

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

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

WEDNESDAY, MARCH 15, 2023

9:01 A.M.

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

APPEARANCES

BOARD MEMBERS:

Theresa Taylor, President

David Miller, Vice President

Malia Cohen, represented by Lynn Paquin

Fiona Ma, represented by Frank Ruffino

Lisa Middleton

Eraina Ortega

Jose Luis Pacheco

Kevin Palkki

Ramón Rubalcava

Yvonne Walker

Mullissa Willette

STAFF:

Marcie Frost, Chief Executive Officer

Michael Cohen, Interim Chief Operating Investment Officer

Douglas Hoffner, Chief Operating Officer

Matthew Jacobs, General Counsel

Stephenson Loveson, Interim Chief Information Officer

Kim Malm, Interim Deputy Executive Officer, Customer Services & Support

Donald Moulds, PhD, Chief Health Director

Nicole Musicco, Chief Investment Officer

Michele Nix, Acting Chief Financial Officer

APPEARANCES CONTINUED

STAFF:

Brad Pacheco, Deputy Executive Officer, Communications & Stakeholder Relations

Scott Terando, Chief Actuary

Marlene Timberlake D'Adamo, Chief Diversity, Equity, and Inclusion Officer

Michelle Tucker, Chief, Human Resources Division

Danny Brown, Chief, Legislative Affairs Division

David Teykaerts, Assistant Division Chief, Stakeholder Relations Division

ALSO PRESENT:

Tim Behrens, California State Retirees

Dan Crowley, K&L Gates

Miriam Eide, Fossil Free California

Jerry Fountain, California State Retirees

Francis Mancina, Fossil Free California

Mary McDonnell, California State Retirees

Kris Murray, Association of California Cities, Orange County

Susan Perlson, Indivisible C45, Citizens' Climate

Johnnie Pina, League of California Cities

Megan Shumway

Sara Theiss, Fossil Free California

Sheila Thorne, Fossil Free California

APPEARANCES CONTINUED

ALSO PRESENT:

Francesca Wander, California State Strong, Indivisible  
Sacramento, Indivisible Yolo, Indivisible San Francisco

Rose Yacobe

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PROCEEDINGS

1  
2 VICE PRESIDENT MILLER: Good morning, everyone.  
3 It's 9:01. So I'm going to call the Board of  
4 Administration meeting to order.

5 So first order of business is roll call.

6 BOARD CLERK TRAN: Theresa Taylor?

7 PRESIDENT TAYLOR: Here.

8 BOARD CLERK TRAN: David Miller?

9 VICE PRESIDENT MILLER: Here.

10 BOARD CLERK TRAN: Lynn Paquin for Malia Cohen?

11 ACTING BOARD MEMBER PAQUIN: Here.

12 BOARD CLERK TRAN: Frank Ruffino for Fiona Ma?

13 ACTING BOARD MEMBER RUFFINO: Present.

14 BOARD CLERK TRAN: Lisa Middleton?

15 BOARD MEMBER MIDDLETON: Present.

16 BOARD CLERK TRAN: Eraina Ortega?

17 BOARD MEMBER ORTEGA: Here.

18 BOARD CLERK TRAN: Jose Luis Pacheco?

19 BOARD MEMBER PACHECO: Present.

20 BOARD CLERK TRAN: Kevin Palkki?

21 BOARD MEMBER PALKKI: Good morning.

22 BOARD CLERK TRAN: Ramón Rubalcava?

23 BOARD MEMBER RUBALCAVA: Present.

24 BOARD CLERK TRAN: Yvonne Walker?

25 BOARD MEMBER WALKER: Here.

1 BOARD CLERK TRAN: Mullissa Willette?

2 BOARD MEMBER WILLETTE: Here.

3 BOARD CLERK TRAN: Dr. Gail Willis?

4 VICE PRESIDENT MILLER: All right. Thank you.

5 Our first order of business is our Pledge of  
6 Allegiance. And I'd like to ask Kevin Palkki -- Director  
7 Palkki to lead us in the pledge.

8 (Thereupon the Pledge of Allegiance was  
9 recited in unison.)

10 VICE PRESIDENT MILLER: Thank you, Director  
11 Palkki

12 And that brings us to our Board President's  
13 report. And we have our President Theresa Taylor joining  
14 us remotely.

15 PRESIDENT TAYLOR: Good morning, everyone.  
16 Thanks for being patient with me. And thank you, David,  
17 for stepping in for me.

18 I just wanted to start with congratulating the  
19 newly elected Chair and Vice Chair of our Investment  
20 Committee and Pension and Health Benefits Committee. We  
21 appreciate your leadership and we look forward to working  
22 with you throughout the year. And I'm excited for the  
23 makeup of our new Board and look forward to working with  
24 everyone.

25 So Women's History Month. This is Women's



1 History Month. And last week, we did celebrate  
2 International Women's Day. Both acknowledge and focus on  
3 the contributions women have made to history, culture, and  
4 society, and they bring attention to important issues such  
5 as gender equality, reproductive rights, and violence and  
6 abuse against women. It's time to reflect on the  
7 achievements of the brave and powerful women who stood up  
8 for women's rights and paved the way for progress, women  
9 like Susan B. Anthony, Rosa Parks, Betty Friedan, Billie  
10 Jean King, Sandra Day O'Connor, Kamala Harris, just to  
11 name a few.

12 A century ago, most women in the world were  
13 denied suffrage. Today, women in almost every country  
14 have the right to vote. What we've seen in our own  
15 lifetimes is that change is possible. That's why we have  
16 to keep fighting because there are battles that still need  
17 to be won, as we all know. We still need to fight for  
18 economic equality, for equal opportunities for  
19 entrepreneurs and for equal pay for equal work and we are  
20 still fighting for reproductive rights.

21 That's why we celebrate Women's History Month to  
22 take a moment each year to celebrate the achievements that  
23 women have fought so hard to achieve and to rededicate  
24 ourselves to tackling the challenges that remain. I  
25 mentioned this last year, and I think it is worth

1 repeating, Women's History Month grew out of a week-long  
2 celebration of women organized by a school district in  
3 Sonoma, California in 1978. Presentations were given at  
4 dozens of schools and a parade was held in downtown Santa  
5 Rosa. So we have California to thank for this celebration  
6 of women.

7           And I am proud that at the top two management  
8 positions in this organization are CEO and our CI -- CIO  
9 are women. I'm proud to serve on this Board that consists  
10 of a majority of women. This is an entirely different  
11 makeup of this Board since I joined the Board. And I am  
12 proud of all the women at CalPERS who's contributions  
13 every day make our organization a better place. Thank you  
14 all for everything you do.

15           Finally, I want to share the dates of our Board  
16 off-site that it will be held in July. Our meetings will  
17 held July 17th through the 19th at the Monterey Portola  
18 Hotel at 2 Portola Plaza in Monterey, California. It is a  
19 different venue than our normal meeting spot, so let's  
20 take a moment to research the location. Our agenda and  
21 topics of discussion will be available in June closer to  
22 the event. And that concludes my report, Mr. Vice  
23 President. I'll turn this over to Ms. Frost for her CEO  
24 report.

25           CHIEF EXECUTIVE OFFICER FROST: Thank you,

1 President Taylor and Vice President Miller. I might also;  
2 add to Theresa's comments that we also have a female  
3 President of the Board as well.

4           So I do want to focus this month's update  
5 primarily on two important topics that we've discussed in  
6 recent months. One focused on our efforts to inform our  
7 CalPERS members and the public on how we evaluate risks to  
8 the portfolio, and while the other is an exciting new  
9 effort to diversify the partners who really help us make  
10 those investments. Taken together, these updates  
11 demonstrate our commitment to the principles that all of  
12 us embrace in carrying out fiduciary duty, to maximize our  
13 investment returns, and fulfill -- the most important  
14 part, fulfill the promises that have been made to two  
15 million members here who have chosen to have a public  
16 service career.

17           So my report in November did focus on our efforts  
18 to scrutinize investment risk around the lens of ES&G.  
19 Those would be the environmental, social, and governance  
20 factors. Since then, we've worked really hard to try to  
21 explain what ESG is and what it really is not. And I  
22 think all of this fighting over what ESG is is simply a  
23 result of not having a common definition. I frankly don't  
24 believe people know that -- what they're fighting about.

25           We hope that recent PERSpective article that we

1 had done on how CalPERS looks at ESG, how we define it,  
2 this is not a new strategy for us. We've looked at ESG  
3 principles and risk factors in the portfolio for well over  
4 a decade, and we hope that that PERSpective article would  
5 give some attention and it certainly did.

6           So our Office of Public Affairs recorded more  
7 than 650 messages from our CalPERS members. And the  
8 PERSpective is now distributed through email to almost two  
9 million of our members, so about one and a half million  
10 where we have email addresses. Many of them were unhappy  
11 with anything that might involve ESG, a phrase again  
12 that's widely used, but also widely misunderstood.

13           Let me thank our members. This is a really  
14 important part of engagement with our membership. Let me  
15 thank our members for writing to us, reaching out, sharing  
16 their thoughts. We do value their feedback and believe  
17 that it is an essential component to the success of the  
18 system.

19           Members also told us they are concerned about  
20 what ESG has to do with their retirement benefits. And  
21 some of them told us to stop worrying about environmental  
22 issues and just focus on making money. And here's one of  
23 the big takeaways from this experience, we still have a  
24 lot work to do. Again, back to defining what ESG is in  
25 terms of the way that the Investment Office looks at it

1 again through that risk, as well as an opportunity lens.  
2 And that also -- you know, trying to explain what it does  
3 not mean. Many of us have seen this anti-ESG policies,  
4 and legislatures looking at passing bills that would not  
5 allow pension funds or other investors to look at any ESG  
6 factors. And frankly, again, I believe that that's a  
7 violation of our fiduciary responsibilities.

8           For more than a decade, CalPERS has been thinking  
9 about what the three components of ES&G, human capital, as  
10 well as corporate governance. What do those items mean  
11 when it comes to ensuring sizable and sustainable returns  
12 on our investments? We began talking about ESG more than  
13 a decade ago, long before the rough and tumble political  
14 world discovered it. And for years, we have evaluated --  
15 excuse me, evaluated risks to our portfolios that come  
16 from any or all of those three factors.

17           And that's what we mean by ESG. It's a lens  
18 through which we assess risk as well as find opportunity.  
19 You'll recall in our stakeholder form Nicole Musicco and  
20 Anton Orlich, they talked about where they're seeing  
21 opportunities around ESG, particularly around climate  
22 strategies and renewable energy that capital has to go  
23 into the energy transition, and we're finding those  
24 opportunities more on the private markets, but that does  
25 not mean that we would not find opportunities in the

1 public markets as we look at taking on more active risk in  
2 the future.

3           But some of our members also wrote to us last  
4 month arguing that ESG does not support our fiduciary duty  
5 to them. And yet again, we believe the opposite is true.  
6 Conducting an ESG analysis is a means to ensure that we  
7 will get paid for every unit of risk that our Investment  
8 Office is taking on.

9           So investment risk does come in many forms,  
10 whether it's climate conditions that threaten operations,  
11 whether that's cybersecurity threats, narrowly focused  
12 corporate boards, or workplace dynamics that threaten  
13 widespread turnover. All of those factors can dampen  
14 potential profits and the return potential of our members'  
15 assets. By examining ESG factors, we're doing the  
16 opposite of neglecting our fiduciary duty and your  
17 fiduciary duty, and instead giving our best to protect our  
18 members' interests. Delivering on our mission is the  
19 highest commitment we have.

20           Some of the responses we received to our series  
21 of ESG articles insisted that we're putting politics  
22 before profits or using our leverage to force companies to  
23 embrace a specific ideology. I think I've said this  
24 before and I think it does bear some repeating, applying  
25 the lens of ESG is not a mandate for how to invest nor is

1 it an endorsement of a political position. It's still a  
2 bit disappointing to watch some political leaders continue  
3 to twist and bend the meaning of ESG into something that's  
4 unrecognizable to the investing world, and frankly the  
5 attempts to scare our members is highly inappropriate.

6 Misinformation can also lead to a lot of  
7 mistrust, and that's why we keep our busy outreach  
8 calendar to build and enhance stakeholder relationships.  
9 The more we can address those concerns head on, be in the  
10 room with people, answer those questions - I call it myth  
11 busting - the more that we can build trust with those who  
12 are depending on us now and also will depend on us into  
13 the future.

14 Just last week, I was asked to speak with the  
15 members of the Association of California Cities, the  
16 Orange County region, which is made up of mayors and  
17 council members from Orange County. They visit Sacramento  
18 each year to meet with legislators and State partners like  
19 us. And I've attended just about everyone, since I  
20 arrived in 2016.

21 I did answer a lot of questions about ESG there,  
22 as you can imagine. And, you know, we discussed how it  
23 has become a polarizing political talk point and how, from  
24 our perspective, it's really not. Rather, ESG analysis is  
25 really providing the data we need to make a better

1 investment decision.

2 I also emphasize the concerns we have with  
3 divestment and the proposal now pend in the Legislature,  
4 which is Senate Bill 252, which is on your agenda later  
5 this morning. That discussion led their members to take a  
6 vote in opposition to the bill, which has been sent to all  
7 of you in a letter from their CEO.

8 While we may not always agree, connecting with  
9 stakeholders is critically important. And I always  
10 appreciate that opportunity to make sure they're hearing  
11 accurate information on how we're actually managing the  
12 fund. These are diverse audiences, many perspectives,  
13 many political views, many different positions, and we  
14 really do value the chance to share information with them.

15 And that brings me to one final item, which is an  
16 update on our upcoming investment event, we're calling  
17 Catalyst. There's the brand. California's Diverse  
18 Investment Manager Forum. The branding of that is on our  
19 screen. You can see the new logo on the monitors and this  
20 is a refresh of the Diversity Forum under Nicole's  
21 leadership that we're holding in -- again in conjunction  
22 with CalSTRS, which was more -- you know, in the past it  
23 was really more educational, more aspirational, less about  
24 action. And we did receive a lot of feedback from people  
25 who were attending that event that we'd like to see a



1 little more, you know, activity being generated out of  
2 these discussions. So we are taking a new approach this  
3 year to leverage the resources of CalPERS and CalSTRS to  
4 bring global allocators together with diverse and emerging  
5 managers. New partnerships that can bring meaningful and  
6 competitive financial returns to our investment  
7 portfolios.

8 Catalyst builds on the momentum from our  
9 allocations to two external partners earlier this year,  
10 TPG and Grosvenor, and they will be supporting this effort  
11 directly. The two-day event will feature interactive  
12 one-on-one meetings with allocators and managers, while  
13 also offering diverse and emerging managers the  
14 fundamentals on how to scale their business, fund raise in  
15 a volatile marketing environment, or market environment,  
16 and then also how can them become institutional ready --  
17 institutional grade companies that can receive money from  
18 other allocators.

19 For allocators like us, the conference offers  
20 access to entrepreneurs and innovative firms in a one-stop  
21 environment. Catalyst will be in -- I mispronounce the  
22 city's name, sorry, Burlingham, Burlingame, South of San  
23 Francisco on June 27th and 28th. We do welcome investors.  
24 I know Nicole has been using her network to invite  
25 allocators. We really encourage if you have relationships

1 in your travels and trainings that you do, make sure that  
2 we get this out to that network as well. So we will  
3 invite investors, consultants, and third-party managers.  
4 Letters go out to allocators later this week and marketing  
5 announcements for all of the attendees will shortly  
6 follow.

7           And so I would invite Nicole up if you have any  
8 questions around the conference. This is really something  
9 that under her leadership really pushed into this. We  
10 need to do something that's more action oriented. It's  
11 great to get in front of people and tell them how we're  
12 thinking about our portfolios, how we're thinking about  
13 our strategies. But when that does not result in an  
14 allocation, we do see that some of the attendees can get  
15 quite frustrated with that.

16           And then just finally, as we welcome Peter  
17 Cashion, the head of Sustainable Investments, who you had  
18 an opportunity to meet on Monday, as well as Daniel Booth  
19 who is our Deputy Director for private markets. That  
20 announcement has made -- been made public as well. We are  
21 also saying goodbye to James Andrus, who held the interim  
22 role of Sustainable Investments. So I want to thank him  
23 for his work to push and advocate for transparency in the  
24 markets, and ensuring investors like CalPERS have  
25 appropriate regulatory environments to push, you know,

1 through -- you know, to investor our members' assets. So  
2 he did a lot of work here in the U.S. Space as well as  
3 globally, heavily pushing for these rules that make the  
4 markets a better place for investors like CalPERS. So  
5 just wanted to express my appreciation for his nine years  
6 at CalPERS and he has chosen to -- he's getting ready to  
7 retire and his last day will be this Friday.

8 And with that, that does conclude my report.

9 VICE PRESIDENT MILLER: Okay. Thank you very  
10 much. Really appreciate your report and all the  
11 encouraging and enlightening information.

12 So we move on to Item 5, action consent items.  
13 What's the pleasure of the body?

14 BOARD MEMBER PACHECO: Move to approve.

15 VICE PRESIDENT MILLER: Moved by Mr. Pacheco?

16 BOARD MEMBER PALKKI: Second.

17 PRESIDENT TAYLOR: Seconded by Mr. Palkki.

18 So I'll call for the question.

19 BOARD CLERK TRAN: Theresa Taylor?

20 PRESIDENT TAYLOR: Aye.

21 BOARD CLERK TRAN: Lynn Paquin?

22 ACTING BOARD MEMBER PAQUIN: Aye.

23 BOARD CLERK TRAN: Frank Ruffino?

24 ACTING BOARD MEMBER RUFFINO: Aye.

25 BOARD CLERK TRAN: Lisa Middleton?

1 BOARD MEMBER MIDDLETON: Aye.

2 BOARD CLERK TRAN: Eraina Ortega?

3 BOARD MEMBER ORTEGA: Aye.

4 BOARD CLERK TRAN: Jose Luis Pacheco?

5 BOARD MEMBER PACHECO: Aye.

6 BOARD CLERK TRAN: Kevin Palkki?

7 BOARD MEMBER PALKKI: Aye.

8 BOARD CLERK TRAN: Ramón Rubalcava?

9 BOARD MEMBER RUBALCAVA: Aye.

10 BOARD CLERK TRAN: Yvonne Walker?

11 BOARD MEMBER WALKER: Aye.

12 BOARD CLERK TRAN: Mullissa Willette?

13 BOARD MEMBER WILLETTE: Aye.

14 VICE PRESIDENT MILLER: Okay. The ayes have it.

15 The motion passes.

16 That brings us to a Item 6, our information  
17 consent items. I've had no requests to hold anything  
18 aside. And I'm not seeing any requests, so we will move  
19 on to our Committee reports and actions. So first, I'll  
20 call on Jose Luis Pacheco to give the Investment Committee  
21 report. Director Pacheco.

22 BOARD MEMBER PACHECO: Thank you.

23 VICE PRESIDENT MILLER: Let me -- let me try it  
24 again here. Third time is a charm.

25 BOARD MEMBER PACHECO: Thank you. Thank you,

1 President Miller[SIC]. Thank you very much, sir.

2           And so the Investment Committee met on March  
3 13th, 2023. The Committee received reports on the  
4 following topics: Global real estate sustainability  
5 benchmarks, proxy voting and corporate engagement update,  
6 CalPERS Trust Level Review - consultant report, CalPERS  
7 trust level review, the portfolio strategic update, and  
8 the private debt investment update.

9           The Chair directed staff to: have an educational  
10 session with the Committee on the methodology for  
11 executive compensation proxy voting, and consider how to  
12 simplify the calculus; and consider how to document ESG  
13 integration, and specifically human capital management  
14 topics into governance around the private equity asset  
15 class.

16           The Committee heard public comments on the  
17 following topics: climate change, proxy voting, and  
18 management of the total portfolio.

19           At this time, I would like to share some of the  
20 highlights of what we -- what to expect at the June  
21 Investment Committee meeting: the current trends in  
22 investing and sustainability, the Investment Office  
23 2022-2023 strategic initiative updates, the quarterly  
24 Chief Investment Office report, the private equity  
25 investment update, and the real estate and infrastructure

1 strategic update.

2 The next meeting of the Investment Committee is  
3 scheduled on June 20th, 2023 in Sacramento, California.

4 Thank you.

5 PRESIDENT TAYLOR: Okay. Thank you, Director  
6 Pacheco.

7 The next Committee report we have is the Pension  
8 and Health Benefits Committee and I'll call on Ramón  
9 Rubalcava. Director Rubalcava, you will have the floor.  
10 Let's see, can we get this to -- you might have to hit the  
11 button again there.

12 There we go.

13 BOARD MEMBER RUBALCAVA: Thank you, Mr. Miller.  
14 The Pension and Health Benefits Committee met on March  
15 14th. The Committee recommends and I move the Board  
16 approve the following:

17 I'll read them all together, right, correct?

18 Agenda Item 6a, approve staff recommendation to  
19 submit the final rulemaking file to the Office of  
20 Administrative Law to amend section 599.500 subdivision  
21 (o) of the PEMHCA regulations to clarify a dependent's  
22 eligibility in a parent-child relationship.

23 Agenda Item 6b, approve negotiating a possible  
24 extension of the pharmacy benefit manager contract with  
25 OptumRx for one additional year to run January 1, 2025

1 through December 31st, 2025.

2 Agenda Item 6c, approve staff's recommendation of  
3 the HMO solicitation intent to ward as described in the  
4 presentation to include the following carriers in the  
5 2024-28 HMO product offerings: Anthem, Blue Shield,  
6 Health Net, Kaiser Permanente, Sharp, UnitedHealthcare,  
7 and Western Health Advantage.

8 Item 6d, approve the following health plan  
9 proposals for the 2024 plan year:

10 One, for Anthem Blue Cross benefit changes for  
11 its Medicare Advantage Plan. A, coverage for Personal  
12 Emergency Response System, PERS, devices. B, coverage for  
13 in-home support services.

