

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
OPEN SESSION

CALPERS AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

TUESDAY, APRIL 19, 2022
12:17 P.M.

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

APPEARANCES

BOARD MEMBERS:

Theresa Taylor, President

Rob Feckner, Vice President

Fiona Ma, represented by Sertan Usanmaz

Lisa Middleton

David Miller

Eraina Ortega

Jose Luis Pacheco

Ramon Rubalcava

Betty Yee, represented by Lynn Paquin

STAFF:

Marcie Frost, Chief Executive Officer

Michael Cohen, Chief Financial Officer

Christian Farland, Chief Information Officer

Douglas Hoffner, Chief Operating Officer

Matthew Jacobs, General Counsel

Donald Moulds, PhD, Chief Health Director

Nicole Musicco, Chief Investment Officer

Brad Pacheco, Deputy Executive Officer, Communications & Stakeholder Relations

Anthony Suine, Deputy Executive Officer, Customer Services & Support

Scott Terando, Chief Actuary

APPEARANCES CONTINUED

STAFF:

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

Michelle Tucker, Chief, Human Resources Division

Danny Brown, Chief, Legislative Affairs Division

Pam Hopper, Board Secretary

Sabrina Hutchins, Chief, Enterprise Strategy and Performance Division

David Teykaerts, Stakeholder Relations Manager II

ALSO PRESENT:

Al Darby, Retired Public Employees Association

Miriam Eide, Fossil Free California

Sandy Emerson Fossil Free California

Glenn Fieldman, Fossil Free California

Neal Johnson

Wayne Quin, Jr.

Gerry Serrano

Leonard Skylar, San Francisco State University

Sara Theiss, Fossil Free California

INDEX

	<u>PAGE</u>
1. Call to Order and Roll Call	1
2. Approval of the April 19, 2022 Board of Administration Timed Agenda	2
3. Pledge of Allegiance - Theresa Taylor	2
4. Board President's Report - Theresa Taylor	3
5. Chief Executive Officer's Report (Verbal) - Marcie Frost	4
6. Action Consent Items - Theresa Taylor	15
a. Approval of the March 16, 2022 Board of Administration Meeting Minutes	
b. Board Travel Approvals	
c. Approval of Committee Delegations	
7. Information Consent Items - Theresa Taylor	16
a. Board Meeting Calendar	
b. Draft Agenda for the June 15, 2022 Board of Administration Meeting	
c. General Counsel's Report	
d. Communications and Stakeholder Relations	
8. Committee Reports and Actions	
a. Investment Committee (Verbal) - David Miller	
b. Pension & Health Benefits Committee (Verbal) - Rob Feckner	16
c. Finance & Administration Committee (Verbal) - Lisa Middleton	18
d. Performance, Compensation & Talent Management Committee (Verbal) - Rob Feckner	26
e. Risk & Audit Committee (Verbal) - Lisa Middleton	25
f. Board Governance Committee (Verbal) - Theresa Taylor	
9. Action Agenda Items	
a. Proposed Decisions of Administrative Law Judges - Theresa Taylor	27
1. Samuel B. Villalobos	
2. City of Santa Ana / Gerry Serrano	
3. Samuel G. Gonzalez-Lopez	
4. Thomas S. Blanco	

INDEX CONTINUED

	<u>PAGE</u>
5. Aaron M. Perez	
6. Amber N. Keup	
b. Petitions for Reconsideration - Theresa Taylor	29
1. Maria Santillan Beas / City of Lynwood	
2. Michael McLaughlin	
3. Paul Zehnder	
c. Full Board Hearing Decision - Theresa Taylor	29
1. Tustin Unified School District	
d. CalPERS 2022-27 Strategic Plan - Second Reading - Sabrina Hutchins	30
e. Senate Bill 1328 (McGuire) - Divestment from Russia and Belarus - Danny Brown	40
f. Senate Bill 1173 (Gonzalez) - Divestment from Fossil Fuel Companies - Danny Brown	50
10. Information Agenda Items	
a. State and Federal Legislation Update - Danny Brown	60
b. Summary of Board Direction - Marcie Frost	67
c. Public Comment	68
Adjournment	70
Reporter's Certificate	71

PROCEEDINGS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
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PRESIDENT TAYLOR: Good afternoon. Welcome to the Board meeting open session. First order of business is roll call, please.

BOARD SECRETARY HOPPER: Theresa Taylor?

PRESIDENT TAYLOR: Here.

BOARD SECRETARY HOPPER: Rob Feckner?

VICE PRESIDENT FECKNER: Good afternoon.

BOARD SECRETARY HOPPER: Sertan Usanmaz for Fiona Ma?

ACTING BOARD MEMBER USANMAZ: Present.

BOARD SECRETARY HOPPER: Lisa Middleton?

BOARD MEMBER MIDDLETON: Present.

BOARD SECRETARY HOPPER: David Miller?

BOARD MEMBER MILLER: Here.

BOARD SECRETARY HOPPER: Eraina Ortega?

BOARD MEMBER ORTEGA: Here.

BOARD SECRETARY HOPPER: Jose Luis Pacheco?

BOARD MEMBER PACHECO: Present.

BOARD SECRETARY HOPPER: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Here.

BOARD SECRETARY HOPPER: Shawnda Westly?

PRESIDENT TAYLOR: Excused.

BOARD SECRETARY HOPPER: Lynn Paquin for Betty Yee?

1 ACTING BOARD MEMBER PAQUIN: Here.

2 PRESIDENT TAYLOR: I keep waiting for her.

3 BOARD SECRETARY HOPPER: Madam Chair, all is in a
4 presence -- all is in presence and an excused absence from
5 Shawnda Westly.

6 PRESIDENT TAYLOR: All right. Thank you.

7 Next, I need approval of the April 19th, 2022
8 Board of Administration timed agenda.

9 BOARD MEMBER MILLER: So moved.

10 BOARD MEMBER PACHECO: (Hand raised).

11 PRESIDENT TAYLOR: Move my Mr. Miller seconded by
12 Mr. --

13 BOARD MEMBER PACHECO: Pacheco.

14 PRESIDENT TAYLOR: -- Pacheco. I was going to
15 say your whole name.

16 All right. So any discussion?

17 All right. All those in favor?

18 (Ayes.)

19 PRESIDENT TAYLOR: All those opposed?

20 All right. Motion passes.

21 Next is the Pledge of Allegiance. And I'm going
22 to ask Mr. Feckner to lead us in the Pledge of Allegiance.

23 VICE PRESIDENT FECKNER: Hand over heart.

24 (Thereupon the Pledge of Allegiance was
25 recited in unison.)

1 BOARD MEMBER RUBALCAVA: Some day.

2 PRESIDENT TAYLOR: Right.

3 VICE PRESIDENT FECKNER: Some day.

4 PRESIDENT TAYLOR: All right. Thank you.

5 Our Agenda Item 4 is my report. So good
6 morning -- good afternoon, everyone. We are no longer in
7 the morning. First, I wanted to start this afternoon by
8 congratulating Mr. Rubalcava on his reappointment to our
9 Board. Our -- on March 30th, the Senate Rules Committee,
10 Chaired by Senate President Pro Tem Toni Atkins
11 reappointed Ramon. In her announcement, she said that she
12 was heartened that we can retain such a talented and
13 effective leader to continue the substantial
14 responsibility of managing the largest public pension fund
15 in the nation. And we wholeheartedly agree, so
16 congratulations, Ramon.

17 BOARD MEMBER RUBALCAVA: Thank you.

18 (Applause.)

19 PRESIDENT TAYLOR: And today is -- or this week
20 is Earth Week -- Earth Day, this Friday. Given CalPERS
21 commitment to sustainability and addressing the risks of
22 climate change, I'd be remiss if I didn't mention it.
23 Earth Day was first celebrated in 1970. And every April
24 22nd marks the anniversary of the birth of the modern
25 environmental movement. In the decades leading to the

1 first Earth Day, Americans were consuming vast amounts of
2 leaded gas through massive inefficient automobiles.
3 Industries produced smoke and sludge with little fear of
4 the consequences, and air pollution was commonly accepted.

5 Times have changed, and so has CalPERS view of
6 climate change risks on our investment portfolio. We
7 actively address long-term sustainability issues through
8 advocacy, corporate engagement, and integration of climate
9 data through research into our investment decision-making.

10 We still have a lot of work to do, but I am
11 confident we are on the path to protect our portfolio and
12 members' retirement security.

13 And that concludes my report. I'll turn to Ms.
14 Frost for your report.

15 CHIEF EXECUTIVE OFFICER FROST: Good afternoon,
16 President Taylor and members of the Board. I'd like to
17 start my report today - I was going to say this morning -
18 by officially welcoming Nicole Musicco to CalPERS as our
19 new Chief Investment Officer. Nicole is in her first
20 month. She started on March 28th and she's already spent
21 a great time -- deal of time meeting with the Investment
22 Office, each of the asset class heads, all of the various
23 teams, and getting up to speed on the recent strategic
24 asset allocation decisions that were made by the Board.
25 She also had an opportunity to attend the stakeholder

1 meetings last week, and to introduce herself to our
2 stakeholder leaders.

3 Her 16 years of experience in the pension
4 industry, in addition to her direct investment experience
5 in both the public and private markets really did make
6 Nicole the ideal person to lead our Investment Office.
7 You'll be hearing more from her at our June Investment
8 Committee meeting. But just taking a quick moment to join
9 me in welcoming Nicole to the team.

10 (Applause.)

11 PRESIDENT TAYLOR: Stand, Nichol.

12 There you go.

13 (Applause.)

14 CHIEF EXECUTIVE OFFICER FROST: She was using an
15 abundance of caution with some of her travels. I think
16 she picked up either allergies in Sacramento or a cold in
17 her travels.

