

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

ZOOM PLATFORM

TUESDAY, JUNE 15, 2021

10:30 A.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Henry Jones, Chairperson

Lisa Middleton, Vice Chairperson

Rob Feckner

Fiona Ma, represented by Matthew Saha

Stacie Olivares

Eraina Ortega

BOARD MEMBERS:

Margaret Brown

David Miller

Ramon Rubalcava

Theresa Taylor, Vice President

Shawnda Westly

Betty Yee, represented by Lynn Paquin

STAFF:

Marcie Frost, Chief Executive Officer

Matt Jacobs, General Counsel

Kelly Fox, Chief, Stakeholder Relations

Pam Hopper, Committee Secretary

Anne Simpson, Managing Investment Director

APPEARANCES CONTINUED

ALSO PRESENT:

Rick Funston, Funston Advisory Services, LLC

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PROCEEDINGS

1
2 CHAIRPERSON JONES: I would like to call the
3 Board Governance Committee meeting to order. And the
4 first order of business is roll call, please.

5 Ms. Hopper.

6 COMMITTEE SECRETARY HOPPER: Henry Jones?

7 CHAIRPERSON JONES: Here.

8 COMMITTEE SECRETARY HOPPER: Rob Feckner?

9 COMMITTEE MEMBER FECKNER: Good morning.

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

12 ACTING BOARD MEMBER SAHA: Hi, Pam. It's Matt.
13 I'm sitting in for the Treasurer.

14 COMMITTEE SECRETARY HOPPER: Okay. Thank you,
15 Matt. Matt for -- Matt Saha for Fiona Ma?

16 ACTING BOARD MEMBER SAHA: Present.

17 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

18 VICE CHAIRPERSON MIDDLETON: Present.

19 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

20 COMMITTEE MEMBER OLIVARES: Here.

21 COMMITTEE SECRETARY HOPPER: And Eraina Ortega?

22 COMMITTEE MEMBER ORTEGA: Here.

23 COMMITTEE SECRETARY HOPPER: Mr. President, all
24 is in attendance for the Board Governance Committee.

25 CHAIRPERSON JONES: Okay. Thank you, Ms. Hopper.

1 The next item on the agenda is the approval of
2 the June 15 Board Governance timed -- Committee timed
3 agenda. Do I have a motion?

4 COMMITTEE MEMBER FECKNER: So moved.

5 CHAIRPERSON JONES: Moved by Mr. Feckner.

6 Seconded by?

7 COMMITTEE MEMBER OLIVARES: Second.

8 CHAIRPERSON JONES: Mrs. Olivares.

9 Ms. Hopper, please call the roll.

10 COMMITTEE SECRETARY HOPPER: Rob Feckner?

11 COMMITTEE MEMBER FECKNER: Aye.

12 COMMITTEE SECRETARY HOPPER: Matthew Saha for
13 Fiona Ma?

14 ACTING BOARD MEMBER SAHA: Aye.

15 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

16 VICE CHAIRPERSON MIDDLETON: Aye.

17 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

18 COMMITTEE MEMBER OLIVARES: Aye.

19 COMMITTEE SECRETARY HOPPER: Eraina Ortega?

20 COMMITTEE MEMBER ORTEGA: Aye.

21 COMMITTEE SECRETARY HOPPER: Mr. President, all
22 ayes, a motion being made by may Rob Feckner, seconded by
23 Stacie Olivares for agenda Item 2, approval of the June
24 15th Board Governance Committee timed agenda.

25 CHAIRPERSON JONES: Thank you, Ms. Hopper.

1 Next item is Executive report. For that I call
2 on Mr. Jacobs.

3 GENERAL COUNSEL JACOBS: Yes. Good morning, Mr.
4 Jones and Board Members. The agenda today contains two
5 substantive items. 5a involves the discussion about
6 whether to establish formal separation requirements that
7 would preclude simultaneous holding by Board members of
8 certain Board and Committee leadership positions. And
9 then 5b deals with whether to establish a formal rotation
10 requirement or requirements for Board and Committee
11 leadership positions. We have Anne Simpson and Rick
12 Funston. I don't see them in there, so if they're in the
13 waiting room, if you will, then they should be promoted to
14 assist. They're here to assist in the discussion as, of
15 course, am I.

