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13 SUPERIOR COURT OF THE STATE OF CALIFORNIA
 14 COUNTY OF ALAMEDA
 15 OAKLAND DIVISION

16 JOSEPH JOHN JELINCIC, JR.,
 17 Plaintiff,
 18 v.
 19 CALIFORNIA PUBLIC EMPLOYEES'
 20 RETIREMENT SYSTEM BOARD OF
 ADMINISTRATION,
 21 Defendant.

Case No. RG21090970
NOTICE OF LODGING FOR *IN CAMERA* REVIEW
 Dept: 16
 Judge: Honorable Michael M. Markman

lodged 8/18/24

1 TO PLAINTIFF JOSEPH JOHN JELINCIC, JR. AND HIS ATTORNEYS OF RECORD:

2 Pursuant to the Court's July 19, 2021 Order granting the parties' stipulated briefing schedule for
3 Plaintiff's motion for judgment on the writ in this matter, Defendant California Public Employees'
4 Retirement System Board of Administration ("CalPERS") hereby gives notice that it has lodged with the
5 Court for *in camera* review the transcript and video recording of the August 17, 2020 CalPERS Closed
6 Session Board meeting.

7
8 Dated: August 18, 2021

DURIE TANGRI LLP

9
10 By: _____


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12 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT
13 SYSTEM BOARD OF ADMINISTRATION
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PROOF OF SERVICE

I am employed in Los Angeles County, State of California, in the office of a member of the bar of this Court, at whose direction the service was made. I am over the age of eighteen years, and not a party to the within action. My business address is 953 East 3rd Street, Los Angeles, CA 90013.

On August 18, 2021, I served the following documents in the manner described below:

NOTICE OF LODGING FOR *IN CAMERA* REVIEW

BY ELECTRONIC SERVICE: By electronically mailing a true and correct copy through Durie Tangri's electronic mail system from wcarpenter@duriatangri.com to the email addresses set forth below.

On the following part(ies) in this action:

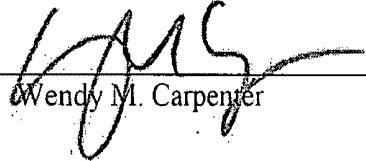
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I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on August 18, 2021, at San Dimas, California.



Wendy M. Carpenter

LODGED

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

ROBERT F. CARLSON AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

MONDAY, AUGUST 17, 2020

9:15 A.M.

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

LODGED

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

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

BOARD MEMBERS:

Mr. Henry Jones, President
Ms. Theresa Taylor, Vice President
Ms. Margaret Brown
Mr. Rob Feckner
Ms. Fiona Ma
Ms. Lisa Middleton
Mr. David Miller
Ms. Stacie Olivares
Ms. Eraina Ortega
Mr. Jason Perez
Mr. Ramon Rubalcava
Ms. Shawnda Westly
Ms. Betty Yee

STAFF:

Ms. Marcie Frost, Chief Executive Officer
Mr. Dan Bienvenue, Interim Chief Investment Officer
Mr. Matthew Jacobs, General Counsel
Ms. Pam Hopper, Board Secretary
Mr. Christina Ortega, Board Secretary
Ms. Marlene Timberlake D'Adamo, Chief Compliance Officer

I N D E X

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|--|------|
| 1. Call to Order and Roll Call | 1 |
| Closed Session | |
| Upon adjournment or recess of Open Session (Government Code sections 11126(a)(1), (e), and (g)(1)) | |
| 2. Chief Executive Officer's Briefing on Performance, Employment, and Personnel Items | 7 |
| Adjournment | 166 |
| Reporter's Certificate | 167 |

P R O C E E D I N G S

1
2 PRESIDENT JONES: Okay. The first order of
3 business is the roll call. Ms. Hopper, please, before we
4 go to attestation, roll call, please.

5 BOARD SECRETARY HOPPER: Sure.

6 Henry Jones?

7 PRESIDENT JONES: Here.

8 BOARD SECRETARY HOPPER: Margaret Brown?

9 BOARD MEMBER BROWN: Present.

10 BOARD SECRETARY HOPPER: Rob Feckner?

11 BOARD MEMBER FECKNER: Good morning.

12 BOARD SECRETARY HOPPER: Fiona Ma?

13 BOARD MEMBER MA: Here.

14 BOARD SECRETARY HOPPER: Lisa Middleton?

15 BOARD MEMBER MIDDLETON: Present.

16 BOARD SECRETARY HOPPER: David Miller?

17 BOARD MEMBER MILLER: I'm here.

18 BOARD SECRETARY HOPPER: Stacie Olivares?

19 BOARD MEMBER OLIVARES: Here.

20 BOARD SECRETARY HOPPER: Eraina Ortega?

21 BOARD MEMBER ORTEGA: Here.

22 BOARD SECRETARY HOPPER: Jason Perez?

23 BOARD MEMBER PEREZ: Here.

24 BOARD SECRETARY HOPPER: Ramon Rubalcava?

25 BOARD MEMBER RUBALCAVA: Here.

1 BOARD SECRETARY HOPPER: Theresa Taylor?

2 VICE PRESIDENT TAYLOR: Here.

3 BOARD SECRETARY HOPPER: Shawnda Westly?

4 BOARD MEMBER WESTLY: Present.

5 BOARD SECRETARY HOPPER: Betty Yee?

6 BOARD MEMBER YEE: Here.

7 PRESIDENT JONES: Mr. President that is roll
8 call.

9 PRESIDENT JONES: Okay. Thank you, Ms. Hopper.
10 And thank you, Board members, again. And I know this
11 meeting was not on our --

12 ACTING BOARD MEMBER RUFFINO: Mr. President.

13 PRESIDENT JONES: Yes.

14 ACTING BOARD MEMBER RUFFINO: Point of
15 information. I don't think the Treasurer's Designees were
16 called on the roll call. I'm not sure your if that's
17 important.

18 BOARD SECRETARY HOPPER: Yeah, we will do that --

19 PRESIDENT JONES: Yeah, you --

20 BOARD SECRETARY HOPPER: I'm sorry, Mr.
21 President.

22 PRESIDENT JONES: Go ahead Ms. Hopper.

23 BOARD SECRETARY HOPPER: I will be calling the
24 roll call attestation as soon as the Board President
25 announces it --

1 PRESIDENT JONES: Okay.

2 BOARD SECRETARY HOPPER: -- and Board reps will
3 be called at that time.

4 PRESIDENT JONES: Okay. Good. Thank you. Okay.

5 ACTING BOARD MEMBER RUFFINO: Thank you.

6 PRESIDENT JONES: We've just transitioned from
7 open session to closed. Since we're not all present at
8 the same room, like we usually are, I must remind you that
9 this is a confidential meeting that only Board members and
10 specific staff may attend.

11 Accordingly, you must each attest that for the
12 duration of this closed session, you are alone and in a
13 location where no one else is able to observe or listen to
14 either the meeting or what any of you are saying, and that
15 you are not recording this meeting in any way. At this
16 time, I will like ask Ms. Hopper and each of you to
17 verbally attest to this through roll call.

18 Ms. Hopper, would you please conduct the roll
19 call attestation?

20 BOARD SECRETARY HOPPER: Thank you, Mr.
21 President.

22 Henry Jones, do you so attest?

23 PRESIDENT JONES: I so attest.

24 BOARD SECRETARY HOPPER: Margaret Brown, do you
25 so attest?

1 BOARD MEMBER BROWN: I attest.

2 BOARD SECRETARY HOPPER: Rob Feckner, do you so
3 attest?

4 BOARD MEMBER FECKNER: I attest I'm in my own
5 office, in my own house on the upper floor, and there's no
6 one else on this floor.

7 BOARD SECRETARY HOPPER: Fiona Ma, do you so
8 attest?

9 BOARD MEMBER MA: Yes, I do.

10 BOARD SECRETARY HOPPER: Lisa Middleton, do you
11 so attest?

12 BOARD MEMBER MIDDLETON: I do.

13 BOARD SECRETARY HOPPER: David Miller, do you so
14 attest?

15 BOARD MEMBER MILLER: I do so attest.

16 BOARD SECRETARY HOPPER: Stacie Olivares, do you
17 so attest?

18 BOARD MEMBER OLIVARES: I so attest.

19 BOARD SECRETARY HOPPER: Eraina Ortega, do you so
20 attest?

21 BOARD MEMBER ORTEGA: I do.

22 BOARD SECRETARY HOPPER: Jason Perez, do you so
23 attest?

24 BOARD MEMBER PEREZ: I do.

25 BOARD SECRETARY HOPPER: Ramon Rubalcava, do you

1 so attest?

2 BOARD MEMBER RUBALCAVA: Yes, I attest.

3 BOARD SECRETARY HOPPER: Theresa Taylor, do you
4 so attest?

5 VICE PRESIDENT TAYLOR: Yes, I attest.

6 BOARD SECRETARY HOPPER: Shawnda Westly, do you
7 so attest?

8 BOARD MEMBER WESTLY: I so attest.

9 BOARD SECRETARY HOPPER: Betty Yee, do you so
10 attest?

11 BOARD MEMBER YEE: I so attest.

12 BOARD SECRETARY HOPPER: Frank Ruffino for Fiona
13 Ma, do you so attest?

14 ACTING BOARD MEMBER RUFFINO: I do.

15 BOARD SECRETARY HOPPER: Matthew Saha for Fiona
16 Ma, do you so attest?

17 ACTING BOARD MEMBER SAHA: I do.

18 BOARD SECRETARY HOPPER: Michelle Mitchell for
19 Eraina Ortega, do you so attest?

20 ACTING BOARD MEMBER MITCHELL: I do.

21 BOARD SECRETARY HOPPER: Lynn Paquin for Betty
22 Yee, do you so attest?

23 ACTING BOARD MEMBER PAQUIN: I do attest.

24 BOARD SECRETARY HOPPER: Karen Greene-Ross for
25 Betty Yee, do you so attest?

1 ACTING BOARD MEMBER GREENE-ROSS: I so attest.

2 BOARD SECRETARY HOPPER: Mr. President, all has
3 agreed to the attestation.

4 PRESIDENT JONES: Okay. Thank you. Thank you,
5 Ms. Hopper. With the sudden --

6 BOARD SECRETARY ORTEGA: Mr. President?

7 PRESIDENT JONES: Yes.

8 BOARD SECRETARY ORTEGA: Mr. President, can we
9 just confirm the caller number (916)202, and I can't read
10 the rest of the number.

11 PRESIDENT JONES: Do you have that, Ms. Hopper,
12 or David?

13 MS. HOPPER: Mr. President, I do not have that
14 number and I do not recognize that number as well.

15 ACTING BOARD MEMBER SAHA: Is that -- I think
16 that might be the Treasurer calling in. I'm assuming. I
17 don't know if that's her number for sure.

18 PRESIDENT JONES: The Treasurer

19 BOARD SECRETARY ORTEGA: Treasurer Ma, can you
20 confirm that you're at (916)202?

21 PRESIDENT JONES: Ms. Ma?

22 BOARD MEMBER MA: I'm on.

23 PRESIDENT JONES: Did you hear the question?

24 BOARD MEMBER MA: No, I don't. Can you hear me?

25 PRESIDENT JONES: We can hear you now.

1 BOARD MEMBER MA: Okay. I'm on.

2 BOARD SECRETARY ORTEGA: Can we confirm that
3 you're at the phone number (916)202.

4 BOARD MEMBER MA: Oh, I see. Got it. Hold on.
5 I'm on my State phone, so I don't know that number,
6 because I don't call myself on it.

7 What is my number on this. Hold on.

8 ACTING BOARD MEMBER RUFFINO: Madam Treasurer,
9 it's (916)202-3995.

10 BOARD MEMBER MA: Okay. That's me.

11 BOARD SECRETARY ORTEGA: Okay. Perfect. Thank
12 you. Thank you.

13 PRESIDENT JONES: Okay. Thank you for that
14 clarification. Okay. So we will move on now.

15 With the sudden resignation of our Chief
16 Investment Officer, we now face a critical vacancy during
17 a challenging moment. The purpose of today's meeting is
18 to take the first step in the process of recruiting our
19 next Chief Financial Officer -- Investment Officer, I'm
20 sorry.

21 As many of my fellow Board members will recall,
22 we've needed to fill this position a few times over the
23 years, including the challenge of recruiting a Chief
24 Investment Officer who tragically passed away far too
25 soon. But as Ms. Frost will tell us in more detail, the

1 timing and the nature of Mr. Meng's resignation have
2 created a number of unique challenges for this
3 organization's recruitment of the next Chief Investment
4 Officer.

5 In order for the Board to understand the
6 challenges we face in recruiting our next Chief Investment
7 Officer, it's necessary for our Chief Executive Officer
8 and members of the CalPERS team to provide some background
9 on what happens. This briefing will include a timeline of
10 management and operational events leading up to and
11 following the resignation, a brief overview of our
12 internal compliance function at the enterprise level and
13 in the Investment Office, and the education we provide new
14 employees at CalPERS, and finally, efforts management has
15 taken that will be -- that will enhance oversight and
16 accountability.

17 With that background, we will have a good
18 understanding of the challenges we face in recruiting the
19 next Chief Investment Officer. Ms. Frost will then share
20 some of the steps management has taken to mitigate these
21 challenges.

22 I'm going to ask that the members of the Board
23 hold their questions until the team has provided their
24 briefing. And then we will open the floor for questions
25 and discussions. So given that, those parameters, Ms.

1 Frost, please.

2 CHIEF EXECUTIVE OFFICER FROST: Yes. Thank you,
3 President Jones and members of the Board. As Mr. Jones
4 indicated, I have invited members of the executive team in
5 certain roles. So you will be getting a briefing from
6 General Counsel. You'll be getting a briefing from our
7 Chief Compliance Officer. You'll be getting a briefing
8 from Dan, our Interim Chief Investment Officer. And then
9 as President Jones indicated, at the end, I will walk you
10 through specific actions that we are either underway of
11 implementing or we'll need to have some further dialogue
12 about implementation.

13 So with that, I'm going to invite our General
14 Counsel to go ahead and engage in briefing you on [REDACTED]
15 [REDACTED]

16 Thank you.

17 GENERAL COUNSEL JACOBS: [REDACTED] [REDACTED]
18 [REDACTED] [REDACTED] [REDACTED]
19 [REDACTED] [REDACTED]
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13 Marcie.

14 CHIEF EXECUTIVE OFFICER FROST: All right. Thank
 15 you, Mr. Jacobs. Now, we will go to an update from our
 16 Chief Compliance Officer, Ms. Timberlake D'Adamo, please.

17 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

18 Thank you. Good morning, members of the Board,
 19 Marlene Timberlake D'Adamo, CalPERS team member.

20 Just a quick clarification to what Matt just
 21 stated. [REDACTED]

22 [REDACTED]

23 I know that the purpose of this meeting is to
 24 discuss matters regarding Mr. Meng. But before I start
 25 with my presentation, I would like to express how sad I am

1 over the resignation of Mr. Meng and that on a human
2 level, my heart goes out to him and his family.

3 CalPERS Compliance Program is one that is
4 grounded on training, the availability of educational
5 resources, and personal responsibility. As the employer,
6 we provide many opportunities for individuals to be
7 trained and to seek advice regarding their obligations as
8 CalPERS employees.

9 I wanted to start off by mentioning the mechanism
10 that we use to manage investment conflicts at the
11 enterprise level, this is the Personal Trading Regulation,
12 as administered through the Personal Trading System.

13 Pre-clearance requirements form the basis of our
14 management of investment conflicts on a day-to-day basis.
15 The blackout period and restricted list prohibitions
16 ensure that covered persons aren't engaging in
17 transactions at the same time as the fund.

18 At the enterprise level, Compliance employs an
19 alternative process for approval of private asset
20 transactions. The Managing Investment Director of the
21 area that would cover the private asset must approve the
22 transaction prior -- or before Enterprise Compliance will
23 approve.

24 Next, I would like to address the very -- very
25 briefly how Enterprise Compliance administers the Form

1 700s. Under the Political Reform Act, the Form 700 acts
2 as the disclosure mechanism for transparency regarding the
3 financial interests of filers. Disclosure cover the
4 previous calendar year. A bit later, I will get into the
5 specific requirements of the FPPC as it relates to the
6 Form 700.

7 But what I want to highlight, at this time, is
8 that CalPERS as -- is a filing agency, and that it is
9 responsible to perform three tasks. One, to collect all
10 the forms of filers. Two, where appropriate, perform a
11 review. The reviews can take the face of two, a facial
12 review, which is a review of the cover page for accuracy
13 and then appropriate schedules attached. And then a 20
14 percent review, which is essentially ensuring that the
15 document has been completed, consistent with the
16 requirements of the form. The third task is referral of
17 not -- is the referral of non-filers to the FPPC for
18 enforcement.

19 At this point in time, I would like to take the
20 opportunity to describe the onboarding process of Mr.
21 Meng. Prior to joining CalPERS, during one of the times
22 that Mr. Meng came in for an interview, I personally sat
23 with him and discussed the Form 700 process. We talked
24 about the importance of the form, the use of the form, and
25 the fact that it is a public document. In early January,

1 I sent an email to Mr. Meng providing him with the
2 2019-2020 form and offering to assist him when he was
3 ready to file.

4 On January 9th, two representatives from the
5 Investment Control and Operational Risk Group within the
6 Investment Office and two representatives from Enterprise
7 Compliance performed an onboarding session with Mr. Meng.
8 The training, accompanied by an onboarding deck of 39
9 pages, covered the following topics: Tone at the top;
10 overview of CalPERS Compliance Program, including the
11 annual plan for 20180-2019; important dates to know
12 regarding trainings that are due; form 700 Statement of
13 Economic Interests; covered the conflicts code and the
14 form; what you're required to report and why.

15 This training is meant to help individuals
16 determine where they may have a potential conflict. Form
17 700 is a fundamental tool that can be used to ensure that
18 filers are acting in the best interests of the public and
19 not themselves.

20 Additionally, the training covered key policies
21 and regulations, including the CalPERS gift policy, raffle
22 fundraising, Personal Trading Regulations, approval of
23 outside employment, and the CalPERS Statement of
24 Incompatible Activities.. Additional topics included the
25 Enterprise Policy and Delegation Management, as well as

1 post-employment restrictions.

2 The point of the training is to begin to lay out
3 for individuals the very serious responsibilities that
4 CalPERS employees have. It is meant to help focus the
5 individual towards how they're going to meet these
6 obligations and where they can acc -- where they can
7 access help, if they need it.

8 At the conclusion of the training, the team
9 offered additional assistance regarding completion of the
10 Form 700 and getting set up for use of the Personal
11 Trading System.

12 In February, Mr. Meng's spouse came to enterprise
13 compliance and was trained on operating the Personal
14 Trading System. He also brought in brokerage statements
15 so that the electronic feed could be set up.

16 To summarize, Mr. Meng's onboarding included a
17 team of individuals who represented both Enterprise
18 Compliance, and Investment Controls, and Operational Risk.
19 All were at his disposal when ready to help with
20 onboarding activities.

21 Additionally, Mr. Meng's spouse was trained on
22 how to use the Personal Trading System and was assisted by
23 Enterprise Compliance in properly disclosing their
24 reportable accounts.

25 Training, including assistance to team members

1 and their spouses and/or Domestic partners is a strong
2 component of our program. Training increases awareness
3 and awareness helps prevent issues. For instance,
4 training spouses on our Personal Trading System and
5 regulations increases awareness of obligations and creates
6 an opportunity to be informed.

7 Next, I would like to turn to the FPPC
8 requirements and what our Compliance Program does to
9 comply.

10 CalPERS is a filing agency as authorized by the
11 Fair Political Practices Commission. Our responsibility
12 is to implement a process that ensures forms are collected
13 as required, appropriately reviewed, and where people
14 don't file, we are obligated to refer non-filers to the
15 FPPC for enforcement.

16 The facial review occurs as a system check or a
17 manual check, depending on the method used to file. But
18 essentially, the review ensures that the cover page is
19 complete and that all appropriate schedules are included.
20 The twenty percent review is required by Government Code
21 section 18115 and requires that a review is performed on a
22 minimum of 20 percent of the forms. This review of the
23 forms is to ensure that the filing has been completed
24 consistent with the form requirements.

25 The 20 percent review is performed on annual

1 statements. Typically, more than 20 percent of the annual
2 statements are reviewed, because we always choose the
3 Board, the executive team, within the Investment Office
4 Associate Investment Managers and above, CEAs, and ten --
5 late filers, and then ten percent of the balance of filers
6 randomly chosen. For the annual 2019 filings, this is 317
7 individuals. It amounts to approximately 30 percent of
8 our Board and employee filers.

9 As an overlay to the review process, this year,
10 as planned, Enterprise Compliance added an additional
11 element to the review by pulling the brokerage statements
12 of Investment Office team members to help reconcile Form
13 700 reporting to reportable accounts. This work continues
14 with the expectation to be complete with the rest of the
15 review shortly.

16 Utilizing brokerage statements adds to the body
17 of information we have at our disposal and can help us
18 ensure information consistency between the Form 700
19 filings and team member reportable accounts.

20 However, brokerage statements provide information
21 for only one of the six schedules that make up a Form 700.
22 As the employer, we are unable to validate the accuracy or
23 completeness of the form without access to much more
24 information needed to complete Schedules A through E.
25 This is why the FPPC puts the responsibility on the filer.

