

MEETING  
STATE OF CALIFORNIA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
INVESTMENT COMMITTEE  
OPEN SESSION

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

MONDAY, MARCH 16, 2026  
9:20 A.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Kevin Palkki, Chair

David Miller, Vice Chair

Malia Cohen, represented by Deborah Gallegos

Michael Detoy

Monica Erickson

Troy Johnson

Fiona Ma, represented by Patrick Henning

Lisa Middleton

Ramon Rubalcava

Theresa Taylor

Yvonne Walker

Mullissa Willette

Dr. Gail Willis (Remote)

STAFF:

Marcie Frost, Chief Executive Officer

Michael Cohen, Chief Operating Investment Officer

Stephen Gilmore, Chief Investment Officer

Michele Nix, Chief Financial Officer

Scott Terando, Chief Actuary

Robert Carlin, Senior Attorney

Saeed Daroogheha, Investment Director

APPEARANCES CONTINUED

STAFF:

Amy Deming, Investment Director

Rafael Garcia, Investment Manager

Christine Reese, Investment Director

Renee Salazar, Deputy General Counsel

ALSO PRESENT:

Diego Aguilar

James Alborno, Corona Police Officers Association

Ralph Ballart

Lieutenant General David Bellon, Academy Securities

Cynthia Benitez, Service Employees International Union,  
Local 521

Aaron Brenner, United Food and Commercial Workers

Arthur Chi

Tammy Dhanota, Service Employees International Union,  
Local 521

Yvette DiCarlo

Dr. Britt Dowdy, California Federation of Teachers

Jakob Evans, Sierra Club California

Ana Facio

Freddi Farias, United Food and Commercial Workers, Local 5

Steve Foresti, Wilshire Advisors

Maria Gonzaga, United Food and Commercial Workers

Bruce Hahne, Tesla Takedown

APPEARANCES CONTINUED

ALSO PRESENT:

Edward Hasbrouck, Divest Tesla

Scott Herscher, Tesla Takedown

George Hoffman, Tesla Takedown

J.J. Jelincic, Retired Public Employees Association

Daniel Latham

Eric Lerner, California Common Good

Jorge Martinez, Service Employees International  
Union-United Healthcare Workers

Ann Mason

Steve McCourt, Meketa Investment Group

Addie McKeon

Cathy Mendoza, Service Employees International  
Union-United Healthcare Workers

Margaret Okuzumi, Tesla Takedown

Andre Oliviera, Service Employees International Union,  
Local 521

Marnie Olsen

Vickie Mueller Olvera, Tesla Takedown

Dr. Thomas Patterson

Jason Perez, Corona Police Officers Association

Cathy Posehn

Ruth Radetsky, Divest Tesla

Paula Rainy

Frank Ruffino

APPEARANCES CONTINUED

ALSO PRESENT:

Daryl Sailer, Corona Police Officers Association

Caroline Simmons

Kimberly Sloan, Service Employees International  
Union-United Healthcare Workers

Bob Somers, Tesla Takedown

Greg Spooner

Jenny Stepp

Tom Toth, Wilshire Advisors

Sam Urdank

Mary Jo Walker, Divest Tesla

Dr. Lee Woods, Tesla Takedown UK

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CHAIR MILLER: Okay. We'll have our roll call.

BOARD CLERK LEMUS: David Miller.

CHAIR MILLER: Here.

BOARD CLERK LEMUS: Mullissa Willette.

VICE CHAIR WILLETTE: Here.

BOARD CLERK ANDERSON: Deborah Gallegos for Malia  
Cohen.

ACTING COMMITTEE MEMBER GALLEGOS: Here.

BOARD CLERK ANDERSON: Michael Detoy.

COMMITTEE MEMBER DETOY: Here.

BOARD CLERK ANDERSON: Monica Erickson.

COMMITTEE MEMBER ERICKSON: Here.

BOARD CLERK ANDERSON: Troy Johnson.

COMMITTEE MEMBER JOHNSON: Here.

BOARD CLERK ANDERSON: Patrick Henning for Fiona  
Ma.

ACTING COMMITTEE MEMBER HENNING: Here.

BOARD CLERK ANDERSON: Lisa Middleton.

COMMITTEE MEMBER MIDDLETON: Present.

BOARD CLERK ANDERSON: Kevin Palkki.

COMMITTEE MEMBER PALKKI: Good morning.

BOARD CLERK LEMUS: Ramón Rubalcava.

COMMITTEE MEMBER RUBALCAVA: Here.

BOARD CLERK ANDERSON: Theresa Taylor.

1 CHAIR MILLER: Excused.

2 BOARD CLERK LEMUS: Yvonne Walker.

3 COMMITTEE MEMBER WALKER: Here.

4 BOARD CLERK LEMUS: And Dr. Gail Willis?

5 CHAIR MILLER: Okay. Our first order of business  
6 is the election of the Chair and Vice Chair of the  
7 Investment Committee. For this, I will hand the gavel  
8 over to Mullissa Willette. And let -- okay. Mullissa,  
9 you have the floor

10 VICE CHAIR WILLETTE: Thank you so much. Good  
11 morning. I will now take nominations for the Chair of the  
12 Investment Committee.

13 CHAIR MILLER: I would like to nominate Kevin  
14 Palkki for Chair of the Investment Committee.

15 VICE CHAIR WILLETTE: Thank you. Kevin Palkki  
16 has now been nominated for Chair of the Investment  
17 Committee.

18 Are there any other nominations?

19 Are there any other nominations?

20 And final call for nominations?

21 Seeing none, I have a motion to approve Kevin  
22 Palkki as Chair of the Investment Committee. Please do a  
23 roll call vote.

24 BOARD CLERK LEMUS: Mullissa Willette?

25 VICE CHAIR WILLETTE: Yes.

1 BOARD CLERK LEMUS: Deborah Gallegos for Malia  
2 Cohen?

3 ACTING COMMITTEE MEMBER GALLEGOS: Yes.

4 BOARD CLERK LEMUS: Michael Detoy?

5 COMMITTEE MEMBER DETOY: Aye.

6 BOARD CLERK LEMUS: Monica Erickson?

7 COMMITTEE MEMBER ERICKSON: Aye.

8 BOARD CLERK LEMUS: Troy Johnson?

9 COMMITTEE MEMBER JOHNSON: Aye.

10 BOARD CLERK LEMUS: Patrick Henning for Fiona Ma?

11 ACTING COMMITTEE MEMBER HENNING: Aye.

12 BOARD CLERK LEMUS: Lisa Middleton?

13 COMMITTEE MEMBER MIDDLETON: Aye.

14 BOARD CLERK LEMUS: Kevin Palkki?

15 COMMITTEE MEMBER PALKKI: Aye.

16 BOARD CLERK LEMUS: Ramón Rubalcava?

17 COMMITTEE MEMBER RUBALCAVA: Aye.

18 BOARD CLERK LEMUS: Theresa Taylor?

19 Yvonne Walker?

20 COMMITTEE MEMBER WALKER: Aye.

21 BOARD CLERK LEMUS: Dr. Gail Willis?

22 VICE CHAIR WILLETTE: Congratulations, the motion  
23 passes. I will now pass it over to Chair Palkki for the  
24 remainder of the meeting.

25 COMMITTEE MEMBER MILLER: Congratulations, Kevin.

1 You have the floor.

2 CHAIR PALKKI: Thank you, Mr. Miller. At this  
3 time, I'll take nominations for the Vice Chair.

4 Are there any nominations? If you can --

5 COMMITTEE MEMBER MIDDLETON: I would like to  
6 nominate David Miller to be Vice Chair.

7 CHAIR PALKKI: I have a nomination for David  
8 Miller as Vice Chair.

9 Are there any other nominations?

10 Are there any other nominations?

11 Are there any other nominations?

12 Seeing no other nominations, I have a nomination  
13 for David Miller for Vice Chair of Investment Committee.

14 Can I have a roll call vote.

15 BOARD CLERK LEMUS: David Miller?

16 COMMITTEE MEMBER MILLER: Aye.

17 BOARD CLERK LEMUS: Mullissa Willette?

18 COMMITTEE MEMBER WILLETTE: Yes.

19 BOARD CLERK LEMUS: Deborah Gallegos for Malia  
20 Cohen?

21 ACTING COMMITTEE MEMBER GALLEGOS: Yes.

22 BOARD CLERK LEMUS: Michael Detoy?

23 COMMITTEE MEMBER DETOY: Aye.

24 BOARD CLERK LEMUS: Monica Erickson?

25 COMMITTEE MEMBER ERICKSON: Aye.

1 BOARD CLERK LEMUS: Troy Johnson?

2 COMMITTEE MEMBER JOHNSON: Aye.

3 BOARD CLERK LEMUS: Patrick Henning for Fiona Ma?

4 ACTING COMMITTEE MEMBER HENNING: Aye.

5 BOARD CLERK LEMUS: Lisa Middleton?

6 COMMITTEE MEMBER MIDDLETON: Aye.

7 BOARD CLERK LEMUS: Kevin Palkki?

8 COMMITTEE MEMBER PALKKI: Aye.

9 BOARD CLERK LEMUS: Ramón Rubalcava?

10 COMMITTEE MEMBER RUBALCAVA: Aye.

11 BOARD CLERK LEMUS: Theresa Taylor?

12 Yvonne Walker?

13 COMMITTEE MEMBER WALKER: Aye.

14 BOARD CLERK LEMUS: Dr. Gail Willis?

15 CHAIR PALKKI: So that passes congratulations,

16 Mr. Miller. Give us a minute to do a little shuffle.

17 VICE CHAIR MILLER: Yep. Thank you.

18 CHAIR PALKKI: Great. Thank you all.

19 So, next on our agenda is Item 3, Executive

20 Report, Mr. Stephen Gilmore.

21 CHIEF INVESTMENT OFFICER GILMORE: Thank you very

22 much, Chair. I'd like to extend my congratulations to you

23 for your election as Chair and also congratulations to

24 Vice Chair Director Miller.

25 I would also like to welcome formally to the

1 first Investment Committee meeting, June Kim, Deputy CIO.  
2 She joined in December, attended the session in January,  
3 but you'll see some more of her later. So welcome, June.

4 Normally, I don't say too much in these opening  
5 remarks, but there's quite a lot going on at the moment  
6 geopolitically. Also, some -- a lot of commentary on the  
7 private debt markets, but I'd like to start with just a  
8 reminder of how the portfolio has been performing. We'll  
9 discuss that some more tomorrow when we talk about the  
10 trust level review. But as a reminder, fiscal  
11 year-to-date, and that was through to the end of December,  
12 we had returned 7.7 percent for that period. That's the  
13 six months through to the end of December. Hopefully,  
14 things have changed a little bit since then. But for the  
15 calendar year, we generated a return of 15.4 percent,  
16 which is very encouraging, driven Primarily by lifted  
17 equities, but also very strong contributions from our  
18 private markets across the board relative to benchmarks  
19 and also the industry.

20 Now, going back to the geopolitics. I've been a  
21 record quite a few times saying that quite often  
22 geopolitics doesn't matter. The exception, of course, is  
23 when it affects supply. And we're actually going through  
24 a classic case of geopolitics affecting supply right now.  
25 And that supply effect remains very uncertain. There's a

1 lot of focus on the Strait of Hormuz, questions around  
2 whether the straits are closed or whether shipping is just  
3 disrupted. Bottom line is that typically around 20  
4 million barrels per day go through that straight, that  
5 flow is being disrupted. Obviously, a lot of  
6 conversations around alternatives in terms of getting oil  
7 out of the region, conversations around which tankers can  
8 go through. But again, coming back to the bottom line, a  
9 small disruption of even two or three million barrels per  
10 day has dramatic price effects.

11           What the market is pricing, in my view, is a  
12 relatively short disruption. Yes, spot oil prices have  
13 risen a lot. Obviously, other distillate prices have  
14 risen. There are concerns about fertilizer prices, et  
15 cetera. The forward curves have risen, so forward pricing  
16 has risen, but not dramatically, not in the sense that  
17 people are expecting a long or prolonged disruption. The  
18 combination of higher oil prices leads to future concerns  
19 about somewhat higher inflation, concerns about lower  
20 growth. You will recall from our discussion of various  
21 scenarios, that that combination is not good for  
22 portfolio's and it's actually very hard for policymakers  
23 to respond to, because it's a negative supply shock, but  
24 Lauren and I can talk about that some more tomorrow when  
25 we talk about the trust level review and scenarios.

1           We also are very fortunate in that today we have  
2 General Bellon to speak to us on geopolitics and I'll  
3 introduce General Bellon shortly, but he will provide some  
4 regular context on what's going on and what we should be  
5 looking to.

6           One of the other main areas of focus in the  
7 markets has been what's been happening in the private debt  
8 area. And that has been a rapidly growing segment of the  
9 market. It's an area that's actually performed very well  
10 for us. Our average annual return in that portfolio has  
11 been just a little under 11 percent.

12           Now, there are a combination of factors coming  
13 together. One, the rapid growth of that market. So it's  
14 not surprising that there would be some episodes where  
15 there are poorer outcomes. And there have been in some  
16 cases where there's alleged fraud, with respect  
17 particularly to some asset-backed securities.

18           In addition to that, there has been quite a lot  
19 of uncertainty around disruption to software providers,  
20 particularly as AI capabilities improve. So there are  
21 questions around some of the business models there and the  
22 credit quality. In addition to that, a lot of focus on  
23 business development corporations, BDCs, list of prices.  
24 Also, you've had retail getting more involved in the  
25 market, and you've seen instances where people have tried

1 to gain additional liquidity. Now, this is really an  
2 illiquid asset class. And there are cases where providers  
3 have gated or limited redemptions on a quarterly basis.  
4 So that all tends to feed on itself. It's a whole  
5 combination of factors.

6 From our perspective, most of our exposure in  
7 private debt, which is a reasonably small part of the  
8 portfolio, is in the senior direct lending space. So  
9 that's somewhat less of an issue for us. Likewise, we  
10 didn't go into the asset classes expecting to get  
11 immediate liquidity. And this is one of the advantages we  
12 have as an institutional investor, that long horizon and  
13 that very strong liquidity position.

14 With that, with those comments, I'll pass over to  
15 I guess the General shortly. So I'll ask General Bellon  
16 to come up.

17 In addition to the session on geopolitics, which  
18 is really going to be a bit of a chat, the General will  
19 make some opening comments and then we'll have some Q&A.  
20 We have some very important information agenda items. We  
21 have a first reading of our policy review. This is us  
22 going through and essentially consolidating the policies,  
23 clarifying, trying to make the policies more accessible as  
24 we transition to a total portfolio approach. And we also  
25 have the first reading for our affiliate fund asset

1 liability review. So those two major items today. And  
2 tomorrow, we will have the trust level review discussion  
3 and we will also have a proxy and engagement discussion.  
4 But with that, I would like to -- if I can, go to -- well,  
5 I'll pass it back to the Chair. And then we can, you  
6 know, come back to the General.

7 So, Chair Palkki.

8 CHAIR PALKKI: Thank you for those comments. I  
9 do not see anybody with questions -- oh, yeah.

10 Not yet.

11 Okay. So, I have -- oh, interesting. Okay. I  
12 have public comments, quite a bit. However, I'd like to  
13 propose that to be respectful of everyone's time, we do  
14 have a guest speaker for 6a, but following the comment on  
15 6a or -- is it okay to move all of the public comment to  
16 just after 6a.

17 SENIOR ATTORNEY CARLIN: Take 6a first.

18 CHAIR PALKKI: Do 6a first. Okay. So let's do  
19 that, just to be respectful of everyone's time. So I  
20 appreciate that.

21 Yeah, go ahead.

22 COMMITTEE MEMBER WILLETTE: Hi. Thank you. So I  
23 just want to clarify what's happening right now. So we  
24 have public comment on Item 3, but you're saying you don't  
25 want to hear the public comment on Item 3, but then we're

1 going to move 6a up above 4, 5, et cetera.

2 CHAIR PALKKI: I'm suggesting that because we  
3 have a guest speaker on 6a that we move all of the public  
4 comment to just after 6a.

5 COMMITTEE MEMBER WILLETTE: The public comment  
6 that's for Item 3?

7 CHAIR PALKKI: Yes.

8 COMMITTEE MEMBER WILLETTE: Oh, all public  
9 comment after 6a.

10 CHAIR PALKKI: Yes.

11 COMMITTEE MEMBER WILLETTE: Okay. I think -- I  
12 just want to register I think if people are here to speak  
13 on Item 3, they should be allowed to speak on Item 3.

14 CHAIR PALKKI: So with the amount of public  
15 comments in 3, that's roughly another 30 minutes.

16 Yes, go ahead.

17 ACTING COMMITTEE MEMBER GALLEGOS: Might I  
18 suggest that we -- given the amount of comment -- public  
19 comment we have throughout the day today, we shrink the  
20 time to accommodate everybody's public comment?

21 CHAIR PALKKI: That is it with the -- that -- so  
22 the 30 minutes is with the shrunken time to limit public  
23 comment to two minutes per person, and that's just on 3.

24 ACTING COMMITTEE MEMBER GALLEGOS: Okay.

25 CHIEF INVESTMENT OFFICER GILMORE: Sorry, Chair.

1 I was just checking in with the General's availability.  
2 He is able to stay for an additional 30 minutes if that's  
3 your preference.

4 CHAIR PALKKI: Okay. So then we will just follow  
5 the agenda. And then we'll -- yeah, let's do that. Okay.  
6 So we'll move to -- okay. So that being said, I've got  
7 public comment on 3. So Cynthia Benitez, Tammy Dhanato,  
8 and Andre Oliviera.

9 Sorry. I'm really...

10 Yes. Thank you

11 COMMITTEE MEMBER WALKER: Mr. Chair.

12 CHAIR PALKKI: Go ahead.

13 COMMITTEE MEMBER WALKER: So I would just say  
14 that I don't think we should shorten the time for public  
15 comment. I think that they should have their three  
16 minutes. When people are coming in, they prepare to speak  
17 for three minutes. And then for them to get here and us  
18 to cut it, you know, arbitrarily. I don't think that's  
19 right. I think they should have the three minutes. It  
20 might take a little longer, but we're here. And so, I  
21 just wanted to register that.

22 (Applause).

23 CHAIR PALKKI: Again, I do want to be respectful  
24 of everyone's time, so that includes our guest speaker,  
25 so...

1 CHIEF EXECUTIVE OFFICER FROST: He is available  
2 for the 30 minutes --

3 CHAIR PALKKI: Okay.

4 CHIEF EXECUTIVE OFFICER FROST: -- but if you are  
5 considering expanding it, we should rearrange the agenda.

6 CHAIR PALKKI: So that -- I actually hear a great  
7 proposal. We'll take up to 30 minutes. We'll keep the  
8 time at three minutes. We'll -- and then at that  
9 30-minute time, we'll stop, allow our guest speaker to  
10 speak, and then continue with the other public comment  
11 after 6a. Yes? Is that good?

12 Good. Good.

13 All right, we have a consensus.

14 All right. Go ahead. With the -- just hit your  
15 button, whoever is speaking first.

16 CYNTHIA BENITEZ: Good morning. My name is  
17 Cynthia Benitez. I'm a member of SEIU 521 of Monterey  
18 County and a CalPERS plan participant. Colleagues of ours  
19 have spoken at previous meetings about our concerns with  
20 Valor Equity Partners and halt reports of actions by  
21 Valor's CEO Antonio Gracias, indicating that Valor's  
22 operations may not be aligned with our fiduciary interests  
23 as plan participants.

24 As you recall, Valor's founder and CEO Antonio  
25 Gracias, together with two other Valor employees, worked

1 for DOGE at the Social Security Administration and then  
2 for the Department of Homeland Security coordinating data  
3 collections and other efforts to advance the Trump  
4 administration deportation agenda, and deportation agenda  
5 that for many reasons include damaging to our communities,  
6 local tax base and economics. And overall, negative  
7 economic consequences would appear to not be aligned with  
8 interest of plan participants. Members of our local who  
9 participate in CalPERS share information about this in  
10 public testimony last year.

11 Through the Valor team left DOGE on July 1st of  
12 last year, information has come to light that raise a  
13 series of new questions about the work of DOGE at Social  
14 Security and their handling of our personal Social  
15 Security data. These concerns are documented in an  
16 updated report by the AFL-CIO on Valor, which I'd be happy  
17 to share with you, if you don't have it. One year ago in  
18 March 2025, Antonio Gracias appeared on the stage with  
19 Elon Musk at a political rally to influence the Wisconsin  
20 State Supreme Court race at the rally. Gracias made false  
21 claims that non-citizens had improperly obtained Social  
22 Security numbers, and that the federal employees who had  
23 shared the data had taken a risk to do so.

24 In August, the Social Security Administration  
25 Chief Data Officer filed a whistleblower complaint

1 alleging that Valor's data engineer Payton Rehling  
2 improperly accessed sensitive Social Security data on  
3 Americans in violation of court order, temporary  
4 restraining order, while he was a member of the DOGE  
5 Social Security team. We do not know if there are any  
6 indirect connections to Valor in the subsequent two days  
7 points I will share, but additional information has come  
8 out recently that speaks to the continued harm of the DOGE  
9 project.

10 For example, in January of this year, the Justice  
11 Department disclosed in a court filing that DOGE employees  
12 signed a data-sharing agreement with an outside --

13 CHAIR PALKKI: So your time is up, so just wrap  
14 up your comments, please.

15 CYNTHIA BENITEZ: Okay. Our research, CalPERS  
16 entrusted hundreds of millions of dollars in our  
17 retirement savings to be managed by Valor Equity Partners  
18 over the years. Plan participants definitely did not ask  
19 for Gracias and his team to engage in any of the above  
20 documented activities related to DOGE, which in our view  
21 do not align with the interests of plan participants.

22 In light of the seriousness of these concerns and  
23 your fiduciary duty to us as plan participants, I believe  
24 the fund should make public your findings on these issues.  
25 Also, I ask you to strongly consider withholding any

1 further allocation to Valor under the CalPERS Investment's  
2 Committee can guaranteed us as plan participants, and the  
3 public of complete fiduciary alignment between Valor and  
4 CalPERS participants.

5 Thank you for all you do to help protect our  
6 retirement savings.

7 CHAIR PALKKI: Thank you.

8 Next, I have Tammy Dhanota.

9 TAMMY DHANOTA: Good morning. My name is Tammy  
10 Laredo Dhanota. I'm a member of SEIU Local 521 and a  
11 CalPERS member since 1993. I'm here today with my  
12 colleagues to raise concerns considering your investments  
13 with Palantir Technologies. U.S. Immigrations and Customs  
14 Enforcement, ICE, has partnered with Palantir Technologies  
15 to use artificial intelligence and data mining to  
16 identify, track, and deport suspected noncitizens.

17 Palantir was slated to deliver a prototype of the  
18 immigration operating system platform by September 2025  
19 with the contract running through September 2027. ICE is  
20 paying Palantir \$30 million for the platform. Since --  
21 similar to Palantir's other systems, immigration's  
22 operating systems pulls together vast amounts of data  
23 detects patterns, and flags individuals who meet certain  
24 criteria, raising concerns about potential impacts on  
25 civil liberties in the United States.

1           There are multiple ways in which the aggressive  
2 immigrant ICE operations are being carried out by the  
3 federal government and may bring systematic and  
4 company-specific portfolio risks to CalPERS that are not  
5 in the interests of plan participants such as myself.  
6 These include the physical health and safety of our  
7 community members. It is not in our interest as plan  
8 participants for us to live and work in communities where  
9 our families and neighbors are not safe, because the  
10 federal ICE enforcement processes that have threatened or  
11 damaged community member's physical and mental health, the  
12 economics, and tax base of our communities.

13           It is not in our best interests as plan  
14 participants for our communities to suffer economically,  
15 because of the federal ICE processes that involve weakened  
16 economic activity and the tax base on our community. The  
17 educational experience in our communities, it is not in  
18 our best interests as plan beneficiaries for educational  
19 institutions at all levels, many of whom employ members  
20 who participate in the fund being limited in their ability  
21 to provide quality educational experience for all  
22 students, regardless of immigration status.

23           The macroeconomic implications of immigration  
24 enforcement, it's not in our interest as plan  
25 beneficiaries, counting on the long-term health of the

1 U.S. economy as a fundamental pillar for the sustainable  
2 investment of systems assets for the economy to fact  
3 increased risks at the macro level issues of supply/demand  
4 workforce logistics, demographics, and other structural  
5 issues to -- due to immigration enforcement approach that  
6 threatens the health macroeconomic activities.

7 In February, SEIU members, such as myself, joined  
8 the community members to participate in a series of  
9 actions in The San Francisco Bay Area leading up to Super  
10 Bowl LX to express our concerns about the negative impacts  
11 of ICE enforcement activities in our communities.

12 Given this misalignment in the interests between  
13 Palantir and the active role of ICE operations and our  
14 interest as plan participants, we ask you to immediately  
15 convey our concerns to comply about the potential business  
16 and reputation risks of their contracts with ICE, and ask  
17 them to immediately take steps to end their contracts with  
18 ICE.

19 Thank you.

20 (Applause).

21 CHAIR PALKKI: Thank you.

22 Next, I have Andre Oliviera.

23 ANDRE OLIVIERA: Good morning, Board. My name is  
24 Andre Oliviera. And I'm a member of SEIU 521 and a  
25 CalPERS plan participant. I am here today with my

1 colleagues to raise some concerns considering your  
2 investments with Apollo Global Management and how critical  
3 aspects of Apollo's investment approach appear to be  
4 misaligned with our interests as plan participants. We  
5 have heard reports in public testimony at CalPERS  
6 Investment Committee meetings for over a year now from  
7 workers in Apollo-owned companies in which CalPERS has  
8 investments. These reports are deeply troubling and  
9 indicate likely problems of failed oversight of workforce  
10 management issues at Apollo portfolio companies that, if  
11 true, indicate serious risks for Apollo -- Apollo  
12 stakeholders.

13           Again, if these testimonies are accurate, the  
14 data will indicate that these Apollo-owned portfolio  
15 companies are not in alignment with CalPERS investment  
16 policies, including CalPERS Labor Principles, nor are they  
17 in alignment with American Investment Council's own  
18 responsible investment guidelines. Even though Apollo  
19 sits on the Board of Directors of the AIC.

20           Of additional concern is Apollo Chief Executive  
21 Officer Marc Rowan's active promotion of President Trump's  
22 Compact of Economic Excellence in Higher Education, an  
23 initiative that conditions federal funding for  
24 universities on compliance with various demands that we  
25 think threaten academic freedom, critical research

1 funding, universal jobs, and opportunities for students.

2           According to the New York Times, the Trump  
3 Administration's proposed university compact is modeled on  
4 a draft developed by Mr. Rowan. Given the critical role  
5 universities play in the California economy, the local  
6 economy of many CalPERS participants' employers, and in  
7 the direct employment of CalPERS plan participants, Mr.  
8 Rowan's support for the Trump's administration university  
9 compact would appear to be completely inconsistent with  
10 the interests of CalPERS plan participants.

11           Our research indicates CalPERS has entrusted  
12 hundreds of millions of dollars in our retirement savings  
13 to be managed by Apollo's global management over the  
14 years. My management, my colleagues and I would like to  
15 know specifically what CalPERS Board is doing to enhance  
16 its due diligence with Apollo to protect our retirement  
17 savings.

18           Some of the questions my coworkers and I have  
19 are: will Apollo actually treat workers and its portfolio  
20 company in a manner consistent with the AIC Responsible  
21 Investment Principle and CalPERS Labor Principles; will  
22 Mr. Rowan step away from its public role campaigning for  
23 the Compact for Academic Excellence in Higher Education?

24           CHAIR PALKKI: Mr. Oliviera, your time has  
25 expired.

1           ANDRE OLIVIERA: Yeah. Okay.

2           CHAIR PALKKI: If you can get to the wrap up of  
3 the -- go ahead and wrap it up.

4           ANDRE OLIVIERA: It's just one paragraph.

5           CHAIR PALKKI: Okay.

6           ANDRE OLIVIERA: Is it our belief that in order  
7 for Apollo to be aligned with the interests of plan  
8 participants like ourselves? The answers for both of  
9 these questions should be yes.

10           So once again, I thank you all for -- all you  
11 guys for our retirement savings. Okay. Thank you so  
12 much.

13           CHAIR PALKKI: Thank you for those comments.

14           Next, I have Cathy Mendoza, Kimberly Sloan, and  
15 Jorge Martinez.

16           KIMBERLY SLOAN: Good morning. My name is  
17 Kimberly Sloan and I've been a dialysis technician for  
18 Satellite Dialysis, now U.S. Renal, for this -- in Santa  
19 Rosa for a little over 17 years. Also a member of SEIU  
20 UHW.

21           I'm here today to talk about the wages and  
22 benefits of the front-line health care workers who care  
23 for dialysis patients on a daily basis. For many of us,  
24 this work isn't just a job, it's a commitment. Our  
25 patients come to us three to four day a week, often for

1 years. We know their families, their struggles and we are  
2 responsible for helping them out in this difficult time.  
3 But since our clinics were acquired by Bain Capital, the  
4 impact on our workplace has been devastating. The company  
5 cut our retirement contributions in half and at the same  
6 time, our health care premiums have gone up drastically.  
7 One of my co-workers told me she would -- now pays 43  
8 percent more each month just to cover herself and her  
9 children.

