

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT CONSULTANTS INTERVIEW SUBCOMMITTEE

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FECKNER AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, APRIL 19, 2023

9:02 A.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
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APPEARANCES

COMMITTEE MEMBERS:

David Miller, Chairperson

Theresa Taylor

Fiona Ma, represented by Frank Ruffino

Lisa Middleton

Jose Luis Pacheco

STAFF:

Marcie Frost, Chief Executive Officer

Doug Hoffner, Chief Operation Officer

Robert Carlin, Senior Attorney

Sarah Corr, Managing Investment Director

Arnie Phillips, Managing Investment Director

Heather Sison, Investment Manager

ALSO PRESENT:

Lisa Bacon, Meketa Investment Group

Mary Bates, Meketa Investment Group

Sarah Bernstein, Meketa Investment Group

Bill Bracamontes, Wilshire Advisors

LaRoy Brantley, Meketa Investment Group

Ian Bray, RVK, Inc.

Judy Chambers, Meketa Investment Group

Christy Fields, Meketa Investment Group

APPEARANCES CONTINUED

ALSO PRESENT:

Kathryn Finneran, Townsend Group

Steve Foresti, Wilshire Advisors

Marc Friedberg, Wilshire Advisors

Lauren Gellhaus, Wilshire Advisors

Samantha Grant, Verus Investments

D'Metrius Grier, Townsend Group

Steven Hartt, Meketa Investment Group

Amy Hsiang, Meketa Investment Group

Spencer Hunter, RVK, Inc.

Ali Kazemi, Wilshire Advisors

Joe Ledgerwood, RVK, Inc.

Jeffrey MacLean, Verus Investments

Mika Malon, Meketa Investment Group

Taylor Mammen, RCLCO Fund Advisors

Ben Maslan, RCLCO Fund Advisors

Stephen McCourt, Meketa Investment Group

Eileen Neill, Verus Investments

Maddy Osadjan, Wilshire Advisors

Martin Rosenberg, Townsend Group

Reggie Ross, Meketa Investment Group

Jennifer Sandberg, RVK, Inc.

John Schaefer, Townsend Group

APPEARANCES CONTINUED

ALSO PRESENT:

Stephanie Sorg, Meketa Investment Group

Cyndi Thomas, RCLCO Fund Advisors

Tom Toth, Wilshire Advisors

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1 five-year period beginning July 1, 2024.

2 CalPERS received seven proposals by the final
3 filing date of March 7th 2023. Six of the seven proposals
4 passed the technical proposal evaluations and had their
5 fee proposal opened and scored.

6 I would like to take this time to update the
7 subcommittee on the preliminary total scores of the firms
8 based on highest to lowest scores in each investment
9 category starting with general pension. Wilshire received
10 270 points for their fee proposal score and 50 DVBE
11 incentive points for a preliminary total score of 320
12 points. RVK received 300 points for their fee proposal
13 score and 0 DVBE incentive points for a preliminary total
14 score of 300 points. Verus received 263 points for their
15 fee proposal score and 0 DVBE incentive points for a
16 preliminary total score of 263 points. Meketa received
17 248 points for their fee proposal score and 0 DVBE
18 incentive points for a preliminary total score of 248
19 points.

20 For private equity, Wilshire received 300 points
21 for their fee proposal score and 50 DVBE incentive points
22 for a preliminary total score of 350 points. Meketa
23 received 286 points for their fee proposal score and 0
24 DVBE incentive points for a preliminary total score of 286
25 points.

1 For real estate, Townsend received 300 points for
2 their fee proposal score and 50 DVBE incentive points for
3 a preliminary total score of 350 points. Meketa received
4 111 points for their fee proposal score and 0 DVBE
5 incentive points for a preliminary total score of 111
6 points. RCLCO received 170 points for their fee proposal
7 score and 0 DVBE incentive points for a preliminary total
8 score of 107 points.

9 For private debt, Wilshire received 300 points
10 for their fee proposal score and 50 DVBE incentive points
11 for a preliminary total score of 350 points. Meketa
12 received 268 points for their fee proposal score and 0
13 DVBE incentive points for a preliminary total score of 268
14 points.

15 For infrastructure, Meketa received 300 points
16 for their fee proposal score, 0 DVBE Incentive points for
17 a preliminary total score of 300 points.

18 Each finalist will be allotted 20 minutes for
19 their interviews consisting of 10 minutes for the
20 presentation and 10 minutes for interview questions from
21 the subcommittee. All finalists will be asked the same
22 questions. At the conclusion of the interviews for each
23 investment category, the subcommittee will deliberate and
24 use the consensus scoring methodology. The interview
25 scores will be collected and combined with the preliminary

1 total scores to determine a total score for each finalist.
2 The subcommittee will then have an opportunity to award
3 the contract for that service category to the finalist
4 with the highest total score, subject to final
5 negotiations and satisfaction of all requirements. The
6 same process will be followed for each service category.

7 CHAIRPERSON MILLER: Thank you, Ms. Sison for the
8 overview.

9 I want to remind the Subcommittee that once with
10 we start, please stay through the entire interview
11 process.

12 I would now ask that the roll be taken so that
13 the record reflects the subcommittee members present and
14 participating in the interview and selection process for
15 this contract.

16 BOARD CLERK ANDERSON: David Miller?

17 CHAIRPERSON MILLER: Here.

18 BOARD CLERK ANDERSON: Frank Ruffino for Fiona
19 Ma?

20 ACTING SUBCOMMITTEE MEMBER RUFFINO: Present.

21 BOARD CLERK ANDERSON: Lisa Middleton?

22 SUBCOMMITTEE MEMBER MIDDLETON: Present.

23 BOARD CLERK ANDERSON: Jose Luis Pacheco?

24 SUBCOMMITTEE MEMBER PACHECO: Present.

25 BOARD CLERK ANDERSON: Theresa Taylor?

1 SUBCOMMITTEE MEMBER TAYLOR: Here.

2 CHAIRPERSON MILLER: Okay. All present and
3 accounted for.

4 So we will now conduct the interviews for each
5 investment category separately starting with the general
6 pension investment consultant. Interviews will be
7 conducted in alphabetical order in each category. Meketa
8 Investment Group will be first, RVK, Incorporated will be
9 second, Verus will be third, and Wilshire Investment will
10 be the last interview. Each finalist will have five
11 minutes for introductions during their first interview of
12 the day. Each finalist will have 10 minutes for a
13 presentation and 10 minutes for question and answer period
14 in each investment category. The clock indicating the
15 remaining time is located in the front of the auditorium.

16 Subcommittee members, please note that the
17 questions we can ask all finalists are included in the
18 Board notes. At this time, I would like to remind the
19 finalists that each of your firms signed and submitted the
20 CalPERS Board of Administration interview form in the
21 proposal. This form represents a pledge that each of you
22 will not make any attempt to listen to or watch the
23 interviews of the other finalists nor have anyone do so on
24 your behalf. Failure to adhere to this requirement will
25 result in your firm's disqualification from this

1 engagement.

2 Scores will be determined via the consensus
3 methodology as prescribed in the RFP, after all finalists
4 have been interviewed. The Subcommittee will discuss the
5 interviews and a score will be motioned for discussion and
6 then seconded and voted upon or a substitute motion will
7 be made.

8 Does anyone have any questions?

9 Before we begin the interviews, is there anyone
10 in the audience who would like to make a public comment?

11 Seeing none.

12 Anyone on the phone lines?

13 BOARD CLERK ORTEGA: (Shakes head).

14 CHAIRPERSON MILLER: No. I'm told we have no one
15 on the phone as well.

16 So we will now begin the interviews. So this
17 will be the Meketa interview for the general pension
18 consultant. So I would like to invite all representatives
19 of Meketa to present. And Meketa you will have five
20 minutes for your introduction and we'll start the clock
21 whenever you're prepared and you start to speak. So we're
22 clearing the room and we'll have a little bit of time
23 before they're up here.

24 Good morning and welcome. You may begin at any
25 time and the clock will show and we'll get this going.

1 MR. McCOURT: Great. As -- first of all, thank
2 you for having us here. As Meketa is doing five
3 presentations today we thought we'd save everyone time and
4 do introductions in the five minutes to begin with. So
5 we'll start in the back -- the back row.

6 MS. FIELDS: Good morning. Christy Fields. I
7 lead the real estate Team that supports CalPERS based out
8 of the Portland, Oregon office.

9 MS. BATES: Good morning. My name is Mary Bates.
10 I lead our private credit effort. I'm based in our
11 Portland, Oregon office and have 22 years of industry
12 experience.

13 MS. HSIANG: Good morning. Amy Hsiang. I will
14 serve as one of your private credit consultants should we
15 be hired. I have 23 years of industry experience.

16 MR. HARTT: Good morning. I'm Steve Hartt. I
17 lead Meketa's private equity research efforts and have
18 been your consultant since 2017.

19 MS. CHAMBERS: Good morning. I'm Judy Chambers
20 out of the New York office and I work with both Lisa on
21 infrastructure as well as Steve Hartt on your private
22 equity portfolio.

23 MR. ROSS: Good morning. I'm Reggie Ross. I
24 have 16 years of industry experience and I am a real
25 estate consultant with Christy Fields.

1 MS. BACON: Good morning. I'm Lisa Bacon. I
2 lead our Private infrastructure practice and work for you
3 on the infrastructure program now. I first set first in
4 California in 1988 to attend the University of
5 California's Graduate School of Public Policy, and have
6 really enjoyed working with a lot of public agencies
7 throughout the intervening years.

8 Thank you.

9 MS. SORG: Good morning. My name is Stephanie
10 Sorg. I'm part of the General Consulting team here at
11 Meketa out of our San Diego office. I have seven years of
12 industry experience and CalPERS is important to me because
13 my dad is a PERS member and knowing that he's going to be
14 taken care of when he retires, it's a huge weight off my
15 family's shoulders

16 MR. BRANTLEY: Good morning. I'm LaRoy Brantley,
17 part of the general consulting team as well out of our
18 Boston office. I have 24 years of consulting experience
19 as a former teacher and a trustee of a large plan back in
20 Massachusetts. It's my pleasure to be here today.

21 MR. McCOURT: And Steve McCourt, co-CEO of Meketa
22 Investment Group. Have been in the industry for 29 years
23 and working with CalPERS in a variety of capacities for
24 the last 13 years or so.

25 MS. MALONE: Mika Malone, part of the general

1 consulting team at Meketa. I'll be celebrating my 20th
2 year at the firm this summer and have 22 years in the
3 industry. Really excited to be here. I've been able to
4 watch my own father and his secure retirement. He's 77
5 today and that's what gets me up every morning to work
6 with groups like yours.

7 MS. BERNSTEIN: Good morning. Sarah Berstein,
8 head of Sustainability. And serving CalPERS is
9 particularly meaningful for me, give your global
10 leadership on sustainability issues, and very personal,
11 because my very first job as an investment consultant 20
12 years ago was for CalPERS on two funds, one a clean energy
13 fund and one a diverse-owned manager fund. Thank you

14 MR. McCOURT: Great. That concludes our
15 introductions. Mr. Miller, we're happy to move into the
16 presentations, if that's appropriate.

17 CHAIRPERSON MILLER: Okay. Thank you. So we'll
18 now proceed to the 10-minute question and answer -- oh,
19 wait minute. We'll now proceed to the 10-minute
20 presentation segment of the interview. And you'll have 10
21 minutes to present, so please begin your presentation when
22 you'd like and staff will start the 10-minute clock when
23 you start to speak.

24 MR. McCOURT: Great. And I'm not sure if we're
25 going to have the presentation up on the screen or if you

1 have it in front of you, but we can --

2 (Thereupon a slide presentation).

3 MR. McCOURT: -- we can point you to slides.

4 CHAIRPERSON MILLER: Yeah, it will be on our
5 screens.

6 MR. McCOURT: Great. So...

7 --o0o--

8 --o0o--

9 MR. McCOURT: Okay. Thank you. We at Meketa are
10 celebrating our 45th year in business consulting with
11 large institutional investors like CalPERS. We thank you
12 for your confidence in us historically, and hope that our
13 work for you merits a continuation and expansion of that
14 service.

15 First of all, we don't want fees to stand in the
16 way of an expanded relationship with Meketa and CalPERS.
17 One of the benefits of having a single consultant is the
18 natural economies of scale that it produces within an
19 organization. In that spirit, if CalPERS chooses to hire
20 Meketa for all five mandates today, Meketa will gladly
21 reduce its proposed overall fee by \$500,000 per year,
22 that's two and a half million dollars over the five-year
23 contract period.

24 Meketa provides consulting services to 95 U.S.
25 public pension plans with total assets of 1.5 trillion

1 dollars. The type of work we are proposing to execute for
2 CalPERS is core to our business. In fact, we only have
3 line of business working with clients like you to solve
4 complex investment challenges. As you know, Meketa has
5 broad expertise in the private markets, but we also have
6 broad expertise in general consulting assignments, which
7 we'll discuss more today.

8 The four attributes of Meketa we hope you take
9 away from today's presentation are, one, Meketa as an
10 organization is aligned with the beliefs, principles, and
11 goals of CalPERS. Two, Meketa as company works for you,
12 the Board. This is clear to us. Three, as a team of
13 CalPERS dedicated consultants, we are personally devoted
14 to supporting your success. And finally and importantly,
15 we're fiduciaries. We take that responsibility seriously
16 throughout our organization.

17 --o0o--

18 MS. SORG: So turning back the clock a bit,
19 Meketa's relationship with CalPERS dates back to 1985. In
20 the decades since, we've been involved in helping CalPERS
21 craft some of their most important policies. To highlight
22 a few, we worked with CalPERS to establish the CalPERS
23 Investment Beliefs. We developed with your team one of
24 the first responsible contractor policies in the country.
25 And our team has been involved with a variety of

1 initiatives around sustainable investing. Meketa has
2 served as your consultant in the private equity, real
3 estate, and infrastructure asset classes since 2017, '09,
4 and '07 respectively. We valued our long-standing
5 relationship with CalPERS and we're fully prepared to
6 expand our work with you in the future.

7 --o0o--

8 MR. BRANTLEY: We use this slide here to
9 illustrate the scope of services to be executed for
10 CalPERS. With a client base of 95 clients, Meketa has the
11 depth of expertise from decades of experience to execute
12 on all levels of this scope as it's presented to you. We
13 view the general consultant role as twofold. One it's to
14 serve as a check and balance for the investment team's
15 activity, and that is order to help the investment
16 subcommittee to fulfill its fiduciary responsibility and
17 monitoring the authority delegated to the investment team.
18 And secondly, we also view the GC as the leading
19 contributor in making significant policy decisions made by
20 this investment subcommittee. Our job is to best position
21 the subcommittee with objective education and insight. We
22 do have opinions and we share them openly. And we hope
23 that these -- this sharing will lead to some fruitful
24 discussion in making those key decisions.

25 MS. MALONE: If you hire Meketa as a general

1 consultant, you'll receive from us thought-leading advice
2 and analysis on asset allocation, novel approaches to risk
3 management, and consistent, transparent, and direct
4 feedback to the Committee on CalPERS investment program.
5 Importantly, we would proactively provide these
6 recommendations to you.

7 --o0o--

8 MS. MALONE: On the next slide, we highlight how,
9 as your general consultant, we can add meaningful value to
10 CalPERS. Some important areas where we believe we can
11 help elevate CalPERS investment program include supporting
12 your CIO and investment team in their execution of the new
13 Asset Allocation Policy adopted in 2022, in the team's
14 migration to a more risk-conscious decision-making
15 structure, and in continuing to elevate the one-team
16 culture at CalPERS. We'll report to the Committee on the
17 progress and these challenges on a regular basis.

18 The new Asset Allocation Policy incorporated
19 several large structural changes, the use of fund-level
20 leverage, a dedicated allocation to emerging market debt,
21 a dedicated allocation to private debt, in addition to
22 generally higher allocations across all private market
23 asset classes. Meketa can effectively work with your
24 investment team to ensure that CalPERS implements these
25 changes efficiently and prudently taking advantages of

1 best practice in the industry.

2 MR. McCOURT: Meketa will align Investment
3 Committee education with your priorities. We view those
4 as: first, maximizing risk-adjusted returns to meet
5 current and future benefit payments by elevating best
6 practices across your investment program; second,
7 elevating the importance of human capital within the
8 sustain -- within the broader context of sustainable
9 investing; and third, helping the Committee evaluate risk
10 and risk management frameworks as capital markets and
11 CalPERS investment portfolio become ever more complex.

12 --o0o--

13 MS. BERNSTEIN: We have listed here a number of
14 issues and challenges that CalPERS Investment Committee is
15 likely to face over the next five years. First, on this
16 list is ongoing stakeholder concerns regarding a wide
17 variety of sustainability issues. As these issues become
18 more debated and more publicized, it's critical that
19 CalPERS not only address the risks coherently in the
20 capital markets, but also communicate its risk mitigation
21 strategies in a clear and consistent way. We can help
22 with this.

23 MR. BRANTLEY: We see the second and third bullet
24 points as intertwined and pensions pursuit of closing the
25 funding gaps that now exist. We see the pressure to use

1 leverage increasing for pension plans. We also see
2 private equity, which we consider a significant component
3 to the portfolio growth engine attracting higher
4 allocations from pension plans. The Investment
5 Subcommittee will have to be fully aware of the risks
6 accompanying these opportunities, especially with the high
7 profile that CalPERS has garnered as a gold standard
8 pension plan.

9 MS. MALONE: Also on this list is the call for
10 more ways to mitigate equity market risk. CalPERS has
11 made significant chain -- significant strides in recent
12 years mitigating equity market risk through your use of
13 factor-based portfolios, as well as long duration
14 treasuries. However, as we saw last year, long duration
15 bonds provided risk in portfolios. Therefore, it's
16 incumbent upon all of us to continue to seek alternative
17 ways to mitigate the dominant risks in portfolios today.
18 Finally, the investment team appropriately advocates for
19 the merits of the more active risk taking culture across
20 CalPERS. But with that, comes the need for more policies
21 and procedures to ensure that the Committee has the
22 ability to monitor and measure how effective those tools
23 are.

24 --o0o--

25 MS. MALONE: Investment committees always should

1 match the evolution in investment strategy with an
2 evolution in monitoring and reporting.

3 MS. BERNSTEIN: So why is Meketa the right
4 partner to help CalPERS address these challenges and
5 opportunities?

6 First, Meketa is like-minded -- is a like-minded
7 organization with strong knowledge of CalPERS Beliefs,
8 principles, and policies. Meketa as a member -- has been
9 a member of the PRI since 2012. We spearhead the founding
10 of the Investment Consultant Sustainability Working Group
11 in the U.S. in 2021. We're a signatory to the Task Force
12 on Climate-Related Financial Disclosures. We are a member
13 of the ESG Data Convergence Initiative for private equity,
14 and a supporter of the ESG Integrated Data Project for
15 private credit. We support CalPERS's efforts to address
16 all sustainability risks in a rigorous, transparent, and
17 thoughtful way.

18 MR. McCOURT: Second, Meketa is a
19 forward-thinking, proactive investment consultant. Over
20 the years, we've developed several novel opportunities for
21 our clients that are actionable. For example in 2009, we
22 developed an internal factor-based equity model, not
23 unlike the one that's used at CalPERS today. In 2012, we
24 developed a risk mitigating strategies allocation for our
25 clients to mitigate equity market risk that's now used by

1 many of your peers in the industry. These are examples
2 not just of ideas that Meketa's had to improve portfolios,
3 but ideas that we're rigorously researched, clearly
4 communicated, and thoughtfully executed. Finally, Meketa
5 brings to you deep resources, a dedicated senior level
6 team, and organizational stability.

7 --o0o--

8 MR. McCOURT: In closing, thank you. Thank you
9 for allowing us to work with you for so many years and
10 hopefully many more years in the future.

11 With that, we'll hand it back to the subcommittee
12 for questions.

13 CHAIRPERSON MILLER: Okay. Thank you. We will
14 now proceed to the 10-minute question and answer segment
15 of the interview and you'll have a total of six questions,
16 so please plan your time accordingly. And staff will
17 start the clock for the 10 minutes when the first question
18 is asked.

19 And I will begin with the first question. So how
20 do you balance the need to be the Board's independent
21 consultant with the need to have a positive and
22 collaborative working relationship with CalPERS
23 management?

24 MR. McCOURT: Great. Thank you. We'll probably
25 have a few of us chime in on this question, because we

1 have lots of experience, not just working with CalPERS,
2 but other similar organizations with similar structures
3 too.

4 For us, the primary point of our role is to work
5 for the Investment Committee and the Board. That's our
6 responsibility. In order to do that productively, we need
7 to have a productive relationship with staff. And for us
8 with Investment staff, that relationship is built on
9 strong communication, trust, and respect -- mutual
10 respect. Meketa has been advising boards and staffs for
11 decades. We believe that we have a strong methodology for
12 being able to work productively with staff and always
13 represent the interests of the boards and the investment
14 committees in all discussions.

15 I'll hand it over to Mika to stay a few more
16 words as well.

17 MS. MALONE: I just wanted to add that I think
18 one of the most effective ways we're able to work with
19 staff on behalf of you as a Board and Committee is by
20 keeping a regular schedule of communications. So as Steve
21 noted, those communication lines are really critical to
22 the work that we do. Setting up dedicated time to check
23 in with all members of staff on various projects really
24 helps us effectively communicate our best ideas to you.

25 CHAIRPERSON MILLER: Okay.

1 President Taylor.

2 Oh, this thing.

3 SUBCOMMITTEE MEMBER TAYLOR: There we go.

4 Thank you very much. In relation to the CalPERS
5 Investment Beliefs, is there a Belief that you feel should
6 be revisited for relevance and impact in the current
7 investment environment?

8 MR. McCOURT: As Meketa was involved in helping
9 you craft the Beliefs many years ago, we still believe
10 they are a best practice in the industry, so I'll start
11 with that. I think the way that you've approached the
12 development and elevation of your Beliefs and how they're
13 applied within the portfolio is extraordinarily strong
14 practice.

15 They're all important of course. They all should
16 be revisited periodically. The one I would point to, Ms.
17 Taylor, that may require revisiting, mostly because of the
18 dynamics of how quickly this market is moving, is the
19 Belief around sustainability in investing. CalPERS is a
20 long-term investor. It's really critical that your
21 investment partners are aligned with you on your vision of
22 long-term, sustainable investing.

23 SUBCOMMITTEE MEMBER TAYLOR: Thank you.

24 SUBCOMMITTEE MEMBER MIDDLETON: Thank you.

25 Next question. Could you describe how your firm

1 would assist the Board in meeting CalPERS' strategic
2 objectives and our responsibilities as fiduciaries?

3 MR. McCOURT: Okay. That's a -- that's a --
4 that's a big one. We'll start with strategic objectives,
5 you know, largely focused on the capital markets and
6 investment space. And maybe I'll first hand it over to
7 Mika to say a few words briefly about our approach to
8 asset allocation and long-term investment policy
9 development generally.

10 MS. MALONE: Just maybe one comment on that,
11 which is, as you all know, setting your strategic asset
12 allocation is the most important decision that you all
13 make. You spent a lot of time on that over the last year.
14 You've undertaken, as we highlighted in our presentation,
15 several areas of meaningful change within the portfolio.
16 And so spending the time now that implementation is the
17 next step on that list to ensure that as fiduciaries
18 you're overseeing a continuation of your best-in-class
19 program with the resources and the tools that are
20 necessary for the next 10 or 20 years I think is really
21 critical.

22 MR. McCOURT: And on the fiduciary
23 responsibility, this might be the most critical aspect of
24 our job with you. The Board is responsible for setting
25 policy -- investment policy for CalPERS. That policy

1 largely consists of long-term strategic asset allocation,
2 and importantly, a variety of delegated authority limits
3 that you provide to your staff to execute the policy for
4 you.

5 Meketa is expert at helping boards like yours
6 develop asset allocation and strategic policy, but we're
7 also expert at helping you fulfill your fiduciary
8 responsibility of monitoring the authority that you've
9 delegated to staff. And that's an important part of your
10 role as a trustee is ensuring that the authority that
11 you've chosen to delegate to your Investment staff is
12 overseen, monitored, and reviewed regularly. That's the
13 role Meketa plays for you today and a very important one
14 for the future as well.

15 ACTING SUBCOMMITTEE MEMBER RUFFINO: Good
16 morning. So given the importance of leverage and
17 liquidity management, what policy guidance would you give
18 the Board to help us monitor and understand its usage
19 across the total portfolio?

20 MR. McCOURT: Yes. We highlighted specifically
21 these two areas in our presentation, because we believe
22 that you and every other pension plan will be addressing
23 these increasingly in the future. Leverage and illiquid
24 assets are neither good nor bad. They are investment
25 tools to achieve investment objectives. And like many

1 things in life, in moderation, they are good, in excess,
2 they are really bad.

3 I think public pension plans, as time goes on,
4 will have increasing pressure to use more and more
5 leverage and increasing pressure to use more and more
6 private markets allocations. The pressure to utilize
7 those risky strategies will cause some plans to overextend
8 in those areas. CalPERS doesn't want to be the plan that
9 overextends. So to us, importantly, both with respect to
10 the use of leverage and to the use of ever higher
11 allocations to illiquid asset classes, it's important that
12 we help you utilize these tools responsibly, develop
13 liquidity stress testing and modeling that allows you to
14 confidently be users of these tools to achieve your
15 objectives and not extend yourselves to a point where it
16 exposes CalPERS to undue risk.

17 I'm not sure if LaRoy, any other comments you
18 want to make.

19 MR. BRANTLEY: No. I just thought it was a very
20 astute question, because that is -- you know, we're
21 peeling the onion back beyond just looking at standard
22 deviation as a key risk and as, you know, the leverage
23 point in interest rates have exposed portfolios with these
24 types of asset classes to higher level of risks. So
25 monitoring that, as Steve mentioned, becomes a very

1 significant part of how we manage our risk budget.

2 MR. McCOURT: And I would just highlight Meketa's
3 modeling. We don't have the time to go through them today
4 of course, but Meketa's asset allocation modeling
5 analytics are thought-leading, market-leading analytics
6 that you would have access to if you had engaged us.

7 SUBCOMMITTEE MEMBER PACHECO: Yes. Thank you.

8 Given CalPERS is a long-term investor, how would
9 you advise us to avoid overreacting to positive or
10 negative short-term market conditions?

11 MR. McCOURT: In our opinion, the biggest risk
12 for any long-term investment portfolio is the risk of
13 abandoning strategies at the wrong time. What goes part
14 and parcel to that is that you should enter strategies
15 only with an acknowledgement that you and future boards
16 will be able to withstand volatility in those strategies
17 over the long term. You're a long-term investor.

18 So the key to -- the key to not overreacting is
19 consistency in communication from your investment team and
20 your consultant, consistently revisiting the merits of
21 various strategies from the asset allocation level to
22 implementation level, that you -- that you implement, and
23 continually revisiting the basis for your investments in
24 those areas. And I think generally just having an
25 acknowledgement of a board and an investment team that

1 knee-jerk reactions to short-term performance can be
2 negative to the long-term performance of a plan.

3 CHAIRPERSON MILLER: Okay. The final question in
4 the final seconds. How do you define sustainable
5 investing under the CalPERS Investment Beliefs and how
6 would you advise the Board on these topics?

7 MR. McCOURT: Yeah, I'll -- we're running out of
8 time. Sustainable investing for us is investing in a way
9 that empowers CalPERS to take advantage of the strongest
10 possible economic growth in the economy through
11 responsible investing in major risks like climate risk, in
12 initiatives like DEI initiatives and human capital
13 initiatives that, in the absence of advocating and
14 considering these risks in a portfolio, can lead to
15 significant challenges for the Board in the future.

16 I'm out of time, so I don't want to --

17 CHAIRPERSON MILLER: Yeah, I think that about
18 does it, so I will thank you. And your time has expired
19 and so this conclude your interview. I would to thank all
20 the representatives from Meketa for their time today and
21 ask them to please leave the auditorium and invite RVK
22 into the auditorium. Thank you, all

23 MR. BRANTLEY: Thank you.

24 (Meketa exited the auditorium).

25 (RVK entered the auditorium).

1 CHAIRPERSON MILLER: Okay. It looks like we're
2 ready. Good morning, I'd like to welcome RVK to the
3 interview process. RVK, you will have five minutes for
4 your introduction and the time we'll appear here

5 (Thereupon a slide presentation).

6 CHAIRPERSON MILLER: And so staff will please
7 start the clock for five minutes when RVK staff begins to
8 speak.

9 MR. HUNTER: All right. Well, first on behalf
10 of --

11 SUBCOMMITTEE MEMBER TAYLOR: Your microphone.

12 CHAIRPERSON MILLER: There's a little button
13 there.

14 There you go.

15 MR. HUNTER: Am I on?

16 SUBCOMMITTEE MEMBER TAYLOR: Yep.

17 MR. HUNTER: Sorry about that. Well, first, on
18 behalf of the four of us and all 14 RVK employees, we'd
19 like to say thank you for the opportunity today. Before
20 we get into personal introductions, we wanted to say one
21 thing and make it very clear that you see four people in
22 front of you, but if you hire us, you're really hiring RVK
23 as a firm. And that's a firm that has 35 years of public
24 fund experience, former public fund CIOs, public fund
25 CEOs, public fund trustees, and professionals with direct

1 asset management experience in equity, fixed income, and
2 alternatives.

3 So this slide here has a couple different things
4 and we won't walk through all of it, but a few things we
5 wanted to talk about introducing RVK. We think we have
6 the scale obviously to do this, otherwise we wouldn't be
7 sitting here. We have a single business line of
8 non-discretionary consulting, which aligns directly with
9 what you all as trustees ask for in this mandate. There's
10 a reason why all four of us are sitting here, which we'll
11 get into in a minute with our personal introductions. But
12 we constructed a team specifically with this mandate in
13 mind. We have been awarded, based on our work with
14 current clients, you'll see that in the fourth bullet
15 point there. That's really a reflection of long-standing
16 relationships and we do have a significant number of
17 long-standing public fund relationships as noted.

18 Lastly, and I think this goes without saying, but
19 CalPERS would be an incredibly important client to us, and
20 we would ensure that we dedicate the resources necessary
21 to serve the mandate. We know that this mandate is
22 partially, you know, kind of governance related. It's
23 also investment related. We have experts in all of those
24 different areas.

25 So with that, we'll go ahead and jump to the

1 individual introductions here on page three. My name is
2 Spencer Hunter. I'm a Director and Senior Consultant at
3 RVK. I'm actually in my 16th year at RVK. I've had a
4 variety of jobs, but they have all been on the general
5 consulting side. I spend a majority of my time working
6 with U.S. public pensions, U.S. sovereign wealth funds,
7 and non-U.S. sovereign wealth funds as well. I

8 In addition to the standard investment consulting
9 work that we do, I do carve out a portion of my time to
10 work on what we call investment program reviews, which is
11 quasi-governance consulting as well. So again, we know
12 that that's an aspect of this mandate, so wanted to ensure
13 that we had team members with that experience.

14 And that, I'll turn it over to Ian.

15 MR. BRAY: Yeah. Thank you. Great to -- thank
16 you. Great to meet all of you. My name is Ian Bray. I'm
17 also a senior consultant and shareholder in the firm. I
18 am in my 13th year with RVK. And I have also spent an
19 extensive amount of my career working with public pension
20 plans such as yourselves. I have extensive experience
21 working with the colleagues that you see around you. So
22 we've got a very congruent team and very used to working
23 with each other.

24 I spend a lot of my time thinking about asset
25 allocation, risk management, the framework that goes into

1 evaluating the tradeoff between liabilities, return
2 seeking, and risk tolerance. And I would be pleased to
3 work with you all. Thank you.

4 MS. SANDBERG: Good morning. As my colleagues
5 have said, it's a pleasure to be here and nice to meet all
6 of you. My name is Jennifer Sandberg. I am a senior
7 consultant and shareholder with RVK. Much like Spencer, I
8 am also in my 16th year with RVK. Have held a variety of
9 roles across the firm, but am focused predominantly on
10 asset allocation work with a variety of different client
11 types, both public and private.

12 MR. LEDGERWOOD: My name is Joe Ledgerwood. I'm
13 the Director of Investment Manager Research at RVK. I've
14 been in the industry for 21 years, the last 13 of which
15 have been at RVK. For the prior four years, I've led the
16 Investment Manager Research Department at our firm, which
17 involves sourcing and monitoring the third-party
18 investment managers that our clients invest in.

19 We also do asset class education among other
20 things. Prior to being the invest -- the Director of
21 Investment Manager Research, I led up our public equity
22 research effort. And so I've had the experience of
23 sourcing and monitoring managers across capitalizations
24 and regions. I'm also a part of the investment program
25 review group that Spencer referenced earlier, and I am a

1 shareholder of the firm.

2 MR. HUNTER: So there are additional people who
3 are not pictured here and obviously not here today that
4 would be dedicated members of the team as well.
5 Initially, we're planning on having four associates
6 assigned to the relationship, but we know that as work
7 comes up, that number may need to grow or flex.

