
of the risk segment, such as factor-weighted equity and the long treasuries as drawdown mitigation measures. And we are glad to report that during the peak-to-trough of the recent market turmoil from February 21st to March 23rd, these risk mitigation segment measures provided a drawdown mitigation benefit of more than $11 billion.

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

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

So to some degree, CalPERS experienced each of
these scenarios during the 2008 and '09 global financial crisis. Both concerns were related to our balance sheet liquidity management and a lack of centralized portfolio management framework back then.

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

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

As part of the broader active risk review in 2019, it became clear that such expensive and unscalable strategies were no longer warranted in our portfolio,
especially -- especially when better -- when better alternatives are available to us.

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

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

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

If we were to review this strategy again today, we would make the same decision. This is clear, in that had we known the COVID-19 crisis was coming, we would still have terminated explicit options-based tail-risk hedging strategy and instead done outright short on our equity exposure, because that would have been a less expensive and more scalable strategy. And, of course, we
acknowledge that we do not have the perfect foresight.

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

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

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

We learned a number of lessons from the 2008 global financial crisis. And since then, we have made some important improvements. We spent last year on three major initiatives. One, an active risk review, so we can identify our structural advantage -- advantages, as well as shortcoming, which then allows us to focus more on our core activities.
The second improvement we did last year was building a one-found, one-team culture, resulting in a more centralize governance structure, so we can allocate resources more efficiently to maximize the benefit to the total fund.

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

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

As a long-horizon organization, just managing through the current crisis is not good enough. We need to
continue to plan for the future. As we discussed this
morning, COVID-19 crisis may provide an opportunity to
accelerate our plan toward a seven percent solution. As
the market environment continues to evolve rapidly, we
will dynamically address our approach to resume our focus
on achieving a seven percent return in the long run, in
support of our -- in support of our ability to pay members'
benefits.

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

Thank you.

CHAIRPERSON TAYLOR: Thank you, Ben. I want to
thank you for that and thank you for the presentation --
sorry about that, guys -- presentation on the tail risk,
because we've heard so much about it in the news. And I
just wanted to make a quick comment that this is just a
really positive story in terms of what our success as
CalPERS left tail risk really was. And it wouldn't -- and
like you said in your comments, it's not something,
because we do hundreds of investments, we wouldn't
normally highlight. And it is under our delegated
authority for us to have it highlighted.
It's a disappointment when, you know, we're supposed to, as Board members and staff, work as a team. If there's a misunderstanding, I would hope that, you know, a phone call to you, or me, or Marcie, or whoever would be the place that we would go rather than just put it out in the ether. Unfortunately, that's what happens.

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

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

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

Go ahead Henry.
COMMITTEE MEMBER JONES: Am I on now?

CHAIRPERSON TAYLOR: You are on.

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

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

And so I remember, you know, back when we had our educational workshop back in, I think it was, May of last year. The CFA person gave the Investment Committee an in-service training. And one of his parts of his discussion and comments was managing risk through diversification. And he made comments about the -- the risk of paying hefty insurance premiums to protect the
fund. But he went on to expand on there were other
simpler types of diversification that would provide the
portfolio the investment returns without us -- without
being as expensive. So I do remember that in-service
training.

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

INTERIM CHIEF OPERATING INVESTMENT OFFICER

BIENVENUE: Mr. Jones, in order to -- I was going to say,
Jared, can you move Tom Toth, T-o-t-h from attendee to
panelist.

Thank you.

CONFERENCE MODERATOR: Yes.

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

MR. TOTH: Thank you.

Can everybody hear me?

COMMITTEE MEMBER JONES: Yes.

MR. TOTH: Great.

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

MR. TOTH: Tom Toth with Wilshire Associates. I
appreciate the opportunity to chat with you all this
afternoon. And I -- specifically, as it relates to this, I think, you know, the current market environment really provides kind of a live stress test on the organizations and individual risk tolerance. And I think it's important that we reflect on how this market volatility has the potential to impact decision-making behavior. And I think Mr. Meng did a nice job discussing how the decision made -- decision making preceded in this case and really a reasonable rationale for expanding other risk-mitigating strategies at the expense of these explicit tail-risk hedges.

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

Because one of the key structural advantages that CalPERS has is one of being a long-term investor. But that can really only be harvested when stakeholders feel like they have all of the information that they need and
that they're adequately informed. So that's just the one last comment I'll make around this specific situation. Happy to answer any questions from the Committee members or other Board members.

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

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

CHAIRPERSON TAYLOR: Yes.

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

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

CHIEF INVESTMENT OFFICER MENG: Thank you, Rob.

CHAIRPERSON TAYLOR: Okay. So my next question
is from Stacie. And then I want to remind everybody, if
you're not already -- so far, I've called on everybody who
has their camera on. But if you're going to ask a
question and your camera is off, please turn it on.

Thank you.

COMMITTEE MEMBER OLIVARES: Thank you, Madam
Chair.

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

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

CHIEF INVESTMENT OFFICER MENG: Yes. So on the
more effective and scalable mitigation strategy, are the
risk -- two risk segment work the Board approved in
December 2017 and put into effect in June 30. So these
two risk segment work provided during the recent market
turmoil from February 21st to March 23 provided the
diversification benefit of about $11 billion. So that was
the two of the four components of our risk mitigation
plan.
And the other two components is really the liquidity management framework plus the centralized governance. So as I said that you know when -- why do we need insurance? We need the insurance, because we need the money when the crisis comes. We need the liquidity. But now, given the new balance sheet liquidity management framework, we build -- we have much better visibility into our potential sources, as well as uses of balance sheet liquidity. And more importantly, you know, we build into a lot of on-demand feature into our liquidity management framework. It means that we only pay for the liquidity when we need it. As opposed to explicit insurance policy, you have to pay for the policy, you know, regardless of market conditions.

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

So the enhanced liquidity management framework is partly to make sure we have the liquidity. The other -- the last of the four components of our risk mitigation plan is the centralized governance. The centralized governance allows a more efficient allocation of that
balance sheet liquidity to maximize the benefit to the total fund.

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

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

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

(Laughter.)

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

(Laughter.)

COMMITTEE MEMBER OLIVARES: There's another thing
I was going to ask you too. So I know we have an economist speaking soon. It would be great to get a better understanding of kind of COVID-adjusted risk performance, in -- at our next meeting.

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

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

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

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

So if you combine the pandemic and you combine a recession, that intersection, how do our new risk mitigation measures then perform in that context? I mean, if this is something we anticipated before, but it would
be good to have an understanding of what we can expect over the next 18 to 24 months.

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

COMMITTEE MEMBER OLIVARES: Um-hmm. Great.

Thank you.

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

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

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

I wanted to kind of repeat some thoughts that I've expressed before. I'm really disappointed and sad that you've had to endure some of the disparaging remarks and characterizations. I hope that you appreciate that I and a lot of others still have full confidence in the CalPERS team and your leadership on these. And I would hope that if I had a misunderstanding or didn't understand something, that I would come to you or the team to understand before I would assume that experts who I trust
were trying to mislead me, or cover something up, or hide something and make disparaging remarks to the press. And I'm sorry you guys have had to endure that. And I hope that that kind of behavior will not continue in the future.

CHIEF INVESTMENT OFFICER MENG: Thank you, David.

CHAIRPERSON TAYLOR: Thank you, David.

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

Betty.

COMMITTEE MEMBER YEE: Thank you, Theresa.

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

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

CHAIRPERSON TAYLOR: Betty, one quick second.

Can everybody mute just -- I think we're getting some feedback. Thank you.

COMMITTEE MEMBER YEE: It's tricky, because, I
mean, this is something that we -- I think all of us leave to the experts. On the other hand, I think we're going to see more of these judgments being cast with respect to, you know, the position of the fund and particularly when it's in these volatile times.

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

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

We're spending more time trying to manage, you know, frankly the misinformation than we are about just trying to stabilize the portfolio as a whole. And so I would ask maybe Marcie, Ben, and working with our Public Affairs team to figure out how we can be a little bit more
maybe proactive around just how we tell this sorry going
forward. This will not be the last of armchair
quarterbacking.

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

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

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

And so, you know, to the extent that we can be
more transparent with the Board, but as well as just more
transparent generally out to the stakeholder community, and then get in front of the stories and, you know, do some proactive outreach to a curated set of reporters who really genuinely want to write the facts about what's going on with us.

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

So appreciate the feedback. Thank you.

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

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

Anybody?

COMMITTEE MEMBER OLIVARES: I move.

CHAIRPERSON TAYLOR: Okay. Moved by Ms. Olivares.

VICE CHAIRPERSON MILLER: Second.

CHAIRPERSON TAYLOR: Second by Mr. Miller.

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

COMMITTEE SECRETARY HOPPER: Theresa Taylor?
CHAIRPERSON TAYLOR: Aye.

COMMITTEE SECRETARY HOPPER: Rob Feckner?

COMMITTEE MEMBER FECKNER: Aye.

COMMITTEE SECRETARY HOPPER: Henry Jones?

COMMITTEE MEMBER JONES: Aye.

COMMITTEE SECRETARY HOPPER: Lisa Middleton?

COMMITTEE MEMBER MIDDLETON: Aye.

COMMITTEE SECRETARY HOPPER: David Miller?

VICE CHAIRPERSON MILLER: Aye.

COMMITTEE SECRETARY HOPPER: Stacie Olivares?

COMMITTEE MEMBER OLIVARES: Aye.

COMMITTEE SECRETARY HOPPER: Jason Perez?

COMMITTEE MEMBER MIDDLETON: The voice in the background, David is CalPERS. But I'm on mute.

CHAIRPERSON TAYLOR: No, you're not.

Lisa, you are not on mute.

COMMITTEE MEMBER PEREZ: Aye.

COMMITTEE SECRETARY HOPPER: Jason Perez?


COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

COMMITTEE MEMBER RUBALCAVA: Rubalcava, yes

COMMITTEE SECRETARY HOPPER: And Betty Yee?

COMMITTEE MEMBER YEE: Aye. Thank you.

CHAIRPERSON TAYLOR: Welcome to the wonderful word of videoconferencing.
So I'm going to move -- I want to make sure that we have everybody here that we need to have here before we move into 7B. So is Anne Simpson available?

INTERIM CHIEF OPERATING INVESTMENT OFFICER

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

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

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

Go ahead.

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

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

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

But the whole purpose of this new draft is to bring clarity about roles and responsibilities. This draft is not intended to change those roles and responsibilities. It reflects current practice, which is the role of the Board delegating authority to the Investment Committee. And then the Investment Committee,
through its Investment Policy, delegating to the Chief Executive, who, in turn, delegates to the Chief Investment Officer.

