

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

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

TUESDAY, SEPTEMBER 15, 2020
11:20 A.M.

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

A P P E A R A N C E S

COMMITTEE MEMBERS:

Ms. Theresa Taylor, Chairperson

Mr. David Miller, Vice Chairperson

Mr. Henry Jones

Ms. Fiona Ma, represented by Mr. Frank Ruffino

Ms. Stacie Olivares

Mr. Jason Perez

Mr. Ramon Rubalcava

BOARD MEMBERS:

Ms. Margaret Brown

Mr. Rob Feckner

Ms. Lisa Middleton

Ms. Eraina Ortega

Ms. Betty Yee, represented by Ms. Lynn Paquin

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Michael Cohen, Chief Financial Officer

Mr. Matthew Jacobs, General Counsel

Mr. Scott Terando, Chief Actuary

Ms. Fritzie, Archuleta, Deputy Chief Actuary

Mr. Forrest Grimes, Chief Risk Officer

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

STAFF:

Mr. Justin Heeb, Assistant Chief, Operations Support
Services Division

Ms. Pam Hopper, Committee Secretary

Ms. Arnita Paige, Chief, Pension Contract & Prefunding
Programs

Mr. Julian Robinson, Senior Pension Actuary

Mr. Kurt Schneider, Supervising Pension Actuary

Mr. Dallas Stone, Chief, Operations Support Services
Division

I N D E X

	PAGE
1. Call to Order and Roll Call	1
2. Approval of the September 15, 2020 Finance and Administration Committee Timed Agenda	2
3. Executive Report - Michael Cohen	3
4. Action Consent Items - Michael Cohen	4
a. Approval of the April 21, 2020 Finance and Administration Committee Meeting Minutes	
b. External Manager Request for Proposal - Long-Term Care Fund	
5. Information Consent Items - Michael Cohen	5
a. Annual Calendar Review	
b. Draft Agenda for the November 17, 2020 Finance and Administration Committee Meeting	
c. Treasury Analysis and Liquidity Status Report	
d. Annual Contract and Procurement Activity Report	15
e. Annual Discharge of Accountability for Uncollectible Debt	
f. Prefunding Programs Annual Status Report	
6. Action Agenda Items	
a. Revised State and Schools Employer/Employee Contribution Rates - Scott Terando, Kurt Schneider	5
b. Asset Liability Management Policy Review - Michael Cohen, Forrest Grimes, Tim Skillman	23
c. Proposed Board Election Regulations - Dallas Stone	28
7. Information Agenda Items	
a. Annual Actuarial Valuation Terminated Agency Pool - Scott Terando, Julian Robinson	56
b. Pension Contracts Management Program Annual Report- Arnita Paige	60
c. Board 2020-21 Budget - Michael Cohen, Jennifer Harris	63
d. Long-Term Care Valuation - Scott Terando, Fritzie Archuleta, Flora Xiaoge Hu	66
e. Summary of Committee Direction - Michael Cohen	72
f. Public Comment	72

I N D E X C O N T I N U E D

	PAGE
Adjournment	73
Reporter's Certificate	74

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

2 CHAIRPERSON TAYLOR: I'll call the Finance and
3 Administration Committee meeting to order. It looks like
4 everybody is here. And let's move on to roll call, Ms.
5 Hopper.

6 COMMITTEE SECRETARY HOPPER: Theresa Taylor?

7 CHAIRPERSON TAYLOR: Here.

8 COMMITTEE SECRETARY HOPPER: Henry Jones?

9 COMMITTEE MEMBER JONES: Here.

10 COMMITTEE SECRETARY HOPPER: Frank Ruffino for
11 Fiona Ma?

12 ACTING COMMITTEE MEMBER RUFFINO: Present.

13 COMMITTEE SECRETARY HOPPER: David Miller?

14 VICE CHAIRPERSON MILLER: Here.

15 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

16 CHAIRPERSON TAYLOR: It doesn't appear that
17 she's -- appear that she's back yet.

18 COMMITTEE SECRETARY HOPPER: Okay. I show here
19 in the had meeting.

20 Okay. Jason Perez?

21 COMMITTEE MEMBER PEREZ: Here.

22 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

23 CHAIRPERSON TAYLOR: It doesn't look like he's
24 here yet either.

25 COMMITTEE SECRETARY HOPPER: Okay. Madam Chair,

1 I have all but Stacie checking in and Ramon.

2 CHAIRPERSON TAYLOR: Here comes Stacie. I saw
3 her. There she is.

4 COMMITTEE SECRETARY HOPPER: Stacie?

5 COMMITTEE MEMBER OLIVARES: I'm here.

6 COMMITTEE SECRETARY HOPPER: And Ramon Rubalcava?

7 CHAIRPERSON TAYLOR: I'm still not seeing him.

8 Okay. Well, it looks like we have a quorum. I'm
9 going to move on to Item number 2, approval of the
10 September 15 timed agenda. And I need a motion for that.

11 COMMITTEE MEMBER JONES: Move it.

12 VICE CHAIRPERSON MILLER: So moved.

13 CHAIRPERSON TAYLOR: It was moved by Mr. Jones
14 and it sounds like seconded by Mr. Miller.

15 And we need to take a roll call vote to pass it.
16 So, Ms. Hopper.

17 COMMITTEE SECRETARY HOPPER: Henry Jones?

18 COMMITTEE MEMBER JONES: Aye

19 COMMITTEE SECRETARY HOPPER: Frank Ruffino for
20 Fiona Ma?

21 CHAIRPERSON TAYLOR: I didn't hear you, Frank.

22 ACTING COMMITTEE MEMBER RUFFINO: Oh. Yes.

23 COMMITTEE SECRETARY HOPPER: David Miller?

24 VICE CHAIRPERSON MILLER: Aye.

25 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

1 COMMITTEE MEMBER OLIVARES: Aye.

2 COMMITTEE SECRETARY HOPPER: Jason Perez?

3 COMMITTEE MEMBER PEREZ: Aye.

4 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

5 CHAIRPERSON TAYLOR: I still don't see him.

6 COMMITTEE SECRETARY HOPPER: Okay. Madam Chair,
7 I have all ayes, with no vote from Ramon Rubalcava, with
8 Henry Jones making the motion and David Miller seconding
9 it.

10 CHAIRPERSON TAYLOR: All right. Thank you, Ms.
11 Hopper. We -- with that, we'll move on to the executive
12 report.

13 CHIEF FINANCIAL OFFICER COHEN: Thanks, Chair.
14 Everyone good on sound?

15 Michael Cohen with the CalPERS Financial Office.
16 I just wanted to circle back to two items I highlighted in
17 April for you. One is the electronic payments program
18 that we had started up in late March. When we met in
19 April, we just had a few hundred thousand dollars worth of
20 comments -- of payments so far. And now, I'm happy to
21 report, that we have over \$4 million in collections to
22 date. So it was really a well-timed project that you guys
23 approved last year that's saving the organization money
24 and improving our member's ability to make payments. And
25 so that was really well timed.

1 And then the second note I would make is right
2 after the July off-site, we held our second employer
3 webinar that was to walk all of our member employers
4 through the impact of the final investment returns that
5 you went through yesterday, 4.7 percent. While obviously,
6 they remain concerned about the rising cost, it certainly
7 was much better news than our early webinar when we were
8 sort of sitting at a negative four to five percent look
9 back in the early days of the pandemic.

10 So with those two notes, I'll turn it back to
11 you, Chair, and we can work through the agenda.

12 CHAIRPERSON TAYLOR: Sounds good. Thank you, Mr.
13 Cohen. Our next item is the action consent items. I need
14 a motion.

15 COMMITTEE MEMBER PEREZ: I'll move.

16 VICE CHAIRPERSON MILLER: So moved.

17 COMMITTEE MEMBER OLIVARES: Second.

18 CHAIRPERSON TAYLOR: Okay. So Mr. Perez made the
19 motion. I've Ms. Olivares seconding the motion.

20 All those in favor and we need a roll call vote,
21 Ms. Hopper.

22 Pam?

23 Are we having a little trouble with --

24 COMMITTEE SECRETARY HOPPER: I'm sorry, Madam
25 Chair, I didn't unmute myself.

1 CHAIRPERSON TAYLOR: That's okay.

2 COMMITTEE SECRETARY HOPPER: Okay. This is for
3 Items 4a and 4b.

4 Henry Jones?

5 COMMITTEE MEMBER JONES: Aye.

6 COMMITTEE SECRETARY HOPPER: Frank Ruffino for
7 Fiona Ma?

8 ACTING COMMITTEE MEMBER RUFFINO: Yes.

9 COMMITTEE SECRETARY HOPPER: David Miller?

10 VICE CHAIRPERSON MILLER: Aye.

11 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

12 COMMITTEE MEMBER OLIVARES: Aye.

13 COMMITTEE SECRETARY HOPPER: Jason Perez?

14 COMMITTEE MEMBER PEREZ: Aye.

15 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

16 COMMITTEE MEMBER RUBALCAVA: Aye.

17 COMMITTEE SECRETARY HOPPER: Madam Chair, I have
18 Jason Perez making the motion, Stacie Olivares seconding
19 it.

20 CHAIRPERSON TAYLOR: And motion carries.

21 All right. So we will carry on then to
22 information consent items. Having received no requests to
23 remove anything. We will go on to Item 6, agenda Item A,
24 Mr. Cohen.

25 CHIEF FINANCIAL OFFICER COHEN: Yes. Thank you.

1 I'm going to turn it over to Scott Terando our Chief
2 Actuary. This item deals with adopting school and State
3 contribution rates, which you'll recall you did in the
4 spring, but there were some changes based on the State
5 budget that require re-adoption of those -- of those
6 rates.

7 So let me turn it over to Scott Terando.

8 CHAIRPERSON TAYLOR: Thank you.

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

11 CHIEF ACTUARY TERANDO: Good afternoon, Madam
12 Chair, members of the Committee. Scott Terando from the
13 Actuarial Office.

14 This item seeks the adoption of the revised
15 contribution rates for both the State plans and schools
16 pool for the period starting July 1, 2020 through June
17 30th, 2021. If you remember back in April, the Board did
18 approve rates for these plans, but subsequent to that
19 event, the State came back and they made some revisions on
20 how they wanted the additional \$3.4 billion contribution
21 that they had made earlier. They made some adjustments on
22 how they wanted that handled.

23 In addition, there were some adjustments that --
24 to some employer and employee contribution rates as well.
25 Based on these changes, we had to make adjustments for the

1 final rates. So we're here today seeking your approval of
2 these rates.

3 And at this point, I'll pass it along to Kurt
4 Schneider who will step through all the details and
5 provide you with those -- that information.

6 SUPERVISING PENSION ACTUARY SCHNEIDER: Thank
7 you, Scott, Members of the Board. And that was a very
8 good quick summary, but I want to go through a little
9 built of background to make sure we understand what is
10 going on here today. So let me review a little bit that
11 normal process for implementing employer contribution rate
12 changes for the State plans and the schools pool.