8 In addition to that, there would be a handful of
9 dedicated analysts working on the various portfolios. And
10 then each of us have dedicated, what we call, project
11 support team members, and they help keep our lives in
12 order with scheduling calls, ensuring deliverables are on
13 time. So you see four of us, there's a much larger
14 dedicated CalPERS team proposed with the context that it's
15 also 140 RVK employees working towards that goal.

16 --o0o--

17 CHAIRPERSON MILLER: Okay. We will now proceed
18 to the 10-minute presentation segment of the interview.
19 And RVK, you'll have 10 minutes, so you can start your
20 presentation, and staff will start the clock for 10
21 minutes when you begin.

22 MR. HUNTER: Well, we will be brief and we're
23 looking forward to your questions, but we wanted to
24 highlight a few things that we felt like were relevant for
25 this mandate and relevant to differentiate ourselves from

1 our competitors.

2 First and foremost, investment consulting is our
3 only line of business. We don't have an asset management
4 arm. We don't sell data. We don't sell research. We
5 don't do all of those other things that a lot of our
6 competitors do. That aligns directly with your mandate.
7 You're looking for an objective Board consultant.

8 We provide access to subject matter experts. So
9 again, despite the fact that you see four of us, as topics
10 come up, whether that's educational in nature or
11 recommendation in nature, we will bring the subject matter
12 experts to you. We don't hold them behind ourselves.
13 They are your resources just as much they are internal
14 resources for us.

15 Organizational stability and focus. We've been
16 the same firm structure for 35 plus years. We intend to
17 remain independent and employee owned. We have steered
18 clear of mergers and acquisitions because we feel like
19 it's distracting, it's difficult to find a cultural match.
20 We have had opportunities. We've turned them down on both
21 side of that and we continue planning to own our own
22 destiny, as we say.

23 And then last, no conflicts of interest. What
24 does that mean? We don't take money from managers. We
25 don't take money from vendors that we are being asked to

1 evaluate on behalf of our clients.

2 Next page.

3 --o0o--

4 MR. HUNTER: Just a quick snapshot here of RVK.
5 Again, we're a bit interesting in the fact that we have a
6 large asset base, so \$3 trillion of assets under
7 advisement, but we're still boutiquey in nature. We're
8 not a mega firm. We have, as you see here, 107 investment
9 professionals. And it's about 140 total professionals.
10 And that allows us to serve a variety of different client
11 types. So we do specialize to some degree in public fund
12 consulting, but we obviously work with corporate clients,
13 education, non-profit clients, et cetera.

14 And why is that a benefit to you all? Generally,
15 speaking, it's because we can source new ideas and
16 interesting ideas that we can spread amongst our client
17 base.

18 --o0o--

19 MR. BRAY: So page seven outlines our firms
20 mission and consulting -- excuse me, vision, mission, and
21 consulting philosophy. And, you know, we believe that our
22 35 plus years of experience and expertise in providing
23 investment advice and solutions to clients allows us to
24 perfectly align with this mandate. And while our
25 objective is to assist clients through a documented

1 process and framework as it relates to things like
2 understanding your unique liabilities, how that relates to
3 asset allocation, creating best-in-class governance, and
4 finally evaluating and monitoring that performance, I
5 think what we we're -- what we'd like to get across is we
6 aim to do that in a manner that provides you as Board
7 members straightforward and pointed answers to your
8 questions. It is not our objective to dominate meetings.
9 It is our objective to work congruently with your staff
10 and answer questions as they come up from you all and
11 research the ideas or thoughts that you all have as it
12 relates to portfolio construction.

13 --o0o--

14 MS. SANDBERG: Slide 8 presents how RVK views our
15 consulting practice, which was focused into kind of key
16 subject matter areas. And we're able to leverage those
17 for the benefit of all of our clients. And this would
18 be -- that would be no different for you all. And so how
19 we think about consulting on the top left-hand box.
20 General consulting focuses on kind of traditional
21 investment consulting mandates, trustee education,
22 investment policy, as Ian mentioned, asset allocation and
23 thinking about risk management, but we also have specialty
24 areas of focus including our Investment Operations
25 Solutions Group, which is focused on all things investment

1 investment manager research organized by asset class. I
2 talked about RVK's Investment Operations Solutions Group
3 and investment program review, and we also have a
4 dedicated Performance Measurement Team, where their job is
5 to collect data, prepare, customize performance reports
6 that helps the team that you see in front of you provide
7 information to the trustees that's designed evaluate and
8 guide decision-making over the long term.

9 --o0o--

10 MR. LEDGERWOOD: On page 10, we go over a little
11 bit of our commitment as a firm to diversity, equity,
12 inclusion. On the left-hand side of the page, you'll see
13 some of our firms stats. I'd like to draw your attention
14 to the fact that 52 percent of our firm is owned by women
15 and minorities. And key practice leads are lead by
16 diverse members of our firm, including the Director of
17 Midwest Operations, the Co-Head of our New York office,
18 our CEO, our Director of Perform Measurement and
19 Analytics, and our head of D.C. Solutions Group.

20 We also are involved in the community from a
21 diversity, equity, and inclusion standpoint. We partner
22 with the most diverse high school -- private high school
23 in the State of Oregon on an internship and job program.
24 That program brings an intern into our office one day a
25 week, where they learn how to operate within our business

1 and also it helps subsidize their tuition. Our current
2 intern is headed to the University of San Francisco this
3 fall.

4 We also partner with that same high school with
5 Rock the Street, Wall Street, where female leaders of our
6 firm go and teach classes to the women at the high school,
7 introducing them to careers in finance, which they may not
8 have known about previously.

9 The right-hand side talks a little bit about how
10 our manager research group engages with the diverse
11 manage -- diverse manager community. There are number of
12 stats in here that we're proud of, but I think the one
13 that I'd like to highlight is that we helped our clients
14 invest nearly \$2 billion in diverse mandates in calendar
15 year 2002 and that's a number that we hope to go over the
16 years.

17 --o0o--

18 MR. BRAY: Page 11 provides a quick overview of a
19 few of the topics we see may of our public pension -- can
20 you switch it forward?

21 A number of topics that we see our clients facing
22 today -- sorry, it's not moving forward.

23 All right. We'll try it again.

24 So a quick overview of lot of the topics we see
25 many of our clients face today. I think what we want to

1 highlight here is we can draw on the collection of themes
2 across a number our clients, not only in public pension
3 space, but in other areas too, E&Fs, endowments and
4 foundations, Taft-Hartley plans, even DC plans and in a
5 way that gets us a point where we can create very pointed
6 papers, thoughts, and analysis to provide to you all. And
7 we do this across a number of individuals in our firm, a
8 lot of them in the consulting role in terms of writing and
9 drafting these type of analyses and thought
10 recommendations to clients that we don't address in a
11 single isolated manner, but try to congruently piece
12 together a lot of the risks and the topics that are
13 adherent to many of our public pension plans, and bring
14 timely responses to you all when topics like this do come
15 up.

16 --o0o--

17 MR. HUNTER: So Page 12, we'll wrap this up.
18 We'd like to leave you with a few parting thoughts on the
19 potential relationship between RVK and CalPERS. First and
20 foremost, we want to let you know that we understand the
21 mandate. And that's -- I think it should go without
22 saying, but we need to say it, that we understand that we
23 work for the Board. We are there to assist the Board and
24 the trustees in making sound investment and other
25 decisions relating to the management of the assets. This

1 is squarely in our wheelhouse and it's actually somewhat
2 of a specialty of RVK's.

3 Again, going back to one of my first points that
4 RVK has a single business line. This is what we focus on.
5 We focus on helping boards make sound investment
6 decisions. And notably, we really want to make sure that
7 those sound investment decisions are made with the
8 liabilities in mind. And you'll see that consistently
9 from RVK every time we talk to you, that decisions need to
10 be made in the context of the purpose that they serve.
11 And the purpose that they serve is typically liabilities
12 when you're talking about public pensions.

13 Ian mentioned this earlier. We're not interested
14 in being the loudest voice in the room. We don't like to
15 hear ourselves talk. We're more interested in helping you
16 make good decisions and we're there to be your advisor.
17 We're not there to dominate the conversations.

18 Finally, just know that our core values are very
19 much aligned with you all as well as the mandate. We have
20 expertise to provide the sound advice. You can trust that
21 the advice is objective and well researched, and we're
22 worrying -- we're willing to work very hard for our
23 clients.

24 So with that, thank you for the opportunity and
25 we'd love to answer any questions that you may have.

1 CHAIRPERSON MILLER: Okay. Thank you.

2 And with that, we will now proceed to the
3 10-minute question and answer segment of the interview.
4 So RVK, you will have a total of six questions, so kind of
5 manage your time accordingly. And staff will please start
6 the clock for 10 minutes when the first question is asked.
7 And I will be asking the first question.

8 So how do you balance the need to be the Board's
9 independent consultant with the need to have a positive
10 and collaborative working relationship with CalPERS
11 management?

12 MR. HUNTER: Yeah. That's a -- that's a great
13 question. It's something that we think about quite a bit.
14 We have an internal saying that we always talk about we
15 work for the Board, but we work with staff, or with
16 management, or with stakeholders. We often say that we're
17 also an extension of staff. So we help staff or we help
18 other stakeholders bring forward what they need to talk
19 about with trustees. But we also know that our -- you
20 know, or bosses is you all. So if we feel like there
21 needs to be a healthy discussion about disagreements about
22 direction of the portfolio, disagreement about, you know,
23 whatever it may be, a specific strategy, that's something
24 that we work out as best we can behind the scenes, and
25 then come to the Board and say, you know, we had a healthy

1 discussion. Here's where we stand. Here's where others
2 stand and let's have that conversation.

3 We're not necessarily looking to step on
4 anybody's toes, but we're also very fair and objective
5 with the way that we evaluate recommendations that are
6 being made by other parties, and that includes staff, that
7 includes other specialty consultants and other
8 stakeholders as they need to be.

9 So I think we understand the role very clearly,
10 but the relationship doesn't work unless we have a healthy
11 relationship with all parties involved. And in our
12 experience, I think the best way to have a healthy
13 relationship is to be open and transparent about how we
14 see the world and how we view the recommendations that are
15 being bought forward.

16 SUBCOMMITTEE MEMBER TAYLOR: Push my button.

17 All right. Thank you for that answer.

18 Number two is in relation to the CalPERS
19 Investment Beliefs, is there a Belief that you feel should
20 be revisited for relevance and impact in the current
21 investment environment?

22 MR. HUNTER: My personal view is that there needs
23 to be -- there needs to be more focus on something that we
24 call sequence risk. And that is that, you know, one of
25 Beliefs is to manage the assets with the liabilities in

1 mind, and I'm paraphrasing. But in that discussion, I
2 think there needs to be further information about the path
3 by which the returns occur matter a whole lot to public
4 pensions. So I think that is one thing -- and that's not
5 just CalPERS, that's something that we talk about with
6 every client.

7 MR. BRAY: Yeah. And I think like in your -- in
8 your ALM discussion, which is extremely thorough and well
9 put together, you know, you talk about thinking about
10 multi-period versus single-period risk, and -- but, you
11 know, I think what we would -- we would advise is think
12 about that a step farther and say, you know, positioning
13 the portfolio for regime change is not necessarily on a
14 tactical basis, but thinking about what could be happening
15 in the next, you know, given shorter time period, even
16 though we've got this longer term outlook in making sure
17 that drawdowns are a serious consideration, considering
18 that, you know, path dependency is very big in terms of
19 importance in funding. And we would want to make sure
20 that was front and foremost.

21 SUBCOMMITTEE MEMBER TAYLOR: Okay. Thank you
22 very much.

23 SUBCOMMITTEE MEMBER MIDDLETON: I have the next
24 questions. Could you describe how your firm would assist
25 the Board in meeting CalPERS strategic objectives and our

1 responsibilities as fiduciaries?

2 MR. HUNTER: So that's a big question. And I
3 think we would answer it by first we are very
4 education-centric. So as topics come forward, we want to
5 make sure that there's a common understanding of what the
6 issue at hand actually is. So we educate first. We
7 ensure that everybody is on the same page. We bring
8 forward, you know, whether it's a joint recommendation
9 with management, with staff, and then we ensure that we
10 talk through the important aspects that Board members and
11 trustees need to know and make decisions based on.

12 I think what we've seen less so now, I think
13 we've -- the industry has done a much better job, but
14 historically Board members were being asked to make
15 decisions that weren't strategic in nature. So our job,
16 as the Board consultant, is to ensure that what we're
17 asking you to opine and decide on is truly strategic in
18 nature. And so we try to keep the noise to a minimum.
19 And so it's educate, bring forward recommendations, and
20 ensure what we're bringing forward to you is strategic in
21 nature, and delete out all the noise that you all as
22 trustees shouldn't really be worrying about.

23 SUBCOMMITTEE MEMBER MIDDLETON: Thank you.

24 ACTING SUBCOMMITTEE MEMBER RUFFINO: Good
25 morning. Given the importance of leverage and liquidity

1 management, what policy guidance would you give the Board
2 to help us monitor and understand its usage across the
3 total portfolio?

4 MR. BRAY: Yeah, that's a -- that's a great
5 question. And, you know, I -- there have been a number of
6 peers, such as yourselves, that have thought about
7 implementing and have implemented total fund leverage to
8 either enhance returns and/or diminish drawdowns. Having
9 a correct framework in evaluating, you know, how that
10 leverage is placed on, where it's placed in the portfolio,
11 but also where it's hidden elsewhere in the portfolio, is
12 a key piece to successfully implementing a strategy such
13 as that.

14 So I think what our job would be to you all is to
15 bring solid and easy dashboard reporting to say, hey,
16 here's where the leverage is, here's where it's not. Here
17 are potential impacts on the upside and the downside, and
18 quantifying that for you all in a quick, easy-to-digest
19 framework. Kind of to Spence's point before, you know,
20 we'll get into the weeds with your staff, but let's bring
21 to you all something that you can -- you can look at on a
22 consistent basis and a timely basis, so that you're always
23 well-informed about where that leverage stays in the
24 portfolio, and what the potential impacts could be. I
25 think that that is the key aspect from a Board perspective

1 in terms of monitoring that leverage type of position that
2 you've implemented.

3 CHAIRPERSON MILLER: Let me try it again.

4 SUBCOMMITTEE MEMBER PACHECO: There. Thank you.

5 CHAIRPERSON MILLER: There it goes.

6 SUBCOMMITTEE MEMBER PACHECO: Given CalPERS is a
7 long-term investor, how would you advise us to avoid
8 overreacting to positive or negative short-term market
9 conditions?

10 MR. HUNTER: Yeah. I -- it's difficult, because
11 it's -- sometimes markets make you emotional, but I think
12 it's our job to always bring things back to strategic
13 asset allocation and risk tolerance. The risk tolerance
14 that you all set through your strategic asset allocation,
15 that really only works as a risk tolerance if you're
16 consistently applying that through various market cycles.
17 And a lot of the work that we do I think from the asset
18 liability side is actually highlighting that.

19 So we run through various scenarios saying what
20 happens if you take a 10 percent loss in year one, what
21 happens if you take a 10 percent loss in year two, what
22 happens if it's a V-shaped recovery, or a W-shaped
23 recovery, or an L-shaped recovery? So we try to quantify
24 things. And again, to Ian's point in a very kind of a
25 dashboard friendly manner, to say are you comfortable with

1 these risks? If so, you should be comfortable with
2 short-term noise in the market. We know that the markets
3 move as they do, and we're not -- you know, we don't care
4 that much about day-to-day, month-to-month movements. We
5 care a lot about long-term strategic views of how the risk
6 tolerance is positioned for the next 30 plus years,
7 because that's really how liabilities are structured.

8 MR. BRAY: And quantifying that in terms of when
9 you were looking at these analyses, and when we're
10 thinking about asset allocation, and risk tolerance, and
11 we're setting parameters is when we do see some kind of
12 market correction or market dislocation, putting that back
13 in the context of saying, hey, this is what we agreed on
14 in terms of the risk tolerance, here was the distribution
15 of returns, here's where this fell there. We're still on
16 track. You know, thinking about it from that perspective,
17 going back to the decisions that were made in quantifying
18 current performance or current market dislocations in the
19 aspect of this is where it fell in terms of our
20 probability of distributions. We're still on track to
21 maintain this kind of a strategic asset allocation in
22 pursuit of the goals that we have all set.

23 CHAIRPERSON MILLER: Okay. And in the time we
24 have left, your last question, how do you define
25 sustainable investing under the CalPERS Investment Beliefs

1 and how would you advise the Board on these topics?

2 MR. LEDGERWOOD: We really look at sustainable
3 investing as the values of the plans that we work with.
4 And so we take your values and then we work with you in
5 order to use our tools that we have in place to really
6 look at how we can best execute on your goals. So if your
7 sustainability goals have more to do with carbon
8 reduction, there are ways that we can help you with that.
9 If it has to do with social, governance, there are ways
10 that we can help you there.

11 And then we put parameters around it, where we
12 can measure that, and we can report on it, and we can work
13 together towards moving in the direction that you're
14 comfortable with.

15 CHAIRPERSON MILLER: Okay. Thank you.

16 The time has now expired, so RVK, this concludes
17 your interview. I'd like to thank the representatives of
18 RVK for their time today and ask them to please leave the
19 auditorium and invite Verus into the auditorium.

20 Thank you, all.

21 (RVK exited the auditorium).

22 (Verus entered the auditorium).

23 CHAIRPERSON MILLER: Good morning. I'd like to
24 welcome Verus to the interview process. Verus, you'll
25 have five minutes for your introductions. And staff will

1 please start the clock for five minutes when Verus staff
2 begins to speak.

3 There's a little button there for your
4 microphone. It's a tiny little button.

5 There you go

6 MS. NEILL: Oh, okay. Are you ready?

7 Okay. Well, good morning and thank you so much
8 for the opportunity for us to present both our firm and
9 our approach to fulfilling your stated scope of services
10 and your Strategic Plan.

11 My name is Eileen Neill. And with me today is my
12 colleague, Samantha Grant and also my colleague Jeff
13 MacLean.

14 By way of introduction, I have been at Verus for
15 several years, but I have 30 plus years of investment
16 consulting experience. In fact, I would feel pretty
17 confident in saying, it's unparalleled in this industry,
18 particularly for women to have 30 plus years of investment
19 consulting experience. The majority of that, 29 years,
20 was at Wilshire, my former firm. I have worked with
21 public funds throughout my career and currently work with
22 two of your peers SWIB and Mass PRIM, and with three other
23 State level funds. So I continue to focus on this sector.

24 When I'm outside of Verus, I am on the Board of
25 WAVE, Women's Association of Venture and Equity, and for

1 many years was an advisory board member for WIIIN, Women
2 in Institutional Investment Network. So I'm very
3 committed to promoting and aligned with your goals of a
4 culture of diversity in terms of working to promote women
5 in the industry.

6 I've been a California resident for 40 years and
7 it would be my pleasure to serve as the CalPERS general
8 consultant.

9 MS. GRANT: Good morning. I'm Samantha Grant and
10 I'm a Senior consultant at Verus.

11 THE COURT REPORTER: Microphone.

12 MS. GRANT: Good morning. I'm Samantha Grant and
13 I'm a Senior Consultant at Verus. I started my career in
14 a leadership development program where I placed into a
15 quantitative equity portfolio manager role, which I was in
16 for several years. About 10 years ago, I began a career
17 in investment consulting. And I started as a research
18 analyst and then moved into a consultant role. Outside of
19 Verus, I serve on the board of South Side YMCA in Chicago,
20 where I am based. And then I also serve on the inaugural
21 board of the Investment Diversity Advisory Council. This
22 is an organization that gathers industry groups as well as
23 consultants, allocators, and managers to really increase
24 the representation of diverse individuals in the
25 investment industry.

1 Given my experience working with large public
2 plans, as well as my interests outside of Verus, it would
3 be a pleasure to work with you.

4 MR. MACLEAN: Thank you. Hello. My name is Jeff
5 MacLean. I'm CEO of Verus. My role is to be the
6 executive resource to ensure that we are always at all
7 times providing exceptional advice to CalPERS. My other
8 role is also to make sure that we're well resourced to
9 provide you with that exceptional service.

10 As you can see on the right-hand side of the
11 page, we have a support team, which is not with us today.
12 And in the interests of time, I'm not going to spend too
13 much time talking about each one of those individuals, but
14 would be happy to expand upon them during Q&A.

15 --o0o--

16 MR. MACLEAN: But broadly speaking, one of the
17 things that speaks to both Samantha and Eileen, which is
18 part of we think one of our competitive advantages, is our
19 exceptional team. We seek to hire the best people
20 possible. Moreover, we seek to cultivate them and help
21 them grow their careers. What this does is it makes Verus
22 an employer of choice, which allows us to attract
23 exceptional talent from other consulting firms. A firm --
24 our firm has 95 employees. And all of those employees are
25 exclusively dedicated to serving the needs of fiduciaries

1 MS. NEILL: So the remainder of your comments
2 will pertain to how we would address the -- what we
3 believe are the most salient components of your scope of
4 services and your strategic plan. So we know asset
5 liability management is very important to you as a Board.
6 Pension sustainability is one of the key objectives
7 outlined in your strategic plan. It's also a very
8 important component of our service, and so much so that
9 we've made the investment in utilizing the Winklevoss
10 platform, which is the platform most actuaries in the
11 industry use for modeling liabilities. And that's because
12 we want to ensure when working with clients and asset
13 liability studies that we are appropriately reflecting the
14 sensitivity of key risk metrics such as contribution
15 volatility and surplus volatility.

16 And this focus on risk management really comes
17 from our philosophy with respect to consulting, which is
18 risk-centric. We are the only firm that you're meeting
19 with today that has stand-alone risk consulting advisory
20 service. And what that does is it provides us the
21 personnel and resources to work with clients very deeply
22 and understanding their risk management and understanding
23 the risk exposures in their fund, and how to manage those
24 exposures.

25 --o0o--

1 MS. NEILL: We have been fortunate to work with
2 clients that, similar to you, have been leading edge in
3 terms of the implementation. So, for example, you have a
4 total fund leverage Asset Allocation Policy. We do work
5 with a few other plans that also employ leverage. And as
6 a result of working with those plans, we developed several
7 years ago the liquidity coverage metric, which you see on
8 the slide in front of you, to help clients that are
9 focused -- have a heightened focus on liquidity risk
10 management, with which a leveraged total fund you would
11 have, because you have to access credit facilities in
12 addition to your normal liquidity demands.

13 Additionally, you've increased your exposure to
14 private equity. And so this tool is also helpful for
15 clients that are interested in understanding how varying
16 levels of private market exposure may impact their
17 liquidity risk profile.

18 --o0o--

19 MS. NEILL: And you've indicated in your
20 strategic plan that risk intelligence is another key
21 objective of the Board. And we believe that we are well
22 positioned with our focus on risk to support you. You
23 also have a factor-based asset allocation. And this next
24 slide sort of illustrates that we, too -- we were early
25 adopters of factor-based asset allocation. We believe

1 that risk allocation is the best way to think about
2 diversification. It is the better measure of
3 diversification than the typical focus on capital
4 allocation. And in this example, we are looking at a plan
5 that's similar to yours, actually employs leverage, and
6 was looking at different options there.

7 We also focus on benchmarking, another component
8 of your scope of service. And given that you are now
9 embarking on expanding your incentive compensation
10 program, benchmarking becomes much more critical to the
11 implementation of that sort of a program. We work with
12 other State level plans specifically as a stand-alone
13 benchmark consultant for the purpose of identifying
14 appropriate benchmarks, which is your main tool as a Board
15 to measure the efficacy of your decision-making, both from
16 a strategic and implementation perspective.

17 And so again, we feel that we are highly
18 qualified to work with you as you move forward in
19 implementing that, and again, your focus on risk
20 intelligence, because benchmarking is very closely aligned
21 with risk measurement.

22 --o0o--

23 MS. NEILL: So as a firm, we have been research
24 driven. I've mentioned some of our innovations with
25 respect to our liquidity coverage ratio and our risk

1 advisory consulting service. We also, as part of our
2 asset liability study process, undertake an enterprise
3 risk tolerance survey with Board members helping you to
4 come to a consensus view on what the right level of risk
5 is to take, so when you're choosing the appropriate asset
6 allocation policy, you're not just looking at the expected
7 return, but you're really looking at the target risk
8 level, the risk that you can take as a plan.

9 MS. GRANT: In 2020, Verus founded the Invest --
10 Institutional Investment Diversity Cooperative, and that
11 was founded by our president. So this organization really
12 strives to drive greater disclosure of diversity reporting
13 across the industry. Not only did this organization get
14 founded by Verus, but we worked closely with eVestment,
15 which is an investment database provider, to create a
16 diversity questionnaire, and to promote its usage by
17 investment managers. So Verus has really been a leader on
18 this topic, so much so, that we've even had conversations
19 with CalPERS staff around this issue.

20 --o0o--

21 MS. GRANT: In addition, Verus has been a part of
22 IDAC, which I mentioned earlier. I sit on the board as
23 well as our President Shelly Heier leading a disclosure
24 group. So this really helps us to work on recruiting,
25 retaining, and actually engaging diverse talent in the

1 industry.

2 One of the other things that we work on is
3 understanding the goals and needs of boards and partnering
4 effectively alongside staff. But all of our work is not
5 done in the board room. We actually have to go and meet
6 trustees where they're -- they are. So we're at events
7 like CALAPRS, SACRS, where we can really gather additional
8 insights that you can't always gather in the Board room.
9 So after we take these insights back to our research
10 teams, our investment team, to really figure out how
11 should we present those solutions to boards.

12 --o0o--

13 MS. GRANT: So we believe that our market
14 research is second to none. We have a capital markets
15 team that actually operates like a global bank. So they
16 have daily market calls. In addition, we have -- we
17 create monthly strategies decks. So this really allows us
18 to evaluate market risk in real-time.

19 The capital markets team work actually feeds
20 directly into public and private manager due diligence.
21 And those teams create annual outlooks by strategy and by
22 subasset class, which is very important to managing risk.

23 Lastly, the capital markets team actually works
24 with the risk team when we're thinking about creating
25 portfolios for clients. And so they're engaging with each

1 other to make sure we're creating the most efficient
2 portfolio.

3 --o0o--

4 MS. GRANT: Lastly, we know that stakeholder
5 engagement is very important to you. You survey your
6 Board members about the quality of services that your
7 vendors or board consultants provide, and we actually
8 engage with our clients in the same way. Actually, some
9 of the questions that you ask are spot on for what we're
10 asking our clients, and you can see the results here on
11 the right-hand side of the page. We're thinking about do
12 we understand the client's goals, their guidelines? Are
13 we making relevant recommendations? And we want to use --
14 there's tools a way to find out how we can improve on our
15 services. And as Jeff said, almost 70 percent of our
16 clients have been with us for more than 10 years.

17 --o0o--

18 MS. NEILL: So in conclusion, we want to leave
19 you with the fact that we are a stable firm that is
20 employee owned. We've gone through that succession
21 transition process awhile ago. We are conflict free. A
22 hundred percent of our resources are focused on the
23 delivery of services to funds such as CalPERS. We are
24 aligned philosophically in that we're risk-centric. We
25 are very focused on delivering high-quality, asset

1 liability, asset allocation modeling support. We are
2 research-centric, in that we do have these deep investment
3 research teams, where we're producing leading edge
4 research and innovation in the industry. And that we are
5 also focused -- very focused on risk management, given our
6 risk-centric philosophy.

7 It would be an honor and a privilege to serve the
8 CalPERS Board, and thank you so much for the opportunity
9 to speak with you today. We look forward to your
10 questions.

11 CHAIRPERSON MILLER: Okay. Thank you.

12 We will now proceed to the 10-minute question and
13 answer segment of the interview. And Verus, you will have
14 a total of six questions, so please plan your time
15 accordingly. And staff will please start the clock for 10
16 minutes when the first question is asked. And I will ask
17 the first question.

18 How do you balance the need to be the Board's
19 independent consultant with the need to have a positive
20 and collaborative working relationship with CalPERS
21 management?

22 MS. NEILL: So as a very seasoned investment
23 consultant who was worked with large state-level plans for
24 decades, that is a common relationship. So first and
25 foremost, I -- we are straight shooting and equivocal in

1 our opinions, so that it's clear to everyone where our
2 positions are.

3 Secondly, we are all on the same team. We are --
4 we believe in a collaborative relationship with staff, but
5 recognizing that we ultimately report to the Board. We're
6 fiduciaries and our fiduciary hat is the primary hat that
7 we wear. And so we are confident in our investments
8 approach and believe that if we're hired by a staff and
9 board that we're hired because there's a recognition of
10 alignment, and so that often makes the relationship very
11 copasetic right from the start, but we strive very hard to
12 ensure that it's a positive and respectful relationship,
13 but that we do ultimately report to the Board and are held
14 to account by the Board.

15 SUBCOMMITTEE MEMBER TAYLOR: There it is.

16 CHAIRPERSON MILLER: Third time's a charm.

17 SUBCOMMITTEE MEMBER TAYLOR: Thank you.

18 In relation to THE CalPERS Investment Beliefs, is
19 there a Belief that you feel should be revisited for
20 relevance and impact in the current investment
21 environment.

22 MS. NEILL: So the current investment environment
23 is clearly a higher risk environment, right? We are in a
24 period of high inflation we haven't experienced for 40
25 years. So that means that there is more risk in the

1 financial system, because inflation is -- degrades all
2 financial assets.

3 So your adoption of the strategic plan, which
4 emphasizes risk intelligence was actually a very good,
5 well timed area of focus for you, given that risk
6 management will be more prevalent and also because of the
7 fact that you have assumed a modest amount of total fund
8 leverage in this higher exposure to private markets. So
9 there is nothing that is counter in either your investment
10 policy or in your strategic plan to the current market
11 environment. If anything, what you have adopted in your
12 strategic plan should bode well for you in this market
13 environment.

14 SUBCOMMITTEE MEMBER TAYLOR: Thank you.

15 SUBCOMMITTEE MEMBER MIDDLETON: All right. Thank
16 you.

17 Could you describe how your firm would assist the
18 Board in meeting CalPERS' strategic objectives and our
19 responsibilities as fiduciaries?

20 MS. NEILL: Sure. Now, your -- some of your
21 strategic objectives focus on the health care and so
22 forth, so obviously we would be focused on the two that
23 are related to pension sustainability and to the risk
24 intelligence, but also the culture of a diverse or
25 fostering a diverse culture. So I'll let Samantha focus

1 on that last point. But in terms of the two former, as I
2 described in our -- in my comments earlier, pension
3 sustainability has everything to do with ensuring that
4 you're adhering to an asset allocation that is reflective
5 of the risk level that you should be taking in order to
6 achieve that objective. And we would be well positioned
7 to assist you, given the fact that we have robust
8 liability, ALM programming software, as well as
9 experienced individuals on staff.

10 And also with respect to the risk intelligence,
11 our risk advisory service capabilities, both in terms of
12 professionals and importantly analytics and tools, would
13 be very beneficial to the Board with respect to
14 understanding and then also better managing those risk
15 exposures.

16 MS. GRANT: So in regard to organizational
17 success and specifically DEI, I mentioned our leadership
18 on the IIDC, which is a cooperative of consultants, but
19 really we've been joining other organizations that we
20 believe are aligned with Verus's values. So I mentioned
21 also IDAC, where I serve on the board and our President
22 Shelly Heier, actually leads one of the disclosure focused
23 working groups. So we really think being in these
24 industry-focused organizations, partnering with different
25 types of investors, allocators, industry groups, et

1 cetera, is how we can really broaden our impact.
2 Internally, within Verus, we've also been focused on
3 working to diversify our workforce, which I believe is on
4 slide 18.

5 And one of the initiatives that we've taken over
6 the last month or will be implemented this summer is
7 actually starting an internship program, because we all
8 know to get people or get kids involved in this industry,
9 they have to know about it very early. I'm originally
10 from New York City, so the industry was always around, and
11 I just took a liking to it. And, you know, I knew I
12 wanted to be in business, et cetera, et cetera.

13 And so we're really working to work with high
14 schoolers and college students in the Seattle area in
15 order to get them the exposure they need to be successful.

16 ACTING SUBCOMMITTEE MEMBER RUFFINO: Good
17 morning.

18 MS. NEILL: Good morning.

19 ACTING SUBCOMMITTEE MEMBER RUFFINO: Given the
20 importance of leverage and liquidity management, what
21 policy guidance would you give the Board to help us
22 monitor and understand its usage across the total
23 portfolio?

24 MS. NEILL: So I think it's important to have a
25 well articulated, and forgive me if it exists and I just

1 didn't see it in preparation, but a liquidity risk
2 management plan, where you have different levels -- target
3 levels of liquidity that you aim for your assets to meet
4 thresholds, if you will, would be an important component
5 of that plan, and probably developing some sort of annual
6 report back to the Board from both staff and Verus, if we
7 were hired, to basically walk through the -- how the
8 different components of the plan are positioned with
9 respect to both leverage exposure and how they would
10 fulfill those liquidity risk tolerance thresholds.

11 Your current risk management report does not
12 appear to incorporate those variables and it may have been
13 revised from the version that I saw, but that would be our
14 approach would be to proactively develop a process around
15 monitoring and reporting on those.