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

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

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

Thank you, Madam Chair.

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

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

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

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

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

But I guess what I want to do, before I kind of
point out the one section that I have concerns about, is just to maybe talk about the practical aspects of what's happened since we started the workstream process, and that is concurrently with looking at, I guess, changes like this to the delegation and other potential changes in policy.

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

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

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

And then also, I think we need to have the asset class strategic plans to really understand the total fund perspective. And so I mean, in my mind, and this is the
way kind of my head works, is that it's kind of building blocks, if you will. So I don't know how we really can say that we're retaining robust oversight responsibility with the deletion of that -- of that particular section. So I would just ask for some comment there, as well as just how we kind of accommodate all this, because I don't think, you know, really streamlining meant that we were going to be moving to this extreme of where we don't necessarily understand the construction of the overall portfolio by giving up oversight of the asset strategic --

asset class strategic plans.

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

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

So that -- that I think was really one of the guiding principles, just from a drafting perspective, but
absolutely not intending to remove -- to suggest that the Committee doesn't have oversight of those important activities, because absolutely you do. And you absolutely control that via Investment Policy.

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

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

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

However, this is the Board's document. And if in the drafting we've lost something that we are viewing as being implicit, or referenced in the policy, then it should be restored. I think we, you know, look forward to the Committee's -- the Committee's recommendations to us.
But there is no intention to change delegated authorities. That is not what this project was all about. And Controller Yee and Henry Jones, this was your workstream.

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

And I'll take your comments.

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

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

But however, this is particularly in a time like this, the idea that there would be some abandoning of due diligence, rigor, care on the risk front could not be further from our minds. So we very much look -- we're
here to make this draft simple, and clear, and efficient to help with the Board's governance project.

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

So thank you.

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

CHAIRPERSON TAYLOR: Sure.

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

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

So I'll just go on page two of four, attachment 2, where you have -- let's see, it was under the second Resolved (B), subparagraph (5), "Approve and oversee the asset class strategic plans and portfolio construction
"guidelines". I mean -- and that may be implied in the policy, but that seems like a big deal to be deleting in the delegation, at least in my mind, so -- and I think we've seen some public response to that as well.

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

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

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

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

CHAIRPERSON TAYLOR: Okay. So, Anne, did you want to answer to any of that before I go on to the next person?
INVESTMENT DIRECTOR SIMPSON: Yes. This is the Committee's document. And our job is to make sure that it is clear and it's simple. I want to reiterate this came out of the Board's own governance evaluation. And the intention is to have clarity and avoid duplication. But if there's something that has been lost in the public perception or even in where the Committee feels what's set out in this, then that needs to be -- that needs to be dealt with.

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

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

COMMITTEE MEMBER YEE: Well, yeah, that was on
example I offered. I mean I could go through the document again. And, I mean, I -- here -- here's my concerns. Anyone who looks at this exercise who may not have been a part of it, would think that we are essentially reducing our oversight responsibility with some of the deletions. True, not true, whatever, but that's the appearance of what we're dealing with.

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

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

COMMITTEE MEMBER YEE: Because -- and maybe because they had competing interests. I mean, this is a time-intensive committee. I get that. But at the same time, those of us who are serving I think have -- have a job to do. And I think when it comes down to this delegation, which is really now about roles and responsibilities, it just has to be made more clear. And
maybe, Anne, the way to do this would be to look at whatever you're deleting is to make a reference back to the policy that we haven't necessarily lost ground here, because that's what it look like. That's what it appears to be here.

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

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

COMMITTEE MEMBER PEREZ: Thank you. Betty brought up a lot of what I was going to say. I was trying to look it up, because my notes did not transfer over. I was reading somewhere it said that we have to adopt as
opposed to approve on a lot of this stuff. And I can't find where I had that, so I apologize. Kit, can you comment, did we -- did I imagine that? Keep in mind, I've been working a lot.

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

COMMITTEE MEMBER PEREZ: I'm fine with that.

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

INVESTMENT DIRECTOR SIMPSON: Right.

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

INVESTMENT DIRECTOR SIMPSON: Yes. Thank you, Kit. And thank you, Mr. Perez, for noticing that particular point. This was about being clear. So I'm sure the Investment Committee would be horrified if you actually had to conduct the asset allocation. Obviously, that's team work in practical terms between the Investment
Office and the Actuarial Office. The governing role of the Committee is oversight and approval. So that was in order to clarify roles and responsibilities.

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

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

INVESTMENT DIRECTOR SIMPSON: Oh, I apologize.

COMMITTEE MEMBER PEREZ: No. No. No. Theresa said just -- we're potentially going to go to a vote, so I'll suspend the rest of my comments or questions until after that, because they may not be necessary.
CHAIRPERSON TAYLOR: Jason, I'm not sure. I have a whole bunch of people that want to ask questions, so finish your question.

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

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

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

And I'll stop there.

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

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

Okay. And so let's start with Lisa.

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

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

Thank you.

INVESTMENT DIRECTOR SIMPSON: Thank you.

COMMITTEE MEMBER MIDDLETON: The last question that I would have, it is my understanding whatever we
approve as a Committee, this has to go back to the full Board for approval, correct?

INVESTMENT DIRECTOR SIMPSON: Yes. Correct.

CHAIRPERSON TAYLOR: That's correct.

COMMITTEE MEMBER MIDDLETON: All right. Thank you.

CHAIRPERSON TAYLOR: Okay. Next is Stacie.

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

I would also add while, you know, staff has said that authority wasn't removed, I would say that there's a temporal difference here, right? So if you're involved with conducting something or if you're involved in the review and selection versus the approval, there's major time difference. So on an annual basis, you might get a performance report, but there's a lag there, right? The performance happens much earlier and it's going to take a lot more time for that change to actually go into effect versus being involved in the selection process. So I would support holding off on making these changes right
INVESTMENT DIRECTOR SIMPSON: Thank you. I would just like to emphasize that this document does not propose to change the Board's authority. There's a -- the Board's authority comes from the California Constitution. The Committee's authority comes from the Board. This is intended to make it clear in the delegation what the key responsibilities are and to be read in conjunction with the Investment Policy, the 97 pages, which goes into all the detail.

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

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

But I absolutely respect the point you're making about timing. But I don't want the record to suggest that this is intending to change the authority, because it's not.
COMMITTEE MEMBER OLIVARES: Right. And I think there's been some misunderstandings regarding this, especially when it comes to deleting the word "conduct" and changing that with "approved". And so I think -- I understand it's important to have guidelines that are very easy to understand. But again, I think this might wait for another time.

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

INVESTMENT DIRECTOR SIMPSON: Right.

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

COMMITTEE MEMBER JONES: You missed me.

CHAIRPERSON TAYLOR: Did I miss you, Henry?

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

CHAIRPERSON TAYLOR: Oh, gosh darn it.

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

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

Okay.
COMMITTEE MEMBER JONES: Okay. Am I on?

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

INVESTMENT DIRECTOR SIMPSON: Um-hmm.

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

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

INVESTMENT DIRECTOR SIMPSON: Right.

COMMITTEE MEMBER JONES: -- (inaudible) is to see side by side what the issues are and you raised a number
of them. And then Betty and I could then, being the
members responsible for working with Anne, to come back to
this Committee with another document.

INVESTMENT DIRECTOR SIMPSON: Right.
CHAIRPERSON TAYLOR: That's what I would suggest.
INVESTMENT DIRECTOR SIMPSON: Thank you.
CHAIRPERSON TAYLOR: Oops. I think that's a
great idea. I want to get everybody's questions in before
we take a vote on that.

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

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

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

And I want to make sure that if you would do --
if you change number three to approve, that staff might just bring you one to approve as opposed to all the variables, and that's a concern.

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

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

Thank you.

CHAIRPERSON TAYLOR: Okay. Thank you, Ms. Brown.
And I am on Mr. Rubalcava, please.

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

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

On the other hand, I understand how -- what is intent can be looked at differently from different points of view. And so my question is more procedural. If this is not adopted, because I understand there's always an annual delegation, at some point there will have -- there's two questions. Do we still need to make an annual delegation or does it just rollover? And second, if there's no change or if there's -- we don't adopt this, I notice there's language that talks about the annual appointment by the President -- the Board President of an Investment Committee to be comprised of not -- no fewer
than nine members of the Board. So would that still --
will we go back to the old way or is the action -- I mean,
are we revisiting that action too, if we don't adopt this
document? That's my question. Thank you.

CHAIRPERSON TAYLOR: Anne, you want to answer
that?

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

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

And you know, the discussion at the time, I
remember was something as important as investment needs
more than one pass-through. So you measure twice, you cut
once. So by creating an Investment Committee, it's not that people are being kept out. This is creating a new body to do extra work and the full Board still retains the decision-making authority. So that's a little bit more of an answer than you answer asked for.

GENERAL COUNSEL JACOBS: Anne, if I may interject.

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

CHAIRPERSON TAYLOR: Go ahead, Matt.

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

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

So that decision would not change, but we would want to bring forward -- if nothing else was amended, we would simply want to bring back an amended delegation that reflects that decision that the Board already made.
CHAIRPERSON TAYLOR: Okay.

COMMITTEE MEMBER RUBALCAVA: Thank you.

CHAIRPERSON TAYLOR: Okay.

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

CHAIRPERSON TAYLOR: Okay.

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

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

VICE CHAIRPERSON MILLER: Thank you. You know, it strikes me that I still very much support the idea behind doing this to make things in plane English, to clarify things, to not be redundant of the -- basically, what are decisions the Board has already made or that have
been set into law for the Board about what our responsibilities, what is required of us.

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

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

CHAIRPERSON TAYLOR: Okay. Thank you, Mr. Miller. I agree -- I agree with you. I think we're about
ready to take a vote. And I think that I kind of see where -- oh, Henry, did I miss you again?

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

CHAIRPERSON TAYLOR: Yeah.

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

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

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

Thumbs up?

Okay.

COMMITTEE MEMBER JONES: Okay.

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

INVESTMENT DIRECTOR SIMPSON: Thank you.
CHAIRPERSON TAYLOR: Thank you very much, Anne and Kit. I appreciate the.
I'm going to move to public comment on this. And I don't know how that's going to work.

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

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

STAKEHOLDER RELATIONS CHIEF FOX: Madam Chair.

CHAIRPERSON TAYLOR: Go ahead.

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

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

End email.

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

"Hello. I am a California voter and I firmly
oppose the reduction of Board investment oversight as a 
rejection of its fiduciary duty. Passing a change in
oversight does not change the legal fiduciary requirements
and Board members are subject to being held legally
personally responsible should anything go wrong. It would
be a grave mistake for Board members to approve this".

End email.

