

MEETING  
STATE OF CALIFORNIA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
RISK AND AUDIT COMMITTEE  
OPEN SESSION

CALPERS AUDITORIUM  
LINCOLN PLAZA NORTH  
400 P STREET  
SACRAMENTO, CALIFORNIA

TUESDAY, NOVEMBER 15, 2022  
2:17 P.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Lisa Middleton, Chairperson

David Miller, Vice Chairperson

Fiona Ma, represented by Frank Ruffino

Jose Luis Pacheco

Ramon Rubalcava

Mullissa Willette

Betty Yee, represented by Lynn Paquin

BOARD MEMBERS:

Rob Feckner, Vice President

Theresa Taylor, President

STAFF:

Marcie Frost, Chief Executive Officer

Matt Jacobs, General Counsel

Kevin Fein, Chief Compliance Officer

Beliz Chappuie, Chief Auditor

APPEARANCES CONTINUED

ALSO PRESENT:

Steve Franklin, BDO

Bill Kim, BDO

Sylvia Mak, BDO

Dipika Nagin, BDO

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PROCEEDINGS

1  
2 CHAIRPERSON MIDDLETON: I'd like to call to order  
3 the Risk and Audit Committee meeting of November 15, 2022.  
4 Roll call, please.

5 COMMITTEE SECRETARY: Lisa Middleton?

6 CHAIRPERSON MIDDLETON: Present.

7 COMMITTEE SECRETARY: David Miller?

8 VICE CHAIRPERSON MILLER: Here.

9 COMMITTEE SECRETARY: Frank Ruffino for Fiona Ma?

10 ACTING COMMITTEE MEMBER RUFFINO: Present.

11 COMMITTEE SECRETARY: Jose Luis Pacheco?

12 COMMITTEE MEMBER PACHECO: Present.

13 COMMITTEE SECRETARY: Ramon Rubalcava?

14 COMMITTEE MEMBER RUBALCAVA: Here now.

15 COMMITTEE SECRETARY: Mullissa Willette?

16 COMMITTEE MEMBER WILLETTE: Here.

17 COMMITTEE SECRETARY: Lynn Paquin for Betty Yee?

18 ACTING COMMITTEE MEMBER PAQUIN: Here.

19 CHAIRPERSON MIDDLETON: All right. Thank you.

20 Move on to the second item on our agenda, the  
21 Executive Report, Mr. Fein.

22 CHIEF COMPLIANCE OFFICER FEIN: Good afternoon,  
23 Madam Chair, Mr. Vice Chair, Committee members. I'm Kevin  
24 Fein, CalPERS team member and Chief Compliance Officer.  
25 Very happy to be with you here this afternoon. Today's

1 meeting under action agenda items, Ms. Chappuie and Mr.  
2 Kim from BDO will present the fiscal year 2021-22  
3 independent auditor's report and management letter. In  
4 addition, Ms. Nix and Mr. Cohen are here, should you have  
5 additional questions.

6 Next, under the information agenda items, I'll  
7 take a few minutes to share with you an update to my  
8 initial observations and preliminary plans I first shared  
9 with you at our April meeting.

10 The Next Risk and Audit Committee meeting is  
11 scheduled for February 2023 and will include a review of  
12 the Risk and Audit Committee delegation and the fiscal  
13 year 2022-23 Enterprise Compliance and Risk Management  
14 mid-year plan update. That concludes my report. I'm  
15 happy to take any questions.

16 CHAIRPERSON MIDDLETON: All right. Thank you. I  
17 don't see any questions.

18 This is a action item. Is there a motion to  
19 approve Items 3a and 3b?

20 COMMITTEE MEMBER PACHECO: (Hand raised).

21 CHAIRPERSON MIDDLETON: Mr. Pacheco?  
22 Second?

23 VICE CHAIRPERSON MILLER: Second.

24 CHAIRPERSON MIDDLETON: Mr. Miller.

25 All in favor, please say aye?

1 (Ayes).

2 CHAIRPERSON MIDDLETON: Any opposed?

3 It is approved.

4 We now move on to item number 4, information  
5 consent items. I have no requests to remove any  
6 information consent item for a separate discussion, so we  
7 will move on to Item 5, which is action consent items, the  
8 independent auditor's report for fiscal year 2021-2022.  
9 Ms. Chappuie, Ms. Nix, and Mr. Cohen.