1 Notwithstanding, we continue to improve this process.

2 The 20 percent review is for inconsistencies
3 within the form's filing requirements. The team will
4 review the forms and note items, such as overreporting,
5 and that is where reporting items that are not required.
6 An example would be a mutual fund, which is not
7 reportable.

8 Another item that would be noted would be
9 underreporting. And underreporting is the failure to
10 include a piece of information. For exact -- for example,
11 if you rent a property to someone and you fail to check a
12 box regarding the dollar amount or you don't add the name
13 of the tenant. Typically, we will reach out to the filer
14 at the completion of the 20 percent review process to let
15 them know if amendments are required or if they have
16 overreported.

17 If they have overreported, we let them know that
18 we -- that they do not need to include such information in
19 the subsequent filing.

20 The FPPC takes the position that it is the
21 filer's responsibility to complete the form. It requires
22 the agency to collect the forms and refer non-filers, and
23 perform the 20 percent review annually.

24 Now, I would like to provide information
25 regarding the resources that are available to filers.

1 Enterprise Compliance maintains an intranet page, a Form
2 700 information center, which contains links to the FPPC
3 guidance, policies, and information on the ethics training
4 requirements, and links to other FPPC resources, for
5 example, links to the FAQ, the reference pamphlet, and the
6 full FPPC site.

7 Enterprise Compliance provides the following
8 support to filers during the annual filing season,
9 notification to individuals in January when the form is
10 released. Beginning in March, office hours offered by
11 Investment Controls and Operational Risk, Enterprise
12 Compliance, and the Legal Office jointly, one-to-one
13 training provided on request, and then we track the filing
14 status up through the required filing date.

15 Additional training to employees is offered
16 through Enterprise Compliance's annual training. This
17 provides additional training as two versions, one for
18 covered person and the other for Form 700 filers.

19 Additionally, the Attorney General's office
20 provides ethics training that is due every other year in
21 even numbered years and within six months of assuming
22 office.

23 Lastly, I'd like to mention an additional
24 conflict process that is overseen by the Legal Office, the
25 distribution of the restricted communication and

1 communication disclosure memorandum to members of the
2 Board of Administration, executive team, and senior
3 investment personnel. It provides a mechanism for
4 individuals to report communications they have engaged in
5 with entities or their representatives on the restricted
6 communication list.

7 This concludes my presentation. And at this
8 time, I'd like to turn the microphone back to Marcie.

9 CHIEF EXECUTIVE OFFICER FROST: Thank you. Next
10 up, we have Dan Bienvenue, our Interim Chief Investment
11 Officer. Dan will walk you through ICOR's role and their
12 responsibilities.

13 Dan.

14 INTERIM CHIEF INVESTMENT OFFICER BIENVENUE:

15 Thanks, Marcie. Good morning, members of the
16 Board. In addition to the work that Enterprise
17 Compliance, or ECOM, does around the Form 700 collection,
18 we also have an ICOR team. And As Marlene mentioned, ICOR
19 stands for Investment Controls and Operating Risk. This
20 team is a critical part of the control function within the
21 Investment Office also and is responsible for five main
22 bodies of work.

23 The person's operational due diligence, where we
24 review our external managers' and partners' operating
25 frameworks. We review their technology, their

1 organization charts, their audit history and any findings,
2 their cash management procedures, and their own
3 infrastructure to ensure legal and regulatory compliance
4 on their own part.

5 After operational due diligence, the next area is
6 the transparency function, which, as you would expect, is
7 all about transparency. This area includes analysis of
8 material non-public information, or MNPI, which is known
9 more commonly as inside information. CalPERS comes into
10 contact MNPI occasionally, and this can also result in
11 conflicts of interest, so it requires careful management.

12 The transparency function ensures that for any
13 security on which we have MNPI, or insider information, it
14 gets onto the CalPERS' restricted list. The restricted
15 list is a listing of securities that gets loaded into our
16 trading systems, both for CalPERS trades and for
17 individual's personal trades that were prohibited from
18 transacting them.

19 The transparency function also facilitates Public
20 Records Act requests within the Investment Office. And
21 finally, this part of ICOR provides compliance help and
22 Enterprise Compliance interface to Investment Office team
23 members.

24 The third area of investment controls is the
25 trade controls area, where we ensure that trades for the

1 internally managed portfolios in global equity and global
2 fixed income are consistent with applicable laws and
3 policies. Bear in mind that the global equity and global
4 fixed income asset classes are almost entirely internally
5 managed. So this trading is on approximately \$300 billion
6 of assets.

7 Here, the investment controls and operating risk
8 team ensures that the trading is consistent with the
9 Public Employees Retirement Law, also known as the PERL,
10 federal laws, Board policy language, the restricted list
11 that I described above, as well as any divestment lists,
12 such as tobacco, firearms, Iran, Sudan, et cetera.

13 The trade information captured for trading on
14 CalPERS behalf, also feeds the personal trading system
15 that Marlene's team uses to monitor personal trading,
16 again looking to catch potential conflicts of interest and
17 ensuring that team members' personal trading doesn't
18 somehow run in conflict with CalPERS trading.

19 The fourth area of ICOR is the operational risk
20 area, where the Target Operating Model, or TOM, lives.
21 You may recall from past Investment Committee
22 presentations on the Target Rating Model that this is
23 where we specify our ideal operating framework for the
24 Investment Office and find any gaps for areas of focus in
25 our annual business plan initiatives.

1 This is also the part of the business where we
2 track and report operating events, where we manage and
3 maintain benchmark governance, and where our ongoing
4 brokerage selection and review process are housed.

5 The final area of the Investment Controls and
6 Operating Risk team is around policy work, where we
7 centrally manage the body of Investment Committee policy
8 language both for the total fund and for the asset
9 classes.

10 This policy work includes both Board policy
11 maintenance and presentations to the Investment Committee,
12 no less than annually for review and update. It is also
13 responsible for the Investment Office's populating of the
14 Insight Tool. And finally, this subteam also does our
15 periodic Investment Committee reporting, including the
16 quarterly update on investment controls, as you see in
17 your consent materials at every Investment Committee.

18 In addition to the work that happens in the
19 Investment Controls and Operating Risk, or ICOR, team,
20 there is also one other conflict check within the
21 Investment Office that happens at the deal level for both
22 private equity and private debt. This conflict check is
23 manual and relies on self-identification of conflicts, but
24 is one more check around the private equity and private
25 debt vehicles.

1 So that's the control framework that sits inside
2 of the Investment Office. And with that, I'll it back to
3 Marcie.

4 CHIEF EXECUTIVE OFFICER FROST: Great. Thank
5 you, Dan.

6 And again, thank you for your patience as the
7 team went through their prepared remarks.

8 I'm sorry, my allergies are acting up today.

9 But I'll close with some specific actions that we
10 are undertaking and ones that we will need a little more
11 collaboration with our labor partner SEIU on. So we've
12 identified two areas of emphasis. The first is around
13 education. The second is around process. Our education
14 and training program is good, as Ms. Timberlake D'Adamo,
15 you know, shared with you. But based on this particular
16 event, we will also have the following additions made.

17 One, we will do additional external annual
18 mandatory training for all Form 700 filers. We would like
19 to have this done by the FPPC itself. But if they do not
20 offer this training, then we would procure an outside
21 expert to do that.

22 Two, and this is one that would need to be
23 negotiated with SEIU, if it were to apply to covered
24 persons, but all managers of Form 700 filers will be
25 provided a copy of their employee's Form 700 as an

1 additional conflict check. However, even if we can't
2 implement it for covered positions with SEIU, we can
3 certainly move forward with implementing it for
4 non-covered positions.

5 And three, on the onboarding team, we will add an
6 attorney out of the Legal Office. And although there are
7 several control processes in place, we do believe that
8 there are additional steps that would strengthen those
9 processes. The first is benchmarking ourselves to outside
10 private sector investment organizations. This -- and that
11 would give us really an opportunity to look in any
12 potential gaps that we have in our processes and likely
13 would also determine a gap in technology. Ms. Timberlake
14 D'Adamo has already started those scans.

15 Regarding our ability to verify the full accuracy
16 and disclosure of all six parts of the Statement of
17 Economic Interest, as Ms. Timberlake D'Adamo indicated,
18 we're able to verify or validate one section. And we do
19 that through the brokerage statements. Ms. Timberlake
20 D'Adamo again explained the new process that was brought
21 in for the 2019 filings.

22 But the only way an employer can really validate
23 that everything that a covered person or a Form 700 filer
24 has submitted, for us to verify that that is accurate, we
25 would have to engage with probably an outside firm. We

1 may be able to hire that internally, but this would be a
2 forensic type of accounting check that would likely
3 require federal income tax returns, would require, you
4 know, scans of any publicly available information that we
5 would then use to verify that the employee, in fact, did
6 disclose all of the financial interests.

7 I'm not aware currently -- and we will find that
8 out, but I'm not aware currently of any public entity who
9 is going to that level of check, but it does not mean that
10 we should not pursue that.

11 In light, and if we decide that that is an area
12 that we may not be able to pursue, we could also institute
13 a policy that would require any covered person or Form 700
14 filer that they would be prohibited from holding
15 individual securities other than through a blind trust.
16 This process, again if it were to apply to covered
17 persons -- covered persons by SEIU that is, we would need
18 to negotiate that again with our labor partner.

19 However, this can be implemented for key
20 positions. For example, the CEO, CIO, potentially the
21 Board. But this likely would also take regular -- a
22 regulatory process for full implementation, very similar
23 to what the Personal Trading Policy what -- how that was
24 done.

25 The third area we are reviewing, which functions

1 should be removed out of the ICOR function within the
2 Investment Office and moved over to the Enterprise
3 Compliance team under Ms. Timberlake D'Adamo. This would
4 be similar to a recent move that we made regarding the
5 portfolio performance being calculated out of the Chief
6 Financial Officer's office, and then validated by your
7 independent investment consultants.

8 I would also just like to indicate that at the
9 end of September, the ICOR management position will become
10 vacant due to a retirement. And, at that point, we will
11 recruit someone who has a deep background in investment
12 control and has actually worked in the investment
13 industry.

14 And then finally, I'll close with our fourth plan
15 for implementation is the establishment of a Conflicts
16 Officer position. That is underway. That's using a
17 redirected existing vacant position. It does not add cost
18 to the system. This individual would have the
19 responsibility of sitting on all deal teams in the
20 Investment Office, as well as reviewing the composition of
21 any procurement and contracting team.

22 So with that, Mr. Jones -- or President Jones,
23 I'd like to turn it back over to you. I know that the
24 Board again has been very patient with our questions, and
25 we are ready to address anything that we did not cover in

1 our introductory remarks.

2 Thank you.

3 PRESIDENT JCNES: Thank you, Ms. Frost. Thank
4 you.

5 And before I open it up to questions, I think
6 it's important that I also share with the Board, because
7 I've been asked, well, because I made a public comment
8 that CalPERS was aware of this event. And so I think it's
9 important that I share that with you.

10 Late April, whenever -- it was late April, early
11 May, somewhere in there, Ms. Frost called me and said that
12 they may have a problem with the Form 700 from Mr. Meng.
13 And I said, well, what are your -- what steps are you
14 taking? And she said, well, we're going to start the
15 investigation. And I said well how long do you believe
16 that that will take? And she said I don't know. It
17 depends on what we find or whether or not there's any
18 problem.

19 So I said, well, why don't we plan -- whatever
20 you find, it's your responsibility, because Ben reports
21 directly to you, if you were to discipline him or to
22 change his compensation, in terms of incentives, then I
23 believe you need to bring that to the Board in our
24 September meeting.

25 So that was the -- how I knew about the

1 occurrence. And so what happened, as all of you know,
2 somehow the information was leaked about this
3 investigation. And that's when I went to Mr. Jacobs, and
4 said [REDACTED]

5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 And so I also communicated with Ms. Yee that --
9 she had called me and asked for the same thing. I said,
10 well, we're on the same page. I had asked for that also,
11 but had been advised that [REDACTED]. And so -- but
12 I have scheduled, at its earliest convenience, which was
13 today's date, that meeting. So that's the chronology
14 about, you know, my comments about I was aware of it.

15 So with that, we'll open it up to questions and
16 I'll go to Mr. Miller.

17 BOARD MEMBER MILLER: Okay. Can you hear me?

18 PRESIDENT JONES: Yes.

19 BOARD MEMBER MILLER: Okay. Very good. Yeah, I
20 also share, I just -- you know, it's such a loss. And I
21 definitely, you know, feel very sorry to be losing Ben and
22 all this. But at the same time, as a Board member, I look
23 and say, you know, what can we do to, A, you know, address
24 this, and B, prevent this kind of thing in the future?

25 So I appreciated the focus of Ms. D'Adamo and Ms.

1 Frost's presentation. And my questions are really about
2 when we look at things like prohibitions of holdings, or
3 putting things in a blind trust, divestment, and I'm
4 interested in, you know, what can we do in practical
5 terms? I'm expecting that Marcie and the team will come
6 back to us with more detail on kind of the pros and cons,
7 the -- how it will potentially impact our ability to
8 recruit investment professionals, those type of things.

9 And also, I think that when it comes to the issue
10 of doing more diligence on reviewing, you know, the
11 full-blown hiring an outside firm or something, I think
12 when we look at a CIO position, where we look at these
13 higher-level positions, I think that may very well be
14 warranted.

15 I don't think it would be warranted for every
16 form that's submitted by a CalPERS employee from top to
17 bottom. But I think for these critical positions where
18 they have responsibility, where even a small mistake on
19 the form can result in a lot of reputational risk for us.
20 So in addition to beefing up the training and everything,
21 I think we should really review at what level through the
22 organization we should have what -- what degree of beefed
23 up and more systematic effective reviews and for those top
24 level, you know, positions, not just in the Investment
25 Office. I think we might be well served by investing in

1 having a more thorough, you know, analysis and more of a
2 forensic look at those certainly when going forward.

3 PRESIDENT JONES: Okay. Mr. Feckner.

4 BOARD MEMBER FECKNER: Thank you, Mr. President.
5 I just wanted to share with folks, and Ms. Frost may not
6 even know this -- in fact, as I look at the grid of
7 pictures here, maybe nobody knows this. But back in
8 the -- a few -- a number of years back, the former CEO,
9 before Ms. Frost, the actual Form 700s for Board members
10 went to the Board President as did the Board reports.

11 At that time, you recall we had five direct
12 reports to the Board, not just the CEO. But the Board
13 President got copies of those Form 700s and was able to
14 review those. So just putting that in perspective, it may
15 be something we might want to look at.

16 PRESIDENT JONES: Okay. Thank you, Mr. Feckner.

17 Okay. Ms. Taylor.

18 VICE PRESIDENT TAYLOR: Yes. Thank you, Mr.
19 President. I just want to echo Mr. Miller's thoughts on
20 this. First of all, I'm very sorry that we lost Ben. I
21 think we lost a huge talent. I understand his reasoning
22 behind his resignation.

23 But I also want to be on record here to say that
24 we need a process. So whether that's people putting
25 their -- and it should go for our -- I don't know about

1 all Form 700 filers, but certainly for our CEO, CIO, and
2 those kinds of positions, and the Board, that we should
3 not be holding stock or if we have stock, we should have
4 to sell our stock, and/or put it in a blind trust,
5 whatever process works to keep ourselves at arm's length
6 so this doesn't occur again.

7 In no way do I believe that Mr. Meng did this
8 maliciously or with intent, but I think it's important
9 that we mitigate this issue with having a better process.
10 And I will also say that while the timeline does show that
11 there was a process in place with ICOR, I think we need
12 a -- if we don't put in the process where you have to
13 divest from your holdings, then there needs to be a better
14 process from ICOR and our Compliance folks. I just think
15 that's really important.

16 The Form 700 itself can be technical and glitchy.
17 And there are things that people don't know when they file
18 the forms. So it's -- you know -- and our Fair Political
19 Practices Act is one of the most stringent in the country,
20 which is a good thing. But like Ms. D'Adamo said, we need
21 to have better -- more training. I think we are having
22 really good training right now, but I think that having an
23 out -- either the FPPC come in or some other firm, if they
24 don't do it. I don't know if they have the manpower to do
25 it or whatever. But we do need training on the Form 700.

1 Minor mistakes occur all the time. You know, our
2 filing officer at my agency has said that it occurs often.
3 People amend their forms often. So it's -- that, in and
4 of itself, becomes a problem, because if the Form 700 is
5 difficult to understand or you don't know what you're
6 filing on it.

7 But regardless, I think it's important the
8 Board -- this Board take action and make a determination
9 on whether or not we're going to allow holdings or put,
10 you know, some kind of arm's lengthy procedure in place
11 for our Chief Investment Officer, our Board, our Chief
12 Executive Officer, et cetera. So I think that's an
13 important step that we can take.

14 Thank you.

15 PRESIDENT JONES: Thank you, Ms. Taylor.

16 Mr. Perez.

17 BOARD MEMBER PEREZ: Thanks. I sent -- I sent
18 Marcie, Theresa, and Henry a list of questions that I
19 wanted answered today. And they went over a lot of them,
20 but I haven't heard yet what specifically the violations
21 were.

22 CHIEF EXECUTIVE OFFICER FROST: So, Mr. Perez, I
23 think in Mr. Jacobs' [REDACTED]

24 [REDACTED] . [REDACTED]

25 [REDACTED]

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BOARD MEMBER PEREZ: [REDACTED]

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CHIEF EXECUTIVE OFFICER FROST: Mr. Jacobs, what did you [REDACTED]

GENERAL COUNSEL JACOBS: I don't know, but let's be clear about something. [REDACTED].

CHIEF EXECUTIVE OFFICER FROST: Yeah. Yeah.

GENERAL COUNSEL JACOBS: So it's not a matter of [REDACTED]
[REDACTED]
[REDACTED]

CHIEF EXECUTIVE OFFICER FROST: Yeah.

GENERAL COUNSEL JACOBS: What we have here is [REDACTED]
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BOARD MEMBER PEREZ: [REDACTED]

[REDACTED] ?

CHIEF EXECUTIVE OFFICER FROST: [REDACTED]

[REDACTED]

GENERAL COUNSEL JACOBS: [REDACTED] --

CHIEF EXECUTIVE OFFICER FROST: [REDACTED]

[REDACTED]

GENERAL COUNSEL JACOBS: [REDACTED] [REDACTED]

[REDACTED]

CHIEF EXECUTIVE OFFICER FIRST: [REDACTED]

GENERAL COUNSEL JACOBS: [REDACTED]

[REDACTED]

CHIEF EXECUTIVE OFFICER FROST: [REDACTED]

GENERAL COUNSEL JACOBS: Now, here's my take on

it. I [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [REDACTED]

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12 [REDACTED] [REDACTED]
13 [REDACTED]
14 [REDACTED]
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16 [REDACTED]
17 [REDACTED]

18 CHIEF EXECUTIVE OFFICER FROST: Yeah. And, Mr.
19 Jacobs, would you mind also briefing the Board on the two
20 emails that we've received from Mr. Meng?

21 GENERAL COUNSEL JACOBS: Yes. He has asserted
22 his privacy rights in those emails. He's consulted with
23 an attorney. He is very concerned about the leaks that he
24 thinks have come out of CalPERS and/or the Board. He has
25 said that he's watching the meeting carefully, this

1 meeting, with an eye toward potential action of some sort.

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED], Marcie.

7 CHIEF EXECUTIVE OFFICER FROST: (Nods head.)

8 BOARD MEMBER PEREZ: I take all that under
9 advisement, but I would like -- I would like the report
10 and the recommendation, the findings uploaded to Diligent,
11 so that we can all read them. I think it's fair for us to
12 read them.

13 And I still have more questions.

14 But I'll leave that up to Henry. I don't know if
15 we need a motion for that or what, so what --

16 GENERAL COUNSEL JACOBS: [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

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BOARD MEMBER PEREZ: [REDACTED]

[REDACTED] ?

GENERAL COUNSEL JACOBS: [REDACTED]

[REDACTED]

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[REDACTED]

BOARD MEMBER PEREZ: [REDACTED]

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CHIEF EXECUTIVE OFFICER FROST: [REDACTED]

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[REDACTED]

BOARD MEMBER PEREZ: [REDACTED] ?

GENERAL COUNSEL JACOBS: [REDACTED]

CHIEF EXECUTIVE OFFICER FROST: [REDACTED] [REDACTED]

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BOARD MEMBER PEREZ: [REDACTED]

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CHIEF EXECUTIVE OFFICER FROST:

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BOARD MEMBER PEREZ:

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CHIEF EXECUTIVE OFFICER FROST:

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BOARD MEMBER PEREZ: Okay. How many other 700 people had issues? I know Marlene said we have 317 filers.

20

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CHIEF EXECUTIVE OFFICER FROST: Yeah. I'll ask Ms. Timberlake D'Adamo to respond to that question.

22

23

24

CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:
There we go. So, Mr. Perez, your question was how many Form 700 filers for the 2019 year?

25

BOARD MEMBER PEREZ: Yeah.