From Darryl Cleveland, subject public comment for
CalPERS Board.

"I firmly oppose the reduction of Board
investment oversight as a rejection of its fiduciary duty.
We the members and beneficiaries have our hard earned
pension demand that our elected Board members represent us
and the future of our pension plan in a manner of
integrity and prudent fiduciary responsibility. It is
imperative and incumbent upon you as Board members to do
so at all times. Your role as Board members is no
different than any other elected member in a
representative governance and you only derive your role
and authority from we the governed. Therefore, we, the
governed, demand your absolute commitment and diligence on
our behalf to maintain our pension system as a solvent
entity of public service to those who have served the
public. If you cannot commit to this demand, then it is
incumbent upon you to responsibly resign your Board
position and clear the path for more committed and clear
minded persons to see this important and critical task.

End email.

From Martha Donohoe, public comment, 4/20/20

Investment Committee. To the CalPERS Board.

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

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

"Engage in more not less oversight of staff.
Make sure staff can explain and justify what they are
doing and planning and who they are doing it with. These
are obligations you undertook when you joined the Board
and it is especially important given the past history of fraud and the current economic crisis, which is still unfolding.

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

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

End email.

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

"Honorable Board, as a retired beneficiary of CalPERS, I believe this proposed delegation of the Board's Constitutional fiduciary duty to we the beneficiaries is wrongheaded, inappropriate, and quite possibly illegal under California law. It would result in there being little functional oversight by the Board of their mandated oversight duties under the California Constitution, Article 16, Section 17(s), which states, '(a) The retirement board of a public pension or retirement system shall have the sole and exclusive fiduciary responsibility over the assets of the public pension or retirement system. The retirement board shall also have sole and exclusive responsibility to administer the system in a
manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system'.

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

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

End email.

Ellen Brown. Subject, board oversight.

"What is going on with CalPERS investments when a loss of a billion dollars can be shrugged off. There must
be more oversight by 'knowledgeable'..." -- in quotes -- "...board members. The responsibility falls directly upon the Board members' shoulders. My husband is a retired correctional officer with a background in finance. He would be a more responsible Board member than the current members".

End email.

From Kathleen Astor, CalPERS Board oversight.

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

End email.

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

End email.

From David Soares. Subject Public Comment, April 20, 2020. Investment Committee, Item 7b, opposition. "My name is David Soares. I am a CalPERS beneficiary, retiring at the end of 2016 after 32 years as
I represented over 300 prosecutors and public defenders in collective bargaining for 12 elected terms on the board of the Santa Clara County Government Attorneys Association, and I currently serve as an assistant area director of the California Retired Public Employees Association.

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

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

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

"If any member of this Board feels that
discharging their constitutional duty as a fiduciary is such an inconvenience that they must unlawfully delegate that obligation to staff, I respectfully request that they submit their resignation forthwith. I caution the Board that you are each personally responsible for the discharge of your obligation to act as a fiduciary, and it would constitute a theft of public funds to expend trust monies opposing the members and beneficiaries should they seek to compel you to perform your duties”.

End email.

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

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

From Al Darby. Subject Investment Committee Public Comment.

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

"RPEA finds Item 7b misplaced in the Investment Committee agenda as a Consent Item; these proposed changes to the delegation should be fully aired as action agenda items. We believe the surrendering of Board member fiduciary duty contained in the proposed new Investment Committee Delegation to be a continuation of serious
erosion in Board oversight and its responsibility for Investment Office function and policy. Staff usurpation of more and more Board oversight duty threatens the security and soundness of the PERF and permits proliferation of non-transparency and uninformed Board decisions.

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

"All of this adds up to abdication of even more Board responsibility and fiduciary duty, if these changes are allowed to stand. RPEA urges rejection of this
consent item and recommends that the entire policy be reconsidered. Thank you".

End email.

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

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

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

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

"I request that you do not slough off your oversight of the staff and your responsibilities to
beneficiaries. It is your fiduciary duty to ensure our pension fund and investments survive.

"Thank you for your time".

End email.

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

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

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

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

"In the context of a staff member reporting to
fiduciaries, I see no other interpretation than his response being a blatant lie. The fact that your General Counsel and CEO witnessed that and have done nothing to protect CalPERS or you as Board members from liability shows your problems run deep. I strongly urge you to replace top management.

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

"Thank you, Michael McKaskle.

End email.

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

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

"Strong Board oversight needs to be maintained
now more than ever. Especially now, in light of the recent market actions and the incompetent decision regarding the exiting of a tail-risk hedge fund by CIO Ben Meng"... -- in parentheses "...(who knows what other dire consequences will rear their ugly head as a result of other not-so-transparent decisions made by the CIO and staff)..." -- end parentheses.

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

End email.

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

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

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

"I've read the media reports about staff eliminating billions of dollars in hedge protection just weeks before the market fell. I fully understand that
this action ever disclosed by staff to the Board."
   
   I think it should say "never".
   
   "Simply speaking, staff needs more oversight, not less. More importantly, when the CIO was asked about our investments at a public meeting, staff failed to advise the Board that the hedge protection had been eliminated, and that we would not be receiving billions of dollars in our hedge protection.
   
   "As fiduciaries, the Board has an obligation to its beneficiaries to consider the overall risk to the PERF, oversee staff, and conduct an Asset Liability Management Study.
   
   "As a CalPERS beneficiary, I ask that you do not abandon your oversight of the staff and your responsibilities to each of us beneficiaries. We've worked hard for, earned, promised, and need our pension to survive".
   
   End email.

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

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

"It has come to my attention that the Board of CalPERS is attempting to transfer all decision-making
authority regarding investment decisions to its staff in
violation of both its own rules and Constitution of the
State of California. So what the Board is attempting to
do is not only to brazenly avoid responsibility for their
actions, they want to not have any actions for which to be
responsible by not doing any work. This is not only lazy,
it is unconstitutional.

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

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

"I strongly urge you to not approve this
resolution. Best regards".

End email.

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

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

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

"CalPERS is afflicted with the worst crisis since the Great Depression and, based on a series of articles in the Wall Street Journal and other financial publications,
it appears that the Chief Investment Officer is not up to
his job. In the last two weeks, two of CalPERS best and
brightest employees have quit to go back to the private
sector. Ron Lagnado who has essentially -- who
especially followed Meng's career path as the fund's
Fixed Income quant and then became the deputy head of
Asset Allocation..." -- and in parentheses -- "...(and is
a CalPERS..." -- or excuse me -- ".... a Caltech PhD)...."
-- end parentheses -- "...has just left to work for an
options specialty firm.

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

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

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

"To reiterate, ERFSA firmly opposes the reduction
of Board investment oversight as a rejection of its fiduciary duty. We are committed to ensure that prudent oversight and competent management be restored to CalPERS.

"Sincerely".

End email.

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

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

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

"The CalPERS Board needs to exert more rigorous oversight, not less. And if you choose to delegate more oversight to unqualified people like CIO Meng, your fiduciary duty means that you are liable to lawsuit and
could go bankrupt when the staff continues to behave like CIO Meng has been behaving recently".

End email.

From Tim Behrens. Subject, Investment Committee.

"I'm giving public testimony on agenda item 7B. Good morning, Committee Chair and Committee members. My name is Tim Behrens, President of the California State Retirees. I am speaking against the strike-out language in Agenda Item 7B, attachment 2, delegation of authority.

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

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

End email.

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

"I have read the financial press with growing alarm about recent failures by CalPERS to protect adequately the retirees and taxpayers of California. This shows that the current direction, reducing Board meetings and reducing oversight is wrong. I call upon the Board to wake up and take its constitutional required fiduciary
duty much more seriously. We need much more oversight, not less".

End email.

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

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

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

End email.

From Joseph Papa. Subject, Board Investment oversight.

"Good morning. My name is Joseph Papa and I am a retiree dependent on the PERS pension program. I have just read the Naked Capitalism article stating that the PERS Board is considering reducing its already paltry efforts to perform its responsibility to guide the PERS staff toward safe and sane investment strategies. If you cannot be bothered to do what is required to provide this
guidance, then I suggest that you remove yourself from the Board in the interests of its members and beneficiaries.

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

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

End email.

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

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

"Remember that as a fiduciary, you are held to
the highest standard. I also point out that the liability waiver agreement you entered into with CalPERS is a probable Government Code 1090 violation and will offer little protection.

"Please reject the proposal. Thank you".

End email.

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

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

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

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

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

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

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

That concludes public comments for items 7B.

Madam Chair, back to you.

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

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

(Dog barking.)

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

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

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

In terms of the disclosure or why there -- the Board didn't know or not, there are two major considerations. One is the materiality. As we mentioned that the termination decision was made really as part of the broad active risk review -- strategy review of last year. And, in total, we redeployed capital $60 billion dollars. And this strategy only represent only a quarter percent of the capital total -- total capital redeployed.
On the total fund level, it is not even four basis points. So in terms of materiality, it does not rise to the level to report to the Board, one. For two, the termination of the strategy was continuing — continued until the end of last month. And I just know what these kind of securities kind of illiquid in the market.

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

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

So since I returned to CalPERS as CIO on January 2nd, 2019, I have been discussing with the Committee on our tail-risk hedging strategy in the context of a portfolio over four components, equity segment, long treasury segment, enhanced benefit liquidity management, and then centralized governance structure. And this four-part strategy is working largely as expected. That's
my answer to that Board Member's question, that from what we know, most of these strategies are performing as anticipated.

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

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

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

So that's my answer to Madam Chair.

CHAIRPERSON TAYLOR: Ben, thank you very much.

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

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

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

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

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

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

CHAIRPERSON TAYLOR: So next is Mr. Miller.

VICE CHAIRPERSON MILLER: Thank you, Madam Chair. I think this kind of reiterates to me that it's really incumbent on us to communicate with the stakeholders to help them understand when there's things that they are liable to misunderstand or be actively misinformed about
and we can anticipate it, that as Board members, it's incumbent on us to help them understand. For example, that changes are not an abdication of responsibility that do not change anything about our responsibilities and are not us failing to be effective fiduciaries, or -- and that these things don't indicate that we're not doing our job, or that staff are not doing their job, or are criminals.

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

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

CHAIRPERSON TAYLOR: Thank you, Mr. Miller. I am seeing that Rob wanted to talk, is that true, Rob?

COMMITTEE MEMBER FECKNER: It is.

CHAIRPERSON TAYLOR: All right.

COMMITTEE MEMBER FECKNER: (Inaudible).

CHAIRPERSON TAYLOR: Yes, you are.