10           These cuts are hitting health care workers who  
11 are already stretched so thin. It's frustrating to see a  
12 help wanted sign at a burger shop down the street offering  
13 \$25 an hour to flip burgers, and that's the same wage many  
14 of our brand new dialysis technicians are starting at.  
15 Health care workers should not have to be struggling to  
16 afford health care themselves and workers providing  
17 life-save care should not be asked to do more and more  
18 with fewer resources. Our patients deserve safe staffing.  
19 Our communities deserve experience caregivers who can  
20 afford to say in this profession. And the workers who  
21 dedicate their lives to this work deserve fair wages and  
22 benefits. So we ask for CalPERS to support us and we  
23 request a meeting with Bain Capital, as soon as possible,  
24 to discuss these important issues.

25           Thank you.

1 CHAIR PALKKI: Thank you.

2 Next, I have -- Oh, Kimberly just. Next I have  
3 Cathy Mendoza.

4 CATHY MENDOZA: Hi. My name is Cathy Mendoza and  
5 I've been a registered nurse for 25 years. For the last  
6 decade, I've worked as a dialysis nurse at DaVita and now  
7 at Satellite Holdings, U.S. Renal Care.

8 Over the years, I've seen a decline in the  
9 quality of patient care and working conditions, largely  
10 due to chronic staffing shortages. In many clinics we are  
11 forced to work understaffed. The patient-to-nurse  
12 staffing ratio is 1 to 12, and for a patient care  
13 technician, 1 to 4. But when we're short-staffed, we have  
14 to care for patients out of safe ratios. This means we're  
15 constantly rushing, cutting corners, and unable to fully  
16 follow policies and procedures. I'm not able to closely  
17 monitor my patients for adverse signs and symptoms that  
18 could have been prevented.

19 There's a higher chance to make a mistake putting  
20 our patient's health and their safety at risk. To address  
21 these -- this crisis, we've -- we need adequate staffing  
22 to meet patient needs and fair wages to retain skilled  
23 workers. I believe that paying dialysis worker fairly,  
24 improving working conditions can deliver the quality of --  
25 quality care our patients deserve.

1           That's why in 2023 my coworkers and I decided to  
2 form a union. I helped organize my clinic becoming one of  
3 the first dialysis workers to join SEIU UHW. While this  
4 was a proud moment for us, it wasn't without challenges.  
5 Management intimidated and threatened us saying that we  
6 would be blacklisted, our clinic would close, and we would  
7 lose our jobs. Even after we won our union election, the  
8 intimidation continued. I was personally faced  
9 intimidation and retaliation for my union activities and  
10 eventually wrongfully terminated.

11           Fortunately, being union allowed me to file an  
12 unfair labor practice charges against Satellite  
13 Healthcare, and the National Labor Board found merit in my  
14 case -- we they filed a 10(j) injunction and the federal  
15 court ruled in our favor. Satellite Healthcare was to  
16 reinstate me and back wages and restore my -- the annual  
17 raises that were unfairly withheld from unionized workers.

18           This was a huge win for me and my unionized  
19 work -- coworkers. However, I have been reinstated for  
20 over a year now and still have not received back pay or a  
21 raise in three years. The union clinics still have not  
22 received their merit increases that were denied. Our case  
23 has been appealed and now it will go to the U.S. Courts of  
24 Appeals.

25           The cumulative effects of these actions

1 demonstrate a clear disregard for the federal court  
2 orders, repeated unfair labor practice charges, and  
3 ongoing harassment and retaliation has worsened.  
4 Satellite continues to compromise employees and patient  
5 safety endangering patient's health and placing patient  
6 care at risk.

7           Let's see. At the non-union clinics, the same  
8 intimidation, and retaliations, and unfair labor practices  
9 persist. Dialysis companies like satellite are breaking  
10 the law and threatening and retaliating against workers  
11 who are simply trying to improve working conditions for  
12 themselves and their patients. Our employees deserve fair  
13 treatment without fear of retaliation when voicing  
14 concerns of working conditions. We need a workplace where  
15 everyone feels respected and valued safety -- to safely  
16 care for our patients. We want Satellite to stop  
17 violating workers' rights and start bargaining fairly for  
18 our first contract, prioritize health care workers, and  
19 patients over profit, because both workers and patients  
20 deserve better.

21           When CalPERS invest in companies like Satellite  
22 Holdings, you're not just investing in profits, you're  
23 investing in how dialysis patients are treated and how  
24 health care workers are respected. Please use that power  
25 to demand better.

1 Thank you.

2 CHAIR PALKKI: Thank you.

3 Mr. Martinez.

4 (Applause).

5 CATHY MENDOZA: Thank you.

6 JORGE MARTINEZ: Good morning, everyone. My name  
7 is Jorge Martinez and I'm a Master Dialysis Technician.  
8 This May, I will have worked in the dialysis industry for  
9 21 years. During that time, I've served in many roles,  
10 including tech aid, patient care technician, a preceptor,  
11 and trainer for Satellite Healthcare, a nonprofit dialysis  
12 provider. I love my job with a passion.

13 In October of 2022, a group of dialysis worker  
14 from -- centers ranging from San Francisco down to Gilroy  
15 came together to form the first dialysis workers union in  
16 California. We made history. We joined forces with  
17 workers from seven Fresenius Dialysis Centers to build  
18 momentum and give dialysis workers a real voice.

19 Since 2023, we have experienced a slow  
20 transition, where Satellite Healthcare Centers have been  
21 phased out and replaced by U.S. Renal Care, a for-profit  
22 dialysis company. This transition hasn't been easy at  
23 all. What we've seen during this transition has been  
24 deeply concerning as well. Staffing levels have dropped  
25 dramatically, positions have been eliminated or employees

1 pushed out, and the work has simply been pushed onto the  
2 remaining staff. That creates dangerous conditions for  
3 both workers and patients.

4 I personally have witnessed a day where our  
5 dialysis center operated with one registered nurse when  
6 the facility requires two nurses to safely operate.  
7 Management sent an RN from another site, but the day  
8 continued as if everything was normal. In my 21 years in  
9 dialysis, I have never seen a center operate under those  
10 conditions. And it is scary for me, imagine for our  
11 patients.

12 The company is also eliminating positions  
13 responsible for stocking, supplies, managing deliveries,  
14 and organizing storage areas. Those duties are now  
15 expected to fall on the same staff who are responsible for  
16 monitoring patients receiving life-sustaining dialysis  
17 treatments. That pulls attention from -- away from  
18 patient care and creates further safety risks. Our  
19 patient-to-staff ratio is already hard to manage, let  
20 alone with extra duties. We're also seeing a shift  
21 towards lower quality supplies. One example is the  
22 medical tape use on patients is larger, is cheaper, and  
23 increases the risk of waste, cross-contamination, and  
24 improper use.

25 Even more concerning, I have personally verified

1 that dialysis machines are being repaired with refurbished  
2 parts. In my experience with nonprofit providers, that  
3 was never considered acceptable practice for machines  
4 responsible for sustaining patient's lives. Imagine if  
5 your life depended on a machine, would you be okay knowing  
6 they're repaired with refurbished parts? I know I  
7 wouldn't.

8 I live and work in Rohnert Park and I take pride  
9 in serving the community where I live. I have dialyzed  
10 the parents and grandparents of people I know personally.  
11 I know the first responders who come when I call for help.  
12 This is why it's heartbreaking to see a company with deep  
13 financial resources choose profit over patient safety. I  
14 hope this gives you a clearer understanding of the company  
15 you may be investing in and the real impact those  
16 decisions have on the patients and communities we serve.

17 Thank you, every one, for your time and I hope  
18 together we can come up with a solution.

19 (Applause).

20 CHAIR PALKKI: Thank you for your comments.

21 Next, I have Dr. Britt Dowdy, Aaron Brenner, and  
22 Maria Gonzaga, and that will bring us close to our 30  
23 minutes.

24 AARON BRENNER: Is it okay if we change the order  
25 or do we need to go --

1           CHAIR PALKKI:  Whatever order you guys want to  
2 do.

3           AARON BRENNER:  Okay.  Go ahead.

4           DIEGO AGUILAR:  Good morning.  My name is Diego  
5 Aguilar.  I come out of Store 22s in San Jose, Cardenas.

6           And today I'm here to let you know that's going  
7 on with your investment with Apollo Global.  They've said  
8 that we are allowed to unionize, but I've encountered way  
9 too many unfair work practices and green busting just at  
10 my store.  They don't really treat our workers with  
11 respect or value.  For example, I had a coworker who got  
12 her finger cut in the meat department and they only sent  
13 her home for one day.  Then the next day they only told  
14 her that she could be doing grocery work, but just to not  
15 use that finger.  I've also had coworkers who suffer from  
16 other health illnesses and the company still forces them  
17 to work at a unnatural pace for their bodies.

18           Last year, our store started giving out  
19 misinformation cards, saying that UFCW works with ICE,  
20 that they give all our information to them.  And anyone  
21 who talks with them is being lied to and might get in  
22 trouble and get deported.

23           This has installed a lot of fear in all of my  
24 coworkers, whether they have American residency or not.  
25 This company fearmongering has really made things

1 difficult moving forward. And I think that if you will  
2 continue investing in Apollo Global, you should really  
3 reconsider if they value the workers or not.

4 That will be it. Thank you.

5 CHAIR PALKKI: Thank you.

6 MARIA GONZAGA: (Spoke in Spanish).

7 FREDDI FARIAS: I can go ahead and translate for  
8 that. Hi. I'm Freddi Farias. I'm an organizer here with  
9 UFCW Local 5.

10 MARIA GONZAGA(through interpreter): Hello. My  
11 name is Maria Gonzaga and I'm a worker at Cardenas Store  
12 215 in East Palo Alto. I'm here today to let you know  
13 about our issues with your investment in Cardenas, which  
14 is owned by Apollo. I have long been speaking about the  
15 issues I see in the store. Management promotes those who  
16 are friendly with them, not the most qualified. I also  
17 repeatedly raised the rat infestation in the store, which  
18 has been a problem since I've worked there that management  
19 failed to address.

20 Last December, I injured my eye at work while I  
21 was stocking shelves. Despite the obvious severity of the  
22 injury, it took the manager three days to let me take the  
23 time off to see a doctor. It would not be that hard to  
24 get care for a workplace injury. Because of these  
25 problems, I have been a vocal union supporter and I've

1 worked to organize my coworkers. However, because of  
2 management's anti-union campaign, workers are afraid to  
3 lose their jobs and suffer retaliation.

4           Recently, things have gotten worse. On March 3rd  
5 of this year, I was told that my check had been lost, even  
6 though none of my coworkers had the same problem. I tried  
7 to resolve it that day, but then the store was shut down  
8 due to a rat infestation. On the day the store shut down,  
9 my son, who quit working at that Cardenas in December,  
10 joked on Facebook that the store had more rats than New  
11 York. The store was closed for three days, but when it  
12 reopened, I didn't get called back into work.

13           When I showed up anyway, I found that my locker  
14 was broken into and my stuff was thrown out. It is still  
15 unclear who did this. I had to ask my manager why I  
16 wasn't called back into work, why my stuff had been thrown  
17 out, and where my check was. The manager responded by  
18 asking whether I had seen my son's Facebook post. It was  
19 clear at that moment that I was being retaliated against,  
20 not just for the Facebook post, but for being a union  
21 supporter and speaking out about issues at the store.

22           I hope you will not Invest with Apollo until they  
23 make Cardenas treat its workers fairly, so that we can  
24 speak out about our problems that affect our customers and  
25 investors.

1 CHAIR PALKKI: Thank you

2 AARON BRENNER: May I?

3 CHAIR PALKKI: Yes.

4 AARON BRENNER: Thank you.

5 My name is Aaron Brenner. I work at the United  
6 Food and Commercial Workers International Union. And  
7 we've been speaking to you now for almost three years  
8 about the same unmitigated risks in your private equity  
9 portfolio, Apollo Global Management's failed oversight of  
10 workforce management at its portfolio companies, and its  
11 leadership activities that contravene their fiduciary duty  
12 to the fund and its participants.

13 Maria and Diego are just the latest speakers here  
14 that have detailed how Apollo Management -- Apollo's  
15 management of its portfolio companies violate your Labor  
16 Principles. You have heard about union avoidance  
17 activities that violate your freedom of association  
18 principle. Workers have hold you and now -- sorry -- have  
19 told you and now no less than eight lawsuits allege  
20 instances of sexual harassment, which violate both your  
21 anti-discrimination and safe and healthy working  
22 environment principles. And the company has, without  
23 admitting wrongdoing, settled some and still faces other  
24 class action lawsuits about meal and pay break violations,  
25 which violate your principle on forced or compulsory

1 labor.

2           We've also told you about our yearslong and very  
3 frustrating attempts to negotiate an agreement with the  
4 help Apollo comply with your principles, mitigate the  
5 risks, and protect the workers. Yet, you still consider  
6 investing with a company that contravenes your principles.  
7 More recently, we and other stakeholders, including Andre  
8 Oliviera earlier, have talked to you about the leadership  
9 of Apollo. Chairman and CEO, Marc Rowan, is on public  
10 record leading the charge as Andre described, of Trump's  
11 Administration's so-called Compact for Academic Excellence  
12 in Higher Education.

13           This work threatens the funding at many CalPERS  
14 employers, including the Cal State University and  
15 undermines the communities where CalPERS participants work  
16 and live. Yet, you still consider investing with a global  
17 financial power that contravenes your Investment  
18 Principles, works to weaken your employers, and undermines  
19 the communities where CalPERS participants work and live.  
20 Please stop deliberating. Tell Apollo you will delay any  
21 investment until they mitigate these risks to your  
22 participants. Tell them to come back next year before  
23 they close their current funding round and demonstrate to  
24 you that they've stopped violating your investment  
25 principles, address the risks in your portfolio -- in

1 their portfolio, and cease the activities that threaten  
2 California public employees and communities.

3 Thank you very much.

4 CHAIR PALKKI: Thank you for your comments.

5 That concludes the 30 minutes that we allowed for  
6 this. Dr. Britt, if you don't mind hanging out till --

7 DR. BRITT DOWDY: I will.

8 CHAIR PALKKI: Thank you.

9 So moving forward, that brings us to Item number  
10 4, action consent items. What is the pleasure of the  
11 Committee

12 COMMITTEE MEMBER RUBALCAVA: I have an item that  
13 I want to remove.

14 CHAIR PALKKI: For action consent?

15 COMMITTEE MEMBER RUBALCAVA: Yes, 4c.

16 CHAIR PALKKI: Okay. So before we move with  
17 the --

18 COMMITTEE MEMBER RUBALCAVA: Oh, we can move  
19 the --

20 CHAIR PALKKI: Yeah. Okay. So -- well, go ahead  
21 and hit your mic and then we'll pull 4c.

22 CHIEF EXECUTIVE OFFICER FROST: Mr. Palkki, you  
23 can go ahead and move to 6a and then come back to 4 and 5.

24 CHAIR PALKKI: You what to do --

25 COMMITTEE MEMBER RUBALCAVA: That's what I was

1 going to suggest.

2 CHAIR PALKKI: Oh, okay. Okay. So we're going  
3 to jump straight into 6a. We'll come back to items 4 and  
4 5.

5 Mr. Gilmore.

6 CHIEF INVESTMENT OFFICER GILMORE: Thank you,  
7 Chair. It's a privilege to be able to introduce  
8 Lieutenant General Bellon, who is here from Academy  
9 Securities Geopolitical Intelligence Group. And just a  
10 comment on Academy Securities. This is a veteran founded  
11 and owned emerging diverse manager. More than half its  
12 employees are vets, some disabled. And General Bellon  
13 comes to us after having a distinguished career in the  
14 Marine Forces, where he commanded the Marine Force Reserve  
15 and also Marine Force South. He did tours of duty in  
16 Iraq, Afghanistan, is an expert on the western hemisphere.

17 Lots of accolades, deservedly so. And it's, as I  
18 say, a real privilege to welcome him. I'll pass over to  
19 the General who will give us a -- I guess his perspective  
20 on what's going on. Then we'll have a little bit of Q&A.  
21 And, of course, we'll open it up to the members of the  
22 Investment Committee. But with that, I'll pass over to  
23 General Bellon.

24 LIEUTENANT GENERAL BELLON: Good morning. And I  
25 would just open up by saying it's inspiring to watch

1 citizenship work here and to allow people to have a  
2 platform to come and articulate their concerns. I served  
3 for 35 years and spent my life with friends who took an  
4 oath to the Constitution to defend this very thing, and  
5 it's inspiring to see it. My own son continues to serve  
6 as a United States Marine Infantryman. And this is what  
7 we hope is true frankly. What you do with it is up to  
8 you, but to have the platform for people to come in and air  
9 their grievances is exactly why we serve. So I'll start  
10 with that.

11 I have no political position or ambition on what  
12 I'm going to tell you. My role here, if I do it right, is  
13 that you would have no idea about my politics and that I'm  
14 simply offering you my objective -- as objective as I can  
15 be, acknowledging that I'm a prisoner of my personal  
16 experiences in a lot of these things, objective analysis  
17 of what's happening, so that you can apply your own  
18 critical thinking and do your own concluding.

19 So, with that, I'll open up and I'll first begin  
20 by talking about what I think is happening in the Persian  
21 Gulf and what we can expect as it comes and paint some  
22 geopolitical risk and trends that are emerging. And then  
23 I'll talk a little bit about Venezuela, if you want. I  
24 spent seven years working at the executive level all  
25 throughout Latin America. And I began my (Spoke in

1 Spanish).

2           So, I would just offer, first of all, in the  
3 Persian Gulf. What you're seeing is not a new war. This  
4 is a continuation of a contest that began in 1979. I'm  
5 not saying that the strategic decisions that have been  
6 made here in this calendar year will prove historically  
7 correct, but it is continuum. And it is a demonstration  
8 of two opposing sides that have been unable and unwilling  
9 to reach an accord about what the future looks like.  
10 There's no possible coexistence with IRGC, an entity that  
11 has just recently murdered reportedly 36,000 of their own  
12 citizens, and the rest of the planet. And you're seeing  
13 that manifest itself now.

14           The opening of this war was initiated by -- this  
15 phase of the war initiated by Iraq -- I mean, by Israel  
16 and by the United States. And the current reporting,  
17 which I tend to agree with why now? Why would the United  
18 States take a significant risk to initiate hostilities  
19 now? My conclusion six weeks ago was that it was  
20 imminent, because there was most likely sensitive  
21 intelligence that changed the risk calculation.

22           I think I remember back to the mid-1990s, and  
23 some of you remember this as well, President Clinton had a  
24 decision to make and it was about whether or not to allow  
25 North Korea to nuclearize. And a strategic risk was

1 taken. I was a Marine at Camp Pendleton at the time and  
2 most of us were put on alert for contingency to North  
3 Korea. And the administration decided to allow the  
4 nuclearization of North Korea. And so far, so far -  
5 history will be the judge ultimately - it has resulted in  
6 a relatively stabilized region. It has not unfolded in a  
7 kind of catastrophic nightmare scenario that was being  
8 bantered about in the nineties.

9           So the current U.S. administration faced a  
10 similar decision regarding Iran. And here's what I would  
11 suggest that history will show is that IRGC, not the  
12 Iranian people, the IRGC have made it their platform since  
13 1979 that part of this reason for existence is the  
14 extirpation of Israel from the face of the earth and then  
15 the West. And that has been consistent messaging. Okay.  
16 I you compare that to the North Korean leadership in the  
17 same -- over the same time, basically what they're asking  
18 is to be left alone and to allow the regime to continue.

19           So if you look at how the IRGC has conducted  
20 itself in the past 47 years, you're talking about  
21 exporting instability and violence through proxies like  
22 Hamas, Hezbollah, the Houthis, on, and on, and on. And I  
23 personally have seen it -- seen it firsthand in the Middle  
24 East in the streets, shaped charges and other things, and  
25 actually have been involved in capturing Iranian

1 operatives that have been actively in contest with us  
2 throughout the world.

3           So I think what's happened is the current  
4 administration became convinced that the IRGC was close to  
5 being able to achieve a nuclear capability. Now, what  
6 that was, I don't know. And I'll give you a couple of  
7 facts that are now going to be proven out by history. If  
8 you look at what happened in June with the 12-day war,  
9 that was a significant commitment and a significant  
10 message. And there was a pause. And after that pause,  
11 the IRGC immediately began to reconstitute their  
12 intercontinental ballistic missile capability, their  
13 regional ballistic missile capability with aspirations of  
14 being intercontinental, and helped by the Chinese.

15           The PRC began to facilitate and ship precursors  
16 to rebuild the ballistic missile capability of the IRGC.  
17 I don't care what your politics are, there's nobody that's  
18 got half of an education that can -- that could say that  
19 the ballistic missiles are defensive in nature. These are  
20 the missiles that now have cluster munitions that are  
21 landing in the streets of Israel, but also have slammed  
22 into other GCC countries, almost randomly.

23           So when you have a country that demonstrates an  
24 ambition to become nuclearized and begins to rearm  
25 immediately after a pause, what I think was a pretty

1 significant phase of the war, for 12 days in June of 2025,  
2 you have to come to strategic conclusions. And that's  
3 what I believe, that's what I believe, history will show  
4 has happened.

5           So where are we now? So now, we're at a phase of  
6 the war, the first week -- we're in day 17, I think, right  
7 now, which would be the third week -- beginning of the  
8 third week. And my guess, based on my personal and  
9 professional history in my previous life, is that this is  
10 probably a 30-day paradigm that the planners have  
11 arranged. So we're past halfway, but not by much. And so  
12 how has this unfolded?

13           The first week was a tremendous amount of weapons  
14 going both ways. And the IRGC fired hundreds of ballistic  
15 missiles and hundreds of drones into the GCC, Israel, and  
16 into U.S. bases within the region. They've also -- that  
17 was week one. Based on the trend lines of what's  
18 happening, just the pure numbers, only data, you can see  
19 that they have extinguished some of their stockpile and  
20 the ballistic missiles have been dramatically reduced.  
21 They're down to a percentage of what they were. And this  
22 is all over the news. This is nothing new. You've seen  
23 this yourself. But the fact that they're firing them in  
24 singles and pairs tells you that they simply don't have a  
25 lot left to continue to fire. They are a much more

1 sophisticated weapons system, so this -- you see this  
2 campaign that's unfolding on the news constantly about the  
3 striking of the infrastructure. They're much more  
4 difficult to manufacture than the drones.

5           To give you an example. Prior to hostilities,  
6 the Iranians were able to make an estimated 10,000 Shahed  
7 drones a month. They're selling them to the Russians.  
8 They're being used against the Ukraine people, and they're  
9 selling them to other proxy groups around the world. So  
10 that exportation now has probably stopped. They don't  
11 have the capacity no. Unfortunately, the Russians now  
12 have the license to make the drones themselves and they've  
13 improved them, but some of those precursor materials were  
14 coming from Iran. So there is an effect that the Ukraine  
15 people will probably realize here in the long term.

16           The drones themselves, the numbers have  
17 decreased, but not in the same level that the ballistic  
18 missiles have. So the IRGC still, as of last night, were  
19 able to launch the drones in swarms and numbers, which is  
20 required in order to create the geometric problem set that  
21 our defensive systems have to solve. And so that's how  
22 they're used. They're not used like a ballistic missile,  
23 where there's ones and twos. They're fired in multiples.  
24 And they can do that based on a cost-benefit analysis.  
25 That the exquisite weapons systems we used to use to

1 intercept them were multiples, almost logarithmically more  
2 expensive than the drones themselves. That's changing  
3 now. That's changing.

4           So, that trend line is still going down, but it  
5 is the will and the decision of the IRGC, the cognitive  
6 space that I'll ask you to call your attention to. What  
7 happened last week, really starting on Tuesday, is that  
8 the IRGC decided to close the Straits of Hormuz. So the  
9 Straits of Hormuz has been closed since the inception, but  
10 it was really -- it was closed by the underwriters of  
11 Lloyd's, as much as it was closed by anybody else. It was  
12 a commercial decision. The tankers were uninsurable and  
13 the owners of the tankers decided not to accept the risk  
14 of pushing them through the Straits, in the same numbers  
15 that normal traffic requires, simply on commercial reasons  
16 alone. Some tankers turned off their transponders and they  
17 were able to slip through the Iranian detection systems  
18 and transit the gulf in the first two weeks. But somebody  
19 outside of Iran now is pushing targeting data to the  
20 Iranians and they're able to target the tankers without  
21 the transponders.

22           So what has happened last week? Well, last week,  
23 you began to hear first actual reporting of mining the  
24 Straits. And mines are -- mines are an interesting thing.  
25 Doctrinally, you have to lay them in numbers, and there's

1 all sorts of math involved, and it's a significant  
2 commitment, whether on land or at sea, to employ mines,  
3 according to doctrine. But psychologically, lines are  
4 very powerful, whether you're talking about an IED in the  
5 streets of some place like Afghanistan against U.S. forces  
6 or you're talking about actual controlling of sea line of  
7 communication like the Straits of Hormuz. You don't need  
8 to do it doctrinally to have an effect.

9           The simple idea of mines anywhere psychologically  
10 changes the decision calculation among human beings. And  
11 so again, it's a message to the underwriters and to global  
12 commerce that the Straits are mined. And then you began  
13 to see direct attacks on ships themselves by what we would  
14 call short batteries, whether it's direct projectiles like  
15 rockets, missiles, and artillery, or by drones. The two  
16 drones that are being employed in the Straits now are  
17 airborne drones, which are dangerous, but the surface  
18 drones of the small boats are particularly dangerous,  
19 because they strike at the waterline of ships and they  
20 carry a much bigger payload.

21           So six ships -- according Al Jazeera, six shops  
22 were hit on Tuesday alone. I would say relatively minor  
23 damage survivable damage for five. And the sixth ship, I  
24 don't know if it's finally been lost, but it was burning  
25 and in significant trouble.

1           So what is -- what is the IRGC doing now?  
2 They're marshalling what they have and they're focusing on  
3 the Straits in order to compel and threaten global  
4 commerce to have this very conversation. I mean, we're  
5 talking about it in Sacramento. I would call that a  
6 relative win for the IRGC. Is it a problem that can be  
7 solved militarily? Well, history will be the ultimate  
8 judge of that, but I would suggest, yes, it will be. It  
9 will be solved militarily. How? That's a whole different  
10 question.

11           What is the United States and Israel, how have  
12 they responded to this? The United States is moving  
13 additional resources into the Gulf, in particular a marine  
14 expeditionary unit with an additional 2,000 estimated  
15 marines embarked aboard. That joins what I believe is the  
16 first marine expeditionary unit already located in the  
17 North Arabian Gulf, but not often on the news. And formed  
18 together, they are a marine expeditionary brigade capable  
19 of specific offensive operations.

20           When was the last time we saw this in history  
21 that you might remember? 2001, Afghanistan, the 26 MEU  
22 and the 15 MEU aggregated in October of 2001 and they were  
23 led by a Brigadier General named Mattis, who took the  
24 marines ashore and took Kandahar Airfield. So there is a  
25 paradigm here. History does tend to repeat itself. And

1 so now you've got two MEUs aggregating in the North  
2 American -- North Arabian Sea with the a Lincoln and the  
3 Ford in the same area, and the Herbert Walker Bush, a  
4 third aircraft carrier, now moving into the Eastern  
5 Mediterranean.

6           We're not close to this thing being over. We're  
7 probably at about the 50-yard line right now in this  
8 campaign. What will happen in the next two weeks, nobody  
9 really knows. I have some -- I have some opinions, but  
10 that's where we are. I think the overtures as of this  
11 morning that the administration had for allies to help and  
12 secure the Straits have been somewhat rebuffed, if you  
13 look at the -- in the news media, but candidly, the  
14 capability sets that the United States has, whether it's  
15 on the Navy or in the air, on the surface, in the air, and  
16 under water, the reality is -- the reality is anymore, and  
17 this is not a political statement, is that there's really  
18 only one nation on earth anymore that can actually  
19 integrate with us at the level of sophistication in which  
20 we now conduct war, and that's Israel. It's not the UK,  
21 France, Germany, or others.

22           The F-35 represents a tremendous advantage in the  
23 air for all the systems it has on board. The Israelis  
24 have that and they've improved on it. The U.S. Navy has  
25 something called the AEGIS system on its Destroyers that

1 are unique. And the only other countries that have that  
2 are Japan, Australia, Norway, and a couple of others, and  
3 they're not in the mix here. So what real advantage would  
4 it have been other than political unity with our  
5 traditional allies? Questionable, if they would have  
6 joined in protecting the Straits at this point.

7 As the threat diminishes, absolutely. But I  
8 believe that was a political overture and not a military  
9 necessity. So I'll pause there for questions about Iran,  
10 and I can talk a little bit about Venezuela too, if that  
11 will help you.

12 CHIEF INVESTMENT OFFICER GILMORE: I'll just ask  
13 one question. You talked about this military action being  
14 about halfway through. I'm very interested in the  
15 trade-off between the military and the economic, because,  
16 of course, with the Strait being shut or the flow  
17 restricted, oil prices higher, the longer shutdowns occur,  
18 the longer it takes to restart. So how do -- how would  
19 you expect the decision-makers to trade off those military  
20 objectives versus the economic objectives, and what are  
21 the dangers on both sides.

