

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

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

MONDAY, APRIL 17, 2023

11:10 A.M.

JAMES F. PETERS, CSR  
CERTIFIED SHORTHAND REPORTER  
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APPEARANCES

COMMITTEE MEMBERS:

Lisa Middleton, Chairperson  
David Miller, Vice Chairperson  
Fiona Ma, represented by Frank Ruffino  
Jose Luis Pacheco  
Ramón Rubalcava  
Theresa Taylor  
Yvonne Walker

BOARD MEMBERS:

Malia Cohen, represented by Lynn Paquin  
Eraina Ortega  
Kevin Palkki  
Mullissa Willette  
Gail Willis, PhD

STAFF:

Marcie Frost, Chief Executive Officer  
Matthew Jacobs, General Counsel  
Michele Nix, Acting Chief Financial Officer  
Scott Terando, Chief Actuary  
Fritzie Archuleta, Deputy Chief Actuary  
Jennifer Hamarlund, Assistant Division Chief, Financial  
Planning, Policy and Budgeting Division

APPEARANCES CONTINUED

STAFF:

Nina Ramsey, Actuary

Dallas Stone, Chief, Operations Support Services Division

Paul Tschida, Senior Actuary

ALSO PRESENT:

Steven Hill, FairVote

David Holtzman, LA Voters For Instant Runoff Elections

Debb Jachens, California School Employees Association

Neal Johnson

Phyllis Johnson

Paula Lee, League of Women Voters

Jim McRitchie

C.T. Weber, Peace and Freedom Party of California

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PROCEEDINGS

1  
2 CHAIRPERSON MIDDLETON: All right. Good morning  
3 and thank you. I'd like to call to order the Finance and  
4 Administration Committee. The first order of business is  
5 to call roll.

6 BOARD CLERK TRAN: Lisa Middleton?

7 CHAIRPERSON MIDDLETON: Present.

8 BOARD CLERK TRAN: David Miller?

9 VICE CHAIRPERSON MILLER: Here.

10 BOARD CLERK TRAN: Frank Ruffino for Fiona Ma?

11 ACTING COMMITTEE MEMBER RUFFINO: Present.

12 BOARD CLERK TRAN: Jose Luis Pacheco?

13 COMMITTEE MEMBER PACHECO: Present.

14 BOARD CLERK TRAN: Ramón Rubalcava?

15 COMMITTEE MEMBER RUBALCAVA: Present.

16 BOARD CLERK TRAN: Theresa Taylor?

17 COMMITTEE MEMBER TAYLOR: Here.

18 BOARD CLERK TRAN: Yvonne Walker?

19 COMMITTEE MEMBER WALKER: Here.

20 CHAIRPERSON MIDDLETON: All right. Thank you.

21 Our next order of business is the Executive  
22 Report, Michele Nix.

23 ACTING CHIEF FINANCIAL OFFICER NIX: Good  
24 morning, Madam Chair and members of the Committee.  
25 Michele Nix, CalPERS team member.

1           Before I get into today's agenda, I'd like to  
2 give you a quick update on the Samoa Peninsula Fire  
3 Protection District decision that you voted to terminate  
4 in February. First of all, the Cal -- CalPERS will pay  
5 the final unreduced benefit payment in April, so this will  
6 be the final payment that we make that's in the full  
7 amount. Adjustment letters have been sent to the impacted  
8 members and their beneficiaries outlining the final and --  
9 outlining, sorry, the final benefit reduction. And  
10 lastly, we've provided the district with the benefit  
11 reduction amounts and the related COLAs, so they can go on  
12 forth with that.

13           The agenda today has five items for your  
14 consideration. The first one is we'll be presenting the  
15 20 -- 2023-24 budget -- annual budget proposal. The  
16 second thing was we will have a annual review of the Board  
17 member employer reimbursements. Then the Actuarial Office  
18 will present the valuations for the employer and the  
19 employee contributions. And lastly, the 21-22 CalPERS  
20 Board election program review will happen. In addition at  
21 the end, we will give you a review of the long-term care  
22 valuation report.

23           The next Finance and Administration Committee is  
24 scheduled for June 2023 here in Sacramento. Thank you,  
25 Madam Chair. This concludes my report. I'd be pleased to

1 take questions at this time.

2 CHAIRPERSON MIDDLETON: Are there any questions  
3 for Ms. Nix?

4 Mr. Pacheco.

5 COMMITTEE MEMBER PACHECO: Yes. Thank you, Ms.  
6 Nix, for your presentation. With respect to Sonoma[SIC]  
7 case, again you mentioned it's going to be -- it's at the  
8 end of this month that they're going to be receiving these  
9 final letters and so forth.

10 ACTING CHIEF FINANCIAL OFFICER NIX: They've  
11 already received the letters. They'll receive the  
12 benefit -- the final benefit payment from CalPERS this  
13 month for at least the whole amount.

14 COMMITTEE MEMBER PACHECO: The whole amount.

15 ACTING CHIEF FINANCIAL OFFICER NIX: Yeah.  
16 We'll -- some of them still have CalPERS benefits from  
17 other agencies, so we'll continue to pay those.

18 COMMITTEE MEMBER PACHECO: So that's -- yeah, so  
19 they have other -- so in addition -- so they have worked  
20 for some other agencies and in prior -- they would get  
21 their -- they still would get their bene -- their benefits  
22 from those other agencies, correct?

23 ACTING CHIEF FINANCIAL OFFICER NIX: Yes, that's  
24 correct.

25 COMMITTEE MEMBER PACHECO: And again, just to

1 recall my memory, how many affected persons were on this?

2 ACTING CHIEF FINANCIAL OFFICER NIX: There was  
3 nine currently receiving benefits.

4 COMMITTEE MEMBER PACHECO: Nine. Thank you.  
5 Thank you very much.

6 ACTING CHIEF FINANCIAL OFFICER NIX: Um-hmm.

7 CHAIRPERSON MIDDLETON: All right. Thank you.  
8 Any other questions?

9 All right. With that, we will move on to Item 3,  
10 which is action consent items. Is there any item to be  
11 pulled?

12 Seeing none, if I could get a motion to approve.

13 COMMITTEE MEMBER PACHECO: So moved.

14 COMMITTEE MEMBER TAYLOR: Second.

15 CHAIRPERSON MIDDLETON: Mr. Pacheco. A second,  
16 Ms. Taylor.

17 All in favor, please say aye?

18 (Ayes.)

19 CHAIRPERSON MIDDLETON: Any opposed?

20 Any abstentions?

21 Item 3a through 3d are approved.

22 Next, we have Item 4, which is information  
23 consent items. Is there any desire to pull any of the  
24 information consent items?

25 Seeing none.

1 Is there a motion to approve?

2 VICE CHAIRPERSON MILLER: Move approval.

3 COMMITTEE MEMBER PACHECO: (Hand raised).

4 CHAIRPERSON MIDDLETON: Mr. Miller, second by Mr.  
5 Pacheco.

6 All in favor, please say aye?

7 (Ayes.)

8 CHAIRPERSON MIDDLETON: Any opposed?

9 Any abstentions?

10 We'll now on to action agenda items, 5a, the  
11 2023-24 annual budget proposal from Ms. Nix and Ms.  
12 Hamarlund. Thank you.

13 (Thereupon a slide presentation).

14 ACTING CHIEF FINANCIAL OFFICER NIX: Madam Chair,  
15 again, Michele Nix, CalPERS team member.

16 First, before we present the item, I'd like to  
17 introduce our new Division Chief for the budgets area, and  
18 I'd Will to stand up.

19 CHAIRPERSON MIDDLETON: Thank you.

20 ACTING CHIEF FINANCIAL OFFICER NIX: Will comes  
21 to us from Parks, so he will be joining the CalPERS -- he  
22 joined the CalPERS team and the beginning of this month,  
23 therefore, Jennifer Hamarlund, the Assistant Division  
24 Chief was Acting during the time that we had an opening,  
25 so Jennifer is going to go ahead present the budget for

1 this year

2 FINANCIAL PLANNING, POLICY AND BUDGETING

3 ASSISTANT DIVISION CHIEF HAMARLUND: Good morning, Madam  
4 Chair, members of the Committee. Jennifer Hamarlund,  
5 CalPERS team member.

6 I'll be walking you through the 2023-24 proposed  
7 budget agenda item. It is an action item. I'll begin by  
8 updating you on where we are with current year spending.

9 --o0o--

10 FINANCIAL PLANNING, POLICY AND BUDGETING

11 ASSISTANT DIVISION CHIEF HAMARLUND: As of December, 31st,  
12 CalPERS expended 853 million, or 39 percent, of the  
13 current year budget. Based on projections, we estimate  
14 that will end the fiscal year with nearly \$53 million in  
15 savings. All of the projected savings is in the operating  
16 cost categories.

17 Sorry, I'm having -- there we go.

18 All the projected savings is in the operating  
19 cost categories within administrative operating costs  
20 specifically. The driver is salary savings for position  
21 vacancies. Savings within the investment operating costs  
22 is due to slower deployment of consulting and legal  
23 activities. However, as CalPERS continues to deploy the  
24 new strategic asset allocation, it is anticipated that  
25 these costs will increase.

1           There is also savings this year, because of a  
2           reprioritization of technology projects as the Investment  
3           Office works on development of a new data and technology  
4           strategy. While overall spending remains within budget,  
5           we will continue to monitor and assess all expenses to  
6           make that they are appropriate. And as a reminder, all  
7           funds remain in the PERF until actual expenses are paid.

8                           --o0o--

9                           FINANCIAL PLANNING, POLICY AND BUDGETING

10          ASSISTANT DIVISION CHIEF HAMARLUND: Moving on to the  
11          proposed 23-24 budget. CalPERS proposes a total budget of  
12          \$2,427,000,000. This is a \$243 million increase over the  
13          current year budget.

14                         Next slide.

15                           --o0o--

16                           FINANCIAL PLANNING, POLICY AND BUDGETING

17          ASSISTANT DIVISION CHIEF HAMARLUND: Although, I will walk  
18          you through each of the budget categories, the primary  
19          driver of the increase is the investment external  
20          management fees budget. This is a projected amount and  
21          reflects the increased deployment of capital following our  
22          new strategic asset allocation, as well as a shift to more  
23          active management strategies within our external  
24          management partners. This budget does not yet reflect  
25          increased performance, but we are optimistic that these

1 strategic changes will lead to a higher return on  
2 investment in the future.

3 --o0o--

4 FINANCIAL PLANNING, POLICY AND BUDGETING

5 ASSISTANT DIVISION CHIEF HAMARLUND: We'll begin with the  
6 operating costs. The first category I will discuss is the  
7 administrative operating costs. This is a personal  
8 services budget, so that means the salary and benefits  
9 that we pay to our team, as well as operational expenses  
10 and equipment, also commonly referred to as OE&E.

11 In 23-24, we propose a total of 585.5 million.  
12 This is a 1.4 percent increase over the current year.  
13 This increase is primarily driven by an estimate for the  
14 first year of anticipated Investment team long-term  
15 incentive payouts that were approved by the Board in 2019.  
16 Offsetting this increase is a decrease in OE&E costs. The  
17 detail behind this net effect is shown on page 11 of  
18 Attachment 1. However, they are primarily driven by a  
19 reduction in pro rata costs, which are central  
20 administrative services that are billed to all State  
21 departments, an elimination of various information  
22 technology one-time costs, bringing previously outsourced  
23 work in-house, and no Board elections being scheduled for  
24 the coming year.

25 Next slide.

1                   --o0o--

2                   FINANCIAL PLANNING, POLICY AND BUDGETING

3 ASSISTANT DIVISION CHIEF HAMARLUND: The next category is  
4 the investment operating costs, specifically incurred for  
5 investments. And the increase here that you see is  
6 largely driven by a new investment data and technology  
7 strategy initiative, which requires an implementation of  
8 new technology and business tools to improve total fund  
9 portfolio management and to promote fund sustainability.

10                  Next slide.

11                   --o0o--

12                  FINANCIAL PLANNING, POLICY AND BUDGETING

13 ASSISTANT DIVISION CHIEF HAMARLUND: The last operating  
14 cost category is the headquarters building costs, which is  
15 shown here at 22.6 million. This increase is driven by  
16 costs for various building improvement projects, including  
17 updates to this auditorium, and training room audio and  
18 video systems, and to remedy fire and life safety  
19 concerns. The 22.6 million you see here is a total amount  
20 paid for by the PERF. But in the budget, you will see the  
21 total cost for headquarters is 27.5 million. The  
22 difference is 4.9 million. This is the amount that we  
23 billed into our administrative budget and through our cost  
24 allocation process. Affiliate funds are charged their  
25 fair share for the benefit that they derive for use of the

1 building.

2 --o0o--

3 FINANCIAL PLANNING, POLICY AND BUDGETING

4 ASSISTANT DIVISION CHIEF HAMARLUND: So this is our  
5 external fees budget. These are estimated amounts that  
6 are largely influenced by external factors. While CalPERS  
7 estimates annual investment external management fees based  
8 on market assumptions and estimated deployment of capital  
9 to investment diversification strategies, actual fees paid  
10 within a fiscal year are subject to market fluctuations.

11 Current assumptions estimate total fees in 23-24  
12 as 1.3 billion, an increase of 17.1 percent over the 22-23  
13 authorized budget. As a result of the Board-approved  
14 strategic asset allocation, this increase corresponds to  
15 the expected change in the fees paid to external managers.  
16 Much of the increase in base fees is for real assets and  
17 private debt, with additional but smaller increases  
18 anticipated for fixed income, private equity, and global  
19 equity. A projected increase in real assets performance  
20 fees is driven primarily by infrastructure investments.

21 --o0o--

22 FINANCIAL PLANNING, POLICY AND BUDGETING

23 ASSISTANT DIVISION CHIEF HAMARLUND: The third-party  
24 administrator fees is our last category. Here, we are  
25 proposing a \$19.5 million increase. The large driver here

1 is our Health Program. It is estimated based on expected  
2 enrollment, as well as migration of members between  
3 different health plans. And we also have some contract  
4 escalation built into these terms. This is offset by a  
5 reduction to the Long-Term Care Program fees due to  
6 continued enrollment declines.

7 --o0o--

8 FINANCIAL PLANNING, POLICY AND BUDGETING

9 ASSISTANT DIVISION CHIEF HAMARLUND: So the final slide  
10 here we show you again the 23-24 budget. My colleagues  
11 and I are happy to answer any questions you may have to  
12 help inform your action to approve.

13 Thank you.

14 CHAIRPERSON MIDDLETON: Thank you.

15 One of the themes that we're going to hear over  
16 and over again is the increase in the budget is related to  
17 external fees that we are paying, most specifically in the  
18 Investment Office. So I would like to hear what is our  
19 strategy going forward to reduce our dependence on  
20 external managers and what obstacles do we need to  
21 overcome in order to be able to effectively do that?

22 INTERIM CHIEF OPERATING INVESTMENT OFFICER COHEN:

23 Thanks for the question, Chair Middleton. I'm  
24 Michael Cohen with the Investment Office. Certainly, the  
25 increase in proposed fees is significant, as you point

1 out. It's important to remember that this is an estimate  
2 that we're really sort of forecasting what over the next  
3 14 months we would pay in terms of the fee amount. Under  
4 our current model, as you touched on a little bit earlier  
5 this morning, we largely do our active investing on a sort  
6 of a contracted out to money manager basis. And so the  
7 fees that you're seeing increasing are really a reflection  
8 of the implementation of the strategic asset allocation  
9 that was adopted over a ago.

10 So to some extent, seeing the fees increase is a  
11 good thing. It's showing that we're getting the money  
12 deployed the way you expected, that more money is going to  
13 the private assets. And it's worth remembering that when  
14 you see the returns reported, it's all net of fees, so  
15 that when you see sort of a private equity return, it's  
16 going to include the fees already netted out, so that it's  
17 sort of comparable to things we do ourselves.

18 That being said, to get to the heart of your  
19 question, certainly we want to reduce fees to the greatest  
20 extent possible. You might recall the CEM presentation  
21 last calendar year, where they demonstrated to you that we  
22 are a low-cost model. And we don't expect that this  
23 increase that you're seeing in the budget and sort of the  
24 implementation of the strategic asset allocation is going  
25 to change that. We're still going to be a low cost model.

1 But long term, we do want to bring as much expertise into  
2 the Investment Office as possible to either sort of  
3 stabilize or long-term bring down those fees.

4 And I think the action that you took this morning  
5 really is a reflection of improving our ability to do  
6 that. To the extent we have the ability to recruit and  
7 retain the talent that we need, we're going to be able to  
8 bring more investment decisions in-house, pay less fees.  
9 And so hopefully that answers your question.