1 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

2 So for -- so we are in the process, as I had
3 stated, of performing our review. So we're actively
4 looking at those statements. To my knowledge, from what I
5 know about the process right now, there are -- and I'm
6 going to be -- I guess I'm going to say I'm going from my
7 memory about what I've been told about the process,
8 because again, the process is still being worked on. But
9 if my knowledge right now, there are four statements that
10 it looks like we're going to ask people to make an
11 amendment. And we will ask people to make amendments on
12 those statements based on information that is not in the
13 forms, two of which we're adding the source of income for
14 a rental property. One was adding the source of a
15 spouses's income. And the -- I'll have to look at my
16 notes to see what the fourth is, but it was something
17 around that nature -- around that nature.

18 BOARD MEMBER PEREZ: Thank you.

19 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

20 And -- okay. As I said, the process is still
21 continuing.

22 BOARD MEMBER PEREZ: All right. I've got two
23 pages of questions, so maybe I'll stop there in the case
24 someone else asks it, and I can just check it off my list.

25 PRESIDENT JONES: Okay. Thank you.

1 Ms. Olivares.

2 BOARD MEMBER OLIVARES: Thank you, Mr. President.
3 I also wanted to note that I asked a question on line 35,
4 so I've been waiting for a little bit. I would like to
5 get a copy of the entire timeline, because I think -- I
6 understand that we wanted to get a full context of what
7 happened, but it's very difficult for me to track the
8 events without a very clear written timeline. So I'm
9 making a formal request for that document, a very detailed
10 timeline, please.

11 So -- was there a question?

12 There have been a couple comments regarding
13 compliance. And I wanted to make comments on this. The
14 FPPC is not responsible for investment compliance. The
15 CalPERS is. We are as a Board. These are two separate
16 things. One is looking at political practices and trying
17 to ensure that there is not a conflict of interest. But
18 public entities engaged in investments should have their
19 own processes -- actually, must have their own processes
20 for preventing conflicts of interest. There is
21 significant precedent for this with the Treasury
22 Department, with the Federal Reserve Bank. And within the
23 State of California, I led an investment fund and we had
24 that.

25 And so it's not that you necessarily need tax

1 documents or an employee to file a 4506-T, but you can
2 require brokerage statements. It is standard practice to
3 have an outside firm handle investment compliance, because
4 any time you have investment discretion, there is
5 potential for a conflict.

6 So again, this is the responsibility, I believe,
7 to be of CalPERS and not the FPPC. FPPC has an additional
8 opportunity -- or responsibility to handle this within the
9 political context. But there are many changes we can
10 make.

11 Marcie, I want to thank you and Marlene for
12 addressing this and the steps that will be taken. I'm
13 happy to work with you both as -- as we look at those
14 different options. But I think this will require a third
15 party. It may require additional technology. There is
16 significant risk to the fund on these conflicts of
17 interest. I sold my shares when I joined the Board. To
18 me, that's standard practice, right, because I can't
19 recuse myself from the Investment Policy and the
20 investment decisions. I can't as a Board member.

21 I say the same for the CIO. And again, I'm also
22 sorry to see Ben leave, but he can't recuse himself for
23 the decisions made by his staff. And so to the extent
24 that Board members are fiduciaries, we are responsible for
25 the execution of Investment Policy, and ultimately for the

1 performance of these investments.

2 So I agree with what Marcie said about having a
3 blind trust. That's something that we would need to put
4 into place. I know that right now, too, the standard
5 practice is that mutual funds do not have to be reported.
6 Again, that's an FPPC guideline. I would urge us to
7 follow standard investment practice and that no conflicts
8 take place.

9 So the first level of that is the blind trust.
10 But also, for example, if I'm holding an oil and gas
11 mutual fund, and I'm saying no to clean energy stocks,
12 that's a conflict, right? So the FPPC is the minimum for
13 compliance within our state, but it is not investment
14 compliance by any means.

15 Thank you.

16 PRESIDENT JONES: Okay. Ms. Yee.

17 BOARD MEMBER YEE: Thank you. I appreciate the
18 briefing and really the [REDACTED],
19 which I think certainly starts to fill in some pieces
20 based on what we've all been reading in the press. But I
21 wanted to first just also say how very sorry I am to see
22 Ben leave. And I hope that my comments, either prior to
23 this or from this point forward is not taken as an attack
24 on anybody. I just am really concerned about the risk
25 that this has created for the fund.

1 And I, too, appreciate Stacie's comments and
2 would agree with respect to the kinds of policies we need
3 to consider going forward. You know, I guess I'm -- one
4 part I wasn't clear about, and perhaps it wasn't reported
5 factually based what we read, that in terms of going back
6 to when Ben started with CalPERS, was there an opportunity
7 for us to actually ensure that he cleared his conflicts
8 before assuming his duties? Because if, in fact, he's
9 approving staff work - and I'll talk a little bit about
10 kind of my concerns around that vis-à-vis the Board in a
11 moment - but doesn't it just stand to reason that there
12 would be kind of inherent conflict with most anything that
13 involved his, you know, day-to-day duties?

14 And so I just wanted to kind of get clear about
15 what we knew at the time that he assumed office, because
16 it appeared that there were some disclosure around
17 holdings then.

18 CHIEF EXECUTIVE OFFICER FROST: Yeah. Thank you,
19 Controller Yee. Yeah, I think it's important that we
20 continue to put on the record that Ben did disclose all of
21 his financial interests. That's extremely important.
22 That's been what's reported and it's caused, you know, a
23 lot of unnecessary concern.

24 But when Ben completed his assuming office Form
25 700 -- and I probably will have to get the actual date by

1 which that was done, you know -- and the education and the
2 training, of course, that we were able to provide, I would
3 also note that Ben has -- is not the only CIO that's held
4 individual stock here. And so we're going to go -- we're
5 going to go back and take a -- you know, a more full look
6 at this.

7 But we do need to think about policies that are,
8 you know, investment compliance policies, but there's also
9 another layer that I think we all have just been, you
10 know, certainly reminded of with all of the media coverage
11 on this, is that, you know, there are things that are, you
12 know, in the optics world will never sit well at CalPERS
13 either. And I think our policies should be more
14 reflective of that, and the reputation, and the fact that
15 two million members are relying on us to get this stuff
16 right every single day.

17 So I'll ask Marlene to let me know if she has
18 that information with her of when Ben completed his
19 assuming office Form 700. But certainly, as Marlene
20 indicated, at the end -- and I actually am the one who
21 escorted Mr. Meng over to meet with our Chief Compliance
22 Officer after his second interview with us to sit down and
23 talk about the requirements of filling out the Form 700.
24 We had started to do that. You know, I don't know again
25 the implementation date of that, but that was something

1 that we had started to do as part of the onboarding, and
2 before the final acceptance of offer, so that candidates
3 are fully aware of what they will have to disclose.

4 Many of these candidates are coming from the
5 private sector. You know, if they're coming from the
6 public sector, they know these requirements. They know,
7 you know, what this looks like and why financial interests
8 have to be disclosed to the public.

9 But even though Ben had been here before, we felt
10 it was important that we sit down and go through, because
11 this was a very different role for him.

12 Marlene, I don't -- do you have the dates by
13 which Mr. Meng submitted his assuming office?

14 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

15 Yes. He submitted it on January 31st, which is
16 the day that it was due.

17 CHIEF EXECUTIVE OFFICER FROST: Great. Thank
18 you.

19 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

20 It's due within 30 days of when you assume the
21 office.

22 CHIEF EXECUTIVE OFFICER FROST: Yeah. And I
23 think -- you know, and again, you can -- Marlene, you can
24 help me, you know, add color to this, but I would
25 characterize the program that we have as not a prohibition

1 on holding individual stock. And I think, you know,
2 moving that in place will solve a lot of this problem. It
3 will solve certainly the problem that is before us. But
4 until we go to that next level of, you know, doing this
5 forensics, you know, check, which it sounds like there is
6 Board agreement that we should move forward with that on
7 at least particular positions, perhaps the Board, CEO, CIO
8 level. But unless we do that, it's very difficult to
9 understand all of, you know, the financial conflicts that
10 an individual might have.

11 So that is why Marlene and her team have focused
12 so significantly on the education, the availability of
13 resources, and the availability of people to really help a
14 filer to be able to help someone who is sitting in one of
15 these roles that conflicts are all around us, real or
16 otherwise.

17 And, you know, I just -- you know, and I know
18 some of you know Ben. And I certainly got to know Ben
19 over, you know, the 18 months that he was here, and -- you
20 know, and frankly, you know, the nine, 12 months that we
21 were recruiting him.

22 But this was -- you know, this was something
23 that, you know, I would say he didn't pay as close
24 attention to. And so there are opportunities for us
25 obviously to do things differently, so that we avoid this

1 happening in the future. I mean, this -- you know, having
2 Ben leave is -- is not good for CalPERS in many, many
3 ways, including the portfolio.

4 And so, you know, everything you hear here is,
5 you know, the team is really digging in to what could we
6 have done better, what could we do differently, and how do
7 we really protect our people moving forward? Because, you
8 know, unfortunately, we operate in this world where, you
9 know, someone's simple mistake turns into, you know, a --
10 almost a personal defamation case on, you know, they're
11 lacking integrity or they're lying.

12 And so that's why I think these extra policies
13 are going to be really important. Our environment is just
14 frankly different than many other systems that are trying
15 to run a pension plan.

16 BOARD MEMBER YEE: No and I -- oh, go ahead,
17 Marlene.

18 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

19 Oh, I wasn't -- it wasn't me that was trying to
20 say something.

21 BOARD MEMBER YEE: Oh, sorry. Okay. So -- no,
22 and I appreciate that. I guess where -- from my vantage
23 point and -- I mean, in so many ways, this isn't even
24 about Ben. It's really about, you know, the processes we
25 have in place. And frankly, from where I sit right now,

1 I'm looking at the risk to the Board, what we knew, what
2 we didn't know, what we should have known, when. And I'm
3 feeling very exposed right now to the point of where I
4 feel like we need to get our own counsel, because, you
5 know, to see -- to hear all this, I mean, I get it.
6 You're all responding to the situation at hand. And I get
7 the distinction between the fact that he disclosed and
8 what's in question is the conflict.

9 But I guess, you know, why we weren't informed
10 that there was an investigation, you know, or -- I mean,
11 we heard about, you know, some of the trading violations
12 of some of the staff, you know, early on in the year, but
13 this is the CIO. We should have known. I mean, that's
14 just like -- and frankly, when the press called me, I'm
15 not one to talk to the press. They knew already. They
16 knew chapter and verse. So I don't know where that came
17 from. But obviously, this was before your announcement to
18 the Board even came out, so we've got a problem all the
19 way throughout this organization.

20 So -- but the exposure that I feel frankly, and
21 kind of the double standard, is that we delegated, you
22 know, a lot to the Investment staff. We, a lot of times,
23 don't hear about a lot of this till after the fact. And
24 we certainly, as Board members, go through a personal
25 attestation, and, you know, we have a lot of requirements

1 that we comply with. And that's part of the duty and
2 happy to do that.

3 But I really do want to see kind of that
4 stringent standard applied across the board. But I just
5 feel really that, you know, the fund has been put at risk.
6 And it is going to be tough to recruit somebody in after
7 Ben after all this, and -- and part of -- and the other
8 part, I will just say is I hope we figure out, you know,
9 how we can err on the side of trying to make whatever we
10 do to correct this err on the side of transparency about
11 sharing that publicly, because you've got a lot of members
12 out there and retirees really concerned.

13 And we've tried to withstand there, you know,
14 concerns. I'm not their mouthpiece, but I'm just
15 concerned about, you know, the exposure of this Board. So
16 I'm just going to stop there. I've got other questions,
17 but this is -- and I'm willing to be part of the policy
18 conversations. I think that's the appropriate next step.
19 But I just do feel really exposed, because on the one hand
20 I feel like is Legal's client the executive staff and not
21 the Board, which I've been feeling a little bit lately?

22 I mean, at what point, does the Board -- I mean,
23 we have all accountability but no authority. So I just --
24 I would just ask that you put yourself in our shoes with
25 respect to, you know, what we have to, you know, deal

1 with. And so -- and I do think that that's going to be a
2 big part about how we restore credibility to how we move
3 forward.

4 CHIEF EXECUTIVE OFFICER FROST: Yeah. Thank you,
5 Controller Yee. And, yes, certainly, we do want to find
6 something public that we can say about these actions.
7 Again, that communicates very clearly that we understand
8 where the problem happened and we have prevention in place
9 to make sure it doesn't happen again. That's going to be
10 really important to our members. That's going to be
11 really important to, you know, other authorizers, if you
12 will, around us.

13 But I also -- you know, we do have control
14 processes in place. And I know Dan didn't get into a lot
15 of detail there, but there are control processes in place
16 at the deal level. Again, it doesn't mean that those
17 things cannot be strengthened. It doesn't mean that we
18 can't do things more preemptively like not letting
19 individuals hold it -- you know, individual securities.

20 But to this date, that's not been, you know, a
21 policy that we've had. And I think depending on where the
22 FPPC comes back on their interpretation of the Political
23 Reform Act, we may need to take additional steps as well.
24 And we'll know that -- you know, I don't how long it will
25 take for this investigation to be completed by them. I

1 imagine it's -- you know, it's months. It's certainly not
2 days or weeks. It's going to take some time.

3 But I understand completely that we need to find
4 a way to communicate that, you know, the Board has
5 oversight, the Board understands where this happened, and
6 is in support of these actions moving forward.

7 BOARD MEMBER YEE: Well -- and I think this is
8 going to just require, I hope, a little bit more regular
9 and more frequent just meetings of the Board to, you know,
10 really embrace this. I mean this is -- this is -- I don't
11 know what more can be important. I mean, this -- it's
12 just such a stain. And when we get into these policy
13 changes, and I think even after the FPPC investigation, I
14 think the scope of what we're going to need to consider is
15 going to be much broader than what they're going to, you
16 know, find, and turn it back to us, so --

17 CHIEF EXECUTIVE OFFICER FROST: Yep. Yep.

18 BOARD MEMBER YEE: Then I had a question with
19 respect to the investigation report, which I get, it's
20 not -- I mean, it's kind of still a little bit of a
21 work-in-progress, because there's disagreement on the
22 issues. It will be subpoenaed by the FPPC. So that part
23 is fine.

24 I guess I would have just asked that we at least
25 be told that there was an investigation going on. I just

1 think that it's just too high level of a position to not
2 know that.

3 And so anyway, I'll leave it there. I have other
4 questions, but I'm sure other members will --

5 CHIEF EXECUTIVE OFFICER FROST: Yeah, and I --
6 you know, thank you. And I would really, you know, like
7 to have a conversation with this full Board. And, you
8 know, at some point, you know, I can excuse the team and
9 we can walk through this. But, you know, we do have an
10 investigation around confidential information leaking.
11 You know, I would love to have a conversation about how do
12 we -- how do -- how do we work on that as an organization?
13 That, you know, the Board has an extremely important role,
14 management has an extremely important role, but all of it
15 is about protecting CalPERS.

16 So I would love -- you know, maybe not this
17 meeting, obviously because it's not, you know, on the
18 agenda, but at some point would love to have a
19 conversation about how do we make sure everyone is working
20 toward the same -- same outcome, which is really to make
21 this fund sustainable.

22 So I appreciate that.

23 BOARD MEMBER YEE: President Jones, I just want
24 to make one more statement.

25 PRESIDENT JONES: Yeah, go ahead.

1 BOARD MEMBER YEE: It seems to me just having
2 been at CalPERS now for a while on the Board, and I know
3 there are limitations and we consult with Mr. Jacobs
4 pretty regularly, but I guess I would just really ask that
5 we really look at transparency as our friend and not run
6 from it. I think we do ourselves an injustice. We hurt
7 the fund. It is -- we create our own press by not being
8 transparent. And so I would really err more on the side
9 of if we can be transparent about it, be transparent about
10 it. We own this. Everybody else is owning this story.
11 Everybody is owning, you know, taking down our CIO.
12 Everybody -- this is -- this is nuts.

13 CHIEF EXECUTIVE OFFICER FROST: Agreed.

14 BOARD MEMBER YEE: So I just -- and we have to --
15 and this Board has to do the diligence. And having less
16 meetings is not going to help us get there.

17 Thank you.

18 PRESIDENT JONES: Yeah. And a number of your
19 points, Ms. Yee, are well taken. And you know, as we look
20 at steps we can take to improve in this regard a number of
21 these, we will include those items for discussion also.
22 It -- you know, and as I said before, when Ms. Frost
23 mentioned to me that we may have a problem, I didn't have
24 any thing to say we need to call a Board meeting. It was
25 at just an investigation.

1 So when the investigation was going to be
2 complete was unknown. And I said, well, you have the
3 direct report of the CI -- the Chief Investment Officer
4 reports to you. You can discipline him with your
5 findings. But I said, once you reach that point, you need
6 to advise the Board. And that -- matter of fact, we
7 already had talked about putting on September, because she
8 believed that her investigation would be complete by then.

9 But then I also told her, I said, however, if the
10 findings are serious enough where you are contemplating
11 firing Mr. Meng, you can't do that on our own. The Board
12 share in that responsibility and it has to be a Board
13 discussion, so -- and then, you know, we were going along,
14 and then leaks forced that -- the whole dynamics to
15 change, is that the -- it was going to be reported to the
16 Board, but the leak created the necessity and the
17 emergency for us to now have this meeting earlier.

18 So I just wanted to share that with you. But
19 some good points that you make that I would also be
20 supportive of.

21 Ms. Brown.

22 BOARD MEMBER BROWN: Thank you, Mr. Chair.

23 I hope everyone can hear me. I'm not using my
24 headphones. I have a puppy and he got them.

25 So I wanted to ask Marcie if you can tell us who

1 else knew besides President Jones of these potential
2 issues with Ben's Form 700?

3 CHIEF EXECUTIVE OFFICER FROST: Yeah. So I
4 notified the Board President obviously. I also notified
5 the Chair of the Investment Committee and the Chair of
6 Performance, Compensation and Talent Management Committee.
7 And the reason that those additional notifications are
8 done is that this could impact agenda setting for those
9 committees, and so they needed to be notified
10 appropriately.

11 BOARD MEMBER BROWN: Thank you. You know, I want
12 to -- I want to also agree wholeheartedly with Ms.
13 Olivares' comments earlier about holding individual
14 stocks. I think that you would just assume that you're
15 going to have conflicts. And I do agree when Ben first
16 came on board and he said we -- we need more private
17 equity and we need it now. And it was kind of -- it was
18 kind of unusual. And now that we see that he owns a lot
19 of shares in private equity, I mean, it's really
20 problematic. And if he had just sold those shares, didn't
21 have them, he wouldn't have had that problem. And I'm not
22 sure why that didn't occur.

23 Also, I do agree with Ms. Yee's comments. I'm
24 sorry, I'm checking notes as fast as I can. Boy, my
25 shorthand sure has come in handy.

1 I do agree that we are putting the fund at risk
2 by having this information leak. And I do kind of agree
3 that I want my own counsel. You know, Matt, I was going
4 to ask you, you know, [REDACTED] [REDACTED]

5 [REDACTED]
6 [REDACTED]
7 [REDACTED]

8 GENERAL COUNSEL JACOBS: [REDACTED]

9 [REDACTED]
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[REDACTED]

[REDACTED]

So I think I answered your questions, but if you've got anything else, please let me know.

BOARD MEMBER BROWN: Yeah, I did. So I'm wondering, Ms. Frost, when did you tell Mr. Jones, and Ms. Taylor, and Mr. Feckner? Did you tell them all at the same time back in February, March -- February, April or did you tell them at some other time?

CHIEF EXECUTIVE OFFICER FROST: So they -- I don't have the exact date in which I notified them. It would have been somewhere between our Compliance Chief indicating that there is an issue and that we assigned outside counsel to come in and take a look at this. So within a two-week period around the end of April through mid-May.

BOARD MEMBER BROWN: Yeah. Yeah. I'd like all that included in the timeline that Ms. Olivares requested, date, what happened, and what was done.

You know, I, too, have concerns that the Board was unaware of the issue with the investigation. You know, I'm going back and reading Section 5A. You know, it's the role and powers of the Board. And one of our roles is to oversee. But it says right here that the Board requires adequate information to monitor and provide

1 direction and support as appropriate.

2 If we don't have the information, we cannot do
3 our jobs. And I don't want to be held liable when I am
4 not told. And my guess is this is not the only matter
5 that the full Board has not been told. And, you know --
6 and we need to know information. Like the trading
7 violations, we still don't know who specifically that was.
8 I mean, we need to understand what's going on. And the --
9 the suggestion that it's a personnel matter and we can't
10 know, that's false. We have liability for what goes on in
11 CalPERS and we need the information.

12 And I don't think telling one Board member or
13 three Board members releases you from the obligation to;
14 inform the full Board.

15 I'd like to know your thoughts on that, Ms.
16 Frost.

17 CHIEF EXECUTIVE OFFICER FROST: So the premise
18 that we have used, and it just, you know, certainly didn't
19 arise with my arrival, is that personnel matters are --
20 you know, are, you know, expected to be held
21 confidentially. And that especially during a -- an active
22 investigation, that any information that would potentially
23 go out about what we're investigating versus what we
24 found, could actually create significant liability for
25 CalPERS.