22 LIEUTENANT GENERAL BELLON: I would -- that's a  
23 good question, Stephen. I would be surprised if the first  
24 question that the senior military leadership and planners  
25 were not asked every morning, and probably then every five

1 minutes after that, is when will the Straits be open to  
2 commerce? I mean it is a critical vulnerability of this  
3 Campaign and everybody knows it. There are multiple  
4 variables involved, but right now, the best analogy I can  
5 give you is, and again history will be the judge of  
6 whether this was the right strategic decision or not, but  
7 the cold hard reality is the route to failure, strategic  
8 failure, here is to stop. Stop before the IRGC has been  
9 diminished to a point where they can at least be compelled  
10 to be better global citizens for a period of time.

11           Based on my personal experience, I have a hard  
12 time believing that's ever achievable. You have a  
13 leadership sect that is now more convinced than ever.  
14 They have begun to -- they have continued to randomly  
15 attack people within the region. They have articulated an  
16 unwillingness to give up their nuclear ambitions. So what  
17 were they asked to do? Give up your nuclear ambitions,  
18 stop your ballistic missile program, and stop funding  
19 proxies, and they decided to go to war over those three  
20 things, instead of survive.

21           Okay. So now, the best analogy I can give you,  
22 Stephen, would be antibiotics. You've all given your  
23 children this. And you go to the doctor and the doctor --  
24 what does that doctor say? You know, give -- so my  
25 daughter. Give Abby the antibiotics. It's a 10-day

1 program. She's going to start feeling a lot better in  
2 five days, but don't stop. Why? Because you may feel  
3 better, but what ends up happening is the bacteria or  
4 whatever it is that's causing the problem, the infection,  
5 the first part of it gets killed off easily. If you stop  
6 the protocol, then what ends up happening is the bacteria  
7 metastasizes, it survives, it comes back longer, and  
8 never -- and becomes a -- it comes back stronger than ever  
9 and becomes a threat that actually kills you.

10 And that sounds very dramatic, but that is the  
11 best way for me to explain. Once you've committed to this  
12 course of action, if you declare victory early and walk  
13 away, that is a massive strategic misstep. And the global  
14 commerce is going to have to bear the brunt of this  
15 unfortunately or we will live with this for the rest of  
16 our lives.

17 CHAIR PALKKI: I have a comment from Ms.  
18 Middleton.

19 COMMITTEE MEMBER MIDDLETON: General, thank you.  
20 Really appreciate this. I'd like to shift just a bit away  
21 from directly talking about the conflict in Iran and ask  
22 your opinion as to how you think the Chinese are going to  
23 respond, both militarily and economically to the events of  
24 the last 17 days and --

25 LIEUTENANT GENERAL BELLON: Yeah. Ms. Middleton,

1 I would ask you to maybe think about the events of this  
2 calendar year, because they're all interrelated. All  
3 right. If you take Venezuela and Iran, the estimates are  
4 as high as 20 percent of Chinese imported petroleum  
5 products alone come from those two. If you look at the  
6 rest of the Persian Gulf, that number gets significantly  
7 higher. So you're talking about the Straits of Hormuz  
8 being stopped and then two of their primary sources of  
9 sanctioned oil, meaning cheap oil, are now off the map.

10 So what -- it's an interesting question, because  
11 if I just back up and think of this subjectively, they  
12 have a real strategic dilemma in their -- on their hands  
13 for two reasons, number one, because of the oil and the  
14 positioning -- the geostrategic positioning that is now  
15 occurring, but also the capabilities -- and I've only been  
16 retired for two years -- the capabilities that have been  
17 revealed, whether it was in Venezuela or now in Iran are  
18 so much more sophisticated than just the types of  
19 capabilities that we were able to actually bring forth two  
20 years ago. Many of these things were conceptual that I'm  
21 seeing unfold at scale now, that we weren't sure it would  
22 be effective or be able to be generated at scale.

23 And so, I have to think about 1991. So the PRC,  
24 the People's Republic of China, the Chinese Communist  
25 Party watched very carefully in the Desert Shield, Desert

1 Storm war, and they made significant conclusions from  
2 that. The way the United States has gone to war since  
3 World War II really is to project a massive force forward,  
4 usually Naval force, built around aircraft carriers. And  
5 the idea was to sail close enough to an adversary and then  
6 launch your aircraft from those, and then set the  
7 conditions for additional forces to close in behind that.

8           And we dominated in space, our ability to see was  
9 significant, even thirty, whatever, five years ago. And  
10 so what the Chinese Communist Party -- and those were  
11 exquisite platforms, exquisite. Running air operations  
12 off of a carrier and doing amphibious landings are really  
13 complex, first world, very difficult, generational skill  
14 sets that you have to invest in, and rehearse, and execute  
15 over, and over, and over.

16           So what they decided on was a different paradigm.  
17 It was to invest in intercontinental ballistic missiles  
18 guided by space that could reach our Navy, in particular  
19 our aircraft carriers, at a range beyond which they could  
20 launch from. And that's called area and access denial.  
21 You probably have heard that in different readings that  
22 you've read. And what that was from a cost-benefit  
23 analysis is it was an accelerant in time, and it greatly  
24 undermined the capability that we had been building since  
25 World War II. And they were able to close that gap

1 significantly.

2           And so then towards the 2020s, you began to see  
3 them talk about Taiwan and their aspirations in using the  
4 date 2027, because they believed that they had an  
5 advantage or they were close to having an advantage, where  
6 they achieved enough overmatch where they had what we  
7 would call the freedom of first decision, feeling so  
8 confident in the outcome, that they could choose the time  
9 to initiate hostilities against us, because certainty --  
10 it was almost a certainty that they would succeed.

11           So how do you achieve deterrence? Almost  
12 everyone here can remember the Cold War, right? We never  
13 went to war against the Soviet Union. Thank God, because  
14 we achieved deterrence. That was all about the missiles  
15 when we're all in grade school, you know, the nightmare  
16 scenarios and all those ridiculous things we did by  
17 getting under our desks and all those things. It was  
18 mutually assured destruction.

19           It's different with the Chinese Communist Party.  
20 They have to have the freedom of first decision and  
21 certainty. And so that strategic reveal that has happened  
22 in the past say three months, I believe is going to reset  
23 the clock a little bit like it did in 1990 and 1991, where  
24 they're going to have to go back and revisit their  
25 conclusions. And that provides an opportunity to reach

1 some kind of accord where everyone agrees to better global  
2 citizens and survive on this planet together.

3 That's the -- that's the aspirational goal  
4 strategically there, if that answers your question, ma'am.

5 COMMITTEE MEMBER MIDDLETON: Thank you.

6 CHAIR PALKKI: Ms. Gallegos.

7 ACTING COMMITTEE MEMBER GALLEGOS: How likely is  
8 that?

9 LIEUTENANT GENERAL BELLON: I'm sorry? How  
10 like -- how likely is what, I'm sorry?

11 ACTING COMMITTEE MEMBER GALLEGOS: To reach --  
12 for everybody to agree to be good global citizens and  
13 reach some kind of an accord.

14 LIEUTENANT GENERAL BELLON: Yeah, fair question.

15 ACTING COMMITTEE MEMBER GALLEGOS: Give a  
16 probability of that happening in the next two years.

17 LIEUTENANT GENERAL BELLON: So I'm a realist.  
18 Okay. I'm a realist. I think deterrence is what we're  
19 after, meaning denying somebody -- if your -- if your  
20 only -- when -- if you -- if look at me and you believe at  
21 some point -- if you -- if you intend to do me ill, but  
22 you're not going to do anything until you're absolutely  
23 sure you're going to win, then all I have to do is create  
24 enough doubt that you look at me and say not today. And I  
25 think that's -- in my opinion, that's the best we'll ever

1 do. I would love for it to be a Coca-Cola commercial, you  
2 know, teach the world to sing. I don't see it happening.

3 CHAIR PALKKI: Thank you. Yeah, I think when  
4 talking with our members and stuff, and obviously seeing  
5 what's happening in the news, we start to look at things  
6 and like how does it affect me and my livelihood, right?

7 LIEUTENANT GENERAL BELLON: Yeah.

8 CHAIR PALKKI: And you say we're at the -- sort  
9 of the halfway mark. Upon conclusion, the effects on cost  
10 of living, things of that sort, do you see -- do you see  
11 that stragglng years past or months past?

12 LIEUTENANT GENERAL BELLON: Okay. So let's think  
13 of this temporally. Okay. Let's think of this before  
14 hostilities began with Iran. And, you know, the Straits  
15 of Hormuz for people that have ever, you know, been in the  
16 Navy or the Marine Corps, that has always been -- in 35  
17 years, I came in during the Reagan administration and left  
18 during the Biden administration. It was always  
19 essentially held hostage by the IRGC. It was always a  
20 threat.

21 And the Abraham Accords, there's no question  
22 history is going to show that the Abraham Records were  
23 prevented by the IRGC. It was an existential threat to  
24 them. And that's what October 7th was all about, among  
25 other things. So now, if you image your way forward,

1 global commerce. I do believe in the Persian people. I  
2 do. I think they have an educated middle class. I think  
3 they have been -- again, if you read your history,  
4 throughout history, they've been traders meaning trading,  
5 not traitor, trading, global trading. They have a global  
6 perspective on the world and they've had multiples of very  
7 sophisticated societies and cultures. And I believe they  
8 will achieve that again.

9           And interestingly enough, very tolerant of  
10 various religions, and cultures, and tribes within tribes.  
11 Interesting. And I believe that's who they are. So if  
12 you remove the IRGC from the equation, there's a chance  
13 for that culture to rise again. They have amazing  
14 minerals, in addition to the oil and gas that they have.  
15 They have an incredible mineral belt within Iran,  
16 exceptional, and that's next generation energy, and a  
17 history of education and enlightenment.

18           So imagine what the world would be like without  
19 the IRGC holding everyone hostage and literally fomenting  
20 and supporting violence and terrorism around the globe.  
21 What could happen? I do believe in that dream. So to ask  
22 your question is it going to happen in the near term? No,  
23 absolutely not. But could it happen in the long term?  
24 Yeah, it could change the world back. It could set the  
25 clock back in a way that you have an active participant in

1 the Middle East of a very civilized, very well educated  
2 enriched country that wants to be part of the global  
3 economy. That's the goal, right. Whether it's achievable  
4 or not, we're going to find out.

5 CHAIR PALKKI: Well, thank you.

6 CHIEF INVESTMENT OFFICER GILMORE: I have a  
7 question on energy security. What do you expect to  
8 happen, because the vulnerability has been highlighted  
9 with this? Do you expect more exploration more extraction  
10 elsewhere, a greater focus on being less dependent on  
11 hydrocarbons? What do you expect to happen strategically?

12 LIEUTENANT GENERAL BELLON: I think I would  
13 broaden it from just hydrocarbons, because I think you  
14 have to think about what is the lesson being learned  
15 around the world? And that is if you have grievance or if  
16 you perceive yourself as being maltreated, the lesson here  
17 is that if you control the pinch points of global  
18 commerce, you can have disproportionate effects and you  
19 have essentially a global hostage. So if you look at how  
20 we can see farther, and how people have weapons that range  
21 longer and longer, it used to be that it would take a  
22 first world military to threaten something like the  
23 Straits of Hormuz or the Straits of Malacca, or pick the  
24 global straits, Straits of Magellan, it doesn't matter.

25 But now, what is -- we're learning is that if you

1 want to do commerce at scale, whether it's, you know,  
2 roll-on/roll-off container ships, or oil tankers, or  
3 mineral ships moving, you know, next generation energy,  
4 critical minerals. If you can threaten those pinch points  
5 of global commerce, then you have a new tool in your -- in  
6 your tool book. So I think what you're going to find is  
7 regional redundancy and exploration across the board for  
8 petroleum and other energy minerals, et cetera.

9           And there's going to be a balance there  
10 environmentally and how it affects clean water, but that's  
11 what you're going to see. And that's clearly what this  
12 administration was thinking when they came in and they  
13 talked about the western hemisphere as the priority  
14 hemisphere on the -- on the face of the earth. That's  
15 why. That's why.

16           CHAIR PALKKI: Great. I have a question from Mr.  
17 Henning.

18           ACTING COMMITTEE MEMBER HENNING: Thank you,  
19 General. Number one, I want to say thank you for taking  
20 your time here today. Your service, of course, is  
21 commendary, as well as your continual service to the state  
22 of California through academy and advice that you give us  
23 there.

24           I did want to ask you, because we're at a unique  
25 time where you have experience in two arenas, one in Iran,

1 of course, and then also Venezuela. They seem related in  
2 a lot of ways to me. Does that make sense to you,  
3 General? And at what point in time or what actions do you  
4 think we'll see in Venezuela as we are still in the Iran  
5 theater?

6           LIEUTENANT GENERAL BELLON: Yeah. I think -- if  
7 I had to -- if I had to have an educated guess, I would  
8 say the administration came in and they had made a  
9 decision about Venezuela, Cuba, and what you'll see is  
10 Nicaragua. In order to truly understand kind of the --  
11 how the surrogacy between those three, you have to almost  
12 think of Venezuela as the ATM that sustained Cuba. You  
13 know, when the Soviet Union fell and Cuba really lost its  
14 surrogate, Venezuela largely became the surrogate to allow  
15 the Communist regime in Cuba to continue.

16           So now, what you see is they've -- Venezuela has  
17 been unplugged from that. And so the Cuba regime change  
18 is going to happen, because it was unsustainable without  
19 it.

20           What no one is talking about is that Nicaragua  
21 will fall also. And if you talk to people in El Salvador,  
22 or Honduras, or in Guatemala or other, you know, that's  
23 not a bad outcome in their opinion, right? So but within  
24 that, you know, you have to look at -- what people don't  
25 understand is Venezuela, it was the cornerstone

1 relationship for the United States, certainly in the  
2 Andean Ridge, but you could also argue in South America up  
3 through the '90s. I remember -- and this is a tribute to  
4 President Clinton. In President Clinton's second term, at  
5 the end of his second term, he looked at Colombia, which  
6 was a failed country in the end of the 1990s, and  
7 President Clinton in his administration decided to make a  
8 major investment in Colombia. This is before Chavez  
9 really assumed power in Venezuela.

10           Venezuela was almost like the model -- it began  
11 in the Eisenhower administration, massive investments in  
12 infrastructure. It was an educated middle class. They  
13 had functioning bureaucracies that at least allowed some  
14 kind of representative government to take hold. And it  
15 was a real success story. And right next door was  
16 Colombia which was a failed state. And so President  
17 Clinton came up with a plan called Plan Colombia. And it  
18 was a 20-year vision that required \$10 billion of  
19 investment that it was going to happen -- have to happen  
20 across multiple administrations.

21           And then fast toward in time, what ended up  
22 happening was even after 9/11, the George W. Bush  
23 administration accepted what President Clinton's  
24 administration's vision and doubled down and invested even  
25 more deeply in Colombia. And then the Obama

1 administration accepted that from the Bush administration.  
2 And in President Trump's first administration, the same  
3 thing. So if you want to know whether we can actually  
4 accomplish something strategic across the political  
5 boundaries, Plan Colombia was an exceptional success.

6 Now, it's kind of fallen off a little bit based  
7 on the fact that there's a Marxist guerrilla running the  
8 country right now and it's backslid a little bit. But  
9 from the people of Colombia's perspective having spent a  
10 lot of time in Colombia, it's a miracle to them.

11 So, if you look at the paradigm of what Venezuela  
12 was, what Colombia become with the same sustained  
13 investment across political boundaries, I am convinced  
14 that the Andean Ridge can be stabilized, that there can be  
15 an ascending middle class in Venezuela like there was  
16 before, and the massive diaspora that is at high risk  
17 right now. Twenty-five percent of the population minimum  
18 have an opportunity to return to Venezuela, and achieve a  
19 better life. That is an amazing outcome that could be  
20 delivered, if we align ourselves and stop fighting over  
21 political lines, and there have been. There's a  
22 demonstration in the last 40 years that show us how to do  
23 that. Unfortunately, you've got to read a little bit to  
24 understand that.

25 CHAIR PALKKI: I have Ms. Middleton.

1           COMMITTEE MEMBER MIDDLETON: All right. General,  
2 thank you. And this one is one that's both for you and  
3 perhaps for Stephen as well. So far, it strikes me that  
4 the markets have absorbed whatever has happened over the  
5 last two and a half weeks and reacted fairly maturely to  
6 what they're seeing. What are the warning signs that are  
7 out there that would cause you to believe that the markets  
8 could be more substantially disrupted than what we've seen  
9 so far?

10           LIEUTENANT GENERAL BELLON: I think it's a race  
11 against time. I think that if in the next two weeks,  
12 there's not a positive trans -- here's what I would say  
13 you should look for in the Straits of Hormuz. What will  
14 probably happen is the U.S. Navy will begin to do a  
15 version of what we would call a freedom of navigation  
16 exercise. We do it all the time. A public passage  
17 through a contested or threatened body of water. And it  
18 will be a news story. Some Arleigh class -- Arleigh Burke  
19 Class Destroyer will sail through and it will be all over  
20 CNN, MSNBC, Fox, et cetera. And that will be the first  
21 thing.

22           And then it will be U.S. Navy multiples of ships  
23 escorting them through, demonstrating that their systems  
24 can protect that capital ship moving back and forth  
25 through the Straits. And then you'll find onesies,

1 twosies of an escort coming -- and it's a -- it's a method  
2 of communicating that the situation is getting better,  
3 global risk is down, the underwriters at Lloyd's who  
4 represent, what, two to three percent of the GDP of the  
5 UK, they've got to get back in the game. They're going to  
6 get back in the game and then it begins to improve.

7           If that trend doesn't start happening at the end  
8 of the next two weeks, I would say the markets will  
9 probably decide that this is going to be protracted and  
10 you might see something more negative. That's my guess.

11           CHIEF INVESTMENT OFFICER GILMORE: I don't  
12 disagree with any of that. Look at the forward pricing.  
13 So, if you look at the oil markets, of course, the spot  
14 price that is the price being traded is quite a bit higher  
15 than the price, you know, months into the future. But  
16 that price in the future has also been rising. So the  
17 markets are, at this point, still pricing in a relatively  
18 short conflict. If that changes, a lot changes, because  
19 when you have higher oil prices, it feeds through to  
20 higher inflation that can feed through to inflation  
21 expectations. It obviously hits spending and it's  
22 difficult for central banks, because central banks have to  
23 trade off that higher inflation versus economic slow down.

24           And in a different situation, if inflation wasn't  
25 as high as it was, it might be easier for central banks to

1 ease. But in this current environment, it is more  
2 difficult. So what you've seen happening is that the  
3 markets have been reducing their expectations for Fed rate  
4 cuts. So for me, the key thing is how protracted is this?  
5 So looking for things like off-ramps. And of course, the  
6 General has talked about the dangers of military action  
7 maybe ceasing too soon for military objective reasons.  
8 But if it extends, you create greater and greater economic  
9 risks. So it's that trade-off which is one to keep  
10 watching.

11           LIEUTENANT GENERAL BELLON: Yeah. And I would  
12 just -- I would add -- I'll take you back to 2022, if you  
13 recall when the Ukraine invasion happened, the -- there  
14 was all sorts of talk about massive famine and death  
15 corresponding because of the lack of fertilizer, and the  
16 bread basket of Europe was gone, and that Africa would  
17 literally starve, and that the farmers all over the  
18 world -- it was a dramatic overstatement of the  
19 geopolitical effects of a specific resource coming from  
20 one area being stopped.

21           And, of course, none of that unfolded or not  
22 nearly at the scope and scale that it was being reported.  
23 That was a common theme in the media. And now what I  
24 would say is that's probably a better depiction of global  
25 resilience in how the market will tend to close and

1 mitigate risk partially itself. And that will probably  
2 emerge with liquid natural gas and oil as well.

3 COMMITTEE MEMBER MIDDLETON: So for us as Board  
4 members, certainly staying the course seems to be the  
5 appropriate advice at this point, but I think all of us  
6 are a bit nervous.

7 CHIEF INVESTMENT OFFICER GILMORE: No. I  
8 think -- I think that's right staying the course, but I  
9 think it's also a reminder of how important that scenario  
10 work is. You know, we've gone through that before in  
11 terms of looking at environments where growth gets at  
12 where inflation is somewhat higher. But at this point,  
13 the market isn't pricing in too much of an inflationary  
14 shock or too much of a growth shock.

15 COMMITTEE MEMBER MIDDLETON: Thank you. Thank  
16 you, General

17 CHAIR PALKKI: Thank you.

18 David Miller.

19 VICE CHAIR MILLER: Thank you, General. I just  
20 wonder if you could share a few thoughts, all of this,  
21 if -- Venezuela and now Iran has, I think, kind of taken  
22 people's immediate interests and focus away from where  
23 things are with the Russians and Ukraine, and there's a  
24 lot of -- lot of concern that this really kind of pulls  
25 the attention from that sphere and -- you know, how do you

1 see that playing out differently now that we're involved  
2 in all of this and our relationship with the Europeans,  
3 China. It seems like the -- the -- for the Russians, this  
4 hasn't been all bad, at least in the short-term in terms  
5 of there -- some of the attention and pressure off that  
6 and they seem to have not backed off on their campaigns at  
7 all and seem to be actually looking forward to moving some  
8 oil for a change. And how do you -- how do you see that  
9 playing out, and does that get wound back, do we, you  
10 know, recommit to supporting the Ukrainians or are they  
11 even more on their own now than they were before?

12           LIEUTENANT GENERAL BELLON: Yeah. I don't think  
13 it's been all bad for the Russians. I think it's been  
14 catastrophic for the Russians and I'll explain why.  
15 Again, this is just a military perspective. It's not  
16 political. You know, who is assisting us in the Persian  
17 Gulf right now with counter-drone technology? Ukrainians.  
18 Who -- you know, if you look where private equity of the  
19 United States is moving to invest, it's all about  
20 Ukrainian drone and counter-drone technology.

21           If you look at the world that the Russians faced  
22 in 2022, six country out of 32 had met their two percent  
23 GDP promise from 2006 to contribute to defense. And now  
24 that number is five percent and every member of Nato has  
25 achieved that, and Finland and Sweden have joined NATO.

1 Vladimir Putin has created a massive dilemma for himself  
2 in Russia. His situation has worsened. But remember, a  
3 year ago, the common narrative with the Ukrainian War was  
4 that Russia -- it was a math problem and Russia's ultimate  
5 victory was inevitable. That's what -- that's what people  
6 believed, right?

7           And now, it's the exact opposite. Now, it's the  
8 exact opposite. Time is no longer on Russia's side. It's  
9 on Ukraine's side. And their advancement in technology  
10 and the way they lead, and the way they employ forces are  
11 more agile and adaptable than Russia's. And so as we  
12 go -- what you're seeing now is and this has been  
13 reflected. You know, this doesn't get reported and I'm  
14 shocked, but pick a your favorite bot, whether it's Clawd,  
15 or Perplexity, or whatever and do a little looking  
16 yourself tonight about the rolling internet blackouts and  
17 the sequestration of information inside of Russia in the  
18 past 10 days.

19           If that happens when there are purges within  
20 government, totalitarian governments. It happened in  
21 China. It's happening in Russia right now. Are those  
22 indications of things going the right way? No.

23           So, what I would say is that, you know, Russia  
24 has lost Iran as a surrogate. They're still feeding the  
25 Iranians targeting data on us. I'm shocked if history

1 doesn't show that's true. And Europe is rearming and  
2 they're focused on the fight -- you know, the  
3 administration, whether you like it or not, made it pretty  
4 clear in the opening days of this current U.S.  
5 administration, and I worked for nine different ones, that  
6 the priority for the defense of Europe was on the  
7 Europeans, and look what's happened. It may not have been  
8 done as diplomatically as people like, but the outcome is  
9 the same.

10           So I would say to you that Vladimir Putin, and  
11 the oligarchy, and the organized criminal network that  
12 runs that country is in a much worse position today than  
13 they were even a month ago, because if Ukraine begins to  
14 help us, and we've had this strategic reveal about what we  
15 were able to do in both Iran and Venezuela, at any given  
16 time begin, if we begin to put our finger on the scale in  
17 Ukraine, it could have a massive effect on the strategic  
18 outcome.

19           Now, it's a very high-stakes game, because it is  
20 a nuclearized country and Putin knows that he has only one  
21 way to survive this and that's absolute victory. But I  
22 would suggest to you that inside of Russia right now --  
23 think about what he's done to his own country. Well over,  
24 the most conservative estimates, a million casualties.  
25 That's the physical casualties. But the level of violence

1 that is happening there, nobody returns from war whole.  
2 You had how many millions of military age males flee the  
3 country at the beginning of the war. And who were they?  
4 They were the educated, enlightened people that had  
5 options.

6           And then you think about the conscriptions, the  
7 fact that he's going into Africa and recruiting people in  
8 North Korea to feed them into that front line, but some of  
9 those people are still his citizens and are returning  
10 home. What kind of -- and then if you look at the  
11 demographic trends before this, they're in an existential  
12 collapse right now. It doesn't mean that they're not  
13 dangerous, but I -- from an objective military  
14 perspective, he's in an awful position and it's getting  
15 worse.

16           VICE CHAIR MILLER: Thank you. Appreciate it.

17           CHAIR PALKKI: Thank you.

18           Ms. Gallegos.

19           ACTING COMMITTEE MEMBER GALLEGOS: Thank you.

20 First, I'd just like to extend my appreciation to Mr.  
21 Gilmore for this conversation. I think it's been very  
22 interesting and lightening, and really appreciate what you  
23 do for CalPERS.

24           And then a request. You had mentioned you had  
25 done some sensitivity analysis. I'm wondering if you can

1 share some of that with the Board at one of our next  
2 meetings, just in terms of different scenarios, different  
3 environments, this and other potential economic impacts,  
4 so that we can see what our potential exposure is going  
5 forward.

6 CHIEF INVESTMENT OFFICER GILMORE: Absolutely

7 ACTING COMMITTEE MEMBER GALLEGOS: Thank you.

8 CHAIR PALKKI: Seeing no other comments, if you'd  
9 like to continue with Venezuela.

10 LIEUTENANT GENERAL BELLON: Yeah. So I think  
11 Venezuela, again just understanding how interrelated  
12 Venezuela and Cuba are, and that eventually that  
13 extends -- it will extend to Nicaragua as well. But I  
14 think Venezuela, interestingly enough, what the  
15 administration is trading off is time and stability over  
16 representative democracy. So my heart goes out to the  
17 diaspora that has spread across South America in  
18 particular and to the countries that are bearing a  
19 disproportionate weight of that diaspora, which would be  
20 Colombia primarily, but it extends across the Andean Ridge  
21 all the way down to Chile and also Brazil.

22 And that is a problem that were -- when  
23 sophisticated, you know, international statesmanship will  
24 provide a massive opportunity for the United States. You  
25 have the potential within the Americas and organizations

1 like the Organization of American States, which in the  
2 first Trump administration was derided as not a useful  
3 organization. There's a chance for that to return in  
4 order to set the conditions for the diaspora to return,  
5 which is important. It unburdens the neighboring Latin  
6 American states, but it also returns human capital back  
7 into Venezuela. And I think that that won't happen until  
8 this current regime is removed.

9           So what do you have left? You have Delcy  
10 Rodriguez at the head of this and then you've got Diosdado  
11 Cabello in -- Rondón in -- below him -- Rondón below  
12 him -- below her. And that is the remnants of an  
13 organized criminal network, you know, initiated by Chavez,  
14 continued by Maduro, and now continuing on. Make no  
15 mistake, this is not a representative government and the  
16 Venezuelan people who are there do not believe they've  
17 been liberated. But what it allows us to do from a  
18 geostrategic position is to have that government in place  
19 set the conditions by getting other third-party actors  
20 out.

21           And who do I mean?

22           China, Russia, Hezbollah, Iran primarily, but  
23 there's others. And so if we went in there ourselves, if  
24 that government fell, if we took that government down  
25 completely, and we did that ourselves, that is extremely

1 confrontational internationally. But if you're beginning  
2 to cut deals -- if you're a deal maker and you're  
3 beginning to cut deals, and Delcy Rodriguez is cooperating  
4 and facilitating, and she is a -- she's a skilled -- she's  
5 a survivor. She has survived many sinusoidal waves of  
6 being in and out with the Maduro and Chavez regimes, and  
7 she's still in power, and she's playing her hand very  
8 well.

9           Why would the United States do that is because  
10 she is achieving an outcome that works for us right now.  
11 It's about stability. I think if you look at what it will  
12 take to actually lure international investment back into  
13 Venezuela at the scale that the current U.S.  
14 administration aspires to have. There are massive  
15 international debt pockets that have to be resolved. I  
16 think in arbitration there's \$5 billion.

17           However, there is, as I understand it, two to  
18 three billion dollars sequestered in the IMF that was --  
19 that was a post-COVID chunk that was -- that was  
20 sequestered for Venezuela but never applied, because the  
21 IMF would not support the Maduro regime. And that's  
22 sitting there. There's also \$2 billion in gold being held  
23 by the UK that's also, for the same reasons, been  
24 sequestered.