10 CHAIRPERSON MIDDLETON: It's a very good answer.  
11 It faces a somewhat daunting obstacle. You've asked us to  
12 make a significant investment in additional external  
13 managers and external fees, walking into a time when the  
14 market is extremely unpredictable. So I would argue that  
15 that means we actually need the kind of talent that we are  
16 hiring at this time. But we are very much looking forward  
17 to seeing that we get the rate of return that these kinds  
18 of investments justify.

19 INTERIM CHIEF OPERATING INVESTMENT OFFICER COHEN:  
20 Exactly.

21 CHAIRPERSON MIDDLETON: All right. Thank you.  
22 Mr. Pacheco.

23 COMMITTEE MEMBER PACHECO: Yeah, thank you.  
24 Thank you very much for your presentation. And Mr. Cohen,  
25 again, almost a follow-up with the same question in lines

1 with Chairwoman Middleton regarding the external  
2 administrative fees. So as we move more and more into  
3 active investment, we're going to need to put more and  
4 more into the external investment fees. Am I correct  
5 here, because we do have, from what I recall last month --  
6 well, during the investment review in March, we have a  
7 ban -- a policy ban -- well, active policy ban. We --  
8 we're still like eight -- I think eight or nine basis  
9 points, but we still have this huge opportunity of about  
10 100 basis points of active and -- active management  
11 potential, is that correct, sir?

12 INTERIM CHIEF OPERATING INVESTMENT OFFICER COHEN:

13 Yeah. I think the best way I think about it is  
14 the old asset allocation had 21 percent dedicated to  
15 private assets. The new one has 33 percent. So we have a  
16 large increase of our total portfolio that needs to go  
17 into private equity, real estate, infrastructure, private  
18 debt.

19 COMMITTEE MEMBER PACHECO: And we're just  
20 starting. We're basically in -- we're basically in the  
21 starting point of that right now.

22 INTERIM CHIEF OPERATING INVESTMENT OFFICER COHEN:

23 That's right. We have, over the last number of  
24 years, largely been a passive investor and we're moving to  
25 a much more active approach to the investing.

1 COMMITTEE MEMBER PACHECO: And these things take  
2 time. I mean, it's not like it -- we can do it in one  
3 minute and then all of a sudden it will happen. It takes  
4 a period of time for us to make these transitions and  
5 become more active -- an active investor.

6 INTERIM CHIEF OPERATING INVESTMENT OFFICER COHEN:  
7 Absolutely.

8 COMMITTEE MEMBER PACHECO: And so my other  
9 comment was that with respect to the action that we just  
10 did in the previous committee, those actions will take --  
11 again, they will take time as well. But in the end,  
12 hopefully, with more direct investing, we would get better  
13 retention, more recruitment, and we would be able to  
14 develop domain expertise within our own Investment Office  
15 to -- in the -- in the long run. I'm just trying to  
16 understand -- that's my thought --

17 INTERIM CHIEF OPERATING INVESTMENT OFFICER COHEN:  
18 Yeah. No. You're exactly right. You'll -- so  
19 Nicole has just hit her one year anniversary. You'll  
20 recall the Investment Office has nine key strategies.

21 COMMITTEE MEMBER PACHECO: Yes.

22 INTERIM CHIEF OPERATING INVESTMENT OFFICER COHEN:  
23 We'll have an update for you on those strategies  
24 in June, but they all sort of -- whether it's the people  
25 strategy, the active risk strategy, all of these nine

1 strategies that some way get at sort of the changing of  
2 the Investment Office to be more effective for the long  
3 term, but none of it's going to happen overnight. It's --

4 COMMITTEE MEMBER PACHECO: Yeah.

5 INTERIM CHIEF OPERATING INVESTMENT OFFICER COHEN:  
6 We're a year into this journey and --

7 COMMITTEE MEMBER PACHECO: Exactly.

8 INTERIM CHIEF OPERATING INVESTMENT OFFICER COHEN:  
9 -- it will take some more time.

10 COMMITTEE MEMBER PACHECO: I mean, from my  
11 understanding -- I mean, from the costs and so forth,  
12 it -- you know, it is -- it's an appropriate amount, well,  
13 to do what we need to do to get to more active management,  
14 more active investing.

15 INTERIM CHIEF OPERATING INVESTMENT OFFICER COHEN:  
16 Yes.

17 COMMITTEE MEMBER PACHECO: That's all I wanted to  
18 know. Thank you very much, sir.

19 CHAIRPERSON MIDDLETON: Thank you.

20 Next we have Mr. Ruffino.

21 There you go.

22 ACTING COMMITTEE MEMBER RUFFINO: Thank you,  
23 Madam Chair. Just a quick question for clarification  
24 regarding the pro rata assessment. And I know that we are  
25 experiencing a 14.1 percent. For those who are not

1 familiar with the pro rata, can you just give us maybe a  
2 quick eye view of what it covers. And it's my  
3 understanding too, the pro rata assessment is equal for  
4 everybody or is it unique just to CalPERS?

5 FINANCIAL PLANNING, POLICY AND BUDGETING

6 ASSISTANT DIVISION CHIEF HAMARLUND: So what pro rata is  
7 is it's for every -- all the central service agencies that  
8 serve different State agencies, they charge a certain  
9 amount to pay for all of their people and their processes.  
10 And so consequently, we're charged a certain amount of pro  
11 rata. It isn't -- it's proportional to our budget, so  
12 it's not necessarily exactly the same as every other  
13 agency, but it does fluctuate year over year based on  
14 those central services agencies, what type of services  
15 that they're providing. And so you may look at CalHR, or  
16 government operations, or Department of Finance and they  
17 have different amounts of people, different methodologies,  
18 that Department of Finance has used to gather to calculate  
19 what those central administrative costs are, and what  
20 our -- the appropriate charge is to us for pro rata, so --

21 ACTING COMMITTEE MEMBER RUFFINO: But we don't  
22 have -- we don't have no discretion in terms -- those are  
23 pretty much set by the --

24 FINANCIAL PLANNING, POLICY AND BUDGETING

25 ASSISTANT DIVISION CHIEF HAMARLUND: You've got it.

1           ACTING COMMITTEE MEMBER RUFFINO:  -- I think it's  
2   DOF that sets the -- or whoever --

3           FINANCIAL PLANNING, POLICY AND BUDGETING

4   ASSISTANT DIVISION CHIEF HAMARLUND:  That's correct.  
5   There's a little bit of a lag in making sure that the  
6   costs -- what the costs are, because they look at the  
7   actual costs for all of the central services agencies and  
8   then charge us an estimate and then true that up in  
9   subsequent years.  So we had a reduction when we were  
10  going through the recession.  Everybody kind of went  
11  through and did budget reductions, CalPERS included.  So  
12  we paid too much that year.  Then we got applied a credit  
13  this year, which has basically dropped our amount down.  
14  So I expect a snapback next year, where we'll kind of come  
15  back up to standard levels.  So this is a temporary  
16  reduction I expect in the budget.

17           ACTING COMMITTEE MEMBER RUFFINO:  If I may just  
18  for clarification.  So the 14.1 percent for the 2023-2024,  
19  is that -- that's an estimate or is that an actual --

20           FINANCIAL PLANNING, POLICY AND BUDGETING

21  ASSISTANT DIVISION CHIEF HAMARLUND:  Oh, that is an  
22  actual.  But insofar as how they utilize that information  
23  to determine how much we should pay next year, it's an  
24  estimate.  So it's kind of on a -- it's always trying to  
25  true up to itself.

1           ACTING COMMITTEE MEMBER RUFFINO:   Okay.   Thank  
2   you.

3           FINANCIAL PLANNING, POLICY AND BUDGETING  
4   ASSISTANT DIVISION CHIEF HAMARLUND:   Sure.

5           ACTING COMMITTEE MEMBER RUFFINO:   Thank you for  
6   the clarification.

7           FINANCIAL PLANNING, POLICY AND BUDGETING  
8   ASSISTANT DIVISION CHIEF HAMARLUND:   You bet.

9           ACTING COMMITTEE MEMBER RUFFINO:   Thank you,  
10   Madam Chair.

11          CHAIRPERSON MIDDLETON:   Thank you.

12          Are there any other questions?

13          I would note that we've got Dr. Willis and Ms.  
14   Paquin on the line and want to give them an opportunity if  
15   they have any questions or comments?

16          Seeing, hearing none.

17          I do want to compliment staff on this budget and  
18   make note that once again the head count of 2,843  
19   positions is unchanged.   That is a credit to all of you in  
20   terms of your work to manage our staffing levels.   And at  
21   the same time, the number of temporary help positions that  
22   we have on place and expenditures has dropped dramatically  
23   and consistently since 2018-19.   So again, congratulations  
24   in terms of the work done there.

25          VICE CHAIRPERSON MILLER:   I'll move approval of

1 it.

2 CHAIRPERSON MIDDLETON: With that, we need a  
3 motion to approve.

4 Mr. Pacheco.

5 COMMITTEE MEMBER PACHECO: I'll move to approve.

6 CHAIRPERSON MIDDLETON: Motion to approve.

7 VICE CHAIRPERSON MILLER: And I'll second.

8 CHAIRPERSON MIDDLETON: Motion to approve by Mr.  
9 Pacheco, second by Mr. Miller.

10 All those in favor, please say aye?

11 (Ayes.)

12 CHAIRPERSON MIDDLETON: Any opposed?

13 Any abstentions?

14 We will move on to Item 5b, which is the annual  
15 review of Board member employer reimbursements. Ms. Nix.

16 ACTING CHIEF FINANCIAL OFFICER NIX: Again,  
17 Michele Nix, CalPERS team member.

18 This item is something that you see every year.  
19 And it's for our Board members' employers to be reimbursed  
20 for their salary and benefits paid to the elected Board  
21 members -- paid to the employers of the elected Board  
22 members as they perform work for the CalPERS Board. I'd  
23 be happy to take any questions.

24 CHAIRPERSON MIDDLETON: All right. I don't see  
25 any questions.

1 I will move to approve.

2 Is there a second?

3 COMMITTEE MEMBER PACHECO: (Hand raised).

4 CHAIRPERSON MIDDLETON: Mr. Pacheco.

5 All those in favor, please say aye?

6 (Ayes.)

7 CHAIRPERSON MIDDLETON: Any opposed?

8 Any abstentions?

9 We'll move on to -- motion approved.

10 We will move on to 5c, the semi -- or, excuse me,  
11 5c, the State valuation and employer/employee contribution  
12 rates. And with that, if we can get Mr. Terando and Ms.  
13 Ramsey.

14 (Thereupon a slide presentation).

15 CHIEF ACTUARY TERANDO: Thank you and good  
16 morning, Madam Chair, members of the Committee. Scott  
17 Terando with the Actuarial Office.

18 This item is an action item and presents the  
19 valuation and contribution rates for the State plans.

20 As you'll see during the presentation, the rates  
21 are higher than last year for most of the groups, but they  
22 are in line with expectations. The funded status has  
23 decreased primarily due to the investment return. But  
24 other than that, things are basically in line with where  
25 we expected. And I'll pass it to Nina where she'll step

1 through the presentation.

2 ACTUARY RAMSEY: Thank you, Scott.

3 Good morning, Madam Chair. Nina Ramsey, CalPERS  
4 Actuarial team member.

5 Today, I am here to present for our approval the  
6 results of the June 30th, 2022 State valuation.

7 --o0o--

8 ACTUARY RAMSEY: This valuation set the employer  
9 and employee contribution rates for fiscal year 2023-24.  
10 It is my understanding that the Board has received our  
11 updated agenda materials. The website should be updated  
12 shortly. We did have to make some changes over the  
13 weekend.

14 So the State valuation covers the five member  
15 subgroups listed on this slide, State miscellaneous,  
16 industrial, safety, peace officers and firefighters, and  
17 CHP.

18 --o0o--

19 ACTUARY RAMSEY: There have been a few  
20 significant events since our last valuation. First, the  
21 PERF has earned an investment return of negative 7.5  
22 percent as of June 30th, 2022. Second, the State has made  
23 an additional contribution towards their unfunded  
24 liability of \$2.9 billion, which was received in July of  
25 2022. Because this additional contribution came in after

1 our valuation date, it is currently not included in our  
2 funded status, but will be included next year.

3 CHP made an additional contribution of \$25  
4 million in May of 2022. Because that is before our  
5 valuation date, it is included in the funded status. The  
6 two additional payments reduced the fiscal year 2023-24  
7 required contribution by approximately \$481 million, which  
8 is equivalent to 2.01 percent of total State payroll.

9 --o0o--

10 ACTUARY RAMSEY: On this slide, we have some key  
11 results for you. We are comparing the June 30th, 2021  
12 results to the '22 results. In 2000 -- and as of June  
13 30th, 2022, we have an accrued liability of approximately  
14 \$238 billion, a market value of assets of \$167 billion,  
15 leaving us with an unfunded accrued liability of \$70.8  
16 billion. We also have a funded ratio of 70.3 percent,  
17 which has decreased from last year's 80.7 percent, largely  
18 due to the investment return as of June 30th, 2022.

19 We have the expected employer contributions for  
20 fiscal year 23-24 at \$8 billion, which is \$461 million  
21 greater than the current year. The rates are primarily  
22 increasing due to that investment loss, and also the  
23 progression of our existing amortization basis.

24 --o0o--

25 ACTUARY RAMSEY: This slide shows a brief history

1 of the State's aggregate funded status. As I mentioned,  
2 we have decreased from last year, which was 80.7 percent  
3 to this year 70.3 percent. We also have listed the  
4 aggregate market value of assets and the unfunded accrued  
5 liability. Individual figures for each of the five plans  
6 can be found on Attachment 2.

7 --o0o--

8 ACTUARY RAMSEY: Here, we have a comparison of  
9 the current year rates in the left-hand column. It is  
10 compared to the 2023-24 employer contribution rates in the  
11 fourth column. And for your information, we have also  
12 included the projected rate that we had in the June 30th,  
13 2021 valuation report in the center column. You can see  
14 that rates are increasing for all plans, except for POFF.  
15 Additionally, the expected contributions in the far right  
16 column are all higher than the current year.

17 Final rates due vary from what was projected in  
18 our last valuation report. This is due to the additional  
19 payments made by the State. Those were not included in  
20 our projections. Also, just to explain the safety rate.  
21 It is the only one that is higher. Well, I'm sorry, it is  
22 one of the rates that is higher than the current year.  
23 The reason for this is because the payroll for safety has  
24 decreased as of June 30th, 2022.

25 I want to be clear that this doesn't mean that

1 the members of the State safety plan were taking pay  
2 reductions. Safety, as a whole, saw a reduction in their  
3 active workforce, so that is why the payroll is lower.  
4 When we calculate the unfunded liability rate, it is  
5 divided by the expected payroll for the year. And because  
6 the payroll is lower than we expected, the rate is higher,  
7 but please also notice that the expected dollar  
8 contributions for safety are essentially the same.

9 For CHP, the rate is higher than projected due to  
10 a large non-investment loss. This includes things like  
11 salary increases and COLA increases being higher than  
12 expected. Our projection for CHP also anticipated an  
13 employee rate increase for next year that is not  
14 happening. So that contributes to the reason why the  
15 actual rate is higher than what was -- what was projected.

16 --o0o--

17 ACTUARY RAMSEY: On this slide, we have the  
18 actuarially required contribution rates for fiscal year  
19 23-24 listed on the left-hand side. We have also included  
20 for your information the additional statutory contribution  
21 per Government Code 20683.2. And we have included the  
22 additional contribution rate established by the State for  
23 their stable contribution rate strategy. The State will  
24 be paying an additional amount on top of what is  
25 actuarially required in order to maintain stable





1 PEPRA member contribution rate for fiscal year 23-24.

2 --o0o--

3 ACTUARY RAMSEY: We also have a few select  
4 bargaining units who have agreed that their classic and  
5 PEPRA members will continue half of the normal cost.  
6 These bargaining units are 2, 5, 16, and 18. Each of  
7 these bargaining units have their own criteria for when to  
8 change the employee rates. For this year, none of those  
9 criteria were met, so there will be no changes to the  
10 employee rates for these groups for fiscal year 23-24.

11 --o0o--

12 ACTUARY RAMSEY: Lastly, we have the projected  
13 required future contribution rates. You can see that  
14 rates are increasing over the next five years. This is  
15 due to the ramping in of the latest investment loss. You  
16 may notice that there is a larger increase in fiscal year  
17 27-28. This is the last year of ramping in the new  
18 investment loss. The reason it is so noticeable is  
19 because the investment gain from last year, that 21.3  
20 percent, will be fully ramped in in fiscal year 26-27 and  
21 no longer offset the ramping in of the investment loss.