18 Turning to this month's business. Yesterday, the
19 Finance and Administration Committee approved the annual
20 budget for the 2022-23 fiscal year. As you know, our goal
21 is always to maintain and improve the level of service
22 that we provide to you members, and to our employers, and
23 to our various stakeholder groups, while also identifying
24 operational efficiencies and implementing the approved
25 Strategic Plan initiatives. We do continue to rely on our

1 enterprise pooling to place resources where they're needed
2 most. So I believe this is sixth budget cycle where we
3 have not requested any changes to -- or additions to our
4 PYs. We actually reduced our PY count last budget cycle.

5 We are fully aware that our administrative
6 expenses are paid from a trust fund and we do everything
7 we can to keep those within our reasonable range. Our
8 cost per member has reduced again this year. While the
9 service scores have remained constant, we'll provide you
10 with a more thorough benchmarking update later this year.
11 I'm hoping in the September time frame. And that update
12 will include the investment side showing the value of the
13 Investment Office with the amount of fees or the low fees
14 that are being taken or being paid, as well as the
15 administrative side that shows the cost per member, the
16 complexity, IT capability just to name a few.

17 Later today, Sabrina Hutchins, who's just behind
18 me here, will be back to present you with the second
19 reading of the Five Year Strategic Plan that will go into
20 effect on July 1. The plan includes five areas of focus
21 with 51 targeted measures designed to track incremental
22 progress and to provide accountability for our work over
23 the span of the plan. Of those 51 measures, 24 are new.
24 Performance targets are both quantitative and qualitative.
25 I know we spoke about that a bit at the Committee earlier

1 today, but it's really dependent on the strategy and how
2 best to track the implementation on what has been
3 determined as quantitative or qualitative. So I really
4 encourage you to engage with her in those areas.

5 Turning now to some data that I'd to share with
6 you as we've -- that we've collected as part of our
7 returning to the office. Remember we returned into our
8 hybrid schedules for the most part on March 1. The
9 majority of the office is returning three days per week,
10 with up to two days authorized remote. We've calculated
11 that prior to the pandemic our employees drove or used
12 public transit, but for the most part drove, for over
13 441,000 miles. Today, those figures have been reduced by
14 40 percent.

15 And at the request of team members, we've also
16 developed a dashboard of COVID statistics, which can be
17 viewed on the intranet. And the dashboard does provide a
18 monthly view of percentage of team members in the office
19 on any day of the week. It includes our vaccination rate
20 and COVID cases among team members. That was something
21 that our team, as we were transitioning back into the
22 office, had felt that data was really important for the
23 whole enterprise to know and not just through our contact
24 tracing program.

25 Today, our overall vaccination rate is 87.6

1 percent. We've had 27 COVID cases reported since March 1
2 and only two of those have resulted from exposures in the
3 actual workplace.

4 I'm also pleased to announce that CalPERS has
5 received the WELL, W-E-L-L, Health Safety rating for
6 facility management and operations from the International
7 WELL Building Institute. CalPERS received certification
8 basically around cleaning and sanitation, emergency
9 preparedness, air and water quality management, and
10 available health resources for all three of our Sacramento
11 campus buildings. And I know that that was also
12 reassuring as we've announced that to the enterprise as
13 people have been coming back into the office.

14 On another note of good news, I'm happy to report
15 that our document management center -- some of you may
16 also call this part of our mailroom and imaging team, they
17 did reach a first-ever milestone. The team met its
18 service level agreements for 300 business days in a row
19 dating back to January 22nd of 2021. In that time, they
20 processed over 742,000 incoming pieces of mail and scanned
21 approximately 3 million pages. I had a chance to
22 celebrate with the team last week. It was really fun to
23 see the energy. And remember, this is the team that's
24 been on-site from day one. So I think we all, you know,
25 need to understand that this group went through the early

1 parts of the pandemic when so much was unknown, showed up
2 every day, and did not hit -- or did not miss their
3 service level in that entire time. So a big
4 congratulations again to them.

5 Looking ahead to some future engagements. I will
6 be participating the World Economic Forum at the end of
7 this month with Kewsong Lee, the CEO of Carlyle, who's one
8 of our private equity partners. We'll be discussing the
9 work that we've created together on long-term
10 sustainability in the private markets, also called the
11 Data Convergence Project. Some of you may be more
12 familiar with that term. We do believe that private
13 equity with its full ownership governance model, the
14 long-term investment horizon, and then also some freedom
15 from short-term pressures is well placed to lead the way
16 in capturing value through the sustainable transformation
17 of investments. As part of the forum up, we'll release a
18 white paper and I'll get that white paper out to all of
19 you in advance.

20 And now just a quick update on the special
21 election for the vacant seat on the CalPERS Board
22 representing public -- public agency members. Ballot
23 packages containing voting information, candidate
24 statements, a paper ballot and a prepaid return envelope
25 were mailed to eligible members on April 15th. As with

1 previous Board elections, members can vote online, you can
2 vote by phone, and you can vote by paper ballot. The
3 deadline to vote is May 16th. To help members better
4 understand where candidates stand on issues, a virtual
5 candidate forum will be offered again this year. It will
6 be moderated by the League of Women Voters and it will be
7 held on April 27th. And so for more information on the
8 election and the forum is available on the Board election
9 page of our website.

10 And then just one final item before I close, next
11 month on May 25th we'll hold our annual award ceremony to
12 honor this year's class of APEX recipients. There are 19
13 of them. The APEX award stands for Achieving Performance
14 Excellence, and it's the highest honor that a CalPERS team
15 can receive for their contributions to our work in serving
16 members. This is a peer-generated award.

17 Over the years, team members have been recognized
18 for their dedication to our Core Values, to customer
19 service, their technical proficiency, their interpersonal
20 skills. We do believe interpersonal skills, as well as
21 the -- you know, the more technical talent is extremely
22 important, especially in leadership roles, and their
23 ability to collaborate and achieve operational excellence.

24 With that, I'd like to ask this year's honorees
25 to stand and they're in the room. If I could have them

1 stand and we do have one member from our San Diego office
2 who's watching.

3 (Applause.)

4 CHIEF EXECUTIVE OFFICER FROST: I should say one
5 recipient from our San Diego Office who is watching
6 online. So with that, that does conclude my report,
7 President Taylor, and happy to take questions.

8 PRESIDENT TAYLOR: Thank you. I don't see any
9 questions from the Board right now.

10 But thank you, Ms. Frost. We do have to
11 backtrack. I just got notified that we have some public
12 commenters. We have one person I believe in person, Mr.
13 Serrano. I need to advise you, if you're going to comment
14 on your case, we can't hear that. If you're going to
15 comment on general information, we can hear that.

16 MR. SERRANO: Yes, Madam President.

17 Where should I go?

18 CHIEF EXECUTIVE OFFICER FROST: Right here.

19 MR. SERRANO: Good afternoon, Madam President,
20 honorable board members. I apologize. I had a pre-made
21 script I wanted to speak from. But rather, I'd like to
22 speak general comments in regards to policy matters and
23 just touch on a couple of government statutes.

24 One, a CalPERS member with over 31 years of
25 service credit. Currently, I'm a city employee and I'm

1 assigned to a work assignment created by the City of Santa
2 Ana and that work assignment is a labor position. I just
3 wanted to touch on -- contrary to current opinions or
4 staff opinion, the law -- there's --

5 PRESIDENT TAYLOR: You can't.

6 MR. SERRANO: Okay. Government Code 2636 allows
7 an employer to create any work assignment it deems
8 necessary to fill the needs of their --

9 PRESIDENT TAYLOR: You're still commenting on the
10 case, sir. I can't have you do that before.

11 MR. SERRANO: On Government Code? I think
12 that's --

13 PRESIDENT TAYLOR: Yeah, you're basically
14 commenting on the case.

15 MR. SERRANO: Well, that's -- I can't speak on a
16 Government law Madam President?

17 PRESIDENT TAYLOR: Have you got anything else on
18 policy you want to talk about?

19 MR. SERRANO: Specifically to Government Code --
20 Government Code section, yes. On a particular case, no.
21 Just on that Government Code section if I may proceed.

22 GENERAL COUNSEL JACOBS: Ms. Taylor, if I may
23 make a suggestion. If Mr. Serrano has general matters, he
24 can speak to them at the public comment section --

25 PRESIDENT TAYLOR: At the end of the meeting.

1 GENERAL COUNSEL JACOBS: -- at the end of the
2 meeting. But if it's touching on his case, that is not
3 permitted.

4 PRESIDENT TAYLOR: Yeah. So from our General
5 Counsel, these Government Codes you are quoting are
6 coming -- touching on your case, so let's -- what -- you
7 can do this at the end of the meeting. You can make these
8 comments at the end of the meeting.

9 MR. SERRANO: Okay.

10 PRESIDENT TAYLOR: Okay?

11 MR. SERRANO: Thank you.

12 PRESIDENT TAYLOR: Thank you.

13 Mr. Teykaerts, we have three people on the phone,
14 I believe?

15 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Madam
16 President, two of them will be in the similar scenario as
17 the previous commenter, so we'll refer them to the end of
18 the meeting. There is one request in public comment on a
19 different matter and so I'll go ahead and put him on with
20 your permission.

21 PRESIDENT TAYLOR: Okay. Go ahead.

22 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: We have
23 Wayne Quin.

24 PRESIDENT TAYLOR: I couldn't hear the last name.

25 MR. QUIN, JR.: Good after --

1 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Go
2 ahead, Mr. Quin.

3 MR. QUIN, JR.: Good afternoon, CalPERS. My name
4 is Wayne J. Quinn, Jr., and I am the Executive Director
5 for the Los Angeles County Professional Peace Officers
6 Association. Back in 2018, our organization was proud and
7 is on the legislative record as supporting SB, Senate
8 Bill, 1085 that was -- that sponsored by Services Employee
9 International Union and authored by Senator Skinner.