COMMITTEE MEMBER FECKNER: Thank you Madam Chair. Well, first, I want to join in with Mr. Perez and Mr. Miller in their comments. Very well stated. I do also want to thank all of the folks that took the time to write in. Unfortunately, I wish you'd been given more accurate information. I think Mr. Meng did a good job earlier today explaining the situation. And again, this afternoon, I think he did a good job explaining why he did what he did, and explaining the conversation that took place at the Board meeting.

I do want to state for the record that I heard a number of times in those emails about the March Board meeting. We didn't have a Board meeting in March, folks. So I want to make sure that we have that correct on the record. That conversation took place in February. So again, there was even more time for anyone to reach out to Mr. Meng and ask for clarifying information.
Beyond that, I just can't sit back and watch staff continue to be berated, especially I believe it was Mr. Soares that said unqualified staff. Unqualified? Sir, who gave you the ability to say who is qualified or unqualified? These people work hard every day. This is the same staff that has come to work every day during this entire Coronavirus outbreak. Twenty percent of them coming into the building every day, making sure that your retirement checks are paid every month on time, that your health care is taken care of, that you're always put in the right place. They're protecting you.

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

Thank you.

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

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

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

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

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

I do know that there was one news media that had an opportunity before they released their story, they did call Mr. Meng, and they did have a -- didn't have a more balanced story, because they was able to hear from Mr.
Meng of what his -- what steps he had taken. So I would just hope all of those who are sending out information to others, that they do the same thing.

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

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

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

COMMITTEE MEMBER JONES: We're not --
CHAIRPERSON TAYLOR: First -- I'm sorry, we're going to take a vote first and then go on break. So Lisa, go ahead.

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

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

COMMITTEE MEMBER JONES: I am --

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

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

COMMITTEE MEMBER JONES: No. No.

GENERAL COUNSEL JACOBS: This is Matt Jacobs speaking.

COMMITTEE MEMBER JONES: Yeah.

CHAIRPERSON TAYLOR: Okay.

GENERAL COUNSEL JACOBS: I think that you can -- you will have to send it on back and bring it forward the next time. And having done some checking, by the way, on Mr. Rubalcava's question, the document as it stands now
does, in fact, effectuate the decision by the Board last
fall about changing the makeup of the Board. It's just --
it's a little bit confusing when you look at it, because
that's got some verbiage changes with respect to those
particularly revisions. But it -- as it stands, the
delegation does, in fact, effectuate that decision.

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

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

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

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

COMMITTEE MEMBER MIDDLETON: Thank you, Madam
Chair and I will keep it short. I second all of the
comments that were made by my colleagues. These are very
difficult times. It is incredibly easy to scare people.
It is very difficult to bring facts back to the situation
once people have become frightened. We need, as one of
our obligations, to ensure that all of us who are
dedicated to defined benefit pensions are working
together, Board and staff, to make sure that we're doing
everything that we can to move through this crisis
together.

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

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

Thank you.

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

(Off record: 5:07 p.m.)
(Thereupon a recess was taken.)
(On record: 5:21 p.m.)

CHAIRPERSON TAYLOR: It is 5:22. We are back on.
Just want to say our next item is information consent items. I did not have any requests to pull anything from information consent.

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

COMMITTEE SECRETARY HOPPER: Madam Chair?

CHAIRPERSON TAYLOR: Yes.

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

CHAIRPERSON TAYLOR: 8c?

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

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

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

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

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

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

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

End email.

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

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

"I'm also a member of Fossil Free California, a wonderful organization that is committed to making sure our grandchildren and their grandchildren will continue to
live in a healthy world.

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

"Thank you for your time and consideration".

End email.

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


"Please consider and then act on the need to divest from the fossil fuel industry that threatens the health of the planet. Please reflect on the importance of your role in lowering the Carbon Dioxide greenhouse effect..." - in parentheses - "...(414.5 ppm) that continues to threaten most at-risk populations around the world. It took two years for the City of Fremont to make a decision and divest, but they understood the long-term consequences financially and for the critical differences
it would make for California. Your time is now. With
respect, best wishes, and request that you act morally and
with financial wisdom. Richard Godfrey".

End email.

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

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

End email.

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

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

"We are very concerned about the continued
investment in fossil fuels given their grim projections
for our planet, their growing crisis supply glut, and the
dependence on the financial overestimation of in-ground
assets.

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

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

"Thank you for your consideration".
Louise Chiatovich and Kevin Crawford.
End email.

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

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

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

"I want CalPERS to divest because this is a moral issue. I feel sick that my retirement money and that of my friends and family is being used to fund climate/human rights catastrophe. I want CalPERS to divest because it is one of the largest retirement funds in the world and its divesting would set an example for the entire world and make a difference -- a real difference. I also want to divest because fossil fuels are performing badly as an investment and a growing number of reputable financial analysts and advisors are saying that their performance will only get worse as the world shifts to clean,
renewable energy, and as rational governments take action to protect the planet.

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

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

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

"Sincerely".

End email.

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

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

"Last year, at the March 2019 Investment Committee meeting, I commented on CalPERS' sustainable
investing program. I don't understand why this and other items that were previously part of the open session are now in the closed session. CalPERS may hold closed meetings..." in parentheses[SIC] -- "...'when considering investment decisions'" - end parentheses[SIC].

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

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

"Moreover, the reputational risk of holding these stocks is apparent even to television pundits like Jim Cramer, who in January announced on his program the 'death knell' of fossil fuels. He went on..." - in quotes - "'...fossil fuels...they're just done. We're starting to
see divestment all over the world...It's going to be a parade that says, 'Look, these are tobacco and we're not going to own them.'" - end quote.

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

End email.

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

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

"I am glad that CalPERS is cautious with the pension money I depend upon for my healthcare. Our present circumstances with the COVID-19 pandemic certainly illustrates the need for long-term sustainability and caution in taking risks. As an advocate of eliminating fossil fuels from the CalPERS' portfolio for the sake of preserving a livable climate on earth, I am actually proposing a cautious approach to risk by calling for divestment.
"Fossil fuel assets have been losing value for a decade now and they are in danger of becoming stranded assets. The Corporate Knight Report revealed that had CalPERS divested from fossil fuels ten years ago, CalPERS would have generated an estimated additional $11.9 billion in value. In other words, CalPERS would do better financially to divest.

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

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

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

"Thank you for your consideration".
End email.

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

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

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

"Falling renewable prices, now followed by falling energy storage prices, are putting an all-electric energy system within reach. It is no wonder that the value
of fossil fuel holdings is declining, nor is there any reason to think that it will recover.

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

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

"Please consider the scope and scale of the disasters that the fossil fuel industry has wrought already and the dreadful future, social, financial,
ecological, that is in store if we do not end our
relationship with it and do the right thing, divest from
fossil fuels now.

"Thank you".

End email.

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

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

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

"First, we watch with horror as COVID-19 kills tens of thousands and brings untold suffering to millions
across the globe. Extreme crises like these will become more common as climate change accelerates.

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

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

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

"Thank you".

End email.

Finally, Arnold Erickson, subject fossil fuel investments.

"As a CalPERS member, retired, I want to express
my concern with investing in fossil fuel. Whether viewed as a matter of environmental necessity or financial policy, it is time to divest".

End email.

That concludes public comment on item 8C, Madam Chair

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

I think that's Dan, right?

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

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

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

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

VICE CHAIRPERSON MILLER: I'll second that.

CHAIRPERSON TAYLOR: Sorry I clicked on something else.

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

COMMITTEE SECRETARY HOPPER: Thank you, Madam Chair.

Robert Feckner -- Rob Feckner?

COMMITTEE MEMBER FECKNER: Aye.

COMMITTEE SECRETARY HOPPER: Henry Jones?

COMMITTEE MEMBER JONES: Aye.

COMMITTEE SECRETARY HOPPER: Lisa Middleton?

COMMITTEE MEMBER MIDDLETON: Aye.

COMMITTEE SECRETARY HOPPER: David Miller?

VICE CHAIRPERSON MILLER: Aye.

COMMITTEE SECRETARY HOPPER: Stays Olivares?

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

CHAIRPERSON TAYLOR: Oh, I did not see it till
just now, Stacie. I'm sorry.

COMMITTEE MEMBER OLIVARES: So how should I proceed?

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

Go ahead, Stacie.

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

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

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

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

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

COMMITTEE MEMBER OLIVARES: I understand that. I understand, but he was their primary
CHAIRPERSON TAYLOR: Anybody want to address that?

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

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

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

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

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

INTERIM CHIEF OPERATING INVESTMENT OFFICER

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

COMMITTEE MEMBER MIDDLETON: All right.

INTERIM CHIEF OPERATING INVESTMENT OFFICER

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

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

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

COMMITTEE MEMBER YEE: No.

CHAIRPERSON TAYLOR: No. Okay. Sorry. I saw
your mic was off.

But anyway, go ahead, Pam.

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

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

COMMITTEE SECRETARY HOPPER: Rob Feckner?

COMMITTEE MEMBER FECKNER: Still aye.

COMMITTEE SECRETARY HOPPER: Henry Jones?

COMMITTEE MEMBER JONES: Aye.

COMMITTEE SECRETARY HOPPER: Lisa Middleton?

COMMITTEE MEMBER MIDDLETON: Aye.

COMMITTEE SECRETARY HOPPER: David Miller?

VICE CHAIRPERSON MILLER: Aye.

COMMITTEE SECRETARY HOPPER: Stacie Olivares?

COMMITTEE MEMBER OLIVARES: Abstain.

COMMITTEE SECRETARY HOPPER: Jason Perez?

COMMITTEE MEMBER PEREZ: Aye.

COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

COMMITTEE MEMBER RUBALCAVA: Aye.

COMMITTEE SECRETARY HOPPER: Betty Yee?

COMMITTEE MEMBER YEE: Aye.

CHAIRPERSON TAYLOR: All right. Motion carries.
Thank you, everybody.

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

INTERIM CHIEF OPERATING INVESTMENT OFFICER

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

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

(Thereupon an overhead presentation was Presented as follows.)

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

And second, as soon as we found out about it, we
were immediately on the phone to the CalPERS organization
to inform them of that and that was prior to the contract
being signed. So we pride ourselves on being up front and
I just wanted to make that one comment recognizing that
you've voted.

COMMITTEE MEMBER MIDDLETON: Thank you. I
appreciate that.

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

COMMITTEE MEMBER JONES: Lost the sound.

MR. TOTH: Can you hear me?

COMMITTEE MEMBER JONES: I can't hear.

MR. TOTH: Can you hear, Henry?

COMMITTEE MEMBER JONES: Now, I hear you.

