

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, FEBRUARY 17, 2026
9:31 A.M.

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

APPEARANCES

COMMITTEE MEMBERS:

David Miller, Chair

Michael Detoy, Vice Chair

Malia Cohen, represented by Deborah Gallegos

Troy Johnson

Lisa Middleton

Kevin Palkki

Mullissa Willette

BOARD MEMBERS:

Theresa Taylor, President

Monica Erickson

Ramón Rubalcava

STAFF:

Marcie Frost, Chief Executive Officer

Kim Malm, Deputy Executive Officer

Renee Salazar, Deputy General Counsel

Robert Carlin, Senior Attorney

Beliz Chappuie, Chief Auditor

Kevin Fein, Chief Compliance Officer

INDEX

	<u>PAGE</u>
1. Call to Order and Roll Call	1
2. Election of the Risk and Audit Committee Chair and Vice Chair	1
3. Executive Report - Kevin L. Fein	3
4. Action Consent Items - Kevin L. Fein	4
a. Approval of the February 17, 2026, Risk & Audit Committee Timed Agenda	
b. Approval of the November 18, 2025, Risk & Audit Committee Meeting Minutes	
c. Review of the Risk & Audit Committee Delegation	
d. Office of Audit Services, Quality Assessment Review Vendor Selection	
5. Information Consent Items - Kevin L. Fein	5
a. Annual Calendar Review	
b. Draft Agenda for June 2026, Risk & Audit Committee Meeting	
c. Quarterly Status Report - Office of Audit Services	
d. Status Report - Enterprise Compliance Activity	
6. Information Agenda Items	
a. FY 2025-26 Enterprise Compliance, Risk & Governance Annual Plan - Mid-Year Update - Kevin L. Fein	12
b. Summary of Committee Direction - Kevin L. Fein	17
c. Public Comment	18
7. Adjournment of Meeting	18
Reporter's Certificate	19

PROCEEDINGS

1
2 ACTING CHAIR GALLEGOS: All right. I will now
3 call the Risk and Audit Committee meeting to order.

4 Can we have a roll call vote, please -- I mean
5 roll call, please.

6 BOARD CLERK ANDERSON: Deborah Gallegos.

7 ACTING CHAIR GALLEGOS: Aye.

8 BOARD CLERK ANDERSON: David Miller.

9 VICE CHAIR MILLER: Here.

10 BOARD CLERK ANDERSON: Michel Detoy.

11 COMMITTEE MEMBER DETOY: Here.

12 BOARD CLERK ANDERSON: Troy Johnson.

13 COMMITTEE MEMBER JOHNSON: Here.

14 BOARD CLERK ANDERSON: Lisa Middleton.

15 Kevin Palkki.

16 COMMITTEE MEMBER PALKKI: Good morning.

17 BOARD CLERK ANDERSON: Mullissa Willette.

18 COMMITTEE MEMBER WILLETTE: Here.

19 ACTING CHAIR GALLEGOS: Great. Thank you very
20 much.

21 The next order of business, Item 2, is the
22 election of the Chair and Vice Chair of the Risk and Audit
23 Committee.

24 For this, I will hand the gavel over to David
25 Miller.

1 VICE CHAIR MILLER: There we go. Okay. Thank
2 you. Okay. I will now take nominations for Chair of the
3 Risk and Audit Committee and call on Troy Johnson.

4 COMMITTEE MEMBER JOHNSON: I nominate David
5 Miller for Chair.

6 VICE CHAIR MILLER: Okay. A nomination is made.
7 Are there any other nominations?

8 Are there any other nominations?

9 Are there any other nominations?

10 Hearing none, I have a motion to approve David
11 Miller as Chair.

12 May we have a roll call vote, please.

13 Okay.

14 BOARD CLERK ANDERSON: You can do a verbal vote.

15 VICE CHAIR MILLER: Okay. We can do verbal.

16 Okay. All in favor?

17 (Ayes.)

18 VICE CHAIR MILLER: Any nays?

19 Any abstentions?

20 Okay. The motion passes. Congratulations to Mr.
21 Miller.

22 (Laughter).

