

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

CALPERS AUDITORIUM  
LINCOLN PLAZA NORTH  
400 P STREET  
SACRAMENTO, CALIFORNIA

TUESDAY, NOVEMBER 16, 2021  
1:17 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, represented by Nicole Griffith

Theresa Taylor, Vice President

STAFF:

Marcie Frost, Chief Executive Officer

Matt Jacobs, General Counsel

Warren Astleford, Interim Chief Compliance Officer

Anthony Suine, Deputy Executive Officer

Beliz Chappuie, Chief Auditor

Pam Hopper, Committee Secretary

APPEARANCES CONTINUED

ALSO PRESENT:

Steve Franklin, BDO (via teleconference)

Keith Hammond, BDO (via teleconference)

Bill Kim, BDO

Sylvia Mak, BDO

Dipika Nagin, BDO

INDEX

	<u>PAGE</u>
1. Call to Order and Roll Call	1
2. Approval of the November 16, 2021 Risk and Audit Committee Timed Agenda	2
3. Executive Report - Warren Astleford	2
4. Action Consent Items - Warren Astleford	
a. Approval of the September 14, 2021 Risk & Audit Committee Meeting Minutes	3
5. Information Consent Items - Warren Astleford	4
a. Annual Calendar Review	
b. Draft Agenda for the February 2022 Risk & Audit Committee Meeting	
c. Quarterly Status Report - Office of Audit Services	4
d. Status Report - Enterprise Risk Management	
e. Status Report - Enterprise Compliance Activity	
6. Action Agenda Items	
a. Independent Auditor's Report - Fiscal Years 2020-21 - Beliz Chappuie	11
b. Review of Independent Auditor's Management Letter - Beliz Chappuie	29
7. Information Agenda Items	
a. Summary of Committee Direction - Warren Astleford	43
b. Public Comment	43
Adjournment	44
Reporter's Certificate	45

PROCEEDINGS

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
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CHAIRPERSON MIDDLETON: I'd like to call to order the Risk and Audit Committee open session meeting for November 16, 2021. Pam, can you call the roll, please.

COMMITTEE SECRETARY HOPPER: Lisa Middleton?

CHAIRPERSON MIDDLETON: Present.

COMMITTEE SECRETARY HOPPER: Margaret Brown?

COMMITTEE MEMBER BROWN: Here.

COMMITTEE SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING COMMITTEE MEMBER RUFFINO: Present.

COMMITTEE SECRETARY HOPPER: David Miller?

VICE CHAIRPERSON MILLER: Here.

COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

COMMITTEE MEMBER RUBALCAVA: Here.

COMMITTEE SECRETARY HOPPER: Shawnda Westly?

CHAIRPERSON MIDDLETON: Excused.

COMMITTEE SECRETARY HOPPER: Lynn Paquin for Betty Yee?

ACTING COMMITTEE MEMBER PAQUIN: Here.

COMMITTEE SECRETARY HOPPER: Madam Chair, all for the Committee of the Risk and Audit are in attendance with Shawnda Westly being absent.

CHAIRPERSON MIDDLETON: All right. I'd like to announce that our meeting is being transcribed by our

1 court reporter, but is being done so remotely, so thank  
2 you.

3 And with that, we will get to the first item on  
4 our agenda, which is the approval of the November 16, 2021  
5 Risk and Audit Committee timed agenda. Is there a motion?

6 VICE CHAIRPERSON MILLER: Move approval.

7 COMMITTEE MEMBER BROWN: Second.

8 CHAIRPERSON MIDDLETON: Moved and second.

9 All in favor please say aye?

10 (Ayes.)

11 CHAIRPERSON MIDDLETON: Any opposed?

12 Any abstentions?

13 We will move to the third item agenda on, the  
14 executive report. And for that, we welcome and call on  
15 Warren Astleford.

16 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD:

17 Thank you very much. Good afternoon, Madam  
18 Chair, Mr. Vice Chair, and Committee members. My name is  
19 Warren Astleford. I'm a CalPERS team member and the  
20 Interim CalPERS Chief Compliance Officer.

21 There's several items before the Committee today  
22 for consideration. There's several information items.  
23 There's one action consent item. And there are two action  
24 items for the Board's deliberation and vote. Those two  
25 items are 6a and 6b. 6a is the independent auditor's

1 report for fiscal year 2020 through 2021. The Board's  
2 independent auditor, BDO, will be presenting that item.  
3 And again, it is an action item. The second action item  
4 is Agenda Item 6b, which is the review of the independent  
5 auditor's management letter. That draft letter was also  
6 prepared by BDO, and includes comments and recommendations  
7 relating to strengthening internal controls over financial  
8 reporting, based upon the audit of the June 30, 2021  
9 financial statements. Again, BDO will be presenting that  
10 as an action item.

11 The next Risk and Audit Committee meeting is  
12 scheduled for February 2022 and will include a review of  
13 the Risk and Audit Committee delegation, as well as the  
14 2021 through 2022 mid-year plan update for the Enterprise  
15 Compliance and Enterprise Risk Management units.

16 Thank you, Madam Chair. This concludes my  
17 Executive Report. I'd be happy to take any questions.

18 CHAIRPERSON MIDDLETON: Are there any questions  
19 for Mr. Astleford?

20 Seeing none.

21 We will move on to Item 4a, approval of the  
22 September 14, 2021 Risk and Audit Committee meeting  
23 minutes.

24 VICE CHAIRPERSON MILLER: Move approval.

25 COMMITTEE MEMBER BROWN: Second.

1 CHAIRPERSON MIDDLETON: Motion to approve,  
2 seconded. All those in favor, please say aye?

3 (Ayes.)

4 CHAIRPERSON MIDDLETON: Any opposed?

5 Any abstentions?

6 It is -- 4a is approved.

7 We go on to Item 5, information consent items.

8 Are there any items that anyone would like removed from  
9 the consent calendar?

10 COMMITTEE MEMBER BROWN: I would, Item 5c.

11 CHAIRPERSON MIDDLETON: B as in boy?

12 COMMITTEE MEMBER BROWN: C as in Charlie.

13 CHAIRPERSON MIDDLETON: C as in Charlie.

14 Any other items that anyone would like removed?

15 Seeing none.

16 5c will be removed and for separate discussion,  
17 and a motion to approve 5a, b, d, and e.

18 COMMITTEE SECRETARY HOPPER: Madam Chair, you  
19 don't need a motion on information consent.

20 CHAIRPERSON MIDDLETON: Okay. Thank you.

21 Then Item 5c, Ms. Brown, would you like a full  
22 report or do you have specific questions?

23 COMMITTEE MEMBER BROWN: Both. I would love to  
24 hear from Ms. Chappuie about the -- what we're doing.

25 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD:

1           We'll have Beliz Chappuie come up and speak on  
2 5c.

3           CHIEF AUDITOR CHAPPUIE: Yes, Ms. Brown.

4           COMMITTEE MEMBER BROWN: So do you want to just  
5 give us sort of an overview on the observations dashboard,  
6 the open findings over one year, and then I want to ask a  
7 process question as well.

