

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

TUESDAY, JUNE 17, 2025
10:00 A.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Malia Cohen, Chairperson, also represented by Deborah Gallegos

David Miller, Vice Chairperson

Fiona Ma, represented by Frank Ruffino

Jose Luis Pacheco

Kevin Palkki

Ramón Rubalcava

Mullissa Willette

BOARD MEMBERS:

Theresa Taylor, President

Michael Detoy

Dr. Gail Willis (Remote)

STAFF:

Marcie Frost, Chief Executive Officer

Matthew Jacobs, General Counsel

Kevin Fein, Chief Compliance Officer

Beliz Chappuie, Chief Auditor

ALSO PRESENT:

Dev Berger, Retired Public Employees Association

Margaret Brown, Retired Public Employees Association

APPEARANCES CONTINUED

ALSO PRESENT:

John Eng

Cathy Jeppson, Retired Public Employees Association

Bill Kim, BDO

Keith Miller, BDO

Dipika Nagin, BDO

Nelly Van Lommel, Retired Public Employees Association

Lauren Vetter, Retired Public Employees Association

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PROCEEDINGS

ACTING CHAIR GALLEGOS: All right. I will call to order the Risk and Audit Committee meeting today, June 17th, 2025. Could we have the call to order and roll call, please?

BOARD CLERK ANDERSON: Deborah Gallegos for Malia Cohen.

ACTING CHAIR GALLEGOS: Here.

BOARD CLERK ANDERSON: David Miller.

VICE CHAIR MILLER: Here.

BOARD CLERK ANDERSON: Frank Ruffino for Fiona Ma.

ACTING COMMITTEE MEMBER RUFFINO: Present.

BOARD CLERK ANDERSON: Jose Luis Pacheco.

COMMITTEE MEMBER PACHECO: Present.

BOARD CLERK ANDERSON: Kevin Palkki.

COMMITTEE MEMBER PALKKI: Good morning.

BOARD CLERK ANDERSON: Ramón Rubalcava.

COMMITTEE MEMBER RUBALCAVA: Here.

BOARD CLERK ANDERSON: Mullissa Willette.

COMMITTEE MEMBER WILLETTE: Here.

ACTING CHAIR GALLEGOS: Great. Thank you very much. All right we will move on to Item 2, Executive Report. Mr. Kevin Fein.

CHIEF COMPLIANCE OFFICER FEIN: Thank you. Good

1 morning, Madam Chair, Mr. Vice Chair, and Committee
2 members. I'm Kevin Fein, CalPERS team member and Chief
3 Compliance Officer. Today, you will be asked to approve
4 the Enterprise Compliance, Risk, and Governance Annual
5 Plan for fiscal year 2025-26, also the Office of Audit
6 Services plan for fiscal year 2025-26, and the independent
7 auditor's annual plan for fiscal year 2025-26. I will
8 also be presenting the 2024-25 annual compliance report.
9 I'd also like to provide an update regarding the RFP for
10 the next contract period for independent auditor.

11 CalPERS issued the RFP on May 20th, 2025. We
12 have received 86 clarifying questions from potential
13 respondents. And CalPERS staff is in the process of
14 drafting answers to those. Responses to written questions
15 will be posted to the public on June 20th, 2025. The
16 final filing date for all respondents is July 7th, 2025 by
17 3 p.m. After the submission deadline is passed, a
18 subcommittee of the RAC will evaluate the proposals that
19 pass minimum qualifications. The RAC subcommittee will
20 then present the recommended candidate firm to the Board
21 of administration in September or November 2025 for
22 approval.

23 The next Risk and Audit Committee is scheduled
24 for September 2025. This concludes my report. Happy to
25 answer any questions.

1 ACTING CHAIR GALLEGOS: Great. Thank you.

2 Any questions from the Committee?

3 Okay. Terrific. We will move on then to Item 3,
4 action consent items.

5 COMMITTEE MEMBER PACHECO: I'll move.

6 CHAIR COHEN: Thank you.

7 ACTING COMMITTEE MEMBER RUFFINO: Second.

8 CHAIR COHEN: Mr. Pacheco, second Mr. Ruffino.

9 Do we do a roll call vote or general?

10 All in favor?

11 (Ayes.)

12 ACTING CHAIR GALLEGOS: Any opposed?

13 Great. The motion passes. Thank you so much.

14 BOARD CLERK ANDERSON: And Deborah --

15 ACTING CHAIR GALLEGOS: Yes.

16 BOARD CLERK ANDERSON: -- Dr. Willis is now
17 online.

18 ACTING CHAIR GALLEGOS: Okay. Great. Thank you.

19 All right, Dr. Willis, I'm going to read some
20 language. The Chair for each open session -- oh. Good
21 morning.

22 BOARD MEMBER WILLIS: Good morning.

23 ACTING CHAIR GALLEGOS: Good morning, Board
24 members. Because we are not all present in the same room
25 and Board members are participating from remote locations

1 that are not accessible to the public, Bagley-Keene
2 requires the remote Board members to make certain
3 disclosures about any persons present with them during
4 open session. Accordingly, the Board members
5 participating remotely must each attest either that, one,
6 they are alone or, two, if there are one more persons
7 present with them who are at least 18 years old, the
8 nature of the Board member's relationship to each person.
9 At this time, I will ask the remote Board member, Ms.
10 Willis to verbally attest accordingly. Please conduct the
11 roll call attestation.

12 BOARD CLERK ANDERSON: Dr. Gail Willis.

13 BOARD MEMBER WILLIS: Yes. Good morning. I do
14 attest to the fact that I am alone. Thank you.

15 ACTING CHAIR GALLEGOS: Great. Thank you, Dr.
16 Willis. Okay. We can move on now to item 4, information
17 consent items.

18 Any discussion?

19 Okay. We will proceed then to Item 5, the action
20 agenda items. 5a, Mr. Kevin Fein.

21 (Slide presentation).

22 CHIEF COMPLIANCE OFFICER FEIN: Thank you, Madam
23 Chair and good morning again, Committee members.

24 Today, I'm presenting for your review and
25 approval Agenda Item 5a, the fiscal year 2025-26

1 Enterprise Compliance, Risk and Governance Office annual
2 plan. I will highlight for you the areas that we intend
3 to focus on in the coming fiscal year, as we continue to
4 further mature the Compliance and Risk Program and work
5 through enhancements outlined in the multi-year plan
6 previously discussed.

7 [SLIDE CHANGE]

8 CHIEF COMPLIANCE OFFICER FEIN: Our goal remains
9 consistent with prior years to mature and strengthen our
10 means for identifying, managing, and mitigating compliance
11 and ethics risks across the organization with a focus on
12 people, processes, and technology. With regards to
13 people, we have made great strides in partnership with HR
14 in building out our team, but we have a little bit more to
15 do, so we will continue to look for individuals with the
16 right skill sets to move our program in the correct -- in
17 the direction needed.

18 As to our processes, we continue to identify and
19 monitor key employee activities and expand our risk
20 assessment, and assurance and monitoring undertakings.
21 Finally, in technology, we are continuing in our efforts
22 to further expand the use of our electronic governance
23 risk and compliance platform with the addition -- with the
24 implementation of additional risk management tools.