1 So, you know, I'm -- you know, I'd love to have
2 this conversation with you all, but, you know, as far as
3 personnel matters, you know, and a pending investigation
4 around those matters, I felt that it was more important
5 that we complete the investigation. We knew exactly what
6 the findings were. And that way, you know, if anything,
7 you know, were to get out beyond our normal controls, then
8 it's actually the facts and not something that someone has
9 been accused of. That's very dangerous, but obviously
10 willing to, you know, hear your feedback on that.

11 BOARD MEMBER BROWN: Thank you. I'm done with my
12 questions for now.

13 PRESIDENT JONES: Okay. Ms. Taylor.

14 VICE PRESIDENT TAYLOR: Sorry. Thank you, Mr.
15 Jones. I just want to remind everyone that while -- I
16 just think there were some misstatements about the Private
17 Equity Program. That started before Ben left -- or came.
18 So when Ben came and made his statement we need private
19 equity, that was a program that he was basically
20 continuing, because the Board had directed us to be
21 working on more private equity, as we know that this is
22 the asset class that can help us reach our seven percent
23 goal.

24 Additionally -- also, we delegated -- and I
25 wasn't here when this happened, but we delegated -- or

1 wait. Maybe I was. I don't remember -- authority to the
2 CEO over the CIO. Those positions used to be equal and
3 both reported to the Board.

4 So therefore, I just -- I think it's important we
5 understand that the CEO is responsible as a personnel
6 matter over the CIO. And I -- I think it's -- we need to
7 understand that when it's a personnel matter, then if we
8 don't have all the facts and we put -- trying to be
9 transparent and say, hey, we've got an investigation
10 going, and put that out in the press before there are
11 facts, that can result in law suits against us from the
12 person that we're putting out this information before we
13 know the facts. Because what if the facts came back and
14 there was no violation and we'd already put this out
15 there?

16 In addition, I just wanted to address the
17 personal trading violations which were -- I believe SEIU
18 represented employees, and State law and the bargaining
19 contract does not allow personnel matters to be made
20 public when there's investigations going and when there
21 are personnel matters being taken under consideration,
22 whatever those -- those matters are, whether it's
23 disciplining the employee.. Those are -- those are private
24 matters for the employee.

25 And our State law, and maybe Eraina could address

1 this, that applies to the CIO as well, because he is a
2 State employee. So we have to be very careful when making
3 these assumptions and making statements out in public and
4 being transparent. I totally agree that we need to be
5 transparent. I agree that we need to make sure that the
6 Board knows, because we are the ones that get the press.

7 But at the same time, we need to make sure that
8 information is correct, because we all know that this
9 informational -- all of our information gets out in the
10 press before we want it to get out in the press.

11 We have problems of leaking. We know that. And
12 it's -- it's imperative that we try to protect the
13 employee. So I'm coming at it from an employee stance.
14 If I were an employee, and at the very beginning of this,
15 if somebody went out and reported this to be transparent,
16 or my employer went out to report this, and I have
17 represented many employees where it is investigatory
18 hearings, and that is not allowed. We're not allowed to
19 do that.

20 So it's important that we understand there is
21 some privacy issues here and we could -- where I see the
22 biggest threat of getting ourselves as a Board in trouble
23 is leaking the information. So I think it's important
24 that we take that under consideration as well as we call
25 for transparency. I agree we need transparency. The

1 Board needs to know. At what point does the Board know
2 when it's an employee that answers to the CEO to whom we
3 delegated authority over the employees?

4 So I just -- I think that's important we
5 understand that.

6 PRESIDENT JONES: Okay. Thank you.

7 Ms. Olivares.

8 BOARD MEMBER OLIVARES: Thank you, Mr. President.

9 Lots of really great comments and questions. In
10 follow up to Mrs. -- Ms. Taylor's comments, I think, of
11 course, confidentiality is important when it comes to
12 employee matters. At the same time, I think CalPERS has
13 shown -- Marcie disclosed some trading violations early in
14 the year. So I think there's a balance here. So I think
15 there's been disclosure. I think we could probably have a
16 little bit more disclosure when it comes to potential
17 violations. Although this -- I'm not clear there was a
18 trading violation here, like in terms of an individual
19 security. However, there was not a recusal, right,
20 regarding Ben's perform -- Ben's role in the private
21 equity and private debt programs. And so it's definitely
22 a delicate balancing act.

23 I also wanted to follow up on fiduciary
24 insurance. I'd like to get a copy of the policies that we
25 have for D&O or E&O, and fiduciary insurance policies,

1 just to understand my coverage.

2 You know, I know the Board can get sued. I've
3 learned that this year. I want to make sure that my
4 assets are protected. Thank you.

5 PRESIDENT JONES: Mr. Miller.

6 BOARD MEMBER MILLER: Thank you, Mr. President.

7 Yeah. Whenever we have something go awry, there
8 tends to be this real rush to want to kind of jump in and
9 kind of say, you know, what can we do? And while I want
10 us to really examine this, I want us to -- to look at it
11 from our role for oversight, I don't want us to rush to,
12 you know, jump in and want to micromanage things like, you
13 know, detailed reports of personnel actions, and all those
14 type of things.

15 I think our role is really to look at how can we
16 improve our processes. Do we have sufficient processes,
17 information, oversight, those types of things. And when
18 it comes to things like, for example, the trading
19 violations, at what point do we find out and learn about
20 things? I don't think it's at the point where the CalPERS
21 team's processes have identified a problem and are working
22 to resolve and take personnel actions.

23 I don't want us to be pulled into that. That's
24 where I think we really end up with problems and
25 liabilities as Board members, because that's not our role.

1 It's not where we belong.

2 I think we need to be real clear about our
3 oversight role versus the CalPERS team and CalPERS
4 management's role in resolving problems. And, for us,
5 it's more to be the guardians of those processes and to
6 improve those processes, and in this case, getting the --
7 going forward and looking at what can we do to beef up our
8 processes, what can we do to improve our ability to
9 oversee things and get information in a timely way without
10 jeopardizing personnel actions, and without putting us in
11 a place where now we're kind of jumping in and
12 micromanaging where we really don't belong.

13 And so I just hope we'll keep our attention there
14 and looking at, you know, some of the topics we've talked
15 about that could help prevent this. And so that's just my
16 thought, because it seems to be where we tend to go, and
17 especially in an environment where -- where, frankly, the
18 leaking has been what has triggered a lot of the problems
19 in the crisis. And that's -- in terms of the timing of
20 information getting out and putting us in a position where
21 things get out that should have been confidential and
22 should have been -- whether it's closed session material
23 from the Board, whether it's something internal to
24 CalPERS, whenever the stuff gets out, that's an underlying
25 problem that we still have to grapple with.

1 But shifting us into a mode where we're doing
2 more micromanaging and we're getting more information that
3 we would then have to try to hold confidential, that's
4 really not necessary for our oversight role. That's my
5 worry that we rush to that level of solution rather than
6 looking at the fundamental solution to get us the better
7 processes, better control, better information.

8 Thanks.

9 PRESIDENT JONES: Mr. Rubalcava --

10 BOARD MEMBER RUBALCAVA: Thank you, Mr. Jones.

11 Yes. This is not a good spot for CalPERS to be in. And
12 on the one hand, I can't help but wonder if we had other
13 processes in place, and we were -- there weren't the press
14 leaks, things might have worked out differently. But the
15 point is things worked out the way they are. So on the
16 one hand, I do want to appreciate what Ms. Frost has laid
17 out as a process. What the process has been in place and
18 laid out four steps that can be -- will be done to improve
19 the process, starting with education and strengthened the
20 process. I think that is very important.

21 And I want to follow up on what various Board
22 members have said is it's going to impact the replacement
23 process. Candidates will be very wary of is there a
24 process they can work under with, and do they understand
25 the process, and how much do they have to disclose that is

1 private, but, you know, in the -- and try not to be --
2 ensure that there's no conflict. Maybe go overboard. I'm
3 very sensitive to the privacy issues that have been
4 raised.

5 So I just want us to, as we go forward, temper
6 our comments, understanding that we have a bigger
7 responsibility, bigger than how we feel we were in the
8 process or not in the process. We have an oversight role
9 clearly and we can't belittle that. At the same time, we
10 need to understand that -- I'm just asking for a little
11 bit of unity, so we can sort of go forward.

12 And I'd like to hear from Ms. Frost. I mean,
13 what are the plans to have candidates in place for the new
14 Chief Investment -- Chief Investment Officer?

15 CHIEF EXECUTIVE OFFICER FROST: Yeah.

16 BOARD MEMBER RUBALCAVA: And also what -- how
17 we'll be dealing with the press going forward with this
18 Board, what will be announced to us, what will be
19 announced to the press, what is the timeline, both on the
20 investigation -- and, I mean, we can always speculate. If
21 we -- if things had not developed the way they did, would
22 Ben still be here? What would have been the discipline
23 or -- this should be a learning moment. So what have we
24 learned and what are we going forward with that will be
25 responsible to us as Board members, to CalPERS and its

1 beneficiaries and members.

2 Thank you very much.

3 CHIEF EXECUTIVE OFFICER FROST: Yeah. Thank you,
4 Mr. Rubalcava. A couple of questions in there. And if I
5 don't, you know, get to all of them, please remind me of
6 the one I missed.

7 So we have already reached out to a headhunting
8 firm to begin the recruitment process. Interestingly
9 enough, his name is -- it's Korn Ferry, Michael Kennedy.
10 Michael Kennedy and Korn Ferry led the recruitment process
11 and the selection process that acquired Mr. Meng.

12 And, you know, interestingly enough, he's had a
13 number of candidates, and he believes highly-qualified
14 candidates, maybe six or seven, who've already reached out
15 to him about the opportunity. You know, CalPERS is still
16 a draw. Even though, you know, we go through these
17 moments of, you know, bad press, you know, unfortunately,
18 I think people are just getting accustomed to the fact
19 that CalPERS is in bad press, which is not okay, and not
20 something we're okay with, you know, anyone who's in
21 CalPERS or, you know, on the Board.

22 But we -- that recruitment announcement should be
23 out within the next two weeks. I think another data point
24 for you all is that we have extended an offer to an
25 individual who would replace Mr. Baggesen who indicated

1 that he is retiring by the end of this year. We are still
2 trying to get that individual across the U.S.-Canada
3 border on a work visa. That's been a little problematic
4 for us. We're hoping that we would have been able to
5 announce his appointment.

6 But once -- you know, once, you see his resume,
7 his background, the work that he's done, I think you'll
8 also be impressed that we're still able to get these
9 candidates. Mr. Hoffner and I did reach out to him to
10 make sure he was still interested in coming to CalPERS
11 after Ben's resignation, and he affirmed that he was still
12 excited to come join the team.

13 On a press release, and, you know, Controller Yee
14 brought this up as well, is that we have to find
15 opportunity. And I don't have an exact timeline, but I
16 think it needs to be pretty close to after this meeting
17 that I need to do something that puts the fund in a -- in
18 a good communication standpoint regarding -- as I
19 indicated earlier, what members need to hear is that we
20 understand what happened and here is the prevention for
21 that.

22 . And so we'll work through that. I wanted to get
23 through this meeting obviously today before we do
24 anything. But I -- you know, I'll be working on that
25 after we're done meeting here.

1 And then, you know, overall, you know, just --
2 you know, for Mr. Meng, you're right, this was intended to
3 come to the Board in September. It would have been on the
4 agenda for one of the committees. Mr. Meng was, you know,
5 willing to take full responsibility for, you know, the
6 pieces that he felt responsible for and he would have done
7 that publicly.

8 But I think -- you know, again some of you know
9 Mr. Meng or may have spoken to him since he resigned on
10 August 5th, but I think just the -- his journey here he,
11 you know, was a little battle worn and he knew that, you
12 know, this would certainly cause, you know, media
13 attention, rightfully so. That it would cause some media
14 attention as well. And, you know, he was just very
15 concerned about his personal health. And ultimately, that
16 is why he resigned, is that, you know, his personal
17 health, in his words, is more important than the job.

18 So, you know, I -- you know, I think with that,
19 to put more safeguards in, obviously, you know, around
20 training, you know, the things that I've already outlined.
21 Obviously, you know, some of those -- most of those
22 supported by the Board, and, you know, we'll move forward
23 accordingly. But at least at this point in time, Mr.
24 Kennedy is getting a number of candidates directly
25 reaching out. Now, some of those candidates we may not be

1 as interested in as they are with us. Some of these
2 candidates may have interviewed in the past.

3 The process would be the same. You know, I'd
4 consult with the Board on the hiring of the Chief
5 Investment Officer at -- and as President Jones said, also
6 consult with the Board on the termination, if that were
7 the case, of the Chief Investment Officer.

8 So as we did when we hired Mr. Meng, we had -- we
9 publicly noticed those interviews, not the candidate's
10 name obviously. And then we invited three members of the
11 Board to sit on the first panel interview and then three
12 members of the Board to sit on the second panel interview.
13 And at the time Mr. Meng was hired, there was full
14 consensus that Mr. Meng as the one who we should offer the
15 position to.

16 So I would expect I'll work with President Jones
17 on this, but fully expect that President Jones would want
18 to do that process again.

19 PRESIDENT JONES: Yes, that is correct.

20 Okay. Ms. Middleton.

21 BOARD MEMBER MIDDLETON: Thank you, Mr.
22 President. And I started this morning with about three
23 pages of questions and I'm going to try to avoid asking
24 all of them, but I do have some that I want to ask.

25 But first, I want to reemphasize that this is a

1 sad turn of events. We have lost a really talented, very
2 good person to the CalPERS organization under
3 circumstances that none of us want to see happen.

4 But we cannot underestimate the fact that this
5 has hurt CalPERS' reputation and that we, as a Board, have
6 responsibility to restore the trust in CalPERS as an
7 organization. And we may have some differences of opinion
8 as we move forward on elements of what we need to do in
9 terms of reform, but I think it is -- it is absolutely
10 critical that we, as a Board, find ourselves in a position
11 where we can act in a unified way that restores trust.

12 If we look -- to the extent that we have lost it,
13 it harms our ability going forward and more harm to that
14 public trust is -- is something that I don't believe this
15 organization can afford.

16 So with that, Matt I'm -- or, Mr. Jacobs, I'm a
17 little concerned in [REDACTED]

18 [REDACTED]
19 [REDACTED] [REDACTED]
20 [REDACTED] [REDACTED]
21 [REDACTED]
22 [REDACTED] [REDACTED]
23 [REDACTED] ?

24 GENERAL COUNSEL JACOBS: [REDACTED] [REDACTED]

25 [REDACTED]

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[REDACTED]

BOARD MEMBER MIDDLETON: Um-hmm.

GENERAL COUNSEL JACOBS: [REDACTED]

[REDACTED]

BOARD MEMBER MIDDLETON: [REDACTED]

[REDACTED] ?

GENERAL COUNSEL JACOBS: I [REDACTED]

[REDACTED]

BOARD MEMBER MIDDLETON: [REDACTED].

GENERAL COUNSEL JACOBS: [REDACTED]

[REDACTED]

BOARD MEMBER MIDDLETON: [REDACTED] [REDACTED]

[REDACTED]

1 GENERAL COUNSEL JACOBS: [REDACTED]
2 [REDACTED]
3 BOARD MEMBER MIDDLETON: [REDACTED].
4 GENERAL COUNSEL JACOBS: [REDACTED]
5 [REDACTED]
6 BOARD MEMBER MIDDLETON: [REDACTED].
7 GENERAL COUNSEL JACOBS: -- [REDACTED]
8 [REDACTED]
9 [REDACTED].
10 BOARD MEMBER MIDDLETON: [REDACTED].
11 GENERAL COUNSEL JACOBS: [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 BOARD MEMBER MIDDLETON: [REDACTED].
17 GENERAL COUNSEL JACOBS: [REDACTED]
18 [REDACTED]
19 BOARD MEMBER MIDDLETON: All right. Marcie, you
20 reached out to President Jones, and to Mr. Feckner, and to
21 Ms. Taylor. Was that you using your best judgment or were
22 there processes and procedures in place for how you should
23 notify the Board of the existence of an investigation into
24 a senior executive?
25 CHIEF EXECUTIVE OFFICER FROST: Yeah. Yeah, I

1 would say predominantly that was my judgment working.
2 Although, there are certain provisions not specifically
3 related to this matter that calls for the CEO to work more
4 directly, for example, with the Board President or the
5 Committee Chairs. I can give you those citations, if you
6 need them, but nothing specific related to a personnel
7 investigation. That was my judgment. I -- you know, I
8 feel that transparency is important. I think we have a
9 very transparent organization.

10 I do have, you know, a lot of delegated
11 authority. That's been pointed out in the past. And
12 really the way that you keep the trust between, you know,
13 the Board and management is to make sure that you're
14 communicating.

15 And, you know, I looked at who had a need to know
16 at that moment in time, and those were the three
17 individuals and the Committee Chairs that I felt had a
18 need to know at that time.

19 BOARD MEMBER MIDDLETON: Okay. Thank you.

20 CHIEF EXECUTIVE OFFICER FROST: Um-hmm.

21 BOARD MEMBER MIDDLETON: I think as most of you
22 know in a prior life, I actually conducted and led
23 investigations into potential misconduct of senior
24 individuals in the organization I worked for at the time,
25 a State agency.

1 And the process was somewhat similar to what we
2 have here at CalPERS. Although, in my role as the head of
3 internal affairs, I reported not to anyone within the
4 organization, but reported directly to the audit chair,
5 and had a reporting relationship there. So it was very
6 clear that at any time that we initiated a investigation
7 that was going to be a high-profile investigation, the
8 audit chair was made aware of that.

9 And I'm not necessarily saying that we follow the
10 same procedure here at CalPERS, but I do strongly believe
11 that we need to have an established policy that identifies
12 when investigations of this significance begin, that there
13 is a process both for alerting someone on the Board and
14 for the Board, at some point in time down the road, to be
15 alerted. I don't think we should make up that procedure
16 here today. And a little distance from the specific
17 events may help us here to do a better job of creating
18 that rule.

19 But I would share with Controller Yee and I think
20 others the concern that the conclusion of an investigation
21 is too late for notice to the full Board when the
22 investigation involves matters of this significance. And
23 in saying that, it is absolutely fundamental that when you
24 swear an oath to be a member of this Board, that on
25 matters of this substance, you do not leak any information

1 to anyone under any circumstances. That is a violation of
2 your fiduciary responsibility.

3 So I'm already on record as being concerned that
4 holding individual stocks is a -- is problematic. And the
5 events of the last few weeks have taken me from somewhat
6 concerned that we should have a requirement that people
7 sell or put into a blind trust all of their individual
8 stocks to being very strongly committed to that. And I
9 ask that we get that in front of us at the earliest
10 possible opportunity.

11 The last thing, a question for Ms. Timberlake
12 D'Adamo. How many individuals do we have that are working
13 on the process of trying to do preclearance and keep
14 control over all of the private trading that goes on by
15 our staff?

16 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO: So
17 when you say how many people do we have that are working
18 on the private asset process?

19 BOARD MEMBER MIDDLETON: Um-hmm.

20 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO: We
21 have three individuals within that area.

22 BOARD MEMBER MIDDLETON: Okay.

23 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO: And
24 what happens is if someone has a request to do something,
25 it comes to them and then we reach out to the Managing

1 Investment Director to get approval for that.

2 BOARD MEMBER MIDDLETON: Okay. Thank you. It's
3 actually at less than I thought it would be.

4 So, again, I really want to thank staff for all
5 of the work under some very difficult circumstances. But
6 I do believe that -- well, let me ask this as a question.
7 Ms. Frost, do -- do you have any concerns, looking back,
8 that having Mr. Meng be as high profile over the last few
9 months, while an investigation was taking place, was
10 problematic?

11 CHIEF EXECUTIVE OFFICER FROST: Yeah. So, you
12 know, certainly, you know, that was something that I had
13 been considering, especially, you know, at the moment that
14 we knew where the findings were going to be going, whether
15 I believed that those actions by Mr. Meng were
16 intentional, which would then, you know, be a consultation
17 with the Board on termination. But my judgment and my
18 opinion, based on what I've seen, is that that was not the
19 case, and that Mr. Meng, you know, was, you know, willing
20 to, you know, what he calls fight it out, but willing
21 basically to be transparent about what happened, take
22 responsibility, both from CalPERS as well as the FPCC, and
23 move on.

24 But what I did -- what we did do, and there were
25 a couple of actions that we did take right away, one of

1 them was our early communication around the investment
2 strategy, because at that point in time, we'd been
3 communicating the strategy for a few months. And all of
4 the communication materials, you know, really spoke about
5 Mr. Meng, Mr. Meng's strategy, and whether -- you know, I
6 could have Mr. Bienvenue weigh in on this as well, but
7 whether it was Mr. Meng's strategy or it was the
8 Investment Office's strategy. I really, you know, started
9 red-lining those communication pieces and say, you know,
10 CalPERS investment strategy.

11 The second thing we did is both Mr. Bienvenue and
12 myself, we started to do more of the communication around
13 the investment strategy. Also, noted on the timeline, is
14 that Mr. Meng sold that stock pretty quickly. So anything
15 that Mr. Meng was talking about in May, in June, and July
16 would have been, you know, appropriate, non-conflicted
17 communication. But again, we were really careful about,
18 you know, where Ben was placed versus where Dan or myself
19 were placed on the strategy, until this thing had worked
20 its way through the process.

