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, SEPTEMBER 17, 2025

8:36 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:

Michael Detoy

Lisa Middleton

STAFF:

Marcie Frost, Chief Executive Officer

Michele Nix, Chief Financial Officer

Kevin Fein, Chief Compliance Officer

Robert Carlin, Senior Attorney

ALSO PRESENT:

John Holden

J.J. Jelincic

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PROCEEDINGS

ACTING CHAIR GALLEGOS: This is the Risk and Audit Committee. May we have a 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: Present.

BOARD CLERK ANDERSON: Mullissa Willette.

ACTING CHAIR GALLEGOS: Great. It appears we have a quorum, so let's get started. We will start --

COURT REPORTER: Microphone.

ACTING CHAIR GALLEGOS: Thank you. We will get started with the executive report. Kevin Fein, welcome.

CHIEF COMPLIANCE OFFICER FEIN: Thank you. Good morning, Madam Chair, Mr. Vice Chair, Committee members.

I am Kevin Fein, CalPERS team member and Chief Compliance Officer. Today, there are no action agenda items to be presented to the Committee. I will be providing an update on our compliance advisory services. The next Risk and Committee meeting is scheduled for November 2025 and includes the independent auditor's report for fiscal year 2024-25. And a review of the independent auditor's Management letter. This concludes my report. I'd be happy to answer any questions.

ACTING CHAIR GALLEGOS: Thank you. Are there any questions for Mr. Fein?

Okay. Great. So did you say there were no action consent items. I have three. I have item number 3, action consent on my agenda.

CHIEF COMPLIANCE OFFICER FEIN: Action agenda items.

ACTING CHAIR GALLEGOS: Okay. Great. Thank you. So then we will move on to the action consent items.

VICE CHAIR MILLER: Move approval.

COMMITTEE MEMBER PALKKI: (Hand raised).

ACTING CHAIR GALLEGOS: Moved approval. I've got a second. Can we have a roll call vote?

No. All in favor say aye?

(Ayes.)

ACTING CHAIR GALLEGOS: Great. Thanks.

Approved.

Oops. Sorry. We'll move on to Item number 4, information --

CHIEF EXECUTIVE OFFICER FROST: Ms. Gallegos.

ACTING CHAIR GALLEGOS: Yes.

CHIEF EXECUTIVE OFFICER FROST: For the record, you have to ask if there are any nays.

ACTING CHAIR GALLEGOS: Oh. Are there any nays?

No. It looks like the motion is approved. Great.

So we will move on to item number 4, information consent items. Are there any questions, pulls for this item?

Nope.

All right. Then we will move to the information agenda items. Item 5a, compliance advisory services committee update for -- from Kevin Fein.

(Slide presentation).

CHIEF COMPLIANCE OFFICER FEIN: Thank you. Good morning again. Today, I will be presenting an update on the Enterprise Compliance Risk and Governance Compliance Advisory Services Program. I will highlight for you some key initiatives that we have been focused on and achievements to date.

[SLIDE CHANGE]

CHIEF COMPLIANCE OFFICER FEIN: You know, we've talked -- We just, in June, did our annual report. This is going to take us down another level into some more detail about the specific compliance advisory improvements we've been making expansion of the programs, and maturing them, and bringing automation. Quick reminder of our strategic priorities, this slide, which we've discussed in the past, continues to be our guiding map as we advance the Enterprise Compliance and Risk Programs. We remain focused on the integration of people, processes and technology to efficient -- effective manage and mitigate compliance and ethics risk.

[SLIDE CHANGE]

CHIEF COMPLIANCE OFFICER FEIN: As we walk through today's presentation, I will highlight for you keep initiatives compliance of the Compliance and Risk programs implemented in alignment with CalPERS business needs and our strategic priorities to ensure effective governance and risk management.

These include: an overview of the Compliance Advisory Services Program structure and how the Program supports CalPERS compliance and risk management goals;

Personal trade manager, implementation of tools and processes to oversee and manage personal trading activities, increasing assurance of compliance with ethical standards and regulatory requirements;

The gift and entertainment module, which services as a centralize disclosure and attestation platform and promotes transparency and adherence to organizational policies;

We will discuss our process to evaluate team members outside business activities and interests focused on identifying and mitigating potential conflicts of interest;

There is also the Form 700 Administration process enhancements aimed at timely and accurate compliance with regulatory requirements, enhanced review and accountability;

We continue to build upon our compliance onboarding processes to educate new employees on compliance policies and expectations and build a strong foundation for ethical behavior and accountability;

And finally, our strategic and operational outcome measures established to evaluate the effectiveness of compliance initiatives and ensure alignment with the organizational goals and continuous improvement.

