

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
FINANCE & ADMINISTRATION COMMITTEE

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

TUESDAY, SEPTEMBER 15, 2026

4:40 P.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
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A P P E A R A N C E S

COMMITTEE MEMBERS:

Lisa Middleton, Chair

David Miller, Vice Chair

Michael Detoy

Kevin Palkki

Ramon Rubalcava

Yvonne Walker

Mullissa Willette

BOARD MEMBERS:

Theresa Taylor, President

Troy Johnson

STAFF:

Marcie Frost, Chief Executive Officer

Stephen Gilmore, Chief Investment Officer

Michele Nix, Chief Financial Officer

Scott Terando, Chief Actuary

Prashant Yerramalli, General Counsel

Melody Benavides, Chief, Pension Contracts & Prefunding
Programs

Jennifer Hafner, Initiative Director

Alan Le, Investment Manager

Robert Paterson, Investment Director

Julian Robinson, Senior Pension Actuary

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1 P R O C E E D I N G S

2 CHAIR MIDDLETON: I'd like to call to order the
3 Finance and Administration Committee meeting of September
4 15th, 2026. Roll call, please.

5 BOARD CLERK LEMUS: Lisa Middleton.

6 CHAIR MIDDLETON: Present.

7 BOARD CLERK LEMUS: David Miller.

8 VICE CHAIR MILLER: Here.

9 BOARD CLERK LEMUS: Michael Detoy.

10 COMMITTEE MEMBER DETOY: Here.

11 BOARD CLERK LEMUS: Kevin Palkki.

12 COMMITTEE MEMBER PALKKI: Good afternoon.

13 BOARD CLERK LEMUS: Ramon Rubalcava.

14 COMMITTEE MEMBER RUBALCAVA: Here.

15 BOARD CLERK LEMUS: Yvonne Walker.

16 COMMITTEE MEMBER WALKER: Here.

17 BOARD CLERK LEMUS: Mullissa Willette.

18 COMMITTEE MEMBER WILLETTE: Here.

19 CHAIR MIDDLETON: All right. The next order of
20 business is the executive report, Ms. Nix.

21 CHIEF FINANCIAL OFFICER NIX: Thank you. Good
22 afternoon, Madam Chair and Committee members. Welcome to
23 the last Committee of the day and the fun committee. I'm
24 Michele Nix, CalPERS team member. Please join me in
25 welcoming our new Chief of Financial Planning Policy and

1 Budgeting Division, Jennifer Hamarlund to the team.

2 Jennifer will you stand up, please.

3 (Applause).

4 CHIEF FINANCIAL OFFICER NIX: Jennifer brings
5 more than 25 years of California State service, senior
6 leadership and experience in financial management,
7 budgeting, strategic planning and organizational
8 transformation. Thanks, Jennifer.

9 During the month of July, 2026, CalPERS offered
10 all contracting public agencies the opportunity to make a
11 lump sum prepayment of the required monthly unfunded
12 accrued liability to receive a 3.4 discount on their
13 annual payment. During this month, 76 percent of our
14 employers made the prepaid lump sum payments totaling 5.76
15 billion. This represents 82 percent of our expected UAL
16 payments for the fiscal 26-27.

17 Agenda Item 4f is our -- is a new agenda item for
18 the Supplemental Income Program. We previously reported
19 these programs in the same agenda as the CERBT and the
20 CEPPT programs, but felt that this needed to be reported
21 separately since they're very different.

22 Now, I am happy to -- and pleased to report that
23 for the second consecutive year, CalPERS 457 Plan was
24 recognized by the National Association of Government
25 Defined Contribution Administrators and received a 2026

1 NAGDCA leadership award. This award honors excellence in
2 technology in cybersecurity. We received this award for
3 our work to implement online enrollment capabilities and
4 increase awareness of available digital tools,
5 cybersecurity for our participants.

6 I'm also pleased to the recognize the annual
7 comprehensive financial report for receiving the
8 Government Finance Officers Association award for
9 Excellence in Financial Reporting for the 2024-25 ACFR.
10 This award reflects the high standards of transparency,
11 accuracy, and accountability that guide our financial
12 reporting.

13 Thank you to everyone who contributed to this
14 important effort and helped ensure our financial reporting
15 continues to meet its highest standards. The agenda
16 before you today consists of the operational cash flow
17 forecast report, prefunding programs and annual status
18 report, Pension Contracts Management Program annual
19 report, and the Supplemental Income Program annual report.

20 Additionally, the agenda has one action item
21 seeking your approval, the funding risk mitigation event.
22 We also have two information items, annual actuarial
23 valuation's terminated agency pool and the closed -- and
24 closing with the Modernization Investment Data and
25 Technology update.

1 The next Finance and Administration Committee is
2 scheduled for November 17th, 2026 and will have three
3 action items, including the Modernization Investment Data
4 and Technology update, the 26-27 mid-year budget
5 revisions, and the 25-26 basic financial statements.

6 As well, there will be three presentations on the
7 Semiannual Health Plan Financial report, the annual review
8 of the funding levels and risk report, and the Asset
9 Liability Management Policy update. Additionally, there
10 will be reports provided on the semiannual contracting
11 prospective report, contracts administration for an
12 affirmation of investment contracts that don't have a
13 defined duration, annual discharge of accounts receivable
14 and the Pension Contract Management Program.

15 Thank you, Madam Chair. That concludes my report
16 and I'd be please to take questions at this time.

17 CHAIR MIDDLETON: Are there any questions for Ms.
18 Nix?

19 I'm seeing none. So we will move on to action
20 consent items. I did not get any request to pull any of
21 the action consent items.

22 VICE CHAIR MILLER: Move approval.

23 COMMITTEE MEMBER PALKKI: Second.

24 CHAIR MIDDLETON: Move approval from Mr. Miller,
25 second by Mr. Palkki.

1 All in favor please say aye?

2 (Ayes.)

