

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

ZOOM PLATFORM

MONDAY, FEBRUARY 14, 2022
10:16 A.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Lisa Middleton, Chairperson

David Miller, Vice Chairperson

Fiona Ma, represented by Frank Ruffino

Jose Luis Pacheco

Shawnda Westly

Betty Yee, represented by Lynn Paquin

BOARD MEMBERS:

Rob Feckner, Vice President

Eraina Ortega

Theresa Taylor, President

STAFF:

Marcie Frost, Chief Executive Officer

Matt Jacobs, General Counsel

Fritzie Archuleta, Deputy Chief Actuary

Warren Astleford, Interim Chief Compliance Officer

Kevin Fein, Chief Compliance Officer

Forrest Grimes, Chief Risk Officer

Pam Hopper, Committee Secretary

ALSO PRESENT:

David Driscoll, Buck Global

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PROCEEDINGS

1
2 CHAIRPERSON MIDDLETON: All right. It is 10:15.
3 I think it is time for us to get started. So I will call
4 to order the February 14, 2022 Risk and Audit Committee.
5 First order of business is to do roll call. Ms. Hopper,
6 please.

7 COMMITTEE SECRETARY HOPPER: Lisa Middleton?

8 CHAIRPERSON MIDDLETON: Present.

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

11 ACTING COMMITTEE MEMBER RUFFINO: Present.

12 COMMITTEE SECRETARY HOPPER: David Miller?

13 VICE CHAIRPERSON MILLER: Here.

14 COMMITTEE SECRETARY HOPPER: Jose Luis Pacheco?

15 COMMITTEE MEMBER PACHECO: Present.

16 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

17 CHAIRPERSON MIDDLETON: Excused.

18 COMMITTEE SECRETARY HOPPER: Shawnda Westly?

19 COMMITTEE MEMBER WESTLY: Present.

20 COMMITTEE SECRETARY HOPPER: Thank you.

21 Betty Yee?

22 COMMITTEE MEMBER YEE: Here.

23 COMMITTEE SECRETARY HOPPER: Madam Chair, all is
24 in attendance for the February 14th Risk and Audit
25 Committee.

1 CHAIRPERSON MIDDLETON: Okay. Second order of
2 business is the election of Risk and Audit Committee Chair
3 and Vice Chair. And I will turn the meeting over to Mr.
4 Miller to conduct the election of Chair.

5 VICE CHAIRPERSON MILLER: Okay. We'll be calling
6 for nominations for the Chair of the Risk and Audit
7 Committee. Do I have -- it looks like I have Mr. Ruffino.

8 ACTING COMMITTEE MEMBER RUFFINO: Thank you, Mr.
9 Miller. It is a pleasure for our office to nominate Lisa
10 Middleton as Chair of the Risk and Audit Committee.

11 VICE CHAIRPERSON MILLER: Okay. I will second
12 that nomination.

13 Are there any other nominations?

14 Any other nominations?

15 And finally, are there any other nominations?

16 I'm not seeing any hands, or any indications, and
17 hearing none, so we'll call for the vote to elect Lisa
18 Middleton Chair of the Risk and Audit Committee.

19 Ms. Hopper, will you please call the roll.

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

22 ACTING COMMITTEE MEMBER RUFFINO: Aye.

23 COMMITTEE SECRETARY HOPPER: David Miller?

24 VICE CHAIRPERSON MILLER: Aye.

25 COMMITTEE SECRETARY HOPPER: Jose Luis Pacheco?

1 COMMITTEE MEMBER PACHECO: Aye.

2 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

3 Excused.

4 Shawnda Westly?

5 COMMITTEE MEMBER WESTLY: Aye.

6 COMMITTEE SECRETARY HOPPER: Betty Yee

7 COMMITTEE MEMBER YEE: Aye.

8 COMMITTEE SECRETARY HOPPER: Madam Chair, I have
9 a motion being made by Frank Ruffino for Fiona Ma,
10 seconded by David Miller for the election of the Risk and
11 Audit Committee Chair being Lisa Middleton.

