

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

CALPERS AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, SEPTEMBER 21, 2022
9:00 A.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 Frank Ruffino

David Miller

Eraina Ortega

Jose Luis Pacheco

Ramon Rubalcava

Mullissa Willette

Gail Willis, PhD

Betty Yee, represented by Lynn Paquin

STAFF:

Marcie Frost, Chief Executive Officer

Michael Cohen, Interim Chief Operating Investment Officer

Douglas Hoffner, Chief Operating Officer

Matthew Jacobs, General Counsel

Donald Moulds, PhD, Chief Health Director

Nicole Musicco, Chief Investment Officer

Michele Nix, Acting Chief Financial Officer

Brad Pacheco, Deputy Executive Officer, Communications & Stakeholder Relations

Anthony Suine, Deputy Executive Officer, Customer Services & Support

APPEARANCES CONTINUED

STAFF:

Scott Terando, Chief Actuary

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

Michelle Tucker, Chief, Human Resources Division

James Andrus, Interim Managing Investment Director,
Sustainable Investments

Danny Brown, Chief, Legislative Affairs Division

ALSO PRESENT:

Tim Behrens

J.J. Jelincic

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PROCEEDINGS

1
2 PRESIDENT TAYLOR: Okay. Good morning. I'm
3 calling the open session of the Board of Admin -- of
4 Administration to order right now.

5 And first order of business is roll call.

6 BOARD CLERK: Theresa Taylor?

7 PRESIDENT TAYLOR: Here.

8 BOARD CLERK: Rob Feckner?

9 VICE PRESIDENT FECKNER: Good morning.

10 BOARD CLERK: Frank Ruffino for Fiona Ma?

11 ACTING BOARD MEMBER RUFFINO: Present.

12 BOARD CLERK: Lisa Middleton?

13 BOARD MEMBER MIDDLETON: Present.

14 BOARD CLERK: David Miller?

15 BOARD MEMBER MILLER: Here.

16 BOARD CLERK: Eraina Ortega?

17 BOARD MEMBER ORTEGA: Here.

18 BOARD CLERK: Jose Luis Pacheco?

19 BOARD MEMBER PACHECO: Present.

20 BOARD CLERK: Ramon Rubalcava?

21 PRESIDENT TAYLOR: Excused.

22 BOARD CLERK: Mullissa Willette?

23 BOARD MEMBER WILLETTE: Here.

24 BOARD CLERK: Dr. Gail Willis?

25 PRESIDENT TAYLOR: Gail, can you hear us?

1 We know she's online, so we'll just wait a
2 minute, so go ahead.

3 BOARD CLERK: Okay. And Lynn Paquin for Betty
4 Yee?

5 ACTING BOARD MEMBER PAQUIN: Here.

6 PRESIDENT TAYLOR: All right. Roll call. And we
7 have a quorum. So now we're going to recess into closed
8 session for items 1 and 2 from the closed session agenda.
9 And the Board will reconvene in open session following the
10 closed session, but the open session meeting of the Board
11 will not continue until after the Pension and Health
12 Benefits Committee meeting concludes.

13 So thank you, everybody. We have to clear the
14 room.

15 (Off record: 9:03 a.m.)

16 (Thereupon the meeting recessed
17 into closed session.)

18 (Thereupon the meeting reconvened
19 open session.)

20 (On record: 11:35 a.m.)

21 PRESIDENT TAYLOR: All right. Good morning,
22 everybody. And, yes, it is still morning. We are in the
23 open session of the Board meeting and we are going to go
24 ahead and call roll. Thank you. Christina.

25 BOARD CLERK: Theresa Taylor?

1 PRESIDENT TAYLOR: Here.

2 BOARD CLERK: Rob Feckner?

3 VICE PRESIDENT FECKNER: Good morning.

4 BOARD CLERK: Frank Ruffino for Fiona Ma?

5 PRESIDENT TAYLOR: Excused.

6 BOARD CLERK: Lisa Middleton?

7 BOARD MEMBER MIDDLETON: Present.

8 BOARD CLERK: David Miller?

9 BOARD MEMBER MILLER: Here.

10 BOARD CLERK: Eraina Ortega?

11 BOARD MEMBER ORTEGA: Here.

12 BOARD CLERK: Jose Luis Pacheco?

13 BOARD MEMBER PACHECO: Present.

14 BOARD CLERK: Ramon Rubalcava?

15 BOARD MEMBER RUBALCAVA: Present.

16 BOARD CLERK: Mullissa Willette?

17 BOARD MEMBER WILLETTE: Here.

18 BOARD CLERK: Gail Willis?

19 BOARD MEMBER WILLIS: Present.

20 BOARD CLERK: Lynn Paquin for Betty Yee?

21 ACTING BOARD MEMBER PAQUIN: Here.

22 PRESIDENT TAYLOR: All right. We have a quorum.

23 Our next order of business is our executive

24 report, Mr. Hoffner.

25 Oh, I'm sorry. Am I looking at the wrong thing?

1 Hold on.

2 Oh, our next order of business is Pledge of
3 Allegiance. So with that, I had asked Mr. Miller to lead
4 us in the pledge.

5 (Thereupon the Pledge of Allegiance was
6 recited in unison.)

7 PRESIDENT TAYLOR: All right. Thank you, Mr.
8 Miller.

9 So I'm going to get rid of this, because this is
10 the wrong thing.

11 Good morning, everyone. I'd like to begin by
12 sending out our best wishes to our feller -- fellow
13 Californians who've seen their homes and communities so
14 severely impacted by wildfires. I know that we had just a
15 horrible heat wave as well this last -- a couple of weeks
16 ago. The State continues to find itself grappling with
17 ever worsening impacts of climate distract -- disruption.
18 And as we all know, this is a crisis that requires all of
19 us to take action, and a cornerstone of the CalPERS
20 investment strategy, as we continue to institute
21 strategies to mitigate the risk factors caused by climate
22 disruption.

23 I want to express my deep appreciation to
24 California's first responders who are tireless in their
25 efforts to protect lives and livelihoods. I also want to

1 congratulate all Californians who, after they got their
2 emergency warning from OES, turned their power off, so
3 that we didn't have blackouts. So thank you very much for
4 everyone doing that.

5 To our members who are watching, a reminder that
6 we have an election underway for the seat on our Board
7 representing retired members. These candidate names are
8 on the ballots that were distributed in late August and
9 votes must be received no later an 11:59 p.m. this coming
10 Monday, September 26th. The votes will be tabulated here
11 in Sacramento on Thursday, September 29th, and results are
12 considered unofficial until certified by the Secretary of
13 State Shirley Weber. If you are a CalPERS retiree and
14 received a ballot, we urge you to vote and have your voice
15 heard. You can learn more about the election on our
16 website.

17 And with that, I would like to turn it over to
18 Ms. Frost for her report.

19 CHIEF EXECUTIVE OFFICER FROST: Still morning.
20 So good morning, President Taylor and members of the
21 Board. When we last met in July at your Board off-site,
22 we did not, you know, have a complete picture of how the
23 fund had been impacted by what was really in the last half
24 of the fiscal year significant market volatility. The
25 report we issued to you on that date told two very

1 different stories. In the beginning of the fiscal year,
2 performance looked very promising, a seemingly strong
3 market, yielded double digit returns halfway through.

4 However, at the start of 2022, we saw the
5 financial markets take a steep downturn. The federal
6 government and the country really grappling with rising
7 inflation, which is still happening today - the Fed has
8 just raised interest rates again - as well as supply chain
9 issues that have been with us throughout most of COVID-19.
10 And although we're seeing some of those supply issues
11 starting -- or supply chain issues starting to correct.
12 And then we watched geopolitical tensions grow and then
13 the markets definitely responded with an abundance of
14 concern as well.