8           CHIEF AUDITOR CHAPPUIE: Regarding the employer  
9 compliance review findings that are older than one year  
10 approximate --

11           COMMITTEE MEMBER BROWN: And our -- and our -- if  
12 we have any internal that are over one year.

13           CHIEF AUDITOR CHAPPUIE: We currently don't  
14 have -- okay. So let's go back. The -- our quarterly  
15 status report review is as of June 30, 2021. So as of  
16 June 30, 2021, we don't have any internal audit reports of  
17 findings that are open older than a year. We have three  
18 on the employer compliance review side that are listed on  
19 Attachment 2.

20           COMMITTEE MEMBER BROWN: So could we go through  
21 those?

22           CHIEF AUDITOR CHAPPUIE: Is Anthony Suine here?  
23 Would you like to join me Anthony?

24           COMMITTEE MEMBER BROWN: So for those -- for  
25 those of you who want to know where we are. That's Item

1 5c, Attachment 2.

2 DEPUTY EXECUTIVE OFFICER SUINE: Good afternoon,  
3 Madam Chair, members of the Committee. Anthony Suine,  
4 CalPERS team member.

5 Yes, Ms. Brown, there are -- actually, the one is  
6 closed. The other two are the Chino Valley Independent  
7 Fire District. Those two are still open. We have been  
8 working with the employer all during -- all during COVID.  
9 We had given our employers additional time because of  
10 COVID, them not being in the office to close these  
11 findings. They have been working with their board as well  
12 as their union to get these items closed to update them.

13 And we have sent several letters back and forth.  
14 The latest letter is that they'll have the audit finding  
15 closed in February. And they need to get their board  
16 approval and pass these for their Memorandums of  
17 Understanding to update their compensation requirements to  
18 come in alignment with the audit findings.

19 COMMITTEE MEMBER BROWN: Great. So Chino Valley  
20 is in my backyard. I just wanted to make sure and hear  
21 that they are working with you and working with the audit  
22 team to come into compliance.

23 DEPUTY EXECUTIVE OFFICER SUINE: Yes, they are.

24 COMMITTEE MEMBER BROWN: Okay. And so my  
25 question for Ms. Chappuie is how do you -- on these

1 employer compliance reviews, like these three that are on  
2 here now are two -- actually two different agencies. How  
3 do these -- how do you come about to audit these? Were  
4 these part of the random audits or was there maybe a  
5 complaint or an issue that came to light, and then you  
6 conduct these audits.

7 CHIEF AUDITOR CHAPPUIE: It could be both. We  
8 can -- as the audit team, we perform risk assessments and  
9 conduct -- select agencies that we would like to audit and  
10 then we also perform BI data analysis to identify those  
11 agencies that are at risk for the scope and objective of  
12 the assignment that we're performing and completing.  
13 That's how we select the agencies.

14 Now, in addition to that, there could also be  
15 complaints, requests from the executive team, Board  
16 complaints. We take those into consideration as well. So  
17 we refer to them as the ad hoc reviews, because we perform  
18 four cycle reviews throughout the year. But in addition  
19 to that, if anything comes to our attention via the  
20 request, we also take those into consideration.

21 COMMITTEE MEMBER BROWN: So Ms. Chappuie do --  
22 does your department get also complaints that come through  
23 the hotline or -- the little hotline that we have about  
24 waste, fraud, and abuse? Do you also -- do you also get  
25 that information and do you investigate off of that?

1 CHIEF AUDITOR CHAPPUIE: I don't directly get  
2 them, but I get it through either our Legal Office or  
3 Compliance Office. If there's anything they consider that  
4 needs audits attention or anything that would benefit our  
5 services to the organization, they bring it to our  
6 attention and then we perform an audit of the agency based  
7 on the complaint or the request.

8 COMMITTEE MEMBER BROWN: Thank you.

9 How many employer complaints reviews do you  
10 currently have underway?

11 CHIEF AUDITOR CHAPPUIE: For the whole year, for  
12 the current --

13 COMMITTEE MEMBER BROWN: For now -- just for now,  
14 how many do you have underway?

15 CHIEF AUDITOR CHAPPUIE: So for the full year,  
16 we will have approximately 240, but then there is  
17 additional ones that we perform based on the requests.

18 COMMITTEE MEMBER BROWN: And the reason I'm  
19 asking is I was made aware of a specific audit that you're  
20 working on. I did email you and the Chair about this and  
21 I understand that it's about to become public, but the  
22 timing seems to have taken very -- a long time, because I  
23 was made aware of an initial complaint that actually  
24 happened backed in 2020. So I'm trying to figure out  
25 process by how -- how long it takes you to perform the

1 audit and then whether or not the agency is compliant I  
2 assume is another problem.

3 CHIEF AUDITOR CHAPPUIE: They were. They were.  
4 It all depends. It all depends when we receive the  
5 request, how cooperative the agency is, the issues. There  
6 sometimes external factors that go into it, which I cannot  
7 elaborate right now, but those all vary and change the  
8 period of this assignments. And one instant in the past,  
9 I think it was City of Eastvale, it almost took two years  
10 to complete versus there's another one that we're  
11 performing -- we've performed our review within two  
12 months.

13 COMMITTEE MEMBER BROWN: Is that for the  
14 Broadmoor that you did in two months?

15 CHIEF AUDITOR CHAPPUIE: Correct.

16 COMMITTEE MEMBER BROWN: Okay. So just so you  
17 know, Eastvale is in my backyard too. And my guess is  
18 they weren't very compliant, because that's typically what  
19 I say. But I just want to know that -- so that audit on  
20 Broadmoor will be coming forward in a couple of weeks?  
21 Oh, the audit of the district would be coming forward in a  
22 couple of weeks?

23 CHIEF AUDITOR CHAPPUIE: Yes. So received their  
24 response. We're finalizing the report and then we'll be  
25 issuing it to the executive team and the Board.

1 COMMITTEE MEMBER BROWN: And that will be a  
2 public audit, because it's a public agency.

3 CHIEF AUDITOR CHAPPUIE: Once we finalize the  
4 report, it becomes --

5 COMMITTEE MEMBER BROWN: Thank you.

6 CHIEF AUDITOR CHAPPUIE: -- a public document,  
7 correct.

8 COMMITTEE MEMBER BROWN: Appreciate your help.  
9 Thank you.

10 CHIEF AUDITOR CHAPPUIE: Yeah.

11 CHAIRPERSON MIDDLETON: Are there any other  
12 questions?

13 Ms. Chappuie, the audit that was brought up, has  
14 that been made public yet?

15 CHIEF AUDITOR CHAPPUIE: I'm sorry, I had trouble  
16 hearing you. Could you repeat one more time?

17 CHAIRPERSON MIDDLETON: Certainly. I have  
18 trouble hearing as well, so we're in good company.

19 (Laughter.)

