

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

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

WEDNESDAY, JUNE 12, 2024
9:00 A.M.

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

J&K COURT REPORTING, LLC
JPETERS@JKREPORTING.COM

APPEARANCES

COMMITTEE MEMBERS:

David Miller, Chairperson

Lisa Middleton, Vice Chairperson (Remote)

Malia Cohen, represented by Deborah Gallegos

Fiona Ma, represented by Frank Ruffino

Jose Luis Pacheco

Kevin Palkki

Mullissa Willette

BOARD MEMBERS:

Eraina Ortega

Yvonne Walker (Remote)

Gail Willis, PhD (Remote)

STAFF:

Marcie Frost, Chief Executive Officer

Kevin Fein, Chief Compliance Officer

Fritzie Archuleta, Deputy Chief Actuary

Beliz Chappuie, Chief Auditor

Randy Dziubek, Deputy Chief Actuary

ALSO PRESENT:

David Driscoll, Buck Global

Billy Kim, BDO

APPEARANCES CONTINUED

ALSO PRESENT:

Sylvia Mak, BDO

Keith Miller, BDO

Dipika Nagin, BDO

INDEX

	<u>PAGE</u>
1. Call to Order and Roll Call	1
2. Executive Report - Kevin L. Fein	
3. Action Consent Items - Kevin L. Fein	2
a. Approval of the June 12, 2024 Risk and Audit Committee Timed Agenda	
b. Approval of the February 20, 2024 Risk and Audit Committee Meeting Minutes	
c. Review of the Risk and Audit Committee Delegation	
d. Office of Audit Services Charter Update	
4. Information Consent Items - Kevin L. Fein	3
a. Annual Calendar Review	
b. Draft Agenda for the September 17, 2024 Risk and Audit Committee Meeting	
c. Quarterly Status Report - Office of Audit Services	
d. Status Report - Enterprise Risk Management	
e. Status Report - Enterprise Compliance Activity	
5. Action Agenda Items	
a. 2024-25 Enterprise Compliance, Risk, & Governance Annual Plan - Kevin L. Fein	3
b. 2024-25 Office of Audit Services Plan - Beliz Chappuie	10
c. Independent Auditor's Annual Plan - Beliz Chappuie and BDO	13
6. Information Agenda Items	
a. 2023-24 Annual Compliance Report - Kevin L. Fein	28
b. Final Actuarial Review Report - Randall Dziubek and David Driscoll of Buck Global, LLC	36
c. Summary of Committee Direction - Kevin L. Fein	45
d. Public Comment	46
7. Adjournment of Meeting	46
Reporter's Certificate	47

1 Board members to make certain disclosures about any other
2 persons present with them during open session.

3 Accordingly, the Board members participating remotely must
4 each attest that either they are alone or if there are one
5 or more persons present with them who are at least 18
6 years old, the nature of the Board member's relationship
7 to each person. At this time, I'll ask each remote Board
8 member to verbally attest accordingly. And we'll have the
9 attestation.

10 BOARD CLERK ANDERSON: Lisa Middleton?

11 VICE CHAIR MIDDLETON: I do so attest.

12 BOARD CLERK ANDERSON: Yvonne Walker?

13 BOARD MEMBER WALKER: I attest

14 BOARD CLERK ANDERSON: And Dr. Gail Willis?

15 BOARD MEMBER WILLIS: I do attest to this fact.

16 Thank you.

17 CHAIR MILLER: Thank you. And with that we'll
18 move to action consent items. What's the pleasure of the
19 Committee?

20 COMMITTEE MEMBER PACHECO: I'll move it.

21 CHAIR MILLER: Move by Director Pacheco.

22 ACTING COMMITTEE MEMBER RUFFINO: Second.

23 CHAIR MILLER: Seconded by Mr. Ruffino.

24 Any discussion?

25 I'll call for the question.

1 Do we do this via roll call or --

2 BOARD CLERK ANDERSON: Yes.

3 CHAIR MILLER: Yeah Okay.

4 BOARD CLERK ANDERSON: Lisa Middleton?

5 VICE CHAIR MIDDLETON: Aye.

6 BOARD CLERK ANDERSON: Deborah Gallegos?

7 ACTING BOARD MEMBER GALLEGOS: Aye.

8 BOARD CLERK ANDERSON: Frank Ruffino?

9 ACTING COMMITTEE MEMBER RUFFINO: Aye.

10 BOARD CLERK ANDERSON: Jose Luis Pacheco?

11 COMMITTEE MEMBER PACHECO: Aye.

12 BOARD CLERK ANDERSON: Kevin Palkki?

13 COMMITTEE MEMBER PALKKI: Aye.

14 BOARD CLERK ANDERSON: Mullissa Willette?

15 COMMITTEE MEMBER WILLETTE: Yes.

16 CHAIR MILLER: Okay. That takes us to
17 information consent items with the passage of that motion.
18 And I haven't seen any requests to pull anything. I'll
19 take one more look. Nope.

20 So on we go to our action agenda items starting
21 with 5a.

22 (Thereupon a slide presentation).

23 CHIEF COMPLIANCE OFFICER FEIN: Thank you. Good
24 morning, Mr. Chair, Madam Vice Chair, Committee members.
25 Kevin Fein, CalPERS team member and Chief Compliance

1 Officer. Happy to be with you here this morning.

2 I am going to be presenting for your review and
3 approval agenda Item 5a, the fiscal year 2024-25
4 enterprise compliance risk and governance annual plan. I
5 want to give you an overview of what the major focus areas
6 will be. Most of this should be very familiar as it
7 continues with a multi-year plan that we launched last
8 year and that we discussed in some detail.

9 As we go to slide two --

10 [SLIDE CHANGE]

11 CHIEF COMPLIANCE OFFICER FEIN: -- you'll see our
12 goal is consistent with last year. We're continuing
13 maximize, enhance, and build on the processes through a
14 variety of initiatives. Three key priority areas, which
15 are the same again as last year, people, processes, and
16 technology.

17 More specifically focusing on our team, by
18 bringing on board the right talent and partnering with HR
19 to ensure we have a viable and competitive candidate pool
20 to choose from. As to our processes, we're going to
21 continue to monitor conflicts of interest, conduct risk
22 assessments and assurance reviews. And third, by
23 leveraging the technology, again we spoke about last year,
24 we began with the implementation of the GRC platform last
25 year and we will continue to add capabilities and modules

1 as we move forward.

2 Moving on to slide three.

3 [SLIDE CHANGE]

4 CHIEF COMPLIANCE OFFICER FEIN: This is a
5 two-year roadmap. It's a strategic view of the
6 initiatives over the next two years. We're bringing on,
7 as I mentioned, a number of new folks to replace staff
8 we've lost through attrition. We're also going back to
9 the market and looking to identify candidates with
10 relevant compliance and risk management experience. This
11 is a key to building up these capabilities and have those
12 folks help upskill the rest of our team. And they have
13 really been learning a lot over the last 12 months. We're
14 very pleased with the progress we've made, but there's a
15 long way to go and a lot of building and getting more
16 competent folks in who can help us establish the program
17 and train, not only in our group, but across the
18 enterprise the better.

