

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

CALPERS AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

TUESDAY, MARCH 15, 2022
11:15 A.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Theresa Taylor, Chairperson

Lisa Middleton, Vice Chairperson

Rob Feckner

Fiona Ma, represented by Frank Ruffino

David Miller

Eraina Ortega

Betty Yee, represented by Lynn Paquin

BOARD MEMBERS:

Jose Luis Pacheco

Ramon Rubalcava

STAFF:

Marcie Frost, Chief Executive Officer

Matt Jacobs, General Counsel

Mr. James Andrus, Interim Managing Investment Director

Pam Hopper, Committee Secretary

INDEX

	<u>PAGE</u>
1. Call to Order and Roll Call	1
2. Election of the Board Governance Committee Chair and Vice Chair	2
3. Approval of the March 15, 2022 Board Governance Committee Timed Agenda	4
4. Executive Report - Matthew Jacobs	4
5. Action Consent Items - Matthew Jacobs	5
a. Approval of the September 15, 2021 Board Governance Committee Meeting Minutes	
b. Review of Board Governance Committee Delegation	
6. Information Consent Items - Matthew Jacobs	6
a. Board Education Program - Education Activity Report	
7. Information Agenda Items	
a. 2021 Board Self-Evaluation - Board Member Onboarding - James Andrus	6
b. Summary of Committee Direction - Matthew Jacobs	16
c. Public Comment	16
Adjournment	16
Reporter's Certificate	17

PROCEEDINGS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
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VICE CHAIRPERSON MIDDLETON: Thank you. I'll call to order the Board Governance Committee for March 15, 2022.

Roll call, please.

COMMITTEE SECRETARY HOPPER: Coming.

Lisa Middleton?

VICE CHAIRPERSON MIDDLETON: Present.

COMMITTEE SECRETARY HOPPER: Rob Feckner?

COMMITTEE MEMBER FECKNER: Good morning.

COMMITTEE SECRETARY HOPPER: Frank Ruffino for Fiona Ma?

ACTING COMMITTEE MEMBER RUFFINO: Present.

COMMITTEE SECRETARY HOPPER: David Miller?

COMMITTEE MEMBER MILLER: Here.

COMMITTEE SECRETARY HOPPER: Eraina Ortega -- Nicole Griffith for Eraina Ortega?

ACTING COMMITTEE MEMBER GRIFFITH: Here.

COMMITTEE SECRETARY HOPPER: Theresa Taylor?

COMMITTEE MEMBER TAYLOR: Here.

COMMITTEE SECRETARY HOPPER: Link Paquin for Betty Yee?

ACTING COMMITTEE MEMBER PAQUIN: Here.

COMMITTEE SECRETARY HOPPER: Madam Chair, we have everyone in attendance for the Board Governance Committee

1 of March 15th.

2 VICE CHAIRPERSON MIDDLETON: All right. Thank
3 you. The first -- second item on the agenda is the
4 election of the Board Governance Committee Chair and Vice
5 Chair. I would like to nominate Theresa Taylor to be
6 Chair.

7 Are there any other nominations?

8 Are there any other nominations?

9 And for the last time, are there any other
10 nominations?

11 Is there a motion to elect Theresa Taylor as
12 Chair?

13 COMMITTEE MEMBER FECKNER: So moved.

14 VICE CHAIRPERSON MIDDLETON: And second?

15 COMMITTEE MEMBER MILLER: Second.

16 VICE CHAIRPERSON MIDDLETON: Mr. Feckner
17 motioned, Mr. Miller second.

18 All those in favor say aye?

19 (Ayes.)

20 VICE CHAIRPERSON MIDDLETON: Any opposed?

21 Any abstentions?

22 Ms. Taylor congratulations.

23 (Applause.)

24 VICE CHAIRPERSON MIDDLETON: And if you could --
25 I am going to -- there you go. If you could take over the

1 election of Vice Chair from there.

2 CHAIRPERSON TAYLOR: I will. So I would also
3 like to take nominations now for the Vice Chair of Board
4 Governance. And -- can I make a motion as Chair? Okay.
5 There you go.

6 COMMITTEE MEMBER FECKNER: I'll nominate Lisa
7 Middleton.

8 CHAIRPERSON TAYLOR: Thank you. I have a
9 nomination for Ms. Middleton for Vice Chair of Board
10 Governance

11 Do I have any more nominations?

12 Do I have any more nominations?

13 And one last time, do I have any more
14 nominations?

15 All right. So seeing no other nominations, can I
16 have a motion to elect Lisa as Vice Chair for Board
17 Governance.

18 COMMITTEE MEMBER FECKNER: So moved.

19 CHAIRPERSON TAYLOR: So moved by Mr. Feckner.

20 COMMITTEE MEMBER MILLER: Second.

21 CHAIRPERSON TAYLOR: Seconded by Mr. Miller.

22 All those in favor?

23 (Ayes.)