20 CHAIRPERSON MIDDLETON: The Broadmoor audit, has  
21 that been made public to anyone outside of your  
22 organization and the City of Broadmoor to respond?

23 CHIEF AUDITOR CHAPPUIE: During the draft audit  
24 report period, we only issue the draft report to the  
25 agency, because it's confidential until the report is

1 finalized. But once we receive the response and finalize  
2 our report, then it becomes a public document.

3 CHAIRPERSON MIDDLETON: All right. Thank you.

4 Are there any other questions for -- okay. Then  
5 we will move on to item number 6a, which is an action  
6 item. And that is the independent auditor's report. And  
7 we will start with Ms. Chappuie and I see Mr. Kim, and Ms.  
8 Mak, and the good folks from BDO joining us, so welcome.

9 CHIEF AUDITOR CHAPPUIE: Good afternoon, Madam  
10 Chair, members of the Committee. Beliz Chappuie, Office  
11 of Audit Services.

12 Agenda Item 6a is an action item. Staff is  
13 requesting the Risk and Audit Committee to approve the  
14 Board's independent financial statement auditor, BDO's,  
15 audit reports for the fiscal year-ended June 30, 2021.  
16 BDO staff are presenting with me today and I would like to  
17 turn it over to them.

18 MR. KIM: Thank you so much. Hello, Madam  
19 Chair -- hello, Madam Chair, Vice Chair, and Committee  
20 members. Thank for the time for us to come to present to  
21 you today to discuss the results of our audit.

22 With me here today are key team member -- key  
23 team members of my team and they'll assist me in  
24 presenting the results of the audit. We also have two  
25 team members also on the line as well, Keith Hammond as

1 well Steve Franklin who was also part of the team and  
2 they'll be joining to answer questions and go through some  
3 of the presentation.

4 If we can go to slide four, please.

5 --o0o--

6 MR. KIM: All right. The scope of our audit --  
7 of the CalPERS annual compliance financial report includes  
8 auditing the overall basic financial statements for the  
9 year-ended June 30th, 2021. Now, the basic financial  
10 statements cover the fiduciary funds, as well as the  
11 proprietary funds. And we have three draft deliverables  
12 that we provided to you in advance for review. Two of  
13 them are auditors reports, one which includes our overall  
14 financial statement audit opinion, and the third  
15 deliverable is actually on the screen, and it is a summary  
16 of our audit work.

17 Now as a reminder, management of CalPERS is  
18 responsible for the preparation of the financial  
19 statements. And the auditor's responsibility is to  
20 provide an opinion as to whether those financial  
21 statements are free of material misstatements. Now, this  
22 is from a reasonableness assurance -- reasonable assurance  
23 standpoint and not an absolute assurance standpoint, but  
24 we are expecting to issue an unmodified opinion, which  
25 means that it will be a clean report.

1           We'll also be issuing a report on internal  
2 controls over financial reporting and on compliance. Now,  
3 this is expected to conclude that there are no material  
4 weaknesses identified in internal controls identified, and  
5 also no matters of noncompliance that are identified that  
6 could have a direct or material im -- material effect on  
7 the financial statements.

8           Lastly, I do want to highlight that we have  
9 received the full cooperation of management during the  
10 audit and that all records and information requested were  
11 available for our inspection.

12           Next slide, please.

13                           --o0o--

14           MR. KIM: Now, as it relates to significant  
15 practices and policies, there were no changes made during  
16 the year. Now, one of the areas that we do focus a good  
17 amount of our attention to is related to the areas of  
18 estimates. And Steve Franklin who is on the line, our  
19 investments partner, an then Dipika Nagin to my left, one  
20 of our directors, will talk through these estimates at  
21 this time.

22           Steve, you want to talk about investments.

23           MR. FRANKLIN: Hi, Billy. Can you hear me?

24           MR. KIM: Yep. Go ahead.

25           MR. FRANKLIN: Hi. Good afternoon, everyone.

1 This is Steve Franklin again, audit partner at BDO. Thank  
2 you, Billy.

3           Yeah. So the first area that we wanted to cover  
4 here was the significant estimates related to private  
5 equity and real asset investments. As you're aware, these  
6 are a significant part of the portfolio and the management  
7 has done the appropriate active -- appropriate accounting  
8 and valuation work around these estimates. So our  
9 estimate -- the estimates are really around the -- you  
10 know, the lag analysis that we've talked about previously,  
11 where initially the financial statements are prepared  
12 using the 3/31 values, but then that is updated for the  
13 actual 6/30 values provided by the underlying investment  
14 managers.

15           And so we do an analysis where we assess the  
16 reliability of that information provided by management and  
17 underlying investment firms and we do some detailed work  
18 around the analysis of updating the values as of 6/30.

19           Based on our procedures and our sampling  
20 approach, we found no errors. Everything that management  
21 had done was appropriate and in line with what we would  
22 have expect. And we had no -- and we were pleased with  
23 the results and had no additional questions related to  
24 that matter.

25           With that, I will hand it over to Dipika to cover

1 the next items.

2 MS. NAGIN: Thank you, Steve. I will cover the  
3 next three significant accounting estimates. The first  
4 pertaining to the health care fund's estimated claims  
5 liability. This is a liability that uses an actuarial  
6 methodology based on historical claims data for each of  
7 the medical plans that are offered by CalPERS to its  
8 members.

9 The second is the estimated liability for future  
10 policy benefits to be paid for beneficiaries related to  
11 the Long-Term Care Fund, or the LTC. The LTC liability is  
12 derived from a roll-forward method and includes  
13 assumptions from the latest valuation report. One  
14 significant change to highlight is that the discount rate  
15 assumption for the long-term care liability increased from  
16 4 to 4.75 percent.

17 These assumptions updates, along with the impact  
18 of the long-term care class action settlement liability of  
19 2.9 billion, resulted in a significant decrease in the  
20 estimated liability for future policy benefits liability.  
21 The long-term care class action settlement liability has  
22 been appropriately recorded separately on its own line  
23 item in the ACFR.