16 And that is my Executive report. Back to you,
17 Mr. Jones.

18 CHAIRPERSON JONES: Okay. Thank you, Mr. Jacobs.
19 The next item on the agenda is action consent items. It's
20 4a and 4b. And before we ask for a vote on that, I would
21 just like to have the Item 4b to make a comment on the CEO
22 delegation resolution. Our annual approval -- review and
23 approval of delegations have been in place for I guess
24 over 10 years now. And many times there's no substantive
25 changes in a -- within a year, so I would like to give

1 direction to Mr. Jacobs to bring back for consideration
2 for the Committee whether or not to have that done every
3 other year as opposed to a single year, so Committee
4 members can chime in as to whether or not they would like
5 to move in that direction. So we'll --

6 GENERAL COUNSEL JACOBS: Very well. We'll put
7 that on the next Board Governance Committee agenda.

8 CHAIRPERSON JONES: Okay. Thank you. So with
9 that, we -- this is an action item on 4a and 4b. Do I
10 have a motion?

11 VICE CHAIRPERSON MIDDLETON: Motion to approve.

12 CHAIRPERSON JONES: It's been moved by Ms.
13 Middleton.

14 COMMITTEE MEMBER FECKNER: Second.

15 CHAIRPERSON JONES: Second by Mr. Feckner.
16 Mrs. Hopper, please.

17 COMMITTEE SECRETARY HOPPER: Rob Feckner?

18 COMMITTEE MEMBER FECKNER: Aye.

19 COMMITTEE SECRETARY HOPPER: Matthew Saha for
20 Fiona Ma?

21 ACTING BOARD MEMBER SAHA: Aye.

22 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

23 VICE CHAIRPERSON MIDDLETON: Aye.

24 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

25 COMMITTEE MEMBER OLIVARES: Aye.

1 COMMITTEE SECRETARY HOPPER: Eraina Ortega?

2 COMMITTEE MEMBER ORTEGA: Aye.

3 COMMITTEE SECRETARY HOPPER: Mr. President, I
4 have a motion being made by Lisa Middleton, seconded by
5 Rob Feckner on Agenda Items 4a and 4b.

6 CHAIRPERSON JONES: Okay. Thank you, Mrs.
7 Hopper.

8 Now, we move on to Information Agenda Item 5.
9 And when we met at our last Governance Committee meeting,
10 the Committee solicited Board member's views on future
11 agenda -- future committee agenda items. And there were
12 two items that were suggested that are listed here as 5a
13 and 5b. And so in the -- after the discussion of that, I
14 did reach out to Mr. Rick Funston Advisory Services Group
15 and he prepared a one-page document that all Committee
16 members should have received by now.

17 And on that document, the first three items on
18 there, one, two, and three, refer to 5b, and the next
19 three items, four, five and six refers to agenda Item 5a.
20 So as we go through the discussion, just note that the
21 document that was prepared by Mr. Funston is -- includes
22 both of those agenda items. And so with that, I'm going
23 to ask Mr. Funston to make any comments as a result of
24 having submitted this to -- for the Committee's
25 consideration.

1 Mr. Funston, please.

2 MR. FUNSTON: Thank you, Mr. Chair and members of
3 the Committee. We had a very kind of quick conversation,
4 Henry and I did, last Friday, where we discussed these
5 issues. And over the weekend I put together these notes,
6 which are really our opinions on the various aspects of
7 what you're considering with respect to the frequency of
8 elections, whether there should be staggered terms, or
9 rotation limits as the first examples.

10 In each of these cases, it's hard to establish
11 definitive peer data without further benchmarking. So
12 it's based on our experience in dealing with other systems
13 across the country. But ultimately, as we would say in
14 all of these cases, it's -- obviously, it's up to the
15 Governance Committee and the Board to determine what's in
16 the best interests of CalPERS.

17 Having said that, you know, we're happy at the --
18 at the appropriate time to try and answer any questions
19 you may have about what we've documented here, given the
20 kind of the brief nature of the memo -- of the memo
21 itself.

22 CHAIRPERSON JONES: Okay. Thank you. Okay. So
23 let's deal with then 5a first, which is leadership
24 positions. And as I mentioned that the document from Mr.
25 Funston that is item four, five, and six on the document.

1 So are there any questions or comments from the
2 Board?

3 Mr. Feckner.

4 COMMITTEE MEMBER FECKNER: Thank you, Mr. Chair.
5 I appreciate the information that you solicited from Mr.
6 Funston and that he has now provided with this. I just
7 have to say that, you know, I'm the one that brought this
8 up last month. I wanted to look at industry best
9 practices, especially if your board has a disciplinary
10 piece to it, and that would -- may perhaps go to the Board
11 Governance Committee. And since the Board President
12 provides that discipline, should there be two bites at the
13 apple, so to speak, I just wanted to just put it all out
14 there -- and I was Board President and Chair of Board
15 Governance when Rick brought this to us the last time a
16 number of years back.