10 According to the author, and I quote, "This bill
11 ensures that public employees are able to take a leave of
12 absence to represent their union without losing their job
13 or benefits during the time they are performing union
14 duties". SB 1085's title was --

15 PRESIDENT TAYLOR: Sir, I'm going to have to
16 interrupt you. I'm sorry.

17 MR. QUIN, JR.: -- and act to add section --

18 PRESIDENT TAYLOR: I need to interrupt you.
19 Go ahead, Matt.

20 GENERAL COUNSEL JACOBS: This would also appear
21 to be --

22 MR. QUIN, JR.: Okay.

23 GENERAL COUNSEL JACOBS: -- with respect to Mr.
24 Serrano's. But I also note that public comment is
25 supposed to be about the Board President's report, if

1 its pertains or if it's being attempted with respect to
2 Item 4. The place for general public comment is at the
3 end of the session. So there is an opportunity to
4 comment, but if it pertains to an administrative law
5 case --

6 MR. QUIN, JR.: I'm happy to --

7 GENERAL COUNSEL JACOBS: -- that is pending
8 before you --

9 MR. QUIN, JR.: I'm happy to do so.

10 GENERAL COUNSEL JACOBS: Okay.

11 PRESIDENT TAYLOR: So thank you.

12 All right. Thank you.

13 Let's move on to 6a. Did we do that already?

14 PRESIDENT TAYLOR: All of 6, no.

15 PRESIDENT TAYLOR: 6a and b and c. So they're
16 action consent items. I didn't have a --

17 VICE PRESIDENT FECKNER: Move approval.

18 BOARD MEMBER MILLER: Second

19 PRESIDENT TAYLOR: Move -- thank you. So I have
20 move approval by Mr. Feckner, second by Mr. Miller. All
21 those in favor?

22 (Ayes.)

23 PRESIDENT TAYLOR: All those opposed?

24 Motion carries.

25 Let's -- we're moving on to Item 7, information

1 consent. I did not receive a request to remove anything
2 from information consent.

3 So we will move on to Item 9, which is --

4 VICE PRESIDENT FECKNER: Eight.

5 PRESIDENT TAYLOR: -- Vice President.

6 BOARD SECRETARY HOPPER: Madam President. Item
7 8.

8 PRESIDENT TAYLOR: I'm sorry, Item 8, reports on
9 the committees. I'm sorry. It was so faded I couldn't
10 see it. So go ahead. Our first one is Pension and
11 Health, I believe.

12 BOARD MEMBER RUBALCAVA: Investment.

13 VICE PRESIDENT FECKNER: There is no Investment.

14 PRESIDENT TAYLOR: We don't have Investment.

15 Sorry, we do not have Investment Committee.

16 So our first report is Pension and Health, Mr.
17 Feckner.

18 VICE PRESIDENT FECKNER: Thank, Madam Chair.

19 The Pension and Health Benefits Committee met on
20 April 18th, 2022.

21 The Committee recommends and I move the Board
22 approve the following:

23 Agenda Item 6a, approve staff's recommendation to
24 pursue the proposed regulation defining limited duration
25 employment.

1 PRESIDENT TAYLOR: Any discussion on the motion?

2 Hearing none.

3 All those in favor?

4 (Ayes.)

5 PRESIDENT TAYLOR: All those opposed?

6 (No.)

7 PRESIDENT TAYLOR: Motion -- motion carries. Oh,
8 I'm sorry. I did hear a no.

9 Did I hear a no?

10 VICE PRESIDENT FECKNER: Um-hmm. Still carries.

11 PRESIDENT TAYLOR: Okay. Motion still carries.
12 Go ahead.

13 VICE PRESIDENT FECKNER: The Committee -- the
14 Committee heard public comment on the following topics:
15 appreciation for phone-in public comment, a suggestion to
16 include the full Board for PHBC, concern over the Medicare
17 Direct Contracting Program, and discussion of a letter
18 California State Retirees sent asking to halt the program.

19 At this time, I would like to share some
20 highlights of what to expect at June PHBC meeting. The
21 Committee will review preliminary 2023 Health Maintenance
22 Organization and Preferred Provider Organization plan
23 rates, and State Annuitant contribution formula.

24 The next meeting of the PHBC is scheduled for
25 June 14th, 2022 in Sacramento, California. That ends my

1 report, Madam Chair.

2 PRESIDENT TAYLOR: Thank you.

3 Our next report is the Finance and Administration
4 Committee, I believe, and that is Ms. Middleton.

5 Can you press your -- thank you.

6 BOARD MEMBER MIDDLETON: Thank you, Madam Chair.

7 The Finance and Administration Committee met --
8 (clears throat) -- excuse me -- on April 18, 2022. The
9 Committee recommends and I move the Board approve the
10 following.

11 Agenda Item 4b, approve April 22, 2022
12 prospective a report of solicitations, contracts, purchase
13 orders, and letters of engagement.

14 PRESIDENT TAYLOR: Okay. Any discussion on the
15 motion?

16 All those in favor?

17 (Ayes.)

18 PRESIDENT TAYLOR: All those opposed?

19 Motion carries.

20 BOARD MEMBER MIDDLETON: Agenda Item 4c, approve
21 the 1959 Survivor Benefit Program actuarial valuation
22 report as of June 30, 2021 and the transmittal letter to
23 the Governor or and the Legislature. Adopt the employer
24 and employee monthly premiums for fiscal year 2022-23.

25 PRESIDENT TAYLOR: Any discussion on the motion?

1 All those in favor?

2 (Ayes.)

3 PRESIDENT TAYLOR: All those opposed?

4 Okay. Motion carries.

5 BOARD MEMBER MIDDLETON: Agenda Item 4d, approve
6 the June 30, 2021 Judges' Retirement System actuarial
7 valuation report and the corresponding transmittal letter
8 to the Governor and Legislature, including lowering the
9 inflation assumption from 2.5 percent to 2.3 percent, and
10 changes to the assumed mortality and retirement rates as
11 outlined below and in the valuation report. Adopt the use
12 of demo -- new demographic and economic assumptions,
13 including inflation and salary growth in all affected
14 member calculations. The discount rate for benefit
15 calculations and service credit purchases is the same as
16 that used for the Judges' Retirement II system namely 6.0
17 percent.

18 PRESIDENT TAYLOR: Okay. Any discussion on the
19 motion?

20 Hearing none.

21 All those in favor?

22 (Ayes.)

23 PRESIDENT TAYLOR: All those opposed?

24 Motion passes.

25 BOARD MEMBER MIDDLETON: Agenda Item 4e, approve

1 the June 30, 2021 Judges' Retirement System II actuarial
2 valuation report and the corresponding transmittal letter
3 to the Governor and Legislature, including lowering the
4 discount rate assumption from 6.5 to 6.0 percent, lowering
5 the inflation assumption from 2.5 to 2.3, and changes to
6 the assumed mortality and retirement rates as outlined
7 below, and in the valuation report. Adopt the employer
8 contribution rate of 23.23 percent and a member
9 contribution rate of 16 percent of salary for members
10 subject to the Public Employees' Retirement[SIC] Pension
11 Reform Act of 2013, PEPRA, for the period July 1, 2022
12 through June 30, 2023 for the Judges' Retirement System
13 II, JRS. Adopt the use of the new demograph --
14 demographic and economic assumptions.

15 PRESIDENT TAYLOR: Motion by Committee.

16 Any discussion on the motion?

17 Hearing none.

18 All those in favor?

19 (Ayes.)

20 PRESIDENT TAYLOR: All those opposed?

21 Motion carries.

22 BOARD MEMBER MIDDLETON: Approve the June 30,
23 2021 Legislators' Retirement System actuarial valuation
24 report and the corresponding transmittal letter to the
25 Governor and the Legislature, including lowering the

1 discount rate assumption from 5 to 4.5 percent, lowering
2 the infla -- inflation assumption from 2.5 to 2.3 percent,
3 and changes to the assumed mortality rates as outlined
4 below and in the valuation report. Adopt the employer
5 contribution rate of 31.8 percent for the period of July
6 1, 2022 through June 30, 2023 for the Legislators'
7 Retirement System. Adopt the use of the new demographic
8 and economic assumptions.

9 PRESIDENT TAYLOR: On recommendation from the
10 Committee.

11 Any discussion on the motion?

12 Hearing none.

13 All those in favor?

14 (Ayes.)

15 PRESIDENT TAYLOR: All those opposed?

16 Motion carries.

17 BOARD MEMBER MIDDLETON: Item 4g, approve the
18 additional one-year contract term extension for the Office
19 of Public Affairs video hardware maintenance contract to
20 fulfill the Board's duty to educate and inform CalPERS
21 members and stakeholders.

22 PRESIDENT TAYLOR: Okay. So we have public
23 comment on this before we vote.

24 Is that in the audience?

25 VICE PRESIDENT FECKNER: Mr. Darby.

1 PRESIDENT TAYLOR: Oh, Mr. Darby.

2 There you go.

3 MR. DARBY: Madam Chair, Board member, Al Darby,
4 Vice President, Retired Public Employees Association.

5 In the current proposed budget, RPEA questions
6 the outsized external management budget for private
7 equity. It is 10 times the global equity external
8 management budget and for external managers. It is almost
9 400 K, 400,000, while the global equity budget is 32,000.

10 Other costs associated with private equity, such
11 as carried interest and profit sharing could push private
12 equity costs, including real estate, to \$2 billion. The
13 private equity allocation is only 20 percent of the
14 global -- of the global private equity allocation in the
15 total PERF. So the proportion of external manager cost
16 for PE is extremely out of balance for the asset
17 allocation currently assigned to PE.

18 Private equity underperformed global equity in
19 fiscal year 20-21, so we question why we would be devoting
20 so much money to private equity -- private equity external
21 managers in proportion to the other investment allocation.

22 Thank you.

23 PRESIDENT TAYLOR: Thank you, Mr. Darby.

24 So Agenda Item 4g. On motion by Committee.

25 Do I have any discussion?

1 Hearing no discussion.

2 All those in favor?

3 (Ayes.)

4 PRESIDENT TAYLOR: All those opposed?

5 Hearing no opposition, motion carries.

6 Go on.

7 BOARD MEMBER MIDDLETON: Agenda Item 6a, approve
8 the 2022-23 annual budget in the amount of 2.073 billion
9 and 2,843 positions.