[SLIDE CHANGE]

CHIEF COMPLIANCE OFFICER FEIN: The next slide outlines the implementation timeline for these initiatives as well as other key milestones. We are on track to implement a more formal third-party agreement conflict check, which leverages the expanding technology and data foundation.

[SLIDE CHANGE]

CHIEF COMPLIANCE OFFICER FEIN: The goal of the Compliance Advisory Service Program is to provide clear advice, guidance and oversight to reinforce compliance with CalPERS financial disclosure requirements. We've established a strong foundation by developing a formal advisory program standardizing procedures and implementing technology to support risk-based compliance monitoring.

Moving forward, we are maturing these functions by leveraging technology for disclosures and other routine filings to gain the advantage of automation while upskilling team members through continuous education and cross training. These efforts will result in the automation of routine tasks, a shift toward a more focused and tailored advice and a robust system for risk-based compliance assurance. Ultimately, this Program strengthens our ability to proactively manage risks and maintain transparency.

[SLIDE CHANGE]

CHIEF COMPLIANCE OFFICER FEIN: Between February 2023 and September 2024, we implemented a new technology vendor and automated data feeds to reduce manual processes and improve data integrity. Additional enhancements include corporate tree search functions and rules to strengthen compliance and restricted list monitoring, as well as expanded metrics and rule sets to oversee covered person activity. These efforts have resulted in the monitoring of over 3,000 trades across approximately 1,200 counts -- accounts in fiscal year 2024-25, demonstrating the program's ability to provide robust oversight and proactive risk management.

[SLIDE CHANGE]

CHIEF COMPLIANCE OFFICER FEIN: The gift and entertainment module implemented in October 2023 has improved employee understanding of gift rules, strengthen transparency and ensured clear documentation of gifts to resolve potential conflicts of interest. The module provides a monthly gift disclosure and attestation platform for CalPERS team leaders, while staff are able to offer guidance on gift acceptance and disclosure roles.

Since its launch, it has increased awareness of the State gift laws and compliance requirements with 90 percent of monthly attestations completed on time and approximately 270 inquiries regarding gifts, travel and conferences received during fiscal '24-'25. These efforts enhance accountability and support effective compliance monitoring across the organization.

[SLIDE CHANGE]

CHIEF COMPLIANCE OFFICER FEIN: The outside business activities and interest initiative formally launched in July 2025 enhances the identification and management of potential conflicts of interest related to team members external activities. A standardized process and supporting tools were developed to ensure compliance with CalPERS and California conflict of interest rule sets, while providing leadership with the necessary information to address risks effectively.

Since its soft launch in January 2025, the Program has increased employee awareness of compliance processes and rule sets, while offering advice, guidance and informational resources to both team members and their leaders. This initiative helps build clarity and trust while supporting the culture of compliance.

[SLIDE CHANGE]

CHIEF COMPLIANCE OFFICER FEIN: The Form 700 administration initiative spanning June 2022 to June 2025 has significantly improved filer awareness of disclosure rules, resulting in more informed decision-making and increased compliance. Over 3,000 Form 700 reviews have been completed since 2022 supported by onboarding sessions and annual team leader reviews to assess financial interests and identify potential conflicts of interest.

Enhanced reviews have reduced amendment requests by approximately 70 percent since 2021 improving disclosure accuracy and efficiency.

Additionally, escalation and follow-up processes were implemented to resolve outstanding filings and ensure timely completion of AG ethics training further strengthening compliance across all FPPC required components.

[SLIDE CHANGE]

CHIEF COMPLIANCE OFFICER FEIN: The compliance onboarding program active since July 2021 ensures new covered persons, senior leaders and Board members are equipped with the knowledge and tools to navigate compliance requirements effectively. The program also refreshes current team members when they change positions tailoring financial disclosure and conflict of interest guidance to their specific roles and responsibilities.

By conducting approximately 400 onboarding sessions, including approximately 250 pre-hire compliance discussions, the initiative has strengthened trust between ECRG and team members from the start and proactively identified potential conflicts of interest before they become issues. The Program supports informed decision-making and fosters a culture of compliance across the organization.

