

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

ZOOM PLATFORM

WEDNESDAY, SEPTEMBER 15, 2021
9:00 A.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Henry Jones, Chairperson

Lisa Middleton, Vice Chairperson

Rob Feckner

Fiona Ma, represented by Frank Ruffino

Stacie Olivares

Eraina Ortega

Betty Yee, represented by Lynn Paquin

BOARD MEMBERS:

Margaret Brown

David Miller

Ramon Rubalcava

Theresa Taylor, Vice President

Shawnda Westly

STAFF:

Marcie Frost, Chief Executive Officer

Matt Jacobs, General Counsel

Kelly Fox, Chief, Stakeholder Relations

Pam Hopper, Committee Secretary

Anne Simpson, Managing Investment Director

APPEARANCES CONTINUED

ALSO PRESENT:

Lynn Williams

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PROCEEDINGS

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

5 COMMITTEE SECRETARY HOPPER: Henry Jones?

6 CHAIRPERSON JONES: Here.

7 COMMITTEE SECRETARY HOPPER: Rob Feckner?

8 COMMITTEE MEMBER FECKNER: Good morning.

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

11 ACTING COMMITTEE MEMBER RUFFINO: Present.

12 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

13 VICE CHAIRPERSON MIDDLETON: Present.

14 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

15 COMMITTEE MEMBER OLIVARES: Here.

16 COMMITTEE SECRETARY HOPPER: Eraina Ortega?

17 COMMITTEE MEMBER ORTEGA: Here.

18 COMMITTEE SECRETARY HOPPER: Lynn Paquin for
19 Betty Yee?

20 ACTING COMMITTEE MEMBER PAQUIN: Here.

21 COMMITTEE SECRETARY HOPPER: Mr. President, we
22 have all members of the Committee in attendance.

23 CHAIRPERSON JONES: Okay. Thank you very much,
24 Ms. Hopper.

25 The next item on the agenda is the approval of

1 the September 15, 2021 Board Governance Committee timed
2 agenda. Do we have a motion?

3 VICE CHAIRPERSON MIDDLETON: So moved.

4 CHAIRPERSON JONES: Moved by Ms. Middleton.

5 COMMITTEE MEMBER ORTEGA: Second.

6 COMMITTEE MEMBER FECKNER: Second.

7 CHAIRPERSON JONES: Second by Ms. Ortega.

8 Mrs. Hopper, on the motion.

9 COMMITTEE SECRETARY HOPPER: Rob Feckner?

10 COMMITTEE MEMBER FECKNER: Aye.

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

13 ACTING COMMITTEE MEMBER RUFFINO: Aye.

14 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

15 VICE CHAIRPERSON MIDDLETON: Aye.

16 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

17 COMMITTEE MEMBER OLIVARES: Aye.

18 COMMITTEE SECRETARY HOPPER: Eraina Ortega?

19 COMMITTEE MEMBER ORTEGA: Aye.

20 COMMITTEE SECRETARY HOPPER: Lynn Paquin for
21 Betty Yee?

22 ACTING COMMITTEE MEMBER PAQUIN: Aye.

23 COMMITTEE SECRETARY HOPPER: Mr. President, I
24 have the motion being made by Lisa Middleton, seconded by
25 Eraina Ortega on Agenda Item 2 approval of the September

1 15, 2021 Board Governance timed agenda, and the vote was
2 all ayes.

3 CHAIRPERSON JONES: Okay. Thank you very much.
4 We now go to the Item 3 on the agenda, Executive Report,
5 Mr. Jacobs.

6 You're muted, Mr. Jacobs.

7 GENERAL COUNSEL JACOBS: Sorry about that.

8 When are we going to learn how to unmute
9 ourselves.

10 (Laughter.)

11 GENERAL COUNSEL JACOBS: Good morning, President
12 Jones, Committee members, and Board members as well. At
13 the last Board Governance Committee meeting in June, the
14 Board discussed the potential need for policies regarding
15 the simultaneous holding of Board and Committee leadership
16 positions, the periodic rotation of leadership positions,
17 and some related topics.

18 Following up on Board direction from that
19 meeting, our consultant, Rick Funston, who unfortunately
20 couldn't be here today, but fortunately for him, I guess,
21 he's out of the country for the whole month of September,
22 is going to be -- has already started, I think, surveying
23 the top 14 public pension funds in the United States with
24 AUM in excess of \$50 billion to get their policies,
25 practices, and laws with respect to a number of terms,

1 including some of the things that we discussed last time
2 and some of the things that I know are on various Board
3 members among their ideas or thoughts, and that is Board
4 leadership positions and selection methods, the length of
5 terms for Board leadership positions and any rotation
6 requirements, Board leadership development and succession
7 planning, the roles of the Board chair and committee
8 leadership, the CEO evaluation process and succession
9 planning, and then a number of processes with respect to
10 independent verification and reinsurance -- excuse me, not
11 insurance, reinsurance, for example, those funds use of
12 audits, investigations, inspections, inspectors general,
13 whistleblower processes, and subpoena powers. And then
14 finally he'll also be surveying Board member compensation.