25 Next slide.

1 [SLIDE CHANGE]

2 CHIEF COMPLIANCE OFFICER FEIN: On slide three we
3 have an updated roadmap outlining our strategic focus over
4 this past fiscal year and heading into the coming fiscal
5 year. As we work to expand and mature our compliance and
6 risk management program, and use technology to make those
7 processes more effective and efficient, we will also focus
8 on providing education on the roles and responsibilities
9 across the three lines of defense, and further fostering a
10 culture in which everyone understands their part in
11 staying compliant and managing risk. This will be key to
12 the ongoing success of the program.

13 Next slide.

14 [SLIDE CHANGE]

15 CHIEF COMPLIANCE OFFICER FEIN: Moving to slide
16 four, here, we have the first two specific initiatives.
17 Again, these are multi-year initiatives, so they are
18 continuous as we build out our program. In the coming
19 fiscal year, we will expand our use of the GRC platform
20 with the implementation of the risk management module
21 known as, "Know Your Obligations".

22 Under initiative two, in addition to
23 continuing -- pardon me -- continuing work to roll out the
24 risk and control self-assessment program across CalPERS
25 divisions, we are also focused on formalizing on our

1 process for identifying new or amended regulations
2 impacting CalPERS and working with the relevant business
3 areas to identify the need for new or updated processes,
4 to help ensure we remain compliant with those regulations.

5 These processes go hand in hand as we build out
6 our regulatory library. We can more easily identify those
7 business areas and processes affected by given regulation
8 change, and therefore have insight into where and how
9 business processes may need to be updated and any impact
10 to risk as a result.

11 On the next slide --

12 [SLIDE CHANGE]

13 CHIEF COMPLIANCE OFFICER FEIN: -- we have
14 Initiative 3, which is focused on minimizing risk by
15 enhancing our assurance and monitoring activities,
16 including issues management. We have already begun
17 efforts to enhance our incidence and issues management
18 process with formalized guidance, trackers, and reporting
19 tools, and have piloted the program as a natural
20 progression from the risk and control self-assessment
21 results.

22 Finally we move to slide six, which demonstrates
23 our commitment to further supporting compliance and risk
24 management across CalPERS by providing greater compliance
25 and risk training across the organization, and seeking to

1 provide heightened compliance and risk advice, guidance,
2 and challenge aligned with the specific needs of each
3 division. That brings me to the end of our review of the
4 compliance and risk initiatives for fiscal 2025-26.

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

6 CHAIR COHEN: Thank you very much. Good morning
7 everyone. Colleagues are there any questions.

8 All right, I see Frank Ruffino.

9 ACTING COMMITTEE MEMBER RUFFINO: Good morning,
10 Madam Chair. And thank you, Mr. Fein. I've got a
11 quick -- a couple quick questions. First of all, any
12 specific what specific lessons or gaps perhaps from the
13 fiscal year 2024-2025 plan were addressed or carried
14 forward into this year's plan.

15 CHIEF COMPLIANCE OFFICER FEIN: So the overall
16 three approaches to people, process, and technology stays
17 consistent over this multi-year plan. As you saw, and
18 I'll speak to that in the -- when I present the annual
19 compliance report for fiscal year now ending, we've
20 implemented new pieces of the electronic process. We've
21 built out the assessment process for risk and control,
22 although we've just begun with a few divisions. We
23 finished one full branch by the end of this month and then
24 we'll be moving on to several others in the new fiscal
25 year. So there is a lot of continuation, where new pieces

1 of the process are built, tested, deployed, and then we
2 move on and add additional.

3 In the main, this is all parts of processes that
4 have existed, but what we're doing is modernizing, trying
5 to make them more efficient, use technology and
6 automation, because most of this has been very paper and
7 very manual intensive, which in and of itself is a risk to
8 not be as comprehensive a process. So that's what we're
9 doing is taking what we have, and building on that,
10 maturing the program, and bringing it up to what would be
11 recognized as best practices, for example, in the private
12 sector industries.

13 ACTING COMMITTEE MEMBER RUFFINO: And to follow
14 up really quick on your last comment about best practices.
15 Can you describe how the industry standards, which are
16 referenced in the plan is defined or benchmarked for a
17 public pension system like CalPERS?

18 CHIEF COMPLIANCE OFFICER FEIN: There are a
19 number of sources to review that. For example, myself and
20 my team engage with other compliance and risk specialists
21 from pension services, not only throughout California, but
22 across the country. I would say that by the nature of
23 CalPERS being the size it is with the history that it has,
24 there aren't a lot of analogs for us, because there --
25 most of the systems we talk to are quite a bit smaller,

1 and certainly are struggling with the same issues we have,
2 but having a more difficult time applying technology and
3 skilled resources to solving those issues.

4 So I tend to fall back, and I still have a number
5 of folks I talk to in the private sector, and looking at
6 what those standards were to meet the regulation and
7 regulators' expectations. But we certainly -- we just
8 recently -- I think a month and a half ago, I was engaged
9 with CALAPRS for their compliance and risk folks in a
10 roundtable discussion. And we try to take as much
11 advantage of those types of opportunities as we can.

12 ACTING COMMITTEE MEMBER RUFFINO: Excellent.
13 Well, thank you, sir. And that's it for me Madam Chair.
14 Thank you.

15 CHAIR COHEN: Thank you.

16 COMMITTEE MEMBER PACHECO: Can you hear me?

17 Now. Okay. Very good. Thank you. Thank you,
18 sir. Thank you very much for your -- for your
19 presentation. I just want to ask you a question about
20 issue you number four, educating and cultivating the
21 ethically -- ethical and risk intelligent practices among
22 CalPERS team members. How has that been? How has the --
23 how has team -- how are the team members -- CalPERS team
24 members feel about what's -- you know, all these -- with
25 respect to these practices?

1 CHIEF COMPLIANCE OFFICER FEIN: I would say
2 engagement has been very good and has only increased over
3 the last couple of years. We talk about some of the
4 pieces of the program that we've already rolled out, for
5 example the gift reporting module. It has generated a lot
6 more conversations. People are paying attention to the
7 requirements and where they play off against the
8 activities they're conducting. They're much more willing
9 to come proactively to us and ask for advice, engage us
10 on, you know, is this okay, how can we do this? We've
11 seen that also in outside business activities, as well as
12 some of the regular activities we go through every year,
13 the team leader review of Form 700. The engagement is
14 just -- you know, the more we talk about it, the more
15 people are beginning to put the pieces together and
16 understand how these things impact their day-to-day
17 functions. We're seeing a really good uptick.

18 We also continue to focus on education, not only
19 with our onboarding training, but we do a refresher for
20 anybody who is promoted into a new role and still is a
21 covered -- or Form 700 filer. And again, it just seems
22 the uptake is continuously positive. Our survey, which I
23 think we discussed in February, I think indicates that
24 things are definitely moving in the right area. The job
25 is not done, nor will it ever be, but I've been pretty

1 pleased with the ark over the last couple years.