17 And after being there, I think I disagreed with
18 it at the time that it just felt like too much. Again,
19 this is nothing to do with the person holding the
20 position. In my mind, I'm looking for best practices for
21 the positions in general, should they be separate or not?
22 So I just threw that out there to get some information and
23 have a discussion about it. So that was my comment, Mr.
24 President.

25 CHAIRPERSON JONES: Thank you.

1 Okay. Ms. Taylor.

2 VICE PRESIDENT TAYLOR: No more Board members --
3 or, you know, Committee members?

4 CHAIRPERSON JONES: No, not at this time.

5 VICE PRESIDENT TAYLOR: Okay. So I just wanted
6 to -- reading number one, the -- so I guess -- I don't
7 disagree that there is a learning curve as you take these
8 offices and I'm hoping that they're -- on the document you
9 talk about --

10 COMMITTEE MEMBER FECKNER: Wrong item.

11 VICE PRESIDENT TAYLOR: -- you talk about the
12 training basically and succession planning for the Board.
13 And so I'm -- so you're considering it's common for peers
14 to electric officers in one-year terms. And it's not
15 uncommon for us to electric --

16 COMMITTEE MEMBER JONES: Ms. Taylor, we are on 5a
17 and that -- the document for 5a is item four, five, and
18 six.

19 VICE PRESIDENT TAYLOR: Oh, you're not looking at
20 one. I thought I heard you say one.

21 CHAIRPERSON JONES: No, I indicated 5b relates to
22 items one, two, and three on the Funston document and
23 items -- Item 5b relates to item one --

24 VICE PRESIDENT TAYLOR: Four, five, and six.
25 Okay. I'm sorry.

1 CHAIRPERSON JONES: Okay.

2 VICE PRESIDENT TAYLOR: Okay. So I'll save those
3 comments for later.

4 The multiple Chair responsibilities. I'm not
5 sure that Board Governance and holding the Presidency are
6 always a good idea, because it leads to a possible
7 conflict, so that's my only comment on those, as well as
8 on Risk and Audit. So I think that is my comment for
9 that.

10 CHAIRPERSON JONES: Okay. Ms. Middleton.

11 VICE CHAIRPERSON MIDDLETON: Thank you, Mr.
12 President.

13 Let me take four, five, and six in order and just
14 simply offer a comment. The practice that we've had for a
15 very long time has been for the President to make
16 appointments to the Committee. I think that's a very
17 important responsibility. I do not see any reason to make
18 a change and Mr. Funston doesn't seem to be recommending
19 that we make a change.

20 So as to whether or not the President should also
21 be the Chair of the Governance Committee, the way I read
22 this, Mr. Funston is essentially recommending that it can
23 be done either way. And I'm certainly comfortable with
24 that. In many of the organizations that I've been a part
25 of, where there is a governance committee, the President

1 or the Chair of the organization plays a very active role
2 in governance. And I think that's something that we
3 should expect.

4 As far as succession planning goes, I've had
5 experience with a number of organizations where Vice
6 Chairs are assumed to be the successor for the Chair. And
7 that assumption is always one that's up to an actual vote
8 at the time that a Chair's position becomes available, but
9 that assumption that the Vice President will move into
10 that position has been something I found to be very good
11 for the consistency of organizations.

12 Thank you.

13 CHAIRPERSON JONES: Thank you, Ms. Middleton.
14 Ms. Olivares.

15 COMMITTEE MEMBER OLIVARES: Thank you.

16 I would love to get Anne Simpson's take on this
17 as well, if possible. It's been my understanding from the
18 corporate board perspective that typically the Board
19 President does not chair any committees.

20 CHAIRPERSON JONES: Ms. Simpson.

21 MANAGING INVESTMENT DIRECTOR SIMPSON: Thank you
22 very much and good morning, everybody.

23 Ms. Olivares is correct. And I think this goes
24 back to the purpose of having a committee structure, which
25 I know the Board has discussed at some length on other

1 occasions. But the whole purpose of a committee structure
2 is that certain members of the Board can do a deep dive.
3 You get the first bite at the apple, as President Jones
4 put it, in the Committee, then the Committee comes to the
5 full Board to make a recommendation.

6 Now, we do have a provision whereby if the Board
7 President who's presiding over that full Board discussion
8 is also a Committee Chair, then the Vice Chair takes on
9 the report. However, I think it's fair to say that the
10 general practice is -- in the corporate world that the
11 Chair of the Board, or in our case the President of the
12 Board, focuses on that prime responsibility for managing
13 the Board, which takes recommendations from the
14 committees.