13 If this were a normal year, the initial results
14 for the June 30, 2019 valuation would have been presented
15 to the Board in April of 2020 and the employer rates for
16 the 2020-21 fiscal year would be approved by the Board.

17 Now, for the State plans, those rates become part
18 of the State Budget Act and the Legislature appropriates
19 the required funds. CalPERS sends out a circular letter
20 to State agencies, so that the new rates can be
21 implemented by July 1st, 2020, two months ago. The June
22 30, 2019 valuation is actually finalized later in the
23 summer. Now, the same exact schedule applies to the
24 school employers. They're done in tandem with the State
25 rates.

1 And the other piece of background that's
2 important to understand here is that in July 2019, the
3 State contributed \$2.5 billion to four of the State plans
4 and \$904 million to the schools pool as advanced payments
5 towards the unfunded liabilities. So these payments
6 represent money that CalPERS would eventually require the
7 employers to contribute, but the employer in this case,
8 was contributing them sooner than CalPERS required. And
9 the reason they do that is because they then anticipate in
10 future careers to be able to save tax dollars.

11 Now, when an employer, no matter how big or small
12 they are, when they make advanced payments toward the UAL,
13 the Actuarial Office works with the employer to determine
14 how those payments will impact future contribution
15 requirements, because remember we have this complex
16 schedule of future UAL payments that stretches out for
17 decades. And when we finalize the valuation and set the
18 contribution rates, we need to first determine which
19 future payments are being satisfied with the advanced
20 payment.

21 And at the time the payment was made, remember
22 this is the summer of 2019, the State was projecting
23 budget surpluses in the short-term, and they wanted
24 long-term savings. So these funds were applied to future
25 UAL payments in such a way that the contribution

1 requirements would be slightly lower for many years.
2 We're talking about up to 28 years.

3 And in April of this year when I presented the
4 2019 valuation results to the Board, the additional
5 payments were reflected -- reflected this long-term
6 savings strategy.

7 Can we go forward a couple slides.

8 --o0o--

9 SUPERVISING PENSION ACTUARY SCHNEIDER: Now, as
10 everyone knows, earlier this year, the COVID-19 pandemic
11 caused a severe economic slow down. And the State, which
12 had been producing -- projecting budget surpluses was
13 suddenly projecting budget deficits. After the Board
14 approved the employer rates in April, the State Department
15 of Finance requested that we provide options to them that
16 would generate more short-term savings, because that was
17 now a higher priority than the long-term savings and asked
18 if we could do this before we finalized the valuation
19 report.

20 In May 2020, remember the Governor proposed
21 budget revisions, and those revisions reflected the
22 changes that we're going to talk about here today.

23 The savings from the additional payments would
24 now be realized over just three years instead of the 28
25 years. And those new rates for the current fiscal year

1 that we're in right now need to be adopted by the Board.

2 So -- and I'll come back to those additional
3 payments in a second, but there's one other change that
4 we're going to talk about here very quickly, and it's also
5 related to the pandemic. The Highway Patrol plan is not
6 one of the plans affected by the additional payment, but
7 employer rate for this plan is being revised. So what's
8 happening here is that the Highway Patrol member
9 contribution rate it had been -- we're talking about
10 member contribution rate, it had been scheduled to
11 increase July 1, 2020. So that's something that had
12 previously been agreed upon.

13 Now, in June of this year, when this State
14 reached agreements with bargaining units, including
15 Bargaining Unit 5, the Highway Patrol bargaining unit, for
16 a salary reduction, they made other changes. So during
17 the bargaining process, it was agreed upon to suspend the
18 scheduled member rate increase for Bargaining Unit 5. And
19 because the member rate is not going to be what we were
20 projecting, we need to increase the employer rate. And so
21 we'll take a look at those rates now.

22 Next slide.

23 --o0o--

24 SUPERVISING PENSION ACTUARY SCHNEIDER: Thank
25 you.

1 So the first column there -- so these are the
2 State plans. These are the five State plans. And that's
3 top four, we're talking about moving the additional
4 payment and the bottom is the Highway Patrol. So the
5 first column there is the numbers -- the rates that were
6 approved by the Board in April. And remember that had
7 that additional payment amortized over many years.

8 So first, we had to remove that from the
9 amortization schedule, which for those first four plans is
10 going to actually increase the required contribution, the
11 actuarial determined contribution. And in the third
12 column, you see us applying those funds then to the
13 current fiscal year and we get a revised rate all the way
14 on the far right, which is lower than it was in April.

15 And for Highway Patrol what's happening is that
16 the employer rate is simply increasing to offset those
17 lower-than-anticipated member contribution rates. There's
18 no additional contribution there on the Highway Patrol
19 line.

20 And next slide.

21 --o0o--

22 SUPERVISING PENSION ACTUARY SCHNEIDER: And then
23 what happens -- so there's the actuarial determined rate
24 that we need to collect the normal cost and fund the
25 unfunded Liability, but the State also makes an additional

1 contribution on top of that. So the State is always
2 actually paying a little more than what we require. And
3 the far column there is the rate that we need to tell the
4 State agencies this is what you need to contribute to
5 CalPERS.

6 Next slide.

7 --o0o--

8 SUPERVISING PENSION ACTUARY SCHNEIDER: Okay. So
9 then the other thing that happened was with the schools
10 pool. Now, there's a slight difference here, because
11 we're not talking about an advanced payment by the
12 employer. In this case, the State made a payment towards
13 the schools pool unfunded liability. The state is not the
14 employer in this case. But a lot of the math works out
15 the same.

16 So this \$904 million contribution that they gave
17 us last year, last July part of it was to be applied
18 toward the employer payment during that year and this
19 current fiscal year. But most of it, 660 million, was
20 paid towards one of the amortization bases, a very long
21 amortization base, which was going to be -- and what they
22 did this time is through the legislation actually came the
23 legislation of what to do with that \$660 million. It's
24 not being used to un -- to pay down the unfunded liability
25 over a long period. It's being used to supplant they say

1 the employer contribution for this year and next fiscal
2 year. That allows the school employers to capture all the
3 savings from the additional contribution over a three-year
4 period when they need it the most.

5 Next slide.

6 --o0o--

7 SUPERVISING PENSION ACTUARY SCHNEIDER: And this
8 is what the rates look like for schools. So in the first
9 column we have what was adopted in April. There is no
10 change to the employer normal cost, the unfunded
11 liability, and then as you see we already had a payment.
12 We're already using part of the \$904 million as an
13 employer contribution in that year. And what's changed is
14 that we've taken the 660 million out of the amortization
15 schedule. That actually increases the unfunded liability
16 rate by 0.25 percent, but there is much more being used to
17 make up the employer contribution amount during this
18 current fiscal year.

19 So the net effect is that the employer
20 contribution rate that we adopted in April is actually
21 being reduced by 1.98 percent in school employers this
22 current fiscal year are going to be paying 20.70 percent.

23 And with that, I will take any questions.

24 CHAIRPERSON TAYLOR: It does not appear I have
25 any questions on this.

1 So before we take a vote -- I mean, I want to
2 take a vote first, but we also have to go back and pull
3 items from information consent when we're done with that.

4 So if there are no questions, I need a motion on
5 this item as it's an action item.

6 VICE CHAIRPERSON MILLER: So moved.

7 COMMITTEE MEMBER JONES: Second.

8 CHAIRPERSON TAYLOR: It's been moved by Mr.
9 Miller and seconded by Mr. Jones. I need a roll call
10 vote. All this in favor?

11 COMMITTEE SECRETARY HOPPER: Henry Jones?

12 COMMITTEE MEMBER JONES: Aye.

13 COMMITTEE SECRETARY HOPPER: Frank Ruffino for
14 Fiona Ma?

15 Frank?

16 CHAIRPERSON TAYLOR: Where did he go?

17 Frank?

18 All right. Go ahead.

19 VICE CHAIRPERSON MILLER: I'm seeing the yellow
20 triangle.

21 CHAIRPERSON TAYLOR: Oh, yeah.

22 COMMITTEE SECRETARY HOPPER: Okay. David Miller?

23 VICE CHAIRPERSON MILLER: Aye.

24 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

25 COMMITTEE MEMBER OLIVARES: Aye.

1 COMMITTEE SECRETARY HOPPER: Jason Perez?

2 COMMITTEE MEMBER PEREZ: Aye.

3 COMMITTEE SECRETARY HOPPER: Ramon -- Ramon
4 Rubalcava?

5 COMMITTEE MEMBER RUBALCAVA: Aye.

6 COMMITTEE SECRETARY HOPPER: Madam Chair, I have
7 all ayes with no vote from Frank Ruffino for Fiona Ma with
8 David Miller making the motion and Henry seconding it.

9 CHAIRPERSON TAYLOR: Great. Thank you. So the
10 motion passes.

11 That is Agenda Item 6a, Revised State and Schools
12 Employer/Employee Contribution. Thank you for the report,
13 you guys.

14 I have to move back to 5d. Ms. Brown, you wanted
15 to pull 5d. Let's try to do that in order next time,
16 okay?

17 BOARD MEMBER BROWN: Yeah. Thank you. Thank you
18 for letting me go back to 5d. I had a question for Mr.
19 Cohen. And my question is I'm looking at -- 5d is the
20 annual consulting and service contract report for \$100,000
21 or more. And it's come to my attention that some of our
22 consultants are missing from that report. And I'm trying
23 to figure out why or how you determine what goes on this
24 report and what we don't get, specifically Meketa.
25 There's on Meketa on here for -- for real estate Board

1 investment consultant, but then we don't have the rest,
2 because I know we've paid Meketa probably more than this
3 amount. Wilshire is missing and then there was also a
4 question about Randle Communications.

5 And I understand that we heard that some of those
6 costs were rolled into internal staff costs, that I'm
7 trying to figure out why that's going on, and what other
8 consultants are not on this list, and I'd like to know
9 why.

10 CHIEF FINANCIAL OFFICER COHEN: Sure. Let me
11 have Dallas Stone whose team prepares this report give you
12 an answer in terms of what goes on here and what doesn't.
13 And then once he's done, let me follow up on Meketa
14 specifically. I know there were some questions about
15 their circumstances as it relates to the annual CAFR. So
16 I will get that after Dallas gives you a response in terms
17 of kind of the rules of this report.

18 So Dallas.

19 BOARD MEMBER BROWN: Right. Yeah. Meketa and
20 Wilshire as well, right, so...

21 CHIEF FINANCIAL OFFICER COHEN: Sure, yes.

22 BOARD MEMBER BROWN: Okay. Great. Thanks.

23 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:
24 Thanks, Michael. Can we also promote Justin Heeb
25 as well.

1 CONFERENCE MODERATOR: Okay. Justin should be
2 able to share his audio and video.

3 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:
4 Great. Justin Heeb is our Assistant Division
5 Chief over our contracts and procurement team and I'll --
6 I'll allow him to talk through how he and his team,
7 which -- how the port -- the reports were generated and
8 the information was compiled.