23 CHAIR MILLER: I will now pass it over to the
24 Chair.

25 ACTING COMMITTEE MEMBER GALLEGOS: No, you're the

1 Chair now.

2 (Laughter).

3 CHAIR MILLER: So I guess I will continue and I
4 will now take nominations for the Vice Chair of the Risk
5 and Audit Committee.

6 And Mr. Palkki.

7 COMMITTEE MEMBER PALKKI: Thank you. I'd like to
8 nominate Mike Detoy.

9 CHAIR MILLER: Okay. A nominations is made.

10 Are there any other nominations?

11 Any other nominations?

12 Finally, are there any other nominations?

13 Hearing none, I have a motion to approve Mr.

14 Detoy as Chair -- Vice Chair. Let's have a voice vote.

15 So all in favor of the motion?

16 (Ayes.)

17 CHAIR MILLER: Any nays?

18 Any abstentions?

19 Motion passes. Congratulations, Mr. Detoy. And
20 now, I guess we will switch chairs and move on with the
21 remainder of the Risk and Audit Committee meeting agenda.

22 Okay. We're back in business here. Let's go on
23 to -- let's see, just did Item 2.

24 So, Item 3, Executive Report, on to Mr. Fein.

25 CHIEF COMPLIANCE OFFICER FEIN: Thank you. Good

1 morning, Mr. Chair, Mr. Vice Chair, Committee members.
2 I'm Kevin Fein, CalPERS team member, and Chief Compliance
3 Officer.

4 First, let me congratulate the Chair and Vice
5 Care on their election. And I look forward to working
6 with you both in the coming year.

7 Today, you're receiving for review the Risk and
8 Audit Committee delegation suggested revisions and the
9 Office of Audit Services quality assessment vendor
10 selection. I will be presenting the fiscal year 2025-26
11 Enterprise Compliance, Risk, and Governance office's
12 annual plan mid-year update.

13 The next Risk and Audit Committee meeting is
14 scheduled for June 2026 and will include the fiscal year
15 2026-27 Enterprise Compliance, Risk, and Governance annual
16 plan, the fiscal year 2026-27 Office of Audit Services
17 Annual Plan, and the fiscal year 2025-26 Annual Compliance
18 Report.

19 This concludes my report. Happy to answer any
20 questions.

21 CHAIR MILLER: Okay. I'm not seeing any
22 questions.

23 That moves us to Item 4, our action consent
24 items. What's the pleasure of the Committee?

25 COMMITTEE MEMBER PALKKI: Move approval.

1 CHAIR MILLER: Move to approve by Mr. Palkki. Do
2 I have anyone a second.

3 ACTING COMMITTEE MEMBER GALLEGOS: I'll second.

4 CHAIR MILLER: Seconded by Ms. Gallegos.

5 So I'll call for the question. Oh. All in
6 favor?

7 (Ayes.)

8 CHAIR MILLER: Any nays?

9 Any abstentions?

10 Okay. So moved and passed.

11 So we move on to Item 5, information consent
12 items. Are any of these anyone needs pulled?

13 Okay, Mr. Palkki, which one, all?

14 COMMITTEE MEMBER PALKKI: Just 5c.

15 CHAIR MILLER: Okay, 5c. So we will go to 5c.
16 It's the office of Audit Services Quarterly Status Report.
17 Welcome, Beliz.

18 CHIEF AUDITOR CHAPPUIE: Good morning, Mr. Chair.
19 Congratulations and Vice Chair. Looking forward to
20 working with you both this year. Yes. Is there a
21 question that I can answer?

22 COMMITTEE MEMBER PALKKI: So just looking at the
23 compliance reviews, obviously anytime there's a school
24 district, it catches my eye. Can you share what exactly
25 the -- is going on?

1 CHIEF AUDITOR CHAPPUIE: Yes. If anyone from the
2 program area is here with us, I would defer that question
3 to them to answer. We present the information to the
4 Board members through the agenda items, but all of that
5 information is fed to us through the program area that
6 works with the employers in resolving those observations.
7 So I'm hoping that they could just answer that question.

8 CHIEF EXECUTIVE OFFICER FROST: Beliz, can you
9 just go through the audit, like what your team discovered
10 during the audit, and then have Kim respond to how
11 business is working with the employer to correct those
12 findings?