14 Number two, adjust United Healthcare medical --  
15 Medicare Advantage Edge emergency department copay to \$50.

16 I made a motion. Do I have --

17 BOARD MEMBER PACHECO: I'll second.

18 BOARD MEMBER RUBALCAVA: Thank you, Mr. Pacheco.  
19 Can you please call the role.

20 BOARD CLERK TRAN: Theresa Taylor?

21 PRESIDENT TAYLOR: Aye.

22 BOARD CLERK TRAN: Lynn Paquin?

23 ACTING BOARD MEMBER PAQUIN: Aye.

24 BOARD CLERK TRAN: Frank Ruffino?

25 ACTING BOARD MEMBER RUFFINO: Aye.

1 BOARD CLERK TRAN: Lisa Middleton?

2 BOARD MEMBER MIDDLETON: Aye.

3 BOARD CLERK TRAN: Eraina Ortega?

4 BOARD MEMBER ORTEGA: Aye.

5 BOARD CLERK TRAN: Jose Luis Pacheco?

6 BOARD MEMBER PACHECO: Aye.

7 BOARD CLERK TRAN: Kevin Palkki?

8 BOARD MEMBER PALKKI: Aye.

9 BOARD CLERK TRAN: Ramón Rubalcava?

10 BOARD MEMBER RUBALCAVA: Aye.

11 BOARD CLERK TRAN: Yvonne Walker?

12 BOARD MEMBER WALKER: Aye.

13 BOARD CLERK TRAN: Mullissa Willette?

14 BOARD MEMBER WILLETTE: Aye.

15 BOARD MEMBER RUBALCAVA: Thank you.

16 The Committee received reports on the following  
17 topics: The Committee received information regarding  
18 health open enrollment results and retiree cost of living  
19 adjustment.

20 The Committee received public comment regarding a  
21 provider termination in Fresno county, positive OptumRx  
22 service, ACO REACH, an appreciation for a letter of  
23 support to CMS, and clarification of multi-lingual  
24 communications with members.

25 The Chair directed staff to: make sure to



1 communicate with members regarding Walgreens alternative  
2 options, and to address health care access at a future  
3 education session or board meeting and continue to look  
4 into getting more access in rural counties.

5 At this time, I would like to share some  
6 highlights of what to expect at the next PHBC meeting:  
7 the Committee will meet in closed session in May to  
8 discuss an update on health plan rate renewal negotiation  
9 strategy.

10 The next meeting of the Pension and Health  
11 Benefits Committee is scheduled for May 2023 in  
12 Sacramento, California.

13 Thank you.

14 VICE PRESIDENT MILLER: Okay. Thank you. That  
15 concludes our committee reports and actions, and it brings  
16 us to Item 8, our action agenda items. And for the first,  
17 I will call on Director Willette.

18 VICE PRESIDENT MILLER: Is it going? Not yet.  
19 There we go.

20 BOARD MEMBER WILLETTE: Thank you.

21 I move to adopt the proposed decisions at Agenda  
22 Items 8a1 through 8 as the Board's own decisions with the  
23 minor modifications argued by staff to Agenda Times 8a1  
24 and 5 through 7.

25 VICE PRESIDENT MILLER: All right. We have a

1 motion. Do I have a second?

2 BOARD MEMBER PACHECO: I'll second.

3 VICE PRESIDENT MILLER: Second by Director  
4 Pacheco.

5 Any discussion?

6 I'll call for the question.

7 BOARD CLERK TRAN: Theresa Taylor?

8 PRESIDENT TAYLOR: Aye.

9 BOARD CLERK TRAN: Lynn Paquin?

10 ACTING BOARD MEMBER PAQUIN: Aye.

11 BOARD CLERK TRAN: Frank Ruffino?

12 ACTING BOARD MEMBER RUFFINO: Aye.

13 BOARD CLERK TRAN: Lisa Middleton?

14 BOARD MEMBER MIDDLETON: Aye.

15 BOARD CLERK: Eraina Ortega?

16 BOARD MEMBER ORTEGA: Aye.

17 BOARD CLERK TRAN: Jose Luis Pacheco?

18 BOARD MEMBER PACHECO: Aye.

19 BOARD CLERK TRAN: Kevin Palkki?

20 BOARD MEMBER PALKKI: Aye.

21 BOARD CLERK TRAN: Ramón Rubalcava?

22 BOARD MEMBER RUBALCAVA: Aye.

23 BOARD CLERK TRAN: Yvonne Walker?

24 BOARD MEMBER WALKER: Aye.

25 BOARD CLERK TRAN: Mullissa Willette?

1 BOARD MEMBER WILLETTE: Aye.

2 VICE PRESIDENT MILLER: All right. The ayes have  
3 it. The motion passes.

4 That brings us to 8b, petitions for  
5 reconsideration. I believe that's Director Willette  
6 again.

7 BOARD MEMBER WILLETTE: Thank you. I move to  
8 deny the petitions at Agenda Items 8b1 through 3.

9 VICE PRESIDENT MILLER: Okay. We have a motion.  
10 Do I have a second?

11 BOARD MEMBER MIDDLETON: Second.

12 VICE PRESIDENT MILLER: Seconded by Director  
13 Middleton.

14 Any discussion?

15 I'll call for the question.

16 BOARD CLERK TRAN: Theresa Taylor?

17 PRESIDENT TAYLOR: Aye.

18 BOARD CLERK TRAN: Lynn Paquin?

19 ACTING BOARD MEMBER PAQUIN: Aye.

20 BOARD CLERK TRAN: Frank Ruffino?

21 ACTING BOARD MEMBER RUFFINO: Aye.

22 BOARD CLERK TRAN: Lisa Middleton?

23 BOARD MEMBER MIDDLETON: Aye.

24 BOARD CLERK TRAN: Eraina Ortega?

25 BOARD MEMBER ORTEGA: Aye.

1 BOARD CLERK TRAN: Jose Luis Pacheco?

2 BOARD MEMBER PACHECO: Aye.

3 BOARD CLERK TRAN: Kevin Palkki?

4 BOARD MEMBER PALKKI: Aye.

5 BOARD CLERK TRAN: Ramón Rubalcava?

6 BOARD MEMBER RUBALCAVA: Aye.

7 BOARD CLERK TRAN: Yvonne Walker?

8 BOARD MEMBER WALKER: Aye.

9 BOARD CLERK TRAN: Mullissa Willette?

10 BOARD MEMBER WILLETTE: Aye.

11 VICE PRESIDENT MILLER: Okay. The ayes have it.

12 The motion passes.

13 That brings us to Item 8c, Senate Bill 252,  
14 divestment from fossil fuel companies. And so I'll call  
15 on CalPERS staff Danny Brown.

16 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Good  
17 morning, Mr. President, Board members. Danny Brown,  
18 CalPERS team member. This is an action item asking the  
19 Board to adopt an oppose position on Senate Bill 252 by  
20 Senator Gonzalez. This bill is nearly identical to last  
21 year's SB 1173, which the Board adopted an oppose position  
22 in April of last year. The Bill would require CalPERS and  
23 CalSTRS to divest from fossil fuel companies as defined by  
24 the bill. The bill defines fossil fuel company as the 200  
25 largest publicly traded companies ranked by the carbon

1 content in the company's proven oil, gas, and coal  
2 reserves.

3           As such, the bill requires CalPERS and CalSTRS to  
4 immediately stop any new investments in these 200  
5 companies and requires liquidation of any holdings by July  
6 1st 2030. And I just kind of want to reemphasize that  
7 provision, because I know a lot of attention, especially  
8 in the media, is focused on the 2030 date, but that 2030  
9 date is only about liquidating existing holdings. But  
10 there would be a decision point as of January 1st, 2024 as  
11 to whether or not to make any new investments. So as an  
12 index provider, that could be problematic, because we're  
13 adding and subtracting from our index throughout the year.

14           The bill includes a potential five-year  
15 suspensions of the liquidation requirement if there are  
16 unforeseeable market events such as a war. In addition,  
17 SB 252 requires annual reporting on liquidated assets and  
18 investments that have not been sold. Also included in  
19 this annual report is a requirement that CalPERS opine on  
20 how the capital markets can best reduce dependence on  
21 fossil fuels and transition to alternative energy sources,  
22 while avoiding negative economic conditions that damage  
23 public retirement systems and the overall earnings of  
24 California workers.

25           And then finally, the bill includes a standard

1 provision that states the bill does not require the Board  
2 to take any action that violates its fiduciary duty.

3           Based on the Investment Office's preliminary  
4 analysis, our estimated exposure to fossil fuel companies  
5 is \$9.4 billion. If the Board does choose to divest the  
6 \$9.4 billion, there would be associated transaction costs  
7 of around 75 to 100 million. While CalPERS recognizes  
8 that climate change is a risk to our investment portfolio  
9 and can appreciate what the author and sponsors are trying  
10 to accomplish, we disagree with the approach.

11           There is no evidence that if CalPERS were to sell  
12 its stock in these companies to other investors, it would  
13 have any impact on the demand for fossil fuels or reduce  
14 the volume of greenhouse gas emissions into the  
15 atmosphere. What will change is that CalPERS would no  
16 longer be able to directly work with other shareholders to  
17 push these companies to invest in sustainable, long-term  
18 energy technology. We will not have a seat at the table  
19 and our seat will likely be taken by investors who do not  
20 have the same concerns we do about sustainable  
21 investments.

22           No, I know that our proponents will argue that  
23 engagement doesn't work or it's going too slow, but  
24 hopefully you were encouraged by Mr. Hambly's presentation  
25 to the Investment Committee on Monday on our progress and

1 we would -- we need to remember that the transition to  
2 renewable energy is going to take time.

3           Therefore, the recommendation is for the Board to  
4 oppose this legislation, because it imposes a divestment  
5 mandate, and because it undermines the long-term  
6 shareholder's work the Investment team has been doing to  
7 address climate risk and meet our path to net zero. And  
8 that concludes my presentation. Happen to answer any  
9 questions.

10           VICE PRESIDENT MILLER: Any questions from the  
11 Board?

12           Mr. Ruffino.

13           ACTING BOARD MEMBER RUFFINO: Thank you, Mr.  
14 Chair. The Treasurer of the State of California supports  
15 Senate Bill 252 by the distinguished Senator Lena  
16 Gonzalez, which as we heard will prohibit the California  
17 Public Employee Retirement System and the California State  
18 Teacher Retirement System from investing in fossil fuel  
19 companies and require that they divest any current  
20 investment by 2030, as long as these directives don't  
21 contradict the fiduciary responsibility of the funds.

22           The Treasurer have always expressed very strong  
23 support for divestment from fossil fuels and she finds  
24 this bill to be a thoughtful step towards streamlining  
25 California's efforts towards divestment in this space.

1 California has continually proven itself as a  
2 world leader in combating the causes of climate change by  
3 setting historic carbon reduction goals and taking  
4 meaningful actions to help prevent environmental  
5 destruction and protect communities, especially community  
6 of colors who bear the overwhelming brunt of carbon  
7 emission.

8 SB 252 sees the momentum of the worldwide  
9 divestment movement and joins an estimated 1,500  
10 institutions with over 40 trillion in assets that have  
11 already been committed to divestment, including our very  
12 own University of California and the California State  
13 University system, the State of the City of New York --  
14 the State and the City of New York, the State of Maine,  
15 the Vatican, the Province of Quebec just to name a few.

16 Moreover, many of the beneficiaries and union  
17 members whose retirement future are invested by CalPERS  
18 and CalSTRS have passed resolutions calling for the  
19 divestment of fossil fuels, including the United Teacher  
20 of Los Angeles, the California Federation of Teacher, and  
21 the California Faculty Association. Recent studies have  
22 shown that divestment from fossil fuels actually improves,  
23 not weakens, investment returns, proving that divestment  
24 is entirely consistent with CalPERS missions and fiduciary  
25 duties.



1           It is also important to point out, and as it was  
2 pointed out by staff as well, that there is a clause  
3 within the language of the bill which allows the Board of  
4 CalSTRS and CalPERS to not -- I repeat, to not take any  
5 action on divestment unless the Board determines in good  
6 faith that the action is consistent with the Board's  
7 fiduciary responsibility established in the California  
8 Constitution. This means that the bill will not impede  
9 the pension fund's abilities to invest and provide maximum  
10 returns to its members.

11           So it is important that with these important  
12 fiduciary guardrails in place, the Treasurer is proud to  
13 support SB 252 and commends the author, Senator Gonzalez,  
14 and the stakeholders for their leadership and engagement  
15 in this important topic.

16           Thank you, Mr. Chair.

17           VICE PRESIDENT MILLER: Okay. I'm not seeing any  
18 more requests to speak from the Board. I do have -- let  
19 me check in with Matt. Do I -- do I do the motion first,  
20 then public comment, or should I take public comments now?

21           GENERAL COUNSEL JACOBS: Take public comment  
22 first.

23           VICE PRESIDENT MILLER: Okay. So we have a  
24 number of speakers who wanted to make public comments on  
25 Item 8c. And so I'll start by calling up Tim Behrens.

1           Okay. Your mic is live and the clock will begin  
2 when you introduce yourself and start, Mr. Behrens.

3           MR. BEHRENS: Thank you. President Taylor,  
4 members of the Board, Tim Behrens, California State  
5 Retirees.

6           I'm speaking today in favor of the CalPERS staff  
7 recommendation to oppose Senate Bill 252. This bill  
8 prohibits the CalPERS Board from making any new  
9 investments in fossil fuel companies. This is contrary to  
10 the Board's fiduciary duties to its members and its  
11 beneficiaries. The California Constitution expressly  
12 provides that the retirement boards of a public pension  
13 fund shall have the sole and exclusive fiduciary  
14 responsibility over the assets of the public pension or  
15 retirement system.

16           Divestment represents a form of active risk  
17 taking that must be considered first and foremost within  
18 the context of the Board's fiduciary duty and the  
19 sustainable delivery of promised benefits.

20           As of December 31st, 2022, the estimate of  
21 public -- publicly traded securities held by CalPERS that  
22 meet the criteria of a fossil fuel company as defined in  
23 SB 252 is \$9.4 billion. Should the CalPERS Board support  
24 this bill, the loss to the fund is estimated to be between  
25 75 and 125 million dollars.

1           Finally, please don't allow the California  
2 Legislature to ever have access to our retirement fund  
3 under any circumstances.

4           Thank you for the opportunity to speak today.

5           VICE PRESIDENT MILLER: Thank you, Mr. Behrens.

6           Next, we have Jerry Fountain.

7           Yep. Good morning and you mic is live, so you'll  
8 the floor and the clock will begin as soon as you  
9 introduce yourself and begin your presentation.

10           MR. FOUNTAIN: Good morning. I'm Jerry Fountain  
11 California State Retirees Chief Financial Officer. And I  
12 appreciate this opportunity to speak to the Board on this  
13 very important subject.

14           As stated by Mr. Ruffino, the Senate Bill 252  
15 does provide that the Board does not have to take any  
16 action against the bill, unless the Board determines in  
17 good faith that their actions are consistent with the  
18 Board's fiduciary responsibility established in the  
19 California Constitution. You should have that feeling of  
20 good faith at the present time.

21           As stated by Mr. Behrens, the California  
22 Constitution Article 17 -- or excuse me Article 16,  
23 section 17 states in part that the Board of a public  
24 pension or retirement system shall have the sole and  
25 exclusive fiduciary responsibility over the assets of the

1 public pension and retirement system, and shall also have  
2 sole and exclusive fiduciary responsibilities to  
3 administer that system in a manner that will assure prompt  
4 delivery of benefits and related services to the  
5 participants and their beneficiaries.

6           It also states that a retirement board's duty to  
7 the participants and their beneficiary shall take  
8 precedence over any other duty. CalPERS published  
9 definition of fiduciary responsibility states in part the  
10 California Constitution, Article 16, Section 17 seeks to  
11 prevent such political meddling or interference by others  
12 and mandates loyalty to the overall best interests of  
13 members and beneficiaries. This is CalPERS definition of  
14 fiduciary responsibility.

15           As stated in CalPERS strategic plan, divesting in  
16 response to an external initiative is outside the scope of  
17 the 2022-2027 CalPERS Strategic Plan. So I just want to  
18 bring those forward to re-impress that in your memories.  
19 The California State Retirees support CalPERS Strategic  
20 Plan for investing and Investment Beliefs of encouragement  
21 from within rather than petitioning outside.

22           California State Retirees supports CalPERS  
23 decision to oppose Senate Bill 252. I appreciate this  
24 opportunity. Thank you very much.

25           VICE PRESIDENT MILLER: Great. Thank you, Mr.

1 Fountain.

2 Next, we have Johnnie Pina.

3 Okay. Your mic is live and the time will start  
4 when you introduce yourself and begin.

5 MR. PINA: Thanks so much. Pardon me.

6 Good morning. My name is Johnnie Pena and I'm  
7 here today to testify on behalf of the League of  
8 California Cities, the California Special Districts  
9 Association and the Rural County Representatives of  
10 California.

11 Our organizations support the CalPERS staff  
12 recommendation and respectfully urge the Board to adopt an  
13 oppose position on SB 252. Our opposition to this bill is  
14 not predicated on the subject of its divestment bill, but  
15 rather the objection is rooted in the continued attempts  
16 by the State Legislature to undermine the solvency of the  
17 California public pension system, thereby putting at risk  
18 the active and retired California public employees who  
19 rely on their pension benefits for retirement security.

20 In order to improve the funded status, it is  
21 critical that CalPERS have a healthy investment return.  
22 SB 252 would only make this more challenging.

23 According to a CalPERS publication entitled,  
24 "CalPERS and Divestment", divestment limits investment  
25 opportunities, decreasing diversification, limiting

1 returns, and increasing risk in our investment portfolio.  
2 With employer contribution rates stretching employer  
3 budgets then, it would not be prudent to take action that  
4 would further increase employer contributions and put  
5 continued strain on local budgets.

6           Additionally, every dollar and investment return  
7 that is foregone or expended on transaction costs and fees  
8 must be offset by employer and employee contributions,  
9 leaving employers and employees to bear the investment  
10 cost and transaction cost and to increase contribution  
11 rates.

12           Finally, divestment ultimately transfers the  
13 ownership of the investments to other investors at a great  
14 cost to the CalPERS fund and removes the ability for the  
15 fund as a shareholder to influence the companies to act  
16 responsibly. Due to the anticipated financial cost, our  
17 agencies oppose this bill and respectfully request your  
18 opposition to SB 252.

19           Thanks so much.

20           VICE PRESIDENT MILLER: Great. Thank you, Mr.  
21 Pina.

22           Next, we have Mary McDonnell.

23           MR. McDONNELL: Good morning.

24           VICE PRESIDENT MILLER: Good morning. You mic is  
25 live and you'll have -- your time will start when you

1 introduce yourself and begin.

2 MS. McDONNELL: Okay. My name is Mary McDonnell.  
3 I am the Vice President of California State Retirees,  
4 which is the largest retiree group representing over  
5 42,000 retired State employees. Our mission is to protect  
6 the pension and health benefits of retired State  
7 employees.

8 I wish to speak in strong support of CalPERS  
9 staff's recommendation on SB 252. California's  
10 Constitution gives authority and fiduciary responsibility  
11 for investment of pension assets and administration of the  
12 system to CalPERS. We can't let somebody else tell  
13 CalPERS what to do. We can't open the door. If we accept  
14 252, we may have to accept other bills that will dictate  
15 what staff should advise the Board to do. And the only  
16 duty you have is to make sure that the retirees have funds  
17 until their life is over.

18 Thank you.

19 VICE PRESIDENT MILLER: Thank you, Ms. McDonnell.

20 Next, we have Miriam Eide. I hope I have not  
21 mispronounced your name. And come on down. Your mic will  
22 be live and your time will start when you introduce  
23 yourself and begin your presentation.

24 MS. EIDE: Great. Thank you. My name is Miriam  
25 Eide. I'm from Fossil Free California, one of the

1 co-sponsors of SB 252. And I would urge you to support SB  
2 252 or vote no on this motion and the reason being that  
3 I've heard so many comments about the concerns that this  
4 bill would impinge on the fiduciary duty of CalPERS. In  
5 fact, there's this very clear clause in 252 that says that  
6 CalPERS does maintain its fiduciary duty and only needs to  
7 divest if it's in the best interests of the pension. And  
8 I think that's important to remember, because this bill is  
9 suggesting that fossil fuels are a bad investment. It's  
10 urging you to really take a moment and investigate the  
11 potential impacts of continued investment in fossil fuels,  
12 to look at other funds which are increasingly divesting  
13 from fossil fuels, and consider what that might do to  
14 support the ongoing benefits for the beneficiaries, not  
15 only from now but through the future, because we all know  
16 that fossil fuels are not going to be the energy source of  
17 the future, so why are you investing in them like they  
18 are?

19 I urge you to reconsider your position on this  
20 bill and rather vote in support or perhaps stay off if  
21 you're unwilling to support.

22 Thank you.

23 VICE PRESIDENT MILLER: Great. Thank you very  
24 much.

25 I don't believe we have anymore requests from the



1 public to speak.

2           One more. Okay. We'll wait a second and see if  
3 that -- is it someone in the room or on the phone?

4           BOARD CLERK ANDERSON: On the phone.

5           VICE PRESIDENT MILLER: Okay. We'll give that a  
6 minute and see if we can work that out.

7           STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF  
8 TEYKAERTS: Director Miller, we do have someone calling in  
9 the queue. We just need to get them logged in really  
10 quickly, so we'll be about 20 more seconds.

11           VICE PRESIDENT MILLER: Okay. That sounds good.  
12 And then I also have a request from a Board member to  
13 speak as well after that.

14           STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF  
15 TEYKAERTS: Go ahead, caller.

16           MS. MURRAY: Good morning, members of the Board.  
17 I hope you can hear me. My name is Kris Murray. I'm  
18 Executive Director of the Association of California  
19 Cities, Orange County. We represent both cities and  
20 special districts as well as community stakeholders  
21 roughly up to 3.2 million people within Orange County and  
22 regionally on public policy issues within the State of  
23 California and federally.

24           And we urge -- our board of directors urges the  
25 CalPERS Board to oppose SB 252. As introduced, this bill

1 would prohibit both CalPERS and the State Teachers  
2 Retirement System from making new investments or renewing  
3 existing investments of public employees retirement funds  
4 in fossil fuel companies. It would further require the  
5 Board to liquidate investments on or before July 1st of  
6 2030. And as you've read, and I'm sure you've already  
7 been briefed this morning, the bill would require a report  
8 to the Legislature and the Governor beginning in 2025 on  
9 how the Board would liquidate these investments.

10 Our board at ACC OC believes it's vital that  
11 CalPERS and STRS have the flexibility needed to exercise  
12 your fiduciary duty on behalf of public agencies and  
13 public employees in California. By limiting your ability  
14 to invest in specific industries to achieve other policy  
15 goals, the resulting lower returns for these retirement  
16 systems would destabilize those systems and require the  
17 further infusion of tax dollars to make up the difference.