3 CHAIR MIDDLETON: Any opposed?

4 Any abstentions?

5 Action consent items are approved.

6 We now have the information consent items. I did
7 have a request from Trustee Rubalcava to pull 4e, Pension
8 Contracts Management Program Annual Report. Are there any
9 other requests for any other information consent item to
10 be pulled?

11 Seeing none, we will move on to Item 4e and
12 Trustee Rubalcava.

13 COMMITTEE MEMBER RUBALCAVA: Thank you. I have a
14 question. I know that CalPERS is the Social Security
15 state administrator. And in the report it says there's 13
16 new Social Security 2018 agreements, and they're listed in
17 Appendix 4, but there's also 17 in progress. The reason I
18 bring this up, I want to ask -- I keep hearing from
19 superior courts Ventura County, for example, that there's
20 some sort of action they have to take, some vote or
21 something, and maybe Riverside County. Can you fill me
22 in, what's happening right now with these courts, Social
23 Security?

24 CHIEF FINANCIAL OFFICER NIX: Certainly. I'm
25 going to ask Melody who runs the program to explain what

1 we're going to ask the courts to do.

2 PENSION CONTRACTS & PREFUNDING PROGRAMS DIVISION

3 CHIEF BENAVIDES: Hi. Good afternoon, Melody Benavides.

4 I'm CalPERS team leader.

5 As far as the courts, we have been working with
6 the courts for over -- probably the last couple of years
7 for them to set up their own Social Security agreements
8 with us. So we've been providing information sessions to
9 them and working with each court to make sure that we set
10 those separate agreements up. And the reason why is
11 because we received -- we received instruction from the
12 federal Social Security that we needed to move forward
13 with doing that.

14 COMMITTEE MEMBER RUBALCAVA: And so were these
15 supposed to have been set up some time ago or why did the
16 Social Security Administration get involved or trigger us
17 to push? I mean, what's happening. I guess I'm trying to
18 understand.

19 PENSION CONTRACTS & PREFUNDING PROGRAMS DIVISION
20 CHIEF BENAVIDES: Yeah. It's been something that's been
21 happening for quite some time now. It's just now that the
22 courts are ready to go ahead and take action on this. I
23 did send a briefing to you guys that I can resend to you,
24 if you'd like.

25 COMMITTEE MEMBER RUBALCAVA: Sure. I don't

1 remember getting it. I apologize, if I missed it.

2 PENSION CONTRACTS & PREFUNDING PROGRAMS DIVISION

3 CHIEF BENAVIDES: Oh, no worries. It was from Ventura, so
4 I can get --

5 COMMITTEE MEMBER RUBALCAVA: Oh.

6 PENSION CONTRACTS & PREFUNDING PROGRAMS DIVISION

7 CHIEF BENAVIDES: -- make sure that we send that back out
8 to you immediately.

9 COMMITTEE MEMBER RUBALCAVA: Please.

10 PENSION CONTRACTS & PREFUNDING PROGRAMS DIVISION

11 CHIEF BENAVIDES: Okay.

12 COMMITTEE MEMBER RUBALCAVA: And so what
13 county -- what -- is it -- who's in play right now? Is it
14 Ventura? Is it Alameda? Is it Riverside? Those are the
15 ones that I --

16 PENSION CONTRACTS & PREFUNDING PROGRAMS DIVISION

17 CHIEF BENAVIDES: At this time, I have -- we're meeting
18 with them weekly, so there's several that have them in
19 process. But I can get you some -- I can follow up with a
20 table of information regarding those that are in process
21 and those that we've completed so far.

22 COMMITTEE MEMBER RUBALCAVA: That would be
23 helpful.

24 PENSION CONTRACTS & PREFUNDING PROGRAMS DIVISION

25 CHIEF BENAVIDES:

1 COMMITTEE MEMBER RUBALCAVA: Okay. So that list
2 of 17, it says 17 in progress, does that include the
3 courts or is that something separate? In one of appendix.
4 I mean, one of the charts it says said 17 in progress.

5 PENSION CONTRACTS & PREFUNDING PROGRAMS DIVISION
6 CHIEF BENAVIDES: The 17 in progress could be both courts
7 or it could be public agencies. If it's -- so if it's
8 regarding Social Security Section 218 agreements.

9 COMMITTEE MEMBER RUBALCAVA: Yes. Could you send
10 me -- could you make sure I know what those seven -- I
11 have a list of who the 13 new contracts are, Appendix 4,
12 but who are the 17 in progress will be helpful.

13 PENSION CONTRACTS & PREFUNDING PROGRAMS DIVISION
14 CHIEF BENAVIDES: Yes, we can follow up.

15 COMMITTEE MEMBER RUBALCAVA: And especially
16 Ventura. And if Riverside is in play too, that would
17 helpful.

18 PENSION CONTRACTS & PREFUNDING PROGRAMS DIVISION
19 CHIEF BENAVIDES: Okay.

20 COMMITTEE MEMBER RUBALCAVA: Thank you very much
21 Appreciate it. Thank you, Ms. Chair.

22 CHAIR MIDDLETON: All right. Thank you.

23 With that, we will move on to our action agenda
24 item, which is 5a, Ms. Nix and Mr. Terando.

25 (Slide presentation).

1 CHIEF FINANCIAL OFFICER NIX: Thank you, Madam
2 Chair and Committee members. Michele Nix, CalPERS team
3 member.

4 Let's see. That's right. This item is being
5 brought to you today, because of a funding risk mitigation
6 event that has occurred with the investment return as of
7 June 30th, 2026 at a rate of 14.8 percent return.

8 [SLIDE CHANGE]

9 CHIEF FINANCIAL OFFICER NIX: The purpose of this
10 policy is to reduce CalPERS' funding risk over time and
11 thereby increase the long-term sustainability of CalPERS
12 pension benefits to our members. The Funding Risk
13 Mitigation Policy was changed in April 2024 to require an
14 action to be brought to the Board when the investment
15 return exceeds the discount rate by two percent or more.