22 You may also notice that CHP has a dip in their  
23 rate in fiscal year 26-27. This is due to a large  
24 amortization base dropping off reaching its conclusion.  
25 The projected rates you see on this slide assume an annual

1 investment return of 6.8 percent and no other gains or  
2 losses. We will have projections included in our annual  
3 valuation report, which will be related -- released later  
4 this year. That valuation report will have the final  
5 investment return for fiscal year ending June 30th, 2023.

6 The report will also include our assumptions,  
7 methods, and participant data. This concludes my  
8 presentation and I would be happy to take any questions.

9 CHAIRPERSON MIDDLETON: Are there questions?

10 Mr. Rubalcava.

11 COMMITTEE MEMBER RUBALCAVA: Thank you for the  
12 presentation. It's always a little -- not distressing,  
13 but it has to be mentioned whenever the funding balance  
14 goes down. I know we don't -- and Scott will yell at me.  
15 I know that we're not supposed to look it. It's a  
16 snapshot in time. And as long as we're -- everybody is  
17 making their actuarially determined contribution, we're  
18 going forward, which is a good thing, but it is something  
19 to monitor.

20 The other thing I was going to ask, employer  
21 contributions. I'm looking at the memo -- the reason the  
22 employer contribution went up was be -- and you said it  
23 correctly, is because we did not meet the assumed rate of  
24 return. And so I have two questions. One, there's other  
25 assumptions that have been adopted, but those will not be

1 impacted until later, correct? I mean, they won't have --  
2 the employer contribution won't be -- I'm looking at page  
3 507 --

4 ACTUARY RAMSEY: Okay.

5 COMMITTEE MEMBER RUBALCAVA: -- the change due to  
6 pro -- sorry. The cost went down due to the new  
7 demographics. Yeah.

8 ACTUARY RAMSEY: That's right.

9 COMMITTEE MEMBER RUBALCAVA: So those were  
10 adopted by the Board. And I think we look at it -- a  
11 change every three -- four years, correct? So -- and then  
12 there was a note that full valuation will be presented --  
13 will be given -- will be on the website. Will the Board  
14 get a chance to comment on it or is it just to post it.

15 CHIEF ACTUARY TERANDO: Yeah. The report --

16 COMMITTEE MEMBER RUBALCAVA: There's two  
17 questions there, I guess.

18 CHIEF ACTUARY TERANDO: The rates are adopted by  
19 the Board now, so we can get information over to the DOF  
20 in time for the budget in May and June. At the -- later  
21 this -- in the year, the full valuation report is just --  
22 with these rates are just developed and posted online. We  
23 can -- we can send a note to the Board when it's  
24 available. But generally, the information is just  
25 additional schedules and material in the valuation report.

1 But that actual contribution requirements don't change  
2 based on what's adopted today.

3 COMMITTEE MEMBER RUBALCAVA: Okay. Thank you.  
4 The only reason I'm asking is it's a little  
5 different process than I'm used to. That's all.

6 CHIEF ACTUARY TERANDO: Yeah. Yeah. And the --

7 COMMITTEE MEMBER RUBALCAVA: And '37 Act  
8 counties, they adopt a valuation which has to --

9 CHIEF ACTUARY TERANDO: Yeah, so this way --

10 COMMITTEE MEMBER RUBALCAVA: Then they adopted  
11 the rates later to be --

12 CHIEF ACTUARY TERANDO: What we do --

13 COMMITTEE MEMBER RUBALCAVA: The rates, I mean.

14 CHIEF ACTUARY TERANDO: The reason we do it is  
15 the State and schools are bigger. You know, they take up  
16 each about a third of the system. And what we try to do  
17 with -- and for these plans is we wait till the end of the  
18 fiscal year, so we have the rate of return. So then when  
19 we do the projections, we can get more accurate  
20 projections based on the actual rate of return. You know,  
21 we provided the projections today based on 6.8. Once, we  
22 know what the actual return is, we will -- we will make an  
23 adjustment to the projections, so we can have -- provide  
24 the State with, you know, closer projections on what we  
25 think will happen versus what these are today.

1 COMMITTEE MEMBER RUBALCAVA: Gotcha.

2 CHIEF ACTUARY TERANDO: Sure.

3 COMMITTEE MEMBER RUBALCAVA: Thank you very much,  
4 Scott. Thank you, Mullissa.

5 CHAIRPERSON MIDDLETON: Thank you.

6 Yes, Ms. Ortega.

7 BOARD MEMBER ORTEGA: Thank you, Madam Chair. I  
8 just wanted to thank Ms. Ramsey and Mr. Schneider for  
9 working through a confusion that occurred on the rates and  
10 getting the Board item updated and the folks at CalHR and  
11 DOF that worked with you as well. I know there was a lot  
12 of flurry of activity Friday to get it cleared up, so  
13 really appreciate your effort.

14 Thank you.

15 ACTUARY RAMSEY: Yes, thank you.

16 CHAIRPERSON MIDDLETON: Mr. Pacheco.

17 COMMITTEE MEMBER PACHECO: Yes. Thank you.  
18 Thank you for your presentation. I just want to ask a  
19 question, just a clarification, on the -- on the CHP, the  
20 California Highway Patrol. I guess there was a  
21 contribution that was made in 25 -- or \$25 million in May  
22 2022. And then I guess there was a deferred -- I'm trying  
23 to find my notes here. It was deferred. The annual  
24 savings was due to additional payments deferred until  
25 fiscal year 2024-2025. So did that -- that affected their

1 employer contribution? I'm just trying to get some  
2 clarification.

3 ACTUARY RAMSEY: Yes. So when an additional  
4 contribution is made towards unfunded liability, it will  
5 reduce the total rate. We are able to calculate exactly  
6 how much those additional payments reduce the rate. And  
7 that is why we've added those back to the total rate that  
8 they have.

9 COMMITTEE MEMBER PACHECO: Oh, I see. And so the  
10 25 million was -- is a one-time payment that was made back  
11 in May in 2022, during -- I'm --

12 ACTUARY RAMSEY: That's right. In the agenda  
13 item on page seven, we have a historical list of the  
14 additional payments made by CHP, so --

15 COMMITTEE MEMBER PACHECO: And -- oh, I see. And  
16 the \$25 million came from -- what's -- what was the source  
17 of that? Was it just from their --

18 ACTUARY RAMSEY: Yeah, from CHP's fund, Motor  
19 Vehicle Fund.

20 COMMITTEE MEMBER PACHECO: Fund. From themselves.  
21 Their own fund themselves?

22 ACTUARY RAMSEY: Yes, that's right.

23 COMMITTEE MEMBER PACHECO: Okay. Very good then.  
24 That's all I wanted to verify that. Thank you very much.

25 CHAIRPERSON MIDDLETON: Thank you. And I've got

1 a couple of questions on this slide that is in front of us  
2 now. And I'm looking out at the 2027-28 and 28-29  
3 projections. And those projections are based on the  
4 assumed rate of return of 6.8 percent, is that correct?

5 ACTUARY RAMSEY: Yes.

6 CHAIRPERSON MIDDLETON: Okay. And assuming -- we  
7 hope that we get to 6.8. The likelihood we will be at  
8 exactly 6.8 in any given year is probably fairly small.  
9 So at what time will the changes that we actually have in  
10 performance for this year and the next fiscal year show up  
11 for these projections that are four and five years down  
12 the road?

13 ACTUARY RAMSEY: Because the rates are so heavily  
14 dependent on the investment returns each year, we really  
15 have to go year by year. So anything, you know, four or  
16 five years out and beyond that, we have to assume that  
17 we're going to get that expected investment return. As  
18 far as, you know, what it could be, we do have some  
19 sensitivity analysis, just looking at some other  
20 alternatives that the investment rates could be. But as  
21 far as what we can accurately provide you, we have to  
22 assume the 6.8.

23 CHAIRPERSON MIDDLETON: So these rates are held  
24 in place until we come back and is a part of our four-year  
25 cycle to reevaluate what our expected rate of return?

1           ACTUARY RAMSEY:  These will change every year,  
2  so --

3           CHAIRPERSON MIDDLETON:  That's what I was trying  
4  to get at.

5           ACTUARY RAMSEY:  Oh, okay, yes.

6           CHAIRPERSON MIDDLETON:  So they're going to  
7  change every year.

8           ACTUARY RAMSEY:  Yes.

9           CHAIRPERSON MIDDLETON:  So next year, we will see  
10 a different projection going forward for the years going  
11 out, is that correct?

12          ACTUARY RAMSEY:  That's right.

13          CHAIRPERSON MIDDLETON:  All right.  That's what I  
14 was trying to establish.  Thank you.

15          Are there any other questions that we have?

16          Seeing none.

17          Is there a motion to approve?

18          COMMITTEE MEMBER RUBALCAVA:  I will make the  
19 motion.

20          CHAIRPERSON MIDDLETON:  And a second.

21          VICE CHAIRPERSON MILLER:  Second.

22          CHAIRPERSON MIDDLETON:  Mr. Rubalcava, Mr.  
23 Miller.

24          All those in favor, please say aye?

25          (Ayes.)

1 CHAIRPERSON MIDDLETON: Any opposed?

2 Any abstentions?

3 5c is approved.

4 We will move on to 5d. Mr. Terando and Mr.  
5 Tschida.

6 (Thereupon a slide presentation).

7 CHIEF ACTUARY TERANDO: Good morning, Madam  
8 Chair, members of the Committee. Scott Terando with the  
9 Actuary Office. Similar to the past item we just looked  
10 at, this is a schools pool valuation, where we review the  
11 employer and employee contribution rates for the upcoming  
12 fiscal year. I'll just pass this to Paul and he'll  
13 present the results.

14 CHAIRPERSON MIDDLETON: All right. Thank you.

15 SENIOR ACTUARY TSCHIDA: Great. Thank you,  
16 Scott. Good morning, Madam Chair, members of the  
17 Committee. Paul Tschida with the CalPERS Actuarial Office  
18 here to present the results of the schools pool valuation,  
19 including the employer and PEPRA employee contribution  
20 rates.

21 Let's see, do I --

22 --o0o--

23 SENIOR ACTUARY TSCHIDA: Okay. So that Actuarial  
24 valuation date for this valuation is June 30th, 2022. And  
25 you can think of that as a snapshot date as of which the

1 census data and the plan assets are gathered. And so this  
2 valuation reflects experience in the year ending on that  
3 date.

4           The schools pool, just as a reminder, covers  
5 classified employees of school districts, community  
6 college districts, and county offices of education  
7 throughout the state, basically the non-certificated or  
8 the non-teaching positions with those school districts.  
9 And it is a risk pool, so all of the employers -- all the  
10 school employers in the schools pool, all the experience  
11 is blended together and they all share the same  
12 contribution rate.

13                           --o0o--

14           SENIOR ACTUARY TSCHIDA: So I'd like to touch on  
15 four key elements of experience that drove the results of  
16 this valuation. The first is the investment return that  
17 you're aware of. The investment return in the fiscal year  
18 ending 21-22 was about negative seven and a half percent,  
19 which drove an actuarial investment loss. We also saw  
20 salary increases for active members who are employed  
21 throughout the year, average about eight percent. So  
22 that's a fairly sizable increase and exceeds our actuarial  
23 assumption, and therefore that as well drove actuarial  
24 experience loss.

25           The third item is benefit increases for

1 annuitants, so retirees and beneficiaries. The average  
2 benefit increase was around 3.2 percent, driven by fairly  
3 sizable COLAs that were granted in May of 2022, as a  
4 result of high inflation. So it was based on a CPI of  
5 about 4.7 percent. And again, the 3.2 percent increase  
6 exceeds our actuarial assumption of what benefit increases  
7 will be, so that as well drove actuarial losses.

8           The fourth item was an increase in the total  
9 payroll of the schools pool. It increased by over 10  
10 percent from the prior year, which again is -- which is a  
11 sizable increase. And this actually served to decrease  
12 the employer rate a bit, because the payment toward  
13 unfunded liability is a dollar amount. And Nina touched  
14 on this for the State. And when you divide it by a larger  
15 payroll, then you derive a lower rate. So this fourth  
16 item actually served to decrease the employer rate a bit.

17                           --o0o--

18           SENIOR ACTUARY TSCHIDA: Okay. On this slide we  
19 have the key results, really the high level results of the  
20 valuation. And you see the accrued liability of the top  
21 line there increased from about 110 million to about  
22 116 -- I'm sorry, 110 billion to 116 or 117 billion. That  
23 is largely an organic increase -- what I would consider an  
24 organic increase which is kind of a natural expected  
25 increase. There were no assumption changes. The discount

1 rate stayed a 6.8 percent. Now, the market value of  
2 assets you can see on the second line decreased. And that  
3 is a result of that -- largely a result of that investment  
4 loss that was sustained.

5 Now, I want to focus on three other items on this  
6 slide or just want to point them out and then we will  
7 delve into them in greater detail in the coming slides.  
8 The first is that funded ratio that decreased from last  
9 year's valuation to this year's, from 78 percent down to  
10 about 68 percent, so around a 10 punch -- 10 percent drop  
11 in that funded ratio.

12 The second item is the employer contribution  
13 rate, which is really what we're bring to you today for  
14 approval. That will be increasing from 25.37 percent of  
15 payroll to 26.68 percent of payroll for this coming fiscal  
16 year starting on July 1st of this year.

17 The third item is the PEPRA member contribution  
18 rate. That is not changing. That will remain eight  
19 percent. And again, we'll go into each those three items  
20 in a little bit more detail.

21 --o0o--

22 SENIOR ACTUARY TSCHIDA: Starting with the funded  
23 status. So when we think of funded status, it's a measure  
24 of the health of a pension plan. And we can look at it  
25 two ways. First, we can look at the unfunded accrued

1 liability which is a dollar amount and is an absolute  
2 measure, if you will, of the funded status of the plan or  
3 of the pool in this case. The second way of looking at  
4 funded status is the funded ratio, which is a percentage  
5 of course and is a relative measure of funded status -- of  
6 funded health, and is a way of comparing two different  
7 plans that be can totally different sizes.

8           So we have a 10-year history here of funded  
9 status, both the funded ratio and the unfunded accrued  
10 liability. And you can see from last year to this year,  
11 you can see that drop in the funded ratio from 78.3  
12 percent to 67.9 that we discussed on the prior slide. And  
13 you can also see an increase in that -- in the unfunded  
14 accrued liability as an absolute dollar amount. Those are  
15 the white portions of the bar on the far right. So it  
16 increased from 24 million -- billion, I'm sorry, to 37.6  
17 billion dollars from last valuation to this valuation.

18           Now, one thing I do want to point out, when you  
19 look at a 10-year history of the funded ratio, it --  
20 there's a slight downward trend. But I do want to point  
21 out that in this 10-year period just remember that the  
22 discount rate did change slowly, but it did change that  
23 7.5 percent down to 6.8 percent. So there was, you know,  
24 incremental dropping of the discount rate throughout that  
25 period, which is one of the reasons why the funded ratio

1 slips a little bit, because, of course, when you decrease  
2 the discount rate, you also decrease the funded ratio.

3 --o0o--

4 SENIOR ACTUARY TSCHIDA: Okay. And the second  
5 item we'd like to go into a little bit more detail on is  
6 that employer contribution rate, which is what we are  
7 bring to you for approval today. And here we show last  
8 year's rate and we compare to this year's rate, along with  
9 an estimate of where we thought last year -- last year,  
10 where we predicted we would be. So you can see the rate  
11 of 25.37 percent established in the prior valuation. And  
12 that is increasing to 26.68 percent, so an increase of  
13 about 1.3.

14 But you can see that we projected or we estimated  
15 that would be 27.0 percent. So we're coming in a shade  
16 lower than where we had projected based on last year's  
17 results. Now, we also show the projected payroll here,  
18 and you can see a fairly sizable increase from last year  
19 to this year.

20 And lastly, we show the estimated employer  
21 contribution as a dollar amount. So the schools pool  
22 employers all pay a rate as a percentage of payroll. And  
23 whatever their payroll comes in at, they pay that same  
24 rate. So this is really just an estimate here that we're  
25 showing of the dollar amount of contributions, based on

1 that projected payroll that we're showing.

2 But you can see that the dollar amount of  
3 expected contributions is increasing because again both  
4 the rate is increasing as well as the projected payroll of  
5 the group -- of the pool.

6 --o0o--

7 SENIOR ACTUARY TSCHIDA: Okay. And the third and  
8 final item to go into some detail on is the PEPRA member  
9 contribution rate. So PEPRA members in the schools pool  
10 are legally required to contribute 50 percent of their  
11 normal cost. Now, member contribution rate as determined  
12 in this valuation, which is applicable to this coming  
13 fiscal year, 23-24, is remaining at eight percent. So you  
14 might recall last year there was an increase from seven  
15 percent to eight percent in the schools PEPRA member  
16 contribution rate. And that was the first time it had  
17 changed in some time. But this year, there will be no  
18 change. It is going to stay at eight percent.