24 Third is the area of pension liabilities for cost  
25 sharing plans including PERF B and PERF C, and single

1 defined benefit plans. As part of our audit for each of  
2 these three significant estimate areas, we performed  
3 procedures over the liabilities, including analytical  
4 analysis, sample testing, and procedures over accuracy and  
5 completeness of the data being used. We additionally  
6 independently utilized actuaries to review management's  
7 actuarial models, methodologies, calculations, and the  
8 related assumptions. Based on the work performed, we  
9 noted no issues.

10 And with that, if we could move to the next  
11 slide, please.

12 --o0o--

13 MS. NAGIN: Okay. Thank you.

14 This slide shows the results of our audit. There  
15 were no corrected or uncorrected misstatements identified  
16 and no proposed adjustments related to accounts and  
17 disclosures that were presented to management. This is  
18 reflective of the quality of CalPERS financial reporting  
19 process.

20 With that, I will now pass it over to Billy to  
21 cover the rest of the presentation.

22 MR. KIM: Thank you, Dipika.

23 CHAIRPERSON MIDDLETON: Before you start, are  
24 there any questions so far from any member of the Board?

25 All right. Thank you. Go ahead.

1 MR. KIM: Okay. Next slide, please.

2 --o0o--

3 MR. KIM: Next slide.

4 --o0o--

5 MR. KIM: All right. Now, this slide is a slide  
6 that we've discussed with you in the past. It includes  
7 definitions of internal control findings. It highlights  
8 that material weaknesses are the most severe type of  
9 control deficiency -- control finding. And we're required  
10 to report to the Risk and Audit Committee and -- about any  
11 material weaknesses identified as part of our audit. And  
12 we're happy to report that we've identified none. We're  
13 also required to report to the Risk and Audit Committee  
14 about any significant deficiencies which are control  
15 findings in which our less severe in nature than material  
16 weaknesses, but are still considered to be important  
17 enough to deserve the attention of the governance model.

18 Now, that's a judgment decision, but it is, in  
19 other words, something that we believe it's at least  
20 something that you should be aware of. Now, we've  
21 identified two of these type of items, one is related to  
22 segregation of duties over dormant accounts and the other  
23 is relating to monitoring of death overpayment  
24 receivables. You know, we'll discuss further in detail  
25 about these two findings during our next agenda item.

1           Okay. Next slide, please.

2                               --o0o--

3           MR. KIM: Next slide.

4                               --o0o--

5           MR. KIM: All right. These next two slides here  
6 include our other required communications. And I will  
7 highlight certain key items on these pages. First, other  
8 than the additional plan procedures that were performed in  
9 relation to the dormant accounts matter, now this is a  
10 matter related to a former employee in which had embezzled  
11 funds from CalPERS.

12           Now, this -- regarding -- other than this matter,  
13 we did not identify any other significant changes in our  
14 planned audit strategy or significant risks initially  
15 identified.

16           Now, the additional procedures that we did  
17 actually perform included utilizing our internal forensics  
18 specialist to assist in discussions with CalPERS internal  
19 and external investigators. And this included including  
20 reviewing the results of the investigations that were  
21 performed.

22           On top of that, we've also ensured as for our  
23 detailed testing of our distributions, including for  
24 unclaimed benefit accounts that we observed for evidence  
25 of authorization, and that distributions were made to

1 authorized accounts as well.

2 Second, other than this dormant accounts matter,  
3 there were no violations or possible violations of laws or  
4 regulations that were noted or relevant during the audit.

5 Next slide, please.

6 --o0o--

7 MR. KIM: And third, there are no disagreements  
8 with management or significant difficulties that we've  
9 encountered during the audit. And the last thing I will  
10 mention is that, as required by our professional  
11 standards, I want to reaffirm to the Committee that we, as  
12 your external auditors, are independent of CalPERS.

13 Now, that concludes our presentation of Agenda  
14 Item 6a, and we're happy to take any specific questions.

15 CHAIRPERSON MIDDLETON: I see Ms. Brown.

16 COMMITTEE MEMBER BROWN: Thank you. Were you  
17 here earlier today? Did you hear that conversation  
18 earlier about the financial audits?

19 MR. KIM: Yes.

20 COMMITTEE MEMBER BROWN: So I'm not a CPA, but  
21 there were some comments about how they were approving the  
22 budget before we actually approved the audit in the  
23 manager's report. Do you have a comment on that, like  
24 that it was out of order essentially?

25 MR. KIM: Yes. You know, ultimately, in terms of

1 the approval of the financial statements, that is -- you  
2 know, that is a processing decision of the Board. And  
3 then likewise also, it is necessary to receive approval by  
4 the Board of the audit report as well.

5 And so, you know, it is a decision of the Board  
6 in terms of the order. Now, I see it as the financial  
7 statements are essentially approved and can't ultimately  
8 be issued until the audit is approved too. So, you know,  
9 again, it's a matter that the Board just needs to come to  
10 a decision on, in terms of order.

11 COMMITTEE MEMBER BROWN: Thank you. I think  
12 typically in the past, we did Risk and Audit first and  
13 then FAC at the end of the day when we were very tired, as  
14 I recall it in the past, but we'll see that. What's  
15 interesting about both Items 6a and 6b on our agenda is  
16 that for 6a, it doesn't say review, accept, or approve.  
17 It just says independent auditor's report. And then 6b  
18 says review independent auditor's report, but your letter  
19 says we need to approve it. And so help me understand the  
20 difference between -- in terms of meeting the accounting  
21 standards, the difference between review, accept, and  
22 approve?

23 MR. KIM: As it relates to our report? Is  
24 that --

25 COMMITTEE MEMBER BROWN: Yeah. Well, yeah, as it

1 relates to your auditor's report, what the Board is  
2 required to do and then what it -- as it relates to your  
3 management letter, what are we required to do? Because it  
4 says we're just supposed to review it, but in your  
5 document it says we're supposed to approve it.

6 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD: Ms.  
7 Brown, if I could just interrupt for a moment.

8 COMMITTEE MEMBER BROWN: Oh, sure.

9 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD: The  
10 agenda item names are just that, they're agenda item names  
11 to put people on notice as to what's going to be  
12 discussed. If you look at the recommendation for both 6a  
13 and 6b, they both ask the Board to approve either the  
14 independent financial statement on 6a and 6b, approve the  
15 Board's independent financial statement. So they're both  
16 action items asking you to approve these two separate  
17 items.

18 COMMITTEE MEMBER BROWN: So it's both --

19 CHAIRPERSON MIDDLETON: If I could remind  
20 everyone to please speak into the microphone.

21 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD: My  
22 apologies.

23 CHAIRPERSON MIDDLETON: The sound is really poor  
24 during this meeting. Thank you.

25 COMMITTEE MEMBER BROWN: Nobody ever asked me to

1 do that.

2 (Laughter.)

3 COMMITTEE MEMBER BROWN: Okay. So it's both for  
4 approval not accept, right?

5 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD: That  
6 is correct.