15 Now, the exception to that, of course, is the
16 Investment Committee, which has gone back to being a
17 Committee of the whole. But yes, it is really to allow
18 that division of labor. However, it's important that the
19 Board develops an approach that fits CalPERS
20 circumstances, because CalPERS is not a corporate board.
21 It's a public body, and therefore, there are different
22 practices that need to apply, because of the particular
23 structure of CalPERS.

24 Thanks.

25 CHAIRPERSON JONES: Ms. Olivares.

1 COMMITTEE MEMBER OLIVARES: Thank you, Anne.

2 So it's a little bit interesting when we look at
3 some of the other public pension boards and how those are
4 structure. And obviously, from the United States, CalPERS
5 is the largest. When we look at other large pensions of
6 similar size globally or other large institutional funds,
7 how are they structured in terms of their governance?

8 MR. FUNSTON: Would you like me to respond to
9 that?

10 CHAIRPERSON JONES: Yeah, please, Mr. Funston.

11 MR. FUNSTON: Yes. Thank you.

12 It's a great question. We don't have a
13 comprehensive body of data that would actually look at
14 that on a case-by-case basis quantitatively. Our
15 impression is though that it really does vary by
16 organization. Some, as I've said do, as Anne has
17 suggested, which is that it is the President and the Chair
18 of the Board really has a singular responsibility. Others
19 have divided it up in a variety of different. We have
20 seen, in one case, which we recommended strongly against
21 where the Chair of the Board was also the Chair of every
22 committee, which was definitely an anomaly.

23 The key -- I think the key issue here is the
24 issue of workload. Now, clearly, the President of the
25 board of CalPERS has a significant workload. And we had

1 at one time early on done a study and benchmarked that
2 using CalPERS as an example. And we looked at the number
3 of hours spent by the President and spent by the -- by
4 Committee members respectively. And I believe it was four
5 or five -- I'm just recalling from memory here, and I may
6 stand to be corrected. But I believe it was four or five
7 hundred hours a year spent by the President of the Board
8 at the time. And that may be an underestimate obviously
9 depending on the circumstances at the time.

10 The -- so the -- my long-winded answer to your
11 question is it really depends. It varies significantly
12 across the Board and it may be worthwhile for you to
13 consider looking at specifically a more updated review of
14 what the current practices are, among other large public
15 retirement systems, both domestically and nationally. But
16 again, it really does come down to a question of workload
17 and what's practical.

18 And in addition to the comments that I've said,
19 there are also a -- there are potential conflicts in
20 dealing with audit, risk and compliance, as well as
21 investment. The question is whether or not you would
22 interpret there to be a similar problem with respect to
23 governance, but there is no clear pattern at this point.

24 COMMITTEE MEMBER OLIVARES: Thank you, Mr.
25 Funston. And, Mr. President, I have one more question,

1 and this is for Anne Simpson. Anne, when we're looking at
2 key person risk, for example, and we just recently had a
3 discussion regarding that, I'm wondering what practices we
4 see with ICGN, ILPA, et cetera on corporate governance and
5 mitigating key person risk as it pertains to the President
6 and chairing a committee?

7 And again, these are not a reflection in any way
8 of our current leadership, which is fantastic, but really
9 making sure that we're thoughtful in setting the stage
10 going forward.

11 MANAGING INVESTMENT DIRECTOR SIMPSON: No. Thank
12 you, Ms. Olivares. I would need to go off and speak with
13 ILPA and ICGN. I'm not, at the moment, aware that they
14 have guidance on both those issues. I believe ILPA does,
15 but I don't have it in hand, but I would be glad to follow
16 up.

17 COMMITTEE MEMBER OLIVARES: Great. Thank you.

18 CHAIRPERSON JONES: Mr. Miller.

19 BOARD MEMBER MILLER: Thank you, Chair Jones.
20 Just a couple quick comments. I share the -- some of the
21 concern about the potential for an issue to come before
22 Board Governance of discipline, where the President was
23 the moving party. But I think in that case, it would be
24 perfectly reasonable for the President to hand the gavel
25 over to the Vice Chair, if there was any concern about

1 that among the President and the Committee members.

2 So I would not be opposed to the President
3 continuing to -- continuing to have that as an option for
4 the President to serve as the Chair of that Committee.

5 The other thing I would kind of highlight from my
6 perspective is one of the biggest differences between
7 CalPERS and corporate boards is just the requirement that
8 we do everything in public, except for restrictions to
9 closed session. The whole Bagley-Keene environment a very
10 different environment versus a corporate board where the
11 President as chairs of committees, committee members can
12 meet in a much less restricted way, can discuss things,
13 can coordinate things.

