

VIDEOCONFERENCE MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
RISK AND AUDIT COMMITTEE
OPEN SESSION

ZOOM PLATFORM

TUESDAY, SEPTEMBER 14, 2021
5:25 P.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Lisa Middleton, Chairperson

David Miller, Vice Chairperson

Margaret Brown

Fiona Ma, represented by Frank Ruffino

Ramon Rubalcava

Betty Yee, represented by Lynn Paquin

BOARD MEMBERS:

Henry Jones, President

Rob Feckner

Eraina Ortega

Theresa Taylor, Vice President

STAFF:

Marcie Frost, Chief Executive Officer

Matt Jacobs, General Counsel

Anthony Suine, Deputy Executive Officer

Marlene Timberlake D'Adamo, Chief Diversity, Equity, and Inclusion Officer

Beliz Chappuie, Chief Auditor

Forrest Grimes, Chief Risk Officer

Pam Hopper, Committee Secretary

Keith Riddle, Chief, Disability and Survivor Benefits Division

INDEX

	<u>PAGE</u>
1. Call to Order and Roll Call	1
2. Approval of the September 14, 2021 Risk and Audit Committee Timed Agenda	2
3. Executive Report - Marlene Timberlake D'Adamo	3
4. Action Consent Items - Marlene Timberlake D'Adamo	4
a. Approval of the June 15, 2021 Risk & Audit Committee Meeting Minutes	
5. Information Consent Items - Marlene Timberlake D'Adamo	6
a. Annual Calendar Review	
b. Draft Agenda for the November 17, 2021 Risk & Audit Committee Meeting	
c. Status Report - Enterprise Risk Management	
d. Status Report - Enterprise Compliance Activity	6
6. Information Agenda Items	
a. Review of CalPERS Internal Audit 19-001, Review of Death Benefit Overpayment Receivables - Beliz Chappuie/Anthony Suine	11
b. Enterprise Risk Management Framework Review - Forrest Grimes	44
c. Summary of Committee Direction - Marlene Timberlake D'Adamo	46
d. Public Comment	47
Adjournment	48
Reporter's Certificate	49

PROCEEDINGS

1
2 CHAIRPERSON MIDDLETON: So I'm going to call to
3 order the Risk and Audit Committee. And the first -- or
4 the second item is approval of the September 14, 2021 Risk
5 and Audit Committee timed agenda. Is there --

6 COMMITTEE SECRETARY HOPPER: Actually, Madam
7 Chair --

8 VICE CHAIRPERSON MILLER: Roll call.

9 COMMITTEE SECRETARY HOPPER: We do need to take
10 roll call.

11 CHAIRPERSON MIDDLETON: We do. Thank you. Thank
12 you, Pam.

13 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

14 CHAIRPERSON MIDDLETON: Present.

15 COMMITTEE SECRETARY HOPPER: Margaret Brown?

16 COMMITTEE MEMBER BROWN: I am present.

17 COMMITTEE SECRETARY HOPPER: Frank Ruffino for
18 Fiona Ma?

19 ACTING COMMITTEE MEMBER RUFFINO: Still present.

20 COMMITTEE SECRETARY HOPPER: David Miller?

21 VICE CHAIRPERSON MILLER: Here.

22 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

23 COMMITTEE MEMBER RUBALCAVA: Here.

24 COMMITTEE SECRETARY HOPPER: Shawnda Westly?

25 Okay. I do not see Shawnda Westly, Madam Chair.

1 Lynn Paquin for Betty Yee?

2 ACTING COMMITTEE MEMBER PAQUIN: Here.

3 COMMITTEE SECRETARY HOPPER: All is in attendance
4 with the exception of the absence of by Ms. Westly.

5 CHAIRPERSON MIDDLETON: All right. So thank you.
6 With that, we'll move on to aproval of the timed
7 agenda. Is there a motion to approve?

8 VICE CHAIRPERSON MILLER: So moved.

9 ACTING COMMITTEE MEMBER PAQUIN: Second.

10 CHAIRPERSON MIDDLETON: Motion by Mr. Miller,
11 second by Ms. Greene-Ross.

12 All in favor -- or we will call the roll, please.

13 COMMITTEE SECRETARY HOPPER: Ms. Mid -- Ms. --
14 Madam Chair, it's Lynn Paquin for Betty Yee, so she will
15 be seconding that motion.

16 CHAIRPERSON MIDDLETON: My apology.

17 COMMITTEE SECRETARY HOPPER: Margaret Brown?

18 COMMITTEE MEMBER BROWN: Aye.

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

21 ACTING COMMITTEE MEMBER RUFFINO: Aye.

22 COMMITTEE SECRETARY HOPPER: David Miller?

23 VICE CHAIRPERSON MILLER: Aye.

24 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

25 COMMITTEE MEMBER RUBALCAVA: Aye.

1 COMMITTEE SECRETARY HOPPER: Shawnda Westly?
2 Lynn Paquin for Betty Yee?

3 ACTING COMMITTEE MEMBER PAQUIN: Aye.

4 COMMITTEE SECRETARY HOPPER: Madam Chair, the
5 motion was made by David Miller, seconded by Lynn Paquin
6 for Betty Yee with all ayes, and Shawnda Westly being
7 absent.

8 CHAIRPERSON MIDDLETON: Thank you.

9 We'll move on to Item 3, which is the Executive
10 Report from Marlene Timberlake D'Adamo.

11 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER
12 D'ADAMO: Thank you. Good afternoon. Good afternoon,
13 Madam Chair, Mr. Vice Chair, Committee members. Marlene
14 Timberlake D'Adamo, CalPERS team member. Today, we have
15 two information items. The first is the review of CalPERS
16 internal audit 19-001, titled "Review of Death Benefit
17 Overpayment Receivables". For the program area, the
18 Office of Audit Services will present their report of an
19 internal review of death benefit receivables. The
20 objective of the review is to evaluate the effectiveness
21 of controls over the death benefit overpayment
22 receivables.

23 This second item is the enterprise risk
24 management framework review. The purpose of this item is
25 to update the Committee on the current state of CalPERS

1 enterprise risk.

2 The next Risk and Audit Committee meeting is
3 scheduled for November 17th, 2021 and includes the
4 independent auditor's report for fiscal year 2020-2021 and
5 the review of the independent auditor's management letter.

6 Thank you, Madam Chair. This concludes my report
7 and I would be happy to take any questions.

8 CHAIRPERSON MIDDLETON: Are there any questions?

9 I do not see any questions. But on behalf of the
10 Risk and Audit Committee, Marlene, I'd like to thank you
11 for the incredible work that you've given us over the last
12 few years and wish you nothing but continued success in
13 your new role as our Diversity and Inclusion Officer.
14 We're thrilled to have someone of your talent going into
15 that role.

16 VICE CHAIRPERSON MILLER: Hear, hear.

17 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER
18 D'ADAMO: Thank you. I appreciate that.

19 CHAIRPERSON MIDDLETON: So I do have a request
20 from Ms. Brown to pull Item 5d from the consent items.
21 Are there any other items that anyone --

22 COMMITTEE SECRETARY HOPPER: Madam Chair, I'm
23 sorry to interrupt again. We need to take a roll call
24 vote for 4a of the approval of the minutes.