10 CHIEF AUDITOR CHAPPUIE: Good afternoon, Madam  
11 Chair and members of the Committee. Beliz Chappuie,  
12 Office of Audit Services.

13 Agenda Item 5a is an action item. Staff is  
14 requesting the Risk and Audit Committee to approve the  
15 Board's independent financial statement auditor, BDO's  
16 audit reports for fiscal year ended June 30, 2022. I want  
17 to turn it over to the BDO staff here presenting with me  
18 today.

19 MR. KIM: Hello, Madam Chair, Vice Chair, and  
20 Committee members. For those that are new to the  
21 Committee, my name is Billy Kim. I am the overall audit  
22 engagement partner from BDO. I just want to say thank you  
23 for taking the time to allow us to present the results of  
24 the audit to you.

25 With me here today are key leaders of my team,

1 that includes Steve Franklin to my right who's our  
2 investments audit partner. And then Sylvia Mak to my left  
3 as well as Dipika Nagin to my right who are both audit  
4 directors that assist me in leading the team. Now,  
5 they'll assist me in presenting the results of our audit.  
6 And overall, in terms of the scope of the audit, it  
7 includes the audit over the basic financial statements for  
8 the fiscal year ended June 30th, 2022. Those financial  
9 statements include the fiduciary funds, as well as the  
10 proprietary funds of CalPERS financial statements. And we  
11 have three deliverables that we have provided to you in  
12 advance, two of which are audit reports. And the other is  
13 a summary of our audit work which we'll be flipping  
14 through the slides today.

15 (Thereupon a slide presentation).

16 MR. KIM: We're expected to be issuing unmodified  
17 opinions over these basic financial statements. So in  
18 other words, meaning that there will be clean opinions.  
19 We'll also be issuing a report over internal controls,  
20 over financial reporting, and over compliance, which will  
21 conclude that there are no issues to highlight related to  
22 internal controls that were identified as well as any  
23 compliance matters.

24 Lastly, I want to note that we did receive the  
25 full cooperation of management during the audit and that



1 all of our requests that we had requested were available  
2 for our inspection.

3 Now, I'll pass it off to Dipika who will talk a  
4 little bit more about the details. So Dipika, go ahead.

5 MS. NAGIN: Thank you, Billy. Can we please move  
6 to slide five.

7 --o0o--

8 MS. NAGIN: Oh, thanks, Marcie.

9 All right. Now, let's see if I know how to run  
10 it.

11 Oh, There we go.

12 Okay. All right. So continuing on with the  
13 results of our audit. As it relates to significant  
14 accounting practices and policies, there were no changes  
15 noted during this year. Also, there were no adoption of  
16 any significant new accounting standards. As part of our  
17 audit, we focus heavily on accounting estimate. There are  
18 four areas we have identified accordingly. The first area  
19 of estimate is related to the valuation of private equity  
20 and real asset investment. This is considered to be a  
21 significant estimate. This will be covered in more detail  
22 by our investment partner Steve Franklin shortly.

23 Another area of significant estimate pertains to  
24 the liability for future policy benefits to be paid to  
25 beneficiaries related to the Long-Term Care, or LTC, Fund.

1 The LTC liability is derived from a roll forward method  
2 and includes assumptions from the latest valuation report.

3 I would like to highlight here that the discount  
4 rate assumption for the LTC liability is a focal point for  
5 our audit. We've had no issues with the discount rate  
6 used. There was a change in estimate due to the  
7 termination of the LTC class action settlement that  
8 occurred in April 2022. The LTC class action updates have  
9 been appropriately disclosed in the ACFR in the  
10 contingencies footnote.

11 Other estimates that we focus on include the  
12 Health Care Fund's estimated claims liability. This is a  
13 liability that uses an actuarial methodology based on  
14 historical claims data for each of the medical plans that  
15 are offered by CalPERS to its members. And lastly is the  
16 estimate for pension liabilities for cost-sharing plans  
17 including PERF B, PERF C, and single defined benefit  
18 plans.

19 As part of our audit for the three latter areas  
20 of estimate, we perform procedures over the liabilities  
21 including analytical analysis, sample testing, and  
22 procedures over the accuracy and completeness of the data  
23 used. We also independently utilized actuaries to review  
24 management's actuarial models, methodologies,  
25 calculations, and any related assumptions. Based upon the

1 work performed, we noted no issues.

2 Now, I will pass it over to Steve who will cover  
3 more details about the significant estimate related to the  
4 valuation of investments.