2 COMMITTEE MEMBER PACHECO: You would fee like
3 basically the members -- CalPERS members are being more
4 proactive in terms of being more -- engaging with the
5 Compliance Office and so forth.

6 CHIEF COMPLIANCE OFFICER FEIN: Right, which has
7 always been my goal. You know, in my career, the three
8 things that this type of activity needs to support is
9 guidance, advice, and oversight. And the oversight is
10 just the third. The biggest chunk of what we do is
11 helping folks --

12 COMMITTEE MEMBER PACHECO: Right.

13 CHIEF COMPLIANCE OFFICER FEIN: -- avoid
14 pitfalls, understand where the issues are, understand what
15 they can do to make changes, whether that's a business
16 line, changing its controls to reduce risk, whether it's
17 redeploying resources. That -- you know, that's my goal
18 is to be seen as a trusted advisor, who can help folks
19 navigate and still accomplish their business goals.

20 COMMITTEE MEMBER PACHECO: Excellent. Thank you
21 for that comment. Appreciate it. That's all I have

22 CHAIR COHEN: Any other questions?
23 Questions?

24 No. Thank you. Thank you very much for your
25 presentation.

1 Good morning to you and welcome.

2 CHIEF AUDITOR CHAPPUIE: Good morning.

3 COMMITTEE MEMBER PACHECO: I'll move the item.

4 CHAIR COHEN: Before we move any further, Beliz,
5 with your presentation, there's an action item. And
6 there's been a motion by Jose Luis.

7 Is there a second?

8 VICE CHAIR MILLER: Second.

9 CHAIR COHEN: A second by Mr. David Miller.

10 Can we do a roll call vote or can we do it -- by
11 acclamation?

12 By acclamation. Okay.

13 VICE CHAIR MILLER: Is Gail online?

14 CHAIR COHEN: All right. Let the record reflect
15 that member Gail Miller -- Gail is not -- oh, she is
16 online. Dr. Gail Will is online. Okay.

17 BOARD MEMBER WILLIS: Yes, I am.

18 CHAIR COHEN: Thank you.

19 So all those in favor say aye?

20 (Ayes.)

21 CHAIR COHEN: All right. Opposed?

22 All right. Seeing none.

23 The ayes have it. Motion passes unanimously.

24 All right. Ms. Chappuie, thank you. Good
25 morning.

1 CHIEF AUDITOR CHAPPUIE: Good morning, Madam
2 Chair, members of the committee. Beliz Chappuie, Office
3 of Audit Services. Agenda Item 6b, correct? Yes, 6b --

4 CHIEF COMPLIANCE OFFICER FEIN: 5b.

5 CHIEF AUDITOR CHAPPUIE: 5b. Sorry correct. 5b
6 is an action item. Staff requests the Risk and Audit
7 Committee to approve the Office of Audit Services proposed
8 audit plan for the fiscal year '25-'26.

9 As required by the internal auditing standards,
10 the Office of Audit Services prepared a risk-based audit
11 plan to determine the priorities of the internal audit
12 activity for the next fiscal year. In conducting the risk
13 assessment, the Office of Audit Services, as a third line
14 of defense, coordinated its efforts with the second line
15 of defense, the Enterprise Compliance, Risk, and
16 Governance.

17 We interviewed CalPERS executive and senior
18 management teams and sought input from the Board members
19 through surveys. In identifying the internal audit
20 assignments and activities, staff evaluated multiple risk
21 factors, such as the organization's strategic goals,
22 concerns raised by CalPERS management and the Board,
23 information from prior audits, coverage provided by other
24 assurance functions.

25 For the employer compliance reviews, the Office

1 of Audit Services plans to complete four review cycles
2 covering one compliance area per cycle. Using data
3 analytics, staff will identify agencies for review for
4 each cycle. As required by the internal auditing
5 standards, we'll remain responsive to the changes in the
6 organization's operations, programs, and we will review
7 and update the audit plan as necessary. Any modification
8 to the audit plan will be communicated to the Committee
9 through the quarterly status reports. This concludes my
10 presentation and I'm happy to answer any questions.

11 CHAIR COHEN: All right. Are there any
12 questions?

13 I see no names. Okay. I see one name.

14 COMMITTEE MEMBER PACHECO: Yes.

15 Yes. Thank you. Thank you, Madam Chair Cohen.

16 I have one question, Ms. Beliz. With respect to
17 the human -- to the -- on the report on the Human Resource
18 Division, the reasonable accommodations, evaluate the
19 effectiveness of controls over the reasonable
20 accommodation process. Is that -- are you working with HR
21 in terms of the engagement process on engaging with HR or
22 I'm just trying to understand that statement.

23 CHIEF AUDITOR CHAPPUIE: So that's the scope of
24 our assignment. What we do is we -- there's two levels of
25 risk assessment that we perform. The one is to identify

1 the assignments that we put on the audit plan. And then
2 when we engage with the Human Resources for that
3 assignment, the respective division, we perform another
4 level of risk assessment that we refer to as the
5 assignment level risk assessment to then further refine
6 where we would like to review, and audit, and test the
7 operations or the process of that area.

8 COMMITTEE MEMBER PACHECO: Oh, I see. So -- and
9 so you look at more additional documentation to --

10 CHIEF AUDITOR CHAPPUIE: We will refine what it
11 is that we will be testing related to the reasonable
12 accommodation when we start the engagement.

13 COMMITTEE MEMBER PACHECO: I see now. Now, I
14 understand the process then. And that's usually what --
15 that's usually the process --

16 CHIEF AUDITOR CHAPPUIE: Yes.

17 COMMITTEE MEMBER PACHECO: -- that we do every
18 year. Okay

19 CHIEF AUDITOR CHAPPUIE: With every audit
20 assignment, correct.

21 COMMITTEE MEMBER PACHECO: Very good then. Well,
22 that's it. Thank you.

23 CHAIR COHEN: Okay. Good. Thank you.

24 I have a question for you. How does this year's
25 plan differ from last year or the previous year?

1 CHIEF AUDITOR CHAPPUIE: It all depends on the
2 risk assessment that we complete every year. We just --
3 as I stated earlier, we interview the executive team
4 members and then the senior leadership members, and then
5 reach out to the Board members to get an update on what
6 did -- what are the risks every year that we're dealing
7 with, that we're facing, that the executive team is facing
8 dealing with, the organization collectively is facing.

9 So that process stays the same. The risks may
10 vary from year to year. And based on the outcome of those
11 meetings and our prior knowledge of the assignments that
12 we completed, we just basically rate the assignments. And
13 then the ones that trickle up to the surface are then
14 carried on to the audit plan, that we present to the Risk
15 and Audit Committee.

16 CHAIR COHEN: Have there been some themes that
17 you've seen that have been consistent in previous
18 assessments of not only the executive staff but also of
19 trustees that have -- themes, when I'm saying themes of
20 risks that need attention. No?

21 CHIEF AUDITOR CHAPPUIE: No.

22 CHAIR COHEN: Every year or every plan has a
23 unique set of risks?

24 CHIEF AUDITOR CHAPPUIE: It really depends on
25 that year, the circumstances external and internal.

1 CHAIR COHEN: Um-hmm.

2 CHIEF AUDITOR CHAPPUIE: Like I said, whatever
3 the organization or the executive team members are facing.
4 And that's why we'd like to get different levels of
5 perspectives starting with the Board members. That's why
6 we reach out with the surveys to say, okay, you know, your
7 vantage point is different than the executive teams and
8 then the operations. So it just trickles down from there
9 on.