15 We ended the fiscal year of almost polar
16 opposites, up at the beginning and then sharply down
17 toward the end. We did expect a market correction, but
18 the scale of that really was historic. We posted our
19 first financial loss in over a decade for the total fund
20 at negative 6.1, which dropped our funded status from 82
21 percent to 71 percent. And that 82 percent was based on a
22 21.3 percent return in the prior fiscal year. In
23 comparison to the benchmarks, we did do relatively well
24 with the one-, three-, and 10-year returns slightly
25 outperforming them. While the benchmarks are really a

1 useful gauge of relative performance, we know that it is
2 absolute returns that will pay the members' benefits and
3 also set our employer contribution rates.

4 From a longer term perspective, the five-year
5 return is now at 6.7, the 10-year return is at 7.7, the
6 20-year return is at 6.9, and the 30-year return is at
7 7.7.

8 That does bring me to the impact on employers and
9 contribution rates. We did identify employer
10 affordability as one of the key risks, one of three key
11 risks to the system, for long-term pension sustainability.
12 An important reason why we take negative returns, even if
13 it is a negative return in a single year, that is very
14 important for us to pay attention to, even as a long-term
15 investor.

16 That being said, it is important to note that
17 each year's investments gains or losses are amortized over
18 a 20-year period, which means the impact of this year's
19 returns will be felt over a longer period of time, slowly
20 ramping costs upward and then leveling off.

21 Investment returns announced in July will affect
22 employer contri -- contribution rates based on the
23 valuations that come out in August of 2023. Those rates
24 won't take effect until fiscal year 23-24 for State and
25 school employers, and fiscal year 24-25 for the public

1 agencies.

2 I'd also like to just take a quick moment to
3 remind employers that they can access their valuation
4 reports through myCalPERS, and then also use the Pension
5 Outlook Tool to forecast and plan for any future costs.

6 Looking ahead a bit over the next 10 years, we
7 studied the lessons that we certainly have learned.

8 Nicole Musicco did a presentation on Monday of a 10-year
9 lookback of the portfolio. Really encourage you to pull
10 that up from time to time and review it, as well as
11 others, taking a look at that particularly around private
12 equity. There are active ways that we think we can adapt
13 to some of the changing circumstances around us. But also
14 we just trust that our long-term focus and the fact that
15 we're in a strong liquidity position that those will bring
16 opportunities for us to look at.

17 Risk and return will remain a top priority
18 ensuring that CalPERS is appropriately paid for the risk
19 budget that we set. And then also very importantly, I
20 know important to the Board, we'll keep sustainability at
21 the forefront of our strategies to protect the fund
22 against long-term risks associated with a changing
23 climate, human capital management policies, and numerous
24 governance issues that we continue to watch as well as
25 engage upon.

1 And then we'll work with our investment partners
2 across the globe to advocate for financial policies.
3 James Andrus and team do just a fantastic job there, as
4 well as Simiso and his team, and also the work that we're
5 doing around improved transparency in the markets.

6 We'll also take advantage of the opportunities a
7 stressed market might offer, while increase our capital
8 deployment to private assets and real assets, the top
9 performing assets classes this past fiscal year. And that
10 decision to increase the allocation to those asset classes
11 came through your strategic asset allocation decision back
12 in November.

13 And then we'll continue to build out a highly
14 talented team who can help achieve out long-term goals.
15 Nicole is one of her workstreams that she's initiated
16 under her time here just six months in will -- the people
17 strategy, which we'll be really pleased to report out some
18 progress to you all there.

19 But in the process, and over, you know, the
20 course of the next years, we will remain focused as always
21 on the mission, the mission that's very important to all
22 of us to be able to pay benefits to our two million
23 members.

24 That's a good segue to talk about the innovations
25 taking place in health care. You just had the Pension and

1 Health Benefits Committee with the presentation that was
2 done on the Preferred Provider Organization Strategic
3 Alignment Project. Like our investments, the PPO plans
4 have been hit with some volatility as well and they've
5 been impacted -- the rates have been impacted, both short
6 term and long term.

7 The project is a thorough review of what's being
8 done to improve the access, quality, and affordability of
9 the PPO plans. And the team will come back in November
10 with an updated set of recommendations for changes to the
11 Basic PPO plans for 2024, as well as recommendations for
12 the PPO contract that will cover the five fiscal years
13 after that.

14 Just in closing for outreach events, I'd like to
15 mention just a few events that mark the return to
16 in-person gatherings with members as well as our
17 stakeholders. Last month, we held the second pathways for
18 women conference in Anaheim, which was attended by about
19 400 people. We started this event last year to
20 acknowledge the Women's Equality Day, which takes place
21 every year in August, and as well as to do our part to
22 advance diversity initiatives by inspiring women to
23 enhance their own careers, especially in positions in
24 leadership, whether that's in finance or health care.

25 One of our keynote speakers was Chief Justice of

1 California Tani Cantil-Sakauye. She spoke with our State
2 Contoller Betty Yee about her career on the bench and what
3 it took to get there as the first woman of color and the
4 second woman to actually serve in that role. We also had
5 an opportunity to hear about Betty's pathway and really
6 how she has spent her career, which was really interesting
7 as well.

8 All of our speakers were outstanding and enjoyed
9 being there I think just much as much as the attendees
10 did. Based on the feedback that we received through our
11 survey process and the emails that I've received -- and I
12 received numerous emails, it really was a resounding
13 success and we're very pleased with the event, as well as
14 the opportunity to be able to offer it again next year.

15 Anthony did touch on the Oakland CBEE that was --
16 so that it was followed the same week by that first
17 in-person CBEE that we've held in -- in quite some time,
18 two years to be exact. Again, obviously, very popular by
19 having over 700 attendees who decided to attend that in
20 Oakland in person.

21 And then coming up November 1 through the 3rd,
22 we'll meet with our contracting employers for our annual
23 Education Forum taking place also in Anaheim. This is the
24 once-a-year opportunity for all of our employers to gather
25 together with our teams, whether those are sessions on how

1 to report -- how to report your information to CalPERS
2 accurately. They get to hear from own employees. It's a
3 great opportunity for our team to interact morally as
4 well, so it is an event that we always look forward to.

5 The Forum features about three dozen sessions.
6 They will have a full exhibit hall again. One-on-one
7 consultations I know very are popular. One-on-one
8 consultation event is with the actuaries, as many of the
9 employers are going through their actual actuarial
10 valuations -- or valuations with their assigned actuary.
11 And then always a spotlight is the Spotlight on
12 Excellence. And we'll have the honoree be acknowledged
13 there.

14 At THIS point, we have a little over 800
15 employers registered and I think the return to in-person
16 events is an affirmation of the important work we're doing
17 to really connect people together.

18 And then in closing, I just want to emphasize the
19 forward-looking nature of our work despite the times that
20 we find ourselves in. (clears throat) -- excuse me. And
21 I'm confident we have the team to deliver upon the
22 CalPERS' mission and the strategies to meet our goals.

23 And so with that, that does conclude my report,
24 President Taylor, but I am always happy to take questions

25 PRESIDENT TAYLOR: Thank you, Ms. Frost.

1 I'm not seeing any questions, but what I want to
2 say is I -- I do want to recognize the Pathways for Women
3 conference was an excellent conference. I think the first
4 one I couldn't attend, but I did attend and participated
5 in a panel, and was -- it was very exciting. I want to
6 thank the staff. I want to thank you and give everybody
7 just kudos for what a great job you guys did to put this
8 on. And I look forward to continuing these conferences.
9 So I just wanted to make sure that we recognized the hard
10 work that went in to putting that together for a first,
11 what was it, 400?