25 CHAIRPERSON MIDDLETON: All right. So if we

1 could have a --

2 COMMITTEE MEMBER BROWN: Move approval.

3 CHAIRPERSON MIDDLETON: -- motion to approve.

4 VICE CHAIRPERSON MILLER: Second.

5 CHAIRPERSON MIDDLETON: Moved by Ms. Brown,
6 seconded by Mr. Miller.

7 Roll call, please.

8 COMMITTEE SECRETARY HOPPER: Margaret Brown?

9 COMMITTEE MEMBER BROWN: Aye.

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

12 ACTING COMMITTEE MEMBER RUFFINO: Aye.

13 COMMITTEE SECRETARY HOPPER: David Miller?

14 VICE CHAIRPERSON MILLER: Aye.

15 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

16 COMMITTEE MEMBER RUBALCAVA: I'm going to
17 abstain. I don't think I was part of the Committee back
18 then. Thank you.

19 COMMITTEE SECRETARY HOPPER: Shawnda Westly?

20 Absent.

21 Lynn Paquin for Betty Yee?

22 ACTING COMMITTEE MEMBER PAQUIN: Aye.

23 COMMITTEE SECRETARY HOPPER: Madam Chair, we have
24 four ayes, one abstention from Ramon Rubalcava, motion
25 made by Margaret Brown, seconded by David Miller for

1 Agenda Item 4a, approval of the June 15, 2021 Risk and
2 Audit Committee minutes.

3 CHAIRPERSON MIDDLETON: All right. Thank you.

4 We'll move now on to the consent items. We have
5 a request to pull 5d. Are there any other items that any
6 member would like to have pulled for further discussion?

7 Seeing none.

8 Can I get -- do we need, Ms. Hopper, a vote to
9 approve Items 5a through c?

10 COMMITTEE SECRETARY HOPPER: Not for information
11 consent, Madam Chair.

12 CHAIRPERSON MIDDLETON: Okay. Thank you.

13 So we will move on then to Item 5d, Enterprise
14 Compliance Activity Report. We could have staff report,
15 please.

16 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER
17 D'ADAMO: So -- well -- and 5d represents April through
18 July of our monthly reporting. And so we provide these to
19 you as an attachment. I would request that if, Ms. Brown,
20 if you have maybe a specific question, we can go right to
21 the heart of it or did you want sort of a general overview
22 of all of them or any particular month?

23 COMMITTEE MEMBER BROWN: I'm very tired. I'm
24 perfectly happy just to ask my question, if the rest of
25 the Committee is fine with that. I'm looking at Agenda

1 Item 5d, attachment 1, just page five of 22, which is the
2 Board and employee Form 700 filings. My guess is you
3 probably know this off the top of your head. We have one
4 assuming office submitted late and one leaving office
5 outstanding. Can you tell us who those are?

6 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

7 D'ADAMO: Well, actually, I don't have that in front of
8 me, in terms of who they are. But what I could tell you
9 is that the -- if you look at the note, we added an
10 enhancement beginning with this report -- with this
11 meeting that says the -- that there was no -- as of August
12 24th when we essentially put the report together for the
13 Board review, that one that had been outstanding was
14 received.

15 So essentially, as of today, there would be two
16 that were submitted late. Does that make sense?

17 COMMITTEE MEMBER BROWN: Yeah. I just want to
18 make sure that more importantly than being submitted late,
19 which is problematic, but that there are none outstanding,
20 and that is what you're telling me?

21 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

22 D'ADAMO: Correct.

23 COMMITTEE MEMBER BROWN: All right.

24 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

25 D'ADAMO: Yes, that is what I'm telling you. And I'm glad

1 that you asked the question, because I think it's
2 important for you to know that as that note at the bottom,
3 where we added that legend, that will be a new feature to
4 this report going forward.

5 COMMITTEE MEMBER BROWN: I do appreciate that and
6 I appreciate that our people are doing these timely. And
7 I did want to note that on the next page, page six, that
8 our consultant Form 700 filings are all -- none of them
9 are submitted late, which is a miracle. But my guess is
10 they don't want to make the paper, so they're all on time
11 and it looks pretty good. So I guess having, you know, a
12 small scandal gets people to get their paperwork in order.
13 So I really do appreciate the update. And I think when we
14 have -- I think when we have good news like this, we
15 should -- now that it is good news, but we should share
16 it, you know. So I appreciate -- that's all -- that's
17 all, Ms. Middleton.

18 CHAIRPERSON MIDDLETON: All right. Thank you.
19 Marlene, I do have one additional question if I
20 may on 5d.

21 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER
22 D'ADAMO: Sure.

23 CHAIRPERSON MIDDLETON: And that would be the
24 ethics complaint 2020-1111b, Agenda Item 5d, Attachment 1,
25 has been both substantiated and marked as closed. Can you

1 give me an update as to what actions we have taken to
2 prevent something like this from happening again and to
3 the extent that you can give comments publicly.

4 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER
5 D'ADAMO: Okay. So this 2020-1111b, correct?

6 CHAIRPERSON MIDDLETON: Correct.

7 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER
8 D'ADAMO: Okay. At this point, I would like to ask Mr.
9 Suine to come forward, if he's not already. There he is.
10 Okay. He's actually going to speak to this.

11 CHAIRPERSON MIDDLETON: Thank you.

12 Mr. Suine, whenever you're ready.

13 DEPUTY EXECUTIVE OFFICER SUINE: Hi, Ms.
14 Middleton. Thank you. Anthony Suine, CalPERS team
15 member. And, yeah, so we've taken some various steps to
16 help with the controls over those various processes, those
17 include adding additional reviews to the distribution of
18 the dormant accounts. As you may be aware, there was
19 dormant accounts that have the fraudulent activity on
20 them. And so we were able to create additional reviews
21 for those dormant accounts and have supervisory level
22 reviews before any of those payments are released.

23 We also have a separation of duties between
24 various -- we added additional separation of duties
25 between accounts and units who perform those functions.

1 So, for instance, somebody who identifies a dormant
2 account to be payable, they would not be able to change
3 bank account information as well.

4 And then we've also updated our policies and
5 procedures in all those areas, so that, you know, team
6 members are clear about the procedures in those areas and
7 we've improved all the documentation in those areas.

8 And then we've also improved our internal
9 controls creating automated controls, so that certain
10 activities can occur unless their -- the system allows it
11 via a business rule.

12 And then lastly, we've increased our audit
13 reporting, so our back-end audit reporting. We've created
14 reports that do system checks and balances to make sure
15 that these type of payments aren't distributed erroneously
16 and allows us to track on the back end, if anything
17 suspicious is happening.

18 CHIEF EXECUTIVE OFFICER FROST: Mr. Suine, could
19 you provide a definition to the Committee on what a
20 dormant account is just as a refresher, please.

21 DEPUTY EXECUTIVE OFFICER SUINE: Sure. So these
22 dormant accounts are typically accounts that they can
23 be -- where benefits have stopped, where somebody has not
24 cashed a check for multiple periods. And after we
25 don't -- after we re -- a check is returned to us three

1 consecutive times, whether that be a paper check or a
2 closed bank account, then an individual moves into a
3 dormant account.

4 The good news on those is there's no additional
5 benefits being paid. However, right, we require
6 additional documentation for somebody to come forward and
7 then claim that money to be reissued to them. So that's a
8 typical dormant account situation.