21 BOARD MEMBER MIDDLETON: Thank you.

22 Mr. President, that concludes my questions.
23 Thank you, all.

24 PRESIDENT JONES: Mr. Perez.

25 BOARD MEMBER PEREZ: So the -- I don't think

1 anyone in the room has any -- or in the screen has
2 questioned whether or not Ben did this intentionally. I
3 don't -- absolutely do not believe ben intentionally tried
4 to do think any kind of shenanigans. But the fact remains
5 that it was -- it is an error and we have to fix it.

6 Actually, Mr. President, can we excuse everybody
7 but Marcie, or is that --

8 PRESIDENT JONES: Yes. Yeah. We could -- we
9 could do that. Can we hold that --

10 BOARD MEMBER PEREZ: Matt can stay.

11 BOARD MEMBER BROWN: Can we take a bathroom
12 break?

13 PRESIDENT JONES: I was going to suggest that Mr.
14 Perez's request we hold that till we get through the other
15 questions that may not involve the other members leaving
16 the room. And then we'll wait to the end to deal with
17 just Ms. Frost, and also ask Mr. Jacobs and -- to hang
18 around in case you want to talk to him separately. So I
19 think that would be a good process. But can we move --
20 hold it to the end till we get through --

21 BOARD MEMBER PEREZ: Absolutely.

22 PRESIDENT JONES: Okay. Ms. Brown raises a good
23 point of bathroom breaks.

24 (Laughter.)

25 PRESIDENT JONES: So can we take a -- what, a ten

1 minute break? Okay. Ten minute break for bathroom.

2 Okay.

3 (Thereupon a recess was taken.)

4 PRESIDENT JONES: Okay. If everyone is back, Mr.

5 Perez, were you finished with that line of questioning,
6 other than asking to meet with Ms. Marcie -- Ms. Frost
7 alone?

8 BOARD MEMBER PEREZ: Actually, I do have a
9 question Marlene.

10 PRESIDENT JONES: Okay.

11 BOARD MEMBER PEREZ: Marlene, we had a -- since
12 April, we've had a couple of closed session meetings with
13 you, where we call you in and ask about external influences
14 and all that stuff. Were you instructed not to tell the
15 Board about this discovery?

16 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO: No.
17 So the meeting that I have with you is a personnel
18 meeting. We go through the seven questions and we talk
19 about the influences in the employment of the ability of
20 me to do my job.

21 BOARD MEMBER PEREZ: Right. Perfect. Thank you.

22 CHIEF COMPLIANCE OFFICER TIMBERLAKE D'ADAMO:

23 Um-hmm.

24 BOARD MEMBER PEREZ: So no, Henry. That's all I
25 have for right now.

1 PRESIDENT JONES: Okay. Ms. Olivares.

2 BOARD MEMBER OLIVARES: Thank you.

3 This question is for Marcie. Marcie, what's our
4 ~~thinking on hiring Michael Kennedy from Korn Ferry to do~~
5 this -- the CIO search?

6 CHIEF EXECUTIVE OFFICER FROST: Yeah. So we --
7 you know, we have a pre-qualified list called the
8 spring-feed pool. And these are individuals who at a time
9 that issued an RFP, responded, so that, you know, when we
10 had a need arise, we didn't have to take the time to go
11 through a full RFP. We could go through this
12 pre-qualified list.

13 Out of any firm on that list, we believe that
14 Korn Ferry has the most outreach in this particular space.
15 They certainly did source good candidates for the last
16 time we did this with Mr. Meng, not so long ago. We
17 really like their background checking processes that they
18 used. We think that those are ideal for an organization
19 like CalPERS. But they really are very well known in this
20 investing space, and particularly at the higher level
21 management positions in an investment organization. They
22 really do have a good handle on candidates who might be
23 available, candidates who may be are a flight risk in
24 another organization, and how have relationships that we
25 really need to tap into.

1 BOARD MEMBER OLIVARES: I agree that Korn Ferry
2 has very deep and broad experience that's relevant.
3 However, LACERA's CEO recently, Ms. Lou Lazatin, that was
4 recruited over by Michael Fer -- Michael Kennedy at Korn
5 Ferry was found to have fraudulently reported her
6 experience, had been fired, and that wasn't discussed with
7 the LACERA Board.

8 There's a lot of concerns amongst California
9 trustees about Michael Kennedy's work at Korn Ferry.
10 There are other principals. I think I've worked with Kate
11 Shattuck before who is there. So I agree Korn Ferry does
12 -- is very, very extensive in their approach, but I think
13 we might look at a different principal there.

14 CHIEF EXECUTIVE OFFICER FROST: (Nods head.)

15 BOARD MEMBER OLIVARES: Thanks.

16 PRESIDENT JONES: Okay. Ms. Yee.

17 BOARD MEMBER YEE: Yeah. Thank you, President
18 Jones. I guess as we're trying to deliberate about some
19 of the work that we're going to be doing together going
20 forward to ensure there are safeguards in place, I guess
21 what I'm still kind of bothered by, and it really -- when
22 Ms. Olivares made her statement, it just really kind of
23 sent -- sent a flag in my mind about what more we could
24 have done at the beginning of this process.

25 I mean, we knew that through the disclosures that

1 Mr. Meng had made upon assuming office. Did we just kind
2 of like not circle back or because there was no policy, we
3 didn't feel compelled to do so? I mean, I just think
4 there was a lapse there. And I'm not pointing fingers.
5 I'm just saying, you know, we could have caught this
6 earlier. And to the extent especially, if he was going to
7 have to approve all of his staff's, you know, work.

8 And so I just want to be sure we're giving that
9 some attention and diligence going forward with respect to
10 our policy changes, because that -- he could have divested
11 from his holdings, and we wouldn't be having this
12 conversation.

13 So I just feel like there was really a lapse
14 there. And then there was all of this education, and
15 onboarding, and just like what happened? So I think
16 that's one aspect.

17 And then, Marcie, you made a statement and I want
18 to just add this to the list to explore. I mean, you
19 have -- I'm not saying this with any kind of -- it's not
20 dispositive of anything, but it just seems to me, at one
21 point, CalPERS had -- and it relates to the delegations,
22 so -- which you have a lot on your plate. And I'm
23 wondering, similar to what CalPERS had at one point, if we
24 could add to the list of what we can explore, just looking
25 at the CIO reporting jointly to the Board and to the CEO.

1 It's a different dynamic. We have it with our
2 sister fund. It actually works well. And I guess to Mr.
3 Miller's points, I'm not interested in micromanaging. I
4 mean, that's the last thing I have time to do. And I
5 don't have any desire to do it.

6 CHIEF EXECUTIVE OFFICER FROST: Um-hmm.

7 BOARD MEMBER YEE: At the same time, if we're
8 going to take our oversight responsibilities seriously,
9 it's got to be robust oversight. And I just feel like
10 sometimes we don't know about things until after the fact.
11 And it's not that we're going to do anything with it, but
12 there is exposure. And I think -- I mean, obviously, I
13 want to get to the bottom of the leaks as well, because
14 that doesn't help any of us.

15 On the other hand, I don't know that we can
16 provide the proper oversight if we just don't get
17 information timely. And so if we could just add that to
18 the list of considerations, because we had it at one
19 point. I guess I'd want a little -- to know a little bit
20 more about the history about what -- you know, just where
21 that change was made. It seems to me that, particularly
22 since I'm just feeling a little vulnerable right now as a
23 member of this Board, and the lack of my ability to do
24 oversight, I just wanted to have us explore that reporting
25 arrangement -- that delegation arrangement.

1 CHIEF EXECUTIVE OFFICER FROST: Yeah, I -- you
2 know, we can certainly do that. I have some, you know,
3 basic information around, you know, the -- and understand
4 ~~that CalSTRS operates in this way and get a little more~~
5 information on how that actually works, but that these are
6 civil service employees. And as I understand it, they
7 can't actually report to a board. They have to report to
8 a CEO. And maybe that's why, right -- maybe that's why or
9 how CalSTRS may have this set up, but willing to dig in
10 and see what I can find out.

11 BOARD MEMBER YEE: Yeah. Thank you.

12 CHIEF EXECUTIVE OFFICER FROST: Um-hmm.

13 PRESIDENT JONES: Okay. Ms. Taylor.

14 VICE PRESIDENT TAYLOR: Thank you, Mr. President.

15 As I recall, the reporting process used to be the
16 CIO and the CEO to the Board. So they were almost lateral
17 positions. And I -- Henry, correct me if I'm wrong, but
18 as I recall, because of the issue with whatever happened
19 with those folks some years back, that changed because of
20 that, but also because the CEO had no ability to
21 discipline the CIO was the other issue. So it didn't --

22 CHIEF EXECUTIVE OFFICER FROST: Yeah.

23 VICE PRESIDENT TAYLOR: I don't know that it had
24 anything to do with California law or anything like that.
25 I think it was a decision made by the Board that one

1 person has to be in charge, but -- Marcie, does that ring
2 a bell? Do you remember that?

3 CHIEF EXECUTIVE OFFICER FROST: Well, you know, I
4 certainly wasn't here at the time. You know, that -- you
5 know, that was a really dark time at CalPERS, you know,
6 when some of those things were happening.

7 VICE PRESIDENT TAYLOR: Rob seems to know.

8 CHIEF EXECUTIVE OFFICER FROST: Yeah. But I --
9 But I do know it came to a vote of the Board, you know, to
10 change the reporting relationship to the CEO. Again, I
11 will go back and get, you know, actual facts around this,
12 so that, you know, we don't, you know, try to make
13 decisions on what people remember or recall.

14 But, Rob, I know he's our historian here and it's
15 looking like he wants to weigh in if President Jones wants
16 to move in that direction.

17 PRESIDENT JONES: Yeah, I -- and I also was here,
18 and we did have a very -- at an off-site meeting, a
19 lengthy discussion regarding the reporting relationships.
20 And it was a divided board in terms of changing the
21 relation -- reporting relationship. But the records will
22 show that the -- you know, that it was a robust discussion
23 and it was a divided Board on making the change.

24 Mr. Feckner.

25 BOARD MEMBER FECKNER: Yes. Thank you, Mr.

1 President. You're exactly right. It was a divided Board.
2 This -- that action came through at the behest of the
3 former CEO. And they started looking at best practices in
4 the industry. And the industry best practices, according
5 to those who were involved -- the big arguers were Mr.
6 Slaton and Mr. Costigan at the time. And they said that
7 we needed to have one person in charge, one person to
8 answer to, even though there were a lot of us that thought
9 we can -- should continue with the five direct reports
10 that the Board had, it was certainly not the majority and
11 it -- they pushed hard. And it was an ugly battle for a
12 while, but it was at the behest of the former CEO that
13 this all came about.

14 PRESIDENT JONES: Okay.

15 VICE PRESIDENT TAYLOR: So I still have a couple
16 of things I wanted to remark on. First of all, I just
17 want to thank Marcie and our staff for doing their best to
18 work through this process, as we became -- as it became
19 something of, you know, a public issue, even though that
20 that's what we were trying to avoid before we were able to
21 get to the Board, I imagine.

22 But -- and I do appreciate that Marcie, and Matt,
23 and Marlene have all worked really hard to make sure that
24 all of the "I"s were dotted and the "T"s were crossed.
25 But again, I agree that we need transparency. And how

1 that comes about before the end of investigation, I don't
2 know, and we need to discuss that more.

3 In addition, we have to take into consideration,
4 and I think you all know this, our Form 700s and the CEO
5 and CIO's 700s were requested. They're on part -- they're
6 public anyway, right? But they were all requested and
7 those forms have been used in gotcha articles in that
8 blog. And I can personally attest to that, because I
9 forgot to put some income on there. It was an honest
10 mistake. I had to amend my forms, but it ended up in the
11 blog that I was a perjurer and a felon.

12 So these are kind of these gotcha moments. And
13 the 700 Form issue was what initially made it into the
14 news through the blog for Ben, with conjecture on what was
15 going on before any matters had been disclosed.

16 I just want to remind the Board this is the kind
17 of environment we're in right now. So it's difficult for
18 transparency when, you know, the minute your public
19 documents get out there, somebody is accusing you of
20 being, you know, fraudulent, and a perjurer, and a felon
21 over simple mistakes. So I just want everyone to take
22 that into account, as staff was working behind the scenes
23 to make sure that the correct information was being
24 relayed.

25 PRESIDENT JONES: Okay. Thank you.

1 Ms. Ortega.

2 BOARD MEMBER ORTEGA: Thank you, Mr. Chair.

3 I wanted to return to the conversation about the
4 ~~privacy rights of the employee and the duty to keep the~~
5 personnel information out of the public. And while I
6 completely agree with the comments about not providing
7 personnel information to reporters, or outside entities,
8 the distinguishing line is what the Board's role is in
9 hearing about personnel matters. And so I had always
10 understood something more along the lines of what Mr.
11 Jacobs said earlier [REDACTED]

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 So if that is not correct, I would certainly want
17 to understand that. I didn't ever -- I never have
18 understood the employees having any right to have their --
19 the issue not discussed in closed session with the Board.
20 Now, obviously, if a Board member leaks that information,
21 that's going to put the Board and that individual in
22 danger of some action against them by Mr. Meng or someone
23 else, and that's certainly problematic. But the
24 fundamental question of whether the Board can hear about
25 personnel matters, if that is not a possibility, I think

1 we need to understand that more clearly, because I had
2 certainly always felt that we could hear those matters in
3 detail.

4 Now, I would certainly not expect to have Marcie
5 bring, you know, staff inquiries into things that really
6 do not affect the organization as a whole, do not affect
7 the Board's decision making. Back to the question of
8 micromanaging, certainly not at that level. But this
9 position, I would have expected the opening of an
10 investigation to be brought to the Board in closed session
11 immediately, because the -- a negative outcome of the
12 investigation would, will, does affect our entire -- our
13 primary duty as Board members, because it is about the
14 investments of the fund.

15 So this, to me, raises to an entirely different
16 level than any kind of maybe mundane employment matter.
17 So on that point, I agree completely with Ms. Middleton,
18 and Ms. Yee, and others who have stated a desire to have
19 known much sooner and to be more involved in that. Again,
20 this balance between transparency and concerns about the
21 public finding out, I feel like there's -- the issue about
22 transparency is the Board -- the Board deserves complete
23 transparency from the staff. We have to balance that with
24 what could be harmful for -- to be leaked or information
25 that the public doesn't need to know until such time that

1 it's a -- a decision has been made and you're reporting it
2 to the public, but I feel like to the extent that the
3 Board doesn't know what's going on.

4 You know, the leaking of the information about
5 the investigation is not the problem. The problem is the
6 Board members who were then asked about it didn't know
7 anything about it. So the leaking is sort of secondary to
8 what I think is the fundamental problem is that we didn't
9 know that this was happening.

10 I think that kind of covers my -- my issues. I
11 think the -- this question of what happens on a policy
12 basis going forward, I think I would lean very closely to
13 alignment with Ms. Middleton's comments about blind trusts
14 and other very high levels of requirements for
15 individuals, and the CIO, and that level of position. I
16 think -- I feel a little bit of, at the beginning, the
17 comments were suggesting that this was, while the
18 information was disclosed, it wasn't intended -- you know,
19 they're sort of downplaying the importance of the
20 discovery of the issue.

21 And I feel like that perhaps then the individual
22 did not understand the seriousness with which the
23 perception of the issue would have been taken. And so
24 that to me suggests needing to make a higher commitment at
25 the beginning, a higher commitment from the Board about

1 how important it is to not only disclose information, but
2 perhaps to consider not even having those things -- you
3 know, so that there will not be any perception of
4 conflicts, because I think that it -- the Form 700 is
5 about disclosure, but the other code section is about
6 conflict.

7 And the way I think the Government Code and the
8 Political Reform Act work are really about making sure
9 that individuals are not acting on their own behalf. And
10 it's very, very hard to counter perception on that
11 question. And so the -- you know, the more cautious we
12 could be, I think the better off we would be long term.
13 And whatever policy is required to do that, I would very
14 likely support.

15 Thank you.

16 PRESIDENT JONES: Okay. Ms. Brown.

17 BOARD MEMBER BROWN: Thank you. I also want to
18 thank Ms. Middleton, Ms. Yee, and Ms. Ortega for their
19 comments about more oversight, and specifically robust
20 oversight. I mean, that is the Board's role, not
21 micromanagement, but oversight. And the only way we can
22 do that is if we get timely information.

23 And we need to ensure that there are safeguards
24 in place, but what are we going to do in the interim? You
25 know, Ms. Middleton mentioned that in light of the fact

1 that the staff and Mr. Jones you knew of these potential
2 conflicts, and we hired a lawyer, and Ben's hired a
3 lawyer, we still have Mr. Meng out there as our
4 high-profile person saying we're going to invest \$80
5 billion -- or borrow \$80 billion and put it in private
6 equity, and he's in the middle of an investigation.

7 I mean, that is horrible. It's horrible. It
8 looks terrible. And so someone is going to write about
9 that. They haven't said that yet, but I'm sure someone is
10 going to write about that.

11 And so, you know, we need to -- the Board needs
12 to know, and so this -- this doesn't happen. We're
13 going -- I think we're going to get sued. We're all going
14 to get sued. You know, in my no vote -- I talked to an
15 attorney. My no vote doesn't help me. I'm a member of
16 the Board, but I didn't know. And it turns out -- I've
17 asked, do I have less -- do Board members who are kept in
18 the dark about this have less fiduciary duty? And the
19 answer is no, according to my attorney.

20 So this is -- this is problematic as well. But I
21 think, while we're trying to figure out how to recruit a
22 new CIO and what provisions we're going to put in place
23 for safeguards, you know, I'd like to see the Investment
24 Committee meet more often and I'd also like the Board to
25 reduce the delegated authority.

1 You know, Ben could invest up \$2 billion and even
2 up to \$6 billion in opportunistic strategies. And now
3 this goes to Dan and then it will go to the new CIO. But
4 ~~until we get these reforms in place, including, I think~~
5 Marcie said it might take, you know, regulation, so it
6 might take legislation to do that, I think the Board in --
7 should increase its oversight.

8 And I think this would also go a long ways to
9 showing the public, our beneficiaries, that we are taking
10 our role seriously. And I'd like to see us reduce the
11 delegated authority to the CIO, and then, of course, his
12 deputies and managers below him, as well as increase the
13 number of Investment Committee meetings, so we can show
14 that we are putting safeguards in place.

15 And maybe I'll make that a motion. I don't know.
16 Can I make a motion in closed session, Henry?

17 Can't hear you.

18 GENERAL COUNSEL JACOBS: This is Matt. [REDACTED]

19 [REDACTED] [REDACTED] [REDACTED]

20 [REDACTED] [REDACTED]

21 PRESIDENT JONES: Yeah. And by the way, Ms.
22 Brown, we -- all of these issues, we're going to have a
23 full Board discussion on not just that issue, but all
24 of -- many of the suggestions that have been surfaced here
25 today, so I think we need to look them in that context as

1 a whole, rather than starting to piecemeal one by one.

2 Okay.

3 So I don't think I have anyone else on this chat
4 ~~box to request to speak, am I correct, from Board members?~~

5 Mr. Perez.

6 BOARD MEMBER PEREZ: Can we dismiss everybody but
7 Marcie and Matt, please?

8 PRESIDENT JONES: Yeah. Right. Okay. So that's
9 what I was trying to be sure that no one else had any
10 general questions for the whole group.

11 So given that, we are going to ask everyone to --
12 for staff to leave, except Marcie and then we will
13 continue the discussion.

14 CHIEF EXECUTIVE OFFICER FIRST: And Matt.

15 BOARD MEMBER PEREZ: And Matt, yes

16 PRESIDENT JONES: And Matt.

17 GENERAL COUNSEL JACOBS: Can I be dismissed too?

18 PRESIDENT JONES: Say what?

19 GENERAL COUNSEL JACOBS: That was a joke.

20 (Laughter.)

21 (Thereupon the meeting recessed into
22 executive closed session.)

23 -PRESIDENT JONES: Okay. So we have to keep
24 David, because he's the running show, right?

25 CONFERENCE MODERATOR: Henry, I'm actually going

1 to turn this over to a laptop and I'm going to walk out of
2 the room. So when we get a text to come back in, I'll
3 restart the meeting from my end, but it should be seamless
4 on your end.

5 PRESIDENT JONES: Okay. Okay. So Marcie, would
6 you note to text him when this piece is over, so he can
7 come back and -- so we can continue our meeting, even
8 though it may be at the end? Okay.

9 CHIEF EXECUTIVE OFFICER FROST: Yes, I will send
10 him an email.

11 CONFERENCE MODERATOR: Henry, are you satisfied
12 with the participants and I can lock the meeting?

13 PRESIDENT JONES: Yeah, the participants are the
14 ones on the screen, right?

15 CONFERENCE MODERATOR: That's correct, sir.

16 PRESIDENT JONES: Okay.

17 BOARD MEMBER PEREZ: Is Fiona a still here?

18 PRESIDENT JONES: Yeah.

19 CONFERENCE MODERATOR: Who's the call-in user.

20 PRESIDENT JONES: Yeah, I -- yeah, that's fine.

21 CONFERENCE MODERATOR: Okay.

22 PRESIDENT JONES: Okay. Thanks, David.

23 CONFERENCE MODERATOR: You're welcome, Henry.

24 PRESIDENT JONES: Okay. Jason.

25 BOARD MEMBER PEREZ: Marcie, you said there's no

1 legal requirement for us to report to the FPPC. Is there
2 any CalPERS policy addressing that?