5 MR. FRANKLIN: Thank you, Dipika.

6 And this is a -- it will probably be familiar to  
7 many of you is this is an estimate that we've had in prior  
8 years as well. And the estimate is really related to the  
9 non-coterminous year-ends between the financial statements  
10 of the underlying funds, both the private equity and real  
11 asset funds that CalPERS invests in, and CalPERS year-end.  
12 So those funds year-ends are December 31st, which is when  
13 they provide audited financial statements and CalPERS  
14 year-end is obviously 6/30. And so that estimate is  
15 related to the value and change in fair value between that  
16 coterminous year-end.

17 And we do a significant amount of procedures  
18 around this area, including sending confirmations to the  
19 underlying investment firms, in addition to detailed  
20 testing of contributions distributions, and analysis  
21 around the change in fair value and unrealized gain loss,  
22 in addition to some high level analytics that we do as  
23 part of our procedures.

24 So based on all that, we concluded that  
25 everything was reasonable and appropriate and had no

1 findings.

2 Thank you.

3 --o0o--

4 MR. FRANKLIN: The next slide talks about again  
5 qualitative aspects of CalPERS financial reporting. And  
6 that -- that is comprised of, you know, significant  
7 accounting policies and practices, conclusions around  
8 significant estimates, unusual transactions, and  
9 presentation disclosure, and new accounting estimates,  
10 most of which we covered on the previous slide. The one  
11 item I would like to highlight here is around significant  
12 unusual transactions. And there was one that we noted  
13 this year which was related to the secondary sale of  
14 the -- that was done -- you know, it was highlighted in  
15 the press and publicly known. And so that was one  
16 transaction that we focused on this year, as part of our  
17 test work.

18 Next slide.

19 --o0o--

20 MR. FRANKLIN: And that sort of links directly  
21 with what's on the next slide, which is the corrected  
22 misstatement that we identified. So as part of our  
23 procedures related to our valuation testing and, you know,  
24 our existence testing, we identified this corrected  
25 misstatement. And this misstatement didn't impact the net

1 asset value of the pension of CalPERS. It was really just  
2 a -- it was a reclass between two different line items on  
3 the financial -- on the balance sheet.

4 And so this item had been classified within  
5 public equities and this is related to cash that's due to  
6 the fund from the proceeds of the sale of those secondary  
7 assets. And so the reclass is reclassing that from public  
8 equity to receivable on the financial statements. And we  
9 spoke with management about it. Everybody was on board  
10 and agreed and that adjustment was made to the financial  
11 statements.

12 CHAIRPERSON MIDDLETON: If I can interrupt.  
13 Approximately, how long did it take from the time that  
14 this was identified until it was corrected?

15 MR. FRANKLIN: I would say we had conversations  
16 within -- I would say within a week. I mean we had  
17 conversations direct -- quickly -- after I identified it,  
18 you know, I consulted with Billy and the other engagement  
19 team, that probably took a day or two, and then we reached  
20 out to management and spoke with them. So they were very  
21 responsive and understood and had several discussions with  
22 them, very cooperative, so it was quick.

23 CHAIRPERSON MIDDLETON: All right. And the  
24 length of time between -- now, this -- these were  
25 transactions that took place, as I understand it, at the

1 end of the fiscal year, right in the very last week in  
2 June

3 MR. FRANKLIN: That's correct.

4 CHAIRPERSON MIDDLETON: So when was it that you  
5 first identified it?

6 MR. FRANKLIN: So we start our field work in  
7 August -- in late August. And so we would have identified  
8 this. I would -- from memory, I would say around  
9 mid-September.

10 CHAIRPERSON MIDDLETON: Okay.

11 MR. FRANKLIN: Right -- you know, right after we  
12 started our -- you know, we do some preliminary work in  
13 August, but really we hit the ground running around August  
14 24th. And so, you know, I would say within that first  
15 couple weeks of audit, we identified it.

16 CHAIRPERSON MIDDLETON: And was there any public  
17 information that was provided based on this before it was  
18 changed?

19 MR. FRANKLIN: Public information provided by --

20 CHAIRPERSON MIDDLETON: By CalPERS, anything that  
21 would mislead the public regarding our --

22 MR. FRANKLIN: No. No.

23 CHAIRPERSON MIDDLETON: Okay. And did this have  
24 any impact in terms of any incentives or anything else  
25 that would be paid to anyone in our investment team?