19 On slide four --

20 [SLIDE CHANGE]

21 CHIEF COMPLIANCE OFFICER FEIN: -- you see the
22 first two of our four specific initiatives. Again, these
23 are continuations as we build the program. Initiative --
24 excuse me, Initiative 1 is to continue with the technology
25 platform. This coming fiscal year, we're implementing

1 modules to support the conflicts of interest monitoring
2 program. Initiative 2, partnering with CalPERS first line
3 of defense program areas to support them in building their
4 first line risk management program and processes. These
5 two initiatives are foundational to modernizing the
6 compliance and risk program that will allow us to use the
7 technology to integrate existing data and additional
8 information to make better informed decision to mitigate
9 risks to the organization.

10 Finally, the last two initiatives on Slide 5.
11 Number three demonstrates how we'll begin utilizing the
12 information and processes from Initiatives 1 and 2 to
13 strengthen our assurance and monitoring program. This
14 technology will allow us to use data such as from the Form
15 700 disclosures and program area risk and control -- or
16 risk control self-assessments to focus our resources on
17 monitoring for potential conflicts of interest.

18 Our team will conduct assurance reviews and
19 collaborate with programs to support risk-informed
20 decisions. Initiative 4 will continue to mature our
21 culture of compliance and risk. We will be providing
22 additional educational offerings to support both team
23 members understanding of the rules and to further
24 understanding of their compliance and risk management
25 roles as a team member, team leader, and CalPERS fiduciary

1 to protect the organization.

2 As you can see, we continue with a number of
3 tracks to mature the program, add new initiatives that
4 work to raise the awareness and the ability to define and
5 see the compliance and risk management condition of the
6 enterprise. And with that, I'm happy to take any
7 questions.

8 CHAIR MILLER: Okay. I'm not seeing any requests
9 from the Committee. Yeah, I just continue to appreciate
10 the progress. We're just building and the reporting
11 format -- I mean, we've talked about this before, but I
12 think it continues to really meet our expectation, my
13 expectations, and continue to be happy with the ongoing
14 progress.

15 I do have a question. It seems like recruiting
16 the talent we need continues to be a challenge across the
17 organization. But if you could talk a little bit more
18 about, you know, are there any specific challenges there?
19 Is there anything that this Committee should be
20 particularly aware of or that we could weigh in or help
21 on, you know, on that subject? If you'd elaborate just a
22 little bit there.

23 CHIEF COMPLIANCE OFFICER FEIN: Yeah. I honestly
24 don't think we have a different challenge than anywhere
25 else in the enterprise. I think we have a very unique

1 need. We need people with a specific type of experience,
2 knowledge, having run these programs or built these
3 programs in similar organizations. But again, I don't
4 think that's unique. We are getting a lot of help and
5 support. For example, we are now looking at using a
6 search firm for the top three most senior positions where
7 we are really critically in need of expertise, and
8 knowledge, and background, and experience. And with that,
9 I'm cautiously optimistic that we'll get those roles
10 filled and then that will help with building in the rest
11 of -- with the rest of the team.

12 So, yeah, I mean, I don't think it's specifically
13 something to be concerned about. I don't think there's
14 anything that the Committee needs to do. But as you
15 pointed out, it's a challenge, you know, that's fairly
16 common across the enterprise. But, you know, we've made
17 good strides. We've kept -- you know, we've been
18 replacing the attrition. We're keeping it at a fairly
19 steady level. It's now getting that next leap up and
20 going after some more senior experienced talent.

21 CHAIR MILLER: Yeah. And I --

22 CHIEF EXECUTIVE OFFICER FROST: And Kevin, why
23 don't you talk a little bit about -- part of the pause in
24 some of the recruitment was due to the reorganization and
25 upgrading some of the classifications on that team. And

1 so that work has now been completed and now they can go
2 forward with recruitment. But it would not have made
3 sense to do recruitment at the old classification level,
4 while we were upgrading classifications.

5 CHAIR MILLER: Yeah. And I'm sure that, you
6 know, our continued progress, and leadership, and really
7 frankly being something of a -- kind of a destination
8 employer, we have a very strong reputation. And I think
9 that can only help us as we continue to recruit and try to
10 manage that whole talent flow management that's always a
11 challenge.

12 Thank you.

13 Okay. Well, I guess that brings us to the point
14 where we should be doing a motion here. So at the
15 pleasure of the Committee.

16 COMMITTEE MEMBER PACHECO: Move.

17 CHAIR MILLER: Moved by Mr. Pacheco.

18 ACTING BOARD MEMBER GALLEGOS: Second.

19 CHAIR MILLER: Seconded by Ms. Gallegos.

20 So any further discussion?

21 Seeing none, we'll call for the question,
22 approval.

23 BOARD CLERK ANDERSON: Lisa Middleton?

24 VICE CHAIR MIDDLETON: Aye.

25 BOARD CLERK ANDERSON: Deborah Gallegos?

1 ACTING BOARD MEMBER GALLEGOS: Aye.

2 BOARD CLERK ANDERSON: Frank Ruffino?

3 ACTING COMMITTEE MEMBER RUFFINO: Aye.

4 BOARD CLERK ANDERSON: Jose Luis Pacheco?

5 COMMITTEE MEMBER PACHECO: Aye.

6 BOARD CLERK ANDERSON: Kevin Palkki?

7 COMMITTEE MEMBER PALKKI: Aye.

8 BOARD CLERK ANDERSON: Mullissa Willette?

9 COMMITTEE MEMBER WILLETTE: Yes.

10 CHAIR MILLER: Okay. The motion passes. Thank
11 you. And we'll move on to Item 5b, Office of Audit
12 Services plan.

13 CHIEF AUDITOR CHAPPUIE: Good morning, Mr. Chair,
14 members of the Committee. Beliz Chappuie Office of Audit
15 Services. Agenda Item 5b is an action item. Staff
16 requests the Risk and Audit Committee to approve the
17 Office of Audit Services proposed audit plan for the
18 fiscal year 2024 and 25. As required by the internal
19 auditing standards, the Office of Audit Services prepared
20 a risk-based audit plan to determine the priorities of the
21 internal audit activity for the next fiscal year.

22 In conducting the risk assessment, the Office of
23 Audit Services as the third line of defense coordinated
24 its efforts with the second line of defense, the
25 enterprise compliance, risk, and governance. We

1 interviewed CalPERS executive and senior management teams
2 and sought input from the Board members through surveys.
3 In identifying the internal audit assignments and
4 activities, staff evaluated multiple risk factors, such as
5 the organization's strategic goals, concerns raised by
6 CalPERS management and the Board, information from prior
7 audits, coverage provided by other assurance functions.