10 CHAIR COHEN: Okay. All right. Thank you. I
11 don't have any other questions and this is an action item.
12 Is there a motion?

13 COMMITTEE MEMBER PACHECO: I'll move.

14 ACTING COMMITTEE MEMBER RUFFINO: Second.

15 CHAIR COHEN: Okay. A motion made by Jose Luis
16 and a second by Frank Ruffino. Motion made by Jose Luis,
17 second Frank Ruffino.

18 We can -- I believe we can take without
19 objection, is that correct, colleagues? Is that by
20 acclamation?

21 All those on in favor?

22 (Ayes.)

23 CHAIR COHEN: Any opposed?

24 All right. Great. Thank you. That motion
25 passes --

1 CHIEF AUDITOR CHAPPUIE: Thank you.

2 CHAIR COHEN: -- unanimously.

3 Thank you.

4 All right. Our next item, independent auditor's
5 annual plan.

6 Excuse me.

7 CHIEF AUDITOR CHAPPUIE: Thank you, Madam Chair.

8 CHAIR COHEN: Madam, before we continue, I'm
9 going to go ahead and take public comment.

10 CHIEF AUDITOR CHAPPUIE: Sure.

11 CHAIR COHEN: Thank. Welcome. You have three
12 minutes.

13 MARGARET BROWN: Thank you so much. My name is
14 Margaret Brown, representing the Retired Public Employees
15 Association of California. Good morning, Madam Chair,
16 members of the RAC. Ms. Chappuie, good to see you.

17 I'm looking at the Office -- the Audit Services
18 audit plan and it looks good to me. I just want to make
19 sure that when these audits are complete that they're
20 available to the public. You know, all the audits you do
21 of the employers are laid bare for everyone to see. And I
22 think CalPERS should have the same transparency of theirs,
23 unless there's some security risk. Other than that, I
24 think the audit should be made available to the public.
25 Thank you.

1 CHAIR COHEN: All right. Thank you very much.
2 Ms. Chappuie.

3 CHIEF AUDITOR CHAPPUIE: Thank you, Madam Chair.
4 It's Beliz Chappuie again, Office of Audit Services.
5 Agenda Item 5c is an action item. Staff requests the Risk
6 and Audit Committee to approve the Board's independent
7 auditor, BDO's, audit plan to audit CalPERS financial
8 statements for the fiscal year ending June 30, 2025.

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

15 (Slide presentation).

16 BILLY KIM: Good morning, Madam Chair, Vice
17 Chair, and members of the Committee. Thank you for having
18 us here. For the record, Billy Kim, BDO Principal.

19 I'm joined here with colleagues Dipika Nagin, BDO
20 Director as well as Keith Miller BDO Principal.

21 I will walk you through the highlights of our
22 audit plan presentation today, and we'll -- focusing on
23 specific items for your attention.

24 If we can go to slide five, please.

25 [SLIDE CHANGE]

1 BILLY KIM: Thank you.

2 The scope of our services includes performing a
3 financial statement audit of CalPERS financial statements,
4 also includes performing audits over the GASB 68 and 75
5 employer allocation schedules as well, and then lastly,
6 also it does include issuing a report over the census data
7 related to the California Agent Multiple-Employer Defined
8 Benefit Pension Plan.

9 Also, as part of our audit of CalPERS, we'll
10 report to you the results of our work as well as other
11 required auditor communications and internal control
12 recommendations that we have in the November meeting.

13 Next slide, please.

14 [SLIDE CHANGE]

15 BILLY KIM: This slide is highlighting
16 responsibilities, including BDO's responsibility, which is
17 to perform our audit in accordance with government
18 auditing standards. And as a reminder, for management is
19 ultimately responsible for the preparation and fair
20 presentation of the financial statements of CalPERS.

21 At the same time, you as the Risk and Audit
22 Committee is responsible with the oversight of management
23 over their financial statement process, as well as the
24 related internal controls.

25 Also, as part of our audit, you know, we are

1 required, under our professional standards, to be
2 independent of our clients. And specifically for CalPERS,
3 want to confirm with you today that we are independent of
4 CalPERS.

5 Next slide, please.

6 [SLIDE CHANGE]

7 BILLY KIM: This slide and the next few slides
8 provides an overview of our audit strategy, which is
9 driven by a risk assessment process that we end up
10 executing upon. And as part of that planning process,
11 what that actually entails is we assess risks of material
12 misstatement on the financial statements, and then design
13 specific audit procedures to respond to those risks.
14 We'll be walking you through that process and then also
15 sharing with you the results of it.

16 One of the things to keep in mind is that our
17 risk assessment process is an iterative process, meaning
18 we continuously update our risk assessment as we are
19 performing the audit. So, for instance, in the execution
20 phase of our audit, if we identify any new information
21 about a certain area, we will then assess whether that
22 should change our risk, and whether then that then entails
23 additional audit procedures to be performed.

24 If any of those type of changes do occur,
25 especially if it is significant, we will communicate that

1 to you and share that with you during the November
2 meeting.

3 Next slide, please.

4 [SLIDE CHANGE]

5 BILLY KIM: The process of identifying and
6 performing our risk assessment takes into account many
7 considerations. This slide lays out a lot of these
8 different factors, but not limited to reviewing prior
9 audit results, any recent developments, inherent risk
10 considerations, significant accounting policies, assessing
11 the control environment, which includes the information
12 systems.

13 Also, as part of our risk assessment process, we
14 do hold meetings with management across the organization.
15 And that is to inquire them of any updates, anything that
16 potentially could impact the financial statements for the
17 year, and anything that could impact the related internal
18 controls.

19 Next slide, please.

20 [SLIDE CHANGE]

21 BILLY KIM: Next slide.

22 [SLIDE CHANGE]

23 BILLY KIM: Yeah, this slide here is basically
24 giving us a summary of what the significant risks that
25 we've identified that we'll be focusing on for this year's

1 audit. Now, these three areas specifically related to
2 significant risks, just to make sure I define it here, the
3 risks that have a -- both a higher likelihood of
4 occurrence and then also a higher magnitude of effect.
5 And therefore, it requires more of our audit attention.

6 So that does include: one, management override of
7 internal controls over financial reporting; two, valuation
8 of investments; and then three, valuation of estimated
9 future policy liability. And we'll actually be going
10 through this in a little bit more detail in the next few
11 slides.

12 Next slide, please.

13 [SLIDE CHANGE]

14 BILLY KIM: Next slide.

15 [SLIDE CHANGE]

16 BILLY KIM: All right. The first risk is risk of
17 management override of internal controls over financial
18 reporting. And so this is an area that we focus on as a
19 significant risk on all of our audits that we do. For
20 CalPERS, our plan is to first understand of any internal
21 controls, updates, specifically over the financial
22 reporting process, including over the process for journal
23 entries. Two, we also perform fraud increase across the
24 organization, not just limited to executive management,
25 but also to others as well. Third, we'll also examine tip

1 line activity. And then fourth, we also perform risk
2 based journal entry testing.