9 CHAIRPERSON MIDDLETON: That answers my question.
10 Thank you, Mr. Suine.

11 DEPUTY EXECUTIVE OFFICER SUINE: Thank you.

12 CHAIRPERSON MIDDLETON: Are there any other
13 questions from any member of the Committee or from anyone
14 on the Board?

15 Seeing none.

16 We will move on from Item 5 to Item 6a, which is
17 a review of CalPERS internal audit 19-001, review of death
18 benefit overpayment receivables. And that will be Ms.
19 Chappuie and Mr. Suine. And Welcome.

20 Beliz, we can't hear you yet.

21 DEPUTY EXECUTIVE OFFICER SUINE: I think you're
22 on mute.

23 VICE CHAIRPERSON MILLER: Yeah, we can't hear
24 you. (Shakes head.)

25 CHAIRPERSON MIDDLETON: Beliz, we can't hear you

1 at all?

2 VICE CHAIRPERSON MILLER: That was not
3 encouraging.

4 (Laughter.)

5 DEPUTY EXECUTIVE OFFICER SUINE: I'm able to kick
6 it off, if you'd like.

7 CHIEF EXECUTIVE OFFICER FROST: Yeah. We might
8 want to have Beliz try the phone -- her phone for audio,
9 if she can hear me.

10 Thank you, Jared.

11 CHIEF AUDITOR CHAPPUIE: Excellent. Sorry about
12 that.

13 CHAIRPERSON MIDDLETON: Welcome.

14 CHIEF AUDITOR CHAPPUIE: Thank you. My
15 apologies. I have a new computer. For whatever reason,
16 the microphone is not working, so I'm on the wifi in my
17 offers. I disconnected it from the VPN. My apologies.

18 All right. Let's resume. Let's try this again.

19 CHAIRPERSON MIDDLETON: Okay.

20 (Thereupon a slide presentation.)

21 CHIEF AUDITOR CHAPPUIE: Madam Chair, members of
22 the Committee, Beliz Chappuie, Office of Audit Services.
23 Agenda Item 6a is an information item.

24 At the June Risk and Audit Committee, Madam Chair
25 directed staff to agendize the death benefits overpayment

1 receivables audit. During our agenda -- next slide,
2 please.

3 --o0o--

4 CHIEF AUDITOR CHAPPUIE: During our agenda, I
5 will provide an overview -- who's controlling -- thank
6 you.

7 Okay. Reviewing our agenda, I will provide an
8 overview of the CalPERS Integrated Assuranced Model, the
9 audit process, roles and responsibilities, and the
10 observations made as part of this audit.

11 Next slide.

12 --o0o--

13 CHIEF AUDITOR CHAPPUIE: Then I will turn it over
14 to Anthony Suine and he will provide you with an overview
15 of the Survivor Benefits team and the work they perform,
16 then walk through each of the findings and what's being
17 done to mitigate issues. Lastly, Anthony will summarize
18 next steps and take any questions and will also field your
19 questions as he goes through each finding.

20 CalPERS follows the three lines of defense model
21 for governance and risk management, and refers to it as
22 the CalPERS integrated assurance model.

23 Next slide.

24 --o0o--

25 CHIEF AUDITOR CHAPPUIE: As the third line of

1 defense, Office of Audit Services, OFAS, performs
2 independent assurance services that include audit and
3 consulting services. OFAS reports its observations to
4 management and the Board to promote and facilitate
5 continuous improvements and monitors corrective actions.

6 Due to its role in maintaining its independence,
7 OFAS does not participate in the program's decision-making
8 or activities.

9 The first line division audited develops and
10 implements corrective action plans to address the
11 observations reported in the audit report. The second
12 line, including CalPERS Enterprise Risk Management
13 Division, ERMD, collaborates with the audited division to
14 develop, improve, or modify their internal controls to
15 address observations, and provides assurance to the
16 executive team on the adequacy of the controls implemented
17 in response to the audit observations. The executive
18 team provides oversight and monitoring -- and monitors the
19 resolution of the observations.

20 Next slide.

21 --o0o--

22 CHAIRPERSON MIDDLETON: Ms. Chappuie, if I could
23 ask just a question before you get into this specifics of
24 the audit. Just in looking at the audit process, is this
25 a process that you support and one that reflects what you

1 believe are best practices for an internal audit function?

2 CHIEF AUDITOR CHAPPUIE: Yes. Yes. And these
3 are all driven by the internal auditing standards we
4 follow.

5 CHAIRPERSON MIDDLETON: All right. And there's
6 been no undue influence from anyone in the determination
7 of this process?

8 CHIEF AUDITOR CHAPPUIE: No.

9 CHAIRPERSON MIDDLETON: All right. Thank you.

10 CHIEF AUDITOR CHAPPUIE: Next slide. Yeah, thank
11 you.

12 The death benefits overpayment receivables audit
13 noted five high rated observations in summary. Disability
14 and Survivor Benefits Division, DSBD, did not consistently
15 identify deaths timely to minimize the issuance of benefit
16 payments and related receivables. DSBD did not
17 consistently record death benefit overpayments receivables
18 within 30 days after identification of death. DSBD issued
19 certain lump sum survivor benefits without first
20 recovering the receivables owed to CalPERS. DSBD did not
21 adequately attempt to collect receivables from survivors,
22 or, if available, the decedent's estate. DSBD did not
23 review receivables for timely write-off.

24 The full report is attached as an appendix to the
25 agenda for further detail.

1 With that said, I would like to turn it over to
2 Anthony Suine to present his portion of the agenda.

3 CHAIRPERSON MIDDLETON: Thank you.

4 DEPUTY EXECUTIVE OFFICER SUINE: Thank you,
5 Beliz. And good afternoon, Madam Chair and members of the
6 Committee. Anthony Suine, CalPERS team member.

7 And I'm here today to discuss the recent review
8 performed by our Office of Audit Services on our death
9 benefit overpayment receivables. While you'll hear the
10 reference to death benefit overpayments, I want to clarify
11 these are retirement benefits being paid to retirees or
12 beneficiaries. And any of those payments that are made
13 after the date of death then become an overpayment
14 receivable related to that death.

15 Today, we will discuss various aspects of this
16 process, including what our team does currently to
17 mitigate those issues, and challenges we may face, and any
18 corrective actions we are working on to further mitigate
19 the concerns as we proceed through this presentation.

20 With me today is Keith Riddle. And Keith is the
21 Chief of our Disability and Survivor Benefits Division.
22 And he will assist me as needed with any questions that
23 may be posed. So I'll ask Keith to be promoted, if he
24 hasn't already.

25 In respect of your time, I'll just -- I don't

1 want to cut anything out, but I'll speak a little faster
2 and I won't recap the audit finding and the suggested
3 actions from Office of Audit Services. Those are in the
4 report. I'll just focus on our current state and our
5 corrective actions that we're taking, but they all address
6 exactly what the audit of Audit Services pointed out.

7 Next slide.

8 DEPUTY EXECUTIVE OFFICER SUINE: So I'd like to
9 start by giving an overview of our Survivor Benefits team,
10 what they do, and the workload they accomplish. Our team
11 determines benefit eligibility for pre-retirement and
12 post-retirement deaths. They are required to analyze the
13 various death benefits available by law, determine
14 beneficiaries, handle sensitive inquiries with families
15 dealing with the loss of a loved one, and then ultimately
16 resolving overpayments and processing payments to
17 beneficiaries and survivors.