16 [SLIDE CHANGE]

17 CHIEF FINANCIAL OFFICER NIX: This slide is just
18 a reminder that the Risk Mitigation Funding Policy sets
19 forth thresholds in years where CalPERS has earnings above
20 the discount rate, which is currently at 6.8 percent.
21 This year, we exceeded that discount rate by eight
22 percent. The action before you today is to decide whether
23 the discount rate and expected rate of return, which are
24 typically the same at CalPERS, should be reduced by 0.10
25 percent.

1 [SLIDE CHANGE]

2 CHIEF FINANCIAL OFFICER NIX: I'm going to turn
3 over the slides to Scott, so that he can discuss the
4 actuarial illustration of how this would impact our
5 employers.

6 CHIEF ACTUARY TERANDO: All right. Thanks,
7 Michele. So when we look at this slide, what we're
8 looking at is an illustration of projected employer
9 contributions for a sample plan, if we were to drop the
10 discount rate to 6.7 percent. So looking at that line
11 graph, the top line, the black line, is the projected
12 rates for this plan from the 6/30/25 evaluation with the
13 assumed rate of return of 6.8 percent.

14 When we include the 14.8 percent return, the
15 contributions drop, and that's the solid blue line on the
16 bottom. If we were to drop the discount rate, what
17 happens is we use some of that gain to pay for the
18 increase in accrued liabilities. And what you can see is
19 you can see the dotted line kind of in between the two,
20 and that would be where, you know, we would expect the
21 contributions for this plan to be, if we were to drop the
22 discount rate.

23 They are still lower than what we orig -- if we
24 had gotten our original expected rate of return, but
25 obviously they are higher than if we kept the interest

1 rate the same.

2 [SLIDE CHANGE]

3 CHIEF ACTUARY TERANDO: Another consideration is
4 when we drop the discount rate, PEPRA employees would pay
5 any possible increase in normal cost. So we looked at
6 where there could be some possible increases in employee
7 costs for PEPRA members. And what we found is, based on
8 our analysis, around 19,000 miscellaneous members would be
9 seeing increases in employee contributions. And that's
10 around 10 to 11 percent of the miscellaneous members. In
11 terms of safety members, that number jumps up to 15,000.
12 And that's over half of the safety members. So there
13 would be definitely an increase in the employee
14 contributions were we to drop the discount rate.

15 [SLIDE CHANGE]

16 CHIEF ACTUARY TERANDO: Looking at the State and
17 school plans, the State could potentially see some
18 increases in employee contributions and then definitely on
19 the school side for the schools pool, we would see
20 increases in PEPRA member contributions of around half a
21 percent. You know, this is all if we were to decrease the
22 discount rate from 6.8 to 6.7 percent.

23 [SLIDE CHANGE]

24 CHIEF ACTUARY TERANDO: Now, I'll pass it back to
25 Michele to go over our recommendation.

1 CHIEF FINANCIAL OFFICER NIX: Thanks, Scott.

2 The staff recommends making no changes to
3 discount rate and expected investment rate of return. I
4 would like to remind the Board that there are several
5 mechanisms currently in place for lowering the discount
6 rate. Those include the Board -- number one, the Board
7 can just decide to change it at any time. The ALM
8 process, both at mid-year and the ALM year-end, which just
9 happened, provides inputs for that decision. And there's
10 also the Funding Risk Mitigation Policy, which is what
11 we're discussing -- what you're going to discuss now. So
12 that would be our staff recommendation. This is an action
13 item for your discussion and consideration. And that
14 concludes my presentation, but I would be happy to take
15 any questions that you may have.

16 CHAIR MIDDLETON: All right. Mr. Detoy.

17 Mr. Detoy.

18 COMMITTEE MEMBER DETOY: Thank you for the
19 conversation. And I think this is a good problem to have.
20 When I was looking at this, I think it -- you know, not
21 only does it affect the employer -- possibly the
22 employer's contributions and employee contributions, our
23 funding status in general, what is kind of Basic discount
24 rate for pensions across the United States? I feel like
25 6.8, we're right in the average for them.

1 CHIEF ACTUARY TERANDO: Yeah. I think when we --
2 we had this chart during the ALM process where we looked
3 and we were right in line with pretty much everyone else,
4 not only in terms of in the nation but also in California.
5 Generally, I think the majority of the plans are between
6 6.5 and 7 percent with us, you know, right at 6.8. So I
7 would say we're -- you know, I don't want to say it's a
8 common discount rate, but I think it's -- obviously the
9 rate is dependent on, you know, your asset mix and a lot
10 of other factors. It's just not are you the same as
11 everyone else, but it seems that everyone is kind of
12 clustered around that six and a half to seven percent.

13 COMMITTEE MEMBER DETOY: Perfect. I mean, yeah,
14 it's something I hear from a lot of employers and
15 employees about the cost of the contributions and the
16 impact on their general fund. And I appreciate staff's
17 recommendation to make no change at this time. I would be
18 supportive of it, but also, you know, a larger
19 conversation on, you know, should we have different
20 triggers to have this conversation, whether it's funding
21 status overall or, you know, when should this be
22 addressed? And hopefully, again, we have this good
23 problem next year. But, you know, I don't know if it's a
24 subcommittee that we want to work with or just work with
25 staff on is this policy currently needed or a revision of

1 this policy in some form moving forward.

2 CHIEF FINANCIAL OFFICER NIX: I'd like to
3 remind -- you may not have been on the Board. I don't
4 remember, but --

5 COMMITTEE MEMBER DETOY: Probably not.

6 CHIEF FINANCIAL OFFICER NIX: -- when we changed
7 it. It was -- originally, this policy automatically
8 triggered a lowering of a discount rate. So if we
9 exceeded the two percent, it would just automatically
10 lower it. And the Board decided in 2024 to make it a more
11 discussionable point. So that's the policy. It can be
12 change obviously, but that's where we're at with it.