8 For the employer compliance reviews, the Office
9 of Audit Services plans to complete four review cycles
10 covering one compliance area per cycle. Using data
11 analytics, staff will identify agencies for review for
12 each cycle. As required by the internal auditing
13 standards, we'll remain responsive to the changes in the
14 organization's operations and programs, and we will review
15 and update the audit plan as necessary.

16 Any modification to the audit plan will be
17 communicated to the Committee through the quarterly status
18 reports. This concludes my presentation and I'm happy to
19 answer any questions

20 CHAIR MILLER: Okay. I'm not seeing any -- well,
21 I am. Director Pacheco.

22 COMMITTEE MEMBER PACHECO: Yes. Good morning and
23 thank you, Ms. Beliz, for your property. I just want to
24 ask you on page three of four of the report under the
25 Human Resource Division, your -- one of your -- one of

1 your objectives is to do reasonable accommodations to
2 evaluate the effectiveness and controls over reasonable
3 accommodation processes. And I just wanted to know what
4 is your -- how that -- how are you going to -- do you see
5 that?

6 CHIEF AUDITOR CHAPPUIE: The -- so the team --
7 once we complete our global risk assessment to identify
8 the assignments that we put on the audit plan, the teams
9 when they start their assignment, they will also conduct
10 an assignment level and risk assessment. Look at the
11 processes that at the time --

12 COMMITTEE MEMBER PACHECO: I see.

13 CHIEF AUDITOR CHAPPUIE: -- and identify the
14 areas that they need to focus on. So we leave the
15 objectives high level here --

16 COMMITTEE MEMBER PACHECO: Okay.

17 CHIEF AUDITOR CHAPPUIE: -- until we do
18 additional risk assessment to determine where we're going
19 to focus on.

20 COMMITTEE MEMBER PACHECO: Very good then. Thank
21 you very much for that clarification.

22 CHIEF AUDITOR CHAPPUIE: Of course.

23 CHAIR MILLER: Okay. Very good. I see no
24 further requests to speak from the Board and appreciate
25 the report. Thank you.

1 CHIEF AUDITORY CHAPPUIE: Thank you.

2 CHAIR MILLER: And we will now entertain a motion
3 to approve.

4 ACTING BOARD MEMBER GALLEGOS: I'll move.

5 CHAIR MILLER: Oh, moved by Ms. Gallegos.

6 COMMITTEE MEMBER PACHECO: Second.

7 CHAIR MILLER: Seconded by Mr. Pacheco.

8 Any further discussion on the item?

9 Seeing none, I'll call for the question.

10 BOARD CLERK ANDERSON: Lisa Middleton?

11 VICE CHAIR MIDDLETON: Aye.

12 BOARD CLERK ANDERSON: Deborah Gallegos?

13 ACTING BOARD MEMBER GALLEGOS: Aye.

14 BOARD CLERK ANDERSON: Frank Ruffino?

15 ACTING COMMITTEE MEMBER RUFFINO: Aye.

16 BOARD CLERK ANDERSON: Jose Luis Pacheco?

17 COMMITTEE MEMBER PACHECO: Aye.

18 BOARD CLERK ANDERSON: Kevin Palkki?

19 COMMITTEE MEMBER PALKKI: Aye.

20 BOARD CLERK ANDERSON: Mullissa Willette?

21 COMMITTEE MEMBER WILLETTE: Aye.

22 CHAIR MILLER: Okay. The motion carries. That
23 will have move us on 5c, our independent auditor's annual
24 plan. So Beliz and I believe BDO is here as well. Yes.

25 BILLY KIM: Good morning, Chair, Vice Chair,

1 members of the Committee.

2 CHAIR MILLER: Microphone.

3 CHIEF AUDITOR CHAPPUIE: I'll quickly do the
4 intro. The other one. Thank you.

5 Okay. Good morning again, Mr. Chair, members of
6 the Committee. Beliz Chappuie, Office of Audit Services.
7 Agenda Item 5c is an action item. Staff requests the Risk
8 and Audit Committee to approve the Board's independent
9 auditory BDO's audit plan to audit CalPERS's financial
10 statements for the fiscal year ending June 30, 2024.

11 The presentation will allow the Risk and Audit
12 Committee to hear from the independent auditor regarding
13 their approach, objectives, scope, and deliverables for
14 the financial statement audit. BDO staff are presenting
15 with me today and I would like to turn it over to them.

16 (Thereupon a slide presentation).

17 BILLY KIM: All right. Thank you, Beliz. Good
18 morning, Chair, Vice Chair, members of the Committee.
19 Billy Kim, BDO principal. I'm joined with my colleagues
20 Dipika Nagin, Sylvia Mak who are directors on the BDO
21 engagement external audit team. Also with me is Keith
22 Miller. He is our new BDO principal who specializes in
23 audits of asset management investment companies and he
24 will be assisting me this year in overseeing our
25 investment audit work.

1 We will collectively walk you through our audit
2 plan for the year and specifically focusing on certain
3 items for your attention.

4 If we can go to slide 5, please.

5 [SLIDE CHANGE]

6 BILLY KIM: Next slide.

7 [SLIDE CHANGE]

8 BILLY KIM: Thank you. The scope of our services
9 includes performing a financial statement audit over the
10 June 30th, 2024 fiscal year-ending financial statements of
11 CalPERS, as well as performing the audits over the GASB 68
12 as well as 75, employer allocations schedules and also
13 issuing an attestation report over census data as related
14 to the California Agent Multiple-Employer Defined Benefit
15 Pension Plan, specifically referred to as PERF A.

16 And as part of our audit, the CalPERS financial
17 statements, we will be reporting to the Committee of
18 our -- the results of our audit work in mid-November. And
19 this will be done prior to issuance and also we will share
20 with you any status of remediation of prior findings,
21 prior audit findings, and internal control findings
22 specifically, and then also share with you any new
23 internal control recommendations that we have at that
24 time.

25 Next slide, please.

1 [SLIDE CHANGE]

2 BILLY KIM: This slide is a reminder for the
3 Committee about the responsibilities that we all have
4 related to the audit process. And so first and foremost,
5 a reminder that management has the responsibility to
6 prepare and present fair financial statements and its
7 schedules in accordance with generally accepted accounting
8 standards.

9 Now, the Risk and Audit Committee is also
10 responsible for the oversight of management over the
11 financial reporting process and over the related internal
12 controls.

13 Next slide, please.

14 [SLIDE CHANGE]

15 BILLY KIM: Now, this slide is noting the
16 responsibilities of my team as your auditors. BDO is
17 responsible to perform an audit under the government
18 auditing standards and to provide audit opinion over the
19 financial statements at CalPERS, and also the schedules
20 and conformity with General Accepted Accounting
21 Principles.