12 CHAIRPERSON MIDDLETON: I thank my colleagues and
13 I look forward to continuing in this role.

14 VICE CHAIRPERSON MILLER: The ayes have it and
15 congratulations, Ms. Middleton. I will turn the gavel
16 back over to you for the election of the Vice Chair.

17 CHAIRPERSON MIDDLETON: All right. Thank you.

18 So next election that we have is for Vice Chair.
19 And I see Mr. Pacheco's hand up. Are you going to make a
20 nomination?

21 COMMITTEE MEMBER PACHECO: Yes, Madam Chair. I
22 would like to nominate Mr. David Miller to be Vice Chair
23 of the Risk and Audit Committee.

24 Thank you.

25 CHAIRPERSON MIDDLETON: And I would like to

1 second that nomination.

2 Do we have any other nominations?

3 Do we have any other nominations?

4 And third and last time, do we have any other
5 nominations?

6 I see none.

7 We have a nomination of Mr. David Miller to be
8 Vice Chair. Could we get a roll call vote, please.

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

11 ACTING COMMITTEE MEMBER RUFFINO: Aye.

12 COMMITTEE SECRETARY HOPPER: David Miller?

13 VICE CHAIRPERSON MILLER: Aye.

14 COMMITTEE SECRETARY HOPPER: Jose Luis Pacheco?

15 COMMITTEE MEMBER PACHECO: Aye.

16 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

17 CHAIRPERSON MIDDLETON: Excused.

18 COMMITTEE SECRETARY HOPPER: Shawnda Westly?

19 COMMITTEE MEMBER WESTLY: Aye.

20 COMMITTEE SECRETARY HOPPER: Betty Yee?

21 COMMITTEE MEMBER YEE: Aye.

22 COMMITTEE SECRETARY HOPPER: Madam Chair, I have
23 a motion being made by Jose Luis Pacheco, seconded by Lisa
24 Middleton for the election of the Risk and Audit Committee
25 Vice Chair of David Miller.

1 CHAIRPERSON MIDDLETON: Mr. Miller,
2 congratulations and thank you.

3 VICE CHAIRPERSON MILLER: Thank you very much. I
4 appreciate it.

5 CHAIRPERSON MIDDLETON: Next item is approval of
6 the February 14th, 2022 Risk and Audit Committee timed
7 agenda. Is there any discussion?

8 Seeing none.

9 We do need, because this is a virtual meeting, to
10 have a roll call vote.

11 COMMITTEE SECRETARY HOPPER: Madam Chair, can I
12 get a motion, please?

13 VICE CHAIRPERSON MILLER: So moved.

14 CHAIRPERSON MIDDLETON: Miller.

15 Second?

16 Is there a second?

17 COMMITTEE MEMBER YEE: I'll second.

18 COMMITTEE MEMBER PACHECO: (Hand raised.)

19 CHAIRPERSON MIDDLETON: Mr. Pacheco.

20 Roll Call

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

23 ACTING COMMITTEE MEMBER RUFFINO: Aye.

24 COMMITTEE SECRETARY HOPPER: David Miller?

25 VICE CHAIRPERSON MILLER: Aye.

1 COMMITTEE SECRETARY HOPPER: Jose Luis Pacheco

2 COMMITTEE MEMBER PACHECO: Aye.

3 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?
4 Shawnda Westly?

5 COMMITTEE MEMBER WESTLY: Aye.

6 COMMITTEE SECRETARY HOPPER: Betty Yee?

7 COMMITTEE MEMBER YEE: Aye.

8 COMMITTEE SECRETARY HOPPER: Madam Chair, I have
9 a motion being made by David Miller. I did take -- a
10 second was taken by Betty Yee, correct?

11 CHAIRPERSON MIDDLETON: Actually, it was Mr.
12 Pacheco.

13 COMMITTEE SECRETARY HOPPER: Okay. That would be
14 for Agenda Item 3, the February 14th Risk and Audit
15 Committee timed agenda, all ayes with, Ramon Rubalcava
16 being excused, again motion being made David Miller,
17 seconded by Jose Luis Pacheco.

18 CHAIRPERSON MIDDLETON: That moves us on to
19 Agenda Item 4, the Executive Report, and for that we have
20 Mr. Astleford.

