

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

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FECKNER AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

MONDAY, MARCH 18, 2024
9:17 A.M.

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

APPEARANCES

COMMITTEE MEMBERS:

David Miller, Chairperson

Theresa Taylor, Vice Chairperson

Malia Cohen, represented by Deborah Gallegos

Fiona Ma, represented by Frank Ruffino

Lisa Middleton

Eraina Ortega

Jose Luis Pacheco

Kevin Palkki

Ramón Rubalcava

Mullissa Willette

STAFF:

Marcie Frost, Chief Executive Officer

Dan Bienvenue, Interim Chief Investment Officer

Michael Cohen, Chief Operating Investment Officer

Matt Jacobs, General Counsel

Michele Nix, Interim Chief Financial Officer

Scott Terando, Chief Actuary

Daniel Booth, Deputy Chief Investment Officer

Peter Cashion, Managing Investment Director

Sarah Corr, Managing Investment Director

Amy Deming, Investment Director

Sterling Gunn, Managing Investment Director

APPEARANCES CONTINUED

STAFF:

Drew Hambly, Investment Director

Jean Hsu, Managing Investment Director

Anton Orlich, Managing Investment Director

Lauren Rosborough Watt, Investment Manager

Tamara Sells, Associate Investment Manager

ALSO PRESENT:

César Aguirre

Michael Angulo, Worker Power Institute

Valeria Alvarez, UFCW

Doug Bloch, Unite Here Local 19

Jesus Cacho, ACCE

Ana Ceballos, SEIU USWW

Tammy Dhanota, SEIU Local 521

Britt Dowdy, CFT

Miriam Eide, Fossil Free California

Jovana Fajardo, ACCE

Jordan Fein, Unite Here

Christy Fields, Meketa Investment Group

Kathy Finn, UFCW

Steve Foresti, Wilshire Advisors

Jared Gaby-Biegel, UFCW

APPEARANCES CONTINUED

ALSO PRESENT:

Davie Huerta, SEIU USWW

Joy Hunt, SEIU-USWW

Michael Hutnick

J.J. Jelincic

Allie Lindstrom, Sierra Club

Wendy Lopez, SEIU USWW

Michael Marc, Smart Sheet Metal Workers 104

Luis Martinez, Fossil Free California

Steve McCourt, Meketa Investment Group

Richard McCracken, McCracken, Stemerman and Holsberry

Susan Minato, Unite Here

Nova Morales, SEIU USWW

Jennifer O'Dell, Laborers International Union of North America

Andre Olivera, SEIU 521

Jason Opeña Disterhoft, Majority Action

Matt Pina, Unite Here Local 11

Yvette Simon, VITA, SEIU Local 521

Sara Theiss, Fossil Free California

Pinky Toney, ACCE

Tom Toth, Wilshire Advisors

Maritza Villeda

Margarita Virrueta

APPEARANCES CONTINUED

ALSO PRESENT:

Yvonne Wheeler, La County Federation of Labor

Beverly Yu, State Building and Construction Trades Council

INDEX

	<u>PAGE</u>
1. Call to Order and Roll Call	1
2. Election of the Chair and Vice Chair	2
3. Executive Report - Interim Chief Investment Officer Briefing - Dan Bienvenue	5
4. Action Consent Items - Dan Bienvenue	64
a. Approval of the March 18, 2024, Investment Committee Timed Agenda	
b. Approval of the November 13, 2023, Investment Committee Open Session Meeting Minutes	
c. Review of the Investment Committee Delegation	
5. Information Consent Items - Dan Bienvenue	65
a. Annual Calendar Review	
b. Draft Agenda for the June 10, 2024, Investment Committee Meeting	
c. Quarterly Update - Affiliates Performance and Risk	
d. Quarterly Update - Investment Controls	
e. Disclosure of Placement Agent Fees and Material Violations	
f. Terminated Agency Pool Rebalance	
6. Action Agenda Item	
a. Mid-Cycle Public Employees' Retirement Fund Asset Liability Management Review - Scott Terando, Michele Nix, Sterling Gunn	65
7. Information Agenda Items	
a. CalPERS Trust Level Review Consultant Report - Tom Toth, Wilshire Advisors; Steve McCourt, Meketa Investment Group	126
b. CalPERS Trust Level Review - Dan Bienvenue, Lauren Rosborough Watt	152
c. Proxy Voting and Corporate Engagement Update - Drew Hambly	166
d. Total Fund Policy Review - First Reading - Amy Deming	205
e. Policy Changes for Responsible Contractor Policy - First Reading - Sarah Corr, Tamara Sells	212

INDEX CONTINUED

	<u>PAGE</u>
f. Summary of Committee Direction - Dan Bienvenue	251
g. Public Comment	8
Adjournment	254
Reporter's Certificate	256

PROCEEDINGS

1
2 CHAIR MILLER: Good morning. I'll call to order
3 this Investment Committee meeting and the first order of
4 business is roll call.

5 BOARD CLERK ANDERSON: David Miller?

6 CHAIR MILLER: Here.

7 BOARD CLERK ANDERSON: Theresa Taylor?

8 VICE CHAIR TAYLOR: Here.

9 BOARD CLERK ANDERSON: Deborah Gallegos for Malia
10 Cohen?

11 ACTING COMMITTEE MEMBER GALLEGOS: Here.

12 BOARD CLERK ANDERSON: Frank Ruffino for Fiona
13 Ma?

14 ACTING COMMITTEE MEMBER RUFFINO: Present.

15 BOARD CLERK ANDERSON: Lisa Middleton?

16 COMMITTEE MEMBER MIDDLETON: Present.

17 BOARD CLERK ANDERSON: Eraina Ortega?

18 COMMITTEE MEMBER ORTEGA: Here.

19 BOARD CLERK ANDERSON: Jose Luis Pacheco?

20 COMMITTEE MEMBER PACHECO: Present.

21 BOARD CLERK ANDERSON: Kevin Palkki?

22 COMMITTEE MEMBER PALKKI: Good morning.

23 BOARD CLERK ANDERSON: Ramón Rubalcava?

24 COMMITTEE MEMBER RUBALCAVA: Present.

25 BOARD CLERK ANDERSON: Yvonne Walker?

1 CHAIR MILLER: Excused.

2 BOARD CLERK ANDERSON: Mullissa Willette?

3 COMMITTEE MEMBER WILLETTE: Here.

4 BOARD CLERK ANDERSON: Dr. Gail Willis?

5 CHAIR MILLER: Excused.

6 Okay. The next order of business is the election
7 of the Chair and Vice Chair of the Investment Committee.
8 For this, I'll hand the gavel over to Theresa Taylor.

9 VICE CHAIR TAYLOR: Good morning. So I will now
10 -- I am on, right?

11 Okay. Sorry about that. I will now take
12 nominations for Chair of the Investment Committee. And I
13 would like to nominate David Miller for Chair of the
14 Investment Committee.

15 Are there any other nominations?

16 Are there any other nominations?

17 Are there any other nominations?

18 I have a motion to approve David Miller as Chair
19 for the Investment Committee. Can we do a roll call vote
20 on that?

21 BOARD CLERK ANDERSON: Theresa Taylor?

22 VICE CHAIR TAYLOR: Aye

23 BOARD CLERK ANDERSON: Deborah Gallegos?

24 ACTING COMMITTEE MEMBER GALLEGOS: Aye.

25 BOARD CLERK ANDERSON: Frank Ruffino?

1 ACTING COMMITTEE MEMBER RUFFINO: Aye.

2 BOARD CLERK ANDERSON: Lisa Middleton?

3 COMMITTEE MEMBER MIDDLETON: Aye.

4 BOARD CLERK ANDERSON: Eraina Ortega?

5 COMMITTEE MEMBER ORTEGA: Aye.

6 BOARD CLERK ANDERSON: Jose Luis Pacheco?

7 COMMITTEE MEMBER PACHECO: Aye.

8 BOARD CLERK ANDERSON: Kevin Palkki?

9 COMMITTEE MEMBER PALKKI: Aye.

10 BOARD CLERK ANDERSON? Ramón Rubalcava?

11 COMMITTEE MEMBER RUBALCAVA: Aye.

12 BOARD CLERK ANDERSON: Yvonne Walker?

13 Mullissa Willette?

14 COMMITTEE MEMBER WILLETTE: Yes.

15 BOARD CLERK ANDERSON: Dr. Gail Willis?

16 VICE CHAIR TAYLOR: All right. Motion carries.

17 Congratulations, Mr. Miller.

18 (Applause).

19 CHAIR MILLER: Thank you. Appreciate it.

20 VICE CHAIR TAYLOR: I'm going to pass it back
21 over to you.

22 CHAIR MILLER: Okay. So I will now take
23 nominations for Vice Chair of the Investment Committee.

24 Mr. Palkki, let see, if we can...

25 COMMITTEE MEMBER PALKKI: Thank you, Mr. Miller.

1 I'd like to nominate President Taylor for Vice
2 Chair. Thank you.

3 CHAIR MILLER: Okay. A nomination is made.

4 Are there any other nominations?

5 Are there any other nominations?

6 And are there any other nominations?

7 I have a motion to approve Theresa Taylor as Vice
8 Chair.

9 Please do the roll call vote.

10 BOARD CLERK ANDERSON: Theresa Taylor?

11 VICE CHAIR TAYLOR: Aye.

12 BOARD CLERK ANDERSON: Deborah Gallegos?

13 ACTING COMMITTEE MEMBER GALLEGOS: Aye.

14 BOARD CLERK ANDERSON: Frank Ruffino?

15 ACTING COMMITTEE MEMBER RUFFINO: Aye.

16 BOARD CLERK ANDERSON: Lisa Middleton?

17 COMMITTEE MEMBER MIDDLETON: Aye.

18 BOARD CLERK ANDERSON: Eraina Ortega?

19 COMMITTEE MEMBER ORTEGA: Aye.

20 BOARD CLERK ANDERSON: Jose Luis Pacheco?

21 COMMITTEE MEMBER PACHECO: Aye.

22 BOARD CLERK ANDERSON: Kevin Palkki?

23 COMMITTEE MEMBER PALKKI: Aye.

24 BOARD CLERK ANDERSON: Ramón Rubalcava?

25 COMMITTEE MEMBER RUBALCAVA: Aye.

1 BOARD CLERK ANDERSON: Yvonne Walker?

2 Mullissa Willette?

3 COMMITTEE MEMBER WILLETTE: Yes.

4 BOARD CLERK ANDERSON: Dr. Gill Willis?

5 CHAIR MILLER: All right. The motion passes.

6 Congratulations, President Taylor.

7 VICE CHAIR TAYLOR: Thank you.

8 CHAIR MILLER: Okay. Moving on. Our next item,
9 Item 3, the Executive Report from our Interim Chief
10 Investment Officer. Dan, over to you.

11 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE:

12 Thank you, Mr. Chair. And good morning, Mr.
13 Chair and Madam Vice Char. Congratulations on your
14 re-elections and good morning all members of the
15 Committee.

16 On the topic of congratulations, I also do want
17 to take a moment to congratulate our private equity team
18 for being recognized as Limited Partner of the Year for
19 North America by Private Equity International and this for
20 the second year in a row. They specifically called out
21 three areas that are among the team's real areas of focus
22 that was especially gratifying, namely those are scaled
23 co-investment, diversifying our portfolio exposures, and
24 then backing emerging and diverse managers. So it's
25 always gratifying to see your efforts recognized. So a

1 real heartfelt congratulations to Anton and the whole
2 private equity team.

3 I'd also like to note that while this award
4 showcases the collaborative spirit and really the
5 excellence that defines the private equity team, that
6 attitude and spirit of hard work really exhibit -- is
7 exhibited across the entire Investment Office. And as
8 I've mentioned in the past -- as I mentioned in November
9 specifically, our leaning into our strategy and the real
10 momentum that we see building in the team. And I'll talk
11 a bit more about that in Agenda Item 7b, our semi-annual
12 trust level review.

13 But today, we have a very full agenda, so I'll
14 keep my comments brief and just call your -- to your
15 attention what's in front of the Committee today. And we
16 have one action item, and we have five information items.
17 We start with an action item on the mid-cycle ALM review,
18 where Sterling Gunn will walk us through updated capital
19 market assumptions and a recommendation to update the
20 strategic asset allocation. The next two items are
21 information items and those are part of our semi-annual
22 cycle of the trust level review. And March is when you --
23 if you'll recall is when your Board independent investment
24 consultants go first followed by the investment team. So
25 those are items 7a and 7b.

1 From there, we move on to information item 7c and
2 Drew Hambly will join us to provide an update and a
3 preview on the upcoming proxy season. And we'll close
4 open session with two policy items, both of them for first
5 read. And note that those are first reads, so we're
6 looking for Committee feedback that we can incorporate
7 into a second read for June, the first of which will be
8 presented Amy Deming to my right here. And I'd like to
9 thank Amy again for joining me up and tracking Chair
10 directed items and just keeping things on track. And this
11 first policy item is a first read with a couple of
12 specific changes around the subasset classes, first in
13 private assets and then second -- I'm sorry, real assets
14 and in private debt.

15 The second, and this one is at the request of the
16 Board, Tamara Sells will join us to present the first read
17 and potential updates to the responsible contractor
18 policy. So as I say, these are both first reads. We're
19 soliciting Board feedback that we can bring back for a
20 second read in June. And that's our open session agenda
21 item -- agenda today, Mr. Chair. And with that, I'll turn
22 it back to you.

23 CHAIR MILLER: Okay. Thank yo. I'm not seeing
24 any questions from the Board. So I think today we're
25 going to take things in a little different order. And I

1 think because we have a lot of interest, a lot of public
2 comments, I think we're going to move the public comments
3 up in the agenda. And we'll take public comments now.
4 And so I don't have a list in front of me.

5 Okay.

6 VICE CHAIR TAYLOR: She's printing it right now.

7 CHAIR MILLER: Putting that together.

8 Yeah, so we didn't want to wait till the end of
9 the day and make everybody wait that long. I know people
10 are eager to share their thoughts with us, and so we'll --

11 VICE CHAIR TAYLOR: What happened to your folks?

12 CHAIR MILLER: -- move that up.

13 Yep. And if anybody else to public comment shows
14 up, we will take them later.

15 (Pause in the proceedings).

16 CHAIR MILLER: Okay. We'll call the first of our
17 public commenters. First, we have J.J. Jelincic followed
18 by Jared Gaby-Biegel.

19 There you go.

20 J.J. JELINCIC: Okay. J.J. Jelincic,
21 beneficiary.

22 I have 12 trustees who are individually and
23 collectively have a fiduciary responsibility for investing
24 and protecting my trust assets. In June and November of
25 last year, they discussed and we unanimously approved

1 weakening the policy against insider trading. One trustee
2 had a higher priority and did not join the November
3 Investment Committee until after the vote. I wrote the
4 other 11 and asked them why they or their designees
5 supported the amendment. Seven of the trustees chose
6 not -- just chose to ignore the opportunity to explain why
7 they had chosen to loosen the insider trading policy. At
8 least four -- four at least bothered to dancer.

9 One said they were unsure and would have to ask
10 staff. One said they had no comment beyond their vote.
11 One said that because the unions did not object, they
12 didn't think that they could. One did not answer the
13 question but did assure me that the amendment did not
14 quote, "Change the responsibilities of the Legal Office,"
15 unquote.

16 Given that the amendment deleted the words quote,
17 "The Legal Office shall maintain and update the revised --
18 or the restricted company list," unquote, I can only
19 assume that the trustee either did not read the agenda
20 item or did not understand what they read. I'm not sure
21 which is worse. It's noteworthy that two of the four
22 responded to assure me that the November Perf and Comp
23 Committee, which either did not happen or happened without
24 public notice, was recorded.

25 When this Board and the system they administer

1 talk about accountability and transparency, it has the
2 same credibility as Donald Trump talking about the 2020
3 election. Thank you.

4 CHAIR MILLER: Thank you.

5 Our next commenter is Jared Gaby-Biegel. I hope
6 I have not mispronounced that.

7 VICE CHAIR TAYLOR: Say it again a little louder.

8 CHAIR MILLER: Oh, here he comes. Okay. If
9 you'll just come down over here. And when you begin
10 speaking, the timer will go and you'll have 3 minutes to
11 complete your comments.

12 Welcome.

13 JARED GABY-BIEGEL: Okay. Good morning, Chair
14 and Board members. My name is Jared Gaby-Biegel. And I
15 work for United Food and Commercial Workers International
16 Union. As you know, we have an ongoing labor dispute with
17 Cardenas markets, a California grocery chain owned by
18 Apollo Fund 9, a fund that CalPERS has committed \$550
19 million towards. We and Cardenas workers have come before
20 you previously to support CalPERS labor principles and
21 their application to private equity investments. We
22 believe Cardenas markets is an example of why you need to
23 implement them.

24 As you amend your private debt policies today, we
25 hope you will integrate implementation of those labor

1 principles into your review of investment managers for
2 your private debt allocations. We know that private debt
3 is a new and growing focus of private equity managers as
4 Apollo and other large investment managers focus their
5 fund raising on debt or credit funds. Living up to your
6 principles and Apollo's equity investments should be a
7 condition of committing future funds to Apollo's debt or
8 credit funds.

9 Cardenas record on labor risks is not good. In
10 August 2023, Cardenas markets settled a class action
11 lawsuit at a cost of \$1.5 million without admitting
12 wrongdoing. The lawsuit alleged violation of California's
13 labor regulations by failing to provide seats to cashiers.
14 The settlement covers 8,000 Cardenas workers.

15 Additionally, Cardenas has agreed to a proposed
16 settlement of a of pair of class action lawsuits alleging
17 pay, overtime, and risk break violations for a total cost
18 of \$2.5 million, also without admitting wrongdoing. That
19 proposed settlement agreement is currently pending before
20 the Superior Court of Alameda County and covers 10,000
21 employees.

22 The proposed settlement includes similar
23 allegations to a class action lawsuit that Cardenas
24 settled without admitting wrongdoing in 2021 for a cost of
25 6.5 million. That settlement predated Apollo's ownership

1 of Cardenas and includes allegations of pay and overtime
2 violations, rest break violations, and failure to
3 reimburse employees for safety shoes. UFCW has also filed
4 four unfair labor practice charges with the National Labor
5 Relations Board alleging that Cardenas retaliated against
6 workers for their union or protected activities.

7 We believe Cardenas poses a risk of litigation
8 over labor issues and that could undermine your
9 investment -- your investment. We support your efforts to
10 address labor risks across your fund and we look forward
11 to further engagement in an effort to hold Apollo
12 accountable to your labor principles at Cardenas.

13 Also, I just wanted to -- on a note on the agenda
14 item about your Responsible Contractor Policy, in addition
15 to supporting the input you are getting from other unions,
16 we urge you to define neutrality as an obligation of your
17 investment manages and their portfolio companies.
18 Contractors and subcontractors not an obligation of
19 CalPERS itself.

20 We believe you cannot enforce your labor
21 principles or the neutrality provision of the RCP while
22 also requiring CalPERS staff to remain neutral in the
23 context of union organizing. That is precisely when your
24 labor principles and commitment to neutrality matter most
25 and you need your staff to actively enforce them. We urge

1 you to strike the first six words of Section 6J in the
2 draft.

3 Thank you so much.

4 CHAIR MILLER: Thank you.

5 Next public commenter Valeria Alvarez, if you
6 would come down.

7 Okay, welcome. And, yeah, and just take those
8 two seats. And you'll have three minutes once you start
9 and you'll also have three additional minutes for the
10 translator, if you're going to use a translator.

11 ANDREA GARCIA: Okay. I'm Andrea Garcia. I'll
12 be translating for Valeria after she reads hers.

13 CHAIR MILLER: Great. Thank you.

14 VALERIA ALVAREZ (through interpreter): Good
15 morning, Chair and Board members. My name is Valeria
16 Alvarez. I have already told you my experience of
17 suffering sexual harassment while working at Cardenas
18 Markets, a company owned by Apollo Fund 9 in your
19 investments. You may remember that I filed a EEOC
20 complaint in March 2023 alleging sexual harassment and
21 retaliation for reporting sexual harassment to Cardenas.
22 A month later Cardenas fired me.

23 The EEOC found that Cardenas terminated the store
24 manager from his job after the company investigated my
25 sexual harassment allegations against him. However, in

1 January, EEOC dismissed my complaint and issued me a
2 right-to-sue letter. I am coming back before you today to
3 stand beside some other women who will tell you their
4 experience with sexual harassment while working for a
5 different company in your private equity investments.

6 Nobody should suffer sexual harassment by work --
7 at work. I should not have suffered sexual harassment at
8 work. My co-workers at Cardenas Market should encourage
9 to report sexual harassment, but instead they watch me be
10 terminated. I don't believe Apollo is living up to your
11 private equity labor principles and I hope you will
12 enforce your principles.

13 I also want other women to know how important it
14 is to speak up and tell their experience so we can end
15 harassment at work. We are not done yet.

16 CHAIR MILLER: Thank you.

17 Next, I have Mr. Jelincic again on Item 7g.

18 J.J. JELINCIC: This is on 6a?

19 CHAIR MILLER: Oh, I had you for 6a and 7g, so --

20 J.J. JELINCIC: Okay. 7g is what I did earlier.

21 CHAIR MILLER: Okay. So 6a then.

22 CHIEF EXECUTIVE OFFICER FROST: Mr. Miller, we
23 can wait on public comment for the actual agenda items,
24 the noticed agenda items, so we could wait for 6a. We're
25 really trying to move 7g to the beginning, but not the

1 actual agenda items themselves.

2 CHAIR MILLER: Okay. Fair enough. Okay. So we
3 will move on.

4 J.J. JELINCIC: Marcie, it makes sense.

5 CHAIR MILLER: Okay. I think we have several on
6 the phone we'll get through while we've got them in the
7 queue.

8 STAFF SERVICES MANAGER I FORRER: We have Jason
9 Disterhoft on the phone. Go ahead, Jason.

10 JASON OPEÑA DISTERHOFT: Hi. My name is Jason
11 Opeña Disterhoft with Majority Action, advocacy group
12 focusing on risk to shareholder value, especially climate
13 change and racial inequity and proxy voting tools to
14 mitigate those risks. Thank you to staff and trustees for
15 the hard work on CalPERS proxy voting and corporate
16 engagements, and we look forward to more detailed updates
17 later today.