3 So what we end up doing there is we set specific
4 criterias that we believe should be looked at from a fraud
5 risk perspective, and then we identify the specific
6 journal entries that meet those criteria, and then we end
7 up testing all of them. So then the result of that is to
8 assess whether there are proper journal entries, properly
9 approved, and then also whether there's any indication of
10 fraud.

11 Lastly, we also incorporate elements of
12 unpredictability into our audit. And that could include
13 expanding sample sizes to various different tests, also
14 performing any additional validation procedures in
15 different areas.

16 With that said, I'll pass it off to Keith who
17 will walk us through valuation of investments.

18 [SLIDE CHANGE]

19 KEITH MILLER: Thank you, Billy.

20 For investments, our primary audit risk concerns
21 are twofold. Firstly, ownership and existence, i.e.,
22 whether CalPERS actually owns the investments that are
23 shown in its financial statements, and secondly,
24 valuation, so whether the investments are fairly presented
25 at fair value in accordance with GAAP.

1 The CalPERS investment portfolio is broadly
2 broken into two buckets, firstly, the marketable public
3 securities and, secondly, the private commingled fund
4 investments, which comprise private equity and real estate
5 interests. As part of our audit work on ownership and
6 existence, we send confirmations to the custodians of
7 securities and the underlying fund operators of the
8 commingled fund investments, and we reconcile these to the
9 CalPERS accounting records and financial statements.

10 In terms of valuation audit work, for the public
11 securities, we can access observable publicly traded, last
12 traded prices on the relevant exchange or market, and we
13 can compare those to the valuation marks used by CalPERS.
14 For the private commingled fund investments, most of these
15 are typically valued at fair value at the ending capital
16 balance reported by the underlying fund or NAV, as it's
17 also called. And so we ensure that this ties the
18 valuation marks that CalPERS is using.

19 We also examine the audited financial statements
20 that are prepared for these commingled fund investments.
21 Because many of the private equity investee funds have a
22 calendar year-end, as of which, they are audited, while
23 CalPERS has a June 30 year-end, a portion of our work will
24 be devoted to auditing this time gap between the audited
25 12-31 year-end and CalPERS own 6-30 year-end. And this is

1 something that is -- we'll pay particular close attention
2 to this year, as the markets are more volatile and forces
3 affecting valuation of investments, for example tariffs,
4 which we'll consider as part of that lag testing work.

5 And finally, we will also address and test during
6 our audit field work, areas including realized gains,
7 investee fund, capital calls and distributions, and
8 dividend and interest income received from investments.
9 And we test and corroborate the investment information
10 that is presented in the investment section of the
11 financial statements and disclosures.

12 DIPIKA NAGIN: Okay. Next, I will cover another
13 significant risk, and that's the long-term care liability
14 for future policy benefits. And this is related to the
15 long-term care fund.

16 [SLIDE CHANGE]

17 DIPIKA NAGIN: This is essentially an estimate of
18 the present value of the costs the Long-Term Care Fund
19 will pay out in benefits to policyholders. Our actuarial
20 specialists will assist us in reviewing the actuarial
21 valuation report, including review of management's
22 estimation methodology, and any key assumptions used. We
23 will also perform testing over the assumptions used within
24 the related role forward, as well as obtain comfort over
25 the completeness and accuracy of the underlying census

1 population.

2 Next slide.

3 [SLIDE CHANGE]

4 DIPIKA NAGIN: Okay. This slide represents other
5 areas we focus on as part of our audit, typically due to
6 materiality of the balance or complexity and judgment
7 involved in the accounting. For the other areas that we
8 focus on, we start by understanding how the internal
9 controls and systems work, especially those that impact
10 financial reporting. We then perform substantive testing
11 using a combination of detailed testing of samples or
12 analytical procedures.

13 We -- where actuarial estimates are involved, we
14 engage our in-house actuarial team to perform a review of
15 the actuarial methodology. In addition, we perform
16 testing over the completeness and accuracy of any data
17 input.

18 Next slide.

19 [SLIDE CHANGE]

20 DIPIKA NAGIN: Next slide.

21 [SLIDE CHANGE]

22 DIPIKA NAGIN: This slide shows our audit
23 timeline and key milestones. Throughout the year, we meet
24 regularly with management to update them on our progress,
25 get their feedback, and lastly to discuss any changes in

1 the organization that might affect our audit.

2 If anything significant comes up, we adjust our
3 risk assessment as needed. Currently, we're finishing up
4 our audit planning and interim testing. There are no
5 issues to report at this time. We'll share the final
6 results of our audit with you prior to issuance of the
7 financial statements in mid-November.

8 Next slide, please.

9 [SLIDE CHANGE]

10 DIPIKA NAGIN: One more.

11 [SLIDE CHANGE]

12 DIPIKA NAGIN: This slide here contains
13 information regarding BDO's quality management process,
14 and to remind you, that we are subject to quality
15 management standards as well. And we strive to ensure
16 that we adhere to these standards. Now, I'll pass it back
17 to Billy.

18 BILLY KIM: That concludes our presentation and
19 we're open for any questions.

20 CHAIR COHEN: Thank you, Mr. Kim and team I
21 appreciate your presentation. We've got some questions
22 for you.

23 Jose Luis Pacheco, you're up.

24 COMMITTEE MEMBER PACHECO: Yes. Thank you.
25 Thank you very much. So let me just get to my question

1 right now. So I want to get back to slide number -- it is
2 the page 13 of 20 is the valuation of the investments.
3 And I just wanted to ask a question regarding the calendar
4 year. You were mentioning the differences between our
5 calendar year -- or fiscal year, which is June 30th and
6 the -- and the calendar year with respect to the
7 investment funds themselves, and the challenges
8 associated. How are -- how do you for see that in the
9 next couple of months, because we're it's going to be
10 ending -- you know, we're going to be finishing up the
11 audit in November. Do you feel this would be challenge or
12 you would have all the resources available to complete
13 that process.

14 KEITH MILLER: Yeah. This is something that we
15 do every year. It's a consideration, because the private
16 equity vehicles in particular have a 12-31 year-end. So
17 you've got a six-month lag. And so, they are effectively
18 providing Q2 marks in their world, which we, for us, is
19 year-end, and it's unaudited. So we -- you -- we lean on
20 our internal audit valuation group who have a wealth of
21 data about private equity and asset management from
22 publicly traded vehicles -- publicly traded shops that
23 operate such vehicles, and also other data by industry,
24 for example, within private equity.

25 And so, part of our audit every year is to ensure

1 that those Q2 unaudited marks are reasonable. And we
2 scrutinize that at a individual fund and at a industry
3 level. And that's all the same as last year. I think
4 this year, we will see whether there are any further
5 market shocks that might impact in the nature of those
6 valuations, and -- but we are planning to -- we always
7 scrutinize it, you know, carefully. But this year, in
8 particular, there will be an even stronger emphasis on
9 making sure that the marks and the first six months
10 performance of those private equity vehicles make sense
11 and it's -- and it's both consistent with the macro data
12 that we can obtain, and also at an individual fund level
13 investee fund level that that -- that those marks make
14 sense.