22 Next slide, please.

23 [SLIDE CHANGE]

24 BILLY KIM: This slide is to remind the Committee
25 and to let you know that it is a requirement under our

1 standards to be independent of our clients, specifically
2 in this case with CalPERS. And I am confirming to you now
3 that BDO is independent of CalPERS.

4 Next slide.

5 [SLIDE CHANGE]

6 BILLY KIM: Next slide, please.

7 [SLIDE CHANGE]

8 BILLY KIM: Now, this slide details the overall
9 audit timeline and it demonstrates we're meeting with
10 management throughout the year. And as part of what we do
11 is we provide updates of our audit progress from planning
12 to execution, including any debrief meetings that we end
13 up having at the tail end.

14 In terms of the process along the way, we'll
15 obtain feedback and updates from management, and also hear
16 of any specific changes or updates that have taken place
17 within the organization, including at the execution phase.
18 And if there are any specific changes that do take place,
19 we do take that into consideration in assessing, if there
20 needs to be any updates to our risk assessment, and so
21 that we ensure that our audit procedures address any
22 specific audit risks that come about during the audit
23 process.

24 Currently, we are in the stages of wrapping up
25 our audit planning and interim testing this month.

1 There's no specific issues to report to you at this time.
2 But as I mentioned earlier, we will report to you the
3 overall results of our audit work prior to issuance in
4 mid-November.

5 Now, I'll pass it off to Sylvia who will discuss
6 about our audit strategy and related considerations.

7 SYLVIA MAK: Thank yo, Billy. Turning to slide
8 12 --

9 [SLIDE CHANGE] smack

10 SYLVIA MAK: -- as it relates to our audit
11 strategy when planning the audit. We assess the risk to
12 material misstatement on the financial statements and
13 design audit procedures to respond to those risks. While
14 part of our risk assessment in planning, we will also
15 obtain an understanding of internal controls. We will
16 not, however, pride assurance over the internal controls.

17 Government auditing standards also require us to
18 consider compliance with laws and regulations. However
19 providing an opinion on the compliance is not an objective
20 of this audit.

21 Turning to the next slide --

22 [SLIDE CHANGE]

23 SYLVIA MAK: -- our audit strategy focuses on
24 areas of higher risk, of material misstatement, and
25 includes consideration of various factors, including, but

1 not limited to, prior audit results in our current year
2 inquiries, any recent developments, inherent risk
3 considerations, significant accounting policies, the
4 control environment, which includes the information
5 systems, and the extent to which we plan to use others in
6 our audit, including our own actuarial specialists.

7 We will communicate to you any significant
8 changes to our planned audit strategy or significant risks
9 identified.

10 Slide 14 the next slide --

11 [SLIDE CHANGE]

12 SYLVIA MAK: Demonstrates how we will use
13 technology to assist with the audit. The use of
14 technology allows us to be more focused on our audit
15 approach and greater collaboration both within the audit
16 team as well as with CalPERS.

17 The next slide, slide 15 --

18 [SLIDE CHANGE]

19 SYLVIA MAK: -- demonstrates a few examples of
20 how we will use technology in our audit, including the use
21 of the BDO portal to allow CalPERS to share requested
22 documents with us. We will also use BDO's general
23 analyzer to assist with our general entry analysis, as
24 well as our use of data analytics in certain areas of the
25 audit. Next, I'll turn it to Dipika to go over our audit

1 focus areas.

2 [SLIDE CHANGE]

3 DIPIKA NAGIN: Thank you, Sylvia. Can we move to
4 the next slide.

5 [SLIDE CHANGE]

6 DIPIKA NAGIN: Okay. Based upon our initial risk
7 assessment, we have identified our key focus areas. The
8 risk of fraud, including management override of controls,
9 is an area of significant risk that we consider for all of
10 our audits. For CalPERS, our procedures are going to
11 include sending out external third-party confirmations,
12 reviewing tip line activity, and performing risk-based
13 testing, including journal entry testing.

14 [SLIDE CHANGE]

15 DIPIKA NAGIN: An area of significant estimate is
16 the long-term care liability for future policy benefits
17 for the Long-Term Care Fund. Our actuarial specialists
18 will assist us in reviewing the actuarial valuation
19 reports, including the review of the management's
20 estimation methodology and any key assumptions used. We
21 will also perform testing over the assumptions used within
22 the related rollforward, as well as obtaining comfort over
23 the completeness and accuracy of the underlying census
24 population.

25 We will also focus on estimated insurance claims

1 due for the Health Care Fund. This is a shorter term
2 liability. We will also be using the assistance of our
3 actuarial specialists to review the methodology and
4 calculation of this liability as well.

5 The next area of focus is the pension and other
6 post-retirement benefit liabilities and related
7 disclosures. For this, we will be testing the census data
8 for completeness and accuracy, we will use our in-house
9 actuarial professionals to assist us in reviewing the
10 pension valuation reports that are prepared by CalPERS
11 actuaries, and also perform recalculation procedures.

12 Other areas of focus include plan contributions,
13 benefit payments, premium revenues, and administrative
14 fees earned. We will utilize the combination of sample
15 testing as well as data analytics to get comfortable over
16 these amounts.

17 And then finally, we will also focus on
18 information systems. As part of our planning process, we
19 identify all systems that are relevant to the financial
20 reporting process and review the related controls. Now,
21 with that, I'll pass it over to Keith who will cover the
22 investments portion.

23 KEITH MILLER: Thank you. For investments, our
24 primary audit concerns are twofold, firstly, ownership and
25 existence, i.e., either CalPERS owns the investments that

1 are shown in its financial statements. And secondly,
2 valuation, i.e. that investments are fairly presented at
3 fair value in accordance with GAAP. The investment
4 portfolio is broadly broken out into two buckets.
5 Firstly, the marketable public securities and secondly the
6 private commingled fund investments, the real estate
7 private equity interests.

8 For the public securities, we can access
9 observable publicly traded, last traded prices on the
10 relevant exchange or market and we can also confirm
11 ownership of the investments with the custodian and
12 reconcile the portfolio to the accounting systems
13 financial statements. This will be a similar process to
14 prior years. For the private equity and real estate,
15 commingled fund investments, these are typically valued at
16 fair value at the ending capital balance reported by the
17 underlying fund, or NAV, as it is sometimes called,
18 applying what is known as the GAAP practical expedient.

19 For our audit work, among other things, we will
20 send confirmations to the underlying fund operators. We
21 will verify and reconcile investment details, current
22 ownership of the investment by CalPERS, and also the
23 year-end capital balances. And in addition, we will
24 examine the audited financial statements for the investee
25 funds.

1 Because many of the underlying private equity
2 investee funds have a calendar year-end, of which they are
3 audited, while CalPERS has a June 30 year-end, a portion
4 of our work will be devoted to auditing this GAAP between
5 the audited 12-31 year-end and CalPERS own 6-30 year-end.
6 And then finally, we will also address in our audit
7 realized gains, capital calls, and distributions from
8 investments. And we will test and corroborate the
9 investments information presented in the financial
10 statements and disclosures.