18 I also want to recognize and honor the many
19 Californians showing up today to make their voices heard,
20 making clear how seriously beneficiaries take these
21 issues. And I'd like to add Majority Action's voice to
22 the chorus underlining the uniquely important role that
23 CalPERS has regarding ExxonMobil in the coming shareholder
24 season. What Exxon is doing endangers CalPERS' central
25 mission of providing sustainable returns for all its

1 members in at least two ways. First, the largest western
2 oil and gas super major failing to decarbonize in a timely
3 way, as well as actively undermining broader climate
4 progress through it's lobbying is a massive source of
5 climate risk. This threatens the fund's holdings across
6 the board in sectors ranging from real estate to
7 financial.

8 Instead of becoming a 21st century energy company
9 ready to decarbonize its operations and products, Exxon
10 has run a decades-long effort to deny, disinform, and
11 delay action on the energy transition. Despite the
12 turnover on Exxon's board in recent years, the company
13 clearly remains committed to this strategy.

14 Second, Exxon's lawsuit against its own
15 shareholders is a fundamental threat to corporate
16 governance institutions that are vital to securing
17 shareholder values. By suing shareholders filing
18 proposals on climate risk in federal court instead of
19 engaging them or challenging them through the SEC's
20 regular no action process, Exxon is mounting an
21 unprecedented attack on shareholders, the proposal
22 process, and the role of the SEC.

23 It threatens investor's ability to engage with
24 companies to secure returns for beneficiaries going
25 forward. For investors like CalPERS, this means

1 undermining your efforts to address risks and
2 opportunities related to human capital management, climate
3 risk, diversity and equity, executive compensation, and
4 many other critical topics.

5 For this proxy season, it is vital that
6 shareholders hold Exxon's board accountable both for its
7 continued climate failure and its unprecedented threat to
8 shareholder voice. CalPERS has a long track record of
9 leadership both on climate and on fundamental corporate
10 governance. Regarding Exxon, we recognize CalPERS voting
11 last year to hold accountable a number of responsible
12 directors.

13 This year, CalPERS has a uniquely important role
14 to play building on that track record, not only continuing
15 its exemplary climate proxy voting, but also stepping
16 forward within the ecosystem. This could include making
17 it clear to asset managers that CalPERS use a response to
18 Exxon is crucial. We applaud CalPERS continued leadership
19 in protecting beneficiaries' returns from climate and
20 other risks. This coming season, we look forward to the
21 fund playing a leadership role on the vital issue of
22 responding to Exxon's irresponsible governance.

23 Thank you.

24 CHAIR MILLER: Thank you.

25 Our next caller.

1 STAFF SERVICES MANAGER I FORRER: Yes, Chairman
2 Miller. We have Sara Theiss from Fossil Free California.

3 SARA THEISS: Yes. Good morning and I would like
4 to -- this is Sara Theiss. I'm a CalPERS retiree as well
5 as a member of Fossil Free California. And I would like
6 to follow up on the comments that were just made in terms
7 of Exxon. I guess the theme from my remarks is actions
8 speak louder than words.

9 So I just am again not understanding why you
10 continue to invest in Exxon given what it's been doing.
11 So for example, and these are just -- I'm not an --
12 obviously an investment professional. These are just
13 things I just read. So Exxon is continuing to invest
14 aggressively in expanding it's oil and gas production.
15 Last October, it announced it was going to acquire Pioneer
16 Natural Resources, almost 60 billion in stock. This is
17 going to double its production volume in the Permian
18 Basin. Also, by expanding it's holdings in Texas close to
19 its headquarters, Exxon seems to be betting that U.S.
20 energy policy will not move against fossil fuels in major
21 ways.

22 Exxon also made news in early January when it
23 said it would be forced to take a major \$2.5 billion
24 impairment hit on California assets. Exxon blamed
25 regulatory excesses. But ExxonMobil stock has returned --

1 this was a -- from an article in I believe late February,
2 ExxonMobil stock provided year returns since November 6th,
3 2023, while the S&P 500 grew 15 percent. And as of this
4 last February, just last month, Exxon's latest quarterly
5 earnings missed estimates with revenues declining by 12
6 percent and adjusted earnings per share shrinking. It's
7 also currently overvalued, according to a -- the dividend
8 discount model analysis. Based on these and other
9 geopolitical happenings, a commentator or analyst from the
10 group seeking alpha concluded that ExxonMobil is a sell.

11 And just last month, Exxon's CEO washed his hands
12 of responsibilities for the ongoing climate disaster,
13 instead he blamed individuals in government for not being
14 willing to fund the transition. People are generating the
15 emissions needed -- people who generate emissions need to
16 be aware of it and pay the price. That's how you solve
17 the problem. So I think it's pretty clear from this that
18 Exxon doesn't plan to do anything, you know, really to
19 change its business model. It's going to keep growing and
20 creating -- continue to create the climate crisis as it
21 has for its entire existence.

22 And finally, I urge the Board to follow the path
23 of the New York State Common Retirement Fund, which
24 reviewed the sustainability plans of all oil and gas
25 majors -- majors. Mobil -- ExxonMobil failed to meet the

1 standards, so it is divesting its actively managed
2 holdings from Exxon. So I just -- I just -- as I said, I
3 don't understand why you continue to do this.

4 Thank you.

5 CHAIR MILLER: Okay. Thank you. And I think we
6 have one more caller on the phone.

7 BOARD CLERK ANDERSON: (Nods head).

8 STAFF SERVICES MANAGER I FORRER: Yeah, Chairman
9 Miller. We have Allie Lindstrom from the Sierra Club to
10 speak to Item 7c.

11 ALLIE LINDSTROM: Hello. Thank you for the
12 opportunity to comment. My name is Allie Lindstrom. And
13 I'm a strategist at the Sierra Club. I want to speak
14 today about Exxon as the callers before me and the
15 engagement strategy that CalPERS has this year pertaining
16 to Exxon and its unprecedented action to shareholders.
17 We've introduced a resolution requesting the company adopt
18 medium term emissions targets.

19 And as the caller before me mentioned, not only
20 does legal action deny shareholders the opportunity to
21 weigh in on Exxon's long-term business plan and climate
22 impacts, but the lawsuit challenges the rights that
23 shareholders have at large. Exxon alleges that the
24 proposal, which follows the strong trend of climate
25 resolutions and asks the oil major to catch up to its

1 peers, is not in the best interests of shareholders and is
2 part of an extreme agenda.

3 This attempt to define who is a legitimate
4 investor and this coupled threat of legal objection will
5 have a chilling effect on shareholder activism and
6 encourage other bad worker actors to follow suit. And we
7 can be sure that climate isn't the only shareholder
8 concern that corporate actors would like to silence.

9 In November, staff presented a new enhanced
10 engagement strategy to escalate pressure on companies that
11 do not have credible climate transition plans. Exxon's
12 egregious behavior calls for such escalation and that's
13 why I'm calling on CalPERS to commit to vote against the
14 board of directors this May at ExxonMobil and to
15 immediately refuse to purchase new bonds or share
16 issuances from the company to ensure that the company
17 understands that it needs to respect the rights of
18 shareholders and it needs to take climate risk seriously.

19 Thank you.

20 CHAIR MILLER: Thank you.

21 Okay. Now, I have quite a stack of requests to
22 speak, and so I'll call people up several at a time. Come
23 down and kind of queue up here and you'll each have three
24 minutes. And the time will start when you identify
25 yourself and begin speaking. And I'll ask you to -- I'm

1 not going to ask you to not use your three minutes. You
2 get your three minutes, but try not to be repetitious, if
3 you can. If you've got prepared statements, try to -- try
4 to not simply repeat what the previous speakers have said,
5 if you can.

6 So the first couple people we'll bring down is it
7 looks like Pinky Toney and, César Aguirre, and Jovana
8 Fajardo.

9 JOVANA FAJARDO: Should we just sit up here until
10 we speak?

11 CHAIR MILLER: Yeah. Yeah, and then each of you
12 can come up in turn to the microphones. Okay. And yep,
13 your mic on, so you're good.

14 PINKY TONEY: Good morning. My name is Eileen
15 Toney, aka Pinky. I'm a proud member and Board member of
16 ACCE, as well as Sac CLT, and on the board with the Rio
17 Tierra with Twin Rivers.

18 I'm here to share troubling information about
19 Blackstone relating to climate change and California's
20 public policy. Blackstone is not only hurting the
21 climate, but their investments include nearly two dozen
22 fossil fuel companies. This includes Gavin Coal Plant in
23 Ohio, which is the ninth largest source of carbon dioxide
24 emissions in the U.S. and it is the plant that should have
25 been retired, but it's been kept running by Blackstone.

1 And while Blackstone is investing in fossil fuel
2 companies, they're also investing in a disaster
3 restoration industry, profiting from both creating and
4 cleaning up climate disasters. One of the disaster
5 restoration companies they own is SERVPRO with more than
6 2,100 locations across North America. SERVPRO employees
7 have faced wage theft, health and safety violations, and
8 serious injuries, and exposure to harmful chemicals on the
9 job.

10 In addition, Blackstone has spent tens of
11 millions of dollars to influence public policy in order to
12 maximize their profits. In California, Blackstone gave
13 \$7.4 million in 2018 to stop Proposition 10, which would
14 have provided protections for renters. In 2020,
15 blackstone gave 7 million to the California Business
16 Roundtable to stop Proposition 21, rent control and
17 Proposition 15, schools and communities first, which would
18 have reinstated the fair market value taxes on commercial
19 properties.

20 Last year, Blackstone gave 3.5 million to the
21 Business Roundtable do fund the Taxpayer Protection and
22 Government Accountability acts, which would then have
23 given the corporations a major loophole to avoid paying
24 their fair share in taxes. We hope that you will work
25 with ACCE and the rest of our organizations that are here

1 today to address these concerns. As low-income people, we
2 need your support, so that we cannot only enjoy our basic
3 rights as tenants, but having rent increases capped at 3
4 percent and no fault evictions.

5 Thank you.

6 CHAIR MILLER: Thank you.

7 Okay. Next.

8 JOVANA FAJARDO: Good morning. My name is Jovana
9 and I'm a proud member of ACCE.

10 You know, we're really concerned because of
11 ExxonMobil, which a couple of the speakers spoke about
12 earlier, in particular, them suing their shareholders
13 because of the resolution they made around climate change.
14 As a mother, me and my family are really concerned about
15 the climate change and what it's doing to harm public
16 health, causing drought, threaten the state's economy.

17 You know, I do want to say thank you to CalPERS.
18 I know as trustees, you guys have already acknowledged
19 climate change as a great threat the retirement security
20 of millions of Californians, not to mention the planet as
21 a whole. And your leadership is essential to all the
22 people of California and to the people who depend on their
23 pensions through CalPERS. And you are mindful not just to
24 the people who are retired now, but those to come, right,
25 those that are working now, those that haven't even

1 started to the future generations like my kids.

2 You guys have a lot of power as part of CalPERS
3 to the companies that you choose to invest with. And so I
4 want to make sure that you guys acknowledge that. We have
5 reached a point where we think and plan that climate
6 change is at the center -- should be at the center of
7 financial decision-making and it will change negatively
8 people's pensions and our lives.

9 And in some cases, some companies we can engage
10 with them and work with them to improve their policies to
11 protect the pensions and the climate. It makes sense.
12 Unfortunately, some companies, ExxonMobil in particular,
13 is refusing to do that. They have already proven that
14 they're not open to engage. And so we want to make sure
15 that you guys are doing your part to hold them
16 accountable.

17 And so we have a couple questions to ask of you
18 guys. We want to make sure that you guys are open to make
19 an announcement or a statement to denounce Exxon's lawsuit
20 against their shareholders, other shareholders as
21 yourselves, and that you will join Exxon's shareholders in
22 calling for a removal of the current board of directors,
23 and what your exit strategy is. Because at this point, if
24 they've proven a point that they're not going to open
25 discussion, they're not going to work with us, there needs

1 to be an exit strategy for the years to come.

2 Thank you.

3 CHAIR MILLER: Thank you. Next.

4 CÉSAR AGUIRRE: Good morning, Committee members.

5 My name is César Aguirre. I am a proud ACCE member. I am
6 also the child of a retired State worker. And I have
7 many, many family members, active and retired, who work
8 for the State. And it's a place where I would hope to
9 work soon. And it weighs on me heavily that the
10 investments that are there to care for our community
11 members who work through the State would potentially be
12 making funds -- funding companies that cause harm in our
13 community, such as ExxonMobil and Blackstone.

14 I think we're all well aware of the effects of
15 climate change. And we've heard from speakers today that
16 let us know undoubtedly that ExxonMobil is a corporation
17 that is not doing all that it can to mitigate carbon
18 emissions and reduce the harm that comes from climate
19 change.

20 So, I look upon you with hope that you will have
21 the courage to make wise decisions, and find ways, and be
22 resourceful in finding investments that again do not
23 perpetuate the harm that ExxonMobil and Blackstone are
24 still now, as we speak, perpetuating.

25 Thank you.

1 CHAIR MILLER: Thank you.

2 Next, we'll have Jesus Cacho, Britt Dowdy, and
3 Susan Minato come on down.

4 And your time will start whenever you want to
5 begin.

6 JESUS FIGUEROA-CACHO: Thank you. Good morning.
7 My name is Jesus Figueroa-Cacho. I'm a member of SE --
8 ACCE and also I'm a member FOR SEIU 2015 and a housing
9 justice.

10 I help members of my community fight against
11 treatment by corporate lenders like Blackstone. As you
12 know, CalPERS is a major investors in Blackstone, which is
13 now the largest landlord in the U.S. In 2021, Blackstone
14 brought almost 6,000 housing units in San Diego area.
15 ACCE reported a -- last year showing that Blackstone has
16 raised rent in some of these units in March at 64 percent
17 in just two years.

18 You might have heard about many lawsuit against a
19 company called RealPage and a number of landlords and
20 property managers. The lawsuit accused them to working
21 together to illegally raise rents. This is directly
22 contributing to California affordable housing crisis.

23 The company that Blackstone used as a property
24 manager it is a San Diego property. It is one of the
25 companies named these lawsuits. We ask that CalPERS, as a

1 major investors, ask Blackstone to report to -- about its
2 uses of RealPage in California properties and what the
3 rent increase at these properties.

4 In addition, CalPERS is also a major investors in
5 private equity funds that own CalPage. And those funds
6 are named in the many lawsuits which put CalPERS investors
7 at risk. We ask CalPERS ask Thoma Bravo, the private
8 equity firm that owns RealPage to report to CalPERS about
9 the numbers of property in California that use RealPage
10 and that is -- that's real increase were in the -- this
11 property.

12 And as an example, I am one of the person that
13 I'm living in my car. I'm a health care worker. I'm
14 representative for a union. The rent increase, my income
15 doesn't increase. So we hope CalPERS can listen to this
16 and try to get all these people out of the street. This
17 is -- I'm sorry about this, like I was crying, but thank
18 you very much.

19 CHAIR MILLER: Thank you.

20 Next, I have a Susan Minato.

21 Okay. If Ms. Minato is not here yet, we'll call
22 her up again. So next Yvonne Wheeler.

23 VICE CHAIR TAYLOR: Here comes, Susan.

24 CHAIR MILLER: Oh, here comes susan. Okay. I'm
25 told Susan is on her way down.

1 SUSAN MINATO: I apologize. I didn't hear.

2 CHAIR MILLER: And Yvonne, you can come up and be
3 in the queue.

4 There you go and your mic is live.

5 SUSAN MINATO: So sorry. We were arranging our
6 bus load of people. So good morning. Thank you for
7 allowing me to speak. My name is Susan Minato. I'm
8 co-president of Unite Here Local 11, which represents
9 33,000 hospitality workers throughout Southern California
10 and Arizona.

11 And I would first like to begin by thanking the
12 members of this Board, first, for understanding that the
13 interests of private sector workers experiencing abuse at
14 private equity and real estate owned workplaces are, in
15 fact, aligned with the interests of public sector workers
16 who depend on CalPERS for their benefits; second, that the
17 labor principles you passed in 2023 reflect this
18 understanding. So thank you for that.

19 However, neither the labor -- neither the labor
20 principles nor the staff's proposed changes to the RCP
21 thus far adequately protect CalPERS beneficiaries from the
22 risks associated with strikes, because the changes will
23 not prevent strikes. Over my 34 years as a union leader
24 in the private sector, there are only two ways that I've
25 seen where labor strife can be controlled, one, a

1 collective bargaining agreement, which the fund, of
2 course, has nothing to do with, and two, a labor peace
3 policy where unions give up the right to strike in
4 exchange for economic -- I'm sorry, and engage in economic
5 action.

6 The starkest example involves Unite Here 11 and
7 SEIU janitors. We have for years now complied with the
8 Los Angeles City Labor Peace Policy at LAX where there are
9 nearly 5,000 affected workers. Before the City of LA
10 passed this policy, Local 11 fought for good wages and
11 benefits, and struck concession companies almost every
12 career turning the airport into a labor war zone.

13 Eventually, the City of LA had enough. They
14 passed a labor peace policy covering LAX in order to
15 protect the airport from strikes and labor unrest that
16 impacted their proprietary interest to maintain operations
17 at LAX.

18 In that situation, the Union gave up the right to
19 strike. The City of LA did not get involved in why we
20 gave up that right. They only required that the companies
21 who want to operate there guarantee the City labor peace
22 free from strikes. In exchange, the companies got to get
23 into the lucrative LAX for -- to do business. Negotiating
24 with a company over the weekend, just this past weekend,
25 who -- they were -- they're clamoring for labor peace in

1 Arizona, because they love the policy.

2 Local 11 has not struck LAX for 17 straight years
3 now, with one exception where LAX violated their own --
4 LAX and LA violated their own policy and let a company in
5 without labor peace. By contrast, in 2023, 80 Local 11
6 contracts and hotel and food service has expired. I've
7 never seen workers so ready to go on strike. Fifteen
8 thousand Local 11 members launched the biggest strike ever
9 in California hospitality in July 2023. And you all know
10 the reason as we know the reason, it's due to obscene
11 inequality call tea, which sadly in this day and age --

12 CHAIR MILLER: Thank you. Your time is --

13 SUSAN MINATO: -- is not going away any time
14 soon.

15 CHAIR MILLER: So if you could wrap it up.

16 SUSAN MINATO: I will wrap it up. Thank you --
17 which means that we'll have more labor disruption,
18 continued labor disruption.

19 And so we need policies to hold these kinds of
20 companies accountable and we urge staff and trustees to
21 look at those comments we sent you in October, for the
22 comments on the RCP and implement a solution-oriented
23 policy which should apply to all asset classes.

24 Thank you.

25 CHAIR MILLER: Thank you very much.

1 Okay. Next. Okay. So next I have a group of
2 folks who we'll take in order. And again, I'll just ask
3 that when you come up and speak, introduce yourself, the
4 time will start. You'll have three minutes from the time
5 you introduce yourself and start speaking. And I'll ask
6 that you each feel free to use your time, but try not to
7 simply repeat the message that was presented by the last
8 speaker as much as we can. We'll try to not just simply
9 be repetitious.

10 And so the first three will be Yvonne Wheeler,
11 Susan Minato --

12 VICE CHAIR TAYLOR: Oh, you just did --

13 CHAIR MILLER: Oh, just did susan.

14 Jordan Fein and Matt Pina.

15 YVONNE WHEELER: Good morning. My name is Yvonne
16 Wheeler and I'm the President of the Los Angeles County
17 Federation of Labor. I would like to thank you, the
18 esteemed members of this Board, for allowing me to speak
19 today.

20 The experience of the Los Angeles County
21 Federation of Labor movement over the last year is a
22 compelling example of what's happening in the labor
23 movement today. Workers are fed up and they are demanding
24 more. At one point this summer, we had members from SEIU
25 Local 721 have a one-day strike. Over 1,000 -- 10 --

1 100,000 union members SAG-AFTRA, and the Writers Guild
2 went out on strike in Hollywood. As well as Unite Here in
3 Los Angeles, members were striking the hotels in downtown
4 Los Angeles and the Port of Los Angeles in Long Beach shut
5 down by members of the International Longshore and
6 Warehouse Union.

7 We had a hot labor summer, but it's more
8 important to remember that this was not a flash -- this
9 was not a flash in the pan. Workers across Los Angeles,
10 across California, and across the country are starting to
11 wake up. This summer's explosion of labor unrest followed
12 the heels of a 5-week UC strike, and a strike by 30,000
13 SEIU members and UTLA members -- 35,000 UTLA members at
14 the LAUSD. It's the largest public school strike in the
15 school -- in the state of California.

16 During the pandemic, workers were thrown aside
17 like they were nothing or they were told that they were
18 essential, only to be essentially worked to the bone with
19 no real improvements to their pay or benefits. They
20 watched as the rich got richer, while they barely made it.
21 They're fed up and they're not going to take it anymore.

22 I'm here today to recommend to this Board that
23 you modernize your responsible contractor policy to
24 protect investments for the beneficiaries you represent,
25 many of whom are retired union workers from Los Angeles

1 county. The new day -- this is a new day for labor. It
2 requires a new policy to mitigate the risk.

3 On behalf of the entire labor movement and the
4 over 800,000 union members of the Los Angeles County
5 Federation of Labor, I want to thank you for your
6 continued work and dedicated leadership on this important
7 issue.

8 Thank you.

9 CHAIR MILLER: Thank you.

10 Next, Jordan Fein.

11 JORDAN FEIN: Good morning. My name is Jordan
12 Fein and I'm a lead research analyst with Unite Here Local
13 11. I'd like to thank the Board and staff for soliciting
14 input from stakeholders regarding potential changes to the
15 Fund's RCP and for your continued efforts to mitigate ESG
16 risk caused by strikes, boycotts, migrant refugee abuses,
17 sexy harassment, and retaliation against workers standing
18 up for their protected, concerted, federal rights.

19 Local 11 members ongoing disputes with Aimbridge
20 Hospitality, which is owned by CalPERS investment manager
21 Advent International and with Blackstone Group through
22 real estate funds not connected to CalPERS, illustrate how
23 the fund's current policies both in the RCP and across all
24 asset classes lack enforceable language that would protect
25 beneficiaries from human capital risks.

1 Hotel workers have been striking at Aimbridge
2 operated and Blackstone-owned hotels for over 9 months.
3 Thirty-four properties have settled fair contracts, but
4 Aimbridge and Blackstone have made themselves outliers,
5 well capitalized by public sector pensions like CalPERS,
6 but unwilling to provide living wages, health care, and a
7 pension to our private sector members.