13 So what was the scope of your audit?

14 CHIEF AUDITOR CHAPPUIE: The scope -- okay.
15 So -- okay. The scope of the assignments for each cycle
16 we select in the Compliance area and then we reach out to
17 the employers to notify them that we're going to conduct
18 the assignment for the scope of the assignment, and then
19 we conduct the assignments, and then they're issued a
20 draft report, and then a final report. And once we issue
21 the final report, we direct them to work with our program
22 area to resolve those noncompliance areas. And then our
23 program area works with them to address those issues, and
24 then they issue a final determination. That's -- at a
25 high level, that's how we operate.

1 COMMITTEE MEMBER PALKKI: What's the timeline on
2 the resolution?

3 CHIEF AUDITOR CHAPPUIE: The resolution once the
4 program area -- it's about 60 days. Yes. It's about 60
5 days once we issue the report.

6 COMMITTEE MEMBER PALKKI: Okay.

7 DEPUTY EXECUTIVE OFFICER MALM: The districts, or
8 anybody that gets audited, we typically try and close
9 those audits within a year. If they are not closed within
10 a year, they come back in front of this Board -- or this
11 Committee.

12 COMMITTEE MEMBER PALKKI: Great. Thank you.

13 DEPUTY EXECUTIVE OFFICER MALM: Did that answer
14 your questions, Mr. Palkki?

15 COMMITTEE MEMBER PALKKI: Yes. Thank you.

16 DEPUTY EXECUTIVE OFFICER MALM: Okay.

17 CHAIR MILLER: Okay. I think that takes us to
18 Item 6, our information agenda items.

19 PRESIDENT TAYLOR: Oh, question.

20 CHAIR MILLER: To you, President Taylor.

21 PRESIDENT TAYLOR: Thank you. Sorry.

22 Kim, you might want to come back up. I'm not
23 sure.

24 (Laughter).

25 PRESIDENT TAYLOR: So I'm just reading here, "The

1 employer implemented a Golden Handshake provision for the
2 eligible miscellaneous members in the Secretary position
3 within the Police Department and Recreation Supervisor
4 within the Parks." "The employer provided a staff report
5 indicating the implementation of the Golden Handshake was
6 to achieve cost savings, which did not demonstrate the
7 existence of an impending curtailment of or change in the
8 manner of performing its services when the Golden
9 Handshake provision was implemented." So Golden
10 Handshakes are hardly ever used any more that I was aware
11 of. So can you explain to me -- I'm just a little
12 confused at that last sentence, "Which did not demonstrate
13 the existence of an impending curtailment of or change in
14 the manner of performing its services when the Golden
15 Handshake provision was implemented."

16 CHIEF AUDITOR CHAPPUIE: Good morning.

17 PRESIDENT TAYLOR: Morning.

18 CHIEF AUDITOR CHAPPUIE: The question is based on
19 the scope of the assignments. So when we set off to do
20 assignments, it's on the risk based. Staff looks at all
21 the compliance requirements in the PERL and we identify
22 some high-risk areas along with low-risk areas to conduct
23 these assignments to ensure employer's compliance with the
24 PERL. And we -- those assignments based -- the scope of
25 them are determined when we engage with the employer and

1 explain to them that this is the purpose of the assignment
2 that we're conducting. So a Golden Handshake was one of
3 them that we had done in the past. I believe it was about
4 two years ago.

5 PRESIDENT TAYLOR: Yeah, these are all Golden
6 Handshakes.

7 CHIEF AUDITOR CHAPPUIE: Yes. Yeah, because they
8 have, like Kim said, we -- they have about a year -- the
9 program area has about a year to work with the employer to
10 bring them into compliance. And if they're not -- they're
11 not in compliance according to our Audit Resolution
12 Policy, then we start reporting these to the executive
13 team and the Board. So in that case, I guess if your
14 question is specific to the requirement -- the PERL
15 requirement, I don't have it ready in front of me, but
16 that was the criteria that we were auditing the employer's
17 process, and they weren't in compliance, and that's why we
18 reported it.

19 PRESIDENT TAYLOR: So it looks like almost all of
20 them were Golden Handshakes. So I guess my real question
21 here is that wasn't supposed to be allowed I thought after
22 PEPRA.