11 So turning to slide 19 --

12 [SLIDE CHANGE]

13 SYLVIA MAK: -- we wanted to end with some of
14 BDO's resources available to the Risk and Audit Committee.
15 This includes BDOs industry resources on the public
16 sector, as well as specific content on Board governance.

17 Slide 20 --

18 [SLIDE CHANGE]

19 SYLVIA MAK: -- has a link to our ESG Center of
20 Excellence, which includes our various publications and
21 practice aids on ESG, a common topic these days. You'll
22 find on the site a recently released report on BDO's 2024
23 ESG risk and ROI survey. With that, I'll turn it back to
24 Billy to close our presentation today.

25 BILLY KIM: Committee thank you for your time.

1 That concludes our presentation and we're open for any
2 specific questions.

3 CHAIR MILLER: Great. Thank you for that
4 presentation. And we do have questions. I'll start with
5 Deborah Gallegos for Malia Cohen.

6 ACTING BOARD MEMBER GALLEGOS: Hi. Great. Thank
7 you very much. And it's more a comment than a question.
8 Thank you for providing the resources to the Committee and
9 in trying to improve our governance and education, if
10 there are any courses, you know, we were -- we have
11 responsibilities to do continuing education, courses that
12 you recommend for -- specifically for risk and audit
13 committees, especially more advanced courses. I would
14 love to hear those. You're welcome to pass them along to
15 us through our CEO or however it's most appropriate.

16 BILLY KIM: Yeah, we're definitely happy to share
17 that with the Committee. And so we will definitely
18 provide that information to you.

19 ACTING BOARD MEMBER GALLEGOS: Great. Thank you.

20 CHAIR MILLER: Okay. Director Pacheco.

21 COMMITTEE MEMBER PACHECO: Yes. First of all,
22 thank you for your presentation on this. My question is
23 on -- back on the audit area of focus, on the
24 informational systems, in terms of -- you mentioned
25 related controls around the informational systems and what

1 would that -- what is that specifically including, is that
2 cybersecurity? Can you be more specific?

3 BILLY KIM: Yeah. So that does include areas of
4 access, so user access, change management are some of
5 those areas. It does include cybersecurity as well, where
6 we too look at any areas of consideration that potentially
7 directly or indirectly impacts the financial statements
8 via the systems that are in place.

9 COMMITTEE MEMBER PACHECO: Are there any new best
10 practices around that or is this pretty standard?

11 BILLY KIM: This is -- this is pretty standard.
12 Our audit process always has a lens in which we are
13 looking at the various different ITGC domains that do
14 exist and -- because they can all have some sort of direct
15 or indirect specifically impact to the financial
16 statements.

17 COMMITTEE MEMBER PACHECO: Very good then. Thank
18 you so much.

19 BILLY KIM: Yeah, thank you.

20 CHAIR MILLER: Yeah, thank you. Yeah, I just --
21 more a comment than a question. I just continue to
22 appreciate the good working relationship we have and how
23 responsive the overall plan is to our needs and to some of
24 the -- you know, the changes that are going on over time,
25 and some of the things in the priorities that really stand

1 out to me is really congruent with and consistent with our
2 focus here and our interest, as well as some of our
3 stakeholders. Clearly, the valuations of our investments
4 and particularly our increased emphasis, having just gone
5 our ALM cycle and -- on the private and even things like
6 some of the types of investing work we're doing in
7 private, that are little bit groundbreaking for us. And
8 as an institutional investor, private debt, for example,
9 some of those type of work, it's really good to see the
10 emphasis on that.

11 And our Long-Term Care Program is of great
12 concern to us as well as to stakeholders, if -- you know,
13 we consistently hear a lot of concern and feedback from
14 our stakeholders. And so having that additional scrutiny
15 and confidence in knowing that we have the independent
16 eyes and ears on this programs to give us that
17 independent, objective take on everything. It really
18 helps us be confident as a Board and helps our
19 stakeholders have confidence and helps us to improve as we
20 go along. So I just want to express that appreciation and
21 also reiterate that, you know, the Committee we are here
22 to provide whatever direction and assistance we can along
23 the way.

24 So at any point in our oversight role, there's
25 additional information that you think would be helpful to

1 us, and anything we could do proactively to help you and
2 staff make this whole thing go effectively and efficiently
3 as it has been, we're always open to hear that and would
4 certainly invite any of that feedback or information.

5 BILLY KIM: Thank you for those comments, Chair.
6 And we will definitely let you know if there's any of that
7 information to share with you along the way.

8 CHAIR MILLER: Great. Thank you. I think that
9 brings us to a point where I would consider a motion.

10 COMMITTEE MEMBER PACHECO: Motion.

11 CHAIR MILLER: Moved by Mr. Pacheco.

12 COMMITTEE MEMBER PALKKI: (Hand raised).

13 CHAIR MILLER: Seconded by Mr. Palkki. Any
14 further discussion on the item?

15 Okay. I'LL call for the question of approval.

16 BOARD CLERK ANDERSON: Lisa Middleton?

17 VICE CHAIR MIDDLETON: Aye.

18 BOARD CLERK ANDERSON: Deborah Gallegos?

19 ACTING BOARD MEMBER GALLEGOS: Aye.

20 BOARD CLERK ANDERSON: Frank Ruffino?

21 ACTING COMMITTEE MEMBER RUFFINO: Aye.

22 BOARD CLERK ANDERSON: Jose Luis Pacheco?

23 COMMITTEE MEMBER PACHECO: Aye.

24 BOARD CLERK ANDERSON: Kevin Palkki?

25 COMMITTEE MEMBER PALKKI: Aye.

1 BOARD CLERK ANDERSON: Mullissa Willette?

2 COMMITTEE MEMBER WILLETTE: Yes.

3 CHAIR MILLER: Okay. The motion carries. That
4 covers it for our action agenda items.

5 So we'll move on to our information agenda items
6 starting with our annual compliance report.

7 And thank you, all.

8 CHIEF COMPLIANCE OFFICER FEIN: Good morning
9 again. Thank you, Mr. Chairman. Each year, CalPERS
10 compiles an annual compliance report to highlight
11 enterprise-wide compliance, ethics, and risk management
12 activities and accomplishments for the then fiscal year
13 ending June 30th.

14 This includes accomplishments from both the ECRG
15 team, as well as first line of defense business partners
16 across the enterprise.

17 (Clears throat).

18 CHIEF COMPLIANCE OFFICER FEIN: Pardon me.

19 The purpose is to demonstrate effective
20 oversight, assurance, and risk management as well as to
21 enhance transparency and provide a compilation of our
22 collective efforts for effective Board oversight. The
23 report has been restructured this year with
24 accomplishments now listed under specific compliance and
25 risk management categories, rather than being divided by

1 program areas.