15 So that would be brought back in November. As
16 for this month's meeting, we have just one substantive
17 item, and that is an information item regarding whether
18 the Committee, and ultimately the Board, want to change
19 the Board Governance Policy with respect to the frequency
20 with which the Board reviews committee and the CEO
21 delegation. As I think you all know, we do that annually
22 now. And I think the question is whether we need to do
23 that annually.

24 Anyway, so that's the agenda, and that's my
25 executive report. And happy to take any questions.

1 CHAIRPERSON JONES: Okay. I don't see any
2 questions. But one comment, Mr. Jacobs, at the November
3 meeting, we should also start receiving items for
4 discussion on our Board self-evaluation. There were a
5 number of recommendations that came out of the
6 self-evaluation that we should bring back to the Committee
7 to have those discussions on those items.

8 GENERAL COUNSEL JACOBS: Very good.

9 CHAIRPERSON JONES: Okay. Thank you.

10 Okay. Seeing no questions on this item.

11 We move to Item 4, action consent items, approval
12 of the Board Governance Committee meeting minutes of June
13 15th. Do we have a motion?

14 VICE CHAIRPERSON MIDDLETON: So moved.

15 CHAIRPERSON JONES: Moved by Ms. Middleton.

16 ACTING COMMITTEE MEMBER RUFFINO: Second.

17 CHAIRPERSON JONES: Second by Mr. Ruffino.

18 Mrs. Hopper, please, on the motion.

19 COMMITTEE SECRETARY HOPPER: Rob Feckner?

20 COMMITTEE MEMBER FECKNER: Aye.

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

23 ACTING COMMITTEE MEMBER RUFFINO: Aye.

24 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

25 VICE CHAIRPERSON MIDDLETON: Aye.

1 COMMITTEE SECRETARY HOPPER: Stacie Olivares?

2 COMMITTEE MEMBER OLIVARES: Aye.

3 COMMITTEE SECRETARY HOPPER: Eraina Ortega?

4 COMMITTEE MEMBER ORTEGA: Aye.

5 COMMITTEE SECRETARY HOPPER: Lynn Paquin for
6 Betty Yee?

7 ACTING COMMITTEE MEMBER PAQUIN: Abstain.

8 COMMITTEE SECRETARY HOPPER: Mr. President, I
9 have the motion being made by Lisa Middleton, seconded by
10 Frank Ruffino for Fiona Ma. We have five ayes with an
11 abstention from Lynn Paquin for Betty Yee on Agenda Item
12 4a, approval of the Board Governance Committee meeting
13 minutes.

14 CHAIRPERSON JONES: Okay. Thank you. The item
15 passes then.

16 Okay. So now we will move on to information
17 consent items and I do have a request to have a discussion
18 on 5a. So it's only that one item, so no need to pull it.
19 So we'll call on Ms. Brown.

20 BOARD MEMBER BROWN: Okay. Mr. Jones, I am not
21 on this Committee, but I do read all the agenda items.
22 And I have to tell you the proposed 2022 meeting dates are
23 too few in my opinion. I don't know how many of you feel
24 this way. After a very long Monday with Investments and
25 then a long day yesterday with all the committees, I

1 didn't feel good that we rushed some of information
2 yesterday. But I just don't believe the Board can provide
3 adequate oversight with only four Investment Committee
4 meetings. You know, the agendas are -- when there's that
5 few meetings, the agendas are way too large and the issues
6 are weighty, technical, and require much study. I mean,
7 on Monday we just found out about that CFA stochastic
8 analysis, that overview and that's a 184-page document.

9 I mean, it's just a lot of information. And if
10 we're going to provide adequate oversight, I think we are
11 going to need more meetings or we'll just do less
12 oversight.

13 I also have a concern that there are only -- I
14 think there are only four Pension and Health Benefits
15 meeting. And I have heard from stakeholders that that few
16 number of meetings are also inadequate.

17 Thank you.

18 CHAIRPERSON JONES: Okay. Thank you, Ms. Brown.

19 And I would just suggest that we -- I see Ms.
20 Simpson is on the screen also, so we should add that to
21 our Board Governance meeting regarding Board
22 self-evaluation. So we can discuss at that time, Ms.
23 Brown. Okay.