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

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

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

--o0o--

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

I maintain a relatively cautious view here, given that the uncertainty around the spill-over effects are quite extraordinary. And I think I wanted to make one comment around investment risk versus uncertainty. We're living in a very uncertain world and I draw the distinction between that and investment risk, because it -- it really, I think, highlights the challenges with this pandemic, in that uncertainty is not really quantifiable, whereas investment risk is understanding
what a distribution looks like and being able to construct a portfolio to manage through that distribution.

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

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

--o0o--

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

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

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

On the very next page --

--o0o--

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

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

--o0o--

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

I think it's important to remember that risk premium, just because it has expanded, that doesn't
necessarily mean it's going to contract in a rapid fashion. And I think a lot of that has to do with that risk versus uncertainty dynamic I started off the discussion with. I think investors are going to appropriately look at the potential for a second wave around the globe and the impact that that would have on economic markets, and taking that into account when they're looking at how to position their portfolios. And so I want -- I think it's important to be prudent and to really stress the benefits of rebalancing, based on your strategic plans, as the best way of managing through these very quick short-term dislocations, why the eye to planning strategically utilizing the best available information in the asset liability, the asset allocation work that the Board and the Investment Committee is tasked with.

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

--o0o--

MR. TOTH: And this is where I will stop. Over 2019, the portfolio was up just over 17 percent at 17.3. The -- it was right -- almost right in line with its policy fund benchmark. The slight underperformance from public equity was offset by positive contributions from
private equity and fixed income, and a substantial positive impact from the real asset portfolio.

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

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

'You're on mute."

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

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

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

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

MR. MCCOURT: Thank you. Am I coming through okay?

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

(Thereupon an overhead presentation was presented as follows.)

MR. MCCOURT: Excellent. So we've provided in
your material our private equity, real estate, and infrastructure semiannual reviews. I'll be going through just some verbal summaries of each and then happy to answer questions afterwards. I do want to note that our real estate infrastructure and private equity teams are on the phone as well, if there's more detailed questions that the Investment Committee has.

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

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

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

At the end of the year, lower risk core real estate represented 87.1 percent of the real estate
portfolio. And in aggregate, that core real estate was in excess of 92 percent occupied and generating more than four percent annual net distributions. The real estate portfolio was leveraged conservatively at a 30 percent loan-to-value and over three times debt service coverage ratio.

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

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

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

In the real estate space, that's likely to manifest itself in a variety of ways. While through March 31st, we believe, based on conversations with real estate managers, that real estate valuations will likely hold up fairly well. We don't expect the industry in the
aggregate to see significant losses. We do expect that over the second and third quarters of this calendar year, you're likely to see reductions in the value of real estate properties as you become -- you roll on to full quarters of reductions in rent. And cash flow is somewhat offset by the reduction in the interest rates, which are used to discount those future cash flows.

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

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

Since 2011, now a total of $34.3 billion in cash has been returned to CalPERS, net of all contributions, fees, and expenses into the private equity program. For calendar year 2019, net cash flow was two and a half billion dollars.
For the calendar year, staff committed a total of $6.9 billion to private equity investments. That was the highest total since 2008.

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

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

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

In terms of the market for private equity, 2019 was a very strong year for the market in terms of transactions, capital flows, and valuations. That has all changed in the last six weeks. The private equity transaction volume has slowed considerably since the Coronavirus and the shutdown of the global economy as a
It is too early to know the performance impact of the asset class through the Coronavirus slowdown. Our early indications are that we're likely to see first quarter returns for the asset class down in the neighborhood of five to 15 percent in aggregate, but we'll learn a lot more over the next few weeks and quarters.

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

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

As a reminder, like real estate, the vast majority of infrastructure that you have is in core assets, which are intended to be more defensive than value added or opportunistic sectors of the market. Eighty-three percent of the assets were defined as core at the end of the year. Fifty-six percent of the infrastructure assets were in the U.S., 44 percent outside
the U.S. And leverage on the portfolio was well below policy limits. The loan-to-value ratio of the portfolio was 44 percent. The policy maximum was 65 percent. The performance of the infrastructure portfolio for CalPERS continues to be superb. The one-year return was 7.3 percent. That was 2.8 percent above the infrastructure benchmark.

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

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

In the aggregate, the asset managers we speak with, much like private equity, are guiding first quarter returns in the neighborhood of minus five to minus ten percent. But the bulk of the impact from the economic slow down is more likely to be felt in the second and potentially third quarters.
With that, I will conclude and happy to answer any questions that the Committee has.

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

You're not on, Stacie.

COMMITTEE MEMBER OLIVARES: Can you hear me?

CHAIRPERSON TAYLOR: Yeah, now I can.

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

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

COMMITTEE MEMBER OLIVARES: Thank you.

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

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

CHAIRPERSON TAYLOR: Thank you.

Next is Ms. Middleton.
COMMITTEE MEMBER MIDDLETION: Thank you, Madam Chair.

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

Thank you.

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

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

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

With respect to the retail allocation of the portfolio. We do believe the real estate portfolio is well diversified by sector. We also believe that on the whole, the quality of assets that CalPERS holds within its real estate portfolio are of somewhat higher quality than the industry as a whole.
The final thing I want to note with retail is CalPERS took the step last year, well in advance of the real estate market at large, of writing down the value of its real estate retail assets, when it became apparent that retail traffic well before Coronavirus was declining because of the so-called Amazon effect. So we viewed that as the responsible thing to do and also sort of highlights the level of conservatism in the management of the real estate portfolio.

COMMITTEE MEMBER MIDDLETON: Thank you.

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

MR. McCOURT: Well, the volatility of the markets and the portfolio as a whole challenges private equity in a couple different ways. From a strategic perspective, probably the most significant impact is on the pacing of the Private Equity Program. If public market stocks are moving up and down quite rapidly as they have for the last six to eight weeks, and they may continue to, it makes it a little harder for staff and all investors to plan for how much capital they should be deploying in private equity in order to achieve a target allocation. Staff is aware of that, of course, and is constantly reevaluating
pacing models to make sure that the commitment pacing is appropriate, given -- given the market volatility that we're seeing.

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

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

COMMITTEE MEMBER MIDDLETON: Thank you, sir.

CHAIRPERSON TAYLOR: Ms. Yee.

COMMITTEE MEMBER YEE: Thank you, Madam Chair.

Actually, also on private equity, I was noticing on, I think it was, slide five about the pace of commitments. And it looked like it may have slowed in the second half of the year. And I just wanted to see what that was attributable too. I think it went from nine to three, whether that was a change in the quality -- or the
lack of quality investments or whether there was a change in strategy, lack of staff resources. What's your observation there, Steve?

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

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

COMMITTEE MEMBER YEE: Thank you.

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

(Thereupon an overhead presentation was presented as follows.)

CHIEF INVESTMENT OFFICER MENG: Good afternoon Madam Chair. This is Ben. Ben Meng. Actually, this item
will be covered by our Chief Economist, John Rothfield and Eric Baggesen, the Managing Investment Director of TLPM.

CHAIRPERSON TAYLOR: Great.

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

Eric and John, are you on the line?

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

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

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

INVESTMENT DIRECTOR ROTHFIELD: Okay.

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

CHIEF INVESTMENT OFFICER MENG: Oh, okay. Eric.

MANAGING INVESTMENT DIRECTOR BAGGESEN: Sorry.

The muting wasn't working okay.

CHIEF INVESTMENT OFFICER MENG: Okay.

MANAGING INVESTMENT DIRECTOR BAGGESEN: Anyway.

It's Eric Baggesen Managing Investment Director for Trust Level Portfolio Management. And obviously, a lot of the material in this -- in this presentation is incredibly dated now that we've had three or four months of just
unusual activities.

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

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

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

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

And I think now if we could just turn to page six of the presentation material.
MANAGING INVESTMENT DIRECTOR BAGGESEN: I just wanted to make a couple of comments about the positioning of the fund. And one comment echoing back to Ms. Olivares' question about the COVID-19 effect on the risk mitigation or diversification in the portfolio.

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

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

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

In relation to the risk comment -- and Ms. Olivares, I thought that was an interesting question that you asked about the effect of the virus on the risk
mitigation efforts. And this is actually a discussion that we're having currently within the Investment Office about the ability of the treasury portfolio to continue to provide the sort of downside protection once you've reduced interest rates to the level that they currently exist in the portfolio.

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

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

So John.

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

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INVESTMENT DIRECTOR ROTHFIELD: The -- again, the economic environment has changed a lot since these slides were put together and represent what the economy looked
like at the end of the calendar year, so halfway through the fiscal year. But they are slightly relevant, because the economic cycle is a continuum. So it is important to note that at the end of last year, the economy had -- the U.S. economy had grown by 2.3 percent. That was very much the average for the ten and a half year expansion cycle.

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

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

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

The main problem concerning the economy had been the labor market was starting to get tight. At the height of the last recession, we had had 14 million people
unemployed -- 14 to 15 million. And as of the turn of the
year, we had only five million people unemployed. That
sounds like a large number, but it's basically frictional
unemployment when you get down that low.

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

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

And I just wanted to mention three points, which
I think are decision imports. One is the depth, shape,
and length of the current recession, presuming that the
expansion ended in February. I'll throw a couple of
numbers at you. One is the shortest recession since the
World War II has been six months. The average has been 11 months. The GFC was 18 months.

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

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

Those programs together, once the PPP is enhanced, could amount to two -- $2 trillion, which is about ten percent of one year's growth through the end of
this year. And the second element, of course, is how quickly we can de-stage the lockdown that we've been in now. And there's a huge amount of uncertainty around that, particularly if we have to go back into lockdown.

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

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

The announcement effect of that and the pure growth of money supply, which is now 15 to 20 percent a year, almost double what it got to in the GFC, that is expected to promote some kind of at least temporary asset price recovery. And that's basically what we have seen since the central banks started to do that. So I think it is an important question.
The response of the central banks and also the
governments has been so aggressive and so proactive this
time, that at least it temporarily alleviates the downside
pressure that we've had on asset prices. And then as a
long-term investor, probably the most important question
is, is this the kind of recession that forces the U.S.
economy into more like a secular stagnation or some of
the -- one of the terms used is Japanification of the U.S.
economy.

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

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

So I think one of the more negative elements to
this is, firstly, probably the recession is going to be
longer than the hoped for minimum of six months we've
experienced since the -- since the war. And it's not evidently the case that that's priced in.

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

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

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

CHAIRPERSON TAYLOR: Okay. Thank you, John. Thank you, Eric. That -- I just had a -- I don't see any
questions from anybody else, but I had a couple of
questions for you, John.

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

(Laughter.)

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

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

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

So I think we're on our way from 25 to 40
percent. We're not on our way from 30 to 100 percent,
unless -- unless this is a really bad an prolonged situation.

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

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

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

CHAIRPERSON TAYLOR: Yes. Yeah.