18 We have 50 plus team members that are assigned to
19 these activities, while other team members handle
20 ancillary duties related to survivor benefits, such as
21 training, appeals, and administrative duties.

22 Next slide.

23 --o0o--

24 DEPUTY EXECUTIVE OFFICER SUINE: Over the last
25 three years, we have averaged over 24,000 deaths reported

1 each year. And this last fiscal year, we saw an 18
2 percent increase from just two fiscal years ago. And it
3 was just over five years ago the number of deaths was
4 under 20,000 a year. So the trend has been continuous for
5 some time.

6 Last fiscal year, we paid over 22,500 death
7 benefit cases which is 30 percent higher than what we paid
8 just two fiscal years ago. And the majority of cases
9 require multiple benefit payments, either to one or
10 multiple beneficiaries. So the team is working harder
11 than ever to distribute timely and accurate payments to
12 those valued beneficiaries and survivors.

13 An ongoing monthly benefit to a surviving spouse
14 is the team's utmost priority. And we continue to meet
15 our goal of paying 95 percent of those benefits without
16 the survivor missing a monthly retirement allowance.

17 In addition to the work in paying benefits, the
18 team also responded to requests related to death benefits
19 payable from the retiree prior to their passing or related
20 to death benefits on a certain case.

21 When combined, the inquiry workload has also
22 increased over 35 percent in the last two years.

23 Next slide, please.

24 --o0o--

25 DEPUTY EXECUTIVE OFFICER SUINE: So covering

1 observation number one, untimely identification of deaths.
2 I'd like to outline some challenges that occur with the
3 detection of deaths and then follow with what we are doing
4 to mitigate this issue. And I'll stop after each
5 observation and allow for any questions.

6 I believe I've discussed this issue with the
7 Board before and timely detection of unreported deaths is
8 an issue facing many sectors in the financial services
9 industry, including public pension systems, such as
10 CalPERS.

11 The challenge of detecting unreported deaths
12 became more problematic in 2011 when the Social Security
13 Administration drastically reduced the number of records
14 reported in the publicly available death master file by
15 prohibiting access to State death records due to fears of
16 identity theft and fraud. While SSA still maintains a
17 full file of death information that includes all state
18 death records, SSA only shares the full file with certain
19 federal and State agencies. SSA provides a more limited
20 file of death records to a federal department who then
21 sells that limited data file of death information to other
22 agencies and private organizations, such as banks and
23 credit companies.

24 That file now only identifies roughly 25 to 35
25 percent of deaths that occur in the United States.

1 Vendors may purchase that data, then augment their death
2 detection services in various ways, such as contracting
3 independently with states for their death records, funeral
4 homes, governmental agencies, and using obituary search
5 logic to track down additional death information. I will
6 provide more information on those services in a bit, after
7 I explain the timing of how deaths are typically reported
8 to CalPERS.

9 In reading the audit, I think it's important to
10 understand two different dates related to death reporting.
11 First is how long it takes us to record a death once it's
12 reported to CalPERS, and then the number of days a member
13 has been deceased once we learn of that death. We
14 reviewed over 40,000 deaths that were reported during the
15 audit period and the averages are identified in the table
16 in the slide.

17 Deaths are reported to CalPERS primarily through
18 two channels. They're either personally reported to
19 CalPERS through our Contact Center by family, friends,
20 employers, or other third parties, or they are identified
21 through our death verification service provider, which is
22 currently the Berwyn Group. Approximately 75 percent of
23 CalPERS member deaths are reported through the Customer
24 Contact Center. Team members enter the annuitant's death
25 into myCalPERS at the time of contact and benefits are

1 terminated the next day through an overnight batch
2 process. When this method is used, deaths are recorded
3 within one day and the average number of days a member has
4 been deceased when utilizing this method is 14 days.

5 Approximately, 25 percent of CalPERS member
6 deaths are identified through our death match vendor. Our
7 vendor conducts a monthly comparison of our retiree payee
8 records against their vital statistic data, and typically
9 returns results to CalPERS within three business days. A
10 CalPERS team member then reviews the hundred of death
11 verification results and enters the death into myCalPERS
12 as appropriate, and the benefit stream is terminated in
13 the overnight batch process.

14 DSBD also receives weekly updates from the vendor
15 on that same file and follows the same process. Our goal
16 is to enter deaths as quickly as possible to ensure
17 another benefit payment is not issued on the next monthly
18 roll. When deaths are identified via the vendor file,
19 deaths are recorded within seven to 10 days of receiving
20 the report. And the average number of days a member has
21 been deceased, when utilizing this method is 46 days.

22 Since only 25 percent of our deaths are
23 identified from the vendor, the average number of days the
24 member has been deceased, once reported to us, is 21 days
25 when averaging both the Contact Center and the death match

1 vendor method.

2 So besides utilizing these two methods to
3 identify member deaths, we also instituted a benefit
4 verification process in 2019, where we identify a
5 population of retirees to verify their benefit eligibility
6 status. And we are continuing to refine and improve that
7 process as we go through future stages.

8 Next slide, please.

9 --o0o--

10 DEPUTY EXECUTIVE OFFICER SUINE: Although our
11 response to record deaths and assure -- ensure accuracy on
12 average have been effective, we have already acted on
13 audit feedback to streamline the review process when the
14 file is returned from our vendor. And we also implemented
15 a supervisory review process of the deaths recorded from
16 the vendor. In addition, we recently sent out a new wave
17 of benefit verification letters and implemented new risk
18 factors to enhance the process, as recommended by the
19 audit.

20 In relation to augmenting our death
21 identification processes, we have been looking at several
22 additional vendor options. CalPERS submitted an
23 application to the Social Security Administration to gain
24 access to the SSA full file of death information. That
25 includes all the state reported death records. Our

1 request was denied according -- since CalPERS benefits are
2 not funded by the State -- are not wholly funded by the
3 State.

4 As an alternative, SSA indicated they have legal
5 authority to provide CalPERS access to what they call the
6 State Verification and Enumeration System under the
7 agency's privacy act. This would provide us access to
8 SSNs and death indicators for the entire death population
9 available to SSA. However, it does not provide a date of
10 death. This would then trigger us to perform additional
11 research to identify dates of death for these members and
12 subsequently stop benefits.

13 The approval process with SSA is quite lengthy,
14 but we have met with their leadership and have worked to
15 expedite any reviews on either of their side or our side.
16 However, due to this being a national issue, they have
17 numerous requests to gain access to the files for the same
18 reasons. Contractual documents have already been
19 submitted to SSA and are awaiting review by their
20 financial and General Counsel teams, which they indicate
21 may not occur until the end of this year. Then we will
22 proceed with additional procedures required to complete
23 the contracting process.

24 In addition, Social Security requires a state
25 transmission component because they won't exchange data

1 directly with a State agency. As of result, we have
2 already made arrangements with the California Department
3 of Technology to stire -- to serve as our State
4 transmission component.

5 In addition to pursuing the SSA file, DSBD has
6 also conducted market research to secure additional death
7 verification service providers to supplement our Berwyn
8 Group. We conducted a proof of concept with a vendor that
9 has more sophisticated algorithms and found additional
10 deaths that have gone undetected in the past. We are
11 working on a contract with that vendor that should be
12 completed in the next 30 days and then we complete -- can
13 proceed with the data exchange before the end of the year.