[SLIDE CHANGE]

CHIEF COMPLIANCE OFFICER FEIN: Each year, ECRG sends out a compliance and risk survey to all CalPERS team members to solicit feedback and assess the effectiveness of our program and efforts. For fiscal year 2024-25, ECRG achieved a 95 percent positive response rate in the compliance and risk annual survey, demonstrating the effectiveness of ECRG's communications and training efforts.

Key contributions include enterprise-wide education on compliance topics, such as personal trading, gifts, travel, and outside business activity requirements supported by enhanced tools and guidance. Additionally, ECRG has integrated Compliance Program overviews into new employee orientation and CalPERS management practices trainings, further embedding compliance awareness across the organization.

[SLIDE CHANGE]

CHIEF COMPLIANCE OFFICER FEIN: In the prior fiscal year, ECRG achieved a key -- achieved key compliance milestones, including 99.75 percent of Form 700s submitted on time and 99.81 percent of annual mandatory trainings completed both on target. ECRG continues to enhance tools and processes for timely Form 700 submissions, while partnering with HR to distribute training memos and provide compliance reports to leadership ensuring training completion rates remain high.

Additionally, onboarding is conducted for all new covered persons and Form 700 filers. For example, as it relates to personal trading regulations, in addition to participating in our onboarding program, they are offered bimonthly trainings to reinforce the rules and requirements. These efforts reflect a strong commitment to maintaining compliance excellence and reducing risk across the organization.

In closing, the progress we've made across our compliance initiatives demonstrates our commitment to fostering a culture of integrity, transparency and accountability. By leveraging technology, refining processes, and empowering our people, we've built a strong foundation for practice risk management and compliance excellence.

Moving forward, we will continue to enhance these efforts to ensure alignment with organizational goals and regulatory requirements.

Thank you for your attention and I'm happy to address any questions you may have.

ACTING CHAIR GALLEGOS: Are there any questions?

Thank you. Okay. Great. Mr. Ruffino.

ACTING COMMITTEE MEMBER RUFFINO: Thank you, Madam Chair -- and thank you for the report.

ACTING CHAIR GALLEGOS: Yeah, we're trying to get you on. Just give me one second.

There you go.

ACTING COMMITTEE MEMBER RUFFINO: All right. Start all over again. Thank you, Madam Chair and thank you for the excellent report, and outlining all the enhancements. It obvious there has been some great outcomes. There's been some great progress, so congratulations on you and your team for that.

Looking into the future, you know, future direction, future accountability, what does the roadmap look like in the next phase of compliance modernization, even though I get a sense where you're going. But more importantly, how will the Board be able to measure your progress?

CHIEF COMPLIANCE OFFICER FEIN: Thank you for the question and the compliment. The future is going to be a continuation. We have built a lot of the improvements into the infrastructure than we wanted. We got the technology. We're using that to continue to focus on getting away from manual practices, automating as much as we can. Our efficiency has increased significantly through this effort. And now, it's a matter of continuing to make sure that that is touching all areas across the enterprise, in particular on the risk side with some of the work we've already done. We're going to continue to expand that across all branches. And again, these compliance programs will continue to mature and we will continue to do the training and education.

As to your second question, we spend a lot of time -- as we've been developing these things, we're beginning to see the return of some metrics as these programs turn to automation and get more full usage. We are looking for ways to add that to our monthly compliance reports. When we find metrics that we believe actually provide information, tell a story, let you see through and understand the condition of compliance or risk, we will do that. In the interim, until we are able to develop those, I think it's been a little over a year since the last time we made changes to the monthly report. We're still trying to use all of the new approaches to these historical activities, but find a way to have that give us meaningful metrics that we can add. But in the interim, I will continue to come and provide updates like these, probably even as we begin to add new metrics to our monthly reporting.

ACTING COMMITTEE MEMBER RUFFINO: That sounds good actually. But just a quick follow-up, you mentioned technology, you know and much -- how we matured. Is there any like a benchmark or industry standard measures that you are using to determine when CalPERS Compliance Program has matured to best in its class?

(Coughing.)

ACTING COMMITTEE MEMBER RUFFINO: I didn't mean to cause that.

(Laughter.)

CHIEF COMPLIANCE OFFICER FEIN: I would say all the elements of a best-in-class compliance program on the compliance side -- we're still continuing to enhance the infrastructure on the risk side, but all of the elements of a best-in-class compliance program from the private sector that I operated for over 35 years exists now here at CalPERS. What we need to do is continue to ex- -- thank you -- to expand their use, to build the familiarity. We are also looking. We don't believe we've used all of the technology's capability, so we are trying to spend a lot of time assessing our activities and seeing are there other things that we can move into this platform that will allow for the automation, help us keep, you know, a reasonable amount of staff without having to add, you know, loads and loads of people to handle manual paper processing. So we'll continue to do that, but truthfully I would say all of the elements are there now.