13 COMMITTEE MEMBER DETOY: Perfect. I'll let my
14 colleagues share their thoughts.

15 CHAIR MIDDLETON: Okay. Trustee Willette.

16 COMMITTEE MEMBER WILLETTE: Thank you. Thank
17 you. Thank you for the presentation. I want to lead with
18 I support the staff recommendation, but I am a little
19 concerned that I'm not sure this policy is operating as
20 written, since it was adopted. Looking at the history,
21 the trigger event threshold was changed in 2017. That was
22 before my time. And it was suspended outright for three
23 years while we lowered the discount rate from 7.5 to 7.

24 But then in 2024, when we did change the policy,
25 which I supported, you know, the policy changed again. It

1 removed the automatic discount rate, replace it with the
2 discussion. And I support that change. And I think
3 giving the Board discretion in the moment is the right
4 call over a rigid formula, but I do think that these
5 material changes -- three material changes in under a
6 decade makes me wonder if the policy is doing what it's
7 supposed to do. In stand -- in having it stand as it is,
8 I'm not sure is the right call.

9 What's really important to me I think is also,
10 and to our employers and members, they depend on
11 stability. And so that's kind of what I think should be
12 at the forefront. I think that this policy is meant to be
13 stabilizing factor. But I would like to request more
14 formally than my colleague that staff undertake a full
15 review of the policy and bring the Board a revised version
16 for consideration. And I think I would like to ask staff
17 to evaluate as an addition to, not a replacement for the
18 discussion mechanism, but maybe a funding status trigger,
19 even maybe at 95 percent or so, but something that we
20 could bring back to the Board -- a policy that we could
21 bring back to the Board with something that -- what it
22 would mean for both risk in the fund and stability for
23 employers and members who are counting on us.

24 So if that's possible through Committee
25 direction. And a timeline. Sorry. What the timeline

1 for -- you know, what that would mean implementation and
2 conversations. Thank you.

3 CHAIR MIDDLETON: So I'd like to hear from
4 everyone before we give Committee direction.

5 Trustee Rubalcava.

6 COMMITTEE MEMBER RUBALCAVA: Thank you. Yes. I,
7 too, support the staff recommendation and we don't --
8 employers want stability. And I know whenever the
9 discount rate is lowered, it increases their contribution
10 amount. Although in this case, it's an increase from a
11 proposed lowering, so it's -- one could argue it's a
12 savings.

13 But my question is on the policy, it makes
14 references to strategic asset allocation targets. Should
15 it be the policy be revised in the area of TPA? Just
16 thought I'll throw that out there. Yeah. That was it.
17 Thank you.

18 CHAIR MIDDLETON: All right. Thank you.

19 We will go to Trustee Miller.

20 VICE CHAIR MILLER: Yeah. I also rise just to
21 agree with the recommendation and want to hear from
22 everybody else, but I'll be happy to make a motion to that
23 effect when the Chair pleases.

24 CHAIR MIDDLETON: And Trustee Walker and then
25 Trustee Taylor.

1 There you go.

2 COMMITTEE MEMBER WALKER: Okay. Sorry. So I
3 also agree with the -- I think it's the right
4 recommendation, but I also think it's right to -- let's
5 look at the policy. Is this the right policy for right
6 now? And it just seems like the right time to, you know,
7 really take an overall look at it. So I would be
8 interested in having staff look at it deeper and then come
9 back with recommendations on what it should look like now.
10 I make the assumption that it made sense at some point,
11 but we're not at that point any more.

12 CHAIR MIDDLETON: Very good. And President
13 Taylor.

14 COMMITTEE MEMBER TAYLOR: There we go. I'm just
15 confused. What's the recommendation for staff to come
16 back with on the policy? I don't understand.

17 COMMITTEE MEMBER WALKER: Okay. So my
18 recommendation is -- and I always have a -- sometimes
19 there are times where you relook at policies. Is this the
20 right policy? Is this the right policy for this time? If
21 it's not, how should we change it? What should we change?
22 What should we do? And that's what I want to have come
23 back to us. It might not be the right policy or maybe it
24 is. I don't know. I've not done the work, but I think
25 now is the time to do it, so...

1 COMMITTEE MEMBER TAYLOR: Okay. That's it.
2 That's -- you just want the whole thing. No particular
3 definitive goal with it?

4 COMMITTEE MEMBER WALKER: No.

5 COMMITTEE MEMBER TAYLOR: Okay.

6 CHAIR MIDDLETON: Trustee Miller.

7 VICE CHAIR MILLER: Okay. At this point, I'll
8 move that we accept the staff recommendation making no
9 changes to the discount rate and expected investment rate
10 of return.

11 CHAIR MIDDLETON: I think we had a motion or a
12 request from --

13 VICE CHAIR MILLER: That was for Committee
14 direction.

15 CHAIR MIDDLETON: Direction. Yeah. I'd like to
16 finish that conversation and then -- and then --

17 VICE CHAIR MILLER: Okay. I'll hold my motion.

18 CHAIR MIDDLETON: -- and then go to the motion,
19 if we could.

20 I support the idea of revisiting the policy that
21 we had. I was on the Board when we made the change. I
22 support the change and we have had multiple instances
23 where I think we have confirmed that, in fact, we did make
24 the right decision in 2024 to not have an automatic moving
25 forward. For us to review that, seems very prudent. But

1 I do not think we should review it with the idea that we
2 think it needs to be changed. That is an evaluation that
3 I certainly could not make, if I were to answer has this
4 policy worked? Given the information that is before me
5 today, that answer would be yes, it is working. But to
6 review it and have staff come back with a full analysis
7 makes perfect sense to me.