9 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION
10 CHIEF HEEB: Great. Thanks, Dallas. Thank you for the
11 question, Ms. Brown. So the report is pulled through
12 multiple different groups. And so we pull all contracts
13 over a hundred thousand dollars and put that on the
14 report.

15 In regards to a Randle type LOE, those are done
16 through purchase orders. And so those would not be pulled
17 out in the contract portion. They're represented in the
18 purchase order portion of that report.

19 BOARD MEMBER BROWN: And is that purchase order
20 portion of the report here?

21 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION
22 CHIEF HEEB: The purchase orders are mentioned in the
23 report.

24 BOARD MEMBER BROWN: So I'm going to -- I'm going
25 to -- someone who has an accounting and finance

1 background, a purchase order is a contract. And if it's
2 over a hundred thousand dollars, I believe the Board
3 should be seeing those as well, and -- because, you know,
4 I try and match things up to the cost. And so I'd like to
5 see those from now on. I don't know if the Committee or
6 the Board is going to agree, but for transparency
7 purposes, I'd like to see how much we're spending on all
8 consultants, whether it's an individual contract or a
9 purchase order, which is still a contract. It's a
10 contract for agreement for services or things.

11 I don't want to see all the things we're buying,
12 like a purchase order for paper, but I do want to see any
13 time we have a consultant that's providing services to the
14 staff or to the Board on this report.

15 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION
16 CHIEF HEEB: Thank you for that. And we do just in the
17 purchase orders for this report, historically, we have
18 just listed the purchase orders and the number on the
19 attachment. But we have not called each individual
20 purchase order for consulting out, but we can take into
21 consideration.

22 BOARD MEMBER BROWN: And not every -- just over a
23 hundred thousand, right?

24 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION
25 CHIEF HEEB: Correct.

1 BOARD MEMBER BROWN: So we're keeping the same --
2 the same criteria. All right. I appreciate that. Thank
3 you.

4 CHAIRPERSON TAYLOR: Is that your only question,
5 Margaret?

6 BOARD MEMBER BROWN: No. Now, Mr. Cohen is going
7 to answer about the other contracts that are not included
8 on here. Thank you.

9 CHAIRPERSON TAYLOR: Okay.

10 CHIEF FINANCIAL OFFICER COHEN: In terms of the
11 CAFR how the Wilshire and Meketa contracts were treated,
12 and those are sort of included in, as we'd shared with the
13 Board, a category called investment, personal, and
14 administrative costs. And so, you know, the consulting
15 contracts for the Board are considered administrative
16 costs of the system, and that's why they're included in
17 there. I know there was some confusion regarding Meketa
18 was listed in a separate area of the CAFR for \$74,000. If
19 I recall correctly, that's sort of an anomaly based on the
20 fact that Meketa merged with PCA during the fiscal year,
21 so we had -- those contracts were actually with PCA, but
22 by the time the CAFR was published, the official name of
23 the business was Meketa.

24 Those were contracts for the Diversity Forum as
25 well as working on the Responsible Contractor Policy. So

1 that's why that \$74,000 was treated separately than the
2 base Meketa contract that we think about, like Wilshire,
3 as -- in terms of the Board consultants. But those have
4 been in the administrative expense line since 2015-16
5 within the CAFR. And certain -- certainly, you'll see
6 that again when we bring you, you know, the financial
7 statements in -- at the November FAC meeting.

8 BOARD MEMBER BROWN: Okay. I appreciate the
9 explanation. It's -- it's a little -- it's a little less
10 than transparent when we have consultants that are shown
11 as internal staff. And maybe that --

12 CHIEF FINANCIAL OFFICER COHEN: Well, let me --
13 let me correct you. They're not shown as internal staff.
14 The category is internal staff and administrative
15 expenses --

16 BOARD MEMBER BROWN: Right, but I don't think
17 consult --

18 CHIEF FINANCIAL OFFICER COHEN: Under that
19 category.

20 BOARD MEMBER BROWN: I don't believe consultants
21 are administrative expenses under GIPS or under GASB. And
22 so we can debate that and maybe I'll have our auditors
23 take a look at that, but I don't think that's an
24 appropriate way to account for those expenditures.

25 I'm going to ask you now publicly to break out

1 those costs for me. I know I showed the three line items.
2 They totaled about 15, 14 million dollars, but I want to
3 know what fees or consultants are within that category
4 what we're paying. I'll ask for that detail.

5 CHIEF FINANCIAL OFFICER COHEN: Sure. I believe
6 that was in the material we sent you, but I'm happy to
7 provide any additional detail there.

8 BOARD MEMBER BROWN: There was no de -- there was
9 no detail. It just had the line item like for Board, for
10 INVO, and for IT, but it doesn't say how much of what the
11 consultants were. It was rolled up.

12 CHIEF FINANCIAL OFFICER COHEN: Gotcha.

13 BOARD MEMBER BROWN: It was rolled up.

14 And then I have another question on the same
15 attachment, page five of five. And this just comes from
16 my little auditing background. It's kind of odd -- we've
17 got a FedEx corporate services. And it's odd that it's
18 just \$180,000. So is that FedEx contract just a flat rate
19 contract for a hundred -- like is it a flat rate or -- it
20 seems odd that we would send FedExes for exactly \$180,000.
21 So whether that's a flat rate contract, or if not, I'd
22 like to see the detail on that as well.

23 CHIEF FINANCIAL OFFICER COHEN: Yeah. Let me
24 turn that one back to Dallas and his team, if they have
25 the answer. Otherwise, we certainly --

1 BOARD MEMBER BROWN: Yeah, if not, you can just
2 give it to me. Yeah, you can just email it to me.

3 CHIEF FINANCIAL OFFICER COHEN: Sure.

4 BOARD MEMBER BROWN: Thank you.

5 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

6 Yeah. I would just add on the FedEx contract I
7 believe that's what the total amount of the contract is
8 for, not what the actual spend is. And we could get that
9 exact dollar amount to you Mrs. Brown for that -- for that
10 particular contract.

11 BOARD MEMBER BROWN: Yeah, because this is
12 supposed to be spend, right? This is supposed to be spent
13 not contract amounts, is that correct?

14 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

15 Justin, do you want to hop in real quick?

16 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION

17 CHIEF HEEB: Ms. Brown, the contracts that are pulled here
18 are for encumbrance totals, so the total contract amount.

19 BOARD MEMBER BROWN: Oh, so it's total contract
20 amount, it's not spent to date?

21 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION

22 CHIEF HEEB: Correct.

23 BOARD MEMBER BROWN: That explains that one.

24 Thank you.

25 CHAIRPERSON TAYLOR: All right. Thank you.

1 Let's move back to 6b, which was our Asset
2 Liability Management Policy review.

3 CHIEF FINANCIAL OFFICER COHEN: Thanks, Chair.
4 You'll recall at the July off-site, we sort of did a
5 session where we walked through the calendar for the ALM
6 this coming cycle. And 2021 calendar year is going to be
7 a very busy year for all of us on ALM. One of the things
8 I highlighted was that the entire process would have
9 plenty of opportunities for stakeholder engagement. Given
10 the environment we're in, we want to make sure that
11 everyone knows what their opportunities are, are
12 up-to-date on the process. So what we're going to do is
13 have a quarterly webinar on ALM starting in 2021, so that
14 everyone is very clear on their opportunities for
15 stakeholder engagement and have a clear understanding of
16 what's going on.

17 That being said, this item in front of you for
18 action is actually some technical cleanup to the policy
19 that you last adopted in 2017. So let me turn it over to
20 Forrest Grimes to walk through the detail of that for you.

21 CHIEF RISK OFFICER GRIMES: Thank you, Michael.
22 Madam Chair, Committee members, members of the Board,
23 Forrest Grimes, CalPERS team. Item 6b, as Michael
24 mentioned, is an action item that includes the review of
25 the Asset Liability Management Policy and proposed

1 changes.

2 The ALM Policy was approved by the Board -- Board
3 of Administration in April of 2017. The revised ALM
4 Policy adds the CEO, the Deputy Chief Investment Officer
5 to the Asset Liability Management Advisory Committee,
6 which we lovingly refer to as ALMAC, and moves the General
7 Counsel from ALMAC member to advisory member. I serve as
8 the Chair of ALMAC at the request of Mr. Cohen, our CFO.

9 The revised ALM Policy allows ALMAC members to
10 assign additional representatives from the Financial,
11 Actuarial, And Investment, Legal, Communications, and
12 Stakeholder Relations offices to serve ALMAC in an
13 advisory Capacity.

14 I will say that the revised ALM Policy helps to
15 achieve and maintain consistent ALM governance by
16 providing clearly defined roles and processes.

17 With that, I will ask that you move to approve
18 the policy changes and certainly welcome any questions.
19 But I do want to take a moment to thank Tim Skillman for
20 doing a really great job of shepherding this through the
21 process as our resident expert of the policy.

22 Thank you. Back to you, Madam Chair.

23 CHAIRPERSON TAYLOR: I muted. Thank you very
24 much. So it looks like I have a couple of questions. So
25 I have a question from Jason Perez first.

1 COMMITTEE MEMBER PEREZ: Good morning, Forrest.
2 On page -- on attachment two, page one, why the -- why the
3 change from capital "B" to a little "b" on Board?

4 CHIEF RISK OFFICER GRIMES: We -- that's a
5 wonderful question and we actually debated that. That is
6 the current style guide of CalPERS. And so I -- we just
7 corrected it to comply with CalPERS style guide.

8 COMMITTEE MEMBER PEREZ: So no change in
9 authority, or delegated authority, or anything?

10 CHIEF RISK OFFICER GRIMES: No. You're just as
11 big of a part of the equation as you've always been, Mr.
12 Perez.

13 COMMITTEE MEMBER PEREZ: Yea.

14 (Laughter.)

15 COMMITTEE MEMBER PEREZ: And as silly -- it's a
16 silly question, but I really don't know. Why -- on page
17 two, why is Stakeholder Relations and -- Stakeholder
18 Relations and the PR folks in general involved?

19 CHIEF RISK OFFICER GRIMES: That really speaks to
20 Mr. Cohen's point that there is -- we really want input
21 from our stakeholder partners, and so they need to be an
22 integral part of this process to make sure that the word
23 gets out and that there's ample opportunities for our
24 stakeholders to weigh in throughout the process.

25 COMMITTEE MEMBER PEREZ: Yeah, that makes perfect

1 sense.

2 And no change in the -- in the cycle or the -- or
3 the -- it's still a four-year process, right?

4 CHIEF RISK OFFICER GRIMES: Yes, sir.

5 COMMITTEE MEMBER PEREZ: Okay. Slick. Thank
6 you. I'm -- that's all.

7 CHIEF RISK OFFICER GRIMES: I do know that Ms.
8 Taylor had -- oh, it looks like she came back.

9 COMMITTEE MEMBER PEREZ: It looks like Henry is
10 next, if Theresa is not back.

11 VICE CHAIRPERSON MILLER: It looks like, yeah,
12 Henry next. Theresa is off, so I'll hand it to Henry.

13 COMMITTEE MEMBER JONES: Okay. Well, while
14 Theresa is getting back on, I just have one question. Why
15 was the General Counsel removed?