24 BOARD MEMBER BROWN: Thank you.

25 CHAIRPERSON JONES: Okay. Okay. So that was an

1 information consent item.

2 Then we move on to the Item 6, proposed changes
3 to the Board Governance Policy increasing the interval
4 between review of Committee and CEO delegations.

5 Ms. Simpson.

6 MANAGING INVESTMENT DIRECTOR SIMPSON: Good
7 morning, everybody. Thank you for that, President Jones.
8 This item is quite straightforward. It's been put forward
9 for the Committee to discuss at the request of the Board
10 President. And it's to consider the current policy
11 regarding the Board's annual approval of committees and
12 the CEO's delegation. So the question for discussion is
13 whether this is the right interval or whether it should be
14 a longer interval. So this is in response to that request
15 and an opportunity for the Committee to discuss their
16 preferences.

17 Thank you.

18 CHAIRPERSON JONES: Yeah. Thank you, Ms.
19 Simpson. And so we noted that on our Board delegated
20 authorities, they'd be coming every year, and many times
21 it's just every committee is no change. And so I'm
22 wondering whether or not we could extend that to two
23 years, and -- you know -- but at any time, any Committee
24 member or Board member could request a review. But I'm
25 just suggesting that there's no suggestion to bring any

1 changes to those delegations, maybe it would be more
2 appropriate to have it in two years, rather than each
3 year. So are there any comments from Committee members
4 and other Board members on that?

5 VICE PRESIDENT TAYLOR: I think Lynn Paquin had
6 put she wanted to comment.

7 CHAIRPERSON JONES: Okay. Ms. Paquin.

8 ACTING COMMITTEE MEMBER PAQUIN: Thank you, Mr.
9 Chair. And I was just curious, Ms. Simpson, what is the
10 best practice? Is it reviewing the delegations once a
11 year, is it more than that? If you could help us with
12 that.

13 MANAGING INVESTMENT DIRECTOR SIMPSON: I don't
14 have an answer to that question, Ms. Paquin. I haven't
15 seen intervals being identified in best practice work thus
16 far. But arguably this is something I could take back and
17 discuss with Matt Jacobs to see if it's another item we
18 could add to Rick Funston's survey, if that's helpful.

19 ACTING COMMITTEE MEMBER PAQUIN: I think that
20 might be helpful. I mean, I -- and, Mr. Chair, you know,
21 I know that this cycle we didn't really have many changes,
22 but I think sometimes just having the Board's ability to
23 kind of focus on the delegations once a year and kind of
24 think about if there should be a change or not is helpful.
25 So I would appreciate if we could have a little bit of

1 input from Mr. Funston on this as well too.

2 CHAIRPERSON JONES: Okay. Okay. So why don't we
3 move this item over with our next meeting, Ms. Simpson.
4 That would be -- that agenda is growing for our next
5 meeting. Okay.

6 CHIEF EXECUTIVE OFFICER FROST: Mr. Jones. Mr.
7 Jones, this question is part of the survey that is going
8 out to the 14 pension plans, so we'll have that feedback
9 from those plans for the November meeting.

10 CHAIRPERSON JONES: Okay. Sounds great. Okay.
11 Okay. Ms. Paquin, we will address it then.
12 Okay. Mr. Miller.

13 BOARD MEMBER MILLER: Just a little comment in
14 terms of information on surveys, and best practices, and
15 what constitutes a best practice. The most common
16 practice is typically not the best practice in many cases.
17 In many cases, the real performance leaders are doing
18 something exceptional and different from the crowd. So I
19 just want to caution us to be careful. If we identify
20 something that a lot of other folks are doing, don't
21 assume it's a best practice without really understanding
22 the whys and the hows, and whether it aligns with our
23 organizational needs to be considered a best practice or
24 not.

25 CHAIRPERSON JONES: Okay. Thank you for that

1 comment, Mr. Miller.

2 Okay. I don't see any additional requests from
3 Committee or Board members, so that concludes the
4 discussion on that item.

5 We will now go to summary of committee direction,
6 Mr. Jacobs.

7 GENERAL COUNSEL JACOBS: Yes, President Jones. I
8 think the only additional thing we have is that you
9 clarified that we would be bringing back the results of
10 the self-evaluation in November. This item that we just
11 looked at, 5 -- excuse me, 6a, will, I think, be folded
12 into the Rick Funston Report for consideration among
13 whatever else he's comes back with. And I think that's
14 it.