10 PRESIDENT TAYLOR: On motion by Committee.

11 Any discussion on the motion?

12 Hearing none.

13 All those in favor?

14 (Ayes.)

15 PRESIDENT TAYLOR: All those opposed?

16 Motion carries.

17 BOARD MEMBER MIDDLETON: Agenda Item 6b, approve
18 the proposed elected Board member percentages of time to
19 be spent on Board-related duties based on Board member and
20 Committee directions held in February and March 2022.

21 PRESIDENT TAYLOR: Thank you. On motion by
22 Committee.

23 Any discussion on the motion?

24 Hearing none.

25 All those in favor?

1 (Ayes.)

2 PRESIDENT TAYLOR: All those opposed?

3 All right, motion carries.

4 BOARD MEMBER MIDDLETON: Agenda Item 6c, adopt
5 the actuarially determined employer contribution rates and
6 approve the member contribution rates for the period of
7 July 1, 2022 to June 30, 2023.

8 PRESIDENT TAYLOR: On motion by Committee.

9 Any discussion on the motion?

10 Hearing none.

11 All those in favor?

12 (Ayes.)

13 PRESIDENT TAYLOR: All those opposed?

14 Motion carries.

15 BOARD MEMBER MIDDLETON: Agenda Item 6d, approve
16 the employer contribution rate of 23.37 percent for the
17 schools pool and a member contribution rate of 8 percent
18 for schools employ -- employees subject to the Public
19 Employees' Pension Reform Act of 2013, PEPRA. Rates are
20 applicable for the period of July 1, 2022 to June 30,
21 2023.

22 PRESIDENT TAYLOR: All right. On motion by
23 Committee.

24 Any discussion on motion?

25 Hearing none.

1 All those in favor?

2 (Ayes.)

3 PRESIDENT TAYLOR: All those opposed?

4 Okay. Motion carries.

5 Ms. Middleton.

6 BOARD MEMBER MIDDLETON: The Committee reports on
7 the following topics: long-term care valuation report,
8 semiannual health plan financial report.

9 The Chair directed staff to provide an update on
10 the percentage of PEPRA members by plan.

11 At this time, I would like to share a highlight
12 of what to expect at the September Finance and
13 Administration Committee meeting. The annual actuarial
14 valuation Terminated Agency Pool.

15 The next meeting of the Finance and
16 Administration Committee is scheduled for September 20,
17 2022.

18 PRESIDENT TAYLOR: Thank you, Ms. Middleton.

19 We move on to the Risk and Audit Committee
20 report. That was today though.

21 BOARD MEMBER MIDDLETON: The Risk and Audit
22 Committee met on April 18, 2022.

23 The Committee received reports on the following
24 topics:

25 Chief Compliance Officer preliminary plans.

1 At this time, I would like to share some
2 highlights of what to expect at the June Risk and Audit
3 Committee meeting: external audit fees; the 2022-23 plans
4 for Enterprise Compliance, Risk and Governance, and the
5 Office of Audit Services; the independent auditor's annual
6 plan; the 2023 -- 22-23 annual compliance report.

7 The next meeting of the of Risk and Audit
8 Committee is scheduled for June 14, 2022 in Sacramento,
9 California.

10 Thank you.

11 PRESIDENT TAYLOR: Thank you, Ms. Middleton.

12 Next up is the Performance, Compensation and
13 Talent Management. And for that, Mr. Feckner.

14 VICE PRESIDENT FECKNER: Thank you, Madam Chair.
15 The Performance, Compensation and Talent Management
16 Committee met on April 19th, 2022.

17 The Committee received reports on the following
18 topics: an educational presentation on compensation
19 trends, a review of the Board's Compensation Policy for
20 executive and investment management positions, a
21 compensation review and recommendations for statutory
22 positions, a report on fiscal year 2022-23 incentive
23 metrics.

24 The Chair directed staff to: bring back
25 additional data on recruitment, retention, vacancies, past

1 average base salary increases for covered positions, and
2 related topics for Committee consideration; provide
3 clarity on the composition of the peer comparator group
4 for compensation data; and provide additional comparison
5 data for CalSTRS.

6 At this time, I would like to share some
7 highlights of what to expect at the next Performance,
8 Compensation and Talent Management Committee meeting. The
9 Committee will receive a report on the 2022-23 incentive
10 metrics for executive and investment management positions;
11 the 2022-23 incentive plan for the Chief Executive
12 Officer; the Board's primary compensation consultant will
13 return with final recommendations on the Board's
14 Compensation Policy for executive and investment
15 management positions, and compensation ranges for
16 statutory positions.

17 The next meeting of the Performance, Compensation
18 and Talent Management Committee will be scheduled for June
19 14th in Sacramento, California.

20 Thank you, Madam President.

21 PRESIDENT TAYLOR: Thank you, Mr. Feckner.

22 We don't have an 8f.

23 Moving on to Agenda Item 9. And that again is
24 Mr. Feckner.

25 VICE PRESIDENT FECKNER: Thank you, Madam Chair.

1 First of all, we're going to take Item 9a2 separately.

2 There's been a request from a Board member.

3 So I move the Board adopt the proposed decisions
4 at Agenda Items 9a1 and 9a3 through 6 as the Board's own
5 decisions with the minor modifications argued by staff to
6 Agenda Items 9a3, 5, and 6.

7 BOARD MEMBER MILLER: Second.

8 PRESIDENT TAYLOR: I have a second from Mr.
9 Miller.

10 Is there any discussions on the motion?

11 All right. All those in favor?

12 (Ayes.)

13 PRESIDENT TAYLOR: All those opposed?

14 Motion carries.

15 VICE PRESIDENT FECKNER: I move to adopt the
16 proposed decision to Agenda Item 9a2 as the Board's own
17 decision with the minor modification argued by staff.

18 PRESIDENT TAYLOR: Can I get a second?

19 BOARD MEMBER PACHECO: (Hand raised).

20 PRESIDENT TAYLOR: Mr. Pacheco. Seconded by Mr.
21 Pacheco.

22 Any discussion?

23 All right. All those in favor?

24 (Ayes.)

25 PRESIDENT TAYLOR: All those opposed?

1 (No.)

2 PRESIDENT TAYLOR: Motion carries.

3 Agenda Item 9b[SIC] through 93[SIC]. I move to
4 deny the petitions for reconsideration at Agenda Items 9b1
5 through 3.

6 PRESIDENT TAYLOR: May I get a second?

7 BOARD MEMBER MILLER: (Hand raised).

8 PRESIDENT TAYLOR: Seconded by Mr. Miller.

9 Any discussion on the motion?

10 All right.

11 All those in favor?

12 (Ayes.)

13 PRESIDENT TAYLOR: All those opposed?

14 Motion carries.

15 VICE PRESIDENT FECKNER: 9c.

16 PRESIDENT TAYLOR: And we are on 9c.

17 VICE PRESIDENT FECKNER: 9c. I move to adopt the
18 full Board hearing decision as presented at Agenda Item 9c
19 in the appeal of Tustin Unified School District as the
20 Board's final decision.

21 BOARD MEMBER MILLER: Second.

22 PRESIDENT TAYLOR: Seconded by Mr. Miller.

23 Is there any discussion on the motion?

24 Hearing none.

25 All those in favor?

1 (Ayes.)

2 PRESIDENT TAYLOR: All those opposed?

3 Motion carries.

4 All right. So we are on information agenda
5 items.

6 VICE PRESIDENT FECKNER: No, 9d.

7 PRESIDENT TAYLOR: Oh, I'm sorry, we had to take
8 9b separately.

9 VICE PRESIDENT FECKNER: 9d.

10 PRESIDENT TAYLOR: 9d separately. I though you
11 said --

12 VICE PRESIDENT FECKNER: No, you've got D, E and
13 F to go still.

14 PRESIDENT TAYLOR: Okay. On to 9d. My bad. Go
15 ahead. Go ahead, Mr. Feckner.

16 (Thereupon a slide presentation.)

17 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
18 HUTCHINS: I'm up. All right. Thank you.

19 Good afternoon --

20 PRESIDENT TAYLOR: Go ahead, Sabrina.

21 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
22 HUTCHINS: All right. Thank you. Good afternoon, Madam
23 President, and members of the Board. Sabrina Hutchins,
24 CalPERS team member.

25 I'm excited to be here today to discuss our

1 strategic planning efforts with much anticipation of
2 bringing our next Strategic Plan to life. We consider
3 this the second reading of the 2022 through 2027 Strategic
4 Plan as a final review with the Board. This is an action
5 item and we are seeking Board approval of the Plan.

6 Ideally, the goal is to finalize the Plan before
7 the end of the fiscal year when the current plan ends.

8 Next slide.

9 --o0o--

10 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

11 HUTCHINS: Today, I want to just briefly summarize the
12 overall project plan again and progress to date. In
13 addition, we want to review two considerations for
14 strategic measure methodology changes and highlight a
15 couple focus areas of the new plan.

16 Next slide.

17 --o0o--

18 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

19 HUTCHINS: As we reviewed as part of the first reading
20 with you in February, CalPERS did embark on a thoughtful
21 approach to developing our next Strategic Plan over two
22 years ago. This view outlines our high level project
23 timeline and the opportunities of engagement with you all
24 as the Board of Administration as well as our
25 stakeholders.

1 Some of you may recall that we kicked our efforts
2 off back in July of 2020 by sharing this timeline and
3 steps in the planning process. We then facilitated an
4 interactive discussion held in July of 2021 to gather your
5 input on the high level goals and objectives that we were
6 proposing within the Plan.

7 Based on your feedback and overall positive
8 consensus to continue our efforts, we then facilitated
9 additional refinements to the Plan by working with our
10 program experts and executive team. And then most
11 recently, we have added our strategic measures to further
12 demonstrate accountability and transparency within the
13 Plan.

14 And at the February Board of Administration
15 Committee meeting we conducted the first reading of the
16 Plan, where we did a comprehensive review on each of the
17 strategic goals, strategic objectives, and those measures.