1 MR. FRANKLIN: Not that I'm aware of, no.

2 CHAIRPERSON MIDDLETON: All right. Thank you.

3 MR. FRANKLIN: And that's the end of my section.  
4 There were no uncorrected misstatements. And so with  
5 that, I would like to hand it over to Billy to talk about  
6 the internal control of our financial reporting.

7 MR. KIM: All right. Thank you. On this  
8 slide --

9 --o0o-- rim

10 MR. KIM: -- this is just to point out that we're  
11 actually required to report to the Risk and Audit  
12 Committee about any material weaknesses or significant  
13 deficiencies that we've identified within the audit. I'm  
14 happy to report there were no material weaknesses, no  
15 significant deficiencies that were identified during the  
16 audit.

17 Next slide.

18 --o0o--

19 MR. KIM: So these slides here, starting with  
20 this one, includes what we call our other required  
21 communications. And so I will highlight a couple of these  
22 for our meeting.

23 First is that we had no significant changes in  
24 our planned audit strategy that we had communicated to you  
25 in June. And so our -- in terms of our risk assessment

1 and the plans that we've had stayed intact since the June  
2 time frame. Second, we did also utilize internal firm  
3 specialists as well. We had alluded to that earlier as  
4 well. That included investment valuation specialists as  
5 well as actuarial specialists, and cybersecurity  
6 specialists as well.

7 And in particular, I just wanted to highlight in  
8 terms of cybersecurity specialists. This year, we felt  
9 compelled and the need that given the sensitivity to  
10 cybersecurity, you know, and also it was mentioned by the  
11 Committee as well that we needed to make sure that we  
12 spent additional time to enhance our procedures and  
13 understanding over the cybersecurity internal controls  
14 that exist at CalPERS and in relation to the impact that  
15 it could have to the financial reporting process.

16 And so our cybersecurity team did come in to  
17 supplement our team to understand those controls. We  
18 focused on 12 different areas of the cybersecurity  
19 environment. And just to identify whether there was any  
20 gaps or risks, and no such gaps or risks were actually  
21 noted.

22 Third, if we go to the next slide --

23 --o0o--

24 MR. KIM: -- There were no disagreements with  
25 management or significant difficulties that we've also



1 encountered during the audit. If we can go to the last  
2 slide, please.

3 --o0o--

4 MR. KIM: And the Last thing I wanted to remind  
5 the Committee is that we are required by our professional  
6 standards to be independent of CalPERS and want to  
7 reaffirm that we have been independent from start to  
8 finish.

9 So thank you and that concludes our presentation  
10 of Agenda Item 5a, and we're happy to take any specific  
11 questions.

12 CHAIRPERSON MIDDLETON: To everyone on the team,  
13 thank you. Billy, approximately how many individuals from  
14 BDO did you have involved in this audit?

15 MR. KIM: Wow. It's like 30 plus individuals.  
16 And it's actually a little bit more than that, because  
17 there's some people that help out administratively as  
18 well, but it's a quite a -- quite a number.

19 CHAIRPERSON MIDDLETON: And the time frame from  
20 start to finish, from August of last year to now?

21 MR. KIM: Yeah, we -- we get started actually in  
22 the April time frame is when we start our planning  
23 process.

24 CHAIRPERSON MIDDLETON: Okay.

25 MR. KIM: And then we do have interim work that

1 goes on from May to June and then we start up year-end  
2 field work in August. So it continues on. We still also  
3 have the GASB reports that we issue in December. So it's  
4 almost the full year.

5 CHAIRPERSON MIDDLETON: And about how many hours  
6 of work from BDO goes into this audit?

7 MR. KIM: It's a lot of hours. Just -- I would  
8 say --

9 CHAIRPERSON MIDDLETON: I'm sorry I didn't give  
10 you advanced warning on that question.

11 MR. KIM: Yeah.

12 CHAIRPERSON MIDDLETON: All right. Well, after  
13 all of that time, I think it's reassuring to see the  
14 results that you did find. And most particularly is there  
15 anything you would like to highlight when it comes to  
16 issues around cybersecurity in terms of what you found or  
17 conversely what you did not find?