16 CHIEF RISK OFFICER GRIMES: I'm going to let Mr.
17 Jacobs correct me if I'm wrong, but really the General
18 Counsel's role is to act as legal counsel. And therefore,
19 having them be an active member compromises that legal
20 counsel role. But, Matt, if you disagree, please weigh
21 in.

22 GENERAL COUNSEL JACOBS: I do not disagree.
23 We're just an advisor on this stuff.

24 COMMITTEE MEMBER JONES: Okay. That makes sense
25 to me. So with that, if -- I guess if -- Theresa, you're

1 back yet?

2 Well, I would like to go ahead -- and, Mr.
3 Miller, I would like to go ahead and move approve -- move
4 approval of this item.

5 VICE CHAIRPERSON MILLER: Okay. Do we have a
6 second?

7 COMMITTEE MEMBER OLIVARES: I second.

8 VICE CHAIRPERSON MILLER: I'll second.

9 Okay. Who was that? Is that Stacie?

10 Okay. We've got a -- so I'll ask Pam to call the
11 roll.

12 COMMITTEE SECRETARY HOPPER: Henry Jones?

13 COMMITTEE MEMBER JONES: Aye.

14 COMMITTEE SECRETARY HOPPER: Frank Ruffino for
15 Fiona Ma?

16 ACTING COMMITTEE MEMBER RUFFINO: Aye.

17 COMMITTEE SECRETARY HOPPER: Davie Miller?

18 VICE CHAIRPERSON MILLER: Aye.

19 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

20 COMMITTEE MEMBER OLIVARES: Aye.

21 COMMITTEE SECRETARY HOPPER: Jason Perez?

22 COMMITTEE MEMBER PEREZ: Aye.

23 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

24 COMMITTEE MEMBER RUBALCAVA: Aye.

25 COMMITTEE SECRETARY HOPPER: Mr. Vice Chair, I

1 have Henry Jones making the motion, Stacie Olivares second
2 it, and I have all eyes for Item 6b.

3 VICE CHAIRPERSON MILLER: Thank you, Pam. The
4 motion passes.

5 So that takes us to Item 6c, Proposed Board
6 Election Regulations. Dallas Stone.

7 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

8 Thank you. All right. Good afternoon, Madam
9 Chair and members of the Board. Dallas Stone, CalPERS
10 team member. This agenda item is an action item seeking
11 the Board's final approval to adopt the proposed
12 amendments to the Board election regulations and approval
13 to submit the final rulemaking package to the Office of
14 Administrative Law.

15 During the 2020 Board election off-year, CalPERS
16 team members identify and submit regulatory changes to
17 improve and clarify the election process for the next
18 Board election cycle. In addition, during the February
19 Finance and Administration Committee meeting, the
20 Committee requested that regulatory provisions be modified
21 to include an opportunity for candidates to voluntarily
22 provide additional relevant information in their candidate
23 statements. This additional information would pertain to
24 financial solvency, sexual harassment, conflicts of
25 interest, and protection of confidentiality.

1 To address this request, the existing regulations
2 were modified and presented -- and presented to this
3 community -- Committee back in April. The Committee made
4 a recommendation to the Board to approve the initiation of
5 the regulatory process. The Board's approval initiated a
6 45-day public comment period, during which CalPERS did not
7 receive any public comments.

8 If the proposed amendments are approved by the
9 Board, this rulemaking package will be submitted to the
10 Office of Administrative Law for final review, approval,
11 and will take effect January 1st, 2021.

12 I'm happy to answer any questions you might have
13 at this time.

14 Thank you.

15 CHAIRPERSON TAYLOR: So I'm going to assume that
16 we all voted on the asset liability management already?

17 (Laughter.)

18 CHAIRPERSON TAYLOR: And I can't -- I just -- oh,
19 good. For some odd reason, my chat completely cleared
20 after I disconnected. So, Stacie, it looks like has a
21 question right now.

22 COMMITTEE MEMBER OLIVARES: Yes. Thank you,
23 Madam Chair. I'm wondering how our discussion of
24 conflicts of interest and potentially how to prevent that
25 will affect this?

1 CHAIRPERSON TAYLOR: Do we have a reply.

2 COMMITTEE MEMBER OLIVARES: Well, for example,
3 question 8, "Do you have any conflicts of interest that
4 could impact your role as a CalPERS Board member"? As we
5 start talking about holding individual securities and if
6 and -- if we can, and if so, how to hold those. It seems
7 like there's going to be additional detail.

8 CHIEF EXECUTIVE OFFICER FROST: Yes, Ms.
9 Olivares. If we -- if the Board were to adopt that
10 requirement for Board members, then we would have to go
11 through the rule writing process once again and pass a
12 regulation or update this particular regulation.

13 COMMITTEE MEMBER OLIVARES: Thank you, Ms. Frost.

14 CHAIRPERSON TAYLOR: Okay. I don't see any other
15 questions, but I would like to bring up a issue -- oh,
16 Henry. Well, you must have gotten erased with everything
17 else. Henry, you go ahead.

18 COMMITTEE MEMBER JONES: Yeah. You missed me.
19 My question was similar to Ms. Olivares. And I -- first
20 of all, I want to thank staff for putting all of those
21 additional provisions in and recognizing that they are
22 voluntary provisions, because many of them we cannot
23 mandate. But I support another review later. I wouldn't
24 want to hold this report up, but to Ms. Olivares question
25 about the -- really about a blind trust for Board members.

1 I would like us to revisit that at a later time to see
2 whether or not we could also include that going forward as
3 voluntary. I understand that we can't mandate it, because
4 of the Constitutional requirements. But I'd like to maybe
5 treat it like we're doing some of these items in a future
6 discussion.

7 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:
8 Thank you, Mr. Jones. I noted that and we can
9 work with our Legal team.

10 COMMITTEE MEMBER JONES: Okay. Thank you.

11 CHAIRPERSON TAYLOR: Okay. Stacie, go ahead.

12 COMMITTEE MEMBER OLIVARES: Thank you, Madam
13 Chair. So as I read number seven again, and I didn't read
14 it this way before, but it says, "Have you ever been
15 subject to any legal or employment action on the grounds
16 of discrimination or sexual harassment. If yes, please
17 explain".

18 And so as I read this, I'm wondering if that
19 could be misconstrued as somebody who was fired for their
20 sexual orientation, or race, or ethnicity, or gender. And
21 if they would feel then that they had to -- if would then
22 feel compelled that they had to disclose that, because I
23 don't think that's our intent.

24 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:
25 That's correct.

1 CHAIRPERSON TAYLOR: It says, "on the grounds".
2 It says, "on the grounds", not -- not -- I'm thinking, "on
3 the grounds" means that you were accused of it, but --

4 COMMITTEE MEMBER OLIVARES: As I read it, "on the
5 grounds" -- "Have you ever been subject..." -- take out
6 "legal" for second, so "subject to employment action". So
7 is it possible someone could have been fired because they
8 were discriminated against? I just want to make sure -- I
9 guess from counsel I'm understanding the reading of this
10 correctly.

11 CHAIRPERSON TAYLOR: Right.

12 GENERAL COUNSEL JACOBS: Yes. This is Matt
13 Jacobs. I believe you are reading it correctly, and that
14 the scenario you have posited would not be covered by this
15 provision.

16 CHAIRPERSON TAYLOR: So what she's asking is
17 could it be misconstrued?

18 COMMITTEE MEMBER OLIVARES: Yes. Thank you,
19 Madam Chair.

20 GENERAL COUNSEL JACOBS: I don't think it's
21 subject -- I mean, you know -- look, I'm a lawyer.
22 Anything can be construed or misconstrued.

23 (Laughter.)

24 GENERAL COUNSEL JACOBS: But, I mean, I don't
25 think that's the most straight-ahead reading of this

1 thing. And since this is voluntary, if that was your
2 reading of it and you thought it was unfair or wanted to
3 explain that you thought it was required, but --

4 CHAIRPERSON TAYLOR: Well, no, I think that
5 what's she's saying is confusing is that it sounds like --
6 it could sound like someone's been fired --

7 COMMITTEE MEMBER OLIVARES: Right.

8 CHAIRPERSON TAYLOR: -- as retaliation for
9 reporting sexual harassment. You see what I'm saying? So
10 that's where the miss --

11 GENERAL COUNSEL JACOBS: Yeah, I understand. I
12 just don't think that that's the most natural reading of
13 that provision.

14 CHAIRPERSON TAYLOR: I -- okay. If Ms. Olivares
15 is satisfied, if you have better wording, you might want
16 to send that to Matt.

17 COMMITTEE MEMBER OLIVARES: I don't. I'm not an
18 attorney. I just want to clarify that too, because I
19 think the wording isn't the most clear, but, you know, if
20 that's my -- just reading it as a layperson and other
21 people would read this very clearly as an employment
22 action against someone for discriminating against somebody
23 else, or harassing somebody else, that's different. So I
24 think that's clarified.

25 CHAIRPERSON TAYLOR: Okay. Okay. So I --

1 COMMITTEE MEMBER OLIVARES: Thank you.

2 CHAIRPERSON TAYLOR: I also want to thank
3 everybody for working on this and getting these action --
4 or these additions into our -- into the candidate
5 information. But I also wanted to know if I could bring
6 up something separate? And I see Jason has a comment. We
7 are going to be holding elections next year. It is my
8 thought, and I don't know how the rest of the Board feels,
9 that COVID is not going to be over by the time we're
10 gathering signatures for next year's election. We've got
11 two people up for election next year.

12 LACERA and LACERS have already had problems
13 gathering in-person signatures. And I know it's only 200
14 or 250 signatures that you have to have, but there was a
15 suggestion -- they didn't have enough time to fix their --
16 and it might be too short of a time for us as well, but to
17 fix their law -- rules or administrative laws or whatever.
18 What would everybody think about not having to have wet
19 signatures. Like, if we could send it out to folks and
20 get it signed and have it faxed back or scanned back. But
21 it would have to be a change in the administrative rules.
22 We may not have enough time, but I was wondering if we
23 could explore that for possibly doing it in -- with enough
24 time. And that would also require the Board -- the
25 Committee to vote whether or not they agreed that

1 that(inaudible). So that's just something I would bring
2 up. Does anybody have any feelings?

3 CHIEF EXECUTIVE OFFICER FROST: Yeah. And, Chair
4 Taylor, we also have Mr. Stone available to talk about the
5 emergency provisions of an emergency regulation adoption,
6 if -- if you would like him to do that at some point.

