

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

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

TUESDAY, FEBRUARY 18, 2025

8:56 A.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Kevin Palkki, Chair

Mullissa Willette, Vice Chair

Fiona Ma, represented by Patrick Henning

David Miller

Jose Luis Pacheco

Theresa Taylor

Yvonne Walker

BOARD MEMBERS:

Malia Cohen

Michael Detoy (Remote)

Eraina Ortega

Ramón Rubalcava

STAFF:

Marcie Frost, Chief Executive Officer

Matthew Jacobs, General Counsel

Michele Nix, Chief Financial Officer

Dallas Stone, Chief, Operations Support Services Division

ALSO PRESENT:

J.J. Jelincic, Retired Public Employees Association

Margaret Brown, Retired Public Employees Association

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PROCEEDINGS

1
2 VICE CHAIR MILLER: Good morning, I'd like to
3 call the session to order. This is the Finance and
4 Administration Committee. And -- so, because we're not
5 all present in the same room and Board members are
6 participating from remote locations that are not
7 accessible to the public, Bagley-Keene requires the remote
8 Board members to make certain disclosures about any other
9 persons present with them during open session.
10 Accordingly, Board members participating remotely must
11 each attest either that they are alone or if there are one
12 or more persons present with them who are at least 18
13 years old, the nature of the Board member's relationship
14 to each person. At this time, I'll ask the remote Board
15 member, Mr. Detoy to verbally attest accordingly.

16 BOARD MEMBER DETOY: I am alone.

17 VICE CHAIR MILLER: Okay. Thank you. Okay. So
18 I guess we'll continue with our roll call.

19 BOARD CLERK ANDERSON: David Miller.

20 VICE CHAIR MILLER: Here.

21 BOARD CLERK ANDERSON: Patrick Henning for Fiona
22 Ma?

23 ACTING COMMITTEE MEMBER HENNING: Here.

24 BOARD CLERK ANDERSON: Jose Luis Pacheco.

25 COMMITTEE MEMBER PACHECO: Present.

1 BOARD CLERK ANDERSON: Kevin Palkki.

2 COMMITTEE MEMBER PALKKI: Good morning.

3 BOARD CLERK ANDERSON: Theresa Taylor.

4 COMMITTEE MEMBER TAYLOR: Here.

5 BOARD CLERK ANDERSON: Yvonne Walker.

6 COMMITTEE MEMBER WALKER: Here.

7 BOARD CLERK ANDERSON: Mullissa Willette.

8 COMMITTEE MEMBER WILLETTE: Here.

9 VICE CHAIR MILLER: Okay. The next order of
10 business is the election of the Chair and Vice Chair of
11 the Finance and Administration Committee.

12 I'll now take nominations for Chair of the
13 Finance and Administration Committee.

14 I'll call on President Taylor.

15 COMMITTEE MEMBER TAYLOR: Hi. Thank you very
16 much.

17 THE REPORTER: Microphone.

18 COMMITTEE MEMBER TAYLOR: Oh, you haven't got me
19 yet.

20 VICE CHAIR MILLER: Try to get it.

21 No. Let me try it again.

22 There we go.

23 COMMITTEE MEMBER TAYLOR: There we go. Thank you
24 very much, Mr. Chair. I would like to nominate Kevin
25 Palkki as Chair of Finance and Administration Committee.

1 VICE CHAIR MILLER: Okay. A nomination is made.
2 Are there any other nominations?

3 Are there any other nominations?

4 Are there any other nominations?

5 I have a motion to approve Kevin Palkki as Chair.
6 And so I'll ask for the roll call.

7 GENERAL COUNSEL JACOBS: Chair Miller, you do
8 need a second.

9 VICE CHAIR MILLER: Oh. We do need a second.
10 I'll call for -- do we have a second?

11 COMMITTEE MEMBER WILLETTE: I'll second.

12 VICE CHAIR MILLER: Seconded by Director
13 Willette. Okay. So now I will have a motion and a
14 second. So are there -- any discussions on the matter?