23 CHIEF AUDITOR CHAPPUIE: No, these are --
24 these -- so we select either Classic or PEPRA. They may
25 not be PEPRA members? Those are like most likely Classic

1 members.

2 PRESIDENT TAYLOR: Okay.

3 CHIEF AUDITOR CHAPPUIE: Again, I don't have the
4 audit report in front of me to answer your question, but,
5 you know, those are most likely Classic members. Are
6 they -- are they implying that they're PEPRA members?

7 PRESIDENT TAYLOR: No. No. No. It doesn't say
8 one way or the other, buy --

9 CHIEF AUDITOR CHAPPUIE: Yeah. So those are all
10 determined in the scope and then we select the sample
11 accordingly. We wouldn't select the PEPRA members. It
12 would be Classic.

13 PRESIDENT TAYLOR: Okay.

14 CHIEF AUDITOR CHAPPUIE: We have thousands of
15 Classic members still that are not retired.

16 PRESIDENT TAYLOR: And it sounds like -- so --

17 CHIEF AUDITOR CHAPPUIE: And retired.

18 PRESIDENT TAYLOR: And maybe in your next report,
19 can you tell us what the percent -- I mean, this is a lot.

20 CHIEF AUDITOR CHAPPUIE: Sure. Sure.

21 PRESIDENT TAYLOR: What the percentage of your
22 report that's focused on the Golden Handshake apparently.

23 CHIEF AUDITOR CHAPPUIE: So that whole cycle
24 is -- was dedicated to Golden Handshakes. So every
25 cycle -- we call them cycle reports. So, in the past,

1 years ago, pre my date -- that predates me, our auditors
2 went out to the field and pretty much covered 10, 15 areas
3 of compliance to do the reviews. We then -- to pick up
4 efficiencies and do risk-based, we narrowed the scopes of
5 those assignments to pick one compliance area.

6 So we call them cycle reports and they're very
7 narrow. So in that cycle, it was just specific to the
8 Golden Handshake. And then we select the sample of
9 employers through data analytics to see -- you know,
10 because we notice the frequencies, the volumes of certain
11 employers, and we select them to perform that specific
12 review at those employers. So that cycle was dedicated to
13 Golden Handshake. That's why you're seeing that.

14 PRESIDENT TAYLOR: So out of everyone you
15 audited --

16 CHIEF AUDITOR CHAPPUIE: Yes.

17 PRESIDENT TAYLOR: -- if we could see a
18 percentage.

19 CHIEF AUDITOR CHAPPUIE: -- for that cycle
20 though, yes.

21 PRESIDENT TAYLOR: Yeah, for that cycle, because
22 I'm just a little concerned that people are --

23 CHIEF AUDITOR CHAPPUIE: Right. No. No. It
24 shouldn't be alarming. So it's just specific to that
25 cycle that's why you're seeing all that resolved over a

1 year old.

2 PRESIDENT TAYLOR: Got it. Okay. Thank you very
3 much.

4 CHIEF AUDITOR CHAPPUIE: Yeah.

5 CHAIR MILLER: Okay. Seeing no more questions,
6 so that moves us to information agenda items. Item 6a,
7 '25-'26 Enterprise Compliance, Risk, and Governance Annual
8 Plan mid-year update.

9 (Slide presentation).

10 CHIEF COMPLIANCE OFFICER FEIN: Okay. Thank you
11 again. Good morning again. Kevin Fein, CalPERS team
12 member, Chief Compliance Officer.

13 Today, I'm presenting for your review and
14 approval Agenda Item 6a, the fiscal year 2025-26
15 Enterprise Compliance, Risk, and Governance Office Annual
16 Plan mid-year update. I will highlight for you the
17 initiatives we focused on during the first half of the
18 current fiscal year and those which we will continue to
19 put our effort into as we further mature the Compliance
20 and Risk Program and work through the enhancements
21 outlined in the current annual plan previously shared with
22 you all in June of 2025.

23 Next slide, please.

24 [SLIDE CHANGE]

25 CHIEF COMPLIANCE OFFICER FEIN: Our goal remains

1 team, and we have completed the successful recruitment of
2 additional professionals with strong backgrounds in
3 compliance and risk management. We are excited to deepen
4 our roster of talented staff with unique perspectives and
5 extensive industry experience to help us grow our program
6 even more.