18 Rather than destabilize State retirement systems  
19 that serves our public employees, we urge the State  
20 Legislature to work with industries of concern to achieve  
21 the meaningful changes and reforms they are seeking. And  
22 this is especially significant, as you know, that CalPERS  
23 has recently dropped from 80 percent funded to 71 percent  
24 funded given the economic volatility we've all experienced  
25 in recent days and months.

1           So with that, I just thank you for your -- for  
2 the opportunity to speak to all of you this morning and we  
3 respectfully urge you to oppose this legislation as  
4 introduced.

5           Again, my name is Kris Murray. I'm representing  
6 the Board of Directors of this morning of the Association  
7 of California Cities, Orange County. And I thank you for  
8 your time and your leadership on behalf of public  
9 employees.

10           VICE PRESIDENT MILLER: Great. Thank you for  
11 your comments.

12           Does that conclude our public comments?

13           BOARD CLERK ANDERSON: Yes.

14           VICE PRESIDENT MILLER: Okay. I will call first  
15 on Director Middleton.

16           BOARD MEMBER MIDDLETON: Mr. Chairman, thank you.  
17 And I am going to be voting to support the staff  
18 recommendation that we oppose SB 252, which I believe to  
19 be very well intentioned, but not the direction that we  
20 should go. I commend our President -- our President for  
21 her remarks this morning with regard to ESG. I don't  
22 think you can take those comments out of context with the  
23 discussion that we're also having with regard to SB 252.  
24 Both come together in terms of our effort as a Board and  
25 as an organization to be a force for change, but one that

1 responsibly keeps in line our fiduciary responsibility to  
2 our members and to their families.

3           One of the things that we have clearly identified  
4 is climate change is real and it is a threat to all of us.  
5 It is something that we must address. Today, 79 percent  
6 of the electricity produced in the United States comes  
7 from fossil fuels. And as much as all of us wish that  
8 were not true, it is. And the renewable resources to  
9 replace those fossil fuels simply do not exist today. It  
10 is why I think it is absolutely fundamental that we build  
11 that renewable energy infrastructure, and CalPERS is  
12 perfectly situated to be a leader in identifying  
13 infrastructure projects that will help us to build  
14 renewable capacity that will allow us to move away from  
15 fuels that are destroying our planet.

16           I think that's the appropriate approach for us to  
17 take and I appreciate the opportunity to speak on this  
18 issue. Thank you, Mr. Chair.

19           VICE PRESIDENT MILLER: And thank you, Director  
20 Middleton. Next, I have Director Rubalcava.

21           BOARD MEMBER RUBALCAVA: Thank you, Mr. Miller.

22           SB 252 it reflects the legitimate frustration  
23 with the pace of engagement, but that pace should not be  
24 translated as a bad -- a bad strategy. I noticed in --  
25 and I also commend the opponent -- I mean, the proponents

1 of 252 for their advocacy for a better future for us and  
2 our children, and generations, but we have to embrace ESG,  
3 as our CEO stated, and to -- and to state that the -- that  
4 there's in effectiveness of engagement in ESG in this  
5 arena on fossil fuels is, I think, the wrong a -- wrong  
6 statement.

7           We have to -- we are long -- because of the  
8 long-term investment horizon that we accept, we have to  
9 recognize that CalPERS has a responsibility to lead using  
10 all the tools at our disposal, like positive engagement  
11 for example to lead us through this climate trying to  
12 figure out how to codify these climate risks to get a  
13 better, what we would call, a just transition. It has to  
14 be a path and I would encourage us to continue on that  
15 path. And I would support -- and I thank Mr. Brown. It  
16 was a very artful worded -- very good staff document.  
17 Thank you and I support the staff position to oppose SB  
18 252 notwithstanding my -- the -- my understanding of the  
19 proponent's view and the State Senator, the State's  
20 Treasurer's view also.

21           Thank you, Mr. Miller

22           VICE PRESIDENT MILLER: Okay. Thank you,  
23 Director Rubalcava.

24           Next, I have Director Pacheco.

25           BOARD MEMBER PACHECO: Yes. Do I have it?

1 Yes. Thank you.

2 I also want to state my position on this as well.  
3 In my -- in my opinion, divestment conflicts with our  
4 fiduciary duty as CalPERS Board members. It increases the  
5 risk. Divestment limits our investment opportunities,  
6 decreases our diversification, and limits our returns, and  
7 increases our risk in our investment portfolio.

8 And also, as Mr. Brown mentioned, it also -- it  
9 also -- we would lose our seat, and that's not -- that's  
10 not something we can do. And if we were to -- if this  
11 bill was to be successful, we would lose money. And we  
12 would not have the opportunity to maximize the return for  
13 our 2.1 million members that rely on this pension, because  
14 we want -- we are here to make sure that they retire with  
15 dignity and respect.

16 Thank you.

17 VICE PRESIDENT MILLER: Okay. Thank you,  
18 Director Pacheco.

19 I'm seeing no more requests to speak. I'd like  
20 to add a couple of thoughts. I, too, appreciate, you  
21 know, the sentiments and the commitment, and the activism  
22 that is behind this bill, and lot of other efforts and  
23 calls for divestment. I think where I differ is I do not  
24 believe divestment across an entire sector signaling the  
25 world that we're divesting. I believe that takes away

1 from our fiduciary responsibilities in terms of now our  
2 strategy is out there. It's not focused. It does nothing  
3 to advance the movement toward a just transition. And  
4 again as was mentioned, we lose our voice.

5 CalPERS is a leader across ESG, not just on  
6 fossil fuels, not just with Climate Action 100, not  
7 just -- but across a wide range of risks that we see as a  
8 long-term investor.

9 And I think it's not often acknowledged or  
10 recognized we are aware of these risks. We are aware of  
11 the risks in the transportation sector, in the energy  
12 sector, in the pharmaceutical sector, in the chemical  
13 manufacturing sector, in agriculture. These are all tied  
14 together. But to do something across an entire sector  
15 without recognizing that we do look at these risks, we do  
16 consider this when we're looking at how things are being  
17 indexed over the long run, but we don't divest wholesale  
18 from entire sectors.

19 And that, I think, is the part that I find would  
20 be counter to my fiduciary responsibility. Taking a  
21 longer term more targeted approach, we know there are  
22 going to be firms that we can invest in from small to  
23 large who are going to be players in a just transition,  
24 who are going to be leaders in renewable energy and  
25 infrastructure. But those are decisions that we will have

1 to be taking as we go along and looking at over the long  
2 term, and not walking away from the table and basically  
3 losing our voice. We have a voice. We and other  
4 institutional investors, I believe, have a responsibility  
5 to exercise that voice using our economic power and using  
6 that to ensure that we are getting the best long-term  
7 returns for our members. And that means recognizing those  
8 risks that we can mitigate and those that we can't, and  
9 not simply walking away from those responsibilities and  
10 allowing other investors who do not share our values to  
11 then have a more outsized voice.

12 I can understand the frustration with the pace of  
13 change. We're all frustrated by that. But to simply put  
14 up our hands and take our chips and leave the table to  
15 everyone else to deal with, just does not seem to be the  
16 kind of long-term approach that really meets our needs to  
17 ensure that we can provide the benefits that we promised  
18 our hard working public servants who are our members and  
19 beneficiaries. And that's what drives my support for  
20 staff's recommendation on this particular bill.

21 Okay. So I'm seeing no further -- so -- oh,  
22 okay. We have two more public comments. Okay. We have  
23 Sara Theiss.

24 And your mic is live and the time will start when  
25 you introduce yourself and begin.



1 MS. THEISS: Thank you and good morning. As you  
2 know, I'm Sara Theiss, a happily retired CalPERS person  
3 and a member of Fossil Free California. And what I want  
4 to talk about is why financially it's time to divest,  
5 because I know that what this Board cares about is returns  
6 and per your divestment policy, you do not -- you do  
7 things for returns. You don't think -- do things for  
8 other reasons, like changing corporate behavior that isn't  
9 changing.

10 Anyway, as you probably know, the good times are  
11 over for the fossil fuel industry. The volatility the  
12 industry faces now is different than before, due in part  
13 to competition from renewables. The investment rationale,  
14 the prior one, was from a different time when the oil  
15 industry was really different. And the idea was that the  
16 long-term interests of gas and oil aligned with the  
17 actuarial needs of, you know, CalPERS.

18 Anyway, so from 2010 -- basically, in the last 10  
19 years, the oil sector has done really poorly. The  
20 industry lagged the market eight times between 2010 and  
21 2020. It was in last place five times. Even during the  
22 Trump era, when there was a lot of support the coal  
23 industry declined, the oil gas industry struggled. The  
24 prices are high now, but as long as this is so, the  
25 projections are for global growth.

1           The business model of the fossil fuel industry is  
2 broken. The energy sector has gone from a reliable, you  
3 know, consistent blue chip contributor to a high risk set  
4 of companies and national governments with speculative  
5 investment rationale and negative long-term financial  
6 outlook. The business model -- basically, the low cost  
7 renewable brings the financial rationale of the industry  
8 into question.

9           The price of oil is now being propped up by  
10 geopolitics, specifically now the war in Ukraine. Behind  
11 that is the tragedy and horror faced by people in Ukraine.  
12 The fossil fuel industry benefits from geopolitical  
13 instability is also affected by it. The current high  
14 prices strengthen petro states, and, of course, as you --  
15 we all know, this is sparking resource conflicts.

16           So my question is are you betting the future of  
17 our pensions on war? And the final thing I'll say is that  
18 we, Fossil Free California, sent you all a letter that  
19 responds to all the things, Mr. Miller, that you just  
20 said, which I just think there's a lot of facts to refute.  
21 So I hope you'll take time to review that letter and I  
22 appreciate your attention.

23           VICE PRESIDENT MILLER: Thank you very much.  
24 Next, we have Sheila Thorne.

25           MS. THORNE: Good morning. My name is Sheila

1 Thorne. I'm a CalPERS beneficiary and a retired member of  
2 CFA. And the memo really bothered me. The memo claims  
3 that CalPERS engagement with fossil fuels companies has  
4 produced tangible results. But, in fact, addressing  
5 climate change -- CalPERS own addressing climate change  
6 report of June 2020 admitted that only nine percent of  
7 companies in the Climb A Action -- Climate Action 100  
8 group had targets in line with the Paris Agreement goals  
9 and only eight percent had lobbying efforts aligned with  
10 necessary climate action.

11 Engagement cannot successfully change an  
12 industry's core business model, as opposed to treatment of  
13 workers or more diversity in the workplace. Researchers  
14 at the University of Cambridge reviewed two decades of  
15 research on shareholder engagement with fossil fuel  
16 companies and concluded that it was an ineffective  
17 strategy for forcing the level of change needed at the  
18 pace needed to avert climate disaster.

19 This last December, the House oversight committee  
20 released a damning report demonstrating that the major oil  
21 companies use false net zero commitments to mislead the  
22 public while doubling down on expansion and production.  
23 For instance, Shell Oil, after announcing new target  
24 reductions every three to five years including Scopes 1, 2  
25 and 3 emissions, the CalPERS report called this a

1 significant impact of engagement added a disclaimer  
2 afterwards, revealed by the Financial Times, that it will  
3 not change any strategy or capital deployment until  
4 society acts. It is going ahead with a new project in  
5 Nigeria to produce 30 million tons of liquefied natural  
6 gas a year and has written plans for continued use of oil,  
7 gas, and coal until the end of the century.

8 Another so-called accomplishment of CalPERS  
9 engagement is Chevron's announced reduction goals for  
10 greenhouse gas intensity in production. However, Chevron,  
11 at the same time, announced plans to double its production  
12 in the Permian Basin, over five years, thus its overall  
13 emissions will rise.

14 Exxon produced -- promised reduction of flaring  
15 and methane emissions while at the same time planning to  
16 triple daily production in the Permian Basin. It is has  
17 shown no change in its behavior since the election of  
18 three new supposedly climate-friendly board members and  
19 has announced expanded greenfield drilling in Guinea --  
20 Guyana.

21 The big picture of engagement is that companies  
22 announce misleading targets of reduced carbon intensity in  
23 production rather than overall greenhouse gas production  
24 or set goals of net zero by 2050 without concrete interim  
25 steps or rely on unrealistic projections of unproven

1 carbon capture technology. Touting these resolutions as  
2 progress towards addressing climate change simply secures  
3 the industries' license to operate.

4 Engagement is a failed policy. It cannot be used  
5 as an argument against divestment.

6 VICE PRESIDENT MILLER: Okay. Thank you for your  
7 comments.

8 MS. THORNE: Thank you.

9 VICE PRESIDENT MILLER: Okay. I don't believe we  
10 have anybody else requesting to speak in the room, but I  
11 do believe we have two callers -- oh, five -- on many  
12 callers.

13 So let's go ahead and begin with our callers.

14 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF  
15 TEYKAERTS: Thank you, Mr. Vice President. First up, we  
16 have Susan Perlson. Go ahead.

17 MS. PERLSON: Good morning. My name is Susan  
18 Perlson. And I'm member of Indivisible C45, Citizens'  
19 Climate Lobby, as well as a beneficiary of CalPERS. I've  
20 always been proud that I belong to a public retirement  
21 system. CalPERS is the largest public pension fund in the  
22 U.S. and the sixth largest in the world, and thus needs  
23 role model on a global scale. This means being a good  
24 public steward for people and where people live and their  
25 environments.

1           It is time we stopped being one of the largest  
2 support of fossil fuels exacerbating the climate crisis  
3 that we see being played out with more extreme weather on  
4 both cost -- coasts, costing lives, and requiring huge  
5 investments from government. As public stewards, we need  
6 to pivot and be in -- to being a much larger supporter of  
7 green energy, non-polluting sources of energy, such as  
8 electricity, solar wind, and other options. According to  
9 the International Energy Agency in 20202, renewables will  
10 become the largest source of global electricity generation  
11 by early 2025, surpassing coal. So I urge you to be  
12 strong public stewards and support SB 252, the fossil fuel  
13 divestment act. Thank you very much for your time.

14           STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF

15 TEYKAERTS: Thank you.

16           Mr. President, next up we have Rose Yacobe. Go  
17 ahead.

18           MS. YACOB: Hello. Can you hear me?

19           VICE PRESIDENT MILLER: Yes. Go ahead.

20           STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF

21 TEYKAERTS: Yes.

22           VICE PRESIDENT MILLER: You have the floor.

23           MS. YACOB: Hello. Yes. I am a CalPERS member.  
24 I'm paying into CalPERS right now. And it has irked me  
25 for many years that the State has been slow to respond to

1 the climate crisis in this aspect. We are -- we are  
2 committing -- as a State, we are taking taxpayer funds  
3 from every Californian in the state and using them to  
4 fight climate by changing our energy policy, by investing  
5 in local politics that will ban gas in certain situations  
6 by supporting the expansion of electric vehicles.  
7 We're -- we are making large commitments and then we're  
8 fighting ourselves by continuing to invest in a system  
9 that, as the last speaker pointed out, is neither  
10 profitable nor in the interests of the state.

11 We need to stop. And so please support this  
12 change, because it is well past time. Thank you very  
13 much. Bye.

14 VICE PRESIDENT MILLER: Thank you.

15 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF

16 TEYKAERTS: Next up, we have Francis Mancina.

17 Go ahead, Francis.

18 MS. MANCIA: Yes. Can you hear me?

19 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF

20 TEYKAERTS: Yes.

21 MS. MANCIA: Thank you. I just wanted to thank  
22 the Board for listening to me today. When I was younger,  
23 I was told by the adults around me that I should work  
24 toward obtaining a career with the State of California.  
25 They told me there many perks to having a State job, such

1 as medical insurance, stable hours, and a nice pension.  
2 But now after having a position with California State  
3 Parks, I feel like I'm living in a nightmare. Every day,  
4 I experience great anxiety knowing my hard earned pension  
5 is funding climate collapse. As a CalPERS member, I  
6 deserve a safe retirement fund that doesn't invest in  
7 fossil fuels and climate collapse. I'm calling today to  
8 request that the Board divest the pensions of thousands of  
9 CalPERS members from fossil fuel investments today. I  
10 also urge you to support SB 252, the California Fossil  
11 Fuel Divestment Act. Please note that continuing on this  
12 path is sending me to an early grave. Please vote in  
13 support of SB 252.

14 Thank you.

15 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF

16 TEYKAERTS: Our next caller is Francesca Wander.

17 Go ahead, Francesca.

18 MS. WANDER: Yes. Hello. Can you hear me?

19 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF

20 TEYKAERTS: Yes.

21 MS. WANDER: Thank you. Yes, I am also a member  
22 of Indivisible, California State Strong, Indivisible  
23 Sacramento, Indivisible Yolo, and Indivisible San  
24 Francisco. I am also a dues paying member of CalPERS as a  
25 State employee to whom I pay several hundred dollars each



1 month to fund my retirement. And I strongly object to my  
2 retirement's investments being used to fuel the climate  
3 crisis in California. What more is it going to take for  
4 CalPERS and the State of California to take seriously the  
5 fact that our state is burning to the ground. Anyone with  
6 children and grandchildren should be completely alarmed at  
7 the malfeasance that is being committed by investing in  
8 fossil fuels.

9           The fossil fuel industry is not our friend. They  
10 do not want to engage. Trying to negotiate with fossil  
11 fuel companies is like negotiating with terrorists. It  
12 will go nowhere. Every entity that has divested from  
13 fossil fuels has seen their investment values increase  
14 significantly. So this has nothing to do with financial  
15 feasibility. It has everything to do with financial  
16 irresponsibility and deceiving the objectives of stemming  
17 climate change.

18           I am also going on record as expecting my  
19 California State Senate District 8 representative  
20 Angelique Ashby to also support this bill and divest from  
21 fossil fuels entirely now.

22           Thank you.

23           STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF

24 TEYKAERTS: Next, we have Megan Shumway. Go ahead, Megan.

25           MS. SHUMWAY: Hello. This is Megan Shumway. I'm

1 a retired public health nurse. I am not concerned about  
2 having an adequate fund for my retirement with -- as long  
3 as you're invested in fossil fuels. I am more concerned  
4 about having stranded assets that will actually hurt  
5 everybody's retirement and those people in the future. I  
6 am probably not going to live to see the worst of climate  
7 change, because I'm older. But I really resent the fact  
8 that my grandchildren are going to be affected and that my  
9 retirement fund is investing in the very reason that we  
10 are having climate change. Burning fossil fuels is what's  
11 causing climate change. We need to stop investing in  
12 that, if we want to have a livable future. And I would  
13 really appreciate it if CalPERS would withdraw their money  
14 from fossil fuel industries and invest in something that's  
15 a lot more profitable.

16 Thank you for listening to me.

17 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF

18 TEYKAERTS: Mr. Vice President, no further public comments  
19 on this item.

20 VICE PRESIDENT MILLER: Okay. Thank you. Okay.  
21 With that, I have no more requests from the Board to  
22 speak. No more public comments. And so at this point,  
23 because this is an action item, I would entertain a  
24 motion.

25 Mr. Pacheco.

1 BOARD MEMBER PACHECO: Yes. I'd like to move to  
2 adopt an oppose position on Senate Bill SB 252 by State  
3 Senator Gonzalez as introduced on January 30th, 2023,  
4 because it imposes a divestment mandate on the California  
5 Public Employees' Retirement System, CalPERS Board of  
6 Administration.

7 Thank you.

8 VICE PRESIDENT MILLER: Okay. We have a motion.  
9 Do I have a second?

10 BOARD MEMBER WILLETTE: I'll second.

11 VICE PRESIDENT MILLER: Seconded by Director  
12 Willette.

13 Any further discussion on the matter?

14 Okay. I'll call for the question.

15 BOARD CLERK TRAN: Theresa Taylor?

16 PRESIDENT TAYLOR: I vote aye.

17 BOARD CLERK TRAN: Lynn Paquin?

18 ACTING BOARD MEMBER PAQUIN: Abstain.

19 BOARD CLERK TRAN: Frank Ruffino?

20 ACTING BOARD MEMBER RUFFINO: No.

21 BOARD CLERK TRAN: Lisa Middleton?

22 BOARD MEMBER MIDDLETON: Aye.

23 BOARD CLERK TRAN: Eraina Ortega?

24 BOARD MEMBER ORTEGA: Abstain.

25 BOARD CLERK TRAN: Jose Luis Pacheco?

1 BOARD MEMBER PACHECO: Aye.

2 BOARD CLERK TRAN: Kevin Palkki?

3 BOARD MEMBER PALKKI: Aye.

4 BOARD CLERK TRAN: Ramón Rubalcava?

5 BOARD MEMBER RUBALCAVA: Aye.

6 BOARD CLERK TRAN: Yvonne Walker?

7 BOARD MEMBER WALKER: Aye.

8 BOARD CLERK TRAN: Mullissa Willette?

9 BOARD MEMBER WILLETTE: Aye.

10 VICE PRESIDENT MILLER: Okay. The ayes have it.

11 The motion passes.

12 That moves us to Item 9, information agenda  
13 items. And we'll start with our State and federal  
14 legislative update.

15 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Good  
16 morning, Mr. President and Board members. Danny Brown  
17 again, CalPERS team member. And as you can see I have Dan  
18 Crowley from K&L Gates joining me in person today for the  
19 State and federal update.

20 So I'll give a brief update on the State side and  
21 on the federal side and then I'll turn it over to Dan.

22 The State Legislature is now starting to hold  
23 policy committee hearings, after having introduced over  
24 2,600 new bills. As you can see, we only have a handful  
25 of bills currently on your tracking list, but over a

1 thousand of those 2,600 bills were placeholder bills,  
2 which will be amended over the next two to three weeks.  
3 We're also working with our Health team to analyze the  
4 potential impacts of all the new -- the new crop of health  
5 bills. It usually takes us a little bit more time to  
6 fully understand the policy and cost implications of these  
7 new proposals. So between these incoming amendments and  
8 these health bills, we would anticipate the tracking list  
9 to grow substantially for the April Board meeting.

10 The Legislature's next important deadline is for  
11 bills to pass first House policy committee by April 28th.

12 And that will -- and with that, I'm just going to  
13 shift over to the federal update and just give one brief  
14 update before I turn it to Dan. As Dr. Moulds mentioned  
15 yesterday at PHBC, last week we submitted a comment letter  
16 to CMS on their annual advice notice regarding proposed  
17 changes to Medicare Advantage capitation rates. Our  
18 comments focused on supporting the proposed changes to the  
19 risk adjustment and coding intensity models utilized by  
20 Medicare Advantage and Tradition Medicare plans. At the  
21 same time, we asked CMS to consider the impacts to public  
22 sector retirees and their dependents when making changes  
23 to risk adjustment model. A copy of that letter can be  
24 found on our external website.