14 In addition, we are finalizing a contract with a
15 national nonprofit vendor that collects death data from
16 over 40 jurisdictions, mainly states, and also plan to
17 finalize that contract in the next 30 days and proceed
18 with exchanging data before the end of the year.

19 As we add these new vendors, we will be able to
20 ensure we are getting the most comprehensive and timely
21 death identification data, and monitor each for value and
22 effectiveness over the next year.

23 I'll pause there and see if there's any questions
24 on observation number one.

25 CHAIRPERSON MIDDLETON: Ms. Brown, I believe you

1 had a question.

2 COMMITTEE MEMBER BROWN: Yeah. So we'll go ahead
3 and talk about that. Thanks for the update, Anthony, on
4 the Social Security file. I mean, that's always sort of
5 been my question. It's like why aren't we getting the
6 Social Security file? Now, it's sounds like we are, you
7 know, this close to getting it, except that, you know,
8 they -- it's going to take till the end of the year, you
9 know. But I think I heard that our CEO has pull with the
10 Biden administration, so maybe you can get her involved in
11 getting Social Security Administration to move a little
12 faster, because this is really critical.

13 DEPUTY EXECUTIVE OFFICER SUINE: And, Ms. Brown,
14 the end of the year is just the first phase of their
15 contracting process.

16 COMMITTEE MEMBER BROWN: Oh.

17 DEPUTY EXECUTIVE OFFICER SUINE: Then we go into
18 following phases. They estimated it would take
19 approximately 12 months from when we started, which was
20 around the August time frame.

21 COMMITTEE MEMBER BROWN: Wow.

22 DEPUTY EXECUTIVE OFFICER SUINE: So we do have
23 significant hurdles to climb, but we are working with them
24 every step of the way.

25 COMMITTEE MEMBER BROWN: Great. Thank you. And

1 I'll save the rest of my comments till the end of your
2 presentation. Thank you.

3 DEPUTY EXECUTIVE OFFICER SUINE: Okay. And the
4 other two files I believe we'll have -- we'll gain a lot
5 of additional data from those as well. So it's not all
6 contingent on the Social Security file.

7 COMMITTEE MEMBER BROWN: Thank you.

8 DEPUTY EXECUTIVE OFFICER SUINE: All right. Next
9 slide, please.

10 --o0o--

11 DEPUTY EXECUTIVE OFFICER SUINE: So as previously
12 stated, our internal myCalPERS system is designed to
13 terminate benefits and record a receivable on the
14 decedent's account once a death report is entered by the
15 team member. While we are confident the system properly
16 terminates benefits and records receivables the vast
17 majority of time, we did identify a system issue that
18 occurred in the past for a period of time when certain
19 benefit streams were not terminated. That issue was
20 resolved and a report was created to identify these types
21 of errors in the future. However, it was only ran an ad
22 hoc basis and upon identification of a system issue or
23 concern.

24 Next slide, please.

25 --o0o--

1 DEPUTY EXECUTIVE OFFICER SUINE: As a result of
2 the audit, we did add additional report parameters to
3 determine if a death was input and the benefit stream was
4 not terminated or a receivable was not recorded. We are
5 now generating that report weekly and it is reviewed by
6 the team to ensure no instances are occurring. We also
7 are analyzing a system notification to prevent this from
8 occurring and the results of the report will help us
9 identify those instances which may occur that we can then
10 automate. Over the last five months of monitoring this
11 report, we've only had one instance where the benefit did
12 not terminate and we had to research and resolve.

13 I'll pause for any questions on observation
14 number two.

15 CHAIRPERSON MIDDLETON: I don't see any, Mr.
16 Suine, so please proceed.

17 DEPUTY EXECUTIVE OFFICER SUINE: Okay. Move to
18 next slide, please.

19 --o0o--

20 DEPUTY EXECUTIVE OFFICER SUINE: Observation
21 number three regarding lack of collections prior to
22 issuing of some survivor benefits. So in the next
23 observation, observation four, I will provide a more
24 detailed accounting of the overpayment collection process
25 and data. So here, I will focus on process and procedures

1 to mitigate this issue and then address any questions after
2 observation four on receivable collection as a whole.

3 To mitigate collection issues, the law provides
4 us the authority to recoup payments issued after the date
5 of death. We have automated processes to do this that are
6 highly successful as the data in observation four will
7 show. Upon a death being entered into the system, a bank
8 reclamation letter is distributed to notify the bank of
9 the death and for them to return the monies to us. If
10 those are not successful, we are able to recoup from the
11 beneficiaries and survivors as we process the benefits
12 payable and are able to deduct outstanding receivables
13 from those benefits.

14 Next slide, please.

15 --o0o--

16 DEPUTY EXECUTIVE OFFICER SUINE: As noted in the
17 audit, we have identified situations where benefits were
18 paid and receivables were not collected. We have since
19 updated procedures and training to team members on fully
20 recouping overpayments from benefits payable prior to
21 issuing. We have also developed a report that is actively
22 reviewed to identify any outstanding receivables where
23 benefits have been paid.

24 This is a mitigation until we fully implement an
25 automated control to the system to not allow benefits to

1 be issued when a receivable exists. I'll go ahead and
2 move on to observation number four, and then take any
3 questions in whole on --

4 CHAIRPERSON MIDDLETON: Thank you.

5 DEPUTY EXECUTIVE OFFICER SUINE: -- overpayments.

6 COMMITTEE MEMBER BROWN: Ms. Middleton, can I
7 just --

8 DEPUTY EXECUTIVE OFFICER SUINE: Yeah.

9 COMMITTEE MEMBER BROWN: -- ask a quick question
10 on that?

11 DEPUTY EXECUTIVE OFFICER SUINE: Sure.

12 COMMITTEE MEMBER BROWN: Thank you, Chair
13 Middleton. So it's currently not automated, so it's a
14 manual process is what you're saying about observation
15 number three?

16 DEPUTY EXECUTIVE OFFICER SUINE: Yes. What
17 happens is the team, as they're paying the benefits,
18 they -- they're instructed to review the account and
19 identify any outstanding receivables before paying those
20 benefits.

21 COMMITTEE MEMBER BROWN: As opposed to they can't
22 pay the benefit if there's a receivable, right?

23 DEPUTY EXECUTIVE OFFICER SUINE: Exactly. So
24 we're putting in that automated control, but in the
25 meantime we have that back-end report to identify any

1 concerns with that.

2 COMMITTEE MEMBER BROWN: Great. Thank you.

3 --o0o--

4 DEPUTY EXECUTIVE OFFICER SUINE: So moving on to
5 observation number four. While we agree that more can
6 always be done to collect on overpayment receivables, our
7 team is extremely successful on collecting on these
8 receivables when looking at the large population of
9 overpayments generated on an annual basis.

10 Directing your attention to the fourth bullet on
11 this slide, you can see why this process generates over a
12 hundred and fifty million dollars in receivables annually.
13 Through our bank reclamation letters and collecting from
14 beneficiaries and survivors through the benefit payment,
15 we are successful in completely closing receivables on
16 over 93 percent of the cases and collecting over 80
17 percent of the outstanding monies.