21 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD:

22 Thank you very much. Good morning, Madam Chair,
23 Mr. Vice Chair, Committee members, Warren Astleford,
24 CalPERS team member. There are a few items I'd like to
25 share with this Committee. First and foremost,

1 congratulations to Ms. Middleton as being elected
2 Committee Chair. Also, congratulations to Mr. Miller as
3 being elected to Committee Vice Chair. I know that
4 everyone looks forward to your continued service.

5 But I'd also like to take this moment to welcome
6 Mr. Pacheco to the Risk and Audit Committee. I know that
7 we're all looking forward to your future service on this
8 Committee as well.

9 Second, there are three information items for
10 discussion today. The first two involve updates from the
11 Enterprise Compliance and Enterprise Risk units regarding
12 the mid-year progress relative to the annual plans, which
13 were previously approved by this Committee. The third
14 information item will be a presentation by the Actuary
15 Office and their outside consultant Buck Consult -- Buck
16 Global as to the third-party valuation and certification
17 of the 2020 CalPERS annual valuation of public agencies
18 for the period ending June 30, 2020.

19 Third, in addition to the usual and customary
20 items that are brought to this Committee at each meeting,
21 there's an action consent item to approve the current Risk
22 and Audit Committee Delegation. Staff does not recommend
23 any changes to the delegation at this time.

24 Fourth, I would like to introduce to the
25 Committee the new permanent Chief Compliance Officer,

1 Kevin Fein. Kevin joins us from the private sector, where
2 he has more than 35 years of experience in the financial
3 services industry, where he specialized in legal and
4 regulatory compliance matters, and banking, brokerage, and
5 management services. Kevin's last employment was with the
6 Citizens Bank as a Senior Director of Compliance. I've
7 enjoyed working very much with Mr. Fein to get -- to get
8 him transitioned from me to him. And I know you will
9 be -- I know that you will very much enjoy working with
10 him in the future.

11 I would like to promote Kevin to the presenter
12 status at this point so he can say a few words to the
13 Committee, if that's possible.

14 CHAIRPERSON MIDDLETON: It is and WE look forward
15 to hearing from him.

16 CHIEF COMPLIANCE OFFICER FEIN: Good morning,
17 Madam Chair. Good to see you again, Mr. Vice Chair,
18 Committee members. I'm very pleased to be here with you
19 today. I'm very excited to be at CalPERS. And after nine
20 days, I already have quite a long list of things to do,
21 but I believe we have a very good team here and we're
22 going to make some great strides.

23 With that, thank you for letting me attend today.
24 Happy to answer any questions anybody may have.

25 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD: A

1 couple more follow-ups by me, unless there's questions by
2 the Committee.

3 The next Risk and Audit Committee is scheduled
4 for April 18th, 2022 and includes the approval of next
5 year's fiscal annual -- annual work plans for both
6 Enterprise Compliance and Enterprise Risk.

7 Lastly, I wanted to thank this Committee for the
8 opportunity to serve as the Interim Chief Compliance
9 Officer over the last few months. I enjoyed it very much.
10 I look forward to the good work and service that Kevin
11 will provide to this Committee and CalPERS going forward.

12 This concludes my report. I'm happy to answer
13 any questions.

14 CHAIRPERSON MIDDLETON: Are there any questions
15 for Mr. Astleford?

16 Not hearing any questions or any further
17 discussion, Warren, I would like to thank you on behalf of
18 the Committee for your outstanding work during the last
19 few months. It has been almost -- it has really been a
20 seamless transition and we're greatly appreciative.

21 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD:

22 Thank you very much.

23 CHAIRPERSON MIDDLETON: So with that, we will
24 move on to action consent items. And we will take 5a and
25 5b separately. Can I get a motion to approve 5a, the

1 approval of the November 16th, 2021 Risk and Audit
2 Committee meeting minutes.