19 And just as an informational item, you know,  
20 sometimes we field questions about how is the PEPRA  
21 composition of a plan or a pool changing? And so we like  
22 to monitor that for the schools pool. And we are at the  
23 point now where the payroll of PEPRA membership is at 49  
24 percent of the total. So classic represents the other --  
25 the other 51 percent.

1           And if you look at it by headcount, the PEPRA  
2 members are actually 57 percent of the headcount of the  
3 pool, so a fair amount, over half already. And because of  
4 the -- this change over from classic to PEPRA in the  
5 schools pool, we estimate, just a rough estimate, that  
6 it's saving employers about a percent and a half of  
7 payroll just because PEPRA was enacted. So you can think  
8 of it as if PEPRA were never enacted, schools pool  
9 employers would be paying about a percent and a half more  
10 than what we're showing in this presentation here today.

11           Let's see if we can get this to move to the next  
12 slide. Could someone, please. Is someone else able to?

13                           --o0o--

14           SENIOR ACTUARY TSCHIDA: Thank you. Perfect.

15           Okay. Lastly, like the State, we like to do a  
16 five-year projection every year when we complete the  
17 valuation just to get an idea of where we think rates are  
18 trending in the future. And again, to Chair Middleton's  
19 question for the State, this is something that is  
20 revisited every year when we do the valuation. And it is  
21 further revisited once we have the results of the  
22 investment return for the fiscal year that we're currently  
23 in. So like the State, this assumes -- this projection  
24 assumes a 6.8 percent investment return, not only in all  
25 future years, but in the year we are currently in. So

1 that is the item that we will true up in July and August  
2 once we actually have the actual investment return in  
3 hand.

4           But based on what we know today, this is our best  
5 estimate of where rates are going in the future. And the  
6 increase you're seeing there is a result of that  
7 investment loss that was sustained in the prior fiscal  
8 year. So the actuarial amortization policy ramps in  
9 investment experience. Whether it's a gain or a loss, it  
10 ramps it in over a period of give years just to mitigate  
11 volatility in the employer costs.

12           If we were to factor in this entire seven and a  
13 half percent investment loss all in one year, it would be  
14 a dramatic increase in the employer rate. So that is why  
15 the Amortization Policy includes this five year phase-in,  
16 if you will.

17           But as that seven and a half percent loss phases  
18 in, you see that it does lead to an increase in the  
19 employer rate over the next four years. And then by  
20 27-28, that is when it's fully phased in. And you can see  
21 that at that point, we expect -- our best guess at this  
22 point is that rates will level off and maybe even decline  
23 slowly.

24           The general trend, aside from investment  
25 experience, if all investment experience matched what

1 we -- what we assumed, we would still expect to see a slow  
2 decline in the rate, again due to that changeover from  
3 classic to PEPRA in the plan composition. But investment  
4 experience, of course, is the largest driver of our  
5 results and you're seeing that here today.

6 I do want to make one other note about what this  
7 does and does not include. So again, it's based on a 6.8  
8 percent expected investment return and it's based on all  
9 other actuarial assumptions being met. So that's an  
10 assumption baked into this projection and one thing I do  
11 want to call out is that we are in -- continue to be in a  
12 period of higher-than-assumed inflation. And we do expect  
13 the COLAs to be granted in this coming May to be higher  
14 than what the actuarial assumptions would have indicated.

15 So we do think, just based on inflation alone,  
16 that we probably have some more actuarial investment --  
17 actuarial experience losses that might play in just as a  
18 result of inflation. We're not able to quantify that at  
19 this point, but I just wanted to mention it, so it's on  
20 everyone's radar.

21 --o0o--

22 SENIOR ACTUARY TSCHIDA: Okay. And that is the  
23 end of my prepared remarks and I'd be happy to field any  
24 questions.

25 CHAIRPERSON MIDDLETON: All right. Thank you.

1 I want to start with just a couple of follow-up  
2 questions to the remarks you made regarding PEPRA  
3 employees. And 49 percent of the pool is now PEPRA. Is  
4 that a -- are you defining the pool as currently employed  
5 employees or currently employed employees plus retired  
6 employees?

7 SENIOR ACTUARY TSCHIDA: For that measurement,  
8 we're looking just at currently employed employees.

9 CHAIRPERSON MIDDLETON: All right.

10 SENIOR ACTUARY TSCHIDA: So it excludes the  
11 retirees and term vesteds.

12 CHAIRPERSON MIDDLETON: Okay. And your number  
13 was that there's a one and a half point difference in the  
14 rate, because of the existence of PEPRA. It's always  
15 dangerous to give us information because we want more.

16 (Laughter).

17 CHAIRPERSON MIDDLETON: But that sounds like a  
18 fascinating number to be able to take a look at in terms  
19 of not only classified employees, but all of our other  
20 groups in terms of what has been the effect of PEPRA in  
21 being able to look at that effect over time and start to  
22 project out what it's effect may be. And I don't want to  
23 create a tremendous amount of busy work. But to the  
24 extent that we could take and document what the effect of  
25 PEPRA has been at a future meeting, that would be

1 something that I personally would be very interested in.

2 Thank you.

3 SENIOR ACTUARY TSCHIDA: Yeah, I would just like  
4 to add or just to clarify. That's a fairly rough  
5 estimate, like I said. It's -- what we're looking at in  
6 that measurement is we're looking at the normal cost  
7 component. We're excluding or we're not looking at the  
8 unfunded liability aspect of cost, because it's virtually  
9 impossible to disentangle the PEPRA experience, if you  
10 will, from the classic. So we're looking at the normal  
11 cost and what it is for the classic folks and what it is  
12 for the PEPRA folks, and what -- and therefore what the  
13 difference is.

14 CHIEF ACTUARY TERANDO: Yeah, it is a difficult  
15 calculation, but we can provide some information to you  
16 about the differences that we see between PEPRA costs and  
17 classic costs, especially on the normal -- on the normal  
18 cost side, we can provide that fairly easily, you know,  
19 for the State and schools. And if you want for the public  
20 agencies, we could summarize some of those results for  
21 you.

22 CHAIRPERSON MIDDLETON: Thank you.

23 CHIEF ACTUARY TERANDO: Sure.

24 CHAIRPERSON MIDDLETON: Mr. Pacheco.

25 COMMITTEE MEMBER PACHECO: Yes. Thank you very

1 much for your presentation. So I want to get back to the  
2 slide number. I think it's on page six, the employer  
3 contribution for the school pool. So I -- you mentioned  
4 that in the fiscal year 2022-2023, the required employer  
5 rate was 25.37, and then the estimated was 23 -- in  
6 2023-20 -- 23-24 is 27 percent, but the actual is 26.68,  
7 which is a 31 basis point increase, 31 basis points. So  
8 what I -- what I want to understand is the pool that we  
9 had -- we had a loss of a negative 7. -- 7.5. It  
10 increased the -- it increased the employer contribution  
11 slightly, but not over the -- not over the estimated  
12 amount. Is -- was that -- was that anticipated or I'm  
13 just trying to understand, because I was -- I'm trying to  
14 understand, because we had such a significant loss about  
15 that and how does that, if any, affect the PEPRA  
16 contribution, because we -- it's still staying at eight  
17 percent. And I just -- if you can elaborate a little bit  
18 on that.

19 SENIOR ACTUARY TSCHIDA: Sure. So there -- so  
20 there's two questions there, if I understand correctly.

21 COMMITTEE MEMBER PACHECO: Yes, sir.

22 SENIOR ACTUARY TSCHIDA: So the first one  
23 regarding where the actual rate is relative to the  
24 estimate? The estimate of 27.0 percent shown on the  
25 slide, that reflects an estimate of the loss that was

1 sustained -- of that seven and a half percent loss. So  
2 what happens is in July, the Investment Office releases a  
3 preliminary return figure.

4 COMMITTEE MEMBER PACHECO: Um-hmm.

5 SENIOR ACTUARY TSCHIDA: We then take that and we  
6 update our projections and our estimates based on that  
7 estimated/preliminary return figure. So the 27 percent  
8 rate -- I see on the slide there, estimate, it reflects  
9 the loss and not the exact amount of loss, but it reflect,  
10 in large part, that investment loss that we sustained. So  
11 the difference from the estimated column there, the 27  
12 percent, to the actual 26.68 is a few factors. One is the  
13 fine-tuning of that investment return, again because we  
14 factored in, you know, close to seven and a half percent  
15 loss, maybe not the exact amount, because we didn't know  
16 it yet. So truing up that, but then also all the  
17 demographic experience. So all the census data derived  
18 things, like the pay increases we talked about, the COLAs,  
19 all those other factors also go into that final 26.68  
20 figure that was not captured in the estimate, because it  
21 won't known yet.

22 COMMITTEE MEMBER PACHECO: It wasn't known yet.  
23 And that's -- and we won't know the exact amount until you  
24 said until the act -- until we get the results released in  
25 July.

1 SENIOR ACTUARY TSCHIDA: No, this -- so this is  
2 the -- this is final rate. This is based on the final  
3 census data, the final investment return. So this --  
4 everything you're seeing up here is -- or the rate is  
5 final. What comes in the actuarial report later in the  
6 year is like Scott said for State, it's just -- it's more  
7 exhibits, more information, the information on -- the  
8 details on the demographics, the plan, the plan  
9 provisions, but really all the key results, the liability,  
10 the rates, the funded status, all of that is -- it can be  
11 considered final at this point.

12 COMMITTEE MEMBER PACHECO: And then with -- and  
13 with the -- sorry. Go right ahead, Scott. You were going  
14 to say something.

15 CHIEF ACTUARY TERANDO: No. No, you're good.

16 COMMITTEE MEMBER PACHECO: So I just wanted just  
17 a follow-up on that. So on the -- on the last slide,  
18 which is on page eight, the projected employer  
19 contribution. So at the 26.68, which is actual rate --

20 SENIOR ACTUARY TSCHIDA: Um-hmm.

21 COMMITTEE MEMBER PACHECO: -- then you would --  
22 we project out the -- what we suspect would be the  
23 employer contribution based on an assumed rate of return  
24 of 6.8 percent.

25 SENIOR ACTUARY TSCHIDA: Correct.

1 COMMITTEE MEMBER PACHECO: Is that correct?

2 SENIOR ACTUARY TSCHIDA: Correct.

3 COMMITTEE MEMBER PACHECO: So we're not thinking  
4 it's going to be a loss or high or low. Just that's a  
5 constant number.

6 SENIOR ACTUARY TSCHIDA: At this point, yes.  
7 This -- yeah at this point, we're assuming everything  
8 after June 30, 2022 is 6.8 percent investment return. But  
9 again, this is where come July and August when the  
10 Investment Office releases their next preliminary return  
11 for the fiscal you're in now, then we will -- we will  
12 revisit this. We will revise basically this projection  
13 based on that known return for that one year.

14 COMMITTEE MEMBER PACHECO: Um-hmm.

15 SENIOR ACTUARY TSCHIDA: And then that is the  
16 projection that will appear in our actuarial report that  
17 is published later this year. So we're constantly truing  
18 up as we get more information.

19 COMMITTEE MEMBER PACHECO: Constantly truing up.  
20 Okay. I completely understand now.

21 SENIOR ACTUARY TSCHIDA: Okay. And -- Okay. And  
22 you had a second question. Yeah, I'm sorry, can you  
23 remind me, it was a questions about the PEPRA rates, but I  
24 don't remember the specifics.

25 COMMITTEE MEMBER PACHECO: Yeah, the PEPRA -- so

1 the PEPRA rates were at eight percent right now. So  
2 they're currently at eight percent. And because they  
3 didn't -- we did not achieve the 50 percent normal cost,  
4 it's not going to -- they're not going to -- is it -- I  
5 think it's one -- the trigger is one percent, right? If  
6 it's more than one percent, then it changes, correct?

7 SENIOR ACTUARY TSCHIDA: Right. That's how it  
8 works. And if I remember correctly, your -- when you  
9 first asked it, it was how the investment performance  
10 affects --

11 COMMITTEE MEMBER PACHECO: Yes. Yes.

12 SENIOR ACTUARY TSCHIDA: -- the PEPRA, is that  
13 correct?

14 Okay. So the investment performance has no  
15 bearing on the PEPRA rate all. So the investment can  
16 be -- the performance can be great. It can be terrible.  
17 The member rate -- the PEPRA member rate is unaffected by  
18 that altogether. That -- investment performance only  
19 affects the unfunded accrued liability.

20 COMMITTEE MEMBER PACHECO: Um-hmm.

21 SENIOR ACTUARY TSCHIDA: It goes in the UAL, and  
22 that is entirely an employer obligation. So that drives  
23 the employer rate. It does not affect the PEPRA member  
24 rate.

25 COMMITTEE MEMBER PACHECO: Thank you very much.

1 That's all I need to know.

2 Thank you.

3 CHAIRPERSON MIDDLETON: All right. Mr. Palkki.

4 BOARD MEMBER PALKKI: Thank you, Chair. Thank  
5 you for the presentation. And on page eight, the  
6 projected employer contribution rate graph, the projected  
7 assumption of 6.8 investment return, we understand that.  
8 Can you share a little bit of what's driving the anomaly  
9 between the 26-27 and 27-28 year?

10 SENIOR ACTUARY TSCHIDA: Yes, in this -- I think  
11 Nina mentioned this briefly in regard to State, and it's  
12 the same effect. So you think back a year, one year  
13 from -- one year before now. We are talking about a very  
14 large investment again. We had a 21.3 percent gain. And  
15 that was serving to, you know, decrease the rates over  
16 time. And it was also, because it's investment return,  
17 investment experience, it was phased in over a five-year  
18 period. So the benefit from that large gain was phased in  
19 over a period of five years.

20 So now we have -- one year later, we have this  
21 large investment loss that is also being phased in. It  
22 has its own five-year phase in. So the phase-in from that  
23 big gain is ending. 26-27 is the last year that we're  
24 getting the benefit, if you will, from that large gain.  
25 And the 27-28, we still have the last year of the phase-in

1 from this big loss that we just sustained. So that  
2 explains the pop that you see from 26-27 and 27-28  
3 relative to kind of the trajectory leading up to that  
4 point. Does that address your question or am I missing  
5 it?

6 BOARD MEMBER PALKKI: Yeah. No. Thank you.

7 SENIOR ACTUARY TSCHIDA: Okay.

8 CHAIRPERSON MIDDLETON: Thank you.

9 Are there any other questions?

10 Seeing none.

11 Is there a motion to approve?

12 VICE CHAIRPERSON MILLER: Move approval.

13 COMMITTEE MEMBER PACHECO: (Hand raised).

14 CHAIRPERSON MIDDLETON: Approval from Mr. Miller,  
15 second by Mr. Pacheco.

16 All those in, favor please say aye?

17 (Ayes.)

18 CHAIRPERSON MIDDLETON: All those opposed?

19 Seeing no.

20 And any abstentions?

21 The motion is approved and thank you both for  
22 your work.

23 SENIOR ACTUARY TSCHIDA: Thank you.

24 CHAIRPERSON MIDDLETON: Before we move on to the  
25 balance of the items, and I'm projecting we've got about

1 30, maybe 45 minutes left, but that's the last actions of  
2 the day, my inclination is to continue on and then break  
3 for the day. Is there any objection to that?

4 Seeing none, we will move on.

5 Item 5e has -- the stakeholder's petition to  
6 adopt ranked choice voting was withdrawn. We have  
7 effectively renumbered this Item to 5f, which is now the  
8 CalPERS Board Election Program Review. And, Mr. Stone,  
9 will come up. I will make note that there is going to be  
10 references to the issues of ranked choice voting during  
11 the course of the presentation of 5f.

12 With that, Mr. Stone.

13 (Thereupon a slide presentation).

14 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

15 Good afternoon, members of the Finance and  
16 Administration Committee, Dallas Stone, CalPERS team  
17 member. This is an action item where I'll be presenting  
18 you with a review of the 2021-2022 Board election program.  
19 I'll be sharing our voter experience, trends, and costs  
20 over this last election cycle. I'll also request the  
21 Board direction on two items for the upcoming 2025 through  
22 2028 election cycle. The two items are related to which  
23 voting system option to use in future elections and using  
24 a different kind of return envelope for mail-in ballots.  
25 Lastly, I'll share some stakeholder feedback we've

1 received on the topic of instant runoff, which is also  
2 known as ranked choice voting.

3 --o0o--

4 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

5 A brief overview of our election program. An  
6 election cycle runs over a four-year period. Elections  
7 are conducted in years one through three. Year four is  
8 our off year, where we complete program updates and  
9 release an RFP to secure a new Board election  
10 administrator.