25           So there's potentially \$5 billion right there

1 that is available and liquid when the right regime takes  
2 place -- or achieves power that can be applied. And if  
3 you're talking about a paradigm like Plan Colombia, if  
4 Plan Colombia was \$10 billion over, más o menos, 20 years,  
5 figure it's \$15 billion now, and you start with \$5 billion  
6 in the bank. And that's what I think the trajectory will  
7 be and that's what the massive international businesses  
8 like Chevron, and Shell, and everybody else is waiting to  
9 see that there is a path forward. But I don't think  
10 that's going to happen with the administration until now  
11 obviously the Iran issue reaches some level of stability,  
12 and that -- and that the conditions are set to move the  
13 administration and the government along in Venezuela. But  
14 this is -- candidly, this is the Secretary of State's  
15 legacy we're talking about here. You know, this matters  
16 very much to him. Cuba will be first and then Venezuela  
17 will continue to be resolved.

18 CHAIR PALKKI: Thank you.

19 That definitely brings a lot to think about with  
20 everything going on.

21 LIEUTENANT GENERAL BELLON: The difference -- I  
22 would just closed with this. The difference between  
23 Colombia for Plan Colombia and Plan Venezuela, if we're --  
24 I'm going to write an article on this. The difference is  
25 none of these potential international, you know, economic

1 models really existed for Colombia. They didn't have oil  
2 and gas. They didn't really have minerals. It was all  
3 about representative democracy, stabilizing Colombia,  
4 because they're -- where they were located, they have  
5 access both to the Pacific and the -- and the Atlantic  
6 through the Caribbean on either side of the Panama Canal.  
7 It's a very important country to the United States.

8 But Venezuela is starting on third base in this  
9 case. There's a legacy and a history of a functioning  
10 middle class. They had the elements of the bureaucracy  
11 needed to run a government, and they actually have natural  
12 resources that are significantly greater than Colombia had  
13 in 1998 when the Clinton Administration came up with Plan  
14 Colombia.

15 And I'll close with that.

16 CHAIR PALKKI: Thank you. Any other questions  
17 from the -- no.

18 Well, I truly appreciate you coming and talking  
19 to us, so --

20 LIEUTENANT GENERAL BELLON: Thank you.

21 CHAIR PALKKI: -- thank you for that.

22 LIEUTENANT GENERAL BELLON: Thanks for your time.

23 CHAIR PALKKI: Thank you. So, I -- we need to  
24 take a 15-minute break, which will bring us back here at  
25 11:18, so -- and then we'll move forward with the agenda

1 from then.

2 (Off record: 11:03 a.m.)

3 (Thereupon a recess was taken.)

4 (On record: 11:22 a.m.)

5 CHAIR PALKKI: So if you don't mind taking your  
6 seats, we'd like to reconvene the Investment Committee.

7 So, great. Thank you. So I do have to make a  
8 statement here. Ms. Gail Willis, I see that you've joined  
9 us. So, very quickly, good afternoon -- or well, close to  
10 afternoon. Because we are not all present in the same  
11 room and Board members are participating from remote  
12 locations that are not accessible to the public,  
13 Bagley-Keene requires the remote Board members to make  
14 certain disclosures about any other persons present with  
15 them during open session. Accordingly, Ms. Gail Willis --

16 COMMITTEE MEMBER WILLETTE: Dr. Gail Willis.

17 CHAIR PALKKI: Dr. -- oh, sorry. Thank you.  
18 Sorry. Dr. Gail Willis, is participating remotely and  
19 must attest either that they are alone or in there -- if  
20 there are one or more persons present with them who are at  
21 least 18 years old, the nature of the Board member's  
22 relationship to each person. At this time, I'll ask Dr.  
23 Willis to verbally attest accordingly and -- yeah. Do you  
24 attest?

25 COMMITTEE MEMBER WILLIS: Yes. Good morning.

1 Good morning. I do attest to the fact that I am alone  
2 currently. Thank you.

3 CHAIR PALKKI: Thank you so much.

4 So that moves us forward. Just to clarify, that  
5 moves us forward in the agenda. We do have to go very  
6 quickly through our Action Consent items, number 4, which  
7 I do have a request to pull 4c from Mr. Ramon

8 Go ahead.

9 COMMITTEE MEMBER RUBALCAVA: Thank you. Thank  
10 you, Mr. Chair, and congratulations on becoming Chair of  
11 the Investment Committee. I pulled the Committee  
12 delegation. This delegation of course had to be amended  
13 to reflect our transition into the total portfolio  
14 approach and so that is appropriate. However, we look --  
15 if we look at the language that was amended on item -- on  
16 the delegation resolution, Item 3, the new language is  
17 correct, which is to establish target investment risks,  
18 and set rate of return. This is basically what the  
19 Committee will do, but I think we should clarify that it's  
20 for the PERF, our biggest fund and the language which was  
21 struck, which deals with asset allocation, that was taken  
22 off, but the Board is still responsible for asset  
23 allocation for the affiliate funds. And as a matter of  
24 fact, there's an item later in the agenda, Item, I think,  
25 6, where we actually do that.

1           So I would just ask staff to look at the language  
2 and tweak it again, so it reflects how there's a  
3 bifurcated approach for the Board authority one dealing  
4 with the PERF, the big fund, under a TPA, and then how our  
5 responsibility has not changed for the affiliate funds.  
6 Thank you, Mr. Chair.

7           CHAIR PALKKI: Thank you. And I think this can  
8 come -- so we can move this out of action consent items  
9 and then just bring it back with those changes to Tuesday,  
10 or do you need more time?

11           CHIEF OPERATING INVESTMENT OFFICER COHEN: We can  
12 get it back to you tomorrow. No problem.

13           CHAIR PALKKI: Great. Okay. So, with the Action  
14 Consent Items of 4a and 4b, removing 4c, what is the  
15 pleasure of the Board -- or the Committee?

16           VICE CHAIR MILLER: Move approval.

17           CHAIR PALKKI: I have a motion from Mr. Miller.  
18 Is there a second to approve the action consent  
19 items?

20           ACTING COMMITTEE MEMBER HENNING: Second.

21           CHAIR PALKKI: Second from Mr. Henning.  
22 All those -- roll call.

23           BOARD CLERK LEMUS: David Miller?

24           VICE CHAIR MILLER: Aye.

25           BOARD CLERK LEMUS: Deborah Gallegos?

1 ACTING COMMITTEE MEMBER GALLEGOS: Aye.

2 BOARD CLERK LEMUS: Michael Detoy?

3 COMMITTEE MEMBER DETOY: Aye.

4 BOARD CLERK LEMUS: Monica Erickson?

5 COMMITTEE MEMBER ERICKSON: Aye.

6 BOARD CLERK LEMUS: Troy Johnson?

7 COMMITTEE MEMBER JOHNSON: Aye.

8 BOARD CLERK LEMUS: Patrick Henning?

9 ACTING COMMITTEE MEMBER HENNING: Aye.

10 BOARD CLERK ANDERSON: Lisa Middleton?

11 COMMITTEE MEMBER MIDDLETON: Aye.

12 BOARD CLERK ANDERSON: Ramón Rubalcava?

13 COMMITTEE MEMBER RUBALCAVA: Aye.

14 BOARD CLERK LEMUS: Theresa Taylor?

15 Yvonne Walker?

16 COMMITTEE MEMBER WALKER: Aye.

17 BOARD CLERK LEMUS: Mullissa Willette?

18 COMMITTEE MEMBER WILLETTE: Yes.

19 BOARD CLERK ANDERSON: Dr. Gail Willis?

20 COMMITTEE MEMBER WILLIS: Aye.

21 CHAIR PALKKI: Thank you for that.

22 Moving into Item number 5, information consent  
23 items, I have not received any requests to pull anything,  
24 so we can move forward.

25 I did state that -- early on this morning, I did

1 state that we would conclude 6a and move into public  
2 comment. So I want to bring up -- start the public  
3 comment with Dr. Britt Dowdy, Eric Lerner, and Jakob  
4 Evans.

5 Go ahead.

6 DR. BRITT DOWDY: Hello. I'm -- I am Dr. Britt  
7 Dowdy. I serve as Co-Chair of the CFT Retirement Policy  
8 Committee. Many people know CFT for representing teachers  
9 and faculty, but we also represent 30,000 classified  
10 professionals in TK-12 and higher education who are  
11 CalPERS members.

12 Earlier today, Mr. Gilmore referenced some  
13 changes to the investment policies during your meetings  
14 today and tomorrow. And I wanted to address changes  
15 specifically to the Total Fund Investment Policy,  
16 attachment 2, page 16, and the Divestment Policy,  
17 attachment 8, page 2, and the phrases, "Refrain from  
18 investing in them or rephrasing -- refrain from making  
19 them," shows up in those areas. And it's with regards to  
20 the meaning of divestment. A common understanding of  
21 divestment means that you sell off the shares that you  
22 own. However, these phrases are also saying that you  
23 should not continue to invest new money, nor should you  
24 sell off those shares.

25 At CFT, we have frequently called on CalPERS and

1 other pension funds to divest from different point -- at  
2 different points. And I'm certain that we will continue  
3 to make those requests moving to the future. Today, and  
4 over several years, you've heard -- this Board has heard  
5 from our sisters, and brothers, and other unions about the  
6 horrible behaviors of multiple private equity firms. And  
7 those unions have made calls for divestment. And we  
8 support our sisters and brothers in the labor movement.

9 CFT recognizes your fiduciary duties to the  
10 pension funds and we're not asking you to incur additional  
11 fees or negative costs to our pension system. However,  
12 you should be able to quote "refrain" end quote from  
13 future investments when you discover that those  
14 investments are contrary to your investment beliefs, your  
15 government and sustainability principles, or your labor  
16 practices, or your pension fund members, like those of us  
17 in the unions, whom you are also elected to represent,  
18 make calls for you to change your investment strategies.

19 It's possible that CalPERS may realize equal or  
20 higher returns, or maybe lower fees, by investing in other  
21 companies or other asset classes than those that were --  
22 that are bad actors.

23 So CalPERS needs to maintain their flexibility to  
24 change their investment decisions, as more data becomes  
25 available. We wouldn't want you to continue chasing bad

1 actors with more investment monies, especially if it might  
2 lower your returns or increase your fees.

3 So our ask is to not include those phrases about  
4 refraining from changes in the future, and please strike  
5 that phrase from these policies as they become put in  
6 place.

7 Thank you.

8 CHAIR PALKKI: Thank you. Next, I have Eric  
9 Lerner.

10 ERIC LERNER: Good afternoon, CalPERS trustees  
11 and staff. My name is Eric Lerner and I'm here  
12 representing California Common Good. We are a network of  
13 unions, including California's largest public sector  
14 unions, community organizations, such as the Alliance of  
15 Californians for Community Empowerment and of climate --  
16 environmental organizations, like the Sierra Club.  
17 Together, we represent more than 1.5 million people across  
18 California.

19 We are here once again to discuss CalPERS's \$100  
20 billion Climate Action Plan. As you know, we applaud the  
21 creation of the Climate Action Plan, but there is a fatal  
22 flaw in the Climate Action Plan, which is the inclusion of  
23 investments in fossil fuel companies. CalPERS has  
24 justified including fossil fuel investments by saying that  
25 they are only a very small percentage of the total climate

1 solutions exposure, but this misses the point, because the  
2 point is that fossil fuel companies are fundamentally  
3 opposed to what CalPERS is trying to achieve through the  
4 Climate Action Plan.

5           There is no reasonable basis for keeping major  
6 polluters in the Climate Action Plan. We need clear lines  
7 protecting the Climate Action Plan from greenwashing to  
8 ensure CalPERS objectives for addressing the risk of  
9 climate change are achieved. To be clear, this is not  
10 about asking CalPERS to sell off fossil fuel holdings,  
11 though we would welcome that development. This is simply  
12 about making practical adjustments to what is counted as a  
13 climate solution.

14           California Common believe -- California Common  
15 Good believes that the inclusion of fossil fuels in the  
16 Climate Action Plan is indicative of a larger problem, a  
17 lack of transparency and a need for clear definitions of  
18 climate solutions. As currently disclosed, the plan does  
19 not answer questions about how the world's largest  
20 polluters drive value with minute investments in  
21 renewables or other solutions that are largely unproven  
22 and expensive technologies not yet to be scaled.

23           We hope you as the trustees will discuss this  
24 important issue during the closed session today. Thank  
25 you.

1 CHAIR PALKKI: Thank you.

2 Mr. Jakob Evans.

3 JAKOB EVANS: Good morning, Board members. My  
4 name is Jakob Evans. I'm a Policy Strategist with Sierra  
5 Club California. Thanks for the opportunity to comment  
6 today.

7 I'm also here today with concerns about how  
8 CalPERS is implementing its Climate Action Plan. The  
9 Climate Action Plan presents an enormous opportunity to  
10 create significant --

11 AUDIENCE MEMBER: Can you get closer to the mic.

12 COMMITTEE MEMBER WALKER: Oh. Thank you.

13 The Climate Action Plan represents an enormous  
14 opportunity to create significant returns for the Fund and  
15 to mitigate systemic climate risks. As we have raised  
16 before, it is disappointing to see fossil fuel investments  
17 included in this plan. Like Eric said, the inclusion of  
18 fossil fuels is indicative of a larger problem, a lack of  
19 transparency and a need for clear definitions of climate  
20 solutions. As currently disclosed, the plan does not  
21 answer questions about how the world's largest polluters  
22 drive value with minute investments in renewables or other  
23 solutions that are largely unproven and expensive  
24 technologies yet to be scaled.

25 We believe the CalPERS Climate Action Plan has

1 laid critical ground work for investments that support  
2 climate solutions in the real world. Opportunities to  
3 drive value and mitigate threats to the retirement  
4 security of CalPERS Beneficiaries. However, without clear  
5 guardrails, we're concerned that much of the opportunity  
6 is lost.

7           Sierra Club has previously raised with the Board  
8 our Principles for Financial Institutions on Credible  
9 Investments in Climate Solutions. We believe CalPERS  
10 should adopt set of climate definitions that set a high  
11 bar and ensure that Climate Action Plan meets its stated  
12 mission.

13           Clear lines are critical for protecting the  
14 Climate Action Plan from greenwashing, ensuring the  
15 achievement of CalPERS objectives regarding addressing the  
16 existential risk -- existential risk of climate change.  
17 Given that this is simply about whether CalPERS counts its  
18 fossil fuel sector investments as climate solutions as  
19 opposed to selling off holdings, there's no reasonable  
20 basis for keeping major polluters in the climate solutions  
21 program.

22           CalPERS has the opportunity to invest in  
23 infrastructure, such as green affordable housing and  
24 renewable energy that will benefit the long-term economic  
25 health of the fund, provide union jobs, and protect the

1 environment. Including investments in fossil fuels in its  
2 Climate Action Plan undermines the impact of those climate  
3 solutions. CalPERS must consider implementing principles  
4 for the Climate Action Plan. Thank you.

5 CHAIR PALKKI: Thank you.

6 Next, I have J.J. Jelincic on 5d. I have a  
7 series of individuals for 6b. Are you guys wanting to  
8 talk now or -- yeah, okay. Then I'll bring up James  
9 Albornoz and Daryl Sailer.

10 J.J. JELINCIC: J.J. -- somebody turned it off.

11 CHAIR PALKKI: There you go.

12 J.J. JELINCIC: J.J. Jelincic, RPEA.

13 Speaking on 5d, the -- I know the Board knows,  
14 because they read all the material, but I'm bringing this  
15 issue forward for the benefit of the public who may not  
16 pay as close attention as the Board does.

17 In attachment 1, page 12, there's a report of a  
18 policy violation. And the exception description is that  
19 the global equity factor-weighted segment exceeded its  
20 aggregate forecasted tracking error limit of 50 basis  
21 points and was at 103 basis points as of December 31, '25.  
22 The -- you are the responsible party. The staff is your  
23 agent, so you have to hold people accountable. There is  
24 no comment here as to when it actually happened, why it  
25 happened, how it happened, what the impact was. And as

1 fiduciaries, you ought to be concerned about that. When  
2 you look at the resolution or next steps, the staff will  
3 propose amendments to the Total Fund Investment Policy,  
4 and if approved, the exception will be remediated in June  
5 of '26.

6           That's when the Board adopts a policy and says,  
7 hey, staff, you're in charge of asset allocation. It may  
8 be the driving factor for investments. We may be the  
9 named fiduciaries, we may be the named department, but we  
10 delegating our authority. But let me remind you, you  
11 cannot delegate your responsibility.

12           And one other brief aside. Public comment --  
13 Bagley-Keene and your regs envisioned that public comments  
14 during the meeting will be related to the agenda item.  
15 If -- and the public comment at the very end is anything  
16 the public wants to bring forward. If you can't live with  
17 that or you think it's inconvenient for people, then maybe  
18 you ought to move the general public comment to the  
19 beginning of the meeting, and then people could talk about  
20 whatever they want, and leave, and not have to watch how  
21 you operate, and then people can make individual comments  
22 on the individual items as they come up. But I encourage  
23 you to really think about what your regs and the intent  
24 is.

25           Thank you. And I will be back for 5b, Total

1 Fund. Thank you.

2 CHAIR PALKKI: Thank you. Really quickly, Mr.  
3 Jelincic. I have you down for 6b. Do you want to speak  
4 now or do you want to speak after the topic is discussed?

5 J.J. JELINCIC: Well, that's when you're going to  
6 do the total fund, and I would like to speak after the  
7 staff has made its presentation --

8 CHAIR PALKKI: Okay. Thank you.

9 J.J. JELINCIC: -- because they may answer my  
10 questions.

11 CHAIR PALKKI: Thank --

12 J.J. JELINCIC: I doubt it, but I can hope.

13 CHAIR PALKKI: Thank you.

14 (Laughter).

15 CHAIR PALKKI: Mr. Albornoz.

16 JAMES ALBORNOZ: Albornoz.

17 CHAIR PALKKI: Thank you.

18 JAMES ALBORNOZ: Good morning, Committee members.

19 I am James Albornoz, Treasurer for the Corona Police  
20 Department -- Police Officers Association. I am here  
21 today as a working officer and an elected representative  
22 of the men and women who serve the City of Corona every  
23 day. I do not come with charts or financial models. I  
24 come with a simple question that every officer I represent  
25 is entitled to ask, is this Board managing our retirement

1 money the way the law requires?

2           The answer, based off the evidence this Committee  
3 received at its November 17th, 2025 meeting is that it has  
4 not always done so. At that meeting, Wilshire Associates  
5 presented Item 6f, an independent analysis showing that  
6 CalPERS divestment policies have cost the fund 14.2  
7 billion in present value. The active divestment accounts  
8 for almost -- for 5.7 billion and inactive programs  
9 accounted for another 8.5 billion. Together, that is 2.6  
10 percent of the entire fund gone, because investment  
11 decision were driven by political objectives, rather than  
12 financial performance.

13           The California Constitution is clear on what this  
14 Board is required to do. Article 16, Section 17 mandates  
15 that CalPERS invest with care, skill, prudence, diligence  
16 of a prudent person acting in a like capacity, and that  
17 the Board diversify its investments so as to minimize the  
18 risk of loss and to maximize the rate of return.

19           Government Code section 2015 carries the same  
20 standard into statute. These are not guidelines. They  
21 are a legal foundation of every decision this Committee  
22 makes, and they exist specifically to protect people like  
23 the officers I represent. Being a fiduciary means that  
24 the financial interests of the beneficiaries come before  
25 everything else, before political agendas, before outside

1 pressure, before the preferences of any individual Board  
2 member.

3           The 14.2 billion figure Wilshire presented in  
4 November is evidence that the standard has not always been  
5 met. Four month later, this Committee is beg asked to  
6 restructure Investment Policy and adopt a new Divestment  
7 Policy. That is the opportunity to correct this course.  
8 The officers I represent accept public safety careers  
9 knowing the pay would not make them wealthy. They  
10 accepted the trade, because the pension promise was real  
11 and legally protected. They trust that this Board will  
12 manage their retirement assets the way the Constitution  
13 and the Government Code require.

14           The November Wilshire analysis showed that the  
15 trust has come at a cost. Today is a change -- today is  
16 the chance to honor going forward. CalPERS own proposed  
17 Divestment Policy states plainly, that the Board and staff  
18 have fiduciary duties under the California Constitution  
19 and the Government Code section 20151, and that those  
20 duties generally preclude sacrificing investment  
21 performance for goals that do not relate to the CalPERS  
22 operations or benefits. That is your own staffing telling  
23 you what the law requires.

24           I am asking this Committee to listen, end  
25 discretionary divestments, restore the full flexibility of

1 your Investment Office, fulfill the legal obligation this  
2 Board owes to every officer, every retiree, and every  
3 working public employee whose pension depends on this  
4 fund.

5 Thank you.

6 CHAIR PALKKI: Thank you.

7 Mr. Sailer.

8 DARYL SAILER: Good morning. I am Daryl Sailer,  
9 President of the Corona Police Officers Association,  
10 representing 165 sworn officers who served this community  
11 every day and who are counting on this Board to protect  
12 the retirement security they have earned.

13 The pension promise is straightforward. Officers  
14 accept the physical demands, the emotional toll, and the  
15 below-market salaries of public safety work in exchange  
16 for a defined benefit retirement. That promise is not  
17 fulfilled by good intentions. It is fulfilled by returns.  
18 Wilshire told this Board in November exactly how much  
19 discretionary divestment has cost those returns. Four  
20 months later, with the new Divestment Policy before you  
21 today, this Committee has the opportunity to make sure it  
22 does not happen again.

23 Every dollar of underperformance identified in  
24 the November analysis creates a gap that closes somewhere,  
25 through higher employee contributions, higher employer

1 rates, or reduced benefit security. My members did not  
2 design the investment policy. They had no vote on  
3 divestment decisions. They simply did their jobs and  
4 trusted this Board to manager their retirement assets with  
5 the same discipline they bring to their work. The \$14  
6 billion figure says that trust has been costly.

7 I represent organized labor, the constituency  
8 this pension system will -- was built to serve. And  
9 labor's position is clear, we want maximized returns, not  
10 political portfolios. The November Wilshire report proved  
11 the cost of the current approach. The proposed Divestment  
12 Policy on today's agenda offers the right alternative, an  
13 engagement-first framework that preserves shareholder  
14 influence, avoids the transaction costs and tracking error  
15 of forced sales, and keeps the Investment Office free to  
16 access the full investment universe.

17 Other labor groups, include firefighters, city  
18 employees, and public work staff also heard the November  
19 analysis. We all depend on CalPERS performing at the  
20 highest possible level. We all want the same thing, a  
21 Board that acts on what its own consultant found, trust  
22 its professional staff, and manages this fund to maximize  
23 returns for every member who built a career around it.

24 Wilshire made the case in November. The proposed  
25 policy makes the path clear today, end discretionary

1 divestments, honor the pension promise.

2 Thank you.

3 CHAIR PALKKI: Thank you. Next I have Mr. Jason  
4 Perez, Frank Ruiz and Mark Swabey.

5 JASON PEREZ: Good morning, Chair and Committee  
6 members. I'm Jason Perez -- (clears throat) - excuse me  
7 -- Special Enforcement Division Captain with the Corona  
8 Police Department, a 32 Veteran in law enforcement, former  
9 President of the Corona Police Officer's Association, and a  
10 former member of this Board.

11 Corona issued a pension obligation bond to  
12 address our unfunded pension liability. The premise is  
13 straightforward, if CalPERS earns more than our bond  
14 interest rate, we come out ahead. But that premise only  
15 holds true, if CalPERS is free to pursue the best  
16 available risk-adjusted returns across the full investment  
17 universe. The November Wilshire analysis confirmed that  
18 divestment restrictions have materially impaired that  
19 ability to the tune of \$14.2 billion.

20 The compounding problem for agencies like ours is  
21 that we are not simply absorbing higher contribution  
22 rates. We are absorbing those rates while simultaneously  
23 servicing bond debt issued on the assumption that CalPERS  
24 would perform. Divestment related underperformance turned  
25 a rational liability management strategy into a fiscal

1 liability of its own and taxpayer -- taxpayers bear both  
2 burdens.

3 I'm also aware that the closed session agenda  
4 Item 6b includes a strategic discussion of owning Tesla.  
5 I want to be direct, in that if that discussion is being  
6 driven by a CEO's political affiliations, rather than the  
7 independent financial analysis of risk and return, it is  
8 precisely the kind of decision that the California  
9 Constitution and the Government Code prohibit. CalPERS  
10 owns -- CalPERS own Divestment Policy presented on Today's  
11 open session agenda states plainly that the Board's  
12 fiduciary obligations generally preclude sacrificing  
13 investment performance for goals unrelated to CalPERS  
14 operations or benefits.

15 A divestment motivated by politics rather than  
16 prudence does not survive that standard. Your Investment  
17 Office is world class. The proposed Divestment Policy  
18 gives you the right framework, the Wilshire data gives you  
19 the right justification, the Constitution gives you the  
20 obligation. Let your professionals do their work free  
21 from political pressure. End discretionary divestments on  
22 your fiduciary duty and honor the pensions promise --  
23 pension promise. Thank you.

24 CHAIR PALKKI: Thank you.

25 So I have next Ruth Radetsky, Edward Hasbrouck,

1 and Cath -- I'm going to butcher it, if I say it. I  
2 apologize. First name is Cath.

3 RUTH RADETSKY: Do I have to turn it on?

4 CHAIR PALKKI: Yes.

5 There you go.

6 RUTH RADETSKY: Hello again. I'm Ruth Radetsky,  
7 retired teacher from San Francisco. I'm here to ask you  
8 to sell Tesla. I need to respond to the gentleman who  
9 just spoke. Our arguments are purely -- not purely,  
10 almost purely financial, even if our initial motivation  
11 was political. There are a lot of people who want to  
12 speak here today and you've heard what I have to say  
13 before, so I'll be brief.

14 Thank you for putting a close look at your  
15 investment in Tesla on the agenda. Now, do your fiduciary  
16 duty instead of hiding behind it and divest from Tesla.  
17 You will be safeguarding your members' financial futures  
18 and respecting the values of the public servants you have  
19 taken an oath to serve. Do the right thing, sell Tesla,  
20 all of it now. You know you want to.

21 Thank you.

22 (Laughter).

23 (Applause).

24 CHAIR PALKKI: Thank you. Edward

25 EDWARD HASBROUCK: I'm Edward Hasbrouck from San

1 Francisco here again to ask you again to sell Tesla. Your  
2 gamble on Tesla has done well so far, but the temptation  
3 for any gambler, when you've fallen behind and then your  
4 number comes up is to let the chips ride, spin the wheel  
5 again, hope your number keeps coming up, and keep playing  
6 until sooner or later inevitably it doesn't and you lose  
7 everything that you started with.

8           The test for CalPERS today for you in your closed  
9 session this afternoon is whether you have the discipline  
10 and the prudence to cash out your winnings from Tesla now,  
11 while you're ahead and move on to other investments or  
12 whether you double down and keep gambling on Tesla until  
13 the bubble bursts and you lose billions. We appreciate  
14 very much that you've recognized the necessity for pulling  
15 Tesla out of your automated passive index investments,  
16 looking at it closely, that you've asked the staff for a  
17 staff report, although we'd love to see what they've seen,  
18 we'll still be confident that no competent investment advisor  
19 could say that there's any justification for Tesla's  
20 current valuation, that it's not overvalued and highly  
21 risky.

22           Do the right thing and the responsible thing and  
23 sell Tesla. Vote today to sell Tesla, all of it.

24           Thank you.

25           CHAIR PALKKI: Thank you for your comments.

1 Cath, can you please pronounce your last name?

2 CATH POSEHN: Posehn.

3 Do I need to do something to turn this on?

4 CHAIR PALKKI: There you go. You're live.

5 CATH POSEHN: Okay. To my left. Okay.

6 CHAIR PALKKI: You're on.

7 CATH POSEHN: You're on now. Okay. Posehn.

8 In February, the City of Davis passed a  
9 resolution urging CalPERS to divest from Tesla after a  
10 petition gathered more than 1,700 in-person Yolo County  
11 signatures from residents concerned about pension risk.  
12 The reason is simple, Tesla has reached its Wile E. Coyote  
13 moment running on air and not looking down. Sales are  
14 falling, revenue is falling, profits are falling, there's  
15 a mass exodus of execs and engineers. Regulatory credits  
16 and asset sales, which have accounted for nearly 40  
17 percent of reported profits, are disappearing as well.  
18 Yet, Tesla trades at a price-to-earnings ratio near 300,  
19 over 600, if you remove the one-time items like regulatory  
20 credit sales.

21 The areas described as Tesla's future, charging  
22 batteries and services, are too small to offset the  
23 declines. That's not confidence, that's denial. The  
24 product line is contracting. The Cybertruck is a historic  
25 flop. Even Edsel sold twice as many in a country half the

1 size. And now, Tesla has sent two billion to xAI, because  
2 when your car company is struggling, the obvious solution  
3 is put it into something you admit is broken.

4 A trillion dollar valuation rests on falling  
5 demand and shrinking earnings. Markets can ignore gravity  
6 for a while, but gravity always wins. Right now, CalPERS  
7 has over two billion of retirees' money standing at that  
8 edge. The City of Davis has already issued its warning.

9 Meep. Meep.

10 CHAIR PALKKI: Thank you. Next, I have Mary Jo  
11 Walker, Bruce Hahne, and George Hoffman.

12 MARY JO WALKER: Am I on?

13 Yes. Hello. My name is Mary Jo Walker. I'm a  
14 CalPERS member, have been for 40 years, and I'm a retired  
15 city finance director and retired county  
16 auditor/controller.