12 CHIEF EXECUTIVE OFFICER FROST: Yeah about 400
13 in person.

14 PRESIDENT TAYLOR: First, in-person, right --

15 CHIEF EXECUTIVE OFFICER FROST: And we really --

16 PRESIDENT TAYLOR: -- because the other one was
17 Zoom, wasn't it?

18 CHIEF EXECUTIVE OFFICER FROST: It was.

19 PRESIDENT TAYLOR: Yeah.

20 CHIEF EXECUTIVE OFFICER FROST: The first was
21 Zoom. We really didn't offer a virtual option this time.
22 We were really -- really assessing how that might work. I
23 think it worked frankly quite well. And I also just
24 quickly want to acknowledge, we -- even though it was
25 called a Pathways for Women event, we had four of our male

1 trustees who attended as well? So I just wanted to thank
2 you as well for that.

3 PRESIDENT TAYLOR: Excellent. Yeah, we did.
4 Thank you very much for coming.

5 All right. So let's move on. Our next order of
6 action is our action consent items. What's the pleasure
7 of the Board.

8 VICE PRESIDENT FECKNER: Move approval.

9 BOARD MEMBER PACHECO: Move approval.

10 PRESIDENT TAYLOR: Moved by Mr. Feckner, seconded
11 by Mr. Pacheco. And I believe this is voice vote,
12 correct? So can we get a roll call vote, please?

13 GENERAL COUNSEL JACOBS: Roll call.

14 PRESIDENT TAYLOR: Roll call vote.

15 Yeah, that's what I thought.

16 BOARD CLERK: Theresa Taylor?

17 PRESIDENT TAYLOR: Aye.

18 BOARD CLERK: Rob Feckner?

19 VICE PRESIDENT FECKNER: Aye.

20 BOARD CLERK: Frank Ruffino for Fiona Ma?

21 PRESIDENT TAYLOR: She's -- he's excused.

22 BOARD CLERK: Okay. Lisa Middleton?

23 BOARD MEMBER MIDDLETON: Aye.

24 BOARD CLERK: David Miller?

25 BOARD MEMBER MILLER: Aye.

1 BOARD CLERK: Eraina Ortega?

2 BOARD MEMBER ORTEGA: Aye.

3 BOARD CLERK: Jose Luis Pacheco?

4 BOARD MEMBER PACHECO: Aye.

5 BOARD CLERK: Ramon Rubalcava?

6 BOARD MEMBER RUBALCAVA: Aye.

7 BOARD CLERK: Mullissa Willette?

8 BOARD MEMBER WILLETTE: Aye.

9 BOARD CLERK: Dr. Gail Willis?

10 BOARD MEMBER WILLIS: Aye.

11 BOARD CLERK: And Lynn Paquin for Betty Yee?

12 ACTING BOARD MEMBER PAQUIN: Aye.

13 PRESIDENT TAYLOR: All right. Motion carries.

14 I just want to remind, Christina, that I vote
15 last.

16 Thank you.

17 Our next item is information consent items. I
18 don't believe I received anything asking for anything to
19 be pulled off, so we're going to move on to the Committee
20 reports. And we're going to start with Mr. Miller.
21 Investment Committee, please.

22 BOARD MEMBER MILLER: Okay. The Investment
23 Committee --

24 PRESIDENT TAYLOR: I'm sorry. Mic.

25 BOARD MEMBER MILLER: Okay. The Investment

1 Committee met on September 19th, 2022. The Committee
2 received reports on the following topics: investment
3 performance review and strategy, revisions to the total
4 fund policies, private asset classes, first reading,
5 CalPERS trust level review and annual program reviews,
6 CalPERS trust level review consultant report, and the
7 annual program reviews.

8 The Chair directed staff to: incorporate
9 analytics on GRESB and alignment with the RCP work for the
10 November information item on RCP, which was moved from
11 consent and share information on deals missed with current
12 delegation versus proposed delegation.

13 The Committee heard public comment on the
14 following topic, CalPERS Board of Administration
15 oversight.

16 At this time, I would like to share some
17 highlights of what to expect at the November Investment
18 Committee meeting:

19 The Committee will review a second reading of the
20 revisions to the Total Fund policies private asset
21 classes; and receive information regarding CalPERS
22 investment strategy on climate change, consultant review
23 of CalPERS divestments, liquidity management framework,
24 Responsible Contractor Policy, including incorporation of
25 GRESB analytics, and the review of the Board investment

1 consultants survey results.

2 The next meeting of the Investment Committee is
3 scheduled for November 14th, 2022 in Sacramento,
4 California.

5 Thank you, Madam Chair.

6 PRESIDENT TAYLOR: Thank you, Mr. Miller. Our
7 next report comes from Ms. Middleton for Finance and
8 Administration committee meeting -- or Committee.

9 BOARD MEMBER MIDDLETON: Thank you. The Finance
10 and Administration Committee met on September 20, 2022.

11 The Committee recommends and I move the Board
12 approve the following:

13 Agenda Item 3C, approve an extension of the
14 current master custodian State Bank contract for an
15 additional five years.

16 Agenda Item 5A, approval of elect -- of the
17 elected Board member proposed percentage of time to be
18 spent on Board related duties based on Board and Committee
19 selections held in May 2022.

20 PRESIDENT TAYLOR: On report from the
21 Committee -- on a motion by the -- from -- by the
22 Committee.

23 Is there any discussion on the motion?

24 Hear no discussion.

25 All those in favor, we need a roll call vote.

1 BOARD CLERK: Rob Feckner?

2 VICE PRESIDENT FECKNER: Aye.

3 BOARD CLERK: Lisa Middleton?

4 BOARD MEMBER MIDDLETON: Aye.

5 BOARD CLERK: David Miller?

6 BOARD MEMBER MILLER: Aye.

7 BOARD CLERK: Eraina Ortega?

8 BOARD MEMBER ORTEGA: Aye.

9 BOARD CLERK: Jose Luis Pacheco?

10 BOARD MEMBER PACHECO: Aye.

11 BOARD CLERK: Ramon Rubalcava?

12 BOARD MEMBER RUBALCAVA: Aye.

13 BOARD CLERK: Mullissa Willette?

14 BOARD MEMBER WILLETTE: Aye.

15 BOARD CLERK: Dr. Gail Willis?

16 BOARD MEMBER WILLIS: Aye.

17 BOARD CLERK: Lynn Paquin for Betty Yee?

18 ACTING BOARD MEMBER PAQUIN: Aye.

19 PRESIDENT TAYLOR: Okay. Motion carries.

20 Go ahead, Ms. Middleton.

21 BOARD MEMBER MIDDLETON: The Committee received
22 reports on the following topics: the annual actuarial
23 valuation Terminated Agency Pool, 2021 CalPERS Board of
24 Administration special public agency member election
25 results; CEM Benchmarking; how investment returns impact

1 contribution rates.

2 The Chair directed the staff to provide the Board
3 with a progress report on improvements that CalPERS is
4 making to improve our CEM transparency score.

5 At this time, I would like to highlight some of
6 what to expect at the November Finance and Administration
7 Committee meeting: 2022-23 mid-year budget revisions,
8 CalPERS Budget Policy, 2021-22 basic financial statements.

9 The next meeting of the Finance and
10 Administration Committee is scheduled for November 15,
11 2022.

12 Thank you.

13 PRESIDENT TAYLOR: Thank you, Ms. Middleton.

14 Next up is our Performance, Compensation and
15 Talent Management Committee meeting.

16 Mr. Feckner.

17 Hold on.

18 There we go.

19 VICE PRESIDENT FECKNER: Thank you, Madam Chair.

20 The Performance, Compensation and Talent
21 Management Committee met on September 20th, 2022.

22 The Committee heard public comment on the
23 following topics: incentive compensation criteria and
24 benchmarks.

25 At this time, I would like to share some

1 highlights of what to expect at the February 2023
2 Performance, Compensation and Talent Management Committee
3 meeting: the mid-year status report on the CEO's fiscal
4 year 2022-23 incentive plan, and annual review of the
5 Committee's delegation of authority.