11 --o0o--

12 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

13 This table provides a quick breakdown of the last  
14 election cycle. Year one was our member-at-large  
15 election, which consists of our entire active and retiree  
16 membership. We also conducted a special public agency  
17 member election earlier than anticipated due to a vacancy  
18 on the Board. In year two, we had the State, school, and  
19 special retired member elections, which ran concurrently  
20 for three seats on the Board. The State and school seats  
21 were unopposed, but a runoff election was held to  
22 determine the majority winner for the retiree seat.  
23 Please note that conducting the two special elections for  
24 the public agency as well as the retired member seats  
25 resulted in the elections ending in 2022 instead of 2023.

1 So having completed all the elections, we're currently in  
2 our off-year for program updates.

3 --o0o--

4 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

5 The Board election program has evolved over time.  
6 Prior to 2016, we only offered mail-in ballots to our  
7 voters. In 2017, we added two new voting options to  
8 increase voter turnout, online voting and telephone  
9 voting, also known as IVR, which is interactive voice  
10 response voting. In 2020, the Board approved the use of a  
11 simplified ballot package to reduce costs, which was  
12 implemented in this last election cycle.

13 --o0o--

14 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

15 Since adding online and telephone voting, we've  
16 completed two election cycles, the 2017 through 2020 cycle  
17 and the most recent 2021 through 2022 two-cycle and  
18 conducted eight contested elections, which include  
19 primaries and runoffs with two or more candidates. In  
20 both cycles, we see that the average overall participation  
21 by voting channel of mail-in ballot, online and, telephone  
22 voting has remained very similar.

23 --o0o--

24 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

25 So in terms of the marketing efforts that we do

1 here internally, we market each election extensively to  
2 raise overall voter awareness. Some of our efforts do  
3 include candidate statement videos that are made available  
4 online, providing election toolkits for employers and  
5 retiree organizations, publishing a variety of  
6 communications such as blogs, member news articles, press  
7 releases, social media campaigns, and email blasts to our  
8 membership. We also hold candidate forums. And in this  
9 last cycle, we added an online tool, which allowed voters  
10 to easily recover their pins for voting.

11 --o0o--

12 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

13 This slide is a breakdown of our actual voter  
14 turnout, total costs, and cost per vote by election within  
15 the '21 through 2022 cycle. Please note that CalPERS did  
16 not conduct State or school member election this last  
17 cycle. These seats were unopposed.

18 --o0o--

19 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

20 In terms of historical voter turnout, this graph  
21 illustrates our voter turnout over the last 20 or so  
22 years. CalPERS has seen a steady decline in overall voter  
23 participation. Our member-at-large, public agency, and  
24 State elections had a voter turnout range of approximately  
25 15 to 20 percent in the early 2000s and have declined

1 since. Prior to our special retired member election in  
2 2022, our last election was held in 2019 with a voter  
3 turnout of 19.7 percent. Last year's retired election  
4 came in at 17 percent.

5 --o0o--

6 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

7 In this last election cycle, we saw that mail-in  
8 or paper ballot is still the most preferred voting channel  
9 across all elections, followed by online voting, which  
10 averaged around 25 percent. Telephone phone or IVR voting  
11 remains the least popular at three percent. In the  
12 special public agency member election, we saw a higher  
13 than average preference for online voting. And this shows  
14 that there is a trend for online voting amongst active  
15 members.

16 --o0o--

17 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

18 For election cost breakdown, if we turn -- if we  
19 turn our attention to costs associated with conducting  
20 elections in the last cycle, we've spent roughly \$6.7  
21 million. Paper ballot continues to be our most expensive  
22 voting method at five million. This figure takes into  
23 account the cost of the paper, printing ballot materials,  
24 and the notice of elections, postage costs, and  
25 administrative costs related to the paper ballot

1 processing. Please note that there are no contract costs  
2 associated with the telephone phone or IVR voting system  
3 with our current Board election administrator, but the  
4 CalPERS team does spend up to 70 hours per election on  
5 supporting and validating the system.

6 --o0o--

7 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

8 After looking at voter turnout and election  
9 costs, the Board can consider adopting one of the four  
10 voting method options that we've provided. The Board can  
11 also consider using a different ballot return envelope,  
12 which I'll speak more about later.

13 --o0o--

14 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

15 So for Option A, which is our status quo, the  
16 first option is to make no changes to our current election  
17 program. Our members can continue submitting their votes  
18 via paper ballot, online, or by telephone. This option  
19 offers the most variety of voting options for our members  
20 and it won't require any regulatory changes. It does have  
21 high costs and requires the entire enterprise's support.  
22 There won't be any cost savings with this option.

23 --o0o--

24 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

25 For Option B, we would return to paper ballot

1 only. Option B would only offer mail-in ballots to our  
2 members just like elections prior to 2020 -- 2017. It  
3 caters to our members who strongly prefer mail-in ballots.  
4 The challenge with this option is that we see that active  
5 members are trending towards using the online voting  
6 option when compared to retirees. It would require  
7 regulatory changes. We currently don't know how this  
8 would impact our voter turnout. And if we go back to  
9 mail-in ballot only, this option would have a cost sayings  
10 of about \$1.6 million.

11 --o0o--

12 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

13 So Option C would only offer two voting channels,  
14 which would be or mail-in ballot and online. This option  
15 speaks to our retired members' preference for mail-in  
16 ballots and our active members that are trending towards  
17 online voting. With this option, the use of staff time  
18 and resources also decreases. Some challenges for this  
19 option would be that removing the telephone phone voting  
20 could modify the voter experience. We don't know how this  
21 would impact voter turnout and would also require  
22 regulatory changes. This option has no contractual  
23 savings, but there are savings, and staffing time, and  
24 resources spent on testing and developing the telephone  
25 voting system.

1                   --o0o--

2           OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

3           Option D is a hybrid system, which is -- which  
4 customizes voting options for each election. For the  
5 member-at-large election and retired member election, we  
6 are offering two options via voting channels, the mail-in  
7 and online ballot. For the State, school, and public  
8 agency member elections, it would only offer online voting  
9 for our active members.

10                   --o0o--

11           OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

12           This option caters to each voting community and  
13 uses less paper. It also has a cost savings of about  
14 \$300,000. Some challenges for this option would be that  
15 by removing the telephone voting just like Option C, it  
16 would modify our voter's experience. We also don't know  
17 how this would vote -- impact voter turnout and would also  
18 require regulatory changes. This concludes our four  
19 options for the Board to choose from. Now, I'll move on  
20 to our second item that requires Board direction.

21                   --o0o--

22           OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

23           At the February Finance and Administrative --  
24 stration committed[SIC] meeting, the Board asked whether  
25 any measures can be put into place to address privacy

1 concerns of voters that submit mail-in ballots without  
2 signing the perjury statement on the return envelope.  
3 Signing the return envelope to attest to the perjury  
4 statement is a regulatory requirement. Without a  
5 signature, the mail-in ballot is invalid. To mitigate  
6 privacy concerns, the Board can consider adopting  
7 safeguard measures by using a reveal tab return envelope.  
8 The reveal tab will hide the signature until the ballot is  
9 processed by our Board election administrator.

10           Just to kind of show you briefly what that would  
11 look like. So just a typical mail-in return envelope for  
12 our members. On the other side, there's a flap. You lift  
13 the flap up, it would have our perjury statement. It  
14 would require signatures similar to today, and then they  
15 would be able to seal that envelope hiding the member's  
16 signature. And then once it makes it over to our Board  
17 administrator for voter credit. They would scan the code  
18 to ensure voter credit and then also open the tab to  
19 ensure that there was a voter signature, again meeting all  
20 of our current requirements.

21           Using this new envelope will result in an  
22 additional \$630,000, based on elections we've conducted  
23 this cycle. With this envelope, our Board election  
24 administrator will require additional time to process  
25 ballots, since each envelope's tab must be removed

1 manually before scanned into the system. Now, I'd like to  
2 move on to sharing some stakeholder feedback that we  
3 received on another topic.

4 --o0o--

5 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

6 Last September, CalPERS received feedback from  
7 two stakeholders requesting the Board consider a voting  
8 method called ranked choice voting, also known as instant  
9 runoff voting. This feedback, which in -- which is  
10 included as Attachment 2 to this item came in as a formal  
11 letter, and included a draft rulemaking petition on this  
12 voting method.

13 Ranked choice voting is defined a single election  
14 voting method, which allows voters to rank candidates in  
15 order of preference to determine the winner without the  
16 need for a separate runoff election. I'll share a  
17 hypothetical example with three candidates who are running  
18 in an election to show you how this would work. Let's say  
19 in this election, Candidate A receives 25 percent of first  
20 ranked votes, Candidate B receives 35 percent of first  
21 ranked votes, and Candidate C receives 40 percent of first  
22 ranked votes. With no majority winner in this situation,  
23 an instant runoff voting would take place. The candidate  
24 with the lowest ranked first ranked votes, Candidate A in  
25 this example is automatically eliminated and all of their

1 votes are redistributed to their second ranked candidate,  
2 which for simplicity's sake let's say it's Candidate B.  
3 With this redistribution of votes, Candidate B's votes  
4 would be 60 percent and they would be declared the  
5 majority winner.

6 CalPERS has never used ranked choice voting, but  
7 CalPERS staff has formally presented research on other  
8 elections methods, including ranked choice voting for the  
9 Board's consideration in 2007, 2010, 2011, and 2012. At  
10 this time, ranked choice voting was not adopted by the  
11 Board for various reasons, which included, but were not  
12 necessarily limited, to the lack of Secretary of State's  
13 approved systems. No guarantee a majority winner would  
14 result from this -- using this voting method and higher  
15 up-front fixed costs to conduct this type of election.

16 --o0o--

17 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

18 This slide shows some of our next steps that the  
19 team may need to undertake this year and next year  
20 depending on the option chosen by the Board. If  
21 regulatory changes are needed for the selected option,  
22 we're hoping to have regulations effective by June or July  
23 of 2024. In February of 2025 we'll also present the  
24 notice of election for the 2025 member-at-large election.

25 --o0o--

1 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

2 In summary, we're requesting Board action on two  
3 items. The first is to select an option of the four  
4 options presented. The second is to provide direction on  
5 the revealed tab envelope. This concludes my  
6 presentation. I'm happy to answer any questions you may  
7 have.

8 CHAIRPERSON MIDDLETON: Thank you for that very  
9 good report. We are going to move to comments. We've got  
10 first, Ms. Taylor.

11 COMMITTEE MEMBER TAYLOR: I didn't realize I was  
12 first. Thank you, Madam Chair. So I had a couple of  
13 questions. So on Option 1, I don't see a good -- a  
14 feasible way to move on to other options. The status quo.  
15 It's high cost, but it's -- and it does rely on our folks  
16 to help. One of the things that I thought was interesting  
17 is Option D this hybrid voting system. Considering how  
18 low IVR is, I don't have a problem cutting that out, but  
19 why would we -- was this a mistake? You also cut out  
20 mail-in for State, school, and public agency member. Was  
21 that a mistake or was that your intent?

22 Okay. I just feel like that that is too high of  
23 a return ballot for us to cut out. I didn't see an option  
24 where we just cut out the IVR. That's what I -- I think  
25 that maybe we could cut ought the IVR.

1 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

2 Option C does allow us to remove the IVR option  
3 and just only offer mail-in and online ballots for all  
4 elections.

5 COMMITTEE MEMBER TAYLOR: Okay. There you go.  
6 Okay.

7 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

8 And just to make a comment on the Option D, again  
9 these are just ideas for consideration. You know, we did  
10 see an increase in overall online acceptance during our  
11 active member elections. That's not to say that mail-in  
12 ballot was still the preferred voting method. We were  
13 just bringing in different options, whether it's a cost  
14 saving option or just an option to remove an option that  
15 has, like I said, three percent participation, which is  
16 IVR telephone.

17 COMMITTEE MEMBER TAYLOR: So then I have -- just  
18 for participation purposes, I have a question. Do we --  
19 does CalPERS ever or have they considered ever running a  
20 survey to find out -- with their members to find out what  
21 would make people more likely to vote, given how low our  
22 percentage is, except for the retirees, which is --

23 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

24 I think the last stakeholder feedback we did with  
25 our membership regard elections occurred back in 2010, but

1 we have not conducted a survey directly related around  
2 election -- our election since then.

3 COMMITTEE MEMBER TAYLOR: And we've had  
4 substantial declines since 2010, so I think that might be  
5 a really good idea just to get an -- what is it that more  
6 and more people are declining to vote now? Is it because  
7 we're not educating them at the front about their  
8 pensions? Do they not care about pension, because they  
9 don't intend to stay with the State? You know, what is it  
10 that we're missing?

11 But Option C would be my recommendation on this,  
12 so that -- because I really -- I see what single digit --  
13 low single digit participation on the phones. So that  
14 would be my recommendation for number 1. And that's all  
15 we're discussing right now isn't it, number one, right?

16 CHAIRPERSON MIDDLETON: That's correct.

17 COMMITTEE MEMBER TAYLOR: Okay.

18 CHAIRPERSON MIDDLETON: All right. Ms. Walker.

19 COMMITTEE MEMBER TAYLOR: You're on.

20 COMMITTEE MEMBER WALKER: Okay. Just so I make  
21 clear where we're at Madam Chair, is it -- are we at the  
22 moment to make a motion --

23 CHAIRPERSON MIDDLETON: We are not --

24 COMMITTEE MEMBER WALKER: -- and then talk about  
25 it or --

1 CHAIRPERSON MIDDLETON: We've got --

2 COMMITTEE MEMBER WALKER: -- just putting  
3 comments out?

4 CHAIRPERSON MIDDLETON: At this point, we're  
5 asking questions and making comments. We still have a  
6 number of colleagues --

7 COMMITTEE MEMBER WALKER: Okay.

8 CHAIRPERSON MIDDLETON: -- that would like to  
9 make comments. So it would be more appropriate to allow  
10 those comments before a motion.

11 COMMITTEE MEMBER WALKER: Okay. I just wanted to  
12 make sure. Then I have nothing at this moment.

13 CHAIRPERSON MIDDLETON: Okay. Mr. Ruffino.

14 ACTING COMMITTEE MEMBER RUFFINO: Thank you,  
15 Ms. -- thank you, Madam Chair. So I'm a little confused.  
16 And I want to ask you a clarification question on the  
17 example that you give us. Back to the RCV. So you said,  
18 and I -- you said A, B, C. A gets 25 percent, B gets 35  
19 percent, C gets 40 percent. Note one -- so it goes then  
20 back, the A being the lowest, those 25 percent that get  
21 redistributed to B, right? So why not C? I'm not -- so  
22 I -- like I say, it may be because I don't understand it.

23 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

24 So for simplicity reasons that -- I was just  
25 trying to construct an example that would be easy to

1 follow along. So with ranked choice voting, our member  
2 would receive a ballot and they'd be asked to rank those  
3 candidates one through three, your first selection, your  
4 second section, and your third selection. If you get to a  
5 point where no one candidate receives majority vote, which  
6 is 50 percent plus 1, you would then start the process of  
7 eliminating candidates to the point where you get a  
8 candidate with 50 -- with majority vote.

9           So in my example I was using, the Candidate A who  
10 only had 25 percent of the votes would have been  
11 eliminated. So all of those folks that listed Candidate A  
12 as their first choice, they then go to their second choice  
13 and then those votes are redistributed to the candidates.  
14 So in my example, I said all of those people that selected  
15 Candidate A listed Candidate B as their second choice, so  
16 then those votes were redistributed, then making the math  
17 work over majority.

18           ACTING COMMITTEE MEMBER RUFFINO: Okay. Got it  
19 now. Thank you.

20           OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:  
21           You're welcome.

22           ACTING COMMITTEE MEMBER RUFFINO: I see what  
23 you're saying, it is the voters that determine -- you  
24 know, okay, I got it.

25           The second question, again not being familiar, on

1 your report you said that some of the reasons -- there's  
2 various reasons which you have included in the past that  
3 this system wouldn't work, one of which is the lack of the  
4 Secretary State approval of the voting system. And I  
5 don't understand that either.

6 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

7 So at the time that we presented this to the  
8 Board back in 2012 that was the case. I know that there  
9 are various counties, and cities, and municipalities that  
10 have adopted ranked choice voting since then.

11 ACTING COMMITTEE MEMBER RUFFINO: So the  
12 Secretary of State is that still current, where they don't  
13 recognize or don't approve this system?

14 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

15 It's my understanding that they do. I know the  
16 City of San Francisco, the City of Berkeley, the County of  
17 Alameda, and I believe the City of Oakland all, you know,  
18 have adopted ranked choice voting. And I believe  
19 they're -- it's -- those are recognized elections through  
20 the Secretary of State.