14 And so for us, I think it's very important for
15 the President as the leader of the Board to have a lot of
16 say about Committee structure, who's on the Committees,
17 who Chairs the Committees, and where they feel their
18 participation can be most beneficial as a leader of a
19 Committee potentially. So that's just my thoughts on
20 that.

21 CHAIRPERSON JONES: Okay. So are there any other
22 requests to speak on this item?

23 Okay. Ms. Taylor.

24 VICE PRESIDENT TAYLOR: I just had a question. I
25 can't remember if this was new -- I'm thinking this was

1 kind of new that the President started serving on the
2 Governance Committee. Wasn't it with Priya, I think,
3 and --

4 CHAIRPERSON JONES: No.

5 VICE PRESIDENT TAYLOR: It was before that it had
6 happened.

7 CHAIRPERSON JONES: I think Rob had mention that
8 he also served on both.

9 VICE PRESIDENT TAYLOR: Okay. I don't remember
10 when I was first on the Board that -- whether or not Rob
11 was Chair of Governance at the same time. I can't
12 remember.

13 I do remember one of the reasons that you and
14 Priya continued, if that was a continuation, was the
15 Committee was in charge of the self-evaluations, and there
16 was a need to move those, so -- and whatever results of
17 those self-evaluations were. So I can see why that
18 occurs.

19 And I think also when I remember first being on
20 the Board, the Governance Committee didn't have a lot of
21 items to deal with, so I don't know that I see a -- see
22 any issues with holding this position or continuing -- the
23 President continuing to hold the Governance Committee
24 Chair.

25 And like David said, if there's a disciplinary

1 action that's coming up that the President needs to step
2 back from, he can hand it to the Vice Chair. I think that
3 was the only thing I was thinking would be a conflict is
4 in case of that. But I can see where this could -- I
5 don't know why we're kind of -- I mean, since it's been a
6 common practice, is this -- are we trying -- I guess my
7 question is are we trying to make this a permanent thing
8 or is this just a discussion?

9 CHAIRPERSON JONES: Well, the genesis of this is
10 when we had our meeting last month, we had an item to
11 solicit views of Committee members on what they wanted to
12 discuss. And so this was one of those items that came up.
13 And we're now responding to that request by having Mr.
14 Funston provide some information, and Ms. Simpson is here
15 also, to provide information for a discussion. This is
16 not an action item. It's a discussion point.

17 And what I've heard so far is that there's
18 various viewpoints, but there appears to be a request for
19 at least some additional information on the -- on the
20 updated presentation in terms of other pension funds and
21 also from Ms. Simpson to report back on what info --
22 limited partners and ICGN, what their structures are. So
23 that's what I heard so far.

24 VICE PRESIDENT TAYLOR: Do we know what CalSTRS
25 does?

1 CHAIRPERSON JONES: I don't know.

2 Ms. Paquin, do you know? You're on that board
3 over there sometimes.

4 ACTING BOARD MEMBER PAQUIN: Yes. Good morning.
5 So at CalSTRS, the Board Chair does not serve as the Chair
6 of the government -- Governance Committee. And I don't --
7 we don't really have a formal policy about that at
8 CalSTRS. It was just more out of practice. I think the
9 thinking is is that the job of the Chair takes up quite a
10 lot of time, and so didn't necessarily want to serve as
11 Chair of another Committee.

12 And also, they wanted to kind of bring people
13 along, and do some succession planning, and make sure that
14 other members, once they are on the Board for a couple of
15 years, feel comfortable stepping into leadership roles and
16 have that opportunity to do so.

17 VICE PRESIDENT TAYLOR: Okay. Thank you.

18 CHAIRPERSON JONES: Okay. Unless Committee
19 members have a strong opinion about this, we will just
20 seek the additional information and have that reported
21 back to the Committee, unless there's another viewpoint.

22 Is that consistent the Committee thoughts?

23 Okay. Seeing no -- no. Seeing no -- seeing no
24 additional requests for this, so that would be the
25 direction of the Chair.

1 Okay. We will move now to Item 5b, which is
2 referenced in the document we received is items one, two
3 and three. So, Mr. Funston, do you have any additional
4 comments on those three items or Committee members --
5 after you mentioned, do Committee members have any
6 questions?