6 The next meeting of the PCTM is scheduled for
7 February 23 in Sacramento, California.

8 Thank you, Madam Chair.

9 PRESIDENT TAYLOR: Thank you.

10 All right. The next one is Pension and Health
11 Benefits Committee meeting summary, Mr. Feckner.

12 VICE PRESIDENT FECKNER: Thank you, Madam Chair.

13 The Pension and Health Committee met an hour ago,
14 on September 21st, 2022. The Committee recommends and I
15 move the Board approve the following:

16 Agenda Item 5A, approve the revised proposed
17 amendments to section 599.500 subdivision (o) of the
18 Public Employees' Medical and Hospital Care Act, PEMHCA.
19 Regulations to clarify a dependent's eligibility and
20 parent-child relationship with an additional 15-day public
21 comment period followed by submission of the final
22 rulemaking package to the Office of Administrative Law
23 upon conclusion of the comment period if no public
24 comments are received.

25 PRESIDENT TAYLOR: Okay. On motion by Committee.

1 Any discussion on the motion?

2 Seeing none. Roll call vote, please?

3 BOARD CLERK: Rob Feckner?

4 VICE PRESIDENT FECKNER: Aye.

5 BOARD CLERK: Lisa Middleton?

6 BOARD MEMBER MIDDLETON: Aye.

7 BOARD CLERK: David Miller?

8 BOARD MEMBER MILLER: Aye.

9 BOARD CLERK: Eraina Ortega?

10 BOARD MEMBER ORTEGA: Aye.

11 BOARD CLERK: Jose Luis Pacheco?

12 BOARD MEMBER PACHECO: Aye.

13 BOARD CLERK: Ramon Rubalcava?

14 BOARD MEMBER RUBALCAVA: Aye.

15 BOARD CLERK: Mullissa Willette?

16 BOARD MEMBER WILLETTE: Aye.

17 BOARD CLERK: Dr. Gail Willis?

18 BOARD MEMBER WILLIS: Aye.

19 BOARD CLERK: Lynn Paquin for Betty Yee?

20 ACTING BOARD MEMBER PAQUIN: Aye.

21 PRESIDENT TAYLOR: Thank you. Motion carries.

22 VICE PRESIDENT FECKNER: The Committee received
23 reports on the following topics: the Committee received
24 information regarding PPO strategic alignment.

25 The Committee received public comment regarding

1 the ACO REACH, and appreciation for help with long-term
2 care, and out-of-state health care options for retirees.

3 The Chair directed staff to: review foreign
4 country direct deposit for retirees and what options
5 communications are available.

6 At this time, I would like to share some
7 highlights of what to expect at the November PHBC meeting.
8 The Committee will approve the proposed regulation for the
9 definition of limited duration employment, the 2024 Health
10 Benefits Program proposals, and receive the 2021 CalPERS
11 Health Benefits Program annual report, and an HMO
12 solicitation update.

13 The next meeting of the PHBC is Scheduled for
14 November 15th, 2022 in Sacramento, California.

15 Thank you, Madam Chair.

16 PRESIDENT TAYLOR: Thank, Mr. Feckner.

17 With that, those are the only committees that met
18 this month -- this month.

19 Next up is 8, action agenda items. And for that,
20 I'm going to turn that over to Mr. Feckner again.

21 VICE PRESIDENT FECKNER: Thank you. And there's
22 been a request to separate the vote for pulling Item 8A10.
23 So I will move the -- to adopt -- the Board adopt the
24 proposed decisions at Agenda Items 8A1 through 9, and 11
25 as the Board's own decisions with the following minor

1 modifications: one, insert page numbers in Agenda Item
2 8A1; two, replace incorrect citations to section 21251
3 with section 21252 in Agenda Item 8A5; and three, make the
4 typographical corrections argued by staff to Agenda items
5 8A4 and 8.

6 PRESIDENT TAYLOR: Okay. And, Ms. Middleton, I'm
7 going to wait till we bring A10 up, okay?

8 Oh you still have a question.

9 Okay go ahead.

10 BOARD MEMBER MIDDLETON: I have an apology. I
11 needed to pull 8A11 not 8A10.

12 VICE PRESIDENT FECKNER: Okay.

13 PRESIDENT TAYLOR: Ooh. Okay.

14 VICE PRESIDENT FECKNER: I will change my motion
15 to approve atems -- Items 8A1 through 10, and we'll take a
16 11 up separately.

17 PRESIDENT TAYLOR: All right. Thank you.

18 On the motion, any discussion on the motion?

19 Roll call vote, please.

20 COMMITTEE MEMBER MILLER: Does it need a second?

21 PRESIDENT TAYLOR: No.

22 VICE PRESIDENT FECKNER: Oh, yeah, it does.

23 PRESIDENT TAYLOR: Oh, it does? Okay.

24 BOARD MEMBER MILLER: Second.

25 PRESIDENT TAYLOR: It was made by Mr. Feckner,

1 seconded by Mr. Miller.

2 All those in favor, I need a roll call vote
3 please.

4 BOARD CLERK: Rob Feckner?

5 VICE PRESIDENT FECKNER: Aye.

6 BOARD CLERK: Lisa Middleton?

7 BOARD MEMBER MIDDLETON: Aye.

8 BOARD CLERK: David Miller?

9 BOARD MEMBER MILLER: Aye.

10 BOARD CLERK: Eraina Ortega?

11 BOARD MEMBER ORTEGA: Aye.

12 BOARD CLERK: Jose Luis Pacheco?

13 BOARD MEMBER PACHECO: Aye.

14 BOARD CLERK: Ramon Rubalcava?

15 BOARD MEMBER RUBALCAVA: Aye.

16 BOARD CLERK: Mullissa Willette?

17 BOARD MEMBER WILLETTE: Aye.

18 BOARD CLERK: Dr. Gail Willis?

19 BOARD MEMBER WILLIS: Aye.

20 BOARD CLERK: Lynn Paquin for Betty Yee?

21 ACTING BOARD MEMBER PAQUIN: Aye.

22 PRESIDENT TAYLOR: Okay. Motion passes.

23 Mr. Feckner.

24 VICE PRESIDENT FECKNER: I move to adopt the
25 proposed decision at Agenda Items 8A11.

1 PRESIDENT TAYLOR: Okay. On the --

2 VICE PRESIDENT FECKNER: It needs a second.

3 It needs a second first.

4 PRESIDENT TAYLOR: We need the second first.

5 BOARD MEMBER MIDDLETON: Okay.

6 BOARD MEMBER PACHECO: (Hand raised).

7 PRESIDENT TAYLOR: Second by Mr. Pacheco.

8 And then discussion by Ms. Middleton, is that
9 what we're --

10 BOARD MEMBER MIDDLETON: (Nods head.)

11 PRESIDENT TAYLOR: Okay.

12 BOARD MEMBER MIDDLETON: I need to recuse myself
13 from 8A11. While I do not personally recall having any
14 responsibility for the work of Ms. Dunlap, she did work in
15 an assignment for a number of years for which I could have
16 had executive responsibility.

17 PRESIDENT TAYLOR: All right. Thank you. So we
18 have a motion and a second. Can we have a roll call vote
19 on that.

20 BOARD CLERK: Rob Feckner?

21 VICE PRESIDENT FECKNER: Aye.

22 BOARD CLERK: Lisa Middleton is recused.

23 PRESIDENT TAYLOR: Recused.

24 BOARD CLERK: Okay. David Miller?

25 BOARD MEMBER MILLER: Aye.

1 BOARD CLERK: Eraina Ortega?

2 BOARD MEMBER ORTEGA: Aye.

3 BOARD CLERK: Jose Luis Pacheco?

4 BOARD MEMBER PACHECO: Aye.

5 BOARD CLERK: Ramon Rubalcava?

6 BOARD MEMBER RUBALCAVA: Aye.

7 BOARD CLERK: Mullissa Willette?

8 BOARD MEMBER WILLETTE: Aye.

9 BOARD CLERK: Dr. Gail Willis?

10 BOARD MEMBER WILLIS: Aye.

11 BOARD CLERK: Lynn Paquin for Betty Yee?

12 ACTING BOARD MEMBER PAQUIN: Aye.

13 PRESIDENT TAYLOR: All right. Motion carries.

14 VICE PRESIDENT FECKNER: Agenda Item 8 -- Agenda
15 Item 8B1. I move to deny the petition for reconsideration
16 at Agenda Item 8B1.