21 ACTING COMMITTEE MEMBER RUFFINO: Okay. So I'm  
22 not advocating right now one for, I'm just trying to  
23 understand. But assuming that whether it would be CalPERS  
24 or another body adopt, then would that be a proposal to  
25 the Secretary of State to approve it or is that just

1 excluded from --

2 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

3 It was just an argument that was made to the  
4 Board back in 2 -- back in the various years that it was  
5 presented to the Board. And those were some of the  
6 supporting reasons why that voting choice was not adopted.

7 ACTING COMMITTEE MEMBER RUFFINO: Okay. Thank  
8 you for the clarification. Thank you, Madam Chair

9 CHAIRPERSON MIDDLETON: All right. Thank you.

10 Next, we have Ms. Willette.

11 BOARD MEMBER WILLETTE: Thank you so much. Thank  
12 you for that really thorough presentation. I just want to  
13 share, in my experience, I think the CalPERS team members  
14 from the Operations Support Services Division do just a  
15 tremendous job of administering the election, so just  
16 thank you for that.

17 I don't think anyone would disagree that having  
18 robust participation in these elections only strengthens  
19 the organization. And I guess how we get there is really  
20 kind of what we're talking about. I don't see a need --  
21 again in my experience, we don't really need to overhaul  
22 the elections, but I think there are some opportunities to  
23 do some really targeted tweaks to increase that  
24 participation. Looking for cost savings by limiting  
25 opportunities to vote does give me pause. And I think

1 ultimately, we need to be critically looking at how we  
2 generate higher vote turnout like the events or activities  
3 that we do viewership of the candidate forum, open rates  
4 of emails.

5           And then ultimately, I think like the most  
6 efficient way of turning out the vote, where we get the  
7 most bang for our buck is real going to be with our  
8 partnerships with our employers and stakeholders, right?  
9 I think that's going to be the most efficient way. I know  
10 we a good job already working with our employers and  
11 provide them a ton of information. And I just think that  
12 there's still a formula we haven't figured out the  
13 variable to get our employers to do more on this, not at  
14 the CalPERS cost, but at the employer side.

15           And then also the stakeholders. Like, we know in  
16 general elections stakeholders are the ones that drive  
17 turnout, like they just do. And it also has -- if we  
18 could maybe provide the stakeholders more data in order  
19 to -- and transparency with the voters, we could see that  
20 return on -- return on the vote turnout with the  
21 stakeholders driving that. It also has like kind of a  
22 dual benefit of increasing the voter's experience if they  
23 can actually track their ballot so to speak or see that --  
24 make sure that their vote counted at least. And that  
25 could also then help with that reveal tab situation.

1 People can say, hey, did my vote count? No, you didn't  
2 sign the back.

3 I appreciate the show and tell the reveal tab. I  
4 couldn't picture it in my head. And I've never seen  
5 anything like that. My county registrar -- our signature  
6 is like naked. Like we just go out there. So I don't --  
7 you know, I would be -- having see it though, I would  
8 concerned that the reveal tab does such a good job of  
9 hiding the signature panel that we'd actually get a lot  
10 more ballots without any signature at all. And so without  
11 the ability to cure ballots, which I guess is the other  
12 problem that we're trying to resolve, I think that that  
13 would be not a good recommendation of the -- for the  
14 committee to take.

15 And I also understand, we're not -- you know, I  
16 just want to make comment that ranked choice voting -- the  
17 petition has been withdrawn, but I do want to throw it out  
18 there, I appreciate the thoughtfulness of Mr. McRitchie  
19 and Mr. Cheek in that petition as well. That's it. Thank  
20 you.

21 CHAIRPERSON MIDDLETON: All right. Thank you.

22 Next, we have Mr. Miller.

23 VICE CHAIRPERSON MILLER: Thank you for the  
24 presentation. I'm all for efficiency and effectiveness,  
25 but I think when I look at the overall costs of our

1 elections, and the importance of them, and how critical  
2 turnout is, I'm more worried about effectiveness than  
3 efficiency in many respects. So a couple thoughts. The  
4 reveal tab seems like a prob -- a solution looking for a  
5 problem. At a cost of, you know, 600 or maybe a million  
6 bucks, for the number of cases we would have where we  
7 would have suspicion of fraud or -- like zero that I've  
8 ever heard of or someone didn't sign something. To  
9 follow-up with that person, we could do a lot of follow-up  
10 for half a million or a million bucks. So to me, that's  
11 kind of a non-starter.

12 In terms of, yeah, we could look and say, oh,  
13 only a few people called in on the phone a few percent.  
14 But with very low turnout elections, there's, you know, a  
15 few hundred of our members maybe that that was their  
16 preferred way to do it or maybe they had trouble with some  
17 of the other technologies. Being kind of caveman myself,  
18 the phone is really attractive to me. And again, we  
19 might -- what -- I didn't even see numbers. I just saw  
20 70, 80 hours of staff time. I don't know whether that's  
21 70 or 80 hours times 10 people or a hundred people times X  
22 dollars per hour or -- I don't even have numbers to  
23 compare, but it seems pretty small versus, you know, the  
24 total cost of an election.

25 And when it comes to ranked voting models, it's

1 been a long time since we've had a fulsome discussion  
2 about this, or some staff analysis. And again, with how  
3 much runoffs cost and stuff, I'd be interested in, you  
4 know, how many runoffs do we end up having, how much do  
5 they cost us. And it seems to me that it's a system that  
6 could result in very different results from, you know,  
7 having another -- having a runoff election a little bit  
8 later. And I don't -- I'm not sure even as being a former  
9 candidate, and a candidate, and sitting here as an  
10 incumbent, that I really understand how all that works in  
11 terms of the dynamics of elections, and our elections, and  
12 again the costs.

13           So I think that's something that it would be nice  
14 for us to hear more from staff an updated version. It  
15 sounds like a lot has happened since the last time we  
16 looked at that. I don't know if we would think any  
17 differently, but I think it would be nice to have staff  
18 analysis or a presentation on that.

19           So that's my two cents worth today.

20           CHAIRPERSON MIDDLETON: All right. Mr. Pacheco.

21           COMMITTEE MEMBER PACHECO: Yes. Thank you.

22           CHAIRPERSON MIDDLETON: You should be on.

23           COMMITTEE MEMBER TAYLOR: He turned it off.

24           COMMITTEE MEMBER PACHECO: Thank you. There.

25           There I go. Thank you. Thank you, Madam Chair. So my

1 question is, I wanted to -- I'd like to -- first of all,  
2 thank you for the presentation. Very, very interesting  
3 material. I found it quite interesting. I want to go  
4 back to the stakeholder survey. You mentioned that we  
5 have not done that for the stakeholders since 2010. Are  
6 you mentioning stakeholders with all -- respect to all the  
7 stakeholders with re -- to the -- with respect to the --  
8 our -- the members themselves or is it I just want to  
9 understand the whole -- who you're to -- who you're  
10 referring to.

11 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

12 Our membership, the folks that would eligible to  
13 vote.

14 COMMITTEE MEMBER PACHECO: Okay. And that wasn't

15 done until -- that was done -- was that like a focus group  
16 or was that just some...

17 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

18 We don't know the details of it and in terms of  
19 what all the questions were asked and how deep the survey  
20 went -- or the focus group went, but we knew -- we do know  
21 though that membership was engaged with regards to getting  
22 their feedback on elections in 2010. I don't have the  
23 details from that.

24 COMMITTEE MEMBER PACHECO: Okay. Very good then.

25 No worries then. And then the other question I had was

1 the vendor that we're utilizing right now. Now, I saw the  
2 cost here and there quite expensive and so forth. You  
3 know, did we go -- when we go back again -- I'm not sure  
4 when this -- when would there be another -- when of this  
5 vendor going to be another renewal of their contract? And  
6 also, are there others that do this same kind of work in  
7 North America?

8 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

9 So for us, we would release our RFP next year to  
10 cure a vendor to help us administer our 2025 through 2028  
11 elections that would be planned.

12 We lasted our RFP back in 2020 prior to  
13 member-at-large election. And we only received two  
14 proposals, one from our current vendor and there was a  
15 second one based out of New York. Our team did a very  
16 deep dive in kind of the folks that live in this space.  
17 And there's not a whole lot out there, so we directly  
18 reached out to I think about four or five folks, companies  
19 asking them to at least look at our RFP and submit a  
20 proposal. And we received two, one out of New York and  
21 then our current vendor.

22 COMMITTEE MEMBER PACHECO: And that's -- and that  
23 was -- that was it then. And do you foresee any -- I  
24 mean, whenever -- when the RFP comes out, and the  
25 outreach -- what sort of outreach would you be doing,

1 similar outreach that you did back in 2020?

2 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

3 Correct. We'd be -- we'd be doing everything we  
4 can to kind of again understand that space, what are the  
5 companies that live in that space, and at least making  
6 them aware that we're going to be releasing an RFP for  
7 them to consider.

8 COMMITTEE MEMBER PACHECO: Okay. And then the  
9 last question is, regarding the chart, regarding the trend  
10 that we've been seeing, I guess, for the last almost since  
11 19 -- let me look at that? It was on page nine, the  
12 historical voter turnout. What I -- what I want to know  
13 is, I mean, is there -- is there something -- is there  
14 something that we're not doing enough to educate our  
15 members of the importance of their vote, because this is  
16 just my own personal opinion, I feel when you have the  
17 opportunity to vote, it's your voice. It's a voice that  
18 says to -- it's a member saying this is who I want. This  
19 is what I want. And the power of the vote is so  
20 important, regardless of wherever you vote, local -- a  
21 local school board, or at CalPERS, or anything like that.  
22 And I'm just wondering how we can increase this. Is  
23 there -- is it -- is it because we are -- we are not  
24 partnering with people that can help us with this?

25 I'm just -- I'm just wondering that there -- that

1 we could do -- I feel we can do a lot more to bring out  
2 the vote, and -- because I just feel it's important, but  
3 if you can elaborate, that would be awesome, Mr. Stone.

4 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

5 So I've been part of this team since 2017. And  
6 this is one of the questions that we try to wrap our mind  
7 around working with our Public Affairs Office as well.  
8 And what I would say is -- and again, this is just my  
9 opinion, I mean, when you look at our total eligible  
10 members dating back to 2005 it was 1.1, almost 1.2  
11 million. Whereas our most recent member-at-large for 2021  
12 was almost 1.5, right? So our membership has grown,  
13 right?

14 COMMITTEE MEMBER PACHECO: Right.

15 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

16 I would say when we look at -- are we exhausting  
17 every opportunity to communicate with our member? I mean,  
18 we completely revamped our ballot package. Our members  
19 are getting a bright blue, please open me right now, call  
20 to action envelope compared to any other mail that you  
21 could get, right?

22 I know that we exhaust every opportunity to  
23 communicate to our members via social media. I know that  
24 we have sent several email blasts to all of our eligible,  
25 voters almost to -- our Board Election Coordinator Raji

1 Prasad, I mean, she gets emails from people going stop  
2 email me, I know about it, or I voted, or I'm not  
3 interested, right?

4 And I have personally worked with our IT  
5 department and ran the top 20 public agency, and school,  
6 and State employers in our system. We did a  
7 cross-reference within myCalPERS to -- so I could find out  
8 who the public affairs officer or information officer was  
9 at all 60 of those employers. And I personally called  
10 every single one and worked the phone chain to create a  
11 relationship with those information officers, and emailed  
12 them one-on-one our actual stakeholder toolkit --

13 COMMITTEE MEMBER PACHECO: Yes.

14 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:  
15 -- to get them to send it out to our membership,  
16 and it did not move the needle. I work at CalPERS. I've  
17 been here since 20 -- since 2020. I know very well what  
18 we do, but when I talk to members outside that are outside  
19 our immediate bubble, it's like asking them do you vote  
20 for your AAA Board? You know, I just don't know if it's  
21 on their radar. But what I can tell you is this is  
22 something that we talk about every single year. We engage  
23 with our stakeholders every single election. We are  
24 trying to do everything we can to change this curve.

25 I don't know there's a, you know, the magic

1 bullet that we're looking for, but we -- I think maybe  
2 running a focus group, talking to folks, trying to figure  
3 out a better way to do whatever we're doing now will help.

4 COMMITTEE MEMBER PACHECO: And I just want --  
5 I would -- I would -- Mr. -- I would say that the focus  
6 group would be a good idea, because I feel -- I feel that  
7 would help us get a better understanding of where the  
8 members are, you know, what they really -- what they  
9 really want and so forth.

10 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:  
11 So it looks like our Stakeholder Relations team  
12 is putting together some different surveys. We will  
13 partner with them to see if we can get the elections topic  
14 on the -- on the agenda for discussion to get some  
15 additional data.

16 COMMITTEE MEMBER PACHECO: That would be awesome.  
17 Thank you very much.

18 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:  
19 You're welcome.

20 CHAIRPERSON MIDDLETON: If I could offer a couple  
21 of, I think, comments at this point. Turnout is, I think,  
22 the critical issue that we're trying to address moving  
23 forward as to how can we turn this around and increase the  
24 voter turnout to something more resembling what we have  
25 had previously. And I don't want to try to identify what

1 all the solutions are here today. What I would hope is  
2 that my colleagues would support asking staff to sit down  
3 and come back to us with a set of recommendations that  
4 would allow us to evaluate what might we do in terms of  
5 increasing voter turnout, and do this in a more rigorous  
6 way, rather than trying to do it off the cuff. All of the  
7 ideas that we have for turning around this I think are  
8 very valid. But we'll do better if we sit down and we  
9 actually study the issue and have a chance to read the  
10 briefing reports that you have.

11 I am not personally opposed to the idea that  
12 ranked choice voting be one of the considerations that  
13 would come back to us as a part of an effort to increase  
14 voter turnout. As an elected official, and an elected  
15 official in a city that went through a very rigorous  
16 review of our election processes that included much  
17 conversation on the issue of ranked choice voting, this is  
18 not an issue that comes new to me.

19 What I can tell you is I have seen in a number of  
20 people for whom their enthusiasm that ranked choice voting  
21 will solve every ill that has ever occurred in the course  
22 of voting is very significant. And their enthusiasm is  
23 real and there are elections in which ranked choice voting  
24 has clearly made a difference in terms of outcomes.

25 Along with that, there are an extremely large

1 number of people with questions as to whether or not this  
2 is an improvement in process and are unconvinced by many  
3 of the initial claims. And then a third group that  
4 certainly could be educated to the ranked choice process  
5 and have been educated, but for whom this is a radic -- a  
6 very substantial departure from what they are used to in  
7 voting. And the idea that they will accept those changes  
8 with enthusiasm is unproven. All of that to say I'm  
9 certainly not ready to move forward with any kind of  
10 recommendation, but I would appreciate it being a part of  
11 a larger review.

12 Mail-in voting has been the manner in which most  
13 of our members have historically voted. And mail-in  
14 balloting today is now becoming the norm in municipal  
15 elections, in school board elections, in State and in  
16 federal elections. I think that is going to be where most  
17 of our votes are going to continue to come from. And it's  
18 important that the technology that is being developed by  
19 registrar of voters across the many states is followed by  
20 CalPERS.

21 So I'm not ready to make a decision as to whether  
22 the reveal tab is appropriate or inappropriate for us. I  
23 would welcome the recommendations of staff. But our  
24 processes when it comes to those signature tabs should be  
25 consistent with what we are seeing in state and federal

1 elections, so that we are, in fact, giving to our members  
2 the same experience that they are getting wherever it is  
3 that they may be voting in municipal and State elections.

4           So lastly, given the low turnout that we have, I  
5 am reluctant to change any method of voting that we have  
6 now. I am tried and true paper person as everybody on  
7 staff knows who's dealt with me trying to get through the  
8 computers. But when I mismarked my CalPERS election  
9 ballot recently, it was very easy for me then to pick up  
10 the telephone and call in my ballot, and much faster than  
11 it would have been had I tried to request a new ballot for  
12 the process. And people do make mistakes and having a  
13 backup system that people who make a mistake can rely on  
14 is a good thing.

15           So with that, I believe Ms. Taylor was next and  
16 then Ms. Walker.

17           COMMITTEE MEMBER TAYLOR: Thank you, Madam Chair.  
18 I didn't know my mic was on already.

19           (Laughter).

20           COMMITTEE MEMBER TAYLOR: So real quick, I  
21 will -- there's a -- I didn't know we were commenting on  
22 everything. I was advised that that was not the case. I  
23 kind of wanted to the know what -- how many people  
24 actually complain about the signature? Is it just, you  
25 know, one in 100.

1 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

2 I don't know if it's necessarily a complaint. I  
3 would just say that it's something that Ms. Walker brought  
4 up in my last presentation a few months ago. We did  
5 receive roughly about 2,000 envelopes that did come back  
6 where there was not -- someone did not make their mark.  
7 And I just want to make it clear, it's not like we have a  
8 voter signature database. A valid ballot is a simple "X"  
9 on the perjury statement line, but we did receive roughly  
10 between two and three percent of our ballots did come back  
11 without a signature.