8 CHIEF EXECUTIVE OFFICER FROST: Yeah. Chair
9 Middleton, just a bit of context on this policy. It was
10 in place when I arrived as well, but I did go back and
11 look at the records around its creation. And it was
12 created by the Board to bring down the assumed rate of
13 return or the discount rate over time, and essentially buy
14 it with excess investments earnings. But the intention,
15 even at that point in time, was to have floor. And so
16 just based on some of the conversations we've had, it
17 feels like 6.8 is the floor until some other event may
18 happen, whether that is a funded level at 95 percent, as
19 Trustee Willette had indicated, but it -- I think we can
20 look at the policy in its entirety once. See if it's even
21 necessary any longer.

22 You have a four-year ALM process with a two-year
23 check-in. You're looking at the actuarial assumptions
24 every four years, of which the discount rate is one of
25 those assumptions and that might be sufficient, since

1 we've been sitting at 6.8 for sometime now.

2 CHAIR MIDDLETON: All right. Thank you.

3 Is that satisfactory?

4 COMMITTEE MEMBER WALKER: Yeah. Thank you. You
5 used more words, but --

6 (Laughter).

7 CHAIR MIDDLETON: All right. Thank you.

8 Trustee Miller, I believe you wanted to make a
9 motion.

10 VICE CHAIR MILLER: Yes. I have a motion to
11 accept the staff recommendation making no changes to the
12 discount rate and expected investment rate of return.

13 CHAIR MIDDLETON: Is there a second?

14 COMMITTEE MEMBER PALKKI: Second.

15 CHAIR MIDDLETON: Second.

16 All in favor, please say aye?

17 (Ayes.)

18 CHAIR MIDDLETON: Any opposed?

19 Any abstentions?

20 Thank you. So we will move on to Item 6a, which
21 is information agenda items, and the annual actuarial
22 variation of terminated agencies. Mr. Robinson.

23 (Slide presentation).

24 SENIOR ACTUARY ROBINSON: Good afternoon. Julian
25 Robinson. CalPERS team member. I'm here today to present

1 the Terminated Agency Risk Pool June 25th -- june 30, 2025
2 evaluation report.

3 [SLIDE CHANGE]

4 SENIOR ACTUARY ROBINSON: The -- as of June 30,
5 2025, the TAP is well funded with a funded status of 259.6
6 percent. The assets are approximately \$386 million. The
7 liability approximately \$150 million. Just to put the
8 TAP, or the Terminated Agency Pool, in perspective, the
9 relative size of the assets are less than 0.1 percent of
10 the entire PERF, relatively small. The liabilities are
11 less than 0.02 percent of the PERF. So even though it's
12 an important element of the system, it's a relative small
13 part of the system.

14 As of June 30, 2024, the pool was funded at a
15 rate of 230 percent. So you can see there was quite a
16 significant increase in the funded status of the -- of the
17 pool. The main reasons for the increase in the funded
18 status are two reasons. Number one, you can see the fair
19 value of assets, as increased from 366 to 386 million and
20 also the accrued liability also decreased. The reason why
21 the accrued liability decreased was we had a change in the
22 discount rate.

23 [SLIDE CHANGE]

24 SENIOR ACTUARY ROBINSON: For the Terminated
25 Agency Pool, the discount rate is adjusted every year.

1 There's a Board policy which sets the discount rate as of
2 the 30-year STRIPS, the treasury securities. And as that
3 changes every year, the discount rate also changes every
4 year. So as we know, treasury rates have been increasing
5 over the last few years. So as the discount rate
6 increases, that causes a reduction in the size of the
7 liabilities. The assets in the pool --

8 [SLIDE CHANGE]

9 SENIOR ACTUARY ROBINSON: -- are split into two
10 sections. There's an immunized segment and a
11 non-immunized segment. The immunized segment is invested
12 in low-risk securities, treasury bonds essentially, and
13 that is to mirror the risk that is associated with the
14 pool, because once a plan enters the Terminated Agency
15 Pool, we -- it's a risk that CalPERS has on itself. We
16 can no longer reach out to any of the agencies, because
17 they're now terminated. They no longer have contracts
18 with CalPERS, and the risk of paying the benefits is all
19 on CalPERS shoulders. Any excess or any non-surplus in
20 the pool is invested with the rest of the PERF.

21 And with that, I will open it up to questions.

22 CHAIR MIDDLETON: All right. Are there any
23 questions?

24 Well, we don't often get a report where the
25 assets are going up and the liabilities are going down.

1 Maybe we should stop right there.

2 (Laughter).

3 SENIOR ACTUARY ROBINSON: That's right. And just
4 to end on a light note, I recently was presenting at the
5 CSMFO, that's the California Society of Municipal Fund
6 Officers. And I do an annual presentation to them going
7 through the September reports that we deliver each year.
8 And I had a question from one of the audience members.
9 And they were asking, Julian, do you use AI in your
10 actuarial work? And I said -- I thought for a moment and
11 I said I've been using AI for decades, Australian
12 Innovation.

13 (Laughter).

14 SENIOR ACTUARY ROBINSON: Or actuarial ingenuity.
15 Thank you.

16 (Applause.)

17 CHAIR MIDDLETON: All right. Very good. Thank
18 you. Our next item is 6b, which is the Modernizing
19 Investment Data and Technology update.

20 (Slide presentation).

21 CHAIR MIDDLETON: And we will interested to hear
22 where AI fits in all of this

23 INVESTMENT DIRECTOR PATERSON: We'll look forward
24 to that conversation.

25 Good afternoon, Chair Middleton, Vice Chair

1 Miller, Committee members. My name is Rob Paterson,
2 CalPERS team member. We're please to give an update today
3 on the Data and Technology Modernization Initiative.

4 [SLIDE CHANGE]

5 INVESTMENT DIRECTOR PATERSON: The purpose of
6 today really is just to give a brief update in terms of
7 where we are. As a reminder, the goal is to reduce
8 operational risk by giving our investors the tools and
9 data that they need to be able to focus on investment
10 outcomes. And that's really what we're enabling here.