3 CHIEF EXECUTIVE OFFICER FROST: No.

4 BOARD MEMBER PEREZ: Thanks.

5 CHIEF EXECUTIVE OFFICER FROST: Um-hmm.

6 BOARD MEMBER PEREZ: Matt, [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 GENERAL COUNSEL JACOBS: [REDACTED]

12 [REDACTED] [REDACTED]

13 [REDACTED] [REDACTED]

14 [REDACTED]

15 BOARD MEMBER PEREZ: [REDACTED]

16 [REDACTED] ?

17 GENERAL COUNSEL JACOBS: [REDACTED] [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 BOARD MEMBER PEREZ: [REDACTED] [REDACTED]

21 [REDACTED]

22 [REDACTED] [REDACTED]

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GENERAL COUNSEL JACOBS: [REDACTED]

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BOARD MEMBER PEREZ: [REDACTED]

GENERAL COUNSEL JACOBS: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

BOARD MEMBER PEREZ: Okay. And Marcie, [REDACTED]

[REDACTED], then how do you -- how do

you report only to three key members of the Board, as

opposed to the entire Board?

CHIEF EXECUTIVE OFFICER FROST: Yeah. Yeah. I think it's what I had indicated, that there is a requirement for me to coordinate with the Committee chairs on any upcoming agenda item. This was always intended to come to the Board, based on working through the investigative process. And then Mr. Meng, at least at

1 that time until Wednesday, August 5th, was going to be a
2 part of that, you know, agenda item. And so that -- you
3 know, that's the process I followed.

4 BOARD MEMBER PEREZ: I asked everyone to leave,
5 because I wanted to be able to have an honest discussion,
6 specifically with you Marcie and maybe Matt.

7 CHIEF EXECUTIVE OFFICER FROST: Yeah.

8 BOARD MEMBER PEREZ: My -- disappointing is not
9 even a strong enough word. I'm angry over this whole
10 process. I'm angry that we weren't notified. I'm angry
11 because ultimately the court and U.S. -- or the California
12 Constitution we, Board members, are responsible for the
13 actions of everyone in that building at CalPERS.

14 We absolutely should have been notified sooner.
15 We -- it seems like staff or team members are -- or even
16 some Board members are always referring to the leak, the
17 leak, the leak, the leak. Well, obviously, in this case,
18 that leak didn't come from the Board. So I don't know
19 that we continue to use a leaky Board where information is
20 being sent out, we need that information.

21 So we already discussed or Eraina elaborated on
22 the personnel issue, but Matt [REDACTED]

23 [REDACTED]

24 GENERAL COUNSEL JACOBS: [REDACTED]

25 [REDACTED]

1 [REDACTED]

2 CHIEF EXECUTIVE OFFICER FROST: [REDACTED]

3 GENERAL COUNSEL JACOBS: [REDACTED]

4 PRESIDENT JONES: To some degree, that's part of
5 what we need to talk about is the delegation of authority,
6 because we've been operating under a premise that the CEO,
7 as direct reports, she was responsible for disciplining
8 them and advising the Board, not getting the Board to --
9 to act, or agree, or disagree, even though the Board could
10 always overturn any action that the CEO takes.

11 And so -- and that's a legitimate discussion to
12 have is to look at that delegated authority, because this
13 is one of the issues that came up, as Rob was referring
14 to, in two different reports of the CIO to the Board and
15 the CEO. It was -- those were some of the same
16 discussions that were occurring then is how will then the
17 communication from the CIO get to the Board. And that's
18 the CEO's responsibility.

19 So certainly that's an item for discussion as we
20 continue this discussion on these reporting relationships
21 and how information is going to flow in the future.

22 CHIEF EXECUTIVE OFFICER FROST: Yeah.

23 BOARD MEMBER PEREZ: Do we have a contract with
24 Mr. Meng for his exit? Is there a -- is there a parachute
25 clause or when we resigned, did he sever all future

1 financial ties to us?

2 CHIEF EXECUTIVE OFFICER FROST: Yes. Yes, he was
3 paid out what was due to him through his last day of
4 employment, and then his benefits are determined by law,
5 and -- such as his health care benefits as an example.
6 And so, yes, through his resignation date.

7 BOARD MEMBER PEREZ: So we don't have any kind of
8 contract on the side, severance pay or anything like that?

9 CHIEF EXECUTIVE OFFICER FROST: No.

10 BOARD MEMBER PEREZ: Why wasn't -- okay. Was
11 there any -- in the investigation, [REDACTED]
12 [REDACTED] ?

13 CHIEF EXECUTIVE OFFICER FROST: So I'll have Mr.
14 Jacobs respond to that, [REDACTED]

15 [REDACTED]
16 [REDACTED]

17 GENERAL COUNSEL JACOBS: [REDACTED] [REDACTED]
18 [REDACTED] [REDACTED]
19 [REDACTED] [REDACTED]
20 [REDACTED]
21 [REDACTED] [REDACTED]
22 [REDACTED]

23 BOARD MEMBER PEREZ: [REDACTED]
24 [REDACTED]
25 [REDACTED]

1 GENERAL COUNSEL JACOBS: [REDACTED]

2 [REDACTED]

3 BOARD MEMBER PEREZ: [REDACTED]

4 [REDACTED] ?

5 GENERAL COUNSEL JACOBS: [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 BOARD MEMBER PEREZ: Okay. And again, I'm not --

11 I hate doing this, without Ben here, because it's not --

12 I'm not pointing at Ben saying you did this, you did this.

13 That's not in -- we're not looking at intent. We're

14 looking strictly at a violation. That's what I'm doing.

15 Ben is a good dude. I miss him already. I

16 texted him back and forth a couple times throughout the

17 weekend checking on him. And this stinks altogether.

18 So, Matt, [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 GENERAL COUNSEL JACOBS: [REDACTED].

22 BOARD MEMBER PEREZ: -- [REDACTED] --

23 GENERAL COUNSEL JACOB: [REDACTED] --

24 BOARD MEMBER PEREZ: -- [REDACTED]

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GENERAL COUNSEL JACOBS:

[REDACTED]

BOARD MEMBER PEREZ:

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[REDACTED]

BOARD MEMBER PEREZ: [REDACTED] ?

GENERAL COUNSEL JACOBS: [REDACTED]

[REDACTED]

BOARD MEMBER PEREZ: [REDACTED]

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PRESIDENT JONES: [REDACTED]

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GENERAL COUNSEL JACOBS: [REDACTED]

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PRESIDENT JONES: [REDACTED] --

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BOARD MEMBER PEREZ: [REDACTED]

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PRESIDENT JONES: [REDACTED].

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BOARD MEMBER PEREZ: I [REDACTED] [REDACTED]

8

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11

PRESIDENT JONES: Okay. That's a different question. Okay.

12

13

BOARD MEMBER PEREZ: And that's all my questions.

14

PRESIDENT JONES: Okay.

15

BOARD MEMBER PEREZ: Thank you.

16

PRESIDENT JONES: Okay. Ms. Olivares.

17

18

BOARD MEMBER OLIVARES: Thank you. I would like to get the text for 1090 read to me, please, and then just get a copy of that in writing that I could refer to right now for this. It's hard for me to track some of these conversations. And I'm trying to pull up everything right now in terms of all the articles.

19

20

21

22

23

I can't hear you.

24

PRESIDENT JONES: Matt, you're muted.

25

GENERAL COUNSEL JACOBS: Right, I got it. So you

1 want the text of Government Code 1090?

2 BOARD MEMBER OLIVARES: Please.

3 GENERAL COUNSEL JACOBS: Sure. You want me to
4 email that?

5 BOARD MEMBER OLIVARES: Yeah. How long is it?
6 Can you Email it as well?

7 GENERAL COUNSEL JACOBS: I don't know. Yeah, I
8 don't know -- I don't know how long it is offhand. It may
9 have a lot of preambles, and therefores, and wherewithals.

10 PRESIDENT JONES: Why don't you just -- Ms.
11 Olivares, is it okay if Mr. Jacobs just forwards that to
12 all of us after this meeting, because we're going to
13 revisit this --

14 BOARD MEMBER OLIVARES: Actually, Mr.
15 President --

16 PRESIDENT JONES: -- because otherwise we're
17 going to --

18 BOARD MEMBER OLIVARES: -- it's hard for me to --

19 PRESIDENT JONES: -- you're going to have to
20 wait --

21 BOARD MEMBER OLIVARES: -- formulate the
22 questions I need to ask, if I don't have the information
23 to reference in the first place. . So I feel like there's a
24 bunch of catch-up happening, where there's a lot of
25 information here. I need to do my job as a fiduciary and

1 ask the relevant questions, but I can't do that, if I
2 don't even have the document to reference.

3 PRESIDENT JONES: Yeah, and that's what I'm
4 saying, we will -- this is not the end of this discussion.
5 I don't know how long that document is, and we're going to
6 pause or take a break until everyone reads it, and, you
7 know, it's just -- I'm just trying to manage, you know,
8 how we go forward with this discussion, so --

9 BOARD MEMBER PEREZ: It's four sentences.

10 BOARD MEMBER ORTEGA: It's very short. Mr.
11 Jones, I have it in front of me, if you'd like me to read
12 it quickly?

13 PRESIDENT JONES: Yeah, why don't you. Okay.

14 BOARD MEMBER ORTEGA: Okay. It says, "Members of
15 the Legislature, State, county, district, judicial
16 district, and city officers or employees shall not be
17 financially interested in any contract made by them in
18 their official capacity, or by any body or board of which
19 they are members, nor shall State, county, district,
20 judicial district, and city officers or employees be
21 purchasers at any sale or vendors at any purchase made by
22 them in their official capacity. An individual shall not
23 aid or abet a member of the Legislature or a State,
24 county, district, judicial district, or city officer or
25 employee in violating subdivision (a). As used in this

1 article, district means any agency of the State formed
2 pursuant to general law or special act for the local
3 performance of governmental or proprietary functions
4 within limited boundaries."

5 And I'll just say as a person who's been on
6 boards, and a State employee, and having to disclose this
7 type of thing for a very long time, this -- a 1090
8 violation is shorthand for taking an action that's
9 specifically benefits you. So that could be a board
10 decision, executing a contract, anything that is in your
11 official capacity you did knowing it would benefit you
12 personally. That's the way people generally talk about
13 1090 violations.

14 PRESIDENT JONES: Okay.

15 BOARD MEMBER OLIVARES: Thank you.

16 (Laughter.)

17 PRESIDENT JONES: Yes. Interesting.

18 Okay. Ms. Taylor.

19 VICE PRESIDENT TAYLOR: Yes, Mr. Jones, thank
20 you. I just had a question it was talked about earlier
21 about the delegated authority. First of all, I just want
22 to say I think from now on if this were to occur at this
23 level -- say it's not the CIO this time, it's the Chief
24 Deputy, say that occurs again, I think that in the future,
25 the entire Board needs to be made aware of this right

1 away. We have a possible violation that we are looking
2 into right now, and just leave it at that.

3 And as we -- or however much information the
4 ~~Board needs. But this is what we're looking into. We~~
5 have a possible violation and just be transparent. If it
6 gets out there, it gets out there. It's going to get out
7 there anyway.

8 But also, didn't -- didn't we talk about
9 earlier -- Henry, I just -- I thought you'd said that
10 we -- you and Marcie had discussed when to agendize the
11 meeting for this, correct --

12 PRESIDENT JONES: Yes.

13 VICE PRESIDENT TAYLOR: -- that you were
14 initially talking about it to do it with Ben in September
15 and then an emergency meeting had to be made because of
16 the press coverage, correct?

17 PRESIDENT JONES: That's correct.

18 VICE PRESIDENT TAYLOR: Okay. So I just think
19 that we -- we have -- yes, there was input into this. It
20 wasn't just Marcie's decision in terms of when to do this
21 from all -- from the three of us. So it wasn't just
22 Marcie that made the decision on when to agendize this for
23 the whole Board. Our mistake was thinking that it was a
24 personnel matter and that we had to be very careful about
25 it, because it's Ben's information, et cetera.

1 But I just want to make everyone aware that this
2 decision wasn't made just by the CEO. That the September
3 meeting that we were initially going to use with Ben, and
4 then after he resigned was made with the Board President.

5 And so I just -- I think it's important that we understand
6 that.

7 I don't know which we could have done
8 differently, except tell everyone right away, I guess, the
9 minute there was a problem. That would be our only other
10 thing and then ask when they wanted a Board meeting to
11 discuss it. But we had -- I guess you -- my concern, and
12 I get what Eraina is saying is my concern is if we discuss
13 it at a closed session Board meeting, are we violating any
14 of his personal rights when we has an attorney and
15 everything. I just don't want us to get sued by either
16 side, so that's -- that's my concern. And I get that we
17 have oversight and we should be making sure that this is
18 as transparent as possible.

19 PRESIDENT JONES: Yeah. And I think also it's
20 important to note that the expected outcome was totally
21 different, because it --

22 VICE PRESIDENT TAYLOR: Right.

23 PRESIDENT JONES: -- Ben was still going to be
24 here and it was bringing Ben into closed session to --
25 with, you know, Marcie and it was already scheduled. When

1 she completed her investigation, Ben was going to be part
2 of that discussion. So it took a turn for a whole
3 different path, and so that's when, you know, the
4 Emergency arose. ~~But up until that point, it was an~~
5 investigation that was in process. And no findings had
6 been shared to say that the Board needed to know, because
7 it -- they hadn't been discovered at that time.

8 So it's -- it was a process and the process
9 changed --

10 VICE PRESIDENT TAYLOR: All I'm saying here,
11 Henry, isn't -- isn't -- what everybody is saying here is
12 they need to know before.

13 PRESIDENT JONES: Yeah, but --

14 VICE PRESIDENT TAYLOR: The process can't run
15 without the Board at least knowing.

16 PRESIDENT JONES: Yeah, but if the CEO comes to
17 me and say I believe there may be a problem, I don't think
18 that that rises to the level that I need to call a Board
19 meeting, because it's -- nothing has occurred at that
20 point. And she said still --

21 VICE PRESIDENT TAYLOR: Okay. So I understand
22 the decision there and I totally get it, and we kind of
23 were all on the same page there at the time. But I think
24 what we're hearing from our fellow Board members is number
25 one, it sounded kind of like Marcie was being blamed for

1 this, but we sort of all made this decision. And number
2 two, the Board wants to know at the beginning, even if
3 it's not -- there's nothing founded yet. Our oversight
4 should -- and we don't need to make this decision today
5 obviously. But even if it's just in process or it's just
6 a, hey, I just found this problem with so-and-so's Form
7 700 and their holdings --

8 PRESIDENT JONES: Yeah.

9 VICE PRESIDENT TAYLOR: -- I think that's what
10 I'm hearing from the Board members of --

11 PRESIDENT JONES: I hear them talking about a
12 change in process and I'm not arguing against that. I'm
13 just talking about what happened, you know, and what was
14 the rationale for this decision made. But, of course,
15 we're going to look at all of these options that the Board
16 members have raised about changes and see what the Board
17 majority suggests we go -- move forward with. So that's
18 what we're going to do.

19 VICE PRESIDENT TAYLOR: Okay. Thanks, Henry.

20 PRESIDENT JONES: Okay. Ms. Yee. No, wait a
21 minute. I'm sorry. Ms. Brown.

22 BOARD MEMBER BROWN: Thank you. I want to thank
23 Ms. Taylor for her comments. I appreciate that -- that
24 information. But I do want to reiterate that the Board
25 cannot do its job with oversight if only the Chair knows

1 of an issue, or only the Chair and the Co-Chair know of an
2 issue, or if only the Board President knows of an issue.
3 We all have the same fiduciary liability. But I think the
4 ~~way that the staff has been running the Board is to only~~
5 tell the Chair or the -- the Chair and the Co-Chair and
6 the Board President of issues. And that cannot exist.
7 That cannot continue to exist.

8 I know that the Board has been kept in the dark
9 on personnel matters, especially Elizabeth Bourqui. I
10 still have not seen her resignation letter. And as Ms.
11 Ortega says, we're entitled to that information as the
12 board in order to provide our oversight.

13 So resignations, we haven't seen those. Trading
14 violations, we haven't seen that. And my concern is is
15 that the Chairs are all sort of in one majority group of
16 the Board and the rest of the Board is kept in the dark
17 and we cannot provide oversight. And as my attorney tells
18 me, that isn't a defense that I couldn't get the President
19 or I couldn't get the Committee Chair to agendize the
20 audit report, right?

21 That is still not a defense. I will still be
22 sued. And so if we're going to do our oversight, I think
23 we should look at transparency as our friend, first to the
24 Board and then to our members. You know, if we never talk
25 about the audit reports or the audit findings, we can

1 never fix them. We can never fix them. And that's a huge
2 problem.

3 So let me ask a couple more questions. With
4 respect to the investigation, I do want to see the report.

5 As a person that's responsible for oversight, I want to
6 see that report. [REDACTED]

7 [REDACTED], Mr. Jacobs?

8 GENERAL COUNSEL JACOBS: [REDACTED]
9 [REDACTED].

10 BOARD MEMBER BROWN: Great. The other question I
11 had, and this came from --

12 GENERAL COUNSEL JACOBS: [REDACTED]
13 [REDACTED]

14 [REDACTED] t.

15 BOARD MEMBER BROWN: Yeah. He had -- just so you
16 know the question is [REDACTED]

17 [REDACTED]
18 [REDACTED]

19 [REDACTED]
20 [REDACTED]

21 [REDACTED]
22 [REDACTED]

23 [REDACTED]
24 [REDACTED]

25 [REDACTED]

1 [REDACTED]
2 And I'm just asking you or Marcie if that's
3 correct in any way?

4 CHIEF EXECUTIVE OFFICER FROST: No, that is not
5 correct in any way. And -- yeah, and I'll leave it at
6 that, but that is incorrect.

7 BOARD MEMBER BROWN: Have you had that question
8 from the press as well?

9 CHIEF EXECUTIVE OFFICER FROST: I believe -- I
10 don't know whether the Press Office has had that question.

11 BOARD MEMBER BROWN: Okay.

12 CHIEF EXECUTIVE OFFICER FROST: Right.

13 BOARD MEMBER BROWN: All right. Thank you.
14 Because I basically said it was absolutely false. But the
15 problem with answering these questions is it could be
16 true. We don't know. You see the problem here?

17 And then, you know, how did all the information
18 about Ben's anxiety for months, how did all that get into
19 the Bloomberg? All the personnel -- I mean, we say it's a
20 personnel matter and it's private and then it's all out
21 there.

22 CHIEF EXECUTIVE OFFICER FROST: Agreed.

23 BOARD MEMBER BROWN: How does that happen?
24 That's a question to you, Marcie.

25 CHIEF EXECUTIVE OFFICER FROST: No, I agree with

1 you, how does that happen.

2 BOARD MEMBER BROWN: That story wasn't -- the
3 Bloomberg story wasn't a plant. We didn't -- our PR
4 department didn't give that story to Bloomberg that talked
5 about --

6 CHIEF EXECUTIVE OFFICER FROST: No.

7 BOARD MEMBER BROWN: -- him having anxiety for
8 months?

9 CHIEF EXECUTIVE OFFICER FROST: No. Our PR
10 Department did not give that story to Bloomberg.

11 BOARD MEMBER BROWN: Okay. I just -- I mean,
12 that is -- I mean, wherever that leak is coming from that
13 is to going to harm. It will harm Ben. It makes it seem
14 like he can't hold down a job, right? And I don't know if
15 that's true or not.

16 CHIEF EXECUTIVE OFFICER FROST: Yeah.

17 BOARD MEMBER BROWN: But again, those type of --
18 first we say it's a personnel matter, and then we say we
19 know, and then we say we handled it, and then all this
20 other information just keeps coming out and coming out.

21 Wall Street Journal this morning has more stuff,
22 based on an inside source. Well, I'm going to tell you
23 it's not the Board that's leaking this information or
24 maybe it is just a few who know. So, again, we need to
25 stop playing these games. The full Board needs to have

1 knowledge of everything.

2 And one thing I'd like to see is what other
3 information have you shared just with the Chair, other
4 ~~issues that you've shared with just the Chair, or just Mr.~~
5 Jones, or just a small group of people that the rest of
6 the Board doesn't know about, because we all share equally
7 in that liability, so we must be told. You can't just
8 tell a few, Marcie. I don't know if I have support from
9 the rest of the Board, but you can't -- you can't run the
10 Board in secret.

11 Thank you.

12 PRESIDENT JONES: Okay. Ms. Yee.

13 BOARD MEMBER YEE: Thank you, Henry. I
14 appreciate the time just with Marcie and Matt in the room.
15 And I'm sorry to sound like a broken drum, but I actually
16 thought there were protocols in place, where I guess these
17 conflicts could have been addressed earlier. And I know
18 that -- and again, not about the fact that there was a
19 failure to disclose, but the fact that there were going to
20 be potential conflicts, and it seemed to me to be pretty
21 clear, given, you know, the CIO's role.