12 COMMITTEE MEMBER TAYLOR: So rather than a  
13 perjury, you know, cover statement -- cover, maybe we need  
14 an ability to cure ballots.

15 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

16 Yeah, if I can just comment on curing really  
17 quick. When our team reached out to the County of  
18 Sacramento to learn a little bit about that process,  
19 right, you know, there's some things that we would have to  
20 obviously discuss with the Board, right? The County of  
21 Sacramento when curing their ballots do all of that  
22 internally. We, as our team and CalPERS historically,  
23 once we send that voter file over to our administrator,  
24 they handle the elections for us a hundred percent. We do  
25 not intervene in that process in any way. The only time

1 we really talk with our vendor with regards to anything  
2 related to voting during the voting period is when maybe  
3 somebody calls in and says, hey, I think I'm an eligible  
4 voter, but we might not have them on the database, so  
5 we'll -- we will check to either confirm or deny that fact  
6 that they're an eligible voter and then a ballot package  
7 if needed. So you would be asking as a team to then enter  
8 into the process of helping conduct an election.

9           The other thing that we would need to discuss is,  
10 you know, obviously resources doing that. If we have to  
11 do an upwards of two to three thousand ballot curings  
12 during a 30-day period, what does that look like for us  
13 internally, how would we handle that?

14           COMMITTEE MEMBER TAYLOR: Well, could that be --  
15 it would cost more, but could that be put on the election  
16 vendor rather than do it in-house?

17           OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

18           So we did reach out to our current election  
19 vendor to understand the curing process. And curing is  
20 not something that they provide their clients.

21           COMMITTEE MEMBER TAYLOR: So it would have to be  
22 done by us and we don't want to participate in that  
23 process, because it's for the CalPERS Board.

24           OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

25           I would say that we haven't done enough research

1 to understand if there are companies out there that cure  
2 ballots. I don't want to make a comment that's not  
3 truthful. I just know that our current vendor does not  
4 provide ballot curing and would not provide ballot curing.

5           And when we tried to understand how County of  
6 Sacramento did it, they heavily on all internal resources,  
7 which is work then we would have to take on, and then  
8 CalPERS staff would be inherently in the process of  
9 administering the election, which is something we have not  
10 done.

11           COMMITTEE MEMBER TAYLOR: Okay. So that's just  
12 another piece of the puzzle I think that Ms. Middleton was  
13 talking about review process. I don't want to cause  
14 CalPERS more work if we don't have to. I think first and  
15 foremost, we need to understand how we increase the vote  
16 before we look at curing votes, right?

17           I think 2,000 votes, yes, that's -- while that  
18 makes a difference, the retiree vote is the largest  
19 percentage of voters that we have. So I think in the  
20 meantime thinking of ways to -- whatever that way is, if  
21 we could do some research on that. And I think including  
22 the stakeholders in that survey process or focus group  
23 would be a really good idea as well. That's just my  
24 personal opinion.

25           And then -- and again, I want to thank you guys

1 for this great report, because you guys really worked hard  
2 and thought this whole process through. You had answers  
3 for everything, so I do appreciate that.

4           And then finally, I do want to say ranked choice  
5 voting, I kind of want to piggy back on what Ms. Middleton  
6 said, that people who want ranked choice voting are very  
7 passionate about it, and those of us who don't like it,  
8 really don't like it. But I don't -- I don't know where  
9 we're at with this. I'm not sure that we even need --  
10 I mean, it's a difficult process. I think that it doesn't  
11 save any costs, because you still end up with a runoff.  
12 So I'm not sure that we -- if that were in a package like  
13 she -- like Ms. Middleton was talking about -- Chair  
14 Middleton was talking about maybe of saving costs, but I'm  
15 not sure that that's going to save us any costs. I think  
16 we're going to run into the same problem with runoff votes  
17 regardless.

18           OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

19           In terms of costs and ranked choice voting, we  
20 did have a very preliminary conversation with our current  
21 vendor administrator just to understand what it would take  
22 just for this conversation in order to offer ranked choice  
23 voting. And again, the -- this is very ballpark  
24 conversations. But to completely redevelop our current  
25 voting platform and also make it accessible, which is

1 something that we require as a State mandate, it could be  
2 upward of \$2 million. And that's also not including  
3 third-party consultant costs to understand how we would do  
4 this. And it would also considerably increase our setup  
5 costs for each election that we put on after that.

6 And some of the preliminary discussions that  
7 we've had also came to light that offering something like  
8 telephone voting and asking a member to make three  
9 selections and rank them could be close to impossible over  
10 the phone. So even offering something like IVR voting and  
11 ranked choice voting would be something that we would have  
12 to talk more about.

13 So again, these are all things that we've  
14 discussed kind of preparing for this conversation, but  
15 there would be substantial up-front costs to roll  
16 something like ranked choice voting out, as well as  
17 make -- having very difficult discussions on even how we  
18 adjudicate votes and the voting platforms that we would  
19 offer in order to implement ranked choice voting.

20 COMMITTEE MEMBER TAYLOR: Well, and I'm not  
21 seeing -- I also don't see it as being anymore democratic.  
22 I feel like if I put my choice number one, number two, and  
23 then I changed my mind later and now all of a sudden all  
24 my number one votes go to number two anyway. And I'm  
25 like, oh, well, I don't really want that person that was

1 just my, you know, last choice.

2 My recommendation to the Chair would be that we  
3 don't spend a lot of time on ranked choice voting. It  
4 sounds like it's just too costly. And so that was my  
5 final thing. I agree with the Chair that we need to look  
6 at everything other than that.

7 CHAIRPERSON MIDDLETON: All right. Ms. Walker.

8 COMMITTEE MEMBER WALKER: Yes. I'd like to make  
9 a motion that we accept Option A as the option that we  
10 move forward on.

11 VICE CHAIRPERSON MILLER: I'll second that.

12 CHAIRPERSON MIDDLETON: All right. So before we  
13 vote, we do have a number of public comments.

14 COMMITTEE MEMBER WALKER: Well, I want to  
15 discuss -- I didn't discuss before the motion --

16 CHAIRPERSON MIDDLETON: Oh, I'm sorry.

17 COMMITTEE MEMBER WALKER: -- and now I've got  
18 things to say.

19 (Laughter).

20 COMMITTEE MEMBER WALKER: I'm sorry.

21 CHAIRPERSON MIDDLETON: Certainly. Please go  
22 forward.

23 COMMITTEE MEMBER WALKER: Thank you.

24 So Madam Chair, I hope -- and my fellow Board  
25 members, I hope that you support the motion. I don't

1 think -- I think looking at elections and thinking, you  
2 know, about -- totally about costs I think is the wrong  
3 lens to look at. Elections cost money and it -- they  
4 should, right? It's about getting in candidates to  
5 represent folks.

6           The one recommendation I would make, and it's  
7 outside the motion, is realistically, CalPERS is not  
8 responsibility -- it's not your responsibility for voter  
9 turnout. It never has been, never will be. You guys have  
10 a very good system lined out for what you do and that's  
11 wonderful. What I would suggest though is that you talk  
12 to the organizations that actually drive turnout, right,  
13 to find out, you know, how to partner to get more. But  
14 regardless of what you add, it's never going to be CalPERS  
15 that drives turnout. It's going to your employee  
16 organizations, your member organizations that represent  
17 folks. They're the ones that drive turnout. And if  
18 there's things that they need from you, that's a  
19 conversation you should be having, I think, because I'm  
20 more concerned about the decline in the numbers of people  
21 that are voting than adding anything extra that we're  
22 doing to add to the election.

23           CHAIRPERSON MIDDLETON: So Ms. Walker, could you  
24 repeat your motion, please?

25           COMMITTEE MEMBER WALKER: I move that we adopt

1 Option A as presented to the Board.

2 CHAIRPERSON MIDDLETON: All right. Thank you.

3 Is there a second for that?

4 VICE CHAIRPERSON MILLER: Second.

5 CHAIRPERSON MIDDLETON: Second by Mr. Miller.

6 Okay. We do have at least four public comments.

7 And I'm going to ask for the public comments before we  
8 take our vote.

9 The first is Mr. McRitchie. And following Mr.  
10 McRitchie will be C.T. Weber.

11 MR. McRITCHIE: Is it --

12 COMMITTEE MEMBER WALKER: You're on.

13 MR. McRITCHIE: Oh, I'm on. Okay. Thank you,  
14 Ms. Walker. Thank you, Madam Chair.

15 First, let me apologize to the Committee and to  
16 my fellow petitioners. I knew filing a formal petition  
17 would drive a decision, but I didn't know that it would  
18 drive a decision right away. So when I found that out, I  
19 withdrew that petition, so -- but I still want the Board  
20 and the Committee here to consider ranked choice voting,  
21 which you have had some discussion. And staff has already  
22 taken you through a little bit how it works.

23 I've got a handout here that I've asked staff to  
24 pass out. The first discusses how it works. It seems  
25 like you're pretty clear on that now. The second little

1 table at the bottom shows that negative campaigning --  
2 research from Rutgers has shown that that's gone down 80  
3 percent with cities that have used ranked choice voting.  
4 So I think that's another important thing to consider.

5           Now, last year, Ms. Walker won 49.8 percent of  
6 the vote in the primary. And we spent 900 -- almost  
7 \$900,000 in a runoff. In 2017, we spent more than two and  
8 a half million dollars for an at-large runoff. So I think  
9 it's worth investigating the cost. I'm not certain that  
10 we would save money. I do know that your current  
11 contractor is not certified to do ranked choice voting, so  
12 you're asking your current contractor about ranked choice  
13 voting might not -- you know, maybe better Dominion or  
14 someone else who is certified for ranked choice voting  
15 would give you a better answer.

16           Let's see. So last year, a bill was introduced  
17 in the Legislature and 26 -- this bill would have made  
18 ranked choice voting illegal in California. And just for  
19 your information, 26 organizations opposed the bill. No  
20 one supported it, other than the author and the author  
21 withdrew it.

22           So, yes, CalPERS looked at ranked choice voting  
23 in the past. But since then, several cities have begun  
24 using ranked choice voting in California. And as you  
25 know, maybe New York City used it. Alaska, Maine, I think

1 Hawaii is slated to starting it. So I think it's worth  
2 another look. And all I'm asking is that this  
3 Committee -- someone on this Committee make a motion to  
4 have staff research this and come back with their  
5 evaluation and their recommendation.

6 Thanks very much. Any questions for me or...

7 CHAIRPERSON MIDDLETON: Thank you, sir.

8 MR. McRITCHIE: Okay.

9 CHAIRPERSON MIDDLETON: Next is C.T. Weber and  
10 then followed by Paula Lee.

11 MR. WEBER: Good afternoon. My name is C.T.  
12 Weber. I retired from the California Highway Patrol. My  
13 wife retired from the Franchise Tax Board and we're both  
14 members of CalPERS.

15 As a retired member, one of my main concerns is  
16 the cost and preserving CalPERS. This Board has a  
17 fiduciary responsibility to keep the system viable.  
18 Before I get into the next pointed I wanted to mention --  
19 sorry, Yvonne, but I support Option B. I think it's more  
20 in keeping with California law. And also, contracting out  
21 I'd like to see that kept in California. One thing you  
22 might check on is the -- having a county election official  
23 like Sacramento County elections take the contract. They  
24 know how to run elections.

25 Okay. Today, I'm representing the Peace and

1 Freedom Party of California. I'm the Legislative Liaison,  
2 and therefore I'll be speaking on their behalf.

3           Because of the cost savings of RCV -- and I say  
4 cost savings, because there's an initial one-time cost,  
5 but after that, it's all downhill. All the areas that  
6 have adopted ranked choice voting - there's many across  
7 the United States now, over 50 - they all have cost  
8 savings, because you do not have a second election. It's  
9 all done in one election, and that's where your savings  
10 comes in.

11           I should note that in addition to that, that  
12 there's several other advantages to ranked choice voting.  
13 For example, more candidates run for office, because they  
14 don't feel that they have to step aside so the quote  
15 lesser evil doesn't come in and they're not depriving  
16 somebody.

17           The other thing is not only the campaigns, as was  
18 mentioned earlier, they're not negative campaigns, because  
19 people are seeking the -- all the voters whether they are  
20 their first choice or not, they want to at least get their  
21 second choice, or maybe third choice as a way of getting  
22 in.

23           Also, more people vote. You can go to all the  
24 elections and study the statistics, more people turnout.  
25 If you're looking for more turnout in your elections, this

1 may be a possibility.

2 More women are elected to office. New York is  
3 the most recent example that's adopted ranked choice  
4 voting. And in New York, 29 of the 51 council members are  
5 women --

6 CHAIRPERSON MIDDLETON: Mr. --

7 MR. WEBER: -- and 25 of those women are women of  
8 color, so --

9 CHAIRPERSON MIDDLETON: Mr. Weber.

10 MR. WEBER: -- it's a huge improvement to both  
11 people of color, more women get elected, more people of  
12 color get elected. You have more diversity and that's a  
13 good thing I would argue.

14 CHAIRPERSON MIDDLETON: Mr. Weber, your time is  
15 up.

16 MR. WEBER: Okay.

17 CHAIRPERSON MIDDLETON: Could you conclude,  
18 please?

19 MR. WEBER: Okay. All I'd like to say then is if  
20 you can count to one, two, three, you can probably  
21 understand ranked choice voting.

22 Thank you.

23 CHAIRPERSON MIDDLETON: Thank you.

24 Ms. Lee.

25 You'll have three minutes.

1 MS. LEE: Good afternoon, members. I'm Paula  
2 Lee. I'm President of the League of Women Voters of  
3 Sacramento County. Our Sacramento County League and  
4 Leagues in California and across the entire country have  
5 studied electoral systems over many years. And we have  
6 adopted an official local -- at the local level, at the  
7 State level, and at the federal level, an official  
8 position that supports the method that you're discussing  
9 today, ranked choice voting, which is a simple upgrade to  
10 the way we vote and it really can improve the experience  
11 for voters among other benefits.

12 Our current plurality and two-round runoff  
13 methods were cutting edge in the 18th century. However,  
14 most modern democracies have advanced beyond these  
15 systems, because of the many shortcomings. And just one  
16 has been talked about already. These -- one shortcoming  
17 is that they are very costly and inefficient. Plurality  
18 can elect a candidate with a very small percentage of the  
19 vote, as you found out when you had plurality elections,  
20 and two round runoffs can achieve a majority winner.  
21 However, these separate runoff elections are unnecessary  
22 and expensive, and they really are notoriously negative.

23 We found ranked choice voting elects a candidate  
24 that's most preferred by the voters in one election and  
25 eliminates the problem of like-minded candidates splitting

1 the vote. It also promotes positive issue-based campaigns  
2 and it's popular with voters. It's now used in 63 cities  
3 and two states, and it's nothing new. A lot of people  
4 think it's nothing new, because they've never heard of it.  
5 However, it has different names like instant runoff  
6 voting. And it -- and it's the voting method that's used  
7 in Robert's Rules of Order. It's called preference  
8 voting.

9           So we would encourage you, as Mr. McRitchie said,  
10 to ask the staff to take a closer look at how RCV could  
11 benefit CalPERS. We, in the League, learning a lot when  
12 we studied it, and we have lots of resources. We're happy  
13 to help you.

14           In 2017, I heard that in that at-large election,  
15 it cost, did I hear that right, two and a half million  
16 dollars? That's a lot of money. And I understand you've  
17 looked at ranked choice voting in the past as someone  
18 mentioned, but really a lot has happened since then. Our  
19 California Secretary of State has approved equipment. We  
20 have new guidelines and we have lots of experience and  
21 data. So we encourage you to take the opportunity to  
22 check it out and see how it can benefit CalPERS members  
23 and taxpayers, when you have three or more candidates  
24 running.

25           Thank you.

1 CHAIRPERSON MIDDLETON: Thank you.

2 Next we have Phyllis Johnson and followed by Debb  
3 Jachens.

4 MS. JOHNSON: Thank you. My thing is regarding  
5 automation. I really that technology is important, but  
6 sometimes it falls short. A perfect example is I won't  
7 say where I live and I won't say the companies, but with  
8 exception to one company right now, the cell tower is not  
9 working for three or four companies. The people have no  
10 computers, no phones, no nothing. My suggestion is, and I  
11 know it will be a little bit of an expense, but it might  
12 bring out more voters.

13 For argument's sake, let's say people are having  
14 lunch, they're walking by. "Oh, I forgot my ballot".  
15 They walk in, they vote, boom, out they go. That's one  
16 way to bring in more voters. And like I said, technology  
17 is important, but it's not always there. And what if it's  
18 the day before the deadline and, "Oh, my God, what am I  
19 going to do"?