11 We've made significant process since the last
12 time that we provided an update and we're pleased to share
13 that update with you today. I'm joined to my right by Jen
14 Hafner, who's the Initiative Director who is going to be
15 giving an update on the progress that we've made, as well
16 as by Alan Le, who's going to give an update and kind of
17 unpack some of the details as it relates to the data
18 platform that we're standing up.

19 So with that, I'll hand it over to Jen.

20 INITIATIVE DIRECTOR HAFNER: Thank you.

21 [SLIDE CHANGE]

22 INITIATIVE DIRECTOR HAFNER: H. Thank you so
23 much for having me. My name is Jen Hafner. I'm a CalPERS
24 team member. And to start today's discussion, I wanted to
25 send a reminder. At this initiative for modernizing tech

1 and data, there's projects that sit underneath it. So
2 across the top is the Total Fund and Capital Markets
3 Project. Think about that one as this is how we get our
4 total fund view and it's consolidating the tools and the
5 platforms for our PERF and for the AIP.

6 Over on the bottom left-hand side is the Private
7 Markets Platform. That platform is designed to create a
8 life-cycle platform for all of the asset classes in the
9 private market space. Not only is it designed to enhance
10 portfolio monitoring and deal tracking, it's also designed
11 to help collaborate amongst the asset classes, which
12 currently are working in a siloed environment.

13 And then lastly, on the bottom right-hand side,
14 that's a data platform. We think about this as the place
15 for data modeling, data governance, and one single source
16 of truth for the data that's distributed to the team.
17 Alan will be covering that during his section of the
18 presentation.

19 And then lastly, there's a box that's grayed out
20 over on the right-hand side of this slide. This has been
21 talked about as Project 4, but until now it has been
22 grayed out. And it's for an important reason. This is
23 intended to be addressed and used only in the context of
24 gaps, if there are any in Project 1, and Project 2, and
25 Project 3. And we also believe that the best place for

1 the governance for that activity sits inside of those
2 projects. So that's why it's represented here, because
3 you've seen it in the past, but grayed out reflecting the
4 governance that we have in place for this one.

5 [SLIDE CHANGE]

6 INITIATIVE DIRECTOR HAFNER: And then moving on
7 from a timeline perspective. This shows where we are for
8 our initiative timeline. Across the top, we're looking at
9 our fiscal years. On the left-hand side, there's the
10 projects and the initiative level. If you look at the
11 darker blue chevrons. These are initiative dates for each
12 of the projects that sit underneath the initiative. We're
13 in the early part of year three or the year fiscal three
14 out of a five-year program, so -- and in that context, the
15 total fund and capital markets is the furthest along.

16 Currently, that project is in implementation.
17 We're deploying. We're testing. And we have a plan for
18 the different phases of go live for that project.

19 Project 2, private markets, that project is in
20 the pre-implementation phase. That means that during this
21 year, we'll be working on both executing the selection for
22 the platform vendor. We have completed the market
23 analysis to pick the best one for CalPERS. And we'll be
24 moving into the implementation roadmap and the design of
25 that, as we turn the corner into the new year.

1 And then lastly, for the data platform, it's been
2 fully stood up. We have a project team. We have
3 governance in place for that, as well as all the
4 underlying workstreams that would define the governance,
5 the models, and the eventual implementation of that
6 project.

7 [SLIDE CHANGE]

8 INITIATIVE DIRECTOR HAFNER: And then moving on
9 to what have we been doing in this past fiscal year,
10 updates since we last had a chance to speak to this team.
11 And we've made really steady and meaningful progress in
12 the last fiscal year. But that is a result of the
13 teamwork across CalPERS and in the Investment Office, and
14 it's helped us meet our objectives.

15 At the initiative level, we've completed
16 recruiting for six of the in-house staff positions that
17 had been reallocated from other parts of the organization.
18 All of those folks are in place and onboarded. We have
19 also brought on the independent verification and
20 validation partner. That's the partner that's providing
21 independent oversight over all different pieces of the
22 project. There are four people who work on that team and
23 they have full access to all of the projects and
24 initiatives that we're working on.

25 For Total Fund and Capital Markets, we're well on

1 our way to our first deployment, which means in March of
2 2027, we'll be having our first go live for the Long-Term
3 Care Fund and setting the foundation for the
4 infrastructure for the remainder of those phases.

5 And then for Private Markets, as I talked about
6 before, we've completed the peer selection or analysis
7 that's helping inform our contracting that we're working
8 on between now and the end of the year, for our vendor
9 platform.

10 And then as we look forward into the next fiscal
11 year, at the initiative level, we're going to continue to
12 push forward the agenda for this initiative, hitting or
13 budget, our deadlines. This is of top concern when we
14 think about what does the initiative bring to support the
15 underlying initiatives.

16 For Total Fund and Capital Markets we'll continue
17 to advance the implementation for Phase 1. And then for
18 the Private Markets, we have issued a Public Notice of
19 Intent for a vendor. And we're hoping that in January
20 we'll have further information on that selection. So
21 tremendous amount of opportunity going on. At the same
22 time, we continue to work through prioritization,
23 communication, change management across the organization.

24 Those are my comments, but I will turn it over
25 now to Alan to specifically talk about the data platform.

1 Thank you.

2 INVESTMENT MANAGER LE: Thank you, Jen.

3 (Clears throat.)

4 INVESTMENT MANAGER LE: Excuse me.

5 [SLIDE CHANGE]

6 INVESTMENT MANAGER LE: Good afternoon, Madam
7 Chair, Committee members. My name is Alan Le, CalPERS
8 team member and business lead for Project 3, or the Data
9 Platform effort.

10 So today, I thought I'd take a few minutes to
11 give you an overview of what the data platform project
12 will be delivering and why it's important to the
13 Investment Office. Today, a lot of our investment data,
14 much of our investment data is captive within our
15 operational systems and within our vendor platforms. What
16 that ultimately means is that Investment Office staff
17 spend a significant amount of time sourcing, preparing,
18 reconciling, and managing data for their own investment
19 processes.