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

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

(Laughter.)

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

I just had another one more comment and then I
have someone else. So you had talked about the supply
chain. And I think it's really relevant here that the
supply chain is disrupted because people can't work. And
I think that it -- I wonder what your take is on the human
capital. Somebody gets sick and then the entire world
gets sick, and our workers can't work. I just wanted to
know if -- how you -- I mean, that's a huge disruption of
the supply chain, let alone just working people here. So
I wonder, if you could comment, on that as a risk that we
hadn't really taken seriously.

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

cetera.

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

So in one scenario, supply chains become more
complicated, where you -- where you get back-up supply
happening. The idea that all that countries are going to
go back to homebase, hopefully there will be some of that
with regard to the U.S., but more than -- more likely than
not, it's going to become a complex issue and firms are
going to have to deal with it in a strategic manner. And
they're not going to be able to necessarily increase their investment. They're going to divest in one area and increase their investment in another.

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

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

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

CHAIRPERSON TAYLOR: All right. Thank you. I have a question from Ms. Middleton.
COMMITTEE MEMBER MIDDLETON: Right. Thank you, Madam Chair. And, John, thank you. Very enlightening.

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

INVESTMENT DIRECTOR ROTHFIELD: That's right.

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

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

But we've already had some retail sales data for the month of March, which suggests that there has been, you know, the usual suspects, hotels, airlines, eating out, leisure and hospitality in general. Spending has come down. Some areas have held up fairly well, obviously, online spending. Although, it was initially
for emergency goods. Building materials and gardening supplies. Apparently, folks are taking advantage of these lockdowns and doing some work around the house. So there have been some areas where there has been some growth.

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

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

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

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

Ms. Yee.

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

INVESTMENT DIRECTOR ROTHFIELD: Is that a question for Eric?

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

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

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

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

CHAIRPERSON TAYLOR: Eric?

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

CHAIRPERSON TAYLOR: Eric.

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

CHAIRPERSON TAYLOR: Eric.

MANAGING INVESTMENT DIRECTOR BAGGESEN: Eric.

COMMITTEE MEMBER YEE: I think you volume is --

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

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

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

(Laughter.)

CHAIRPERSON TAYLOR: That's not funny.
CHIEF INVESTMENT OFFICER MENG: Eric, can you hear us? Eric? Eric, can you hear us?

MANAGING INVESTMENT DIRECTOR BAGGESEN: Am I coming through?

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

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

CHAIRPERSON TAYLOR: Not yet, Eric.

CHIEF INVESTMENT OFFICER MENG: -- Ms. Yee --

Madam Chair and Ms. Yee, do you mind if I take on this question?

COMMITTEE MEMBER YEE: Sure.

CHAIRPERSON TAYLOR: Sure.

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

CHAIRPERSON TAYLOR: Rocko.

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

So every day we assess the situation and we have
developed a number of metrics to monitor our liquidity coverage ratio for overnight, for a week, for a month, 90 days, even out to six months. And we're happy to report to you that because of the work -- most of the work we did last year -- the team did last year by building out a diversified -- a large number of diversified types of recent liquidity.

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

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

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

And as one of the examples I mentioned this morning in the closed session, you know, when the
treasury -- some part of the treasury and agency mortgage became illiquid, this when a security was very liquid. In terms of trading liquidity, it was very liquid in the last crisis.

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

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

COMMITTEE MEMBER YEE: Yeah. No. Thank you.

It's just -- there is -- I'm just curious about all of these -- the interactions of just what we've seen over the last period of weeks, including the Federal Reserve's actions in terms of -- excuse me -- buying out treasuries, and then also --

CHIEF INVESTMENT OFFICER MENG: Yes.

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

CHIEF INVESTMENT OFFICER MENG: Yes. Yes. Just on that note, I have to say, in a way, that's -- you know, this crisis really started out as a public health crisis --

COMMITTEE MEMBER YEE: Yeah.

CHIEF INVESTMENT OFFICER MENG: -- unlike the
past crisis, right, 2008 was a financial market crisis. And then 2000/2001 was the tech bubble was a real economy crisis.

But this time around, it's a public health crisis caused a crisis in the real economy. But so far, the Fed has been very effective in terms of ensuring that it doesn't turn into a financial crisis. So for that so far, I have to say that the Fed have made very decisive and very aggressive decisions very -- took very swift actions.

And for that, I give the Fed a lot of credit for ensuring that the financial markets continue to function.

And as you know, the fiscal policy are targeting the real economy. So you know, we are addressing the symptoms and making sure the financial market continue -- continue to function. But the real economy is still a function of the public health crisis, of the pandemic.

COMMITTEE MEMBER YEE: Right. Thank you.

CHAIRPERSON TAYLOR: Woops. Okay. So next I have, Stacie, did you already ask your question?

No?

COMMITTEE MEMBER OLIVARES: No, I didn't.

CHAIRPERSON TAYLOR: Okay.

COMMITTEE MEMBER OLIVARES: And it's going to be quick, I promise.

CHAIRPERSON TAYLOR: No. It's my bad. I'm
just -- there were other conversations here, so everybody got lost.

(Laughter.)

COMMITTEE MEMBER OLIVARES: John, this one is for you. So I'm finding it hard to kind of model the predicted economic impact of COVID, because policies differ by state. It's just beginning to go up the curve in some countries, but other countries, you know, they've already flattened their curve.

How are you modeling this?

INVESTMENT DIRECTOR ROTHFIELD: Well, we're looking at the data from Georgetown. We're looking at the data from Washington. (Inaudible) Looking at all kinds of just -- (inaudible) -- coming out of medical experts, and also the brokers are doing a lot of that as well. So the -- one scenario, for example, is the state that's been worst hit, which is New York State.

COMMITTEE MEMBER OLIVARES: Yeah.

INVESTMENT DIRECTOR ROTHFIELD: -- could start to, as of June 1, move to say stage one of relaxation, very modest relaxation. So we do think about it on a regional basis, and -- but then we're also watching experience over -- abroad where countries like Germany and Norway have relaxed their -- relaxed their shutdowns a little bit, and so has South Korea. And you've seen a --
maybe a reflaming of cases in some of those situations.

So I think the -- that's a key issue for how long
this recession is going to be. When you're talking about
a typical disaster, you get a disaster, and then you get a
rebuild, it actually adds to GDP later on. But the
scenarios that we're talking about here are so wide.

The estimates for U.S. growth this year go from
anywhere from, you know, minus three percent to minus 12
percent, depending on what you assume for the rate of
cases, the rate of lockdown mitigation, things like that.

So I would say right now, we have an idea about what the
investor community is assuming for the rate of recovery of
the economy.

The shape is actually called a swoosh. The way
you have a big deep decline in activity and then kind of
bended recovery. But the range of uncertainty around that
is huge right now. And so we do follow the data by state
and regional. We do follow the data internationally to
try and got a handle on what we can expect. China is the
obvious case where China flattened their curve out quite
early, and then we actually have some good data from China
about what happened in the first quarter of the year and
then what's happened in the month of March and the early
part of April. They have a lot of high frequency data
that does tend to suggest that they had a very deep
decline of the kind that we're expecting in the U.S.

The return to work has actually been quite slow, particularly on the retail side. The production side has picked up a bit with the retail side. So one of -- one of the ways that we're looking at this is simply looking at countries which are ahead of us in terms of getting back to work, which is China.

And so far, the message there is mixed. It's more like a little frustrating at how slow things are getting back to normal.

COMMITTEE MEMBER OLIVARES: Thank you.

INVESTMENT DIRECTOR ROTHFIELD: Sure.

CHAIRPERSON TAYLOR: Mr. Feckner. I have a question from you, it looks like, and my dog.

COMMITTEE MEMBER FECKNER: Not from me.

CHAIRPERSON TAYLOR: Okay.

COMMITTEE MEMBER PEREZ: Your mic is off Theresa.

CHAIRPERSON TAYLOR: I think that was all the questions. So if there's another question that I missed, wave your hand at me. I'm not seeing any other questions.

Okay. Then we're going to move on. That was -- and that was trust level review CalPERS, 10b.

We're on 10c. I think that is James and Anne. I'm guessing at this point.

CHIEF INVESTMENT OFFICER MENG: On the agenda
item it says Dan and Simiso. So, Dan and Simiso --

CHAIRPERSON TAYLOR: Simiso and Dan, I see it.

Yeah.

CHIEF INVESTMENT OFFICER MENG: Yeah, the media
team, can you promote Simiso to be the panelist from
attendee?

(Thereupon an overhead presentation was
presented as follows.)

CONFERENCE MODERATOR: All right, Simiso, you
should be able to turn you video and your audio on.

INVESTMENT DIRECTOR NZIMA: Can you see me?

Hello?

INTERIM CHIEF OPERATING INVESTMENT OFFICER
BIENVENUE: Yeah, we can see you.

CHAIRPERSON TAYLOR: We can see you.

CHIEF INVESTMENT OFFICER MENG: We can see you.

CHAIRPERSON TAYLOR: I can't see your chin

though.

INVESTMENT DIRECTOR NZIMA: Perfect. I think the
lighting was made for the morning and we ran -- we ran --
we ran until this evening.

Thank you, Madam Chair and good evening, members
of the Investment Committee.

If we could move on to slide two.
INVESTMENT DIRECTOR NZIMA: Before I jump into --

into the actual presentation, I just want to spend a few
minutes talking about the impact of the COVID-19 pandemic
on proxy voting and corporate engagement activities.

The 2020 proxy season is like no other that we've
experienced before. We're having companies that are
postponing annual general meetings. Some companies are
moving from in-person meetings to virtual-only meetings.
So we're not the only ones who are having a virtual
meeting. And some companies are even canceling engagement
calls that we have with them.

What has changed for us, you know, if you look at
our approach in terms of what we're looking at, is that
for every engagement call that we're having during this
time during this proxy season, we're actually starting
asking companies and discussing the impact of COVID-19
pandemic on their business operations, on their financial
condition, on the human capital management, consumers, and
communities, and asking the companies to explain to us the
Board's role in oversight as far as this pandemic is
concerned.

So really we have shifted a little bit in terms
of our approach in terms of engagement to emphasize these
issues, because we think these are issues that matter
quite a lot, and we understand that each company has, you
know, each -- the case for each company is different, and as such, really there's one case fits all. Some companies are struggling and, you know, financial -- financially, but some companies are able to do more for their workers and so forth.

Having said that, I'll jump into the actual presentation. If we can turn to slide two.

--o0o--

INVESTMENT DIRECTOR NZIMA: Really here, the -- I won't spend too much time on this slide, but just to say that we are right at the peak of proxy season and we are going to be watching over 8,000 annual general meetings between now and the end of June. Our priorities really haven't changed. We have the three main priorities in terms of our engagements, which is climate change, corporate board diversity, and executive and employee compensation.