7 CHAIRPERSON TAYLOR: Yeah, go ahead and do that.
8 And then it looks like I have Mr. Perez and Ms. Olivares.

9 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

10 Yeah. Thank you, Marcie and Ms. Taylor. I know
11 that we've been working closely with the Legal Office in
12 looking at what our options are, if, you know, COVID, you
13 know, created a challenge for us to get wet signatures.
14 What we have learned is that upon our initial review or
15 preliminary review, we do feel that we could do an
16 emergency regulation, which takes anywhere between 15 and
17 20 days to get adoption. And we could work with, you
18 know, the Office of Administrative Law on an emergency reg
19 to allow us to adjust our current candidate petition
20 procedures in order to receive some type of electronic
21 signature or another way to collect signatures for the
22 candidate petition package.

23 The other option is that, you know, we could also
24 go to the Governor's office and ask them for guidance as
25 well, because they do have the ability to suspend certain

1 regulations in order to allow us to continue to conduct
2 business. So again, we would obviously need to work with
3 our Legal team, and look at the options, and the timing,
4 and then move forward appropriately.

5 CHAIRPERSON TAYLOR: What's the -- and it would
6 be only for emergency situations like COVID. So it
7 wouldn't be something that we would do on a normal basis.
8 And we can make that clear, whether that's with the
9 Governor's office or this emergency legislation, is that
10 correct?

11 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:
12 That is correct.

13 CHAIRPERSON TAYLOR: Okay. What is the Board's
14 appetite for that? And I've got a comment from Jason and
15 Stacie, so start with Jason. I think yours was on
16 something else.

17 COMMITTEE MEMBER PEREZ: Yeah, mine was --
18 initially was going to be on Stacie's comments, that it
19 doesn't -- on first reading of number seven, it doesn't
20 scream at you. But if you read it and answer the question
21 asked, yes, a victim of harassment could easily feel
22 compelled to disclose that they've been -- that they've
23 been the subject of an investigation. So I'm sure Legal
24 can come with a better way to ask that question and still
25 get the same -- the intended response.

1 So that's on 7a. In regards to your --

2 GENERAL COUNSEL JACOBS: Can I just suggest
3 something on that. Sorry to interrupt you, Mr. Perez.

4 COMMITTEE MEMBER PEREZ: Go ahead.

5 GENERAL COUNSEL JACOBS: But the Office of
6 Administrative Law will review the regulations for clarity
7 before they become finalized. And if the OAL believes
8 that there's an issue here on the clarity, then they will
9 ask us to fix it. I'm just a little bit reluctant to kind
10 of slow the train that has been going for some time now to
11 get to this point, so that we can get the regulations in
12 place for the next election cycle.

13 Thank you.

14 COMMITTEE MEMBER PEREZ: That works for me.

15 And then, Theresa, in response to your
16 suggestion, I think that is a profoundly bad idea. I
17 think -- I think we have to get wet signatures for a
18 reason. Elections for us, for the CalPERS Board, is over
19 a year away. And I -- and I'll stop there.

20 Your off, Theresa.

21 You're still off, Theresa.

22 CHAIRPERSON TAYLOR: We have to get wet
23 signatures in March, in 2021 to start the campaign.
24 They're not a year off, so we will still be in COVID. I'm
25 just letting you -- I just think it's important -- I'm a

1 little confused as to why you think it's a bad idea, just
2 real quick.

3 COMMITTEE MEMBER PEREZ: Certainly. It is rife,
4 it is a breeding ground for dishonesty.

5 CHAIRPERSON TAYLOR: Okay. So -- okay. I'm not
6 quite clear on that. So you're saying --

7 COMMITTEE MEMBER PEREZ: I can email my State
8 union -- I can email my State union and the State union
9 can send 80,000 ballots to get signed. And that -- I
10 don't think that's the intent of the law at all.

11 CHAIRPERSON TAYLOR: Okay. Next, was Ms.
12 Olivares.

13 COMMITTEE MEMBER OLIVARES: Thank you, Madam
14 Chair. We discussed the electronic voting option before
15 sometime in early 2020 or late 2019, I don't remember.
16 It's kind of a blur. I want -- I wanted to know if we
17 could revisit that before deciding whether or not to move
18 forward with an electronic voting option, because I think
19 there was some issue about response rates and things like
20 that. I would just like to look at that data again.

21 CHAIRPERSON TAYLOR: The electronic voting option
22 is completely separate from this. This is -- we are
23 required to get 250 signatures to qualify for the ballot
24 before voting even starts.

25 COMMITTEE MEMBER OLIVARES: And that's what

1 you're talking about getting special -- an exception, so
2 for that, for the qualification for the ballot.

3 CHAIRPERSON TAYLOR: Yeah. Right. Right.

4 COMMITTEE MEMBER OLIVARES: Got it. Okay. Thank
5 you.

6 CHAIRPERSON TAYLOR: Next is Ramon Rubalcava.

7 COMMITTEE MEMBER RUBALCAVA: Thank you, Madam
8 Chair. Yes, I wanted to speak to the wet signature
9 requirement. In your opening comments, Ms. Taylor, you
10 mentioned LACERA and LACERS. That is my county and
11 hometown and so I was pretty aware of that. And I think
12 getting wet signatures in this period will help people,
13 especially be comfortable participating. We don't want to
14 disenfranchise anybody. And it's a small number,
15 relatively small compared to the voters. So I'm sure
16 there's a procedure that could be implemented to verify
17 that these are authentic signatures.

18 So I know another process is electronic
19 signatures is acceptable through an app and all that. So
20 I would think it's part of one --

21 CHAIRPERSON TAYLOR: Well, they're not -- they're
22 not electronic signatures. They would be hand --

23 COMMITTEE MEMBER RUBALCAVA: Oh, that's true.
24 That's true, but still it's -- it's --

25 CHAIRPERSON TAYLOR: -- or fax.

1 COMMITTEE MEMBER RUBALCAVA: It's -- I guess what
2 I'm trying to say, yes, we're in uncertain situations and
3 we need to make adjustments. And I would be in favor of
4 facilitating getting an alternative to wet signatures some
5 other way, through fax or something.

6 Thank you.

7 CHAIRPERSON TAYLOR: Okay. So I'm not really
8 hearing much of an appetite for it though. I think you
9 and me, Ramon, are pretty much it.

10 Stacie, go ahead.

11 Oh, you're still muted.

12 COMMITTEE MEMBER OLIVARES: Technical
13 difficulties. Sorry. I am -- sorry, I'm still trying to
14 understand the issue, because I don't have a lot of
15 information about that, and this is not my area of
16 expertise. Right now, are these signatures only collected
17 in hard copy and then mailed?

18 CHAIRPERSON TAYLOR: Well, no, we collect them
19 personally. We used to. So sometimes they're mailed.
20 Like, if I can't get -- I can't always be in Los Angeles.
21 I have State workers all over the state, right? So I
22 can't get to Los Angeles and San Diego, so I might send
23 the petitions to people I know, and then they have to be
24 mailed to me. But in my own work sites up here in
25 Sacramento, I would collect them. I would go to a

1 worksite and collect signatures is what I would do.

2 CHIEF EXECUTIVE OFFICER FROST: Yes. Ms.
3 Olivares, a candidate who wants to run for a position on
4 the Board has a requirement to collect 250 wet signatures
5 today. And once those signatures are collected, they get
6 turned into our Elections Coordinator who operates under
7 Mr. Stone. And they will go through and validate in our
8 system that those are legitimate -- those 250 signatures
9 are legitimate, i.e. they're members of the system.

10 COMMITTEE MEMBER OLIVARES: Thank you, Ms. Frost.
11 And how does that -- by turning in, what do you mean by
12 that? Can that be by mail or is that in person?

13 CHIEF EXECUTIVE OFFICER FROST: I think some
14 candidates --

15 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:
16 I can -- I can hop in.

17 CHIEF EXECUTIVE OFFICER FROST: -- have done it
18 in person and some candidates have mailed it in, just
19 depending on what part of the state they're from. But
20 most of the candidates, at least that I'm aware of, have
21 turned it in directly into CalPERS, hand delivered those.

22 COMMITTEE MEMBER OLIVARES: And what's our
23 verification process?

24 CHIEF EXECUTIVE OFFICER FROST: Mr. Stone, would
25 you like to go through that?

1 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

2 Yeah. So once the signatures are submitted to
3 our Board Elections Coordinator, the Board Elections
4 Coordinator, we do ask for other identifiable --
5 identifiable information on the nomination petition
6 package. And then we will go into our myCalPERS system
7 and we will validate that in fact that the member that did
8 sign the nomination petition package is an eligible member
9 and voter within -- within the election.

10 And then once we have the 250 validated
11 signatures, then they -- we move forward with the -- with
12 the nomination petition process and then eventually the
13 election.

14 COMMITTEE MEMBER OLIVARES: Do we verify that
15 they are, in fact, nominating that candidate? So, for
16 example, do we contact -- send out an email to those 250
17 asking for verification that they are, in fact, nominating
18 this candidate?

19 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

20 So on the -- on the main page of each nomination
21 petition package, it -- it is which candidate they are
22 supporting on the main page and then they submit the 250
23 plus signatures. Therefore -- and like what Ms. Marcie --
24 Ms. Frost mentioned that the -- the candidate usually
25 submits them in person with their signatures and the other

1 information that we request from that nomination petition
2 package to our Board Elections Coordinator.

3 COMMITTEE MEMBER OLIVARES: Right. So we don't
4 verify that they're actually nominating that candidate,
5 because we have this process by which the candidate then
6 turns it in. But if we're looking at a substitute process
7 or an alternative process, perhaps we might need to add a
8 feature by which we are verifying that those nominations
9 are really for that candidate.

10 CHIEF EXECUTIVE OFFICER FROST: I think the -- I
11 think what Mr. Stone was -- and perhaps it would be nice
12 to, when we put this back on the agenda item -- I know
13 there's a couple questions coming -- is that we actually
14 show you some of these forms. But the form that a -- you
15 know, a person who is saying, yes, I will sign for this
16 nominee, they see at the top of that page which nominee
17 they're signing for. So it's within the documentation
18 itself that I'm signing for this particular candidate.

19 But I'll pause there, because I know we've got a
20 few Board members who have just recently gone through this
21 process who may like to add a little more detail.

22 COMMITTEE MEMBER OLIVARES: Thank you.

23 CHAIRPERSON TAYLOR: Henry.

24 COMMITTEE MEMBER JONES: Yes.

25 CHAIRPERSON TAYLOR: There you go.

1 COMMITTEE MEMBER JONES: Having just gone through
2 the process a year ago, yeah, it's correct that my name
3 appeared at the top of every page that it --

4 CHAIRPERSON TAYLOR: Yeah, it says.

5 COMMITTEE MEMBER JONES -- 20 lines for people to
6 sign. And they also have to list their last four digits
7 of their Social Security number, so they're verified that
8 that person is qualified to -- as a retiree, to vote.

9 And by the way, I have left that form with other
10 people who have gathered signatures, and sometimes they
11 are mailed directly into the Election Coordinator's
12 Office. However, the majority of them I personally took
13 in to the Election Coordinator. But there are some forms
14 that are mailed in with those signatures on that same
15 document. But the candidate name has to be on everyone.
16 Matter of fact, your signature has to be on all of those.
17 And then that person signs and put their last four digits
18 of the Social Security number. And if they don't match,
19 then they're not counted towards being eligible for that
20 250-member threshold.