18 Since we developed this slide, we further
19 researched partially collected receivables during this
20 fiscal year, since this bullet reflected only those fully
21 closed receivables. Our financial data shows when adding
22 in those partially collected receivables that more than 95
23 percent of these receivable monies have been collected.

24 We also went back another fiscal year and
25 identified the same successful collection rates of over 95

1 percent for fiscal year 18-19. As I mentioned previously,
2 paying ongoing survivor benefits are the utmost priority
3 of the team. Paying other types of survivor benefits such
4 as lump sums and payments to other beneficiaries besides
5 survivors are a close second. Identifying sources to
6 collect from and actually being successful in those
7 collections can be time-consuming and require additional
8 resources.

9 We make every effort to follow up on our initial
10 efforts to collect. But knowing many of those outstanding
11 receivables also have a corresponding benefit payable, the
12 cost-benefit minimizes the priority of these ben -- of
13 these efforts.

14 Next slide, please.

15 --o0o--

16 DEPUTY EXECUTIVE OFFICER SUINE: However, we have
17 identified several collection -- corrective actions to
18 help improve on the process. We are seeking to clarify
19 legislation on the types of benefits we can recoup
20 overpayment receivables from. We are also working with
21 our Policy and Data Analytics and Research Division to
22 review best practices of our peer systems and other
23 pension systems to determine their efficiencies in
24 collecting overpayments to baseline our effectiveness.

25 We are also enhancing our notifications to better

1 indicate outstanding receivable amounts and due dates to
2 comply with State administrative standards and make
3 collections or discharging of receivables more expeditious
4 in the future. And we have already implemented a report
5 that identifies the largest receivables created, so we can
6 act immediately, as we know the longer a member has been
7 deceased, the more difficult it becomes to recoup
8 receivables.

9 So I'll pause there and answer any questions.

10 CHAIRPERSON MIDDLETON: Ms. Brown, you had a
11 question.

12 COMMITTEE MEMBER BROWN: Yes. Yes. It was with
13 regard to the previous observation about the percentage
14 that you're collecting or the dollar amount you're
15 collecting. And I heard you say you had gone back a prior
16 year to pull the same data. And so that would be helpful
17 for the Board to see those -- the multi-year trend line of
18 either the percentage, or the amounts, or just the numbers
19 you've got to collect. And it would be helpful to see how
20 with more automation probably the efforts will come down,
21 right? The -- there will be less to collect, hopefully,
22 you know.

23 DEPUTY EXECUTIVE OFFICER SUINE: Yeah. The more
24 death detection services we have, like those vendors, if
25 we can identify those deaths sooner, the less money that

1 will be going out the door after the date of death.

2 COMMITTEE MEMBER BROWN: Yeah, for the auto --

3 DEPUTY EXECUTIVE OFFICER SUINE: So that will
4 help.

5 COMMITTEE MEMBER BROWN: Yeah, for the automated
6 processes, that doesn't -- that will not allow a payment,
7 if there's a receivable or, you know, stop. You know,
8 those types of things can help as well. But I do
9 appreciate the information. All right. Keep going.
10 Sorry.

11 DEPUTY EXECUTIVE OFFICER SUINE: Okay.

12 CHAIRPERSON MIDDLETON: Thank you.

13 Mr. Rubalcava, I believe you have a question.

14 DEPUTY EXECUTIVE OFFICER SUINE: Yes.

15 COMMITTEE MEMBER RUBALCAVA: Yes, I just want to
16 make sure. Have you got -- maybe I've jumped the gun,
17 have you gotten to the third bullet yet, or are you still
18 going? Have you talked about the condolence -- the
19 condolence packaged.

20 DEPUTY EXECUTIVE OFFICER SUINE: Yeah, so that I
21 kind of incorporated in there, Mr. Rubalcava, but the --

22 COMMITTEE MEMBER RUBALCAVA: Could you explain
23 what that is in more detail? Sorry.

24 DEPUTY EXECUTIVE OFFICER SUINE: Yes, absolutely.
25 So the condolence package is what is sent to the address

1 on record of either the member who -- or the -- sorry, the
2 beneficiary who reports the death, maybe a survivor, maybe
3 a relative, and we send that condolence package out and
4 that contains the information for them to complete to
5 claim a benefit.

6 So that -- what the audit was pointing out is
7 that information needs to be more descriptive of what type
8 of overpayments might be tied to the case, needs to have
9 more of an invoice type of feel to it, and needs to have a
10 due date of when those payments need to be made. So that
11 would expedite any collection efforts and we could move
12 those on like we talked about in the Finance and Admin
13 Committee. The Financial team then has a collections team
14 that can go pursue those outstanding receivables, if we're
15 not able to collect up front as benefits are being paid.

16 COMMITTEE MEMBER RUBALCAVA: Thank you.

17 CHAIRPERSON MIDDLETON: All right. Mr. Suine,
18 please keep going.

19 DEPUTY EXECUTIVE OFFICER SUINE: Okay. Next
20 slide, please.

21 --o0o--

22 DEPUTY EXECUTIVE OFFICER SUINE: So observation
23 number five relates to timely write-offs. So as I
24 mentioned in the previous observation, our resources are
25 prioritized accordingly in paying benefits and other

1 activities to ensure proper customer service. We do have
2 processes and procedures for writing off outstanding
3 receivables that have no source to collect from or have
4 exceeded the statutes of limitations, but it has been a
5 lower priority as other workload demands have increased
6 over the last several years.

7 As you may have noticed in the annual discharge
8 of accountability report in the Finance and Administrative
9 state -- Administration Committee this morning -- or this
10 afternoon, we discharged 288 receivables totaling 138,000
11 over the last fiscal year.

12 Next slide.

13 --o0o--

14 DEPUTY EXECUTIVE OFFICER SUINE: However, as a
15 result of the audit finding, we have found more efficient
16 ways and dedicated resources to comply with the findings.
17 We have a new virtual folder technology that improves the
18 coordination of write-off effort between our Survivor
19 Benefits team and our Financial Reporting team to
20 discharge receivables that are uncollectable. We have
21 focused on receivables that are under \$500 and then those
22 with larger balances that have exceeded the 10-year
23 statute of limitations.

24 We have also focused our attention on negative
25 receivables, where overpayments may have been

1 overcollected, such as recouped from the bank and also
2 paid by the beneficiary or survivor and monies are owed
3 back to these individuals. So you can see from this slide
4 we're making a concerted effort to return those monies to
5 those individuals. And we are continuing to enhance these
6 processes and look at additional resources that can assist
7 with this workload.

8 So I'll go ahead and maybe I'll just close out
9 with the next steps and then I can take a variety of
10 questions. Is that okay, Ms. Brown and Madam Chair?

11 CHAIRPERSON MIDDLETON: That is okay. Please
12 proceed.

13 DEPUTY EXECUTIVE OFFICER SUINE: So just on the
14 next slide, just to summarize our next steps, we have a
15 few key priorities as we move forward to close out these
16 audit findings and improve our controls.

17 The first and foremost is finalizing the
18 contracts with the additional death identification vendors
19 to improve the timeliness and notifications of death and
20 perform the necessary monitoring to identify the most
21 efficient methods of detection.