Again, if I sound like a broken record, it is a good thing. These are things that were identified through the ESG -- the five-year ESG strategic plan, which was adopted by the Investment Committee in August 2016. So these are the priorities that we're looking at. And then situationally, we do look at other things as issues -- issues arise.

Moving on to slide three.
INVESTMENT DIRECTOR NZIMA: Really, this is looking back at the 2019 proxy season. Again, I'm not going to spend a lot of time on this slide, because we have seen some of this information. But just to highlight two areas in terms of improving corporate board diversity. We've seen that companies that we've engaged have added -- you know, 53 percent of the companies that we've engaged have added diverse directors to their Board.

And again, to emphasize in terms of diversity, our definition of diversity is all encompassing. It includes skills, race, gender, ethnicity, sexual orientation, gender identity, you know, all the -- all the aspects of diversity. So when we engage with these companies, we emphasize that they need to look at all the elements of diversity.

And then on executive compensation, this we think is really important, because this is the issue about alignment of interests. And we think that company executives should be paid only when shareholders are also getting paid and only when, you know, they're taking of their -- of their employees, you know, everyone and the stakeholders actually are getting a good deal.

So we look at this really from a quantitative perspective as well as qualitatively. And last year, we
voted against 53 percent or 3,000 companies an executive compensation.

I won't go into the appendix. The rest of the slides really go into detail in -- you know, in each of those three years that we're focused on. But I'll stop here and take any questions.

CHAIRPERSON TAYLOR: So we're going to have to think about where we put proxy voting reporting in the next Investment Committee.

So I will just say I -- so we have -- there's a couple of questions I have for you, Simiso. One is out of the 22 companies, six are Japanese. Notable successes include public comments. And then 60 percent of California went Action -- or you know -- I'm sorry, Climate Action 100 setting long-term emissions. What are the 22 companies that we're -- are we leading those engagements, right? That's what it says.

INVESTMENT DIRECTOR NZIMA: Yes, we're leading --
CHAIRPERSON TAYLOR: On those 22 companies?
INVESTMENT DIRECTOR NZIMA: Yeah. So some of those are global companies, some of them are U.S. companies, but six are Japanese companies in terms of those.

I'm trying to recall whether -- I know that we don't publicly state the companies --
CHAIRPERSON TAYLOR: I know and we don't have to say it.

INVESTMENT DIRECTOR NZIMA: -- that we're involved with engagement in

CHAIRPERSON TAYLOR: Yeah.

INVESTMENT DIRECTOR NZIMA: But we can -- we can provide the information to the Board after -- after the fact in terms of which -- which companies exactly that we're engaging.

CHAIRPERSON TAYLOR: Sure. That would be great.

And then the 70 percent that pledge long-term emission reductions and provided commitments to TCFD aligned reporting, is that up from a year before, or is that in addition to, or is that total?

INVESTMENT DIRECTOR NZIMA: Well, we -- this -- this is the total. And we had our first annual progress report for the Climate Action 100 last year. It was the back end of last year. And so oh we're going to have another, you know, progress report again towards the end of this year. And those numbers are going to change. So those numbers are based on the last annual progress report that was reported under the Climate -- Climate Action 100.

And that 70 percent is -- it's not just the 22 companies that we're looking at, but the entire, you know, Climate Action 100 companies.
CHAIRPERSON TAYLOR: Okay. That's what I kind of thought, because it looked like it could be one or the other, but I wasn't sure. And then lastly, you had mentioned that you have -- you were asking some of the companies we're engaging with what is their COVID-19, you know, response kind of looking like as you're engaging, inclusive of human capital. And I asked John earlier if we're seeing any kind of connection here that we kind of have not looked at the S in the ESG very well, in terms of a material risk to our investments.

Now, that we have a pandemic, and our supply chains are disrupted, and people can't work, and -- I mean, is this -- are you getting any kind of feedback on that, since you were talk -- asking those questions?

INVESTMENT DIRECTOR NZIMA: Yeah, we are getting feedback and it's different from different companies. I think what this pandemic has done is really to bring the issues of sustainability to the core, even people who maybe didn't believe in ESG or sustainability, now they're looking at this and they're actually seeing that is a real impact on the bottom line.

So we're seeing this. And I said different companies have different -- you know, are doing different things, either for their workers -- there are companies that are actually giving full pay and benefits to workers
who are not able to work from home, so they still get full
pay and benefits. They're companies, which due to their
financial conditions, are unable to keep workers at work
or the workers can go to work, so they're furloughing
workers, but they're keeping -- they're still --

CHAIRPERSON TAYLOR: Paying them.

INVESTMENT DIRECTOR NZIMA: -- keeping the
benefits for them, or something like that. So again, it
depends. Each case is different. There are companies
that have said if someone is sick, they don't have to use
their sick leave. You know, they -- effectively, they
have unlimited sick leave, because they don't want people
to be forced to come to work, because they're afraid of
running out of sick leave, when they're not feeling well.

There are companies that have turned their
operations to provide some of the materials or PPE that's
required by the community at large, and so forth. So
it -- so it really -- there's a range of activities that
is coming from different companies. And good actors
really -- there are good actors out there, but there are
some companies where their financial condition is so
precarious that really they can't do anything but just
hope for the best.

CHAIRPERSON TAYLOR: Well, there were companies
that their financial condition is not precarious, and I
can name a few, but I'm not going to do that on public session --

(Laughter.)

CHAIRPERSON TAYLOR: -- that are not treating their employees well. And I think that -- and, you know, one of the things that this pandemic has also exposed is the extreme inequality for workers for -- and that's where I think the S in the ESG really comes in. If -- if you're throwing these people out of work, and then you don't have a workforce to come back, because they're on the streets now. I mean, at what point -- you know, some -- somehow or another, this has to be thought about. And there are more than a few of our, you know, Fortune 500 companies that are not treating their employees well and/or did not start doing so until it started getting press.

So I just thought I'd bring that up. Anybody else have any questions besides me?

I'm holding us between dinner and -- I get it.

(Laughter.)

INVESTMENT DIRECTOR NZIMA: It's been a long day.

CHAIRPERSON TAYLOR: It has been a long day. All right. I see no other questions.

Everybody is talking about dinner, so I am --

INTERIM CHIEF OPERATING INVESTMENT OFFICER BIENVENUE: Ms. Taylor, I'm seeing questions from Ms. Yee
and Ms. Olivares.

Ms. Taylor, it looks like you're on mute still.

CHAIRPERSON TAYLOR: So Ms. Yee.

COMMITTEE MEMBER YEE: Just a comment. I wanted to just congratulate the team, Simiso, Dan and -- for the leadership on all -- in all three of these areas, Climate Action 100+. I mean, the idea that we're moving so many of these companies to look at setting long-term emission targets is really phenomenal. So it's been a long time coming, and that's -- that workload is -- or that work is continuing.

The corporate board diversity, I did have a question on. And that is we had -- it looked like a lower number of -- what was it -- in terms of how many we voted against, 314 directors versus 468. I wanted to know if the lower number actually reflected progress or whether it was a different tactic?

INVESTMENT DIRECTOR NZIMA: You are correct, the lower number actually is a positive. It means that the companies are doing what we're asking them to do. And we'll continue to use any and all of the investor rights that we have. We have instituted, you know, vote-no campaigns at some companies, which have not responded to us. We were voting against the Board chairs and members of the nominating and governance committees. So you see
lower numbers, that's -- that's a good -- that's a good thing. It means that we're making a lot of progress.

COMMITTEE MEMBER YEE: Good. Good.

And then lastly, your new pay-for-performance model, are you finding that it's improving your ability to analyze executive comp, which is probably going to be an area that's going to be heightened in terms of attention, focusing on it with the economy and COVID?

INVESTMENT DIRECTOR NZIMA: It is indeed. And, you know, the feedback that we're getting from companies has been positive, in that, what they've said is the fact that we've been willing to be transparent about how we're analyzing them from a calm perspective, because we actually put a description of this model on our public website, so they -- you know, they can calculate themselves on their own and see how -- how they score, just following how -- what we're doing.

And the fact that we've extended it to five years was typically a lot of -- people look at three years. So in our discussions with companies, what we've found is that they're -- they have said they appreciate the transparency and it makes those discussions much more enriched, because really at the end of the day now, the numbers are the numbers. And they can verify those numbers, and then we're actually able to get into, you
know, the nitty-gritty and understand what might be
driving the issues as far as performance is concerned.

COMMITTEE MEMBER YEE: Great. Great. Thank you.
Great work. Thank you.

CHAIRPERSON TAYLOR: Thank you.

Stacie. So sorry.

COMMITTEE MEMBER OLIVARES: Thank you, Madam Chair. I want to be really quick about, because it's after 7:00 o'clock and everybody has been very patient. I think it was at the December Board meeting, I asked about looking at the intersection of diversity and -- board diversity, but with women, so women of color, because our numbers are very few in investments and when it comes to leadership. I don't even think our Investment Committee has had a woman of color as Chair ever.

And so I want us to be able to take the lead when it comes to this. We had talked about that as an indicate, are we going to start capturing that?

INVESTMENT DIRECTOR NZIMA: The answer -- the answer that I have there is that right now we -- I mean, there are studies out there that have been done, whether, there's MSCI or other studies that look at diversity or the number of women on Boards and relationship to performance -- you start getting into race or ethnicity, I think these -- these -- you know, there's a depth of
studies out there. The numbers -- when we look at them, the numbers are really, really low. I just --

COMMITTEE MEMBER OLIVARES: Only in demand. I'm going to keep pushing. I'm not giving up.

INVESTMENT DIRECTOR NZIMA: No, I understand. And we'll also keep pushing. When we engage with companies, we really emphasize the fact that, you know, they should look just beyond, you know, gender and just go into the race, and ethnicity, and so forth. And, you know, we've been in touch with a number of organizations, including the Latino Corporate Directors Association. We actually, you know, in the process of organizing a meeting with them. So we talk to different affinity groups in order to try and address that particular issue.

COMMITTEE MEMBER OLIVARES: Okay. We'll continue on that point later. And then with crude oil crashing today, I think we're going to get some additional pressure from groups regarding our need to divest or take some long-term initiatives. So I just wanted to put that on the radar.

CHAIRPERSON TAYLOR: It sounds like something fell there.

Go ahead, Simiso.

INVESTMENT DIRECTOR NZIMA: So is the question that with crude oil we're going to get additional push to
divest, is that the --

COMMITTEE MEMBER OLIVARES: Um-hmm. Oh, yeah.