15 CHAIRPERSON JONES: Okay. Thank you. We will
16 now move to Item 6c, public comment. And I understand we
17 have a request to speak, Mr. Fox.

18 STAKEHOLDER RELATIONS CHIEF FOX: Yes, Mr.
19 President. We have one caller. Lynn Williams.

20 MR. WILLIAMS: Good morning. Can you hear me?

21 CHAIRPERSON JONES: Yes, we can, and good
22 morning.

23 MR. WILLIAMS: Good morning. And thank you, Mr.
24 President and members of the Board. Yes, my thing is is
25 I'm having a problem on my retirement, in the sense that I

1 have never been legally retired, even though I've been
2 drawing retirement for 20 years. And I'm asking the
3 Board's assistance in getting me help to get a
4 precedential decision. In other words, it goes to a
5 administrative law judge, and I am wanting to do that.
6 It's kind of a long thing, so, you know -- and I don't
7 have time to get into all of it. It has gone to the
8 court, to the -- and where I was asking the court to
9 enforce the judgment from the workers' comp court.

10 And what that judge did is he turned his superior
11 court into a court -- actually, he turned it into a court
12 of appeal on the admin -- on the workers' comp court,
13 which he had no jurisdiction to do and he overturned the
14 jurist -- the judgment from the workers' comp, which he
15 shouldn't have done that. He had no jurisdiction to do
16 that.

17 So what it does is it puts it into a, what they
18 call a collateral attack. When a judge makes a decision
19 that he has no jurisdiction to make, it goes to a
20 collateral attack. And the administrative law judge can
21 look at the facts and go over the facts on a precedential
22 decision and make a decision that is in accordance with
23 what the workers' comp judge decision that he made.
24 Because when it went to court, it was kind of strange,
25 because the -- not only the fire department that I worked

1 for, but CalPERS joined with the fire department to work
2 against me on the superior court. And they got the
3 superior court to overturn the workers' comp judgment and,
4 you know, it was like four or five years after the
5 workers' comp judgment. So, I mean, it wasn't within any
6 kind of a time frame or anything like that.

7 So how do I go about asking for a precedential
8 decision? In other words, it goes to the court with the
9 administrative law judge on this situation.

10 CHAIRPERSON JONES: Okay. Thank you. Your --

11 MR. WILLIAMS: That's what I'm asking --

12 CHAIRPERSON JONES: Yeah. Thank you, Mr.
13 Williams.

14 MR. WILLIAMS: That's what I'm asking the Board
15 for today. I'm sorry. Go ahead.

16 CHAIRPERSON JONES: Yeah. Your time -- yeah.
17 Your time is up. And I would ask that you give Mr. Fox
18 your number and the appropriate person will follow up with
19 you. I'm not so sure it's in -- something that's in
20 our -- under our guidance at this time, but I -- I don't
21 know that, so I'll just ask that you follow up with Mr.
22 Fox and the appropriate person will let you know whether
23 CalPERS is involved in any way going forward. So thank
24 you for your comments.

25 MR. WILLIAMS: Well, that would be great. Now --

1 CHAIRPERSON JONES: Okay.

2 GENERAL COUNSEL JACOBS: Mr. Jones.

3 MR. WILLIAMS: -- I understand.

4 CHAIRPERSON JONES: Excuse me, sir. Your time is
5 up. I'm sorry. Okay. Someone will contact you.

6 MR. WILLIAMS: Okay.

7 GENERAL COUNSEL JACOBS: Mr. Jones, if I just --

8 CHAIRPERSON JONES: Yes.

9 GENERAL COUNSEL JACOBS: -- if I just might
10 mention, Mr. Williams is a serial litigant, having
11 litigated his matters and his issues several times and all
12 have been rejected. And just a piece of background for
13 the Board's understanding of this most current complaint.

14 CHAIRPERSON JONES: Thank you for that
15 information, Mr. Jacobs.

16 Okay. So, Mr. Fox, do we have any additional
17 public requests to speak?

18 STAKEHOLDER RELATIONS CHIEF FOX: No, Mr.
19 President. That concludes public comment for this
20 committee.

21 CHAIRPERSON JONES: Okay. Well, thank you. This
22 meeting is adjourned and we will convene the Board meeting
23 at 9:30.

24 (Thereupon California Public Employees'
25 Retirement System, Board Governance Committee

meeting adjourned at 9:19 a.m.)

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CERTIFICATE OF REPORTER

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

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration, Board Governance Committee meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, and was thereafter transcribed, under my direction, by computer-assisted transcription;

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

IN WITNESS WHEREOF, I have hereunto set my hand this 21st day of September, 2021.

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