18 MR. KIM: Yeah. Like I had mentioned, there were  
19 12 different focus areas that our team had looked at.  
20 And, you know, the team that was involved, they are  
21 involved in advising clients on cybersecurity matters. So  
22 they are required and they are up to speed on what the  
23 latest and greatest risks are that exist in the  
24 cybersecurity world. And so again, that -- that comes to  
25 show that when they had looked at your environment, that

1 your environment was up to where it needed to be from our  
2 perspective as it relates to any potential impacts to  
3 financial reporting. So, yeah, no specific issues, like I  
4 had mentioned, as it relates to that work.

5 CHAIRPERSON MIDDLETON: Thank you.

6 Mr. Pacheco.

7 COMMITTEE MEMBER PACHECO: Thank you. Thank you,  
8 Chairwoman Middleton. I'd like -- I'd like to go back to  
9 the slide, the results of the audit, on the investment  
10 sale, and the receivable, and the public equity. First of  
11 all, I want to compliment you with your audit report.  
12 This is -- I was impressed. I -- I'm very much into  
13 audits. I enjoy reading these and it's very impressive of  
14 how you went through it, the process. It was very -- it  
15 was just very engaging.

16 I'd like to know -- I know that we -- you were  
17 able to identify this. I think it was you said  
18 September -- about September time. Do you think -- do you  
19 think that will we ever -- do you think there will be --  
20 we need to establish maybe some internal controls to make  
21 sure this never happens again, or was this -- it was just  
22 a fluke? I'm just trying to understand that process,  
23 because, you know, it's a -- it's a sizable amount of  
24 money --

25 MR. KIM: Yeah.

1 COMMITTEE MEMBER PACHECO: -- and we don't want  
2 to -- you know, we want to make sure it's right the first  
3 time, instead of going back and correcting it.

4 MR. KIM: And that's a great question. And we  
5 actually did note there's an associated control matters  
6 regarding this, which we were going to be presenting in  
7 the next report. So if you want to wait.

8 COMMITTEE MEMBER PACHECO: I will wait. I will  
9 wait then.

10 MR. KIM: We could touch -- we'll be touching  
11 upon that.

12 COMMITTEE MEMBER PACHECO: Oh, that's fine. I  
13 can wait then.

14 CHAIRPERSON MIDDLETON: Are there any other  
15 questions?

16 Then this is an action item. Let's -- is there a  
17 motion to approve 5a?

18 VICE CHAIRPERSON MILLER: Move to approve.

19 COMMITTEE MEMBER PACHECO: Second.

20 CHAIRPERSON MIDDLETON: Motion by Mr. Miller  
21 second by Mr. Pacheco.

22 All in favor, please say aye?

23 (Ayes).

24 CHAIRPERSON MIDDLETON: Any opposed?

25 Approved.

1           We will now go on to 5b. And I think we're --  
2 we've already set up 5b, so...

3           CHIEF AUDITOR CHAPPUIE: There we go. Madam  
4 Chair, Beliz Chappuie again. Agenda 5b is also an action  
5 item. Staff is requesting the Risk and Audit Committee to  
6 approve the Board's independent financial statement  
7 auditor BDO's draft management letter. Now, I'd like to  
8 turn it back over to the BDO staff.

9           MS. MAK: Thank you, Beliz.

10          (Thereupon a slide presentation).

11          MS. MAK: Madam Chair, Mr. Vice Chair, and  
12 members of the Committee, in planning and performing our  
13 audit of the financial statements for CalPERS for the  
14 fiscal year 2022, we considered CalPERS' internal controls  
15 over financial reporting as a basis for designing our  
16 audit procedures for the purpose of expressing our opinion  
17 on the financial statements, but not for the purpose of  
18 expressing an opinion on the effectiveness of internal  
19 controls.

20          Billy provided you with an overview of the  
21 control definitions in the prior agenda item, so I will  
22 not go through them again. In connection with our audit,  
23 we noted no material weaknesses. We identified one  
24 deficiency related to the review for classification of  
25 investment receivables.

1           Specifically, we observed that the investment  
2 proceeds receivable related to the secondary sale of  
3 certain private equity investments were inappropriately  
4 recorded in public equity instead of in the investment  
5 sales and other receivables financial statement line item.

6           Upon identification of the misclassification, it  
7 was timely corrected by management. The reclassification  
8 had no impact on total additions or total investments, and  
9 represented a change within the line item on the financial  
10 statements. In order to appropriately record proceeds  
11 receivable, we recommend management implement a control  
12 during its year-end review to identify whether any  
13 proceeds from sales that have taken place prior to year  
14 end and are still to be received, and if so, to assess for  
15 the proper classification of them on the financial  
16 statements.