24 CHAIRPERSON TAYLOR: All those opposed?

25 Any abstentions?

1 All right. Hearing none, so congratulations, Ms.
2 Middleton. We will have to take five minutes so we can
3 rearrange everybody. So if you don't mind, give us a few
4 minutes to do that.

5 (Off record: 11:19 a.m.)

6 (Thereupon a recess was taken.)

7 (On record: 11:21 a.m.)

8 CHAIRPERSON TAYLOR: Okay. It doesn't look like
9 it was five minutes, but let's go ahead and move on with
10 the meeting. So our next item on the agenda is the
11 approval of the March 15th, 2022 Board Governance
12 Committee meeting minutes -- oh, I'm sorry, timed agenda.

13 COMMITTEE MEMBER MILLER: So moved.

14 CHAIRPERSON TAYLOR: All right. I have a motion
15 by Mr. Miller.

16 ACTING COMMITTEE MEMBER PAQUIN: Second.

17 CHAIRPERSON TAYLOR: And a second by Ms. Paquin.
18 All those in favor say aye?

19 (Ayes.)

20 CHAIRPERSON TAYLOR: All those opposed?

21 Any abstentions?

22 Seeing none, the motion carries.

23 Mr. Jacobs, we have moved on to your executive
24 report.

25 GENERAL COUNSEL JACOBS: Very good. I don't

1 think it will take me too long. Good morning, Chair
2 Taylor, and Vice Chair Middleton, and all Committee
3 members, and Board members. Look forward to continuing to
4 work with you in the coming year.

5 We have a single substantive agenda item. I
6 guess I shouldn't call them -- call it substantive. All
7 the items are substantive, but this is one for discussion,
8 and that is the 2021 Board self-evaluation involving Board
9 member onboarding and that will be presented by my
10 colleague James Andrus. And that is the extent of my
11 executive report.

12 CHAIRPERSON TAYLOR: Great. Thank you, Mr.
13 Jacobs.

14 And we move on to action consent items, number 5.
15 Can I get a motion?

16 ACTING COMMITTEE MEMBER RUFFINO: So moved.

17 CHAIRPERSON TAYLOR: Okay. Moving action consent
18 items by Mr. Ruffino. Seconded by --

19 COMMITTEE MEMBER MILLER: Second.

20 CHAIRPERSON TAYLOR: -- Mr. Miller.

21 All those in favor?

22 (Ayes.)

23 CHAIRPERSON TAYLOR: All those opposed?

24 And any abstentions?

25 Seeing none, well move on to the information

1 consent items. And it doesn't look like - I'm just
2 looking around - if anybody wants anything removed.

3 So let's move on to our substantive item, which
4 is 7a, Board self-evaluation and Board member onboarding.

5 Mr. Andrus.

6 (Thereupon a slide presentation.)

7 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

8 Good morning, Chair Taylor and Vice Chair
9 Middleton and Board members. My name is James Andrus,
10 CalPERS staff.

11 I think you guys expected to see Anne Simpson in
12 this spot right now.

13 (Laughter.)

14 CHAIRPERSON TAYLOR: Yeah, we kind of did.

15 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

16 Unfortunately, she has moved on and you're left
17 with me.

18 Today, I will briefly review the self-evaluation
19 process and introduce recommendations.

20 --o0o--

21 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: As
22 you know, Board members completed -- excuse me. As you
23 know, CalPERS Board Governance Policy requires regular
24 Board self-evaluation to improve governance and
25 performance. This is a best practice.

1 We work with the National Association of
2 Corporate Directors, NACD, and they provide expert
3 facilitation. CalPERS is a long-standing member of NACD
4 and each member of the Board has an individual membership
5 with NACD.

6 --o0o--

7 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: The
8 Board process was short, in that, you completed three
9 surveys. One hundred percent of the Board members
10 completed the surveys. The goal was to acknowledge the
11 strengths and see where there are opportunities.

12 --o0o--

13 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: We
14 looked at three things, the Board evaluation, committee
15 evaluation, and attributes of evaluation.

16 --o0o--

17 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: The
18 focus is on these five core competencies, Board structure,
19 operational oversight, Board oversight of CEO performance,
20 strategy oversight, and risk management oversight. In
21 doing this process, it's important to point out that we
22 were in a unique situation given the pandemic. And NACD's
23 review of responses to the Board, Committee, and attribute
24 surveys show several leading strengths.

25 These included:

1 CalPERS exemplary response to the COVID-19
2 pandemic.

3 It's industry leadership on environmental,
4 social, and governance initiatives.

5 CalPERS Board composition. We have a diverse
6 board by age, gender, gender identity, race, ethnicity and
7 professional experience.