7 COMMITTEE MEMBER BROWN: All right. Thank you.

8 I did -- so I did have another question for you,  
9 Mr. Kim.

10 CHIEF FINANCIAL OFFICER COHEN: Before you go on,  
11 Chair, if I may. Michael Cohen with the Financial Office.  
12 We did, after this morning's conversation, just go back  
13 over the last decade or so, and we could not find a year  
14 in which Risk and Audit went before Finance and Admin. So  
15 the way we're doing it today is the same, as far as we  
16 know, that's been done for the last decade. And  
17 obviously, the Board could direct us to do it a different  
18 way, if they so choose, but this is CalPERS tradition to  
19 do FAC before Risk and Audit.

20 COMMITTEE MEMBER BROWN: Thank you. Appreciate  
21 that update. So the other question that came up at FAC  
22 today was about the financial statements and how we report  
23 the non -- the assets that are either private equity or  
24 real estate assets that may have a delay. And so the  
25 question -- and you know this came up last year because of

1 your adjustment you had us make to the -- CalPERS to  
2 make -- or we didn't make it, because it wasn't -- it  
3 wasn't material, but it was still like \$585 million. I  
4 can't remember. It was a lot of money.

5 So I just want it to be clear that this year the  
6 financial statements show or the audit shows returns on  
7 the private assets for four quarters ending June 30th and  
8 it didn't require a footnote or and adjustment, is that  
9 correct?

10 MR. KIM: Partly, yes.

11 COMMITTEE MEMBER BROWN: Help me here.

12 MR. KIM: So last year's did include four  
13 quarters as well. It's just that it also included  
14 unrealized movements from 2019. So 2018 to 2019 fiscal  
15 year, which came in to the 2020 financial statements. So  
16 that was the prior year. Now --

17 COMMITTEE MEMBER BROWN: So it sounds like that's  
18 five quarters though, is that true? That's what it feels  
19 like, so I want to ask that. Was it five quarters then?

20 MR. KIM: Well, it included the movement from the  
21 previous quarter, but you have to keep in mind the -- how  
22 the accounting actually works is you're trying to estimate  
23 what that value is as of June 30th in whatever the fiscal  
24 year is. And so estimates are a part of what we do in the  
25 accounting profession. And as auditors, we then come to

1 audit in terms of what is management's process of how  
2 they're coming up with that specific estimate.

3           And so management's process has not changed in  
4 terms of how they're going about doing their estimate,  
5 which, as has already been explained earlier today, is  
6 where they initially utilize the 3/31 valuations and then  
7 they're continuing to monitor as it relates to any  
8 subsequent information that exists that would necessitate  
9 that there needs to be an adjustment, so that the 6/30  
10 values are appropriate.

11           And so we as auditors assess that and we'll look  
12 to see making sure that mon -- that management is making  
13 those necessary adjustments and making sure that the  
14 financial statements are without any material error.

15           And so with that said, that process has not  
16 changed. It's just that the past two years, they have  
17 gone ahead and made that additional adjustment, but the  
18 process and methodology has not changed, which we do not  
19 have any issues with.

20           COMMITTEE MEMBER BROWN: Right. So last year, we  
21 talked about what was or was not material. Typically,  
22 it's one percent or more, but we said even though it  
23 wasn't one percent, it was still a lot of money. And so  
24 we were going to look at the definition of material, I  
25 remember that. It was an ask either last time at FAC or

1 at Risk and Audit. I don't know if we've looked at that  
2 again.

3 And the other issue is that it needs to be -- we  
4 think it -- I think it needs to be appropriately footnoted  
5 that we're using four quarters plus an adjustment or three  
6 quarters -- you know, it's -- it's just a little -- it  
7 seemed like we counted five quarters last time, because we  
8 had the adjustment from the prior year up \$585 million  
9 plus the four quarters, right?

10 So again, it's just a little confusing. So it  
11 looks like it overstated the returns on the assets, and  
12 that's -- and that's what it looked like just how much  
13 money we earned. So even though it didn't -- it did --  
14 it didn't overstate it, because we didn't pick it up the  
15 prior year, I understand that, but it's just a little  
16 confusing. And I would just hope that even if it's a  
17 small amount that we just make the adjustment every --  
18 every year. I mean, I know that's not our process, but it  
19 would be helpful if we just did it every year up or down,  
20 just make the adjustment every year.

21 MR. KIM: Yes. And Committee Member Brown, I  
22 believe in an ideal world, you know, we would definitely  
23 agree to that as well, but, you know, just in practice,  
24 what we've seen with all of our audit clients, especially  
25 ones with significant investment portfolios, private

1 equity, real asset funds, it's very common, very standard  
2 actually to use this approach that management is actually  
3 taking. So this includes, within the industry, other  
4 PERS, other retirement systems, as well as other  
5 significant institutions that -- and some of which I've  
6 also had experience auditing in the past.

7           And so with that said, yes, it's always good to  
8 try to get your estimate as fine tune as possible. The  
9 problem with this type of estimate is sometimes you're  
10 waiting for information to come in. And some of that  
11 information does not come in until September and maybe  
12 even in October. Whereas, there needs to be a cutoff that  
13 takes place, so that management can start the process of  
14 financial reporting, because there's a lot of numbers that  
15 are impacted. And so -- and then a lot of numbers that  
16 need to be then audited by, you know, auditors, which are  
17 us. So it just takes a lot of time, so there's a  
18 practical element to this as well.

19           But at the same time, we as auditors, need to  
20 make that judgment call and assess is this number  
21 approximately correct, right? Is this number within  
22 reason? And so we do monitor that up until we actually  
23 issue the financial statements.

24           COMMITTEE MEMBER BROWN: I appreciate that.  
25 Thank you.

1 MR. KIM: Yeah.

2 CHAIRPERSON MIDDLETON: Ms. Taylor.

3 VICE PRESIDENT TAYLOR: Yes. Thank you. I  
4 just -- you kind of answered my question. I was wondering  
5 we're adhering to standards, right? So these are normal  
6 standards that we're adhering to. So these extra pieces  
7 that would help Ms. Brown not be confused isn't normally  
8 reported anyway, based on the standards that we -- that  
9 you as auditors have to adhere to, is that correct?

10 MR. KIM: Yes. These are all based upon our  
11 professional standards and auditing methodologies that are  
12 in practice, acceptable across our industry.

13 VICE PRESIDENT TAYLOR: Okay. And it's not that  
14 anyone is trying to hide anything. It's just these are  
15 the way things are reported when they come up, is that  
16 correct?

17 MR. KIM: Yes, agree.

18 VICE PRESIDENT TAYLOR: All right. Thank you

19 CHAIRPERSON MIDDLETON: All right. Any other  
20 members of the Board?

21 Yes. The -- to the question that Ms. Brown  
22 asked, did you find any evidence of anything other than a  
23 12-month period being reported in any of your audits?