17 PRESIDENT TAYLOR: I need a second for that,
18 please.

19 BOARD MEMBER PACHECO: Second.

20 PRESIDENT TAYLOR: It was seconded by Mr.
21 Pacheco.

22 We need a roll call vote on that as well.

23 BOARD CLERK: Rob Feckner?

24 VICE PRESIDENT FECKNER: Aye.

25 BOARD CLERK: Fiona -- I'm sorry. Lisa

1 Middleton?

2 BOARD MEMBER MIDDLETON: Aye.

3 BOARD CLERK: David Miller?

4 BOARD MEMBER MILLER: Aye.

5 BOARD CLERK: Eraina Ortega?

6 BOARD MEMBER ORTEGA: Aye.

7 BOARD CLERK: Jose Luis Pacheco?

8 BOARD MEMBER PACHECO: Aye.

9 BOARD CLERK: Ramon Rubalcava?

10 BOARD MEMBER RUBALCAVA: Aye.

11 BOARD CLERK: Mullissa Willette?

12 BOARD MEMBER WILLETTE: Aye.

13 BOARD CLERK: Dr. Gail Willis?

14 BOARD MEMBER WILLIS: Aye.

15 BOARD CLERK: Lynn Paquin for Betty Yee?

16 ACTING BOARD MEMBER PAQUIN: Aye.

17 PRESIDENT TAYLOR: Okay. Motion carries.

18 All right. And we're going to move on -- and I

19 apologize, Mr. Behrens. Please come up and talk for

20 Agenda Item 7D.

21 MR. BEHRENS: Yes, ma'am.

22 PRESIDENT TAYLOR: I apologize. I was thinking

23 8D. My bad.

24 MR. BEHRENS: Tim Behrens. I'm just going to

25 talk as a stakeholder now.

1 So your meeting yesterday, Mr. Feckner, made me
2 very angry, even though apologized. But five hours closed
3 doors. Six or seven of us stakeholders sitting in the
4 cafeteria all that time. Every -- every 15 minutes, it
5 went another 15 minutes. And then when you finally came
6 back into session, the entire Committee lasted five
7 minutes and I thought you guys were going to high five
8 each other. It just doesn't -- I don't understand why it
9 takes five hours of a closed session and five minutes for
10 the meeting to take care of business. So I just wanted to
11 share that with you.

12 I'm less angry now than I was last night, but I
13 still -- you know, I get a lot of phone calls and emails
14 running for office for this Board and they want more
15 transparency. So if you're going to do closed meeting --
16 and I -- I think you said yesterday you were going to
17 report out and maybe you did and I just didn't get it.
18 You were going to report out about the closed meeting.

19 VICE PRESIDENT FECKNER: The report out is going
20 to be at 8D today.

21 MR. BEHRENS: Okay. Thank you.

22 PRESIDENT TAYLOR: All right. Thank you, Mr.
23 Behrens.

24 All right. Now, we're going to move on to action
25 agenda items. Hold on -- information Agenda Items 9A,

1 State and federal legislative --

2 VICE PRESIDENT FECKNER: 8C. 8C

3 PRESIDENT TAYLOR: 8C, I'm sorry.

4 Diversity in the management of investments. And
5 this is James reporting AB 890.

6 (Thereupon a slide presentation.)

7 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

8 James Andrus, CalPERS staff.

9 For more than 25 years, CalPERS has played a role
10 in developing and implementing emerging manager
11 strategies, investing with emerging managers directly or
12 through advisors. Emerging investment managers are
13 generally described as newly formed or relatively small
14 firms.

15 Next slide, please.

16 --o0o--

17 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

18 During this presentation, we'll cover the items
19 identified on this slide.

20 --o0o--

21 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: In
22 2021, the California Legislature passed AB 890 requiring
23 CalPERS and CalSTRS to each submit annual reports on
24 emerging and diverse managers, commencing on March 1st,
25 2023. Staff seeks approval of three items, so that we may

1 complete the report to the Legislature.

2 --o0o--

3 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: AB
4 890 requires the CalPERS Board to define the terms
5 emerging manager and diverse manager. Additionally, AB
6 890 requires CalPERS Board to establish appropriate
7 objectives regarding the participation of emerging
8 managers responsible for asset management within CalPERS
9 investment portfolio. The report is based on contracts
10 entered into on and after January 1, 2022 and includes the
11 name of the manager, year first engaged, amount managed,
12 total amount allocated, and total assets under management
13 of each asset class per year.

14 --o0o--

15 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:
16 Organizational cultures promoting diversity are
17 vital to improving the long-term performance of our
18 organization, as well as the businesses and markets in
19 which we invest. Our Investment Beliefs state that strong
20 processes, teamwork, and deep resources are needed to
21 achieve CalPERS goals and objectives and highlight the
22 importance of diversity and talent in this process.

23 AB 890 is intended to address systemic
24 inequality, ensure transparency, and promote the inclusion
25 of women- and minority-owned managers in the asset

1 management industry. Known supporters of the bill include
2 New American Alliance, Association of Asian American
3 Investment Managers, National Association of Investment
4 Companies, the Greenlining Institute, the National
5 Association of Securities Professionals and the Investment
6 Diversity Exchange. All of these organizations have
7 diverse memberships and have been critical of
8 California-based pension fund allocations to emerging and
9 diverse managers.

10 --o0o--

11 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: The
12 proposed Emerging Managers Program objective for AB 890
13 remains the same as in years past. We've had this
14 objective since 2012. It is as follows:

15 To generate appropriate risk-adjusted investment
16 returns by identifying early stage funds with strong
17 potential for success excess; accessing unique investment
18 opportunities that may otherwise be overlooked; and
19 cultivating the next generation of external portfolio
20 management talent. This is the objective that staff asks
21 that you approve.

22 --o0o--

23 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:
24 Staff reviewed our emerging manager definitions
25 and proposed the following:

1 Emerging manager be defined based on the overall
2 firm's assets under management, length of track record,
3 and the specific fund size. The minimum qualification
4 thresholds vary across asset classes for reasons related
5 to the nature of such asset classes in the public and
6 private realm and the current market. Public asset
7 classes will be defined solely by assets under management
8 of under \$5 billion.

9 The change here is that global fixed income had a
10 definition with an assets under management of under two
11 billion. We increased it to five billion to align with
12 global equity and fit better with global fixed income
13 requirements.

14 In the private asset classes, the definition is
15 tied to length of track record, first, second, and third
16 fund with fund size of under two billion. The change here
17 is the addition of a private debt definition, as well as
18 an increase in fund size from one billion to two billion
19 to align with the private asset classes and recognize
20 market changes.

21 --o0o--

22 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: The
23 proposed diverse manager definition has been updated.
24 Applying CalPERS initial definition of diversity as a
25 compass, staff identified four demographics as diversity

1 Legislature prior to the March 1st deadline.

2 --o0o--

3 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: Do
4 you have any questions?

5 PRESIDENT TAYLOR: Yeah. It looks like -- it
6 does look like we do. So my question first is -- so we
7 have a difference now. We have emerging managers and
8 diverse managers. How do we -- we have a definition for
9 diverse managers. How do we take part in lifting up those
10 diverse managers, if they're not part of emerging managers
11 or are they? I'm confused.

12 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: So
13 the diverse managers can very well be a part of emerging
14 managers, but we do have substantial allocations to
15 diverse managers who not -- who are not, in fact, emerging
16 managers. The fact is that there are several very large
17 diverse managers that we do allo -- that we do allocate to
18 in very large amounts.