8 CalPERS's new framework for diversity, equity,
9 and inclusion, including the appointment of Chief
10 Diversity, Equity, and Inclusion Officer.

11 Board members' commitment and dedication to
12 CalPERS mission.

13 Strong support for belief -- and belief in
14 transparency and accountability.

15 The recognition of stakeholder engagement as a
16 strength.

17 And finally, a desire for continuous improvement.
18 And with this desire for continuous improvement --

19 --o0o--

20 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

21 -- we focus on these three items. You
22 self-identified three things. Consider options for
23 equitable remuneration for Board members. Given this
24 item, the Board engaged a consultant to do a benchmarking
25 survey. We found that the CalPERS Board is remunerated in

1 a similar fashion to boards -- pension boards around the
2 country.

3 The next item, establish processes for CEO
4 succession planning

5 --o0o--

6 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

7 NACD provides several tools. These tools range
8 from a resource center for succession planning to actual
9 sample CEO succession processes.

10 --o0o--

11 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

12 Finally, we were asked to look at the onboarding
13 process. When we moved to the onboarding process,
14 currently, we look at five things. An income Board member
15 gets a CEO briefing, a Board President briefing, executive
16 management introduction, that's an introduction to each
17 executive manager in which we had the pleasure of seeing
18 Board Member Pacheco this week.

19 Mentorship and education.

20 --o0o--

21 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: A
22 significant aid in this process is Insight. It's the
23 CalPERS Insight Platform tailored for Board members. It
24 provides timely access to key information and materials.
25 It's tailored for onboarding and training. It's a

1 custom -- it's customizable on a per Board member basis.
2 It provides historical data and two-factor authentication.

3 --o0o--

4 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

5 Given the self-evaluation and the benchmarking
6 study that we -- we've concluded the following:

7 We recommend that the Board Governance Chair and
8 Vice Chair manage updating Board Member onboarding
9 materials; we would like to review and revise the CalPERS
10 Board Education Policy; utilize Insight as the Board's
11 primary and sole platform tool; identify additional
12 training opportunities for Board members. The point of
13 this one is to make the Board trainings more specific to
14 Board members and their Committee leadership;
15 mentor/mentee partnership between existing Board members
16 and new Board members; and finally review the information
17 for further discussions on CEO succession planning and
18 long-term talent management.

19 --o0o--

20 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

21 Those are the recommendations. Do I have any
22 questions?

23 CHAIRPERSON TAYLOR: I do now.

24 Ms. Middleton.

25 VICE CHAIRPERSON MIDDLETON: Thank you.

1 CHAIRPERSON TAYLOR: Hold on.

2 There we go.

3 VICE CHAIRPERSON MIDDLETON: Thank you, James.
4 And one of the recommendations to utilize Insight as the
5 sole platform. If we're going to implement that, we are
6 going to need to step back and take a significant amount
7 of time one-on-one in training Board members, particularly
8 me.

9 (Laughter.)

10 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: And
11 staff is happy to do that.

12 VICE CHAIRPERSON MIDDLETON: All right. Thank
13 you.

14 CHAIRPERSON TAYLOR: I wouldn't say that Ms.
15 Middleton is the only one. I think we all need a
16 refresher for sure. And I think this was an excellent
17 report. And the findings were kind of basically what we
18 all thought they would be.

19 One of my questions is as we do onboarding, I'm
20 wondering if one of those education processes could be
21 with a veteran Board member, like a Mr. Feckner who's been
22 here for a long time knows how to actually run --
23 actually, you're the longest term here, huh -- actually
24 knows how to run Board meetings very well and get through
25 them really quick. And what's his secret? That kind

1 of --

2 (Laughter.)

3 CHAIRPERSON TAYLOR: You know, leverage that kind
4 of experience. And just -- I think a lot of people are
5 daunted by like calling you guys, you know, calling
6 Marcie, calling Don, calling Matt, calling Dan, calling
7 you, James. I think people are daunted. So maybe, you
8 know, have kind of a here's the phone numbers you can use,
9 so...

10 (Laughter.)

11 CHIEF EXECUTIVE OFFICER FROST: Thank you, Ms.
12 Taylor. And remember, we had adopted just the week prior
13 to Board meetings these office hours where the executive
14 team would keep their calendars clear to answer any
15 questions on any of the agenda items. And I think we need
16 to do more of a reminder that that is available, maybe
17 sending out an email with the numbers of each of those
18 committee liaisons. But that was really intended to help
19 with onboarding of new Board members, but also to help the
20 rest of the Board, who I know is balancing a lot of
21 different priorities in your day jobs and then your
22 assignment at CalPERS as well.