8 As Aimbridge and Blackstone have grown more
9 desperate, they expose CalPERS to more and more risks.
10 Customers and groups have moved from their hotels to avoid
11 picket lines. Local, State, and federal regulators have
12 begun investigating on fair labor practice charges at
13 Aimbridge and Blackstone properties alleging interference
14 with worker's right to engage in protected concerted
15 activity, as well as potential violations of child labor
16 and wage and hour laws, abuses of refugee migrant workers
17 who have testified before this Board, and Allegations that
18 management failed to prevent and address sexual harassment
19 at Aimbridge Properties.

20 The headlines about these firms mount as do the
21 reputational risks to your managers. We appreciate that
22 CalPERS has engaged with Advent and Blackstone and we ask
23 that you continue to engage, but we've also asked that you
24 withhold further investment until these issues are
25 resolved and these firms demonstrate that they can

1 responsibly manage the fund's money without costly
2 protracted labor disputes or other ESG risks.

3 Unfortunately, CalPERS has continued to invest
4 with Blackstone committing one and a half billion dollars
5 to Blackstone Real Estate Debt Strategies V in March 2023
6 and \$200 million to Blackstone Capital Partners IX in
7 September 2023. These commitments come with no guarantee
8 that we will not see a continuation of labor strife.
9 Indeed, given Blackstone's track record, there's a high
10 likelihood that the firm will face labor disputes and even
11 strikes in these funds' investments.

12 We urge trustees and staff to strengthen the RCP
13 and to strengthen total fund policy to more effectively
14 mitigate human capital risk.

15 CHAIR MILLER: Thank you.

16 Next, I have Matt Pina followed by Margarita
17 Virrueta.

18 Is Margarita here?

19 Okay. And after Margarita, we'll have Maritza
20 Villeda.

21 Welcome.

22 MARGARITA VIRRUETA(through interpreter): Thank
23 you. My name is Margarita Virrueta. I'm a cook at the
24 Aimbridge-operated Sheraton Park Hotel in Anaheim. On
25 March 8th, 2024, I sent a complaint to the California

1 Civil Rights Department alleging that I have faced sexual
2 harassment at the hotel since I started working there in
3 November 2022. Two of my co-workers reported it to the
4 hotel human resources director months ago that they were
5 being sexually harassed by the same male sous-chef. We
6 believe that the hotel did little to nothing to address
7 this situation.

8 CHAIR MILLER: Yeah, just one sec. I just want
9 to let you know you'll have an additional time allotment
10 for the translator, so don't feel like you're running out
11 of time. When it gets to three minutes, you'll have an
12 additional three.

13 THE INTERPRETER: Thank you.

14 MARGARITA VIRRUETA (through interpreter): As a
15 result, the harassment continued. Almost every time that
16 I worked with the sous-chef over the past year and a half,
17 he engaged in unwanted and inappropriate behavior such as
18 looking at my chest, whispering sexually suggestive
19 comments in my ear, and making dirty jokes. On multiple
20 occasions, he has come up behind me and given me
21 non-consensual massages. He has also put my hand -- his
22 hand on my stomach and caressed my waist all the way down
23 to my back.

24 Once when I was reaching for a box of
25 strawberries stored above the refrigerator, he came up

1 from behind, grabbed my by the hips and lifted me up. I
2 was so shocked and so scared that I screamed. The
3 sous-chef's actions made me feel uncomfortable and
4 stressed. I often felt physically sick after working with
5 him. And a few times, I had to leave work because I felt
6 so nauseous.

7 Even though I was nervous to speak publicly, I
8 choose to break my silence, because no woman should
9 experience abuse in the workplace. I also speak today on
10 behalf of Jenny Hong another cook at the Sheraton. She
11 can't be here today, but she gave me permission to share
12 her story.

13 Jenny also sent a complaint to the California
14 Civil Rights Department alleging that she has been
15 sexually harassed by the sous-chef starting since June of
16 2023. As Jenny describes in her complaint, the sous-chef
17 frequently made inappropriate often sexual comments to her
18 at work, and at times engaged in unwanted physical
19 touching. This made Jenny feel so uncomfortable and
20 anxious that she seriously considered quitting her job.
21 For months she said she could not stop crying, she had
22 trouble sleeping, and regularly got stress-induced stomach
23 cramps.

24 In December of 2023, Jenny reported the
25 sous-chef's behavior to three different managers at the

1 hotel. Unfortunately, it seems the hotel took little to
2 no action to investigator to respond. In protest, my
3 co-workers and I have been picketing at the Sheraton.
4 Last Wednesday, hundreds of us marched in the streets of
5 Anaheim to support women workers against sexual
6 harassment. We have called for a boycott of Aimbridge
7 because we believe that it has failed to ensure a safe
8 work environment for me and my co-workers, and in another
9 ways has failed to respect us.

10 CHAIR MILLER: Okay. If you could wrap it up.

11 MARGARITA VIRRUETA (through interpreter): We ask
12 for your support in holding Aimbridge accountable and
13 ensuring that future generations of women everywhere feel
14 safe where the work.

15 Thank you.

16 CHAIR MILLER: Thank you.

17 Next, I have Maritza Villeda, followed by Kathy
18 Finn.

19 MARITZA VILLEDA: Hi. Good morning. Thank you
20 for allowing me to speak. My name is Maritza Villeda and
21 I work for Hampton Inn and Suites Santa Monica, which is
22 operated by Aimbridge Hospitality for about 2 years as a
23 front desk. I worked for about 2 years as a front desk
24 supervisor before I was at other Aimbridge properties for
25 about 9 years. Last month, I sent a complaint to the

1 California Civics[sic] Right Department alleging that I
2 face a hostile work environment while working there, in
3 that the hotel did not respond appropriately to my
4 complaint. Instead, I was terminated.

5 As I allege in my letter for more than 6 weeks
6 before I was terminated, I was placed with almost daily
7 verbal abuse including being called a sexist LARP by a
8 valid attendant. When I brought this -- when I brought
9 those issues to the general manager at at least five
10 different occasions, nothing was done to fix the
11 situation. As I complained about in a specific horrible
12 incident of verbal abuse and threatening to my life, I was
13 terminated.

14 Unfortunately, I am not the only woman at the
15 hotel who has reported sexual harassment in the past few
16 months. My co-worker, Marta Villar recently came forward
17 and also filed a complaint alleging that last year a
18 manager at our hotel would make frequent suggestive sexual
19 comments about her attractiveness and about other men
20 interested in her. She alleged that he would touch the
21 radio attached to the back pocket of her pants twice.

22 This made her so uncomfortable that she asked to
23 switch to the night -- the overnight shift to avoid him,
24 only to have him show up to his shift an hour earlier so
25 he could keep overlapping with her. Even more shocking,

1 she alleged that a little over a year ago, the general
2 manager of the hotel himself hugged her and called her his
3 sweetheart.

4 Then later -- then later involved her to his --
5 and later invited her to her -- to his house telling her
6 he would not tell anyone if she didn't tell anyone. She
7 sent an email to HR to complain, but a few weeks
8 afterwards, HR closed her case without invest --
9 interviewing her. She felt like no one listened to her.

10 It is not easy for either of us to come forward,
11 but I choose to break my silence, because no woman not in
12 Santa Monica or anywhere should be forced to take this
13 SLARP of abuse in the workplace.

14 I am asking the California Civics[sic] Rights
15 Department to investigate the problem that I have endured
16 at Hampton Inn and Suites Santa Monica due to my gender.
17 I am speaking out because no one should have to face
18 ongoing verbal abuse and harassment in order to provide
19 for their families. I firmly believe that the workplace
20 should be a welcoming place where professionalism and
21 respect is priority in all levels.

22 CHAIR MILLER: Thank you.

23 MARITZA VILLEDA: I am -- its makes me proud to
24 see so many strong womens labor leaders of the CalPERS
25 Board. I know many of you members face sexual harassment

1 too. Thank you for listening to my story and please hold
2 Aimbridge accountable for the abuse we have endured.

3 CHAIR MILLER: Thank you.

4 MARITZA VILLEDA: Thank you.

5 CHAIR MILLER: Okay. Next I have Kathy Finn,
6 Gwen Mills, and Beverly Yu.

7 Welcome.

8 KATHY FINN: Good morning. My name is Kathy
9 Finn. I'm proud to serve as the President of the United
10 Food and Commercial Workers Union Local 770. Our union
11 represents approximately 30,000 workers who work in the --
12 in grocery stores, drug stores, health care, food
13 processing and packaging, as well as the cannabis
14 industries in Los Angeles County, Ventura County, Santa
15 Barbara County, and San Luis Obispo County.

16 As more and more workers join the growing wave of
17 strikes and worker unrest, UFCW Local 770 believes that
18 the Responsible Contractor Policy must reflect these
19 increased risks. Labor unrest costs companies money. In
20 2003, 2004, UFCW engaged in a strike against Albertsons,
21 Safeway, and Ralphs companies in Southern California.

22 The Los Angeles Times reported that those
23 companies lost a combined \$1.5 billion in sales during
24 that strike. The companies also lost market share as
25 rival grocery companies moved in to take advantage of the

1 strike. While Albertsons, Safeway, and Ralphs saw an 8
2 percent reduction in their market share, the Insurgent
3 companies that were not targets of the strike saw a gain
4 of 6 percent. Since that time, there have been a number
5 of mergers or proposed mergers in the grocery industry
6 with these companies. In 2015, Albertsons and Ralphs -- I
7 mean, Albertsons and Safeway merged. The FTC forced them
8 to divest 85 stores at that time. Hagen that was owned
9 by private equity company Comvest bought those 85 stores
10 and within 6 months closed them all. Thousands of workers
11 lost their jobs and consumers lost 85 neighborhood grocery
12 stores, places to shop.

13 And right now, Cerberus and other private equity
14 companies are looking to merge Kroger-owned Ralphs and
15 Food 4 Less stores with the Safeway -- with Albertsons,
16 which owns Safeway, potentially risking closure of a bunch
17 more stores in Southern California, which leads to
18 consumers not having as many places to shop.

19 As a union president, I fight hard so that our
20 members can retire with dignity. Having a safe and secure
21 pension is a vital lifeline for our retirees, knowing that
22 labor strife can impact our members' pensions would make
23 me think long and hard about how to protect them. This is
24 why UFCW Local 770 supports including enforceable language
25 in the Responsible Contractor Policy that will protect the

1 fund from ESG risks associated with strikes.

2 I would like to thank the Board of Trustees for
3 their work on this policy. I know that you will continue
4 your work to safeguard the retirement of millions of
5 Californians.

6 Thank you.

7 CHAIR MILLER: Thank you. Go ahead.

8 BEVERLY YU: Mr. Chair and members, Beverly Yu on
9 behalf of the State Building and Construction Trades
10 Council. We represent 500,000 working women and men,
11 including 65,000 enrolled in our state-of-the-art
12 apprenticeship programs around the state.

13 Commenting on agenda Item 7e, we appreciate the
14 opportunity to provide comments to the CalPERS investment
15 policy for the RCP in response to the first policy
16 reading. We would also like to thank the staff for your
17 hard work.

18 Our unions represent many of the plan
19 participants and beneficiaries in CalPERS, so we have a
20 vested interest in the success of the program. We are
21 here to express our disappointment to that -- to those
22 proposed revisions, because they do not reflect
23 unfortunately our feedback on the administration of the
24 RCP, and we urge you to revisit our letter that we've
25 submitted and to adopt the recommendations we have laid

1 out in our letter. This will be a missed opportunity if
2 we do not ensure the RCP does what it is intended to do.

3 It's important that we use responsible
4 contractors because violations of the RCP create
5 investment risks for CalPERS as an asset owner. Wage
6 theft, health and safety issues, project delays, and
7 construction defects may lead to fines and penalties by
8 public agencies and litigation by workers and end users.
9 CalPERS ultimately will bear this risk, and, you know,
10 there are costs that come with failing to deliver projects
11 on time.

12 And so we recommend the CalPERS RCP adopt the
13 following changes. Of top importance, CalPERS should
14 adopt strong labor standards for construction,
15 rehabilitation, and construction maintenance projects
16 located in California. On these projects -- for these
17 projects over \$50,000, we ask the Board to adopt a policy
18 so that contractors and subcontractors are required to pay
19 prevailing wages.

20 On projects over 250,000, we urge the Board to
21 ensure contractors and subcontractors are required to use
22 a skilled and trained workforce unless the work is covered
23 by a project labor agreement that requires the payment of
24 prevailing wages and employment of apprentices. We also
25 urge the Board to adopt local hire goals and an

1 implementation plan, unless the work is covered by PLA
2 that includes local hire goals.

3 There are strong labor standards that are
4 designed to ensure that responsible contractors can
5 compete on the local level and have a level playing field.
6 And that CalPERS obtains the highest quality of work and
7 contractors participate in State-approved apprenticeship
8 programs. We also urge CalPERS to apply the RCP
9 provisions to commingled funds and other investments where
10 CalPERS does not have a controlling interest. And finally
11 here, we urge CalPERS adopt a labor piece agreement to the
12 current neutrality section of the RCP. The LP -- the
13 labor peace requirement -- excuse me -- for contractors is
14 meant to address the risk of labor disputes, as you heard
15 from earlier speakers, at CalPERS-owned assets. We have
16 laid out the rest of our recommendations in a letter. We
17 look forward to working with you all. Thank you very
18 much.

19 CHAIR MILLER: Thank you.

20 Next, I have Gwen Mills and Rich McCracken.

21 Oh, Rich is by phone. Okay. Can we go to our
22 phone caller.

23 STAFF SERVICES MANAGER I FORRER: Yes, Chairman
24 Miller. We have Richard McCracken to speak to Item 7e.
25 Go ahead Richard.

1 RICHARD McCracken: Thank you. I'm Richard
2 McCracken, Senior Counsel at McCracken, Stemerman and
3 Holsberry in Oakland. I'm here to describe to you the
4 legal background of the labor peace risk management tools
5 that Susan Minato alluded to.

6 I developed this concept in the late 1990s and
7 wrote an ordinance for the City of Pittsburgh Pennsylvania
8 inviting the concepts. The city adopted it. It was
9 implemented. It was challenged on a variety of grounds,
10 primarily federal labor law preemption. I defended the
11 ordinance up to and including in the United States Supreme
12 Court. The court denied review of a Third Circuit Court
13 of Appeals decision written by Michael Chertoff, George
14 W. Bush's Secretary of Homeland Security when he was on
15 the court of appeals.

16 And Judge Chertoff wrote the opinion and
17 endorsed the analysis that we've recommended to him, which
18 was that this device is appropriate and not preempted when
19 it's an exercise of protection of the government's
20 proprietary interests that is a investor, landlord,
21 lender, the -- ensuring the same attributes as a private
22 sector practice.

23 The -- a policy was then adopted widely
24 throughout the country by various different governments
25 for different purposes and our every case to protect the

1 proprietary interests I just described. One of those was
2 LAX. Ms. Minato has described to you the policy which I
3 helped create. And then that was for concessionaires and
4 it was in the first decade of the century. But then it
5 was extended to service providers at the airport. That
6 was challenged as well and went to the Ninth Circuit. I
7 defended the city in that case, in the Ninth Circuit,
8 upheld the policy. And the Supreme Court denied review
9 again.

10 So just to tell you what it means. It's not
11 about union organizing all. It is simply the government
12 insisting that it's a counterparty in whatever transaction
13 it's involved in, obtained from the union most likely to
14 represent or seek to represent the enterprise's employees,
15 a promise not to engage in strikes, picket, and boycotts
16 and other destructive activities. That's as far as it
17 goes. It is just designed to protect that proprietary
18 interest.

19 It is also only appropriate in places and times
20 when there is a real risk of a labor dispute that needs to
21 be mitigated. It is tool to minimize the jeopardy that
22 labor disputes oppose to proprietary interests. It is the
23 only known way to prevent injury to investments. That's
24 why it's been adopted by so many different agencies.

25 CHAIR MILLER: Great. If you could wrap up.

1 RICH McCracken: Yes, that's -- I'm done. Thank
2 you.

3 CHAIR MILLER: Great. Thank you.

4 Okay. I've got -- okay. Let me keep track of
5 all this. So next I have Michael Angulo and Luis
6 Martinez.

7 MICHAEL ANGULO: Good morning, members of the
8 Board. My name is Michael Angulo and I'm a Senior
9 Researcher with Worker Power Institute, which engages with
10 pension fund boards across the country to address the
11 impact of strikes and other ESG risks on fund investment.
12 I would like to briefly share some research and findings
13 we have published in our new report, "Mitigating Human
14 Capital Risk to Private Equity in Real Estate
15 Investments."

16 Over the past 10 years, we have seen a steady
17 rise in pension fund investment in the private equity and
18 real estate asset classes. In 2023, these U.S. funds
19 invested about \$2 trillion with these managers. These
20 types of investments are uniquely vulnerable to labor
21 unrest. Due to their short-term interest horizon and
22 emphasis on decreasing labor costs. An analysis by
23 researchers from HEC Paris and Penn State University found
24 that private equity-owned hotels experience a significant
25 and lasting improvement in departmental profit margins

1 because the firm slashed labor costs in the rooms
2 department.

3 A report published in the Human Resources
4 Management Journal concluded that firms subject to a
5 specific type of private equity acquisition, institutional
6 buyouts are associated with job losses, lower wages, and
7 lower productivity. Strikes and work stoppages have been
8 surging in the United States. Researchers from Cornell
9 University and the University of Illinois found that
10 strikes increased by 141 percent from 2022 to 2023, seeing
11 over 24.8 million individual days of work stoppages.

12 Strikes have vary real financial impacts.
13 Researchers at the State University of New York and the
14 University of Wisconsin examined industry data from the
15 Bureau of Labor Statistics over a 20-year span. They
16 found that the average strike caused a 4.1 percent drop in
17 stock price, equivalent to the loss of between 285 and 344
18 million dollars in today's dollar.

19 Other researchers found that the average loss to
20 a company facing a strike ranged between 7.9 million and
21 51.5 million every day of the strike. Researchers have
22 estimated the impact of recent labor disputes. The
23 Michigan-based independent Anderson Economic Group
24 reported that last year's strike against General Motors,
25 Ford, and Stellantis cost the companies more than \$10.4

1 billion. During the writer and actors strike, SEC filings
2 revealed that Warner Brothers was losing between 300 and
3 500 million dollars. Entertainment Partners, a leading
4 film production, finance, and management company had its
5 credit ratings downgraded by Standard and Poor's, which
6 also placed them on credit watch negative placement due to
7 financial losses brought on by the strikes in Hollywood.

8 Unfortunately, staff's recommended changes to the
9 RCP Policy would not adequately protect the fund from ESG
10 risks associated with strikes and labor unrest. We urge
11 CalPERS to strengthen the Responsible Contractor Policy.

12 Thank you.

13 CHAIR MILLER: Thank you.

14 Next, I have Luis Martinez.

15 Luis.

16 LUIS MARTINEZ: Thank you. Good morning. My
17 name is Luis Martinez and I'm an organizer with Fossil
18 Free California and I'm here to join my colleagues in
19 calling on CalPERS to create an exit plan from their
20 relationship with Exxon. Exxon is a fossil fuel company
21 that has no regard for their shareholders and their most
22 recent lawsuit shows this. Their share -- their
23 shareholders who called on them to slash polluting
24 practices that's causing climate change, plighting
25 low-income communities of color, and this it's putting

1 benefits for CalPERS retirees at risk.

2 I am from Los Angeles and a resident of
3 Wilmington, California, a community on the front lines of
4 oil drilling, refineries, heavy truck traffic, and
5 cumulative environmental impacts. I have seen firsthand
6 the damage that dirty fossil fuel practices does on the
7 planet and front-line communities like mine. Many current
8 and future CalPERS beneficiaries live in communities like
9 mine, where residents experience negative health impacts
10 like nose bleeds, headaches, asthma, cancer, and birth
11 defects as a result of living near oil drilling and
12 refineries, practices like the ones that Exxon
13 participates in.

14 So I'm standing in solidarity today with future
15 and current CalPERS pensioners and front-line communities
16 like mine in calling on CalPERS to exit your relationship
17 with Exxon.

18 Thank you.

19 CHAIR MILLER: Thank you.

20 Next, I have Miriam Eide and followed by Matt
21 Pina.

22 Go ahead.

23 MIRIAM EIDE: Thanks. Hello. My name is Miriam
24 Eide. I'm the Executive Director at Fossil Free
25 California.

1 By now, you're probably familiar with me and my
2 fellow organizers as we've been showing up for nearly 10
3 years. I'm coming here today hopeful that we might see
4 eye to eye on one issue, Exxon is a risky investment.
5 Exxon continues to double down on their business model of
6 destroying communities for profit. For the past many
7 years, you've been using your power to push back through
8 shareholder activism, but I might ask to what end?

9 Just recently, we saw that Exxon is suing its
10 shareholders for submitting a climate resolution. You're
11 now fighting -- you're now facing a reality check. You
12 can continue to engage and risk similar lawsuits, a risk,
13 or you can exit Exxon, hold them accountable as you
14 outlined in your recent sustainability plan. If you
15 refuse to take action and passively keep funding Exxon,
16 you're complicit. And it would seem to be in violation of
17 your own policy on climate.

18 So here we find alignment. It's time to exit
19 Exxon. I hope that you choose to be bold climate leaders
20 by exiting from Exxon and that we can celebrate your
21 actions together soon. Thank you.

22 CHAIR MILLER: Thank you. Okay.

23 MATTHEW PINA: Good morning. My name is Matthew
24 Pina and I used to be a cook at the Sheraton Downtown
25 Phoenix in Arizona, which is owned by Blackstone. I'm a

1 proud member of Unite Here Local 11. I'm a proud
2 transgender man and transgender affirming health care and
3 birth control are very expensive, so expensive that I was
4 forced to sell my plasma and get creative on how to pay my
5 health care. I can't do that any more though, because I'm
6 diabetic.

7 It is a constant struggle to afford my basic
8 needs, keeping a roof over my head, paying for health
9 care, putting food on the table. Rent in Phoenix is
10 skyrocketing. My rent has gone up hundreds over the last
11 few years and I have been forced to move back in with my
12 parents. My parents -- it shouldn't be this difficult.
13 This is why I'm fighting for a living wage, affordable
14 health insurance, and a pension so that one day I may hope
15 to retire.

16 Blackstone is the largest investment company in
17 the world with a trillion dollars. They can afford to pay
18 us fairly. The question is why are they choosing not to?
19 Last summer, even when temperatures were almost 100
20 degrees in the mornings, my co-workers and I held picket
21 lines outside of the hotel informing guests and the public
22 about the labor disputes. The labor disputes are not good
23 for business.