16 ACTING SUBCOMMITTEE MEMBER RUFFINO: Thank you.

17 SUBCOMMITTEE MEMBER PACHECO: Given CalPERS is a
18 long-term investor, how would you advise us to avoid
19 overreacting to positive or negative short-term market
20 conditions?

21 MS. NEILL: Yes. Thank you for that question,
22 because that is -- you meet monthly. And my experience is
23 that the more frequently a Board meets, a lot of times, it
24 does focus on shorter term periods. And so it is
25 incumbent upon the consultant and staff to assist the

1 Board in sort of putting in the appropriate perspective
2 the fact that as a long-term investor, these shorter term
3 market cycles, while they can seem severe while you're in
4 those market cycles, they can present opportunities. And
5 if there's any course of action to be taken is to identify
6 what opportunities, but also what additional risks those
7 may pose.

8 And so our focus or our advice is centered around
9 always identifying -- trying to identify the risks that
10 are posed by any market environment and how best to
11 address those risks as opposed to altering your strategic
12 plan based on any short-term variables.

13 CHAIRPERSON MILLER: Okay. And quickly in the
14 last bit of time, how do you define sustainable investing
15 under the CalPERS Investment Beliefs, and how would you
16 advise the Board on these topics?

17 MS. GRANT: So at Verus, we define sustainable
18 investing more so through the risk that it poses and not
19 so much the definition, which can be fraught sometimes for
20 investors. So we really focus on looking at the
21 integration of sustainability in strategies and advising
22 boards on that.

23 CHAIRPERSON MILLER: Great. Thank you.

24 Okay. That pretty much concludes the time for
25 questions, and the time has expired, and Verus this

1 concludes your interview. I would like to thank the
2 representatives from Verus for their time today and ask
3 them to please leave the auditorium, and invite Wilshire
4 into the auditorium.

5 MS. NEILL: Thank you

6 MS. GRANT: Thank you so much.

7 MR. MACLEAN: Thank you.

8 (Verus exited the auditorium).

9 (Wilshire entered the auditorium).

10 (Thereupon a slide presentation).

11 CHAIRPERSON MILLER: Okay. Hello. Welcome.

12 I'd like to welcome Wilshire to the interview
13 process. Wilshire, you will have five minutes for your
14 introduction, and staff will start the clock for five
15 minutes when you begin your presentation.

16 MR. TOTH: Fantastic. Good morning. Tom Toth,
17 Managing Director with Wilshire Advisors.

18 --o0o--

19 MR. TOTH: I am 19-year veteran with a focus on
20 public plan consulting. And I've been a member of the
21 CalPERS service team for about 14 years and would be the
22 primary relationship manager. I'm joined today by my
23 colleagues for both the general and private markets
24 mandates and I'll let them introduce themselves.

25 Steve.

1 MR. FORESTI: Good morning. Steve Foresti,
2 Senior Advisor at Wilshire. I've been with the
3 organization for over 28 years. I've spent the last 20
4 years leading our investment research platform, which
5 includes asset allocation, investment strategy, and the
6 derivation of our capital market assumptions. Spent the
7 last decade working directly with CalPERS and am honored
8 to be part of the Wilshire team in front of you and look
9 forward to and really appreciate the opportunity to talk
10 to you a bit more about our resources and capabilities, so
11 thank you

12 MR. KAZEMI: Good Morning. My name is Ali
13 Kazemi. I'm a Managing Director and Senior Consultant,
14 where I also lead our institutional risk management
15 business. I've been fortunate to be at Wilshire for the
16 duration of my career, which is coming up on 23 years with
17 the distinct pleasure of being on the CalPERS service team
18 for the last six years, so thank you for the time today.

19 MS. GELLHAUS: Hello. My name is Lauren Gellhaus
20 and I am part of the public plans vertical at Wilshire's
21 client solutions team. Prior to working as a consultant,
22 I spent a majority of my career on the other side of the
23 table as an asset allocator at Texas Teachers. Having
24 been part of plan sponsor, I understand the dynamics of
25 working alongside staff, consultants, and board, and I

1 greatly value the experience that it is. It helps me
2 better serve clients like CalPERS today.

3 Marc.

4 MR. FRIEDBERG: My name is Marc Friedberg,
5 Managing Director, part of our private markets team, so we
6 will be presenting later in the day. Our bios are
7 included in those decks. I've been with Wilshire almost
8 24 years. I lead our alternative solutions team and work
9 with our colleagues here, and have been working with
10 CalPERS as part of the team on the private debt mandate
11 for about the last year or so.

12 MR. BRACAMONTES: Good morning, everyone. My
13 name is Bill Bracamontes. I'm a Managing Director with
14 Wilshire. I work closely with the team here and
15 specifically Marc and Maddy on the private markets team.
16 I've been with Wilshire for coming up -- coming up on 16
17 years and really my whole professional career. And I've
18 always been focused on the private market side. And I've
19 recently been engaged with CalPERS on the private debt
20 mandate.

21 MS. OSADJAN: Good morning, everyone. My name is
22 Maddy Osadjan and I'm an Associate on the private markets
23 client solution team. And I have over five years of
24 experience in institutional investment consulting with the
25 focus on private debt.

1 MR. TOTH: So we can transition into the body of
2 our presentation, if that pleases the committee.

3 CHAIRPERSON MILLER: Okay.

4 --o0o--

5 CHAIRPERSON MILLER: So we'll now proceed to the
6 10 minute question -- 10-minute presentation segment of
7 the interview and Wilshire you will have 10 minutes to
8 start your presentation, and staff will start the clock as
9 soon as you begin.

10 MR. TOTH: Great. So Wilshire has been honored
11 to work with CalPERS for almost 40 years. We understand
12 the unique constraints and advantages that exist for the
13 organization and tailor or investment advice accordingly.
14 We've experience the heightened scrutiny placed on your
15 actions and work to ensure you have the information to
16 make prudent, well-reasoned decisions in building a
17 portfolio capable of meeting commitments for all your
18 stakeholders.

19 Wilshire has and will continue to dedicate the
20 significant resources necessary to ensure that you have a
21 true strategic partner to provide the appropriate level of
22 governance and oversight for such an important pool of
23 assets. This includes working as the Board's independent
24 eyes and ears in discussions with the Investment Office on
25 policies, guidelines and procedures, as well as unbiased

1 reviews of the internal investment programs and benchmark
2 oversight.

3 Our independence allows us to provide objective
4 investment advice with recommendations that are based on
5 data and facts, and always with the goal of enhancing
6 portfolio results.

7 --o0o--

8 MR. TOTH: Much like CalPERS, Wilshire has a
9 evolved over time. Two years ago, we transitioned from a
10 majority founder-owned organization to one owned by both
11 private capital and senior employees, including many of
12 the folks in front of you today. At that time, you might
13 remember we touted the benefits of anticipated new
14 investment in growth. And I'd like to provide clear
15 evidence that we followed through on that commitment.

16 Since 2020, Wilshire's headcount has grown by
17 almost 20 percent, including more than 50 people right
18 here in California. We know that people are our most
19 valuable asset. And to that end, Wilshire has invested an
20 additional \$2 million annually in our talent pool to
21 ensure we have the right people to serve clients. As
22 Lauren will discuss shortly, this includes an inclose --
23 inclusive focus on those with diverse backgrounds,
24 experiences, and points of view.

25 Further, our technology infrastructure and

1 systems were significantly updated with a \$5 million
2 investment to provide additional security and the ability
3 to scale with our clients' growth. We have also invested
4 about is \$1 million in data providers to ensure our
5 capabilities and services are based on the best available
6 market data. These investments allow us to deliver the
7 highest level of service in the industry.

8 --o0o--

9 MR. TOTH: The client team in front of you today
10 leverages the broad resources of the firm across portfolio
11 construction, risk management, and capital markets
12 research. Our traditional and alternative research
13 capabilities means we are investing and evaluating
14 investment strategies across all asset classes. This
15 information flow continually expands and enhances the
16 knowledge and expertise we bring to the Board.

17 --o0o--

18 MR. TOTH: We differentiate ourselves with our
19 experience, technology heritage, deep understanding of ESG
20 and DEI opportunities and risks, and a customized approach
21 to client service. Our breadth of experience allows us to
22 assist the Committee in maintaining best practices in all
23 aspects of portfolio governance. We utilize quantitative
24 tools and techniques in evaluating portfolio strategy and
25 understand both the merits and shortcomings of these

1 tools.

2 This strengthens our ability to provide
3 well-rounded, rigorous analysis to the Investment
4 Committee while ensuring you receive CalPERFS specific
5 recommendations. Given that sustainability is a focus for
6 CalPERS, Lauren will take a few minutes to delve deeper
7 into our approach to ESG and DEI.

8 --o0o--

9 MS. GELLHAUS: Thank you, Tom.

10 We know that every relationship and portfolio is
11 unique, as is incorporating the right environmental,
12 social, and governance strategy into each client's
13 investment practice. To help us guide our work with
14 clients, we have a handful of core ESG beliefs.

15 First, we believe that engaging with companies on
16 specific issues offers investors the opportunity to
17 actively seek ways to increase the value of the asset and
18 create positive impact over time. Like CalPERS, we
19 believe that engagement is a prudent way to address issues
20 raised by stakeholders.

21 Next, Wilshire believes that managing material
22 ESG risks and opportunities is critical for long-term
23 investors, and that there are risks associated with
24 failing to do so. Yet, materiality matters. Not every
25 ESG risk is applicable to every investment. Focusing on

1 what is financially material helps investors minimize risk
2 and maximize opportunities when assessing the overall
3 attractiveness of an investment.

4 Wilshire also understands what ESG means
5 specifically to CalPERS. Wilshire has worked alongside
6 the CalPERS staff over the course of the organization's
7 ESG journey. We know that there is not a singular way to
8 apply ESG, and yet the appropriate approach should be
9 aligned with the organization's goals and objectives.

10 The last of our core beliefs is around diversity.
11 Wilshire believes that diversity often leads to better
12 business outcomes. As such, greater transparency on
13 diversity is foundational to inform decision-making by
14 both internal and external stakeholders. To this end,
15 diversity, equity, and inclusion, or DE&I, is a firm
16 priority. Today, 57 percent of Wilshire's staff and 43
17 percent of leadership identify as either a women and/or a
18 minority.

19 Wilshire is dedicated to enhancing DE&I within
20 our organization through efforts such as employee research
21 groups, mentorship, and an annual report to hold ourselves
22 accountable. We also are committed to encouraging DE&I
23 throughout the industry through external commitments, such
24 as the CFA Institute DE&I Code and through a diverse own
25 manager initiative, which seeks to increase awareness and

1 outreach to top performing diverse managers. And today,
2 nearly 40 percent of Wilshire clients invest with diverse
3 own managers. With that, I will hand things over to my
4 colleague Steve.

5 --o0o--

6 MR. FORESTI: Thanks, Lauren. And you know we
7 thought it would be important to take a minute or two to
8 talk about Wilshire's investment philosophy and really at
9 the core of that philosophy is a culture of risk
10 management. The important point I want to make is risk
11 management is not risk avoidance. In fact, what we want
12 to do in all the advice that we bring to CalPERS is to
13 make sure that the risks that are being taken compensated.
14 And this kind of brings me to some of our fundamental
15 Investment Beliefs, that not all risks are the same. We
16 want to lean the portfolio into risks that have attractive
17 and more dependable payoffs, and avoid those that have no
18 or even negative payoffs.

19 The second of these beliefs is around costs. And
20 in an investment world that's full of uncertainty, costs
21 and fees are one of the few things that we have almost
22 perfect visibility into. And to kind of modify an old
23 adage, in this case, a dollar not spent on cost and fees
24 is an extra dollar that can accrue to the benefit of
25 pensioners. So managing costs and making sure they're

1 being appropriately spent on unique return streams is
2 critical.

3 You know, next we think that long term,
4 attractive, and sustainable returns can be managed by
5 managing drawdown risk and behavioral risk. I'll get to
6 drawdown risk in a moment when I talk about asset
7 allocation. But as it relates to behavioral risk, this is
8 best managed through a robust set of process and
9 procedures. The general consultant role at CalPERS -
10 that's a big part of it - is to work with staff and to
11 bring, you know, our opinions to the Board in terms of
12 what makes for a strong set of procedures.

13 And, you know, they're critical across the market
14 cycle, but particularly during times of stress when human
15 emotions kind of want to take over, these policies serve
16 as a guideline to make sure that the organization has the
17 discipline, the staff has the discipline to manage through
18 the environment prudently.

19 Final point on the beliefs that I'll make is
20 around, you know, taking opportunities when market pricing
21 provides them. And this is not to advocate a highly
22 tactical buy/sell approach, but rather just to modify
23 portfolios from time to time when these opportunities
24 present themselves. We happen to think we're in a big
25 economic transition period right now, which should be a

1 really important part of the midcycle ALM discussion.

2 In jumping to the next page --

3 --o0o--

4 MR. FORESTI: I want to talk a little bit about
5 at a high level asset allocation and how important it is
6 for driving the overall performance of the portfolio and
7 the risk characteristics. And indeed, you know, I think
8 as Committee members this is the most important decision
9 that you're tasked with making. For 40 years, Wilshire
10 has been developing proprietary models, not just on
11 capital market assumptions, but on strategic
12 understandings of how these asset classes fit together.
13 In fact, we've been -- as CalPERS staff has tried to
14 develop their own in-house models, we've been very
15 transparent and shared, you know, our years and years of
16 research and look forward to continuing that
17 collaboration.

18 The schematic here on this page gives a high
19 level picture of an economic factor-based framework that
20 we've developed and we find incredibly helpful for
21 understanding portfolio vulnerabilities, beyond what is
22 typically observable through traditional kind of risk
23 correlation metrics.

24 And the final point I want to make on asset
25 allocation is the importance of benchmarks. They're

1 important for several reasons. Number one, we don't even
2 know what to model unless, we've defined the asset class
3 with an appropriate benchmark, and number two, it serves
4 as a really important yardstick to measure implementation
5 success. So wit that, I'm going to pass things over Ali.

6 --o0o--

7 MR. KAZEMI: Yes. Thanks. I just wanted to
8 spend a little bit of time on some of the accomplishments
9 and future priorities for CalPERS and can certainly
10 address some of these in the Q&A. I think front and
11 center is the impact of governance. And role as your
12 consultant, the focus on governance via our constant
13 review of the total fund Investment Policy is done to
14 ensure the risk is not only managed effectively, but with
15 an eye on innovation. And a lot of the work that we've
16 done in particular with the rollout of the actionable risk
17 budget has really led to emulation by your peers in the
18 market.

19 Happy to address other areas of accomplishments
20 and priorities in Q&A session. I'll pass it to Tom for
21 closing.

22 MR. TOTH: I think we -- we're happy to stand for
23 questions.

24 CHAIRPERSON MILLER: Okay. And time has expired.
25 So we will now proceed to the 10-minute question

1 and answer segment of the interview. So Wilshire, you
2 will have a total of six questions. So please plan your
3 time accordingly. Staff will please start the clock for
4 10 minutes when the first question is asked. And I will
5 ask the first question.

6 And that is, how do you balance the need to be
7 the Board's independent consultant with the need to have a
8 positive and collaborative working relationship with
9 CalPERS management.

10 MR. TOTH: Thank you for the question. I'll take
11 that one. I think ultimately it comes down to clear
12 communication between both, and ensuring that all parties
13 understand the roles and responsibilities of each side.
14 And actually it's, I think, nicely illustrated by this
15 final slide here. We understand that we work for the
16 Board. That is our first priority. And we work with
17 staff to implement the Board's strategic priorities. And
18 ensuring that communication amongst all of us is clear,
19 transparent I think ensures that the -- we can strike that
20 right balance. And ultimately, if there is a
21 disagreement, we need to hash it out and work towards best
22 solution for the portfolio.

23 Anything you want to add, Steve.

24 MR. FORESTI: Just respectful agreement --
25 disagreements are completely fine and I think an important

1 part of the process and respectful is the important point.
2 So I think we've demonstrated over the years that we've
3 managed those relationships really well.

4 SUBCOMMITTEE MEMBER TAYLOR: Thank you very much
5 for the answer. I'm number two. So in relation to
6 CalPERS Investment Beliefs, is there -- (clears throat) --
7 excuse me -- is there a belief that you feel should be
8 revisited for relevance and impact in the current
9 investment environment?

10 MR. TOTH: Ms. Taylor, we reviewed the Investment
11 Beliefs in our preparations and were very involved in the
12 initial construction of them. And I'll tell you, I'm
13 really pleased to say that I think they have really stood
14 the test of time, which is exactly what you want from a
15 set of Investment Beliefs that are meant to guide
16 long-term, strategic decision-making. So I will say no.
17 I don't see an additional belief that can be added to the
18 list. I think it -- I think it addresses all of the
19 really key important points.

20 SUBCOMMITTEE MEMBER TAYLOR: Thank you. I
21 appreciate it.

22 SUBCOMMITTEE MEMBER MIDDLETON: Thank you.
23 Please describe your -- how your firm would
24 assist the Board in meeting CalPERS strategic objectives
25 and our responsibilities as fiduciaries?

1 MR. TOTH: I think it would be a continuation of
2 the work that we've been fortunate enough to do for the
3 last 40 years, which is ensuring that you have a
4 well-regimented process starting at the level of asset
5 allocation and portfolio construction, which you do with a
6 four-year cycle and a mid-cycle review. And as you --
7 after moving through that process, then it's -- it moves
8 to the work of implementation and ensuring that as
9 overseers of the portfolio that you understand what is
10 being done on a regular basis to move the portfolio from
11 its starting point to the -- their target asset
12 allocation.

13 So from a fiduciary standpoint, it's probably
14 also worth pointing out that Wilshire acts in a fiduciary
15 capacity to the Board. So we're sitting there with you as
16 fiduciaries overseeing this plan. So we have the same,
17 I'll say, alignment which we bring and consider in all of
18 our discussions with the Board and the Committee.

19 MR. KAZEMI: Yeah, and I would just add to that
20 in my remarks, I mentioned, you know, innovative
21 governance. You know, one of the ways that I think we can
22 continue to strengthen the overall CalPERS governance
23 framework is also an emphasis on efficiency and allowing
24 CalPERS to position the investment program to take
25 advantage of market dislocations. We really feel that our

1 experience can help drive not only the strength of the
2 governance framework, but the overall efficiency of the
3 governance framework.

4 ACTING SUBCOMMITTEE MEMBER RUFFINO: Good
5 morning.

6 MR. KAZEMI: Good morning.

7 ACTING SUBCOMMITTEE MEMBER RUFFINO: Given the
8 importance of leverage and liquidity management, what
9 policy guidance would you give the Board to help us
10 monitor and understand its usage across the total
11 portfolio?

12 MR. FORESTI: Yeah. Why don't -- why don't I
13 start on that. So we have been -- we have been big
14 advocates for the use of prudent leverage within a
15 portfolio and not for the purposes of chasing higher
16 returns, but to maintain diversification. And we were
17 happy to see in the last ALM cycle that use of leverage
18 came into the portfolio. I think you need to think about
19 leverage across a couple of different paradigms, one is
20 short-term leverage. And I think staff has a very robust
21 dashboard to keep an eye on 30 days, 60 days, having the
22 liquidity over the short-term.

23 The longer term issue around liquidity comes down
24 to those market risks around asset allocation, and again
25 making sure that the leverage isn't used to kind of get

1 over your skis and put the plan in peril, if you run into
2 a condition of volatile markets.

3 So I think it all starts from the asset
4 allocation decision and understanding through simulation
5 and sensitivity analysis what some of those nasty
6 environments would look like in a levered portfolio versus
7 a portfolio that doesn't take advantage of a bit of
8 leverage.

9 MR. KAZEMI: I think in terms of monitoring the
10 overall leverage, attribution is front and center, in
11 terms of being able to communicate to the Board what are
12 the drivers of performance for the portfolio and
13 disaggregate those into the various sleeves and the work
14 that we've done helping to build out our own versions of
15 the attribution to compare and contrast versus staffs.
16 You know, implicitly breaking out the impacts of leverage
17 to the overall performance of the fund I think is helpful,
18 because it helps the Board understand the efficacy of the
19 decision to add leverage to the portfolio long term.

20 SUBCOMMITTEE MEMBER PACHECO: Thank you.

21 Given CalPERS is a long-term investor, how would
22 you advise us to avoid overreacting to positive or
23 negative short-term market conditions?

24 MR. TOTH: I'll start, and then certainly feel
25 free to jump in. I think Steve alluded to that in terms

1 of managing behavioral biases. Behavioral biases are --
2 being aware of them is critical to managing around them,
3 because all investors from the most sophisticated to the
4 least sophisticated can be susceptible to them. So
5 understanding that, I think we always step back to the
6 asset allocation process. Those assumptions, which are
7 utilized in building portfolios are meant to be long term
8 in nature, 10-year forecast horizon. And because of that,
9 if there is a question of what to do with the portfolio,
10 we continually anchor on that strategic asset allocation.
11 So managing around that we think is incredibly important.
12 And very diligent rebalancing is critical to not
13 overreacting or underreacting to market moves.

14 We are not proponents of market timing in a
15 significant way, particularly at the asset class level.
16 And that informs all of the opinion letters and
17 discussions that we have with the Board.

18 MR. KAZEMI: I think on that note too, you'll see
19 when we write our opinion letters, we always like to quote
20 the Investment Beliefs. I think it's important to always
21 reiterate what those are. It helps avoid some of the
22 behavioral risks that we can fall into by always thinking
23 about those investment blows. And we'd like to emphasize
24 those in our documents that we send to the Committee.

25 CHAIRPERSON MILLER: Okay. And the final

1 question. How do you define sustainable investing under
2 the CalPERS Investment Beliefs and how would advise the
3 Board on these topics?

4 MR. TOTH: Lauren, I'll let you touch on that.

5 MS. GELLHAUS: Sure. So we know that CalPERS has
6 four main pillars with its sustainability and the fact
7 that engagement, advocacy, integration investment and
8 partnership are all main pillars within how CalPERS views
9 the sustainable world. And we believe that this is a
10 holistic way to do it and we also believe that the efforts
11 that CalPERS has done in this space in addition to hiring
12 a new MID of sustainability are all positive aspects for
13 CalPERS and setting itself up for a good foundation moving
14 forward.

15 Tom, do you have any comments you'd like to add?

16 MR. TOTH: I think I would just reiterate a
17 comment that Lauren made in her prepared remarks that
18 we've been involved with these discussions with the Board
19 for a very long time and we've seen the evolution of the
20 approach to sustainability and how it infuses portfolio
21 decision -- and I'll say appropriately infuses portfolio
22 decision-making to ensure sustainability going forward.

23 CHAIRPERSON MILLER: Okay. We have no more
24 questions for you. And so this pretty much concludes the
25 interview. So I'd like to thank the representatives from

1 Wilshire for your time today and ask them to please leave
2 the auditorium. The subcommittee will then begin
3 deliberations and scoring for the general pension Board
4 consultant. Once a consensus is reached, the Subcommittee
5 will have staff add the interview scores to the fee
6 proposal score and invite all firms back into the
7 auditorium for the finalist selection.

8 (Wilshire exited the auditorium).

9 CHAIRPERSON MILLER: Okay. So this is the point
10 where we will be coming up with scores for the interview,
11 and --

12 SUBCOMMITTEE MEMBER TAYLOR: Mr. Chair, I have a
13 point.

14 CHAIRPERSON MILLER: Um-hmm. Let me give you the
15 microphone. Theresa then Frank.

16 SUBCOMMITTEE MEMBER TAYLOR: So it says -- hold
17 on a second. Let me make sure I'm reading this correctly.
18 It says finalist announcement. That's the one finalist,
19 right, for each category, is that correct, Mr...

20 SENIOR ATTORNEY CARLIN: Robert Carlin, CalPERS
21 Legal Office. Yeah, the finalist will be who's awarded
22 the contract.

23 SUBCOMMITTEE MEMBER TAYLOR: Okay. That's --
24 because I thought the wording was -- are we sending this
25 to the full Board or...

1 SENIOR ATTORNEY CARLIN: You've been delegated
2 complete authority to award the contracts for each one of
3 these consultants.

4 SUBCOMMITTEE MEMBER TAYLOR: All right. Thank
5 you. Thank yo, Mr. Carlin.

6 CHAIRPERSON MILLER: Okay. Mr. Ruffino.

7 ACTING SUBCOMMITTEE MEMBER RUFFINO: Yeah, thank
8 you, Mr. Chair. I have a quick clarification question
9 that I need to ask, if it's appropriate. I will address
10 it to you, but more than likely counsel can -- will answer
11 it. And that is during one of the presentation, the first
12 presenter sort of put an offer to the table of reducing
13 their fee by two and a half million dollars.

14 SUBCOMMITTEE MEMBER TAYLOR: Did they?

15 CHAIRPERSON MILLER: My --

16 ACTING SUBCOMMITTEE MEMBER RUFFINO: Correct.
17 And my question is So just looking at it, the material,
18 right, if -- are we allowed to -- well, first of all, is
19 this something new or was it already part of the package
20 so to speak? Because if that's new, it will change the
21 total proposal fee and could potentially -- in fact, if
22 we -- if that being considered, then that would change the
23 score.

24 SENIOR ATTORNEY CARLIN: So staff can come and
25 correct me if I'm wrong about this, but I don't believe

1 that was known ahead of time, so I think that was
2 announced live here. That would not affect the score that
3 they've got right now for the fee scores. They sort of
4 made that a conditional, if there were to win all the
5 contracts, then they'd be willing to negotiate their fees
6 down. So I think that's something that the Committee --
7 Subcommittee can consider in terms of deciding which
8 consultant they want to award the -- all the various
9 contracts to, but it's not going to affect their fee score
10 for purposes of calculating points.

11 ACTING SUBCOMMITTEE MEMBER RUFFINO: Okay.
12 Great. Fair enough. So the follow-up question though is
13 in our deliberation, it sounded like, and I just want to
14 make sure that I got clarity, that we can consider that
15 even though it's a new information that was presented.

16 SENIOR ATTORNEY CARLIN: Absolutely. Everything
17 that they said in response to their questions is
18 information that this subcommittee can consider in terms
19 of deciding how to allocate points and award the contract.

20 ACTING SUBCOMMITTEE MEMBER RUFFINO: All right.
21 Thank you. Thank you, Mr. Chair.

22 CHAIRPERSON MILLER: Okay. So just procedurally,
23 I mean, I'm prepared to propose some scores for folks to
24 kick around and we can go from there.

25 SENIOR ATTORNEY CARLIN: I think that's entirely

1 appropriate. This is the time for the subcommittee to
2 discuss the merits of each of the firms and then suggest
3 either points as a potential motion, in whichever form you
4 care to proceed.

5 CHAIRPERSON MILLER: Yeah. Okay. I'll just
6 start off and share what I had as my point breakdown. And
7 I'll just kind of go in the order we saw them. I had 650
8 for Meketa, 550 for RVK, 600 for Verus, and 600 for
9 Wilshire.

10 SUBCOMMITTEE MEMBER TAYLOR: Say it again.

11 CHAIRPERSON MILLER: Okay, 650 for Meketa, 550
12 for RVK, 600 for Verus, and 600 for Wilshire.

13 SENIOR ATTORNEY CARLIN: And maybe Mr. Miller,
14 the one thing I would just add just for clarification for
15 the audience and the Committee as well that those fee
16 points that we were talking about alluding to just a
17 moment go, those are already baked in. So in terms of the
18 Committee -- the subcommittee has 700 points to ward.

19 CHAIRPERSON MILLER: Right.

20 SENIOR ATTORNEY CARLIN: That's completely within
21 your discretion in order to help you achieve the
22 consultant that you're most interested in.

23 CHAIRPERSON MILLER: Right.

24 SUBCOMMITTEE MEMBER MIDDLETON: I can give you
25 mine, if you would like.

1 CHAIRPERSON MILLER: Sure.

2 SUBCOMMITTEE MEMBER MIDDLETON: I had --

3 SUBCOMMITTEE MEMBER TAYLOR: Microphone.

4 CHAIRPERSON MILLER: Oh. There. Oh, well, we've
5 got both of you.

6 SUBCOMMITTEE MEMBER MIDDLETON: All right. Thank
7 you. I had 630 for Meketa, 560 for RVK, 600 for Verus,
8 and 630 for Wilshire.

9 CHAIRPERSON MILLER: Okay. Mr. Ruffino.

10 ACTING SUBCOMMITTEE MEMBER RUFFINO: Am I on?
11 Yeah.

12 CHAIRPERSON MILLER: Yes.

13 ACTING SUBCOMMITTEE MEMBER RUFFINO: I have 650
14 for Meketa, 580 for RVK, 590 for Verus, and 600 for
15 Wilshire.

16 CHAIRPERSON MILLER: Okay. Pretty close. And we
17 seem to so far have them pretty much in the same order.
18 So, yep. Must be some magic to the speed at which I click
19 this. There we go.

20 SUBCOMMITTEE MEMBER PACHECO: Thank you.

21 For Meketa, I have 625; for RF -- RVK, I have
22 540; for Verus, I have 600; and for Wilshire, I have 630.

23 SUBCOMMITTEE MEMBER TAYLOR: I'm the last one
24 standing, aren't I?

25 CHAIRPERSON MILLER: Um-hmm.

1 THE COURT REPORTER: Microphone.

2 CHAIRPERSON MILLER: Let me try it again.

3 SUBCOMMITTEE MEMBER TAYLOR: I had a couple of
4 questions

5 CHAIRPERSON MILLER: Hang on. I'm still trying
6 to get this microphone to come on.

7 There we go.

8 SUBCOMMITTEE MEMBER TAYLOR: Okay. So I had 650
9 for Wilshire, 630 for -- I'm sorry, 650 for Meketa, 630
10 for Wilshire. I had -- I think I had the lowest score at
11 6 -- 530 for RVK and 580 for Verus, because I had a couple
12 of zeros on a couple of their questions.

13 CHAIRPERSON MILLER: What was for Verus?

14 SUBCOMMITTEE MEMBER TAYLOR: Verus was 580, 530
15 was RVK.

16 CHAIRPERSON MILLER: Okay. Okay. And so in
17 looking at these, I think our scores are all very much in
18 alignment --

19 SUBCOMMITTEE MEMBER TAYLOR: Close, yes.

20 CHAIRPERSON MILLER: -- in terms of the order of
21 how we saw them, and actually quite close in terms of the
22 actual numbers. So I think I will -- if the Committee
23 doesn't mind, I will just come back and -- looking at the
24 scores that everyone had, I'm not going to try to do any
25 kind of arithmetic, you know, average, or anything like

1 that, but I will toss out a -- what looks like we may have
2 a consensus score, based on the numbers I'm seeing in
3 front of me.

4 So for Meketa, I would propose 640; for Wilshire,
5 I would propose 620; for RVK, I would propose 550; and for
6 Verus, I would propose 590.

7 SUBCOMMITTEE MEMBER TAYLOR: And based on their
8 other scores, we have a winner.

9 CHAIRPERSON MILLER: Yeah.

10 SUBCOMMITTEE MEMBER TAYLOR: I'm not suppose --

11 CHAIRPERSON MILLER: Does that meet with
12 everyone's --

13 SUBCOMMITTEE MEMBER TAYLOR: I mean, that looks
14 right if we want to let the staff actually do the math to
15 make sure.

16 CHAIRPERSON MILLER: Yeah.

17 SENIOR ATTORNEY CARLIN: So the -- so the proper
18 way to proceed would be for the motion and second, and
19 then everybody to vote, and then that would then provide
20 the numbers that would go to staff for them to then
21 calculate.

22 CHAIRPERSON MILLER: Okay. Well, I will move --
23 I'll make that motion then. I move that the score for
24 Meketa be 640, for Wilshire --

25 SUBCOMMITTEE MEMBER TAYLOR: Are we moving the

1 scores or are we just moving for staff to total up the
2 scores.

3 SENIOR ATTORNEY CARLIN: You're moving for the
4 scores, so those would be -- once you moved, seconded, and
5 ratified by the subcommittee, those scores will then go to
6 staff.

7 SUBCOMMITTEE MEMBER TAYLOR: Okay.

8 CHAIRPERSON MILLER: So I would move that we set
9 the scores as follows: Meketa, 640; Wilshire, 620; Verus,
10 590; and RVK, 550.

11 SUBCOMMITTEE MEMBER TAYLOR: Second.

12 CHAIRPERSON MILLER: Okay. Any further
13 discussion on the matter?

14 SUBCOMMITTEE MEMBER MIDDLETON: I think those are
15 very fair.

16 SUBCOMMITTEE MEMBER PACHECO: Yes.

17 CHAIRPERSON MILLER: Okay. I'll call for the
18 question. And do we do a roll call for this?

19 SENIOR ATTORNEY CARLIN: You don't have to, but
20 you can, if you want to.

21 CHAIRPERSON MILLER: Okay.

22 SUBCOMMITTEE MEMBER PACHECO: Yeah, I think it's
23 a good idea.

24 CHAIRPERSON MILLER: Yeah, let's just, all in
25 favor?

1 (Ayes.)