24 MR. KIM: No. It was a 12-month period.

25 CHAIRPERSON MIDDLETON: All right. Thank you.

1           Did you find any practices, over the course of  
2 this year, that were inappropriate or invalid?

3           MR. KIM: No, there -- nothing that we're aware  
4 of.

5           CHAIRPERSON MIDDLETON: All right. Thank you.

6           Are there any other questions on 6a?

7           Seeing none.

8           We do have a public comment on 6a. It is on the  
9 phone and it is Stephanie Hueg from California State  
10 Retirees.

11           Mr. Fox.

12           STAKEHOLDER RELATIONS CHIEF FOX: Yes, Madam  
13 Chair. Stephanie Hueg from CSR.

14           MS. HUEG: Mr. Fox, I wanted to speak on the  
15 Pension and Health Benefits, 6a.

16           STAKEHOLDER RELATIONS CHIEF FOX: All right.  
17 Thank you.

18           MS. HUEG: Thank you.

19           STAKEHOLDER RELATIONS CHIEF FOX: Nothing  
20 further, Madam Chair.

21           CHAIRPERSON MIDDLETON: Okay. All right. Then  
22 we will move on to Item 6a. Ms. Hopper, do we approve 6a  
23 and 6b separately or --

24           COMMITTEE SECRETARY HOPPER: Separately.

25           CHAIRPERSON MIDDLETON: All right. Is there a

1 motion to approve Item 6a?

2 VICE CHAIRPERSON MILLER: Move approval.

3 COMMITTEE MEMBER BROWN: Second.

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

6 All those in favor please say aye?

7 (Ayes.)

8 CHAIRPERSON MIDDLETON: Any opposed?

9 Any abstentions?

10 6a is approved.

11 We'll move on to Item 6b, Ms. Chappuie.

12 CHIEF AUDITOR CHAPPUIE: Madam Chair, Beliz  
13 Chappuie again. Agenda Item 6b is an action item and  
14 related to Agenda Item 6b. Staff is requesting the Risk  
15 and Audit Committee to approve the Board's independent  
16 financial statement auditor BDO's draft management letter.  
17 I would like to turn it back over to BDO staff.

18 MS. MAK: Thank you, Beliz. Sylvia Mak, auditor  
19 at BDO. Madam Chair, Mr. Vice Chair, and members of the  
20 Committee, in planning and performing our audit of the  
21 financial statements of CalPERS for the fiscal year 2021,  
22 we considered CalPERS's internal controls over financial  
23 reportings as a basis for designing our audit procedures  
24 for the purpose of expressing our opinion on the financial  
25 statements, but not for the purpose of expressing an

1 opinion on the effectiveness of internal controls.

2 Billy provided you with an overview of the  
3 definitions of control findings categories in the prior  
4 agenda item, so I will not go through those with you. In  
5 connection with our audit, we noted no material  
6 weaknesses. We observed two significant deficiencies that  
7 we thought important enough to merit the attention of  
8 those charged with governance.

9 The first significant deficiency relates to the  
10 lack of segregation of duties over the oversight of  
11 dormant accounts. Dormant accounts are those which have  
12 not had activity in them for over six months and the  
13 retiree has not been identified as deceased.

14 Specifically, payments issued from dormant accounts could  
15 be requested and approved by the same individual.

16 The Warrant Administration Team, who is  
17 responsible for processing distribution payments from  
18 dormant accounts could also make updates to direct deposit  
19 information, since when reissuing payments -- while  
20 they're issuing payments, which causes the segregation of  
21 duties conflict.

22 We recommend that payments issued from the  
23 dormant accounts be requested and approved by two  
24 different individuals. The team processing the  
25 distribution payments should also not be the same team as

1 those that are making changes to direct deposit  
2 information.

3 Management took steps in April of 2021 to put  
4 into place additional manual preventative controls, such  
5 as requiring either the Retirement Benefit Services  
6 Assistant Division Chief, or the Division Chief to approve  
7 payments that are made from dormant accounts.  
8 Additionally, improved segregation of duties was put into  
9 place between the team that can reissue payments from the  
10 dormant accounts and the team that can make changes to  
11 member account information.

12 CalPERS is also in the process of putting into  
13 place more system-preventative automated controls within  
14 myCalPERS. These changes are currently being tested and  
15 is expected to be deployed and implemented in December of  
16 2021. We will continue to monitor the changes that have  
17 and will be put into place into the current year, and we  
18 will test the design and implementation of those controls  
19 as part of our fiscal '22 audit.

20 The second significant deficiency relates to the  
21 death benefit overpayment receivables, which was an agenda  
22 item shared by the CalPERS Office of Audit Services during  
23 the September meeting with the Committee. We considered  
24 the findings in that report as part of our audit and we  
25 have no additional findings to add beyond what had already

1 been identified and shared with the committee. We  
2 understand CalPERS has put in place controls and is also  
3 continue to put in place controls to improve and to  
4 address those findings in that report. We continue to  
5 monitor those changes and we will test the operating --  
6 implementation and operating effectiveness of those in the  
7 '22 audit as well.

8           We also communicated to management one  
9 deficiency. We observed four members of the Actuarial  
10 Office, ACTO, who have security administrative access to  
11 the Actuarial Valuation System, AVS. The security  
12 administrative access rights provides users with the  
13 ability to add users, remove users, and edit user access.  
14 This creates a segregation of duties conflict, because it  
15 provides the potential for an individual to prepare  
16 evaluation reports, as well as review a valuation report  
17 by changing system access rules. The review of user  
18 access logs also occurs every six months. However, it was  
19 being performed by a member of ACTO who had administrative  
20 access.

21           We recommended that management remove the  
22 security administrative access role from the active AVS  
23 users and instead have IT take over the user access  
24 provisioning. Additionally, it was recommended that the  
25 user access logs be periodically reviewed by an individual

1 who does not have security administrative access to AVS.  
2 Management responded in October 2021 by removing the  
3 administrative access role from those in the Actuarial  
4 Office and instead this role has been taken over now by a  
5 division within the IT group. Any changes to user access  
6 are also requested now through ServiceNow and those  
7 changes are made by the IT group and the user access logs  
8 are also reviewed by the IT group. We will continue to  
9 monitor the improvements that have been made into the  
10 coming year and we'll also test those controls as part of  
11 our '22 audit.

12 We also wanted to take an opportunity to look  
13 back at the prior year in terms of our prior year 2020  
14 control findings. As part of our 2020 audit, we  
15 identified a deficiency related to the need to implement  
16 controls to review all financial statement categories in  
17 order to assess whether reclassifications are necessary  
18 between financial statement accounts or activity to ensure  
19 no misclassifications.