24 Most recently, I believe that I have been
25 unjustly discriminated against for my protected union

1 activity, as a union committee member. We have filed an
2 unfair labor practice charge against the Sheraton Phoenix
3 with the Labor -- the National Labor Relations Board
4 alleging that I was unjustly suspended and fired. The
5 longer the hotel drags out this fight, the more they and
6 their investors stand to lose in the upcoming months from
7 reduced earnings. Please tell Blackstone that they can
8 only make good on their investment by resolving the labor
9 dispute with a just contract.

10 CHAIR MILLER: Thank you.

11 Okay. It looks like we have two more comments on
12 phone.

13 STAFF SERVICES MANAGER I FORRER: Yes, Chairman
14 Miller. We have Jennifer O'Dell from Laborers
15 International Union of North America to speak to item 7e.

16 Go ahead, Jennifer.

17 JENNIFER O'DELL: Thank you. Thank you. Good
18 morning. As you said, my name is Jennifer O'Dell from the
19 Laborers' Union. I want to thank you, and the rest of the
20 staff, and the Board of trustees for taking the issue of
21 the Responsible Contractor Policy so seriously. We
22 appreciate the time you've spent looking at this, you and
23 the staff. And as you know, we submitted a letter with 10
24 other signatories to comment on the proposed changes. I'd
25 like to highlight just three that we think you all missed

1 the mark on and we'd like you to revisit.

2 One, the labor peace agreement, which Mr.
3 McCracken and Sister Susan have already spoken to at
4 length. We ask you to revisit that and take a deeper look
5 at it. Second, we went back and looked at all the
6 notifications that we have received for jobs to submit our
7 contractors to over the last two years and we found that a
8 hundred percent of the time, we did not receive any work
9 at any of those jobs. So let me just repeat that. We
10 looked back at 2 years worth of notifications along the
11 Responsible Contractor Policy and never received -- none
12 of our contractors ever won any work, and that's after
13 successfully bidding on jobs, but we've never received
14 them, including one just recently in Northern Virginia
15 where we lost all three bids.

16 And finally, I'd like to underline that we would
17 like to see some sort of bid credit given to responsible
18 union contractors when they bid on the jobs. Currently,
19 as my previous statement stands, the -- we have -- it's a
20 race to the bottom. Really just whoever has the lowest
21 bid seems to be the one who wins the contracts. That
22 seems to fly in the face of the notion of what the
23 Responsible Contractor Policy is for.

24 So we urge the Board of trustees and the staff to
25 take a closer look at those three pieces of the

1 Responsible Contractor Policy. We look forward to working
2 with you on that and we're available at any time for more
3 questions and comments about our statement. Thank you so
4 much for your time. We appreciate it.

5 CHAIR MILLER: Thank you.

6 And our next caller.

7 STAFF SERVICES MANAGER I FORRER: Yes, we have
8 Doug Bloch from Unite Here Local 19 to speak to item 7e.
9 Go ahead, Doug.

10 DOUG BLOCH: Good morning and than you for the
11 opportunity to speak on this important issue. My name is
12 Doug Bloch and I'm here on behalf of the Unite Here Local
13 19, which represents more than 8,500 workers employed in
14 hotel, restaurants, airports, sports arenas, and
15 convention centers throughout Northern California.

16 Under the Biden administration, we are witnessing
17 historic investments in climate and infrastructure.
18 Attached to these are labor standards aimed to create good
19 paying union jobs for workers in disadvantaged
20 communities. The reforms that we are proposing here today
21 are very much in line with the administration's goals. In
22 my three decades in the labor movement, I cannot remember
23 any instance when we've been able to take advantage of the
24 existing Responsible Contractor Policy.

25 This was an issue that the California Future of

1 Work Commission looked squarely at. The recommendations
2 today will change that. From labor peace to commingled
3 funds and construction work, these policies will change
4 workers lives and we can do it in a responsible manner
5 that protects our investments. We strongly urge you to
6 adopt them. Thank you for your time this morning.

7 CHAIR MILLER: Thank you.

8 I believe that's the end of our phone callers for
9 the moment.

10 Okay. So next I have Michael Hutnick followed by
11 Michael Mark.

12 MICHAEL HUTNICK: Good morning. My name is
13 Michael Hutnick. I am not affiliated with any particular
14 group, organization, but I am a State employee and a
15 CalPERS member.

16 And I wanted to speak on just the nature of
17 investment and how it's principally an exercise in reading
18 the future. And the future isn't always easy to see, but
19 other times it gets quite clear, and knowing history helps
20 us to recognize those patterns to help us be able to see
21 the trends that will play out in the future as well.

22 So I want to, for a moment, ask you to imagine
23 that this is the early 1940s and I'm here asking the Board
24 to divest from IG Farben. It's a chemical manufacturing
25 company. They produced the Zyklon B gas that was used on

1 the victims of the Holocaust. They utilized 83,000 forced
2 laborers in their business. And I think if I was here
3 asking you if we should continue to invest in that
4 company, hopefully your response wouldn't be, well, I have
5 a fiduciary responsibility, because businesses is booming,
6 and our returns are guaranteed and they're quite rich. I
7 think we can see in hindsight the flaw in that reasoning.

8 So when the writing was on the wall -- you know,
9 that's a -- that's a hypothetical, but when the high --
10 when the writing was on the wall in the 1990s about the
11 death of the tobacco industry as a good investment to
12 make, CalPERS disinvested from tobacco. And so
13 considering the investment in fossil fuels that have been
14 spoken on today, I think that the writing is chiseled into
15 the wall now, so we cannot deny it.

16 And for -- you know, for the perpetuation of life
17 as we know it, fossil fuels must dramatically fall. And
18 the best case scenario we'll have a dramatic reduction in
19 the use of fossil fuels, which means that the value of our
20 investment will concomitantly fall with that demand. In
21 the worst case, the fossil fuels will not fall. They will
22 stay a strong investment, but everything else is going to
23 lose its value as investments, real estate and
24 everything -- everything across the board and we see that.
25 We that across -- it's undeniable.

1 So attempts to create change from within have not
2 been successful. So I urge the Board to get out while the
3 getting is good. As I understand it, divestment means
4 selling of stock. You want to sell it before its worth
5 nothing, which, you know, fingers crossed will be in the
6 near future and reinvest that money into technologies that
7 will be the future -- that will be the industries that are
8 growing to be the future best investments. And so that's
9 the -- that's the future that I want my pension
10 investment, my pension contributions to go to for myself
11 and my family.

12 Thank you very much.

13 CHAIR MILLER: Thank you.

14 Next, Michael Mark followed by Britt Dowdy.

15 MICHAEL MARK: Good morning, Board members. My
16 name is Michael Mark. I'm with Sheet Metal Workers Local
17 104. I believe there is a hard copy of a letter that I
18 will be -- staff is distributing. First and foremost, I
19 appreciate the time and opportunity to speak in front of
20 you and Board members hearing us, hearing what the unions
21 are asking for for in terms of proposed recommendations.

22 We have had the chance to be stakeholders in this
23 comment process. We met with staff back in October and
24 November and provided recommendations. Within this letter
25 that's before you is some of the recommendations that we

1 as Sheet Metal Workers Local 104 who have 10,000 members
2 that live here in California, which is your neighbors, and
3 obviously the participants of this plan within the same
4 community.

5 So what I want to make sure I'm really clear on
6 is this RCP will provide opportunities for Californians
7 and throughout the nation. One thing that I want to make
8 sure we're very clear on and is one of the recommendations
9 from Sheet Metal 104, and if you heard our -- Beverly Yu
10 from State Building Trades, is the ability to have a
11 prevailing wage on CalPERS-related projects in the state
12 of California. Having prevailing wage -- wages really
13 benefits and uplifts the entire community.

14 Number two, as my brothers and sisters before me
15 earlier have said, labor peace it's really important to
16 have a labor peace policy within the RCP policy as a whole
17 within our bullet points.

18 Number two, how do you create more opportunities
19 is the ability to make sure this RCP applies to more
20 funds, which is in my bullet point 2, commingled funds,
21 right? Right now currently, the RCP only applies to funds
22 50 percent and plus 1. But if CalPERS is really, really
23 partnering and choosing great partners that has an RCP
24 that is just as great as CalPERS, so then when you're
25 having commingled funds, you're actually getting a

1 win-win. So when you're choosing partners that have a
2 great RCP in place already in the real estate investment
3 policies in their internal RCPs, you have that chance to
4 have a double win.

5 So I'm getting close on time. In the full
6 letter, there is seven recommendations, labor peace,
7 prevailing wages, creating those opportunity for
8 apprentices in the state of California.

9 With that, I will close and thank yo. Please
10 read the entire letter. Thank you.

11 CHAIR MILLER: Great. Thank you.

12 Okay. Next, I have Britt Dowdy.

13 Welcome.

14 BRITT DOWDY: Hello. I'm Dr. Britt Dowdy. I am
15 the co-chair of Retirement Policy Committee with CFT, a
16 union of educators and classified professionals. And
17 while we have many union members that are part of a
18 different pension system across the river from here, we
19 have over 9,000 active employees in CalPERS and several
20 thousand retirees who receive CalPERS pension benefits.

21 Our members, very clearly want our pension funds
22 to divest from fossil fuels. And while we're waiting for
23 that to happen, they want our pension funds to take
24 actions, such as you have to engage and provide positive
25 corporate behavior. So we want to thank you for taking

1 actions to try to steer ExxonMobil to invest more heavily
2 in alternative forms of energy and to try to change their
3 leadership.

4 So we want to continue to -- the CalPERS Board to
5 take bold actions to have responsible ESG policies, which
6 you've put into place, and continue to follow those, and
7 to help to influence corporations to help create a better
8 planet so we have a place to retire. And it also creates
9 fiduciary opportunities for -- to protect your
10 investments, which benefit all of us. So again, thank you
11 CalPERS. If you're not aware, there is a group rallying
12 in your support outside for taking that action and
13 standing up to ExxonMobil.

14 CHAIR MILLER: Thank you. I believe that
15 includes the -- concludes the public comments we have
16 right now. And who knows, we may have some additional
17 ones later.

18 And I think at this point, we'll take a brief
19 break of what -- 10 minutes?

20 VICE CHAIR TAYLOR: Yeah.

21 CHAIR MILLER: Yeah, we'll take a 10-minute
22 break, get reorganized and let everybody take a quick
23 stretch and then we'll get back to it.

24 (Off record: 10:54 a.m.)

25 (Thereupon a recess was taken.)

1 (On record: 11:09 a.m.)

2 CHAIR MILLER: Okay. We're back in business
3 here. It turns out I do have a few more public commenters
4 that were in the queue. So we'll go ahead and allow them
5 to have their opportunity to comment before we move on to
6 our regular business.

7 So I'll call up Pablo Sandoval, Yvette --

8 CHIEF EXECUTIVE OFFICER FROST: It's 7e.

9 CHAIR MILLER: Hmm? On 7e, yeah.

10 Pablo Sandoval, Yvette Simon and Andre Olivera.
11 Welcome.

12 VICE CHAIR TAYLOR: They're going to do it on 7e.

13 CHAIR MILLER: Oh, they're going to do it then.

14 Oh, okay. Well, that's -- that will be fine. We will do
15 it then. So we'll hold them till the end.

16 Okay. I stand corrected. So let's jump back in
17 then. We've got action consent items.

18 VICE CHAIR TAYLOR: Move approval.

19 COMMITTEE MEMBER PALKKI: Second.

20 CHAIR MILLER: Moved, second. Moved by Taylor,
21 seconded by Palkki.

22 So all in favor?

23 (Ayes.)

24 CHAIR MILLER: Any nays?

25 No abstentions.

1 The motion carries.

2 Information consent items. I haven't had any
3 requests from anyone to pull anything and I'm not seeing
4 any.

5 So we'll move on to our action agenda item 6a.

6 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: Yes.
7 Thank you, Mr. Chair. This is agenda item, as you say, is
8 an action item. It's our mid-cycle ALM review. I'll ask
9 Sterling Gunn and the team to join us up here. And
10 Sterling is going to walk us through updated capital
11 markets assumptions and a recommendation to update the
12 strategic asset allocation, with the most notable change
13 being to further increase our weights in public market and
14 private credit funded from their public market
15 equivalents.

16 So, Sterling, I'll turn it over to you.

17 (Thereupon a slide presentation).

18 MANAGING INVESTMENT DIRECTOR GUNN: Thank you,
19 Dan. Chair and Committee members, good morning. I think
20 it's still morning. So I'm joined here today with my
21 colleagues Michele Nix who's the CFO and Scott Terando,
22 who is our Chief Actuary. And we're presenting the
23 results of our mid-cycle review.

24 [SLIDE CHANGE]

25 MANAGING INVESTMENT DIRECTOR GUNN: Okay. That's

1 good. So during the ALM review, we felt our capacity to
2 deploy private assets was limited. And as a result of
3 that, we limited the allocation to our private assets.
4 And in the last two years, our capital deployment capacity
5 expanded faster than we expected. And with that increased
6 capacity to deploy capital, and the opportunity to deploy
7 significant parts of that capital to value-add and
8 co-investments, we will be recommending our private equity
9 and private debt allocations be increased.

10 Now, at the conclusion of this presentation,
11 we'll ask the Board to adopt the CMAs that we're
12 presenting here and to approve candidate portfolio A,
13 which incorporates those assets class changes. Now,
14 before making that request, let me summarize the ALM
15 review reprocess and the results of our review.

16 So next page, please.

17 [SLIDE CHANGE]

18 MANAGING INVESTMENT DIRECTOR GUNN: Now through
19 our focus today that's on the investment portfolio, the
20 ALM process does involve several parts of CalPERS. That
21 includes the actuarial, the communications areas, finance,
22 and investment offices. The roles, we work together to
23 make sure that both the work is clear and transparent,
24 that we've heard stakeholders, and that the result is
25 communicated as clearly as possible.

1 Now, earlier I'd mentioned this is the second
2 mid-cycle review. So let me quickly outline the ALM
3 process.

4 Next slide.

5 [SLIDE CHANGE]

6 MANAGING INVESTMENT DIRECTOR GUNN: Thank you.

7 Now, this ALM cycle began in 2021 when the
8 CalPERS Board adopted the current PERF strategic asset
9 allocation. Last year, we began this mid-cycle review
10 starting with a review of the ALM process and background
11 materials. And we concluded 2023 with a discussion of
12 three candidate portfolios.

13 Now, looking forward, we see work on the next ALM
14 cycle. It begins February of next year. You see that in
15 the chart there. And that work starts with education
16 sessions, reviewing the framework, actuarial and capital
17 market assumptions, and developing candidate portfolios.
18 And it's hoped that the Board will approve the strategic
19 asset allocation in November of 2025.

20 Next page, please

21 [SLIDE CHANGE]

22 MANAGING INVESTMENT DIRECTOR GUNN: Now, in this
23 mid-cycle review, we're focused on the capital market
24 assumptions and the assumptions related to the
25 construction of the PERF strategic asset allocation. The

1 Actuarial Office has determined that currently there is no
2 need to change the actuarial assumptions, nor a need to
3 change the discount rate. Both of those assumptions will
4 be reviewed in the ALM cycle coming up next year.

5 So let's move on to the CMAs we've used during
6 the 2023 ALM mid-cycle review.

7 Next page, please.

8 [SLIDE CHANGE]

9 MANAGING INVESTMENT DIRECTOR GUNN: Now, our
10 capital market assumptions, or CMAs, are based on a
11 quarterly survey of 15 external managers. We regularly
12 review the CMAs and any implications for the strategic
13 asset allocation. In November, we presented the Board
14 with a Q2 2023 survey results for projected 20-year
15 returns. Now, we use those results here as the most
16 recent results are very similar and did not affect our
17 analysis. So it seems though the Board was familiar with
18 these CMAs, we thought we'd leave them as is.

19 This chart summarizes three types of information
20 for each asset class. The blue box represents the range
21 of results from the survey. The blue dot represents the
22 median result for the current survey. And the orange dot
23 represents the median values used in the 2021 ALM study.
24 Our own CMA estimates tend to lie near the median result.

25 One of the most important results of the survey

1 is the August diversity of opinion held by managers. We
2 incorporate this uncertainty into our analysis by not
3 relying on a single manager. Rather, we use the median
4 values of the survey as a starting point for our analysis.
5 We then test both the sensitivity and the -- of the asset
6 allocations and the total portfolio risk and return
7 characteristics due to uncertainty of our CMA assumptions.

8 We find that total portfolio risk and return is
9 less sensitive to the CMA assumptions than are the actual
10 allocations. So that means allocations can change quite a
11 bit without necessarily affecting the total portfolio risk
12 and return. Our private equity returns, though lower than
13 the projection in 2021, are still projected to be one of
14 our highest earning asset classes and still projected to
15 outperform public equity.

16 The projected returns for fixed income assets,
17 including private debt, have increased since 2021. Our
18 capital market assumptions also included projected
19 covariances for the asset classes, which we'll find on the
20 next page.

21 Now, as we're often reminded, past performance
22 need not be indicative of future results. And the coming
23 years are likely to be different than the past 10 years or
24 so. So it's not surprising our forward-looking capital
25 market assumptions have differed from the experiences

1 we've had for the last 10 years.

2 If we can go to page eight. Thank you.

3 [SLIDE CHANGE]

4 [SLIDE CHANGE]

5 MANAGING INVESTMENT DIRECTOR GUNN: Now, I just
6 quickly wanted to go over some of those past returns,
7 because stakeholders have asked about them. So the fixed
8 Income historical returns for the last 10 years were about
9 2.4 percent consistent with the low interest rate
10 environment that persisted for that -- much of that
11 10-year period. Interest rates are now higher and are
12 expected to stay higher. As a result, we believe
13 long-term fixed income returns will be higher going
14 forward and the CMA survey has the same view.

15 Private equity, has provided the highest returns
16 over the preceding 10 years with returns of 11.8 percent
17 outperforming public equity by 2.9 percent. Now, during
18 shorter periods, private equity may underperform public
19 equity. Last year is an example of that. In 2023, public
20 equity outperformed private equity by over 13 percent.
21 Specifically, during that period, public markets returned
22 22.3 percent well above our expectations for public
23 equity. It was a great year.

24 During that same year, private equity returned
25 8.8 percent closer to our long-term expectations. Now,

1 that's a one-year period. If we look back over 3-, 5- or
2 10-year periods though, we do see a story that's more
3 consistent with our expectations about private equity
4 outperforming public. So just very quickly, over the last
5 3 years, private equity has outperformed public by 6
6 percent. Over the last 5 years, it has outperformed
7 public by 4.5 percent. And over the last 10, as we saw
8 in the chart, by about 3 percent. So let me just
9 summarize the reason for increasing our private equity
10 allocation.

11 Next page, please.

12 [SLIDE CHANGE]

13 MANAGING INVESTMENT DIRECTOR GUNN: First, our
14 long-term CMA projections to private equity returns
15 exceeding public equity returns. The CMAs alone support
16 the increase to the private equity allocation. Our
17 private equity strategy with its focus on co-investments
18 and avoiding fees is expected to add significant value
19 over and above the CMAs.

20 In 2021, we constrained the private equity and
21 private debt allocations to be consistent with our ability
22 to deploy capital. As I mentioned, since then, we've
23 expanded our capability to do that. We are now
24 recommending the private equity range be 12 to 22 percent
25 with target of 17, so that's an increase of 4 percent.

1 be reduced to 37 percent, down from 42. The total equity
2 exposure of candidate A is 54 percent, down from 55
3 percent.

4 The fixed income exposure includes private debt
5 along with treasuries, investment grade, mortgage-backed
6 securities, high yield, and sovereign segments. The
7 private debt allocation we're proposing be increased to a
8 range of 3 to 13 percent with a target of 8 percent. That
9 would be a target increased by 3 percent. The total
10 allocation to the other fixed Income segments is 28
11 percent, down from 30 percent. Candidate portfolio A has
12 a slightly higher total fixed income exposure of 36
13 percent, up slightly from 35 percent. The real asset
14 allocation remains the same at 15 percent.

15 Candidate portfolio A is designed to have the
16 same level of risk as the current Board-approved strategic
17 asset allocation for the PERF, having a slightly higher
18 projected return. Candidate A with its increased
19 allocation to private equity and private debt also has the
20 greater potential for co-investments and accompanying
21 excess returns.

22 Finally, just a note here on that table, you'll
23 see the CMA survey results provide an estimate of the
24 uncertainty of projected expected returns ranging from 5.6
25 to 7.7 percent. That uncertainty raise the expected

1 returns, and that's very distinct from volatility.

2 So to conclude, we are asking the Board to adopt
3 CMAs and approve Candidate Portfolio A as the PERF
4 strategic asset allocation. Thank you for your time. And
5 I'm happy to address any questions you may have.

6 CHAIR MILLER: Okay. First question, Director
7 Middleton.

8 COMMITTEE MEMBER MIDDLETON: All right.
9 Sterling, thank you. And I'm going to preface my question
10 by saying I've been -- since I've been on the Board, a
11 very consistent advocate for us maintaining a private
12 equity exposure and in reasonably consistent one. But as
13 we heard this morning in great detail, every time we make
14 a direct investment in private equity, there is a
15 frictional cost associated with it in terms of the
16 management and our direct reputational exposure to these
17 investments. So help me understand how we are going to
18 manage the process of making sure that as we -- if we
19 expand the amount of private equity that we have that we
20 are able to do so with organizations that are going to be
21 consistent with the values that this Board has said we
22 must have?

23 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: You
24 know, Director Middleton, I think Anton would probably be
25 best to answer that. If that's all right, I'll ask Anton

1 to join us and take that question.

2 COMMITTEE MEMBER MIDDLETON: Sure.

3 MANAGING INVESTMENT DIRECTOR ORLICH: Thank you
4 for the question. What I would highlight is the transfer
5 of equity risk from the public to private side comes with
6 obligations to make sure that the investment partners we
7 engage with uphold our values. And as we've heard today,
8 there are absolutely circumstances where, on the public
9 and private equity side, we need to be vigilant to a
10 uphold those values. Staff on both the public equity and
11 private equity side pursues that engagement, and we're
12 very proud of that work in conjunction with sustainable
13 investments.

14 And on the private equity side, I would also flag
15 that we are shifting the proportion of the portfolio away
16 can from buyout, which tends to disproportionately have
17 headline risk to CalPERS and moving it toward growth and
18 venture, which is based on creating opportunity and adding
19 value through growth, not cost cutting.

20 So at a high level, I think this change would
21 actually reduce our headline exposure and give us good
22 opportunities to engage to uphold CalPERS values.