18 Throughout this project, we have engaged with
19 internal and external stakeholders to get to where we are
20 today. And again, our goal is to have the Plan ready to
21 implement on time in July of 2022. Having our Strategic
22 Plan in place is very important to CalPERS, as it clearly
23 articulates our strategic priorities and focus areas that
24 keep our team moving forward and delivering on our
25 mission.

1 Next slide.

2 --o0o--

3 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

4 HUTCHINS: So the CalPERS team did consider many inputs to
5 frame up and build this Plan. As always, it's important
6 to take a fresh look at your vision and mission at the
7 beginning of a strategic planning process. And for us our
8 aspiration and our purpose has not changed. Our vision is
9 that we want to be a respected partner providing a
10 sustainable retirement system and Health Care Program for
11 those who serve California.

12 And our mission is to deliver retirement and
13 health care benefits to our members and their
14 beneficiaries. Based on this understanding, we saw our
15 efforts for the Strategic Plan to be more of a refresh and
16 an expansion of the current Plan that we have in place,
17 and we've leveraged several components of the current Plan
18 to build upon.

19 All of the various inputs that we evaluated
20 brought us to these five key focus areas of our Strategic
21 Plan moving forward that include the member experience,
22 stakeholder engagement, organizational excellence, and
23 exceptional health care, and pension sustainability. We
24 believe this Plan articulates a comprehensive outlook to
25 achieving our mission that demonstrates accountability,

1 as part of the Strategic Plan to be consistent with the
2 enterprise operational effectiveness measure that is part
3 of the incentive plans. This was also discussed as part
4 of items at the Performance and Compensation meeting
5 today.

6 So the direction we're seeking here is should we
7 keep it as is or do we want to align with the descriptions
8 and methodology consistent with incentive metric? One of
9 the significant differences is within the target.
10 Currently, we have a target to reduce one and a half to
11 two percent annually versus the target of comparing to the
12 baseline year reducing the percentage of overhead cost out
13 of the total administrative cost.

14 Next slide.

15 --o0o--

16 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

17 HUTCHINS: So this is another potential measure change
18 related to the CEM cost per member measure. CalPERS
19 participates in this benchmarking survey that compares us
20 to peer retirement systems that focus on comparisons of
21 complexity of our system, service and cost scores.
22 Overall, our costs have declined from a \$285 cost per
23 member in 2014 to a \$202 cost per member in our last
24 report from 2021. Primarily, this has been due to major
25 project and IT costs.

1 measures. And those details can be found in Attachment 2,
2 page 18 through 22.

3 Within this objective, we plan to communicate
4 data around the percent of managers by identifying diverse
5 firms in the portfolio. Our human capital management
6 strategy will utilize advocacy, engagement, integration
7 and partnership to assess the linkage between human
8 capital practices and financial performance, and we have
9 set targets related to net zero by 2050, focusing on
10 climate solutions and clean energy, as well as influence
11 and engage with legislators and regulators regarding
12 financial market policy in line with our governance and
13 sustainability principles. And the private asset data
14 transparency efforts will focus on the percent of private
15 equity companies that report greenhouse gas emissions.

16 Next slide.

17 --o0o--

18 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
19 HUTCHINS: And finally, we have our objective focused on
20 the new DE&I framework cultivating diversity, equity, and
21 inclusion through culture, talent, investments, health
22 equity, and supplier diversity. What you will notice here
23 is that these measures are in alignment with many of the
24 strategic goals throughout the plan, as we wanted to
25 ensure connectivity throughout our strategic priorities

1 and highlight our comprehensive reach as it relates to
2 DE&I engagement and strategies.

3 Next slide.

4 --o0o--

5 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

6 HUTCHINS: So with your approval of this plan, we'll
7 deploy on time in July of this year. We'll be prepared to
8 host a strategy session at the July Board meeting, if
9 desired within your agenda planning, and we will begin our
10 usual quarterly reporting, which our first report would be
11 due in November.

12 With that, I will open up for any questions or
13 comments.

14 Thank you.

15 PRESIDENT TAYLOR: Thank you, Sabrina. I do a
16 question. Sertan. Oh, wait a minute. That didn't work.

17 There you go.

18 ACTING BOARD MEMBER USANMAZ: I guess, Madam
19 President, I just wanted to note for the record that the
20 Treasurer's office voted no on Item 92a regarding the
21 Serrano case.

22 Thank you.

23 PRESIDENT TAYLOR: Thank you.

24 Okay. Do I have any comments on Ms. -- on
25 Sabrina's report, or questions?

1 Seeing none.

2 This is an action item. What's the pleasure of
3 the Board?

4 BOARD MEMBER RUBALCAVA: Move.

5 PRESIDENT TAYLOR: It's been moved Mr. Rubalcava.

6 BOARD MEMBER PACHECO: (Hand raised).

7 PRESIDENT TAYLOR: Seconded by Jose Pacheco.

8 Any discussion on the matter?

9 Okay.

10 Seeing none.

11 All those in favor?

12 (Ayes.)

13 PRESIDENT TAYLOR: All those opposed?

14 All right. Motion passes. Thank you.

15 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

16 HUTCHINS: Thank you. And just to clarify direction on
17 approval direction for changing in the methodologies for
18 the two measures I mentioned, is that also included in the
19 approval?

20 PRESIDENT TAYLOR: Yeah.

21 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

22 HUTCHINS: Very good. Thank you so much.

23 PRESIDENT TAYLOR: Thank you.

24 Okay. We're moving on to 9d. And I think that's
25 Danny. I'm sorry, 9e.

1 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yes.
2 Good afternoon, Madam President, and Board members. Danny
3 Brown, CalPERS team member. This is an action item asking
4 the Board to adopt an oppose position on Senate Bill 1328
5 authored by Senator McGuire. I think it's important to
6 start by saying that CalPERS continues to support the
7 people of Ukraine and condemn this unjustified and
8 unprovoked attack by Russia. It also has been previously
9 reported, I want to say that CalPERS has ceased all
10 transactions in Russian publicly traded equity and has
11 stopped the flow of any new investments in the country,
12 and CalPERS is following all regulatory requirements
13 promulgated by the U.S. Office of Foreign Assets Control
14 and sanctions that have been put in place.

15 And if this legislation focused only on the
16 government of Russia and Russian companies, we would be
17 probably having a different conversation. Unfortunately,
18 the bill goes well beyond the U.S. and European sanctions
19 by mandating that CalPERS, CalSTRS, and the '37 Act County
20 systems divest from any company with active business
21 operations in Russia or Belarus. Active business
22 operations is defined in the bill as a company engaged in
23 business operations that provide revenue to the government
24 of Russia or the government of Belarus.

25 As noted in the agenda item, we believe this

1 definition captures any company that pays income or excise
2 taxes to Russia or Belarus, employs one or more people in
3 Russia or Belarus, or owns or operates a facility in
4 either country.

5 Based on an initial scan of our global public
6 equity and global fixed income portfolios, we have over
7 3,000 companies that have derived some revenue from Russia
8 or Belarus, as of 12/31/2021. The potential divestment
9 exposure of these 3,000 plus companies is about \$185
10 billion. Further research would be required to identify
11 the exact nature of how the revenue from Russia or Belarus
12 was derived and whether each of these 3,000 plus companies
13 meets the definition of active business operations.

14 This leads to the engagement provisions of the
15 bill with a timeline that we believe is almost impossible
16 or probably impossible to adhere to. Within 30 days of
17 the bill being signed into law, the bill requires CalPERS
18 to contract with the research firm, and this research firm
19 within this same 30 days must report to the Board on
20 companies with business operations in Russia or Belarus.
21 In that same 30 days, CalPERS team members must review
22 publicly available information on companies with business
23 operations in Russia or Belarus, contact other
24 institutional investors with holdings in Russia or
25 Belarus, and send written notices to companies with

1 business operations in Russia or Belarus.

2 The bill specifies CalPERS engagement with
3 companies must include a demand that the company take
4 substantial action within 30 days, which the bill defines
5 as boycotting the countries, curtailing existing
6 businesses, or selling assets in those countries.

7 If this substantial action is not taken within 30
8 days, CalPERS must make no further investments with that
9 company and must liquidate holdings within six months.
10 This notice and engagement process must be repeated every
11 30 days, so that we can monitor to make sure that comp --
12 these companies are making progress on the substantial
13 action that they've said they're taking.

14 The bill also imposes reporting requirements each
15 year with the first report due January 1st, 2023, which
16 could be three or four months after the bill is enacted.

17 Finally, the bill includes sunset clauses that
18 are -- that we are concerned will never occur. The bill
19 would sunset if one of the following two events occurs:

20 The U.S. State Department determines that Russia
21 and Belarus have halted their aggression and occupation of
22 Ukraine. It is our understanding that the State
23 Department does not make such determinations. The other
24 sunset clause would be triggered if the U.S. government
25 revokes all sanction. With sanctions being imposed on

1 numerous individuals, it's likely that many of those
2 individual sanctions will stay in place indefinitely.

3 And so staff is recommending that the Board
4 oppose -- opposed SB 1328, because it imposes a divestment
5 mandate. The scope of the mandate potentially includes a
6 significant portion of our entire trust fund. The
7 engagement requirements are overly prescriptive with
8 timing requirements that are likely impossible to be met,
9 and the sunset clause in the bill may never be triggered.

10 And with that, that ends my presentation and
11 happy to answer any questions that anybody has.

12 PRESIDENT TAYLOR: Before I move on to the other
13 Board members with questions, just real quick, so we
14 oppose this -- say we oppose this if the vote goes that
15 way. Do -- what do you do to engage the Legislature or
16 Mr. McGuire on this, so that it doesn't pass? It sounds
17 like a very onerous bill, so that if it did pass, we would
18 still have -- even if we used our fiduciary duty to say
19 we're not going to divest, we'd still have lots of
20 reporting requirements, correct?

21 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN:

22 Correct. I mean, I think there's different
23 strategies. Obviously, we would oppose the bill and try
24 to get, you know, the entire bill stopped. But I think if
25 nothing else, we at least tried to make it more palatable.