2 CHAIRPERSON MILLER: Any nays?

3 No abstentions.

4 Hearing none.

5 Yeah, it unanimously carries. The motion
6 carries. The ayes have it. And so staff will go ahead
7 and do the calculations and we'll continue with our
8 process. We'll give staff some time for the scoring. And
9 they should return shortly with the final scores.

10 SUBCOMMITTEE MEMBER PACHECO: We have a break.

11 CHAIRPERSON MILLER: And we'll take a, what,
12 10-minute break?

13 SUBCOMMITTEE MEMBER TAYLOR: You want us to go on
14 break first?

15 CHAIRPERSON MILLER: Yeah. Shall we take a
16 10-minute break while staff puts that together? That
17 would bring us back at 11:19.

18 (Off record: 11:09 a.m.)

19 (Thereupon a recess was taken.)

20 (On record: 11:23 a.m.)

21 CHAIRPERSON MILLER: Okay. Staff has now
22 completed calculating the total scores. We're back from
23 our break, by the way. And at this time, I would like to
24 ask Heather Sison, Investment Manager, to please announce
25 the final total score for each finalist.

1 INVESTMENT MANAGER SISON: Thank you, Mr. Chair.

2 I'll now read the interview scores for each
3 finalist in the general pension services in alphabetical
4 order.

5 Meketa received 640 points for their interview
6 score, RVK received 550 points for their interview score,
7 Verus received 590 for their interview score, and Wilshire
8 received 620 points for their interview score. Combined
9 with their preliminary total score, Meketa received a
10 total score of 888 points, RVK received a total score of
11 850 points, Verus received a total score of 853 points,
12 and Wilshire received a total score of 940 points. Mr.
13 Chair, the finalist with the highest total score is
14 Wilshire.

15 CHAIRPERSON MILLER: Thank you. Congratulations.

16 I will now entertain a motion to award the
17 general pension investment consultant contract to the
18 candidate with the highest score, which was Wilshire. And
19 so do I --

20 SUBCOMMITTEE MEMBER PACHECO: I'll make a motion.

21 CHAIRPERSON MILLER: Mr. Pacheco moves.

22 SUBCOMMITTEE MEMBER TAYLOR: Second.

23 CHAIRPERSON MILLER: Seconded by President
24 Taylor.

25 Any discussion on the matter?

1 Okay. I'll call for the question.

2 All in favor?

3 (Ayes.)

4 CHAIRPERSON MILLER: Okay. It's unanimous. The
5 ayes have it. The motion passes. Congratulations to
6 Wilshire. I remind all members of the Committee and the
7 finalists of the restricted contact policy under
8 Government Code section 20153.

9 At this time, we'll have a 10-minute break.
10 After the break, we will proceed with the private equity
11 interviews.

12 I don't know. Do we need a break? Yeah, we just
13 had a break before this, but --

14 SUBCOMMITTEE MEMBER TAYLOR: We could keep going.

15 CHAIRPERSON MILLER: Well, people are already
16 running out the door.

17 Yeah. Okay.

18 SUBCOMMITTEE MEMBER TAYLOR: Okay.

19 (Off record: 11:26 a.m.)

20 (Thereupon a recess was taken.)

21 (On record: 11:27 a.m.)

22 CHAIRPERSON MILLER: Okay. Well, since we
23 already had a break, we'll go ahead and keep -- what?

24 ACTING SUBCOMMITTEE MEMBER RUFFINO: I'm just
25 getting water.

1 CHAIRPERSON MILLER: Oh, okay. I thought you
2 were like running.

3 SUBCOMMITTEE MEMBER TAYLOR: No, he's going o
4 break.

5 (Laughter).

6 CHAIRPERSON MILLER: Okay. So we'll go ahead and
7 move forward then.

8 SUBCOMMITTEE MEMBER TAYLOR: So bring in the
9 private equity.

10 CHAIRPERSON MILLER: So we'll bring them on and
11 aim we'll just continue without an additional break.

12 So at this time, I would like to ask staff to
13 invite all representatives of Meketa to present for
14 private equity.

15 (Meketa entered the auditorium).

16 (Discussion off the record).

17 CHAIRPERSON MILLER: Welcome back. At this time,
18 I would like to ask staff to invite groups back in, so
19 they're back in. So we will now proceed to the 10-minute
20 presentation segment of the interview from Meketa for
21 private equity.

22 (Thereupon a slide presentation).

23 MR. McCOURT: Great. Thank you. Good to see you
24 all again.

25 Would you like us to start right into the

1 presentation?

2 CHAIRPERSON MILLER: Yeah.

3 MR. McCOURT: I just don't see the clock up there
4 yet.

5 CHAIRPERSON MILLER: We'll start the clock as
6 soon as you begin.

7 MR. McCOURT: Okay. Thank you for inviting us to
8 present to you today. It's been an honor to serve CalPERS
9 as your private equity consultant for the last six years.
10 We look forward to continuing that engagement with you.

11 We believe Meketa is the strongest private equity
12 consultant for you for three primary reasons. First, we
13 have a long established relationship with CalPERS, which
14 has resulted in consistent progress in advancing the asset
15 class's positive outcomes for you. Two, we've
16 demonstrated a strong alignment with the Investment
17 Committee in an ability to work productively with the
18 Investment team. And three, we understand CalPERS need
19 for advancing sustainability within private equity,
20 particularly as it relates to the importance of human
21 capital.

22 --o0o--

23 MR. HARTT: Meketa has one of the most extensive
24 and robust private equity practices amongst our -- can you
25 change the slide?

1 --o0o--

2 MR. HARTT: -- amongst our consulting peers.
3 We've been advising clients on their private equity
4 commitments for over 20 years. Currently, we serve over
5 60 clients and oversee over 80 billion of private equity
6 assets in aggregate. We remain employee owned.

7 Our private equity team of 16 professionals has
8 nearly 250 years of aggregate experience and is located in
9 offices throughout the U.S. and London. We cover the full
10 range of private equity strategies, geographies, and
11 investment structures, including funds, customized
12 accounts, co-investments, and secondaries. Our team depth
13 and experience help us understand market trends and issues
14 in the private equity asset class. This allows us to
15 better assist our clients in navigating the private equity
16 strategy and makes us well suited to continue to assist
17 the CalPERS Investment Committee.

18 Next slide.

19 --o0o--

20 MS. CHAMBERS: CalPERS's private equity portfolio
21 has had strong performance compared to the public equity
22 portfolio, and has delivered billions of additional value
23 over time. It's arguably the most important asset class
24 for CalPERS. However, what is not visible on this chart
25 are the changes in CalPERS's strategy and approach over

1 time. As your consultant, we've been with you on this
2 journey, and we know CalPERS' history.

3 Meketa has been your private equity consultant
4 since 2017. And during this time, we've observed many
5 changes among the Board and staff. We have significant
6 institutional memory and -- which can help the Board
7 navigate the current and future challenges in private
8 equity.

9 MR. HARTT: We were actively involved -- we were
10 actively involved in CalPERS' Private Equity Program
11 through our interactions with staff and you, the
12 Investment Committee.

13 --o0o--

14 MR. HARTT: First, we review every investment
15 made, about 80 per year, with a focus on policy
16 compliance. We attend each of the staff's private equity
17 investment committee meetings, about 40 per year. We are
18 actively engaged on the Committee's behalf to confirm the
19 policy, delegated authority, and Investment Beliefs are
20 appropriately considered. Additionally, we have regular
21 biweekly calls with the investment team leaders and our
22 discussions are focused on strategy, best practices, and
23 policy implications.

24 Next, we monitor the portfolio and provide the
25 Committee insights into private equity markets, the

1 portfolio, and the investment team. We seek to provide
2 these insights through our reporting and regular meetings
3 with you.

4 Next page.

5 --o0o--

6 MR. HARTT: Meketa has assisted CalPERS in
7 developing a private equity investment model that today
8 reflects clear best practices among large asset owners,
9 designed to generate increasingly strong investment
10 performance, to increase resilience to mitigate costs, and
11 to effectively achieve CalPERS goals. Due to a variety of
12 historical reasons, CalPERS had been underinvested in
13 private equity. But since hiring Meketa, investment
14 allocations targets for private equity have increased and
15 the program has significantly ramped up investment pace.

16 Currently, about 18 billion per year. CalPERS
17 Private Equity Program seeks to increase resilience by
18 diversifying the portfolio beyond its historical emphasis
19 on large buyout managers. Also, CalPERS has substantially
20 increase its emphasis on no fee co-investments, largely to
21 help mitigate private equity's high costs, but also to
22 access new scalable investment managers with attractive
23 opportunities. CalPERS -- Meketa has advocated for these
24 advancements over time.

25 Importantly, CalPERS has continued its momentum

1 in sustainability and with emerging managers. Recently,
2 CalPERS committed one billion across two emerging manager
3 programs. CalPERS is looking to expand its involvement in
4 sustainability by building on the private equity
5 industry-wide ESG Data Convergence Project that CalPERS
6 initiated, as well as its participating in other industry
7 initiatives designed to help regular workers at private
8 equity backed companies.

9 One key area of focus for Meketa has been the
10 Investment Policy. It is a key tool that CalPERS uses to
11 manage private equity portfolio construction risk by
12 outlining delegated authority, portfolio construction, and
13 the use of third-party investment reviews known as prudent
14 person opinions. In thinking about Investment Policy, we
15 look to incorporate industry best practices, CalPERS
16 opportunities and risks, and the role of private equity in
17 the total funding investment plan.

18 --o0o--

19 MR. HARTT: We are -- we've been deeply involved
20 in the 2018 and 2022 private equity policy updates.

21 Next slide.

22 --o0o--

23 MS. CHAMBERS: So looking forward, CalPERS faces
24 a number of challenges and opportunities. First, we note
25 that CalPERS's senior leadership and private equity

1 strategy have changed several times leading to
2 inconsistent execution, stranded investments, and an
3 unstable opinion by some market participants. However,
4 now, both your CIO and your MID of private equity have
5 very strong private equity backgrounds and experiences,
6 which can lead -- which will lead to consistent execution
7 of your strategy and the interest of high quality
8 investment managers.

9 We expect that stakeholders' concerns related to
10 human capital within private equity will continue to grow.
11 In addition to sustainability factors that all companies
12 face, private equity's controlled investment model places
13 it in a distinctive position in the area of human capital.
14 CalPERS will continue its leadership in recognizing human
15 capital issues in the private equity asset class and
16 should maintain its focus on this topic.

17 Today, the investment environment is particularly
18 challenging. And with rising interest rates, high
19 inflation, elevated equity valuations, significant dry
20 powder of private equity managers, and a relatively
21 dormant IPO marketplace, there are more things that you've
22 got to face.

23 So historically though within private equity,
24 market volatility does bring about market opportunities as
25 well. Navigating today's investment environment will

1 require discipline and thoughtfulness. Manager and
2 co-investment selection should be made with a lot of
3 careful consideration of today's and tomorrow's economic
4 environment. While private equity markets are impossible
5 to time, Meketa will encourage CalPERS to adopt an
6 investment approach that emphasizes consistent deployment
7 of capital over time and continuing to evaluate high
8 quality investment managers, as well as seeking continued
9 diversification and controlling fees over time as well.
10 Meketa has a lot of experience in this area and we would
11 be happy to continue to work with you in addressing all of
12 these areas as well.

13 Next slide.

14 --o0o--

15 MR. McCOURT: CalPERS is regarded as an investor
16 of choice and an innovator in the private equity asset
17 class. While we see challenges, we also see lots of
18 opportunities in the coming years as the program reaches
19 we think a hundred billion dollars. While is Meketa the
20 right partner for you?

21 Number one, we have a long established
22 relationship with CalPERS, which has resulted in
23 consistent progress in advancing your asset class's
24 positive outcomes for you. This consistency would
25 continue into the future.

1 Second, we've demonstrated a strong alignment
2 with the Investment Committee and an ability to work
3 productively with your investment team. This working
4 relationship would continue into the future.

5 Third, we understand CalPERS need for advancing
6 sustainability within private equity, particularly as it
7 relates to the importance of human Capital. We're the
8 strongest advocate for this work.

9 --o0o--

10 MR. McCOURT: So in summary, on behalf of the
11 private equity team here today and all those back in our
12 office, we want to sincerely thank you for the opportunity
13 to present our services to you. We've had the privilege
14 of being your private equity Board consultant for the last
15 six years. As I'm sure you can tell, CalPERS is a very
16 important client to us, and we look forward to continuing
17 our work as your private equity consultant.

18 With that, we conclude our presentation and are
19 happy to address any questions you may have.

20 CHAIRPERSON MILLER: Thank you.

21 We will now proceed to the 10-minute question and
22 answer segment of the interview. And Meketa you will have
23 a total of six questions, so please plan your time
24 accordingly. And staff will please start the clock for 10
25 minutes when the first question is asked, and I will be

1 asking the first question.

2 How do you balance the need -- oh, I got the
3 wrong one. Hang on one second. Hold on. Let me make
4 sure I've got the -- Okay. Yeah, you got it. I just want
5 to make sure I'm reading from the right set of questions.

6 Okay. So we will begin when I ask this question.
7 How do you balance the need to be the Board's independent
8 consultant with the need to have a positive and
9 collaborative working relationship with CalPERS
10 management?

11 MR. HARTT: Sure. I'm happy to start with that.
12 I think that, of course, we are your Board consultant. We
13 serve the Board and that is our job. However, our
14 effectiveness depends upon a clear and respectful
15 relationship with the staff, and to understand the
16 opportunities and risks that it's facing, and engaging in
17 honest discussion with them on that.

18 Being able to address those issues with staff and
19 communicate with Board is key to our position as the Board
20 consultant, and be able to bring our insights and thoughts
21 to the staff in a respectful and market-aware way, so that
22 they believe it's a -- and they're convinced that it's a
23 respectful relationship and value-add to them, as well as
24 being able to apply those insights and knowledge that we
25 have in the marketplace to be able to communicate with

1 you.

2 CHAIRPERSON MILLER: Okay.

3 SUBCOMMITTEE MEMBER TAYLOR: You can do it.

4 CHAIRPERSON MILLER: There it goes.

5 SUBCOMMITTEE MEMBER TAYLOR: (Coughing). Excuse
6 me.

7 So I have question number two. Describe how your
8 firm would assist the Board in meeting CalPERS' strategic
9 objectives and our responsibilities as fiduciaries?

10 MR. HARTT: Thank you. I'll start with that and
11 turn it to Steve. I think that, of course, we keep in
12 mind your Investment Beliefs and understand that's the
13 foundation for which the work is being made on. We look
14 to have a long-term horizon and to keep that in mind when
15 we are working with the Board and the staff.

16 Steve, do you have a few comments to make.

17 MR. McCOURT: Yeah. Just quickly and echoing
18 some of my comments before. We're experts in developing
19 private equity strategy in collaboration with your
20 investment team. We've been involved in that for a number
21 of years. We're also experts in helping you fulfill your
22 fiduciary responsibility of monitoring the investment
23 activity that you delegate to your investment team. And
24 that's a very -- we feel a very critical part of our role
25 as your Board consultant. And we're obviously always

1 looking for ways to improve that for you.

2 SUBCOMMITTEE MEMBER TAYLOR: Thank you.

3 ACTING SUBCOMMITTEE MEMBER RUFFINO: What is your
4 view of the role of the private asset board investment
5 consultant and what qualifies you to fulfill this role and
6 the associated duties?

7 MR. HARTT: I'll start with that. I think that
8 both the size, the scope, and tenure of our team allow us
9 to have significant market insights and understanding of
10 the private equity asset class.

11 Secondly, we have been your consultant for many
12 years, and going back to the 1980s, so we have a very
13 strong understanding of CalPERS as an organization. So
14 those dimensions of both our broad range of experience,
15 depth of staff, and knowledge of CalPERS really assisted
16 us.

17 MR. McCOURT: And I would just add as well,
18 breadth of knowledge across all of your private market
19 asset classes, which we feel is important for being able
20 to serve CalPERS the best.

21 SUBCOMMITTEE MEMBER MIDDLETON: All right. Thank
22 you. Would having the Board consultants make specific
23 investment recommendations within staff's delegation
24 result in conflicts of interest with the role of providing
25 independent oversight?

1 MR. HARTT: I think that we always have
2 fiduciary -- we're fiduciaries first and that is the
3 mindset that we always take into consideration. Specific
4 investment, the Board -- the investment consultant has not
5 been involved in making specific investment
6 recommendations. I think that it's something that we do
7 for others now and we could do it for CalPERS, if we are
8 requested to do so. And so we are knowledgeable and
9 capable of managing those conflicts should they ever come
10 up.

11 But as a consultant and fiduciary, we don't have
12 other products that we manage. And so there's frankly no
13 opportunity for real conflict of interest on that
14 particular front.

15 MR. McCOURT: Yeah. And I would just highlight,
16 CalPERS started the practice over a decade ago of
17 separating the role of the Board consultant from
18 consultants that work with staff under staff's delegated
19 authority. From my perspective, I view that as a
20 governance choice that CalPERS has made to mitigate what
21 it has seen as potential conflicts in the use of
22 consultants.

23 It's -- we don't see any conflicts in Meketa
24 serving in that role, but it's a much larger governance
25 question for CalPERS as an organization, one that we're

1 not in a position to opine on.

2 SUBCOMMITTEE MEMBER MIDDLETON: Thank you.

3 SUBCOMMITTEE MEMBER PACHECO: How do you
4 determine how much risk CalPERS should take with respect
5 to a private asset program and what is your opinion of the
6 risk classification outlined in the current program policy
7 document?

8 MR. HARTT: So I'll start with that and I'll ask
9 Judy to chime in as well. The risk profile in private
10 equity has a number of dimensions. And it is impacted by
11 the fact that risk cannot be specifically identified just
12 by standard market volatility metrics and things of that
13 nature. So we do understand Belief number 9 that risks
14 are multi-faceted.

15 So I think that what we as consultants -- our
16 responsibility is to not only look and see what the
17 obvious risks are, but also where some additional risks
18 might lie that are not easily articulated or known. So
19 the things around sustainability, things around other
20 factors like that are challenging to quantify, but that's
21 a job. It's an important aspect to understand.

22 Judy.

23 MS. CHAMBERS: Yeah, and to add to what Steve
24 mentioned. You know, within private equity, we do focus a
25 lot on illiquidity risk, manager concentration risk,

1 sectors, geography, as we see what the market volatility
2 currently. We would be focused on things such as how much
3 exposure do could you have to technology investments,
4 which had increased for a lot of other investors over the
5 last five years.

6 So we're constantly looking at all of those
7 moving dynamics, not to necessarily try to be tactical,
8 but to ensure that you're not overexposed in any way that
9 we hadn't previously thought of, because as we saw coming
10 out of the global financial crisis in 2008, there were a
11 lot of other concentrated risks that investors did not
12 focus on, which now we are acutely aware of.

13 CHAIRPERSON MILLER: Okay. And the final
14 question. How do you define sustainable investing for
15 private assets and how would you advise the Board on these
16 topics?

17 MR. HARTT: Thanks. I'll start with that and
18 also turn to Judy for some additional thoughts here. So
19 sustainable investments we believe is an underappreciated
20 opportunity for CalPERS and that there will be
21 opportunities going forward to identify those areas in
22 sustainability and being able to drive attractive returns.

23 So we think that sustainability can -- and cut
24 across a number of dimensions. Environmental, social, and
25 governance is one framework for that. So we look to see

1 and have those issues identified in the underwriting of
2 investments and seeing how they're impacted, but also
3 seeing it as opportunities. We note the staff does review
4 the various characteristics from an ESG perspective in
5 their underwriting and we reviewed that as part of our
6 process.

7 MS. CHAMBERS: And I would add to that, you know,
8 because we do have so many other public pension plan
9 clients, where this is a very top-of-mind issue, we are
10 tracking a lot of this in terms of having open
11 conversation with the underlying managers to see how --
12 are they addressing labor practices, and responsible
13 contracting, and diversity issues, and so forth? So this
14 is something that we've incorporated into our overall due
15 diligence process.

16 CHAIRPERSON MILLER: Okay. Thank you.

17 And the time has expired, so Meketa, this
18 concludes your interview. I would like to thank the
19 representatives from Meketa for their time today and ask
20 them to please leave the auditorium and invite Wilshire
21 into the auditorium.

22 MS. CHAMBERS: Thank you.

23 CHAIRPERSON MILLER: Thank you.

24 (Meketa exited the auditorium).

25 (Wilshire entered the auditorium).

1 CHAIRPERSON MILLER: Okay. I would like to
2 welcome Wilshire back to the interview process. Wilshire
3 you will have 10 minutes. You can start your presentation
4 at will and staff will start the clock for 10 minutes when
5 you begin to speak.

6 (Thereupon a slide presentation).

7 MR. TOTH: Fantastic. Good, almost afternoon.

8 One of the first points in the scope of service
9 for the private markets mandate asked about taking a total
10 fund perspective when acting in the private asset
11 consultant capacity. I'm here as part of this interview,
12 along with Lauren, to demonstrate that we'll be able to do
13 exactly that. I'm confident we can act in a coordinated
14 fashion to build a high performing private markets
15 portfolio that enhances total fund returns. So let me
16 turn it over to my private markets colleagues to provide
17 more detail.

18 MR. FRIEDBERG: Good afternoon. My name is Marc
19 Friedberg. I understand we are what stands between you
20 and lunch, so we're going to try to keep everyone's
21 attention here.

22 You have heard our intros and bios in the deck.
23 While I believe in our individual capabilities, our
24 backgrounds, and experience, it's the Wilshire platform
25 that differentiates us and allows us to leverage these

1 performance. Why do we include it? We are proud of this
2 20 plus year track record, but what does it illustrate?
3 It illustrates that we are good at it, that we're focused
4 on it, and we're focused on continuously improving it for
5 both ourselves and our clients.

6 The next question is how do we do it? I'm going
7 to turn it over to Bill to discuss a little bit about that
8 how.

9 MR. BRACAMONTES: Great. And on page six, this
10 provides a little bit of insight on how we build our own
11 portfolios for our discretionary clients.

12 --o0o--

13 MR. BRACAMONTES: And as Marc iterated and
14 emphasized, this is really important to the Wilshire
15 story, as we are principal investors, first and foremost.
16 And the fact that we're building our own portfolios, we
17 think we're well equipped to serve CalPERS and the Board
18 on your portfolio. And so our approach to portfolio
19 construction is bottom up and top down. Bottom up is, of
20 course, the manager diligence, and we do that, while the
21 top down is the market views and research that we do twice
22 a year. And that all informs our portfolio architecture.
23 And that's what you see in the middle of the slide.

24 And the way it works at a high level is when we
25 bring on a new client or new mandate, we put together a

1 skeleton, if you will, of the portfolio, and we're looking
2 at things like proper vintage year diversification, proper
3 geographical exposure, proper strategy exposure, and then
4 we go out and invest it. I think the other thing that's
5 important to note here is really the governance structure
6 around these portfolios that we build. And I know this is
7 instrumental to the program at CalPERS. And so we're very
8 confident that we can add value from a governance
9 standpoint.

10 But we've refined our governance approach over
11 time. And today, just to give you some insight there, we
12 have a Private Markets Research Committee, we have a
13 Private Markets Investment Committee, and then we have
14 three to four person portfolio manager management teams
15 focused on each portfolio. And so we're really proud of
16 our investment program including the governance around it.

17 The next slide --

18 --o0o--

19 MR. BRACAMONTES: -- dives a bit into our broader
20 private markets approach. And I will say this approach is
21 consistent with what we're doing on the general consulting
22 side, until -- to the extent you're -- we are fortunate
23 enough to work with CalPERS on the private equity side,
24 you would get a more consistent approach across your
25 portfolio.

1 And so this approach is focused on active and
2 differentiated managers and investments focused on I'd say
3 less efficient markets. And we do the while managing
4 risk, of course, and that's something that we think about
5 quite a lot candidly. Risks throughout our entire
6 investment process and monitoring process, right, whether
7 it's risk at the portfolio architecture level, like we
8 discussed, whether it's, you know, specific manager
9 research discussions, thinking about the macro and how
10 they're going to impact certain investments or certain
11 parts of the portfolio, and whether it's some sort of
12 process or governance risk, right? That portfolio manager
13 infrastructure I mentioned earlier that wasn't around 10
14 year ago, right, but we refined that and implemented that
15 structure to really mitigate risk.

16 And so with that, I'll turn it over to my
17 colleague Maddy.

18 --o0o--

19 MS. OSADJAN: Thank you, Bill. Depending on what
20 your needs are, we do have significant capabilities,
21 client reporting, and communications. We create a
22 centralize database where we house all the materials that
23 we would provide you with, as well as any materials that
24 you would like to, you know, have on that database to be
25 available to you as it relates to the mandate.

1 We have internal resources across the firm and we
2 also leverage high quality third-party service providers
3 in various ways where we feel we are getting the best in
4 class service. ODD is a great example of that, where we
5 leverage the operational expertise of Castle Hall for ODD
6 in a way that's complementary to our internal resources.

7 --o0o--

8 MR. FRIEDBERG: This brings us to a summary of
9 our presentation. These six notes kind of detail the
10 value-add that we bring as a potential advisor on the
11 private equity portfolio. We have a global platform.
12 Understanding that you're building this portfolio across
13 the globe, we do think that it adds value to have people
14 on the ground in each segments of the market that you're
15 investing in. And I'm not talking about just from a
16 bottom-up standpoint. But as we're looking at all of the
17 decisions that go into building a private markets
18 portfolio, these insights we find matter. They matter in
19 our own portfolios when we're building global portfolios,
20 but it does give you a sense of the broader environment.

21 We understand governance. It's something that
22 we've done for decades. We have a very close link to
23 the -- to the general side of the equation. We've really
24 built out our advisory capabilities as an extension of
25 what we're doing, both within our management abilities on

1 the private side as well as on the general side.

2 We are very focused on the market, so
3 understanding how the private markets play into your
4 existing portfolio at a total fund level. Oftentimes,
5 when you're looking at advisors that are just focused on
6 private markets and don't have that broader scope, it's
7 really done in a vacuum. Understanding where to take that
8 risk on the liquid side versus the illiquid side matters a
9 lot and it could impact what types of mandates and
10 allocations that you're looking at over time.

11 And structure. We believe that we're actually on
12 the cutting edge of what we're seeing in terms of research
13 in the private market space. What's been happening over
14 the last several years and probably the next five years is
15 a revolutionary change in private markets when you look at
16 what's going on in the liquidity space of what used to be
17 a completely illiquid environment.

18 As CalPERS faces many challenges in terms of
19 deploying the amount of capital that's made to employ to
20 reach their targets, the understanding of this -- these
21 environments and some of the innovative things that you
22 can do to meet those challenges and take advantage of
23 where that size actually acts as an advantage is extremely
24 important and we feel that we could be the advisor that
25 takes you into that next generation of private equity

1 activity.

2 And we thank you for allowing us to present to
3 you today.

4 And with that, we'll open it up to questions.

5 CHAIRPERSON MILLER: Thank you. And we'll now
6 proceed to the 10-minute question and answer segment of
7 the interview. Wilshire, you will have a total of six
8 questions, so please plan your time accordingly. Staff
9 will please start the clock for 10 minutes when the first
10 question is asked and I will ask the first question.

11 How do you balance the need to be the Board's
12 independent consultant with the need to have a positive
13 and collaborative working relationship with CalPERS
14 management?

15 MR. FRIEDBERG: Sure. This is something that we
16 face regularly with almost all of our clients. We
17 understand the roles that we play within the mandate. We
18 are the advisor to the Board. And as Tom mentioned
19 earlier, we work with staff and oftentimes and extension
20 of staff. So we find it very important to maintain those
21 relationship, very respectful relationships. It's okay to
22 disagree. But as we understand kind of our fiduciary
23 nature in servicing the Board, and I believe staff
24 typically understands that nature as well, what we try to
25 do is really when we -- when there are disagreements, and

1 there will be at times, what we try to do is show the
2 information. We try to be extremely transparent. We try
3 to really illustrate how we're coming to the same
4 decision. And hopefully the staff, and this typically is
5 the case, as you present this information and you're
6 collecting this information often discuss collectively,
7 you come to the same outcome.

8 CHAIRPERSON MILLER: Okay.

9 SUBCOMMITTEE MEMBER TAYLOR: Yes. I'm sorry.
10 Still taking notes. Sorry about that, guys. I was taking
11 notes.

12 Describe how your firm would assist the Board in
13 meeting CalPERS strategic objectives and our
14 responsibilities as fiduciaries?

15 MR. FRIEDBERG: I'll take this one. In terms of
16 strategic objectives, it's one of the most important
17 questions. What are the strategic objectives of the
18 broader portfolio as well as the private equity portfolio
19 specifically and how they tie in together. I believe that
20 given our research background, given our kind of total
21 portfolio and fund outlook, that we do have unique
22 capabilities to really not just understand those strategic
23 objectives, but help meet them over time in terms of
24 implementing the portfolio, not just from a strategy
25 standpoint, but also how they could work from a -- from an

1 implementation perspective.

2 Anybody else want to?

3 MR. TOTH: Maybe I'll just jump in real quick
4 again to provide that total fund fiduciary perspective.
5 With all of the experience that the team has actively
6 engaging in private markets, the Board should feel very
7 comfortable that the fiduciary hat that we wear on the
8 general consulting side is the same fiduciary hat that we
9 wear on the private asset side. And that sits right
10 alongside you, as the Board, because we are your
11 consultant. And they understand the decisions that need
12 to be made. And as Marc, and Bill, and Maddy illustrated,
13 we have a governance process in place as well and we're
14 very comfortable working within, you know, that sort of
15 structure.

16 SUBCOMMITTEE MEMBER TAYLOR: Thank you.

17 ACTING SUBCOMMITTEE MEMBER RUFFINO: Okay. Next.
18 What is your view of the role of the private asset board
19 investment consultants and what qualifies you to fulfill
20 this role and the associated rules -- duties, sorry?

21 MR. FRIEDBERG: Could you repeat the first part
22 of the question, sir?

23 ACTING SUBCOMMITTEE MEMBER RUFFINO: Sure. What
24 is your view of the role of the private asset board
25 investment consultant?

1 MR. FRIEDBERG: Great. You know, the scope of
2 the portfolio is -- in the RFP in terms of the advisor is
3 pretty well defined. And we tried to create the
4 portfolio, and we actually think the summary page kind of
5 helps tie that all in together. If you think of
6 everything from -- we understand that our role is not to
7 select managers, and not to pick those managers that
8 you're doing. We're trying to make sure that the one -- I
9 mentioned before that the governance process is aligned
10 and well-structured for that implementation.

11 So we really think of ourselves a little as the
12 eyes and ears of the Board. That's our role as the
13 advisor when it all comes down to it in a nutshell. We
14 have a very experienced team, one that could go toe to toe
15 with, I think, any private equity investors in the world.
16 If you look at the level of experience that we have on our
17 team and that background, we manage private equity
18 portfolios. We've done it consistently and we've done it
19 well. And we're constantly looking at new opportunities,
20 new strategies, things like that.

21 So from a strategic level, where we're looking at
22 these kind of top-down views of what matters, we believe
23 that it is where probably a lot of our value-add is coming
24 in. But governance, alignment, ensuring that kind of
25 Board level perspective on the activities that made -- and

1 even the underlying participants. You know, in terms of
2 the pillars that you've identified in the broader scope of
3 the portfolio, we know who the end consumer is here and
4 where that matters. And when we're making those
5 decisions, we really think that that's part of our role in
6 terms of that fiduciary oversight.

7 ACTING SUBCOMMITTEE MEMBER RUFFINO: Thank you.

8 SUBCOMMITTEE MEMBER MIDDLETON: All right. Thank
9 you.

10 Would having the Board consultants make specific
11 investment recommendations within staff's delegation
12 result in conflicts of interest with the role of providing
13 independent oversight?

14 MR. FRIEDBERG: That's a good question. So
15 there's two schools of thought on that. We understand
16 what the current role is. We do think that that level of
17 separation right now actually does offer a good balance,
18 knowing that, hey, this is -- our role is not to tell you
19 whether these are the best investments out there or the
20 ones that we're recommending. You have a consultant
21 that's doing that. So having two would actually create a
22 governance situation, you know, where if you have one
23 advisor saying this is the best manager and one advisor
24 that's saying, no this other one is. Well, what happens
25 when they disagree.

1 You know, I think we could provide those insights
2 to staff in terms of implementation. We're happy to our
3 views on some of those. But I do think it is important to
4 have that delineation between kind of the governance roles
5 and approval, making sure that you're going through the
6 process versus what managers and kind of the specific
7 asset class. So I do think that having that delineation
8 of roles and responsibilities does make a lot of sense,
9 and especially in a program of this size and scope. If it
10 was a much smaller program, that's typically different.
11 But understanding kind of the nature of this portfolio we
12 think that's a good structure

13 MR. TOTH: And maybe I'll just follow on there.
14 If you think about governance process, it is challenging
15 to opine on a -- the thoroughness of the process if you
16 are part of the process, because then you're effectively
17 opining on a role that you're playing. So I just say that
18 to underline exactly what Marc said that having some
19 separation there we feel provides, you know, better
20 governance for the Board.