2 The model centers on the three lines of defense
3 framework, which promotes collaboration and increased
4 understanding of roles and responsibilities. I think it's
5 important to group these by their categories, rather than
6 by the branches, because some of these, as you're not
7 going to be surprised are common issues across the
8 enterprise for large organizations like this. And so
9 rather than come up with unique solutions, efficiency says
10 we need to address things on an enterprise-wide level.

11 A few highlights from this year's accomplishment.
12 Under the conflict of interest oversight category, ECRG
13 launched the gift and entertainment module, gift
14 disclosure and attestation process within the
15 MyComplianceOffice system. This involved onboarding all
16 CalPERS team leaders establishing a comprehensive
17 education and communication center and developing
18 on-demand training modules to provide additional resources
19 and guidance.

20 Under risk assessment and mitigation, ECRG
21 partnered with the Investment Office and Information
22 Technology Branch to complete their risk control
23 self-assessments. And the Investment Office completed the
24 process for all asset classes and support programs while
25 IT completed the process for two of the six ITSB teams and

1 will continue over the next fiscal year until the full
2 branch is complete. The self-assessment process not only
3 will result in more rigorous and quantitative risk
4 assessment process, but it will ensure a consistent
5 methodology across all of CalPERS and serve as an input to
6 the enterprise risk assessment long -- longer term.

7 Pardon me.

8 The RCSA process will also -- was also completed
9 for ECRG. In addition, the Investment Office implemented
10 information barriers to control the flow of material
11 non-public information. Finally, Operations Support
12 Services Division ensure compliance with the State Fire
13 Marshal audit findings to keep our buildings safe and up
14 to code.

15 Moving on to compliance, and risk advice, and
16 education, the Human Resources Division streamlined the
17 tracking and reporting of mandatory training and shortened
18 the time allowed to complete courses to improve training
19 compliance. Under data privacy and protection, the
20 customer service branch digitized approximately 18 file
21 cabinets worth of data, implemented upgraded
22 authentication procedures, and installed privacy screens
23 in regional offices to protect sensitive information and
24 mitigate fraud risk.

25 Speaking of fraud, this past fiscal year has

1 always seen the launching of CalPERS Fraud Prevention
2 Steering Committee co-chaired by our Chief Information
3 Security Officer Al Arboleda and myself with DC
4 representation from across the enterprise.

5 As it pertains to policy, governance, and
6 reporting, the Health Branch strengthened the health plan
7 Compliance Program with the recent PPO solicitation by
8 increasing reporting requirements for health plans in the
9 areas of networks, quality, equity, behavioral health
10 access and telehealth.

11 Lastly, in the category of compliance and
12 regulatory change management, FINO worked with the SIP
13 Program record keeper to comply with SECURE 2.0 Act
14 changes that were effective this fiscal year and updated
15 the MyCP system to allow all employers to process rough
16 contributions to comply with future changes effective the
17 next two fiscal years. They also updated the SIP plan
18 document to include recent federal changes. As you can
19 see, the organization accomplished a lot of good work to
20 strengthen compliance and risk management practices
21 throughout the organization. I am very pleased with the
22 dedication and focus I have seen.

23 And with that, I'm happy to answer any questions

24 CHAIR MILLER: Okay. Thank you for that report.
25 And I'm seeing s request from Frank Ruffino for Fiona Ma.

1 ACTING COMMITTEE MEMBER RUFFINO: Thank you, Mr.
2 Chair and good morning. And thank you for the report. I
3 just have a quick question on the -- on the monitoring and
4 assurance, you know, there was 38 substantiated
5 complaints. And without going in any specific -- you
6 know, I'm not sure if that's a little or a lot, but did
7 you find any patterns, or any trends, or did you find
8 anything that it's worthy to additional -- for additional
9 training or anything that has any flags so to speak? So
10 if you can just elaborate on that, that would be great.
11 Thank you.

12 CHIEF COMPLIANCE OFFICER FEIN: Sure. I would
13 say over the longer term that happens very regularly. And
14 when we, you know, look each year at our training
15 requirements and looking at changing anything or focusing
16 on specific areas. And as I think you're aware, we also
17 use training when there are certain types of issues like
18 the trading violations, et cetera, training is one of the
19 tools to begin to drive the behavior back.

20 I would say that just last week in our monthly
21 Integrated Assurance and Risk Council meeting, which is
22 the executive team, myself, Beliz, Al Arboleda and others,
23 we had this very discussion about, because it was the
24 month of April the last report we provided for this
25 meeting, had a large number of cases closed and a large

1 percentage substantiated. And so we had A very in-depth
2 conversation about lessons -- using this information for
3 lessons learned.

4 When we see, okay, the complaint was that, you
5 know, my benefit shut off and I don't know why. We
6 resolve it, find out that's true, reinstate the
7 individual's benefits, but we need to also be taking that
8 opportunity to say, well, how did that happen? Was a
9 control missed? Did somebody have an authority they
10 shouldn't have had? Was it simply a programming area? So
11 this is now, as we achieve this phase of the buildout and
12 maturity of the program, we are beginning to get those
13 opportunities as we begin to get more detailed data, as
14 part of the program rather than just qualitative
15 oversight. That's exactly what we'll be doing with it is
16 saying that this is pieces of information we can use to
17 learn from and say if -- you know, if this was allowed to
18 be shut off, maybe there's a control missing, maybe
19 there's a control that needs to be enhanced.

20 So, yes, we're very much of that mindset. And
21 our expectation is that will ramp up over the next couple
22 years as we continue to expand the programs and add types
23 of activities.

24 ACTING COMMITTEE MEMBER RUFFINO: Great. Thank
25 you. I also -- I guess I should note it to, as you

1 pointed out, you closed 121, I think, out of 140. So
2 that's a great accomplishment. Plus, you've got -- you
3 achieve a hundred percent compliance with the 700 on the
4 attestation forms, so good job.

5 CHIEF COMPLIANCE OFFICER FEIN: Thank you. Yeah,
6 we were very good.

7 CHAIR MILLER: Yeah. I

8 ACTING COMMITTEE MEMBER RUFFINO: Thank you, Mr.
9 Chair.

10 CHAIR MILLER: Yep. Thank yo. Yeah, I'm
11 encouraged to hear and that we're -- and we're moving to
12 more from just kind of information and raw data to really
13 now be able to start moving from that to more analysis,
14 more proactive approaches. I know throughout the
15 enterprise, we're doing more data driven, more focused
16 kind of analysis problem solving, preventive. And so for
17 us, as we go forward and that develops and builds out more
18 and more, you know, having some of that more granular
19 information would also, I think, be helpful to us as a
20 committee.