25 And with that, I will turn it over to Dan

1 Crowley.

2 MR. CROWLEY: Thank you. Mr. President, members  
3 of the Board. My name is Dan Crowley. I'm a partner at  
4 the law firm of K&L Gates. We have the privilege of being  
5 your federal investment policy counsel in Washington D.C.

6 I thought what I would do is just provide a brief  
7 overview of the political situation in Washington D.C.  
8 these days, then talk a little bit about the developments  
9 over the weekend with Silicon Valley Bank and how that  
10 relates to CalPERS policy priorities, and then talk a  
11 little bit about ESG. And I would be happy to take any  
12 questions you might have.

13 (Clears throat).

14 MR. CROWLEY: Excuse me.

15 To start with, we have in Washington very, very  
16 historically closely divided Congress. Democrats narrowly  
17 control the Senate by two seats, Republicans narrowly  
18 control the House by five seats. And that means  
19 legislation is going to be extremely difficult. We expect  
20 only must pass items really to be put forward. There are  
21 some areas of bipartisan agreement, notably on China. And  
22 with respect to crypto assets, we may see legislation in  
23 those areas. But I think it's safe to say that we are  
24 effectively now in the 2024 campaign season, both for  
25 Congress and the President.

1           It seems that Donald Trump is the front runner  
2 for Republican primary. I think there's growing concern  
3 that if he is not the nominee that he might very well run  
4 as a third-party candidate and that is having impact on  
5 the political dynamic in Washington.

6           Most interesting to me in this very narrow  
7 divided Congress is how it empowers the center, because  
8 the swing votes, the moderates in both parties will have a  
9 controlling impact on legislation. And in that light,  
10 it's very interesting to me to see how Speaker McCarthy is  
11 approaching his role. Again, it's a five seat majority,  
12 but given absences or illnesses, he may have a three-seat  
13 majority on any given day. He has chosen to reach out to  
14 Hakeem Jeffries and to work in bipartisan fashion wherever  
15 that's possible.

16           And the first example of that were the China  
17 Select Committee, where McCarthy and Jeffries worked  
18 together on appointing members. All of that was worked  
19 out before the members themselves new that they were being  
20 appointed. When it came to standing up the House  
21 Intelligence Committee, they discussed appointments  
22 jointly and then they showed up jointly at the organizing  
23 meeting to demonstrate that this is an area of bipartisan  
24 agreement. We are very hopeful that we are going to see  
25 more bipartisan cooperation. But, of course, this is

1 against a backdrop, as I said, of the 2024 political  
2 season. And so there's a great deal of focus by House  
3 Republicans in forcing Democrats to take difficult votes  
4 again with an eye toward the 2024 election. And we're  
5 starting to see that on things like the DOL ESG bill, the  
6 D.C. crime bill. We're going to have a robust debate  
7 around raising the debt ceiling, but I am confident that  
8 at the end of the day again the center of the political  
9 mass will prevail on that issue.

10           When it comes to the developments over the  
11 weekend with Silicon Valley Bank, I think there's some  
12 really important takeaways. First of all, the Treasury  
13 and the Federal Reserve have created a new liquidity  
14 facility, the Bank Term Lending Program, which is modeled  
15 after the facilities that were started in 2008. And then  
16 again during COVID, you'll remember TARP, TALF, T-TIP.  
17 It's the same playbook. It's taking the Treasury Exchange  
18 Stabilization Fund amplifying it through use of the Fed  
19 discount window, and in this case, allowing banks to  
20 pledge securities as collateral at par. So the  
21 circumstances with Silicon Valley Bank of course is that  
22 they were invested in long-dated low-interest bearing  
23 bonds. They had a sharp increase in the cost of capital,  
24 which created liquidity. Had this facility been in place  
25 before this weekend, they -- Silicon Valley Bank would



1 have been able to pledge their bonds to this liquidity  
2 facility at par and get the full value -- face value and  
3 then sell them at a different time.

4 Under the circumstances, of course, they were  
5 forced into a fire sale selling something like \$42 billion  
6 in one day and it's a classic run on the bank. The  
7 implications for CalPERS are quite clear, you have been  
8 for a long time proponents of increased transparency,  
9 including in the banking system. You were strong  
10 advocates for Dodd-Frank, the regulatory framework that  
11 followed the credit crisis of 2008 and 2009.

12 And it's important to note that in the first  
13 effort to revisit Dodd-Frank, in 2018, S2155, they  
14 repealed the requirement that regional banks go through  
15 stress testing. They essentially raise the threshold for  
16 what it means to be a bank that's too big to fail from 50  
17 billion to 250 billion. And already, we're starting to  
18 see calls on the Democratic side for closing that  
19 regulatory gap. And, of course, on the Republican side  
20 we're seeing claims that it was a woke bank focused too  
21 much on ESG. Those debates will continue to play out.

22 But at the end of the day, it comes down to the  
23 accounting just as it did in 2008 when the issue was mark  
24 to market, and whether the banks were disclosing the value  
25 of the assets on their balance sheet. Today, it's a

1 different accounting issue having to do with assets that  
2 are held to maturity and are not marked to market, even  
3 through their value may decline significantly. So I think  
4 there will be a lot of focus on that.

5           Talking about ESG. We have been mindful of the  
6 need to focus all of the ESG factors on financial returns  
7 to the fund. And I think it -- having sat through the  
8 discussion over divestment, I think if anyone questions  
9 whether the CalPERS Board takes their fiduciary duty  
10 seriously, all they need to do is replay the tape on the  
11 debate we just had.

12           It's important to note that divestment may make  
13 investors feel better, but it doesn't have an impact on  
14 the company being divested from. They don't care. These  
15 securities are being traded in the secondary market. It's  
16 not like an IPO, where you're funding a new oil or gas  
17 enterprise. No, these are stocks that are traded in the  
18 secondary market. It really doesn't have an impact on the  
19 companies whether you divest or not.

20           What does have an impact on the companies though  
21 is engagement. And CalPERS has been a leader in that area  
22 for more than a decade and really I think has done a great  
23 deal to focus the discussion on how sustainability  
24 generally, and by that I mean focusing on enterprise value  
25 for the long term, and that subset of sustainability

1 called ESG. And you can call it whatever you want, but to  
2 my mind it's that subset of sustainability factors that  
3 matter to investors, and therefore are the sub --  
4 appropriate subject of SEC disclosure.

5           The climate risk disclosure rule that CalPERS has  
6 advocated for a long time is near -- nearly final. I  
7 think the holdup at this point is concerns about whether  
8 there will be substituted compliance with the European  
9 regulators, because there they have a concept called  
10 Double Materiality, which is roughly akin to the Scope 3  
11 emissions in the SEC initiative. But both because of the  
12 Supreme Court ruling in EPA versus West Virginia, and an  
13 objective look at the enabling statutes for the SEC, it  
14 is -- it is widely expected that the Scope 3 greenhouse  
15 gas emission requirements will be pared back. And the  
16 concern is whether U.S. issuers who are not trying to  
17 comply with these new sustainability disclosure  
18 requirements, will get equal dignity in the U.S. and in  
19 the EU. And so far, the European regulators are saying if  
20 you don't have Scope 3 emissions, we don't have  
21 substituted compliance or mutual recognition. And I think  
22 that's the holdup. But my guess is that the SEC will bite  
23 the bullet and issue the rule despite that holdup.

24           I've been working with Bob Eccles who is a  
25 long-time friend, a former advisor. In a past life, I led

1 Government Affairs at the Nasdaq stock market. We had a  
2 project in the wake of Enron and WorldCom and what led to  
3 Sarbanes-Oxley and creation of the Public Company  
4 Accounting Oversight Board with PWC and Microsoft called  
5 Value Reporting. That ultimately led to XPRL and to my  
6 mind is the beginning of the sustainability movement,  
7 which has now been evolving for the last 20 years.

8           We've been working together to try to build  
9 bipartisan bridges on ESG starting with an article we  
10 wrote in the Harvard Law School Forum on corporate  
11 governance last September called, "Turning Down the Heat  
12 on the ESG Debate". We then had a webinar called, "ESG  
13 Isn't Woke. It's Capitalism". That was followed by a web  
14 that was -- a popular webinar, so much so that the  
15 Bipartisan Policy Center asked us to do another one. We  
16 did with them called, "Where Does the ESG Debate go From  
17 Here", in December. And then most recently last month, we  
18 published a piece in the Harvard Business Review called,  
19 "Rescuing ESG from the Culture Wars". And I would commend  
20 it to all of you. And I would again like to point out to  
21 some of the critics on the right that CalPERS very clearly  
22 does adhere to its fiduciary duty as we just observed.

23           So with that, I will pause and be happy to take  
24 any questions.

25           VICE PRESIDENT MILLER: Okay. I'm seeing Lynn

1 Paquin.

2           ACTING BOARD MEMBER PAQUIN: Thank you. Good  
3 morning. Thank you so much for the report. I'm just  
4 curious, you know, It seem like there's been a few stories  
5 here and there with saying that the anti-ESG forces are  
6 starting to water down a little bit of the State  
7 legislation. Are you seeing that as well, and if so, what  
8 do you think the reasons are for that?

9           MR. CROWLEY: I'm sorry, did you say starting to  
10 wind down a little bit?

11           ACTING BOARD MEMBER PAQUIN: Or starting to push  
12 back a little bit on the anti-ESG. And I forget which  
13 states, but I think that some of the state legislatures,  
14 you know, they came out with a bill that was very strongly  
15 anti-ESG and has been watered down. And it seems like  
16 there's been a little bit of a pushback from the right.

17           MR. CROWLEY: Yeah. I think there's an education  
18 process going on, particularly in the red states, which,  
19 you know, are really fighting a different battle, right?  
20 They are fighting against divestment, if you will, from  
21 oil and gas companies. But the people they're shooting at  
22 are some of the biggest investors in oil and gas,  
23 particularly the big three. BlackRock, Vanguard, and  
24 State Street collectively own more oil and gas than anyone  
25 else, and yet they are being targeted as if they're

1 somehow discriminating against oil and gas businesses.

2 But, you know, that's why it's so important to  
3 focus on the fiduciary duty. I'll give you one example.  
4 The Treasurer of Florida very famously divested loudly  
5 from BlackRock after a series of stellar returns. And my  
6 first thought was how can he do that as a fiduciary?

7 ACTING BOARD MEMBER PAQUIN: Um-hmm.

8 MR. CROWLEY: So I looked up the Florida  
9 statutes. And while he has responsibility for managing  
10 State money, there's nowhere in the statute that labels  
11 him a fiduciary. If he had been a fiduciary, I think he  
12 probably would have opened himself up to lawsuits from the  
13 people who were supposedly benefiting. So I think there's  
14 an education process that's going on both at the State  
15 level, particularly in the red states, but also in  
16 Congress. I've been joking that the Republicans are in a  
17 circular firing squad, because they think they're shooting  
18 at Marxists, but they're hitting their friends and  
19 capitalists along the way.

20 ACTING BOARD MEMBER PAQUIN: I think that's a  
21 very good point. It's always interesting. You know, I  
22 think Jamie Dimon was saying how he's getting it from the  
23 red states saying that they want to stop doing business  
24 with them, because of all the disclosure and pro-ESG  
25 talks. Then he's got people on the left saying, you know,

1 I don't like that you're still financing oil and gas. So  
2 it must be difficult and I appreciate that.

3 And then one other question. You mentioned a  
4 little bit about the SEC rules and Scope 3. Do you have  
5 any indications on how you expect them to be released and  
6 how much they might rollback from the earlier drafts that  
7 we see?

8 MR. CROWLEY: You know, that's a very good  
9 question. I think -- first of all, SEC Chairman Gary  
10 Gensler is probably one of the most effective regulators  
11 we've every had. I mean, we've seen that in the CFTC.  
12 You may not agree with him, but I don't think anybody  
13 would say he's not an effective regulator. He has an  
14 unbroken track record of something like 82 successive  
15 rules that he's promulgated and implemented. And I expect  
16 this will be yet another one. It's been slowed, as I  
17 said, because of the concerns about substituted  
18 compliance, but also because they're dotting the "i"s and  
19 crossing the "t"s in hopes of surviving judicial scrutiny.

20 I don't think there's any doubt that the SEC is  
21 on solid legal ground in promulgating disclosures for  
22 corporations. That's what the 33, and the 34, and the 40  
23 acts are all about. Where it gets a little dicey is going  
24 beyond disclosure for the purpose of informing investors  
25 about the risks that they're assuming and getting mere

1 into social policies or trying to regulate climate change  
2 or things like that.

3           So I think they were -- they are likely to narrow  
4 the proposal in order to survive judicial scrutiny. And  
5 quite frankly, it's better to get something that survives  
6 now that can be built on later than to try to get the  
7 whole thing in one fell swoop and have it fail. So I  
8 think that's the strategy.

9           Best guess is that the Climate Risk Disclosure  
10 Rule may very well be released as early as next month.  
11 We're still waiting for the Human Capital Rule. You know,  
12 that was initiated by CalPERS several years ago leading  
13 the human capital petition that it resonated and now  
14 they're on the verge of, we hope, promulgating a rule, but  
15 we're still anxious because it hasn't been released.

16           ACTING BOARD MEMBER PAQUIN: All right. Thank  
17 you.

18           VICE PRESIDENT MILLER: Okay. Director Pacheco.

19           BOARD MEMBER PACHECO: Yes, sir. Thank you for  
20 your comments. I wanted to go back and ask about the  
21 question about Silicon Bank. And you mentioned that  
22 they -- that on Sunday -- I believe Sunday evening when  
23 Secretary Yellen and Chairman Powell had set up the joint  
24 statement for creating the bank term facility, which you  
25 mentioned is the same playbook that we utilized back in



1 2008 and also during COVID period. So I believe this  
2 morning I listened on the -- on Bloomberg that Senator  
3 Warren was voicing that we need to have additional  
4 regulations or -- with respect to this.

5 What are your -- what are your thoughts on that?  
6 Do you believe there will be hearings and will there be  
7 additional regulations to maybe re-enhance the Dodd-Frank,  
8 I believe, if I remember -- if I recall, legislation?  
9 Thank you.

10 MR. CROWLEY: Yeah. Well, a few thoughts. First  
11 of all, the failure of Silicon Valley Bank, in my mind  
12 more than anything else, was a failure of management,  
13 because they knew they had long-term low interest paying  
14 investments and high cost of capital and they took no  
15 steps to address that problem.

16 On the bill that changed Dodd-Frank, it's  
17 important to remember that that was the culmination of  
18 many years of basically trying to undue Dodd-Frank.

19 BOARD MEMBER PACHECO: Um-hmm.

20 MR. CROWLEY: And really what the reforms were  
21 tweaks around the edges, you know, not applying the  
22 Volcker Rule to banks with under \$10 billion in assets,  
23 things like that. And it was supported by former House  
24 Financial Services Committee Chairman Barney Frank, whose  
25 name is on Dodd-Frank of course, but it's also telling

1 that he was a board member of Signature Bank in New York,  
2 which also has had significant problems. And one could  
3 argue that he had a conflict in supporting the bill and  
4 being on a regional -- a midsized bank board.

5 I think, you know, we're not going to see  
6 legislation in this area almost certainly unless it's  
7 somehow tied to the crypto, if another shoe falls. I  
8 mean, you know, everybody talked about reforming the  
9 accounting system after Enron and it all went cold until  
10 WorldCom, and then within 10 days they has passed  
11 Sarbanes-Oxley. So you could see a scenario like that  
12 where there's more developments that generates a  
13 bipartisan interest in legislation. But I think, first  
14 and foremost, it's going to be an enforcement issue. The  
15 regulators are going to evaluate it. The Federal Reserve  
16 Bank of San Francisco has already said they're going to be  
17 evaluating what went wrong and whether they may have  
18 missed something along the way. So enforcement is going  
19 to be the initial focus.

20 But I think there's going to be a lot of  
21 discussion about the moral hazard created by the Fed  
22 action, which essentially backstops all banks, whether  
23 they're in trouble or not. It gives every community bank  
24 in the country the ability to pledge collateral that may  
25 be worth significantly less than they're carrying it on

1 the books. They can now pledge it at par to the Fed and  
2 get the full value of those investments. That clearly  
3 creates a moral hazard that I think is going to be the  
4 subject a lot of discussion.

5 BOARD MEMBER PACHECO: Thank you very much for  
6 your comments. I appreciate it

7 VICE PRESIDENT MILLER: Okay. Next, I have  
8 Director Rubalcava.

9 BOARD MEMBER RUBALCAVA: Thank you, Mr. Miller.  
10 It's -- Mr. Crowley, it's a -- I had the pleasure of  
11 working with you in D.C. when we went with other people,  
12 colleagues to D.C. And it's good to have you here. And  
13 I'm just very impressed with your comments to the -- your  
14 presentation and the response to our colleagues'  
15 questions. So I want to thank you for your work and I'm  
16 glad you're working on our behalf. Thank you. That's  
17 all.

18 MR. CROWLEY: Thank you very much. And if I  
19 could just say, it was a pleasure to see you in  
20 Washington, D.C. We've now had the privilege of doing two  
21 rounds of Hill meetings this year, one in January with  
22 several Board members. Danny was in town again last  
23 month. There's no substitute for that. You know, we're  
24 your federal lobbyist. We can make the case. We can have  
25 the discussions, but there's no substitute for principal

1 to principal interaction. So when any of you are in  
2 Washington D.C. please let us know, so that we can take  
3 whatever spare time you might have and capitalize on that.

4 VICE PRESIDENT MILLER: Okay. Next, I've Frank  
5 Ruffino.

6 ACTING BOARD MEMBER RUFFINO: Thank you, Mr.  
7 Chair. Just to follow up on the previous comments. I  
8 wanted to take -- formally to thank you as well for your  
9 guidance during CalPERS visit, and for, you know -- and to  
10 get us to make those Capitol Hill visits. And it was  
11 particularly impressive the fact that you were able to  
12 secure a meeting with the new Speaker. I think he was  
13 just elected two, three days. And as you'll recall, we  
14 had a robust discussion with his Senior Policy. And we  
15 had James from our staff here, which he's not here, but if  
16 you're hearing, James did an excellent job in articulating  
17 ESG positions and divestments as we spoke. But thank you,  
18 sir. It's -- thank you for all that you do on behalf of  
19 our board and on behalf of our members.

20 MR. CROWLEY: Thank you.

21 VICE PRESIDENT MILLER: Okay. Next, I have  
22 Director Middleton.

23 BOARD MEMBER MIDDLETON: All right. Thank you.  
24 And again, thank you for the comments and most  
25 particularly thank you for telling us that the Speaker and

1 the Majority Leader in the House are actually talking to  
2 one another and cooperating. That rarely makes it onto  
3 our evening news no matter what color of news we happen to  
4 prefer.

5 MR. CROWLEY: I'm told that it's so bad that the  
6 Speaker's staff complained that they sometimes need to  
7 find out what they discussed by talking to Jeffries staff.

8 (Laughter).

9 BOARD MEMBER MIDDLETON: Well, perhaps there is  
10 hope. At the end of the day, in many of these states that  
11 are taking very loud positions on opposition to ESG  
12 strategies, what I'm also reading in the fineprint is  
13 they're creating exceptions to those that tend to allow  
14 staff to continue to work with organizations. Can you  
15 comment on what degree you're seeing that trend?

16 MR. CROWLEY: I think there's a disconnect  
17 between the political discourse and the economic reality.  
18 And as that becomes clear, you're going to see more of the  
19 reversals. My expectation is that we're going to have a  
20 series of hearings which is an opportunity to put facts on  
21 the record and we can experts talking about what  
22 sustainability disclosures are, why are they important to  
23 investors, and why does the SEC need to enhance their  
24 disclosure obligations?

25 The rest of it is sort of political window

1 dressing, if you will. It's Republicans shooting at Biden  
2 administration policy priorities, but it doesn't make  
3 sense to try to do that through the corporate disclosure  
4 regime. And by the way, the calls for divestment are on  
5 both sides, right?

6 BOARD MEMBER MIDDLETON: Um-hmm.

7 MR. CROWLEY: It's -- whether it's divesting from  
8 China or -- you know, there's a lot of discussion about  
9 how to use investors as pawns in what are essentially  
10 policy discussions. Investors don't have any role in  
11 that, right? Investors are neutral or objective. They're  
12 takers. They're not creators of policy.

13 So I think these hearings are an opportunity to  
14 get facts on the record. And inevitably over time as  
15 people understand what the issues really are, the  
16 hostility will subside, but we're not there yet.

17 BOARD MEMBER MIDDLETON: All right. Are there --  
18 is there additional guidance that you would give us as we  
19 try to negotiate, particularly with our members, trying to  
20 explain to them what truly is going on at a time when --  
21 and I'll separate out the political folks from what has  
22 been a media firestorm in many, many locations. And  
23 frankly none of us have as loud a microphone as those that  
24 are on cable news.

25 MR. CROWLEY: You know, that's a -- how long do

1 we have?

2 (Laughter).

3 MR. CROWLEY: You know, my best advice is stick  
4 to your knitting. You know, if you focus on the fiduciary  
5 duty -- I have not had a discussion with Danny or with  
6 anyone in the Investment Office about ESG that is not  
7 focused on its relations to risks to the fund and returns.  
8 And as long as that's the focus, I'd stay -- you know, I'd  
9 say full steam ahead. You know, the rest of this is  
10 political noise. It will get sorted out in time. But at  
11 the end of the day, you have an obligation to your  
12 beneficiaries to do the right thing and I think you're on  
13 that track.

14 BOARD MEMBER MIDDLETON: All right. Thank you  
15 very much.

16 VICE PRESIDENT MILLER: Okay. I'm seeing no more  
17 requests to speak from the Board. I will mention -- I  
18 was -- it was nice to hear -- you mentioned Barney Frank.  
19 And for those of you interested, a wonderful interview on  
20 NPR yesterday with Barney Frank about this whole  
21 situation, and sitting on the board of this bank, and his  
22 views on crypto, and everything else that went into it.  
23 So definitely worth checking out.