15 Okay. So I'll call for the question.

16 COMMITTEE MEMBER TAYLOR: You have to ask for any
17 other nominations.

18 VICE CHAIR MILLER: We have to ask for
19 nominations again?

20 Okay.

21 Are there any other nominations?

22 Any other nominations?

23 Any other nominations?

24 Okay. I have a motion and a second to approve
25 Kevin Palkki as Chair. And now I'll call for the roll

1 call vote.

2 BOARD CLERK ANDERSON: You may do a verbal vote,
3 ask for ayes and nays --

4 VICE CHAIR MILLER: Okay.

5 BOARD CLERK ANDERSON: -- because Mike is not on
6 the Committee.

7 VICE CHAIR MILLER: Okay. Then all in favor?

8 (Ayes.)

9 VICE CHAIR MILLER: Any abstentions?

10 Any nays?

11 No, it's unanimous congratulations, Mr. Palkki.

12 And we'll change chairs.

13 CHAIR PALKKI: Thank you.

14 So at this time, I'll open the floor for
15 nominations for Vice Chair. And I would like to nominate
16 Mullissa Willette.

17 VICE CHAIR MILLER: I'll second that.

18 CHAIR PALKKI: I have a motion and a second.

19 Are there any other nominations?

20 Are there any other nominations?

21 Are there any other nominations?

22 Seeing no other nominations, all those in favor
23 say aye?

24 (Ayes.)

25 CHAIR PALKKI: All those opposed?

1 Any abstentions?

2 There we go. Congratulations Mrs. Willette.

3 COMMITTEE MEMBER TAYLOR: Now, you have to change
4 seats again.

5 CHAIR PALKKI: Now, we shuffle.

6 So, first off, thank you for the vote of
7 confidence, but I think we've got to get to work here.

8 So, Ms. Nix, the floor is yours.

9 CHIEF FINANCIAL OFFICER NIX: Thank you. Good
10 morning, Chair Palkki and Committee members. Michele Nix,
11 CalPERS team member. First, let me congratulate Kevin
12 Palkki and Mullissa Willette on your election to Chair and
13 Vice Chair.

14 Next, the Social Security Fairness Act signed
15 into law on January 5th, 2025 rescinded federal laws known
16 as the Government Pension Offset, GPO, and the Windfall
17 Elimination Provision, WEP. This law does not impact the
18 paid benefits that CalPERS administers. However, it may
19 impact some of our members who are now eligible to receive
20 Social Security benefits and worked for an employer that
21 did not withhold Social Security taxes.

22 The State Social Security Administrator team has
23 been assisting members and employers regarding questions.
24 Our team has also worked to update external website
25 resources and we continue to refer members to visit the

1 Social Security website for more information.

2 I'm happy to report that as of February 12th,
3 2025, the California Employers' Pension Prefunding Trust,
4 or the CEPPT, is now 293 million with 101 contracted
5 employees -- employers. That's a milestone for us over a
6 hundred.

7 The action consent agenda item before you today
8 consist of Judges' I and II Retirement System actuarial
9 valuation report, and employer and employee contribution
10 rates. It also includes the Legislators' Retirement
11 System actuarial valuation report, and employer/employee
12 contribution rates.

13 We've removed Agenda 4f, the contract extension
14 of the Investment Office total fund and capital markets
15 from the action consent agenda.

16 Additionally, the agenda has one action item
17 seeking your direction, the 200 -- 2025 CalPERS Board of
18 Administration member-at-large notice of election
19 presented by Dallas Stone.

20 The next Finance and Administration Committee is
21 scheduled for April 14th, 2025 and will include the
22 following: semi-annual contracting prospective report;
23 valuation report for the 1959 Survivor Benefit Program;
24 the semiannual financial report for the PERF; the
25 semi-annual health plan financial report; pensions

1 contract management report; Investment Data and Technology
2 Modernization Initiative; the 2025-26 annual budget
3 proposal; the annual review of Board Member employer
4 reimbursements; and State and schools valuation and
5 employer and employee contribution rates.