20 The work is critical, necessary, because high
21 quality fit-for-purpose data is essential to managing the
22 650 billion plus in assets for the PERF and the 40 billion
23 plus in assets for AIP. However, as you can imagine,
24 having highly skilled staff, managing data, sourcing data,
25 spending significant time on this work is not particularly

1 efficient, nor is it the model that we want to set for the
2 future. The data platform effort is seeking to change
3 that.

4 So within Project 3, as we call it, what we're
5 doing is we're building a centralized data platform that
6 will allow us to source, standardize, govern, and
7 distribute shared investment data across the Investment
8 Office. The objective is to make trusted data available
9 where it is needed, when it is needed, while reducing
10 manual efforts, and creating a stronger foundation for
11 investment decision-making.

12 The data platform ultimately will have three core
13 components. The first of these is a data warehouse for
14 sourcing or storing, rather, and organizing data. The
15 second major component is data integration and delivery.
16 And the third component is data governance.

17 I'd like to start with the data warehouse.

18 So the warehouse will bring together the breadth
19 of the data that's required to manage the PERF and AIP
20 trusts. This includes data from our operational systems.
21 And as you might imagine this includes the platforms that
22 are being stood up by the Total Fund and Capital Markets
23 effort, as well as the Private Markets effort. It will
24 also include market data, research data, and any other
25 information that's needed within the Investment Office.

1 With the number of sources, we actually don't
2 intend to store these as, you know, arbitrary,
3 disconnected data sets. We actually intend to organize
4 them into a cohesive data model. And that will include
5 identifying the explicit relationships between these
6 various data sets.

7 Establishing the core data model is actually one
8 of our efforts primary focuses at the moment, because this
9 foundational core data model will be that foundation that
10 the rest of the data platform is built upon.

11 Second, we have data integration and delivery.
12 So, the warehouse, the platform at large needs to be able
13 to do more than store data. We need the ability to
14 efficiently move data in and out of the platform. Project
15 3 will establish automated capabilities to source data in
16 from various places, and then to make that trusted data
17 available where it is needed within the Investment Office.

18 Over time, the goal, of course, being to
19 significantly reduce the amount of manual effort required
20 by Investment Office staff to manage data. And we can
21 direct the delivered data then to where it is needed,
22 whether that's to support an investment process, whether
23 that's for operations or for other analytical needs within
24 the office.

25 Just as with the warehouse, this will also

1 directly connect the data platform efforts to the other
2 two projects. The data that is being stood up within
3 those efforts will be sourced into the data platform and
4 the data platform will also provide data back to those
5 platforms as needed. And then, of course, the data that's
6 within the platform will also be made available to other
7 investment tools throughout the office where appropriate.

8 The third and final component, or major component
9 of the data platform is data governance. So in standing
10 up the data platform, we're centralizing our data, but
11 this also means that we need a consistent framework for
12 managing the information. Within the data platform
13 effort, we'll establish the policies, processes,
14 technology, ownership, and accountability that's needed to
15 ensure that data is reliable and that it's fit for use.
16 This will mean -- this will mean establishing common
17 standards around the information, identifying ownership of
18 critical data, maintaining data quality, and providing
19 transparency around what the data means to the Investment
20 Office, as well as where the data comes from.

21 Just as importantly, we also want to reinforce a
22 culture where shared data is viewed as a strategic asset
23 across the Investment Office, rather than something that,
24 as it is today, in many cases, managed independently
25 within teams or within individual systems.

1 Again, there's a connection to the other two
2 projects. This data governance is not going to be unique
3 to the data platform effort, nor is it going to be unique
4 to the data platform itself. It will extend out into the
5 Total Fund and Capital Markets project, as well as the
6 Private Markets projects. What we expect is that what we
7 stand up from a data governance standpoint will be
8 extended to provide a consistent approach to data
9 management. And that will ultimately extend across the
10 Investment Office and the modernization initiative, as a
11 whole.

12 So as you can see, Project 3, the data platform
13 project, is not just about implementing technology. It's
14 actually about establishing a data foundation that can
15 serve the office not just today but for years to come into
16 the future.

17 So then where are we today?

18 [SLIDE CHANGE]

19 INVESTMENT MANAGER LE: So Project 3 formally
20 kicked off in March of this year. And since then, the
21 team has been focused on project planning, defining our
22 initial core data governance framework, defining our
23 initial foundational data model, as well as aligning our
24 delivery schedule with Project 1 or the Total Fund and
25 Capital Markets critical path.

1 With the Private Markets effort, as the
2 requirements mature within that project, we'll also
3 revisit our delivery schedule and adjust as necessary, so
4 that we can also meet its needs.

5 Our first major release for the data platform
6 effort is targeted for March 2027. And that is
7 intentional to align with Phase 1 of the Total Fund and
8 Capital Markets effort. That additional release will
9 deliver data platform capabilities and data that are
10 required to support the Long-Term Care Fund, which is
11 going live with Phase 1, as well as Private Markets within
12 the PERF within the context of that effort.

13 From there, the platform will continue to expand.
14 One, to support the additional phases of the Total Fund
15 and Capital Markets project, of course, to meet the needs
16 of Project 2, and then as additional data systems,
17 business capabilities are brought onto the new
18 architecture, we'll continue, of course, to grow the
19 platform there as well.

20 So that concludes my comments and I'll hand it
21 back over to Rob.

22 INVESTMENT DIRECTOR PATERSON: So the goal was to
23 provide an update in terms of where we are with the
24 initiative, provide some details on what's happening
25 within Project 3, the scope and boundaries of that. We

1 will return in November, as Michele mentioned earlier with
2 another update. And with that, that's our prepared
3 remarks, and we'll open it up for any questions that you
4 have.

5 CHAIR MIDDLETON: All right. Well, let me kick
6 it off with just a few.

7 Remind us what the total budget of this project
8 is and where we stand in terms of coming in on budget?

9 INITIATIVE DIRECTOR HAFNER: The total budget for
10 this project over the five-year period is 174.9 million.
11 Currently, we are under budget for our current fiscal
12 year.