23 COMMITTEE MEMBER MIDDLETON: That's a very good
24 point, Anton. What kind of numbers do we have that would
25 tell us the extent of our private equity investment that

1 are in growth and venture as opposed to in buyouts and how
2 are you going to be tracking that moving forward?

3 MANAGING INVESTMENT DIRECTOR ORLICH: Since the
4 current strategy was implemented in the fall of 2022 with
5 the combination of the growth and innovation platform and
6 the private equity asset class, we've gone from a run rate
7 of about 80 percent buyout, 20 percent growth venture to
8 60 percent buyout, 40 percent growth venture, so slightly
9 below the stated target on a strategy basis from the
10 Board.

11 The target for buyout is 65 percent.

12 COMMITTEE MEMBER MIDDLETON: Um-hmm.

13 MANAGING INVESTMENT DIRECTOR ORLICH: And we
14 historically have been running at about 75 to 80 percent.
15 We're bringing that down to 60. And we have been able to
16 achieve that run rate over the last almost two years.

17 COMMITTEE MEMBER MIDDLETON: All right. And
18 projecting forward the next 2, 3 years, where do you see
19 that finishing?

20 MANAGING INVESTMENT DIRECTOR ORLICH: We would
21 continue with that run rate and over time the portfolio
22 net asset value would reflect several years of commitments
23 at those target levels.

24 COMMITTEE MEMBER MIDDLETON: All right. I follow
25 the direction you're going. My concerns are helped, but

1 they're not alleviated that as we get more into private
2 equity, we're going to find ourselves more frequently
3 facing questions around the organization's that we've
4 partnered with. And that's going to require a tremendous
5 amount of commitment within the Investment Office to avoid
6 those kinds of exposures.

7 CHIEF EXECUTIVE OFFICER FROST: Yeah. Anton, it
8 might be helpful just to preview the June agenda item on
9 the Labor Principles and how the private assets will be
10 implementing those.

11 MANAGING INVESTMENT DIRECTOR ORLICH: And you
12 know, Peter, from Sustainable Investments is welcome to
13 join me on this characterization of the work that we
14 will -- oh, perfect. But, you know, just speaking from
15 the private equity segment, I would say the engagement
16 across privates with the leadership of Sustainable
17 Investments is creating uniformity in our engagement
18 without asset managers, whether they're in real assets,
19 private equity, or private debt. So with that, I'll hand
20 it to Peter.

21 COMMITTEE MEMBER MIDDLETON: Thank you.

22 MANAGING INVESTMENT DIRECTOR CASHION: Thanks,
23 Anton. For the June meeting, we will provide an update on
24 the implementation of the Labor Principles where we are
25 today. So today, we're preparing a communication that

1 would go to all of our existing managers that would
2 require a request that they acknowledge receipt of the
3 Labor Principles, so that there's an awareness on their
4 side. And we'll have that documented and be able to track
5 these acknowledgments as we work towards a full set.

6 On the -- in terms of new investments, we will be
7 including this in the documentation. And for new
8 investments, we don't have a specific start date yet,
9 because we're still working with Legal and even IT on how
10 this specifically will be implemented. But our plan is
11 before the Board meeting in June, that we will be able to
12 have provided a specific date, after which we are
13 incorporating Labor Principles for new investments.

14 COMMITTEE MEMBER MIDDLETON: All right. Thank
15 you. And Mr. Chair, thank you.

16 CHAIR MILLER: Okay. Next, I have Director
17 Willette.

18 COMMITTEE MEMBER WILLETTE: Thank you.

19 I want to thank staff for this report. The
20 thoughtfulness is really appreciated. I also want to
21 thank their consultants for weighing in in their analysis
22 in the supplemental information.

23 I just want to make a couple comments. I think
24 reducing the fixed income targets right now doesn't seem
25 like it matches the treasury yields, which are now close,

1 right? We had projected lower. And I think even on one
2 of the slides, it showed that the projected fixed income
3 would be higher. So it feels like we should lock in the
4 rates at the 4 to 5 percent and get those safe returns.
5 And so I'm not sure I'm comfortable with reducing the
6 fixed income target.

7 And when we're talking about private equity, so
8 currently, our range does allow us to go up to 18 percent.
9 And it seems that we've only kind of gotten near the 13
10 percent because of the market downturn. Is that -- how
11 much of it was our ability to deploy and how much was it
12 just the market conditions and the adjustment in the
13 percentages because of the overall fund?

14 MANAGING INVESTMENT DIRECTOR ORLICH: I would say
15 it's roughly half and half. What has created the
16 opportunity is the ability to deploy cap -- private equity
17 capital into no management fee, no carry structures, which
18 is associated with putting dollars in the ground sooner
19 and reducing the exposure of the fund to fees on unfunded
20 commitments. So roughly speaking, in our standard target
21 year, we should have an increase of private equity of just
22 over 1 percent from putting dollars in the ground in no
23 management fee, no carry private equity opportunities.

24 And then in terms of the first part of your
25 question, staff views fixed income and equity as being an

1 exposure that overall we're maintaining at the same level
2 and doing a minor shift from the public side to the
3 private side. So in terms of taking advantage of the
4 opportunity of rates on a net basis, there's actually a
5 percentage increase that is going toward fixed income with
6 private debt going up three and fixed income going down
7 two, for a net increase to capture the rate opportunity of
8 1 percent. But this is not a tactical view. This is a
9 strategic asset allocation view that will, on a net basis,
10 be increasing our exposure to the opportunities that you
11 highlighted.

12 COMMITTEE MEMBER WILLETTE: Okay. Thank you. I
13 just -- to go back to our Wilshire and Meketa comments, I
14 think with the upcoming 2024-25 full ALM cycle to assess
15 the progress, I'm more comfortable waiting for a new CIO
16 to come on board, look at these asset allocations, and
17 then we'll be doing this all again in 18 months. That's
18 just my only comment.

19 Thank you.

20 CHAIR MILLER: Okay. Next, I have Director
21 Pacheco.

22 COMMITTEE MEMBER PACHECO: Yes. First of all,
23 thank you very much for the presentation. I really do
24 appreciate this.

25 So I also want to concur with Director Middleton

1 on the importance of the private markets. I think overall
2 in the long run, it will be -- they will have provided us
3 the alpha that we need to make sure that our members
4 retire with dignity and respect. However, I do want to
5 understand with the allocation from 13 to 17 percent, you
6 know, how are we able to measure it? And I believe it's
7 my understanding that we do have a framework. The -- I
8 believe it's called the ESG Data Convergence Project. And
9 I know that we had -- it started about 2 years ago. We
10 have six or seven categories.

11 And how would -- how would this particular
12 framework provide some sort of structure for us to
13 understand -- have more understanding of the funds and the
14 portfolio companies within it, and provide us necessary
15 metrics moving forward. If anyone can elaborate on that,
16 it would wonderful.

17 MANAGING INVESTMENT DIRECTOR ORLICH: I'll tackle
18 since data convergence is actually created by CalPERS out
19 of the Private Equity Unit. And we continue to be engaged
20 in its advancement. And we encourage our partners to
21 participate. Their participation is a consideration in
22 our decision to have an ongoing investment relationship.
23 We have been able to get steady improvement in that
24 metric. The key area for that is the participation in our
25 buyout portfolio. And we stand at about 60 percent of our

1 core active relationships - I'm using those as synonyms -
2 participation in EDCI.

3 We have a target list of managers who are
4 currently not participating in which we're, you know,
5 heavily engaging to encourage their participation.

6 COMMITTEE MEMBER PACHECO: With respect to now
7 the movement toward growth and venture capital, is there a
8 target around that as well?

9 MANAGING INVESTMENT DIRECTOR ORLICH: The
10 relevance of the EDCI is much different for growth and
11 venture. It's buyout where our partners have controlling
12 interests in the portfolio companies where it's most
13 relevant.

14 COMMITTEE MEMBER PACHECO: Um-hmm.

15 MANAGING INVESTMENT DIRECTOR ORLICH: And also
16 those are the mature industries that are part of this
17 transition for climate-focused future. So we focus on
18 buyout when we think about participation in EDCI. And its
19 inception and creation were really around changing buyout.
20 You know, by and large, you'll see that venture and growth
21 firms are disruptive and net contributors to these
22 transitions. So we think that we benefit from focus on
23 buyout when we're trying to advance this point.

24 COMMITTEE MEMBER PACHECO: Very good then. Thank
25 you very much for your comments.

1 CHAIR MILLER: Okay. Next, I have President
2 Taylor.

3 VICE CHAIR TAYLOR: Yes. Thank you for your
4 presentation, Sterling. I appreciate it and all the work
5 that went into it.

6 So we're looking at Candidate Portfolio A. I
7 know I saw in the appendix a couple of other ones, but the
8 suggested adoption is for Candidate Portfolio A, correct?

9 MANAGING INVESTMENT DIRECTOR GUNN: That is
10 correct.

11 VICE CHAIR TAYLOR: Okay. So -- and I just sort
12 of want to sort of repeat what Director Middleton talked
13 about. I think that it's really important that we really
14 nail down the labor principles, as we implement this, as
15 we heard all this morning, right, that lots of folks that
16 work in these, you know, that private -- work at places
17 private equity owns has -- have a lot of problems, whether
18 it was harassment or, you know, being fired for trying to
19 unionize, or poor wages and benefits. I just want to
20 really make sure that we are aware that this asset class
21 has problems, and that as you said, we are reducing our
22 buyout and moving into growth, and we are also moving into
23 the co-investment rather than the commingled funds.

24 But I also think that part of that should
25 include -- if we're going to include commingled funds in

1 any fashion, right, that we should be looking at being
2 able to apply those Labor Principles to those commingled
3 funds, right, so that we're not -- so that if we're not
4 doing that in the RCP or something at a later date, then
5 we need to make sure that those Labor Principles apply to
6 that.

7 And then in addition, I think I asked this
8 question before, so I'm just going to ask it for the
9 audience, why up to the 17 percent now, rather than
10 waiting for the ALM? So if we could get kind of --

11 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE:

12 Yeah. Maybe I'll take a first stab at that.

13 VICE CHAIR TAYLOR: Yeah.

14 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: So
15 first of all, with the first half of your question -- or
16 your comment, we agree. And Labor Principles will be back
17 in June to demonstrate that agreement and we'll make sure
18 that you're comfortable. And as Anton said, we have
19 similar issues in the public markets. And that's what,
20 you know --

21 VICE CHAIR TAYLOR: Sure.

22 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: --

23 the Item 7c will be about is all the proxy voting --

24 VICE CHAIR TAYLOR: Proxy voting, yeah.

25 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: --

1 because we know that that's one of our responsibilities is
2 to make sure that all of the organizations that we do
3 business with are operating as -- in alignment with our
4 principles.

5 To the why now? And this actually goes back to
6 Director Willette's question also. If you'll recall the
7 implementation time frame from November of 2021, while
8 we're ultimately getting to 13 percent, right now, the
9 target is 10 percent, because it started at 9 in 2022,
10 went to 10 in 2023 -- July 1st of 2023, so now we're at
11 10, which means that in our existing 14, we're at 14
12 versus 10. So we're up approaching the ranges. We're not
13 there yet, but we're approaching the ranges. We think the
14 transparent way to handle that is to actually move to 17
15 given the increased traction around co-investment.

16 And I would say importantly, we actually do view
17 that as the consistent way. Anton and team in the Private
18 Equity team have been allocating at about a \$15 billion
19 allocation budget year by year over the last couple of
20 years. That \$15 billion allocation budget gets us to the
21 17. And if we were to stick with 13, we would actually
22 have to back off from that. And I think it's important to
23 note that if we were to back off of from that, what
24 suffers is the co-investment, that the fund investment
25 would stay the same and co-investment would drop off. And

1 that's one of the reasons why we're so focused on staying
2 at \$15 billion allocate --

3 VICE CHAIR TAYLOR: So are you saying we'd get to
4 the 17 before the next ALM?

5 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE:
6 Probably not before, but we'd be approaching it.
7 And we --

8 VICE CHAIR TAYLOR: Okay. So we could reconsider
9 it, if we needed to.

10 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE:
11 Absolutely. Absolutely. When we come back to
12 the next -- well --

13 VICE CHAIR TAYLOR: For the -- for the next ALM.
14 So in other words, if we stayed here -- I'm just
15 trying to allay some fears on the Board. If we stayed
16 here at 13, we have the plus or minus 5. And then if --
17 in the next ALM, as we work through this, then we could
18 move to the 17 or do you foresee that -- Anton or
19 whomever, that not being enough in the next ALM, if we
20 waited till the 17 percent for the next ALM.

21 MANAGING INVESTMENT DIRECTOR GUNN: I think it
22 would be prudent to move to the new ranges. So if we're
23 at 14 now, we're likely to get to 15 or 16 in the next
24 couple of years. And I think following the target range,
25 it is consistent with what we're trying to accomplish with

1 the private equity. We could defer. And in a downturn,
2 we might end up with -- if you remember the discussions of
3 a denominator effect --

4 VICE CHAIR TAYLOR: Right.

5 MANAGING INVESTMENT DIRECTOR GUNN: -- we'd be
6 coming back perhaps under those circumstances and saying,
7 oh, by the way, we're now through that upper band. So I
8 think the bands are really there to let us navigate
9 through those downturns without a lot of noise. So in
10 moving the target, I think it gives us that opportunity,
11 one, to do something which I think, by and large we're
12 comfortable with doing. We see the value of it for the
13 portfolio and gives us the maneuverability we'll need
14 depending on what the markets are doing in the future.

15 VICE CHAIR TAYLOR: Okay. So then finally, if --
16 and Anton, if you want to add to that, you can. But also
17 I just wanted to make sure that we understand as we move
18 forward, what is -- if we -- if we say yes now, right, and
19 we go ahead and say, yes, 17 percent plus or minus 5, and
20 then 2 years down the road we're looking at is there a
21 possibility of more money, how much -- how much are we
22 going to tie up in illiquid private equity. And if you
23 could talk about what you and I had talked about earlier,
24 that would be helpful I think for the rest of the Board.

25 MANAGING INVESTMENT DIRECTOR ORLICH: So our goal

1 is to be consistent in implementation on a dollars basis.
2 And if you look at the pacing models that we as
3 practitioners employ, they employ four major issues that
4 we model and we really only have control over the dollars
5 that we commit and put in the ground. We don't have
6 control over the denominator, the size of the portfolio,
7 which could dramatically change if there's a drawdown. We
8 don't have control over the rate of appreciation.
9 Thankfully, over the last couple of years, we actually
10 have been appreciating better than expected. It's a great
11 problem to have. And we can't control the rate at which
12 our managers ask for capital. But that's the advantage of
13 the co-investment structures, we get to be consistent in
14 that co-investment amount.

15 So the messaging here is we're actually being
16 consistent in deploying dollars and we're being prepare --
17 we're preparing for the fact that there could be a
18 drawdown event, which, you know, puts the plus or minus 5
19 percent around the 17.

20 I expect in a normal market environment, normal
21 appreciation of the total fund, we would be just below the
22 17 percent target by the next ALM, if there was a change
23 here. And the consistency and the co-investments is how
24 we do that build. So each incremental dollar that we're
25 putting into the ground is at the advantaged cost

1 structures, no management fee, no carry.

2 I think the consistency -- and this relates to
3 the second part of your question. The consistency is so
4 critical, because we want to, year in year out, put
5 dollars into the ground so that 4 to 5 years from now our
6 future co-investments are paid for by harvesting of the
7 co-investments that we have made over the last couple of
8 years and will be making in the upcoming year.

9 And that is the state of a healthy portfolio
10 where we have a majority of our net asset value in
11 attractive cost structures and then the harvesting of
12 those investments pay for our future investments to pay
13 pensions for the long term.

14 VICE CHAIR TAYLOR: Which doesn't raise our
15 percentage, right, therefore at that point?

16 MANAGING INVESTMENT DIRECTOR ORLICH: Correct.

17 VICE CHAIR TAYLOR: Okay.

18 MANAGING INVESTMENT DIRECTOR ORLICH: We reach a
19 steady state.

20 VICE CHAIR TAYLOR: Correct. All right. Thank
21 you.

22 CHAIR MILLER: Okay. Next, I have Mr. Ruffino.
23 Let me -- there we go.

24 ACTING COMMITTEE MEMBER RUFFINO: Thank you, Mr.
25 Chair. Thank you also, Mr. Gunn, for your presentation

1 and to all of you. A couple general questions that I
2 would like to ask. How should the Investment Committee
3 think about the uncertainty inherent in capital market
4 assumptions and how does this uncertainty impact asset
5 allocation decisions?

6 MANAGING INVESTMENT DIRECTOR GUNN: That's a very
7 good question. Thank you for that. We try to incorporate
8 it in a number of different ways. First, we have to think
9 about it. It's a real thing. We can't ignore it. So the
10 way we manage it today is we try to take a middle path
11 represented by the median returns, but then we are
12 constantly asking ourselves how sensitive is the choice we
13 are making, if the medians are wrong. So we look at a
14 sensitivity analysis. We look at how allocations might
15 change, if say the real estate CMA was higher by 1 percent
16 or lower by 1 percent. And when we look at that, we might
17 see the allocation changes significantly, but the total
18 portfolio risk and return doesn't.

19 That being the case, you can kind of say, well,
20 we can hold the current allocation and not worry too much
21 about that variability in the CMAs. So we're always
22 asking ourselves about those sensitivities and about how
23 things occur under stress.

24 So it's part of the process and this -- you know,
25 the ALM process itself is that ongoing reviewing of our

1 assumptions and testing and so on.

2 CHIEF EXECUTIVE OFFICER FROST: Sterling, maybe
3 you could talk a bit about how you collect the CMAs --

4 MANAGING INVESTMENT DIRECTOR GUNN: Yep.

5 CHIEF EXECUTIVE OFFICER FROST: -- and then how
6 the middle path is chosen from those.

7 MANAGING INVESTMENT DIRECTOR GUNN: Sure. Yeah,
8 it's the quarterly survey. Currently, 15 external
9 managers and they're all experts, right? And that's the
10 one thing we see, even the experts don't agree on the
11 future. So it's just on us again to test and make sure
12 that we're comfortable that we're not being too extreme in
13 our choices.

14 ACTING COMMITTEE MEMBER RUFFINO: Okay. Thank
15 you for that. And just a quick other question for anyone
16 in the panel. As an organization, what should we do to
17 repair for the next full ALM cycle?

18 MANAGING INVESTMENT DIRECTOR GUNN: So I'll
19 answer that. Maybe a little too high level here, but I
20 think there's some education we can do. We can come back
21 and talk about the asset classes and the role of the asset
22 classes. Some assumptions that maybe we're making, which
23 aren't necessarily as clear as maybe we would like them to
24 be, so that would be one part.

25 I think discussing the methodology. You know,

1 we've talked about risk and the risk measure we chose. So
2 why that particular risk measure? How do we go about
3 building a portfolio I think would also be important,
4 because if we understand I think the asset classes, and if
5 we understand how we're going through a portfolio
6 construction, then maybe that makes the answer a little
7 more palatable, so...

8 ACTING COMMITTEE MEMBER RUFFINO: All right.
9 Thank you so much and thank you, Mr. Chairman.

10 CHAIR MILLER: Okay. Next, I have Ms. Gallegos
11 for Malia Cohen.

12 ACTING COMMITTEE MEMBER GALLEGOS: Great. Thank
13 you. A couple questions and then a couple comments.
14 Following on the -- on the asset allocation and capital
15 markets assumptions questions. If you look at page 6 -
16 and I don't have the numbers, so I'm just eyeballing it -
17 it looks like private equity return assumptions are very
18 close to private debt assumptions. So my question is
19 given the risk-adjusted return, why are we looking to
20 increase private equity? I'm very supportive, because we
21 want to get to that return target. But this goes to, you
22 know, part of maybe some education that we need as to why.

23 And then my second part of that question is are
24 our suballocation return expectations to direct
25 investments higher than what we're showing here in private

1 equity in general?

2 MANAGING INVESTMENT DIRECTOR GUNN: So just on
3 your first question, they are very similar, the private
4 debt and private equity returns. One big difference is
5 the scalability of the two assets classes, right?

6 ACTING COMMITTEE MEMBER GALLEGOS: Got it.

7 MANAGING INVESTMENT DIRECTOR GUNN: So happy to
8 do what we can. So that's an important part of that
9 question. And then your second question had to do I think
10 with the segments. And we can --

11 ACTING COMMITTEE MEMBER GALLEGOS: The subasset
12 class of direct investment, no cost, no carry, does that
13 increase the return?

14 MANAGING INVESTMENT DIRECTOR GUNN: It absolutely
15 does, as I mentioned earlier. These are just the CMAs for
16 basically generic, private equity. And we expect to do
17 far better, given the scales and so on that the team has
18 demonstrated in getting better co-invests and selecting
19 good managers.

20 ACTING COMMITTEE MEMBER GALLEGOS: Great. Thank
21 you.

22 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: And,
23 Anton, maybe you can talk to what we anticipate in terms
24 of gross-to-net spread in private equity.

25 MANAGING INVESTMENT DIRECTOR ORLICH: I think

1 in many other states to which it has been very clear that
2 they're taking political stands with regard to what
3 investments they will and will not be willing to consider.
4 And there I think is a direct challenge for organizations
5 like ours to demonstrate in terms of metrics of
6 performance that what we are doing here is, in fact, the
7 strategy that's going to work into the future.

8 And I see heads shaking and so -- and that again
9 is a longer term response I'm looking for.

10 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: We
11 agree and it is a long road. And I think we share the
12 concerns around the radicalization or the politicization.
13 Ours is an investment role and our job is to take real
14 investment metrics of which ES&G are among them and
15 navigate markets to earn returns to pay pensions. And
16 that's what we're focused on and that's what you'll see us
17 continue to do, and that's what you'll see in our 2030
18 strategy. You'll hear more about that in June and July
19 and that is our area of focus, Ms. Middleton.

20 COMMITTEE MEMBER MIDDLETON: I think the issue
21 before us, if other places are going to throw down the
22 gauntlet for us to demonstrate, the strategy we've adopted
23 is the one that's going to succeed over the long haul.
24 Thank you.

25 CHAIR MILLER: Okay. Next, I have President

1 Taylor.

2 VICE CHAIR TAYLOR: Oh. So I just want to -- I
3 thought, and Dan or Marcie, that we were actually having
4 the whole proxy voting policy brought forward to us. Is
5 that what you were talking the framework or is that not
6 correct?

7 CHIEF EXECUTIVE OFFICER FROST: (Shakes head).

8 VICE CHAIR TAYLOR: Okay. Can I ask that to
9 happen, because I -- I just -- I think we should see it
10 besides getting a training on it. I think we should be
11 able to read it and see what your policies are on how you
12 do your proxy voting.