24 The other thing I just wanted to -- just even  
25 the -- could you speak a little bit about even the broader

1 implications beyond our national policy with Credit Suisse  
2 just took a big dive and their primary funders are  
3 withholding funds from them. And it seems like the whole  
4 banking sector is a little bit shook up by this whole  
5 situation, and suddenly people are paying much closer  
6 attention to even not especially material audit findings.  
7 And it seems to be shaking things up worldwide, not just  
8 here with Silicon Valley Bank and the bank in New York  
9 and...

10 MR. CROWLEY: Yeah. You know, it's -- CalPERS,  
11 of course, focuses on investing in publicly traded  
12 companies as well as privately traded companies, but the  
13 point is that you're investing on the basis of  
14 transparency and informed assumption of risk. The banking  
15 business model is not inherently supportive of  
16 transparency. In fact, it's an opaque business model and  
17 that's by design, because, you know, there's a concern  
18 that if people realized how highly levered these  
19 institutions are, they would take their money out and it  
20 would cause bank runs, which is why the whole -- you know  
21 in the 1920s, the banks would pile up cash in the  
22 storefront window to reassure people that the banks have  
23 lots of money. My money is safe. I don't need to  
24 withdraw it.

25 The FDIC does the same thing in modern times.



1 It's not to protect investors. It's -- or depositors  
2 rather. It's to protect the system. And that's why I  
3 say, the bank crisis in almost every instance are an  
4 accounting failure. And I think that that's certainly  
5 true in the case of Credit Suisse.

6 VICE PRESIDENT MILLER: All right. Thank you.

7 Okay. I think that pretty much wraps up that  
8 part. So on to federal legislative priorities, Item 9b.  
9 Thank you very much.

10 MR. CROWLEY: Thank you.

11 VICE PRESIDENT MILLER: Really appreciate your  
12 time and your insights.

13 MR. CROWLEY: Thank you very much.

14 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Well,  
15 good morning again. Danny Brown, CalPERS team member.  
16 Just quickly on the federal legislative and policy  
17 priorities, I won't go into detail on them. They're there  
18 for you to read. What I'll just say is that at the  
19 beginning of each new legislative or congressional  
20 session, we -- the Legislative Affairs teams works with  
21 our program areas to look at our policies. And in some  
22 cases, we update existing ones and others we maybe add  
23 some new ones.

24 What I want to let you know that these, you know,  
25 policies are based on the Board's adopted policy

1 principles, strategic and business plans. So we use that.  
2 We look at those as we're developing these policies. And  
3 they're really meant to give direction to my team, K&L  
4 Gates team as to what things we should be identifying and  
5 monitoring in D.C. as things develop, and when directed  
6 engage on. So that's the purpose of them.

7 So with that, I'll stop and answer any questions  
8 if anybody has them.

9 VICE PRESIDENT MILLER: Okay. I'm not seeing any  
10 questions.

11 So I guess that will bring us to 9c, diversity,  
12 equity, and inclusion framework semiannual update.

13 (Thereupon a slide presentation).

14 VICE PRESIDENT MILLER: And for this, we will  
15 welcome Marlene Timberlake D'Adamo.

16 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
17 D'ADAMO: Good morning.

18 VICE PRESIDENT MILLER: Good morning.

19 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

20 D'ADAMO: Marlene Timberlake D'Adamo, CalPERS team member.

21 Sorry for the rearranging, but I have a little  
22 bit of battery anxiety right now --

23 (Laughter).

24 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

25 D'ADAMO: -- so I want to make sure that I have my notes

1 up and ready for this conversation.

2 So thank you. Okay. Let's see.

3 --o0o--

4 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

5 D'ADAMO: There we go.

6 So good morning. So I'm the Chief Diversity,  
7 Equity, and Inclusion Officer for CalPERS, for those of  
8 you who may not know me. I know you all do, but those  
9 watching. And this is my semiannual update on our  
10 framework. And I just wanted to maybe just take a minute  
11 to talk a little bit about the history and the context of  
12 our framework.

13 The framework itself was introduced to you in  
14 March of 2021. And we did so with the purpose of really  
15 aggregating and centralizing the good work that we're  
16 doing. As many of you know, that diversity, equity, and  
17 inclusion is something that we believe in and have  
18 believed in for a long time and across many areas. And  
19 the idea of the framework was to really transparently be  
20 able to show -- really show our work and show the impact  
21 of what we're doing.

22 The framework itself was -- is guided by our  
23 beliefs, principles, data, and research. And it really  
24 has five priority areas. And I tell people in -- you  
25 know, in talking about the creation of the framework that

1 the framework really started with us thinking about what  
2 is our mission, what is our why as Marcie likes to say.  
3 And for us the mission is to pay pension and health  
4 benefits to members and their beneficiaries, full stop.

5           And so when we looked at what our framework could  
6 be and should be, you know, the criteria really was to be  
7 able to leverage the platform that we have, to have  
8 impact, and to be very intentional about what we're doing.  
9 And with the mission in mind, I'd like to say that the  
10 framework is really the -- the mission is really the what,  
11 but the framework is the how. And so what we really want  
12 to do is use the framework to show how our efforts are  
13 really helping to make CalPERS, you know, a better  
14 organization, to -- there was a lot of talk about  
15 fiduciary duty, but to make sure that we are doing all the  
16 things that we can do to support that mission, both on the  
17 pension and on the health side.

18           Oh, one thing I didn't note here, but just so  
19 that you see it. Our framework is really built on five  
20 pillars. And the pillars really were the criteria that  
21 when we looked at the mission, we said what are the  
22 things, what are the areas that we really need to be  
23 intentionally focused on to make sure that we -- that the  
24 achievement of our mission is, you know, that's -- that's  
25 what we're going to be doing, that's what we're focused

1 on. And so we've centered on culture. And I like to say  
2 that if you don't have a good culture, you don't have a  
3 good organization. So culture is very intentionally at  
4 the front of our pillars, as well as talent management.

5 I think, you know, it would be an understatement  
6 to say that you shouldn't think about talent. Talent is,  
7 as we know, critical to a lot of what makes an  
8 organization tick, what makes an organization outperform.  
9 And so talent is very critically at the center of what  
10 we're doing.

11 And then, of course, we have our twin missions of  
12 health equity and investments for the reasons that I  
13 stated above in terms of why they are a focus of our  
14 pillars. And our last pillar is supplier diversity. I  
15 like to say inartfully that we spend a boat load of money.  
16 And so supplier diversity is a great way to make sure that  
17 we are being intentional about how that money is being  
18 spent.

19 --o0o--

20 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
21 D'ADAMO: The next couple of slides are really meant to  
22 show what I like to call the governance around DEI. I  
23 like to show that DEI is not operated. I'm not sitting  
24 off to the side by myself, you know, like a mad scientist  
25 figuring things out. It's really done with very

1 intentionally using the enterprise. And it's important  
2 for me that the DEI work is actually embedded in the  
3 enterprise. You know, I am up here. I'm the face of the  
4 work, but, you know, there's a ton of people behind me  
5 that are working on this and that have, you know, core  
6 responsibilities for the efforts and the initiatives that  
7 are listed throughout this report.

8           And so for me it's important to show that this  
9 is, as I mentioned, a centralized effort. It is not  
10 diversity is off to the side. That's one of the things  
11 that really bugs me is, is when we think about -- if we  
12 think about diversity as being something that is off to  
13 the side, it's -- for us, diversity is something that is  
14 part and parcel of everything we do. It's part of our  
15 processes. It's part of our procedures. And we really  
16 believe that in operating it that way, in looking at it  
17 that way, we're going to get the best outcomes.

18   --o0o--

19           CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
20 D'ADAMO: I have to navigate both the lap top and the --  
21 I'm good. I'm good. Thanks

22   --o0o--

23           CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
24 D'ADAMO: So this slide actually shows from an  
25 organizational perspective the roles that the branches

1 really have in terms of our DEI efforts. And again, this  
2 is meant to show that it is not just me and, you know, the  
3 folks that work with me, but it is really responsibilities  
4 that are embedded throughout the organization. And I  
5 think that we're all better off for that.

6 --o0o--

7 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

8 D'ADAMO: So the next few slides -- and I'll talk just a  
9 little bit for those of you who are newer to the Board,  
10 the way that the report is formatted is really talking  
11 about -- because I come to you a couple of times a year, I  
12 like to talk about sort of what have we been up to in  
13 terms of the recent accomplishments and then what's next  
14 in terms of what are we going to be working on.

15 And so, we are -- we are looking at, in terms of  
16 culture, I've listed, you know, several things that we're  
17 working on. Let's see. Wait a minute. Maybe you can do  
18 that, because -- okay.

19 CHIEF EXECUTIVE OFFICER FROST: Just tell me when  
20 you're ready to advance.

21 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

22 D'ADAMO: All right. One second. Okay. Here we go. So  
23 the next three slides detail some of the initiatives we've  
24 been undertaking to strengthen our culture. And for each  
25 of these pillars, we actually have, in terms of our

1 planning and our Strategic Plan, an associated goal, which  
2 is a higher level goal, and then an objective. And then  
3 the way that we've worked our work is that we have  
4 initiatives really that correspond to the objective of  
5 that goal. And that's really a way that we can track and  
6 really make sure that we are seeing responses that we  
7 expect to see, or if we're not, what we need to do to  
8 pivot, because as I've said, you know, a lot of this is  
9 iterative.

10 I've -- in previous reports, I've talked about  
11 sorted of the foundation of the -- of the framework. And  
12 it really is foundational. It's iterative and it's  
13 aggressively inclusive. And those are important to note,  
14 because hopefully you'll see threads of that as we work  
15 through the report.

16 So three of the four items -- three of the four  
17 items listed on this slide were meant to improve the  
18 interpersonal relationships that team members have with  
19 one another and it's meant to bring additional levels of  
20 empathy to those relationships. I'm very proud to say  
21 that within a short time of the announcement of the gender  
22 pronouns session opening up, it was fully booked. We had  
23 great turnout and will look to continue programing like  
24 this in order to give opportunities for many more team  
25 members to attend and gain valuable insights.



1 I'm also proud to announce that following up on  
2 the two sessions highlighted above, we have -- we have  
3 initiated a relationship with Out Leadership. Out  
4 Leadership is an organization that works with  
5 organizations, small and large, to help their members --  
6 to help their members grow in their leadership roles. It  
7 is a really good -- it is a really good course correlation  
8 to the work that we do on our -- on our culture side and  
9 it was really met by identifying Out Leadership, it's  
10 really meant to show that the work that we do is focused  
11 on all of our demographics and not only just some  
12 demographics or some individuals. Hopefully, what you'll  
13 see in the -- in the work that we do is I like to say  
14 that, you know, our reach in terms of the framework and  
15 goals is both broad and deep.

16 And what I mean by that is that it is broad,  
17 because we really focus on end-to-end. You know, we want  
18 to see processes and we want to be able to impact change  
19 in, you know, end-to-end sort of processes and procedures.  
20 But it's deep also, and that's probably where I would say  
21 the foundational part of our framework comes in, because  
22 we understand that in order to have long-lasting change,  
23 you really have to sort of understand, you know, where you  
24 have to start. You have to know where you start and then  
25 you have to be able to measure and show those progresses

1 as you go. So for us, it's both broad and deep. And, you  
2 know, it's very intentional that way and sometimes it  
3 probably takes a little bit longer, but we really do feel  
4 that it is worth the effort, because the impacts and the  
5 change will be longer -- long-lasting.

6 The fourth item is a newly created and  
7 implemented DEI Certificate Program that we piloted. The  
8 program is curated from our LinkedIn learning subscription  
9 and is a seven and a half hour program designed around  
10 inclusion and includes training on -- and a project to be  
11 completed as a capstone to the course. This project is a  
12 way for participants to take what they've learned and  
13 apply it to real world work environments.

14 Okay. Go to the next slide.

15 --o0o--

16 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
17 D'ADAMO: This slide, also on culture really highlights  
18 the efforts of our ERGs. CalPERS actually has two ERGs,  
19 employee resource groups. The first one is CDIG,  
20 affectionately known, which is CalPERS Diversity and  
21 Inclusion Group, and CDAC. And CDAC is the CalPERS  
22 Disability Awareness Council -- Advisory Council.

23 And these two ERGs have programming every month  
24 that are focused on bringing team members together and  
25 connecting on lots of different things. We have calendars

1 and observances and we have conversations about hot topics  
2 or even not so hot topics. But it really is a safe space  
3 for folks to engage with one another to gain some  
4 understanding to get some support and to really feel like  
5 they're teammates really want to understand and, you know,  
6 work with them.

7 I have to say I've probably been attending the  
8 ERG meetings now for a couple of years and I always learn  
9 something at the ERGs. And just most recently I would say  
10 that the last ERG to celebrate Black History Month, we  
11 actually had a conversation with two speakers, one of  
12 which was a Sac State professor and the other was our  
13 former Sacramento Chief of Police and it was a really  
14 great conversation. They didn't agree on everything,  
15 which is always okay, but it was a really great  
16 conversation. I thought it really opened up some eyes to  
17 the topics that were talking about.

18 And then for the last bullet, because we believe  
19 that community is not just about what you do to support  
20 your own house, the last bullet highlights our ongoing  
21 commitment to supporting our neighbor in Sacramento, the  
22 Pioneer House. The Pioneer House is a residential  
23 facility that serves about 100 members. And during the  
24 holiday season, CalPERS volunteers collected items and  
25 sent cards to each of the residents and then put together

1 care packages of personal items for -- and winter  
2 accessories for those who don't have family members  
3 locally, so that they actually received a gift during the  
4 holiday season.

5 And this effort helped to let the residents  
6 though that their neighbors cared about them and wanted to  
7 make sure that we brightened their season. And I attended  
8 the event where we put everything together and I think it  
9 brightened ours as well.

10 Next.

11 --o0o--

12 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
13 D'ADAMO: Okay. And then on -- continuing on to culture.  
14 Here, this slide really talks about the many recognition  
15 events that we have as well as the work that we're doing  
16 around our engagement survey. As you know, we have an  
17 engagement survey every year and we take those results  
18 very seriously. And then out those surveys come action  
19 items that the senior leadership and the divisions  
20 actually work on.

21 And so for us, that's a big event. That's  
22 something that will be going on and is ongoing now in  
23 terms of the conversations amongst the divisions. And  
24 then second bullet really talks about the 1,800 team  
25 members events that we've had and all the different ways

1 that we celebrate and recognize our team. I think that  
2 it's important. It's great crate for belonging. It's  
3 great for engagement and we plan to continue to do that  
4 and probably add some additional items as we are working  
5 through the engagement process.

6 Next slide, please.

7 --o0o--

8 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
9 D'ADAMO: So this next slide then, we move into talent  
10 management. Here, we talk about ways that we have  
11 supported team members, particularly around activities,  
12 including recruitment, retention, succession, which are  
13 part of our objectives in the talent management area.

14 The mandatory onboarding training is something  
15 that we have done because what we have found is that we  
16 wanted to make sure that folks, new employees  
17 particularly, got their training early on. And so we  
18 piloted a program through the efforts of a couple of  
19 divisions to make sure that individuals got their training  
20 early, so that they were aware of policies, procedures,  
21 things that are important to CalPERS that they knew of  
22 before they actually -- you know, I was going to -- before  
23 they actually started in their roles. And so what we've  
24 done is we've made it so that individuals have to complete  
25 their training before they actually interact with others

1 or do their roles, which we find is great for making sure  
2 that folks, you know, are aware of what the CalPERS  
3 expectations are prior to starting their roles.

4           The remaining bullets relate to the tools that  
5 we're utilizing to highlight what a diverse environment  
6 CalPERS is to work in. Videos showing new employees  
7 highlight the level of diverse talent we are able to  
8 attract. People want to see themselves represented. And  
9 when we show the level of diverse talent, we show  
10 individuals that they can actually see themselves  
11 represented in the fabric of our workforce.

12           We've been more innovative in our recruitment  
13 strategies. The third bullet refers to strategy to  
14 leverage the referral networks of our team members to tap  
15 into their networks in our quest to bring in new and fresh  
16 talent. I like to call these strategies fishing in a  
17 different pond. We know that in order to attract the best  
18 talent in this environment where everyone is desperate to  
19 hold on to their talent, we are casting our lines in  
20 places that we hadn't done so before. And we know that in  
21 order to continue to maintain our culture and to maintain  
22 and grow engagement, we need to live by our inclusion  
23 principles.

24           The last bullet addresses the language that is  
25 used in recruitment materials, the use of the tool

1 neutralized the language, so that materials, and job  
2 classifications, and duty statements have neutralized  
3 language. And so that's important, because it is part of  
4 the inclusion strategy of opening up our job roles and  
5 classifications to broader groups of individuals.

6 Next slide.

7 --o0o--

8 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
9 D'ADAMO: Yesterday was a full day of health, so I know  
10 that you're aware of a lot of work that is being done on  
11 the health side. I think what I'd like to highlight here  
12 is the health demographic profile. This work is really  
13 critical to the next set of work that's going to be done  
14 around understanding the demographics and the health  
15 outcomes of demographics. And so we had been on this  
16 journey for quite some time in trying to get the health  
17 demographic profiles filled out by members. And we have  
18 now collected more than 185,000 profiles. The number --  
19 the magic number was 100,000. We said that once we gotten  
20 to 100,000, we would be able to start analyzing the data  
21 and understanding the different outcomes that demo -- that  
22 certain demographics or all demographics really have as it  
23 relates to health outcomes.

24 And I just wanted to give a shout-out to the  
25 team, because they had the brilliant idea of having the

1 health plans incentivize the completion of the profiles.  
2 And so we literally went from, you know, 53,000 profiles  
3 to over 100,000 in, you know, call it like two days, once  
4 that was announced. So we figured out what it takes to  
5 get the health demographic profiles filled out. And so  
6 that work will continue and we'll begin.

7           The second primary bullet provides information  
8 regarding upcoming changes to contract language and  
9 requirements. And this is a good point I think for me to  
10 sort of stop and remind everyone about the broad and the  
11 deep part of our framework. I think what you'll see,  
12 particularly as in the health side is we are looking at  
13 areas where we can impact change and where we have  
14 leverage. And so we know that contracting is a big part  
15 of where we can have leverage. And so as you've seen in  
16 previous reports, we're doing quite a bit in terms of  
17 contract language to make sure that we're bringing equity  
18 to health outcomes and we're doing it when we can in  
19 contracts, as well as in other areas. But this is, I  
20 think, an example of the broad and the deep, in terms of  
21 the framework of us really looking at where can we impact,  
22 where can we effect change and pursuing that.

23           Next.

24                           --o0o--

25           CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER



1 D'ADAMO: These are some other examples of work that's  
2 being done in the health area. You know, benefit design  
3 changes and the DMHC work. Again this is an example.  
4 We've talked about it in other areas and others have  
5 mentioned this as well, but CalPERS has the good fortune,  
6 I would say, to participate both in State and federal  
7 organizations around, you know, name your topic, whether  
8 it's pension, whether it's health, whether it's law, but  
9 we definitely make use of that ability. We believe that  
10 it is helpful for us to be part of those conversations,  
11 and we actually think that it is helpful for us to bring,  
12 you know, the considerable might that we have together  
13 with others in other projects that we're working on to  
14 make sure that we are seeing the outcomes that we all  
15 expect to see or that we hope to see.

16 Next.

17 --o0o--

18 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

19 D'ADAMO: Okay. The next area moving from health is  
20 supplier diversity. And here again, we've talked about,  
21 you know, the efforts that we have. Our primary effort  
22 here is to understand the demographics of our supplier  
23 workforce. And we do so by -- we have -- I won't get --  
24 it can be pretty technical. But the point here is that we  
25 have what's called a VSIDS, a voluntary data sheet. And



1 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

2 D'ADAMO: So -- okay. This slide highlights the great  
3 work that's been done by our vendor engagement team,  
4 particularly our advocate who was nominated for a State  
5 agency recognition award. And I think, as you all have  
6 seen this report a couple times, you'll know that our  
7 advocate in the supplier diversity side is very highly  
8 recognized for the work that is being done, and CalPERS is  
9 actually really highly recognized for the work that we've  
10 done in -- that we do in this space.

11 Next slide, please.

12 --o0o--

13 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

14 D'ADAMO: Okay. Fifth area is investments. Here, we've  
15 talked I think throughout, as you've heard, both in IC and  
16 earlier today different things that we are doing. Like  
17 the other pillars, we've developed our strategies and  
18 initiatives around where we can have the most impact.  
19 This is why you will see work dedicated in several areas  
20 and across many paths.

21 While in many instances, we're happy to go first.  
22 We believe that there is strength in numbers and so we are  
23 always willing to partner up with organizations similarly  
24 situated who have the same or similar goals. We believe  
25 that this approach is helpful to overall improvement of

1 conditions and provides a level of transparency not only  
2 in terms of where we are going, but who we are taking with  
3 us and what outcomes we seek to impact.

4           One item that's not highlighted in the slides,  
5 but important nonetheless and demonstrates our commitment  
6 to seeking impact in every part of the process, I serve as  
7 the Chair of the CFA Institute's D&I steering committee.  
8 The steering committee directs the activities within the  
9 CFA Institute and on behalf of their more than 190,000  
10 charter holders who are employed by more than 25,000  
11 firms. The CFA Institute is a industry -- investment  
12 industry organization that's dedicated to improving  
13 standards in the organization.

14           And so it was really important to be part of the  
15 CFA and to be able to -- to be able to demonstrate the  
16 commitment that we all have to D&I and to bring it to the  
17 CFA Institute.

18           As many of you know, CalPERS participated through  
19 my membership on the working group team that developed the  
20 CFA Institute's Inclusion Code, which was rolled out last  
21 year. There have been more than 100 organizations that  
22 have signed on to the code and that represents  
23 approximately \$16 trillion.

24           Diverse manager definitions was discussed a bit  
25 earlier this week and was established in the run up to the

1 AB 890 report. And as both Nicole and Marcie have  
2 mentioned during their comments, we are very excited about  
3 the new \$1 billion innovation and entrepreneurship  
4 platform. We are looking forward to leveraging the  
5 strategic partners to help us move the needle in the  
6 private equity space.

7 Next slide, please.

8 --o0o--

9 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
10 D'ADAMO: In culture, these items are the next steps that  
11 we're looking to complete in terms of our work. And the  
12 idea really round culture is continuing to raise awareness  
13 to provide visibility and to provide a venue, if you will,  
14 for folks to engage with one another. I like to say that,  
15 you know, this work is really, particularly in the culture  
16 side, is not a one and done type of thing. We will always  
17 be finding ways to speak to team members. We will always  
18 be engaging team members and having them engage with us as  
19 well.