22 We are also tracking the implementation of 17
23 corrective actions we proposed in our management response
24 to address the concerns found in the audit. We have
25 already provided updates on 14 of our 17 identified

1 corrective actions to our audit team for review, so they
2 can analyze and monitor if the actions are sufficient to
3 close the audit findings.

4 And lastly, we remain committed to improve the
5 controls and our processes while also continuing to ensure
6 our customer service and satisfaction remains high. And
7 we're collaborating closely with our Office of Audit
8 Services to monitor the effectiveness of those controls.

9 So with that, that's conclude my presentation and
10 we're happy to take any additional questions.

11 CHAIRPERSON MIDDLETON: Ms. Brown, I believe you
12 had additional questions or comments.

13 COMMITTEE MEMBER BROWN: Sure. Thank you.
14 Observation five, 101 negative receivables totaling
15 \$980,000. So is that in one year? Is that a one-year
16 number?

17 DEPUTY EXECUTIVE OFFICER SUINE: Yes, that was --

18 COMMITTEE MEMBER BROWN: Woo.

19 DEPUTY EXECUTIVE OFFICER SUINE: -- over the last
20 fiscal year, I believe.

21 COMMITTEE MEMBER BROWN: Great. Well --

22 DEPUTY EXECUTIVE OFFICER SUINE: Is that -- is
23 that correct, Keith?

24 DISABILITY & SURVIVOR BENEFITS DIVISION CHIEF
25 RIDDLE: Yeah. Excuse me. Good afternoon -- or good

1 evening. Keith Riddle CalPERS team member.

2 Yes, that is correct.

3 COMMITTEE MEMBER BROWN: Yeah. So as a Board
4 member, that would be a priority for me. I want us to do
5 the collections. But boy, if we've overcollected, I'm
6 glad to see that we're giving the money back that we're
7 not entitled to. I'm more worried about getting money,
8 but I didn't know about that number, so I appreciate that.

9 Who would be able to answer the question -- this
10 has come up two times now in the last several months,
11 about people not being able to get benefits timely --
12 survivor benefits, because the coroner had put pending on
13 the death certificate and so a benefit wasn't paid to a
14 survivor. Maybe this is not part of this, but -- and
15 maybe this is just a COVID issue or a workload issue for
16 the coroner, but I just want you to know that's come up
17 and hopefully we can figure out, you know, what those
18 delays are. I mean, if the member is deceased, you know,
19 the survivor of the beneficiary would need the payment.
20 So I don't know if this is the right time to answer that
21 question or not.

22 DEPUTY EXECUTIVE OFFICER SUINE: Yeah. We did
23 research that particular issue and we didn't find that the
24 team -- maybe, Keith, did you want to comment on that. I
25 know Keith's team looked into it.

1 DISABILITY & SURVIVOR BENEFITS DIVISION CHIEF

2 RIDDLE: And again, it depends on the circumstances,
3 because if it -- if it is a survivor that we're going to
4 be paying, we don't require the death certificate in order
5 to pay the survivor. We get the documentation after the
6 fact when we're going to be paying a lump sum benefit.
7 But we don't hold that payment of that monthly benefit to
8 get the death certificate.

9 But in cases where we're going to be paying the
10 lump sum and we do require the death certificate, it has
11 to be a final death certificate.

12 COMMITTEE MEMBER BROWN: Um-hmm.

13 DISABILITY & SURVIVOR BENEFITS DIVISION CHIEF

14 RIDDLE: It cannot be pending status.

15 CHAIRPERSON MIDDLETON: If I -- if I could
16 interrupt, I'd like us to be careful regarding the
17 questions and the answers that we have, given the fact
18 that not everyone who will be watching this tape is a good
19 actor. Some are going to be bad actors that are looking
20 for loopholes and for openings in our -- in our processes.
21 But clearly, we want to do the oversight necessary at the
22 Board level, but we don't want to create a roadmap.

23 COMMITTEE MEMBER BROWN: Yep. Thank you, Ms.
24 Middleton for that warning. I appreciate that.

25 I did have a final question for Ms. Chappuie,

1 which is -- first of all, thank you, Ms. Middleton, for
2 putting this on the agenda. I do appreciate that. I
3 think this is one of the best ways we can actually provide
4 oversight and accountability. And it's what -- we
5 typically don't hear about Ms. Chappuie unless it's in the
6 management letter. We don't know that these corrective
7 actions have been taken, because according to our policy,
8 we only know if they haven't been corrected after one
9 year. Then we get the list.

10 So for one year after this report, we don't know
11 what you've been doing, because I assume it's your office
12 that's making sure that, like in this case, this -- the
13 DBOR, whatever the department is, is making those changes,
14 is that correct? Are you making sure that they're
15 following through on their management plan?

16 CHIEF AUDITOR CHAPPUIE: Yes. So my team.

17 COMMITTEE MEMBER BROWN: Your team, yes.

18 CHIEF AUDITOR CHAPPUIE: You can hear me, right?

19 COMMITTEE MEMBER BROWN: (Nods head.)

20 CHIEF AUDITOR CHAPPUIE: So my team works with
21 the Division and when the Division submits us the
22 corrective actions and the documentation related to it, my
23 teams work with the Division, review the documents, ensure
24 it's sufficient, and they address the findings noted. And
25 if not, they request additional documentation until

1 they're fully satisfied that the Division has implemented
2 the corrective action and it's working as intended, and
3 then we close the finding. So we do monitor it until it's
4 closed.

5 COMMITTEE MEMBER BROWN: Great. And I -- and I
6 do appreciate that. We just don't get to see it. We
7 just -- we just don't know if it's outstanding until it's
8 over a year and then we know. But I do appreciate you
9 following up. I believe you are very diligent at this and
10 I do appreciate it. And more importantly, I learned a lot
11 about how our team -- how big the team the, first of all,
12 and how well they the are trying to not only do their
13 work, but improve. Improve on the way we pay benefits or
14 collect receivables. So I do appreciate what the staff is
15 doing and Ms. Chappuie, as always, I appreciate your audit
16 report.

17 Thank you.

18 CHAIRPERSON MIDDLETON: All right. Thank you.
19 Any other questions or comments from anyone else?

20 I'd like to just close. If I got these numbers
21 correct, Mr. Suine, in the last year, you worked on 26,000
22 deaths. So my simple math means that every day that
23 somebody comes to work in your office, you're looking at
24 approximately a hundred plus new death cases to take, and
25 manage, and process. And I can appreciate how difficult

1 an undertaking that is.

2 And last thing I want to say on this, all of
3 these instances that we're dealing with somebody has died.
4 And there's a family out there that is trying to recover
5 from the loss of a loved one, and we're trying to do our
6 best to make sure that we get the dollars right that go to
7 those families. So I want to thank Ms. Chappuie and her
8 team for the work in identifying that we have places where
9 we have to do better, as well as thank Mr. Suine and his
10 team for responding to this audit in exactly the way that
11 we look for our leaders to respond to an audit.

12 DEPUTY EXECUTIVE OFFICER SUINE: Thank you for
13 acknowledging that, Ms. Middleton. The work is difficult,
14 and it's voluminous, and then they're dealing with, you
15 know, members who are beneficiaries or survivors who lost
16 loved ones. So the work can be very taxing on these team
17 members and they do a great job. And Mr. Riddle brings in
18 a lot of, you know, support for the team to help them deal
19 with the type of workload that they deal with.