20 During the prior year, the members of management  
21 of CalPERS had put into place detective and preventative  
22 controls to better detect misclassifications. On the  
23 investment side, for example, the Financial Office, using  
24 Bloomberg, now independently verifies the classification  
25 of investments at year-end in order to check the

1 classifications as proposed by the Investment Office. We  
2 concur with management that this deficiency has been  
3 remediated.

4 And this concludes our remarks on the management  
5 letter and we open it now for questions. Thank you.

6 CHAIRPERSON MIDDLETON: Thank you.

7 A follow-up question regarding the AVS system.  
8 You found a break -- breakdown in segregation of duties.  
9 Did you find any inappropriate activity being -- to have  
10 taken place?

11 MS. MAK: No, we did not. We also, as part of  
12 our audit, had looked specifically at the logs to see  
13 changes in user access. Those logs are maintained not  
14 within ACTO. It's provided separately. And so as part of  
15 our look at that, we did not observe any unusual user  
16 access.

17 CHAIRPERSON MIDDLETON: All right. Thank you.

18 Before we get into questions, Mr. Suine, you've  
19 had an opportunity on a couple of occasions to talk about  
20 the dormant accounts and the death benefit, which was  
21 covered extensively at the last meeting. Is there  
22 anything you would like to add before we get into Board  
23 member comments?

24 DEPUTY EXECUTIVE OFFICER SUINE: Thanks, Ms.  
25 Middleton. Just reiterating what BDO identified as our

1 mitigations of, you know, four key things, separation of  
2 duties, adding automation to just reinforce those  
3 additional controls, locking down all the dormant accounts  
4 and requiring supervisory approval of those releases, and  
5 then lastly running reports on the back end from learned  
6 behaviors that we found to continue to review and audit  
7 those cases.

8 CHAIRPERSON MIDDLETON: All right. Thank you. I  
9 have a request to speak from Ms. Brown.

10 COMMITTEE MEMBER BROWN: Thank you.

11 Mr. Suine, about how many dormant accounts do we  
12 have?

13 DEPUTY EXECUTIVE OFFICER SUINE: There was a  
14 approximately 9,000.

15 COMMITTEE MEMBER BROWN: Wow. Okay. Those -- so  
16 dormant accounts are accounts that haven't had any  
17 movement in the money for six months or longer, is that  
18 what I heard BDO say?

19 DEPUTY EXECUTIVE OFFICER SUINE: Yeah. They're  
20 benefits that have, right, no identified -- we have a  
21 process where we -- where the money is returned to us, and  
22 after a certain period of time, we no longer issue those  
23 benefits out, so then they become dormant.

24 COMMITTEE MEMBER BROWN: Great. Okay. Thank  
25 you. That's all I have on that question.

1           For BDO, you told us about how you found the --  
2 an issue with the controls in ACTO. My question is how do  
3 you determine what controls you're going to test? I mean,  
4 we're a huge organization. I'm just curious, do you  
5 stumble across them or do you base it based upon maybe  
6 other experience, just curious?

7           MS. MAK: Sure. So as part of planning for our  
8 audit, standard procedure is for us to perform  
9 walk-throughs. And we perform walk-throughs of, you know,  
10 all the various cycles, particularly any significant  
11 accounts that they relate to. And as part of those  
12 walk-throughs, it's actually part of our risk assessment  
13 process, as a way for us to help identify what specific  
14 procedures or areas that we want to target as part of our  
15 audit.

16           And so through that, we then evaluate, you know,  
17 what form of audit testing are we going to perform, where  
18 are we going to focus our areas. So, yes, we can't do a  
19 full extensive nitty-gritty of every single process that's  
20 out there, but we do get a general understanding of the  
21 processes and controls that are in place.

22           COMMITTEE MEMBER BROWN: Okay. Great. Thanks  
23 for letting us know that. And then I do appreciate your  
24 feedback on the death benefit overpayments. I want to say  
25 that -- I want to thank Chair Middleton for actually

1 putting that internal control on the agenda. It's, in  
2 my -- in my four years on the Board, it was the first time  
3 we've had an internal audit on -- in the open session  
4 discussed. And what was helpful was to hear Mr. Suine  
5 talk about the actual process and all the work that goes  
6 into that. So even though the story in the paper was  
7 terrible, I do appreciate, and the Board had a much better  
8 understanding of the processes and how complicated it is.

9 But I would encourage this Committee to continue  
10 to put internal audits up here for public disclosure, for  
11 transparency and accountability. I think it's critical.  
12 As long as it's not something secret that we need to do in  
13 closed session, I think they should be discussed, because  
14 we become much more knowledgeable and it actually gives an  
15 opportunity for staff to talk about what they're doing  
16 successfully and where they need additional assistance.

17 Thank you.

18 CHAIRPERSON MIDDLETON: Mr. Rubalcava.

19 COMMITTEE MEMBER RUBALCAVA: Yes, I just had a  
20 question on procedures. On the death benefit overpayment  
21 receivables, I was -- I thought I understood the  
22 discussion in September, but now I'm seeing on the draft  
23 letter on page three of five, the first two bullets I  
24 understand where there's -- you don't -- you have to  
25 recover the money that was paid due to a death. But on

1 the last two -- the next two -- I -- can you help me  
2 understand. I'm not sure if -- who the question -- Mr.  
3 Suine, I don't know who can speak to this, but what is the  
4 difference between a lump sum survivor benefits that was  
5 issued, then you have to recover it, because there's a  
6 death benefit overpayment? How do those two coordinate  
7 together, if somebody could ex -- I'm not familiar with  
8 the benefits. Sorry.

9 DEPUTY EXECUTIVE OFFICER SUINE: Yeah, Mr.  
10 Rubalcava. The death benefit overpayment, it's a little  
11 bit misleading or misnomer. These are retirement benefits  
12 that are paid after the date of death, right? So we're  
13 not aware of the death that occurred yet, or we couldn't  
14 stop the payment in time and so that retirement benefit  
15 was paid after the date of death and it becomes a death  
16 benefit overpayment receivable that we need to collect  
17 back. We might reach out to the bank and get that money  
18 back, and if we don't, then we reach out to the -- to the  
19 beneficiary.

20 COMMITTEE MEMBER RUBALCAVA: Oh, so maybe it is  
21 the terminology. So a death benefit doesn't mean that  
22 you -- it's something you get when you die, it's -- it  
23 basically means that you got a payment after you had  
24 passed away, your regular benefit. I see.