1 And, you know, maybe there are provisions we can live with
2 and we can maybe eliminate the other ones that are going
3 to be more problematic.

4 PRESIDENT TAYLOR: Okay. Okay. I appreciate
5 that. Mr. Feckner.

6 VICE PRESIDENT FECKNER: Thank you, Madam Chair.

7 I move to oppose -- take an oppose position on
8 Senate Bill SB 117 -- wait wrong one. That one too.

9 (Laughter.)

10 PRESIDENT TAYLOR: 1328

11 VICE PRESIDENT FECKNER: 1328. That one too.

12 Do I have a second?

13 BOARD MEMBER PACHECO: I second it.

14 PRESIDENT TAYLOR: Okay. Mr. Pacheco is
15 seconding it. But I did have commentary from Mr.
16 Rubalcava and now Ms. Ortega, but Mr. Rubalcava first.

17 BOARD MEMBER RUBALCAVA: Thank you, Madam
18 President. Mr. Brown, thank you for your presentation.
19 And it was quite a lot -- lengthy memo. In your
20 presentation, you also mention -- you did state that
21 CalPERS is in compliance with the U.S. Office of Foreign
22 Asset Control, so all the sanctions. Could you outline
23 what are the sanctions that CalPERS's -- that the federal
24 government has asked and that CalPERS is in compliance
25 with?

1 Thank you.

2 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I
3 don't know if I can recall those off the top of my head.
4 I think some of them might have been listed in the agenda
5 item, but I can definitely get a list. We can probably
6 put together a list and get it to the Board.

7 BOARD MEMBER RUBALCAVA: But your statement was we
8 are in compliance and we have --

9 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: We're
10 in compliance with all of -- every -- with all of the
11 sanctions and with whatever OFAC has put out there.

12 BOARD MEMBER RUBALCAVA: And also I've been
13 reading articles that there -- you know, everybody wants
14 to do the right thing, of course, but we also have some --
15 what was the term -- under real estate, stranded assets
16 out there also, right that --

17 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN:
18 Um-hmm.

19 BOARD MEMBER RUBALCAVA: So we're trying to do
20 what we can even though it does bear a cost on the System
21 in the immediate term at least, is that correct?

22 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: That's
23 correct. Yes. I think there's -- there's pieces of
24 the -- you know, the bill or there's investments that we
25 are -- the Board is trying to possibly liquidate or that

1 the Investment staff is trying to liquidate, but they
2 can't. Whereas, you know, this bill would obviously put
3 requirements on us liquidating that we could. So, you
4 know, U.S. companies that are doing business there.

5 PRESIDENT TAYLOR: Yeah, that's ridiculous.

6 BOARD MEMBER RUBALCAVA: Because the bill goes
7 beyond what's been required by the federal government, is
8 there any attempt -- I know you mentioned in response to
9 Ms. -- the discussion, so talking to the author, is there
10 any discussion about perhaps amending it, or narrowing it
11 down, or for example, I'm seeking if there's support of
12 option 2, perhaps oppose unless amended.

13 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: We've
14 had discussions with the author's office. We've expressed
15 our concerns. They've -- understand our concerns. You
16 know, we've kind of gotten mixed message as far as whether
17 or not, you know, how far they're willing to go with
18 amendments. We have another conversation with them on
19 Friday this week. You know, so we're hopeful that they
20 will, you know, address many of these concerns that we've
21 raised. But at this point, they haven't given us any
22 indication that they're ready to take any amendments or
23 have offered up any amendments.

24 BOARD MEMBER RUBALCAVA: I would -- as unlikely
25 as it sounds, I would like -- I would encourage you to

1 continue the discussions. My concern is, as we had the
2 discussion about -- during the Pension and Health
3 Committee about the impact of any rates, or -- I'm sorry,
4 not Pension. Yes, it was -- it was PEPRA rates. That
5 what we were talking about.

6 PRESIDENT TAYLOR: PEPRA rates.

7 BOARD MEMBER RUBALCAVA: PEPRA rates. Sorry.
8 It's important that we communicate with our members and
9 our stakeholders, because one thing is perception, one
10 thing is what is the reality. We want people to
11 understand that CalPERS has taken -- has to balance its
12 fiduciary duty and also its obligation as a -- as a good
13 citizen. So just want to make sure that we sort of work
14 on that part also, that whatever action we do take that
15 it's properly communicated.

16 Thank you, Mr. Brown.

17 PRESIDENT TAYLOR: Go ahead.

18 CHIEF EXECUTIVE OFFICER FROST: I can take that
19 as Committee direction. We do have a channel where we can
20 communicate with all two million of our members. Have a
21 very high open rate and we can explain the decision around
22 if your decision is to oppose. We can explain our
23 position on divestment and why we really don't think it
24 reaches the outcome that they think it will. But we
25 can -- we can put that in play.

1 BOARD MEMBER RUBALCAVA: Thank you.

2 PRESIDENT TAYLOR: I think what you're talking
3 about a hundred and, what did you say, 68 billion dollars?

4 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: A
5 hundred and eighty-five.

6 PRESIDENT TAYLOR: A hundred and eight-five. Oh,
7 my goodness. Yeah, that's -- that's half our portfolio.
8 Well, not quite, but --

9 BOARD MEMBER RUBALCAVA: Yeah, it's a hundred and
10 seventy -- yeah.

11 PRESIDENT TAYLOR: Yes. All right. I appreciate
12 that Ms. Frost.

13 Ms. Ortega.

14 BOARD MEMBER ORTEGA: Yeah. Madam. Chair, I just
15 wanted to let you know that I'd be abstaining from both
16 legislative items today.

17 PRESIDENT TAYLOR: Thank you.

18 Ms. Paquin.

19 ACTING BOARD MEMBER PAQUIN: Thank you.

20 I wanted to compliment you, Danny, on a great
21 memo that you put together. I think it really outlined
22 the position of the fund and the situation that, if this
23 bill passed, it would create for us and for our fiduciary
24 duty to the membership. And I think what's most
25 concerning from our perspective is the fact that it's very

1 far reaching beyond what the U.S. government is actually
2 doing. And I feel very comfortable that we're in full
3 compliance with everything that the U.S. government has
4 mandated and also the fact that we are trying to unwind
5 certain investments that are frozen right now. So
6 appreciate that.

7 Thank you.

8 PRESIDENT TAYLOR: Thank you, Ms. Paquin.

9 Mr. Pacheco.

10 BOARD MEMBER PACHECO: Yes. Thank you, Danny for
11 your presentation and so forth. I just wanted to be clear
12 with respect to this -- this bill, it is -- it is -- it is
13 inconsistent with our -- with our investment Policy, am I
14 correct?

15 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN:

16 Correct in to the sense that we, you know, prefer
17 engagement over divestment.

18 BOARD MEMBER PACHECO: Absolutely.

19 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: And we
20 typically oppose divestments. Obviously, you know,
21 engagement is different when you're talking about a
22 company versus a country, but, you know, obviously this
23 one goes -- there are number of U.S. companies that are
24 involved in this one.

25 BOARD MEMBER PACHECO: And would that be

1 appropriate item to communicate that to our members to --
2 so they understand what is our rationale behind all this.

3 PRESIDENT TAYLOR: That's what Ms. Frost said.

4 BOARD MEMBER PACHECO: Yeah, perfect. Thank you.

5 PRESIDENT TAYLOR: Thank you very much.

6 Hearing -- seeing no other questions, you can
7 move on to -- oh, I'm sorry. We have to vote on this.
8 And we had already taken the motion and the second. So
9 all those in -- we had our discussion. Anybody else for
10 discussion?

11 All right. All those in favor?

12 (Ayes.)

13 PRESIDENT TAYLOR: All those opposed?

14 (No.)

15 PRESIDENT TAYLOR: I have one no from Sertan for
16 Fiona Ma's office

17 Motion carries.

18 BOARD MEMBER ORTEGA: And I abstain.

19 PRESIDENT TAYLOR: And an abstention from Ms.
20 Ortega?

21 Motion carries.

22 All right. Moving on to 9f and then -- go ahead

23 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Thank
24 you again. This is an action item asking the -- for the
25 Board to adopt an opposed position on Senate Bill 1173

1 authored by Senator Gonzalez and sponsored by the
2 California Faculty Association and Fossil Free California.

3 This bill was amended after the agenda item was
4 finalized to include an additional annual reporting
5 requirements asking us to opine on how the capital markets
6 can best transition from the dependence on fossil fuels to
7 alternative energy sources and provides a process to allow
8 pension fund boards to suspend the divestment requirement
9 in the bill when an Act of God, war, or other
10 unforeseeable event materially impacts normal market
11 conditions. These amendments to not alter our
12 recommendation or substance of the written agenda item.

13 This bill requires CalPERS and CalSTRS to
14 immediately stop making any additional or new investments
15 in fossil fuel companies and divest from its existing
16 holdings in fossil fuel companies but -- by July 1st 2027.
17 For the purposes of this bill, a fossil fuel company is
18 defined as one of the 200 largest publicly traded fossil
19 fuel companies as established by carbon content in the
20 company's proven oil, gas, and coal reserves.

21 Based on the Investment team's preliminary
22 analysis, our estimated exposure to fossil fuel companies
23 is 7.4 billion as of 12/31/21 and it is likely those
24 numbers have gone up since then. If the Board chooses to
25 divest the hundred -- or the 7.4 billion, the associated

1 transaction costs are estimated to be 75 to 100 million
2 dollars.

3 This bill does not require any type of
4 engagement, but does require annual reporting to the
5 Legislature beginning February 1st, 2024.

6 While we appreciate and agree with what the
7 author and sponsors are trying to accomplish, we disagree
8 on the approach. The bill's findings state that the
9 purpose of this bill is to divest from these companies as
10 one part of the State's broader efforts to decarbonize the
11 California economy and transition to clean, pollution-free
12 energy resources.