15 So, yeah, it's not a new step for us, but
16 certainly I think it deserves a strong focus this year
17 just because the markets are more volatile than they
18 normally would be.

19 COMMITTEE MEMBER PACHECO: And just a follow-up
20 on that question. You mentioned that these particular Q2s
21 are unaudited. How would you be able to account for them,
22 because of their -- their books are unaudited and we're
23 doing the audit, how would you be able to account for
24 that. I feel that's a challenge. Is that going to be a
25 challenge or...

1 KEITH MILLER: Well, valuation is the subjective
2 part. The debits and credits are easy. They -- it's --
3 they use -- they call it the practical expedient. And so
4 what you're effectively doing is marking the investment at
5 the Q2 capital balance of CalPERS investment in this
6 private equity vehicle, that it's -- that it's invested
7 in.

8 So the challenge is the, you know, valuation is
9 somewhat subjective, and therefore, the increase or
10 decrease in the value of those investments since its last
11 audit, which would be 12-31. That does that -- does that
12 change in valuation make sense? Is it consistent with the
13 observable data that we can obtain, and then also
14 considering the nature of the individual investments and
15 knowing the industries that they may focus on to make sure
16 that the change in that valuation, you know, is
17 reasonable, and that it -- we can understand and obtain
18 information and explanations that make us comfortable that
19 that valuation makes sense.

20 COMMITTEE MEMBER PACHECO: Very good.

21 KEITH MILLER: And that's something that you're
22 also going from one year to the next. So we look back to
23 the prior audit, so that we can -- we can assess the
24 movement over a longer than an annual period, because
25 obviously we've got that data behind us. It's already

1 happened to use to understand whether there are aggressive
2 valuations, whether they, you know, overshoot, undershoot.
3 So we can look at -- we can look at that data that we were
4 already -- that we know is historical to -- again to
5 compare against our own analysis and the marks that
6 CalPERS is using.

7 COMMITTEE MEMBER PACHECO: Very good then. Thank
8 you very much for that elegant --

9 KEITH MILLER: Sure.

10 COMMITTEE MEMBER PACHECO: -- articulation of
11 that process. I know it's very complicated and -- but
12 I -- it is -- it is extremely important to make sure --

13 KEITH MILLER: Yes.

14 COMMITTEE MEMBER PACHECO: -- that we identify
15 the right NAV -- is that -- NAV value.

16 KEITH MILLER: Correct.

17 COMMITTEE MEMBER PACHECO: Thank you so much.

18 KEITH MILLER: Sure. You're welcome.

19 CHAIR COHEN: All right. Good. Thank you very
20 much, Mr. Pacheco.

21 I would agree that BDO, the team has put together
22 a really tight plan, very narrow and easy to understand.
23 I don't have any other questions. I see no other
24 questions with my colleagues. Thank you.

25 Now, this is an action item plan. Let's see if

1 there's anyone for public comment that would like to speak
2 on this item?

3 All right. Seeing none.

4 Colleagues, is there a motion to accept the --

5 COMMITTEE MEMBER PACHECO: I'll move approval.

6 CHAIR COHEN: All right. A motion has been made
7 by Trustee Jose Luis Pacheco.

8 Is there a second?

9 VICE CHAIR MILLER: Second.

10 CHAIR COHEN: All right. Second by Vice Chair
11 David Miller.

12 Colleagues, we can -- I think we can take this be
13 acclamation. Would all those in favor say aye?

14 (Ayes.)

15 CHAIR COHEN: Any opposed?

16 Okay. Thank you. The motion passes unanimously.
17 Thank you very much.

18 Okay. Now, we're going to move on to the
19 information agenda items. This item 6a, the annual
20 compliance report. Welcome back, Mr. Fein.

21 CHIEF COMPLIANCE OFFICER FEIN: Thank you, Madam
22 Chair. Good morning again, Committee.

23 CHAIR COHEN: Would you mind pulling the mic.

24 CHIEF COMPLIANCE OFFICER FEIN: Sorry.

25 This is the presentation of the current fiscal

1 year-end 2024-25 annual compliance report.

2 (Coughing).

3 CHIEF COMPLIANCE OFFICER FEIN: Pardon me.

4 The purpose of the annual compliance report is to
5 demonstrate effective risk management and oversight by
6 both ECRG and the first line of defense, business
7 partners, across the organization and to provide the Board
8 with a collective view of risk management activities and
9 allow for effective Board oversight.

10 CalPERS continues to employ the three lines of
11 defense model to implement compliance risk and governance
12 practices, which emphasizes collaboration and
13 accountability through clearly defined roles and
14 responsibilities.

15 (Clears throat).

16 CHIEF COMPLIANCE OFFICER FEIN: Pardon me.

17 I think we've completed a very positive year with
18 a lot of great progress. If you've already read the
19 report, hopefully you agree. I would like to highlight
20 some key accomplishments on our main categories, not just
21 for the Enterprise Compliance, Governance, and Risk group,
22 but also our partners in the first line across the
23 organization.

24 As it relates to conflict of interest oversight,
25 ECRG successfully completed a full year of the gift and

1 entertainment attestations using the GRC platform, which
2 was well received by team members. The program has
3 strengthened awareness and understanding of the gift and
4 entertainment rules. We also enhanced the disclosure of
5 team members outside business activities to identify and
6 manage potential conflicts with their CalPERS job duties.

7 We also developed and we are piloting a third
8 party agreement conflict check process to protect against
9 potential conflicts of interest between decision-makers,
10 personal or financial interests, and third parties
11 engaging with CalPERS.

12 There were several enhancements noted in
13 monitoring an assurance across CalPERS, including Customer
14 Service And support's use of artificial intelligence to
15 automate compliance reviews, comparing elements of
16 memorandum of understandings against labor agreements and
17 enabling more accurate and timely reviews.

18 Health Policy and Benefits Branch collaborated
19 with the Office of Audit Services to complete a health
20 contribution review for non-PERS agencies, which validated
21 that employer health contribution collection processes and
22 procedures were in alignment with applicable resolutions
23 and statutes.

24 In addition, the Investment Office validated user
25 access requirements and standards for their trade order

1 management system to ensure compliance with information
2 control standards.

3 Moving now to advice and education. ECRG
4 improved tracking and reporting of the Attorney General's
5 ethics training and continued compliance advisory sessions
6 with new hires to ensure understandings of CalPERS
7 conflict of interest rules and ethical standards. The
8 Customer Service and Support team enhanced member
9 education by making resources available in multiple
10 languages and the Investment Office delivered training on
11 investment related conflicts of interest, regulatory
12 matters and other topics specific to INVO's business
13 model.

14 With regards to risk assessment and mitigation,
15 the IT Branch continued to partner with Enterprise
16 Compliance, Risk and Governance to complete an additional
17 12 risk and control self-assessments and they are on
18 target to complete RCSAs for all business units by the
19 fiscal year end, in a couple of weeks. Customer Service
20 and Support completed a significant project to assess and
21 reduce overpayment risk in three areas, retirement
22 benefits, refunds and death benefits. The Human Resources
23 Division developed an executive succession planning model
24 to reduce key man risk and support a smooth transition of
25 knowledge and skills when key personnel leave CalPERS,

1 whether planned or unplanned.