17 I'm concerned about your huge investment in  
18 Tesla, over \$2 billion right now. Your Investment Belief  
19 number 7 states, "CalPERS will take risk only where we  
20 have a strong belief that we will be rewarded for it," the  
21 risk-reward trade-off.

22 Regarding risk, Tesla is an extremely risky  
23 investment. One indicator of this is the  
24 price-to-earnings ratio. It was mentioned earlier by the  
25 previous speaker. The three major stock indexes and the

1 other Magnificent 7 companies were all in the 20 to 30  
2 dollar -- 20 to 30 price-to-earnings ratio. Tesla,  
3 according to the Wall Street Journal, on -- as of Friday,  
4 was 363 price-to-earnings ratio, ten times NVIDIA's, which  
5 is a darling of the stock market right now. Tesla's  
6 overvaluation is extremely high and extremely vulnerable  
7 to a collapse.

8           Regarding the reward side, CalPERS could generate  
9 a higher rate of return for its members without Tesla.  
10 Tesla stock on average per year generated increase by 13  
11 percent annually for the last five years. However, the  
12 S&P 500, the Nasdaq, and the other Magnificent 7  
13 companies, except for Amazon, increased by more than that.  
14 And further more, Bloomberg News reported in February that  
15 Tesla is the only member of the Magnificent 7 whose  
16 reported earnings declined in the last two years.

17           I'd like to pivot now to shareholder engagement.  
18 Shareholder engagement with Tesla has not been effective  
19 and should not be touted as a reason to hold Tesla stock.  
20 I should also mention that I have a handout, which  
21 hopefully you have or will have to read that just -- that  
22 backs this up.

23           On another matter, adherence to the benchmark  
24 index, CalPERS indexing investment strategy should not  
25 preclude CalPERS from selling Tesla. Our group has been

1 told that Tesla must remain in the CalPERS portfolio  
2 because it's in your benchmark index. Obviously, your  
3 custom index could be further customized to exclude Tesla  
4 for benchmarking purposes.

5 Other reasons to sell Tesla now: Tesla's  
6 management and labor practices do not reflect CalPERS  
7 values; the excessively large CEO compensation - I'm  
8 talking the \$1 trillion; a continuing stream of lawsuits;  
9 very high staff turnover; repeated failure to deliver on  
10 widely publicized goals; Tesla's ongoing full self-driving  
11 debacle; increased consumption from global EV  
12 manufacturers, which is ending Tesla's dominance in the E  
13 -- as an EV leader; Tesla's current shift to robotics,  
14 which is a little too ladle -- too little to late in the  
15 industry; and finally, the thing that was just reported,  
16 \$2 billion that Elon musk loaned of your Tesla shareholder  
17 honey to xAI and admit that xAI now has to rebuilt from  
18 the ground up.

19 Will Tesla, ever recover that money, that \$2  
20 billion from xAI?

21 Thank you very much.

22 CHAIR PALKKI: Thank you.

23 Go ahead, Bruce.

24 BRUCE HAHNE: Test the mic.

25 CHAIR PALKKI: Push the but -- there you go.

1 BRUCE HAHNE: Oh, I have to -- oh, there it  
2 comes. They'll handle it for you. Thank you very much.

3 Good morning. My name is Bruce Hahne. I live in  
4 Sunnyvale and I here today with a multi-city leadership  
5 team from Tesla Takedown. We are an international  
6 grassroots boycott movement to reduce Tesla's profits and  
7 drive down Tesla's stock price. So if you want to know  
8 why the financials are taking a hit, that's because of  
9 us.

10 We have a briefing packet for the Committee  
11 members today. It's the only coil-bound thing. My  
12 understand is it's been distributed to you. The briefing  
13 packet contains material information about our movement's  
14 capacity and our successful efforts to damage Tesla's core  
15 financials, as well as new information about our 2026  
16 expansion plans, which is not currently priced into the  
17 market.

18 From our team members today, you will hear from  
19 four city protest leads who will give you examples of our  
20 ongoing work to damage Tesla's brand and reduce their  
21 sales. You will also hear from autonomous vehicle expert,  
22 Bob Somers, who will speak to the nonviability of Tesla's  
23 Robotaxi project. And joining us by phone from the United  
24 Kingdom is Dr. Lee Woods with Tesla Takedown London, who  
25 will provide insight into Tesla's brand damage and

1 cratering sales in the United Kingdom.

2           Since we launched in February of last year, our  
3 movement has organized over 3,000 Tesla dealership  
4 protests in 253 cities, 18 countries, and three  
5 continents. During our first three months, we received  
6 coverage in 21,000 news articles, reaching 487 million  
7 readers, and we have recently expanded our anti-Tesla  
8 messaging to electric vehicle consumer expos, attended by  
9 tens of thousands of customers. We are also now providing  
10 consultation on model legislation for autonomous vehicle  
11 safety, which is likely to delay or block Tesla's Robotaxi  
12 rollout plans in one or more states.

13           Since our launch, Tesla's year-on-year gap net  
14 income has declined every single quarter. Their vehicle  
15 sales decline is rapidly turning into a cliff, including  
16 double digit sales drop-offs in the United States for the  
17 first two months of 2026, and the company has lost \$15  
18 billion in brand value. So our movement is strong. We  
19 are getting stronger. We are continuing. And Tesla  
20 Takedown is the axe chopping down the Tesla tree. We  
21 don't want CalPERS to be caught under that tree when the  
22 stock comes crashing down.

23           To protect the safety of your funds, we urge you  
24 to sell CalPERS Tesla shares. Thank you for your time.

25           CHAIR PALKKI: Thank you.

1 Mr. Hoffman.

2 You had it. There you go.

3 GEORGE HOFFMAN: Good morning. My name is George  
4 Hoffman. I live in Los Gatos, a small town that is the last  
5 barrier -- Bay Area stop when heading south to Santa Cruz  
6 and the beach. It's a long-standing Los Gatos tradition  
7 to complain about summer beach traffic.

8 Since the beginning of last year, our town has  
9 had a new tradition. Once a week, and twice a week in the  
10 summer, we gather in front of the Tesla showroom on Los  
11 Gatos Boulevard, our main thoroughfare, and demonstrate  
12 for traffic against Tesla and against Elon Musk. Because  
13 the town has commissioned studies about our beach traffic,  
14 we know that over 10,000 people see our protest every week  
15 during the summer.

16 The Tesla Takedown protest group I lead has  
17 effectively merged with the local Indivisible chapter, of  
18 which I am a Board member. Together, we've formed a  
19 diverse and growing community of people, including a  
20 number of active and retired CalPERS members, dedicated to  
21 positive action, justice, the rule of law, and political  
22 and corporate accountability. Each community member  
23 prioritizes specific issues and actions. But one of the  
24 cherished core goals we all share is the complete  
25 destruction of Tesla shareholder value.

1 I want to be clear. This is my experience and  
2 this is my small town, but this is not a unique  
3 experience. This is happening all over our country.  
4 Opposition to Tesla and action directly intended to  
5 destroy shareholder value in Tesla is being  
6 institutionalized into activist networks across this  
7 country, Indivisible, 50501, No Kings. These are all the  
8 same groups and it is -- we are joined together in our  
9 common cause.

10 Please divest from Tesla. Our intention is to  
11 ensure the financial ruin of Elon Musk. We do not want  
12 secondary groups or individuals to be impacted, but we  
13 will not be deterred and we will not stop until the job is  
14 done.

15 Thank you for your time.

16 CHAIR PALKKI: Thank you.

17 Next, I have Bob Somers, Vickie Olvera, and Scott  
18 Herscher.

19 There you go.

20 BOB SOMERS: Okay. Great. My name is Bob Somers  
21 and I'm an engineer from Santa Clara. I'm here because  
22 I'm worried about my retired father's CalPERS' pension,  
23 specifically its massive exposure to Tesla. I'm glad the  
24 gentleman earlier brought up investment prudence. Let's  
25 talk about that.

1 I worked in the autonomous vehicle industry for  
2 10 years. I was the first paid employee at Zoox, which  
3 was acquired by Amazon in 2020, among other AV companies.  
4 I worked on AV software. I led a team of safety engineers  
5 building verification and validation technology to  
6 determine if that AV software was safe.

7 Let me be clear, Tesla Autopilot, full  
8 self-driving, and the Robotax systems are not safe.  
9 Furthermore, their methodology and business constraints  
10 will never lead to a safe autonomous vehicle. This is  
11 what you should know. And sources for all of these are in  
12 the briefing packet that Bruce described.

13 Tesla is the car brand with the highest crash  
14 rate and the highest fatality rate in crashes. Autopilot  
15 and FSD are already responsible for 65 deaths. Tesla  
16 recently lost a lawsuit brought by the California DMV.  
17 They were found to have misled customers about the  
18 system's capabilities.

19 Last year, Tesla lost a lawsuit in Florida, where  
20 FSD killed a 22-year old girl and injured her boyfriend.  
21 The judge ordered Tesla to pay a landmark \$240 million  
22 damage -- damages, including punitive damages. Tesla has  
23 four open investigations with the National Highway  
24 Transportation Safety Administration. One covers millions  
25 of vehicles and is focused on FSD software. Two more

1 cover people getting trapped and dying in the vehicle  
2 after a crash, mainly related to the door handles, which  
3 you don't need to redesign.

4 NHTSA held a national AV Safety Forum this past  
5 week in D.C. CEOs and senior directors from Waymo, ZOox  
6 and Aurora wrecks all spoke there. Nobody from Tesla did.  
7 Tesla's Robotaxi pilot in Austin is showing a crash rate  
8 four times Higher than human drivers. The number of  
9 unsupervised vehicles in that pilot has dropped 50 percent  
10 this month. It's getting shut down, not expanding.

11 For all of these reasons and more, I serve as a  
12 technical advisor with the SAVE-US Campaign, which is  
13 pushing for stricter AV laws across the country. You  
14 should know that these common sense laws will  
15 significantly impair Tesla's ability to continue offering  
16 FSD as a product, and will essentially kill the Robotaxi  
17 program.

18 Tesla's Robotaxi dreams will not save the  
19 company's dying financials. The stock price will catch up  
20 with reality soon. The window is rapidly closing.  
21 Please, for my father's pension's sake, get out of the  
22 stock now and bank your profits before institutional  
23 investors run for the exit.

24 Thank you.

25 CHAIR PALKKI: Thank you.

1 Ms. Olvera

2 VICKIE MUELLER OLVERA: Can you hear me?

3 CHAIR PALKKI: Yes.

4 BOARD MEMBER OLIVARES: Good morning. My name is  
5 Vickie Mueller Olvera. I organize the Tesla Takedown in  
6 San Jose, where we've held a street protest and a march on  
7 the Santana Row Tesla showroom every single Saturday for  
8 the past year, without fail, rain or shine.

9 Our loud and proud protest is held at the busiest  
10 interaction in the city. Our "Dump Your Tesla Stock" and  
11 "Don't Buy Tesla" signs and banners are seen by thousands  
12 of motorists for two hours every single week. Bus drivers  
13 always smile and wave and truck drivers honk at us. On  
14 behalf of the Tesla Takedown San Jose, I'm here to inform  
15 you that we are not backing down and we're not slowing  
16 down. This movement is strong.

17 We've changed public perception of Tesla. People  
18 stop by that drive a Tesla. They'll stop by, hang out the  
19 window, and tell us, hey, you know, we love you guys, but,  
20 yeah, I wouldn't have bought this car, if it wasn't -- you  
21 know, if we wouldn't -- if we know -- knew then what we  
22 know now. So, we're driving down the Tesla stock price  
23 and I need you to divest now.

24 Thank you.

25 CHAIR PALKKI: Thank you.

1 Mr. Herscher.

2 SCOTT HERSCHER: Can you hear me?

3 Yep.

4 Good morning or actually good afternoon. My name  
5 is Scott Herscher and I've been organizing Tesla Takedown  
6 protests at Stanford Mall for about a year now. While I  
7 agree completely with everything my fellow Tesla Takedown  
8 organizers have said, I'd like to focus on what  
9 professional analysts have been saying about Tesla over  
10 the past week alone. The utter disconnect between what  
11 these professionals are saying and what CalPERS is  
12 currently doing is why I drove two hours this morning to  
13 be here right now.

14 Quote, "Tesla's era as market's can't miss EV  
15 growth engine has passed, cracking under tougher  
16 competition and softer demand. With Chinese rivals now  
17 setting the pace globally, Tesla is expected to fall  
18 further behind BYD in overall sales again this year. Elon  
19 Musk keeps the stock aloft with Robotaxi bloviating and  
20 Optimus cosplay," end quote, Forbes, March 12th, 2026.

21 Quote, "Wall Street analysts expect Tesla's total  
22 sales to fall again in 2026 for the third year in a row,"  
23 end quote, Wall Street Journal, March 12th, 2026.

24 Quote, "The stock trades at a price-to-earnings  
25 ratio of 377. This has nothing to do with the current

1 state of the business, which as mentioned is a challenged  
2 EV maker. For the stock to be a winner over the next five  
3 years, the business needs to outperform already sky-high  
4 expectations. It wouldn't be surprising for Tesla to  
5 produce a disappointing return between now and March  
6 2031," end quote, Motley Fool, March 10th, 2026.

7 Quote, "I believe Tesla's fundamentals are  
8 deteriorating and the company is biting off more than it  
9 can chew in terms of its AI transformation," end quote,  
10 Seeking Alpha, March 11th, 2026.

11 Quote, "Tesla faces a deteriorating core  
12 automotive business, and departures of key executives,  
13 including the VP of finance, and directors overseeing  
14 critical programs, as Chinese competitors accelerate price  
15 wars, and regulatory scrutiny intensifies around  
16 autonomous vehicle claims," end quote, 24/7 Wall St.,  
17 March 11th, 2026.

18 Thank you for your time.

19 (Applause).

20 CHAIR PALKKI: Thank you.

21 Next, I have Margaret Okuzumi, Yvette DiCarlo,  
22 and Greg Spooner.

23 MARGARET OKUZUMI: Good afternoon. My name is  
24 Margaret Okuzumi representing Tesla Takedown Sunnyvale,  
25 standing in for our regular leaders, Robert and Ashley,

1 who have led protests outside of the Sunnyvale Tesla  
2 dealership every single week -- weekend without fail since  
3 February 15th of 2025. Some 50 or more of us have  
4 gathered every Saturday and sometimes other days getting  
5 our anti-Tesla message in front of at least 3,000 drivers  
6 each time.

7           Since our movement's launch, Tesla's year-on-year  
8 gap net income has declined every single quarter. In  
9 2025, Tesla vehicle sales dropped by nine percent and in  
10 January/February of this year, Tesla sales declined by  
11 double digits compared to the same months last year.

12           According to research and consulting firm Brand  
13 Finance, Tesla lost a whopping \$15 billion, or 36 percent,  
14 of its brand value in 2025. We recently expanded our No  
15 Tesla message to local electric car ride-and-drive events.  
16 Our movement has a proven and growing capacity to inflict  
17 damage on the company.

18           We're not going away. We're diversifying our  
19 tactics and we're getting stronger. Tesla has greatly  
20 underperformed our -- other companies selling electric  
21 cars. The company has an unsavory record of overlooking  
22 safety concerns, and its fundamentals are unsound. It's  
23 basically a meme stock at this point.

24           We are aware of future negative media attention  
25 coming to Musk and Tesla later this year that will further

1 erode the brand. And we're here to warn you to act in  
2 accordance with your fiduciary duty and to drop your Tesla  
3 holdings now.

4 CHAIR PALKKI: Thank you.

5 Yvette.

6 YVETTE DiCARLO: Good afternoon. So my name is  
7 Yvette DiCarlo. I've been a CalPERS member for 25 years  
8 here in Sacramento, and I rely on my pension for my living  
9 expenses. So I'm directly involved with the decisions  
10 that this Board makes. And I appreciate you taking your  
11 fiduciary responsibility very seriously. Of course,  
12 that's important to me.

13 I do urge you to sell and divest in Tesla for the  
14 following reasons. Besides all of the -- all of the  
15 factual information you've already heard, it's just the  
16 historical volatility of the company and its policies.  
17 The predictable erratic behavior of its CEO, highly  
18 unpredictable. We've seen that. You know that.

19 Also, the CEO's overt attacks and absolute  
20 disdain for public employees, and that affects us. And  
21 it's a very awful feeling to know that this Board could be  
22 investing in a company that cannot stand its -- the people  
23 who benefit from this Board's decisions.

24 You've heard the phrase, "The higher the climb,  
25 the harder the fall." And I feel like in this game or

1 roulette that's being played, it's like the CEO is putting  
2 his money always on personal black. And this Board might  
3 unwittingly put its chips on red. And I don't want to be  
4 left holding an empty bag, so thank you for your time  
5 today.

6 CHAIR PALKKI: Thank you.

7 Mr. Spooner.

8 GREG SPOONER: Check. My name is Greg Spooner.  
9 I'm a CalPERS beneficiary. As we heard, Tesla is a very  
10 bad corporate actor. Tesla lies as the recent California  
11 DMV lawsuit shows. Tesla doesn't care that its  
12 Cybertrucks have a fatality rate 17 times greater than the  
13 notorious Ford Pinto cars of the 1970s.

14 Tesla works hard to disempower its shareholders.  
15 Musk himself uses his wealth, derived from the high  
16 valuation of Tesla, to subvert democracy. Think of DOGE's  
17 illegal reign of terror, think of Musk's Twitter  
18 disinformation war. Tesla's enormous valuation tempts  
19 investors, even as sales falter and promises are broken.

20 Tesla's price-per-earning ratios of more than 200  
21 defy logic. This is a puzzle, but it is a puzzle that can  
22 be resolved by understanding that investors aren't  
23 actually buying Tesla stock for traditional returns in  
24 growth, rather owning Tesla stock is investing in  
25 authoritarian future. It's a bet that shareholders will

1 share in Musk's corruption. Investing in Tesla is  
2 collaborating in ending the societal stability that even  
3 makes investing possible. I urge the Board to immediately  
4 divest from Tesla.

5 Thank you.

6 CHAIR PALKKI: Thank you.

7 Next, I have Frank Ruffino and then we'll go into  
8 some phone calls.

9 FRANK RUFFINO: Test.

10 Good afternoon. I'm Frank Ruffino, retired State  
11 of California worker, and a member of CalPERS for 40 plus  
12 years, a proud member of the California State Retirees,  
13 known as CSR, and President Emeritus of the Association of  
14 California State Supervisors.

15 My question -- and before I ask my question,  
16 which is regarding Agenda Item 6a, I want to congratulate  
17 Mr. Chair and the Vice Chair on your respective election.

18 So, how the Iran conflict may affect the markets.  
19 More specifically, the current geopolitical trends how do  
20 they impact on the CalPERS investment portfolio. That is  
21 the question that's being asked around all of our  
22 members -- from all our members, particularly our retired  
23 members.

24 And as you know, I don't need to remind you, it's  
25 been said over and over in the news and this morning, on

1 Saturday, February 28th, the United States and Israel  
2 launched joint air strikes on Iran. This has, of course,  
3 caused and upsurge in market volatility, particularly in  
4 the oil markets. So I'm sure CalPERS staff has spent, as  
5 we saw agendized today, a lot of time analyzing the  
6 situation and how it might impact us, our pension. And of  
7 course, they are going to keep a close eye on everything  
8 in the months, days ahead. And as has been asked, you  
9 know, we need -- going to get some reports in the near  
10 future, more specifically how this impacts our pensions.

11 But are you remaining confident in our investment  
12 strategy? That is the first question that I'd like to  
13 pose. Now, I'm not a geopolitical expert or military  
14 strategist, so thank, God, we had the Lieutenant General  
15 who gave us his military point of view. So I'm going to  
16 refrain, you know, from commenting on the conflict itself,  
17 but instead focus on its financial ramifications.

18 Before continuing though, I do want to say that  
19 our thoughts are with our armed forces and the innocent  
20 civilians in the region. So while we will focus on the  
21 economic side of the conflict, remember that nothing,  
22 nothing compares to the human side. And I see my time is  
23 up, so I'd like to conclude Mr. Chair.

24 With that said, let me turn to my central  
25 question that I asked at the beginning. How will this

1 conflict affect the markets and CalPERS in particular?  
2 And in the meantime, I hope you have a great rest of the  
3 meeting and a wonderful start to spring.

4 Thank you, Mr. Chair.

5 CHAIR PALKKI: Thank you for your comments. And  
6 as you know, the Board cannot make -- answer any questions  
7 during public comment, but I know our team is very good at  
8 getting out to our stakeholders and making sure those  
9 questions are answered, so...

10 If we have phone callers.

11 Yeah.

12 CALPERS STAFF: Yes. Chair Palkki, we have Ralph  
13 Ballart here to comment on Item 6e. Mr. Ballart, you are  
14 now live and can proceed with your comments.

15 RALPH BALLART: Yes. Hello. My name is Ralph  
16 Ballart. I'm a retired physicist. I teach part-time at  
17 Ohlone Community College.

18 You know, some -- this issue of Tesla's full  
19 self-driving capability, most of their stock market value  
20 was in and around that. If you could just give me a  
21 second and I'll go into college professor mode and try to  
22 explain the problem here. Last year, Musk said end of  
23 2025, there are going to be millions of Robotaxis. It  
24 didn't happen. Now, he's saying in 2026, it's going to  
25 happen. And it's not going to happen. Let me try to

1 explain why.

2           You're driving near an elementary school. The  
3 kids are coming out. You're driving and then a child runs  
4 out between the cars and you look up, you see the child,  
5 you slam on the brakes, right?

6           A Robotaxi is near that school. A child runs out  
7 in front of the Robotaxi. All these Robotaxis have camera  
8 sensors. Sometimes it will detect the child and the car  
9 will brake, but sometimes it won't. Musk claims that the  
10 human eye and the human brain are basically the same as a  
11 camera and a digital computer in a car, and that is not  
12 true.

13           Where our brain sees the child immediately, the  
14 Robotaxi may not detect it. Waymo, other competitors have  
15 backup sensors, LiDAR, radar. They will detect there's an  
16 object, in this case the child in front of the car. God  
17 willing, the car brakes in time. Tesla only has camera  
18 sensors. They don't have any backup. That's why it  
19 didn't work last year. That's why it's not going to work  
20 this year. And that is a catastrophic engineering  
21 misjudgment and it's a failure. And that's why it's not  
22 going to work.

23           Appreciate your time and attention. It's been a  
24 pleasure to address the Board on multiple occasions. We  
25 appreciate the hard work you all do.

1 Thank you very much.

2 CHAIR PALKKI: Thank you. Next caller.

3 CALPERS STAFF: Next, we have Arthur Chi to  
4 comment on 6e. Mr. Chi, you are now live and can proceed  
5 with your comments.

6 ARTHUR CHI: Hi. So I'm just going to dive right  
7 into it. The gentlemen before were talking about this  
8 issue as though it were a choice between ethics or  
9 profits. People always like to frame these things as a  
10 (inaudible) problem. And I really don't think that's  
11 true, as other speakers have brought up. I feel like  
12 people are complaining about CalPERS mildly  
13 underperforming the index now, when in the glory days, in  
14 2004, there was a paper called the CalPERS Effect, about  
15 how CalPERS being a so-called activist investor actually  
16 caused them to outperform the S&P 500 multiple years by  
17 actually taking a look at the companies and make a  
18 judgment about their operations and about their financial  
19 soundness.

20 And since then, it's become en vogue to be an  
21 index investor, to abandon the actual duty of doing  
22 analysis. And, you know, I've ran around and walked down  
23 Wall Street, right. Index investors, Bogleheads talk  
24 about how you can get all the best performance of the  
25 stock market for free by just investing in an index and

1 piggybacking off of other people's decisions, but there's  
2 no free lunch. You know, much like ChatGPT doesn't  
3 actually do any research. It just piggybacks on other  
4 people's research. The more people depend on the index,  
5 the fewer people are making decisions that actually guide  
6 the index towards a rational decision, and thus faster  
7 bubbles inflate.

8           In the 1600s, if you were an index investor, you  
9 would have invested in the -- in Tulip the -- in Tulip  
10 bulbs, because the index told you to. All right, Tesla is  
11 a massively overvalued stock that became massively  
12 overvalued because of historically low interest rates in  
13 2020, pumping up a gigantic bubble.

14           All right. I'm not opposed to Elon Musk because  
15 he's right wing. I believe he went right wing because he  
16 is a con artist who is trying to sell an inflated stock  
17 and he believes that would benefit him. We can see over  
18 and over examples of self-dealing and fraud, and to help  
19 those operations he uses it as a piggy bank for his other  
20 companies. And he gets away with it because a Delaware  
21 Chancery Court found that the Board is not independent.  
22 The Board has his own brother on it. The Board has the  
23 former owners of Solar City on it, after he bailed them  
24 out with Tesla stockholders' money. He bailed out xAI  
25 with Tesla stockholder's money.

1           He's about to try to -- a giant Hail Mary pass to  
2 do a record breaking IPO for SpaceX for a trillion dollars  
3 to bail himself out once again. And if he doesn't, that  
4 bubble could pop, not in ten years or five years. It  
5 could pop tomorrow. You don't know. All right. The main  
6 characters of the film, The Big Short, they weren't  
7 socialist activists. They weren't morally opposed to  
8 trading in mortgage derivatives. They were saying that a  
9 con artist is going to con you, that because these  
10 investments were fraudulent, these investments are  
11 volatile and dangerous, and ultimately doomed.

12           And that's what I think we need to be focusing on  
13 is that you are staking billions of dollars of people's  
14 honey on the whims of a perpetually dishonest and mentally  
15 and emotionally unstable man. All right. That is not --

16           CHAIR PALKKI: Thank you, sir. Your time has  
17 expired, if you could wrap up your comments. Thank you.

18           ARTHUR CHI: -- like climate change or anything  
19 like that. Thank you.

20           CHAIR PALKKI: Thank you.

21           Can I have the next caller, please.

22           CALPERS STAFF: Next we have Dr. Lee woods with  
23 Tesla Takedown UK. Dr. Woods, you are now live and can  
24 proceed with your comments.

25           DR. LEE WOODS: Thank you very much. My name is

1 Dr. Lee Woods. And I've been involved with Tesla Takedown  
2 UK for one year as an organizer of protests, a manager of  
3 our social media. We've held demonstrations at 13  
4 locations across nine cities in the UK, including a  
5 rolling protest outside a pop-up Tesla store on Oxford  
6 Street, London.

7 The response from passers by and indeed most inn  
8 Tesla customers has been overwhelmingly positive.  
9 According to data, each protest at the West London  
10 showroom alone is seen by approximately 16,000 vehicles.  
11 Several other organizations led high profile campaigns  
12 against Tesla in the UK, including Everyone Hates Elon,  
13 Led By Donkeys, and Extinction Rebellion.

14 Elon's explicit involvement with the far right in  
15 the UK over the last six months, and concerns around  
16 content produce by Grok have further alienated potential  
17 customers from the brand.

18 It seems unlikely that Elon will be backing way  
19 from his meddling with politics anytime soon. As such, we  
20 will also not be backing away from our Tesla Takedown  
21 activities in the UK either. Quite the opposite, we have  
22 plans to further raise the profile of our protests. We  
23 continue to receive national and local news coverage on  
24 our regular protests.

25 For 2026, to date, Tesla sales in the UK are

1 reported to have dropped by 41 percent compared to the  
2 same period last year. Their market share of all cars  
3 sold now is only 1.3 percent, down from 2.4 percent last  
4 year.

5           It's not only Chinese new entrants to the market,  
6 Ford, Skoda, Volkswagen, and Kia sold more  
7 battery-electric vehicles than Tesla did in the UK in  
8 February. I believe Tesla is a permanently tainted and  
9 increasingly irrelevant brand in the UK, and much of the  
10 rest of Europe, and we would urge you to divest.

11           Thank you very much.

12           CHAIR PALKKI: Thank you.

13           Next caller, please.

14           CALPERS STAFF: Next, we have Ana Facio to  
15 comment on Item 6c. Ana Facio, you are now live and can  
16 proceed with your comments.

17           ANA FACIO: Hi. I'm Ana Facio, a CalPERS  
18 retiree.

19           Elon Musk spent \$250 million on supporting  
20 Donald's Trump's 2024 election campaign, so Trump  
21 appointed musk to the DOGE, which slashed all government  
22 entities, investigating Musk, Tesla and other companies.  
23 This is corruption in plain sight. Before Trump took  
24 office, Musk companies faced at least \$2.37 billion in  
25 potential liabilities from pending agency enforcement

1 actions. Those have been mostly dismissed.

2 Before Trump took office, the Department of  
3 Transportation was investigating Tesla over self-driving  
4 technology. Tesla has the largest number of crashes per  
5 driver of any car on the road, making it one of the least  
6 safe cars in America. The government demonstrated that  
7 Tesla's software and AI technology was not as good as  
8 advertised. Instead of being investigated, Trump loosened  
9 rules on self-driving cars benefiting Tesla and putting  
10 other U.S. drivers and pedestrians at risk.

11 Tesla's own AV data confirms a crash rate of  
12 roughly nine times worse than human drivers. These  
13 incidents include driving on the wrong side of the road,  
14 hitting a cyclist, striking an animal at 27 miles an hour  
15 and requesting emergency intervention at a train crossing.