21 So it's -- and so -- so if someone can leave a
22 form and have it mailed in by someone else, then I don't
23 see the problem of not being able to accept mail-in
24 documents, because we do mail them in now. So that would
25 be my viewpoint.

1 CHAIRPERSON TAYLOR: Okay. Frank.

2 ACTING COMMITTEE MEMBER RUFFINO: Thank you,
3 Madam Chair. I've been having technical difficulty. I
4 think we all have, so I'm not sure -- a couple times I was
5 out. But I think COVID has changed -- everything. And I
6 think it would be prudent to be prepared to make a -- to
7 come up with an alternate method or another method to
8 collect the signature. And, you know, the verification.
9 So I -- I think we should be exploring that possibilities.
10 After all, you know, we are now allowing voting by mail,
11 by email. You know, we're allowing, you know -- we're
12 allowing for signature to be accepted during (inaudible)
13 signature, so I don't see us -- I see us to do -- the
14 responsible thing to do is to explore all those
15 possibilities, because it could be a real issue, you know.
16 We could probably -- it will be an issue. You know, we
17 could probably -- could not go to a worksite to collect
18 signature, because, for example, right now, all the
19 in-person meetings of all organizations have been
20 suspended. So you would not have that opportunity.
21 Anyhow, I believe it would be prudent for us to
22 (inaudible), Madam Chair. Thank you.

23 CHAIRPERSON TAYLOR: Thank you, Frank.

24 Ms. Brown.

25 BOARD MEMBER BROWN: Thank you. I agree with Mr.

1 Jones that since I'm based in Southern California,
2 signatures can be gathered by mail. And I don't think
3 it's a problem. I don't think we should change the
4 process. It's only 250 signatures. And just like most of
5 us are voting by mail, I think we trust our Post Office to
6 deliver -- deliver the items. And I don't have an issue
7 with them just keeping it -- keeping it the same.

8 Also, I believe that our agencies are going to
9 start opening up. As we keep getting the numbers down in
10 California, I believe the State offices will start opening
11 up, and school districts will open up, and -- yeah, this
12 is -- it's a little different than say Mr. Jones when he
13 had to get retirees. We have an opportunity with this
14 next election for all members, retired and active. So
15 it's going to be much easier, because there is two -- 1.9
16 million members. I don't know how many of them are active
17 and voting, but it's going to be much easier to get them.
18 And I really don't want to see us monkey with the
19 regulations.

20 Thank you.

21 CHAIRPERSON TAYLOR: Okay. Sorry. My mute does
22 not want to come off. Henry, did I misunderstand you that
23 you were stating that you thought it was good idea to have
24 faxed signatures or did not like that idea?

25 COMMITTEE MEMBER JONES: Yes, I was saying I

1 think it is a good idea. With the COVID-19, I think we --

2 CHAIRPERSON TAYLOR: Okay.

3 COMMITTEE MEMBER JONES: -- have to modify our
4 practice.

5 CHAIRPERSON TAYLOR: Okay. And then in addition,
6 I think all you were saying about mailing -- other people
7 were mailing in signatures for you. I always had them
8 send them to me and then I took them in personally. So --
9 okay.

10 COMMITTEE MEMBER JONES: And in any event,
11 they're going to be checked with their Social Security
12 number, so you're not going to be able to overcount,
13 because --

14 CHAIRPERSON TAYLOR: Right.

15 COMMITTEE MEMBER JONES: So it's going to be
16 verified. So you're only going to be able to count those
17 members that are actual members.

18 CHAIRPERSON TAYLOR: Okay. Great. Thanks. I
19 just wanted to make sure I understand that.

20 Ms. Middleton.

21 BOARD MEMBER MIDDLETON: Thank you.

22 I've got a question about the form and how it is
23 used. Is it possible for one name to be on a form and
24 submitted or is it a list of 30, 40 names that has to be
25 on a single form?

1 CHAIRPERSON TAYLOR: I think it's 20 names to a
2 form.

3 BOARD MEMBER MIDDLETON: And you have to fill
4 out -- provide 20 names on each one of -- each form?

5 CHAIRPERSON TAYLOR: Not necessarily, no. I
6 don't believe that.

7 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

8 If it was only one name on the form, Ms.
9 Middleton, we would accept it. If someone, you know,
10 filled out 20 names, or 15 names, or nine names. We get
11 it -- again, like Mr. Jones and others have mentioned,
12 they -- you know, they've allowed other people to take
13 signatures and then mail them to them. So in whatever
14 fashion they do come in, you know, we -- we'll take it in
15 and validate that they are eligible.

16 BOARD MEMBER MIDDLETON: Okay. And Dallas, thank
17 you for that. So you could get to get the 250 signatures,
18 250 separate forms and you would accept that?

19 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:
20 Absolutely.

21 BOARD MEMBER MIDDLETON: Okay. And is there a
22 limit on how many signatures someone can collect in order
23 to collect 250 valid signatures?

24 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:
25 No, there is no limit. And in a lot of

1 occasions, candidates will, you know, collect more than
2 250 signatures just to be on the safe side, because, you
3 know, some people might be confused that they're in PERS,
4 or not within PERS, or eligible to vote, or not eligible
5 to vote. So they're -- most candidates usually take well
6 over the 250 just to -- as a precaution.

7 BOARD MEMBER MIDDLETON: Now, if I could comment,
8 as someone who has collected signatures and ran in local
9 city and county, these rules are far more generous to
10 signature gathering than what you will find in most
11 counties where you're going to have to submit a list of
12 signatures on a defined number of documents that's
13 significantly less than the total number of signatures
14 that you need, and there are limits generally on how many
15 signatures you can collect in an effort to get to a valid
16 number of signatures.

17 So I think we're being very fair with the
18 process, and this -- even in COVID, we can mail documents
19 to supporters. And I just -- I don't see the need to
20 change from wet to electronic. And I know I don't have a
21 vote on this Committee, but I'll offer that.

22 CHAIRPERSON TAYLOR: Okay. Margaret, did you
23 have another question or is that just you telling me that
24 you had a question.

25 BOARD MEMBER BROWN: No. No. That's an old one.

1 It was an old one.

2 CHAIRPERSON TAYLOR: Okay.

3 Okay. Mr. Jones.

4 COMMITTEE MEMBER JONES: Yeah. Yeah, I think
5 it's important that we're not talking about -- are we
6 talking about an electronic signature or are we talking
7 about sending out cop -- faxes to -- for people to sign
8 and fax back? That's not an electronic signature.

9 CHAIRPERSON TAYLOR: Right. Right. Exactly. So
10 it's fax or scan.

11 COMMITTEE MEMBER JONES: All we're doing is
12 saying that we're facil --

13 CHAIRPERSON TAYLOR: Yeah.

14 COMMITTEE MEMBER JONES: -- facilitating
15 gathering of the signatures the paper documents by being
16 able to accept faxes, et cetera.

17 CHAIRPERSON TAYLOR: So let me get an idea here.
18 I mean, Ms. Frost, I don't know how do -- if we explore
19 this, we don't have a whole lot of time. So would we have
20 Dallas come back with information and then we could vote
21 on it? It -- I've got -- it sounds like I've got an even
22 number for and even number against. I can't tell for
23 sure.

24 (Laughter.)

25 CHIEF EXECUTIVE OFFICER FROST: Yeah. Chair

1 Taylor --

2 GENERAL COUNSEL JACOBS: Yeah, can I make a --

3 CHIEF EXECUTIVE OFFICER FROST: Go ahead, Mr.
4 Jacobs.

5 GENERAL COUNSEL JACOBS: I'm happy to chime on
6 this. So we're a little bit jammed for time. And what I
7 would suggest is that if we wanted to pursue this, we --
8 and we don't have any other problems or issues with what
9 has -- is before you, that we send these regulations onto
10 the OAL so we can get them in place in time, and then we
11 take up this issue the next time. So we could do a
12 subsequent regulation on it -- an amendment.

13 The problem with changing the language now --

14 CHAIRPERSON TAYLOR: Matt -- Matt, we didn't --
15 we didn't intend that. I do want to go through --

16 CHIEF EXECUTIVE OFFICER FROST: Yeah.

17 CHAIRPERSON TAYLOR: -- and pass C1 --

18 CHIEF EXECUTIVE OFFICER FROST: Yeah.

19 CHAIRPERSON TAYLOR: -- for sure. We -- this
20 would be emergency legislation.

21 CHIEF EXECUTIVE OFFICER FROST: Right. Right.
22 So Chair Taylor --

23 GENERAL COUNSEL JACOBS: Got it. Okay. I'll
24 stop talking then.

25 (Laughter.)

1 CHIEF EXECUTIVE OFFICER FROST: -- my response to
2 your question would be, you know, either based on
3 Committee direction out of this Committee or a motion,
4 however you choose to do that. You could ask management
5 to come back with an option. We could schedule that
6 meeting in November, and come back for an option for you
7 to vote on. And whether that was an emergency regulation
8 process or through the powers of Governor Newsom,
9 depending on the outcome of that particular vote in
10 November. But we could do that based on your direction,
11 the Committee's direction.

12 CHAIRPERSON TAYLOR: So can we do that then?
13 Let's just -- we can always vote on it later, if everybody
14 disagrees -- or if enough people disagree, then it won't
15 pass. But if we could move that along for November, that
16 would be awesome. Just to explore another option in
17 case -- you know, flu seasons is coming up, I get it. It
18 would be great if everything goes away, but we're -- you
19 know, we just don't know.

20 CHIEF EXECUTIVE OFFICER FROST: Okay.

21 CHAIRPERSON TAYLOR: 2020 hasn't been the best of
22 years for us, so...

23 (Laughter.)

24 CHIEF EXECUTIVE OFFICER FROST: Okay. Mr. Cohen
25 will put that down as Committee direction.

1 CHAIRPERSON TAYLOR: Thank you so much.

2 And then if there are no more questions -- oh,
3 Jason you had a motion. Did you want to make a motion on
4 that, Jason?

5 COMMITTEE MEMBER PEREZ: Yeah. I motion that we
6 save everyone some time and effort and just keep
7 everything the way it is now.

8 CHAIRPERSON TAYLOR: I already gave Committee,
9 so --

10 (Laughter.)

11 CHAIRPERSON TAYLOR: And we'll do it for
12 November. It's not going to happen here, so we -- we need
13 to see it first.

14 COMMITTEE MEMBER PEREZ: I'm pretty sure it has
15 to go for a second and then or not a second and then it
16 dies.

17 CHAIRPERSON TAYLOR: Okay. Is there a second for
18 his motion?

19 Okay. No second. Thank you very much.

20 So, Stacie, it looks like you had one more
21 question.

22 COMMITTEE MEMBER OLIVARES: One more question.
23 And sorry about this. Just to follow up on Mr. Jacobs
24 comment. I've had to do emergency regs through OAL
25 before. And as he indicated, there are often a lot of

1 changes and it takes quite a long time. So I imagine by
2 the time we get to the November meeting, we will have some
3 type of update with new text from OAL that we can look at.