ACTING COMMITTEE MEMBER RUFFINO: Good to hear.

Well, thank you, sir. Thank you for that and than you, Madam Chair.

ACTING CHAIR GALLEGOS: Thank you, Mr. Ruffino. I'll go to Mr. Pacheco.

COMMITTEE MEMBER PACHECO: Yes. Thank you, Madam Chair and thank you, Mr. Fein, for your report. I wanted to talk to you about the key outcomes, the 99.75 percent of the Form 700 forms being submitted timely on target. I know that there was transition with respect to the system now going through the Department -- through the Secretary of State and filling out those forms. How has that process been? Has it been more seamless or has it been -- or has there been any hiccups along the way?

CHIEF COMPLIANCE OFFICER FEIN: I'm not sure I'm following you. Are you talking about the change for directors where CalPERS is no longer the filing officer?

COMMITTEE MEMBER PACHECO: Yeah, exactly. Exactly.

CHIEF COMPLIANCE OFFICER FEIN: No difference from our side. And one thing if we hadn't made it clear before, I'll make it clear right now, because we're no longer your filing officer, that doesn't that if you don't have issues, any of the Board members, with their filings, they have questions, they want advice, any challenges in getting them filed or getting updates made, we will continue to do our review that we do every year, the 100 percent review of all Form 700s, which will include the Board's, even though we're not the filing officer, so that we can help point out, if we see anything, we'll continue to communicate with you and say, hey, you might want to amend this, you might want to amend want that. But other than that, no change for us.

COMMITTEE MEMBER PACHECO: No change whatsoever then. And in terms of the success of the 99.75 percent, I mean, do you feel you can get to a hundred? I'm just curious your thoughts.

CHIEF COMPLIANCE OFFICER FEIN: I don't know that we can get to a hundred over a year's time, but we hit a hundreds on many months. Then, if you look at the compliance reports submitted, I know at least a couple of them, the Form 700 numbers were 100 percent for that particular month.

COMMITTEE MEMBER PACHECO: Fantastic

CHIEF COMPLIANCE OFFICER FEIN: The challenge generally comes in the annual filings. You know, it's a big long slog for that first three months of the year. We're trying to put out as much information. We've developed new reporting that we send to all supervisors and managers of Form 700 filers, so that they know if their folks have filed here or not, so they can help us encourage them to meet the April 1 deadline.

But, you know, you'll always have people on leave of absence, military leave, FMLA, something like that. But I'm very encouraged that if you look -- and, you know, when we changed that last year, you now have a year running. There's a lot of hundred percents in there for any given year. So we're pretty pleased about that.

COMMITTEE MEMBER PACHECO: I just want to say, Mr. Fein, I really appreciate the process. And I've done the -- I had to do the filing multiple times this year, one for the Board and one for the election process. And I was really impressed by the whole system and the filings and so forth, and the support that I received from the Enterprise Compliance Department. I really felt supported and provided me the insight that I needed to make sure that filings were filed correctly, and on time, and without -- and in compliance.

CHIEF COMPLIANCE OFFICER FEIN: Excellent.

COMMITTEE MEMBER PACHECO: And I want to congratulate your staff and your team on a great job and I'm looking forward to awesome success.

CHIEF COMPLIANCE OFFICER FEIN: On behalf of all of us, thank you. I mean, that's our goal. We want to -- you know, we want to make it so that folks are encouraged to come talk with us, that we are easy to deal with, that we help them find answers, solutions to issues. That is a big part of what we do. For those of you who were here when I first joined, I talked about our job is really advice, guidance and oversight. Oversight is only a third. Our big benefit that we try to provide here is that advice and guidance, because that's going to do the most to help folks avoid the landmines and the tripwires as we move forward.

COMMITTEE MEMBER PACHECO: Absolutely. Thank you, sir. I appreciate it.

CHIEF COMPLIANCE OFFICER FEIN: Thank you.

COMMITTEE MEMBER PACHECO: That's all

ACTING CHAIR GALLEGOS: Thank you, Mr. Pacheco. I don't see any other requests for comment.

Thank you, Mr. Fein.

So we'll move on to Summary of Committee Direction. Mr. Fein.