25 DEPUTY EXECUTIVE OFFICER SUINE: Yeah. Then

1 there's the lump sum benefit that is payable to say a  
2 beneficiary in those cases. Typically, those aren't  
3 overpaid, because we don't pay those until the individual  
4 comes forward and provides the information, but sometimes  
5 those can help offset any overpayment receivable.

6 COMMITTEE MEMBER RUBALCAVA: Now, I understand.

7 DEPUTY EXECUTIVE OFFICER SUINE: Okay.

8 COMMITTEE MEMBER RUBALCAVA: Thank you. Thank  
9 you for the clarification --

10 DEPUTY EXECUTIVE OFFICER SUINE: Sure.

11 COMMITTEE MEMBER RUBALCAVA: -- and thank you for  
12 doing the audit. Thank you for inserting the corrective  
13 action that was identified and recommended. Thank you,  
14 everybody.

15 CHAIRPERSON MIDDLETON: Are there any other  
16 questions from any other Board members?

17 Mr. Suine, could you remind us approximately how  
18 many retirees that we have pass away on a given day, or  
19 week, or month?

20 DEPUTY EXECUTIVE OFFICER SUINE: Yep. So every  
21 month we have about 2,000 -- 1,800 to 2,000 deaths of our  
22 retirees. So we have -- you know, while there's 9,000  
23 dormant accounts we have -- we pay about 700,000 payees  
24 every month, retirees, beneficiaries, and then, yes,  
25 another 2,000 are dying on a monthly basis.

1           CHAIRPERSON MIDDLETON: And I think the name  
2 death benefit is a bit of a misnomer. So as I understand  
3 it, if someone were to report the death of their loved one  
4 within a matter of days, even if that -- even if it did  
5 happen within a matter of days, if it was -- the death  
6 were to occur right at the time that someone was to  
7 receive their monthly retirement check, it's likely that  
8 there would be a check that would go out.

9           DEPUTY EXECUTIVE OFFICER SUINE: That's correct,  
10 Ms. Middleton. Our file goes over to the State  
11 Controller's office, you know, before the 15th of the  
12 month.

13           CHAIRPERSON MIDDLETON: Okay.

14           DEPUTY EXECUTIVE OFFICER SUINE: So any death  
15 that occurs after that, even if it's reported within a  
16 day, will still have a check issued to them on the first  
17 of the following month that we then attempt to recover.

18           CHAIRPERSON MIDDLETON: And as I understand it,  
19 the problematic part of this is that you have individuals  
20 who just simply get caught up in emotion and forget to  
21 report to us the death of a loved one, and then others  
22 that seem to be very forgetful for a very long period of  
23 time. And our systems historically relied on Social  
24 Security data that was very prompt in notifying us, and  
25 that data is no longer available to us.

1           DEPUTY EXECUTIVE OFFICER SUINE: The full set of  
2 data is no longer available to us.

3           CHAIRPERSON MIDDLETON: And how -- can you tell  
4 us the progress that you're making on creating a file that  
5 would be consistent with the kind of information that we  
6 used to be able to receive.

7           DEPUTY EXECUTIVE OFFICER SUINE: Yeah. So as  
8 you're probably aware, getting the data from the actual  
9 Social Security office, that full data set, is  
10 problematic. And we continue to work with Social  
11 Security, but it's not easy. And that process is going to  
12 take quite a bit longer as they work through some things  
13 on their end to grant us that approval.

14           But in the meantime, I think we have some other  
15 solutions that really mitigate the problem. We're working  
16 with two different companies right now that we're right in  
17 the midst of either finalizing the technology to transfer  
18 the data, or finalizing the contract to transfer that  
19 data.

20           So one of them is a non-profit that collects  
21 health and vital statistic data from over 40 entities,  
22 typically states. And that's the problem is we're not  
23 getting these states' data that had proprietary data to  
24 them. So some of the vendors we use right now only may  
25 contract with 10 to 15 states. This group has 44 states

1 that they contract with. And then the other group has --  
2 that we're working on the contract with has very  
3 sophisticated technology that works with funeral homes,  
4 obituary searches, using complex algorithms to find deaths  
5 that are never reported or maybe only reported in a  
6 newspaper, but never called in to any federal agency.

7           So we believe once we have those two on file, and  
8 start receiving that file, which is really right around  
9 the corner, the next 30 to 60 days, we'll be in a much  
10 better shape of catching those. And if you remember from  
11 September, we're collecting 95 plus percent of those  
12 overpayments that are paid out. So it's really those ones  
13 that go undetected for long periods of time, that become  
14 more difficult to collect. So even those ones you mention  
15 where they forget maybe to report, we're usually pretty  
16 successful collecting that money back. It's the ones that  
17 don't want to tell us are the more difficult ones.

18           CHAIRPERSON MIDDLETON: Okay. This issue is  
19 important and I would like to ask that you and Risk and  
20 Audit come back to us mid-year in '22 and report on the  
21 progress that you have made and how it is working as  
22 you're testing out these new systems.

23           DEPUTY EXECUTIVE OFFICER SUINE: Happy to do  
24 that.

25           CHAIRPERSON MIDDLETON: Okay. Thank you.

1 Are there any other questions from the Board?

2 Ms. Hopper, do we have any other public test --  
3 comments? Okay. Then can I got a motion to approve 6b?

4 VICE CHAIRPERSON MIDDLETON: Move approval.

5 CHAIRPERSON MIDDLETON: Moved approval.

6 Second?

7 ACTING COMMITTEE MEMBER PAQUIN: (Hand raised.)

8 CHAIRPERSON MIDDLETON: All those in favor,  
9 please say aye?

10 (Ayes.)

11 CHAIRPERSON MIDDLETON: Any opposed?

12 Any abstentions?

13 Then we're completed with 6b.

14 We will move on to 7a, which is summary of  
15 Committee direction. Mr. Astleford.

16 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD: The  
17 only Committee direction I heard came from you just now,  
18 which was for Anthony's group to come back mid-year and  
19 report back on the success they've had and the progress  
20 they've had on the death benefit recovery process.

21 CHAIRPERSON MIDDLETON: All right. Thank you.

22 And I would like to thank, Mr. Kim, and all of  
23 the folks from the BDO team for an outstanding year of  
24 work. It was a pleasure to work with you.

25 With that, is there any other public comment?

1           Then the open session of the Risk and Audit  
2 Committee is completed. We will now move into closed  
3 session and we'll ask everyone to leave, except for Mr.  
4 Astleford, but Beliz don't go too far along and --

5           CHIEF AUDITOR CHAPPUIE: Right outside.

6           CHAIRPERSON MIDDLETON: All right. And Mr.  
7 Grimes.

8           (Thereupon the California Public Employees'  
9 Retirement System, Board of Administration,  
10 Risk & Audit Committee open session  
11 meeting adjourned at 2:16 p.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, 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 22nd day of November, 2021.



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