4 CHAIRPERSON TAYLOR: I think we're talking about
5 two different things. I think the -- what we're doing
6 here on C is different. We're sending that through and we
7 need to get it done and we will vote on that momentarily.

8 What I was suggesting was emergency OAL regs just
9 for this specific issue of wet signatures and/or, as Ms.
10 Frost said, something from the Governor's office.

11 COMMITTEE MEMBER OLIVARES: Okay. And that's why
12 I'm getting a little bit confused here, because this
13 wasn't a specific agenda item. So you're saying this --
14 your direction will be that CalPERS team is going to take
15 a look at that --

16 CHAIRPERSON TAYLOR: Yeah, they're --

17 COMMITTEE MEMBER OLIVARES: -- and then --

18 CHAIRPERSON TAYLOR: Yeah. So it has nothing to
19 do -- I just brought it up under C, because it is part of
20 the election.

21 COMMITTEE MEMBER OLIVARES: Right.

22 CHAIRPERSON TAYLOR: That's why I brought it up,
23 but it is separate from C.

24 COMMITTEE MEMBER OLIVARES: Right. Okay. Does
25 that make sense?

1 COMMITTEE MEMBER OLIVARES: That makes sense.

2 Got it. Thank you.

3 CHAIRPERSON TAYLOR: Okay. So I need a motion to
4 pass --

5 VICE CHAIRPERSON MILLER: I'll so move. I'll
6 move 6c.

7 CHAIRPERSON TAYLOR: Thank you.

8 I need a second.

9 Anybody?

10 COMMITTEE MEMBER RUBALCAVA: (Raised hand.)

11 CHAIRPERSON TAYLOR: Okay. Mr. Rubalcava.

12 COMMITTEE MEMBER RUBALCAVA: Yes.

13 CHAIRPERSON TAYLOR: So I have a motion to move
14 6c, seconded by Mr. Rubalcava.

15 All those in favor? Ms. Hopper.

16 COMMITTEE SECRETARY HOPPER: Thank you, Madam
17 Chair.

18 Henry Jones?

19 VICE CHAIRPERSON MILLER: Henry, unmute?

20 COMMITTEE MEMBER JONES: Aye.

21 COMMITTEE SECRETARY HOPPER: Frank Ruffino for
22 Fiona Ma?

23 ACTING COMMITTEE MEMBER RUFFINO: Aye.

24 COMMITTEE SECRETARY HOPPER: David Miller?

25 VICE CHAIRPERSON MILLER: Aye.

1 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

2 COMMITTEE MEMBER OLIVARES: Aye.

3 COMMITTEE SECRETARY HOPPER: Jason Perez?

4 COMMITTEE MEMBER PEREZ: Aye.

5 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

6 COMMITTEE MEMBER RUBALCAVA: Aye.

7 COMMITTEE SECRETARY HOPPER: Madam Chair, I have
8 all ayes. David Miller making the motion, Ramon Rubalcava
9 seconding it for Item 6c.

10 CHAIRPERSON TAYLOR: Okay. The item passes.

11 Let's move on to 7a, Annual Actuarial Valuation,
12 Terminated Agency Pool.

13 Mr. Cohen.

14 CHIEF FINANCIAL OFFICER COHEN: Yeah, that -- so
15 that concludes our action items. I'll turn this one over
16 to the actuaries to walk you through this annual report.

17 SENIOR PENSION ACTUARY ROBINSON: Yes. Good
18 afternoon. Julian Robinson, Actuarial Office. I'm happy
19 to present the results of the Terminated Agency Pool this
20 afternoon.

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

23 SENIOR PENSION ACTUARY ROBINSON: This was the
24 valuation which we performed as of June 30, 2019.

25 If you can move to the next slide, please.

--o0o--

1
2 SENIOR PENSION ACTUARY ROBINSON: In the
3 valuation, we had 109 plans in the TAP, with five
4 additions in this most recent valuation. The funded
5 status of the pool is 202.8 percent.

6 Next slide, please.

7 --o0o--

8 SENIOR PENSION ACTUARY ROBINSON: These are a
9 list of the five agencies which joined since the last
10 valuation which was conducted June 30, 2018. In
11 additional -- there's an additional about a million
12 dollars in liabilities associated with these agencies
13 which joined the pool.

14 Next slide, please.

15 --o0o--

16 SENIOR PENSION ACTUARY ROBINSON: Every year, the
17 discount rate for the Terminated Agency Pool changes. The
18 reason for this is, according to the policy -- the Board
19 policy, we use the government bond rate for the STRIPS to
20 determine what the discount rate is. This matches the
21 investment strategy that's used by the Terminated Agency
22 Pool. We'll talk a little bit more about that in a couple
23 of slides.

24 Next slide, please.

25 --o0o--

1 SENIOR PENSION ACTUARY ROBINSON: So here are the
2 numbers in front of you. As you can see, the funded ratio
3 of the TAP, Terminated Agency Pool, as of June 30, 2019 is
4 202.8 percent. In rough numbers, there's \$300 million in
5 assets, and \$150 million in liabilities. So relative to
6 the size of the whole PERF, this is really a very small
7 plan. It's less than 0.1 percent of the whole PERF, but
8 it is a significant pool which everybody is focusing on.
9 And it's important to present to the Board an update of
10 the funded status.

11 Next slide, please.

12 --o0o--

13 SENIOR PENSION ACTUARY ROBINSON: So the
14 investments in the pool are divided into two sections.
15 There's a section called the immunized segment and a
16 section called the surplus segment. The intention of the
17 immunized segment is to buy a portfolio of bounds, and the
18 Investment Office, you know, carries out every year, to
19 match the cash flows of the benefit payments, which come
20 out of the TAP. So every year, the Investment Office goes
21 through a rebalancing of the immunized segment. As, you
22 know, the demographic of -- the demographics of the TAP
23 change, so do the projected cash flows. So the Actuarial
24 Office provides the Investment Office a 50, 60-year
25 projection of what we expect future benefit payments to

1 do. And the Investment Office produces an immunized
2 portfolio of bonds to match as closely as possible.

3 Any surplus amounts available are invested with
4 the PERF and the rest of the funds in the system. And as
5 you can see, it's approximately 50/50 breakdown between
6 what's in the immunized segment and what's in the surplus
7 segment. The rate of return that was achieved in the past
8 last fiscal year was 7.2 percent as of June 30, 2019.

9 The reason why there was -- we saw such a high
10 rate of return was that as bond rates decreased, that
11 increases the value of bonds, that's why the performance
12 of the TAP was very significant.

13 Next slide, please.

14 --o0o--

15 SENIOR PENSION ACTUARY ROBINSON: This -- we have
16 a requirement to test the sensitivity of our results,
17 based on different impacts of changes in mortality. So
18 this slide shows that if the -- under the current
19 mortality, our TAP is -- has 202.8 percent funded ratio.
20 If the mortality rates decreased, it would -- it would
21 drop down to 195.9 percent. And similarly, if the
22 mortality rates increased, it would increase to 209.3
23 percent.

24 Next slide, please.

25 --o0o--

1 SENIOR PENSION ACTUARY ROBINSON: And we do a
2 similar impact -- sensitivity impact calculation on the
3 possible changes in inflation. So the inflation rate,
4 which was used in this valuation was 1.85 percent. In the
5 event that inflation was lower, then the funded ratio
6 would be expected to increase up to 230.9 percent.

7 If the opposite were true, if inflation was one
8 percent higher, then the funded ratio would drop to 194.4
9 percent. This is a general overview of all the relevant
10 information from the TAP. If you have any further
11 questions, please do.

12 CHAIRPERSON TAYLOR: Thank you, Julian. It looks
13 like I don't have any questions on this.

14 So we can move on.

15 SENIOR PENSION ACTUARY ROBINSON: Excellent.
16 Great. I appreciate your time. Thank you.

17 CHAIRPERSON TAYLOR: Thank you.

18 CHIEF FINANCIAL OFFICER COHEN: All right, Chair.
19 The next item is also an informational one. Based on the
20 Committee's direction, we revised this report a little
21 bit. But I'll turn it over to Arnita Paige to walk you
22 through sort of our contracts annual report.

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

25 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

1 PAIGE: Good afternoon, Arnita Paige, CalPERS team.

2 Information item 7b provides our annual program
3 update, which includes the status of contract terminations
4 and collections activity. The form of the full report,
5 provided as Attachment 2, was produced in response to
6 feedback from the Committee in February 2020.

7 Next slide, please.

8 --o0o--

9 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

10 PAIGE: A summary of program highlights for the fiscal
11 year 2019-20 include resolution of 502 delinquent cases to
12 maintain a below two percent delinquency rate to meet a
13 strategic measure; coordination of nine contract closeouts
14 to assist defunct employers and support benefit
15 protection; and, providing 30 agencies with -- who became
16 delinquent on their pension obligations with short-term
17 payment arrangements ranging up to four months to assist
18 with temporary financial challenges.

19 Next slide, please.

20 --o0o--

21 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

22 PAIGE: This slide shows improvements made to enhance
23 service delivery. We focused on: employer education and
24 incorporated financial analysis within the review process
25 for new contracting agencies; streamlined a pension

1 contract amendment and termination processes to enhance
2 document management functionality in my -- in the
3 my|CalPERS system; and developed employer FAQs for
4 cost-sharing and golden handshake optional benefits to
5 address most frequently answered questions.

6 Next slide, please.

7 --o0o--

8 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

9 PAIGE: Nine agencies cease submitted a final resolution
10 to terminate their contract with CalPERS during the fiscal
11 year. And there are currently no agencies pending
12 termination.

13 Next slide, please.

14 --o0o--

15 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

16 PAIGE: Our collection report show we have 17 active cases
17 with amounts outstanding of \$393,488 at the end -- fiscal
18 year-end of 2019-20. On August 26th, nearly -- we've
19 collected nearly 72 percent of the balance owed. And we
20 believe the remaining cases are solvable.

21 Next slide, please.

22 --o0o--

23 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

24 PAIGE: This final slide shows the three agencies
25 currently on a payment plan. The first two agencies are

1 paying off their termination unfunded liabilities. And
2 the last agency is paying off their unfunded accrued
3 liability cost.

4 This concludes my report and I'll be happy to
5 answer any questions.

6 CHAIRPERSON TAYLOR: Arnita, it doesn't look like
7 we have any questions.

8 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF
9 PAIGE: Okay. Thank you.

10 CHAIRPERSON TAYLOR: Thank you very much for your
11 report.

12 And I guess we can move on to Item C -- 7c --

13 CHIEF FINANCIAL OFFICER COHEN: Sure, let me
14 give --

15 CHAIRPERSON TAYLOR: -- Board 2020-21 budget.

16 CHIEF FINANCIAL OFFICER: Yeah. Let me just give
17 you a little bit of framing and then I'll turn it over
18 back to you for discussion.