19 PRESIDENT TAYLOR: Okay. So -- and that's going
20 to be part of that report, so we'll see it when you're
21 ready.

22 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:
23 Yes. It cap -- it captures both. It captures
24 direct investments by our asset classes with diverse
25 managers, and it also captures investments within the

1 Emerging Manager Program by the asset classes in emerging
2 and diverse managers.

3 PRESIDENT TAYLOR: All right. Great. Thank you,
4 James. I appreciate it as always.

5 Ms. Ortega.

6 BOARD MEMBER ORTEGA: Thank you. Thank you for
7 the presentation. Apologies if you said this and I missed
8 it, but looking at the definitions on page eight of the
9 slides.

10 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

11 Um-hmm.

12 BOARD MEMBER ORTEGA: When the report is put
13 together will there be a plan to disaggregate the
14 categories or will it be reporting on -- so I guess I'll
15 ask my question very directly, which is will you be able
16 to see the number of managers that are LGBTQ+, or African
17 American, or other ethnic groups?

18 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: The
19 legislation does not require the report to be in such
20 detail.

21 BOARD MEMBER ORTEGA: Okay.

22 CHIEF EXECUTIVE OFFICER FROST: But we can track
23 it in that detail and we have reported that type of
24 information to various caucuses in the Legislature. So we
25 have the ability to track it.

1 BOARD MEMBER ORTEGA: I think -- I do think it's
2 really important to disaggregate that information, because
3 when you start looking at strategies to increase or
4 improve over time, if you don't have that breakdown, it
5 makes it hard for you to really target the right
6 strategies.

7 PRESIDENT TAYLOR: So we can take that as
8 direction, if that works.

9 CHIEF EXECUTIVE OFFICER FROST: We can -- we can
10 definitely provide that to the Board.

11 BOARD MEMBER ORTEGA: Thank you.

12 PRESIDENT TAYLOR: Thank you.

13 Jose Luis.

14 BOARD MEMBER PACHECO: Thank you. Thank you,
15 James for your -- for your presentation.

16 Back to the emerging manager program objective,
17 that definition. Now, has this -- is this -- is this the
18 current definition now?

19 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

20 Yes, it is.

21 BOARD MEMBER PACHECO: So I just want to just
22 clarify on the strong potential for success. Can you
23 elaborate on that? What does that mean exactly on that
24 definition?

25 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

1 That means that we're investing in great managers
2 and we intend on investing in managers that will meet our
3 return objectives.

4 BOARD MEMBER PACHECO: Okay. Very good then.
5 And in terms of the emerging manager definition, which is
6 I believe the new defi -- the new definition, am I
7 correct?

8 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:
9 Right.

10 BOARD MEMBER PACHECO: How did we land at the
11 five billion mark for public assets and how did we land on
12 the fund size of the two billion? Was that something that
13 we researched? I'm just curious or that -- or is that
14 estab -- is that something that is established by the
15 statute?

16 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: The
17 definition is not established by the -- by the statute.
18 We came to that definition by starting with our own --
19 with our old definition doing substantial research in
20 terms of where peers are and then discussions with the
21 asset classes based upon their needs and their
22 considerations.

23 BOARD MEMBER PACHECO: And with respect to the
24 partners, you mentioned -- I believe you mentioned the New
25 American Alliance and the National Association of

1 Investment Companies. Are there -- because I believe, if
2 I understand correctly, they have research as well on
3 this. Have you coordinated with them on this
4 particular -- these particular definitions and so forth?

5 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

6 Yes, we've discussed our definitions with the
7 parties listed.

8 BOARD MEMBER PACHECO: Oh, excellent.

9 And then finally, on the question on the ethnic
10 minority group on the diverse manager definition, are
11 those the definitions that are associated with the U.S.
12 Census, the Latino, African American, or I'm just trying
13 to get more understanding of that.

14 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

15 Yes.

16 BOARD MEMBER PACHECO: Okay. Very good. And
17 that would be when the final report is taken out, will
18 that be laid out in -- in -- in the aggregate, the Latino,
19 African American, or so forth.

20 PRESIDENT TAYLOR: That's what was just talked
21 about.

22 BOARD MEMBER PACHECO: Okay.

23 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

24 That's under direct -- direction.

25 BOARD MEMBER PACHECO: Okay. Very good then.

1 That's it. Thank you.

2 PRESIDENT TAYLOR: Thank you, Mr. Pacheco.

3 Ms. Paquin.

4 Hold on.

5 There we go.

6 ACTING BOARD MEMBER PAQUIN: Thank you, Madam
7 President. Thank you so much, Mr. Andrus, for the report.
8 Really appreciate it. And I also like the suggestion that
9 Ms. Ortega had, if we can disaggregate the data, I think
10 that will be helpful.

11 And I was just curious globally. I know that
12 CalPERS has been working on this program for a long time
13 and keeping data even after the last bill some said for
14 the reports. But how do you envision this new reporting
15 structure, new definitions helping the Investment staff
16 take a fresh look at the program.

17 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS: I
18 think the legislative requirement has brought everything
19 into the focus. But moving on this program is totally
20 dependent upon the leadership. And I think you heard from
21 our CIO during the Investment Committee that it is, in
22 fact, one of her priorities. And so that's what we are
23 dependent upon, the leadership within the Investment
24 Office to actually move on the program.

25 ACTING BOARD MEMBER PAQUIN: Great. Thank you

1 very much. Appreciate it.

2 PRESIDENT TAYLOR: Thank you. Seeing no other
3 questions, this is a -- an action item. The intent of the
4 item is to approve the following three things: Emerging
5 Manager Program objective, the definition of emerging
6 manager, and definition of diverse manager.

7 Can I have a motion, please?

8 BOARD MEMBER PACHECO: I'll move.

9 VICE PRESIDENT FECKNER: Move staff's
10 recommendation.

11 PRESIDENT TAYLOR: All right. Moved by Feckner,
12 seconded by Mr. Pacheco. This is a voice vote.

13 Roll call vote, I'm sorry.

14 BOARD CLERK: Rob Feckner?

15 VICE PRESIDENT FECKNER: Aye.

16 BOARD CLERK: Lisa Middleton?

17 BOARD MEMBER MIDDLETON: Aye.

18 BOARD CLERK: David Miller?

19 BOARD MEMBER MILLER: Aye.

20 BOARD CLERK: Eraina Ortega?

21 BOARD MEMBER ORTEGA: Aye.

22 BOARD CLERK: Jose Luis Pacheco?

23 BOARD MEMBER PACHECO: Aye.

24 BOARD CLERK: Ramon Rubalcava?

25 BOARD MEMBER RUBALCAVA: Aye.

1 BOARD CLERK: Mullissa Willette?

2 BOARD MEMBER WILLETTE: Aye.

3 BOARD CLERK: Dr. Gail Willis?

4 Dr. Gail Willis?

5 PRESIDENT TAYLOR: Gail, are you there? Can you
6 unmute?

7 Okay. Go ahead.

8 BOARD CLERK: Lynn Paquin for Betty Yee?

9 ACTING BOARD MEMBER PAQUIN: Aye.

10 PRESIDENT TAYLOR: Okay. Motion carries.

11 If we get Gail on later, we can -- I don't know
12 if we can get a vote at that point. I really appreciate
13 it, Mr. Andrus. I -- and I apologize for trying to skip
14 over my favorite person.

15 (Laughter)

16 INTERIM MANAGING INVESTMENT DIRECTOR ANDRUS:

17 Thank you much.

18 PRESIDENT TAYLOR: All right. Thank you very
19 much.

20 And with that, we're going to move on to 8D, the
21 Chief Executive Officer's 2021-22 incentive award and
22 2022-2023 base salary. So with that, I'm going to call on
23 Mr. Feckner, please.