20 So let's consider going beyond technology. Maybe  
21 it's a few steps back, but it will bring out more voters.

22 Thank you.

23 CHAIRPERSON MIDDLETON: Thank you.

24 Next, we have Debb Jachens.

25 MS. JACHENS: Thank you, Chair Middleton.

1           Debb Jachens, California School Employees. On  
2 the point that Ms. Walker made about it is not the staff's  
3 responsibility to generate turnout in the election, I  
4 can't agree more. It's ours as members of the  
5 organizations and our member organizations. It's staff's  
6 responsibility to generate the tools. And even though we  
7 say we haven't done a formal survey of members and what  
8 members want in elections. In a few years, we are asked  
9 as stakeholders at every single year. It's always  
10 agendized. How do we want the elections? What changes do  
11 we want to make?

12           There is a lot of reach-out on the election. And  
13 I think all of our organizations do need to take a turn in  
14 the hopper to figure it out. The other piece that I think  
15 we forget is the employers. And the employers don't  
16 generate the most accurate information in the schools - I  
17 won't speak for the other employers in the school system -  
18 to CalPERS. And if the employer has not given updated  
19 addresses and information on our members then those  
20 ballots are returned to that same employer who did not  
21 generate the accurate information and they're given to  
22 distribute them to those members.

23           So the employers have a piece in this game as  
24 well and they need to be a little bit more accurate with  
25 information about the CalPERS members, so CalPERS can

1 deliver those ballots to members.

2 Thank you.

3 CHAIRPERSON MIDDLETON: Thank you.

4 And we have three members on the phone who would  
5 like to make comments.

6 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF  
7 TEYKAERTS: Yes. Good afternoon, Chair Middleton. First  
8 up we have Neal Johnson. Go ahead, Neal.

9 MR. JOHNSON: Hello. Can you hear me?

10 CHAIRPERSON MIDDLETON: We can.

11 MR. JOHNSON: Hello.

12 CHAIRPERSON MIDDLETON: Please proceed. You have  
13 three minutes.

14 Mr. Johnson.

15 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF  
16 TEYKAERTS: Neal, we can hear you. Go ahead, please.

17 CHAIRPERSON MIDDLETON: Mr. Johnson, you have  
18 three minutes. Please proceed.

19 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF  
20 TEYKAERTS: I'll go ahead -- I'll go ahead and return Neal  
21 to the queue and we'll try again at the end. Let's go to  
22 our next caller. We have Steven Hill.

23 Go ahead, Steven.

24 MR. HILL: Thank you. Can you hear me okay?

25 CHAIRPERSON MIDDLETON: Yes.

1 MR. HILL: Great. Thank you. Thank you for  
2 looking at these issues.

3 My name is Steven Hill. I'm an election  
4 consultant for FairVote. And I want to give some comments  
5 about the method of election that you're using. You know,  
6 the CalPERS has changed over the years. You used to have  
7 a single election, plurality election, and some of the  
8 winners were winning with five, six, nine, ten percent of  
9 the vote. So then you switched to a runoff election. And  
10 the runoff election has managed to make sure winners have  
11 a majority, but it's costing you a heck of a lot of money.  
12 This is exactly the trajectory that other cities in like  
13 San Francisco, and Oakland, and others have had to look at  
14 as well. And as a result, they switched to another method  
15 called ranked choice voting or instant runoff voting.

16 There are other methods out there as well that  
17 allow you to make sure the winners have a solid Majority  
18 of the vote, but don't spend quite as much money with two  
19 elections instead of one. In terms of whether this will  
20 cost you money, it will save you money, there are actually  
21 numbers out there available to look at. In San Francisco,  
22 the Controller's Office when they were looking at ranked  
23 choice voting, they said that San Francisco would save  
24 about \$1.6 million annually after the initial setup cost.  
25 Oakland was projected to save \$500,000 annually after

1 setup costs. New York City, which began using it in 2021,  
2 they also saved an estimated \$11 million after setup  
3 costs, and that's each annual year that you don't have a  
4 secretary runoff election that you keep saving this kind  
5 of money.

6 In terms of voter turnout, all of these cities  
7 have experienced voter turnout increases. New York City  
8 just had its highest voter turnout for a Mayoral election  
9 in 25 years. And the reason why is because voters get  
10 burned out on too many elections. And, you know, if you  
11 can do it in one election instead of two, it just allows  
12 voters to concentrate on the single election.

13 It also means -- you know, you can imagine a  
14 CalPERS voter, because it's not such a high profile  
15 election, they get the second ballot and you're thinking  
16 didn't I already vote on this? Why am I voting on this  
17 again? And so they don't vote. So you're seeing voter  
18 turnouts around 9 or 10 percent. You could easily triple  
19 that I would think if you didn't have so many elections  
20 and had majority winners decided in a single election.

21 Secretary of State Debra Bowen issued guidelines  
22 four ranked choice voting elections in 2014. Poll after  
23 poll has found that voters actually like this method.  
24 They feel empowered. They like having more choice. Staff  
25 hasn't looked at this since 2012. It seems like, given

1 the potential of cost savings, the potential in voter  
2 turnout, which many of you expressed, it -- concern about  
3 this, it would be a good idea to try and at least look at  
4 this again for future elections.

5 Thank you. I hope staff will take a chance and  
6 take a turn at looking at it one more time

7 CHAIRPERSON MIDDLETON: Thank you, Mr. Hill.

8 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF  
9 TEYKAERTS: Chair Middleton, next up we have David  
10 Holtzman. Go ahead, David.

11 MR. HOLTZMAN: Hello. I'm -- hello. Committee  
12 members and Mr. Stone, I'm David Holtzman. I'm a vested  
13 member of CalPERS and a long-time member of the California  
14 Association of Professional Scientists. I worked at the  
15 Health Department and OEHHA in CalEPA. You'll find that  
16 scientist and other technically minded people are very  
17 much in favor of ranked choice voting, because numerically  
18 they can see how it makes things more fair.

19 I personally was delighted to hear that my  
20 retirement system is considering using ranked choice  
21 voting. I know it's worth spending a little money to  
22 improve any sort of election in America. So go ahead and  
23 spend a little bit of my retirement money if you have to  
24 to go to RCV.

25 I founded something called Los Angeles Voters for

1 Instant Runoff Elections. And I am calling partly to  
2 offer my help to CalPERS, Mr. Stone, or whomever would  
3 like help in making this transition. My email is address  
4 the D for David @lavotefire.org, LAVotefire stands for Los  
5 Angeles Voters For Instant Runoff Elections.

6 So anyway, let's do this. Let's spend a little  
7 money. Let's not be cheap skates of democracy. As I  
8 mentioned, ranked choice voting offers more fair  
9 elections. And it also offers voters more freedom to  
10 sincerely express their choices and preferences amongst  
11 candidates on a ballot. And in the United States of  
12 America, of course, freedom is something we like.

13 So again, thank you so much for considering this  
14 and please move full steam ahead. Bye.

15 CHAIRPERSON MIDDLETON: All right. Thank you.

16 Mr. Johnson, is he back on the line?

17 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF

18 TEYKAERTS: Yes, Madam Chair. I'll bring Neal Johnson on.  
19 One moment.

20 Go ahead, Neal, we can hear you.

21 MR. JOHNSON: Okay. Hello. I'm Neal Johnson a  
22 retired State employee. I am -- I'm not going to comment  
23 on the ranked choice voting. Although, I am very  
24 skeptical on how it really works, even though I was --  
25 I've been a long-time friend or associate of Mr. McRitchie

1 and he has probably talked to me enough about it over the  
2 20 years or so, that I sort of understand it.

3 But what I was really concerned was eliminating  
4 the mail-in ballots for certain voters, because I think  
5 that's really eliminating or suppressing the vote. I  
6 don't think you want to do that. You know, I think we all  
7 are concerned about the lack of participation, but  
8 changing the voting structure, don't do it.

9 I was also one of the few people who used phone  
10 voting since 19 -- in 2017. On the last day, I  
11 realized -- or a couple days before, I realized that I had  
12 made an error on the ballot and I couldn't get a new one  
13 in time to get it through the process, so I -- and I think  
14 I had a problem with the online voting, but went to phone  
15 voting and it worked and was able to vote. So please  
16 don't eliminate processes that -- just to save money.

17 Anyways, I thank you and thank Yvonne for her  
18 motion, which I think you should support.

19 CHAIRPERSON MIDDLETON: Great. And thank you.

20 Are -- do we have any other public comment?

21 Seeing none. Then we --

22 STAKEHOLDER RELATIONS ASSISTANT DIVISION CHIEF

23 TEYKAERTS: Madam Chair, no further public comments.

24 CHAIRPERSON MIDDLETON: Seeing no other public  
25 comment, we will now move on to the vote. We have a

1 motion. Ms. Walker, would you like to repeat your motion,  
2 since it has been a bit of time.

3 My mistake. Thank you.

4 COMMITTEE MEMBER WALKER: Yes. I move that we  
5 adopt Option A for the next election cycle.

6 CHAIRPERSON MIDDLETON: All right. And second  
7 was Mr. Miller.

8 And so let's do a roll call vote, please. We can  
9 could that -- well, let's just do the roll call. It makes  
10 it simpler.

11 BOARD CLERK TRAN: David Miller?

12 VICE CHAIRPERSON MILLER: Aye.

13 BOARD CLERK TRAN: Frank Ruffino?

14 ACTING COMMITTEE MEMBER RUFFINO: Aye.

15 BOARD CLERK TRAN: Jose Luis Pacheco?

16 COMMITTEE MEMBER PACHECO: Aye.

17 BOARD CLERK TRAN: Ramón Rubalcava?

18 COMMITTEE MEMBER RUBALCAVA: Aye.

19 BOARD CLERK TRAN: Theresa Taylor?

20 COMMITTEE MEMBER TAYLOR: Aye.

21 BOARD CLERK TRAN: Yvonne Walker?

22 COMMITTEE MEMBER WALKER: Aye.

23 CHAIRPERSON MIDDLETON: Motion is approved  
24 unanimously.

25 We will now move --

1 BOARD MEMBER WILLIS: Also Gail Willis. Dr.  
2 Wills.

3 CHAIRPERSON MIDDLETON: Dr. Wills -- Dr. Willis.

4 BOARD MEMBER WILLIS: Yes.

5 CHAIRPERSON MIDDLETON: Thank you.

6 We will now move on to Item 6a, the long-term  
7 valuation report, Fritzie Archuleta.

8 I'm sorry?

9 COMMITTEE MEMBER WALKER: Can I ask something  
10 before we move on?

11 CHAIRPERSON MIDDLETON: You can.

12 COMMITTEE MEMBER WALKER: Okay.

13 Before we move on, I'd like to know the process  
14 to make sure that -- so I feel like we've had some  
15 comments on ranked choice voting, but I don't feel like  
16 that we've had -- other than just general anecdotal stuff,  
17 we've had the necessary rigorous looking into it that  
18 would come back to the Board. To be clear, I am not a fan  
19 of ranked choice voting, but I am also very much a fan of  
20 making sure that as we make choices, we have the best  
21 information in front of us as possible. So what do we  
22 have to do to make sure that that happens?

23 CHIEF EXECUTIVE OFFICER FROST: So that will come  
24 up in summary of committee direction.

25 COMMITTEE MEMBER WALKER: Okay. Thank you.

1 CHAIRPERSON MIDDLETON: All right. Thank you.  
2 Any further comments or questions?

3 All right. We will move on to long-term care  
4 valuation report. Fritzie Archuleta, 6a.  
5 (Thereupon a slide presentation).

6 DEPUTY CHIEF ACTUARY ARCHULETA: Okay. Good  
7 afternoon, Madam Chair, members of the Committee. Fritzie  
8 Archuleta, CalPERS team.

9 Item 6a is the long-term care valuation results  
10 as of June 30th, 2022.

11 --o0o--

12 DEPUTY CHIEF ACTUARY ARCHULETA: Thank you.

13 This is an annual agenda item that reports the  
14 funding status of the Long-Term Care Program. All the  
15 information in this valuation report and presentation is  
16 as of June 30th, 2022, although it does incorporate all of  
17 the 25 percent premium increase that was implemented in  
18 late 2022. This presentation is meant to highlight the  
19 key aspects of the report, but for your convenience a full  
20 report is available as an attachment to this agenda item.

21 --o0o--

22 DEPUTY CHIEF ACTUARY ARCHULETA: So as of  
23 6/30/22, the margin for the program was negative 7.4  
24 percent and the corresponding funded ratio was 95 percent.  
25 As a reminder, the margin can be viewed as a gauge of how

1 much the premiums need to increase to get the program back  
2 to a hundred percent funded. The funded ratio is simply  
3 the assets of the program divided by the liabilities of  
4 the program. On the next slide, we will go over the  
5 reconciliation from last year's valuation report to next  
6 year's.

7 --o0o--

8 DEPUTY CHIEF ACTUARY ARCHULETA: Okay. So the  
9 way to ready this table is just top to bottom, left to  
10 right. So the final result of as of 6/30/2021, the margin  
11 was a positive 10.51 percent with a corresponding funded  
12 ratio of 108 percent. So each year, we take look and see  
13 what the experience was of the plan. And for the 21-22  
14 fiscal year, the experience on the investment side was not  
15 good. We got a negative 9.8 percent return and we were  
16 expecting a 4.75 percent return. And so that pretty much  
17 take -- took that margin from a positive 10.51 percent to  
18 a negative 9.5 percent. You can see that in the middle of  
19 the table.

20 Also, every year, we take a look at our valuation  
21 assumptions and make sure that they are still relevant.  
22 After we put that update through, the margin improves  
23 slightly, where we finalized our margin at negative 7.4  
24 percent and a funded ratio of 95 percent.

25 --o0o--

1 DEPUTY CHIEF ACTUARY ARCHULETA: That's it.  
2 So I'll just take any questions that you have.  
3 (Laughter).

4 CHAIRPERSON MIDDLETON: Thank you. Are there any  
5 questions?

6 DEPUTY CHIEF ACTUARY ARCHULETA: If there's any.

7 CHAIRPERSON MIDDLETON: And this is an  
8 information item, so we do not have to take a vote.

9 With that, we will thank Ms. Archuleta and move  
10 on to Item 6b, which is summary of Committee direction.

11 Ms. Nix.

12 ACTING CHIEF FINANCIAL OFFICER NIX: Thank you,  
13 Madam Chair. I have two items for Committee direction.  
14 The first one is to document the effects of PEPRA at a  
15 future meeting, including differences between PEPRA and  
16 classic effects on costs.

17 The second item is to -- staff will take the  
18 election topic and include it in stakeholder surveys and  
19 subsequently come back with recommendations for election  
20 processing related to increased participation, including a  
21 discussion on RCV processing.

22 CHAIRPERSON MIDDLETON: All right. Thank you.  
23 Any further questions?

24 And again --

25 COMMITTEE MEMBER TAYLOR: She has a question.

1 COMMITTEE MEMBER WALKER: And maybe I'm not  
2 hearing what you said right. So what I had recommended  
3 was reaching out to the employee organization, right,  
4 because voter turnout is their -- what they do, one of the  
5 things that they do more -- so -- and I didn't hear that  
6 in the recommendation.

7 COMMITTEE MEMBER TAYLOR: She said stakeholder  
8 meetings.

9 ACTING CHIEF FINANCIAL OFFICER NIX: Right. As a  
10 part of the -- reach stakeholder surveys will include the  
11 employers and their organizations in that. We can -- I  
12 think you wanted focus groups, is that --

13 COMMITTEE MEMBER WALKER: No. No.

14 ACTING CHIEF FINANCIAL OFFICER NIX: No.

15 COMMITTEE MEMBER WALKER: I'll just talk to you.

16 ACTING CHIEF FINANCIAL OFFICER NIX: Okay.

17 CHAIRPERSON MIDDLETON: As I understand the  
18 Committee direction, we have not closed any avenue of  
19 inquiry that you might, from a staff level, identify as  
20 being appropriate as you come back to recommendations, is  
21 that correct?

22 ACTING CHIEF FINANCIAL OFFICER NIX: That's  
23 correct.

24 CHAIRPERSON MIDDLETON: Okay. Thank you.  
25 So are there any -- next item is public comment.

1 Are there any further public comments?

2 BOARD CLERK ANDERSON: (Shakes head).

3 CHAIRPERSON MIDDLETON: Seeing none.

4 We will adjourn the meeting at 1:38 p.m. This  
5 concludes activities for today. The full Board of  
6 Administration will have a meeting that begins tomorrow  
7 morning at 9 a.m. Thank you, all.

8 (Thereupon the California Public Employees'  
9 Retirement System, Board of Administration,  
10 Finance & Administration Committee meeting  
11 adjourned at 1:38 p.m.)

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