20 CHAIRPERSON MIDDLETON: Thank you.

21 CHIEF AUDITOR CHAPPUIE: Yes. Thank you. I also
22 would like to take the opportunity to say -- recognize my
23 team -- audit teams who are very dedicated and passionate
24 about the work they do in our mission as the auditors,
25 which is to add value to the operations of CalPERS and

1 help CalPERS management, the Board, and the executive team
2 to achieve the goal -- the goals and the mission of the
3 organization, and help them in their role by providing
4 them timely feedback and helping them improve the
5 operations.

6 CHAIRPERSON MIDDLETON: It's a teamwork effort
7 and it's one of checks and balances. So thank you all.

8 With that, I think we've concluded Item 6a and we
9 can move on to Item 6b, the enterprise risk management --

10 VICE CHAIRPERSON MILLER: One.

11 CHAIRPERSON MIDDLETON: Mr. Miller, I'm sorry.

12 VICE CHAIRPERSON MILLER: One quick comment and
13 it's a follow-up to Ms. Middleton's comment, is just on a
14 personal note, I never really have -- had really taken the
15 chance to say thank you to Anthony, Marcie, the whole
16 CalPERS team that when I lost my wife, the last thing
17 you're thinking about is money and administrivia, and --
18 but having those resources is really critical. And so I
19 really appreciated that -- receiving that in a very timely
20 manner, and in a very manner -- a manner that was
21 sensitive to the situation. And I just happen to have a
22 chance to say thank you. So thank you to the whole team.

23 DEPUTY EXECUTIVE OFFICER SUINE: Thank you, Mr.
24 Miller.

25 CHAIRPERSON MIDDLETON: David, thank you.

1 With that, we will move on to Item 6b and ask
2 Forrest Grimes to step forward. Thank you.

3 (Thereupon a slide presentation.)

4 CHIEF RISK OFFICER GRIMES: Good evening, Madam
5 Chair Committee members, membes of the Board. This is
6 Forrest Grimes, CalPERS team. It's nice to see you all,
7 and I hope you've been dealing well, and hopefully we can
8 do this face-to-face some time soon. That will be a --
9 that will be a nice welcome back, I'm sure, for all of us.

10 Item 6b is a review of the Enterprise Risk
11 Management dashboard, profiles, developing risks, and heat
12 maps serving to update the Committee on the current state
13 of enterprise risks.

14 If we can go to the first slide, please.

15 The list of current risks appears in the
16 enterprise risk management dashboard, that is Attachment
17 1, page 159 of your materials, if you'd prefer to do it it
18 that way. Our methodology in compiling the information in
19 these reports was initiated in July by conducting risk
20 assessment workshops with subject matter experts and
21 updating the respective risk profile for each risk. This
22 would be Attachment 2 and that would be 160 to 180 of your
23 materials.

24 We then conducted a risk scoring exercise with
25 senior leaders from throughout the enterprise. Results

1 were presented to the executive team and it was concluded
2 that there were no significant changes in perceived
3 residual risk as shown in the column to the far right of
4 the exhibit, Attachment 1.

5 Next slide, please.

6 --o0o--

7 CHIEF RISK OFFICER GRIMES: We also updated the
8 developing risk report that was first introduced to the
9 Committee last year, and that's Attachment 3. And you can
10 find that on page 181 of your materials. These are risks
11 that may pose significant threats that are not yet well
12 understood and should be monitored. They include the new
13 working model, maintaining organizational culture, and
14 third-party risks. And you can see the descriptions of
15 each of those in the document, so I'm not going to read
16 those for you at this late -- this late in the evening. I
17 know you're probably ready to wrap-up, but the material is
18 there for your review.

19 CalPERS is employing low-cost low-regret
20 mitigations while performing analysis to better understand
21 these threats.

22 Next slide, please.

23 --o0o--

24 CHIEF RISK OFFICER GRIMES: And finally, I want
25 to show you our heat map, which is Attachment 4. And you

1 can find that on page 182 of your materials.

2 This is the CalPERS team's view of the
3 prioritization of enterprise risks. While all are
4 important. This provides a high-level view of where to
5 give precedence to resources when in doubt.

6 And with that, Madam Chair, I'm going to turn it
7 back to you to see if there are any questions from the
8 Committee.

9 CHAIRPERSON MIDDLETON: I do not see any in the
10 chat. Are there any members of the Committee or any
11 members of the Board who would like to ask any questions
12 or comments?

13 Forrest, I think you got in at the end, so we
14 will let you go, and move on to Marlene and to Item number
15 6c --

16 CHIEF RISK OFFICER GRIMES: Thank you, Madam
17 Chair.

18 CHAIRPERSON MIDDLETON: -- which is summary of
19 committee direction.

20 Marlene, you're on mute.

21 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER
22 D'ADAMO: Sorry. I've employed my phone to help with
23 communication.

24 I did not record any Committee direction.

25 CHAIRPERSON MIDDLETON: I do not recall any as

1 well.

2 So with that, we have reached the end of the open
3 session, but we need to adjourn into closed session. It
4 will be a -- I believe a short closed session. We will
5 reconvene in open session for the purpose of adjourning
6 this meeting after the conclusion of closed session. For
7 those in the public, I do not expect that we will have any
8 reportable action when we reconvene. And Mr. Jacobs --

9 GENERAL COUNSEL JACOBS: Ms. Middleton.

10 CHAIRPERSON MIDDLETON: -- did I miss anything.

11 GENERAL COUNSEL JACOBS: You may have -- I would
12 just suggest that you check whether there's any public
13 comment.

14 CHAIRPERSON MIDDLETON: Excuse me. That I
15 definitely missed. Mr. Fox, is there any public comment?

16 STAKEHOLDER RELATIONS CHIEF FOX: Madam Chair,
17 there are no callers.

18 CHAIRPERSON MIDDLETON: All right. Well, I guess
19 my oversight goes unpunished today.

20 (Laughter.)

21 CHAIRPERSON MIDDLETON: So with that, let's
22 adjourn immediately into closed session and I will see
23 everyone in the other room.

24 Thank you.

25 (Off record: 6:31 p.m.)

1 (Thereupon the meeting recessed
2 into closed session.)

3 (Thereupon the meeting reconvened
4 open session.)

5 (On record: 6:56 p.m.)

6 VICE CHAIRPERSON MILLER: Okay. I think Ms.
7 Middleton is having some technical difficulties, so I'll
8 reconvene the Risk and Audit Committee open session just
9 to say we've concluded our business. We have nothing to
10 report out in open session from our closed session, which
11 we've concluded. And seeing no objections, I will move
12 that we adjourn. So -- oh, and there she is. So I was
13 moving adjourn -- if we don't -- with no objection and we
14 will see everybody tomorrow.

15 COMMITTEE MEMBER BROWN: Board Governance 9 a.m.

16 VICE CHAIRPERSON MILLER: Nine a.m.

17 CHAIRPERSON MIDDLETON: Thanks, David.

18 VICE CHAIRPERSON MILLER: Oh, no worries. Thank
19 you.

20 (Thereupon the California Public Employees'
21 Retirement System, Board of Administration,
22 Risk & Audit Committee open session
23 meeting adjourned at 6:56 p.m.)
24
25

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, Risk & Audit Committee open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California;

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

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

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



JAMES F. PETERS, CSR
Certified Shorthand Reporter
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