24 VICE PRESIDENT FECKNER: Thank you, Madam Chair.

25 Before we get to Ms. Tucker and the agenda item,

1 I want to make a motion for the Board that we change our
2 practice of 0 to 7 percent performance scale to a 0 to 4
3 percent. And after the motion is acted on, I'd like to
4 speak to it, please.

5 PRESIDENT TAYLOR: Okay. The motion has been
6 made.

7 BOARD MEMBER ORTEGA: Second.

8 PRESIDENT TAYLOR: I have a second by Ms. Ortega.
9 I need a roll call vote on this, please.

10 BOARD CLERK: Rob Feckner?

11 VICE PRESIDENT FECKNER: Aye.

12 BOARD CLERK: Lisa Middleton?

13 BOARD MEMBER MIDDLETON: Aye.

14 BOARD CLERK: David Miller?

15 BOARD MEMBER MILLER: Aye.

16 BOARD CLERK: Eraina Ortega?

17 BOARD MEMBER ORTEGA: Aye.

18 BOARD CLERK: Jose Luis Pacheco?

19 BOARD MEMBER PACHECO: Aye.

20 BOARD CLERK: Ramon Rubalcava?

21 BOARD MEMBER RUBALCAVA: Aye.

22 BOARD CLERK: Mullissa Willette?

23 BOARD MEMBER WILLETTE: Aye.

24 BOARD CLERK: Dr. Gail Willis?

25 BOARD MEMBER WILLIS: Aye.

1 BOARD CLERK: Lynn Paquin for Betty Yee?

2 ACTING BOARD MEMBER PAQUIN: Aye.

3 PRESIDENT TAYLOR: Motion carries.

4 Mr. Feckner, go ahead.

5 VICE PRESIDENT FECKNER: Thank -- thank you.

6 So considering the market environment and the
7 CEO's decision to reduce base pay for the executive and
8 investment management incentive program participants, she
9 has asked that the Board apply an aligned reduction to her
10 base pay increase to be consistent with that of her team.
11 I want to illustrate clearly that this is in no way a
12 reflection of her performance.

13 Thank you.

14 PRESIDENT TAYLOR: Thank you very much.

15 With that, this is an action -- this is an action
16 item, but I do want to hear from Ms. Tucker. Thank you.

17 You're on.

18 HUMAN RESOURCES DIVISION CHIEF TUCKER: I am.
19 Okay. Thank you.

20 Good day members of the Board. Michelle Tucker,
21 CalPERS team member. The Board's Compensation Policy for
22 executive and investment management positions requires an
23 annual review of performance for the CEO. Agenda Item 8D
24 is an action item resulting from the Performance,
25 Compensation and Talent Management Committee's closed

1 session evaluation of the CEO's fiscal year 2021-22
2 performance. All members of the Board were encouraged to
3 participate in the Committee's performance discussion.
4 Based on the Committee's closed session evaluation along
5 with the incentive metrics outcomes, the resulting fiscal
6 career 2021 incentive award for the CEO is \$154,062.

7 PRESIDENT TAYLOR: Okay. Say that again please
8 for me.

9 HUMAN RESOURCES DIVISION CHIEF TUCKER: Yes, of
10 course. \$154,062.

11 PRESIDENT TAYLOR: Okay. And

12 VICE PRESIDENT FECKNER: So moved

13 PRESIDENT TAYLOR: Thank you. I was just going
14 to ask for the motion for that. I need a second.

15 BOARD MEMBER MILLER: Second.

16 PRESIDENT TAYLOR: Seconded by Mr. Miller.

17 And will need a roll call vote on that.

18 BOARD CLERK: Rob Feckner?

19 VICE PRESIDENT FECKNER: Aye.

20 BOARD CLERK: Lisa Middleton?

21 BOARD MEMBER MIDDLETON: Aye.

22 BOARD CLERK: David Miller?

23 BOARD MEMBER MILLER: Aye.

24 BOARD CLERK: Eraina Ortega?

25 BOARD MEMBER ORTEGA: Aye.

1 BOARD CLERK: Jose Luis Pacheco?

2 BOARD MEMBER PACHECO: Aye.

3 BOARD CLERK: Ramon Rubalcava?

4 BOARD MEMBER RUBALCAVA: Aye.

5 BOARD CLERK: Mullissa Willette?

6 BOARD MEMBER WILLETTE: Aye.

7 BOARD CLERK: Dr. Gail Willis?

8 BOARD MEMBER WILLIS: Aye.

9 PRESIDENT TAYLOR: I'm sorry?

10 BOARD CLERK: Can you say that again, Dr. Willis?

11 BOARD MEMBER WILLIS: Aye.

12 BOARD CLERK: Thank you.

13 PRESIDENT TAYLOR: Thank you.

14 BOARD CLERK: Lynn Paquin for Betty Yee?

15 ACTING BOARD MEMBER PAQUIN: Aye.

16 PRESIDENT TAYLOR: All right. Motion carries.

17 Michelle, thank you.

18 HUMAN RESOURCES DIVISION CHIEF TUCKER: Yes.

19 And then one more item for you. Based on the
20 Committee's closed session evaluation and in consideration
21 of Mr. Feckner's comments, the CEO's 2022-23 base salary
22 will be \$550,730.

23 PRESIDENT TAYLOR: Okay. I need a motion.

24 VICE PRESIDENT FECKNER: So moved.

25 PRESIDENT TAYLOR: Motion was moved by Mr.

1 Feckner.

2 BOARD MEMBER MILLER: (Hand raised.)

3 PRESIDENT TAYLOR: Second by Mr. Miller.

4 Go ahead and do a roll call vote.

5 BOARD CLERK: Rob Feckner?

6 VICE PRESIDENT FECKNER: Aye.

7 BOARD CLERK: Lisa Middleton?

8 BOARD MEMBER MIDDLETON: Aye.

9 BOARD CLERK: David Miller?

10 BOARD MEMBER MILLER: Aye.

11 BOARD CLERK: Eraina Ortega?

12 BOARD MEMBER ORTEGA: Aye.

13 BOARD CLERK: Jose Luis Pacheco?

14 BOARD MEMBER PACHECO: Aye.

15 BOARD CLERK: Ramon Rubalcava?

16 BOARD MEMBER RUBALCAVA: Aye.

17 BOARD CLERK: Mullissa Willette?

18 BOARD MEMBER WILLETTE: Aye.

19 BOARD CLERK: Dr. Gail Willis?

20 BOARD MEMBER WILLIS: Aye.

21 BOARD CLERK: Lynn Paquin for Betty Yee?

22 ACTING BOARD MEMBER PAQUIN: Aye.

23 PRESIDENT TAYLOR: Okay. Thank you. Motion

24 carries. Michelle, anything else?

25 HUMAN RESOURCES DIVISION CHIEF TUCKER: Just to

1 let you know these calculations were conducted in
2 accordance with the Board's policy using the assigned
3 ratings and weightings and the CEO's fiscal year 21-22
4 base salary. Thank you, members of the Committee and the
5 Board. This does conclude this action item.

6 PRESIDENT TAYLOR: Thank you so much. And I just
7 would like to point out -- and it looks like Mr. Behrens
8 is gone. This is -- the conversation behind all of this
9 was why it took so long, so -- yesterday in closed
10 session.

11 Let's move on. We are now in our information
12 agenda items, Mr. Brown, State and federal legislative
13 update.

14 Okay. I'm sorry. Go ahead, Danny.

15 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: All
16 right. Good afternoon, Madam President and Board members.
17 Danny Brown, CalPERS staff. And this is the State and
18 federal legislative update.

19 Starting with the State side, the legislative
20 session ended at the end of August and now the Governor
21 has until the end of this month to sign any bills that are
22 sitting on his desk. I was just going to touch on a few
23 bills that he has already signed as well as one bill that
24 is still waiting for his signature.