17           Management has indicated that to enhance its  
18 internal control going forward, annually the financial  
19 reporting and accounting group will inquire with the  
20 Investment Office to identify any transactions where the  
21 proceeds may not be fully received as of the reporting  
22 date. If any transactions are identified, the financial  
23 reporting and accounting group will assess for proper  
24 classification and include the transactions in the  
25 year-end financial statements in accordance with U.S.

1 GAAP. We will continue to monitor the improvements that  
2 have been put into place in the coming year and will  
3 further assess the operations of this control put into  
4 place during our 2023 audit.

5 We also wanted to take this opportunity to look  
6 back at the prior year 2021 control findings. As part of  
7 the prior audit, we identified a significant deficiency  
8 related to the segregation of duties over the oversight of  
9 dormant accounts. Dormant accounts are those which have  
10 not had activity in the past six months and for which the  
11 retiree has not been identified as deceased.

12 During fiscal year 2022, dormant account reissues  
13 required an extra layer of review and approval by the  
14 Retirement Benefit Services Division Assistant Division  
15 Chief or the Division Chief. Changes were also made to  
16 myCalPERS to prevent a user requesting to reissue a  
17 payment from also approving the payment as well.

18 Further, improvements were made to segregate  
19 duties between the team that makes the deposit account  
20 updates to those accounts in myCalPERS from the team that  
21 actually processes the reissuance of payments. We concur  
22 with management that this control finding has been  
23 remediated.

24 As part of the prior audit, the results of a  
25 significant deficiency related to death benefit payment

1 receivables, which was an agenda item that was originally  
2 shared by CalPERS's Office of Audit Services during the  
3 September 2021 meeting with the Committee. Management put  
4 into place the controls that were identified and discussed  
5 in detail during that meeting. And we observed that those  
6 were operating during fiscal year 2022. We concur with  
7 management that this control finding has also been  
8 remediated.

9           Finally, as part of the prior year audit, we  
10 identified a deficiency related to the security  
11 administrative access by certain members of the Actuarial  
12 Office to the Actuarial Valuation System, AVS, which  
13 created a segregation of duties conflict, and the review  
14 of the AVS user access log was also being performed by a  
15 member of the Actuarial Office who had administrative  
16 access. Steps were taken in fiscal 2022 to remove the  
17 security access role from active actuarial office AVS  
18 users.

19           Users changes are also now updated in AVS by a  
20 division within the IT department. The IT Department is  
21 also responsible for the semi-annual review of the user  
22 access logs. The changes put into place improved the  
23 segregation of duties and we concur that this finding has  
24 also been remediated.

25           This concludes our remarks on the management



1 letter and we will now open it up for questions.

2 Thank you.

3 CHAIRPERSON MIDDLETON: Mr. Pacheco.

4 COMMITTEE MEMBER PACHECO: Thank you very much.

5 Oh, there it is.

6 Thank you. Thank you for that awesome answer on  
7 the internal controls. So I kind of now know exactly what  
8 it was and you guys -- you guys -- now that -- there's a  
9 mechanism of communication between the Investment Office  
10 and all other parties, I think now we'll be -- we'll be  
11 set. So I think that was perfectly answered. Thank you.

12 CHAIRPERSON MIDDLETON: Are there any other  
13 questions?

14 It is, of course, reassuring to hear your report  
15 regarding the changes that were implemented over the last  
16 year in response to the audit of last year. And we look  
17 forward to hearing something very similar at this time  
18 next year.

19 Are -- is there any other information that any of  
20 you have?

21 Then I congratulate you again on behalf of the  
22 Committee for your work, for your independence, and thank  
23 you.

24 MR. KIM: Thank you.

25 CHAIRPERSON MIDDLETON: With that, I need a

1 motion to approve 5b.

2 COMMITTEE MEMBER PACHECO: I'll make a motion.

3 VICE CHAIRPERSON MILLER: Second.

4 CHAIRPERSON MIDDLETON: Mr. Pacheco, a second  
5 from Mr. Miller.

6 All those in favor, please say aye?

7 (Ayes).

8 CHAIRPERSON MIDDLETON: Any opposed?

9 Item 5b is approved.

10 We will move on to Item 6A, information agenda  
11 items. And this is the Chief Compliance Officer update on  
12 preliminary plans.