13 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: And
14 we're talking the proxy voting guidelines.

15 VICE CHAIR TAYLOR: Guidelines. There you go.

16 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: Yes.
17 Yes. That's what I'm --

18 VICE CHAIR TAYLOR: That's fine.

19 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE:

20 That's what I'm hearing as direction --

21 VICE CHAIR TAYLOR: Yes.

22 CHAIR MILLER: Um-hmm, yes.

23 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: --
24 is to come back with the guidelines and, you know, maybe
25 not word by word, but to understand what the themes of the

1 guidelines are, and then have a discussion on them, and
2 get -- spend time on it.

3 VICE CHAIR TAYLOR: Right. And maybe get the
4 training at the same time. I don't know.

5 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: Yes.

6 CHAIR MILLER: Yeah. Yeah, include that review
7 along with the training in July.

8 VICE CHAIR TAYLOR: I'm just thinking that we
9 don't even really know what's in there, so it would be
10 nice if we could see that.

11 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: Yes,
12 and that's what I'm hearing.

13 VICE CHAIR TAYLOR: So then in addition, I guess
14 I'm a little more adamant about this than you guys are
15 apparently. But I want to be clear that I think that we
16 need to meet these folks where they're at. And they're
17 at -- what did you call it Lisa -- radicalization. So to
18 say that, you know, we are very disappointed, I know we
19 have to be polite, but I also think that to our members,
20 we need to be more than that, right? That to our members
21 in a meeting like this we can be, you know, really upset.
22 We can --

23 (Laughter).

24 VICE CHAIR TAYLOR: We can express that we're
25 very upset about this. We can -- our members were just in

1 here talking to us about how important this was to them.
2 You know, I trying to think of how to say this nicely
3 with --

4 (Laughter).

5 VICE CHAIR TAYLOR: It's -- we have to be more
6 adamant about this, right? It doesn't have -- I don't
7 expect you to pick up the phone with Exxon and be like,
8 you know, really rude or anything. But with our folks,
9 what are we doing, what is our plan, and we're upset,
10 right? We are agree with our 2 million members this is
11 not tenable, right? Those kind of comments I think is
12 what we need to hear. And I just want to make sure that
13 we're expressing that.

14 CHAIR MILLER: Okay. Next, I have Director
15 Rubalcava.

16 COMMITTEE MEMBER RUBALCAVA: Thank you, Mr.
17 Chairman Miller. Excuse me, I'm under the weather. I
18 was -- perhaps I spoke too much this morning. I'm tired.

19 (Laughter).

20 COMMITTEE MEMBER RUBALCAVA: So I was not going
21 to speak, but I actually put down on my notes before
22 others spoke on this topic a lot more eloquently than I
23 will. But I agree with Trustee Middleton and our
24 President and others have said, we can't underestimate
25 this Exxon lawsuit. I mean, for some time we've been

1 facing congressional elements that are -- you know, this
2 is basically attacking our work we've done on ESG, you
3 know, attacking ESG as a principle. We've seen Congress
4 try to interfere in our work. We've seen corporate
5 players and -- you know, SEC rules are being challenged.
6 And we see these deep pockets -- conservative deep pockets
7 funders working with conservative think tanks to develop
8 other policy.

9 And we do a lot of work. We submit letters in
10 support of this legislation or speak on this rule. And
11 more importantly, we have done the right things. We have
12 the sustainability investment. We have the labor
13 principles. We're revisiting the Responsible Contractor
14 Policy. And we -- CalPERS has been a leader from -- in
15 many, many initiatives, way before my time. And we
16 applaud that, but we have to be -- continue to be vigilant
17 I would say. And I understand that this is a new
18 situation. This is -- there's -- this could be precedent
19 setting what we're facing, these attacks on ESG, on
20 governance, on how we handle human capital, and how we
21 address climate issues.

22 So I would ask us to just be cognizant of that
23 and let's work on coming out with a positive plan, so we
24 can work with other potential allies, other pension funds,
25 other committee groups or stakeholders who have common

1 interest with us, because we do need to survive and
2 surpass this moment in time.

3 So thank you for letting me have a platform. I
4 wasn't going to say anything, Mr. Chairman, but I felt I
5 had to.

6 VICE CHAIR TAYLOR: Couldn't help it.

7 COMMITTEE MEMBER RUBALCAVA: Couldn't help it.
8 Thank you, President. Thank you.

9 Sorry about that, guys.

10 CHAIR MILLER: Okay. I'm not seeing anything
11 else. I will just again thank you for all the work. I
12 think there's a lot of challenges ahead us of us. And I
13 think from my perspective, as a career scientist in an
14 environmental regulatory agency, sometimes working with
15 the regulated community is, you know, the phrase shaking
16 hands with the devil. But the reality of things are,
17 where we're making a difference by engaging and not
18 walking away, because what would make life easier for the
19 majors, or a company like Exxon, is to have all the
20 activist shareholders walk away and say do as you please.

21 But it's hard to put that into a perspective that
22 we can share with our -- with our stakeholders and with
23 our valued members who really they just say I don't want
24 my pension money associated with the devil. The reality
25 is, in some cases, just the scale and the scope of the

1 operations of a company like an Exxon, Chevron, BP, the
2 small incremental changes in their practices, even if it's
3 just a matter of it's happening sooner than they otherwise
4 might have done it if driven purely by the short-term
5 economics, is huge.

6 When our constituent -- our member came and spoke
7 to us about living near refineries in Southern California,
8 the difference it would make for families and their kids
9 if those refineries followed through and a commitment to
10 stop flaring, which without the pressure of activists
11 and -- from neighborhood activists up to institutional
12 investors, that kind of change, which is enormous on the
13 scale -- I mean on the scale of, you know, what does that
14 equal in terms of windmills, like, no contest. Those are
15 huge victories.

16 But I don't think we do quite as good a job as we
17 could in putting that into perspective in terms of the
18 impact that engagement has, even with -- you know, when we
19 think of the good, bad, the ugly, when we think of an
20 Exxon who's, on one hand, actively trying to thwart our
21 agenda, but at the same time they're being leveraged into
22 making some of these changes that they wouldn't make or
23 wouldn't make as quickly. And that's the value of
24 engagement, even when it feels uncomfortable, and
25 distasteful, and it feels like, you know, wouldn't it be

1 easier to just say, oh, we're done with them and walk
2 away, and let someone else fight those fights. So I hope
3 we can, you know, continue on that road.

4 And this probably won't appeal to a lot of
5 people, but there's a lot more to the environment than
6 carbon, folks. Please. Stuff that's easy to get to
7 versus getting the people's carbon footprint, we can see
8 what a challenge that's going to be in terms of
9 standard -- but I can go right now and we can sit down at
10 a computer and I can tell you how much hazardous waste,
11 how much waste is being put into our air and our waterways
12 by any company at any given time, and we can normalize
13 that versus their production, versus their dollars, versus
14 any measure you want, and we can instantly see good, bad,
15 and ugly. And that has a real impact on values --
16 long-term value, risk. Nobody is doing it.

17 Well, some green-oriented funds started doing
18 some of that, but those are things too that, as we get
19 more sophisticated in the long run, we can start weighing
20 in, so that it's not just about whether they're flaring in
21 Wilmington, it's what are they flaring, you know? What is
22 the impact they're having on communities that are
23 environmental justice concerns.

24 So I hope that, you know, we continue to be a
25 leader. We continue to evolve and become more

1 sophisticated, and have more of an impact, and be able to
2 really explain that to our stakeholders, especially those
3 who are committed and energized enough to come and, you
4 know, protest, and show up here, and share their concerns
5 with us, because I think we're on the same team. It's
6 just, you know, there's not a full appreciation, because
7 it's an all or nothing kind of model for a lot of folks.

8 So that's my rant for the day.

9 (Laughter).

10 VICE CHAIR TAYLOR: I think we all have that.

11 CHIEF EXECUTIVE OFFICER FROST: If I could just a
12 moment. Thank you, Mr. Miller. I just -- you know,
13 responding to Theresa's comments, the team, you know, just
14 because they have a very, you know, even tone does not
15 mean they do not care about these issues. And I think the
16 engagements that we had with these companies who exited CA
17 100 recently were done by Dan and by Michael. And the
18 expression of our disappointment we'll say was very clear
19 that we were -- we talked with them about now is not the
20 time to walk away from a coalition that is really trying
21 to understand how to manage risks in these large pools of
22 capital. That is our job. And sometimes we have these
23 time horizon issues where, you know, if we don't have a
24 plan, absent a plan, then one does get created for us. I
25 think our plan will work. I have lot of confidence in the

1 plan. There's still some underlying elements that need to
2 come back to the Board, so that you feel as confident as I
3 do about it.

4 But we have been an active owner. We've been an
5 active owner for a very long time during proxy season. In
6 private capital, you know, the creation of the Data
7 Convergence Project, where we're getting transparency
8 around those portfolio companies and how they're managing
9 these risks related to climate, human capital, or
10 governance.

11 So the team is on this. We understand the values
12 of CalPERS. We are also in talks -- and I'll just make it
13 public here. We are also in talks to resume the Chair of
14 Climate Action 100 again, so that we could be more
15 actively involved in some of those discussions. We think
16 phase 2 was the right -- it was the right approach, and
17 just further understanding the impacts of moving forward
18 into this next phase of Climate Action 100+. I think
19 that's an area that we could have been really additive to
20 more additive to.

21 So there are a lot of things happening. Again,
22 the professionalism of the team and how we engage
23 privately with a company, we typically don't talk about
24 that as -- you know, as publicly. But don't mistake that
25 for the fact -- or for thinking that we don't care about

1 these issues. The team cares about these issues and we
2 know you do as yell.

3 CHAIR MILLER: Okay. I've got Director Willette.

4 COMMITTEE MEMBER WILLETTE: Thank you. Yeah, in
5 light of that, I just wanted to make a comment, not to
6 speak for my colleague, Mr. Palkki, but we were -- had the
7 opportunity to be at a training last October with one of
8 your staff on the proxy voting, and I won't name names,
9 but he was phenomenal, and I know your staff are really
10 dedicated. And he really sat down and helped us go
11 through the proxy voting process at calPERS. And we were
12 just so impressed with his knowledge base, his dedication.
13 And so, yeah, I just wanted to speak to we know the staff
14 is doing phenomenal work and we want to highlight that and
15 recognize that. We don't always remember to say that in
16 the heat of conversations, but we do -- we do recognize
17 that.

18 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE:

19 Thank you. Thank you for saying that.

20 CHAIR MILLER: Okay. I see no more requests to
21 speak on this item. And I think we're coming up on almost
22 2 hours without a break, so why don't we take --

23 VICE CHAIR TAYLOR: What about public comment.

24 CHAIR MILLER: Oh. Do we have public comment on
25 this one?

1 7e, I've got a whole --

2 VICE CHAIR TAYLOR: No, they have to -- okay.

3 CHAIR MILLER: Okay. We're going to take a break
4 since it's been almost 2 hours and we will be back --
5 let's see, do we have to do 15 minutes?

6 I think so, yeah. Yeah, 15 minutes. So, we'll
7 see you back in 15 minutes and then we'll jump back in.

8 (Off record: 3:08 p.m.)

9 (Thereupon a recess was taken.)

10 (On record: 3:21 p.m.)

11 CHAIR MILLER: Okay. I think we are all back and
12 ready. We've got our next agenda item is 7d, Total Fund
13 Policy Review, first reading.

14 (Thereupon a slide presentation).

15 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: Yes.
16 Thank you, Mr. Chair.

17 So this takes us to item 7b which is our first
18 reading. And I say, this is a first reading. We're
19 looking for Board feedback on the Total Fund Policy with a
20 couple of sets of changes. So I'll turn it over to Amy to
21 lead us through. So Amy, over to you.

22 INVESTMENT DIRECTOR DEMING: Thank you. Good
23 afternoon. So as you all remember, the Investment
24 Committee approved a new strategic asset allocation in
25 November 2021 that increased allocations to our private

1 markets across the board and established private debt as a
2 new asset class.

3 The teams have been focused on deploying more
4 capital to meet the new targets. And the portfolios have
5 evolved, the markets have evolved, we recognize the need
6 to fine-tune our policy at this juncture, in particular
7 for private debt and real assets. As Dan said, this is
8 the first read, so really the goal is collect your
9 feedback and then bring it back in June incorporating that
10 feedback for ideally your approval.

11 Next slide, please.

12 [SLIDE CHANGE]

13 INVESTMENT DIRECTOR DEMING: So the first changes
14 have to do with the Real Assets Policy, in particular, the
15 risk classification. So if you note, there's a current
16 and a proposed table, but on the left-hand side of both of
17 those, you'll see risk categories. In the current table,
18 core at the very top is least risky, value-add is medium
19 risk, and opportunistic at the bottom is most risky.

20 What we propose today is to update the two,
21 value-add and opportunistic, collapse them, combine them
22 as two non -- as a -- as a collective non-core category.
23 Now, with that change, the range for core, or the least
24 risky, in each portfolio within real assets, so portfolios
25 being the real estate and restructure forestland, are

1 unchanged, except where infrastructure, the lower end of
2 the core category goes from 60 to 50. So this is a minor
3 tweak, but it's an important one for us, because the
4 proposal to allow for up to 50 percent non-core assets in
5 the infrastructure portfolio will allow the team
6 flexibility to deploy more capital in the higher risk
7 return opportunities, especially as we look at energy
8 transition projects.

9 And this change is consistent with the real
10 assets strategic plan. And we feel that it presents
11 minimal risk -- an overall risk to the -- to the profile
12 of the portfolio.

13 Something Meketa mentioned that we should raise
14 to your attention as well here is that we currently are
15 exceeding our value-add upper limit of 25 percent for
16 infrastructure. And with this change, it also would cure
17 the current policy breach that we have right now.

18 And with that, I will switch to private debt.

19 So next slide, please.

20 [SLIDE CHANGE]

21 INVESTMENT DIRECTOR DEMING: Private debt as a
22 market has evolved in addition to our own portfolio. And
23 at this point we're looking to fine-tune the substrategies
24 and their ranges. The proposed strategy buckets are
25 consistent with broader market terminology and they very

1 much mirror the opportunity set in front of us right now.
2 The minor changes to the ranges themselves aren't real
3 material, and for this reason, direct lending is the bulk
4 of the portfolio. Think of that as your corporate loans
5 that can still be up to a hundred of that -- 100 percent
6 of the portfolio. The other areas, specialty lending,
7 real estate, financing, and mortgages, we have
8 standardized those other buckets as we would like to
9 opportunistically use them in the future.

10 I think it's also important to note that these
11 proposed changes do not diminish the overall
12 diversification of the portfolio. When you look at these
13 figures, you might think, wow, that looks like large
14 concentrations, but beneath the hood, there are literally
15 hundreds and hundreds of underlying counterparties that
16 we're exposed to. So we don't feel like this is much of a
17 risk play per se, but more of a aligning with market,
18 aligning with the opportunity set in front of us, and
19 standardizing the buckets, if you will.

20 With that, I would love to hear any questions or
21 feedback that you might have.

22 CHAIR MILLER: Okay. First, I have President
23 Taylor.

24 VICE CHAIR TAYLOR: So I was looking at this over
25 the weekend. Mortgages as a new strategy, what does that

1 mean? What's the mortgages, because we got in trouble
2 once.

3 INVESTMENT DIRECTOR DEMING: Jean might want to
4 come up, but I believe it's commercial.

5 VICE CHAIR TAYLOR: It's commercial. It's not
6 single-family homes.

7 INVESTMENT DIRECTOR DEMING: But let me let Jean
8 speak to it.

9 VICE CHAIR TAYLOR: But there's problems with
10 that right now.

11 (Laughter).

12 MANAGING INVESTMENT DIRECTOR HSU: Okay. So if
13 you can all recall like 3, 4 years ago, we did some
14 education sessions for the Board. So what we defined the
15 private debt is actually a mirror image of what we have in
16 the public debt. So if you look at our fixed income
17 index, a big portion of it is treasuries. And we cannot
18 do that, because we are private. So we would -- there's
19 no way we can issue any like governments things.

20 But other than that, we have -- you know,
21 mortgages is the next big one. In the public market, you
22 have Fannie Mae, Ginnie Mae, Freddie Mac. And in the
23 private side, it's everything before the securitization.
24 Bank hold it in the hold long format. For example, Bank
25 of America, your -- if you borrow from Bank of America for

1 your mortgages, it is actually sitting on Bank of America
2 balance sheet. That is hold long and that is private. It
3 can also sit on a lot of other financial institutions as a
4 hold long.

5 And along this, some day in the future when there
6 is some like shaking up opportunities in the government
7 agency when you can see Ginnie Mae is selling a lot of
8 non-performing loans, and then those non-performing loans
9 goes back to the private. So there are opportunities that
10 is just a mirror image of whatever we have in the public
11 before they securitized. And then the next one is
12 commercial real estate. And so in the public side, you
13 have CNB is actually in your fixed income index. In the
14 private side, everything insurance companies doing real
15 estate loans, holding their portfolio. It's very low
16 yield for those like, you know, trophy assets.

17 But there are also transitional properties that,
18 you know, it's not -- it's like only like 85 percent and
19 is in transition to more 90, 95 percent occupancy that we
20 can lend to, that is also private opportunity.

21 The very last bucket is the specialty lending.
22 It's actually the mirror image of whatever the ABS markets
23 in the index. Okay, so credit cards, student loans, and
24 then that is also the area that, you know, potentially in
25 the future we can capture some of the carbon emission

1 quotas, like the solar panels that will be in that area.
2 So that tells you the four parts of our portfolio
3 construction.

4 VICE CHAIR TAYLOR: Okay. Thank you.

5 CHAIR MILLER: Next, I have Director Ortega.

6 COMMITTEE MEMBER ORTEGA: Thank you. I think my
7 question was pretty similar. And after hearing the
8 answer, like it might be helpful to either have a glossary
9 included or maybe something that maps what the
10 relationship is between the public equity and these,
11 because I don't know that anyone would know what specialty
12 lending means either, just as a phrase here. So either a
13 glossary or some other way of mapping it to what we
14 already know is part of our portfolio.

15 INVESTMENT DIRECTOR DEMING: Noted. Thanks.

16 COMMITTEE MEMBER ORTEGA: Thank you.

17 CHAIR MILLER: Okay. Mr. Ruffino.

18 ACTING COMMITTEE MEMBER RUFFINO: Thank you, Mr.
19 Chair. Just to be clear, Ms. Deming -- thank you for your
20 presentation, but are you confident that the proposed
21 changes to the real asset risk classifications and private
22 debt strategy table maintain an appropriate level of
23 diversification and risk management?

24 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: In
25 short, the answer is yes, but I'm happy to have Sarah and

1 Jean dig further, if you'd like, but yes, the answer is
2 yes.

3 ACTING COMMITTEE MEMBER RUFFINO: That's great.
4 Thank you. Thank you, Mr. Chair. That's all I have.

5 CHAIR MILLER: Okay. I think that's it for
6 questions. I'm seeing no more, so...

7 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE:
8 Terrific. Thank you.

9 CHAIR MILLER: Okay. Thank you.

10 Our next item is 7e and I believe we have quite a
11 few public commenters. And so I'll be calling you up.
12 I'll read a few names at a time. If you weren't here for
13 this -- the little primer on this. You come up. We'll
14 have seats down here on my left. You'll have 3 minutes to
15 speak and your time will start -- your time will start
16 when you begin speaking. And introduce yourself and your
17 time will start.

18 And so -- and I would ask try not to repeat the
19 same points. You know, try to not all give the same
20 testimony. You'll have your 3 minutes, but I'll just ask
21 you in the sake of time try not to be totally repetitious
22 of each other.

23 And the first three people to come down, I'll
24 call Pablo Sandoval, Yvette Simon, and Andre Olivera.

25 And these commenters are all going to be

1 commenting on Item 7e, policy changes to the Responsible
2 contractor Policy, which we'll be doing after they've
3 given us their thoughts.

4 VICE CHAIR TAYLOR: Are they out of the room?
5 Pablo is not here.

6 CHAIR MILLER: Oh, he's not speaking. Okay.
7 Well, Yvette and Andre. Okay. Welcome.

8 YVETTE SIMON: Good afternoon.

9 CHAIR MILLER: You have to -- the mic. There you
10 go. You got it.

11 YVETTE SIMON: My name is Yvette Simon. I am an
12 SEIU 521 member and I work at Santa Clara Valley
13 Transportation Authority as a vault room worker. And I
14 want to say I very much appreciate the work you as Board
15 members and the CalPERS staff do every day to help ensure
16 that my co-workers and I can count on you on a secure
17 retirement.

18 Today, I want to express my support to the work
19 this board has done and the fund how it is doing to
20 incorporate standards for responsible business practices
21 into its investment approach.

22 CalPERS has a long history of understanding that
23 as a fund that needs to invest for the long term, its
24 investments are only sound ones if they provide returns in
25 a manner that can be sustained for the long term. As this

1 Board has made clear on many occasions, a short-term
2 predatory approach to investment returns will not allow
3 this fund to meet its fiduciary obligations to the 2
4 million people counting on you to ensure we receive a
5 secure retirement.

6 In that context, I want to express support today
7 for your ongoing work to fortify your investment approach
8 that lifts up the workplace safety standards and the
9 safety rights, and brings safety and dignity on the job as
10 core values that are central to any sustainable business
11 practice. In that light, I encourage you to build off the
12 strong history you have in proxy voting and responsible
13 contracting, both of which you are discussing in detail
14 today and work to fully implement the Labor Principles you
15 passed late last year in a robust manner that protects
16 workers on the job and my retirement security from the
17 risks for -- from the risks of irresponsible, unsafe
18 business practices.

19 An unsafe workplace where CalPERS has investments
20 is one that leaves our pensions unsafe, but a secure
21 workplace where CalPERS investments is one that leaves
22 ours pensions secure.

23 Thank you.

24 CHAIR MILLER: Thank you.

25 Next, your mic is on, so...

1 ANDRE OLIVERA: Thank you.

2 Good afternoon, Board members. Hey, Mullissa.
3 My name is Andre Olivera. I work as a janitor at O'Connor
4 Hospital from Santa Clara County.

5 First of all, like my colleague here, I would
6 like to say how much we appreciate the work that all of
7 you do, not only the Board members, but also the staff to
8 ensure that people like myself, like Ms. Yvette, when we
9 eventually retired, we have a secure pension. So for
10 that, we thank you all.