25 AB 850 by Senator Laird would provide both a

1 special death benefit and an additional special death
2 benefit to the children of a safety member who dies in the
3 line of duty to a violent act in cases when there is no --
4 there is no spouse -- surviving spouse for the safety
5 member.

6 Next is SB -- SB 1168 by Senator Cortese and
7 sponsored by RPEA. This would increase the \$500
8 post-retirement lump sum death benefit for contracting
9 agency members to \$2,000 for deaths that occur after July
10 1st, 2023. This will bring these contracting agent --
11 agency members on par with State and school members who
12 already receive a 2,000 lump sum death benefit.

13 And then finally AB 1824, which was the
14 Legislature's retirement omnibus bill. This included one
15 provision that pertained to CalPERS. It made a small
16 change to the disallowed compensation provision that
17 passed last year, SB 278. The change now would direct all
18 of the employer penalty to the retiree rather than have a
19 small portion come to CalPERS.

20 And then moving to the one bill that is on the
21 Governor's desk, SB 1089 by Senator Wilk. This was a very
22 late gut and amend that extends the sunset date on the
23 divestment bill from 2019 related to the Republic of
24 Turkey. It was amended in -- at the end of August, so
25 it -- and it didn't go through any policy committee

1 hearings. It was probably a deal worked out between Mr.
2 Nazarian and the Speaker.

3 This bill by Assembly Nazarian -- the 2019 bill
4 by Assemblymember Nazarian had a specific condition of
5 Congressional action in order to be -- in order for the
6 divestment to be triggered. And it had a sunset date of
7 2025. So that sunset date is now 2035, but the other
8 conditions continue to remain in the bill.

9 At the next -- at the end -- November meeting,
10 I'll give a full update of what happened in the State
11 legislative session.

12 Moving to the federal update. Since my last time
13 before you, Congress has passed and the President has
14 signed a major piece of legislation, the Inflation --
15 Inflation Reduction Act, an omnibus budget reconciliation
16 bill than contains several major initiatives to address
17 climate change and energy costs, and several important
18 provisions aimed at lowering Medicare prescription drug
19 costs. Many of the changes will take several years to
20 play out, and we will work with the program areas to
21 analyze potential impacts and opportunities as these
22 initiatives are implemented.

23 In addition, we have submitted several comment
24 letters to federal regulators. Earlier this summer, we
25 submitted a letter -- comment letter to the SEC on their

1 proposed rule for climate-related disclosures. We also
2 submitted two comment letters to the International
3 Sustainability Standards Board, the first one on their
4 draft climate-related disclosure standards and then one on
5 sus -- on their sustainability-related financial
6 disclosure standards.

7 And then just last week, we submitted another
8 letter to the SEC in support of their proposed rule to
9 clarify when public companies may exclude shareholder
10 proposals from their proxy statements, and then one to the
11 PCAOB on their five-year draft strategic plan. All of
12 these letters are posted on our website.

13 Looking forward, we are currently working on two
14 more comments letters, one to the SEC on their five-year
15 draft strategic plan and then one to the CFTC on their
16 request for information on climate related financial risk.

17 And then I know I've probably said this two or
18 three times to you already, but we do think the SEC is
19 close to putting out their proposed rule on Human Capital
20 Management. And obviously, once that comes out, that will
21 be a priority -- a priority for our team.

22 And then finally now that Congress has returned
23 from their -- its August recess, there are only a handful
24 of business days remaining before the mid-term elections.
25 We expect Congress to focus on a -- passing a continuing

1 resolution to keep the government running past the
2 election. And then depending on how the election turns
3 out, will dictate on whether any work gets done during the
4 lame duck session, including a retirement of bills that
5 both the House and Senate have been working on and we've
6 been watching closely.

7 So in November, we again should be able to give
8 you a recap of the outcome of the election as well as what
9 we can expect the rest of the year. And that with, I'm
10 happy to answer questions.

11 PRESIDENT TAYLOR: Thank you, Danny.

12 I am not seeing any questions from the Board
13 right now, so thank you very much for your report.

14 Oh, there you are. You weren't there a minute
15 ago. Go ahead, Jose.

16 BOARD MEMBER PACHECO: Sorry. Thank you, Danny,
17 for this -- for this infor -- I just want to under -- I
18 want to know just a small update. It's our -- one of our
19 sponsored bills, the HR 1187, the -- Mr. -- Congressman
20 Vargas's bill, which is a consolidation of other bills
21 that are going in. I noticed that it still -- it's
22 referencing it's still in the Senate committee on Banking,
23 Housing and Urban affairs. Is it still there or is it
24 going to be heard in this new -- in this new -- come -- in
25 the -- in the foreseeable -- in these coming months?

1 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: It is
2 not likely to be, you know, heard in the -- this year. I
3 mean, a lot of these are messaging bills that can get out
4 of the House, but then they just go to the Senate and
5 there's no movement, so we're not expecting anything
6 probably to happen with those bills this year.

7 BOARD MEMBER PACHECO: Okay. Thank you very
8 much.

9 PRESIDENT TAYLOR: All right. Thank you very
10 much, Danny. I appreciate it.

11 With that, I believe we are moving on to summary
12 of Committee direction -- Board direction.

13 CHIEF EXECUTIVE OFFICER FROST: Yes, Chair -- or
14 President Taylor, I noted the one, and that's the
15 disaggregation of the diverse manager investment report
16 for the Board.

17 PRESIDENT TAYLOR: Thank you.

18 And with -- one more thing. Before J.J. makes
19 public comment, I just need to make a note for the record
20 that Lisa Middleton is changing her vote for 5A from an
21 aye to recusing herself as she was not here for the June
22 meeting. So I wanted that on the record.

23 Public comment. And with that Mr. Jelincic.

24 MR. JELINCIC: J.J. Jelincic.

25 I missed the Investment Committee, because I was

1 celebrating the fact that my wife put up with me for
2 another year.

3 (Laughter)

4 MR. JELINCIC: Historically, CalPERS has been a
5 leader in investment performance. As this Board has
6 delegated more and more authority to the staff, it has
7 become an investment performance lagger. Correlation is
8 not causation, but the Board really needs to step back and
9 take a hard look at what's going on.

10 The proposed change to delegated authority is
11 another example of the Board giving up authority, but I
12 remind you that you cannot give up responsibility. The
13 law, which is the Trust document, makes it clear that
14 investment authority and responsibility lie with the
15 Board. It is on you that CalPERS owned the National
16 Enquirer.

17 The staff has come to you and asked for more
18 authority. Staff said you should be comfortable giving
19 this authority because they're going to do a better job of
20 tracking and coordinating their activity. That's good.
21 Late, but good. Staff said that it was improving
22 investment oversight. However, it is clear that the
23 oversight being improved is not the oversight by -- by
24 this Board over its agents, which is what is, in fact,
25 needed.

1 Thank you.

2 PRESIDENT TAYLOR: Thank you, Mr. Jelincic.

3 And with that, I'm going to go ahead and adjourn
4 the open session. We have lunch in the back for the
5 Board. And we will come back to closed session at 12 --
6 I'm sorry, 1:15.

7 Hold on a second. We might have a different
8 story here.

9 Nope. All right. Open session is adjourned. We
10 will be in closed session at 1:15.

11 Thank you.

12 (Off record: 12:32 p.m.)

13 (Thereupon the meeting recessed
14 into closed session.)

15 (Thereupon the meeting reconvened
16 Open session.)

17 (Thereupon the meeting reconvened
18 open session.)

19 (On record: 1:55 p.m.)

20 PRESIDENT TAYLOR: All right. So this is notice
21 of open session. We are now going to adjourn open
22 session.

23 So thank you very much. We will see everybody in
24 the Ed Forum and then at the November meeting.

25 So drive safe and thanks, everybody.

(Thereupon, the California Public Employees'
Retirement System, Board of Administration
meeting open session adjourned at 1:55 p.m.)

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