13 CHAIR MIDDLETON: That's the current fiscal --

14 INITIATIVE DIRECTOR HAFNER: Yeah.

15 CHAIR MIDDLETON: And in prior years?

16 INITIATIVE DIRECTOR HAFNER: In prior years, we
17 have also been within budget.

18 CHAIR MIDDLETON: All right.

19 INITIATIVE DIRECTOR HAFNER: We have come to the
20 Board earlier this year with a \$14 million --

21 CHAIR MIDDLETON: Correct.

22 INITIATIVE DIRECTOR HAFNER: -- increase, which
23 is reflected in these numbers.

24 CHAIR MIDDLETON: All right. Thank you.

25 INITIATIVE DIRECTOR HAFNER: Thank you.

1 CHAIR MIDDLETON: And as this system is
2 implemented, there have been legacy systems in place that
3 those in the Investment Office have taken and used.

4 INITIATIVE DIRECTOR HAFNER: Um-hmm.

5 CHAIR MIDDLETON: WILL those disappear or what is
6 the transition process as we expect people to move into
7 using the new system?

8 INITIATIVE DIRECTOR HAFNER: From a decommission
9 perspective, whether it's for Total Fund and Capital
10 Markets or for the Private Markets platform, each of those
11 projects are not complete until the decommission of the
12 legacy systems are in place. It both not only simplifies
13 our overall ecosystem, but it also contributes to the cost
14 savings associated with the project.

15 CHAIR MIDDLETON: And I would imagine that one of
16 the important markers that you will have is how readily
17 and easily individuals are able to adapt and adopt the new
18 system?

19 INITIATIVE DIRECTOR HAFNER: Yeah. I would say
20 whether it -- whether it's the platform that's currently
21 being selected for Private Markets or for Total Fund and
22 Capital Markets, that change management and that training
23 associated with what am I going to come in and do at my
24 desk and trade, it's essential for kind of the heart and
25 sole of the project, and the adoption of it. So the

1 change management can't be underestimated. The technology
2 itself doesn't work without that change people piece.

3 CHAIR MIDDLETON: Okay. And are you -- are you
4 anticipating a positive reception or how is that -- how
5 are the initial reactions of staff as they are seeing what
6 you're doing?

7 INITIATIVE DIRECTOR HAFNER: Well, I'm fortunate
8 to be able to see it on day in, day out basis. And it
9 depends on where we are in the rollout. Are we having
10 success in our training? Are there successes or
11 incremental wins that people can see and demonstrate that.
12 So it varies. We're earlier right now in our effort in
13 the AIP space, and we're starting to see feedback there.
14 But the funds that are going -- are asset classes that are
15 moving in Phase 2 or Phase 3 haven't felt and seen that
16 yet. So it will come with time, but it's certainly one of
17 the biggest concerns that I would have is how do we adopt
18 inside the organization.

19 CHAIR MIDDLETON: And I think it's something that
20 we certainly want to hear --

21 INITIATIVE DIRECTOR HAFNER: Yeah.

22 CHAIR MIDDLETON: -- at the Board.

23 INVESTMENT DIRECTOR PATERSON: I would just add
24 to Jen's comments. I think one of the things we have
25 going for us is from the beginning the development of the

1 business case where the opportunity set was driven out of
2 the business. So this is something that there's a bit of
3 a groundswell that we need to address some of the siloed
4 and asset class specific tools. So that originated within
5 the asset classes.

6 I think where we are now, this is a long journey.

7 CHAIR MIDDLETON: Um-hmm.

8 INVESTMENT DIRECTOR PATERSON: And so part of the
9 challenge that we're having is not only were they involved
10 originally, but now it's been a while. Now, they're
11 getting involved in looking at the system and testing.
12 And we're needing to be very specific in terms of how they
13 see themselves in the daily process. So they don't feel
14 that this is being done to them, but that we're doing it
15 with them.

16 CHAIR MIDDLETON: All right. Thank you. I
17 appreciate that approach.

18 Are there questions from the Board or comments?

19 All right. Stephen, is there anything you want
20 to add to what's going on?

21 You don't have to, but --

22 CHIEF INVESTMENT OFFICER GILMORE: No. Give
23 you've given me the opportunity, I would say that this is,
24 you know, extremely important for both Marcie and myself.
25 We are the co-sponsors. We meet weekly with the team. We

1 meet every month with the independent verification and
2 validation person. And we have good conversations. So,
3 the area that you've picked up on is one that's of great
4 importance to us and is getting our full attention. What
5 we obviously would like to see are those wins along the
6 way, the quick wins to keep people motivated, and we're
7 getting to that point where some of those things, you
8 know, can be delivered. So it is foremost in our minds.

9 CHAIR MIDDLETON: All right. Thank you.

10 So if there are no other comments or questions,
11 then I think we've come to the Summary of Committee
12 Direction.

13 CHIEF FINANCIAL OFFICER NIX: Thank you, Chair
14 Middleton. I have two things. The first one is to follow
15 up with a list of the 17 218 Social Security agreements
16 that are in process. And the second one is to perform a
17 staff evaluation of the Risk Mitigation Policy to
18 determine its necessity and a possible recommendation
19 within that to have a funding status trigger and update
20 with the inclusion of the TPA language.

21 CHAIR MIDDLETON: All right. Thank you.

22 And are there any public comments?

23 BOARD CLERK LEMUS: (Shakes head).

24 CHAIR MIDDLETON: And looking at the audience, is
25 there any public comment?

1 All right. Then we are adjourned.

2 (Thereupon the California Public Employees'
3 Retirement System, Board of Administration,
4 Finance & Administration Committee meeting
5 adjourned at 5:34 p.m.)
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C E R T I F I C A T E O F R E P O R T E R

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of September, 2026.



JAMES F. PETERS, CSR
Certified Shorthand Reporter
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