20 Next slide, please.

21 --o0o--

22 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
23 D'ADAMO: More on the culture. The items on this slide  
24 further detail efforts at maintaining our culture of  
25 belonging. Belonging is super important to us and it's

1 one of the things that we realize is something that really  
2 keeps people engaged. It is part of the why and why they  
3 stay. And so we are actively and always looking at ways  
4 to make sure that we're understanding what are -- what are  
5 people's whys and how we can help them feel like they  
6 belong.

7 Next slide, please.

8 --o0o--

9 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

10 D'ADAMO: On the talent management slide, these  
11 initiatives have ident -- are identified here are aimed at  
12 improving equity and inclusion, some of which I've talked  
13 about, some of which we're going to be continuing to do.  
14 One comment that I feel that we don't say a lot, but it  
15 absolutely is at the heart of our DEI work, is that when  
16 we assess processes and embed equity and inclusion  
17 practices into those processes, we're making our  
18 environment equitable for everyone, not just specific  
19 individuals. And it's important to note when we talk  
20 about inclusion, and engagement, and equity, what we're  
21 doing is we're making it so that everybody feels that.  
22 And when everybody feels that, we feel like, I feel like,  
23 it creates a stronger environment and a stronger -- you  
24 know, that connection is stronger for folks.

25 Next slide.

1                   --o0o--

2                   CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

3 D'ADAMO: On the health side, we're continuing the next  
4 phase of the work we're doing towards our goal of  
5 improving health outcomes. On supplier diversity, we are  
6 continuing the efforts that have been --

7                   Next slide.

8                   --o0o--

9                   CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

10 D'ADAMO: -- we're continuing work that's been done around  
11 engaging with our vendors, improving our understanding of  
12 what our vendor profiles look like, and making sure that  
13 we are doing outreach in terms of the work that is  
14 occurring on the vendor side.

15                   Next slide, please.

16                   --o0o--

17                   CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

18 D'ADAMO: The investments pillar is very important to the  
19 framework and our success in this area contributes  
20 directly to our ability to accomplish our mission to pay  
21 pension benefits to members and their beneficiaries.

22                   On Monday with Simiso and Drew, CalPERS is well  
23 known for our events in the proxy voting and engagement.  
24 We are going to continue that work, as we've always done,  
25 and we are proud to do so. And we really believe that it

1 is important to the work that we do.

2 The three bullets here mentioned some of the  
3 things that we do, including partnerships with other  
4 California organizations, as well. And this is -- sort of  
5 also goes to the broad and the deep. You know, we engage  
6 in all places where we feel it is beneficial and necessary  
7 to do so.

8 Next slide.

9 --o0o--

10 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

11 D'ADAMO: More on the proxy voting and the advocacy.

12 Next slide.

13 --o0o--

14 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

15 D'ADAMO: These are additional items that we are going to  
16 be working on in terms of the Investments Office. The  
17 innovation and entrepreneurship platform, I know it's been  
18 mentioned a couple times, but we are very excited about  
19 that work and really believe that it's going to be very  
20 helpful and beneficial to our overall efforts in this  
21 space.

22 And then the next slide. Last slide.

23 --o0o--

24 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

25 D'ADAMO: So this last slide really is some the things



1 that we're going to be doing as it relates to the  
2 framework next steps. And the things that I feel we  
3 are -- next in terms of our initiatives for developing the  
4 framework and being able to really measure what we're  
5 doing. So that is the end of my formal comments and I  
6 will be happy to take questions if you all have them.

7 VICE PRESIDENT MILLER: Yes. We'll start with  
8 Frank Ruffino.

9 ACTING BOARD MEMBER RUFFINO: Thank you, Mr.  
10 Chair and than you, Ms. D'Adamo. This is -- wow. It's  
11 overwhelming. I've got notes on every --

12 (Laughter).

13 ACTING BOARD MEMBER RUFFINO: -- on every page.  
14 Thank you for that very comprehensive update. And it's  
15 very refreshing to see so much going on in this space.  
16 And I want to begin, by the way, to give you a comment  
17 before I go into this. I know last week we both attended  
18 CII and you were a panel member. And I was -- initially,  
19 I was reluctant. I was not sure which breakout session I  
20 should go. And then I go, well, I've got to go to this  
21 one, you know, Ms. D'Adamo is the presenter and I did.  
22 And I was glad that I did, because by the end of the  
23 session, I was so proud to be a CalPERS Board member and  
24 to see you in action. And you were so articulate and so  
25 good there, you know, and articulated our program and

1 articulate just this whole space of information. So thank  
2 you for what -- you know for that.

3 So now to the -- let me see. To the actual  
4 slide. I think the first slide that I have a quick  
5 comment is slide 6, which talks about the Pilot DEI  
6 Certificate Program.

7 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
8 D'ADAMO: Um-hmm.

9 ACTING BOARD MEMBER RUFFINO: And I think I saw  
10 that too on slide 15 to rollout a DEI Certificate Program  
11 to enterprise. And I have next to that, what about the  
12 Board? And, I mean, I'm not sure, maybe not everybody  
13 will be interested. But I think it will be important for  
14 us -- some of us -- if anybody on the Board is interested,  
15 maybe we should rollout something for the Board.

16 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
17 D'ADAMO: We can make that available

18 ACTING BOARD MEMBER RUFFINO: It should start  
19 from the top. We need to really show, you know, if we  
20 really truly are committed. So that's a comment.

21 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
22 D'ADAMO: We can make that available.

23 ACTING BOARD MEMBER RUFFINO: Okay. And then  
24 maybe in second I know you said it was seven and a half  
25 hours and I did not understand if that's like seven -- I

1 mean how -- I'm not sure how it's been presented, but --

2 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

3 D'ADAMO: I could tell you real quick. It's a -- it's a  
4 curated program. So what we've done is we've gone through  
5 a lot of different materials and we've curated seven and a  
6 half hours. It's, I believe, five different trainings and  
7 that is where you get the seven and a half hours from.

8 And then there's a project that goes along with it where  
9 it's what I call the capstone of the program where you  
10 take a project. I'm very big on the interactive part. So  
11 you take your project and then you do your project and  
12 that becomes sort of the final part of the certificate.  
13 And then when you're done you actually get a certificate  
14 from CalPERS that says that you've completed this DEI  
15 program.

16 ACTING BOARD MEMBER RUFFINO: And I assume you  
17 don't have to do it -- you don't have to block out a whole  
18 day. I'm assuming you can do it --

19 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

20 D'ADAMO: No, you can. You do it at your own pace.

21 ACTING BOARD MEMBER RUFFINO: The other thing  
22 that I wanted to comment on is your APEX. I know you  
23 mentioned on a couple slides that you do that and I know  
24 you've been doing that.

25 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

1 D'ADAMO: Um-hmm.

2 ACTING BOARD MEMBER RUFFINO: And I just wanted  
3 you to know that's commendable and the State Treasurer  
4 joins, and congratulates, and in fact in the past you may  
5 not know, but the Treasurer has formally presented a  
6 certificate to the APEX winner, so she would like to  
7 continue the tradition and she would like to join in in  
8 doing whatever we can to recognize good work, to recognize  
9 excellence --

10 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

11 D'ADAMO: Yeah.

12 ACTING BOARD MEMBER RUFFINO: -- and so on and so  
13 forth. So I just want to share that with you.

14 I -- a quick comment on slide number 7, very  
15 commendable too for having a team that thinks about folks  
16 especially during holidays, you know, the residential  
17 facility.

18 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

19 D'ADAMO: Um-hmm.

20 ACTING BOARD MEMBER RUFFINO: Awesome. I mean,  
21 but just in case I don't know if they have any spare time  
22 or they want to adopt any other -- I always put a pitch  
23 for children's of incarcerated parents and incarcerated  
24 men and women who typically are totally forgotten, not  
25 only by their family, that alone, but society as a whole

1 unless you have somebody in there. So -- and we have  
2 multiple facilities here in Sacramento. And I will be  
3 happy to connect you with some folks that could always  
4 use -- and there's so many different programs, but I just  
5 wanted -- just in case, you know, they need to right -- to  
6 identify some other causes, but great. I, mean, great,  
7 great work. Excellent

8 Last -- well, one more. Sorry, Mr. Chair. I'm  
9 almost done.

10 (Laughter).

11 ACTING BOARD MEMBER RUFFINO: I learned, even  
12 though I've been sitting on the Board for my boss for  
13 about four years, by I just sort of learned about this  
14 group on slide -- page number 20, the partnership with  
15 CalSTRS, LACERA, and SFERS. In fact, I learned it last  
16 week at CII. I was talking with the Chair of the -- of  
17 LACERA and I was asking him, I go, whoa, when did this  
18 happen, or how long has this been going on, what do you  
19 guys do?

20 So I'm not sure if anyone else on the Board knows  
21 about or not, but potentially it could be something we can  
22 learn about, maybe -- you know, maybe do something.

23 And lastly, establish diverse managers. I know  
24 we talked about it a couple days ago. I think I made a  
25 comment too to Ms. Musicco congratulating. I think

1 everybody is excited. I know my boss is very excited, the  
2 Treasurer, about learning that we're setting aside \$1  
3 billion for this folks. So again just great work.

4 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
5 D'ADAMO: We're very excited about that.

6 ACTING BOARD MEMBER RUFFINO: And finally, I  
7 think it's -- it's my last -- my last note. Finally, we  
8 cannot -- we can never say thank you enough to our folks  
9 who are working hard day after day. And the fact that  
10 your SB and DVBE --

11 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
12 D'ADAMO: Um-hmm.

13 ACTING BOARD MEMBER RUFFINO: -- which need a  
14 small business and disabled veteran business enterprise,  
15 that's acronym, advocates, they get nominated. I'm not  
16 sure that they're going to get this year on the 23rd, but  
17 the fact that in the past they've been receiving silver  
18 and bronze, that takes effort. That takes work. That  
19 takes commitment. And so I want to take the opportunity  
20 on behalf of the Treasurer to say to these folks  
21 congratulations, but more importantly keep up that work.  
22 It is worth it, definitely worth it.

23 With said, Ms. D'Adamo thank you so much. I'm  
24 overwhelmed by this report. It's great, great. A lot of  
25 great initiative, a lot of great stuff. We wish you well

1 and please keep apprised. And if there's anything that we  
2 can do to help in the space, we'd certainly love to do it.

3 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

4 D'ADAMO: Thank you. Appreciate that.

5 ACTING BOARD MEMBER RUFFINO: Thank you, Mr.  
6 Chair.

7 VICE PRESIDENT MILLER: Thank you. Next we have  
8 Lynn Paquin.

9 ACTING BOARD MEMBER PAQUIN: Thank you. Thank  
10 you so much for the report. And again, I echo Mr.  
11 Ruffino's comments. It's great to see all of the things  
12 that you've really dug into and the next steps coming up.  
13 And especially appreciate the focus on enterprise-wide and  
14 seeing all of the areas of CalPERS joining with you on  
15 this effort.

16 So I had a couple of questions. And on the  
17 Certificate Program for DEI. And as you roll it out to a  
18 broader base, are you anticipating that everybody in the  
19 organization would complete the certificate or how were  
20 you planning to do that?

21 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

22 D'ADAMO: So we piloted it first with our ERG members and  
23 we wanted to really get a feel for what it actually  
24 entailed, how was the experience. And then offer that,  
25 the pilot to the enterprise is really on a voluntary

1 basis. I think we'll probably evaluate as we complete the  
2 program or as the program is completed, how -- how  
3 wider -- how wide we want to continue to offer it. Right  
4 now, it's available to folks who want to do it. And we  
5 expect that there will be -- because it is a certificate,  
6 it really does provide some tangible benefits for folks in  
7 terms of the completion. So we're going to offer it and  
8 I'm going to encourage as many folks to take the program  
9 as they -- as possible.

10           And because it is at their own pace, I think  
11 we've made it so that folks can actually fit it into, you  
12 know, all the other things that they're trying to do, but  
13 recognizing that it is important and we really think that  
14 having completed the certificate program will make not  
15 only our team members more empathetic, more aware -- you  
16 know, like I said, it's really focused on inclusion, which  
17 to me inclusion is everybody. It's not just trying to  
18 target or to, you know, specify a particular demographic.  
19 So I think that there's a real benefit to taking this  
20 program. I took it actually, but there's a real benefit  
21 to taking the program.

22           ACTING BOARD MEMBER PAQUIN: I think it's great.  
23 And then the other question I had was with the 2022 survey  
24 of the employee engagement. Are there any trends that  
25 stood out to you or anything that you were planning to



1 focus on this coming year?

2 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

3 D'ADAMO: I would say recognition is something that we  
4 continuously hear, that employees like the recognition  
5 that we do and they want more of it. And so I think for  
6 us, we are actively now talking amongst our divisions and  
7 our branches around what that looks like for each set of  
8 team members. And so the items that were listed were sort  
9 of our broader recognition events, other than ACE, which  
10 is -- could be a little bit more targeted. But I think  
11 recognition will probably be the thing that we are going  
12 to focus on. And one thing I didn't mention, so thank you  
13 for giving me the opportunity, is that our commitment to  
14 D&I report was actually posted on our website last month.  
15 So that's out there as well.

16 ACTING BOARD MEMBER PAQUIN: Great. Thank you.

17 VICE PRESIDENT MILLER: Okay. Next, I've got  
18 Director Willette.

19 BOARD MEMBER WILLETTE: Thank you so much. I  
20 really appreciate having this report. I'm really happy to  
21 see it. And I have a couple of questions similar to my  
22 colleagues. I think the first area to follow on your suit  
23 is the culture and the priority area. So you mentioned we  
24 need to impact change and have long-lasting change. We  
25 need to measure it. And I think, right, the old cliché

1 what gets measured, gets done, right? So I think I'd like  
2 to see if you could report back on, first, what's our  
3 baseline? You can't measure the Delta unless you know  
4 where you're starting, so where are we starting? What's  
5 our baseline? Is it that 0 percent of workers had a  
6 training, and now X percent have had training, for  
7 example, or whatever it may be. I think we need to know  
8 where we stood, stand, and need to stand, right, in the  
9 future in order for us to have that measurement. I think  
10 just in general it would be good to know like what metrics  
11 are we tracking, how are we tracking them, how do we have  
12 access to information?

13           And I think from there, we'll need to know like  
14 where do we need to improve? I think in some of these  
15 next steps, I can infer where maybe that -- where they  
16 came from from improvements or where it needed to happen.  
17 But I think if we were implicit in stating these pieces,  
18 it would -- it would be more comfortable, easier for the  
19 Board to give general oversight and broad direction.

20           Do you -- I just -- I want to give you a space to  
21 respond.

22           CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
23 D'ADAMO: Well, I think that I agree with you that data is  
24 really important. It is -- it is really the foundation of  
25 the work that we're trying to do here. I think when we

1 rolled out in March of 2021, we actually -- if you go back  
2 and look at the original report, we actually listed a goal  
3 and an objective for each of the five pillars. And the  
4 idea was to do initiatives that would get us closer to  
5 those objectives. So the natural next step in that is  
6 measurement piece.

7           For those of you who follow diversity, equity,  
8 and inclusion in -- and the -- you know, the devil is  
9 really in the details in the data, because it's not always  
10 that -- that, you know, one particular thing has a direct  
11 causation or correlation to something else. And so what  
12 we're actively doing now is exactly what you're talking  
13 about, which is identifying metrics, identifying KPIs, and  
14 figuring out what are the things that we do that either do  
15 or do not, because I think it's also important to know  
16 what actually doesn't have an impact or what actually  
17 doesn't contribute to the outcomes that you're looking  
18 for.

19           And so my goal is that in, you know, successive  
20 reports that we will actually be rolling out things that  
21 look like metrics to show here's where we're at, here's  
22 where we are, and here's sort of the result of the work  
23 the we've been doing.

24           BOARD MEMBER WILLETTE: Great. Thank you. I  
25 look forward to that. And then just wanted to talk about

1 the training. I'm a huge advocate of training like in all  
2 aspects. I say no train, no gain. And -- but I also want  
3 to be mindful of creating a culture of learning is not the  
4 same as creating a culture of diversity, equity, and  
5 inclusion, right?

6 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
7 D'ADAMO: Um-hmm.

8 BOARD MEMBER WILLETTE: And so especially if you  
9 have an optional training, sometimes an attendance just  
10 kind of sort of reinforces the people who already held  
11 that belief or who already want to participate in that  
12 sphere, but then how do we reach those who, for example,  
13 think train -- a training on pronouns isn't worth their  
14 time? I think that's exactly who we need to be reaching,  
15 right. So I do want to kind of echo the idea of how are  
16 we reaching more -- I won't so less optional, but reaching  
17 everyone, so that -- so that they have access to the  
18 information that's being provided.

19 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
20 D'ADAMO: So I'll give you an example. In 2020, we rolled  
21 out unconscious bias training. And we made that first  
22 training. We did it over a three-year period. So we did  
23 training every year. The first year was voluntary. The  
24 second year was voluntary, and then the third year, we  
25 actually made it mandatory, because we wanted to make sure

1 that we -- that we were able to instill in our team  
2 members the expectations and the -- and the conversations  
3 really that occur around unconscious bias. And so I hear  
4 what you're saying about the participation level of  
5 individuals when it comes to, you know, unconscious bias  
6 training, or DEI training. And I think that for us, we  
7 make those decisions about, you know, things that should  
8 be voluntary and things that should be mandatory. And so,  
9 our certificate program right now is voluntary, but our  
10 unconscious bias training, at least the last one, was  
11 mandatory.

12 BOARD MEMBER WILLETTE: Thank you. And just a  
13 brief question, because I think this will come up in some  
14 of the measurings of all the priority areas, but I'd like  
15 us to be intentional with how we're measuring retention  
16 and recruitment --

17 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
18 D'ADAMO: Um-hmm.

19 BOARD MEMBER WILLETTE: -- of diverse talent in  
20 the organization itself just with regards to the talent  
21 management priority area.

22 And then one more, I guess questions.

23 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
24 D'ADAMO: Can I just that we are --

25 BOARD MEMBER WILLETTE: Sure, please.

1 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

2 D'ADAMO: -- we definitely are. We are definitely looking  
3 at those items in terms of our overall recruitment,  
4 retention. Our goal in HR in human resources really is --  
5 our objective is to have a diverse workforce. And the  
6 objective is improve retention, equity, succession, and  
7 recruitment in terms of our workforce. So the concepts  
8 that you're talking about particularly around diversity  
9 and diverse reputation is something that we are definitely  
10 looking at.

11 BOARD MEMBER WILLETTE: Thank you. And regarding  
12 the -- just the -- in the priority area of investments, I  
13 think on our Emerging Manager Program, CalPERS has been a  
14 leader -- an industry leader, right, in that -- in that  
15 space. And I hope we have -- I'd like to know like what  
16 plans do we have to continue to be a leader in the  
17 Emerging Manager Program? I think it's really important  
18 for us to get to make sure that we hold that title as a  
19 leader or the top best. Do we have any plans in regard to  
20 our emerging manager?

21 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

22 D'ADAMO: I mean, I would say that the work that we're  
23 doing now is all wrapped up in the efforts that we're  
24 undergoing as it relates to investment managers. And so I  
25 think this is an example -- again, I've said it a couple

1 of times now, but the broad and the deep. And so we don't  
2 want to just have something that's -- I was going to say  
3 that's off to the side, but that's not really the right  
4 set word, I think what we're doing is we are embedding  
5 everything that we're doing and we're trying to do it  
6 across many different categories and paths. So I would  
7 say to your direct question about what we're going to be  
8 doing in emerging managers, stay tuned. I think that the  
9 program that we are rolling out and the efforts that we're  
10 doing are meant to really improve and increase our  
11 representation, as well as the actions that come out of  
12 this. Marcie spoke to that a little bit earlier.

13 But, you know, we certainly want to make sure  
14 that as a leader in pensions really, that we are -- as I  
15 said in my comments, you know, we're happy to be first and  
16 we want to bring others along.

17 BOARD MEMBER WILLETTE: In the same vein, I  
18 was -- one of the next steps was to have an updated AB 890  
19 report. And I was wondering when should we expect to see  
20 that?

21 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
22 D'ADAMO: I'm not sure when that is going to be completed.  
23 I could get back to you on that.

24 Okay. So it's -- it was published and it is  
25 going to be published every year for five years.

1 CHIEF EXECUTIVE OFFICER FROST: When did we  
2 public it?

3 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
4 D'ADAMO: We published it in December, I think.

5 CHIEF EXECUTIVE OFFICER FROST: Thank you, Brad.

6 BOARD MEMBER WILLETTE: Okay. And then --

7 CHIEF EXECUTIVE OFFICER FROST: So we published  
8 the first report in December. So the second edition of  
9 that report would be in December again and the requirement  
10 is to publish it every year for five years.

11 BOARD MEMBER WILLETTE: Thank you. I'd also just  
12 like to regarding investments -- this is the final  
13 question. Thank you, everyone -- commend our leadership  
14 on the proxy voting that we -- we heard a lot about that  
15 Monday. I'm really happy and excited about that, but I'm  
16 wondering if we can share some of the systemic approach to  
17 DE&I incorporation through the other asset categories, so  
18 that we're -- you know, we know that there are major  
19 reports indicating that we're not proactive on DE&I. We  
20 lose money, right? So I'm curious how we're incorporating  
21 or I'd like to see how we're incorporating that into our  
22 other asset categories.

23 CHIEF EXECUTIVE OFFICER FROST: So the third  
24 bullet, the 2023 DEI survey to external managers --

25 BOARD MEMBER WILLETTE: Um-hmm.



1 CHIEF EXECUTIVE OFFICER FROST: -- those will go  
2 to private markets managers as well. So that would be  
3 another asset class, but this is being distributed to any  
4 manager outside of the decisions that are being made by  
5 our own team. But this survey would be sent out to all  
6 managers regardless of asset class.

7 BOARD MEMBER WILLETTE: Okay. That's all my  
8 questions.

9 VICE PRESIDENT MILLER: Okay. I have Director  
10 Pacheco.

11 BOARD MEMBER WILLETTE: Thank you.

12 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
13 D'ADAMO: Thank you.

14 BOARD MEMBER PACHECO: Thank you. Thank you very  
15 much and thank you, Director Willette. She asked a lot of  
16 the same questions I would have been asking. But also,  
17 Marlene, thank you very much for your report. I really  
18 appreciated the reviewing it and so forth.