16 I believe Elon Musk is wrong for a government  
17 pension plan and is no longer a good financial investment.  
18 Please divest from Tesla. Thank you.

19 CHAIR PALKKI: Thank you.

20 Next caller, please.

21 CALPERS STAFF: Next, we have Jenny Stepp to  
22 comment on 6c. Jenny Stepp, you are now live and can  
23 proceed with your comments.

24 JENNY STEPP. Thank you. I just have a brief  
25 comment. I'm urging the Board to sell Tesla stock and do

1 not further invest in any of Elon Musk's companies. Must  
2 is unstable. He's a full blown ketamine junkie. His DOGE  
3 has done irreparable damage to our government. Everyone  
4 is going to lose their shirt on this stock. Tesla is  
5 unsafe -- is an unsafe vehicle with a fatality rate higher  
6 than Pinto that got pulled off the market. Sell Tesla  
7 stock now.

8 Thank you.

9 CHAIR PALKKI: Thank you.

10 Next caller, please.

11 CALPERS STAFF: Next, we have Daniel Latham to  
12 comment on 63. Daniel Latham, you are now live and can  
13 proceed with your comments.

14 DANIEL LATHAM: Hi. My name is Daniel Latham and  
15 I'm a California resident.

16 Tesla was once a California company leading the  
17 world into the future of electric transportation. It is  
18 now a Texas-based company, whose product direction and  
19 focus is building humanoid robots and robot -- and a robot  
20 taxi business. Elon Musk's fantastical financial  
21 projections far outstrip market reality for these  
22 products, and the company is far behind innovators in both  
23 areas.

24 Please look beyond the hype that gloss over the  
25 truth and look at the facts. Ask yourself, am I going to

1 buy a car without a steering wheel that has a crash safety  
2 rating lower than a human? Am I going to buy a humanoid  
3 robot that can't perform any meaningful tasks to hobble  
4 around my home? Would I buy stock in a company that  
5 announces ship dates for its products every year, and then  
6 delays that date till the next year, and then does that  
7 year after year?

8           If you're a ride share company, does a Tesla  
9 robotaxi provide the safest option to protect my company's  
10 financial liability? If I'm a factory owner, is the Tesla  
11 robot that best product out there to do highly specialized  
12 tasks when so many other already exist?

13           To the Board members, I'm asking you to please  
14 consider the reality of Tesla's future proposition and I  
15 respectfully urge the Board to divest all Tesla holdings  
16 now before it negatively affects portfolio returns.

17           Thank you.

18           CHAIR PALKKI: Thank you.

19           Next caller, please.

20           CALPERS STAFF: Next, we have Ann Mason to  
21 comment on Item 6c. Ann Mason, you are now live and can  
22 proceed with your comments.

23           ANN MASON: Good afternoon, Board and Committee  
24 Awe members Ann Mason and I'm a California taxpayer.

25           I wanted to comment on some of the earlier sell

1 Tesla commenters. One mentioned a gambling effect and how  
2 the gambler will play until they lose everything. Another  
3 one mentioned that we should get out of Tesla stock before  
4 the rest of the institutional investors run for the door.  
5 And I'm just looking at a casual perusal of the  
6 MarketBeat.com today and I want to highlight some data.

7           So if we want to know what's going on, one good  
8 way is to look at the insiders and what the insiders are  
9 doing. So 19.9 percent of Tesla stock is owned by  
10 insiders. In the past 12 months, there were one insider  
11 that bought \$1 million worth of Tesla stock and seven  
12 insiders so \$421 million of Tesla stock.

13           Another thing we can look at for the past 12  
14 months, if we look at the insiders and members of Congress  
15 who have traded, there are 10 members of Congress on both  
16 sides of the aisle that have bought and sold Tesla stock,  
17 in addition to the members of the company, CFO, et cetera,  
18 directors.

19           And then if we look at the last three years of  
20 insider buying and selling by quarter from -- since 2023,  
21 there hasn't been a single quarter where insiders have  
22 bought Tesla stock. It is all sells. So that should tell  
23 you something. I highly encourage you to listen to what  
24 the data says, people inside of Tesla, who know what's  
25 going on, are dumping stock.

1           Please, don't try to be more informed than they  
2 are. Do the thing, dump the stock. Thank you.

3           CHAIR PALKKI: Thank you.

4           Next caller, please.

5           CALPERS STAFF: Next, we have Paula Rainy to  
6 comment on 6e. Paula Rainy, you are now live and can  
7 proceed with your comments.

8           PAULA RAINY: Thank you very much. I've been  
9 listening this afternoon -- this morning and now the  
10 afternoon and want to say that I've been supporting the  
11 Tesla Takedown actions and organizing in my community here  
12 in Northern California, so I urge all of you to divest  
13 from all of the Tesla holdings. As a speaker -- previous  
14 speakers have stated this is the time to divest from all  
15 Tesla holdings. Thank you very much.

16           CHAIR PALKKI: Thank you.

17           Next caller, please.

18           CALPERS STAFF: Next, we have Addie McKeon to  
19 comment on 6e. Addie McKeon, you are now live and can  
20 proceed with your comments.

21           ADDIE McKEON: Hello. My name is Addie McKeon.  
22 I'm from Tesla Takedown in Los Angeles. I'm here to urge  
23 the Board to divest from Tesla immediately. Tesla's  
24 financial instability, their erratic leadership, and their  
25 political volatility make continued investment

1 increasingly risky.

2           As stewards of public retirement funds, CalPERS  
3 and CalSTRS, also carry a moral responsibility to uphold  
4 the values of public service and democracy. Investing in  
5 a company that undermines labor rights and civil freedoms  
6 directly contradicts the mission of the public  
7 institutions we serve.

8           Divesting from Tesla is both a financial  
9 imperative and a principle stand for the future we're  
10 working so hard to develop. I just got back this weekend.  
11 I visited a concentration camp in Adelanto in California.  
12 That's exactly the kind of feature that Elon Musk has  
13 invested in. And by investing in Tesla stock, that's the  
14 kind of future you are investing in for America. So I  
15 please urge you to divest from Tesla immediately.

16           Thank you.

17           CHAIR PALKKI: Thank you.

18           Next caller, please.

19           CALPERS STAFF: Next, we have Caroline Simmons to  
20 comment on 6e. Caroline, you now live and can proceed  
21 with your comments.

22           CAROLINE SIMMONS: Hello.

23           CALPERS STAFF: Caroline Simmons, you can now  
24 proceed with your comments.

25           CAROLINE SIMMONS: Hi. My name is Caroline

1 Marshal Simmons. I'm with Tesla Takedown Los Angeles and  
2 I am urging you to dump Tesla stock. Elon Musk is facing  
3 multiple investigations and legal battles. International  
4 probes into his AI tool Grok regarding sexual abuse  
5 material and non-consensual material, and French  
6 prosecutors and UK regulations are investigating for  
7 producing child sexual material. I have to repeat that  
8 again that bears repeating.

9 Not only is he unstable and a fraud, he is a --  
10 he is really corrupt. And that in itself should stop  
11 everything. There should be no other -- there should be  
12 no other considerations. And I fear that we're falling  
13 deeper and deeper into a corrupt morally vacuous situation  
14 here with him. And if we have to do it mostly to me on  
15 moral grounds. It's evil and not even going into his Nazi  
16 sympathizer relationships.

17 He's unstable and I urge all of us to consider  
18 divesting in anything to do with Tesla. Thank you.

19 CHAIR PALKKI: Thank you.

20 Next caller, please.

21 CALPERS STAFF: Next, we have Dr. Thomas  
22 Patterson to comment on 6e. Dr. Patterson, you are now  
23 live and can proceed with your comments.

24 DR. THOMAS PATTERSON: Thank you. I'm Thomas  
25 Patterson, a taxpayer.

1           Thank you so much for taking public comment. I'm  
2 so proud to be a Californian and part of this process, and  
3 thank you for listening. I'm also an investment advisor  
4 to a charitable fund, which has sold its entire Tesla  
5 stock. Tesla is a Tulip. Stockholders are being hit with  
6 an unprecedented dilution, the least dated 2018 compensation  
7 packet for approximately 125 billion, billion, billion  
8 dollars, and the newly approved performance, potentially  
9 worth one trillion, one trillion dollars is absurd.

10           This represents transfer of shareholder equity to  
11 a single executive. In corporate history, it's  
12 unparalleled. And this despite Tesla having only  
13 generated \$30 billion in life time earnings. This is a  
14 failure in corporate governance, as you're aware of. A  
15 truly independent Board would never approve this level of  
16 dilution, amid declining fundamentals that we've already  
17 heard about. This has enabled Elon Mush -- this has been  
18 enabled and Elon Musk continues to display erratic  
19 behavior, increasing distraction across multiple ventures.

20           He is the epitome of corporate greed, crony  
21 capitalism, and Bernie Madoff type promises. There's a  
22 total lack of managerial integrity. Thank you so much for  
23 listening to us. It's been a long time that you've been  
24 listening. Thank you.

25           CHAIR PALKKI: Thank you.

1 Next caller, please.

2 CALPERS STAFF: Next, we have Marnie Olsen to  
3 comment on 6e. Marnie Olsen, you are now live and can  
4 proceed with your comments.

5 MARNIE OLSEN: Hi. I'm Marnie Olsen. I'm a  
6 community activist in Los Angeles with the Tesla Takedown.  
7 I am urging you to divest from Tesla completely. It is an  
8 unstable company run by an unstable CEO. He has Nazi ties  
9 and ideology. He has engaged in election interference,  
10 sabotage of our government and our society. He cannot be  
11 trusted. He engages in all kinds of illegal activity and  
12 it's -- he's also in the Epstein files. This is not  
13 someone that we should be engaging with on moral reasons  
14 or for financial reasons. It doesn't even make good  
15 financial sense. It's a toxic company. And as you can  
16 probably hear today, there are a lot of people who will  
17 continue fighting to take down this company. It will fail  
18 and it doesn't make any sense to stay invested, so please  
19 dump all your stock, divest from Tesla. Get out. Thank  
20 you.

21 CHAIR PALKKI: Thank you.

22 Next caller, please.

23 CALPERS STAFF: Next, we have Sam Urdank to  
24 comment on Item 6e. Sam Urdank, you are now live and can  
25 proceed with your comments.

1 SAM URDANK: Hi. My name is Sam Urdank calling  
2 from Los Angeles with the Tesla Takedown down here.

3 The last five people spoke from my heart. I  
4 can't put into words any better than the last five  
5 speakers. It's a toxic company. He's a toxic individual.  
6 Musk is a Nazi. He tried to destroy our democracy. He  
7 got into our government. He has taken data out of our  
8 Social Security system and other parts of our government.  
9 It's a bad investment all the way around. Get out. Get  
10 that money into a more secure morally proper investment.  
11 Dump the Tesla stock as fast as you can. There is no  
12 upside to having that money remain with Tesla. Dump them,  
13 please. Thank you.

14 CHAIR PALKKI: Thank you. Anymore?

15 BOARD CLERK LEMUS: (Shakes head).

16 CHAIR PALKKI: Thank you. So that concludes our  
17 public comment. I think now is actually a good time to  
18 take a lunch. So I believe 45 minutes should be good, and  
19 we'll reconvene at 1:30.

20 (Off record: 12:44 p.m.)

21 (Thereupon a lunch break was taken.)

22 (On record: 1:31 p.m.)

23 CHAIR PALKKI: Good afternoon. I'd like to  
24 reconvene the Investment Committee. So we left off on  
25 Item 6b and that is -- where's my notes? Ms. Deming.

1 (Slide presentation).

2 CHAIR PALKKI: Ms. Deming.

3 INVESTMENT DIRECTOR DEMING: Thank you. Amy  
4 Deming, CalPERS team member. I'm happy to present the  
5 first reading of our policy review and restructure. This  
6 is the first read of the policy presentation. The idea  
7 here is that we would get your feedback, incorporate, and  
8 bring it back for a second read in June.

9 Who's --

10 [SLIDE CHANGE]

11 INVESTMENT DIRECTOR DEMING: Yes. Okay.  
12 Perfect.

13 So, in November, you all convened and approved a  
14 reference portfolio and active risk limit for the Public  
15 Employees' Retirement Fund, the PERF. This is a big  
16 change from a governance standpoint. So we took the  
17 opportunity to rewrite policy and the Board has also asked  
18 us to think about how we have structured the policy, take  
19 a fresh look, make it more navigatable and user-friendly.  
20 And this is our first go at that. And again, want your  
21 feedback on this approach. And -- yeah, so that's where  
22 we are today.

23 Next slide.

24 [SLIDE CHANGE]

25 INVESTMENT DIRECTOR DEMING: Maybe taking a step

1 back and talk about the process that led us here for a  
2 second. A policy transformation like this is pretty big,  
3 so I want to share what brought us here. First, we took  
4 an inventory of all of our policies, some of which stand  
5 alone, others were, you know, part the Total Fund Policy  
6 that had been accumulating in the Total Fund Policy over  
7 time. And then we wanted to review our peers globally and  
8 saw -- you know, see what everybody else does. And we  
9 came up with a new framework. Then, we established an  
10 internal working group within CalPERS and the Investment  
11 Office. And throughout that process, we brought along  
12 CalPERS management and also Meketa and Wilshire throughout  
13 that process.

14           Starting with maybe looking up at the top on the  
15 right, there is a new Statement of Investment Policy, an  
16 Umbrella Policy. You can think of this as a lot of the  
17 content comes from the Total Fund Policy, concepts around  
18 fiduciary duty and the like, and stuff that just doesn't  
19 really change. We've established this new Statement of  
20 Investment Policy. We Call it the Umbrella Policy that is  
21 overarching all of the other policies.

22           Then when you think about the sort of modular  
23 structure underneath it, you have our Investment Beliefs.  
24 Those have very minor changes. The Governance and  
25 Sustainability Principles also -- actually, no changes

1 there. PERF Investment Policy, that is a new policy. The  
2 eight affiliate fund policies, those all existed before,  
3 but now have incorporated elements of the Total Fund  
4 Policy, such that they can now stand alone.

5 Divestment has always existed in the Total Fund  
6 Policy. That is now just stand-alone underneath the  
7 Umbrella Policy. Private equity outsourcers, Responsible  
8 Contractor Program, those have always been stand-alone  
9 investment policies. Those have not changed, and the  
10 glossary as well.

11 So with that, I would skip to the next slide.

12 [SLIDE CHANGE]

13 INVESTMENT DIRECTOR DEMING: Okay. So, with such  
14 a big change, we want to talk about the way that we've  
15 tracked changes and also acknowledging that there are a  
16 lot of materials in this agenda item, so to kind of help  
17 you bucket them.

18 So first, what is moved but not changed? The  
19 Responsible Contractor Program, the Private Equity  
20 Outsourcers Program, Governance and Sustainability  
21 Principle, divestment, those things have always existed.  
22 We have just reorganized them to be more user-friendly,  
23 but we have not changed the content. So there's no red  
24 line. You won't see any red line there.

25 What has moved with minor changes will be shown

1 as clean, even if it's moved, but it will be shown as  
2 clean, unless there's new content and we've revised it,  
3 which in these cases we have.

4           The affiliate investment funds, the content from  
5 the Total Fund Policy that relates to these affiliate fund  
6 policies has been migrated to those policies, such that  
7 they now can stand alone.

8           Investment Beliefs. Very minor changes to align  
9 with the total portfolio approach that the Board has  
10 adopted. Statement of Investment Policy, we have now an  
11 overarching Investment Policy that largely is from the  
12 Total Fund Policy content today.

13           So with these first two buckets, a lot of that  
14 has come from the Total Fund Policy, so not a lot has  
15 changed there. Then when we think about the third bucket,  
16 this is the PERF Policy. This is a new policy that is  
17 designed to reflect what we perceive to be good governance  
18 under a total portfolio approach. So, new, no red line,  
19 new content. And we will get into more of that in a  
20 minute.

21           The fourth bucket is what would be repealed. So  
22 the Total Fund Policy, the long document that we have  
23 right now, each section we've either moved the content  
24 with slight alterations in some cases or we've removed it.  
25 And we've gone through that document and you will see it

1 in the -- in the documents that we've shared. In each  
2 case, we've flagged where we've moved it or removed it,  
3 and why, and more information about where that -- where  
4 that stands.

5 With that...

6 [SLIDE CHANGE]

7 INVESTMENT DIRECTOR DEMING: So, talking a little  
8 bit more about the actual changes that have been made. So  
9 in the Investment Beliefs, the very minor changes we've  
10 still -- we still believe that asset allocation is the  
11 dominant determinant of returns. That doesn't change.  
12 Minor updates to comply or be consistent with the total  
13 portfolio approach.

14 [SLIDE CHANGE]

15 INVESTMENT DIRECTOR DEMING: The new Umbrella  
16 Policy, the overarching Statement of -- Statement of  
17 Investment Policy, that again, as I said, is really taking  
18 the Total Fund Policy content, the preamble, the stuff  
19 that doesn't really change and establishing that as our  
20 Statement of Investment Policy that is overarching over  
21 the other policies. And again, this really links then to  
22 all of the other investment policies.

23 [SLIDE CHANGE]

24 INVESTMENT DIRECTOR DEMING: Now, the PERF  
25 Policy, so this is the one I was mentioning is new. And

1 the way we approached it was with a certain structure  
2 logic. So we started with, on the upper right -- upper  
3 left here, strategic objectives. What do we aim to  
4 achieve? Then with investment governance, what is the  
5 role of the Board, staff, consultants, et cetera. And  
6 then we went down to how we will actually manage the  
7 portfolio with the TPA approach.

8           Next line down, the parameters with which we will  
9 monitor the portfolio too. And last but not least, the  
10 asset classes and the implementation via internal and  
11 external strategies.

12           The table of contents on your right should give  
13 you a little bit of an overview as to how we thought about  
14 that. That is the actual table of contents, so you'll be  
15 able to see it in the new PERF policy. This results in  
16 about 13 pages of policy and 18 pages of appendices. And  
17 we were able to consolidate a lot in this exercise,  
18 because in the past, we had added different asset class  
19 policies to the Total Fund Policy. And in this exercise,  
20 we really tried to streamline things and harmonize. Where  
21 you might have had one asset class responsibilities and  
22 roles, we, you know, could take every asset class and then  
23 just say, well, this is the asset class roles and  
24 responsibilities. So there was a real opportunity here to  
25 harmonize and streamline things, which really cut down on

1 the content and the number of pages.

2 But again, you know, keeping with transparency,  
3 we -- we've really, you know, documented within the Total  
4 Fund Policy where things have gone away and where they've  
5 been harmonized.

6 [SLIDE CHANGE]

7 INVESTMENT DIRECTOR DEMING: So when we think  
8 about where we landed with the PERF policy, we wanted to  
9 really be transparent with what the limits were and where  
10 they've come from and to. So when we start thinking about  
11 the strategic asset allocation and the asset class targets  
12 and ranges in the upper left, that has been replaced by  
13 the reference portfolio. Then we had multiple fund  
14 strategy limits, like tracking error, duration, credit  
15 quality, strategy, geography. Those have all been  
16 replaced by the active risk limit of 400 basis points.

17 And just to remind you all, when we've thought  
18 about how much risk leeway we have in the Total Fund  
19 Policy today, it's around 450 basis points. So this is  
20 less than that at 400 basis points.

21 Total fund leverage, the third line down.  
22 Currently, the Total Fund Policy allows for 15 percent  
23 active leverage and five percent strategic leverage. So  
24 while there are two different uses of leverage, we've kept  
25 the limit the same at 20 percent in the new draft.



1 you know, the active risk limit and how they oversee the  
2 model. And -- yeah, active risk, in general.

3 [SLIDE CHANGE]

4 INVESTMENT DIRECTOR DEMING: And I think, with  
5 that, this is a first read. Again, want your feedback.  
6 We will incorporate your feedback and we will bring it  
7 back to the Investment Committee in June for a -- for a  
8 Board -- for Board's approval. And with that, I think  
9 maybe it would be good to maybe ask Tom Toth and the  
10 Wilshire team have been really closely involved in this  
11 process, and maybe they have might some comments.

12 TOM TOTH: Sure. Good afternoon. Tom Toth with  
13 Wilshire Advisors. You have our opinion letter in your  
14 packet, so I won't go through that line by line, but I did  
15 want to touch on a couple of important points. While the  
16 TPA framework certainly increases implementation  
17 flexibility, I think it's important to remember that it  
18 doesn't follow that that flexibility is unlimited. The  
19 PERF Policy explicitly now incorporates a limit on the  
20 allowable amount of active risk, as Amy pointed out.  
21 That's at four percent. And this is the primary  
22 governance restriction for staff deviating from the total  
23 fund's risk level.

24 I also wanted to touch on the impact of removing  
25 those specific subasset class or strategy level limits

1 under the TPA framework. Removing those limits ensures  
2 that every investment has to compete against all other  
3 investment opportunities for a spot in the portfolio.  
4 Capital is only deployed if it offers the best  
5 risk-adjusted return relative to the entire opportunity  
6 set. And that is essentially the essence of what TPA is.  
7 It ensures that capital is never forced into an  
8 underperforming asset class simply to satisfy a policy  
9 limit. These rigid limits can enforce some procyclical  
10 behavior, where you might end up selling an asset, because  
11 it's performed very well, even if the investment thesis  
12 remains very strong.

13           And TPA really does allow the Investment team to  
14 proactively navigate these types of situations in a more  
15 dynamic manner, again the essence of driving strong total  
16 fund returns as we've discussed in past sessions.

17           So while the Board is delegating execution, they  
18 retain control over the total risk budget for the  
19 portfolio, and said a little bit differently, CalPERS is  
20 moving from a governance model that measures where the  
21 portfolio is invested to one that measures what risks are  
22 being taken within the portfolio and how the organization  
23 is being compensated for taking those risks.

24           I'd be happy to answer any questions from the  
25 Board or I can turn it back to you, Amy.

1 CHAIR PALKKI: So, before I get -- I know that we  
2 have letters from both of our advisors. Meketa, do you  
3 want to join in as well too and then we can get into the  
4 Board's questions -- or Committee's questions. Thank you.

5 So anything to add on Meketa's perspective of the  
6 first read?

7 STEVE McCOURT: No, nothing beyond what Tom  
8 expressed.

9 CHAIR PALKKI: Thank you.

10 Let's start with Deborah Gallegos.

11 ACTING COMMITTEE MEMBER GALLEGOS: Thanks. You  
12 had mentioned that the role of Meketa and Wilshire has  
13 changed. Can you elaborate a little bit more on -- from  
14 what you think it was to what you think it now is?

15 INVESTMENT DIRECTOR DEMING: Cal it an  
16 enhancement really is that it's -- with this new active  
17 risk leeway, then they perform a key role to oversee the  
18 staff's use of active risk and the model in which we use  
19 to measure it.

20 ACTING COMMITTEE MEMBER GALLEGOS: Can somebody  
21 elaborate on what that means? What -- is there more  
22 engagement with the consultants now? Are you meeting more  
23 regularly? Is there -- how does that manifest itself?

24 CHIEF INVESTMENT OFFICER GILMORE: Maybe I can  
25 make a couple of comments here.

1           The active risk is a measure of difference. So  
2 it's the difference between the actual portfolio we have  
3 versus the reference portfolio. And there's a  
4 quantitative way of doing that. Technically, it's the  
5 volatility of the return differences between those two  
6 things. But that's -- it sounds kind of esoteric.

7           What we will get from our consultants is an  
8 endorsement of the reasonableness of the approach. So it  
9 will provide the Investment Committee with that assurance  
10 that the number is reasonable. As I say, it's really just  
11 a measure of the difference between the portfolio we have  
12 and the reference portfolio. You will still get the asset  
13 class allocations. You'll see what the portfolio is, but  
14 now you'll have a much clearer idea of, well, what does  
15 that mean in risk terms.

16           So there are -- so both consultants play a key  
17 role there in providing that assurance.

18           ACTING COMMITTEE MEMBER GALLEGOS: And for the  
19 consultants will your reports to us change, in terms of  
20 the data being provided, the charts and graphs we're  
21 seeing, commentary, et cetera?

22           TOM TOTH: Maybe I'll jump in. I expect that  
23 they will evolve. We're happy to just build off of what  
24 we currently provide to the Board. There's no reason we  
25 can't do, I'll say, both, but I do think we want to get to

1 the performance reporting and I'll say market commentary  
2 kind of aligned with the focus on the total portfolio's  
3 objectives and the success at driving towards those. So I  
4 think that will be somewhat of an iterative process, as we  
5 move forward under TPA.

6 ACTING COMMITTEE MEMBER GALLEGOS: Ditto?

7 STEVE McCOURT: Ditto.

8 (Laughter).

9 ACTING COMMITTEE MEMBER GALLEGOS: Thank you.

10 CHAIR PALKKI: Thank you.

11 Ms. Middleton.

12 COMMITTEE MEMBER MIDDLETON: Thank you. Just a  
13 couple of preliminary questions for Tom and Stephen.

14 Could you go over for us just briefly, so it's a part of  
15 the public record, the role that you played in helping to  
16 develop this policy and are there any parts of the policy  
17 as it's being presented to us now that gives you pause?

18 TOM TOTH: I'm hap -- I'm happy to go first.

19 Ms. Middleton, I would say, no, there's no parts  
20 of the policy that give us pause. The role that we played  
21 really started months ago, probably starting in kind of  
22 the November time frame of going through the policy and  
23 what needed to be aligned. And then staff did, I think, a  
24 very strong job in terms of building out what the  
25 framework looks like. And then, with all of the moving

1 parts, this is not as simple as creating a red line versus  
2 a final copy, because things are moving around.

3 And so looking at the Umbrella Policy and then  
4 all the subsequent policies underneath it, there was a  
5 fair bit of back and forth about where to put those. And  
6 from my perspective, and I think Steve's as well, to  
7 making sure that nothing was lost in translation with all  
8 of the moving parts.

9 STEVE McCOURT: Yeah. Well, I will just add from  
10 Meketa's perspective, very, you know, both thorough and  
11 inclusive process. Meketa's review, of course, focused  
12 primarily on how the policy would impact the private  
13 market asset classes, and as was expressed here already,  
14 the -- most of the policies related to delegated authority  
15 and the use of PPOs were unchanged. The only -- the only  
16 material change in the private markets component was the  
17 strategy and geographical parameters of the portfolios,  
18 which will now be managed under the risk -- active risk  
19 metric.

20 COMMITTEE MEMBER MIDDLETON: All right.

21 STEVE McCOURT: And because there's a measure  
22 under the active risk metric, that's why the consultants  
23 are more involved in the process going forward.

24 COMMITTEE MEMBER MIDDLETON: So moving on, and  
25 thank you. As I understand it, while we will not be

1 making as a Board decisions as to what the allocations are  
2 going to be to every specific asset class, we will still  
3 see reports on asset classes and what the distribution has  
4 been?

5 CHIEF INVESTMENT OFFICER GILMORE: Yes. You'll  
6 get the normal quarterly reports that you currently get,  
7 which show where the portfolio is. And also, once a year,  
8 we will provide you with the expected buildout of the  
9 portfolio. We've already shown you that once, but the  
10 expectation is that you will get every year a three-year  
11 forward portfolio, so where we're heading towards. So you  
12 will still see these things in asset class terms, but you  
13 will also have that information in active risk terms as  
14 well. Remember, that active risk being the difference.  
15 Those are areas where we think we can add value and we've  
16 been encouraged to use that discretion that you've  
17 delegated to us before. And so that will be very clear to  
18 the Board.

19 COMMITTEE MEMBER MIDDLETON: So -- yeah, that  
20 makes perfect sense. And certainly one of the reasons for  
21 making this move is to provide, Stephen, you and your team  
22 greater discretion when events are changing and to be able  
23 to change much more promptly when that happens. So could  
24 you review for us a bit of what your plans are for  
25 reporting back to us when those kinds of events take

1 place?

2 CHIEF INVESTMENT OFFICER GILMORE: At this moment  
3 or forward looking?

4 (Laughter).

5 CHIEF INVESTMENT OFFICER GILMORE: Well, I'm  
6 saying that, because some of these things are strategic --

7 COMMITTEE MEMBER MIDDLETON: Um-hmm.

8 CHIEF INVESTMENT OFFICER GILMORE: -- and some of  
9 these things will be ongoing. So when we update you on  
10 strategic positioning, I will expect that you will have  
11 more information than you would have had before. And the  
12 team has been more active in terms of repositioning the  
13 portfolio through time. So it's already happening as we  
14 anticipate the launch of the total portfolio approach. I  
15 hope you'll see that or hear that when we provide you with  
16 those updates.

17 COMMITTEE MEMBER MIDDLETON: All right. We're  
18 sitting at the end -- almost the end of the first quarter  
19 in 2026. As we get to a year out or year and a half out,  
20 should we be anticipating substantial changes in what  
21 those asset allocations are from today?

22 CHIEF INVESTMENT OFFICER GILMORE: No, I don't  
23 think you should anticipate substantial changes. We've  
24 talked before about the importance of the private market  
25 exposures, as far as the portfolio build is concerned,

1 because we think we have some advantages there where we  
2 can add value. And the reality is those exposures are  
3 illiquid, so they can't be changed that quickly. And the  
4 teams there need to have that certainty, relative  
5 certainty, in terms of the buildout, the runway, the  
6 relationships to manage.