11 On the same contact, I also want to say that I
12 express my support to the workers you've heard from or
13 will hear from today who carry out essential roles in
14 business operations in the airline industry, janitorial
15 industry, in the security industry, and the hospitality
16 industry between much others. From their testimony, we
17 can all see that predatory business practices that don't
18 value and respect workers are not sustainable or
19 repeatable. They are short-term in nature and threaten
20 the long-term health of the workers and the businesses
21 itself.

22 I also want to know that as a plan participant, I
23 believe that it is your fiduciary duty to take the data
24 these workers are bringing to you and fully incorporate it
25 into investment processes to ensure that our investments

1 are safe and secure by working with all stakeholders,
2 including workers and corporate management to ensure
3 workers and these workplaces and industries have dignified
4 and safe conditions that allow them to do their jobs
5 successfully.

6 We all benefit when people are positioned to
7 succeed. CalPERS has shown great leadership in this area
8 and encourage you to continue to do so with the full
9 support of plan participants like myself.

10 Thank you all so much.

11 CHAIR MILLER: Thank you.

12 Next, we have John Dalaymple, Tammy Dhanota, and
13 Nova Morales.

14 TAMMY DHANOTA: Good afternoon, CalPERS Board
15 members. My name is Tammy Dhanota and I'm a member of
16 SEIU Local 521 for 29 years. I work as a public
17 communications specialist for Santa Clara Valley
18 Transportation Authority, also known as VTA. I, too, very
19 much appreciate the work you as a Board member and CalPERS
20 staff do every day to ensure that my co-workers and I can
21 count on a secure retirement.

22 I want to express my support for the other
23 workers who are spoken -- have spoken and will speak
24 today, including SEIU USWW President and SEIU California
25 State Council President David Huerta, who is also sharing

1 comments today. As the workers and President Huerta's
2 comments convey, in order to meet this fund's goal of
3 providing pensions to California's public servants for
4 generations to come, CalPERS invests in ways that build a
5 sustainable, healthy economy. One of the greatest threats
6 to our pensions is investment practices that are short
7 term and predatory that mistreat workers, communities, and
8 the environment.

9 A short-term view leaves companies to violate
10 workers' rights, abuse communities, and mistreat the
11 environment. This threatens the sustainability of the
12 investments themselves over the long haul, as we saw with
13 the great financial crash of 2008. And we see now with
14 extreme wealth inequality, the rollback of racial equity
15 initiatives and the environmental crisis we face.

16 The fiduciary duty of CalPERS aligns with the
17 interest of workers, such as myself, the diverse
18 communities that make up our amazing state, and healthy
19 environment to organize commerce in a sustainable manner.
20 As CalPERS plan participant, my sisters and brothers from
21 SEIU 521, support the Board's adoption of an investment
22 approach that understands this alignment and the need for
23 sustainable cities, counties, and communities, and
24 workplaces across our state.

25 We Absolutely believe that our retirement

1 security is aligned with the respect for labor and
2 community rights and workplaces and communities worldwide
3 where pension funds are invested. Thank you again for all
4 the work you do as we -- as plan participants are
5 encouraged by your actions to lift standards and to
6 protect our pension.

7 Thank you.

8 CHAIR MILLER: Thank you. Next.

9 NORA MORALES: (Spoke in Spanish).

10 CHAIR MILLER: Thank you. Go ahead.

11 THE INTERPRETER: Hi. Good afternoon. I'm going
12 to be translating for Ms. Morales.

13 NORA MORALES (through interpreter): Good morn --
14 good afternoon. My name is Nora Morales. I work as a
15 janitor in Silicon Valley. I have worked for more than 20
16 years in the industry. I am also a proud member and
17 leader at SEIU USWW.

18 My body is tired. I am injured due to the
19 excessive workload and I have cleaned the wealthiest
20 companies on this planet. My body may be tired, but my
21 spirit it is stronger than ever. I am here along with my
22 co-workers to urge you to implement a Responsible
23 Contracting Policy. This policy is essential for it will
24 guarantee that we are treated with the respect and dignity
25 that we deserve. As a janitor, a woman, and an immigrant

1 with many years of experience in the cleaning industry, I
2 can attest to excessive workloads and the exhaust --
3 exhausting nature of our job.

4 Many of my co-workers depend on painkillers to
5 get through our shifts. Some have had to have surgery to
6 address injuries that don't quite heal despite medical
7 treatment. These are the challenges we face and we still
8 work tirelessly to clean the most prestigious buildings in
9 the world, often at the expense of our bodies. At this
10 time, we are bargaining for better wages and better
11 working conditions. On average, each janitor cleans the
12 equivalent of one and a half times The White House every
13 single day. And if that wasn't enough, the rampant abuse
14 behavior and lack of adequate standards have forced
15 janitors to wage a campaign against sexual harassment and
16 sexual violence in the workplace.

17 Enough is enough. For too many years, there has
18 been a lack of accountability in the cleaning industry and
19 it's us with our bodies that have to endure so much abuse.
20 That is why you must uphold a responsible contracting
21 policy. We ask this committee that you direct investments
22 of workers to companies that respect the dignity and the
23 rights of workers. It's a moral obligation. Thank you.

24 CHAIR MILLER: Thank you.

25 Okay. Next, let's see, do we have John

1 Dalaymple?

2 Wendy Lopez and Andy -- Ana Ceballos.

3 Okay. It looks like we've got some people coming
4 down.

5 Welcome.

6 THE INTERPRETER: And I will be translating for
7 Ms. Ceballos.

8 ANA CEBALLOS (through interpreter): Good
9 afternoon. My name is Ana Ceballos. For the past 6
10 years, I have worked at the Oakland Airport cleaning
11 planes for Southwest Airlines. I am a proud member of
12 SEIU USWW and I am on the bargaining committee as we fight
13 for our first contract.

14 Even though I clean the planes for major domestic
15 airline, I struggle to make ends meet. It's very hard to
16 afford the cost of living in Oakland with my pay. We
17 hardly get any time off. I do not have health insurance
18 though I am diabetic. I have to limit how often I see a
19 doctor and I import my medicine from Mexico. There is a
20 high turnover. As a cabin cleaner, I am often overworked,
21 understaffed, and asked to clean the airplane cabins very
22 fast. There are limits -- there are time limits for each
23 plane, which make it extremely challenging to adequately
24 clean them in that time. We deserve a safe and healthy
25 work environment.

1 Thank you.

2 CHAIR MILLER: Thank you.

3 WENDY LOPEZ: Good Afternoon. My name is Wendy
4 Lopez. I work in the Oakland airport as cabin cleaner.
5 And I'm a member in the CEIU[sic]. In warm months --
6 warmer months, we have the -- to clean the unsafe -- sorry
7 safe temperature. The doors are kept closed and the
8 planes do not have air conditioners, so we have to do our
9 jobs in the extreme heat. I use certain chemicals that
10 may require proper training and protective equipment.
11 These chemicals are using -- are causing skin irritation
12 for me and my co-workers. Southwest has a human right
13 policy that outline its commitment for its direct
14 employees, but this policy does not apply to its
15 contractor workforces, like me, including me and my
16 co-workers, who are critical to the successful operations
17 of the company may put Southwest stakeholders, including
18 contractor workers, and investors at risk. In my opinion,
19 Southwest policy and participants do not align with
20 CalPERS recently adopted Labor Principles.

21 We play an essential roles in ensuring Southwest
22 operation in light of the potential risk involved for us
23 as workers and for you as investors. We are here to ask
24 Southwest Airlines to update this human rights policy to
25 include contractors, workers. We deserve a safe and

1 healthy work environment.

2 Thank you.

3 CHAIR MILLER: Thank you.

4 Okay. And next, I have David Huerta.

5 DAVID HUERTA: Good afternoon. I hope you don't
6 mind. I'm go a little bit over 3 minutes, so please, if
7 you'll allow me the time.

8 Thank you again for this opportunity to speak to
9 you -- to this Board. As President of SEIU USWW, as you
10 heard, we represent 50,000 workers throughout the state of
11 California, service workers, stadiums and arenas, our
12 airports throughout the state, janitors and security
13 officers who work in commercial real estate, high tech,
14 biotech, and the movie industry -- and movie studio lots.

15 Also, as President of SEIU state -- stated --
16 SEIU California State Council, I'm also the President of
17 the SEIU State -- California State Council. I represent
18 over 700,000 SEIU members across the state of California,
19 including the SEIU USWW members I just mentioned, as well
20 as health care workers, long-term care workers, day care
21 workers, education workers, and public employees, many
22 thousands of whom participate in CalPERS and other pension
23 plans.

24 Thank you to the Board members and staff of
25 CalPERS for the work you do to ensure the retirement

1 security of our members and retired members who count on
2 or will count on CalPERS check to ensure a well earned,
3 dignified retirement. Your leadership as fiduciaries is
4 to invest in a manner that is sustainable, responsible,
5 and repeatable so that the behaviors of the companies in
6 which you invest can deliver returns for the long term to
7 match the commitments you have to plan participants to
8 stewards -- to steward this hard one trust fund to pay
9 benefits and retirees today and to position it to pay
10 benefits to current and future public servants who will be
11 counting on the retirement in the decades to come after
12 the years of service.

13 As you heard from Joy Hunt, our security officer,
14 Nora Morales, our janitorial worker, and Wendy Lopez and
15 Ana Ceballos in our airport workers, we are here today to
16 share vital data in -- date with you about how conditions
17 faced by Essential workers in the airline and property
18 service industries are not setting up the workers or
19 investors for sustainable success.

20 As you heard in this -- in the airline industry,
21 the airline industry has done a fabulous job at
22 dismantling the jobs that were once core to their mission,
23 such as passenger service workers, cabin cleaners, and
24 workers under the ramp. Those workers now have poverty --
25 were in poverty wages, don't have no health care, and they

1 work in very, very dangerous conditions, especially below
2 the ramp, where they are subject to respiratory issues.

3 These same airlines also do not report emissions
4 and are not required to report emissions. And by -- and
5 the workers who not only work at the airports but live in
6 the surrounding communities in the airports are subject to
7 respiratory issues as a result about these emissions that
8 the airline industry doesn't report.

9 Security officers, as you heard from Joy Hunt,
10 are experiencing more and more, as their called on first
11 responders in many incidents in their buildings. But
12 they're also now being called on to engage in perimeters
13 where they have to engage directly with the issues of
14 mental health and homelessness. Workers are inadequately
15 prepared for these jobs. They're not trained well. And
16 not only that, they're very -- they're paid substandard
17 wages, and many times have to pay for their own health
18 care. And they're experiencing a situation, especially as
19 African American work -- predominantly African American
20 workforce and industry of equitability in their jobs with
21 other service workers.

22 You heard from Nora Morales a janitorial worker,
23 who right now, we are in the process of org -- negotiating
24 a new contract that is going to expire bt April 30th. And
25 the possibility of a labor dispute is very real. You have

1 situations where in San Diego, Orange County, and
2 Sacramento workers are making barely of 16, 17 dollars an
3 hour, when the fast food workers are going to be going to
4 \$20 an hour as of April 1st. You have workers who are
5 right now working fighting to get better wages, fighting
6 to keep their health care, but most important, also to
7 create sustainability on the job. Workers are working
8 upwards of 60 to 80 thousand square feet a night, the
9 equivalent of cleaning 50 to 60 single-family homes in one
10 night.

11 Their bodies are breaking down. They have
12 inadequate contribution to pensions or secured retirement.
13 And so they are not able to retire in a -- at the end of
14 their careers. They have continued to work to be able to
15 sustain themselves, because they don't have the adequate
16 resources to be able to retire.

17 These are conditions that we find regularly in
18 these three industries. And on top of that, and we heard
19 about this question about sustainable cities, the question
20 about what's going to happen with commercial real estate.
21 I think this Board needs to be active in that
22 conversation. The reality is that as we see our city
23 centers continue to suffer after the post-pandemic doom
24 loop that's being called, many of these workers -- the
25 service workers, dependent on these jobs, are concerned

1 about the outcome and the future of these -- of these --
2 of these cities. So I encourage this Board to engage in a
3 conversation, bring together stakeholders, to have a
4 conversation about what the future is on our city centers,
5 considering the amount of investment that CalPERS has in
6 commercial real estate.

7 It is imperative. It is important. It is
8 critical to see this through. So I also think alignment
9 with investors who value the fiscal health of the State of
10 California is critical to demonstrate responsible
11 contracting in the form of ensuring that workers have the
12 right to unionize without retaliation, that they have the
13 right to dignified wages, employer paid health care, a
14 secure retirement, and sustainability on the job.

15 To close, we know that as expressed in your
16 business practices, your Investment Beliefs, your labor
17 investment principles in your consideration of important
18 items today that incorporate workforce issues, I would
19 like the Responsible Contractor Policy and your
20 shareholder season report, and that you understand that
21 clear alignment with workers being positioned to have
22 safety, dignity, and security on the job, and your goals
23 of sustainability and repeatedly investing to consistently
24 drive fund performance and a healthy economy that will
25 ensure benefits to plan participants for decades to come.

1 Thank you again for your work, and we look
2 forward to continuing to work together to ensure CalPERS
3 succeeds in its mission on behalf the public servants of
4 California.

5 Thank you

6 CHAIR MILLER: Thank you.

7 All right. I -- a couple people who either were
8 not here or not responsive. Was there anyone else that
9 wanted to speak on 7e in the room?

10 Did we have anyone on the phone?

11 No. Okay. That does it for public comment on
12 item 7e, so we'll actually move on to item 7e now and --
13 okay.

14 (Thereupon a slide presentation).

15 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: All
16 right. Thank you, Mr. Chair. And as mentioned, this is a
17 first read of a policy item, so we're looking for the
18 Board's feedback on this policy item. And so with that,
19 I'll turn it over to Tamara to take us through the item.
20 And then we'll get feedback and plan to come back with
21 a -- with a second read in June.

22 So, Tamara, over to you.

23 ASSOCIATE INVESTMENT MANAGER SELLS: There we go.
24 Thank you. Good afternoon. I'm Tamara Sells, Associate
25 Investment Manager for the Sustainable Investment Program.

1 I'd like to thank Chair Miller, President Taylor, and each
2 of you for allowing me to be before you today.

3 I am pleased to present agenda item 7e, which are
4 the proposed policy changes to the Responsible Contractor
5 Program Policy, a first reading. Today, I will provide a
6 brief overview of the Responsible Contractor Policy and
7 its history. I'll provide an overview of our -- the
8 timeline of the current refresh. I'll walk you through
9 what that policy review process looked like and those
10 proposed updates, and then I'll touch on the policy
11 revisions that were considered, but not proposed for
12 adoption.

13 [SLIDE CHANGE]

14 ASSOCIATE INVESTMENT MANAGER SELLS: So as slide
15 2 highlights, in terms of the RCP policy overview, CalPERS
16 has a deep interest in the condition of workers that are
17 employed at CalPERS-owned assets. The purpose of the
18 policy isn't to -- is to ensure prudent and careful action
19 while managing a Responsible Contractor Program and it
20 demonstrates our fiduciary principles to support and
21 encourage fair wages and benefits for workers employed by
22 our managers, contractors, and subcontractors, and further
23 contributing to competitive returns on our real estate and
24 infrastructure investments.

25 The policy supports hiring responsible

1 contractors for building and construction related and
2 property related services, maintaining a competitive
3 business -- bidding process, and creates a framework for
4 responsible contracting based on local market conditions.
5 The Responsible Contractor Policy seeks to con -- seeks to
6 secure the condition of workers without adverse effect on
7 our investment returns, access to investment opportunity,
8 or significant costs. The scope of the Responsible
9 Contractor Policy applies to domestic and real estate
10 infrastructure assets where CalPERS holds a greater than
11 50 percent interest on contracts equal or greater to
12 100,000. When our real estate and infrastructure
13 investments meet this threshold, external managers are
14 required to provide annual compliance and certification.

15 Next slide, please.

16 [SLIDE CHANGE]

17 ASSOCIATE INVESTMENT MANAGER SELLS: In 1998, the
18 CalPERS Investment Committee approved and established the
19 Responsible Contractor Program Policy. This policy was
20 carefully crafted with extensive input by CalPERS staff,
21 external investment managers, labor and union
22 stakeholders, legal fiduciary counsel, and Board
23 consultants. To the best of our knowledge, it was the
24 first such policy among public pension plans.

25 Since then, the policy has been reviewed and

1 enhanced two times with extensive engagement and input
2 from labor organizations and investment managers. The
3 last policy refresh was finalized in 2015 following an
4 18-month review and engagement process. The Responsible
5 Contractor Policy is reviewed on an ongoing basis by
6 CalPERS staff as issues, questions, or concerns are raised
7 regarding implementation of the policy.

8 In 2023, the Investment Committee directed staff
9 to conduct a formal policy review to determine if
10 additional revisions were necessary.

11 Next slide, please.

12 [SLIDE CHANGE]

13 ASSOCIATE INVESTMENT MANAGER SELLS: This slide
14 should look familiar. I brought this in November with --
15 an there's an updated line for March to May that I wanted
16 to highlight. So this slide highlights our timeline of
17 activities that are currently underway. Following a
18 series of engagements, conducting detailed research, staff
19 reviewed and assessed proposed updates and drafted the
20 policy revisions. This March item is our first read of
21 the proposed policy updates. And following this
22 presentation, there will be a second round of engagements
23 with stakeholders as well as we seek -- as well
24 engagements with the Board as we seek the Board's
25 feedback.

1 Staff are planning to return to the Board in June
2 of 2024 with a second read of the proposed policy updates
3 for final adoption.

4 Next slide, please.

5 [SLIDE CHANGE]

6 ASSOCIATE INVESTMENT MANAGER SELLS: Su during
7 this refresh process of the CalPERS RCP, the pol -- the
8 process itself included a series of engagements with labor
9 representatives, external managers, CalPERS Investment
10 staff, Legal staff, as well as consultants.

11 Stakeholders were asked to provide comments on
12 RCP updates and stakeholders were also invited to meetings
13 with key CalPERS staff to provide their perspectives.

14 The policy review process included a review of
15 market and industry guidance post the last refresh 2015.
16 There was also detailed peer review and benchmarking
17 analysis done, particularly focusing on those peers that
18 had updated their policies post-2015. And lastly, staff
19 incorporated practical examples of implementation
20 challenges that had been raised with respect to gaps or
21 misinterpretation of the RCP policy using 3-year data that
22 we've been tracking.

23 Next slide, please.

24 [SLIDE CHANGE]

25 ASSOCIATE INVESTMENT MANAGER SELLS: CalPERS

1 determined that our existing language remains consistent
2 with best practice policy application. And with respect
3 to the Responsible Contractor Policy scope and labor
4 standard for California construction projects, numbers 1
5 and 5, it was determined that those issues would be
6 covered by CalPERS' Labor Principles, of which
7 implementation is currently underway, and will cover a
8 larger amount of assets than the RCP.

9 Next slide, please.

10 [SLIDE CHANGE]

11 ASSOCIATE INVESTMENT MANAGER SELLS: The proposed
12 policy updates will strengthen and enhance the policy's
13 risk -- vita risk management function in managing and
14 mitigating labor, financial, and reputational risk. The
15 proposed policy updates will encourage positive
16 relationships and communications with labor, stakeholders,
17 and managers, and will help reinforces -- reinforce
18 CalPERS' leadership role and our sustainable approach to
19 human capital management. And with that, I'd be happy to
20 answer any questions.

21 CHAIR MILLER: Okay. I've got President Taylor.

22 VICE CHAIR TAYLOR: I was trying to wait. So
23 thank you, Tamara. We all appreciate this report. Let me
24 go to the revisions not adopted, so that's page 7. So it
25 looks like there's a lot of -- in here that -- it's either

1 market standard or it's going to be in the Labor
2 Principles. What is our current -- so what's our current
3 definition? It says it's with -- the definition is
4 consistent with market standards. Is it like -- does it
5 say prevailing wage? What does it say? I just wondered.

6 ASSOCIATE INVESTMENT MANAGER SELLS: I'm sorry.
7 Are you talking about the prevailing wage -- number 4,
8 prevailing requirement? Which definition?

9 VICE CHAIR TAYLOR: Well, definition of fair
10 wages is what I was talking about. The definition -- the
11 current definition is consistent with the market standard
12 and peer comparison.

13 ASSOCIATE INVESTMENT MANAGER SELLS: Right.

14 VICE CHAIR TAYLOR: So what is the current --
15 what is -- what are we using currently that's what I need
16 to know?

17 ASSOCIATE INVESTMENT MANAGER SELLS: Yes. So
18 I'll be happy to follow up with the exact language, but I
19 will say that each peer fund carefully avoided a narrow
20 definition of fair wages, because this is based on local
21 market conditions. So there's several factors that we
22 have all outlined to be considered when considering what a
23 fair wage or prevailing wage is. And those list of
24 factors include local market conditions, training and
25 experience, and I can provide you with a comprehensive

1 list to follow up as well, but that is consistent.

2 VICE CHAIR TAYLOR: So it will be in the -- what
3 you actually bring forward? These are just -- because
4 right now we've got ideas. We've got three things that
5 we're going to do and six things we're not going to do,
6 right? So I guess I want to see it in the document is
7 what I'd like to see.

8 ASSOCIATE INVESTMENT MANAGER SELLS: Okay. Sure.

9 VICE CHAIR TAYLOR: But additionally, I think
10 what is it, one -- hold on. Yeah, it's quite a few that
11 say that we're going to use the labor standards?

12 ASSOCIATE INVESTMENT MANAGER SELLS: Um-hmm.

13 VICE CHAIR TAYLOR: So -- and that's coming in
14 June. So I have a hard time saying whether or not until
15 we see them side by side. So, that's where I'm a little
16 at a loss with this, but I appreciate all the work you put
17 into it in making a determination, but I'm not sure how
18 it's implemented versus, you, know on RCP side versus how
19 it's implemented throughout the portfolio, whether that's
20 inclusive of some of the things we heard in our commentary
21 today. So I think we need to see both.

22 ASSOCIATE INVESTMENT MANAGER SELLS: Okay.

23 CHAIR MILLER: Yeah. I think -- as well, once we
24 see them side by side, then we can see where is the
25 overlap, where are the gaps, where is -- you know, how

1 does it all fit together to be integrated.

2 Okay. Next, I have Mr. Ruffino.

3 ACTING COMMITTEE MEMBER RUFFINO: Thank you, Mr.
4 Chair. I have two specific questions and I'm not sure if
5 they are addressed. The first one is with respect to the
6 debarred contractors, right? And you have it under the
7 proposed policy revision, but I don't understand if
8 that -- if that revision includes something. So do we
9 have a mechanism right now in place that prohibits the
10 hiring of any contractor that has been debarred by a
11 federal, a State, or local jurisdiction?