7 We have also continued to upskill our staff by
8 providing targeted trainings, offering opportunities for
9 more engagement across the division, fostering
10 collaboration by partnering teams on multiple business
11 initiatives. With the expansion of the risk and control
12 self-assessment and issue management programs, we are
13 further reinforcing risk management roles and
14 accountability with our first line of defense partners
15 across the organization, helping to educate their teams on
16 their risk management responsibilities to increase
17 awareness and engagement.

18 In addition, our group is also responsible for
19 assisting CalPERS team members with the most complex or
20 specialized questions regarding outside business
21 activities, gift receipts, Form 700 disclosures, and more.
22 One of the most significant examples of us providing
23 education and guidance to our first-line partners is our
24 development of a group of our most knowledgeable and
25 seasoned team members who can resolve escalated increase

1 CHIEF COMPLIANCE OFFICER FEIN: In closing, I'd
2 like to briefly touch on our continued focus on leveraging
3 technology as part of our strategic roadmap.

4 We have made meaningful progress with integrating
5 new tools and enhancing our data analysis and reporting
6 capabilities. We've also built upon existing technology
7 and resources, including establishing MCO as our book of
8 record to retain advice and guidance, address emerging
9 risks, and identifying trends.

10 Additionally, we have introduced several updates
11 to our data and dashboards to strengthen issue tracking
12 and monitoring. These improvements give us greater
13 visibility of trends and enable our team to supply advice
14 and guidance across the enterprise. An example includes
15 the development of improved metrics for our Form 700
16 monitoring dashboard. These enhance data points to allow
17 our team to deliver continuous oversight and issue
18 management for filers across the organization.

19 That concludes my updates for the mid-year
20 2025-26 plan. I'm happy to answer any questions.

21 CHAIR MILLER: Okay. I'm seeing no requests to
22 speak. And just very encouraged by everything, the
23 progress of these initiatives and efforts, and just
24 continue the fine work, and extend our appreciation to the
25 team for all the progress. And just -- actually things

1 are coming along even faster than -- frankly than I
2 expected, so yeah.

3 CHIEF COMPLIANCE OFFICER FEIN: Thank you.

4 CHAIR MILLER: Very good. Encouraging.

5 CHIEF COMPLIANCE OFFICER FEIN: Thank you.

6 Okay. I've got Kevin Palkki.

7 COMMITTEE MEMBER PALKKI: Thank you. On the
8 technology upgrades, are we finding newer technologies
9 that are -- the teams can utilize or are we just taking
10 the platforms in which we already have and sort of making
11 those even better.

12 CHIEF COMPLIANCE OFFICER FEIN: It's the latter.
13 It's the existing new system that we brought in about
14 three and a half, four years ago, we continue to enhance
15 it, expand its use, apply it to other parts of the
16 programs that we're trying to establish. So we're getting
17 more and more efficient and effective by expanding the use
18 of that platform.

19 COMMITTEE MEMBER PALKKI: All right. Thank you.
20 Thank you.

21 CHAIR MILLER: Okay. I think this does it.

22 So I think that brings us to summary of Committee
23 direction.

24 CHIEF COMPLIANCE OFFICER FEIN: I will take as
25 direction your passing along your compliments to the rest

1 of the team and thank you on their behalf.

2 CHAIR MILLER: You bet. Okay. I don't think we
3 have any requests for public comment.

4 So, at this point, we will go to closed session.

5 (Off record: 9:52 a.m.)

6 (Thereupon the meeting recessed
7 into closed session.)

8 (Thereupon the meeting reconvened
9 open session.)

10 (On record: 10:00 a.m.)

11 CHAIR MILLER: Okay. We've just completed our
12 closed session. We're back now in open session. And with
13 no objections, we will adjourn this meeting of the Risk
14 and Audit Committee.

15 (Thereupon the California Public Employees'
16 Retirement System, Board of Administration,
17 Risk & Audit Committee open session
18 meeting adjourned at 10:00 a.m.)

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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 17th day of February, 2026.

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