22 But I thought there were protocols in place where
23 maybe from a prior CEO administration that supervisors
24 were supposed to review these Form 700 forms for the staff
25 that they oversee and then catching those conflicts, you

1 know, right away and addressing them, that -- you know,
2 why -- why Ben was allowed to start as CIO without first
3 clearing the conflicts just seem to me to be just a real
4 problem.

5 And I guess I -- Marcie or Matt, can you just
6 respond to that, because I actually thought there were
7 protocols in place. And then -- and I appreciated
8 Marlene's presentation, but it's almost like, you know,
9 kind of can't see the forest from the trees, you know,
10 you've got education, you've got training, you've got all
11 this stuff. Well, somehow, you know, in this case, you
12 know, there was never either follow up or a lack of
13 understanding, but -- so I think there was something kind
14 of broken along the way, because -- and maybe those
15 protocols weren't in place that I referred to, but can you
16 speak to that?

17 CHIEF EXECUTIVE OFFICER FROST: Yeah. So I --
18 you know, I think Marlene laid out that much of what the
19 Compliance Program does is about orienting individuals to
20 where conflicts would be, right? So -- and this is not to
21 put all of the responsibility on Ben. I'm extremely
22 disappointed by my own team on this, frankly, so which --
23 but ultimately I'm accountable for that.

24 But we have come short of telling former CIOs
25 that we've had in place, current -- you know, Ben just

1 leaving. We've come short of telling them that they have
2 to sell their individual securities. We've really never
3 done that.

4 ~~What the Investment Office does, in lieu of that,~~
5 is at the deal team level, they have a conflicts process,
6 right? That's what they do. That conflicts process was
7 followed on this occasion. And much more than that, I'm
8 going to go into the detail of the investigation. But the
9 conflicts process at the ICOR level or at the asset
10 level -- asset class level was done. And, you know, that
11 process again is post. It's not preemptive. We think the
12 education is supposed to be on the preemptive side.
13 Obviously, that was a failure. And then we would catch it
14 on post-side.

15 And so, you know, the team is, you know, going
16 back through every process they have over there. We have
17 a vacancy in the ICOR manager position that truly is a
18 retirement.

19 And we're going to get someone in here who has a
20 background in compliance and controls. The individual in
21 that role today, that's not her background, right? That's
22 not what she has. And then you've got Marlene who came in
23 from PNC Bank who has a ton of compliance background and
24 really trying to build out a program. Remember, one of
25 the strategic goals in the five-year plan is to continue

1 to mature the compliance organization, right, and the
2 compliance functions, and awareness. And I think, you
3 know, one of the, you know, assumptions, you know, that
4 ~~has turned out to be wrong is that, you know, similar to~~
5 cybersecurity - I'll just use that as an example - that
6 you train, you educate, you have control processes, but
7 your weakest link in that process is, you know, the
8 individual.

9 And, you know -- and we have to go back and say
10 did we give enough information to an individual to be
11 aware not to open that email or not to sign-off on a deal?
12 And I think we've given enough information about that.
13 But again, it -- we still had a failure, so we have to go
14 back and do more.

15 BOARD MEMBER YEE: No, and I appreciate that. I
16 guess what I would say is -- and part of why I keep coming
17 back to this is that we're about to pursue a recruitment.

18 CHIEF EXECUTIVE OFFICER FROST: Yeah, you bet.

19 BOARD MEMBER YEE: And I think this expectation
20 has to be so clear at the beginning.

21 CHIEF EXECUTIVE OFFICER FROST: Yeah, you bet.

22 BOARD MEMBER YEE: And to Marlene's point, yeah,
23 it does come down to personal responsibility, but I want
24 that expectation so clear, that --

25 CHIEF EXECUTIVE OFFICER FROST: You got it.

1 BOARD MEMBER YEE: -- you know, they have to
2 disclose. And thank goodness Ben did disclose and we did
3 find out, but later.

4 CHIEF EXECUTIVE OFFICER FROST: Yep.

5 BOARD MEMBER YEE: And actually, we could have
6 found out soon -- we knew sooner, but we didn't act on it.
7 But I just think -- I mean, this -- this just can't be
8 allowed to happen again. And if compliance is going to
9 work, then --

10 CHIEF EXECUTIVE OFFICER FROST: Yeah.

11 BOARD MEMBER YEE: -- that expectation about
12 taking on personal responsibility, understanding what the
13 rules are, and understanding what compliance means, just
14 has to be right front and center and --

15 CHIEF EXECUTIVE OFFICER FROST: Yeah.

16 BOARD MEMBER YEE: -- because otherwise, I think
17 we just constantly find ourselves kind of in this, you
18 know, swirl about, you know, what does it mean. And
19 we'll -- we'll decide the policy with respect to, you
20 know, how prohibitive to be with respect to holdings. But
21 I -- and I hope we get to do that soon, because I just
22 think whatever recruitment we do, this has got to be just
23 top of the list, in terms of --

24 CHIEF EXECUTIVE OFFICER FROST: Yeah, you got it.
25 And, Controller Yee, I think what we would do is we'll be

1 really clear about this. We'll put it in the recruitment
2 announcement.

3 BOARD MEMBER YEE: (Nods head.)

4 ~~So do you see us actually deciding on a policy or~~
5 how prohibitive we get, before we --

6 CHIEF EXECUTIVE OFFICER FROST: Well, I think we
7 can apply this policy to the CIO immediately, right? I
8 can -- we can get that written up and get it on your
9 September agenda, if we need to, and then it would feed
10 directly into the recruitment announcement.

11 BOARD MEMBER YEE: Yeah. I would like to see
12 that come before the Board, just so we're all clear --

13 CHIEF EXECUTIVE OFFICE FROST: Yep, you bet.

14 BOARD MEMBER YEE: -- and have the same
15 expectation.

16 CHIEF EXECUTIVE OFFICER FROST: You got it.

17 BOARD MEMBER YEE: All right. Thank you.

18 CHIEF EXECUTIVE OFFICER FROST: Um-hmm.

19 PRESIDENT JONES: Mr. Feckner.

20 BOARD MEMBER FECKNER: Thank you, Mr. President.
21 I have a few things I want to say at this point.

22 Excuse me.

23 First of all, as I said earlier, that the
24 President used to see the Form 700s. I can tell you
25 without equivocation that I was shocked by the number of

1 personal holdings that our former CIOs have had, our
2 executive staff have had, and Board members have had. So
3 that's not something new. That's something that's been
4 here for quite a while and I agree that it should be
5 addressed. I agree with Ms. Yee on that point.

6 I will say I've heard a number of times today the
7 comment being made I was contacted by a number of
8 reporters and I didn't know what to say. That, for me, is
9 a problem in itself. I've been on this Board since 1999,
10 served as President for 13 years. I had not one inquiry
11 from a media person reaching out to me over this process.
12 Why is that? Because they have the track record that I'm
13 not going to tell them anything.

14 So those of you that are being continually
15 contacted by the media, I think you might want to step
16 back and take a look at that as to why they're contacting
17 you and not the leadership of the Board, or the history on
18 the Board, et cetera. There are other issues going on
19 there. They know they can get information. They know
20 they can use that information.

21 I mean, we all have a -- we've all made mistakes,
22 guaranteed. There's not one of us on this screen that
23 hasn't had a mistake in their career.

24 We have to be able to learn from that and build
25 from that. When we're talking about fiduciary

1 responsibilities, and whose responsibility, whose fault is
2 this, whose fault is that, and I guarantee there's plenty
3 of blame to go around here. When I see things like
4 ~~letters sent to a senator telling him to vote no on a~~
5 CalPERS issued piece of legislation, on a CalPERS piece of
6 letterhead, that makes me question someone's fiduciary
7 responsibility, and their reflection on what they should
8 be doing on this Board.

9 The Board made the decision to move this
10 information forward. Yet, somebody chose it upon
11 themselves to speak out and say, oh, I'm just speaking on
12 my own behalf on my Cal -- on CalPERS letterhead mind you.
13 You know, those kind of things is what moves this press
14 out there. They see this. They see the weaknesses that
15 are out there and they try and expound upon them.

16 We need to be more disciplined amongst ourselves,
17 each and every one of us in our own discipline and helping
18 discipline one another, so that we can stop this kind of
19 behavior. If any of you -- some of you said you've talked
20 to Ben as to why he left and why did he resign, et cetera.
21 You know, in the conversations that I had with Ms. Frost,
22 she was not going to terminate him. He was going to be
23 disciplined. He was going to -- there was going to be a
24 price to pay for this issue, but he was not going to be
25 terminated.

1 So what happened? If you were to actually ask
2 him point blank, sit down and have a conversation with
3 him, he will tell you it's because of the outlandish press
4 ~~that he's getting from Board members that are issuing~~
5 information to the outside. The press that he's getting
6 from one, two, sometimes three Board members is what drove
7 him to this point.

8 He could not, in his own good conscience,
9 continue to stay here, and go through this, and put his
10 family through this turmoil again. We almost lost him
11 six, eight months ago when the whole China issue came up.
12 Now, this came up. He wasn't going to be able to survive
13 doing it again. That's not his makeup or his background.

14 So we have to realize this, we are doing
15 ourselves a disservice. We lost a very good individual
16 because of this. We had some of the best returns this
17 year out of any fund had out there. We beat STRS for
18 Christ sakes, and we haven't done that in years.

19 And at the same time, because of our own
20 behaviors -- now, granted, he caused a lot of this
21 himself, but he would not have been leaving the fund had
22 it not been for the history of the behaviors of this
23 Board.

24 Thank you, Mr. President.

25 PRESIDENT JONES: Okay. Mr. Miller.

1 BOARD MEMBER MILLER: I think Rob made a lot of
2 the points I made with a lot of passion and I just really
3 appreciate that.

4 Unlike Rob, I got calls from reporters, and I
5 didn't return -- you know, as much as, you know, it might
6 be an exciting idea to, you know, get my name in the Wall
7 Street Journal, and Bloomberg, and Naked Capitalism. Oh,
8 man. You know, there's a point where you have to say, no,
9 I'm not returning that call. I don't know enough. I
10 can't really add to this conversation and it will hurt
11 CalPERS if I go out and shoot off my mouth and make --
12 especially, if I would make disparaging remarks, or make
13 remarks that weren't founded in -- in personal, in fact.

14 And so, you know, I avoid those opportunities
15 whenever possible, unless there's a real point to be made
16 that could help CalPERS and that I think would be helpful
17 to CalPERS' reputation, you know, and I have the facts.

18 But the thing I wanted to kind of mention here
19 too is, you know, the silver lining, if there is one to
20 find it, is that with 20/20 hindsight, we do have
21 opportunities to improve transparency. We do have
22 opportunities to improve a clearer understanding of what
23 kind of information needs to come to the Board, and when,
24 at what level when there are things that could impact us.

25 Yes, before this leaked and hit the press, if we

1 had all been told, hey, there's a serious issue, we want
2 it kept in confidence, it's a closed session type thing
3 that we're looking into with regard to the CIO, and it
4 relates to this type of thing, and my investigation is
5 going on, and it will be concluded, and we'll have
6 something on the September Board meeting to address it, I
7 don't think we would be here today.

8 And I don't -- at least from my part, I don't see
9 any of us saying, oh, no, we've got to, you know, release
10 all this information and we've got to have a big public
11 turmoil, and we've got to, you know, move to terminate or
12 force the resignation of Our CIO. I think those were all
13 things that came about independent of that happening.

14 So I think the real thing for us now is to focus
15 on how do we get the appropriate controls and mitigations
16 to not jump into the blame game, because, you know, had I
17 been given that information, I would not have not said do
18 anything different than what was happening now. It was
19 the appropriate course of action to complete the
20 investigation and to bring that to the Board in September.

21 So -- and I think we need to, you know, continue
22 forward, and make the corrections, make -- see these
23 opportunities for improvement to be able to do a better
24 job, and try to get past this, and get on to the
25 recruitment, which is going to be that much more difficult

1 as a result of all this.

2 Thank you.

3 PRESIDENT JONES: Okay. Ms. Taylor.

4 VICE PRESIDENT TAYLOR: Thank you, Mr. President.

5 I had a question. I just -- I'm con -- I'm a little
6 confused I guess as a -- I'm a rank-and-file member of the
7 State employment service. So, Eraina, you talked about
8 how we could be talking about these personnel issues,
9 because we are the Board. And so how far does that go I
10 guess is my question? Because I thought we were an
11 oversight board. And I don't know, if we're looking at
12 folks that are rank and file, and we're looking at their
13 personal trading, because some of those folks I believe
14 were rank and file, their personal trading stuff, and
15 staff management is looking at, what do you call it,
16 disciplinary action, can we discuss that?

17 BOARD MEMBER ORTEGA: Well, I think that's the
18 question I was posing to Matt is

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20 [REDACTED]
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24 [REDACTED]
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[REDACTED]

VICE PRESIDENT TAYLOR: I [REDACTED]

[REDACTED]

GENERAL COUNSEL JACOBS: [REDACTED]

[REDACTED]

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14 VICE PRESIDENT TAYLOR: I guess -- and I
15 appreciate that, Matt. [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
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25 [REDACTED]

1 BOARD MEMBER ORTEGA: Yeah. Mr. Chair, if I may?

2 PRESIDENT JONES: Sure. Go ahead.

3 BOARD MEMBER ORTEGA: Yeah. I think, Ms. Taylor,
4 ~~I would just put a nuance on the way you're presenting it.~~

5 [REDACTED]
6 [REDACTED]
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18 [REDACTED]
19 [REDACTED].

20 VICE PRESIDENT TAYLOR: Okay. I appreciate that.
21 Thank you.

22 PRESIDENT JONES: Okay. Ms. Olivares.

23 BOARD MEMBER OLIVARES: Thank you..

24 I just wanted to say I concur with Ms. Ortega.
25 So with the Department of Insurance, for example, there

1 was a lot of early information about a potential
2 acquisition of an insurance company. And as one of the
3 regulators, they have jurisdiction over that. And so
4 employees, for example, could not hold insurance companies
5 as individual holdings. And that required a review of
6 their financial holdings with rank and file too. So as
7 Ms. Ortega said, it went all the way down through the
8 company -- or through the organization.

9 PRESIDENT JONES: Okay. Mr. Perez.

10 BOARD MEMBER PEREZ: How about I meet in the
11 middle and I ask that the report be provided to us and
12 treated as closed session material that we can review at
13 the CalPERS office. That's a motion.

14 BOARD MEMBER BROWN: I'll second that.

15 PRESIDENT JONES: Mr. Jacobs, [REDACTED]

16 [REDACTED]
17 [REDACTED] ?

18 GENERAL COUNSEL JACOBS: [REDACTED]

19 [REDACTED]

20 PRESIDENT JONES: [REDACTED].

21 GENERAL COUNSEL JACOBS: [REDACTED]

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[REDACTED]

[REDACTED] [REDACTED]

[REDACTED]

PRESIDENT JONES: [REDACTED]

[REDACTED]

[REDACTED]. Ms. Middleton.

BOARD MEMBER PEREZ: I motioned, Henry.

PRESIDENT JONES: Huh? Oh, you made a motion?

BOARD MEMBER PEREZ: Yes, sir. And Margaret seconded.

PRESIDENT JONES: Okay.

BOARD MEMBER BROWN: And Ms. Brown seconded.

PRESIDENT JONES: [REDACTED]

[REDACTED], Mr. Jacobs, [REDACTED]?

GENERAL COUNSEL JACOBS: [REDACTED]

[REDACTED] [REDACTED]

[REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED]

PRESIDENT JONES: [REDACTED] [REDACTED] Ms. Middleton.

BOARD MEMBER MIDDLETON: Thank you, Mr. President.

And when it comes time, I'm going to need the motion to be repeated to me. I did not hear what Mr.

1 Perez said.

2 So I would like to see us, at the September
3 meeting, if at all possible, review a draft proposal of a
4 ~~change in the notification policy when it comes to senior~~
5 staff members that are under investigation to -- so that
6 there is a process for notification to the Board. I don't
7 want to define that process today. I just want us to get
8 a proposal on the agenda that we can, in fact, discuss.

9 I also would like to see us, as soon as possible,
10 hopefully in September, have a proposal to review that
11 would be a restriction on private trading by Board
12 members, senior executives, and senior leadership in the
13 Investment Office. And lastly, I want to thank Ms. Ortega
14 for just some absolutely splendid pieces of information
15 and insight.

16 Thank you.

17 PRESIDENT JONES: Okay. Thank you.

18 Ms. Yee.

19 BOARD MEMBER YEE: Thank you, Henry. A couple of
20 things I wanted to address. I think part of what I want
21 to hopefully have resolved going forward is this nature of
22 how things seem to get done with this Board, where the
23 Board seems to learn things after the fact. I mean, I
24 think we can prevent a lot with respect to, you know, how
25 the press goes shopping for anyone of us to speak. And I

1 know, Mr. Jones, you and I have had words about my quote
2 in the press. I've got to tell you, when they're hunting
3 me down on my personal cell phone, which nobody has, and I
4 pick it up, and I'm like back to the corner, where
5 basically I -- they already knew everything. You know,
6 and I had to -- I just felt like I had to make a statement
7 that was going to show the Board was going to take
8 responsibility.

9 So, I mean -- and I guess that could have been
10 avoid had we, you know, just dealt with this, you know, up
11 front. And so I think it is kind of this thing of where I
12 just feel there's constantly -- and I -- and it's not just
13 with this matter. It's just -- you know, we just seem to
14 always kind of hear things after the fact. And so I hope
15 that what Ms. Middleton just described in terms of a set
16 of policies we're going to look at is really more about
17 how, you know, the Board can actually, really have those
18 policies be implemented such that we get real-time
19 information. And I think that could have avoided, you
20 know, a lot of what has taken place, which has been
21 unfortunate.

22 But in some ways, you know, maybe it had to get
23 to this point to get these -- to the improvements in the
24 processes, so I'm not going to fault that all along.

25 And I also just wanted to say, I guess this kind

1 of waiting until we had this hearing to kind of get to
2 this point was also kind of unsatisfying, because -- and I
3 don't -- you know here's -- here's -- here's what I -- the
4 way that I come at this. Obviously, I'm here to protect
5 the fund. We have a fiduciary duty. So that is first and
6 foremost. We're also a public entity. And so I'm always
7 constantly trying to -- and I know it's a pain in the ass
8 for the staff, because I've heard people talk behind my
9 back that I'm a pain in the ass, so I get that.

10 But you know what, I'm going to keep doing it,
11 because we have to really be public about -- in our
12 deliberations. And so sometimes I ask questions just to
13 kind of give the public a sense of where we're going or to
14 educate them about something. I mean, I kind of toss a
15 lot of softball questions to staff. And it's really to
16 kind of get it on the record and then to Get some
17 elaboration on things that maybe we take for granted and
18 the public doesn't know or our members and retirees don't
19 know about.

20 But I guess I'm saying all this because I hope
21 that going forward we really do kind of get into this, I
22 guess, mode of where we are operating more real-time, and
23 that we are -- and I think this whole discussion about
24 transparency has been very helpful. And thank you to
25 Eraina and others for spear-heading that. But I just feel

1 like we need to be better equipped. And so I know Mr.
2 Perez made a motion. I appreciate his, you know, trying
3 to cabin that off and to, you know, just contain it, so
4 that we're not having documents flowing around.

5 The fact that we didn't know that an
6 investigation was going on kind of then gets me thinking,
7 well, should I even kind of take a look at this report. I
8 mean, these are the kinds of questions that go through my
9 head. And I just think it's kind of an unfair place to
10 put the Board.

11 And I don't -- and I definitely don't want it
12 swept under the rug, because I do think the Board needs to
13 know. And I'm not suggesting that that's what's going to
14 happen. But we're just kind of put in this untenable
15 situation. And at the end of the day, we're just trying
16 to be sure that we can carry out our fiduciary duty and
17 all of the things that are attendant to helping us to
18 provide that oversight. And it has to be robust
19 oversight, not showing up just at a meeting, you know,
20 four times a year and like figuring it out whether the
21 staff is on the right track.

22 So I'm -- I guess I would just say, I don't know.
23 if we're ready to actually just kind of spell out the
24 entire complement of policies, as Ms. Middleton was trying
25 to do. I don't want to be adversarial about this, but I

1 think this also -- this needs to be a change in mindset
2 about how this Board needs to have information more
3 real-time. So I'll just leave t at that.

4 ~~_____ And I really did hope that we could have met~~
5 sooner about this, because now we're getting into
6 September and it likely will impinge on our recruitment.

7 Thank you.

8 PRESIDENT JONES: Okay. Ms. Ortega.

9 BOARD MEMBER ORTEGA: Well, I think -- I think
10 that was related to my response earlier.

11 PRESIDENT JONES: Oh, okay.

12 BOARD MEMBER ORTEGA: Thank you.

13 PRESIDENT JONES: Mr. Miller.

14 BOARD MEMBER MILLER: I just had a question
15 probably for Matt. [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

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1 [REDACTED] ?