19 And so I'd like to kind of focus on -- I was  
20 going to talk about -- a little bit about investment, but  
21 I think Director Willette was able to answer most of those  
22 questions that I wanted. But I wanted to focus on the  
23 health equity aspect of it, and I -- I'm really passionate  
24 about this area, especially the Health Demographic Profile  
25 Project. I know that we had been -- we had -- our

1 baseline was a hundred thousand and we had overachieved  
2 almost double the amount, which I -- which I find really  
3 awesome. With this information and the power of this  
4 information, how will it enhance the framework of our DEI  
5 and what are our plans around that? I just want to  
6 veri -- I want to hear your thoughts about it.

7 In addition, on the health plans, now I noticed  
8 that we have the National Health Equity Accreditation  
9 requirements. Now, does that also include the aspect of  
10 cultural competency in terms of -- I just wonder if that's  
11 also included in the DEI framework?

12 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
13 D'ADAMO: So I think it is, but if there's someone from  
14 Health who can throw me a lifeline.

15 BOARD MEMBER PACHECO: Julia. Julia. Sorry.

16 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
17 D'ADAMO: That's okay.

18 BOARD MEMBER PACHECO: No, no. It's -- yeah.  
19 Thank you, Dr. Logan

20 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
21 D'ADAMO: Actually, Dr. Logan sits on the committee, so  
22 she's the best person to answer it.

23 CHIEF CLINICAL DIRECTOR LOGAN: I can certainly  
24 speak to our new HMO 2024 contract, because the health  
25 equity has been embedded at all levels of that contract.

1 On the patient facing side, so we have new requirements  
2 around social needs screening.

3 BOARD MEMBER PACHECO: Um-hmm.

4 CHIEF CLINICAL DIRECTOR LOGAN: On the admini --  
5 on the Health Plan Administration side, we have new  
6 requirements around utilization management, grievance, and  
7 appeals. We're also requiring health plans to be, as I  
8 think you already know, NCQA Health Equity Accredited.

9 BOARD MEMBER PACHECO: Um-hmm.

10 CHIEF CLINICAL DIRECTOR LOGAN: And so that is  
11 also a comprehensive approach to health equity, in terms  
12 of the patient-facing, the member-facing, and then the  
13 quality side, which is, you know, ultimately to improve  
14 health outcomes.

15 BOARD MEMBER PACHECO: I see.

16 CHIEF CLINICAL DIRECTOR LOGAN: And to your point  
17 about the health demographic profiles, we are taking all  
18 of that information and developing a disparities reduction  
19 methodology --

20 BOARD MEMBER PACHECO: Wow.

21 CHIEF CLINICAL DIRECTOR LOGAN: -- in conjunction  
22 with our partners at Covered California and DHCS, so that  
23 we all, as a state, are looking at disparities the same  
24 way, and then looking at targets to reduce those  
25 disparities together. So it's definitely a comprehensive

1 approach.

2 BOARD MEMBER PACHECO: Thank you very much. I'm  
3 sorry I brought a more technical aspect of it, but yes,  
4 that is -- that is -- I was very curious, and I think this  
5 is really going to be very powerful for our -- for our  
6 members.

7 Thank you.

8 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
9 D'ADAMO: Thank you. Thanks, Dr. Logan.

10 VICE PRESIDENT MILLER: Okay. Director Walker.

11 BOARD MEMBER WALKER: Thank you. Thank you. And  
12 I really appreciate the fact that CalPERS takes a strong  
13 DEI approach. I feel like it is part of our fiduciary  
14 duty as Board members. And so I just had a few questions  
15 based on your report. And if you've ever answered this in  
16 the past, pardon my asking, but I'm in the space of my  
17 board membership of asking a lot of questions.

18 So one of the things I -- Mullissa talked about  
19 it, you answered it some, but really wanting to understand  
20 how we measure, right, because there's a lot of things  
21 that go on. You talked about one. It didn't -- that you  
22 did that was fully booked.

23 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
24 D'ADAMO: Um-hmm.

25 BOARD MEMBER WALKER: Well, saying it's fully

1 bulked means not -- for me means nothing, because that  
2 could be five people or it could be a hundred people. So  
3 what does fully booked mean? So things like that. So how  
4 are we measuring? It's -- so that way I know how to --  
5 whether I'm really -- whether it really means anything to  
6 me or whether it's just fluff, right? And so that is --  
7 how we measure for everything makes a difference. And I  
8 understand that you don't measure in the same way for  
9 everything, but everything should have a measurement that  
10 should come, you know, all the time. Otherwise, it -- you  
11 done -- I don't want to wait until the end of the process  
12 to say, oh, my goodness. That absolutely was not  
13 effective and we spent five years on it, and we could have  
14 made that decision at six months, or one year, or  
15 whatever.

16 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
17 D'ADAMO: Thank you for the question and the statement. I  
18 think what you're talking about really goes to the  
19 iterative part of our philosophy and our approach in the  
20 framework. The example about how you measure and what you  
21 measure is really critical to understanding the impact  
22 that you have as well as the ability to have that impact  
23 last a long time. You know, saying that an event is fully  
24 booked is nice, and I agree that it's nice, but it doesn't  
25 always answer the question about did the folks learn

1 something? Did they keep that with them? What were the  
2 outcomes that came about from that activity or other  
3 activities?

4           And so that's really what we're in the process of  
5 looking at now. And you're right, each one of the pillars  
6 in each one of the initiatives as we do the initiatives  
7 are going to be measured differently. And we real are  
8 looking at what is the actual impact? I agree that we do  
9 not want to every year do activities and initiatives and  
10 then not be able to say what was the actual effect of  
11 those initiatives, because for us it's very important to  
12 be able to be accountable and to be able to show the  
13 impacts that -- and the outcomes really, because really  
14 what we're about is outcomes and being able to measure and  
15 show the different outcomes that come about. Some things  
16 we can probably measure objectively and other things we're  
17 actually going to do like focus groups. So that's one of  
18 the things we're looking at is doing focus groups,  
19 actually talking to individuals and understanding things  
20 around, you know, issues of engagement or belonging.

21           You know, things like the neutral language  
22 software. You know, we can look and see, as a result of  
23 using the software, do we see that the pools, the  
24 candidate pools or the -- or the folks that get  
25 interviewed actually, you know, change in any way. You

1 know, what is the impact of adding these particular things  
2 on engagement or inclusion. And it's not always going to  
3 be, I think, a hundred percent, at least not originally.  
4 And when I say a hundred percent, I mean, you know, a  
5 hundred percent, you know, that you can say initiative led  
6 directly to this outcome, because that's the next part of  
7 that.

8           But I -- what I feel like we're doing is we are  
9 starting with a base -- a broad base in terms of what  
10 we're going to do, and then we go deeper, and we go  
11 deeper, and we go deeper, so that we can actually try to  
12 get to that foundational part in terms of how we're going  
13 to measure and the outcomes that we're going to see.

14           BOARD MEMBER WALKER: Okay. But I would really  
15 appreciate knowing how we're going to measure and  
16 measuring the whole way. I think of it like weight loss,  
17 which I've not always been successful, but I think of it  
18 like weight loss. If you're not weighing regularly, you  
19 could maybe feel like you're losing weight, or maybe feel  
20 like you're gain weight, but, you know, you don't though.  
21 And so you have to absolutely -- so that would be helpful  
22 for me. And then --

23           CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
24 D'ADAMO: So, I mean, one thing I would add in terms of  
25 what you just said is like -- so the beginning -- like

1 when we had our unconscious bias training, the first year  
2 we actually had like 83 percent participation and that was  
3 completely voluntary. But, you know, because folks took  
4 the training doesn't necessarily mean that -- that there's  
5 a long lasting effect. Maybe in the beginning, you know,  
6 call it, you know, immediate -- in the immediate aftermath  
7 of the training or whatever, you might see things that  
8 look different.

9           For us, the training itself is part of, I would  
10 call, maybe a layering effect. I think what you'll see in  
11 the initiatives that we do is that we are always layering  
12 different things. And I hear your comments about  
13 measuring and I think we're figuring out what does that  
14 mean. So when we have our ERG meetings, how many folks  
15 come to the ERG meetings? Do we see increases or  
16 decreases. Do we see representation amongst the ERGs from  
17 all the different divisions. If we don't see it, why?  
18 And then we ask what aren't we -- what is not appealing to  
19 folks or what -- what is the friction that is occurring in  
20 ability to folks -- in the ability of folks to participate  
21 in these additional conversations or additional events.

22           So I completely understand what you're saying  
23 about measuring and I completely agree that it is  
24 necessary and we're getting there. That's why I talked  
25 about KPIs earlier, because we actually believe that



1 having those KPIs. The idea really is to have those  
2 measures, so that we can report on them on a more frequent  
3 basis, so that we can see, oh, this is trending  
4 positively, or this is not trending positively. And I  
5 think what you will understand when you think about  
6 developing KPIs and measuring KPIs is that there's a  
7 little bit of a process in understanding that you've got  
8 the right measurements and that the story that you think  
9 is being told by the KPIs is actually what you're seeing.  
10 So that's the next part of what we're doing.

11 BOARD MEMBER WALKER: Again, I will reiterate,  
12 for me -- and I appreciate everything you're saying and  
13 I'm not coming at this from, you know, not having set up  
14 programs like this and measured and everything else. So  
15 there should still be, even as you're adjusting -- just  
16 because you measure doesn't mean you don't adjust, right?

17 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
18 D'ADAMO: Right.

19 BOARD MEMBER WALKER: It is a tool. And I feel  
20 like, if we're saying we're going to get to the tool  
21 later, the tool is going to come and become apparent, then  
22 we're not really using the tool. That's what I'm saying.

23 And then when we talked about in recruiting --  
24 and I appreciate the -- you know, the -- making sure that  
25 it is neutralized language --

1 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

2 D'ADAMO: Um-hmm.

3 BOARD MEMBER WALKER: -- in our announcements and  
4 everything else, but how else -- because I think about as  
5 we're recruiting younger workers and the things that are  
6 important to them are not the same things that are  
7 important to me. And so neutralized language is one  
8 thing, but how else are we ensuring that we're reaching  
9 our next job pool, right? Because otherwise, you know,  
10 just the one thing I -- so I want us to -- I'd be  
11 interested in hearing that.

12 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

13 D'ADAMO: So I would say that the -- so maybe the way that  
14 I would approach answering this question is again to say  
15 that, you know, what we are looking at in all the  
16 different pillars and the initiatives that we're doing or  
17 is this end-to-end processes?

18 So when we talk about recruitment, we take a look  
19 at what are all of the different processes that contribute  
20 to somebody actually coming in the doors, a new employee.  
21 And so the gender neutral language or the neutralized  
22 language is something that we've identified as a  
23 possibility that could create friction I'll say for people  
24 coming in.

25 Additionally, we are looking at doing like

1 videos. So we have -- we're working on doing videos that  
2 identify new employees and talk about their why and the --  
3 talk about their why and talk about how being part of this  
4 system is important to them. So I think the answer to  
5 your question -- and I apologize, because I might be  
6 rambling a little but, but I think the answer to your  
7 question really is about all the different mediums, if you  
8 will, that we have at our disposal, and luckily, we have a  
9 great Public Affairs team that can help us with this  
10 stuff. But all the different mediums that we have  
11 available to appeal to various team members and likely  
12 team members.

13           And so I think that the videos is one. The work  
14 that we do with the ERGs is another. The items around  
15 retention, what I call fishing in a different pond,  
16 looking for different ways to bring in folks that we  
17 wouldn't normally have looked at, but we feel like it is a  
18 great way now to go out and go after those folks, and to  
19 show them really that this is a place that you want to be.  
20 And we have folks that are just like you. And I think I  
21 said it earlier in my comments about representation.  
22 People want to see that they see folks like them there,  
23 and no matter how they define themselves, because, as you  
24 all know, our definition of diversity is very broad. But  
25 what we want to be able to show folks is that there's a

1 place for you here and we're going to do that in the very  
2 different mediums that we have available to do that.

3 BOARD MEMBER WALKER: All right. And then the  
4 health demographic data that we're gathering and our  
5 initial target was a hundred thousand, right? We thought  
6 that would be a good enough pool to start analyzing, you  
7 know, and the -- so have we started analyzing? I realize  
8 we're at -- oh, God, Don.

9 (Laughter).

10 CHIEF HEALTH DIRECTOR MOULDS: It's a -- it's a  
11 great question.

12 BOARD MEMBER WALKER: And let me just say it's  
13 okay if I ask a bad question. You don't always have to  
14 say it's great.

15 CHIEF HEALTH DIRECTOR MOULDS: I wouldn't say it.

16 BOARD MEMBER WALKER: Okay. Good.

17 CHIEF HEALTH DIRECTOR MOULDS: I would just be  
18 silent if it wasn't.

19 BOARD MEMBER WALKER: Good. I appreciate that.

20 (Laughter).

21 CHIEF HEALTH DIRECTOR MOULDS: I probably  
22 wouldn't say that's a terrible question, but I wouldn't  
23 say it's a question.

24 BOARD MEMBER WALKER: Oh, okay.

25 CHIEF HEALTH DIRECTOR MOULDS: But that is, in

1 fact, a great question, mostly because it gives me an  
2 opportunity just to kind of talk about the hundred  
3 thousand figure. And if Julia wants to join, she's more  
4 than welcome to, but I think probably I'm good. A hundred  
5 thousand is the -- was the bare minimum --

6 BOARD MEMBER WALKER: Right.

7 CHIEF HEALTH DIRECTOR MOULDS: -- to start doing  
8 demographic analysis. It does not let us do all the  
9 analysis --

10 BOARD MEMBER WALKER: Right.

11 CHIEF HEALTH DIRECTOR MOULDS: -- that we want  
12 to. Having many more is good -- is much better. Having  
13 more still is much better. We've been working with our  
14 partners to try to figure out how we over time get  
15 significantly more through changes in our processes. Sort  
16 of passively asking for the information as people make  
17 changes gets us only so far. And then the active steps  
18 that we took were great, but we sort of plateaued.

19 All three organizations handle it modestly  
20 differently. We've started some analysis. Mostly we've  
21 been working on framework, because we want to make sure  
22 we're doing it -- as Julia pointed it out, we want to make  
23 sure we're doing it consistently, so we don't, at the end  
24 of the day, end up with different -- different definitions  
25 of disparities, different ways of accounting for them.

1 That would be disastrous to us as a state trying to get  
2 our hands around this issue.

3           So initial analysis and if -- we can talk about  
4 it at a future meeting and kind of go into it, but initial  
5 analysis is prioritizing the areas that we talked about  
6 yesterday like colorectal cancer screening, both because  
7 they're most important just in terms of popu -- being  
8 population health drives, but also because we chose  
9 those dis -- those markers, because they are disparity  
10 indicators in themselves. We see high rates of disparity  
11 in those areas. So they're particularly important from a  
12 health equity perspective as well. So we can share -- we  
13 can kind of go through where we are. We can sort of  
14 continually update you about what we're seeing, but I  
15 think it's going to be a good conversation to stay ongoing  
16 forward. Do you want to add anything?

17           BOARD MEMBER WALKER: Absolutely.

18           CHIEF CLINICAL DIRECTOR LOGAN: Yeah. Don is  
19 absolutely right. It's something that we need to be very  
20 methodical about in terms of how we analyze the data. And  
21 our partners at Covered California and DHCS are so  
22 important in all of this as well.

23           And also to the fact the four measures -- four or  
24 five measures that we've chosen are disparity sensitive.  
25 And as an example, we chose colorectal cancer screening.

1 We have about 320,000 people in our CalPERS membership  
2 right now who are eligible for colorectal cancer  
3 screening. Colorectal cancer screening is something that  
4 people of color tend to have lower screening rates. And  
5 as a result, they have increased rates of early colorectal  
6 cancer and delayed treatment. So that is something that  
7 we're absolutely focused on in terms of eliminating those  
8 disparities. And each one of the other measures that  
9 we've chosen is also disparity sensitive.

10 That being said, we will also need our plans to  
11 be partners in this. And as I mentioned earlier, we've  
12 included a lot of that in our contract. They -- by 2025,  
13 the health plans are required to have identified  
14 disparities and started to create targets, and start with  
15 the elimination of these disparities. So it's a  
16 methodical approach, but with a very specific goal in  
17 mind.

18 BOARD MEMBER WALKER: Thank you. I appreciate  
19 that. Yeah.

20 CHIEF CLINICAL DIRECTOR LOGAN: Um-hmm.

21 BOARD MEMBER WALKER: And the reason I ask this  
22 is because I am aware that like when you get data, you  
23 know, you just start. You have your initial look, but I  
24 mean you're using that data for a very long time, right?  
25 And so it's not like it's a one and done. You know, each

1 time you're going to find out something different and  
2 you're able to take different cuts and use it in different  
3 ways, like they do that with the census, right?

4 CHIEF HEALTH DIRECTOR MOULDS: That's a -- yeah,  
5 that's exactly right.

6 BOARD MEMBER WALKER: Yeah. Okay. So that's why  
7 I was asking.

8 And then one last comment I want to make, so --  
9 and I really appreciate the fact that you have the  
10 unconscious bias training. One of the things, having gone  
11 through it myself, was recognizing that I, too, had  
12 unconscious biases, which, before I took the training, I  
13 would have said I didn't. I was perfect, but apparently  
14 I'm not.

15 (Laughter).

16 BOARD MEMBER WALKER: So -- but the other thing  
17 that I think is important is not just to take the  
18 training, right --

19 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
20 D'ADAMO: Um-hmm.

21 BOARD MEMBER WALKER: -- but what is the  
22 follow-up with the people that are taking the training?  
23 Because if you don't have that, it becomes one of those  
24 trainings where you've got to mark it off your book, kind  
25 of like our harassment training, like where you have to



1 have -- you have the training, but, then you have to be --  
2 butt in your seated for X amount of time, which is kind of  
3 crazy to me. It doesn't make sense. It has nothing to do  
4 with learning and more about like, oh, we're proving that  
5 you're doing this, but it really has nothing to do with  
6 helping for harassment, so I will just put that out there.

7           So making sure that we're -- how we follow it up.  
8 What we follow it up with on a regular and ongoing basis.

9           CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

10 D'ADAMO: So thank you for that comment. I think this is  
11 an opportunity maybe to just revisit sort of the  
12 philosophy, because I think what you're talking about,  
13 when you talk about the unconscious bias training and talk  
14 about what is the actual learning or how is that actually  
15 applied and for how long in terms of the learnings that  
16 come from that is -- you know, our philosophy really is  
17 that we -- that we have tools. And I'll use the word  
18 "tools", because I think that they're tools, that we have  
19 tools available to folks that are -- that are -- you know,  
20 that are constant and continuing. And that's really a  
21 goal.

22           So when we talk about, you know, the things that  
23 we do, whether it's the unconscious bias training, whether  
24 it's the -- all the other trainings that actually are  
25 available to every single team member, that all they have

1 to do is go into Go Learn and sign up for different  
2 trainings, whether it is the ERG conversations, or the  
3 other things that we do, we really are making sure that  
4 DEI and the work that we're doing around DEI is something  
5 that is ever present. It is not a, okay, it's that time  
6 of the year where you have to do your DEI training. It  
7 is -- it is available to everyone, you know, all the time.  
8 And it really is a function of being able to cure -- I'll  
9 say curate really that level of detail, that level of  
10 work, and then, you know, to tie that to the measuring  
11 question about how do we make sure that the things that we  
12 allow or avail people to, it actually, you know, inures to  
13 a benefit. And that really is the -- what we're looking  
14 at in terms of like our engagement.

15           You know, we really put a lot of effort on the  
16 engagement survey. And we actually have measurements that  
17 come out of that to help us understand where we are  
18 achieving and what we are achieving in terms of  
19 engagement. So it is -- it's very important to us, I  
20 think, to answer your question about, you know, what are  
21 we doing and how do we make sure that all the great things  
22 that we do, not only show up day-to-day, but are embedded  
23 in, you know, the work that we do. And that's when I talk  
24 about sort of the processes. So, you know, the end-to-end  
25 processes that we look at.

1           When we look at the HR work, when we look at the  
2 recruitment work, the retention work, you know, all of  
3 that we understand contributes to an overall sense of  
4 engagement and belonging and the outperformance of an  
5 organization. You know, there's a reason why culture is  
6 at the top of our list and talent management and  
7 development.

8           And then, you know, the great work that the  
9 health equity team. I think what Dr. Logan and Don showed  
10 is that again it's that end-to-end sort of process around  
11 where -- you know, where do we have impact and what can we  
12 do? And by focusing on either contracts, or focusing on  
13 influencing, or focusing on the demographics, it's showing  
14 that every -- at every single point our goal is to be in  
15 it, to make decisions, and to be able to leverage what we  
16 have access to, to really improve the outcomes of, you  
17 know, whether it's members on the pension side for  
18 pensions, whether it's outcomes, whether it's culture and  
19 engagement, and talent management, and development for  
20 employees.

21           BOARD MEMBER WALKER: No, I understand that and I  
22 do appreciate that. And I do appreciate that view, but  
23 I'll try it one more. It's just of kind of like when I  
24 first started with State service, right, training was a  
25 big thing. I took Excel four times because I figured out

1 they were going to pay for training dollars, I wasn't  
2 using Excel on the day to day, my regular work, so I took  
3 it four times just to get out of the office or just to do  
4 something different --

5 (Laughter)

6 BOARD MEMBER WALKER: -- or, you know, as another  
7 example, right, the Rooney Rule that the NFL did, which  
8 was a great rule, but you know what, it was a rule on  
9 paper --

10 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
11 D'ADAMO: Um-hmm.

12 BOARD MEMBER WALKER: -- that had no impact or  
13 change. And I want to make sure that what we're doing  
14 here is not window dressing that looks good, but it's  
15 actual meaningful. And if we're not measuring it, and if  
16 we're not looking at it, and if we're not looking at  
17 how -- not only have we -- they have the training, but  
18 like you said, how, is it sticking? How is it sticking?

19 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
20 D'ADAMO: Um-hmm.

21 BOARD MEMBER WALKER: And, you know, if we're not  
22 having something to do that, I would venture to guess that  
23 it's not, but we'll look good and we can always point out,  
24 hey, we're doing this, but it will not have the same  
25 impact of what we're looking and that is most important to

1 me.

2 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER

3 D'ADAMO: I agree with that. And I think that it's  
4 important to all of us actually. I mean, for us, there is  
5 no purpose really to do a lot of these efforts around  
6 training or engagement of what have you, if it doesn't  
7 actually stick. I mean, one of my very first comments in  
8 talking about the framework was that we wanted to do  
9 something that was going to be long-lasting. We didn't  
10 want to do something that was going to, you know, be a one  
11 and done, and then everybody sort of puts it on the shelf  
12 and forgets about it.