21 SUBCOMMITTEE MEMBER MIDDLETON: Thank you.

22 SUBCOMMITTEE MEMBER PACHECO: Thank you.

23 How do you determine how much risk CalPERS should
24 take with respect to a private asset program? What is
25 your opinion of the risk classification outlined in the

1 current program policy document?

2 MR. FRIEDBERG: So in terms of the risk profile,
3 how do we ensure that that kind of risk profile is one
4 met, and monitored, and understood. You know, I think
5 the -- you know, the difficulty in private markets is not
6 as easy as a -- you know, the private or the public
7 markets where you could really measure and define risk a
8 lot closer than you can in the -- in the private markets.
9 We're doing that mostly by proxy when we're modeling out
10 private equity portfolios. Fortunately, Wilshire has a
11 deep and long history in the risk management side of the
12 space where we've incorporated kind of our capabilities
13 both on the public side as well as the private side.

14 I could think of, you know, 15 years ago when I
15 was sitting with Steve Foresti and other colleagues on the
16 -- on the risk side when we're building out risk budgeting
17 type of portfolios for private markets. So we do -- I
18 think that we're very much geared towards understanding
19 the risks in the portfolio broadly, the understanding the
20 risk in each underlying strategy that you're taking,
21 because there's risk at a portfolio level and then there's
22 risk that you're taking at each underlying strategy level.
23 And we think that we're well suited to be able to address
24 those specific issues on risk.

25 In terms of how they fit into the policy of the

1 broader portfolio, every action that we take in terms of
2 looking at some of those governance or some of the
3 decisions, we would actually try to tie it back into those
4 specific risk policies.

5 CHAIRPERSON MILLER: Okay. And the final
6 question very quickly. How do you define sustainable
7 investing for private assets and how would you advise the
8 Board on these topics?

9 MS. GELLHAUS: Yes. Sustainable investing is
10 really thinking about sustainability and investing through
11 a long-term lens. And so it's taking backward-looking
12 information, but also forward-looking information. And I
13 ran out of time.

14 CHAIRPERSON MILLER: Great. Thank you.

15 So time has expired, so Wilshire this concludes
16 your interview. I'd like to thank the representatives
17 from Wilshire for their time today and ask them to please
18 leave the auditorium. The subcommittee will then begin
19 deliberations and scoring for the private equity Board
20 consultant. Once a consensus is reached, the subcommittee
21 will have staff add the interview scores to the fee
22 proposal scores and invite all firms back into the
23 auditorium for the finalist selection.

24 (Wilshire exited the auditorium).

25 CHAIRPERSON MILLER: Okay. Well, here we are at

1 the deliberation and scoring discussion. And --

2 SUBCOMMITTEE MEMBER TAYLOR: I want to go first
3 here.

4 CHAIRPERSON MILLER: Okay. I was going to see if
5 you wanted to go first, so you beat me to the punch.

6 SUBCOMMITTEE MEMBER TAYLOR: So I actually --

7 CHAIRPERSON MILLER: Oh, there.

8 SUBCOMMITTEE MEMBER TAYLOR: Got it? Okay.

9 So I actually think Meketa did very well. I
10 mean, I can give a few pieces that I thought were -- they
11 really sort of weaved in the whole governance process
12 overall that has to be aligned with our governance
13 process, et cetera. So I gave them 690, which I realized
14 was almost at the top of the thing. And I think -- I also
15 think that Wilshire did very well, but I think they
16 dropped the ball on answering their questions too long
17 that didn't give them a chance to address the last
18 question. But also, I think they spent a lot of time in
19 their overall -- I think they spent more time in their
20 overall total fund look, which is where they're at right
21 now. I don't think they were kind of diving down into the
22 private equity as much as they should have, so I gave them
23 600 on that.

24 CHAIRPERSON MILLER: Okay. I will jump in. I
25 also thought Meketa did really well. I gave them a 670.

1 And I thought that Wilshire didn't do quite as well, even
2 though they were kind of verbose and long-winded on few of
3 the questions. They spoke to them quite a bit more. But
4 I thought Wilshire didn't do as well as Meketa in terms of
5 Meketa really did touch on some of the things that relate
6 to our beliefs, and our values, and our priorities. Even
7 with regard to say the mentioning of the human capital
8 and --

9 SUBCOMMITTEE MEMBER TAYLOR: Yeah.

10 CHAIRPERSON MILLER: -- some of the things that
11 we're really focused on, I thought they were more
12 sensitive and showed a stronger understanding of our
13 priorities. So that's where I was with the scores, 670
14 for Meketa and 580 for Wilshire.

15 SUBCOMMITTEE MEMBER TAYLOR: I thought I was
16 mean.

17 SUBCOMMITTEE MEMBER MIDDLETON: I was --

18 SUBCOMMITTEE MEMBER TAYLOR: You've got to pen
19 her mic, David.

20 CHAIRPERSON MILLER: Yeah, sorry. I'm trying.
21 There we go.

22 SUBCOMMITTEE MEMBER MIDDLETON: So my thoughts
23 are pretty con -- and scores are pretty consistent. I
24 gave Meketa a 675 and Wilshire a 590.

25 CHAIRPERSON MILLER: Okay. I have Mr. Ruffino.

1 ACTING SUBCOMMITTEE MEMBER RUFFINO: Yeah, I
2 concur with the comments made. So 680 Meketa, 590
3 Wilshire.

4 CHAIRPERSON MILLER: Okay. And Mr. Pacheco.

5 SUBCOMMITTEE MEMBER PACHECO: I would also concur
6 as well. And I would say Meketa 670 and Wilshire 600.

7 CHAIRPERSON MILLER: Okay.

8 SUBCOMMITTEE MEMBER TAYLOR: So how do I make the
9 motion, if I make a motion?

10 CHAIRPERSON MILLER: Yeah, I will -- the floor
11 recognizes.

12 ACTING SUBCOMMITTEE MEMBER RUFFINO: Well, aren't
13 you going to do the median.

14 SUBCOMMITTEE MEMBER TAYLOR: Did you want to do
15 it.

16 ACTING SUBCOMMITTEE MEMBER RUFFINO: The median
17 score, like we did before.

18 CHAIRPERSON MILLER: Well, it wasn't really
19 median. It was --

20 SUBCOMMITTEE MEMBER TAYLOR: Yeah, it's just two
21 and so --

22 CHAIRPERSON MILLER: I averaged what it looked
23 like to me. Not mathematically --

24 THE COURT REPORTER: Microphone.

25 SUBCOMMITTEE MEMBER TAYLOR: Microphone.

1 We're having a discussions so we need to turn all
2 the mics on.

3 CHAIRPERSON MILLER: Yeah, it wasn't a
4 mathematical calculation. I just kind of ballparked it.
5 But I think President Taylor wants to make a motion.

6 SUBCOMMITTEE MEMBER TAYLOR: So, yeah, I was
7 going to make a motion. It looks -- I ballparked it too.
8 So make a motion for the score for Meketa for 6, I think,
9 75 sounds about right. And the score for Wilshire at 590,
10 is that right where I'm at? Does that sound about right?

11 CHAIRPERSON MILLER: Um-hmm, sounds right.

12 SUBCOMMITTEE MEMBER TAYLOR: If I'm eyeballing
13 it.

14 CHAIRPERSON MILLER: Yeah.

15 SUBCOMMITTEE MEMBER TAYLOR: I actually -- you
16 know what, hold on a second.

17 SUBCOMMITTEE MEMBER MIDDLETON: I would second
18 that.

19 SUBCOMMITTEE MEMBER TAYLOR: All right.

20 CHAIRPERSON MILLER: Yeah. Okay. So we've got a
21 motion and a second. Any further discussion?

22 I will call for the question.

23 All in favor?

24 (Ayes.)

25 CHAIRPERSON MILLER: Did I hear an eye from --

1 ACTING SUBCOMMITTEE MEMBER RUFFINO: Aye. Sorry.

2 CHAIRPERSON MILLER: Okay. That sounds unanimous
3 to me. And so staff will return with final scores and
4 take a 5-minute break, 10-minute break?

5 SUBCOMMITTEE MEMBER TAYLOR: We can just.

6 CHAIRPERSON MILLER: Or we just -- we'll just
7 hang out.

8 SUBCOMMITTEE MEMBER TAYLOR: It's still only two
9 of them. Not a lot.

10 CHAIRPERSON MILLER: So, yeah, we'll just standby
11 while staff calculates.

12 INVESTMENT MANAGER SISON: Mr. Chair, staff has
13 already calculated the fee scores -- I'm sorry, the total
14 scores. Would you like me to read those?

15 CHAIRPERSON MILLER: Yes, please.

16 INVESTMENT MANAGER SISON: Okay. Thank you, Mr.
17 Chair.

18 So for each finalist in the private equity
19 service category in alphabetical order, Meketa received
20 675 points for their interview score, Wilshire received
21 590 points for their interview score. Combined with their
22 preliminary total score, Meketa received a total score of
23 961 points. Wilshire received a total score of 940
24 points. And, Mr. Chair, the finalist with the highest
25 total score is Meketa.

1 CHAIRPERSON MILLER: Okay. So I will now
2 entertain a motion to award the private equity consultant
3 contract.

4 SUBCOMMITTEE MEMBER TAYLOR: So moved.

5 SUBCOMMITTEE MEMBER MIDDLETON: Second.

6 CHAIRPERSON MILLER: Okay. So I guess that
7 should be to award it to who the -- to the higher scoring,
8 which was Meketa. So we've got a motion and a second.

9 Any discussion on the matter?

10 Okay. All in favor?

11 (Ayes.)

12 CHAIRPERSON MILLER: That's sounds unanimous to
13 me. So congratulations to Meketa. I remind all members
14 of the Committee and finalists of the restricted contact
15 policy under Government Code section 20153.

16 At this time, we will have a 45-minute lunch
17 break. After lunch, we will proceed with the real estate
18 investment consultant interviews. So we will resume the
19 meeting.

20 SUBCOMMITTEE MEMBER TAYLOR: I think we're going
21 to --

22 CHAIRPERSON MILLER: Okay. So we will --
23 actually, we will return at 1:30. So we will have a lunch
24 break and we will return at 1:30.

25 Excellent. Thank you.

1 SUBCOMMITTEE MEMBER MIDDLETON: Thank you, Mr.
2 Chair

3 CHAIRPERSON MILLER: We are in recess till then.
4 (Off record: 12:24 p.m.)
5 (Thereupon a lunch break was taken.)
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1 plan retirement, there's been no departures on our real
2 estate team serving you since.

3 I do want to highlight as well before handing it
4 over to Christy, now that Meketa has clarity that we will
5 not be assigned the general consulting contract, we do
6 intend to achieve the maximum DVBE spending related to
7 this contract, if we're awarded this contract
8 specifically.

9 Christy.

10 MS. FIELDS: Thank you. Can we go to slide four.

11 THE COURT REPORTER: Microphone.

12 SUBCOMMITTEE MEMBER TAYLOR: You need your mic
13 on.

14 --o0o--

15 MS. FIELDS: Thank you. You'd think I'd know
16 that by now.

17 As Steve mentioned, I was originally hired as a
18 real estate consultant in 2009 immediately following
19 the -- or the beginning of the global financial crisis.
20 And your portfolio then looked very different than it does
21 now. And this table is meant to just highlight the
22 progress that your investment team has made in radically
23 transforming the portfolio. Each of these -- of the line
24 items here represents some measure of risk or complexity.
25 And you can see, if you look down each of those metrics,

1 that there's been really material decrease in risk across
2 each of those.

3 Your core NAV is this -- is the value of your
4 highest quality asset and it has grown sevenfold. You can
5 see the loan-to-value ratio, which is a measure of how
6 much debt there is in your portfolio, has been halved.

7 The very last line item, I would also like to
8 highlight is recourse debt. This is the troublesome debt
9 that got so many institutional investors in hot water last
10 cycle. With non-recourse debt, the lender can come after
11 the asset. With recourse debt, the lender can come after
12 the asset and the assets of the system. And notably there
13 is zero recourse debt in the portfolio these days.

14 --o0o--

15 MR. ROSS: I think the most important thing to
16 take away from slide five is that our collaboration with
17 your investment team on the four key components of your
18 real estate program. And in these respects, we seek to
19 help you manage risk, champion congruency across the
20 organization, cultivate mutually respectful relationships,
21 support innovation, control costs, and help drive
22 sustainable long-term returns. And I think this is
23 evidenced by the 220 basis points of outperformance of
24 your core portfolio over the index for the 10-year time
25 frame.

1 --o0o--

2 MS. FIELDS: Slide six. We have been and will
3 continue to be the eyes and ears of the Board on the Real
4 Estate Program. To do that requires a particular mix of
5 skills and knowledge. It requires us to understand the
6 real estate and the role it plays in your portfolio. It
7 requires us to understand the real estate and the
8 governance framework within which it operates and it
9 under -- it requires us to understand the real estate
10 markets and the resources available to CalPERS with which
11 to respond to those market dynamics. The role of Board
12 consultant also requires us to forge productive sometimes
13 critical, but always mutually respectful, relationships
14 with your investment team so that we have access to and a
15 strong understanding of what's happening in the portfolio,
16 and can provide you with the information you need to make
17 decisions and fulfill your fiduciary duty.

18 --o0o--

19 MR. ROSS: The challenges that CalPERS face today
20 are different than when Meketa first came on board in
21 2009. Institutional investors have steadily increased
22 their real estate allocations from about five percent in
23 2010 to about 10 and a half percent today. And so that
24 means more competition for the same kinds of properties
25 that CalPERS is interested in.

1 On top of that, we're seeing significant changes
2 in what tenants wants from real estate. CalPERS and its
3 partners will need to be innovative and forward-thinking
4 so that the portfolio continues to invest in the most
5 desirable and most resilient properties.

6 CalPERS also potentially faces a higher interest
7 and inflation rate environment going forward, and
8 potentially lower economic growth, all of which could have
9 material impacts to the Real Estate Program over the long
10 term. Your consultant, working together with your
11 investment team, will need to be diligent in adjusting
12 your program to reflect this new normal.

13 When we look at your business, we note that
14 CalPERS' relationships with large sector-specific separate
15 account managers. Those are going to need ongoing
16 adjustment to the governance and fee structures, so that
17 you maintain alignment and keep costs in control. They
18 also require periodic re-underwriting to ensure that these
19 enterprises are thinking appropriately about resourcing,
20 talent management, succession planning, and enterprise
21 evolution.

22 --o0o--

23 MS. FIELDS: So the challenges that Reggie just
24 discussed and the opportunities that are here on page
25 eight, this is the exciting stuff. This is where all the

1 work we have done together over the last 12 years
2 positions the system to move forward and continue to
3 create competitive advantages for CalPERS.

4 The last 12 years of work provides insight, and
5 stability, and forward momentum that will inform all the
6 work currently in progress, and position the system to
7 lean into the opportunities on this page and to tackle
8 whatever comes after that.

9 CalPERS understands the power of its human
10 capital. And indeed, your investment to date -- team
11 today is strong, and capable, and experienced, and stable.
12 Meketa knows your investment team well and we know that we
13 can work productively with them to execute against the
14 real estate strategic plan towards the overall investment
15 objectives of the program.

16 You, the Board, -- the select committee of the
17 Board and the senior investment team have experienced
18 material turnover since I first came on board. Since I
19 started, there have been five CIOs, three CEOs, four
20 COIOs, and four Real Estate Managing Investment Directors,
21 and additional changes in the underlying investment teams.
22 We deeply believe that our long history with the
23 institution and our knowledge gained over the last 12
24 years in your service advantages the continued progress of
25 the CalPERS Real Estate Program.

1 That concludes our prepared remarks.

2 CHAIRPERSON MILLER: Okay. Thank you. We will
3 now proceed to the 10-minute question and answer segment
4 of the interview. Meketa, you have a total of six
5 questions. Please plan your time accordingly.

6 Staff, will you please start the clock for 10
7 minutes when the first question is asked. And I will ask
8 the first question.

9 How do you balance the need to be the Board's
10 independent consultant with the need to have a positive
11 and collaborative working relationship with CalPERS
12 management?

13 MS. FIELDS: I tried to speak to a little bit
14 about this in our prepared comments, because I think it
15 really is the heart of what makes this assignment fairly
16 unique. We are -- we do report to you. We are your
17 agents. But to do that effectively, we have to have
18 mutually respectful and productive relationships with
19 staff. That has been more -- that has been easier during
20 certain parts of the history of CalPERS and sometimes
21 that's been more difficult. Today, I'd like to say that
22 relationship is very strong and collaborative but also
23 very transparent, and everyone clearly understands what
24 their roles are.

25 So it's a little bit of a delicate dance, but I

1 think -- I use the word shared prosperity and some
2 of the -- and some other things to describe the
3 relationship. I think if we're all acting in the best
4 interests of this system, it works. And I believe that
5 that's what characterizes the relationship today.

6 CHAIRPERSON MILLER: Okay.

7 SUBCOMMITTEE MEMBER TAYLOR: Okay. Thank you.

8 So the next question is describe how your firm
9 would assist the Board in meeting CalPERS strategic
10 objectives and our responsibilities as fiduciaries?

11 MS. FIELDS: So I think all parts of our job help
12 to serve that purpose. As you know, we are in a largely
13 oversight role with respect to the investment program. We
14 are very actively involved with respect to maintaining and
15 ensuring that the delegated authority by which you empower
16 your team is upheld and applied in each of the investment
17 decisions. We actually have to sign a form and make
18 comments to that -- to that effect. We're also active in
19 validating fees to your incentive -- I mean, incentive
20 fees to your investment managers and making sure that
21 those parties are aligned with the documents by which they
22 are contracted, which spell out how they are helping to
23 perform those duties and make sure that you're achieving
24 your investment objectives.

25 MR. McCOURT: And just to highlight a couple of

1 other items you likely know already, but in terms of
2 Meketa's approach to assisting the Board on strategic
3 policy objectives. In real estate, amongst other areas
4 that Meketa has worked in the past, we've been very
5 collaborative with your investment team in developing the
6 long-term strategy and particularly in real estate with
7 the emphasis on core cash-flowing properties as the
8 primary part of that portfolio. And, of course, we have a
9 long bit of experience with you in helping you monitor
10 staff's delegated authority that you provide them. And
11 that helps you fulfill your fiduciary responsibility of
12 monitoring the investment team and the work that they do.
13 And that's something we consider ourselves expert in and
14 look forward to continuing.

15 ACTING SUBCOMMITTEE MEMBER RUFFINO: Okay. So
16 what is your view of the role of the private asset board
17 investment consultants and what qualifies you to fulfill
18 this role and the association -- the associated duties?

19 MS. FIELDS: So a little bit of history. When I
20 first was engaged on this account, they did not have a
21 separate board investment consultant and we were both the
22 board investment consultant and what you call now a
23 project consultant or a consultant who underwrote
24 investments, and provided other kind of direct investment
25 level advice and project work.

1 In 2008 -- '09 -- I'm sorry '10, they separated
2 those -- they formally separated those roles and we've
3 been the Board consultant since. And I think for a plan
4 the size of CalPERS with your unique structure, your
5 unique resources, unique advantages but also your unique
6 constraints, the extra layer of having a Board consultant
7 that is purely focused on supporting the Board and your
8 fiduciary duty is an important one. We do it for several
9 other clients and so we understand that distinction and
10 understand what the role of the other real estate
11 consultants are, and have experience doing that. But I
12 think it's just having a little bit more of a strategic
13 mindset and much more of a fiduciary mindset and
14 understanding what your role is and how to best support
15 you.

16 MR. McCOURT: And just adding to those comments.
17 From our perspective, having served as your real estate
18 infrastructure and private equity consultants, providing
19 you services across the private markets landscape provides
20 us an opportunity to give to you a consistent application
21 of our monitoring of policy and implementation from your
22 investment team. So for us, it's really helpful to be
23 able to work across the private market asset classes.

24 ACTING SUBCOMMITTEE MEMBER RUFFINO: Thank you.

25 SUBCOMMITTEE MEMBER MIDDLETON: Thank you.

1 Would having the Board consultants make specific
2 investment recommendations within staff's delegation
3 result in conflicts of interest with the role of providing
4 independent oversight?

5 MS. FIELDS: So different clients approach that
6 in different ways. For some clients, we perform all those
7 functions. I would say that I believe that works a little
8 bit better with our organization, because we have run the
9 business and maintain the business in a manner that really
10 focuses on a tight alignment of interests with our clients
11 and really the avoidance of perceived and real conflicts.
12 And while we've contemplated other business models that
13 might permit us to generate additional revenues through
14 additional assignments for you as a -- being able to do an
15 actual investment underwriting, or by offering services to
16 the general partner community, or by running our own
17 products, but we've always come back to the conclusion
18 that we feel it would diminish our ability to provide
19 truly unconflicted services and counsel to clients like
20 CalPERS.

21 SUBCOMMITTEE MEMBER MIDDLETON: Thank you.

22 MS. FIELDS: Um-hmm.

23 SUBCOMMITTEE MEMBER PACHECO: How do you
24 determine how much risk CalPERS should take with respect
25 to a Private Asset Program? What is your opinion of the

1 risk classification outlined in the current program policy
2 document?

3 MS. FIELDS: Well, at a high level, I think a lot
4 of that conversation happens in conjunction with your
5 general consultant in the asset liability studies. But I
6 would say the history of CalPERS and the Real Estate
7 Program after -- over the last 12 years has really proven
8 the objective and the risk profile of the program. Real
9 estate is able to generate durable current income and cash
10 flow with which you can pay your beneficiaries. And so
11 the focusing of your program, and it's now 90 percent
12 core, on investments that can do that and have a much
13 lower risk profile than you have had in the past seems to
14 be serving the plan very well, and provides
15 diversification to your other private asset classes as
16 well as your global equity and fixed income portfolios.

17 I don't know if you guys have anything else.

18 SUBCOMMITTEE MEMBER PACHECO: Thank you.

19 CHAIRPERSON MILLER: How do you define
20 sustainable investing for private assets and how would you
21 advise the Board on these topics?

22 MS. FIELDS: So sustainable investments are ones
23 I think that contemplate long-term risks and help to
24 ensure that your program is generating long-term,
25 risk-adjusted returns with risk being a very

1 all-encompassing descriptor there. We're somewhat
2 advantaged in the real asset class, because we can -- or
3 your investment managers that are on your team are very
4 close to the assets, and real assets are places where you
5 can be quite impactful around sustainable investing.

6 There are also places where we are starting to
7 gain more and more information about what resiliency looks
8 like in the face of physical climate risks, for example.
9 And so I think sustainability is something that everyone
10 is integrating into every part of the investment process,
11 into all parts of monitoring into manager due diligence
12 and such. But we really think about that particularly in
13 real estate where you -- this is a long lived private
14 asset class that trades in inefficient markets and we're
15 really thinking about where can you be investing your
16 capital for the longest duration, most resilient income
17 streams, since that is what's aligned with the investment
18 objective for the program.

19 CHAIRPERSON MILLER: Okay. Than you.

20 Our time has expired, so Meketa this concludes
21 interview. I would like to thank your representatives
22 from Meketa for their time today and ask them to please
23 leave the auditorium and invite RCLCO into the auditorium.

24 MS. FIELDS: Thank you.

25 (Meketa exited the auditorium).

1 (RCLCO entered the auditorium).

2 (Thereupon a slide presentation).

3 CHAIRPERSON MILLER: Right down in front there.

4 Hello. I'd like to welcome RCLCO to the
5 interview process. RCLCO, you'll have five minutes for
6 your introductory presentation introductions. And staff
7 will please start the clock for five minutes when RCLCO
8 staff begins to speak.

9 MR. MAMMEN: Thank you very much.

10 THE COURT REPORTER: Microphone.

11 CHAIRPERSON MILLER: Oh, you've got to push a
12 little button for you mic there.

13 There you go.

14 MR. MAMMEN: Thank you. It is a pleasure. We're
15 honored to be here with you today from RCLCO Fund
16 Advisors. Happy to introduced ourselves and to be
17 considered for the role of real estate consultant to the
18 CalPERS Board. We hope that we can effectively make the
19 case that we'll be a valuable resource to you and your
20 colleagues, and happy to answer any questions as well.
21 I'll spend the first few minutes introducing the team both
22 here and hard at work back in the offices we hope. And
23 then I'll turn this over to Ben and Cyndi to walk through
24 our presentation.

25 So, first, I'm joined by Cyndi Thomas seated to

1 my right, who's a managing director in the firm focused on
2 portfolio management and property operations. She works
3 on behalf of our institutional clients to help oversee
4 their large and complex relationships with real estate
5 managers and operators, making her background, we believe,
6 highly valuable to CalPERS, given your approach to
7 investing in real estate. She previously worked for
8 several institutional real estate managers and operators
9 and is based in our Denver office.

10 And then seated next to Cyndi is Ben Maslan,
11 who's a Managing Director and has served as the primary
12 point of contact to several of our large pension fund
13 clients. He also has been a key resource to CalPERS staff
14 as we've played independent fiduciary roles for the last
15 several years. And we're -- should we be fortunate enough
16 to be engaged by the Board to assist them, would be the
17 Board's primary pint of contact. Ben is based in Los
18 Angeles.

19 I am Taylor Mammen. I'm CEO of RCLCO Fund
20 Advisors. I helped establish this practice and now
21 business. Coming out of the Great Financial Crisis, my
22 role, I really view, is to ensure that we are providing
23 the highest quality work and service on behalf of our
24 clients. I would also dedicate a meaningful portion of my
25 time to be a key resource to CalPERS, again should we be

1 fortunate enough to work with you. I've been at RCLCO,
2 and now RCLCO Fund Advisors for 17 years. I'm also based
3 in Los Angeles.

4 --o0o--

5 MR. MAMMEN: I forgot to advance to that slide,
6 but it just has our pictures on it. So a little bit more
7 about the firm. So RCLCO Fund Advisors which is the
8 specific respondent to this RFP is a registered investment
9 advisor within the RCLCO family of companies. We operate
10 independently, but benefit from our association to the
11 broader firm to this 60-year old company. Our peers,
12 colleagues at Real Estate Economics are viewed as thought
13 leaders in market research and operational best practices
14 for the real estate industry. Our peers in RCLCO
15 Management Consulting are viewed as thought leaders in
16 strategy and implementation of those strategies for real
17 estate companies.

18 And so this strength and breadth that we're able
19 to benefit from across these organizations, especially
20 research and knowledge sharing, is what really sets us
21 apart as an organization.

22 Speaking of the organization --

23 --o0o--

24 MR. MAMMEN: -- CalPERS, as has been mentioned,
25 will have dedicated resources to provide consistency, and

1 communication, and standards, but you'll also benefit from
2 subject matter expertise from throughout our organization.
3 So, for example, though you would always be able to pick
4 up the phone and contact any of us here, you'd be able to
5 rely upon and benefit from work by Bill Maher, our head of
6 research and our data science team. Cyndi, along with
7 Andrew Janko, Allan Popper, are critical resource in
8 helping to evaluate managers, and best practices in real
9 estate. Jomar Ereso and Kerry White would be incredibly
10 valuable in risk analysis and portfolio analytics, and so
11 on.

12 So just to sum up the introduction of our team,
13 we're really very proud of the diverse team that we've
14 established, bringing team members on from top tier
15 investment managers, operators, and sponsor organizations
16 or grown from their youth as we hire people from school,
17 collectively united by our mission to be truly unmatched,
18 independent, and expert resource to institutional
19 investors.

20 So with that, I'll turn this over to my
21 colleagues who will continue with the presentation.

22 CHAIRPERSON MILLER: Okay. Well, I'll proceed to
23 the 10-minute presentation segment of the interview then.
24 And RCLCO, you have 10 minutes, so please start your
25 presentation and staff will start the clock for 10 minutes

1 when RCLCO staff begins to speak.

2 --o0o--

3 MR. MASLAN: Great. Pleased to be here. Some
4 more information about our firm. We are real estate
5 specialists. We provide full real estate investment
6 consulting services to our clients. And some of those are
7 listed at the bottom of the slide here. Some of these
8 services, particularly with manager sourcing and
9 underwriting, we actually provide to CalPERS already as an
10 independent fiduciary.

11 A couple things to note on this slide. First
12 off, we're mission driven, so we know that the ultimate
13 client is the pensioners of the state of California.

14 Second off, what we provide is customized for
15 each client, but our experience across, you know,
16 providing this broad array of services across our large
17 institutional client base increases our abilities for new
18 clients, such as CalPERS.

19 --o0o--

20 MR. MASLAN: And we thought it would be important
21 to note how our firm is focused on ESG solutions as part
22 of this presentation, and which we focus on both
23 internally within the firm as well for our clients. So
24 internally, the focus has been on a few things, including
25 improving our environmental footprint, expanding DEI

1 efforts, and then pursuing thought leadership. An example
2 of this, we recently published an article on the role of
3 ESG within the real estate portfolio, and actually spoke
4 with CalPERS staff about the takeaways from that article.

5 Externally, we integrate ESG for our clients
6 through a couple ways. One is that through manager
7 review, and underwriting, and diligence that's a big part
8 of the process. And then secondly, we actually evaluate
9 climate risk as part of the -- our clients' portfolios,
10 both for new investments as well as their existing
11 portfolios.

12 --o0o--

13 MR. MASLAN: I mentioned a couple times, we do
14 have some experience with CalPERS. We've been working
15 with staff for several years now as an independent
16 fiduciary on a number of projects. And this includes, as
17 an example, reviewing annual investment plans from several
18 CalPERS managers or -- and as well as re-underwriting some
19 of the CalPERS existing managers in property types that
20 have headwinds associated with their demand drivers.

21 I bring this up to say that this gives us a large
22 amount of familiarity with the portfolio already and would
23 give us a running start when working with the Board, if we
24 were to be so fortunate.

25 --o0o--

1 MR. MASLAN: And we've also -- have a lot of
2 experience in working with boards. As Taylor mentioned
3 that we -- there is a management consultancy as part of
4 the RCLCO family of companies. And the roots of our
5 business actually stem from a management consulting
6 background. Taylor and I both worked, you know, within
7 RCLCO Management Consulting at one point before
8 specializing within RCLCO Fund Advisors. I came from a
9 management consultancy before joining RCLCO. And that's
10 given us a lot of exposure and experience in working with
11 boards of directors, both at private institutions, but as
12 well at public institutions, and especially at peer
13 pension plans to CalPERS.

14 And this is -- this is a valuable experience we
15 believe in focusing on what matters to -- and -- to Board
16 members and communicating a succinct and clear manner
17 across what we know to be a diverse audience among several
18 institutions.

19 --o0o--

20 MR. MASLAN: And as part of this role, we
21 regularly produce performance reports. And these -- you
22 know, our performance reports focus not only on
23 performance -- reporting the performance, but also the
24 attribution or the why performance -- of performance. So
25 this includes breaking down portfolios to evaluate how

1 properties are selected, how managers are selected, how
2 the allocations are essentially implemented in determining
3 that across the portfolio.

4 --o0o--

5 MR. MASLAN: And as part of asset allocation
6 services, you know, we believe that asset allocation
7 decisions are one of the most important decisions that a
8 board can make. They are one of the greatest influences
9 in terms of go-forward returns that can be made at the
10 Board decision level.

11 And we play a couple roles with regards to asset
12 allocation. The first one is that we are involved with
13 the asset liability modeling process. So this includes
14 reviewing and evaluating capital market assumptions and
15 then helping that being integrated into the asset
16 liability model with both staff and the general
17 consultant, as well as working with staff on
18 implementing -- and creating and implementing an asset
19 allocation plan within real estate specifically. So this
20 involves informing staff in terms of macroeconomic
21 factors, as well as real estate market factors in terms of
22 where to invest, as well as working on a financial model
23 that shows pacing, as well as identifying gaps, of course,
24 in execution.

25 And with that, I'll pause -- I'll pause and turn

1 it over to Cyndi.

2 --o0o--

3 MS. THOMAS: Thanks so much, Ben, and everyone
4 here. So I want to talk a little bit about risk
5 management services to start. We really differentiate
6 ourselves, and Taylor alluded to this, in who we've hired.
7 Very talented individuals from the investment management
8 arena. And this really provides us with key portfolio and
9 asset management expertise at the real estate level.

10 We also have technology and tools that we've
11 grown in-house and through outside partnerships that allow
12 us to analyze risk within the portfolio, as well as
13 opportunities and again from the ground up. So areas of
14 focus for us here are really macro, so think market
15 research, capital markets, monitoring, cycle strategy
16 guidance, but also the micro, so monitoring the managers
17 themselves, the investments at a very -- you know, on the
18 ground level to ensure that each investment and manager is
19 meeting the strategy that was outlined and set forth at an
20 inception.

21 And on this slide here, you can see two examples
22 of this monitoring. The first looking at debt maturity
23 and the interest rate exposure, very important today, as
24 well as tenant exposure, helping us to evaluate credit
25 concentration across portfolios.