2 Under data privacy and protection, Health Policy
3 and Benefits enhanced user data protection with the
4 implementation of two factor authentication for the
5 long-term care member portal and the electronic visit
6 verification tool. HR is partnering with IT to enhance
7 user access compliance as part of the Oracle HCM Cloud
8 Migration Project. This provides for roll-based user
9 access that can be closely monitored for compliance and
10 data privacy and protection standards. Projected
11 completion is the upcoming fiscal year 2025-26.

12 In the area of part -- pardon me -- fraud risk
13 manage, the Customer Service team reduced failed
14 authentications among Contact Center agents by 50 percent
15 and achieved a 96 percent authentication success rate,
16 among teams that participated in an authentication
17 workshop pilot.

18 Health Policy and Benefits collaborated with its
19 long-term care third-party administrator to implement a
20 new and enhanced fraud, waste and abuse detection tool
21 that analyzes claim data against various risk factors to
22 identify potentially fraudulent activities.

23 Finally, in the area of third-party risk
24 management, Health Policy and Benefits established a new
25 performance and quality improvement team in the contract

1 section, reflecting a broader effort over recent years to
2 strengthen contract requirements and align more closely
3 with Covered California and the Department of Health Care
4 Services.

5 These enhancements are expanding HPBB's ability
6 to provide comprehensive oversight and auditing to verify
7 contract compliance by all health plans. As you can see,
8 the organization made some significant strides in
9 strengthening the CalPERS compliance and risk management
10 practices. And it's been great seeing the collaboration
11 across multiple divisions. And with that, I'm happy to
12 answer any questions.

13 CHAIR COHEN: All right. Thank you very much for
14 that presentation.

15 Jose Luis, I don't see your name on the list, but
16 do you have a question?

17 COMMITTEE MEMBER PACHECO: No.

18 CHAIR COHEN: No question.

19 Okay. Well, I'm stumped. There's no question.
20 Okay. Well, that's just an information item. Thank you
21 very much. That's how thorough your presentation was.

22 Let's keep moving forward. Let's see if there's
23 any public comment on this item?

24 All right. Let's see here.

25 All right. Seeing none, let's go ahead to 6b.

1 CHIEF COMPLIANCE OFFICER FEIN: Madam Chair, I
2 noted no direction.

3 CHAIR COHEN: Your right. It says information
4 item. Is there -- No.

5 CHIEF COMPLIANCE OFFICER FEIN: Nothing is
6 required to be approved.

7 CHAIR COHEN: Excuse me?

8 CHIEF COMPLIANCE OFFICER FEIN: The annual
9 compliance report is not required to be approved. This
10 our report to you.

11 CHAIR COHEN: Right. Okay. Thank you.
12 Appreciate that.

13 So can we Item B.

14 CHIEF COMPLIANCE OFFICER FEIN: 6b, the
15 summary --

16 CHAIR COHEN: Summary of Committee direction.

17 CHIEF COMPLIANCE OFFICER FEIN: I noted no
18 direction.

19 CHAIR COHEN: Oh, okay. I misunderstood what you
20 were saying. Okay. Well, thank you very much.

21 CHIEF COMPLIANCE OFFICER FEIN: Unless I
22 misunderstood.

23 CHAIR COHEN: All right. Seeing that there's no
24 public comment, let's go ahead. Well go to 6b now to
25 public comment.

1 I've got a few folks on the phone. Ms. Margaret
2 Brown, are you -- you're in the chamber. Come on down.

3 And then I have a Cathy Jeppson and Dev Berger.

4 MARGARET BROWN: Good morning again, Madam Chair,
5 members of the RAC. My name is Margaret Brown, President
6 of the Retired Public Employees Association of California.

7 I'm here today speaking on behalf of RPEA members
8 and the 769,000 CalPERS retirees and inactive members
9 whose personal data was compromised in the massive May
10 2023 data breach involving your third-party vendor PBI.

11 I'm here today to say one thing clearly, CalPERS must
12 continue to provide Experian credit monitoring and
13 identity protection for those impacted, because the risk
14 to our identities didn't end when the headlines faded.

15 Let's be honest, the notice sent to retirees
16 after the breach was insufficient. If you didn't open the
17 envelope the came from CalPERS, you didn't know your
18 credit was breached, your identity was breached and we
19 have many comments talking about the expiration coming up
20 and people didn't even though their data had been
21 breached.

22 A one-time notification and short-term credit
23 monitoring do not offer -- does not match the magnitude of
24 the threat. Identity theft is not a one- or a two-year
25 risk. It's a lifetime risk and retirees, many of who are

1 living on fixed incomes are especially vulnerable. We
2 cannot afford the financial and emotional toll of dealing
3 with fraud stolen identities, or wrecked credit down the
4 line.

5 By continuing the Experian credit monitoring
6 services, CalPERS shows that it is willing to take real
7 responsibility for protecting its members, not just in
8 word, but in deed. This is more than security. It's
9 about trust; trust that CalPERS is protecting our futures,
10 not just our pensions, but our identities; trust that when
11 a crisis happens, CalPERS will stand with its members and
12 not leave them to figure it out alone; and trust that this
13 Committee, and ultimately the Board, understands the scope
14 of the harm and is committed to doing the right thing.

15 So I respectfully urge you to continue Experian
16 credit monitoring and identity protection for the 769,000
17 members affected by the 2023 data breach. Our information
18 was exposed through no fault of our own and we deserve
19 lasting protection. Thank you.

20 CHAIR COHEN: Thank you very much, Ms. Brown.

21 Next, we'll hear from Cathy Jeppson.

22 CATHY JEPPSON: Good morning, Madam Chair, and
23 members of the Risk and Audit Committee, and the CalPERS
24 staff. My name is Catherine Jeppson. I am the Secretary
25 Treasurer of retired public employees of California.

1 I am one of the 769,000 members whose data was
2 breached. I am here to respectfully ask you that you
3 continue the credit monitoring for the sole reason that it
4 doesn't end when the two-year monitoring is over. This is
5 something that I have to deal with for the rest of my
6 life. And I know that I can put a lock on the credit, but
7 then it's difficult to get it off, especially if I travel,
8 which I do a lot, outside of the United States.

9 It's very frustrating to me, because through no
10 fault of my own, I am having to continually check on the
11 monitoring for the rest of my life. And so I would
12 respectfully ask that CalPERS continue for a minimum of
13 two more years with the Experian credit and do the right
14 thing. Thank you very much.

15 CHAIR COHEN: Thank you very much. Next speaker
16 is Dev Berger.

17 DEV BERGER: Good morning, Madam Chair and
18 members of the Committee. For the record, my name is Deg
19 Berger. And I'm the managing editor of the RPEA
20 publications. Older adults are disproportionately
21 impacted by internet and phone scams and the 769,000
22 retirees and their beneficiaries were sentenced to a
23 lifetime now of vigilance over their data. This vigilance
24 was confirmed when I attended a recent FBI sponsored
25 fraud -- elder fraud conference. So it is not stated

1 lightly. It is something that has to be done.