13 However, there's no evidence that if CalPERS were
14 to sell its stock in these companies to other investors,
15 it would have any impact on efforts to decarbonize
16 California's economy or reduce the volume of greenhouse
17 gases emitted into the atmosphere. What will change is
18 that CalPERS will no longer be able to directly work with
19 other shareholders to push these companies to invest in
20 sustainable long-term energy technology. We will not have
21 a seat at the table and our seat will be taken by
22 investors that may not have the same interest in long-term
23 sustainability as CalPERS.

24 Therefore, the recommendation is for the Board to
25 oppose this legislation, because it imposes a divestment

1 mandate, and because it undermines the long-term
2 shareholder work the investment team has been doing to
3 address climate risk and meet our path to net zero.

4 Finally, as mentioned at the beginning, this bill
5 is sponsored by the California Faculty Association, and
6 Fossil Free California, and supported by a number of
7 environmental organizations. And I'm sure you will hear
8 from many of them today.

9 On the other side, this bill is opposed by
10 CalSTRS and several of our stakeholder groups that
11 represent CalPERS members, such as the Retired Public
12 Employees Association, the California Professional
13 Firefighters, the California Association of Highway
14 Patrolmen, the Peace Officers Research Association of
15 California, and several individual peace officer
16 associations.

17 That concludes my presentation and I'm available
18 for any questions.

19 PRESIDENT TAYLOR: Thank you. Oops. Thank you.
20 Thank you, Mr. Brown. I appreciate it. So we have people
21 on the phone. I want to make sure that I cover anybody on
22 the Board. Oh, Sara is in person. I have one person in
23 person. I'm sorry. Anybody from the Board want to
24 comment before we go?

25 Okay. You do. Mr. Rubalcava, go ahead.

1 BOARD MEMBER RUBALCAVA: Yes. Thank you for
2 again for the --

3 PRESIDENT TAYLOR: Hold on. My cursor only moves
4 to fast. There you go.

5 BOARD MEMBER RUBALCAVA: Thank you for the
6 presentation, Mr. Brown. You mentioned CalPERS policy of
7 engagement. Could you expand on what successes we've had
8 or positive efforts have come through this philosophy, and
9 why it make sense to continue that effort? Thank you.

10 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:
11 James Andrus, CalPERS staff. We've had enormous
12 success, primarily through Climate Action 100+. Madison
13 Condon in her article, *Externalities and the Common Owner*,
14 highlighted that Climate Action 100+ is the most
15 significant shareholder-led engagement activity that's
16 actually getting something done.

17 So it's getting oil companies to change their
18 behaviors. Very substantially and what was incredibly
19 noted is the success at Exxon, which was also a group
20 effort in which we participated in by running
21 solicitations to changing their board.

22 But interestingly enough, the most recent success
23 story has been at Shell. Shell has recently provided a
24 20F, which means their annual financial report in which
25 they describe what they will do in a net zero scenario.

1 So this can be used as a roadmap for other oil companies
2 and quite frankly for other companies. The bottom line
3 becomes if Shell can provide this type of information with
4 regard to how the company will interact with regard to
5 climate, other companies can do the same. This would not
6 be possible without our engagement and quite frankly
7 without our leadership.

8 PRESIDENT TAYLOR: Thank you, Mr. Andrus.

9 BOARD MEMBER RUBALCAVA: Thank you.

10 PRESIDENT TAYLOR: Any other questions?

11 BOARD MEMBER RUBALCAVA: No.

12 PRESIDENT TAYLOR: All right. I appreciate that
13 report. I hadn't heard that about Shell, so thank you
14 very much.

15 So first in the room for 9F, Sara Theiss, if you
16 want to come on down. You're right at the end, Sara.

17 MS. THEISS: Good afternoon and thank you. Yes,
18 I'm back. Sara Theiss, CalPERS retiree and member of
19 Fossil Free California. We sent you all a letter via
20 email responding to the claims in the staff memo
21 recommending that you vote to oppose 1173.

22 We just did a bunch of research and contrary to
23 the memo, there's abundant credible evidence to the
24 following. There are no negative consequences and even
25 increased returns to the portfolio following divestment.

1 Growing -- there are risks from continued investment in
2 the fossil fuel sector. There are positive impacts on
3 emission reductions from divestment actions. And the
4 ineffectiveness of engagement in shifting core carbon
5 extraction business models of fossil fuel companies. And
6 I'm going to speak to that point engagement.

7 I guess my first question is where is the
8 evidence that engagement can successfully change an
9 industry's core business model, because, of course, to
10 reduce emissions, that's what you have to do. And we cite
11 several literature surveys demonstrating that engagement
12 in general has a poor track record of success and there is
13 no evidence that engagement with fossil fuel companies has
14 led to meaningful pollution reduction.

15 And these are peer-reviewed, you know,
16 meta-analyses studies, et cetera. Even after the move to
17 get the three new Board members at Exxon, the company
18 moved ahead with opening up new greenfield extreme oil
19 exploration in Ghana.

20 Second, engagement provides no structural
21 incentives for fossil fuel companies to change. And
22 because a smooth energy transition will likely erode the
23 profitability of fossil fuel firms and their ability to
24 expand, we cannot rely on them to finance the energy
25 transition.

1 Third, multiple studies show that engagement with
2 this sector without the threat of divestment does not
3 produce the desired outcome. Despite climate pledge --
4 pledges, major asset owners are showing strong support for
5 status quo governance of climate risk across all climate
6 critical S&P 500 companies in the oil and gas, electric
7 power, and financial services industry.

8 Fourth, a literature survey out of Cambridge
9 University shows that engagement efforts aimed at improved
10 ESG disclosure by the fossil fuel sector do not lead to
11 improved performance.

12 And fifth, engagement, even if it's effective,
13 requires time. The recent IPCC report found that
14 emissions must be cut in half -- almost half in the next
15 eight years.

16 Finally, because you're a long-term investor and
17 in light of the terrible impacts, the unfolding climate
18 disasters having and will continue to have on CalPERS
19 Board members, beneficiaries, their dependents, and the
20 employers and agencies who will bear a double cost from
21 climate change, we request that you vote to support SB
22 1173, or minimally postpone until you can look into this
23 further.

24 Thank you.

25 PRESIDENT TAYLOR: Thank you, Ms. Theiss.

1 I believe we have four people on the phone, Mr.
2 Teykaerts. And can I request that if these folks are
3 pretty much saying the same thing, they just register
4 their name and we can move on.

5 STAKEHOLDER STRATEGY MANAGER TEYKAERTS:

6 Certainly, Madam President. So first off we have
7 Glenn Fieldman. Go ahead.

8 MS. FIELDMAN: Good afternoon. Thanks for taking
9 my comment. My name is Glenn Fieldman. I'm from Fossil
10 Free California and a CalPERS semi-retiree.

11 I would like to elaborate very briefly on one of
12 the points that my colleague Sara Theiss makes in her
13 letter. And that is that the risk of divestment -- or the
14 cost of divestment rather from fossil fuel companies to
15 the pension fund will be quite minimal. That's one of the
16 things that we found out as we undertook our research in
17 both academic studies and the -- and studies done by
18 investment firms, such as BlackRock and Meketa.

19 Divestment does involve some transaction costs,
20 but as you yourself just said preceding -- in the prelude
21 to discussion of this item, the transaction costs from
22 fossil fuel divestment to this fund are quite minimal.

23 And secondly, one of the things that the academic
24 studies showed is that the risk to the diversity of the
25 investment portfolio from divesting from fossil fuels is

1 very small.

2 So looking at your own -- the materials on your
3 own website, fund diversity and transaction costs are two
4 of the reasons that you put forward not to divest. Both
5 of those risks appear to be very small and to -- and to be
6 very significantly outweighed by higher returns to the
7 fund with a fossil free portfolio. And that's also
8 demonstrated by academic studies that are abundantly
9 footnoted and cited in the letter that Sara Theiss sent
10 you.

11 So when one looks at the dangers presented to
12 returns from fossil fuel from the declining cost of
13 renewables and storage, the increasing number of lawsuits
14 against fossil fuel companies, the risks to the future --
15 to future returns from fossil fuel investments appear to
16 be multiplying. So please help move our civilization and
17 our planet toward a safer future, and buttress the safety
18 of our pension fund by supporting SB 1173.

19 Thank you very much

20 PRESIDENT TAYLOR: Mr. Teykaerts.

21 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Next up,
22 we have Miriam Eide. Go ahead, Miriam.

23 Miriam, go ahead, please.

24 Okay. Madam President, I'm going to return her
25 to the queue and see if she can -- if we can get her back

1 in a section.

2 PRESIDENT TAYLOR: Okay.

3 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Next up,
4 we have Leonard Skylar. Go ahead.

5 MR. SKYLAR: Hello. Yes I'm Leonard Skylar and
6 thank you for listening to my comments. I'm a retired
7 professor from San Francisco State University in the Earth
8 and Climate Sciences Department. And I'd like to address
9 the question of whether divestment could have a positive
10 income -- outcome.

11 The memo that the staff prepared for the Board
12 claims that there are no potential benefits from
13 divestment, but there is abundant evidence to the
14 contrary. The coal industry provides an excellent case in
15 point. Efforts like this divestment bill targeted at coal
16 have had a big impact on the coal industry's ability to
17 raise capital, to increase their costs, and contributed to
18 a major decline in coal production, which is a big benefit
19 for our atmosphere and for our future.

20 And so I ask you to take the time that you need
21 to understand the benefits that divestment would have
22 for -- not just for the portfolio, to avoid the losses
23 that the portfolio has encountered due to investment in
24 fossil fuels over the last 10 years, but -- so that we
25 can -- we can tell our children that we've done everything

1 that we could.

2 And so again, I speak to you as a scientist, and
3 also as a parent, and as a CalPERS retiree. And thank you
4 for doing the due diligence to understand the facts.

5 That's the end of my comments.

6 PRESIDENT TAYLOR: Thank you, Mr. Skylar.

7 Mr. Teykaerts, next.

8 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Next up
9 we have Sandy Emerson. Go ahead.