21 So, you know, if you've got so many -- if you are
22 getting to the point where you're then kind of slicing and
23 dicing things, you know, based on, you know, say extent of
24 noncompliance, or potential impact, or, you know, red,
25 green, yellow, or, you know, however to start honing in on

1 being able to kind of then do some of the kind of analysis
2 to look for what are commonalities, what are systemic
3 issues, what are one-offs, what are the potential impacts
4 of them just to further hone in for, you know, improvement
5 going forward, both kind of continual or kind of
6 break-through improvements. And so that's again as a kind
7 of a long-time data geek, that really appeals to me and
8 that we're moving into that -- much more into that kind of
9 effective approach now that we're getting these systems
10 really in place and getting our processes and our controls
11 down. So that's always good to see that kind of forward
12 progress and see tangible results.

13 CHIEF COMPLIANCE OFFICER FEIN: Thank you. Yeah,
14 you described the maturity curve exactly. You know, we're
15 coming from a place where we've been providing information
16 to get, you know, an assessment, and appreciation, or an
17 understanding of the compliance and risk status of
18 anything, the organization, or any piece within it. We're
19 now moving beyond just flat information to actually
20 actionable information, things that not only tell you what
21 the current condition is, but tell you there might be
22 something you can do about, if you're not, in a condition
23 that you want to be.

24 So it's a two-part thing and that's exactly what
25 you just described and that's the ark we're on.

1 CHAIR MILLER: Yeah. That's good to see us
2 moving to the timely, actionable, and be able to
3 prioritize our efforts and for most effect. So great.
4 Thank you. I don't see any other requests to speak, and
5 so that will move us now to our next item, which is our
6 are final actuarial review report. So again, thanks to
7 the whole team for that one that effort, and now on to our
8 next item.

9 DEPUTY CHIEF ACTUARY DZIUBEK: Good morning, Mr.
10 Chair, Committee members. I am Randy Dziubek from CalPERS
11 Actuarial team. I'm here today to introduce our next
12 information item, which is the final actuarial review
13 report completed by our outside actuarial firm, Buck. Our
14 main speaker today will be David Driscoll from Buck.
15 David is a nationally recognized expert in the area of
16 public sector retirement systems, as his firm. And I'd
17 like to take this opportunity to personally thank David
18 and his team for several years worth of collaboration, and
19 insights, and valuable recommendations that we will
20 continue to use to improve our CalPERS reports.

21 Over the last several years, David and his team
22 have reviewed our State report, our schools report, the
23 reports for our affiliate plans, and the subgroup of our
24 public agency reports. They have provided preliminary
25 information along the way to us as well as this Committee.

1 And David is here to present his final report, which is
2 attached to this item as attachment 1.

3 Having listened to BDO's presentation, I'll just
4 say briefly that this is a completely separate and
5 different review of the actuarial work. It is not
6 affiliated with the work that BDO does. It is -- gets
7 much more into the weeds of the actuarial calculations,
8 not so much looking at data, which is something that BDO
9 would do. So clearly the actuarial office has a number of
10 people looking over our shoulders and making sure we're
11 doing a good job, which, of course, we welcome.

12 And with that, I'm going to turn the presentation
13 over to David.

14 DAVID DRISCOLL: Thank you, Randy. I'm here to
15 present our report on Task 4, the final task, under the
16 current contract for parallel valuation and certification
17 of actuarial valuations prepared by the CalPERS Actuarial
18 Office. Task 4 consists of revisiting of the work
19 completed in Tasks 1 through 3, and verifying whether
20 action has been taken to implement recommendations that we
21 have made in our reports on those earlier tasks.

22 Task 1, as you may recall, was parallel valuation
23 and certification of public agency valuations. Task 2 was
24 parallel valuation certification of the State and schools
25 pool valuations. And Task 3 consisted of parallel

1 valuation and certification of valuations made of the two
2 judges' retirement systems, the legislative retirement
3 systems, and the 1959 Survivor Benefit Plan.

4 In each of these three tasks, we were able to
5 match the results reported by the Actuarial Office rather
6 closely. We also found the assumptions and methods used
7 to be reasonable, the overall quality of the valuations
8 prepared by the Actuarial Office is very high. That said,
9 in each of Tasks 1 through 3, we have recommendations to
10 make for certain changes, primarily related to information
11 disclosed in the reports that we felt would improve them.
12 Typically, these recommendations called for information in
13 the report to more completely or accurately disclose the
14 methods or assumptions used in the valuation. The
15 specific recommendations made in Tasks 1 through 3 are, of
16 course, enumerated in the report that we circulated.

17 So in Task 4, we followed up on our
18 recommendations. And I'm please to report that virtually
19 all of them have been acted upon or will be acted upon in
20 the upcoming valuation of the retirement systems to which
21 they pertain.

22 We commend the personnel of the actuarial office
23 for their cooperation with us, the courtesy they extended
24 to us, as we conducted the parallel valuation and
25 certification process, and certainly above all else for

1 their receptiveness to our recommendations.

2 And with that, I would be happy to entertain any
3 questions

4 CHAIR MILLER: Okay. I've got Frank Ruffino for
5 Fiona Ma.

6 ACTING COMMITTEE MEMBER RUFFINO: Thank you, Mr.
7 Chair and thank you Mr. Driscoll and staff for the report.
8 I have a couple questions just so that I understand a
9 little bit better, particularly the recommendation of the
10 summary of Task 2, one of the recommendation, one of the
11 bullet point says that we suggest that the reports provide
12 a description of the post-retirement mortality assumption,
13 as opposed to or in addition to a table of sample rates.
14 And so I'm trying to understand a little bit better how
15 does providing a descriptive overview of the
16 pre-retirement mortality assumption enhance the
17 understanding of its impact on actuarial valuation
18 compared to presenting a table of sample rates?

19 DAVID DRISCOLL: Well, as the -- as the term
20 suggests, the table of sample rates would give you
21 examples of what the rates are. But by referring to a
22 standard table, and this is a standard table published by
23 the Society of Actuaries, someone who has a strong
24 interest in the details involved could, in fact, access
25 the entire table by knowing which one it is by name.

1 ACTING COMMITTEE MEMBER RUFFINO: Okay.

2 DEPUTY CHIEF ACTUARY DZIUBEK: And let me just
3 add to that. There are lots of aspects involved with
4 setting the mortality assumptions, both pre-retirement and
5 post-retirement. CalPERS is rare in that we have enough
6 experience, we have enough data to measure our own
7 experience and not always have to rely on standard tables.
8 In some cases, we do mix our data with the results of
9 standard tables, but there's -- there are two main aspects
10 of these assumptions. There's measuring current mortality
11 rates that, you know, are measured based on actual deaths
12 within our membership and then there is assumptions going
13 forward for improvement in those Mortality rates. And
14 just to see the percentages in a table is just not as
15 descriptive with regard to how we came up with, let's say,
16 the improvement scale. A verbal description really gives
17 a better understanding to the reader of our thought
18 process in coming up with those rates.