2 CalPERS was criticized for its lack of expediency
3 in informing members about the May 2023 breach and also
4 that the letter that was sent, which was very long and
5 ignored by many, didn't emphasize the dangers and the
6 immediacy of having to have credit monitoring.

7 So I'm urging, as two other people have right
8 now, to have additional two years of credit monitoring.
9 It is your fiduciary responsibility to protect members.
10 And if you're going to do this, you've got to do it in a
11 much smarter outreach that is concise and understanding --
12 understandable to those you're trying to reach. I would
13 urge you to contact Experian who has had a credit -- had a
14 data breach. I would ask you to copy the methods that
15 AT&T used to have outreach to members, which was concise,
16 and consistent, and easily understood.

17 If CalPERS can spend over \$360,000 for the
18 Pathways for Women's Conference, and yes, it did have an
19 \$80,000 receive and return, then it certainly can consider
20 spending money to protect members who are facing a
21 lifetime of fraud and abuse. I'm asking you to protect
22 members, to do your fiduciary responsibility to the
23 769,000 people impacted.

24 Thank you for your time.

25 CHAIR COHEN: Thank you.

1 Okay. At this time, we are going to recess now
2 into close --

3 BOARD CLERK ANDERSON: Chair Cohen, sorry. We do
4 have a public comment on the phone.

5 CHAIR COHEN: Oh.

6 STAFF SERVICES MANAGER I FORRER: Yes, Chair
7 Cohen. We have Lauren Vetter to speak to Item 6c.

8 CHAIR COHEN: Okay.

9 STAFF SERVICES MANAGER I FORRER: Go ahead,
10 Lauren.

11 CHAIR COHEN: Speaker.

12 LAUREN VETTER: Good morning, Madam Chair and the
13 Board. I speak to you as a member of the field. I'm
14 secretary for one of our local RPEA chapters, and I can
15 tell you that when this whole thing broke, the confusion
16 in the field was really, really a problem. People didn't
17 understand what was happening and why. Some of them are
18 starting to really understand the implications, especially
19 those who have been hacked in one way or another. I think
20 it's really important for seniors and our vulnerable
21 population that you continue the coverage for at least
22 another two years.

23 I thank you for your consideration. Bye.

24 CHAIR COHEN: Thank you very much.

25 Marcie, may I ask you a question just about the

1 public comment that we've heard. Do the members that
2 have -- that are requesting an extension in this coverage,
3 do they have the ability to assume that on their own?

4 CHIEF EXECUTIVE OFFICER FROST: We would have to
5 check collect with --

6 LAUREN VETTER: A lot of them do not.

7 CHAIR COHEN: Thank you, caller. Your time is
8 up.

9 CHIEF EXECUTIVE OFFICER FROST: Sorry. We would
10 have to check with Experian around the assumption. I'm
11 assuming that's about continuing the current rate that
12 we're getting. We could check with Experian on that.

13 CHAIR COHEN: That would be helpful. And then my
14 follow-up question is Experian gave us some kind of a
15 discounted rate for that service, correct?

16 CHIEF EXECUTIVE OFFICER FROST: Correct.

17 CHAIR COHEN: And then we, of course, extended
18 it, the coverage to our members, our retirees in
19 particular. And loved to just know if that is an
20 extension that can -- that -- you know, much like when you
21 stop work you have COBRA that continue with your health
22 coverage.

23 CHIEF EXECUTIVE OFFICER FROST: Yeah, we
24 transfer.

25 CHAIR COHEN: Yeah. That would be --

1 CHIEF EXECUTIVE OFFICER FROST: I'll check.

2 CHAIR COHEN: All right. I think --

3 BOARD CLERK ANDERSON: Sorry, there is one more
4 that came through.

5 BOARD CLERK ORTEGA: All right.

6 STAFF SERVICES MANAGER I FORRER: Yes, Chair
7 Cohen. We have on more caller. Nelly Van Lommel to speak
8 to item 6c.

9 Go ahead, caller.

10 NELLY VAN LOMMEL: Good morning, Madam Chair and
11 the Board. Thank you for taking my call. I am the
12 Retired Public Employees Association Area Director 6,
13 which is in the Inland Empire, Southern California, San
14 Bernardino County and Riverside County. Those are two
15 large counties here in Southern California.

16 We've helped many of our members get onto the
17 Experian site to do their monitoring. I have no
18 complaints about the free monitoring of my credit report.
19 I bought a new car and right away my email, there was an
20 inquiry made concerning my purchase. I just want to say
21 considering the climate at this time of the tariffs on
22 cars and on goods, that we should, at this time, continue
23 two years of monitoring, to be fair. It is a bad time to
24 stop this. Large purchases are not being made, such as a
25 car, which I bought. So I request that you extend it

1 another two years and I would like to thank you for your
2 consideration.

3 CHAIR COHEN: All right. Thank you.

4 NELLY VAN LOMMEL: That's it.

5 CHAIR COHEN: All right. We have one more. John
6 Eng, are you here? Good morning. Come on down, Mr. Eng.

7 JOHN ENG: Good morning. Hello, Committee
8 members. My name is John Eng. I'm a CalPERS retiree, and
9 I also would like to ask that the Experian coverage be
10 extended for another two years. I feel that doing that
11 would be in compliance with the culture of compliance that
12 was expressed in the annual compliance report. I know
13 that CalPERS has placed great value in keeping the data of
14 its members private. Now, although the data has now been
15 breached, it would show how much value that CalPERS place
16 in extending the coverage. I know that you can't do this
17 forever, but I think the additional two years would allow
18 for greater outreach to those people who have not signed
19 up for this Experian coverage. Maybe we work with, as Dev
20 was mentioning earlier, additional methods to contact
21 those affected.

22 That's all I have and thank you for listening.

23 CHAIR COHEN: Thank you, Mr. Eng.

24 Are there any other members of the public online
25 or in the chamber?

1 Anyone with any last --

2 STAFF SERVICES MANAGER I FORRER: No callers
3 online.

4 CHAIR COHEN: Thank you. Any last minute thought
5 lingering?

6 All right. We're going to close public comment
7 at this time and we are going to recess now into closed
8 session for items 1 through 3 from the closed session
9 agenda. We will immediately reconvene in open session
10 after the closed session.

11 Thank you.

12 (Off record: 11:04 a.m.)

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

15 (Thereupon the meeting reconvened
16 open session.)

17 (On record: 11:28 a.m.)

18 CHAIR COHEN: All right. Good morning, ladies
19 and gentlemen. We are back in open session. And this
20 adjourns this meeting. Thank you.

21 (Thereupon the California Public Employees'
22 Retirement System, Board of Administration,
23 Risk & Audit Committee open session
24 meeting adjourned at 11:29 a.m.)

25

CERTIFICATE OF REPORTER

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration, Risk & Audit Committee open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California;

That the said proceedings was taken before me, in shorthand writing, and was thereafter transcribed, under my direction, by computer-assisted transcription.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of June, 2025.



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