7           So we do spend quite a lot of time thinking about  
8 how those positions will build out. And those things  
9 won't change that dramatically. I think what's really  
10 important though is that there's a change of the mindset,  
11 and we will be more, I think, willing to make somewhat  
12 smaller moves in the portfolio when we think there are  
13 opportunities. And hopefully you will get to see and hear  
14 those through time.

15           COMMITTEE MEMBER MIDDLETON: All right. Thank  
16 you. That's all my questions for now. I do have some  
17 follow-up I want to do regarding some of the things this  
18 morning a little bit later.

19           CHAIR PALKKI: Thank you.

20           Next, I have Mr. Rubalcava.

21           COMMITTEE MEMBER RUBALCAVA: Thank you, Mr.  
22 Chair. Very good work. I think the restructuring has  
23 been easier for me at least to understand all the pieces  
24 and the roles. So I appreciate that.

25           I had one item to discuss further, not so much

1 maybe language changes, but -- but one thing that always  
2 interested me is how we're striving for a fully funded  
3 status. And something I've discussed with the CIO is, you  
4 know, we don't have like a funding policy sort to speak.  
5 But there is enough language here I think that will serve.  
6 And maybe there's something that can be tweaked.

7           In Attachment 3, where we have the Investments  
8 Belief, Investment Belief number 1, on the first bullet,  
9 it talks about maintaining an adequate funding status,  
10 which I really like. We don't define adequate funding  
11 status, but that's been there for a long time. I would  
12 hate to deal with it.

13           And since we're on Attachment 3, I just want to  
14 point out on Item number 2 on that item, the last bullet  
15 it says, "Long time horizon enables CalPERS to:", and it's  
16 got four little bullets. I think those should be indented  
17 just like in Item number 3. And the last bullet also gets  
18 indented. I don't know if that's a typo or something, but  
19 somebody any want to look at that.

20           Going to Attachment 5 and 6, where we actually  
21 see the Statement of Investment Policy, there's a section  
22 titled, "Strategic Objective". And here, we talk about  
23 generating the returns at appropriate level of risk to  
24 provide member -- well, basically that we need to fund the  
25 benefit, as required. And then in the second paragraph,

1 again it talks about achieving a long-term total return.  
2 So the language is kind of dry, but I think where we're  
3 going here is that we want to -- we want to hit the  
4 assumed rate of return over the long term, right? And  
5 maybe something to say we're striving to improve our  
6 funded status.

7 I don't know if that's obvious to everybody, but  
8 for me that's something I always want to tell members,  
9 that, you know, we're -- we are improving. Every action  
10 we've taken in our funding policy -- in our -- yeah, in  
11 our -- all kinds of policies, actuarial policy, what have  
12 you, has been to ensure we hit that bogey, and we're  
13 improving our financial status, so we can ensure that our  
14 members' benefit is secured.

15 So those are my comments. If you could take it  
16 back. I'm not actually asking for new language, but it's  
17 just something that I think is important, we understand  
18 that through that -- those two statements I referred to,  
19 the strategic objection -- strategic objective and Belief  
20 number 1 that we are striving for fully funded status to  
21 ensure our members' benefit is secure.

22 Thank you very much, but it's very good work.

23 CHIEF OPERATING INVESTMENT OFFICER COHEN: Yeah.  
24 Thank you, sir. We'll taken another look at that. And I  
25 do think it might be worth cross-referencing our Asset

1 Liability Management Policy, because that does work very  
2 much in conjunction with this policy to, as you say,  
3 increase the funded status over time. And that policy is  
4 critically important to the health of the pension fund  
5 long term.

6 COMMITTEE MEMBER RUBALCAVA: Excellent. Thank  
7 you.

8 CHAIR PALKKI: Thank you. Next, I have Ms.  
9 Willette.

10 COMMITTEE MEMBER WILLETTE: Thank you. I just  
11 want to first thank Amy and the team, Stephen, for this  
12 work. I think that this is a ton of work, done in a very  
13 short amount of time. And I think it's really thoughtful.  
14 I think the clarity is remarkable. I'm really impressed.  
15 It's only 10 slides for the amount of stuff that it  
16 covers, which is really phenomenal. And I'm happy for  
17 that -- those kinds of presentations.

18 My only question or opportunity, if you want to  
19 provide feedback is does the policy, Stephen, give you the  
20 tools you need to implement the opportunity to, you know,  
21 make returns for our members, to get retirement security  
22 for our public sector workers?

23 CHIEF INVESTMENT OFFICER GILMORE: Yes, I believe  
24 so.

25 COMMITTEE MEMBER WILLETTE: Thank you.

1 CHAIR PALKKI: Thank you for that.

2 If there's no other questions, thank you. I  
3 appreciate all the work. Oh, we got one more.

4 COMMITTEE MEMBER DETOY: We couldn't let you off  
5 too easy.

6 (Laughter).

7 COMMITTEE MEMBER DETOY: I've had to update a  
8 three-page policy before and it -- you know, tracking  
9 other policies and it takes a lot of time. With how  
10 embedded these alterations were, I know it took quite a  
11 bit of time. So thank you for all that. It makes it a  
12 lot -- a very clean read.

13 In the clean version, I don't know how much of  
14 this is carryover or not, but in Appendix number 1, the  
15 reporting to the Investment Committee no less than  
16 annually. I know that the cadence is quite often more  
17 quarterly, or semi-annually. Knowing this is a policy for  
18 future Boards and future staff, is this something that we  
19 want to change the cadence of some of the reports that we  
20 get? I know that there's quite a few in here. There's 13  
21 of them. But just something for us internally to look at  
22 and discuss, if we want to put more stringent controls on  
23 what staff or the consultants would be reporting out.  
24 Thank you.

25 CHAIR PALKKI: Thank you.

1           And, Ms. Middleton.

2           COMMITTEE MEMBER MIDDLETON: All right. Thank  
3 you. I want to follow up with a few generic questions  
4 that concern the question of divestment. And in light of  
5 this morning's conversation, I want to be very careful in  
6 saying I'm not asking you any specific questions regarding  
7 the particular firm or individuals that we were  
8 addressing -- or that the audience was addressing this  
9 morning. The policy, as I understand it, makes no  
10 specific changes in what our divestment policies are.

11           CHIEF INVESTMENT OFFICER GILMORE: Correct.

12           COMMITTEE MEMBER MIDDLETON: And it remains the  
13 view of CalPERS that divestment, as a general strategy to  
14 achieve social change or policy change within a particular  
15 corporate organization, is something that generally does  
16 not succeed in achieving the kind of anticipated policy  
17 changes within corporate environments that advocates are  
18 seeking.

19           CHIEF INVESTMENT OFFICER GILMORE: Agree. And it  
20 ends up with us losing our voice if we do divest and it  
21 Probably goes to other hands that are less interested.

22           COMMITTEE MEMBER MIDDLETON: So to switch from  
23 something that I think frequently gets misinterpreted. As  
24 this policy lays out, if you and your team come to a  
25 conclusion that a particular asset that we hold has

1 diminishing value in the future, you have the discretion  
2 and the authority already to make movements on those  
3 investments, as you see appropriate based on the  
4 underlying financials of those assets.

5 CHIEF INVESTMENT OFFICER GILMORE: We do have  
6 discretion there.

7 COMMITTEE MEMBER MIDDLETON: And you use that  
8 discretion?

9 CHIEF INVESTMENT OFFICER GILMORE: We do use  
10 discretion and you will hear about some of that.

11 COMMITTEE MEMBER MIDDLETON: Okay. Thank you.  
12 So no more questions or comments. Thank you.

13 CHAIR PALKKI: Anyone else?

14 Going once, twice.

15 All right. Thank you so much. Look forward to  
16 the second read.

17 That takes us into public comment --

18 CHIEF EXECUTIVE OFFICER FROST: You have, yeah,  
19 public comment.

20 CHAIR PALKKI: -- for 6b. I have one public  
21 commenter. Mr. J.J. Jelincic.

22 J.J. JELINCIC: J.J. Jelincic, RPEA.

23 This policy is not yet ready for prime time, but  
24 it's a first reading, and so it's not expected to be quite  
25 ready for prime time. I will point out that the links

1 don't work, but that is something you'll get eventually  
2 fixed.

3           In Attachment 5, which is the Statement of  
4 Investment Policy, on page three, you used to describe the  
5 overall objective of the CalPERS Investment Program. And  
6 you've chosen to strike the -- or at least it's been  
7 proposed to strike Investment Program. So it's the  
8 overall objective of CalPERS. But I would note that the  
9 Investment Office can be a little egocentric. CalPERS is  
10 also concerned with affordable health care, paying  
11 benefits on time, protecting our data, which you don't do  
12 a real good job of, and avoiding bad press.

13           The policies are designed to allow CalPERS to  
14 achieve long-term total return target. And again, that  
15 ignores risk adjustment. On page 14, it says the staff  
16 shall maintain a total portfolio level governance and  
17 sustainability strategic plan approved by the Committee.  
18 And I've asked where that plan is. I've been told it was  
19 in the November 25th review of the -- which says that it's  
20 designed to support the plan. So my question remains, and  
21 it ought to be identified, where is the plan?

22           In the overall Investment Policy, which is  
23 Attachment 6, strategic objective, again note it's not  
24 risk adjusted. It says that allo -- the staff will handle  
25 the allocation and implementation and decision. That's

1 the most important decision driving investment return.

2 And I'm -- you're choosing to delegate that to staff.

3 Value-added on page five. Again, you're ignoring  
4 risk-adjusted return. The active risk is calculated  
5 through a model, which is not defined. Changes to the  
6 model will be consistent -- will consist of complexity,  
7 again not defined. You've gone on to define active risk,  
8 "Will be quantified as the measure of the ex-ante  
9 volatility of excess return of the PERF relative to the  
10 reference portfolio." That's a whole bunch of financial  
11 gobbledygook, but it won't -- and it's not clear what it  
12 means. But what they -- what the staff did say is, well,  
13 it's going to be base on a model. So active risk is not  
14 how the portfolio deviates. The active risk is how a  
15 model of the portfolio deviates from a model of the  
16 reference portfolio. And, you know, I'm not sure that  
17 that particularly does the problem.

18 And it says the risk will change over time, if  
19 the model doesn't -- because we're comparing model to  
20 model, if the model doesn't work, then we'll have to  
21 figure out something, but it's actually things change,  
22 which is the reason that you have a --

23 CHAIR PALKKI: Mr. Jelincic, can you warp up your  
24 comments.

25 J.J. JELINCIC: There's a reason you put limits

1 to control.

2 Let's see, let me -- I've got a bunch here, but  
3 let me see if I can hit the most important.

4 Global Public Equity, it looks like you're taking  
5 out factor investment. I'll point out that the fixed  
6 income does include junk. Private equity is designed to  
7 maximize ad -- risk-adjusted return, but staff has failed  
8 to say how you calculate risk adjustment for private  
9 equity. In fact, I'm not sure it's an asset class, a  
10 small cap-leveraged portfolio -- indexed portfolio can  
11 replicate those returns and -- given that I've run out of  
12 time, I'll stop there.

13 But it -- a lot of work has been done and I  
14 commend staff for doing a lot of work. On the other hand,  
15 it's not yet ready for prime time and I encourage you to  
16 actually go back, read the policy a little more, make sure  
17 it's more internally consistent. Thank you.

18 CHAIR PALKKI: Thank you. Thank you.

19 That brings us to Item 6c, Asset Liability  
20 Management, first reading. Mr. Gilmore, yes, or passing  
21 it to Ms. Nix.

22 (Slide presentation).

23 CHIEF FINANCIAL OFFICER NIX: I'm going to wait  
24 till the colleagues get up here. There's a few of them.

25 All right. Good afternoon, Investment Committee



1 Michelle. Good afternoon, Mr. Chair and members of the  
2 Committee. Christine Reese, CalPERS team member.

3 I am joined by two of my Investment Office team  
4 members. Saeed Daroogheha and Rafael Garcia, to present  
5 the results and recommendations of the affiliate fund  
6 asset liability management analysis, also known as ALM.

7 This body of work represents a significant effort  
8 from team members within the Investment Office, the  
9 Actuarial Office, the Financial Office, and the program  
10 teams that represent the Affiliate Funds. And I would  
11 just like to express my thanks for all of the time and  
12 effort and thoughtfulness that has been put forward on  
13 this body of work.

14 So, as Michele mentioned, today's presentation  
15 covers seven different trusts. We have three defined  
16 benefit trusts, two health and welfare, and two prefunding  
17 trusts. The ALM for SIP will be presented as a first read  
18 in June.

19 It's important to note that this ALM work is  
20 based on a strategic asset allocation framework with set  
21 allocations to asset classes, which has been historically  
22 used. The total portfolio approach that is being  
23 undertaken for the Public Employees' Retirement Fund will  
24 be assessed after this ALM cycle for the affiliates.

25 [SLIDE CHANGE]

1           INVESTMENT DIRECTOR REESE: For today's  
2 presentation, I'll begin with a review of the  
3 recommendations. Saeed will then discuss guiding  
4 principles of portfolio construction and selection. I'll  
5 then begin the review of each trust. When we get to the  
6 Judges' II, I'll hand it over to Rafael to go through one  
7 of our recommendations for adding private equity for that  
8 trust. And then I will complete the trust review. And  
9 then lastly, I will invite Wilshire up to make a few  
10 comments.

11           So let's see. Turning to page five --

12                           [SLIDE CHANGE]

13           INVESTMENT DIRECTOR REESE: -- we present the  
14 following recommendations: First, to adopt the Capital  
15 market assumptions; second, to approve the recommended  
16 portfolios, which are the current portfolios in all cases,  
17 with the exception of the Legislators' Fund wherein we are  
18 recommending adopting a lower risk, lower return  
19 portfolio; third, to approve the two Wilshire recommended  
20 benchmark changes for the Long-Term Care Program. These  
21 benchmark changes will better align the benchmarks with  
22 the Investment Strategy, and forth, to approve the  
23 addition of private equity for the Judges' II trust, as an  
24 incubated investment with a five percent cap.

25           At this point, I'll turn it over to Saeed to

1 review guiding principles.

2 INVESTMENT DIRECTOR DAROOGHEHA: Thank you,  
3 Christine. Good afternoon, Board members. My name is  
4 Saeed Daroogheha, Investment Director with the Total Fund.

5 Before we walk through the results, I'll briefly  
6 highlight five guiding principles that shape our approach  
7 to portfolio construction.

8 First, portfolio construction is about balancing  
9 competing objectives. Our task isn't simply to maximize  
10 one metric, but to balance several objectives  
11 simultaneously, return drawdown control, cost, and ability  
12 to meet long-term liabilities. Second, diverse viewpoints  
13 are necessary. Different stakeholders naturally view the  
14 portfolio through different lenses. Bringing those  
15 perspectives together to strengthen the process and helps  
16 ensure that important risks and opportunities are not  
17 overlooked.

18 Third, trade-offs are unavoidable. In portfolio  
19 construction, there is no perfect solution. Progress  
20 comes from thoughtfully balancing competing priorities,  
21 rather than pursuing a single objective in isolation. In  
22 that sense, portfolios aren't simply right or wrong, they  
23 are evaluated as more or less effective, depending on how  
24 well they balance the fund's objective.

25 Fourth, we try to be disciplined about change. A

1 recommendation to make no change is not the absence of a  
2 view. It is a view. It reflects the conclusion that at  
3 this point, the current portfolio remains broadly sensible  
4 relative to the opportunity set and the evidence in front  
5 of us.

6 Five, humility is an important principle. The  
7 great risk in portfolio construction is false precision,  
8 believing we know more about the future than we actually  
9 do. Recognizing uncertainty encourages diversification,  
10 robustness, and disciplined decision-making.

11 With that context, I'll hand it over to Christine  
12 to walk you through the results.

13 [SLIDE CHANGE]

14 INVESTMENT DIRECTOR REESE: Thank you, Saeed.

15 So turning to page six, we will start with the  
16 capital market assumptions for returns. You'll see in the  
17 presentation that we use differing capital market  
18 assumptions for the return time horizons, 5 years, 20  
19 year, and 30 year. We do this to better align the return  
20 assumptions with the investment time horizons of the -- of  
21 the individual trusts. For all of these time horizons,  
22 the expected returns have not changed significantly from  
23 to 2024 mid-cycle.

24 Generally, speaking, what we see is a slight  
25 increase for fixed income returns and a slight decrease

1 for equity returns. So the five-year CMA, as shown here,  
2 are used for the Health Care Fund.

3 Just on page seven.

4 [SLIDE CHANGE]

5 INVESTMENT DIRECTOR REESE: So the Health Care  
6 Fund is a reserve for our self-funded health care  
7 programs, and is intended to cover situations in which  
8 claims exceed premiums in any given year. This fund has a  
9 short investment time horizon and conservative investment  
10 strategy to reduce the risk of loss. The current  
11 allocation is 100 percent liquidity, also known as cash  
12 equivalence. These are short-term income producing  
13 Investments with low risk, low returns, principal  
14 protection, and high liquidity, typically, securities such  
15 as treasury bills, certificates of deposits, time  
16 deposits, and other similar assets.

17 So moving to page eight.

18 [SLIDE CHANGE]

19 INVESTMENT DIRECTOR REESE: There we go. Our  
20 recommendation for the Health Care Fund is to maintain the  
21 current portfolio. In the future when the reserve is  
22 larger, we may bring for your consideration other  
23 portfolios that would add fixed income bonds, but for now  
24 we believe that the liquidity portfolio is the most  
25 prudent option.

1 [SLIDE CHANGE]

2 INVESTMENT DIRECTOR REESE: So turning to slide  
3 nine - there we go - we have the CMAs for the 20-year  
4 returns. These are used for the defined benefit and  
5 prefunding trust. The results again are similar to the  
6 five-year results, a slight increase for fixed income and  
7 a slight decrease for the equity returns from the  
8 mid-cycle.

9 [SLIDE CHANGE]

10 INVESTMENT DIRECTOR REESE: So moving into the  
11 Legislators' Fund, this is the one fund where we are  
12 recommending a change from the current portfolio. So the  
13 Legislators' fund is a defined benefit plan that is  
14 closed. It has a discount rate of four and a half percent  
15 and is 96 percent funded. The fund is cash flow negative  
16 and has a conservative investment strategy to reduce the  
17 risk of loss. The current allocation has a low equity  
18 allocation and high fixed income and inflation-protected  
19 assets, but the port -- the current portfolio expected  
20 return of 5.2 is higher than needed for this fund. So, we  
21 recommend reducing the return and thereby risk to better  
22 align with the discount rate.

23 [SLIDE CHANGE]

24 INVESTMENT DIRECTOR REESE: So moving to slide  
25 11. So we show the current portfolio and three candidate

1 portfolios. We are recommending Option B, as it sets both  
2 the expected return and risk levels to levels that were  
3 set in the 2024 mid-cycle, reducing unnecessary risk while  
4 remaining supportive of the discount rate, including a bit  
5 of a buffer. The allocation shift increases  
6 inflation-protected bonds and decreases equities, fixed  
7 income, and REITs.

8 On the next page --

9 [SLIDE CHANGE]

10 INVESTMENT DIRECTOR REESE: -- we have the  
11 Judges'. This is also a closed defined benefit fund, but  
12 it's different in that it's a pay-as-you-go system with  
13 benefits funded from the State general fund. The reserve  
14 is intended to be available if needed to pay benefits. It  
15 has a short time horizon and a conservative investment  
16 strategy to reduce the risk of loss. The current  
17 allocation, similar to the Health Care Fund, is liquidity.  
18 And these investments will protect principal, provide  
19 liquidity, and be available for sale without taking a  
20 loss, while still producing some income.

21 [SLIDE CHANGE]

22 INVESTMENT DIRECTOR REESE: So on slide 13, just  
23 quickly, we recommend to maintain the current portfolio.

24 [SLIDE CHANGE]

25 INVESTMENT DIRECTOR REESE: On slide 14, we move

1 into the Judges' II Fund. This is a defined benefit plan  
2 that is relatively young, cash flow positive. The  
3 discount rate is six percent and it's funded at 109  
4 percent. With a long investment time horizon, the  
5 investment strategy is moderately aggressive and focused  
6 on growth. So investments do not need to be sold to pay  
7 benefits on a monthly basis, which enhances a fund's  
8 ability to weather volatility to weather volatility in the  
9 market.

10 [SLIDE CHANGE]

11 INVESTMENT DIRECTOR REESE: The current  
12 allocation is diversified across a balance of growth and  
13 fixed income assets with the expected return of 6.4  
14 percent and expected volatility of 11. 7.

15 [SLIDE CHANGE]

16 INVESTMENT DIRECTOR REESE: On slide 15, when we  
17 look at the portfolio, again we have the current portfolio  
18 and three candidates. Our recommendation is to maintain  
19 the current portfolio. Although options A and B have  
20 expected returns at or above the mid-cycle value and have  
21 lower expected risk than the current portfolio, these  
22 options reduce the equity allocation from 43 percent down  
23 to 27 and 38 percent respectively, and allocate those  
24 values into fixed income. And for a cash flow positive  
25 fund with a long time horizon, we find the current

1 portfolio to be well diversified and aligned with the  
2 fund's investment strategy, although it does have slightly  
3 elevated risk compared to option B, as well as the  
4 mid-cycle.

5           Maintaining the current portfolio additionally  
6 avoids the cost of buying and selling assets to move to a  
7 new portfolio. These costs are in addition to the ongoing  
8 expenses of a fund. So while costs can vary question, we  
9 review the cost to transition the Judges' II portfolio in  
10 the 2024 mid-cycle and found that that cost was  
11 approximately five -- approximately five basis points.  
12 And for this fund, that's about \$1.5 million, so it's not  
13 insignificant cost in terms of transitioning a portfolio.

14                           [SLIDE CHANGE]

15           INVESTMENT DIRECTOR REESE: Our next  
16 recommendation for Judges' II is to add private equity as  
17 an asset class. And at this point, I will turn it over to  
18 Rafael review our findings and recommends.

19           INVESTMENT MANAGER GARCIA: Thank you, Christine  
20 and good afternoon Investment Committee Chair and members.  
21 I'm Rafael Garcia, CalPERS team member.

22           Today, we'll be discussing our proposal to  
23 introduce Private equity to the Judges' Retirement System  
24 II Fund, or JRS II. Our proposal today follows extensive  
25 analysis by staff who have been evaluating private equity

1 as a potential addition to JRS II for some time. I'll  
2 begin by covering private equity as an asset class, then  
3 move to the factors that we believe make it a good fit for  
4 JRS II. And lastly, our implementation approach will be  
5 discussed.

6 Private equity as an asset class. So private  
7 equity can offer access to a wider range of sectors,  
8 geographies, and company sizes, expanding the opportunity  
9 set behind traditional public market asset classes.

10 Private equity also typically has an illiquidity premium,  
11 which can enhance portfolio returns. From a historical  
12 perspective, private equity has outperformed global public  
13 equities over the long term. This has been driven by  
14 active management, firm level operational improvement, and  
15 access to unique opportunities.

16 Our capital market assumptions also project  
17 higher returns for private equity compared to global  
18 equities for both the five-year and 20-year periods.  
19 While private equity does have higher volatility and lower  
20 liquidity, its inclusion can improve the portfolio  
21 overall's risk return profile through a diversification.

22 [SLIDE CHANGE]

23 INVESTMENT MANAGER GARCIA: Moving to page 17,  
24 I'll cover why we believe private equity is a strategic  
25 fit for JRS II. JRS II is a relatively young,

1 well-funded, cash-flow positive, defined benefit fund with  
2 a long investment horizon. This type Of fund is well  
3 suited to a growth asset class such as private equity.  
4 Adding private equity as an asset class brings the  
5 benefits of diversification and the potential of higher  
6 returns in the long run. This aligns well with the fund's  
7 strengths, growth characteristics and long investment  
8 horizon.

9 Moving to slide 18 --

10 [SLIDE CHANGE]

11 INVESTMENT MANAGER GARCIA: -- we will discuss  
12 the implementation of private equity into JRS II. We are  
13 proposing a phased approach through an incubation program  
14 that mirrors the successful approach used for private debt  
15 within the PERF. This approach consists of four key  
16 phases.

17 First, the establishment of the program. During  
18 this phase, we will be establishing an incubation program,  
19 as well as complete implementation planning and  
20 operational setup.

21 Second, the implementation phase. During this  
22 phase, we'll be setting up objectives, guidelines and  
23 begin investing in private equity, while adhering to an  
24 allocation limit of up to five percent.

25 Third, building a track record. We will leverage

1 our internal private equity's team's expertise, build  
2 relationship with managers, and throughout this phase  
3 we'll be continuing to assess the impact on risks, return  
4 and liquidity, always refining our process as needed.

5 Finally, upon successful incubation, we'll return  
6 to this Committee to propose private equity as a dedicated  
7 asset class within the next ALM cycle.

8 In summary, introduction of private equity to JRS  
9 II has the potential to enhance returns and provide  
10 additional diversification. We recommend a prudent phased  
11 approach to ensure successful integration of private  
12 equity into the JRS II fund.

13 I will now hand over the presentation back to  
14 Christine. Thank you.

15 INVESTMENT DIRECTOR REESE: Thank you, Rafael.

16 So if we move on to slide 19 --

17 [SLIDE CHANGE]

18 INVESTMENT DIRECTOR REESE: -- the next set funds  
19 are the prefunding trusts. And there are two. And I'll  
20 start with the California Employers' Retiree Benefit  
21 Trust, also known as CERBT.

22 So this is a voluntary program for employers to  
23 prefund future benefits, such as retiree health care  
24 costs. Our goal with this program is to offer strategies  
25 that have differing levels of risk and return, so that the



1 to prefund future pension payments, and it was started in  
2 2019. Again, our goal with this program is to offer  
3 strategies that align with the employer's goals. We have  
4 two strategies here, moderately conservative and  
5 conservative. The current allocation expected returns  
6 range from 5.7 to 5.3, and risk from 9 to 6.4.  
7 Approximately 42 percent of employers are in Strategy 1,  
8 28 percent are in Strategy 2, and 30 percent are in both  
9 strategies concurrently.

10           So for these two strategies, we are also  
11 recommending maintaining the current portfolios. The  
12 same -- following the same pattern as the CERBT from the  
13 2024 mid-cycle, returns and risk have both increased  
14 somewhat, but we do believe that these current portfolios  
15 still align with the investment strategies that we offer  
16 for the employers.

17           So if we can skip to slide 26.

18                           [SLIDE CHANGE]

19           INVESTMENT DIRECTOR REESE: So this is our last  
20 set of CMAs that we'll look at for today. These are the  
21 30-year CMAs and these are used for the Long-Term Care  
22 Fund, also known as LTC. And these are provided by our  
23 external investment manager and then compared to our  
24 internal survey for reasonability. As with the five-year  
25 and 20-year, we see the same pattern with fixed income

1 returns slightly higher and equity returns slightly lower.

2 And on page 27 --

3 [SLIDE CHANGE]

4 INVESTMENT DIRECTOR REESE: -- we have the  
5 Long-Term Care Fund. This is our last affiliate fund  
6 we'll review today. So this fund provides coverage for  
7 costs for long-term care expenses. This fund is currently  
8 closed to new enrollments and is cash flow negative in the  
9 amount of approximately \$115 million per year. The  
10 discount rate is four and three quarters, funded ratio of  
11 97 percent, and the investment strategy is conservative to  
12 reduce the risk of loss.

13 [SLIDE CHANGE]

14 INVESTMENT DIRECTOR REESE: In the 2024  
15 mid-cycle, we did an extensive analysis and portfolio  
16 reconfiguration. We reduced the expected return from six  
17 and a quarter to five and a half, and we reduced expected  
18 risk from 9.6 to 6.4. So over a three per -- three point  
19 drop in risk.

20 With capital market assumptions not changing  
21 significantly since that time, we -- the current  
22 allocation has a slightly higher expected return of 5.6  
23 and the volatility is the same at 6.4.

24 So on the next page --

25 [SLIDE CHANGE]

1           INVESTMENT DIRECTOR REESE: -- we do show the  
2 current and candidate portfolios, but we do recommend to  
3 maintain the current portfolio for all of the reasons  
4 previously expressed in terms of keeping a balanced  
5 portfolio, diversification, reducing costs, and not  
6 becoming overly concentrated in an asset class that may  
7 not be beneficial to the fund's investment strategy.

8           So lastly on this page, we have one additional  
9 recommendation, and that is to change two benchmarks for  
10 this program. These changes will remove lower quality  
11 bonds from the benchmark and that will align with our  
12 existing investment strategy.

13                           [SLIDE CHANGE]

14           INVESTMENT DIRECTOR REESE: So page 29, we have  
15 the recommendations again and then we can move to page 30  
16 for next steps.

17                           [SLIDE CHANGE]

18           INVESTMENT DIRECTOR REESE: So we'll take Board  
19 feedback from today's presentation and we'll prepare to  
20 have a second reading in June. If approved at that point,  
21 we would make the allocation changes, benchmark changes,  
22 and any necessary policy changes for the allocations as  
23 well as the private equity that we mentioned for Judges'  
24 II. And then we'll have a first reading in June for SIP  
25 and a second reading for that -- those two trusts in

1 September.

2           And then at this time, I would like to invite our  
3 Wilshire consultant up to make a few comments.

4           STEVE FORESTI: Good afternoon. I was afraid I  
5 was going to get caught in a game of musical chairs there,  
6 when I got up looking for a spot.