3 Mr. Ruffino.

4 ACTING COMMITTEE MEMBER RUFFINO: Move the
5 recommended action.

6 CHAIRPERSON MIDDLETON: And is there --

7 VICE CHAIRPERSON MILLER: Second.

8 CHAIRPERSON MIDDLETON: Mr. Miller.

9 I see no discussion.

10 Roll call, please.

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

13 ACTING COMMITTEE MEMBER RUFFINO: Aye.

14 COMMITTEE SECRETARY HOPPER: David Miller?

15 VICE CHAIRPERSON MILLER: Aye.

16 COMMITTEE SECRETARY HOPPER: Jose Luis Pacheco?

17 COMMITTEE MEMBER PACHECO: Abstain.

18 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

19 CHAIRPERSON MIDDLETON: Excused.

20 COMMITTEE SECRETARY HOPPER: Shawnda Westly?

21 COMMITTEE MEMBER WESTLY: Aye.

22 COMMITTEE SECRETARY HOPPER: Betty Yee?

23 COMMITTEE MEMBER YEE: Aye.

24 COMMITTEE SECRETARY HOPPER: Madam Chair, I have
25 four ayes, one abstention by Jose Luis Pacheco, motion

1 being made by Frank Ruffino for Fiona Ma, seconded by
2 David Miller for agenda items 5a and 5b.

3 CHAIRPERSON MIDDLETON: This is just for 5a. We
4 will now move on to --

5 COMMITTEE SECRETARY HOPPER: It was. Okay.

6 CHAIRPERSON MIDDLETON: We will now move on to
7 5b, which is review of Risk and Audit Committee
8 delegation.

9 Mr. Pacheco, you're moving the item?

10 COMMITTEE MEMBER PACHECO: Yes, I am. Yes, Madam
11 Chair.

12 VICE CHAIRPERSON MILLER: I'll second it.

13 CHAIRPERSON MIDDLETON: Mr. Miller.

14 Any discussion?

15 I see none.

16 Roll call, please.

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

19 ACTING COMMITTEE MEMBER RUFFINO: Aye.

20 COMMITTEE SECRETARY HOPPER: David Miller?

21 VICE CHAIRPERSON MILLER: Aye.

22 COMMITTEE SECRETARY HOPPER: Jose Luis Pacheco?

23 COMMITTEE MEMBER PACHECO: Aye.

24 COMMITTEE SECRETARY HOPPER: Ramon Rubalcava?

25 CHAIRPERSON MIDDLETON: Excused.

1 COMMITTEE SECRETARY HOPPER: Shawnda Westly?

2 COMMITTEE MEMBER WESTLY: Aye.

3 COMMITTEE SECRETARY HOPPER: Betty Yee?

4 COMMITTEE MEMBER YEE: Aye.

5 COMMITTEE SECRETARY HOPPER: Madam Chair, I have
6 all ayes with Ramon Rubalcava being excused, motion being
7 made by Jose Luis Pacheco, seconded by David Miller on
8 just Item 5b, review of the Risk and Audit Committee
9 Delegation.

10 CHAIRPERSON MIDDLETON: All right. Next agenda
11 item is Item 6, which is information consent items. Is
12 there a desire to hear these agenda items separately or
13 shall we take them collectively? What's the will of the
14 Committee?

15 VICE CHAIRPERSON MILLER: You can probably just
16 move on then.

17 CHAIRPERSON MIDDLETON: I think we can.

18 Mr. Astleford, please proceed on 6a through e.

19 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD: Fair
20 enough. I think you mean item 7a, is that correct? We've
21 finished the information consent items?

22 CHAIRPERSON MIDDLETON: Do we need to take a vote
23 on 6a through 6e?

24 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD: You
25 do not.

1 CHAIRPERSON MIDDLETON: All right. Thank you.

2 Then we will go on to 7. 7a.

3 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD:

4 Great, 7a. Thank you very much. Agenda Item 7a
5 provides an update regarding the completion status of the
6 Enterprise Compliance's fiscal year annual plan. That
7 plan was brought to this Committee and approved last April
8 and it's the first attachment to Agenda Item 7a.

9 The annual plan is approved each year and its
10 goal is to improve CalPERS' Compliance Program maturity.
11 The next annual plan will be brought to this Committee in
12 April this year, which will be the next Risk and Audit
13 Committee meeting.