19 So you'll recall in July of this year at the
20 offsite, I kind of walked you through the steps we're
21 taking in lowering the CalPERS budget. You'll see that
22 proposal in November for action. This is a discussion
23 item. And whatever sort of comes out of the discussion,
24 we'll integrate into that proposal for November, and
25 you'll have a chance to vote on it then.

1 But basically the key here is that the Board
2 expressed interest in taking a look at its own budget that
3 you adopted in April to determine whether or not you
4 wanted to revise it. Obviously, some revisions will
5 happen on the natural. For instance, the PLPs on State
6 employees, those savings will be integrated already and
7 then obviously the Board members as well aren't doing as
8 much, if any, travel right now. And so those savings
9 willow accrue naturally. But with that, Chair, let me
10 turn it back to you for discussion.

11 CHAIRPERSON TAYLOR: Certainly. Thank you very
12 much. Mr. Jones, I know that had some specific
13 information on this as well. Go ahead.

14 COMMITTEE MEMBER JONES: Yeah. Thank you, Madam
15 Chair. You may recall, as Mr. Cohen indicated when this
16 discussion came up, we asked Board members whether or not
17 they had any ideas about making changes to the overall
18 budget. And I think I received one request. But
19 subsequent to that, looking at the fact that our Board
20 Services Unit staff will be reducing their compensation
21 similar to all other State employees, and also recognizing
22 that we don't know what the new normal is. We know we're
23 saving money, because we're not traveling to Board
24 meetings. We're not traveling to conferences.

25 So my suggestion is that we don't try to make

1 additional reductions at this time and we wait till we
2 know how we are going to operate in the new upcoming
3 fiscal year, and then we could talk about some policies
4 based on a new normal of whether it's a reduction in
5 travel costs or whatever the case may be.

6 But I think at this stage, the staff has already
7 been -- taken a reduction just as all other staff, in
8 terms of compensation. So I think that that would be my
9 suggestion at this time.

10 CHAIRPERSON TAYLOR: That sounds like a good
11 suggestion.

12 Does anybody else have anything they want to add
13 to that. Because as it is, I agree with Mr. Jones, we
14 currently aren't traveling. We aren't eating at the
15 Board. We're not traveling to Board meetings. We're not
16 traveling for Board business. So we -- and all of our
17 Board Services Unit takes the same ten percent pay cut
18 that the State workers took.

19 So unless anybody has -- okay. Hold on, Jason.
20 And I think Henry's suggestion is well founded to revisit
21 this at the next fiscal year as we see where COVID takes
22 us. But let me -- go ahead, Mr. Perez. Go ahead.

23 COMMITTEE MEMBER PEREZ: I'm just curious if we
24 have an update as for a replacement for Ms. Perkins.

25 CHAIRPERSON TAYLOR: I don't have that

1 information.

2 CHAIRPERSON TAYLOR: Henry, go ahead.

3 COMMITTEE MEMBER JONES: Yeah. I've talked to
4 Ms. Frost about that and asked for a process to be
5 established for that Mr. Jason -- Perez, rather.

6 COMMITTEE MEMBER PEREZ: Jason is fine.

7 (Laughter.)

8 COMMITTEE MEMBER PEREZ: Okay. Can't we just
9 promote inside?

10 COMMITTEE MEMBER JONES: I mean, of course,
11 they're eligible too, if that, you know, turns out to be
12 the case, yeah.

13 CHAIRPERSON TAYLOR: It doesn't mean we don't
14 backfill. That all depends on what's needed.

15 COMMITTEE MEMBER PEREZ: Okay. Thank you.

16 CHAIRPERSON TAYLOR: The next fiscal year.

17 And we can move on from here.

18 Mr. Cohen, we're on long-term care valuation.

19 You're muted, Michael.

20 CHIEF FINANCIAL OFFICER COHEN: Sorry about that.

21 So I think Don Moulds has cued this up fairly
22 well based on your prior discussions in the Investment
23 Committee as well as Pension and Health.

24 The actuaries are going to walk you through their
25 presentation here, so why don't I turn it over to Scott

1 and Fritzie.

2 (Thereupon an overhead presentation was
3 presented as follows.)

4 CHIEF ACTUARY TERANDO: There we go. Good
5 afternoon, Madam Chair, members of the Committee. Scott
6 Terando, Actuarial Office. Just as a quick reminder
7 before we start. This is an information item and we're
8 not seeking any action on this item today.

9 I think as Don reviewed earlier, both yesterday
10 and today, this item is going to go over the long-term
11 care results valuation this year. And there are some
12 significant changes in the actuarial assumptions being
13 determined this year.

14 When you look at some of the main drivers, we're
15 looking at changes in the morbidity rate, the lapse rate,
16 and primarily the discount rate. These updates will have
17 a significant impact on the liabilities and possible
18 premium increases depending upon all the other items that
19 are in flux right now that Don has previously talked
20 about.

21 Joining me today, Fritzie Archuleta will walk us
22 through the valuation results and discuss our analysis.
23 We also have a available today with us our Long-Term Care
24 Actuary Flora Hu, and out an outside consultant Clark
25 Heitkamp who will be available for questions if we need

1 those answered.

2 And with that, I'll pass it along to Fritzie.

3 DEPUTY CHIEF ACTUARY ARCHULETA: Good afternoon,
4 members of the Committee. Fritzie Archuleta, CalPERS
5 team.

6 I'm here today to present the long-term care
7 valuation results as of June 30th, 2019.

8 Next slide, please.

9 --o0o--

10 DEPUTY CHIEF ACTUARY ARCHULETA: Some background
11 information. Each year, an experience study is done on
12 the Long-Term Care Program to ensure adequate funding for
13 the program. We also incorporate experience during --
14 experience during the year that the valuation is done.

15 This year, the Actuarial Office recommends
16 revisions to three different assumptions. First, the
17 discount rate is recommending going from five and a
18 quarter percent to four percent. Recall, that the
19 discount rate is the rate at which the liabilities for the
20 program is discounted to the present day. It is also our
21 best estimate of what the portfolio, as it stands today,
22 can be expected to earn in the future.

23 We have also made recommended changes to the
24 morbidity rates. The morbidity rates shape the future
25 claims costs for the program. And finally, there are

1 recommended changes to the lapse rate, which are the rates
2 at which policyholders are expected to lapse their
3 policies with CalPERS.

4 Next slide, please.

5 --o0o--

6 DEPUTY CHIEF ACTUARY ARCHULETA: Because the
7 discount rate has a significant impact on the liabilities
8 of the plan, we will take the next few slides to discuss
9 our development of it.

10 The Long-Term Care Fund undergoes an ALM process
11 every four years. There is also a mid-year cycle review.
12 ACTO has found that the picture has actually changed
13 dramatically over the last two years.

14 Next slide, please.

15 --o0o--

16 DEPUTY CHIEF ACTUARY ARCHULETA: As of June 30th,
17 2017, this was the CMA picture. Please pay special
18 attention to the fixed income line on this slide.

19 Next slide, please.

20 --o0o--

21 DEPUTY CHIEF ACTUARY ARCHULETA: Two and a half
22 years later, you can see that the outlook is much lower
23 than it was in 2017.

24 Next slide.

25 --o0o--

1 DEPUTY CHIEF ACTUARY ARCHULETA: Two key points
2 that went into our analysis. The court -- the current
3 portfolio is made up of 66 percent fixed income. As you
4 recall from those last two slides, the outlook for fixed
5 income is much lower than it was two years ago. The
6 program is also a closed program, in which the average
7 policyholder age is 75 years old. This means that we
8 anticipate 65 percent of the funding is needed over the
9 next 20 years.

10 To add extra pressure to the program, the program
11 is experiencing a negative cash flow situation, where more
12 money is leaving from the plan than what it is coming in.
13 We expect this negative cash flow to peak in 2039. For
14 these reasons, ACTO is recommending a four percent
15 discount rate.

16 Next slide, please.

17 --o0o--

18 DEPUTY CHIEF ACTUARY ARCHULETA: Incorporating
19 the new assumptions and the experience during the 2018-19
20 fiscal year, slide 7 displays the state of the Long-Term
21 Care Program today. You can see that the margins, which
22 is an indicator of whether or not premiums need to be
23 increased, is at a negative 85 percent, and the funded
24 status, which discloses the overall health of the plan is
25 at a 69 percent.

1 Next slide, please.

2 --o0o--

3 DEPUTY CHIEF ACTUARY ARCHULETA: This is a
4 reconciliation of the margin from the -- last year to this
5 year. The rows in purple reflect the actual experience of
6 the program during the 18-19 fiscal year. The rest of the
7 rows reflect the long-term changes made to the expected
8 future costs of the program.

9 As the program stands today, we do not anticipate
10 that the program has enough money to pay all anticipated
11 benefits. Some actions must be taken to correct this.
12 Items were discussed with you at the Investment Committee
13 meeting, as well as the Pension and Health Benefits
14 Committee meeting. I look forward to continuing this
15 conversation with you at the November Board meeting.

16 This concludes my presentation. I will now open
17 it up to any questions.

18 CHAIRPERSON TAYLOR: Thank you, Fritzie.

19 Does anybody have any questions?

20 I'm not seeing any right now. I just want to
21 give everybody a chance.

22 Okay. It looks like we don't have any questions.

23 So we'll move on to -- thank you very much for
24 all the reports you guys. I really appreciate all your
25 hard work.

1 And I'm going to move on to summary of committee
2 direction.

3 CHIEF FINANCIAL OFFICER COHEN: Yes. Thanks,
4 Chair. I've got two things. First, is we agreed to
5 provide some additional detail on actual expenditures
6 regarding the information we've already sent to the Board
7 as well as FedEx. So we will get you that shortly.

8 And then second, we will agendize a November item
9 to have further discussion on the elections issue
10 regarding wet signatures and so forth.

11 So those are the two things that I have.

12 CHAIRPERSON TAYLOR: And I don't have anything in
13 addition to that. I do appreciate that.

14 And finally, we're on public comment. And I
15 don't know if we have any, Mr. Fox, Cheree.

16 Anybody?

17 MS. SWEDENSKY: I don't think we have any public
18 comment for today.

19 CHAIRPERSON TAYLOR: Okay. No public comment.

20 So I'm going to adjourn the Finance and
21 Administration Committee meeting.

22 COMMITTEE MEMBER JONES: Ms. Taylor.

23 CHAIRPERSON TAYLOR: Yeah.

24 COMMITTEE MEMBER JONES: I just want to announce
25 that we will convene the Board Governance Committee

1 meeting at 1:45.

2 CHAIRPERSON TAYLOR: 1:45 it is. That's what I
3 was going to ask.

4 COMMITTEE MEMBER JONES: Okay. Thanks.

5 CHAIRPERSON TAYLOR: All right. See you guys at
6 1:45. Thank you.

7 (Thereupon the California Public Employees'
8 Retirement System, Board of Administration,
9 Finance & Administration Committee meeting
10 adjourned at 12:53 p.m.)
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 21st day of September, 2020.



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