CHIEF COMPLIANCE OFFICER FEIN: I noted no direction.

ACTING CHAIR GALLEGOS: Great. Thank you. Now, we will move on to public comment. And we will call down J.J. Jelincic as our first commenter.

J.J. JELINCIC: J.J. Jelincic. I had requested to speak on 9c and 9d, but did not get called up at that time. Or, I'm sorry, 4c and 4d. My fault.

4c is the quarterly status report. And it's telling you about the audit findings that have been unresolved for at least a year, 15 months ago. It's a June 30 report. I may be naive, but I believe that if you actually are concerned with this, you would want us to report more current. And in two and a half months, the staff ought to be able to bring you a report that is as of the end of the fourth quarter.

How important that is to you? I guess we'll find out later this morning.

On 4d, which is the Enterprise Compliance Report, in the May report, there was a finding that the reporting party alleges a 800 number was created to gather member information. That charge was substantiated. What was your reaction to that through your staff? Case closed. You would think you would want to do something.

In July, there was an allegation that the reporting party alleges a CalPERS retiree is working in violation of the post-retirement employment laws. It's a violation that was found to be true. What was this System's response? What was your response through staff? Closed. Why bother investigating if you're not going to take any action other than closing the account -- or closing the complaint.

And again, we will see how serious that is to you in a few hours.

Thank you.

Oh, I don't know if identified myself at the beginning. Did I?

COURT REPORTER: (Nods head.)

J.J. JELINCIC: He knows who I am. Okay. Just in case.

CHAIR COHEN: Thank you, sir. We all know who you are.

All right. Good morning. Are there any members of the public that would like to comment on this item?

There's one more on the telephone.

CALPERS STAFF: Yes, Madam Chair. We have John Holden here to speak to Item 5c.

John, you are now live and can proceed with your comments.

JOHN HOLDEN: Yes. Hi. My name is John Holden. I've been directed to the Risk and Audit Committee. I am a native San Franciscan. I sat on the NorCal Waste Systems, now Recology, Pension Board. I understand that the Golden Gate Bridge Amalgamated Transit Union called GGTARP is being considered to come into the CalPERS plan.

I requested a Freedom of Information Act from the -- CalPERS. I was denied any and all records based on Government Section 7922 by a Brad Pacheco, Deputy

Executive Officer of CalPERS Communications. My concern is I am participant GGTARP plan that is being looked at to take on. I have seen significant audit and risk in taking that plan up, and I wanted to see what is being put forward by the parties, because the lawyers are now pointing fingers at each other of who's responsible for form and who's responsible for content.

So I find that the comments of transparency and risk management, when I cannot even get one paper from CalPERS seeing what they are putting forward as far as the risk of taking on this GGTARP plan. And I have concerns about the conflict of interest of directors that, you know, obviously this is Golden Gate Bridge. And there is, you know, Director Malia Cohen who I know and Fiona Ma who would have contact with that organization.

It's going to boil down to what's the liabilities here. And hopefully, the CalPERS will do a forensic audit on the plan before they take on this sinking ship.

Thank you so much, and hopefully, I can get some records from -- my tracking number is 9072 for my public records request which I made on July 2nd. And I was -- it was delayed and delayed for collection and then finally denied. So, so much for transparency and accountability.

Thank you.

CHAIR COHEN: Thank you very much.

Madam Clerk, do we have any other callers, any other public comment?

BOARD CLERK ANDERSON: No.

CHAIR COHEN: To the CEO, good morning. Your heard the caller and you heard the request for the public records request. Is there any member of the staff that you can direct and revisit his --

CHIEF EXECUTIVE OFFICER FROST: Yeah, we'll follow up on it.

CHAIR COHEN: -- public records?

Thank you.

CHIEF EXECUTIVE OFFICER FROST: Yeah.

CHAIR COHEN: I appreciate that.

All right, colleagues, is there anything else?

All right. Seeing none, thank you very much. We will recess now and go into closed session for items 1 through 3.

(Off record: 9:04 a.m.)

(Thereupon the meeting recessed into closed session.)

(Thereupon the meeting reconvened Open session.)

(On record: 9:16 a.m.)

CHAIR COHEN: All right. Good morning, ladies and gentlemen, please take your seats. We are ready to convene and get back into open session.

This officially adjourns our Committee meeting. Thank you.

(Thereupon the California Public Employees' Retirement System, Board of Administration, Risk & Audit Committee open session meeting adjourned at 9:16 a.m.)

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 24th day of September, 2025.

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