7 MR. FUNSTON: I don't have any immediate
8 comments. I'd be happy to answer any questions.

9 CHAIRPERSON JONES: Okay. Are there any
10 questions from the Committee?

11 Comments?

12 I see -- okay. I see no comments on this one.
13 So if -- unless, there's an opposition, I would then seek
14 to have the item come back to memorialize the fact that we
15 will have a -- and I don't know, maybe we should discuss
16 if we're going to have a rotation, what is the views of
17 the Committee whether that should be four years or six
18 years before that rotation occurs? If you have any views
19 on that, I would appreciate it.

20 Mr. Feckner.

21 COMMITTEE MEMBER FECKNER: Yes, Mr. Chair. Thank
22 you. I'm not sure that we're to that point. I just -- it
23 was an information item. We got the information and I
24 wasn't prepared to go anywhere from where we were. So I
25 don't know if you wanted to turn this into a future action

1 item and bring it back as action on an agenda, but that's
2 not what I thought this was. I thought it was information
3 gathering, so maybe it was my mistake, but I'm not
4 prepared to have that decision today.

5 CHAIRPERSON JONES: Okay. Yeah. No, and I
6 agree, Mr. Feckner. I wasn't looking for a decision
7 today. But I just wanted to go get comments, ideas, so
8 that it -- when it does come back that we would reflect
9 what the Committee views are.

10 Mr. Miller.

11 BOARD MEMBER MILLER: Yeah. I would echo, Mr.
12 Feckner's comment. I did not see this as something -- I
13 thought strictly as information, thoughts, but I'm
14 certainly not sold on any notion of rotations, or terms,
15 or anything for Committee leadership, or anything. I
16 think that still should be the purview of the President
17 and the election by the members of the Committees.

18 CHAIRPERSON JONES: Okay. Ms. Middleton.

19 VICE CHAIRPERSON MIDDLETON: Thank you.

20 I would concur with Mr. Miller and Mr. Feckner.
21 I think this is very good information. I appreciate
22 receiving it. I am not in a hurry to change our present
23 practices.

24 CHAIRPERSON JONES: Okay. Ms. Olivares.

25 COMMITTEE MEMBER OLIVARES: Thank you, Mr. Jones.

1 I'd like to get additional information on this.
2 So I agree, this is a -- something for information right
3 now, but I feel like it would be helpful to have more
4 information, and particularly from Mr. Funston on what
5 other pension plans do as standard practice with terms and
6 then from Ms. Simpson, again from ILPA and ICGN,
7 recognizing of course that there are best practices across
8 industries and sectors. And I want to make sure that we
9 are doing our best to structure the organization for
10 success.

11 CHAIRPERSON JONES: Okay. Are there any other
12 questions or comments?

13 Okay. So Ms. Olivares, that request will be
14 direction to bring back additional information as you
15 request it, so that we could see what the best practices
16 from Mr. Funston's review and also from ILPA and ICGN, Ms.
17 Simpson. We can coordinate those efforts to bring back
18 that information for further review.

19 COMMITTEE MEMBER OLIVARES: Thank you.

20 CHAIRPERSON JONES: Is that a summary?

21 COMMITTEE MEMBER OLIVARES: (Nods head.)

22 CHAIRPERSON JONES: Okay. I see -- oh, Ms.
23 Taylor.

24 VICE PRESIDENT TAYLOR: So where are we going?
25 Are we -- what are we doing?

1 CHAIRPERSON JONES: We're not taking -- we're not
2 recommending, at this time, to bring back any action item.
3 We're seeking additional information regarding best
4 practices on this area and also to have Ms. Simpson take a
5 look at what some of the other associations are --
6 policies are surrounding this issues, like ILPA and ICGN.

7 VICE PRESIDENT TAYLOR: So, and Mr. Funston, I'm
8 not looking at your information here. Just a quick
9 question. If there's a term limit, say two years, which
10 is what your recommendation is -- two to three years, it
11 looks like, is that still up for election or is it just a,
12 hey, we're saying that President can be up to two or three
13 years, but then they have to drop off and let somebody
14 else, or can it be still whether or not we elect that
15 person every year?

16 MR. FUNSTON: Thank you. It's a good question.
17 I think the first thing was the issue of the frequency of
18 elections. They're currently annual. So the suggestion
19 is -- and this is fairly common practice. As we pointed
20 out, that can lead to turn and very short learning curves
21 again. So the suggestion was to consider extending that,
22 and rather than having them annually, have them every two
23 years.

24 The third point, which related to rotation
25 limits, would basically be that after serving two or

1 potentially three two-year terms, then you would basically
2 be timed out and be required to take a break from that
3 before you could be considered eligible for reelection to
4 that office. So that's the -- that's the intention of the
5 difference between the two. And the second point related
6 to the staggering the teams, so that there isn't suddenly
7 a major turnover in an election -- annual election cycle
8 to improve the stability of the Board.