14 The updates or progress made against the annual
15 Enterprise Compliance plan is set forth in the second
16 attachment to Agenda Item 7a. Some of the key progress
17 developments for Enterprise Compliance include the
18 following: Enterprise Compliance did a comprehensive
19 review of all Form 700s that were filed by both CalPERS
20 team members as well as outside consultants over a two- to
21 five-year period. It coordinated the necessary amendments
22 to any errors that were found. There are approximately
23 1,100 team CalPERS teams members and consultants who
24 regularly file a Form 700. So it is an extensive amount
25 of documentation in Form 700s to review.

1 Most of the amendments that were needed involved
2 very minor issues consisting of things like the failure to
3 include the acquisition or disposition date of a
4 particular security, or the source of income on rental
5 property. There were a few other issues that were
6 identified involving the need to report a non-diversified
7 mutual fund, which were easily resolved through the filing
8 of an amendment.

9 Under the Political Reform Act, you are not
10 required to disclose as an investment any sort of
11 diversified mutual fund. However, if you hold a -- not if
12 you hold a -- if you hold a non-diversified mutual fund,
13 such as one that specializes in a sector, you are, in
14 fact, required to make that disclosure. Those set of
15 amendments were made as necessary.

16 Other key progress developments included ECOM's
17 coauthorship of the Conflicts Guidance Memorandum for the
18 Investment Office and ECOM also provided ongoing training
19 classes for all CalPERS Form 700 filers. At this point, I
20 will stop to see if anyone has any questions or concerns
21 about this particular information item. If not, the next
22 item is 7b, which is the Risk Management update.

23 CHAIRPERSON MIDDLETON: Ms. Yee.

24 COMMITTEE MEMBER YEE: Thank you very much, Madam
25 Chair and thank you for the report. I just wanted to be

1 sure I'm clear with respect to the coauthorship of the
2 Conflicts Guidance Memo from Legal in the Investment
3 Office. Could you just maybe enumerate the various topics
4 that were covered under that memo. And I was just curious
5 as to whether additional training was provided for each of
6 those topics.

7 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD:

8 Sure. It is an attorney-client privileged memorandum --

9 COMMITTEE MEMBER YEE: Okay.

10 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD:

11 -- so I can't discuss the specifics at length.

12 It just generally covered the Political Reform Act and the
13 obligations under the Political Reform Act.

14 COMMITTEE MEMBER YEE: Okay.

15 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD: And,
16 yes, there has been follow-up training by way of phone
17 calls and meetings.

18 COMMITTEE MEMBER YEE: Okay. Appreciate that.

19 Thank you.

20 CHAIRPERSON MIDDLETON: Mr. Astleford, how many
21 Form 700s did -- were reviewed as part of this process?

22 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD: Each
23 year, there's approximately 1,100 Form 700s that are
24 filed. Approximately 900 involve CalPERS team members.
25 Approximately, 200 involve CalPERS consultants who are

1 required to file under the Political Reform Act. Out of
2 those 1,100, we found the need for approximately 300
3 amendments involving approximately 150 filers.

4 CHAIRPERSON MIDDLETON: Okay. And you covered it
5 somewhat, but could you again tell us what were the
6 primary types of errors or mistakes that needed to be
7 corrected.

8 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD:

9 Sure. Sure. Fortunately, most of them were very
10 minor errors and they were easily corrected. Sometimes
11 people would omit the acquisition or disposition date of a
12 security. You were supposed to put that information on
13 the Form 700 for the appropriate year. So if you buy a
14 particular stock in a particular period, you're supposed
15 to identify the actual date. Some people would just put a
16 year or they wouldn't provide the date at all.

17 Some folks also failed to provide the source of
18 income for a rental property. Again, it's a simple
19 oversight that were easily corrected. The other sort of
20 issue we saw -- (clears throat) -- excuse me -- were
21 situations where individuals failed to report a
22 non-diversified mutual fund. Again, if it's a diversified
23 mutual fund, you are not required to report it on your
24 Form 700. However, if it is a non-diversified mutual
25 fund, you are supposed to. A classic example of a

1 non-diversified mutual fund is a sector fund, for example,
2 one that specializes in energy, or health care, or real
3 estate, or something of that nature. Those are the sorts
4 of funds that need to be reported on your Form 700.