23 CHAIRPERSON TAYLOR: Thank you. I appreciate
24 that.

25 Ms. Paquin. Hold on. There we go.

1 ACTING COMMITTEE MEMBER PAQUIN: Thank you.
2 Thank you for the presentation. I was just curious as you
3 start to look at the onboarding process and revise it a
4 little bit. One suggestion might be to, after the initial
5 onboarding, which feels like you're drinking from a fire
6 hose, maybe go back and offer new Board members, after
7 they've been on the Board nine months or a year, an
8 opportunity to come back in, because they'll have had a
9 chance to kind of dig in a little bit more and may have
10 some other questions or information needs at that point.

11 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

12 (Nods head.)

13 ACTING COMMITTEE MEMBER PAQUIN: Thank you.

14 CHAIRPERSON TAYLOR: That's a good idea.

15 Mr. Rubalcava.

16 BOARD MEMBER RUBALCAVA: Thank you.

17 I'm going to wait till the Board members spoke --
18 or the Committee members.

19 CHAIRPERSON TAYLOR: You're it.

20 BOARD MEMBER RUBALCAVA: Thank you. James, very
21 good presentation. I noticed one of your recommendations
22 was to review and revise the Educational Policy, so what
23 kind of proposed changes do you have in mind?

24 Thank you.

25 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: So

1 it's not a matter of having specifically a change
2 proposal, but like for one example, the policies from
3 2015. And one issue we have is just we're in a different
4 environment now. We have the ability to do hybrid
5 sometimes and there's a need for updating. And the
6 expectation is that staff would work with the Chair and
7 Vice Chair to do reasonable updating, you know -- you know
8 in line with what you would like to see and what would be
9 expected. So there's no specific issue or problem,
10 especially the benchmarking survey does show that the
11 Board is performing well.

12 BOARD MEMBER RUBALCAVA: Maybe -- I thought it
13 was about the Educational Policy about how many hours you
14 need and all that kind of stuff.

15 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

16 Yes, and even -- and even in that particular
17 case, our policy is in line and we're an industry leader
18 in that and what we would intend to do, however, is
19 provide more information on the Board education
20 opportunities that are, in fact, available and probably
21 that would go to more committee specific training and
22 education opportunities, and better tracking -- and better
23 tracking as well.

24 BOARD MEMBER RUBALCAVA: Thank you.

25 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: And

1 so basically it's Board -- to support the Board.

2 BOARD MEMBER RUBALCAVA: Thank you.

3 Thank you, Ms. Taylor.

4 CHAIRPERSON TAYLOR: Thank you.

5 Mr. Pacheco.

6 BOARD MEMBER PACHECO: Yes. Thank you for the
7 presentation. I just want to make essentially more of a
8 comment. I think the -- as the newest Board Member here,
9 I really want to -- I really appreciate the onboarding
10 process. It's been very useful, especially with the
11 executive management introduction as of last Thursday. I
12 thought that was incredible. It as a lot of information,
13 but -- and I'm still -- I'm still digesting it, but I
14 think that the process is good. And I also want to
15 mention that I like the idea of coming back in about nine
16 or 12 months as a refresher, and also providing us a
17 survey, so that we can provide some feedback on how to
18 improve on it, because I think that would be helpful for
19 future Board members.

20 CHAIRPERSON TAYLOR: Excellent. I think that is
21 all the questions we have from the Board.

22 CHIEF EXECUTIVE OFFICER FROST: Ms. Taylor, can
23 we say that we endorse your comments about having Mr.
24 Feckner provide the training on meeting management.

25 CHAIRPERSON TAYLOR: Maybe we could hire him as a

1 consultant, right?

2 (Laughter.)

3 CHAIRPERSON TAYLOR: All right. I want to thank
4 you very much, Mr. Andrus. That was a great presentation.

5 I think that brings us to the end of the agenda
6 already. So unless I'm wrong, Mr. Jacobs, we -- did we
7 have a summary of Committee direction?

8 GENERAL COUNSEL JACOBS: I think that would just
9 be to incorporate the suggestions of Board members into
10 the -- any revisions to the onboarding process that may be
11 under consideration. And that's all I have.

12 CHAIRPERSON TAYLOR: Great. Thank you very much.
13 Do we have any public comment?

14 COMMITTEE SECRETARY HOPPER: (Shakes head.)

15 CHAIRPERSON TAYLOR: No requests for public
16 comment, so then I'll adjourn the Board Governance
17 Committee meeting as of right now 11:36. And it looks
18 like we are done for the day. So I will see everybody
19 here at 9 a.m. for the full Board meeting tomorrow.

20 Thank you very much everyone.

21 (Thereupon California Public Employees'
22 Retirement System, Board Governance Committee
23 meeting adjourned at 11:36 a.m.)

24

25