1 --o0o--

2 MS. THOMAS: Investment policy review is really
3 another key strength of our team and defines the role of
4 real estate within a diversified portfolio and we work
5 with each client individually to adapt this program over
6 time to ensure it's meeting its stated goals. And to do
7 so, we really work together collaboratively to establish
8 the desired time horizons, concentration limits, levels of
9 control, et cetera. And from there, we review targets for
10 life cycle, product types, geography, really all while
11 maintaining a strong governance underlying policies. And
12 obviously, there are many ownership structures today each
13 with advantages and disadvantages, and we're on the ground
14 to be well positioned to advise on each of these.

15 --o0o--

16 MS. THOMAS: A bit about research and education.
17 This really sets us apart. It's robust and led by an
18 industry veteran Bill Maher. And thought leadership, you
19 know, even before our RCLCO Fund Advisors inception has
20 been the bedrock of the RCLCO organization for over 55
21 years and continues to propel us forward today.

22 You can see here a list of various public --
23 published research with many topics. And I'll just note
24 some of this research is provided to clients only. And
25 what's been very beneficial recently has been our house

1 view and economic outlook, you know, that have been
2 changing at a quick pace recently.

3 --o0o--

4 MS. THOMAS: So before I turn it back over to
5 Taylor to close, I wanted to share a quick overview of a
6 similar Board consulting role that we've played with a
7 client since 2017. Both Ben and Taylor have led this
8 relationship since its inception and the client has
9 entrusted us with oversight that has really grown over
10 this time frame. And as you can see here, we focus on all
11 the areas that Ben and I have discussed today and we've
12 done so successfully while expanding our team to be able
13 to scale these efforts for additional clients as well.

14 --o0o--

15 MR. MAMMEN: Thanks. And I'll just close very
16 quickly by again emphasizing what we think sets us apart,
17 which is something that we've had to think a lot about,
18 you know, certainly we apply to new business and have to
19 answer the question, but we've also been a new entrant to
20 real estate consulting to institutional investors as well,
21 and so have had to think long and hard about what truly
22 differentiates us and should allow us to win business.

23 And we really think these three items are fairly
24 critical and important. So first, we've talked quite a
25 bit about our real estate expertise. This is where we

1 come from, our firm, both RFA, RCLCO Fund Advisors, as
2 well as the broader family has been a thought leader in
3 the business for over -- for almost 60 years at this point
4 in time. We're a custom shop. Everything that we do is
5 independently produced for our clients. Client service is
6 really in our DNA. And finally, we're independent. We
7 don't have any conflicts, any mandates that would conflict
8 with this business, but it's also just part of our
9 mindset. We're always going to be objective and provide
10 objective advice on behalf of our clients as well. It's
11 part of our legacy.

12 So with that, we'll close and answer questions.

13 CHAIRPERSON MILLER: Thank you. We will now
14 proceed to the 10-minute question and answer segment of
15 the interview. RCLCO, you will have a total of six
16 questions, so please plan your time accordingly. And
17 staff will start the clock for 10 minutes when the first
18 question is asked. And I will ask that first question
19 now.

20 How do you balance the need to be the Board's
21 independent consultant with the need to have a positive
22 and collaborative working relationship with CalPERS
23 management?

24 MR. MASLAN: Yeah, we realize that -- you know,
25 first off, we have a similar role as Cyndi described where

1 we do have that balance where we work for the Board and
2 then we do have role that we work with that client's
3 management. We balance it in a way that we realize who
4 ultimately our client is, and that's the beneficiaries
5 associated with the fund. So ultimately, we want to do
6 what's best for the fund. In this case, we realize that
7 even if there is an appearance of any sort of conflict, we
8 would be willing to recuse ourselves from working with
9 CalPERS management.

10 MR. MAMMEN: In addition to that, I would just
11 note that communication and transparency are always key
12 when managing any potential conflict. But Ben is right,
13 we ultimately know who we're working on behalf of. I
14 think we're all probably working on behalf of the same
15 group of constituents. And so that really guides all
16 decision-making around it.

17 SUBCOMMITTEE MEMBER TAYLOR: You got me. Okay.
18 So good afternoon. Describe how your firm would
19 assist the Board in meeting CalPERS' strategic objectives
20 and our responsibilities as fiduciaries?

21 MR. MAMMEN: Sure. I think that defines the
22 broad role. Every scope item that we've responded to in
23 the RFP essentially add up to accomplishing that role or
24 that goal of achieving your strategic objectives and
25 acting as an independent fiduciary. I think beyond that,

1 I'd really just want to emphasize our knowledge and
2 background in real estate. So when it comes to real
3 estate, you're not going to have a better resource to help
4 evaluate the investment decisions, both near and long
5 term, that you'll have to advise upon as a Board. But
6 also we will always be objective in providing our advice
7 and feedback.

8 And I think we've gained a great deal of practice
9 working on behalf of institutional investors, but really
10 all types of organizations in learning that it is best to
11 be objective, and transparent, and honest no matter how
12 difficult the news is, rather than the alternative.
13 That's what allowed really our affiliate company, our
14 parent company to be in business for 60 years. So we'll
15 apply that going forward too.

16 SUBCOMMITTEE MEMBER TAYLOR: Great. Thank you.

17 ACTING SUBCOMMITTEE MEMBER RUFFINO: Good
18 afternoon. I will be next.

19 So what is your view of the role of the private
20 asset Board investment consultant and what qualifies you
21 to fulfill this role and the associated duties?

22 MR. MASLAN: You know, we do realize that when --
23 you know, as a private real estate Board consultant, that
24 we are working for the Board. We're not working for
25 staff. And so in that respect, we would not be shy about

1 noting where there can be improvements, or there are gaps,
2 or where staff is doing well. And so, you know, what
3 qualifies us is that -- a few things on this. One is that
4 we are specifically dedicated to real estate and only real
5 estate and we're specialists in real estate, so we have
6 great market knowledge associated with this sector. Two,
7 is that our team is also very strategic. And so we think
8 about ways to improve both organizations as well as
9 portfolios. And then three is that, as Cyndi said, we do
10 have experience doing this for another client in a very
11 similar manner and we would apply the lessons learned from
12 doing that for a number of years now to this role as well.

13 MR. MAMMEN: I'd like to answer that from a
14 higher level as well. You know, we really view the role
15 of a board, in any organization, as setting strategic
16 direction for the organization, setting the broad
17 direction for how to implement that, and providing
18 sufficient resources to the organization to be able to
19 ultimately implement it. And so I think our role is
20 essentially in helping you with all three of those primary
21 tasks and responsibilities, set strategy and provide what
22 Ben has described our market knowledge and so on to be
23 able to do that, assist in implementation of that
24 strategy, which is really all about policy, benchmarks,
25 the documents and so on that you'll ultimately approve as

1 a Board, and then third resources, which is primarily
2 about human capital, which is a very important decision
3 that the Board has to make that again we can weigh in on.

4 ACTING SUBCOMMITTEE MEMBER RUFFINO: Thank you.

5 SUBCOMMITTEE MEMBER MIDDLETON: Thank you.

6 Would having the Board consultants make specific
7 investment recommendations within staff's delegation
8 result in conflicts of interest with the role of providing
9 independent oversight?

10 MR. MAMMEN: So this specific question is about
11 whether the Board -- Board discretion over investment
12 decisions and whether that conflicts with your role as
13 independent advisors?

14 SUBCOMMITTEE MEMBER MIDDLETON: Um-hmm.

15 MR. MAMMEN: I think the primary conflict that
16 we've observed when boards weigh in on investment
17 decisions-making is logistical or timing rather than
18 con -- generate -- generative of conflicts necessary. And
19 so, typically what we've seen work well is a certain
20 threshold, and oftentimes the threshold at which a board
21 has discretion over independent -- over investment
22 decision, is getting to the point where -- is when the
23 decision gets to the point that it's going to affect your
24 strategy or the implementation that strategy. And then
25 delegating the rest of the investment decision-making,

1 which is essentially tactical, which is going to result in
2 annual performance, maybe even near-term performance
3 changes to the staff that is hopefully adequately
4 resourced, and trained, and hired to be able to affect
5 that.

6 So from -- again, from our perspective it's
7 really about the logistical challenges associated with
8 board involvement, rather than any inherent conflict,
9 which we don't necessarily think exists, unless my
10 colleagues disagree.

11 SUBCOMMITTEE MEMBER PACHECO: Good afternoon.

12 How do you determine how much risk CalPERS should
13 take with respect to a private asset program? What is
14 your opinion of the risk classification outlined in the
15 current program policy document?

16 MR. MASLAN: This ultimately gets to the role of
17 real estate within a portfolio, which we -- you know,
18 hopefully I won't take the remaining two minutes and 39
19 seconds for, but I can. You know, it's -- you know, real
20 estate is accretive to a portfolio, in that it is --
21 essentially generates a higher efficient frontier
22 portfolio. It increases the risk-adjusted return of an
23 overall portfolio.

24 And then it gets to then how much do you want it
25 to increase returns versus minimize risk. And when you --

1 when you have what is primarily a stabilized or core
2 portfolio within real estate, that will -- that will in
3 turn minimize the risk and lower volatility of a
4 portfolio, but may not increase the returns as much as you
5 could get by increase -- introducing risk within the real
6 estate portfolio.

7 We believe that an appropriate allocation is that
8 that majority of a real estate portfolio should be core or
9 stabilized, but that a minority of the portfolio should
10 continuously introduce risk into it, so that -- so that
11 there is an excess return that's generated, especially
12 compared to the benchmark.

13 If you look at CalPERS portfolio, it is -- it is
14 less risky. It is -- it is core. And that's by design in
15 that it is -- it is meant to limit the volatility
16 associated with the overall fund.

17 CHAIRPERSON MILLER: Okay. And the final
18 question, how do you define sustainable investing for
19 private assets and how would you advise the Board on these
20 topics?

21 MS. THOMAS: Thanks. Great. Well, we define
22 it -- I think the easiest way to define and measure it is
23 it relates to real estate is really on the environmental
24 side. And so that's -- could be sustainability at the
25 property level, in terms of, you know, down to the

1 mechanics of what you're using. But I think also, in an
2 area that we have pretty robust expertise, is climate
3 risk. So being able to evaluate climate risk across the
4 portfolio and set some -- again, we get to the discussion
5 around risk tolerance about what you are willing to
6 absorb, you know, within the portfolio overall.

7 MR. MAMMEN: You're a long-term investor. You
8 should be focused on long-term risks and opportunities,
9 many of which are comprised in the definition of
10 sustainability.

11 CHAIRPERSON MILLER: Okay. Thank you.

12 And that concludes our time, which has expired.
13 So RCLCO, this concludes your interview. I would like to
14 thank the representatives from RCLCO for their time today
15 and ask them to please leave the auditorium and invite
16 Townsend into the auditorium.

17 MR. MASLAN: Thank you.

18 MR. MAMMEN: Thank you.

19 (RCLCO exited the auditorium).

20 (Townsend entered the auditorium).

21 (Thereupon a slide presentation).

22 CHAIRPERSON MILLER: Hello. I'd like to welcome
23 Townsend to the interview process. Townsend, you will
24 have five minutes for your introduction and staff will
25 start the clock for five minutes when Townsend staff

1 begins to speak.

2 MR. ROSENBERG: Good afternoon. And thank you
3 very much for the opportunity to be here today. As you
4 said, we are the Townsend Group, roughly 120-person
5 investment firm focused exclusively on real assets and
6 with the primary focus on real estate. We were founded in
7 Cleveland, Ohio back in the mid-1980s and we've grown
8 since then to have a global presence. We have offices in
9 London, San Francisco, Hong Kong, Chicago, and Toronto, as
10 well as a presence in some other cities.

11 We're owned by a public company called Aon, but
12 we really function largely independently, particularly
13 when it comes to investment advice and client service. We
14 have a little over 100 real estate clients today. About
15 half of them are advisory clients, the type of
16 relationship that we're talking about here. The other
17 half are a mix of discretionary clients, where they've
18 outsourced the decision-making to us, fund-based products
19 where we've packaged the services in different ways that
20 are more convenient to certain types of investors, and
21 special situations investments -- what we call special
22 situations, such as co-investments.

23 My name is Martin Rosenberg. I'm a partner based
24 in Cleveland. I've been with the firm for 18 years. I've
25 been a member of our investment committee for the last 15.

1 And I would be the primary consultant working with the
2 CalPERS Board and the CalPERS staff, supported however by
3 a very broad and deep team. And I'd like to ask the
4 others to please introduce themselves.

5 MR. SCHAEFER: Great. Thanks, Martin. Thanks,
6 Kathryn.

7 Hi, everybody. I'm John Schaefer. And I've been
8 in the business for 27 years now. It's crazy to think
9 about that now, but always, you know, in a range of roles,
10 always focused on real estate. This is my 13th year at
11 Townsend. And my role within the organization is to
12 coordinate all of investment underwriting efforts
13 globally. I sit on our investment committee along with
14 Martin, and our global macrostrategy committee, and I'm
15 based in our San Francisco office.

16 MS. FINNERAN: Good afternoon, everyone. My name
17 is Kathryn Finneran. I've been with Townsend for about
18 three and a half years now for a total of five years of
19 real estate experience. I primarily work with our
20 advisory team and -- on the advisor side of our business,
21 but I also have a lot of coverage overlap with the ESG
22 group and I am on the ESG committee.

23 MR. GRIER: Good afternoon. My name is D'Metrius
24 Grier. I'm an investment analyst within our advisory
25 unit. I've been with Townsend since late last year and

1 bringing a total of two and a half years of real estate
2 industry experience to the table. And I'll be working
3 with your client team in a more analytical capacity and
4 look forward to working with you guys.

5 MR. ROSENBERG: And there are two other members
6 of the team who aren't here today, but I'd like to just
7 mention. Ishika Bansal is a partner based in New York,
8 who's been working with advisory clients in real estate
9 going back to 2011. And then Nick Duff is a partner based
10 in our London office, who will be involved particularly in
11 any X-U.S. investments or X - any X-U.S. analysis.

12 So -- and we're efficient. We finished under the
13 allotted time for the introduction.

14 (Laughter).

15 CHAIRPERSON MILLER: And there we go.

16 So we can now proceed to the 10-minute
17 presentation segment of the interview. So Townsend, you
18 will have 10 minutes. And when you start your
19 presentation, staff will start the clock for 10 minutes.

20 MR. ROSENBERG: Thank you again. So I know that
21 you're hearing a lot of presentations today. And I
22 suspect that a lot of them look and sound very similar.
23 All right, everybody has an experienced Investment
24 Committee. Everybody has a detailed due diligence
25 process, probably with a nice flowchart. Everybody has

1 impressive bios.

2 So what I'd like to do is try to share with
3 you -- what we'd like to do is share with you the ways in
4 which we think Townsend is different. And there are a lot
5 of differences, but I think they all stem from one
6 fundamental difference, and that is that the foundation of
7 our business is providing real estate advice to
8 institutional investors, particularly pension funds. It's
9 not an add-on to some other business line. You know,
10 we're not a private equity consultant. We're not a
11 general consultant. This is what we do and this is what
12 we've always done. It's who -- it's who we are.

13 Our first client back in 1986 was Ohio Police and
14 Fire Pension Fund. And we've been providing real estate
15 advice to pension funds ever since. In fact, Ohio Police
16 and Fire continues to be a client today. And I'm very
17 proud to say that for the last 15 years, it's been one of
18 my personal clients.

19 So why does it matter? Why does it matter that
20 the foundation of our business is providing advice to
21 institutional investors? I think it matters because it's
22 really influenced the way that we've built our business
23 and the way that we've invested our resources. So we
24 don't just have an investment committee that's
25 experienced, we have an investment committee that's

1 experienced specifically with real estate and experienced
2 working with institutional investors and understanding
3 their needs and understanding their sensitivities.

4 The same for our due diligence or manager
5 research team, focus on real estate -- a large team
6 focused on real estate and understands the sensitivities
7 of institutional investors. And John will talk to you in
8 a little bit about both of those.

9 We have systems and databases -- global databases
10 going back decades all focused on real estate. And
11 Kathryn and D'Metrius will share some information about
12 that with you. We don't do work for managers. And that's
13 different from some of our competitors. We started our
14 business working for institutions and that's who we
15 continue to work for today. We've made a conscious
16 decision over the years to avoid that potential conflict.

17 And finally, that foundation has influenced the
18 way that we've built our culture. Our culture is focused
19 on client service and listening -- really listening and
20 trying to understand what it is that our clients are
21 trying to achieve, understand their risk tolerances, and
22 then work with them to implement the program that they
23 want to build.

24 So when I looked at your RFP and I read the scope
25 of services, I thought this is exactly what we do. This

1 is the core of our business.

2 MR. SCHAEFER: Great. Thanks, Martin.

3 --o0o--

4 MR. SCHAEFER: So I'll speak maybe just for a few
5 minutes on our investment process. We're thematic
6 investors, so the first part of our process is formulating
7 our top-down views. We have a global macro strategy
8 committee, that is essentially a subset of our investment
9 committee that we set out to ensure that we don't miss the
10 forest through the trees. So things like should we
11 overweight a certain property type or a certain region?
12 And this is where we really leverage our platform for an
13 informational advantage. We're conducting three to four
14 hundred manager meetings every year. You know, we're
15 getting information in more one-on-one conversations with
16 folks in our local offices around the U.S. in addition to
17 London and Hong Kong.

18 We have over 3,000 active clients positions as
19 well and over a hundred advisory board seats. And we also
20 have -- Kathryn will talk a bit about it, but we also have
21 an enormous database of information on returns that goes
22 back 30 years. And we mine that database not only to help
23 you underwrite various managers, you know, comparing their
24 track record to their peer set, but also to help inform
25 future investments.

1 And then we also have a group -- a team called
2 the special situations team, which as Martin referenced
3 evaluates essentially any non-fund investments, so things
4 like co-investments, or JVs, or secondaries. And this
5 group is getting real-time market color. And that intel
6 that they're getting really benefits all of our clients.
7 So, for example, last year, we were seeing a real
8 disconnect in valuations between the transaction market
9 and appraisals, so we started recommending clients
10 selectively redeem out of some their open-end fund
11 positions. And as a result, they were able to get to the
12 front of the line for those redemption requests.

13 The second component of the process is focused on
14 sourcing opportunities consistent with those macro
15 top-down views. Because of our industry position, we're
16 typically one of the first stops for any manager raising
17 capital. We'll work with small cap emerging groups, as
18 well as very large cap, you know, established managers.
19 But I -- we weren't just beholden to reacting to existing
20 fund offerings. So, for example, we've helped establish,
21 and structure, and launch several open-end core funds over
22 the years. We essentially secure founders fees for our
23 clients, which could be up to 50 percent off the standard
24 fees, so say 50 basis points instead of 100 basis points.
25 And we also get the managers to contribute assets within

1 embedded value in place. And so our clients end up
2 getting, you know, a 10 or 20 percent lift out of the
3 gates kind of day one, which is a nice jump-start for
4 clients to beat their benchmarks when, you know, core
5 returns have averaged six or seven percent historically.

6 We also track funds throughout their fund raise
7 to determine if we think the existing portfolios have good
8 embedded value in place and then get into their final
9 closes, almost like buying into a secondary with a fund
10 that might be 50 percent or more pre-specified.

11 And then third component of the process is when
12 we actually underwrite the opportunities and negotiate fe
13 breaks. We've got -- Martin referenced, we've got over --
14 of the 120 people, about 80 are investment professionals,
15 again solely dedicated to real estate and real assets.
16 And of those, 36 are solely dedicated to research and
17 underwriting and don't have to also divide their time with
18 client responsibilities.

19 We have a regional approach, so teams that sit in
20 Hong Kong and London, in addition to the U.S. And then
21 within those offices, we have folks that -- we call them
22 sector specialists that focus either on core or non-core.

23 In terms of volumes in any given year, we'll
24 typically review 400 or so offerings. We'll do
25 write-ups -- detailed writeups on 65 or so. And then

1 we'll typically stamp about 12 with our -- what we call
2 our best idea recommendations.

3 Just a quick word then on our investment
4 committee, as Martin referenced earlier, solely focused on
5 real estate. We -- it approves every investment that we
6 make across the risk spectrum, so core to opportunistic
7 across the regions. And in our view, this help us better
8 identify risk return and identify relative value. The
9 folks on our IC have on average 22 years of industry
10 experience and we've worked together 15 years on average.
11 So lots of experience Navigating through market cycles as
12 well as continuity on the team.

13 MS. FINNERAN: I also want to talk to you all
14 about another advantage that we have, which is our
15 proprietary systems and data collection that both Martin
16 and John recently mentioned. There are many advantages of
17 this for our clients, but first and foremost, it's market
18 intel. As mentioned, we have -- (clears throat) --
19 pardon. As mentioned, we have this database that goes
20 back decades and tracks both performance data and fund
21 raising data. But in addition to that, we also track
22 valuation and operation metrics, such as cap rates,
23 discount rates, occupancy, lease rollover data for
24 thousands of properties throughout both the U.S. and
25 Europe. And we think this is an important advantage for

1 our clients, because it gives insight into unique
2 submarkets, which is especially helpful in the formation
3 and maintenance of separate accounts.

4 All of this data is part of an ongoing process
5 for Townsend to stay ahead of the curve and to allow our
6 clients to be forward looking. As John mentioned, we were
7 able to have frequent conversations with investment
8 managers, valuation firms, appraisal firms to get some
9 insight into the expected value corrections and began to
10 warn our clients of that early last year. And that
11 allowed some of our more nimble clients to be able to jump
12 in those queues ahead of their peers.

13 In addition, we're also in the process of
14 reclassifying our vast property type diversification
15 database ahead of the proposed changes by NCREIF. When we
16 started that process, we realized that we already have
17 many of this data, but being able to reclassify ahead of
18 any proposed changes allows our clients to stay ahead of
19 the curve. All of the data that we have is extremely
20 customizable and can be formatted for each client's needs.
21 And I'm going to allow D'Metrius to speak a little bit
22 about his experience with that customization.

23 MR. GRIER: So, yeah, so I've worked with and
24 reported for at least five or six clients here since my
25 tenure began with Townsend. And based on my experience,

1 our customized reporting capabilities are a staple feature
2 that Townsend brings to the table for our clients.
3 There's a vast amount of proprietary data and external
4 information that we're able to combine to help meet your
5 guy's mandates and goals, as well as to give you a unique
6 perspective on, you know, some of your unique -- excuse
7 me -- your more unique features to understand your
8 positions in the markets.

9 And with that, I'll swing it back to Martin.

10 MR. ROSENBERG: I think that's --

11 THE COURT REPORTER: Microphone.

12 MR. ROSENBERG: Yeah, I think that's
13 representative of the broader commitment to client
14 service. So like I said, at the beginning, I mean, this
15 is the foundation of our business. This is what we do
16 every day. And we would really appreciate the opportunity
17 to work with CalPERS.

18 CHAIRPERSON MILLER: Great. Thank you.

19 We will now proceed to the 10-minute question and
20 answer segment of the interview. Townsend, you will have
21 a total of six questions, so please plan your time
22 accordingly. Staff will please start the clock for 10
23 minutes when the first question is asked.

24 And I will proceed with the first question. How
25 do you balance the need to be the Board's independent

1 consultant with the need to have a positive and
2 collaborative working relationship with CalPERS
3 management?

4 MR. ROSENBERG: Yeah. So I think transparency is
5 the key, right? You'll never wonder what we're thinking.
6 You never wonder what we believe. You know, if we see
7 things differently than staff, we won't -- we'll try to
8 work with them to understand their thinking, to let them
9 understand our thinking, to see if we can come up with
10 better collective thinking. But sometimes there's a
11 disagreement, and reasonable minds can differ. And so
12 what we would do is let them know, so they're not
13 surprised, let them know what our view is, and simply
14 share it with the Board.

15 It's, like I said at the beginning, transparency
16 is the key and you will never wonder what we're thinking
17 because we'll always tell you.

18 SUBCOMMITTEE MEMBER TAYLOR: Thank you.

19 Question number two, describe how your firm would
20 assist the Board in meeting CalPERS strategic objective
21 and our responsibility as fiduciaries?

22 MR. ROSENBERG: I'm sure -- so I'll start and if
23 anybody else would like to jump in, please feel free. I
24 think it comes back to what we talked about a little bit
25 in the presentation and that is to listen, right? The key

1 is to understand exactly what each client wants to
2 achieve. And part of that is reviewing the existing
3 documents, part of it is having conversations with staff
4 over the course of the year, with the Board over the
5 course of the year, to understand whether there ought to
6 be any changes, having regular reviews of the policy to
7 consider changes, and then taking that understanding and
8 working with the staff, and working with the Board to make
9 sure that we're reflecting, like I said before, not our
10 views, not our approach to investing, but reflecting your
11 goals and the program that you want to build.

12 SUBCOMMITTEE MEMBER TAYLOR: Okay.

13 ACTING SUBCOMMITTEE MEMBER RUFFINO: I'm next.

14 So what is your view of the role of the private asset
15 Board investment consultant and what qualifies you to
16 fulfill this role and the associated duties?

17 MR. ROSENBERG: Sure. So the -- our view of the
18 role is multi-faceted, but I think it's grounded in one
19 primary job and that's, look, I said before, to help you
20 build the program that you want to build. And when I say
21 it's multi-faceted, I think there's a lot that goes along
22 with it, right? It's analyzing the portfolio, not just
23 the performance reporting, but really digging in and
24 understanding what's driving returns, what's working, what
25 isn't, why is -- why is it or isn't it working? It's

1 dealing with one-off requests for analysis and reviews,
2 and really just being there to help.

3 Why do we think we're qualified? I think it's
4 for the reasons that we said in our presentation. I mean,
5 this is what we do. Our business is built around
6 providing advice to institutional investors, especially
7 pension funds focused exclusively on real assets and
8 really primarily on real estate.

9 And I think you see it in the staffing and in the
10 way that we've built the business.

11 ACTING SUBCOMMITTEE MEMBER RUFFINO: Thank you.

12 MR. ROSENBERG: Thank you.

13 SUBCOMMITTEE MEMBER MIDDLETON: Thank you.

14 Would having the Board consultants make specific
15 investment recommendations within staff's delegation
16 result in conflicts of interest with the role of providing
17 independent oversight?

18 Would you like me to repeat that?

19 MR. ROSENBERG: Yeah, if you don't mind.

20 SUBCOMMITTEE MEMBER MIDDLETON: I don't. Would
21 having the Board consultants make specific investment
22 recommendations within staff's delegation result in
23 conflicts of interest with the role of providing
24 independent oversight?

25 MR. ROSENBERG: Yeah. I don't think so. I think

1 it can potentially provide -- it can potentially introduce
2 maybe difficult and frank conversations, if we view things
3 differently. But you know, we deal with this type of
4 situation. Very often an investment sourced by staff is
5 one that we like and agree with. Very often it's one
6 that, you know, is a good thoughtful investment, but maybe
7 isn't the one that we would choose. And we'll do what I
8 said before, we'll come and tell you what we think, tell
9 you what we believe, and tell you why, and try to do it in
10 a collaborative way and not surprise anybody. But I think
11 the key is doing the work, understanding it, forming our
12 views, and then bringing them to you.

13 SUBCOMMITTEE MEMBER MIDDLETON: Thank you.

14 MR. ROSENBERG: Thank you.

15 SUBCOMMITTEE MEMBER PACHECO: Number five, how do
16 you determine how much risk CalPERS should take with
17 respect to a private asset program? What is your opinion
18 of the risk classifications outlined in the current
19 program policy document?

20 MR. ROSENBERG: So I think our opinion of risk is
21 that it really needs to be the Board's decision, right?
22 And the role of the consultant is to help the Board to
23 make that decision in a very informed way, to think about,
24 you know, what it means to take certain risks, to think
25 about what the trade-offs are, you know, what extra --

1 what incremental return do you get for the risks that
2 you're -- that you're taking. And I think that's part of
3 the ongoing strategy discussion that we talked about a
4 little while ago. And I think -- I mean that's really
5 fundamental to building the program, because everything
6 comes from that first decision. You know, that guides the
7 character of the program.

8 The current risk profile, it's a lower risk
9 profile than what we typically see, but, you know, it's
10 important to use the right tool for the right job. And if
11 it matches the objectives that you want, then that's the
12 risk profile that you should have.

13 So at a strategic level, that's how we would
14 approach it. At a tactical level, we think there are
15 times when it makes sense to take a little bit more risk.
16 For example, when there are periods of market dislocation,
17 and there are a very good investment opportunities
18 available maybe that appear risky, because there's a lot
19 of fear in the market, but that are actually very good
20 opportunities with outsized return relative to the risk
21 that's being taken. So we might talk about tactical
22 adjustments throughout market cycles increasing or
23 decreasing risk a bit.

24 And then finally, we have a lot of discussions
25 with our clients about the types of risks that exist.

1 There are a lot of risks that are hard to see until
2 something goes wrong. And I think a really good example
3 of that is leverage, right? Leverage is an easy way to
4 add return when things are good, but things can go very
5 wrong very quickly. And it's not just the amount of
6 leverage, it's the type of leverage that's used. Are the
7 assets cross collateralized? Are they recourse? Is there
8 potential for margin call? What's the maturity?

9 Because what we've seen is you can set up -- or
10 investors have set up a domino effect, where one or two
11 assets going bad can take down a large pool, and that's
12 the sort of thing that we work very hard with our clients
13 to try to avoid and focus on. Even when times are good,
14 and it doesn't seem like you really need to worry about
15 it, that's the time when it's important to focus on it,
16 and make sure that you're setting things up the right way,
17 so that you're spreading the dominos out and not lining
18 them up.

19 SUBCOMMITTEE MEMBER PACHECO: Thank you.

20 MR. SCHAEFER: I can add maybe just a quick --
21 just some quick thoughts. I think -- I should have said
22 that, you know, an important thread throughout our
23 investment process is a focus on risk management. And so
24 it's both during the initial underwriting as well as
25 actively managing during the whole period. And as Martin

1 suggested, you know, we look at it both at the investment
2 level as well as at the portfolio level. So at the
3 investment level, as we're doing our initial due
4 diligence, it's a very conservative, I would say,
5 underwriting lens to make sure that we understand the
6 risks that are involved in the particular investment
7 opportunity. And, I mean, that has to do with leverage
8 for sure with partner selection, avoiding deals that have
9 binary risks. Leverage is a key one as Martin was just
10 talking about.

11 But then at the portfolio level, it's certainly
12 diversification by geography, by property type, by
13 manager, by number of positions, but it's also the pacing
14 of those investments. It's a balance of income and
15 appreciation. And it's actively, you know, portfolio
16 managing our positions and then thinking about FX, you
17 know, for the -- for the X-U.S. dollar investments as
18 well.

19 CHAIRPERSON MILLER: Okay. Final question. How
20 do you define sustainable investing for private assets and
21 how would you advise the Board on these topics?

22 MS. FINNERAN: So sustainability is something
23 that Townsend has started to incorporate throughout its
24 investment process. And it's something that we've advise
25 all of our clients on as customized needed basis. So in

1 terms of sustainability, there are a couple of different
2 ways to view it. In the -- in the world of ESG so to
3 speak, oftentimes in real estate, E is the most important,
4 just because it's that green carbon emitter that we want
5 to focus on.

6 So there are a couple of different lenses that we
7 take to advise on individual investments, and that is the
8 approach that we would take as clients when incorporating
9 it into their investment portfolios. So throughout the
10 fund or investment vehicle underwriting process, we
11 evaluate both the manager and the individual investments
12 on a detailed questionnaire that we can then incorporate
13 into our recommendations as requested.

14 CHAIRPERSON MILLER: Okay. Well, our time has
15 run out and so I thank you Townsend. This concludes your
16 interview. I'd like to thank the representatives from
17 Townsend for their time today and ask them to please leave
18 the auditorium.

19 The Subcommittee will then begin deliberations
20 and scoring for the real estate Board consultant. Once a
21 consensus is reached, the Subcommittee will have staff add
22 the interview scores to the fee proposal scores and we'll
23 invite all firms back into the auditorium for the finalist
24 selection.

25 MR. ROSENBERG: Thank you very much.

1 MR. SCHAEFER: Thanks.

2 MS. FINNERAN: Thank you for your time.

3 (Townsend exited the auditorium.)

4 CHAIRPERSON MILLER: Okay. And we'll take what
5 five minutes?

6 SUBCOMMITTEE MEMBER TAYLOR: Yeah.

7 CHAIRPERSON MILLER: Yeah, and we'll take a
8 five-minute break and then we'll return to do our
9 collaboration.

10 (Off record: 2:44 p.m.)

11 (Thereupon a recess was taken.)

12 (On record: 2:52 p.m.)

13 CHAIRPERSON MILLER: Okay. We'll begin back up
14 now with our deliberations. And okay, who would like to
15 go first this time or shall I?

16 SUBCOMMITTEE MEMBER MIDDLETON: I've not been
17 called on first, so I'll do it.

18 CHAIRPERSON MILLER: Okay.

19 There we go.

20 SUBCOMMITTEE MEMBER MIDDLETON: All right. So
21 this was not one of the easy ones for me. But I came away
22 extremely impressed with RCLCO. I really appreciated
23 their -- the manner in which they made their presentation
24 and the focus on real estate. I gave them a score of 680.
25 Meketa I thought did a really good job of presenting what

1 they have done and I feel very confident with Meketa.
2 Just strictly on the quality of what we heard today, I
3 thought RCLCO was slightly stronger and I gave Meketa a
4 cower of 660. Townsend was a struggle for me at times and
5 ultimately I just didn't come away convinced that they
6 were an organization that would be able to work
7 effectively with everyone and I gave them a score of 419.