INVESTMENT DIRECTOR NZIMA: Yeah. That's the --

I think that's the expectation. I think, you know, as --
sometime the issue with investments is that, you know, or
anything else in life, is that hindsight is 20/20 and it's
easy for people to look at the situation and push for
divestment. I think we have said before that really, you
know, we -- we don't believe that divestment is the right
way to go. We believe in engagement, until that is
something -- if we change that as the Investment Office,
you know, that's something which is obviously for the
Investment Committee to think about.

But at the end of the day again, we're engaging
these companies. Some of these companies announcing plans
to transition to a low carbon economy. Just last week,
Shell came out with an announcement that really they're
moving to net zero and they're looking at even
supplying -- when they're supplying to customer, they want
to supply to customers, which focused on net zero carbon
emissions.

So we think this movement, even within the
companies that are actually producing, you know, oil
and -- oil, and gas, and so forth, are moving into this
transition.
COMMITTEE MEMBER OLIVARES: Okay. Thank you very much.

CHAIRPERSON TAYLOR: Just to add to that, it would be nice if we could get like JP Morgan to stop funding the pipelines. That would be another really good idea. However, I'm just going to leave it at that, because we could have that conversation forever.

I -- I have no other comments that I'm seeing unless I am incorrect.


COMMITTEE MEMBER MIDDLETON: Thank you, Madam Chair. And I will keep this very short. I want to thank staff for an outstanding report and I really appreciate that diversity and inclusion included was fully inclusive, including sexual orientation and gender identification. Thank you for that.

We still have a dearth of data and need far, far more metrics. And I applaud any efforts that you can make in that direction.

Thank you.

INVESTMENT DIRECTOR NZIMA: Thank you.

CHAIRPERSON TAYLOR: And again, yes, I reiterate that this is a great report. We thank you guys -- all the hard work you guys do. Proxy season can be a mess. I can't even imagine what it is under COVID-19 right now.
So, again, thank you very much for all your hard work. And we are moving on to --

COMMITTEE SECRETARY HOPPER: Ms. --
CHAIRPERSON TAYLOR: Yes.
COMMITTEE SECRETARY HOPPER: Madam Chair, we do have one public comment.
CHAIRPERSON TAYLOR: At the end of C, you are correct.
Go ahead.

STAKEHOLDER RELATIONS CHIEF FOX: Thank you, Madam Chair. Kelly Fox again. Reading on behalf of the submitters. This note is from Sheila Thorne, subject 4/20 Investment Committee meeting, item 10c.

"My name is Sheila Thorne, and I'm a grateful member of CalPERS, as well as a member of CFA, retired, and RPEA. I am commenting on Item 10c. It's apparent that CalPERS considers stakeholder engagement a major way to abate climate change. I question the effectiveness of this strategy. As summarized in a recent Harvard faculty study reporting by ESG, PRI, and Climate Action 100+ was slow, often based on voluntary participation, and produced data with up to 30 percent error.

"There are few provisions for enforcement mechanisms and investment in fossil fuel companies that explored for and developed new resources persist."
Analysis by As You Sow, a non-profit leader in shareholder advocacy, shows in its 2020 report that oil and gas companies continue to ignore demands from science and shareholders to adjust plans realistically to be compliant with Paris goals. In fact, according to PriceWaterhoursCoopers, Oil and Gas Trends 2018-2019, oil and gas rig activity level has been rising and major projects are being approved. ExxonMobil, for instance, as well as Total and Chevron, plan to increase production.

"Last year, ExxonMobil outlined an aggressive plan to more than double its oil production five-fold in the Parmian Basin and start up 25 projects worldwide. No amount of clean and sustainable methods of extraction can make up for the Scope 3 emissions released by the end use of this product.

"The only way to become carbon neutral by 2050, let alone to prevent climate disaster by 2030, is to leave the fossil fuels in the ground. Yet rather than changing their business models in a meaningful way to alternative energies, the oil and gas companies remain all out to extract as much oil and gas as they can, while making as much profit as they can. Shell's plan is to cut the carbon footprint of the product they sell by only 30 percent by 2035, and only 65 percent by 2050, rather than net zero, leaving the rest to consumers."
ExxonMobil and Chevron continue to refuse to take responsibility for reducing emissions from the burning of their products”. In parentheses "(Union of Concerned Scientists, 4/17/2020)".

"The world is facing the crisis of extreme climate disaster in the very near future along with more frequent pandemics. Engagement has not so far led anywhere, and we're running out of time. Please consider divestment of fossil fuel shares, which are toxic in practice both ethically and financially".

End email.

CHAIRPERSON TAYLOR: And that was it?

STAKEHOLDER RELATIONS CHIEF FOX: That is the only one. We have one more for the last subject, item 12.

CHAIRPERSON TAYLOR: That's what I thought we had. Okay. So we are on item 11, summary of committee direction, and that would either be Dan or Ben, I think.

INTERIM CHIEF OPERATING INVESTMENT OFFICER BIENVENUE: Yep, I'm happy to take that one. Oh, I just saw Ben unmute.

CHAIRPERSON TAYLOR: There we go.

INTERIM CHIEF OPERATING INVESTMENT OFFICER BIENVENUE: Ben, do you want to take that one or do you want me to take it? I'm happy to take it, if you'd like.

CHIEF INVESTMENT OFFICER MENG: Yeah. I only
jotted down one, basically from Ms. Olivares about the
COVID-19 adjusted in plan of our risk mitigation segments.
Other than that, I don't have any -- I did not write down
anything else.

Do you have anything additional?

INTERIM CHIEF OPERATING INVESTMENT OFFICER
BIENVENUE: We have the one other from closed session that
was consolidated. Ms. Yee and Ms. Olivares's request that
we'll come with. And the only other thing I had was that
there was a request for consultant reports quarterly.

GENERAL COUNSEL JACOBS: Excuse me.

INTERIM CHIEF OPERATING INVESTMENT OFFICER
BIENVENUE: So we need to think about what that looks
like.

GENERAL COUNSEL JACOBS: Excuse me, Dan.

INTERIM CHIEF OPERATING INVESTMENT OFFICER
BIENVENUE: Yep.

GENERAL COUNSEL JACOBS: If you're talking about
something that happened in closed, let's not for now.

CHAIRPERSON TAYLOR: Oops.

INTERIM CHIEF OPERATING INVESTMENT OFFICER
BIENVENUE: Thanks, Matt.

CHIEF INVESTMENT OFFICER MENG: Yeah, also on
that note, Dan, the closed session, the Committee
direction I think is summarized very well. Madam Chair
and the two Board members, they agreed with you. So I don't think you need to relay the closed session Committee direction any more.

So open session this afternoon I noted down one from again Ms. Olivares on the COVID-19 adjusted risk mitigation plan, which is the interaction of COVID-19 and the global financial crisis 08/09. So that's the one I noted on from Ms. Olivares this afternoon.

In open session, that's all I have.

CHAIRPERSON TAYLOR: And, Dan, wasn't there an update on having more reports on the total fund? Wasn't that also part of it?

INTERIM CHIEF OPERATING INVESTMENT OFFICER BIENVENUE: There was a request to have quarterly reports from the consultants. So I think what we can do is talk to the consultants about what that looks like.

CHAIRPERSON TAYLOR: Okay. I just don't -- I also don't want them to stop their work to produce more reports. But absolutely, if it will help us kind of see and navigate this whole, you know, downturn because of COVID, that might be helpful.

INTERIM CHIEF OPERATING INVESTMENT OFFICER BIENVENUE: Yeah, and that was --

CHIEF INVESTMENT OFFICER MENG: Yeah, it was -- Madam Chair. Sorry. Madam Chair, my understanding that
request was to the -- both Board consultants, so it
shouldn't be in the summary direction to the staff, but to
the management. That's the -- that is really request to
the two Board consultants. That's my understanding.

CHAIRPERSON TAYLOR: You're correct. And it did
come -- and they did say that they would come back to us,
so...
No other Board direction. And I appreciate it.

Thank you, everyone.

And our last item is item 12 and we have public
comment.

STAKEHOLDER RELATIONS CHIEF FOX: Thank you,
Madam Chair. This was submitted by Mr. Joseph P Ruiz.
Subject, CalPERS public comment, item 12 for Monday, April

"Dear Board of Administration, money masks a
prolonged indifference to oversight at CalPERS. The judge
in my lawsuit against the CalPERS Board of
Administration..." - in parentheses - "... (18STCV06908)
encouraged me to contact the members directly after I told
him that the Board didn't authorize the legal department
to respond to my lawsuit in Pro Per in 2018.

"This wasn't the first time that the CalPERS'
staff had usurped the power of the Board as I've witnessed
no internal oversight the past four..." - in parentheses -
"...(4) and-a-half years since I filed a complaint against City of Industry, a CalPERS' contracting agency.

"I discovered the Board violated the Bagley-Keene Open Meeting Act..." - in parentheses - "...(Government Code Sections 11120-32) in August and September 2017 by not deliberating my request to order staff to complete the City of Industry investigation after staff members from Audit Services and the Employer Account Management Division failed to contact city officials on my allegation of false responses on a State document, the CalPERS' Employment Relationship Questionnaire of July 2011 about me, in violation of Government Code Section 20085 and Penal Code Section 115.

"The Legislature created external oversight through legislative committees on this agency, but they're looking the other way. The Bagley-Keene Open Meeting Act has taken a lot of abuse over the years from CalPERS as reported by nakedcapitalism.com and citywatchla.com. It's tragic the major newspapers don't cover this State agency closely.

"I brought a motion for preliminary injunction in Los Angeles last summer on a closed session meeting violation from June 19, 2019, but as the CalPERS' attorney and I looked on, the judge announced he didn't have my filing, and instead of postponing the hearing, he
dismissed it. The State court used Bagley-Keene as a punching bag too.

"The judge ruled in October that the Board was immune from my charges but I later discovered my lawsuit was discussed in closed session throughout 2019 without public agenda notices and that the Board keeps verbatim transcripts of the closed session meetings. The Board has begun to start their meetings..." -- and we are out of time.

Three minutes.

CHAIRPERSON TAYLOR: All right.

STAKEHOLDER RELATIONS CHIEF FOX: That concludes the reports, Madam Chair.

And I've confirmed that I have a face for radio and not the voice. Thank you.

(Laughter.)

CHAIRPERSON TAYLOR: Thank you, Mr. Fox. I appreciate it.

So seeing no other public comments, no comments from the Board members, this Investment Committee meeting is adjourned at 7:19.

(Thereupon California Public Employees' Retirement System, Investment Committee meeting open session adjourned at 7:19 p.m.)
CERTIFICATE OF REPORTER

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
License No. 10063