5 CHAIRPERSON MIDDLETON: As a result of the work
6 that you did in reviewing and making the corrections, what
7 training or additional oversight do you believe is
8 appropriate needed moving forward?

9 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD: I
10 think the whole process of going through and identifying
11 errors on people's Form 700s was probably the best
12 training that could have been possible under the
13 circumstances. The Enterprise Compliance group reached
14 out to each person that needed an amendment and walked
15 them through the process and explained what the issue was.
16 Going forward, there will continue to be annual reviews of
17 all Form 700s filed by both CalPERS employees and
18 consultants. So, at this point, we think that the process
19 of teaching people through real live examples of their
20 Form 700s has been the best training possible.

21 CHAIRPERSON MIDDLETON: And did you receive
22 resistance from any employee or anyone else associated
23 with making corrections?

24 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD: No.
25 Everybody was actually very grateful for us reaching out

1 and they appreciated the additional information and the
2 opportunity to file an amendment.

3 CHAIRPERSON MIDDLETON: Great. Thank you.
4 Controller Yee, did you mean to have your hand still up --

5 COMMITTEE MEMBER YEE: (Shakes head.)

6 CHAIRPERSON MIDDLETON: Okay. Thank you.

7 Any other comments or discussion for Mr.
8 Astleford on this?

9 Ms. Yee.

10 COMMITTEE MEMBER YEE: Sorry. Thank you, Madam
11 Chair.

12 I wanted to just ask with respect to the
13 insurance coverage issue, if I could. So can you maybe
14 talk a little bit more about the types of operational
15 risks that you're -- that we're seeking to cover? And I
16 guess if you have information about the practice of other
17 pension funds. Just curious about that.

18 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD:

19 Sure. I think that's probably best covered in
20 the next agenda item --

21 COMMITTEE MEMBER YEE: Oh, okay. Okay.

22 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD:

23 -- for Risk and Audit. I'm sorry for the
24 Enterprise Risk Committee.

25 COMMITTEE MEMBER YEE: Got it.

1 CHAIRPERSON MIDDLETON: And I should -- do we
2 have any public comment with regard to 7a?

3 STAKEHOLDER RELATIONS CHIEF FOX: Madam Chair,
4 there is no public comment.

5 CHAIRPERSON MIDDLETON: All right. Thank you.
6 Reminder, do we need a vote or can we move forward to 7b?

7 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD: No
8 vote is necessary.

9 CHAIRPERSON MIDDLETON: All right. Then let's go
10 to 7b.

11 CHIEF RISK OFFICER GRIMES: Thank you, Madam
12 Chair. Good to see you again, maybe next time in person
13 hopefully.

14 Committee members, members of the Board, Forrest
15 Grimes, CalPERS team. Perhaps we should address
16 Controller Yee's question first before we start. I'd be
17 happy to do that, if you'd like.

18 CHAIRPERSON MIDDLETON: Please.

19 CHIEF RISK OFFICER GRIMES: So the types of
20 coverages -- and again, we have discussed some of our
21 insurance coverages in closed session, because we don't
22 want to really give away the keys to the castle obviously.
23 However, generally, in terms of operating risk type of
24 coverages, we certainly have a cyber policy. We
25 additionally fiduciary coverage for the fiduciaries of the

1 trusts. And basically, those are the main categories.

2 We have an extensive real assets portfolio of
3 insurance products obviously with the magnitude of our
4 insurance portfolio. But those are -- those are the main
5 buckets, Controller Yee. If you want me to get into more
6 detail, I could try to, but I think we should probably
7 leave it there for now.