13 There's a reason why all of our activities are  
14 embedded in all of the different processes. There's a  
15 reason why, you know, the health folks can get up here and  
16 talk about it, or Brad can get up and talk about it,  
17 because it's something that everybody works on. It's  
18 something that everybody is accountable to. Yes, I'm the  
19 person that's, you know, answering a lot of the questions  
20 today. But at the end of the day, there's, you know, like  
21 I said a whole team of people here that really believe in  
22 this work, and they've taken it on, and they're helping to  
23 move it forward.

24 So I would say to you, I appreciate -- I really  
25 appreciate the questions and the comments around

1 measurement, because that is super important. And I guess  
2 the only other thing I would add is that the approach  
3 really that we've taken in the iterative side is to take  
4 some time and look at what we're doing and then make sure  
5 that we can identify what are those things that are having  
6 that impact, because we want to do more of that and less  
7 of the things that don't.

8           VICE PRESIDENT MILLER: Okay. Thank you. Yeah,  
9 we've gone way over three hours with out a break, so I  
10 think at this point we should probably finish this  
11 conversation after lunch, because I have several more  
12 people with questions that want to speak. And so let's  
13 recess for lunch break and come back at 1 o'clock.

14           (Off record: 12:07 p.m.)

15           (Thereupon a lunch break was taken.)

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1 to understand where we are. And there was -- in one of  
2 the slides, there was a reference to the employee  
3 engagement survey. And Lynn Paquin asked about some of  
4 the results, which I was going to ask, and you mentioned  
5 recognition, like -- and one of the slides talked about -  
6 I just closed my thing - about belonging and something  
7 like that. Yeah.

8 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
9 D'ADAMO: Recognition --

10 BOARD MEMBER RUBALCAVA: So I think that's an  
11 important thing that we should see -- we should -- that's  
12 a starting point. I mean, I'm glad we did those employees  
13 engagement survey, but we should get a sense of what are  
14 those results, how many people participated. Other than  
15 recognition and sense of belonging, what else is there?  
16 And I think that's also very telling. So I guess the  
17 follow-up is, you know, the next steps you correctly  
18 stated we're going to engage with team members, but the  
19 question is how -- and how do we know it's -- things are  
20 getting closer -- tighter as a group, as a culture.

21 So that was just basically is -- I had some other  
22 questions. I mean, the discussion was very good, because  
23 it brought the health equity, but I don't want to bore  
24 the -- I mean, I already smoke with Don and Dr. Logan on  
25 that, so -- I guess my question is what are the next steps



1 to -- because it was your term, expand our internal out  
2 reach efforts. That's what I want to know. I mean, those  
3 are the right statements, but what are those steps, and  
4 what are the results, and how do we --

5 (Voice over the speakers).

6 CHIEF EXECUTIVE OFFICER FROST: I think Kelly is  
7 dialing in to the call-in studio for public comment.

8 (Voice over the speakers).

9 CHIEF EXECUTIVE OFFICER FROST: Why don't I take  
10 kind of the history of the employee engagement survey --

11 (Voice over the speakers).

12 BOARD MEMBER WALKER: Just enter the number.

13 (Laughter).

14 CHIEF EXECUTIVE OFFICER FROST: Yeah, exactly.  
15 Which number do you want?

16 And then I'll turn it over to Marlene for current  
17 events. So when I, you know, 2016 came in, employee  
18 engagement surveys were being done on an every two-year  
19 cycle. And as a part of our, you know, initial, you know,  
20 onboarding of me and the executive team, they really came  
21 to me and said, you know, every two years is not  
22 sufficient to really understand what's happening in the  
23 organization. So we changed that to a one-year cycle and  
24 put in a lot of effort to get the participation rate up.

25 So the participation rate, I would say six, seven

1 years ago was roughly 40 to 50 percent of the  
2 organization. This last year was 72 percent. The year  
3 prior was over 80 percent. And the reason we push as --  
4 you know, as hard as we do on the participation rate, is  
5 that we want the results to be reflective of the broader  
6 organization, that if we get a lower participation rate  
7 what we understand is that sometimes people who take those  
8 types of employee engagement surveys or employee  
9 satisfaction surveys are typically those that are not as  
10 satisfied. So the higher the participation rate, the more  
11 likely it is that it really covers your entire employee  
12 population.

13           So we've been pretty happy with it. Having that  
14 down tick post-pandemic. I think we'll see that go back  
15 up in October. We did take one year -- a one-year hiatus  
16 when we were all, you know, quarantined at home. We did  
17 not do the annual employee engagement survey at that time,  
18 but we did do some spot surveys on how things were  
19 working.

20           So what we -- and there are very specific  
21 questions in here. We changed the tool one time, but it  
22 really is around engagement and understanding what  
23 promotes engagement, and understanding what detracts from  
24 engagement.

25           And so a couple of the questions this time -- and

1 very different results -- to be very clear, very different  
2 results this time than prior to the pandemic. So we are  
3 going to really work with our teams to understand the  
4 difference. The only difference from an operational  
5 standpoint is our hybrid work environment and the choices  
6 we made around telework. So we need to really delve into  
7 how much of your reduced satisfaction is related to your  
8 telework schedule versus other factors in the organization  
9 that we have -- you know, that we've made decisions about,  
10 maybe differently, is it leadership. The highest scoring  
11 engagement question this year was the relationship they  
12 have with their manager. It's the highest scoring. So  
13 those employee-manager relationships extremely, extremely  
14 high. And that's something we want to reinforce. That's  
15 something we want to recognize our team for. And, you  
16 know, when we do these workplans, so each manager who has  
17 at least five direct reports gets an individual report.  
18 So they can see their top areas where they're performing  
19 well, and they can see the bottom areas where we need to  
20 do some work to get those scores up or that engagement up.

21 For the most part, I think generally across the  
22 organization, the manager relationships top scoring. The  
23 two bottom scoring -- or three bottom scoring were, as  
24 Marlene indicated, recognition. And so we really need to  
25 understand what that is. And so we've been doing some

1 focus groups. Each of the executive teams are doing those  
2 types of settings with their own employees to really  
3 understand when you talk about recognition, it really does  
4 mean different things to different people. And we need to  
5 get a better understanding of whether this is  
6 programmatic, whether this is that the recognition  
7 programs we had in place prior to the pandemic, are  
8 those -- have those resumed at the same level? And some  
9 of the early feedback -- ad hoc as it might be, but some  
10 of the early feedback I'm getting personally through  
11 middays or through new employee orientation, things of  
12 that nature, is that we've not completely resumed all of  
13 those recognition programs that were so important to  
14 people prior to the pandemic. So that's an area, but we  
15 really want to test that and validate it through focus  
16 groups with our employees.

17           The second one, as Marlene indicate, is this  
18 sense of belonging, that they feel less of a sense of  
19 belonging to CalPERS as they did prior to the pandemic.  
20 When we check with the survey provider, across the  
21 universe, that score is lower, that people kind of broke  
22 up with their employer during their pandemic -- during the  
23 pandemic, and that loss of connection has really meant  
24 more turnover frankly. That that sense of loyalty and  
25 connection to working for a particular employer was really

1 lost in that two years that people spent a hundred percent  
2 of their time working remotely.

3           And so another focus group would be, well, how do  
4 we get back to that sense of belonging. Some of that is  
5 making sure that we resume our in-person events, that we  
6 quit -- you know, we're requiring people to be in the  
7 office three days a week. Yet, we're still using Zoom as  
8 a primary platform for meetings. That doesn't make sense  
9 to people when they're sitting in their work station or  
10 their office and they're still on Zoom.

11           So an example of that is new employee orientation  
12 a year later is resuming in person this month. So we've  
13 got set that -- you know, kind of set the standards, set  
14 the behaviors, the leadership behaviors, determine the  
15 culture of an organization and we have to be really  
16 deliberate about returning to, you know, really the  
17 routines, whether they're leadership routines, whether  
18 they' recognition routines, but really getting this  
19 organization back to where it was pre-pandemic.

20           And it's going to take some time. One year is  
21 not going to do it. That was such a shock to everyone's  
22 system. The culture around the world, every employer is  
23 going through this right now. And, you know, trying to be  
24 patient that, you know, let's -- let's -- you know, we've  
25 made this decision that we're an office-centric

1 enterprise. And now that we've made this decision, now  
2 let's figure out how do you be successful in this kind of  
3 operational mode versus how we were prior to the pandemic  
4 when we were at five days in the office together.

5 And, you know, people are pretty open. I think  
6 there will be full participation in the focus group. The  
7 engagement results give you an indicator of where you want  
8 to focus and that's why we have to do the focus groups,  
9 because we could implement something that had no reason or  
10 no attribution to why that question scored lower. So we  
11 really have to pull that from our employees.

12 And then the third one -- I did sense of  
13 belonging, recognition. There's one more that was the  
14 lower scoring. Why am I missing it?

15 Oh, it is the -- essentially the hand off of  
16 work. And this --

17 BOARD MEMBER RUBALCAVA: The what?

18 CHIEF EXECUTIVE OFFICER FROST: Hand off of work.  
19 Like I understand how my work impacts, you know, my  
20 co-worker. I understand how my work, you know, impacts  
21 the program that's receiving my work, but it's kind of  
22 that hand off at work and really understanding the flow of  
23 processes at CalPERS. Now, interestingly enough, that is  
24 the lowest scoring from pre-pandemic as well. So we've  
25 not made a lot of progress there and really working to try

1 to understand what that is has been a bit difficult, but  
2 we're hoping again through the use of focus groups and  
3 really getting employee ideas about to how improve it  
4 we'll be helpful.

5 So I'll just turn it over to Marlene if there's  
6 anything that you would like to add.

7 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER  
8 D'ADAMO: I mean, the only thing I -- the only thing I  
9 think I would add to what Marcie said is really just to  
10 highlight the fact that the work that we're doing is very  
11 much iterative. It is looking at everything and asking  
12 questions, and getting results, and then checking in. And  
13 so, you know, it's focus groups. It's surveys. It's lots  
14 of different, if you will, sort of interventions or ways  
15 that we can talk to people to understand what's on their  
16 mind. Some people -- you know, some people are very  
17 comfortable sending Marcie direct emails and then other  
18 people aren't. And so figuring out how is the best way  
19 for people to communicate with their leadership, whether  
20 it's us on the executive team or their managers, what it  
21 is that they need and what it is that they're seeing. And  
22 so I think we're putting a lot of work and a lot of effort  
23 into making sure that we are open, and that we are  
24 listening to what our team members are saying and what  
25 they are saying they want or need.

1 BOARD MEMBER RUBALCAVA: Well, thank you for  
2 that. There seems to be a disconnect between -- I mean,  
3 there's a strong -- which I'm happy, a strong relationship  
4 with their manager and yet there's lack of recognition, it  
5 seems like counterintuitive.

6 CHIEF EXECUTIVE OFFICER FROST: Um-hmm.

7 BOARD MEMBER RUBALCAVA: But the other part I  
8 guess that falls from that is if there is an issue like  
9 dissatisfaction, how do they communicate that? I mean, I  
10 don't think everybody should be sending an email to the  
11 CEO.

12 (Laughter).

13 CHIEF EXECUTIVE OFFICER FROST: Right.

14 BOARD MEMBER RUBALCAVA: There should be other  
15 processes and -- available, and what are they, and how are  
16 they communicated, and promoted in the workplace. So  
17 people feel comfortable if they have an issue where to  
18 raise it, how do they know where to raise it?

19 CHIEF EXECUTIVE OFFICER FROST: Um-hmm.

20 BOARD MEMBER RUBALCAVA: That kind of stuff.  
21 Like I know one employer has -- I think they call it  
22 Office of Equity or something like that where they can  
23 follow things up and that's a way from their regular chain  
24 of command. But what do we do here?

25 CHIEF DIVERSITY, EQUITY, AND INCLUSION OFFICER



1 D'ADAMO: Right.

2 CHIEF EXECUTIVE OFFICER FROST: Yeah.

3 BOARD MEMBER RUBALCAVA: What do we have or what  
4 are the options?

5 CHIEF EXECUTIVE OFFICER FROST: Yeah. So  
6 we're -- I think we have multiple channels that if an  
7 employee is feeling like they're not being treated well at  
8 work, whether that is a behavioral issue with their  
9 leadership, or it's that they're not having a promotional  
10 opportunity that they think they're entitled to, whatever  
11 that might be, there are multiple ways.

12 Now, what I really like about this year's results  
13 is that relationship with their direct leader. If they  
14 have that trusted bond with their leader, they're much  
15 more likely to talk to them about the things that are not  
16 working, that there isn't an environment, or a culture of  
17 fear. I do not sense that anywhere in this organization.  
18 It is very open. People talk. I don't sense that  
19 anywhere.

20 Now, if you have an issue that maybe you're not  
21 as comfortable talking to your leader about, we have our  
22 human resources team. They can go directly there. We  
23 have an ethics complaint hotline. You can make complaints  
24 anonymously. Those are followed up very, very directly.  
25 And so I think you have multiple ways in which if you're

1 dissatisfied with something at CalPERS, there are many  
2 places and people you can talk to.

3 I would say the other thing that we've done  
4 culturally is try to remove this chain of command notion  
5 that you can't talk to someone outside of your chain of  
6 command. Like if you have an issue with your direct  
7 leader, your manager over that leader should be open and  
8 willing to talk with you about it. Every indication I  
9 have with our Senior Leadership Council in particular,  
10 we're really careful about who we hire and the leadership  
11 behaviors that are appropriate to create that culture  
12 where people are open and not fearful, it is here. And,  
13 you know, I think that's reinforced and measured by our  
14 employee engagement survey. But you can -- you can talk  
15 to HR. You can talk to your entire chain of command. You  
16 can talk to me and people do talk to me. You can talk to  
17 Marlene. Marlene is having open office hours where she's  
18 just walking around and talking -- you know, I have open  
19 office hours for anyone who wants to pop in and talk to  
20 me.

21 I think having the open door policy that all of  
22 my leadership has, that anyone throughout the chain of  
23 command can go and talk to anyone on this team at any  
24 point in time. And again, I think people feel very safe  
25 in that kind of environment. I don't believe -- we don't

1 get complaints. I've talked to you about this in my  
2 personnel update. We do not get complaints around the  
3 things that would really trouble me. That we do have this  
4 culture, I think, where leadership behaviors matter.  
5 People see that leaders are operating in a certain way, in  
6 which, you know, they can have that trusted bond or that  
7 trusted relationship. If I felt like we had significant  
8 leadership problems, those leaders wouldn't be here.

9 BOARD MEMBER RUBALCAVA: That's good to know. I  
10 guess my final question would be I'm looking forward to  
11 the -- when the next employee engagement survey is, but --  
12 and I would hope that the results -- all the results  
13 and -- are communicated to us.

14 CHIEF EXECUTIVE OFFICER FROST: Yep.

15 BOARD MEMBER RUBALCAVA: And I'm curious to make  
16 sure that maybe there can be a question or somehow that  
17 we -- I want to make sure that those avenues you laid out,  
18 which seem a lot of them, are very well known to  
19 everybody, because I'm glad there's not a sense of fear,  
20 but it also means that -- in a workplace. It could also  
21 mean that if there's lack of recognition people are  
22 being -- not know where to turn or they just keep quiet I  
23 suppose.

24 CHIEF EXECUTIVE OFFICER FROST: Yeah.

25 BOARD MEMBER RUBALCAVA: I mean, not being

1 fearful is not the same. It's a good thing, but not  
2 feeling engaged is something -- it's just as bad  
3 sometimes.

4 CHIEF EXECUTIVE OFFICER FROST: Yeah.

5 BOARD MEMBER RUBALCAVA: Okay. Thank you very  
6 much.

7 CHIEF EXECUTIVE OFFICER FROST: Agreed.

8 VICE PRESIDENT MILLER: Okay. Next, I have  
9 Direct Pacheco.

10 BOARD MEMBER PACHECO: Yes. Thank you. Thank  
11 you, Marcie, for your comments. And thank you, Director  
12 Rubalcava for your comments on the survey. Just kind of a  
13 follow-up with him, but more of the actual design. Who  
14 actually designs -- I'm just curious who designs the  
15 employee engagement survey? Is it -- is it done by a  
16 consultant or do we -- or do -- are we doing it internally  
17 or is it kind of a combination of both? Can you just  
18 elaborate on that?

19 CHIEF EXECUTIVE OFFICER FROST: Yeah, it's being  
20 done externally by a provider. I think it's McLagan. Is  
21 it -- Perceptyx, excuse me. Perceptyx. That's our second  
22 vendor. And the questions are, you know, really  
23 distributed across public sector, private sector, but it's  
24 the same set of questions. We can modify. We can add  
25 additional cultural questions, which we have done --

1 BOARD MEMBER PACHECO: Um-hmm.

2 CHIEF EXECUTIVE OFFICER FROST: -- because there  
3 are things that we might want to measure -- measure,  
4 excuse me, differently than what the Perceptyx standard  
5 instrument would provide. So -- an they -- they get the  
6 results we don't -- we don't who. There's no attribution  
7 to where the results are coming from. We get them rolled  
8 up at at least a five person level. So it isn't pointing  
9 at any particular individual. I think the fact that we've  
10 always had, you know, more recently over the last couple  
11 of careers have had such a high turnout that people do  
12 trust the process --

13 BOARD MEMBER PACHECO: Um-hmm.

14 CHIEF EXECUTIVE OFFICER FROST: -- that they can,  
15 you know, put their comments, and their view points in  
16 there. And one, they will be acted on. Every leader in  
17 this organization as a part of their annual performance  
18 appraisal takes the employee engagement survey results for  
19 themselves, and they work with their teams to create an  
20 action plan. And typically it is one thing do -- what one  
21 thing do you want to improve --

22 BOARD MEMBER PACHECO: Um-hmm.

23 CHIEF EXECUTIVE OFFICER FROST: -- and what one  
24 thing to do you want to reinforce, because there are  
25 really good things that you don't want to see minimized

1 that are working really well for a team. So you want both  
2 of those emphasis areas, what's one thing you want to  
3 improve, what's one thing that you want to continue to  
4 recognize and reinforce?

5 BOARD MEMBER PACHECO: I see. Okay. And we  
6 get -- and this is done again every -- it's done every --

7 CHIEF EXECUTIVE OFFICER FROST: Every October.

8 BOARD MEMBER PACHECO: Every October. And then  
9 we get -- like do we get the results or sort of like in an  
10 aggregate big picture, you PKIs. I'm just trying to --

11 CHIEF EXECUTIVE OFFICER FROST: Yeah. So we -- I  
12 don't know if -- I don't think we've done an agenda item  
13 on the October survey yet, but typically what we would do  
14 is wait until all of the leaders have gotten their  
15 workplans in, so we can see which areas are emphasis  
16 areas, which areas are improvement areas, and then we  
17 would do a report out.

18 BOARD MEMBER PACHECO: Okay. And then the  
19 methodology again has been -- is established by the  
20 consultants?

21 CHIEF EXECUTIVE OFFICER FROST: Perceptyx.

22 BOARD MEMBER PACHECO: Perceptyx. Okay. Very  
23 good then. Thank you very much.

24 CHIEF EXECUTIVE OFFICER FROST: Um-hmm.

25 VICE PRESIDENT MILLER: Okay. I see no more

1 requests to speak, so I think that's a wrap. And thank  
2 you again for all this fabulous information. The  
3 discussion, I thank my colleagues and everyone, has been  
4 very enlightening and it continues, as many of the other  
5 presentations to me to be very encouraging. And I just  
6 appreciate all the hard work of the whole team that went  
7 into all this.

8           So that moves us on to Summary of Board  
9 Direction.

10           CHIEF EXECUTIVE OFFICER FROST: Okay. Just a  
11 couple of items that I noted down, even though, Mr.  
12 Miller, you'll have to determine whether these are Board  
13 direction. They came out of the conversation. So sending  
14 the DEI certificate to the Board. You're good with that  
15 one.

16           VICE PRESIDENT MILLER: Yeah.

17           CHIEF EXECUTIVE OFFICER FROST: Let's see --  
18 learn more. Do an agenda item on the California Fund  
19 diversity initiative that's shared between us, CalSTRS,  
20 LACERA and OFERS -- oh San Francisco Employee Retirement  
21 System.

22           VICE PRESIDENT MILLER: Yep.

23           CHIEF EXECUTIVE OFFICER FROST: Let's see. And  
24 then I think just based on the measurement conversation,  
25 it's time to bring Sabrina Hutchings back to our off-site

1 to go through all of our enterprise performance management  
2 system starting at the strategic level, the operational  
3 level, all the core process measurements, all the outcome  
4 measurements and then the recent addition would be all the  
5 KPIs that answer the three questions, how do you know  
6 full-time work is assigned, full-time work performed, and  
7 the quality of that work? We can also pull together the  
8 measurements that we're looking at on the DEI framework as  
9 well within the constraints that we have around certain  
10 types of targets that we cannot set.

11 VICE PRESIDENT MILLER: Yeah. Yeah, I think so.  
12 And I think it's been a little while and we've got so many  
13 newer Board members, I think that would be a really  
14 welcome presentation and would help us -- help us  
15 understand and not have to spend quite as much time on the  
16 subject in the future.

17 Okay. I think that about does it.

18 So at this point, are there any further public  
19 commenters?

20 BOARD CLERK ANDERSON: (Shakes head).

21 VICE PRESIDENT MILLER: No. No more public  
22 comment.

23 So at this time, I think we will recess from open  
24 session into closed session and we will return into open  
25 session after our closed session we'll reconvene. Okay.



1 And we'll just clear the room and go right into it.

2 (Off record: 1:22 p.m.)

3 (Thereupon the meeting recessed  
4 into closed session.)

5 (Thereupon the meeting reconvened  
6 open session.)

7 (On record: 1:37 p.m.)

8 VICE PRESIDENT MILLER: Okay. Now, we're live.  
9 Welcome back to open session. We just finished our closed  
10 session where we covered Items 1 to 3 from the closed  
11 session agenda and so with no objection, I will adjourn  
12 this month's Board of Administration and committee  
13 meetings.

14 Seeing no objections, we are adjourned. Thank  
15 you all for joining us.

16 (Thereupon, the California Public Employees'  
17 Retirement System, Board of Administration  
18 meeting open session adjourned at 1:37 p.m.)

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