8 CHAIRPERSON MILLER: Okay. Let me make sure I
9 got that down, 419. And what was your score for Meketa
10 again?

11 SUBCOMMITTEE MEMBER MIDDLETON: So 680 for RCLCO,
12 660 for Meketa, 419 for Townsend.

13 CHAIRPERSON MILLER: Okay. I'll jump in. I also
14 agreed that I didn't think Townsend really even answered
15 the questions to my satisfaction in a couple case, so I
16 had them at a 450. On the other hand, I really was not as
17 impressed with RCLCO. I thought they were good. I do
18 like that they're exclusively a real estate focused firm.
19 But overall, I put them at a 550. And I continue to be
20 impressed as well with Meketa. I thought they did a very
21 creditable job in answering our questions and
22 demonstrating that they really understood our organization
23 we were seeking from this -- for this contract and I had
24 them at a 650.

25 Okay. Let's see, Theresa.

1 SUBCOMMITTEE MEMBER TAYLOR: Yeah. So I'm going
2 to go in order of the presentation. I had Meketa -- I
3 thought they were very strong. Having told us what
4 they've have done, but also what they -- how they -- how
5 their strategy is moving forward with us.

6 I have them at 670. I wasn't as impressed with
7 RCL Company. I feel like they whiffed a question. I'm
8 looking for it right now. I had whiffed, but I can't find
9 it. But anyway, I have them at 500 and Townsend Group was
10 worse. They just -- like Mr. Miller said, they didn't
11 seem to answer the questions asked. I had them at 485.

12 CHAIRPERSON MILLER: Okay.

13 Jose Luis.

14 SUBCOMMITTEE MEMBER PACHECO: I would -- yes. I
15 would concur with my colleagues. With RCLCO, it was -- I
16 gave it a 580. With Meketa, it was 670. And with the
17 Townsend group, it was 450.

18 CHAIRPERSON MILLER: Okay. Mr. Ruffino.

19 ACTING SUBCOMMITTEE MEMBER RUFFINO: Okay. So
20 I'm going to dive in. I concur with some of the comments.
21 RCLCO, I give them a 600. Meketa, I give them a 660. And
22 Townsend, I give them a 500.

23 SUBCOMMITTEE MEMBER MIDDLETON: If I could.

24 CHAIRPERSON MILLER: Your mic.

25 There we go.

1 SUBCOMMITTEE MEMBER MIDDLETON: All of us have
2 rated Townsend as very low. The -- I think they did not
3 qualify.

4 SUBCOMMITTEE MEMBER TAYLOR: I agree.

5 SUBCOMMITTEE MEMBER MIDDLETON: And the score
6 that is not qualifying is 419. And I think we should --

7 SUBCOMMITTEE MEMBER TAYLOR: Lower our thing --

8 SUBCOMMITTEE MEMBER MIDDLETON: -- seriously
9 consider that 419 score as disqualifying. And I was
10 personally -- I'm the exception and I thought RCLCO did a
11 good job, but I concur completely with Meketa's score.

12 SUBCOMMITTEE MEMBER TAYLOR: So I'm a little
13 confused.

14 SUBCOMMITTEE MEMBER MIDDLETON: And I can -- I
15 can change.

16 SUBCOMMITTEE MEMBER TAYLOR: Is that 419 overall
17 including what they were already awarded?

18 SUBCOMMITTEE MEMBER MIDDLETON: 419 for their
19 interview.

20 SUBCOMMITTEE MEMBER TAYLOR: For their interview
21 only, okay.

22 ACTING SUBCOMMITTEE MEMBER RUFFINO: Mr. Chair, I
23 think I'm the only one who --

24 SUBCOMMITTEE MEMBER TAYLOR: You gave them the
25 highest. I gave them 485.

1 ACTING SUBCOMMITTEE MEMBER RUFFINO: I think I'm
2 the only one that give them 500. I concur with the
3 previous comment. I would be willing to correct -- not
4 correct, but change mine to 419.

5 SUBCOMMITTEE MEMBER TAYLOR: I can change mine to
6 419. I mean, they need to go back and get a little more
7 experience.

8 CHAIRPERSON MILLER: We're not doing a
9 mathematical, so if we feel --

10 SUBCOMMITTEE MEMBER TAYLOR: Oh, yeah. That's
11 fine.

12 CHAIRPERSON MILLER: -- a representative score
13 for them would be a 419, then --

14 SUBCOMMITTEE MEMBER TAYLOR: That's fine.

15 CHAIRPERSON MILLER: -- that's what I'll propose.

16 Okay. And -- okay. And -- yeah, and we were
17 consistently all well above 650 -- 650 or above for
18 Meketa. And it looks like --

19 SUBCOMMITTEE MEMBER TAYLOR: We're kind of all
20 over the map of RCL.

21 CHAIRPERSON MILLER: -- 670-ish is about right.
22 And we were ranged from 500 to 680 for RCLCO with most of
23 us being in the 500.

24 SUBCOMMITTEE MEMBER MIDDLETON: I can easily drop
25 down to 500 -- 550, 560 for RCLCO.

1 SUBCOMMITTEE MEMBER TAYLOR: I can move mine up.
2 Whatever you guys -- if you want to get to 580.

3 CHAIRPERSON MILLER: It's 560.

4 SUBCOMMITTEE MEMBER PACHECO: I was 580.

5 CHAIRPERSON MILLER: Okay. So we'll say 580.

6 DEPUTY EXECUTIVE OFFICER PACHECO: Yeah.

7 SUBCOMMITTEE MEMBER PACHECO: I think is 580 is
8 good.

9 SUBCOMMITTEE MEMBER TAYLOR: That's a break even
10 point.

11 CHAIRPERSON MILLER: So I'll make a motion then
12 that we establish the final scores as 419 for Townsend,
13 580 for RCLCO, and 670 for Meketa.

14 SUBCOMMITTEE MEMBER PACHECO: I'll second.

15 CHAIRPERSON MILLER: Seconded by -- any further
16 discussion?

17 Okay. I'll call for the question.

18 All in favor?

19 (Ayes.)

20 CHAIRPERSON MILLER: Okay. Hearing all ayes,
21 it's unanimous. That motion passes.

22 And I will ask staff to complete calculating the
23 total scores and we'll standby while staff does that.

24 INVESTMENT MANAGER SISON: Thank you, Mr. Chair.
25 I will now read the interview scores for each finalist in

1 the real estate category in alphabetical order.

2 Meketa received 670 points for their interview
3 score. RCLCO received 580 points for their interview
4 score. Townsend received 419 for their interview score.
5 Combined with their preliminary total score, Meketa
6 received a total score 781 points. RCLCO received a total
7 score of 687 points. Townsend received a total score of
8 6 -- sorry, 769 points. And Mr. Chair, the finalist with
9 the highest total score is Meketa.

10 CHAIRPERSON MILLER: Okay. So staff has
11 completed calculating total scores as you've heard. I
12 thank Heather Sison for that report out of that. And I
13 will now entertain a motion to award the real estate
14 investment consultant contract.

15 SUBCOMMITTEE MEMBER TAYLOR: So moved.

16 SUBCOMMITTEE MEMBER PACHECO: Second.

17 CHAIRPERSON MILLER: And that would be to the
18 highest scoring, which was Meketa with 781 total points.

19 So all in favor?

20 (Ayes.)

21 CHAIRPERSON MILLER: Unanimous. So the motion
22 passes. So congratulations to Meketa.

23 I remind all members of the Committee and the
24 finalists of the restricted contact policy under
25 Government Code section 20153. And we will now proceed to

1 the private debt investment consultant interview.

2 So I would like to --

3 SUBCOMMITTEE MEMBER TAYLOR: Doesn't Meketa stay?

4 CHAIRPERSON MILLER: -- welcome Meketa back to
5 the interview process for the private debt interview.

6 SUBCOMMITTEE MEMBER TAYLOR: So do we need to go
7 back out and get Meketa. We just left -- we just let them
8 leave.

9 CHAIRPERSON MILLER: They'll be back.

10 SUBCOMMITTEE MEMBER TAYLOR: Okay.

11 CHAIRPERSON MILLER: I think they might have
12 seen -- they might have thought we were going to take
13 another break.

14 SUBCOMMITTEE MEMBER TAYLOR: That's hilarious. I
15 mean, yeah, they're the first up, so...

16 (Discussion off the record).

17 (Thereupon a slide presentation).

18 CHAIRPERSON MILLER: Okay. I would like to
19 welcome Meketa back to the interview process for the
20 private debt interview.

21 (Meketa entered the auditorium).

22 CHAIRPERSON MILLER: And there they are.

23 Okay. I welcome Meketa back to the interview
24 process for the private debt interview. You'll have 10
25 minutes to please -- when you start your presentation, and

1 staff will begin the clock when you begin to speak.

2 MR. McCOURT: Thank you. We should be old pros
3 at this by now in this -- at this stage of the day. Thank
4 you for inviting us to present to you today for the
5 private debt consulting mandate. Very much appreciate it.

6 We believe Meketa is the strongest private debt
7 consultant for CalPERS because, first of all, we have a
8 long established relationship with CalPERS across the
9 private market asset classes and have significant
10 experience and a deep team working with clients,
11 specifically to develop new private debt programs.

12 Two, we take a comprehensive view of private debt
13 that embraces collateral diversification and downside
14 protection, which you'll hear more about.

15 Three, we benefit from being a private debt
16 specialist within a broader firm. More so than other
17 private market asset classes, private credit shares
18 commonalities across private equity, real estate, and
19 infrastructure.

20 Our work across these areas will benefit CalPERS
21 tremendously.

22 MS. BATES: Meketa has.

23 CHAIRPERSON MILLER: Mic.

24 --o0o--

25 MS. BATES: Thank you. Meketa has one of the

1 most extensive and robust private credit practice areas
2 among our peers. We've been advising clients on their
3 private credit commitments and policies since before the
4 Global Financial Crisis. By way of introduction, my name
5 is Mary Bates, and I lead Meketa's private credit
6 practice. I began my career over 20 years ago and have
7 advised institutions on private credit since the GFC,
8 including the United States Treasury as part of the team
9 advising the polic -- on policy and manager selection for
10 the Public-Private Investment Program, better known as
11 PPIP under the Troubled Asset Relief Program, better known
12 as the TARP Program.

13 I'm joined today by my colleague Amy Hsiang. Amy
14 also has over 20 years of investment experience having
15 worked a PIMCO and JP Morgan. And prior to joining
16 Meketa, she led RVK's private credit practice area.

17 Amy and I are both members of our 11-person
18 private credit team and we leverage the broader resources
19 of Meketa's 50-plus person private markets team. Our
20 private credit team has worked with multiple public
21 pension plans to develop private credit programs from
22 drafting investment policy statements, developing
23 strategic target allocations, completing pacing models,
24 educating trustees, as well as engaging in all aspects of
25 program implementation.

1 On the next page --

2 --o0o--

3 MS. BATES: -- we outline Meketa's approach to
4 private credit aligns with our understanding of CalPERS
5 philosophical approach to private credit, which centers
6 around downside protection. Our approach is driven by the
7 following core beliefs.

8 One, that is private credit is credit, which is
9 another way to say that loss avoidance and downside
10 protection is paramount.

11 Two, diversification across different collateral
12 types, meaning corporate credit, mortgage credit, consumer
13 credit is one of the key ways to mitigate risk and is core
14 to Meketa's differentiated approach to private credit.

15 Number three, in terms of policy development, we
16 strongly believe that one should not overcomplicate
17 things.

18 Four, as CalPERS states in its Investment
19 Beliefs, costs matter. We agree. It's important to
20 appreciate that costs go far beyond understanding the GP's
21 management fee and incentive fee.

22 And number five, ESG matters. ESG and
23 sustainability is core to our underwrite -- underwriting
24 process. And many of our clients similarly prioritize ESG
25 and sustainability. And we support industry efforts to

1 get harmonized decision-making useful ESG data, such as
2 Scope 1, 2 and 3 carbon emissions and green revenue share.

3 MS. HSIANG: Meketa believes the main appeal of
4 the private credit asset class is returns, resilience, and
5 diversification. We believe the private credit universe
6 is a diverse mosaic. The premise is straightforward.
7 Complexity arises when considering the plethora of
8 different strategies across many dimensions, geography,
9 sector, seniority, collateral type, structure, and tenure.
10 We organize the private credit universe into four main
11 strategy types, which act as the building block for an
12 allocator with a broader portfolio.

13 Next slide, please.

14 --o0o--

15 MS. HSIANG: Meketa's experience with CalPERS
16 private equity, real estate, and infrastructure programs
17 provides significant advantage to CalPERS and for us
18 serving as your private credit consultant.

19 First, we understand CalPERS is as an
20 institution, its goals, expectations, and aspirations.
21 Second, we understand the opportunities and challenges for
22 CalPERS in the private markets, the value of long-term
23 capital, and the challenge of deploying at scale.
24 Finally, we are aligned with CalPERS perspective on the
25 importance of sustainability in the private markets. We

1 believe a single consulting relationship across all your
2 private market asset classes will ensure consistency, for
3 CalPERS, and policy language, and delegated authority.

4 Next slide, please.

5 --o0o--

6 MS. HSIANG: Meketa has worked closely with many
7 clients on building a private credit investment model that
8 reflects clear best practices among large asset owners
9 designed to generate strong investment returns through
10 diversification, manager and strategy selection,
11 investment flexibility, and economies of scale. We
12 proactively work with these clients on three things,
13 identifying and advocate for best practices, focus on
14 collateral and vintage year diversification as this is
15 paramount in this asset class, and take advantage of cross
16 asset class opportunities where CalPERS one-fund culture
17 allows for investment opportunities that straddle several
18 asset classes.

19 Next slide, please.

20 --o0o--

21 MS. BATES: We would like to take a few minutes
22 to share some thoughts on some of the key challenges and
23 opportunities for CalPERS to consider as it continues to
24 build out its private credit program. Perhaps the most
25 important challenge ties to the higher interest rate and

1 inflationary environment. Private credit, as an
2 institutional asset class, came out of the Global
3 Financial Crisis, first, focusing on credit opportunity
4 funds and then transitioning to direct lending to capture
5 the higher yields in a low interest rate environment.

6 Today, the industry is pivoting to what private
7 credit looks like in a higher rate environment and is
8 addressing the question in terms of real rates. Part of
9 that answer in our perspective ties to embracing a broader
10 approach to collateral to the asset class, complementing
11 middle market direct lending and other corporate credit
12 based strategies with asset based strategies that are
13 backed by hard and soft collateral. CalPERS is in a
14 unique position afforded by its scale, including the
15 ability to be a strategic capital provider similar to what
16 some of the Canadian pension plans have done.

17 --o0o--

18 MR. McCOURT: So why is -- so why is Meketa the
19 right partner for you in addressing these challenges and
20 opportunities?

21 First, Meketa as an organization is fully aligned
22 with CalPERS. We have no proprietary products or other
23 business ventures that distract us from serving you.

24 Second, we understand the important role that the
25 private market asset classes play within the CalPERS

1 investment strategy. And we've been able to successfully
2 guide three other large private market asset classes for
3 you.

4 Finally, Meketa will help CalPERS build on the
5 one-fund approach helping CalPERS take advantages of its
6 scale across asset classes.

7 --o0o--

8 MR. McCOURT: In closing, on behalf of our
9 private credit team today and all those back in our
10 offices, we want to sincerely thank you for the
11 opportunity to present our services to you. As you know,
12 CalPERS is a very important client for Meketa Investment
13 Group and we'd love the opportunity to expand our
14 relationship into the private debt asset class.

15 Thank you.

16 CHAIRPERSON MILLER: Okay. Thank you. We will
17 now proceed to the 10-minute question and answer segment
18 of the interview. Meketa, you will have a total of six
19 questions, so please plan your time accordingly. And
20 staff will please start the clock for 10 minutes when the
21 first question is asked.

22 And I will ask the first question now. How do
23 you balance the need to be the Board's consultant with the
24 need to have a positive and collaborative working
25 relationship with CalPERS management?

1 MS. BATES: Steve is going to address that
2 question for us.

3 MR. McCOURT: Great. Thank you, Mary.

4 We've been working with CalPERS for a long time
5 and I think have found a strong balance and approach to
6 serving the Board as your advisor and fiduciary for the
7 plan. But in doing so, our highest value to you is being
8 able to have a relationship with your staff that is
9 productive, transparent at all times. And from our
10 perspective, that relationship is hard earned over time
11 through communication, trust, and confidence mutually.
12 And that's been our experience with your staff.

13 SUBCOMMITTEE MEMBER TAYLOR: Still writing.
14 Thank you very much.

15 Describe how your firm would assist the Board in
16 meeting CalPERS strategic objectives and our
17 responsibilities as fiduciaries.

18 MS. BATES: Great. Steve is going to address
19 that question for us as well.

20 SUBCOMMITTEE MEMBER TAYLOR: Thank you.

21 MR. McCOURT: I should know the answers by now.

22 SUBCOMMITTEE MEMBER TAYLOR: They're the same
23 questions.

24 MR. McCOURT: I've noticed.

25 The -- from your perspective, the Board has two

1 really critical roles, investment roles with CalPERS. One
2 is developing strategic objectives, which is an active
3 role that the Board takes in developing asset allocation
4 policy and other broad policies that guide the long-term
5 investment success of the CalPERS investment program.

6 Meketa Investment Group is expert at providing
7 boards like yours with high level advice on asset
8 allocation, and risk, and other considerations in the
9 investment markets and capital markets broadly that should
10 be considered when developing policy. It's core to what
11 we do as an organization.

12 The second part of that question relates to how
13 we can assist you with your fiduciary responsibility. And
14 I think that's a more interesting element, since our role
15 specific to CalPERS as a Board consultant is largely built
16 around fiduciary responsibility itself.

17 We are fiduciaries. The Board has in its powers
18 delegated investment authority for many things to your
19 investment team. You as fiduciaries are responsible for
20 monitoring all the investment activity that you've
21 delegated to your investment team and our job is to help
22 you do that. So we help you do that by being in strong
23 communication and frequent communication with your staff
24 on important investment activity, evaluating staff's
25 actions across various asset classes, and importantly

1 reporting activity and policy back to you as a Board. And
2 as you've seen in our other asset classes, we have a
3 strong ability and experience in doing that.

4 SUBCOMMITTEE MEMBER TAYLOR: Thank you.

5 ACTING SUBCOMMITTEE MEMBER RUFFINO: Okay. Next.
6 What is your view of the role of the private asset Board
7 investment consultant and what qualifies you to fulfill
8 this role and the associated duties?

9 MS. BATES: Sure. I will -- although, I can't
10 master the mic, hopefully I know a little bit more about
11 credit. So as it relates to our capabilities, I think the
12 proof statement is probably best illustrated in terms of
13 the clients that we -- that we with, and those they can --
14 they can speak to our acumen in terms of building out
15 clients. So we're proud to serve the New Mexico State
16 Investment Council, who's one of the largest allocators in
17 private credit in the industry. We're proud to have
18 advised CalSTRS on some commitments. We're proud to work
19 with Orange County, the Illinois State Investment Board.

20 So we did well over \$2 billion, close to \$3
21 billion of commitments last year and worked with a number
22 of clients to build out their private credit -- their
23 private credit programs in terms of investment policy
24 statements, strategic allocations, pacing models, as well
25 as -- as well as manager selection.

1 MR. McCOURT: And just building on that, we, I
2 think, are in a unique position to marry that fundamental
3 strength and knowledge as an advisor in the private credit
4 area with experience working with the U.S. Investment
5 Committee in managing policy changes, delegated authority,
6 and reporting.

7 ACTING SUBCOMMITTEE MEMBER RUFFINO: Thank you.

8 SUBCOMMITTEE MEMBER MIDDLETON: All right. Thank
9 you. Next question. Would having the Board consultants
10 make specific investment recommendations within staff's
11 delegation result in conflicts of interest with the role
12 of providing independent oversight?

13 MS. BATES: Steve is going to address that
14 question for us.

15 MR. McCOURT: I'm getting all the hard ones.

16 (Laughter).

17 MR. McCOURT: As I've -- as I've noted before,
18 most of the clients that Meketa works for, Meketa provides
19 advice to boards and is involved in providing due
20 diligence underwriting for staff and for staff
21 recommendations to the Board. Meketa's business is set up
22 in a way -- in a way that we are clear fiduciaries for the
23 clients that we serve. And we don't have any natural
24 conflicts in working with institutional clients to
25 evaluate investment strategies.

1 CalPERS particularly has had a Governance Policy
2 for roughly the last 15 years that separates the role of
3 the Board consultant from the role of consultants that
4 work for staff. The rationale for that is it more crisply
5 aligns the focus of the Board consultant, which we've
6 served as to serving you and not being beholden to your
7 investment team. So I think there's merit behind the
8 structure that CalPERS has built over time. And we and
9 CalPERS have been able to operate effectively over that
10 time frame. So long answer, but we can do that. We do do
11 that. But the current CalPERS operating governance
12 structure does not contemplate that.

13 SUBCOMMITTEE MEMBER PACHECO: Number five, how do
14 you determine how much risk CalPERS should take with
15 respect to a private asset program? What is your opinion
16 of the risk classification outlined in the current program
17 policy document?

18 MS. BATES: I'll take that question. As it
19 relates to how much risk you want to take, it does tie
20 back to the role that private credit will play within
21 your -- within your program. Private credit I think is
22 uniquely positioned. You see strategies that are
23 targeting high single digits to those that are more akin
24 to private equity in terms of -- in terms of their
25 target -- targeted IRR and multiple. Also, it ties to

1 your time horizon. Obviously, as a long-term investor,
2 that's one of your key benefits. Things that we think
3 about while taking into the -- taking into the management
4 of the risk of private credit comes back to something
5 we've referenced multiple times, which is collateral
6 diversification.

7 More often than not, you know, many programs are
8 highly skewed towards corporate collateral. They have a
9 lot of exposure to private equity risk, in terms of tying
10 to -- tying to direct lending. All of that is attractive,
11 particularly in this environment, but the breadth of the
12 opportunity set is much broader than that. And so how we
13 think about credit is really embracing collateral
14 diversification, so complementing corporate collateral
15 with exposure to the consumer, with exposure to hard
16 assets, with exposure to asset-based strategies.

17 We also think in terms of Vintage year
18 diversification. We're always cognizant of the capital
19 structure and having seniority. So with that, I think --
20 hopefully that addresses your question.

21 CHAIRPERSON MILLER: Okay. And in the final
22 seconds, how do you define sustainable investing for
23 private assets and how would you advise the Board on these
24 topics?

25 MS. HSIANG: We actually do work very closely

1 with our clients on sustainable investing within the
2 private marketplace. So in that particular area, I would
3 say our clients would drive a lot of that and we would
4 complement them. On manager research, we definitely focus
5 on ESG rating and sustainable investing. And depending on
6 the type of collateral, that's how we'd look at it.

7 CHAIRPERSON MILLER: Okay.

8 MS. HSIANG: And we conclude in 10 minutes.

9 (Laughter).

10 CHAIRPERSON MILLER: Very good.

11 MS. HSIANG: Sorry. I had to rush at the end.

12 (Laughter).

13 CHAIRPERSON MILLER: Okay. Well, our time
14 together has expired for this portion. So Meketa, this
15 concludes your interview. And I would like to thank the
16 representatives from Meketa for their time today and ask
17 them to please leave the auditorium and invite Wilshire
18 into the auditorium.

19 MS. BATES: Thank you.

20 MS. HSIANG: Thank you.

21 (Meketa exited the auditorium).

22 (Wilshire entered the auditorium).

23 (Thereupon a slide presentation).

24 CHAIRPERSON MILLER: Okay. I would like to
25 welcome Wilshire back to the interview process. And

1 Wilshire, you will have 10 minutes. After you start your
2 presentation, staff will start the clock for the 10
3 minutes when Wilshire staff begins to speak. So at your
4 pleasure.

5 MR. TOTH: Fantastic. Thank you very much. I
6 know this has been a long day and I appreciate all of the
7 attention and the questions.

8 You know, Wilshire has been involved in the
9 governance of CalPERS private debt activity since before
10 the private debt portfolio was formally incepted. As the
11 Committee members will recall, the initial foray into
12 private debt was part of the opportunistic strategies
13 portfolio, which fell under Wilshire's general consulting
14 mandate

15 --o0o--

16 MR. TOTH: You know, as such we helped design the
17 governance around the portfolio construction process,
18 leading to the incorporation of the specific policy
19 parameters into the total fund after the last asset
20 liability management cycle.

21 I'm pleased to report that the performance of the
22 private debt investments have both meaningfully outpaced
23 the benchmark and the asset classes assumptions utilized
24 during the ALM process. So in short, the portfolio has
25 met its strategic goal, as well as its active

1 implementation as compared to its benchmark.

2 So with that, let me turn it over to our private
3 asset experts and we can dive into some more detail.

4 MR. FRIEDBERG: Great. Thanks, Tom.

5 Good afternoon. Before we start, I'd like to
6 ensure that our investment capabilities are much stronger
7 than our presentation skills.

8 But in all seriousness, while we were presenting
9 the same platform and similar capabilities, importantly as
10 Tom mention, we've been in the role as your current
11 private debt advisor. And Wilshire has been involved on
12 the initial and ongoing development of the portfolio,
13 which we believe is off to a nice and healthy start. You
14 know, when I started at Wilshire in 1999, private debt was
15 rarely included as a distinct strategy. And when it was,
16 it was typically distressed or special situation
17 strategies as part of the PE portfolio. These were often
18 geared towards higher return strategies, which also
19 carried higher risk.

20 Private debt has been one of the fastest growing
21 segments of the market in institutional portfolios over
22 the past who decades. The breadth and depth of strategies
23 to consider has expanded considerably. Think of this.
24 You can create two distinct portfolios called private debt
25 for two plans with similar objectives that have vastly

1 different risk and return characteristics.

2 --o0o--

3 MR. FRIEDBERG: As you can see from our track
4 record, we have been active in this space for over 20
5 years. Our track record actually predates the leverage
6 loan index we use to track it. In more recent years, as
7 our clients have shifted to including private debt as a
8 designated asset class, we have been on the forefront in
9 helping them define what that should look like for them,
10 and understand how it is positioned relative to the
11 broader market.

12 --o0o--

13 MR. FRIEDBERG: In terms of the performance, just
14 as CalPERS outlines their Investment Beliefs, we use these
15 three measures really to outline our philosophy and our
16 approach to the private markets. We talked a little bit
17 about this earlier, but when you think about it in terms
18 of private debt, the dispersion of returns is pretty
19 significant relative to both the strategy as well as the
20 different types of implementation that you could utilize.

21 We believe in utilizing and investing in
22 inefficient markets, so those are oftentimes in areas
23 where there are distressed assets, emerging strategies,
24 smaller companies, and scarcity of capital. This is
25 actually consistent with kind of the birthplace of where

1 it initiated in your portfolio in that opportunistic
2 portfolio.

3 We believe in differentiating investment, as well
4 as, and most importantly as managing that portfolio risk,
5 understanding that diversification, the consistent thesis,
6 and the manager alignment, and really how that also blends
7 into your portfolio. I think in no other space within the
8 portfolio, is it as important to really understand the
9 link between what you're doing on the credit side -- on
10 the public credit side as well as the private credit side.

11 So with that, I'm actually going to turn it over
12 to bill to discuss it a little bit more on our process and
13 how we do it.

14 --o0o--

15 MR. BRACAMONTES: Yeah, thanks Marc. And I think
16 that that strategy that Marc talked about focused on
17 differentiation and active managers. It is actually
18 really timely and relevant for the private debt market.
19 And as Marc kind of alluded to, the private debt market is
20 still pretty young. There were the distressed debt
21 strategies and firms out there that go back, you know, 20
22 plus years. But really a lot of the direct lending firms
23 didn't get started till 2010, right?

24 And we're at the point in the market cycle where
25 we're starting to see some pretty interesting specialized

1 and differentiated managers. And we call that group of
2 strategies and firms alternative yield. And so this is
3 just a quick snapshot of how we view the private debt
4 landscape. You have your direct lending funds that are
5 simply lending to a lot of different types of companies,
6 right? Most of them are private equity backed, and that's
7 where the CalPERS portfolio has focused to date as we've
8 kind of started to build out that part of the portfolio.

9 You have those distressed debt players that think
10 of that as firms that invest in credit, where companies
11 are under a little stress, or distressed. And then you
12 have this opportunistic category that honestly is pretty
13 broad and wide, and there's a lot of things in there.

14 But like I said, we've been spending a lot of
15 time on this alternative yield part of the market, which
16 think of it as just specialized credit strategies. So a
17 perfect example of that actually is in the CalPERS
18 portfolio today. It's -- if you folks recall, there's an
19 investment alongside Ares in a sports, media, and
20 entertainment fund. And that's pretty specific for
21 credit. And that's something we would broadly categorize
22 as alternative yield. We think there's some really
23 interesting risk-return profiles in this space. And like
24 I said, we're spending a lot of time here.

25 And so what's the takeaway on this page? The

1 takeaway is we're in these markets on a day to day basis.
2 We know these markets well. We actually think our
3 perspective with respect to alternative yield is a bit of
4 a unique approach. And we think that with that
5 foundation, we can continue to help the Board, and staff,
6 and CalPERS build the private debt portfolio.

7 --o0o--

8 MR. BRACAMONTES: The next page I won't elaborate
9 on too much. It's similar to what we talked about earlier
10 on the private equity session. But I will just reiterate
11 that all the portfolio construction capabilities, and
12 governance structure, and experience that we have
13 certainly applies to the Private Debt Program. And to
14 date, we've helped staff and the Board think through some
15 of the policy-related procedures, some of the parameters
16 around the portfolio. And we'll obviously continue to do
17 so, if we were so fortunate to move forward with the
18 contract.

19 --o0o--

20 MR. BRACAMONTES: I will turn it over to Maddy
21 and she can talk a little bit about operations and
22 performance reporting.

23 MS. OSADJAN: Thanks, Bill. So this slide may
24 look familiar from earlier, but just to kind of recap,
25 here are all the resources that we have available to

1 CalPERS to the extent that it may be helpful for you,
2 including a centralized database, ODD, and performance
3 measurement and attribution.

4 A perfect example of our capabilities, we've
5 almost completed an independent review of the private debt
6 portfolios cash flows, which gives us a deeper level of
7 granularity and insight into the portfolio performance,
8 and provides a numbers check for risk mitigation purposes.

9 So with that, I'll turn it back to Marc.

10 --o0o--

11 MR. FRIEDBERG: Yeah, kind of expanding a little
12 bit on what Maddy had mentioned in terms of the
13 performance measurement. You know, in the private debt
14 portfolio, we did independently go out to all of your
15 underlying private credit and private debt managers. We
16 get those reports and cash flows independently. We
17 basically establish a performance report that we're
18 looking at internally to do that type of attribution, and
19 really what we think is a deeper granular check, and later
20 on kind of reconciling with that with the performance. It
21 doesn't change what you're utilizing as the performance of
22 record in terms of the custodial statement, but it really
23 gives us what we think is better granularity in that
24 reporting and we think you'll find that to be the case as
25 well.

1 --o0o--

2 MR. FRIEDBERG: In closing, I think, you know, we
3 mentioned this before, we do think that we offer one of
4 the best-in-class solutions across the private credit
5 space. We've been at the forefront, whether it's kind of
6 the sourcing and opinion letters on what you're doing for
7 due diligence, our own portfolio management expertise and
8 construction and risk management capabilities, the
9 services that we do as well as the market themes and
10 segments.

11 But with that, I think we'd be fortunate to
12 retain the business as your private debt advisor, and we
13 would open it up to any questions.

14 CHAIRPERSON MILLER: Okay. Well, with that,
15 we'll now proceed to the 10-minute question and answer
16 segment of the interview. And Wilshire you'll have a
17 total of six questions, so please plan your time
18 accordingly. And staff will please to start the clock for
19 10 minutes when the first question is asked.

20 And I will now ask the first question.

21 How do you balance the need to be the Board's
22 independent consultant with the need to have a positive
23 and collaborative working relationship with CalPERS
24 management?

25 MR. FRIEDBERG: Maybe I could expand on this from

1 what we talked about earlier. We do think it's really
2 important to maintain a trusting and respectful
3 relationship with staff and really be on the same page. I
4 think, you know, viewing it as we're really on the same
5 team is building that portfolio, oftentimes as really an
6 extension of staff in utilizing the additional
7 capabilities that Wilshire has to bear in terms of what
8 we're bringing to the table. But in the end, we are the
9 advisor to the Board. So kind of understanding that
10 relationship of us being kind of the eyes and ears, we try
11 to ensure that that works really well off -- just through
12 transparency. Really showing what we're doing from a
13 capability standpoint when we're getting to that final
14 result and final recommendation, really trying to make
15 sure that we're all on the same page.