8 COMMITTEE MEMBER YEE: Appreciate the response.
9 Thank you, Forrest.

10 CHIEF RISK OFFICER GRIMES: Certainly.

11 So Item 7b is the 2021-22 Enterprise Risk
12 Management Plan mid-year update, and that item begins on
13 page 107 of your materials. Some highlights of key
14 accomplishments include: facilitation of the ALM cycle
15 deliverables through the asset Liability Management
16 Advisory Committee; completion of the 2021 Annual Risk
17 Assessment and updates to the risk register profiles
18 heatmap, and developing risk reports provided to this
19 Committee last September; continued partnering with the
20 Enterprise Strategy and Performance Division to integrate
21 risk management into the new strategic plan; drafting of
22 the information assets data retention policy in
23 collaboration with the Policy Research and Data Analytics
24 Division; implementation of the Employer Data Request
25 Program in collaboration with the Stakeholder Relations

1 Division; submittal of CalPERS State Leadership
2 Accountability Act Report to the California Department of
3 Finance; and finally, continued review and refinement of
4 CalPERS business insurance program to transfer risks.

5 And with that, Madam Chair, I'm going to turn it
6 back to you to see if the Committee has any questions.

7 CHAIRPERSON MIDDLETON: Thank you.

8 Are there any questions for Mr. Grimes?

9 Controller Yee?

10 COMMITTEE MEMBER YEE: (Shakes head.)

11 CHAIRPERSON MIDDLETON: Okay. No.

12 Any other questions or discussion?

13 Mr. Grimes, the floor is back to you.

14 CHIEF RISK OFFICER GRIMES: I'm done, unless
15 there's anything else, Madam Chair, but thank you for your
16 time.

17 CHAIRPERSON MIDDLETON: And thank you.

18 Moving on, we will move to Item 7c, which is the
19 third-party valuation and certification of the 2020
20 CalPERS annual valuations of public agendas. And for
21 that, we will go to Fritzie Archuleta.

22 DEPUTY CHIEF ACTUARY ARCHULETA: Good morning,
23 Madam Chair and members of the Committee. Fritzie
24 Archuleta, CalPERS team.

25 Item 7c is an annual information item. During

1 each non-ALM year, an external actuarial firm completes an
2 independent review of valuation results produced by the
3 Actuarial Office. This year, Buck Global has reviewed the
4 June 30th, 2020 valuations for public agencies. Here
5 today is Mr. David Driscoll from Buck Global to report on
6 the findings of this review.

7 CHAIRPERSON MIDDLETON: Thank you. Can we
8 promote Mr. Driscoll.

9 MR. DRISCOLL: Okay. Can you hear me now?

10 CHAIRPERSON MIDDLETON: We can hear you and
11 welcome.

12 MR. DRISCOLL: Excellent. Thank you very much.

13 Yes. Buck has completed Task 1 of its
14 assignments under contract 2021-9096 for parallel
15 valuation and certification of the actuarial valuations
16 prepared by the CalPERS Actuarial Office. As Ms.
17 Archuleta noted, this particular task relates to review
18 and parallel valuation for public agency plans. We
19 conducted an examination, including full replication of
20 results, for 20 public agency plan that were valued as of
21 June 30th, 2020 by the Actuarial Office.

22 Our contract requires us to perform a parallel
23 valuation of the 10 largest public agency plans, plus 10
24 other plans that are chosen at random using a methodology
25 approved by the actuarial office. The 10 random

1 selections were three city or town plans, three county
2 plans, and three plans that were in the other category,
3 plus one risk pool plan was selected. So we have a total
4 of 20 public agency plans that we've reviewed.

5 So for each of these, we reviewed the actuarial
6 assumptions used in the valuation and -- for compliance
7 with actuarial standards of practice that apply to the
8 selection and use of assumptions. We found that the
9 assumptions used were all reasonable under the standards
10 that I mentioned, and were selected appropriately.

11 We reviewed the contents of each of the actuarial
12 valuation reports for compliance with actuarial standards
13 of practice that govern the content of the reports, and we
14 found that the content conformed well to all applicable
15 standards of practice. We did have one suggestion
16 regarding presentation of historic information in a way
17 that may make it more directly comparable to one of the
18 actuarial assumptions, but that is merely a suggestion.
19 It is not a -- it is not a criticism.

20 Most importantly, of course, we reproduce all of
21 the numerical results shown in the 20 valuations that we
22 reviewed. We able to match the results produced by
23 CalPERS Actuarial Audit Office very closely. The
24 differences that exist between our numbers and theirs can
25 be seen to be the result of differences in the modeling of

1 approach taken in the CalPERS valuation programs from
2 those in the Buck actuarial valuation program. We
3 discerned this by running individual lives, both through
4 our system and -- well, running them through our system
5 and comparing the results on an individual life basis with
6 those produced by the CalPERS Actuarial Valuation System.