19 ACTING COMMITTEE MEMBER RUFFINO: How frequently
20 are these assumptions reviewed and updated.

21 DEPUTY CHIEF ACTUARY DZIUBEK: I'll take that one
22 David

23 We review and update our assumptions every four
24 years. We are on the verge of our next experience study.
25 We're just starting that now. We'll be coming back to the

1 Board with those recommendations, usually consistent also
2 with the asset liability management process, which will
3 help us set the investment allocation and the discount
4 rate, the actuarial experience study will recommend
5 changes to mortality rates, termination rates, salary
6 increases, and such.

7 ACTING COMMITTEE MEMBER RUFFINO: And I'm
8 assuming that, you know, how might these changes impact
9 State employees' retirement planning? It will -- I'm
10 assuming it will have an impact.

11 DEPUTY CHIEF ACTUARY DZIUBEK: Yeah. So the
12 recommendations from David and his team in this report are
13 mostly with regard to the commentary in the reports. In
14 only one case in David's report did they recommend a
15 slight change to a calculation that would change a number
16 in a report. And that was in the Judges' Retirement
17 System, which is not funded. The judges -- the State does
18 not make the contribution that we calculate in that
19 report. The rest of the recommendations are commentary
20 and disclosures.

21 As far as the next experience study, we have to
22 go through it, of course, to see what, in fact, we'll
23 recommend, if any, changes with regard to the current
24 assumptions. At this time, we've seen some slightly
25 higher pay increases over the last couple years. So that

1 will be something look at very carefully. Do we need to
2 have an increase to the assumption for future pay
3 increases. That would be one area that we'll focus on,
4 where we've seen a little bit of deviation from our
5 current assumptions. But as far as the other assumptions,
6 we've not seen in the last four years any significant
7 deviation in experience.

8 ACTING COMMITTEE MEMBER RUFFINO: Great. That's
9 very helpful. Thank you. Thank you, Mr. Chair.

10 CHAIR MILLER: Thank you.

11 Direct Pacheco.

12 COMMITTEE MEMBER PACHECO: Yes. Thank you very
13 much and thank you, Mr. Driscoll, for your report as well.
14 My question is on the Section 3, summary of Task 2, State
15 and schools, it's the final comment where it says we
16 suggest that the report provide a description of the
17 pre-retirement mortality assumptions, including the
18 mortality improvement scale as opposed to or in addition
19 to the table of sample rates. And it mentions the school
20 pool evaluation report and some improvements. Can you
21 just describe to me exactly what that means exactly?

22 DEPUTY CHIEF ACTUARY DZIUBEK: Yeah. Go ahead,
23 David.

24 COMMITTEE MEMBER PACHECO: Yes.

25 DAVID DRISCOLL: Okay. Thank you. Yeah, in

1 other words, it -- there's -- and as Randy mentioned in
2 the response to an earlier question, we use in the
3 actuarial profession now and in valuing pension plans both
4 a base mortality table and an improvement scale. The idea
5 is that mortality tables tend to become out of date
6 because of improvements in longevity that typically
7 emerge. And for a number of years, the society of
8 actuaries has been publishing mortality improvement
9 scales. And so what we were suggesting here is that
10 because the mortality improvement scale is a modification
11 of specifically it's 80 percent of a standard mortality
12 improvement scale published by Society of Actuaries, the
13 data simply de-identifies as opposed to providing sample
14 rates from the table, because a person with an interest in
15 the subject could easily access the entire table if they
16 know what it's named as, because it's a publicly available
17 document the Society of Actuaries website.

18 COMMITTEE MEMBER PACHECO: Oh, I see. And then
19 would that be the standard then -- the standard practice
20 then moving forward?

21 DAVID DRISCOLL: I think it is. I think -- I
22 mean, as Randy mentioned, CalPERS because of its unusual
23 size, they will have enough credible data to develop its
24 own improvement scale.

25 COMMITTEE MEMBER PACHECO: Right.

1 DAVID DRISCOLL: You know, very few retirement
2 systems are large enough to do that, so that assuming
3 CalPERS continued to use the standard Society of Actuaries
4 mortality improvement scale with or without modifications,
5 it would certainly be customary to state it that way. The
6 other retirement systems we work with, which are not large
7 enough to develop their improvement scales typically state
8 their mortality assumptions, a combination of a base
9 mortality table plus one of the standard tables published
10 by the Society of Actuaries.

11 COMMITTEE MEMBER PACHECO: Okay. Thank you very
12 much for those comments. I appreciate it. Thank you.

13 CHAIR MILLER: All right. Thank you. And I
14 again want to express my appreciation to Buck and their
15 team and to our team. Again, we just -- we continue to
16 advance our understanding and improve our products. And
17 across CalPERS, we've seen a lot of emphasis on improving
18 both our communication, our reporting, I've spoken -- you
19 know, Mr. Fein and I have spoken and there have been
20 changes in even the way we format things, the away we
21 present them both to the board, and also for the benefit
22 of our stakeholders. And so I also appreciate that Buck
23 and staff are not just looking at just the purely
24 technical side of things, that again it does provide
25 confidence that we're doing well and that our independent

1 experts are concurring with our approaches and with our
2 materials, but also the kind of improvements that even
3 just improve the way our reports are understandable and
4 useful and provide some additional insight into how we can
5 make them more beneficial for us in our oversight role and
6 for interest stakeholders who, you know, really do dig
7 into this stuff.

8 It's always amazing to me the commitment among a
9 lot of our stakeholders and stakeholder representatives
10 that they do really pay attention to this stuff and
11 anything we can do to improve the quality of the products,
12 the report, so that it's easier to understand, and so
13 people can provide meaningful feedback, and in our case
14 oversight and assistance is always appreciated. So thank
15 you for that. And I think that about covers it for this
16 item.

17 So I guess at this point, we're on to summary of
18 Committee direction.

19 CHIEF COMPLIANCE OFFICER: Mr. Chair I don't know
20 that it was formal direction, but I did note the Committee
21 is very interested in looking at some of the BDO
22 informational and educational materials on ESG. Other
23 than, I noted no other direction.

24 CHAIR MILLER: Okay. Thank you. I did not
25 either. And I don't know that we have any public comment

1 on today's agenda.

2 BOARD CLERK ANDERSON: (Shakes head).

3 CHAIR MILLER: So no public comment. So at this
4 point we'll recess now into closed session for Items 1 to
5 3 from the closed session agenda, then we'll immediately
6 reconvene in open session after the closed session. So
7 than you. We'll clear the room

8 (Off record: 9:59 a.m.)

9 (Thereupon the meeting recessed
10 into closed session.)

11 (Thereupon the meeting reconvened
12 OPEN session.)

13 (On record: 10:27 a.m.)

14 CHAIR MILLER: Okay. We're back in open session.
15 And without objection, I will adjourn the meeting. So we
16 are adjourned.

17 (Thereupon the California Public Employees'
18 Retirement System, Board of Administration,
19 Risk & Audit Committee open session
20 meeting adjourned at 10:27 a.m.)

21

22

23

24

25