13 Mr. Fein.

14 CHIEF COMPLIANCE OFFICER FEIN: Thank you, Madam  
15 Chair.

16 When I first provided my observations and  
17 preliminary plans, I was just approaching three months in  
18 the role. And now I am just about a little past nine  
19 months. I continue to read loads and loads of materials  
20 and getting to know my colleagues throughout the  
21 enterprise. I'm learning more about how processes work in  
22 the public sector, specifically here at CalPERS. I've  
23 been participating in meetings and webinars with other  
24 public sector compliance professionals, as well as  
25 establishing individual connections with several both here

1 and -- in California and around the country.

2 I spoke in April about enhancements to certain  
3 conflict check procedures. To better detect and prevent  
4 conflict issues, we have -- now have also expanded certain  
5 onboarding procedures for new team members in order to  
6 better identify areas where there may be potential for  
7 conflict as well as educating them on what the  
8 requirements are. Some of you have been through this  
9 process yourselves.

10 We are also expanding that for a number of team  
11 members who have promoted into different positions, in  
12 many cases having been a number of years since they were  
13 last through that sort educational process. We're finding  
14 that folks appreciate the process and are increasing their  
15 knowledge of and appreciation for compliance and risk  
16 issues. It is also helping us to further the long-held  
17 goal here of increasing compliance and risk awareness.

18 We have continued to work with HR to design our  
19 flatter and more simplified organization chart and  
20 complete our work to combine and integrate the Compliance  
21 and Risk teams into a single cohesive team. I'm very  
22 pleased that the team has been incredibly eager to jump  
23 in, learn different parts of the activities within our  
24 group, and build their existing skill sets.

25 We are improving and increasing our use of

1 technology to allow the automation of various processes.  
2 The resulting increase in ability to process and evaluate  
3 many activities and large amounts of data will again  
4 greatly strengthen our efforts to identify, assess, and  
5 ultimately prevent conflicts of interest and ethical  
6 behavior lapses.

7           We will continue sharing new plans and proposals  
8 with the executive team to receive their input and  
9 approvals as we continue to enhance and mature our  
10 compliance and risk practices. I would like to thank you  
11 and the executive team for the support and approval of the  
12 plans I've implemented so far.

13           That concludes my update. I'm happy to answer  
14 any questions.

15           CHAIRPERSON MIDDLETON: All right. Are there any  
16 questions for Mr. Fein?

17           Congratulate you on the professionalism with  
18 which you have approached this, and thank you, and please  
19 keep it up.

20           CHIEF COMPLIANCE OFFICER FEIN: Thank you.

21           CHAIRPERSON MIDDLETON: All right. We will now  
22 move on to Item 6B, which is summary of committee  
23 direction.

24           CHIEF COMPLIANCE OFFICER FEIN: Madam Chair, I  
25 took no note of any directions.

1 CHAIRPERSON MIDDLETON: I don't recall giving  
2 any.

3 (Laughter).

4 CHAIRPERSON MIDDLETON: So is there any public  
5 comment?

6 No public comment, then we will recess into  
7 closed session for items 1 through 3 on the closed session  
8 agenda. We'll immediately reconvene in open session after  
9 the closed session. Closed session should take  
10 approximately 10 minutes. We thank you. And Mr. Fein, if  
11 you could stay seated we will begin with you.

12 (Off record: 2:49 p.m.)

13 (Thereupon the meeting recessed  
14 into closed session.)

15 (Thereupon the meeting reconvened  
16 open session.)

17 (On record: 3:24 p.m.)

18 CHAIRPERSON MIDDLETON: All right. Have the  
19 doors been officially opened?

20 GENERAL COUNSEL JACOBS: Yes.

21 CHAIRPERSON MIDDLETON: All right, then we are  
22 back in open session and this adjourns the meeting. I  
23 thank you.

24 And at 3:30, we will begin the Governance  
25 Committee meeting.

(Thereupon the California Public Employees'  
Retirement System, Board of Administration,  
Risk & Audit Committee open session  
meeting adjourned at 3:25 p.m.)

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CERTIFICATE OF REPORTER

1  
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, Risk & Audit Committee open  
7 session meeting was reported in shorthand by me, James F.  
8 Peters, a Certified Shorthand Reporter of the State of  
9 California;

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

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

16 IN WITNESS WHEREOF, I have hereunto set my hand  
17 this 28th day of November, 2022.

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