7 And again, this has the effect of allowing us to
8 diagnose exactly what might be responsible for the minor
9 differences we did observe. And it also helps us to rule
10 out the possibility that we match well in the aggregate,
11 but we're far apart on individual lives. And again, we
12 were able to satisfy ourselves that the differences that
13 do exist between our numbers and CalPERS are simply the
14 result of differences in modeling. And the modeling
15 approaches used in either system would have to be
16 considered reasonable.

17 So in the aggregate, we found that the results of
18 the valuation are sound. The work of the CalPERS
19 Actuarial Office is of very high quality, and we believe
20 that the Risk and Audit Committee and the Board of CalPERS
21 generally can have a great deal of confidence in the
22 results of the valuations that we reviewed.

23 And with that, Madam Chair, I am happy to
24 entertain questions, if anybody has any.

25 CHAIRPERSON MIDDLETON: Thank you.

1 Are there any questions for Mr. Driscoll?

2 Mr. Driscoll, just a couple of very procedural
3 questions. Were you given an opportunity to get all of
4 the materials that you desired and was there any
5 resistance from any CalPERS member in any information that
6 you sought or any discussions that you attempted to engage
7 in?

8 MR. DRISCOLL: No. The CalPERS Actuarial Office
9 was very cooperative with us and provided us with
10 everything we requested.

11 CHAIRPERSON MIDDLETON: All right. Thank you.
12 Do we have any public comment with regard to Item
13 7c?

14 I'm not aware --

15 STAKEHOLDER RELATIONS CHIEF FOX: Madam Chair,
16 there's no public comment at this time.

17 CHAIRPERSON MIDDLETON: All right. Thank you.
18 Mr. Driscoll, on behalf of the Committee, thank
19 you for your work and thank everyone at Buck. And Ms.
20 Archuleta, thank you for all your coordination.

21 With that, we will move on to Item 7d, which is
22 summary of Committee direction. Mr. Astleford.

23 INTERIM CHIEF COMPLIANCE OFFICER ASTLEFORD:
24 Thank you, Madam Chair. I did not record any
25 direction from the Committee at this point.

1 CHAIRPERSON MIDDLETON: All right. Thank you.
2 And lastly, we will come to 7e. Mr. Fox, do we have any
3 public comment?

4 STAKEHOLDER RELATIONS CHIEF FOX: Madam Chair,
5 there are no callers at this time.

6 CHAIRPERSON MIDDLETON: Then we will adjourn the
7 open session and move as quickly as we can with our
8 technical skills into closed session.

9 Thank you.

10 (Off record: 10:46 a.m.)

11 (Thereupon the meeting recessed
12 into closed session.)

13 (Thereupon the meeting reconvened
14 open session.)

15 (On record: 11:05 a.m.)

16 CHAIRPERSON MIDDLETON: We will be adjourning the
17 Risk and Audit Committee meeting. The next Risk and Audit
18 Committee meeting will be held in April and hopefully in
19 Sacramento and in person.

20 Is Mr. Feckner with us?

21 BOARD MEMBER FECKNER: He is.

22 CHAIRPERSON MIDDLETON: Wonderful. What time
23 would you like to begin the Performance, Compensation, and
24 Talent Management Committee meeting?

25 BOARD MEMBER FECKNER: How about 11:20. Gives us

1 15 minutes.

2 CHAIRPERSON MIDDLETON: All right. We will
3 begin -- we will adjourn this meeting. We will take a
4 15-minute break, and hopefully see everyone back at 11:20.

5 Thank you.

6 (Thereupon the California Public Employees'
7 Retirement System, Board of Administration,
8 Risk & Audit Committee open session
9 meeting adjourned at 11:06 a.m.)

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CERTIFICATE OF REPORTER

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

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration, 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 19th day of February, 2022.



JAMES F. PETERS, CSR
Certified Shorthand Reporter
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