2 GENERAL COUNSEL JACOBS: [REDACTED]

3 [REDACTED] [REDACTED]

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12 BOARD MEMBER MILLER: [REDACTED]

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18 GENERAL COUNSEL JACOBS: [REDACTED] [REDACTED] [REDACTED].

19 BOARD MEMBER MILLER: [REDACTED]

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23 GENERAL COUNSEL JACOBS: [REDACTED].

24 BOARD MEMBER MILLER: -- [REDACTED]

25 [REDACTED] ?

1 GENERAL COUNSEL JACOBS: [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 BOARD MEMBER MILLER: [REDACTED]

6 PRESIDENT JONES: Okay. Ms. Olivares.

7 BOARD MEMBER OLIVARES: Thank you. A couple of
8 questions. Mr. Jacobs, [REDACTED] ?

9 GENERAL COUNSEL JACOBS: [REDACTED]

10 [REDACTED].

11 BOARD MEMBER OLIVARES: [REDACTED] [REDACTED] [REDACTED]

12 [REDACTED] [REDACTED]. Still getting used to all of
13 them.

14 GENERAL COUNSEL JACOBS: Yeah, sorry. Sorry
15 about that. Yeah.

16 BOARD MEMBER OLIVARES: Yeah, it was --

17 GENERAL COUNSEL JACOBS: You get used to the ones
18 that you deal with every day, so...

19 BOARD MEMBER OLIVARES: Right. [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED].

23 I want to -- as we start to think about next
24 steps for process, I want just to make sure I'm very clear
25 on what happened with the decision regarding not to hold

1 an emergency meeting, or -- let me back up a little bit --
2 in terms of choosing who on the Board was informed. So it
3 sounds like -- and please correct me if I'm wrong, because
4 again there's been the media and then there's been this
5 videoconference. So it sounds like Marcie -- Ms. Frost
6 informed Mr. Jones, and Mr. Feckner, and Ms. Taylor, is
7 that right?

8 CHIEF EXECUTIVE OFFICER FROST: Correct, in their
9 respective roles.

10 BOARD MEMBER OLIVARES: Right. Right. And
11 then -- and, Mr. Jones, was it then your call on whether
12 or not to inform the Board?

13 PRESIDENT JONES: It was my call to set up agenda
14 item to inform the Board, and that's what I had advised
15 Ms. Frost.

16 BOARD MEMBER OLIVARES: Right. And then is that
17 when you asked --

18 PRESIDENT JONES: In September, at the next Board
19 meeting. It wasn't like -- at that time, it wasn't an
20 emergency meeting. It was the next Board meeting in
21 September, because that was the first week or two of when
22 I was informed that the investigation was just starting.
23 And I was saying, whenever you come get your findings, be
24 prepared to brief the Board at this next Board meeting in
25 September.

1 BOARD MEMBER OLIVARES: And then --

2 PRESIDENT JONES: Then what happened is that the
3 leak occurred. And all of a sudden all this information
4 was out there. And then I contacted Mr. Jacobs and said
5 we need an emergency meeting, because this information is
6 already out there, which is incomplete, by the way. And
7 that's when Mr. Jacobs advised me that it didn't fall
8 under the provisions of a 48-hour requirement for a
9 meeting.

10 And during that same discussion time or period,
11 Ms. Yee called me and asked me what was my plan, before I
12 had talked to Mr. Jacobs, and I said, well, I'm going to
13 be calling for a special meeting -- emergency meeting.
14 And she said, well, yeah, that would be fine. I said,
15 well, we're on the same page.

16 But then after talking to Mr. Jacobs and got his
17 advice, I called -- communicated back with Ms. Yee that we
18 could not call the 48-hour emergency meeting, and that I
19 was going to be calling the meeting with the next
20 available period, which was ten days, which is today.

21 BOARD MEMBER OLIVARES: Oh, thank you. And then,
22 Mr. Jacobs, [REDACTED]

23 [REDACTED] ?

24 GENERAL COUNSEL JACOBS: [REDACTED]
25 [REDACTED]

1 [REDACTED]

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BOARD MEMBER OLIVARES: Mr. Jacobs, [REDACTED]

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[REDACTED]

GENERAL COUNSEL JACOBS: [REDACTED].

BOARD MEMBER OLIVARES: [REDACTED] [REDACTED]

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GENERAL COUNSEL JACOBS: [REDACTED].

BOARD MEMBER OLIVARES: [REDACTED]

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GENERAL COUNSEL JACOBS: I [REDACTED]

[REDACTED].

BOARD MEMBER OLIVARES: [REDACTED] --

GENERAL COUNSEL JACOBS: [REDACTED]

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3 BOARD MEMBER OLIVARES: So [REDACTED]

4 [REDACTED]

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6 GENERAL COUNSEL JACOBS: [REDACTED]

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11 [REDACTED]

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14 BOARD MEMBER OLIVARES: [REDACTED]

15 [REDACTED]

16 [REDACTED] ?

17 GENERAL COUNSEL JACOBS: [REDACTED].

18 BOARD MEMBER OLIVARES: [REDACTED] [REDACTED] [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 And then I wanted just to make another comment
24 too. This is in follow-up to Ms. Middleton's comment,
25 which was really informative. I would want to take it a

1 little bit further in terms of having -- limiting the
2 holdings of anybody who has investment discretion or
3 perhaps anybody who works for CalPERS, and I say this
4 because it's possible if he -- no matter what position
5 you're in to have material information or inside
6 information about something that's going to happen,
7 whether it's a purchase or the sale of a security, and you
8 can go or an employee could go and short the stock, a
9 Board member could go and short the stock.

10 And so the implications of the CIO having
11 holdings that represent a conflict of interest are very
12 damaging to CalPERS in the investment community, very,
13 very damaging. And as we seek to expand our private
14 equity holdings or rebuild our relationships within the
15 investment community, I fear that we've taken many, many
16 steps back. And so I just want us to be aware of that.

17 Thank you.

18 PRESIDENT JONES: Okay. Ms. Brown.

19 You're --

20 BOARD MEMBER BROWN: I'm here now.

21 PRESIDENT JONES: Okay.

22 BOARD MEMBER BROWN: I don't want to follow Ms.
23 Olivares. That was wonderful. I think we should just end
24 there.

25 You know, I -- I think this is a question for

1 Matt. [REDACTED]
2 [REDACTED]
3 [REDACTED]
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[REDACTED]

BOARD MEMBER BROWN: Thank you.

GENERAL COUNSEL JACOBS: You're welcome.

PRESIDENT JONES: Okay. Ms. Middleton.

BOARD MEMBER MIDDLETON: Just very quickly following up on Ms. Olivares, I'm open to a very broad prohibition. I just don't want to try to define it here today. I want to get options out in front of us and have that in a public debate. Thank you.

PRESIDENT JONES: Okay. Mr. Rubalcava.

BOARD MEMBER RUBALCAVA: Thank you, Mr. Jones.

Yeah, I -- yeah, I -- what I was going to say is at the beginning of the -- early in the beginning of the meeting, Ms. Frost had -- Ms. Frost had talked -- Marcie had talked about I think it was four steps in education, in process, the whole about saying about we learn from -- we have to learn from this, because then we learn from.

1 So I would propose that that be the public
2 agenda, where we discuss/deliberate the proposal and we
3 have a vote. I think that's -- I mean, we can't correct
4 what should have been done before, but we can set up a
5 process going forward, where we all agree this is the new
6 steps, and deliberate, and vote on it.

7 So I would be in favor of -- I can wait till
8 September to have something substantive to look at it.
9 And maybe by September -- so just -- let me ask a
10 question, Matt. [REDACTED]

11 [REDACTED]
12 [REDACTED]
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19 [REDACTED]
20 GENERAL COUNSEL JACOBS: [REDACTED] [REDACTED]
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[REDACTED]

BOARD MEMBER RUBALCAVA: [REDACTED]

[REDACTED]

PRESIDENT JONES: [REDACTED].

BOARD MEMBER RUBALCAVA: [REDACTED]

[REDACTED]

GENERAL COUNSEL JACOBS: [REDACTED] [REDACTED]

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1 [REDACTED] [REDACTED]
2 [REDACTED]
3 BOARD MEMBER RUBALCAVA: Thank you. I just have
4 a final, final -- another question, Mr. Jones. When I --
5 when I hit, I wanted talk, I wanted to sort of suggest
6 that there's a public session coming up. We know there's
7 a report coming from Ms. Frost with a proposal. Perhaps
8 in the interests of trying to get things out there for
9 everybody to deliberate in, understand during closed
10 session, maybe there can be a like a summary memo
11 summarizing the two findings that everybody agrees on that
12 were a violation, and then the other five. And that
13 could -- there will be two parts. One will be for a
14 summary memo for closed session, so have -- continue the
15 discussion as to what -- an internal procedure when the
16 Board should be advised of any external -- internal, or
17 external investigation, or finding, or complaint, and then
18 a public agenda as to what is the Board's policy going
19 forward on internal procedures, notice to the Board,
20 education, process. All those four points or five points
21 that Ms. Frost outlined in the beginning. And that would
22 be, I don't know, if it's a suggestion or a substitute
23 motion Mr. Jones..

24 Thank you.

25 PRESIDENT JONES: Yeah. Okay. Ms. Taylor.

1 VICE PRESIDENT TAYLOR: I was just going to ask
2 if Ramon wanted to make that a substitute motion.

3 PRESIDENT JONES: Well, can I interject here
4 before we go down the motion. I think that the one motion
5 that Mr. Perez asked for I think that we should go forward
6 with that, but I would hope that we bring all these other
7 items back that we've discussed for discussion, before we
8 start making a motion on anyone of them, because there's a
9 lot of good information here and we probably should have a
10 discussion, you know, in the -- you know, even in the
11 summary by Ms. Middleton in terms of notification to staff
12 and restrictions on private trading.

13 Those are all things that are -- I believe are
14 discussions in open session. And so we could have a
15 series of recommendations that we could then eventually
16 take a vote on. So I would ask that we don't try to start
17 taking a vote on these items till we've had the total
18 discussion and looking at all these recommendations,
19 because the whole -- you know, like blind trust is another
20 area, no stocks at all, divestments, training, changes in
21 the reporting relationship of the CIO to the Board.

22 So I think those are all appropriate discussion
23 points that we need to have and also individually make a
24 decision as a Board on. But the one that Mr. Perez asked
25 for, I think that's a legitimate one, because that's about

1 this particular one document.

2 So if the Board agrees with that strategy, unless

3 I hear someone objecting, then we'll call the staff back

4 in, so we could take a vote on Mr. Perez -- and have Mr.

5 Perez make his motion, number one, and number two, have a

6 vote on that.

7 Does that seem to be a process that we could all

8 live with going forward?

9 Okay. Thank you. I think I see most of -- I see
10 no one saying no. Okay. Great.

11 Okay. So Ms. Frost, would you ask the staff to
12 come back on, so we could have Mr. Perez make his motion,
13 and then if we get a second, and see what the outcome is
14 going to be.

15 CHIEF EXECUTIVE OFFICER FROST: Yeah. Yeah.

16 PRESIDENT JONES: And then we know that we got a
17 lot of work to do for the September Board meeting.

18 CHIEF EXECUTIVE OFFICER FROST: Yeah, I did email
19 them.

20 PRESIDENT JONES: Okay.

21 GENERAL COUNSEL JACOBS: Mr. Jones, I would just
22 comment that after Mr. Perez makes his motion and it gets
23 a second, there would be an opportunity for Board members
24 to make a substitute motion if it's on the same subject
25 matter.

1 PRESIDENT JCNES: Yeah. Okay.

2 CHIEF EXECUTIVE OFFICER FROST: They're on their
3 way back in.

4 PRESIDENT JCNES: And also -- while we're
5 waiting, also for the September meeting, let's also try to
6 identify those items that probably should be in closed
7 session for discussion versus those should be in open, so
8 that we'll have both agendas going forward for September.

9 CHIEF EXECUTIVE OFFICER FROST: Yep. Mr. Jones,
10 we'll do some time -- we'll spend some time doing that
11 after this meeting.

12 PRESIDENT JCNES: Okay.

13 CHIEF EXECUTIVE OFFICER FROST: They're on their
14 way back in.

15 PRESIDENT JCNES: Okay. Good.

16 CHIEF EXECUTIVE OFFICER FROST: We've having
17 power outages in the building.

18 PRESIDENT JCNES: Oh, really?

19 CHIEF EXECUTIVE OFFICER FROST: So hopefully, we
20 can stay with the connectivity until we get through these
21 final pieces.

22 PRESIDENT JONES: Okay. Got your generators
23 working then, huh?

24 CHIEF EXECUTIVE OFFICER FROST: (Nods head.)

25 BOARD MEMBER MILLER: My lights keep going off,

1 but it's just because I sit still for more than like a
2 minute and then they go off.

3 (Laughter.)

4 PRESIDENT JONES: Is it raining in Sacramento?

5 No?

6 CHIEF EXECUTIVE OFFICER FROST: Not right now.
7 It did last evening. It was quite a thunder and lightning
8 storm here.

9 BOARD MEMBER MILLER: We had a fabulous, fabulous
10 lightning storm last night for about an hour and a half.
11 It was spectacular.

12 CHIEF EXECUTIVE OFFICER FROST: Yeah.

13 PRESIDENT JONES: Okay.

14 BOARD MEMBER FECKNER: We had a nice lightning
15 storm too. We now have two fires burning in Napa County.

16 PRESIDENT JONES: Oh, no, not again.

17 VICE PRESIDENT TAYLOR: I have lost my VPN, so I
18 might lose you guys.

19 PRESIDENT JONES: We hear you.

20 CHIEF EXECUTIVE OFFICER FROST: If that happens,
21 Theresa, use the -- in the meeting notice, it will give
22 you a dial-in feature. So if we lose you, use that as
23 your backup.

24 VICE PRESIDENT TAYLOR: (Nods head.) (Thumbs up.)

25 PRESIDENT JONES: Yeah, I don't know what

1 happened to me logging on. At first an error message came
2 up and said all the maintenance of office, because there's
3 a -- this is no longer valid or something like that. And
4 just three times it happened. So what I did is went back
5 to the email rather than using the calendar and that's how
6 I was able to log on. But using the calendar, it was
7 causing an error.

8 VICE PRESIDENT TAYLOR: I'm good. I think
9 because you're -- SEIU's VPN is downtown, I lost it for a
10 minute, but I'm good now.

11 BOARD MEMBER PEREZ: Matt, if they can't come in,
12 can you take roll call and do it?

13 GENERAL COUNSEL JACOBS: (Nods head.)

14 PRESIDENT JONES: You can. Okay. Well, let's go
15 forward then. Matt, are you going -- ready to take roll
16 call after he makes -- get to -- you've got a document,
17 Matt?

18 BOARD MEMBER PEREZ: If you're going to MF me all
19 night, you might as well earn it -- I might as well earn
20 it right now for this one too.

21 GENERAL COUNSEL JACOBS: Okay. So what are we
22 doing? Do we have the motion?

23 PRESIDENT JONES: Yeah, not yet. Okay. Now,
24 we'll get it. Go ahead, Mr. Perez, make your motion.

25 BOARD SECRETARY ORTEGA: I can call roll now.

1 PRESIDENT JONES: Great. Okay.

2 GENERAL COUNSEL JACOBS: We need a motion first.

3 PRESIDENT JONES: That's okay. Thank you. Okay.

4 ~~So go ahead and make your motion, Mr. Perez.~~

5 BOARD MEMBER PEREZ: Yeah. So to verify the good
6 work that I know that our team does this Olson thing does,
7 I just want to confirm that by reading the report. So
8 understanding everyone's concerns, I think that -- or I'm
9 motioning that the report -- the Olson report, it's
10 finding and recommendations be uploaded and treated as
11 closed session material, where a Board member can only
12 review it at the CalPERS office.

13 PRESIDENT JONES: Okay. I think that's a clear
14 motion.

15 BOARD MEMBER BROWN: I'll second that. And
16 that's the full and complete report, not redacted, is that
17 correct, or is it redacted?

18 GENERAL COUNSEL JACOBS: I understand that to
19 mean the full report.

20 BOARD MEMBER PEREZ: Okay.

21 PRESIDENT JONES: Okay. So it's been moved by
22 Mr. Perez and second by Ms. Brown.

23 Roll call -- oh, question, discussion. Hold on.

24 Ms. Olivares.

25 BOARD MEMBER OLIVARES: Is that any CalPERS

1 office for those of us in Southern California?

2 PRESIDENT JONES: No, it's the Sacramento office.

3 BOARD MEMBER OLIVARES: Okay.

4 PRESIDENT JONES: Okay.

5 BOARD MEMBER YEE: Henry, I'm sorry.

6 PRESIDENT JONES: Any other questions or
7 discussion?

8 BOARD MEMBER YEE: Could you repeat the motion.
9 It cutoff a little bit.

10 PRESIDENT JONES: Okay. Repeat the motion, Mr.
11 Perez.

12 BOARD MEMBER PEREZ: I motion that the Olson
13 report with the -- the report, the findings, and the
14 recommendations in regards to the Ben Meng 700 violations
15 be available to the CalPERS Board and treated as closed
16 session material, where we can review it at the CalPERS
17 Board Services Unit office.

18 PRESIDENT JONES: Okay. It's been moved and
19 seconded by Ms. Brown.

20 Ms. Hopper, roll call, please.

21 BOARD SECRETARY ORTEGA: Margaret Brown?

22 BOARD MEMBER BROWN: Aye.

23 BOARD SECRETARY ORTEGA: Rob Feckner?

24 BOARD MEMBER FECKNER: No.

25 BOARD SECRETARY ORTEGA: Fiona Ma?

1 BOARD MEMBER MA: Aye.
2 BOARD SECRETARY ORTEGA: I'm sorry. Say that
3 again, I'm sorry?
4 Fiona Ma?
5 BOARD MEMBER MA: Aye.
6 BOARD SECRETARY ORTEGA: Lisa Middleton?
7 BOARD MEMBER MIDDLETON: Aye.
8 BOARD SECRETARY ORTEGA: David Miller?
9 BOARD MEMBER MILLER: No.
10 BOARD SECRETARY ORTEGA: Stacie Olivares?
11 BOARD MEMBER OLIVARES: Aye.
12 BOARD SECRETARY ORTEGA: Sorry. Eraina Ortega?
13 BOARD MEMBER ORTEGA: Aye.
14 BOARD SECRETARY ORTEGA: Jason Perez?
15 BOARD MEMBER PEREZ: Aye.
16 BOARD SECRETARY ORTEGA: Ramon Rubalcava?
17 BOARD MEMBER RUBALCAVA: No.
18 BOARD SECRETARY ORTEGA: Theresa Taylor?
19 VICE PRESIDENT TAYLOR: Aye.
20 BOARD SECRETARY ORTEGA: Shawnda Westly?
21 BOARD MEMBER WESTLY: No.
22 BOARD SECRETARY ORTEGA: Betty Yee?
23 BOARD MEMBER YEE: Yee is an Aye.
24 BOARD SECRETARY ORTEGA: Aye. Okay.
25 PRESIDENT JONES: Okay. So the motion --

1 BOARD SECRETARY ORTEGA: I have the motion -- Go
2 ahead, Henry. I'm scrry.

3 PRESIDENT JCNES: I was just going to say the
4 motion passes, yeah.

5 You have -- you can go ahead and make your
6 comment. Is that Cheree?

7 BOARD SECRETARY ORTEGA: It's Christina. Sorry.

8 PRESIDENT JCNES: Christina, I'm sorry

9 BOARD SECRETARY ORTEGA: Pam is still trying to
10 get back in. Yeah.

11 (Laughter.)

12 BOARD SECRETARY ORTEGA: So we have the motion by
13 Jason, second by Margaret Brown. We have one, two, three,
14 four, five, six, seven, eight ayes and four noes.

15 PRESIDENT JONES: Okay. So the motion passes.
16 So we will -- Ms. Frost, you will work with staff to make
17 for that to be available and let the Board know when it's
18 available. Okay. Is there any other business for this
19 closed session meeting?

20 Seeing none.

21 Thank you for this time. It's been a long day,
22 but thank you. And we all remain safe and shelter in.

23 Okay. So thank you.

24 So this meeting is adjourned.

25 (Thereupon California Public Employees'

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Retirement System, Board of Administration
meeting closed session adjourned at 1:30 p.m.)

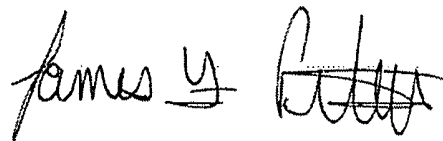
1 C E R T I F I C A T E O F R E P O R T E R

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

4 That I am a disinterested person herein; that the
5 foregoing California Public Employees' Retirement System,
6 Board of Administration closed session meeting was
7 reported in shorthand by me, James F. Peters, a Certified
8 Shorthand Reporter of the State of California, and was
9 thereafter transcribed, under my direction, by
10 computer-assisted transcription;

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

14 IN WITNESS WHEREOF, I have hereunto set my hand
15 this 31st day of August, 2020.

16
17
18
19 A handwritten signature in cursive script that reads "James F. Peters". The signature is written in black ink and is positioned above the typed name and title.

20
21
22 JAMES F. PETERS, CSR
23 Certified Shorthand Reporter
24 License No. 10063
25