10 MS. EMERSON: Hello, Board and staff. This is
11 Sandy Emerson from Fossil Free California. And I wanted
12 to talk about the risk that continuing to hold fossil
13 fuels adds to your portfolio. As you know, reserves
14 globally have already been identified that are five times
15 more than can possibly be monetized without pushing the
16 planet over the limit of global warming. It's not a
17 matter of finance, it's a matter of physics.

18 Contrary to the claims made in the memo
19 business-as-usual investment in fossil fuels, which will
20 be perpetuated by engagement adds considerable foreseeable
21 risk to the CalPERS portfolio. Stranded assets all that
22 are already in the portfolio as represented by CalPERS
23 investments would add -- would be marketed to a total of
24 \$45 billion.

25 When it becomes overly clear that anymore fossil

1 fuel use will make life intolerable, these assets will be
2 rapidly devalued. You saw this kind of rapid devaluation
3 with divestment from Russia. And you will see in your own
4 portfolio the implications of continuing to invest in the
5 largest -- the companies with the largest fossil fuel
6 reserves. SB 1173 asks that you divest from 125 companies
7 that together represent the majority of the reserves that
8 have to be left in the ground according to the carbon
9 budget.

10 So consider this and take care of the portfolio
11 by removing the riskiest investments. Please support SB
12 1173.

13 Thank you.

14 PRESIDENT TAYLOR: Thank you, Ms. Emerson.

15 Mr. Teykaerts, did Miriam come back?

16 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Yes, one
17 more try for Miriam. Go ahead.

18 MS. EIDE: Hello. My name is Miriam Eide. And
19 before I share my comment, I wanted to highlight that it
20 is rather rude of you to consider our comments redundant
21 or unnecessary to hear. It's just that you're unwilling
22 or -- to even listen, even as the audio is playing, and
23 that you really just want to move on with voting. I would
24 really encourage you to consider why is it that you do not
25 want to hear from your constituents so that you seem to be

1 considering us a waste of time.

2 Now, I will move to share about my position on SB
3 1173. I am one of the people who is working closely on
4 the bill every day. I want to share that it is important
5 that you consider divestment from fossil fuels as
6 important decision not only for your fiduciary
7 responsibility and the facts that it will create are more
8 secure pension for you, which I have heard many other
9 comments today sharing about, but also because you must
10 take into account the people who are impacted by fossil
11 fuel companies every day, the people who are pension
12 beneficiaries of CalPERS, the people who are residents of
13 the state of California, and the people who might be
14 including yourself, who are constantly impacted by fires
15 that are driven by fossil fuel.

16 In particular, I want to highlight an example
17 that's on the other side of the world today. The East --
18 East African Crude Oil Pipeline is being constructed by
19 the Total Energy Company, one of the companies that you
20 are invested in. And in order to construct a pipeline,
21 they are displacing millions of people, often with violent
22 and even lethal means in order to be able to construct
23 this pipeline that would bring oil from the Congo across
24 Uganda.

25 I want you to consider whether this is an ethical

1 investment for you, not only because of the environmental
2 concerns that it brings up as they -- as they cut down
3 critical rain forests, but also because of the human lives
4 and the disruption of people who have not consented to a
5 pipeline being built through their land.

6 There are many, many examples, not only with
7 Total, but with Exxon Shell, and many others. Fossil
8 fuels divestment is not purely about the climate. It's
9 also about justice and caring for the lives around us.
10 Please take into consideration as you are voting today on
11 SB 1173. I strongly encourage a vote in support of SB
12 1173.

13 PRESIDENT TAYLOR: Okay. Thank you.

14 All right.

15 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: No
16 further public comments on this item, Madam President.

17 PRESIDENT TAYLOR: Thank you, Mr. Teykaerts.

18 All right. Are there any additional comments
19 from the Board?

20 Seeing none. This is an action item. Can I get
21 a motion?

22 Mr. Feckner.

23 VICE PRESIDENT FECKNER: Thank you, Madam Chair.
24 I move to oppose Senate Bill 1173.

25 PRESIDENT TAYLOR: All right.

1 ACTING BOARD MEMBER PAQUIN: Second.

2 PRESIDENT TAYLOR: I have a motion by Feckner,
3 second by Ms. Paquin.

4 Any discussion on the motion?

5 Seeing none.

6 All those in favor?

7 (Ayes.)

8 PRESIDENT TAYLOR: All those opposed?

9 (No.)

10 PRESIDENT TAYLOR: I have one abstention from Ms.
11 Ortega, one no from Ms. -- from Sertan for Fiona Ma.

12 So motion passes. Thank you.

13 And we are moving on to Agenda Item 10a, State
14 and Federal Legislative update. Mr. Brown.

15 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yes.
16 Thank you again Madam President and Board Members. This
17 is the State and Legislative update.

18 On the State side, the Legislature is working in
19 earnest towards their big -- first big deadline of the
20 legislative calendar, which is April 29th to get bills out
21 of the policy committee. And then they'll have the month
22 of May to move bills through appropriations and through
23 the first house.

24 So over the next six weeks, many of the bills we
25 are tracking will face critical tests and deadlines. And

1 so I will just highlight a couple bills this month that
2 have been amended since we sent out our Board report.
3 First, SB 1168 authored by Senator Cortese. This is a
4 bill that originally proposed to increase the \$500
5 post-retirement death benefit for local members. So these
6 are the folks that work for the local governments. It
7 would increase each year by the CPI until the benefit
8 reached the average post-retirement death benefit level.

9 This bill was amended yesterday coming out of the
10 Senate Labor Committee to instead now have the \$500 go up
11 to 2,000 on July 1st, 2023. And the reason why they chose
12 the \$2,000, that's the dollar amount that State and school
13 employees get for a post-retirement death benefit.

14 Also, passing the Senate Labor Committee
15 yesterday is SB 1402 authored by Senator Umberg. This
16 bill expands the service credit purchase option for
17 military service prior to membership for State and schools
18 to include Merchant Marines service. The bill also was
19 recently amended to make service credit purchase option
20 for military service a mandatory benefit for contracting
21 agencies.

22 Currently, only 39 contracting agencies did not
23 contract and provide this service credit purchase amount.
24 So it shouldn't be a huge impact to them. And again, that
25 bill passed out on consent yesterday.

1 PRESIDENT TAYLOR: Okay.

2 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Moving
3 to the federal update. On the federal side, we continue
4 to focus on responding to proposed rules issued by the
5 SEC. Most recently, we submitted a comment letter to the
6 SEC in support of the proposed rule to modernize and
7 improve public company's disclosure of stock buybacks.
8 You'll find that letter posted on our website. We are
9 also in the process of working with the Investment Office
10 on comments to improve company disclosures around climate
11 risk, cybersecurity, private markets, and SPACs. And then
12 I'll end there and answer any questions anybody might have
13 about State or federal legislation.

14 PRESIDENT TAYLOR: I'm not seeing any questions
15 right now. I appreciate your report, Danny. Always very
16 informative.

17 I'm just giving anybody a chance.

18 All right. That's it. Thank you, Mr. Brown --
19 Ms. Frost, I think we had --

20 CHIEF EXECUTIVE OFFICER FROST: One. Yeah, I
21 noted one, and that's the member communication explaining
22 our policies around engagement over divestment. And I
23 think we'll use, as Mr. Rubalcava had indicated, the memo
24 that -- from the agenda item explained this pretty well,
25 so we would send that as an attachment.

1 PRESIDENT TAYLOR: That's good. Perfect.

2 PRESIDENT TAYLOR: Thank you.

3 We now have 10c, which is public comment. And I
4 believe Mr. Johnson is on the phone.

5 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Yes,
6 Madam President. Neal Johnson, go ahead.

7 MR. JOHNSON: Good afternoon. Two things. I
8 want to congratulate Mr. Rubalcava on his reappointment.
9 I enjoyed working with Ramon while I was still a State
10 employee. I'm now retired.

11 The other is going to the compensation, talent
12 management, Committee, I want to thank Ms. Middleton, Ms.
13 Taylor and particularly Ms. Ortega about their concerns
14 that, one, you know, PERS is -- while it's a big
15 investment firm, it probably compares in many respects to
16 other ones, but it's also part of the State government.
17 And so one of the problems that you've always had with the
18 2098 -- 20098 positions is they are a unique carve-out out
19 of the civil service system.

20 And trying to create a compensation for something
21 that generally isn't done in State government - although,
22 you know, Investment officer are used at PERS, STRS, and a
23 few other agencies, actuaries are PERS, STRS, and few
24 other agencies - these are unique positions. But how do
25 you blend this with the rest of civil service?

1 And I really think you have to think about how
2 that will reworks. And that's my comment. And probably
3 as a long-time bargaining member with SEIU 1000, my
4 members will probably puke over my congratulating Ms.
5 Ortega, but -- thanking her for her work, but you've got
6 to really consider how the system works as a whole.

7 Thank you very much. Bye.

8 PRESIDENT TAYLOR: Thank you, Mr. Johnson. We
9 appreciate your comments.

10 That is it for us. So right now, we're going to
11 recess and go into closed session for items 1 through 3
12 from the closed session agenda. And this will include the
13 following litigation matters: Wedding et al. versus
14 CalPERS. We will also receive the General Counsel's
15 update on pending litigation. And right after the closed
16 session, the Board will reconvene in the open session.

17 So thank you very much, everybody. See you in
18 June.

19 (Off record: 1:41 p.m.)

20 (Thereupon the meeting recessed
21 into closed session.)

22 (Thereupon the meeting reconvened
23 open session.)

24 (On record: 2:09 p.m.)

25 PRESIDENT TAYLOR: Okay. Everybody, welcome back

1 to open session. I just want to let everybody know this
2 adjourns this month's Board of Administration and
3 Committee meetings. Thank you for joining us and I don't
4 believe we meet each other again until June, correct?

5 All right. Thank you, everybody. Have a good
6 afternoon.

7 (Thereupon, the California Public Employees'
8 Retirement System, Board of Administration
9 open session meeting adjourned at 2:10 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 open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, and was thereafter transcribed, under my direction, by computer-assisted transcription;

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

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of April, 2022.



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