16 And it's a two-way street. It's not just us
17 telling them what we think and us being the expert, but
18 oftentimes we find that staff has much to offer us as
19 well. And utilizing kind of their input in what we're
20 doing oftentimes leads to a -- to a better result than if
21 we each did it individually.

22 MR. TOTH: And I think the reporting and
23 information check that Maddy and Marc both alluded to
24 allows us to ask very good questions of staff on behalf of
25 the Board. So we are not just taking reports from staff

1 and looking through them and having a discussion, we're
2 independently looking at cash flows, performance, and
3 exposures. And then we can have a very, I think,
4 productive conversation about portfolio construction and
5 positioning in the portfolio. So there's that nice
6 independent check, I think.

7 CHAIRPERSON MILLER: Thank you.

8 Theresa.

9 SUBCOMMITTEE MEMBER TAYLOR: Yep. Sorry. I was
10 taking notes.

11 Describe how your firm would assist the Board in
12 meeting CalPERS' strategic objectives and responsibilities
13 as fiduciaries?

14 MR. FRIEDBERG: How would we help CalPERS meet
15 the strategic objectives? You know, in private credit,
16 it's pretty unique. As I mentioned before, there's a lot
17 of different ways you could structure a private credit
18 portfolio just as you could structure a private equity
19 portfolio. But I would say private credit has a lot more
20 parameters around it. So really understanding the role
21 that it has in the portfolio, understanding your specific
22 strategy needs, and how it interacts with the rest of the
23 portfolio is the starting point. You know, defining those
24 assumptions, working the same way that we do kind of from
25 a top-down standpoint in the broader portfolio down to how

1 that affects the implementation process.

2 I think if you even look at the guidelines that
3 you currently have and the policy targets, it was really
4 meant -- it's specific to CalPERS in terms of it's really
5 a portfolio that's in its -- in its infancy. And as that
6 becomes more developed, those policies and that governance
7 will also shift in terms of that development. And we
8 think that we're pretty uniquely positioned to help you do
9 that.

10 Thank you.

11 ACTING SUBCOMMITTEE MEMBER RUFFINO: Okay. Next.
12 What is your view of the role of the private asset Board
13 investment consultant and what qualifies you to fulfill
14 this role and the associated duties?

15 MR. BRACAMONTES: Yeah, I can take that one. I
16 think the role -- first of all, we acknowledge it is a
17 unique role, but the way I summarize it is that we are the
18 oversight for the Board, right, first and foremost. And
19 oversight would entail a lot of different things and a lot
20 of different factors, right, whether that's helping
21 oversee staff and what they're doing, overseeing the
22 governance, the policies, procedures, and the portfolio,
23 right, portfolio parameters. So I think it's
24 all-encompassing.

25 And I think what we're trying to show in our

1 presentation is that we've been doing this for a long time
2 and we have all the resources that we think would allow us
3 to do so for this specific and unique mandate.

4 ACTING SUBCOMMITTEE MEMBER RUFFINO: Thank you.

5 SUBCOMMITTEE MEMBER MIDDLETON: Thank you. Would
6 having the Board consultants make specific investment
7 recommendations within staff's delegation result in
8 conflicts of interest with the role of providing
9 independent oversight?

10 MR. FRIEDBERG: Yeah, I'll take that. You know,
11 similar to what I mentioned before, you know, given the
12 size and spectrum of CalPERS portfolio, we -- while it
13 might not be a direct conflict, we think that the
14 structure that you have in place works and it separates
15 kind of the distinction between setting strategy and
16 objectives with the actual implementation. I think as
17 long as there's good communication and kind of an
18 understanding, because, you know, in private credit
19 especially, you know, if I say opportunistic or special
20 situations and I'm defining that as a strategy, what we're
21 trying to make sure is that what you're implementing with
22 it actually meets those expectations. And we could do
23 without actually, you know, recommending a specific
24 strategy. You don't want to gear your high level strategy
25 toward a specific manager. And I think this ensures that

1 that doesn't take place. So I think that benefit does
2 make sense. While it's not a conflict, we do think that
3 given the current structure and current governance, that
4 it makes a lot of sense.

5 SUBCOMMITTEE MEMBER PACHECO: Yes. Number five.
6 How do you determine how much risk CalPERS should take
7 with respect to a private asset program and what is in
8 your opinion -- the opinion of the risk classification
9 outlined in the current program policy document?

10 MR. BRACAMONTES: Yeah, that's a good question.
11 You know, first off, I'll say to Tom's point we have been
12 working with the Board and staff to date on some of these
13 risk classifications and just parameters around strategy
14 exposure within the portfolio. And we think that for the
15 program right now they make a lot of sense. I think the
16 thing that we want to keep in mind on some of those tar --
17 targets or more ranges, is that as the program continues
18 to evolve and really buildout, we need to stay on top of
19 those ranges to see if they still make sense, because
20 they're candidly pretty broad right now, because we are
21 still in kind of ramp-up mode.

22 And then just understanding risk, I think that
23 goes back to our being in these markets on a daily basis,
24 right, where we really have the experience and are staying
25 on top of the markets to understand what a -- what kind of

1 risks are in specific strategies, right, whether it's
2 direct lending, opportunistic, or something even in alt
3 yield. And so that's something that definitely we've kept
4 in mind as we've been helping build the program,
5 specifically with opinion letters, right. Double checking
6 to make sure this strategy matches this type of risk in
7 the portfolio.

8 MR. TOTH: And maybe to follow on. Being as
9 intimately involved in the asset liability management
10 study, we know the inputs that go into that total fund
11 project specifically related to private debt. So we have
12 that high level view. And with the, I'll say the granular
13 insight into the private debt portfolio, we make sure that
14 those are aligned with each other.

15 SUBCOMMITTEE MEMBER PACHECO: Thank you.

16 CHAIRPERSON MILLER: Okay. Final question. How
17 do you define sustainable investing for private assets and
18 how would you advise the Board on these topics?

19 MS. GELLHAUS: Thank you. So sustainable
20 investing can mean different things to different
21 investors. And at its core sustainable investing is
22 really about investing for the long term. You know, we
23 understand for CalPERS that you view being a long-term
24 investor as both an advantage and a responsibility.

25 And similarly, sustainable investing can be

1 viewed as augmenting traditional investing with long-term
2 forward-looking views, while considering the impact of
3 investments both from returns perspective, as well as The
4 impact on stakeholders. All of this is done through the
5 lens of risk and opportunities, as well as the structural
6 changes that things like climate change can really have on
7 universal asset owners, such as CalPERS.

8 When it comes to private debt specifically, there
9 are -- there are very -- there are commonalities when it
10 comes to ESG across different asset classes, but there are
11 certain nuances. And, for instance, with private equity,
12 you have more ownership. You have -- or excuse me, you
13 have the ability to effect more change over time, given
14 the direct level of impact. Whereas private debt, the
15 governance piece of it is very important. And starting
16 that from the get-go is of utmost importance.

17 CHAIRPERSON MILLER: Okay. Thank you.

18 At this point, our time has expired, so Wilshire
19 this concludes your interview. I would like to thank the
20 representatives of Wilshire for their time today and ask
21 them to leave the auditorium, please.

22 The Subcommittee will then begin deliberations
23 and scoring for the private debt Board consultant. Once a
24 consensus is reached, the Subcommittee will have staff add
25 the interview scores to the fee proposal score and invite

1 all firms back into the auditorium for the finalist
2 selection.

3 (Wilshire exited the auditorium).

4 CHAIRPERSON MILLER: Okay. We will begin our
5 deliberation. Jose Luis.

6 SUBCOMMITTEE MEMBER PACHECO: Yes, thank you. So
7 this was a -- this was a very good discussion. And I --
8 what I -- where I landed was with Meketa, I came up with
9 670 and with Wilshire I came up with 630.

10 ACTING SUBCOMMITTEE MEMBER RUFFINO: Six what?

11 SUBCOMMITTEE MEMBER PACHECO: 630. So they both
12 were -- both gave excellent presentations and answered the
13 questions very thoroughly.

14 CHAIRPERSON MILLER: Okay.

15 SUBCOMMITTEE MEMBER TAYLOR: Who do you want, me?

16 CHAIRPERSON MILLER: Whoever wants to jump in.

17 SUBCOMMITTEE MEMBER TAYLOR: All right. I'm
18 ready to sleep you guys.

19 CHAIRPERSON MILLER: Not yet. Oh, did it go? It
20 didn't go.

21 SUBCOMMITTEE MEMBER TAYLOR: Okay. Really good
22 discussion. Meketa -- (clears throat) -- excuse me. I
23 felt like Meketa had a lot more energy at this time of
24 day, which I really give kudos to.

25 (Laughter).

1 SUBCOMMITTEE MEMBER TAYLOR: But also -- so I
2 gave them 675. I actually separately numbered, you know,
3 gave them scores added up to that. And I kind of felt
4 like -- I got interviewed once. I answered questions,
5 because I just assumed that I was already working in that
6 position and I would get the job. And that's where I kind
7 of figured Wilshire kind of hurt themselves. I feel like
8 they didn't --

9 CHAIRPERSON MILLER: Um-hmm.

10 SUBCOMMITTEE MEMBER TAYLOR: -- substantially
11 answer like three different questions, and I ended up with
12 a 615 for them.

13 CHAIRPERSON MILLER: Frank.

14 ACTING SUBCOMMITTEE MEMBER RUFFINO: All right.
15 I'll go next. And amazingly, I concur with you guys --
16 with both my two predecessors. They both were excellent,
17 but I believe Meketa was stronger of the two, so I give
18 Meketa a 690 and Wilshire a 600.

19 SUBCOMMITTEE MEMBER MIDDLETON: And I was --

20 THE COURT REPORTER: Mic.

21 SUBCOMMITTEE MEMBER TAYLOR: Your mic.

22 CHAIRPERSON MILLER: It disappeared. Oh, there
23 it is. Okay.

24 SUBCOMMITTEE MEMBER MIDDLETON: Great. Thank
25 you. And I was pretty close to where most of you are. I

1 felt Meketa was much stronger and I gave them a 680. And
2 I was not as impressed with Wilshire this time and gave
3 them a 590.

4 SUBCOMMITTEE MEMBER TAYLOR: Oh, wow.

5 CHAIRPERSON MILLER: Okay. And this might be a
6 question that staff may want to weigh in on, but I'll
7 explain. I was also -- thought Meketa did a very strong,
8 strong job. I gave them a 670. And with Wilshire, kind
9 of like Theresa, a couple of the questions they gave
10 answers that implied I already knew stuff, that either
11 they presented earlier. And I know that their five-minute
12 presentations carried through, but absent them providing
13 the full answer to these questions, I didn't know whether
14 I could take stuff that they'd said earlier and apply it
15 to this, because they glossed over. And particularly, for
16 example, in question five, I thought he didn't even answer
17 the question at all really about -- but I think they
18 assumed, well, you already heard this from us in another
19 context. It just -- so

20 SENIOR ATTORNEY CARLIN: Robert Carlin from the
21 CalPERS Legal Office. So you certainly can consider that
22 as a reason to downgrade the score, if you felt that the
23 answer wasn't satisfactory standing on its own.

24 CHAIRPERSON MILLER: Okay. Thank you. Yeah, so
25 I will stay with my 580 for Wilshire, even though I know

1 they, you know, had answers in their head that they didn't
2 give me.

3 SUBCOMMITTEE MEMBER TAYLOR: It's like a State
4 interview, right? I didn't do that either.

5 CHAIRPERSON MILLER: Yeah, exactly.

6 (Laughter).

7 CHAIRPERSON MILLER: Okay. So I've got a range
8 that -- well, Meketa pretty consistently, you know -- so
9 I'd say they're probably at a 680 is where I'd probably
10 put them, given I've got 680, 670, 690.

11 With Wilshire, we've got a range that's all down
12 in the -- right around 600-ish. So I'm thinking 600-ish
13 looks -- 600 looks about right given we've got a few below
14 600, one at 600 and one above 600. Yeah, we can -- I mean
15 well, I don't know, I like nice round numbers, but -- so
16 does 600 sound okay to everybody as a consensus score
17 for --

18 SUBCOMMITTEE MEMBER TAYLOR: Yeah, that's fine.

19 CHAIRPERSON MILLER: Okay. So we've got
20 consensus on. So we'll do a -- I guess we do a motion.
21 So I will move that we score Meketa a 680 and Wilshire at
22 600.

23 SUBCOMMITTEE MEMBER PACHECO: Second.

24 CHAIRPERSON MILLER: Second by Director Pacheco.
25 I'll call for the question. All in favor?

1 (Ayes.)

2 CHAIRPERSON MILLER: That's unanimous. That
3 motion carries. The ayes have it.

4 So now staff will calculate. And I guess we will
5 bring everybody back once staff has calculated the totals.

6 SENIOR ATTORNEY CARLIN: Mr. Chair.

7 SUBCOMMITTEE MEMBER TAYLOR: Yes.

8 SENIOR ATTORNEY CARLIN: I just wanted to confirm
9 that based on the discussion I was hearing, the outcome
10 looks like it will come out differently than what the
11 discussion impression --

12 CHAIRPERSON MILLER: Oh, well, let's make sure --

13 SENIOR ATTORNEY CARLIN: -- so I wanted to make
14 sure that the numbers were consistent with what you were
15 intending.

16 CHAIRPERSON MILLER: Okay. Let's make sure we're
17 consistent then.

18 SUBCOMMITTEE MEMBER MIDDLETON: We're trying to
19 get to --

20 CHAIRPERSON MILLER: Okay. So --

21 SUBCOMMITTEE MEMBER MIDDLETON: I would suggest
22 Wilshire 590

23 CHAIRPERSON MILLER: Okay.

24 ACTING SUBCOMMITTEE MEMBER RUFFINO: Yeah, that
25 was --

1 CHAIRPERSON MILLER: Okay.

2 SUBCOMMITTEE MEMBER TAYLOR: Okay. Anything over
3 600, is that what --

4 CHAIRPERSON MILLER: Let me -- I will make the
5 new motion or do di amend my -- okay. I'll withdraw my
6 motion. Does my second withdraw?

7 SUBCOMMITTEE MEMBER PACHECO: Yes, sir.

8 CHAIRPERSON MILLER: Okay. So I will make a new
9 motion for scores of Meketa at 680 and Wilshire at 590.
10 And I need a second.

11 SUBCOMMITTEE MEMBER PACHECO: I second.

12 CHAIRPERSON MILLER: Second again by -- any
13 discussion on the matter?

14 Okay. All in favor?

15 (Ayes.)

16 CHAIRPERSON MILLER: Okay. Unanimous. And so
17 we'll go forward with that.

18 SUBCOMMITTEE MEMBER TAYLOR: I just do -- I have
19 a question for staff real quick, if you don't mind.

20 My button's mess up sorry.

21 CHAIRPERSON MILLER: It says you're on.

22 SUBCOMMITTEE MEMBER TAYLOR: Robert, it looks
23 like -- I'm just trying to look at it real quick. So I'm
24 just trying to figure out is -- what we're looking at for
25 private debt looks like it had its numbers just switched

1 by -- am I just -- is it just a different scoring, because
2 it was a different amount? So we've got 268 for Meketa,
3 300 for Wilshire.

4 CHAIRPERSON MILLER: 350.

5 SUBCOMMITTEE MEMBER TAYLOR: 350, I'm sorry. 350
6 for Wilshire for private debt. For -- what is this one?
7 Private equity it's 350, for Wilshire 286. So that's what
8 makes me think there was a -- but maybe not, because it
9 was --

10 SENIOR ATTORNEY CARLIN: Each was calculated
11 based on the particular fees for that segment. That's
12 why.

13 SUBCOMMITTEE MEMBER TAYLOR: Okay. I just want
14 to make sure.

15 SENIOR ATTORNEY CARLIN: Yeah.

16 CHAIRPERSON MILLER: Okay.

17 SUBCOMMITTEE MEMBER TAYLOR: Did we take a vote
18 on that amount?

19 INVESTMENT MANAGER SISON: Thank you, Mr. Chair.
20 I will now read the interview scores for each finalist in
21 the private debt category in alphabetical order. Meketa
22 received 680 points for their interview score. Wilshire
23 received 590 points for their interview score. Combined
24 with their preliminary total scores, Meketa receives a
25 total score of 948 points. Wilshire received a total

1 score of 940 points. Mr. Chair, the finalist with the
2 highest total score is Meketa.

3 CHAIRPERSON MILLER: Great. Thank you, Ms. Sison
4 Now, that we've had those scores announced, I
5 will entertain a motion to award the private debt
6 investment consultant contract to the highest scoring
7 applicant and that was Meketa with 948 points.

8 SUBCOMMITTEE MEMBER PACHECO: I'll move.

9 CHAIRPERSON MILLER: It's moved by Director
10 Pacheco.

11 SUBCOMMITTEE MEMBER TAYLOR: Second.

12 CHAIRPERSON MILLER: Seconded by President
13 Taylor.

14 Any discussion on the matter?

15 Seeing none.

16 I'll call for the question. All in favor?

17 (Ayes.)

18 CHAIRPERSON MILLER: The ayes have it. It's
19 unanimous. Congratulations to Meketa. I remind all
20 members of the Committee and the finalists of the
21 restricted contact policy under Government Code Section
22 20153.

23 And now we'll take a 10 minutes -- 10 minute
24 break. Okay, a 10-minute break and then we will proceed
25 with the infrastructure investment consultant interviews.

1 So that will bring us back at 4:13.

2 ACTING SUBCOMMITTEE MEMBER RUFFINO: Mr. Chair,
3 just a procedural question.

4 CHAIRPERSON MILLER: Yes.

5 Let me get your mic.

6 ACTING SUBCOMMITTEE MEMBER RUFFINO: Since it's
7 only one, do we still need to --

8 CHAIRPERSON MILLER: Mr. Carlin.

9 ACTING SUBCOMMITTEE MEMBER RUFFINO: Yeah. Thank
10 you, Mr. Chair.

11 SENIOR ATTORNEY CARLIN: I'm sorry, what was the
12 question, Mr. Ruffino.

13 ACTING SUBCOMMITTEE MEMBER RUFFINO: Since it's
14 only one, as I understand it, do we -- do we still need to
15 interview?

16 SENIOR ATTORNEY CARLIN: We still need to do the
17 presentation and the questions, I'm afraid.

18 ACTING SUBCOMMITTEE MEMBER RUFFINO: That's what
19 I thought. Thank you, counsel.

20 (Off record: 4:03 p.m.)

21 (Thereupon a recess was taken.)

22 (On record: 4:13 p.m.)

23 (Thereupon a slide presentation).

24 CHAIRPERSON MILLER: Well, we're back from our
25 break. And so we will now proceed to the infrastructure

1 investment consultant interview.

2 At this time, I would like to invite all
3 representatives of Meketa to present for infrastructure.
4 Meketa, you will have 10 minutes. Once you start your
5 presentation and staff will start the clock for 10 minutes
6 when Meketa staff begins to speak.

7 MR. McCOURT: Great. Thank you. I'm not going
8 to repeat for the fifth time all the various ways that we
9 thankful for working with you now and in the future. I'll
10 hand it over to Lisa to start our presentation.

11 MS. BACON: Good afternoon. It's nice to see you
12 all.

13 THE COURT REPORTER: Microphone.

14 MS. BACON: Good afternoon. It's nice to see you
15 all. So Meketa was one of the first U.S. pension
16 consultants to recommend infrastructure as a distinct
17 formal asset class. We've been advising clients
18 continuously since 2006, broadening and deepening our
19 efforts on diligence and research as the class has
20 expanded and evolved. Today, we serve more than 50
21 clients with over \$50 billion in infrastructure
22 allocations. Our infrastructure team of 11 people have
23 over 200 people -- 200 years of experience and are based
24 throughout the U.S. and in London.

25 We work closely with our real estate and natural

1 resources teams to co-advise clients across their real
2 assets portfolios and cover areas of overlap and adjacency
3 such as logistics, social infrastructure renewables, and
4 energy transition. This lets us provide CalPERS with
5 integrated views and opinions on infrastructure within the
6 Real Assets Program and relative to the total fund.

7 --o0o--

8 THE COURT REPORTER: Mic.

9 MS. CHAMBERS: Sorry. We've worked with CalPERS'
10 infrastructure program since the very beginning in terms
11 of supporting the development of the original framework of
12 the program, its vision, and policy. And then aft --
13 thereafter helping and working with staff on due
14 diligence. And since 2017, serving as the Board
15 consultant providing independent oversight and advice
16 around performance, program implementation, portfolio
17 construction, and policy elements.

18 --o0o--

19 MS. CHAMBERS: Once our stance and focus have
20 evolved as the portfolio has increased in size and
21 sophistication. And from the beginning of working with
22 the Board, we supported and provided advice on increasing
23 the different types of investment vehicles that would be
24 in the portfolio as well as the different types of
25 strategies.

1 We've supported the use of large separate
2 accounts, again aligned with the real estate model and
3 recognize the unique characteristics of the asset class,
4 and as well as the global opportunity set.

5 The portfolio was just under \$4 billion in 2017.
6 And today, it's over \$13 billion, growing from 1.2 percent
7 to 3 percent of the total fund. And our partnership in
8 collaboration with you continues to drive the evolution of
9 the portfolio's growth and sophistication.

10 --o0o--

11 MS. BACON: We're actively involved in CalPERS
12 infrastructure program through our interactions with staff
13 and the Board Investment Committee. Similar to real
14 estate and private equity, we engage weekly with the real
15 assets senior leadership team around all matters of the
16 infrastructure portfolio and market conditions. We attend
17 the weekly Real Assets Investment Committee meetings on
18 the Board's behalf focusing on compliance with process,
19 policy, and delegated authority. And we formally sign off
20 that such compliance has occurred.

21 Through these interactions, we monitor the
22 program and provide the Board with insights into the
23 infrastructure markets, the portfolio, and the investment
24 team. We communicate our thoughts about these matters to
25 you through our regular performance reporting and regular

1 and manager-specific factors. Some of these we expect
2 will resolve, but some variability may continue, even
3 after COVID is behind us. And we will help you to
4 reevaluate the reasonableness of the current income target
5 related to the program.

6 MS. BACON: Regarding the energy transition,
7 infrastructure may offer many positive opportunities to
8 participate in the transition to low carbon, included
9 across renewables, battery storage, electric
10 transportation, and green data centers for example. We
11 think you'll also see increasingly investable climate
12 resiliency in mitigation projects across both retrofits
13 and new builds.

14 MR. McCOURT: And finally, as you've seen in
15 recent semiannual reviews that we've done since the asset
16 allocation review in 2018, where infrastructure as an
17 asset class was merged into real estate, there's been sort
18 of an apples and orange comparison issue with the
19 benchmark. And we're engaged with staff already on
20 potential alternatives for that.

21 --o0o--

22 MR. McCOURT: So with that, I'm going to -- I'm
23 going to conclude our presentation by simply saying thank
24 you for your continued confidence in Meketa. I hope
25 through all of our presentations today, it came through

1 loud and clear that Meketa does not take our relationship
2 with CalPERS for granted. We greatly appreciate you and
3 the work that you do and always happy and excited to do
4 whatever we can to further your success.

5 Thank you.

6 CHAIRPERSON MILLER: Okay. We will now proceed
7 to the 10-minute question and answer segment of the
8 interview. And Meketa, you will have a total of six
9 questions, so please plan your time accordingly. And
10 staff will start the clock for 10 minutes when the first
11 question is posed. And I will now pose that question.

12 How do you balance the need to be the Board's
13 independent consultant with the need to have a positive
14 and collaborative working relationship with CalPERS
15 management?

16 MS. BACON: Central to that is putting a priority
17 on communication, regular, clear, and consistent with you
18 all and with the staff. Except for our discretionary
19 clients, we're independent in all of our engagements. And
20 so this is a balance that we do every day across all of
21 our client base. As others of my colleagues have
22 mentioned before, I'm sure we're a hundred percent
23 employee owned, we have no Meketa products, and no
24 economic relationships with any of the managers.

25 CHAIRPERSON MILLER: President Taylor.

1 SUBCOMMITTEE MEMBER TAYLOR: Yep. Hold on. I
2 can only write so fast, man.

3 Second question, describe how your firm would
4 assist the Board in meeting CalPERS' strategic objectives
5 and our responsibilities as fiduciaries. It's not a
6 question we haven't asked.

7 MR. McCOURT: For us strategic objectives are all
8 about setting long-term policy and strategy. For this
9 asset class, Meketa was there at the beginning in 2007
10 when you developed your initial policy and practices
11 around this asset class. We're proud of the way CalPERS
12 has approached this asset class over time and believe that
13 our work with your investment teams over time will
14 continue to point you in a favorable direction going
15 forward.

16 We assist you in a fiduciary capacity in helping
17 you fulfill your fiduciary responsibilities to monitor the
18 delegated authority that you give your investment team.
19 And for us, that's a very critical piece, particularly of
20 what we do with CalPERS under the governance model here.
21 So our role in helping you in fiduciary oversight is
22 critical to how we think about our job. As you've heard
23 from us, we consider ourselves fiduciaries and we
24 represent the Board in the work that we do for CalPERS.

25 SUBCOMMITTEE MEMBER TAYLOR: Thank you.

1 ACTING SUBCOMMITTEE MEMBER RUFFINO: Okay. I'm
2 next. What is your view of the role of the private asset
3 Board investment consultant and what qualifies you to
4 fulfill this role in the associated duties?

5 MR. McCOURT: As Lisa highlighted during our
6 presentation, Meketa was, if not the first, one of the
7 very first institutional consulting firms to allocate
8 resources and personnel to the infrastructure asset class
9 nearly 20 years ago. We continue to be a leader in the
10 space from a resource perspective and we've served CalPERS
11 in that capacity over that time period.

12 As I've highlighted before as well, we do believe
13 that for your portfolio in particular, there's strong
14 advantages to serving you across all the private market
15 asset classes including infrastructure in terms of
16 consistency of application of investment policies,
17 practices, prudent person opinions, et cetera.

18 ACTING SUBCOMMITTEE MEMBER RUFFINO: Thank you.

19 SUBCOMMITTEE MEMBER MIDDLETON: And I have the
20 next question. Would having the Board consultants make
21 specific investment recommendations within staff's
22 delegation result in conflicts of interest with the role
23 of providing independent oversight?

24 MS. BACON: The way that you all have set up your
25 structure has worked well over the past number of years.

1 And having that separation provides some cleanliness
2 between some of the responsibilities. Having said that,
3 we perform both functions across a number of clients and
4 there are ways to keep that independent if sometime at a
5 later date you would reconsider that particular
6 arrangement. As I mentioned before, we are a hundred
7 percent employee owned. We have none of our own products.
8 We are transparent with the staff on things we're working
9 on, things we're invested in. And so with respect to any
10 conflicts around if we were to help on some of the
11 individual investments, everyone would know whether we
12 also were investing in them or not. There is a provision
13 I believe in our current contract for a waiver. And so
14 there's always that ability for you all to ask us to do
15 something, if that's what want help from us on.

16 SUBCOMMITTEE MEMBER MIDDLETON: Thank you.

17 SUBCOMMITTEE MEMBER PACHECO: Yes, number five.
18 How do you determine how much risk CalPERS should take
19 with respect to a private asset program? What is your
20 opinion of the risk classification outlined in the current
21 program policy document?

22 MS. CHAMBERS: So I would say right after we
23 initially helped you establish your program in 2007, a few
24 years later we noticed a lot of issues within the
25 infrastructure market that was primarily based on the fact

1 that managers were overleveraging and using financial
2 engineering with assets that they had previously marketed
3 as core. And so as a result of that, we're very sensitive
4 to the amount of leverage that is truly sustainable on the
5 underlying assets. In addition, you know, we're seeing a
6 lot of competition for infrastructure assets and
7 particular core assets. And so we're watching to ensure
8 that managers aren't bidding up the pricing on those
9 assets, because many investors, such as yourselves, are
10 very interested in the core part of the marketplace.

11 In addition, I'd say there's a lot of dry powder
12 still in the marketplace. So that gives the managers kind
13 of extra flexibility. And then I think just in terms of
14 seeing managers who are trying to call something
15 infrastructure that's not true infrastructure, we've seen
16 that happen as well. So just kind of maintaining the real
17 definition of what infrastructure assets are as it relates
18 to your portfolio.

19 SUBCOMMITTEE MEMBER PACHECO: Thank you.

20 CHAIRPERSON MILLER: Okay. And final question,
21 how do you define sustainable investing for private asset
22 and how would you advise the Board on these topics?

23 MS. CHAMBERS: So within infrastructure,
24 sustainability has actually been very prevalent and we
25 have seen many managers adopting responsible contracting

1 policies. And so that's been impressive. And we think
2 moving forward that managers will continue to do so. And
3 then we've also seen managers implementing more
4 sustainable strategies within their overall funds. So
5 there are many more renewable strategies today than in
6 2007 when you started your program.

7 And so managers are really taking the time to
8 look into clean energy alternatives. So we think
9 sustainability and infrastructure are pretty much
10 interlocked and it will be interesting to watch the
11 progression of it moving forward.

12 CHAIRPERSON MILLER: Okay. Meketa, this
13 concludes your interview. I'd like to thank the
14 representatives from Meketa for their time today and ask
15 them to please leave the auditorium. This Subcommittee
16 will then begin deliberations and scoring for the
17 infrastructure Board consultant. Once a consensus is
18 reached, the Subcommittee will have staffed add the
19 interview scores to the fee proposal score and invite all
20 firms back into the auditorium for the finalist selection.

21 MS. BACON: Thank you.

22 MS. CHAMBERS: Thank you.

23 (Meketa exited the auditorium).

24 CHAIRPERSON MILLER: Okay. Frank, go first.

25 Frank this if your big chance to go first.

1 ACTING SUBCOMMITTEE MEMBER RUFFINO: 650.

2 CHAIRPERSON MILLER: That's what I had too, 650.

3 SUBCOMMITTEE MEMBER TAYLOR: I was there too.

4 CHAIRPERSON MILLER: 650 says Frank.

5 Lisa.

6 SUBCOMMITTEE MEMBER MIDDLETON: 650.

7 CHAIRPERSON MILLER: 650.

8 SUBCOMMITTEE MEMBER PACHECO: I was 660.

9 CHAIRPERSON MILLER: Oh, 660, an outlier.

10 SUBCOMMITTEE MEMBER TAYLOR: I was 650.

11 CHAIRPERSON MILLER: 650, the same here. So I

12 think the consensus is 650.

13 SUBCOMMITTEE MEMBER TAYLOR: There's a little

14 loss of energy on this one I thought.

15 (Laughter).

16 SUBCOMMITTEE MEMBER TAYLOR: I don't know why.

17 CHAIRPERSON MILLER: I don't know.

18 SUBCOMMITTEE MEMBER MIDDLETON: Not from us.

19 CHAIRPERSON MILLER: I think we seem pretty

20 energetic for the end of the day.

21 SUBCOMMITTEE MEMBER TAYLOR: Yeah.

22 CHAIRPERSON MILLER: So that's it, 650. So I'll

23 entertain a motion to award them 6 --

24 SUBCOMMITTEE MEMBER MIDDLETON: So moved.

25 CHAIRPERSON MILLER: So moved.

1 SUBCOMMITTEE MEMBER TAYLOR: Second.

2 ACTING SUBCOMMITTEE MEMBER RUFFINO: Second.

3 CHAIRPERSON MILLER: Seconded by Mr. Ruffino.

4 Call for the question. All in favor?

5 (Ayes.)

6 CHAIRPERSON MILLER: Okay. The motion passes.

7 They've been awarded 650 points.

8 And so I guess we -- will staff officially
9 present the final score once we're back.

10 Okay. Staff has now completed calculating the
11 total scores. And at this time, I'd like to ask Heather
12 Sison, Investment Manager to please announce the final
13 total score for each finalist.

14 INVESTMENT MANAGER SISON: Thank you, Mr. Chair.
15 I will now read the interview scores for each finalist in
16 infrastructure. Meketa received 650 points for their
17 interview score. Combined with their preliminary total
18 score, Meketa received a total score of 950 points. And
19 the finalist with the highest total score, Mr. Chair, is
20 Meketa.

21 CHAIRPERSON MILLER: Okay. I will now entertain
22 a motion to award the infrastructure investment
23 consultant --

24 SUBCOMMITTEE MEMBER TAYLOR: So moved.

25 SUBCOMMITTEE MEMBER PACHECO: I second it.

1 CHAIRPERSON MILLER: Okay.

2 SUBCOMMITTEE MEMBER TAYLOR: 650, right?

3 CHAIRPERSON MILLER: -- to Meketa with a score of
4 650. Okay. It's been moved and seconded.

5 No discussion on the matter.

6 Okay. I'll call for the question. All in favor?

7 (Ayes.)

8 CHAIRPERSON MILLER: That's unanimous. The
9 motion passes. Congratulations to Meketa. I remind all
10 members of the Committee and the finalists of the
11 restricted contact policy under Government Code section
12 20153.

13 And I think that's all the business we have for
14 today. Okay. So I will move to adjourn.

15 Hearing no objections.

16 We're adjourned. Thank you all.

17 (Thereupon, the California Public Employees'
18 Retirement System, Board of Administration,
19 Investment Consultant Interview Subcommittee
20 meeting adjourned at 4:32 p.m.)

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