12 ASSOCIATE INVESTMENT MANAGER SELLS: No. There
13 is currently no mechanism for that, but that is why we'd
14 like to expand the definition to make sure that we are
15 promoting vigilance with our managers when they are hiring
16 to ensure that they use those federal and State resources
17 within their due diligence and selection of the --
18 selection and hiring of those contractors. So that's what
19 we'd like to promote with adding this change is that they
20 do just that.

21 ACTING COMMITTEE MEMBER RUFFINO: Got it.

22 Okay. Thank you for that. And then the second
23 one and this may -- I know that it's been suggested, but I
24 don't see it over here, not adopted or adopted, is the
25 public notification process for RCP project is we

1 understand it. Right now, we give 5 days notification and
2 it's been asked to at least be 15 days. And so what -- is
3 right now 5 days the policy or...

4 ASSOCIATE INVESTMENT MANAGER SELLS: So
5 currently -- and what you'e referencing is actually on
6 slide number 6, item number 5, around competitive bidding.

7 ACTING COMMITTEE MEMBER RUFFINO: Oh.

8 ASSOCIATE INVESTMENT MANAGER SELLS: Yes. And
9 so we aren't proposing any expansion of the preliminary
10 number of days for the bidding. Right now, we actually
11 ask that it's at least 30 days, where appropriate, so it's
12 not five. But in order to try to help facilitate those
13 bidding and notifications, we are trying to explore other
14 options to try to make it a bit cleaner to have a
15 centralized website where we can make sure that those
16 opportunities are posted in one location and everyone has
17 the same notification date at the same time.

18 ACTING COMMITTEE MEMBER RUFFINO: Okay. Well, 30
19 days, that's even better than 15. Thank you for that.
20 Since I -- Mr. Chair, if you don't mind, I want to just
21 quickly make --

22 CHAIR MILLER: You've got the floor.

23 ACTING COMMITTEE MEMBER RUFFINO: -- a comment on
24 behalf the State Treasurer in which she wants to extend
25 her sincere thank for all the work to staff, to you, and

1 the entire CalPERS team. And so that she is inspired by
2 these efforts that has gone into these Labor Principles to
3 date. She's optimistic, you know, that they can begin to
4 change the way in which businesses engage with labor in
5 our economy.

6 As the State Treasurer, the fair treatment of
7 labor has been an important topic for her. And as a
8 trustee for the two largest pension funds in the United
9 States i.e., CalPERS and CalSTRS, she's encouraged that
10 private equity-owned businesses are being spotlight.
11 Private equity has become an important asset class for
12 pension funds as it was demonstrated today during our
13 discussion. So private equity is important to us as we
14 seek to achieve the strongest long-term returns and
15 ensuring that the private equity partners to whom we
16 allocate our capital act responsibly with respect to labor
17 is a high priority for the State Treasurer.

18 So she's a supporter of these principles as a
19 tool to make progress in this area and she very much
20 appreciate all the work that has gone into them so far.

21 Thank you, Mr. Chair.

22 CHAIR MILLER: Thank you.

23 Next, I have Director Middleton.

24 COMMITTEE MEMBER MIDDLETON: All right. Thank
25 you. And I want to thank staff for all of the work that

1 has gone into this. I know -- and I know you have been
2 very dedicated to making this happen. So now we're about
3 the process of trying to get it right.

4 Are there any other pension funds out there that
5 we have to use as guides in terms of implementing programs
6 of this nature?

7 ASSOCIATE INVESTMENT MANAGER SELLS: Yes. Thank
8 you for the question. So we did try to focus our pair
9 benchmarking on policies that were new or had been updated
10 post 2015 just to ensure that we were incorporating kind
11 of the most up-to-date business practices -- or
12 responsible contracting practices. I am happy to follow
13 up with a comprehensive list, but some of the peers that
14 we did review were CalSTRS, New York City Employees
15 Retirement, LACERA, New York State just to name a few.

16 COMMITTEE MEMBER MIDDLETON: Okay. I think it
17 would be very helpful for us if on some of these issues
18 that we're trying to come to policy decisions on if we
19 could see a chart as to what are the decisions that
20 comparable organizations have made as they try to
21 implement. But I think it's very clear that at the scale
22 that we're trying to do this, that we are breaking some
23 new territory here and that's -- that is something that
24 all of us on the Board I think compliment you and thank
25 you for entering into that.

1 One of the issues that I was particularly excited
2 about, as I met with one-on-one some of the labor
3 representatives was the labor peace agreement program
4 that -- and the reference pretty consistently is the LA
5 Airport. We're not an airport, but I get that we can
6 branch off from the experience of others. So can you give
7 us some background as to what your exploration on labor
8 peace agreements have been, and if you're not supportive
9 of a requirement, what are the stumbling blocks that
10 you've identified so far.

11 ASSOCIATE INVESTMENT MANAGER SELLS: Yes. So
12 thank you. And happy to follow up with you on the point
13 about the charts as well. So with respect to the labor
14 peace agreements, we received a number of comments that
15 address labor piece agreements, but also even more
16 importantly resources and reference materials that were
17 consulted with respect to the labor peace agreement. That
18 said, it's an arrangement between the union and the
19 employer, in which both sides agree to waive certain
20 rights under federal law with respect to union organizing
21 and activity. Now, these agreements come in many
22 different forms and can be negotiated voluntarily. The
23 CalPERS's current RCP policy already accounts for
24 situations where labor peace agreements might be pursued.
25 The current policy simply does not mandate labor peace

1 agreements, but it does reference it four times throughout
2 the policy.

3 So I think, you know, we're happy to discuss
4 further more whether or not mandating it should be
5 something that CalPERS should consider, but our policy has
6 already anticipated those.

7 COMMITTEE MEMBER MIDDLETON: So I can only speak
8 for myself, and any time you mandate something, one needs
9 to know that we can adequately implement it and make it
10 work over time.

11 ASSOCIATE INVESTMENT MANAGER SELLS: Right.

12 COMMITTEE MEMBER MIDDLETON: So I would -- I
13 would be anxious to hear what are the considerations that
14 would go in to implementation of a mandate? I think I
15 would be surprised if my colleagues and I did not, at
16 minimum, want to see extremely strong encouragement of
17 labor peace agreements. And that may not be enough for
18 some of my -- for some folks. And I'm not sure if it's
19 going to be enough for me until I really understand the
20 question of how we would implement it, how we would make
21 sure it's going to work. I never want to ask you to
22 implement something that can't be done and then we end up
23 disappointing everyone.

24 Picking up on that, the contractors who have
25 reached agreements, who have demonstrated that they are

1 implementing working conditions that are consistent with
2 our values and sustainable, we need to have mechanisms
3 that give them the kind of credit that they deserve moving
4 forward and give them the kind of credit that they deserve
5 as we're making selection decisions for our investments.

6 And the last thing, we've heard today some
7 incredibly difficult testimony coming from individuals.
8 And individuals being asked to place themselves in working
9 conditions that are -- approach being untenable and in
10 many instances particularly as we talk about abuse of
11 individuals that are untenable.

12 So as we move forward with this policy, we need
13 to be able to comfortably come back, that we have done
14 everything that we can as an investment organization to
15 ensure that we are not contributing to the kind of working
16 conditions that none of us would participate in, either as
17 a manager or as an employee.

18 Thank you.

19 ASSOCIATE INVESTMENT MANAGER SELLS: Thank you.

20 CHAIR MILLER: Okay. Next, I have Mr. Rubalcava.

21 COMMITTEE MEMBER RUBALCAVA: Thank you, Mr.

22 Chair. This is amazing. I mean, I think it's very --
23 it's historic that CalPERS had this policy some years ago
24 and has revised it twice and we have an opportunity to
25 revise it again or to update it again.

1 I think my points are more to the way it's
2 presented. You have two charts, one about what changes
3 were acceptable and which ones were not adopted I guess is
4 the term. But it's hard to understand based on the
5 testimony about, for example, thinking about neutrality
6 labor peace just use that as an example. And the other
7 one is prevailing wage perhaps, how people read it.

8 So one thing that might be helpful is if you make
9 a cross-reference to the actual policy, the redline. I
10 remember seeing. I'm not -- I don't think CalPERS has it,
11 but I remember seeing other actuarial reports where they
12 have like a summary page and they have on the side as to
13 what section and what page to refer to, because sometimes
14 people read things differently, as to -- because you made
15 comment how labor peace is addressed for the first time,
16 and I remember reading it and highlighting it, but it may
17 mean different things to different people.

18 Like, for example, the whole thing about
19 neutrality, CalPERS labor neutrality, but does that mean
20 if you keep reading and people say take that out, but
21 maybe it doesn't -- do -- I -- you know, I think you have
22 to meet the -- the whole thing about how do we -- there's
23 a history of how it's been read and that's important. And
24 if we're going to make amendments, we have to make sure
25 that it doesn't undermine what the past practices or what

1 have, so -- and if I could just have one more comment. I
2 don't want to repetitive of other people's comments, but I
3 do think that it should be -- well, I'll make the comment.

4 One, there should some way of encouraging that
5 the people who will have proven -- who have proven records
6 have been responsible should be able to win a bid. And --
7 and I just forgot the second term, so I will leave it at
8 that, but there was a second. If I come back -- I'll come
9 back to it the second point.

10 Thank you, Mr. Chair.

11 ASSOCIATE INVESTMENT MANAGER SELLS: Thank you.

12 CHAIR MILLER: Okay. Director Willette.

13 COMMITTEE MEMBER WILLETTE: Thank you so much.

14 Thank you so much for this report. I really appreciate
15 all the work that has gone into it and the responsiveness
16 of staff to Board requests regarding the Responsible
17 Contractor Policy. I'm really eager to move this work
18 forward. I do have a couple -- a couple comments or
19 questions -- mostly comments that I'd like to make.

20 As stated earlier, I reiterate what my colleagues
21 have said. We've heard a lot of public comment today and
22 in the past over the last -- since I've been on the Board,
23 I've heard a lot of public comment. And I do want to
24 elevate that, that our stakeholder concerns are Board
25 concerns, right? Our stakeholder considerations are Board

1 considerations. And so I'm glad that everyone is here,
2 that comment was so eloquent throughout the day.

3 Meketa did not get a chance to speak before the
4 Board, but I do recognize that they added a memo in
5 addition -- in the -- as part of the package. So I wanted
6 to elevate, I would really like to see, as Meketa noted on
7 their second page -- top of the second page, that we
8 should add language in the voluntary compliance to
9 explicitly include commingled funds and other indirect
10 investment structures in addition to those in which
11 CalPERS holds less than a 50 percent ownership position.
12 I think that that's really important that we need to apply
13 the RCP to those Commingled funds and understanding it's
14 voluntary compliance.

15 And then another suggestion is regarding that
16 neutrality. I just want to be explicit. I understand
17 that there's -- it's in here and -- but I think it would
18 be better for those who read the policy in the future,
19 that we are very clear, and that our neutrality refers not
20 only to CalPERS but also to our investment partners and
21 the contractors with whom they work. That I think will
22 help us as an organization as investment -- as an investor
23 to manage the risk through this policy and align with
24 labor law.

25 And then finally, I do think one of the biggest

1 challenges is not just the language of an RCP but the
2 practice and procedures and the implementation, right?
3 That's where we're going to really make an impact. So I'd
4 like to know when we bring this back in June for the
5 second reading, what kinds of resources for effective
6 implementation, and then ongoing evaluation that -- so we
7 can learn from ourselves that we can ensures effective and
8 align with our fiduciary obligation.

9 And that's all my comments. Thank you.

10 CHAIR MILLER: Next, I have Director Pacheco.

11 Director Pacheco, I have you next.

12 COMMITTEE MEMBER PACHECO: Thank you.

13 First of all, thank you Tamara and thank you to
14 your staff for this excellent presentation on the first
15 reading of the RCP. I also want to concur with Director
16 Willette regarding her comments. I think those are very
17 valid in terms of what we should move forward with.

18 I also want to -- just also want to mention with
19 Dr. -- with Director Middleton's comments about the
20 history. I think that was a really good point having an
21 understanding of comparative other systems that have
22 similar RCPs and giving us kind of a comparative analysis
23 of this, so we can kind of get a good understanding of how
24 other systems have done have worked with this and how we
25 can move forward with many of the proposals that are being

1 presented here. So those are my comments.

2 Thank you.

3 ASSOCIATE INVESTMENT MANAGER SELLS: Thank you.

4 CHAIR MILLER: Okay. Director Palkki.

5 COMMITTEE MEMBER PALKKI: Thank you.

6 This was really good. I don't want to add
7 anything or that hasn't already been said. And I believe
8 Lisa may have touched on it already, but if we could have
9 whatever the proposal is ran through like a risk
10 assessment, that would be really good, because I would
11 hate to do something very positive and then for it to have
12 a negative effect on our members.

13 Thank you.

14 CHAIR MILLER: Okay. Next, I have President
15 Taylor.

16 VICE CHAIR TAYLOR: I think this was asked
17 before, but I just want to make sure, and I know I brought
18 it up with you, Tamara, before, that we have a way of
19 making sure that responsible contractors are getting the
20 jobs -- at least part of the time, right? If they're
21 bidding with everybody else. I'm hearing from a lot of
22 labor folks, and I think Jen O'Dell made a comment this
23 morning, that -- and I know somebody asked this question a
24 minute ago, but that they're not getting any jobs. The
25 last 150 jobs they've applied for, they haven't gotten

1 any. And I don't know how we fix that, but that's got to
2 be fixed. So I don't know what that does for this, but
3 some how or another, that's a big miss in our policy.

4 ASSOCIATE INVESTMENT MANAGER SELLS: No. Thank
5 you for the comment. And I think what you're touching on
6 too is giving formal hiring preferences to certain
7 contractors. That's something that we've considered,
8 but --

9 VICE CHAIR TAYLOR: No. And, you know, I see
10 what you're saying there --

11 ASSOCIATE INVESTMENT MANAGER SELLS: Yeah, and we
12 can't --

13 VICE CHAIR TAYLOR: -- and I'm not sure they're
14 even -- they're not even getting notified of the bids.
15 And I know that we talked about earlier.

16 ASSOCIATE INVESTMENT MANAGER SELLS: Right.
17 Right.

18 VICE CHAIR TAYLOR: They're not -- if they are
19 it's short notice. And then when they finally do get
20 something in, they just -- they don't get it. And I --
21 and a lot of these companies that get the formal hiring, I
22 think I heard it's the lowest bid, right? But then are
23 they taking into account that those people aren't paying
24 benefits and wages, and do we get a grading system for
25 something like that that sort of makes them even?

1 ASSOCIATE INVESTMENT MANAGER SELLS: Yeah. So
2 thank you for the comment. The purpose of this policy is
3 to promote a transparent fair process level playing field
4 where everyone can participate. And so to your point, the
5 issues about the bidding and notifications are areas where
6 we can try to address and areas where we have some control
7 over. But the selection piece itself is, I think, a step
8 beyond what would be in our control.

9 VICE CHAIR TAYLOR: No, but you could make -- you
10 could make the system -- you can make a system where it
11 becomes more fair, so that it's not lowest bid.
12 California no longer accepts lowest bid, right?

13 ASSOCIATE INVESTMENT MANAGER SELLS: Correct.

14 VICE CHAIR TAYLOR: So that it's more of a fair
15 process.

16 ASSOCIATE INVESTMENT MANAGER SELLS: And to be
17 fair, that's actually what we're trying to do by expanding
18 the definition of a responsible contractor and what is not
19 a responsible contractor to make sure that those that are
20 debarred that have violated or some type of suspension of
21 regulations and rules are actually considered in that
22 selection process. So we are trying to make it a bit more
23 fair and promote that vigilance --

24 VICE CHAIR TAYLOR: Okay.

25 ASSOCIATE INVESTMENT MANAGER SELLS: -- to ensure

1 that we aren't hiring the wrong contractors for our
2 projects.

3 VICE CHAIR TAYLOR: Okay. Thank you.

4 CHAIR MILLER: Okay. Let's see. I've got, oh,
5 Ms. Gallegos.

6 ACTING COMMITTEE MEMBER GALLEGOS: Two questions.
7 First, is this applicable to all contracts going forward,
8 and does it have any implication on contracts in existence
9 currently? And then my second question is does this apply
10 to all contracts, all asset classes? There's language in
11 here about real estate. And just to the comments earlier
12 about private equity, I want to make sure I understand
13 which contracts this is actually relevant for.

14 MANAGING INVESTMENT DIRECTOR CORR: It only
15 applies to the real assets program, so real estate and
16 infrastructure. It does not apply to private equity.

17 ACTING COMMITTEE MEMBER GALLEGOS: Okay. And in
18 terms of going forward versus existing contracts.

19 MANAGING INVESTMENT DIRECTOR CORR: It would
20 apply -- it currently applies to all of our existing
21 managers and it would also apply to any manager that comes
22 into the portfolio going forward that meets the criteria.

23 ACTING COMMITTEE MEMBER GALLEGOS: Any new
24 language would apply to existing contracts as well.

25 MANAGING INVESTMENT DIRECTOR CORR: The policy --

1 the managers have to comply with the policy. And the way
2 it's drafted is that any updates that are made to the
3 policy --

4 ACTING COMMITTEE MEMBER GALLEGOS: Okay.

5 MANAGING INVESTMENT DIRECTOR CORR: -- they then
6 have to abide by.

7 ACTING COMMITTEE MEMBER GALLEGOS: Abide. Okay.
8 Great. Thanks.

9 CHAIR MILLER: I think that about does it. I
10 don't see any more requests to speak and appreciate the
11 presentation and thank you very much.

12 I guess that brings us to -- no I think we
13 already had our public comment. Is there any other public
14 comment?

15 Then summary of Committee direction and then
16 we'll go to closed session.

17 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE: All
18 right. Yeah, we've asked Amy to track it. So Amy over to
19 you.

20 INVESTMENT DIRECTOR DEMING: Thank you, Dan and
21 Committee. So I took one item of Chair direction and that
22 is that at a meeting in the near future, we will do a deep
23 dive on the proxy voting policy. We'll review it. We'll
24 do an education piece on it and go into the themes and all
25 of that good stuff.

1 We also heard from some Committee members that we
2 could clarify in our policy on how we characterize some of
3 the private debt terminology. And then there would be a
4 review of performance into private equity fund versus
5 co-investment performance. ESG data convergence update
6 would also come at a future date, likely the June Private
7 Equity Program review. And Tamara just took a number of
8 things to come back with in her second read as well. So
9 hopefully we got that one Chair directed item, but then
10 also just the other things we heard throughout the day.

11 Please let me know if I've missed anything.

12 VICE CHAIR TAYLOR: We wanted to see the policy.
13 I'm sorry. I think along with the training on the policy,
14 we wanted to see --

15 INVESTMENT DIRECTOR DEMING: Review it.

16 VICE CHAIR TAYLOR: -- review the policy.

17 CHAIR MILLER: Review it.

18 INVESTMENT DIRECTOR DEMING: Absolutely, yeah.

19 VICE CHAIR TAYLOR: Okay.

20 INVESTMENT DIRECTOR DEMING: Yep.

21 CHAIR MILLER: Okay.

22 INVESTMENT DIRECTOR DEMING: Great.

23 CHAIR MILLER: I think that about does it.

24 So at this point, we'll recess into closed
25 session for items 1 to 6 from the closed session agenda.

1 We'll immediately reconvene in open session after the
2 closed session, and I think we'll be revisiting item 6a
3 from the open session agenda when we do that. So thank
4 you. We're recessing -- how long? It's scheduled for 1
5 hour and 55 minutes. I'm hoping that we will be --

6 VICE CHAIR TAYLOR: No. How long between now and
7 closed?

8 CHAIR MILLER: Oh, what --

9 VICE CHAIR TAYLOR: Ten minutes.

10 CHAIR MILLER: -- ten minutes. Yeah.

11 VICE CHAIR TAYLOR: Five minutes. I don't know.

12 CHAIR MILLER: Yeah.

13 VICE CHAIR TAYLOR: Okay.

14 CHAIR MILLER: Ten minutes.

15 Okay. We're recess -- we're in recess. You want
16 me to hit the hammer?

17 There we go.

18 (Off record: 4:32 p.m.)

19 (Thereupon the meeting recessed

20 into closed session.)

21 (Thereupon the meeting reconvened

22 open session.)

23 (On record: 6:11 p.m.)

24 CHAIR MILLER: Okay. We are back in open session
25 and we're going to pick back up with item 6a, the

1 Mid-Cycle Public Employees' Retirement Fund Asset
2 Liability Management Review. And at this point, since
3 we've already had some discussion on this item, I will
4 entertain a motion, if someone has one.

5 COMMITTEE MEMBER PACHECO: I'll make the motion.

6 CHAIR MILLER: Okay. Mr. Pacheco moves approval.

7 VICE CHAIR TAYLOR: Second.

8 CHAIR MILLER: Seconded by Ms. Taylor.

9 So I will call for the question.

10 Any further discussion?

11 Okay, I'll call for the question.

12 All in favor?

13 (Ayes.)

14 CHAIR MILLER: Any opposed?

15 COMMITTEE MEMBER ORTEGA: No.

16 CHAIR MILLER: Okay. Was that an oppose?

17 VICE CHAIR TAYLOR: Yeah, that was Eraina
18 opposing.

19 CHAIR MILLER: Okay. Mr. Ortega is a no.

20 Any abstentions?

21 Okay. The motion passes.

22 And that's -- okay, so that's it. And hearing no
23 objections, I'll call the meeting adjourned.

24 (Thereupon, the California Public Employees'
25 Retirement System, Investment Committee

meeting open session adjourned at 6:12 p.m.)

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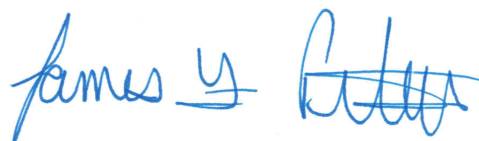
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2 I, JAMES F. PETERS, a Certified Shorthand
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4 That I am a disinterested person herein; that the
5 foregoing California Public Employees' Retirement System,
6 Board of Administration, Investment Committee open session
7 meeting was reported in shorthand by me, James F. Peters,
8 a Certified Shorthand Reporter of the State of California,
9 and was thereafter transcribed, under my direction, by
10 computer-assisted transcription;

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

14 IN WITNESS WHEREOF, I have hereunto set my hand
15 this 24th day of March, 2024.

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