9 Now, as we said earlier, there is no -- we don't
10 have quantitative information to support that. That's
11 our -- kind of our opinion based on our understanding of
12 what's prevailing and leading practice today. And as was
13 suggested, further research is required, and we're happy
14 to look at that more closely.

15 VICE PRESIDENT TAYLOR: Yeah, because I -- as I
16 understand it, CalSTRS does something entirely different.
17 Our elections are annually and we -- I haven't seen us
18 toss somebody out in a year. And we have our own
19 unfortunate churn, which is our elections -- our actual
20 elections from the members. So we lose Board members
21 unexpectedly all -- you know, all the time. So I'm not
22 sure that putting into -- yeah, so I would rather see this
23 as -- I don't know that we have a need for this. We have
24 never demonstrated that we just throw somebody out after a
25 year of serving in a Chair position or President position

1 or Vice President position.

2 But we also -- I think it's important that we
3 retain the right to do so, if something goes wrong,
4 because otherwise you're saying that this person could
5 have rotation limits of two to three terms, but at the
6 same time can be there for a total of six years. And
7 that's -- that ends up being an expectation and then
8 people don't vote against that. So I think letting us
9 vote and make that decision is important for us.

10 But again, we can continue to discuss that and
11 maybe we should look at -- Lynn, you know, you know what
12 the practice of STRS is. But as I understand it, they
13 self-rotate like annually from Vice President to
14 President -- or Care to Chair -- Vice Chair, is that
15 correct?

16 ACTING BOARD MEMBER PAQUIN: No. There is annual
17 elections for the Chair and Vice Chair of the Board. And
18 then the Committee Chairs are appointed by the leadership
19 of the Board. And so they don't switch off every year,
20 Theresa. But I think that in general they probably serve
21 two to three years at a time as being the Board Chair,
22 unless there's an extenuating circumstance that comes up.

23 VICE PRESIDENT TAYLOR: Okay. And that makes
24 sense. So, yeah, that's what I -- I couldn't remember if
25 it was a couple years or not, but I know that I've talked

1 to Sharon a couple of times and she was Chair and now
2 she's Vice Chair. So, yeah, I just think -- we're
3 retaining that -- if you -- if you get someone as
4 President that you've elected and they just -- and I'm not
5 saying about Henry, by any means. I'm just -- I'm
6 thinking ahead, right.

7 So say you get somebody in office that everybody
8 thinks, okay, yeah, that would be a great President, and
9 then they just don't do the job, because either something
10 else comes up for them, or, you know, they get sick, or
11 they can't do the job well, I think we should retain the
12 right to be able to throw them out.

13 So maybe if we consider it at the same time, we
14 consider allowing the annual elections. That might be --

15 CHAIRPERSON JONES: Right. Right. Well, Ms.
16 Taylor, let me comment on this one, because I -- as we
17 sought Committee member views, this was my suggestion to
18 look at this.

19 And let me explain what I had in mind, that we --
20 you know, notwithstanding the two-year term, as Mr.
21 Funston indicated, but my comments at the time was that we
22 will continue to have annual elections for the President,
23 for the Chairs, and the Vice Chairs. That will continue
24 to be an annual election process.

25 What my thought was that even if you were elected

1 six years in a row, the sixth year -- let's say six, or
2 seven, or eight, whatever the case may be, then you would
3 rotate out of those roles and you would be in a dark
4 period for two years, and then if you stayed reelected to
5 your position as you mentioned on an ongoing basis, then
6 you would be able to come back into that role as President
7 and chair.

8 So we're not -- my comment wasn't to remove the
9 annual election. Mr. Funston suggested maybe rather than
10 annual elections, we -- election for two years. So in
11 that scenario, you would elect the Chair, the Vice Chairs,
12 President every two years, but you still, at the six-year
13 period, you would then rotate out of that role. So that
14 was my thoughts about this item.

15 VICE PRESIDENT TAYLOR: Forgot how to unmute for
16 a second. Thank you. I appreciate that.

17 Yeah, I was just a little confused. I think, you
18 know, I don't know that we even need the -- like, I
19 understand the idea of churn, but I think it -- that we
20 are a bunch of folks that work cooperatively with each
21 other, and I think we can understand when we can decide,
22 you know, even annually, you know, if the President should
23 continue to serve.