7           So I'll just -- we provided a letter with this  
8 agenda packet. And I'll just kind of reiterate that as  
9 far as the process, the capital market assumptions, the  
10 constraints that went into it, the process that staff  
11 followed, we're all completely comfortable with that.  
12 We're comfortable with the recommendation of private  
13 equity for JRS II. Wilshire was included in weekly  
14 meetings to provide feedback, ask questions along the way.  
15 So they conducted a very transparent process to us, which  
16 allowed us to perform our responsibilities on your behalf.

17           The -- and then we made the benchmark  
18 recommendations, which Christine mentioned, to pull out  
19 the lowest quality within the high yield asset segment and  
20 the emerging market debt segment.

21           The one thing we did note in our letter, as it  
22 came to the recommendations on portfolios, were there  
23 seemed to be opportunities to reduce risk without  
24 sacrificing the return targets from your previous  
25 decision. So opportunities to not just maintain the same

1 return target you had in the past, increase that a little  
2 bit, and pull a considerable amount of risk out of the  
3 portfolio in certain cases. And we just flagged that, not  
4 because, you know, one portfolio is necessarily  
5 quote/unquote better or worse than the other. I agree  
6 with a lot of the comments that Saeed made about  
7 trade-offs. And there are various optimized portfolios  
8 that make sense. It really just comes down to risk  
9 targets and risk comfort.

10 I'd be happy to call out a couple of the  
11 examples, if that would be helpful in terms of where we  
12 were, you know, trying to flag that. And, in fact, maybe  
13 if I just take a minute to do that, and then I'll be happy  
14 to take any other questions. But if it's possible to jump  
15 back to the -- to slide -- I think it was slide 11 for the  
16 Legislatures' output. And, you know, just as I look at  
17 this and I think about the recommendation, you've got a  
18 discount rate here of four and a half percent. The target  
19 portfolio from 2024 was targeting a return of 4.8 percent.  
20 So think about 0.3 above the discount rate to leave a  
21 little bit of cushion to, you know, hopefully improve your  
22 chances more than a 50/50 of meeting meeting that discount  
23 rate at risk of 6.3 percent.

24 Now, you move the capital market assumptions  
25 forward to the current environment, and the current

1 portfolio -- that same portfolio now looks to have a 5.2  
2 percent return. So now, 0.7 above that discount rate,  
3 with higher risk, 6.9 instead of the 6.3 that was  
4 projected a couple of years ago. And I think very  
5 intuitively, we look at staff's recommendation for option  
6 B here, which reanchors to the same 6. -- to the same 4.8  
7 return at 6.3 risk. It makes perfect sense to us. It  
8 seems very intuitive in terms of the objectives of this  
9 pool of assets. So that's one where it looks like staff  
10 is recommending an opportunity to derisk a bit against the  
11 CMA backdrop today.

12           If we move to 15 on the JRS II, kind of set it up  
13 the same way, and I'll just start with the discount rate  
14 here, six percent in this case, 2024 targeting 6.3. So  
15 again, that same 0.3 cushion or spread above the discount  
16 rate at 10.7 risk. Carry that portfolio forward today,  
17 slightly higher return, 6.4, but considerably higher risk,  
18 a full percent higher at 11.7. So staff has recommended  
19 sticking with that, and I have no objection to that  
20 portfolio. It seems fine.

21           But when we look at Option A here, that's an  
22 opportunity to target that same 6.3, again a buffer to the  
23 discount rate, and do it at substantially lower risk than  
24 the current portfolio, 10.1, instead of that 11.7. Again,  
25 on reason to say one portfolio is necessarily better or

1 worse than the other, we just wanted to call out, so that  
2 you had the opportunity to probe, understand the  
3 recommendation, and make sure you're making a decision  
4 that meets your risk tolerance. And in saying that, I'll  
5 credit staff for putting those options up in front of you  
6 to give you that optionality to make the right decision.

7 So again, just wanted to call that out, but happy  
8 to take any questions you may have.

9 CHAIR PALKKI: Trying to stall here.

10 Ms. Taylor.

11 COMMITTEE MEMBER TAYLOR: So I think I am -- I  
12 was thinking the same thing that you just finished talking  
13 about, Andrew. The -- it looks like the recommendation is  
14 taking a little more risk, but am I correct in thinking  
15 that these are -- these are fairly either new or  
16 conservative portfolios right now anyway? So I'm  
17 wondering why we want to take any risk.

18 INVESTMENT DIRECTOR REESE: And are you talking  
19 about the Judges' II in particular?

20 COMMITTEE MEMBER TAYLOR: Judges' II. I have --  
21 I think I'm looking at also -- hold on a second. I  
22 thought it was Judges' II in particular, but I think all  
23 of them.

24 INVESTMENT DIRECTOR REESE: Yeah.

25 COMMITTEE MEMBER TAYLOR: Yeah.

1           INVESTMENT DIRECTOR REESE: So, you know, I think  
2 when we think about portfolios, you know, we really kind  
3 of think about their mandate. So, for example, with  
4 Legislators, you know, it's a closed fund. There are no  
5 more active employees.

6           COMMITTEE MEMBER TAYLOR: Right.

7           INVESTMENT DIRECTOR REESE: And, you know,  
8 it's -- so the sources of funding are reduced, the  
9 reliance on investment returns is higher. So taking, you  
10 know, unnecessary risk to have the return be 5.2 when the  
11 discount rate is four and a half, you know, that's a bit  
12 high. So, in terms of that trust to bring it back down,  
13 we think it makes a lot of sense and to reduce risk.

14           For Judges' II, kind of on the opposite end of  
15 the spectrum, it's a, you know, open, cash flow positive,  
16 can weather volatility in the market. And this fund would  
17 be more focused on growth. And so, when we look at some  
18 of the options, like Option A, you know, reducing global  
19 equity to only 27 percent in a fund where you think has a  
20 very long lifespan, where we would maybe want to be more  
21 invested in global equities over the long term.

22           And so I think, you know, to Saeed's point about  
23 precision, some of that enters in as well. So, for  
24 example, we round here to the 10th, but, you know, a 6.4  
25 on the current portfolio for Judges' is not necessarily

1 the same as, you know, a 6.4 on Option B, because, you  
2 know, you have kind of nine-tenths of a -- of a percent  
3 that, you know, the 6.4 for the current could be 6.36.  
4 And the 6.4 for Option B could be 6.44.

5           You know, so there could be a bit more difference  
6 between those two portfolios than is -- than obvious on  
7 the -- on the rounded results.

8           COMMITTEE MEMBER TAYLOR: So explain to me again  
9 why you would pick instead of say the 10.1 with the 6.3  
10 percent return.

11           INVESTMENT DIRECTOR REESE: Yeah. I'm going to  
12 invite Saeed to make a few comments as well.

13           INVESTMENT DIRECTOR DAROOGHEHA: Thank you. I  
14 would zoom out and think about the broad objective to  
15 build a balanced portfolio, so -- and I also want to  
16 mention what I said earlier on that none of these are  
17 wrong. I mean, option A is also a good option. But when  
18 we thought about a few dimensions, one is this one has a  
19 very long horizon. So that means, it can stand short-term  
20 volatility. Cutting to -- I mean, it's already balanced.  
21 If you look at it, it already has 43 percent equity.

22           So, between equity, real estate, or inflation  
23 protection and fixed income, it seems to be already  
24 balanced. It seems to be a very reasonable option, given  
25 the humility that I mentioned, that even though we keep

1 thinking about, okay, I mean, equity may not -- you know,  
2 has drawdown, but we also need to consider there is  
3 immense amount of uncertainty, around 6.4 or 6.3, equity  
4 will give you a lot of upside. And that's also -- you  
5 want to maintain some upside if you have long horizon.  
6 These are the parameters that collectively went into this  
7 decision that we have thought about.

8 COMMITTEE MEMBER TAYLOR: In that vein then,  
9 Option C was 57 percent global equity, but the volatility  
10 goes up at that point.

11 INVESTMENT DIRECTOR DAROOGHEHA: I mean, 60 --  
12 almost 60 percent equity seems a little bit out of balance  
13 in this case. And again, I'm using verbal linguistic  
14 variable. You could go higher. You could say these are  
15 all reasonable. We think 43 percent equity exposure is a  
16 very reasonable allocation.

17 COMMITTEE MEMBER TAYLOR: I don't know. I  
18 remember when we had 60 percent. It's 109 percent funded,  
19 so I was just -- I just thought it would be - I don't  
20 know - less risky. Hold on one second. I'm just looking  
21 at the mix of asset classes.

22 Okay. I always thought global -- I mean, yeah.  
23 I always thought global equities were a little bit less  
24 risky, but you're saying that they're more risky, as you  
25 add global equities or that's what it appears. Okay.

1           INVESTMENT DIRECTOR DAROOGHEHA: Global equities  
2 is.

3           COMMITTEE MEMBER TAYLOR: Okay. That answers  
4 that question. Go ahead.

5           CHAIR PALKKI: Thank you. Next, I have Mr.  
6 Rubalcava.

7           COMMITTEE MEMBER RUBALCAVA: Thank you, Mr.  
8 Chair. I do want to follow up a little bit on President  
9 Taylor's question. I understand the presentation, but  
10 there's a balance between competing priorities and you  
11 use -- and I forgot what word you used, but I like to use  
12 the reasonable, like an actuarial study that say, you  
13 know, everything is -- A or B is both reasonable, right,  
14 so there's no wrong answer.

15           But I wanted to -- what I had in my notes was two  
16 questions. One was the Judges' Retirement System II fund  
17 is 109 percent funded, so -- and we're focused on growth,  
18 so that seems to be counterproductive -- counterintuitive  
19 to me, because if it's a long term and you're at 109  
20 percent funded, you're already 43 percent lower, why would  
21 you want to incorporate private equity? That was the  
22 first question. And then I have another one after that.

23           INVESTMENT DIRECTOR REESE: Yes. Thank you for  
24 the question. Yeah, so private equity, although it is the  
25 highest returning asset class historically, as well as in

1 our CMAs, it also offers a good diversification element to  
2 the portfolio. So, you know, even though, yes, it is  
3 funded at 109 percent, we do find that, you know, bringing  
4 an additional asset class in as a diversifier is also very  
5 helpful to a portfolio.

6 COMMITTEE MEMBER RUBALCAVA: Okay. Then the  
7 follow up on that is can you explain what does incubation  
8 mean, the incubation Opportunistic Program with initial  
9 five percent allocation limit, if you could explain what  
10 the means.

11 INVESTMENT DIRECTOR REESE: Exactly. Yes. An  
12 incubation program is one in which we're not asking for a  
13 set allocation. We're not asking for a five percent  
14 allocation to where we have a bucket and we need to fill  
15 it. We're asking for a cap of five percent, but in the --  
16 you know, in the inception of the asset class, we would  
17 build up to that five percent. And so we would incubate  
18 that investment over time, and then come back at either  
19 the mid-cycle or the next full cycle to ask for a set  
20 allocation, at which point, it would kind of exit the  
21 incubation phase.

22 COMMITTEE MEMBER RUBALCAVA: The other point on  
23 this fund, there was a reference here that there's been a  
24 lot of discussions over the years with the stakeholders.  
25 So I'm assuming that's Judges' right?

1           INVESTMENT DIRECTOR REESE: Yes. We have been  
2 interacting with the judges for the last few years. They  
3 have expressed their support. But, you know, when we look  
4 at our funds and, you know, asset classes, that is a --  
5 that is an integral part of asset allocation is to look  
6 at, you know, potentially new asset classes. And private  
7 equity is something that we have considered for JRS II.  
8 We have also thought about it. We haven't, you know, made  
9 as much progress, but we have thought, you know, is  
10 private equity an asset class that could be applicable to  
11 any of our other trusts also?

12           So for example, CERBT I is a very large pool of  
13 capital, but employers do have the ability to leave. So,  
14 you know, those are things we would need to consider  
15 there. Another consideration, a lot of defined  
16 contribution programs are looking at private equity also.

17           So, yes, we have been interacting with the  
18 judges, and yes, we've been looking at private equity as  
19 just an asset class that we may want to add in various  
20 spots.

21           COMMITTEE MEMBER RUBALCAVA: Okay. You sort of  
22 answered the question I was going to ask, which is --  
23 because it wasn't clear from the memo. So they have been  
24 advocating for private equity, so...

25           INVESTMENT DIRECTOR REESE: I would say they're

1 definitely supportive, yes.

2 COMMITTEE MEMBER RUBALCAVA: Okay. So, because I  
3 can see -- because my next question deals with long-term  
4 care, but there's a lot of stakeholders there. But if  
5 they say some advocacy since -- I could see how the judges  
6 could be very strong advocates. Right. I'm just trying  
7 to understand the balances of opinions. So say somebody  
8 in the -- who's impacted by the Long-Term Care fund, which  
9 has seen withdrawal funds, and has seen its funded status,  
10 you know fluctuate, what if somebody makes an argument, we  
11 should add private equity? What would be the engagement?  
12 What would -- I mean, how would -- what would be different  
13 in that scenario versus judges who have -- I'm just  
14 thinking about the health -- I don't want -- I'm not an  
15 expert in the investment, but I know in health sometimes  
16 when you go from a full network to narrow network, the  
17 attorneys, the -- I was going to say the attorneys and  
18 other people can be very strong advocates for keeping the  
19 broad network, even though it can be -- it's not  
20 sustainable. And I'm just thinking what is the  
21 discussion, what is the balance when you make these  
22 decisions and bring it to the Board?

23 INVESTMENT DIRECTOR REESE: Yeah, that's a good  
24 question. So several years ago when we engaged in an RFP  
25 for the Long-Term Care Fund, some of the providers did

1 come back with an allocation to private equity and they --  
2 you know, it was the type of investment strategy where you  
3 lock up, you know, a certain amount of your capital in  
4 private equity for the long term, and then you have, you  
5 know, kind of shorter term more liquid assets that you use  
6 to kind of pay the monthly bills.

7           You know, at that time, we made a decision that  
8 that wasn't appropriate for the Long-Term Care Fund. It  
9 is -- you know, it is cash flow negative. It has a lower  
10 discount rate than the Judges', so we don't -- you know,  
11 we don't -- we certainly don't need the private equity  
12 asset class in order to hit our return targets. And just  
13 based on the illiquidity of that asset class, you know,  
14 it's just -- we just kind of deem it not appropriate.

15           COMMITTEE MEMBER RUBALCAVA: Okay.

16           INVESTMENT DIRECTOR REESE: So I think when we  
17 look at these -- I mean, you know, I think we'll always  
18 consider an asset -- a different type of asset, but, you  
19 know, in the decision-making, it's really what's prudent  
20 for that particular fund and that particular fund's  
21 mandate.

22           COMMITTEE MEMBER RUBALCAVA: I appreciate the  
23 discussion, because I can see, you know, we do -- you guys  
24 are professionals, so you see what is prudent, and --  
25 because I was going to notice on the long-term care, we

1 have two new fixed Income benchmarks, which is good. So I  
2 thank the consultants for that and thank you for the  
3 presentation and for the --

4 INVESTMENT DIRECTOR REESE: Thank you.

5 COMMITTEE MEMBER RUBALCAVA: -- due diligence.  
6 Thank you.

7 CHAIR PALKKI: Thank you.

8 Next, Ms. Erickson.

9 COMMITTEE MEMBER ERICKSON: Hi there. Good  
10 afternoon. Just a quick question for you on the Judges'  
11 Retirement System for the private equity. So for our next  
12 meeting, do you think you could provide us an example of  
13 how the portfolio might change when you add private equity  
14 in? That would be really helpful, I think, for me.

15 And then my second question is back to the  
16 Judges' Retirement System Fund, where we had options, if  
17 you wouldn't mind flashing that back. This was when we  
18 had the current Option A, and then Option B and see C.  
19 This is for the Judges' Retirement System II fund, where  
20 we had options. Page 15. Thank you. Yep, this is it.

21 Question for you just for my understanding, I  
22 understand the expected volatility on the current, but why  
23 not choose Option B, when you have the same return and the  
24 volatility is less than the current model? I think you  
25 talked about mentioning there's a big cost to this shift.

1 So maybe if you could clarify that for me a little more?

2 Thank you.

3 INVESTMENT DIRECTOR REESE: Yes. There can be a  
4 cost. I mean, there is always a cost when you're buying  
5 and selling assets in the market. That cost is unknown.  
6 Like I said, when we looked back at the 2024 results, it  
7 was about five basis points. So, you know, five  
8 one-hundredths of a percent. And, you know, as Saeed  
9 mentioned, you know -- you know, Option B isn't a bad  
10 choice. It -- you know, it's certainly -- it's also a  
11 good alternative. One of the things, and that I mentioned  
12 earlier also, is that the -- you know, the risk between  
13 the Option B and the current portfolio, there is some  
14 element of, you know, where I mentioned the 6.4. They're  
15 not 6.4 even, right? They're kind of either rounded up or  
16 rounded down, and that can also affect, you know, the  
17 actual mathematical result of risk.

18 COMMITTEE MEMBER ERICKSON: Thank you.

19 INVESTMENT DIRECTOR DAROOGHEHA: Very quickly.  
20 Option B is also reasonable. I like the word that was  
21 used for this as "Reasonable". Between A, current, and B,  
22 you're basically selling five percent -- around five  
23 percent equity and buying fixed income. And I think one  
24 of the point, you know, we made here, diverse viewpoints  
25 are necessary. Part of this was to get feedback from you

1 to around what you think, and when we come back to take  
2 that into account.

3 In our judgment, the current portfolio is already  
4 well balanced. It will give us the target expected return  
5 that we are looking for in the long run, but Option B is  
6 also sensible, as we have discussed internally too.

7 COMMITTEE MEMBER ERICKSON: Thank you.

8 CHAIR PALKKI: Thank you.

9 Next, I have Mr. Miller.

10 VICE CHAIR MILLER: Yeah. I'm -- I think you  
11 just answered my questions, because I was interested in,  
12 you know, that balance when you've got two alternatives  
13 that look reasonable or attractive that are maybe  
14 marginally a little better on expected return within a  
15 range or volatility. But, you know, I was kind of  
16 interested, well, what's -- what kind of the magnitude of  
17 those kind of friction, those costs of transactions, or  
18 reshuffling, or whatever. And I think you pretty much  
19 covered it. I don't know if there's much else to say on  
20 that. But if there is, I'd like to hear it.

21 INVESTMENT DIRECTOR DAROOGHEHA: I'll add one  
22 thing quickly. One of the -- I mean, here, we show  
23 everything as point estimate, but when you guys approved  
24 the -- (clears throat) - excuse me -- CMA you can see that  
25 there is a range. There is a range around all these

1 outcomes. And that's why, at least from my perspective,  
2 current and Portfolio B, those numbers are very --  
3 statistically very similar and both of them are sensible.

4 CHAIR PALKKI: I have Mike Detoy.

5 COMMITTEE MEMBER DETOY: Thank you. I don't know  
6 if we're splitting hairs here. This can hopefully bridge  
7 a conversation, but, you know, if we do approve staff's  
8 recommendation moving forward and add private equity via  
9 incubation up to give percent, in the current model versus  
10 Option B/Option A, where would you take -- you know, break  
11 up the new asset allocation? You know, would you take it  
12 from the global equity side, and which would bring it down  
13 to 37, 38 percent anyways, if we added a five percent  
14 private equity portion? And again for Option B/Option A,  
15 where would you be looking to Reallocate that in the next  
16 ALM?

17 INVESTMENT DIRECTOR REESE: Yeah. It's not  
18 exactly known, but it would likely come from, you know,  
19 growth asset classes, global equity, or global REITs. We  
20 would work with Saeed's team to do an optimization. And  
21 we will bring back in the second reading the results  
22 showing kind of the impact of how private equity would  
23 impact the portfolio.

24 So, you know, kind of at the time of incubation  
25 and investment, we would, you know, look at kind of how to

1 best optimize and where to pull that -- you know, because  
2 if we have a -- if we have a net expected return and risk,  
3 we don't want that risk to change dramatically as we go  
4 into private equity. So, for example, we wouldn't  
5 probably pull it from fixed income going to private equity  
6 because that would -- that would increase risk.

7 COMMITTEE MEMBER DETOY: Okay. So as we get into  
8 a second read or, you know, the next ALM process, as I  
9 said, this is -- these options are going to even look  
10 completely different if there's an introduction of private  
11 equity, the percentage-wise, is that correct?

12 INVESTMENT DIRECTOR REESE: Yes. At the next --  
13 at the next ALM, let's say we were -- after the incubation  
14 period, we were seeking a five percent allocation, these  
15 results would be different.

16 COMMITTEE MEMBER DETOY: Perfect. Thank you.

17 INVESTMENT DIRECTOR REESE: Um-hmm.

18 CHAIR PALKKI: Next, I have Ms. Taylor.

19 COMMITTEE MEMBER TAYLOR: Sorry. So David  
20 reminded me, the transaction cost. So if we move from  
21 current, which is what you guys suggested, to stay with to  
22 Option B, what are those -- are those transaction costs to  
23 get rid of some of that going to, in the long term,  
24 impact -- or have an impact on the long-term returns?

25 INVESTMENT DIRECTOR REESE: Yes. The costs --

1 the costs of transitioning are unknown until you actually  
2 go into the market and trade on that particular day, which  
3 is why I look back at the 2024 results just to kind of get  
4 a gauge. And so it looked like it was about five basis  
5 points. And that five basis points is a cost that you pay  
6 that day. And so, you know, let's say you were re -- you  
7 know, you were reconfiguring the portfolio every year,  
8 yes, five basis points every year can certainly erode the  
9 long-term returns that you're seeking to have in the  
10 portfolio.

11 So, that's part of the reason, you know, in terms  
12 of costs. You know, maintaining the current portfolio is  
13 a benefit, because you don't incur those costs, but, you  
14 know, the costs aren't -- you know, if we -- if we take a  
15 measured approach and don't turnover the portfolio very  
16 frequently Policy, you know, then those costs can be  
17 absorbed, but they do have an impact.

18 STEVE FORESTI: And it's probably worth noting  
19 that you're going to incur some of that as this capital  
20 moves into private equity, right? It's got to -- it's got  
21 to come from somewhere. So even with the current  
22 portfolio, you're going to incur some of that turnover.

23 COMMITTEE MEMBER TAYLOR: Right, in costs and  
24 stuff. Okay. And I just want to clarify, adding private  
25 equity was a request or -- from the judges or was it

1 suggested by you guys and they were all for it, because I  
2 think when we're 109 percent funded, I'm not sure we need  
3 private equity.

4 CHIEF OPERATING INVESTMENT OFFICER COHEN: Yeah.  
5 It was a request/question going back probably three  
6 years --

7 COMMITTEE MEMBER TAYLOR: Oh, okay.

8 CHIEF OPERATING INVESTMENT OFFICER COHEN: -- and  
9 that we've had an ongoing conversation about it, sort of  
10 weighing the pros and cons, and ultimately as a team  
11 landed that it -- that it made sense for the fund and  
12 obviously for the judges' best interest, because the two  
13 were intertwined.

14 COMMITTEE MEMBER TAYLOR: Well, and they wanted  
15 it, so okay.

16 CHIEF OPERATING INVESTMENT OFFICER COHEN: Yeah.

17 COMMITTEE MEMBER TAYLOR: Okay. Those were my  
18 two questions.

19 CHAIR PALKKI: Thank you.

20 Next, I have Mr. Henning.

21 ACTING COMMITTEE MEMBER HENNING: Yeah, I think I  
22 had more of a statement than anything else, but this is an  
23 amazing conversation to have. I remember more on the --  
24 when I was on the Taft-Hartley side, when we were talking  
25 about the funding of pension funds when you're looking at

1 50 and 60 percent, and wondering how we're going to get  
2 that higher, and thinking 50 or 60 percent might be  
3 enough, because not everybody is going to retire on the  
4 same day, or during the same year.

5 Now, we're looking a hundred and almost ten  
6 percent. With the judges, we're looking at other  
7 portfolios in a larger portfolio that's up in the 80s.  
8 And I -- this is just an amazing place to be, where we're  
9 talking about a risk that is at the decimal point of what  
10 it once was.

11 So a lot of this is congratulations to you all  
12 and other former members that have sat up here and made  
13 these decision so we can have these types of discussions,  
14 where we're talking about getting the same type of return  
15 and lowering risk. Thank you.

16 CHAIR PALKKI: I don't have any other commenters.  
17 So thank you all for the robust discussion. And if I  
18 don't have any -- I don't have anything else to add, other  
19 than looking forward to the second read.

20 COMMITTEE MEMBER TAYLOR: What about Ramon.

21 CHAIR PALKKI: Oh.

22 COMMITTEE MEMBER TAYLOR: Sorry.

23 COMMITTEE MEMBER RUBALCAVA: And the  
24 recommendation is to adopt the new market -- do we -- is a  
25 motion needed for this?

1 CHAIR PALKKI: No. This is a first read. It's  
2 an information item.

3 COMMITTEE MEMBER RUBALCAVA: Oh. Okay. I  
4 misread the letter then. Okay. Thank you.

5 INVESTMENT DIRECTOR REESE: Thank you. We  
6 appreciate the opportunity to present today.

7 CHAIR PALKKI: Thank you.

8 So that brings us to Summary of Committee  
9 Direction.

10 CHIEF OPERATING INVESTMENT OFFICER COHEN: No  
11 specific Committee direction that I recorded, but  
12 obviously you gave a lot of feedback and asked some  
13 excellent questions on both the Fund Policy rewrite and  
14 the ALM here on the affiliates that we'll incorporate  
15 before we come back in June.

16 CHAIR PALKKI: Great. Thank you.

17 I -- do we have any other public comments?

18 No. Ms. Gallegos.

19 ACTING COMMITTEE MEMBER GALLEGOS: Yeah, in terms  
20 of direction, a sensitivity analysis, when you can present  
21 that to us, at some point, with -- you can couch it around  
22 higher oil prices or whatever you think is most relevant,  
23 but something to give an idea of where our risk lies at  
24 the moment.

25 CHIEF INVESTMENT OFFICER GILMORE: We can talk

1 about that tomorrow as well, because we've done some of  
2 that in the past, but this is a more specific scenario.

3 CHAIR PALKKI: Great. Thank you.

4 Okay. So that moves us into -- I don't have a  
5 card for public comment. Go ahead.

6 J.J. JELINCIC: J.J. Jelincic. Very short public  
7 comment.

8 Equity is equity, and how you -- how it is owned  
9 does not change that nature of equity. I would also point  
10 out that the PERF was once 114 percent funded. So the  
11 fact the Judges are 109 should create some comfort, but  
12 once should also be aware that it's a bunch of estimates.  
13 And if we can go from 114 to 62, we could probably go from  
14 109 to 62 as well.

15 Thank you.

16 CHAIR PALKKI: Thank you.

17 Okay. So before we adjourn into closed session,  
18 I believe I have -- we have brief statements by two of our  
19 Committee members. So if you can put yourself in the  
20 queues. Ms. Gallegos.

21 ACTING COMMITTEE MEMBER GALLEGOS: Yes. Thank  
22 you. Because the Controller has a potential conflict  
23 under Government Code section 87100, I will be recusing  
24 from part of the closed session consistent with California  
25 Code of Regulations, Title 2, section 18707.

1 CHAIR PALKKI: Thank you. And Ms. Erickson.

2 COMMITTEE MEMBER ERICKSON: Because I have a  
3 potential conflict under Government Code section 87100, I  
4 will be recusing from part of the closed session  
5 consistent with California Code of Regulations, Title 2,  
6 section 18707. Thank you.

7 CHAIR PALKKI: Thank you.

8 So we will recess into closed sessions for Items  
9 1 through 8 from the closed session agenda. We'll take a  
10 short break. And then we'll immediately reconvene in open  
11 session after closed session.

12 Finally, I just want to make a brief statement  
13 for the benefit of the public about the discussion we'll  
14 be having about the fund's holdings in Tesla. While the  
15 Bagley-Keene Open Meeting Act generally requires  
16 discussion to take place in public, the Legislature also  
17 recognizes that there are instances when the discussions  
18 should take place in private. The Board's consideration  
19 of investment decisions is such an instance, and both our  
20 Investment and Legal staff have advised us that closed  
21 session is appropriate for this discussion, given the  
22 proprietary nature of the investment strategy and  
23 potential impact a public discussion could have on the  
24 retirement fund.

25 As fiduciaries, we always keep in mind that we

1 are managing trust funds, and that our paramount duty is  
2 providing benefits to our members and beneficiaries.

3 Thank you. We'll take 15 minute and then we'll  
4 convene in closed session. So thank you.

5 (Off record: 3:09 p.m.)

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

8 (Thereupon the meeting reconvened  
9 open session.)

10 (On record: 6:33 p.m.)

11 CHAIR PALKKI: Thank you. We are now back in  
12 open session, and this adjourns our meeting. The  
13 Investment Committee will resume tomorrow at 9 a.m.

14 Thank you.

15 (Thereupon, the California Public Employees'  
16 Retirement System, Investment Committee  
17 meeting open session adjourned at 6:33 p.m.)

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