24 So I think if we set that expectation that, you
25 know, you have two years, or you have four years, or you

1 have six years. Even if we still have elections, it sort
2 of sets an expectation that, oh, well, we have to vote for
3 this person every single time.

4 Just -- I'm a little concerned about the
5 expectation, because we kind of -- CalPERS kind of steeps
6 itself in tradition and expectations, right? There's this
7 kind of old tradition, okay, well, so-and-so has been
8 President for this long. Henry, you know, you're
9 President. We expect you to be President for this long.

10 So I get it. I see what you're saying. So
11 you're saying not to get rid of the one-year elections or
12 maybe change it to two, but maximum is six, so that nobody
13 sits in the Presidency for a long time.

14 CHAIRPERSON JONES: Yes, that was the thought.
15 Mr. Miller.

16 CHAIRPERSON JONES: You're muted, Mr. Miller.

17 BOARD MEMBER MILLER: Sorry about that. The
18 dreaded double mute.

19 (Laughter.)

20 BOARD MEMBER MILLER: I appreciate the
21 information. I appreciate Mr. Funston's thoughts on this
22 as well as Anne's, but it seems to me this is a little bit
23 of a, you know, solutions looking for a problem. I'm
24 still not seeing that there's been a problem with our
25 current practices. And I think, you know, the Board has,

1 and hopefully will, continue to choose the leaders on
2 these annual bases that we feel are the best individuals
3 to sit in those leadership roles, and that the President
4 will continue to appoint the best choices. Those
5 Committee Chair and those Committees will continue to
6 choose the best person among them for those leadership
7 roles within the Committees.

8 So I'm just still not seeing that there's
9 anything that would -- I feel would be compelling to win
10 and start making wholesale changes to any of these things,
11 absent some real indication that we've had a problem or
12 will have a problem. I don't foresee that.

13 CHAIRPERSON JONES: Okay. Okay. I think we've
14 got a sense of the Committee and Board members' views on
15 this. But I think it still would be helpful to get that
16 additional information and for the Board members, as Ms.
17 Olivares requested. So are there any other comments on
18 this item?

19 Okay. Seeing none, we will move on to summary of
20 committee direction. Mr. Jacobs.

21 GENERAL COUNSEL JACOBS: Yes. A couple of
22 things. First, agendize whether to change the annual
23 review for the -- agendize for the next Board Governance
24 Committee whether to change the annual review of Committee
25 delegations to biennial -- bi-annual, or something of that

1 ilk. And then return or obtain additional information
2 about the items we discussed in 5a and 5b from
3 organizations like ICGN, and ILPA, and other pension
4 funds, and report those back.

5 Now, my question is did you want that agenda --
6 those two back on the agenda or did you just want Mr.
7 Funston, Ms. Simpson to obtain that information and
8 communicate it to the Board members?

9 CHAIRPERSON JONES: Yeah. Why don't we just
10 obtain it and communicate it back to the Board members.
11 And if the Board members have a different view point going
12 forward, then we'll reagendize -- we'll agendize it then.
13 Just provide the information as requested.

14 GENERAL COUNSEL JACOBS: Very good.

15 CHAIRPERSON JONES: Okay. Oh, okay.

16 Now, we need to -- is that it, Mr. Jacobs? I
17 think so, right?

18 GENERAL COUNSEL JACOBS: That is it, yes.

19 CHAIRPERSON JONES: So do we have any public
20 comment, Mr. Fox?

21 Okay. I think I see a note from Ms. Ortega
22 saying no public comment. So is that correct?

23 STAKEHOLDER RELATIONS CHIEF FOX: That's correct.

24 CHAIRPERSON JONES: Okay.

25 STAKEHOLDER RELATIONS CHIEF FOX: That's correct,

1 Mr. President.

2 CHAIRPERSON JONES: Okay. Well, then thank you.
3 And that would conclude this meeting.

4 And we -- Mr. Feckner is it -- your next meeting,
5 what time?

6 COMMITTEE MEMBER FECKNER: It is. And right now,
7 I mean, we know we need to give the stakeholders time to
8 digest the rates that they've just gotten, so why don't we
9 say 12:45. That gives them an hour and a half to go
10 through that. Does that work for everyone?

11 CHAIRPERSON JONES: Yes.

12 CHAIRPERSON JONES: All right. 12:45 we will
13 start with Health open. Thank you.

14 CHAIRPERSON JONES: Okay. Thank you. And this
15 meeting is adjourned.

16 (Thereupon California Public Employees'
17 Retirement System, Board Governance Committee
18 meeting adjourned at 11:13 a.m.)

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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, Board Governance Committee 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 19th day of June, 2021.



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