6 Thank you, Chair. This concludes my report and
7 I'd be pleased to take questions at this time.

8 CHAIR PALKKI: Thank you for that report. I
9 don't see any questions, so a great report.

10 No questions are good, right?

11 CHIEF FINANCIAL OFFICER NIX: Perfect.

12 CHAIR PALKKI: Next up, we have action consent
13 items. I need a vote on that, yes?

14 COMMITTEE MEMBER PACHECO: I'll make the motion.

15 CHAIR PALKKI: I've got a motion from Jose Luis.
16 Do we have a second?

17 COMMITTEE MEMBER MILLER: Second.

18 CHAIR PALKKI: A second from David Miller.
19 Any discussion?

20 All those -- so the motion is to accept A through
21 E is to accept A through E on the action consent items.

22 All those in favor say aye?

23 (Ayes.)

24 CHAIR PALKKI: All those opposed?

25 Any abstentions?

1 Motion carries.

2 Next up is information consent items. I have not
3 received anything to be pulled for question.

4 So the next item is the action agenda item,
5 CalPERS Board of Administration member-at-large notice of
6 election.

7 Mr. Stone.

8 OPERATIONS SUPPORT SERVICES DIVISION CHIEF STONE:

9 Good morning. Dallas Stone, CalPERS team member.

10 This is an action item seeking the Finance and
11 Administration Committee's approval to initiate the 2025
12 member-at-large election for two seats on the CalPERS
13 Board of Administration by adopting the notice of
14 election, which was Provided to you in attachment 1.

15 Please know that due to the Governor's
16 announcement of change in appointment to the Board's local
17 government elected official in an updated version of the
18 notice of election removing Ms. Middleton and adding Board
19 Member Detoy will be sent on release date. If approved,
20 we will release the notice election on March 17th, 2025,
21 which will also start the nomination period. Nomination
22 petitions with a minimum of 250 eligible original
23 signatures will need to be submitted to CalPERS by
24 potential candidates no later than 5 p.m. on May 15th,
25 2025. All forms related to the nomination requirements

1 will be posted on the CalPERS Board election webpage.
2 Interested candidates may also request a copy of the forms
3 by contacting the Board election office.

4 After approval, the Board election team will work
5 with the CalPERS's Board election vendor to print and mail
6 the notice of election to eligible retired members.
7 Active members will receive an electronic copy of the
8 notice of election distributed to them by their employers
9 who will receive it via a CalPERS circular letter.

10 Last week at our stakeholder briefing, a request
11 was made to enhance our release of the notice of election
12 to our eligible active voters. Our election team is
13 actively working with our public affairs office on an
14 email marketing campaign that will complement the circular
15 letter.

16 I am happy to answer any questions that you may
17 have at this time.

18 Thank you.

19 CHAIR PALKKI: Mr. Stone, I don't see any
20 questions.

21 I do have -- if there is no other questions from
22 the Board, I do have one public comment before we vote
23 here. I have J.J. Jelincic on 6a.

24 J.J. JELINCIC: J.J. Jelincic, Director of Health
25 Benefits, RPEA. Congratulations on your election.

1 The election notice requires that a candidate be
2 a resident of California. This is not supported by the
3 Public Employees' Retirement Law nor your Code of
4 Regulations. I guess I once again get to be the
5 institutional memory. This requirement did not exist for
6 years. Then Jeff Baker, a retiree living in Nevada,
7 decided he wanted to run. From management's viewpoint, he
8 was a very bad candidate. He was an ex-CalPERS employee
9 and management had already had to deal with me. As an
10 employee, I often knew when management was being, shall we
11 say, less than candid. Jeff had witnessed, documented,
12 and complained about petty corruption that was occurring
13 in the selection of outside managers, not someone
14 management wants on a Board.

15 Management therefore decided that the California
16 Election Code requires that an office holder be a
17 California resident, and therefore Jeff could not run.

18 I point out that this is the same Election Code
19 that forbids internet voting. In one case, CalPERS took
20 the position it was bound by the election code and the
21 other CalPERS was exempt. It's an example of picking and
22 choosing which laws it must comply with and which it --
23 and those that it must at least appear to comply with and
24 those that it can ignore. I urge you to comply with the
25 PERL, which is the more specific and says that any member

1 can run in the at-large seat.

2 I also urge you to reject internet voting. We
3 all know how secure and accurate the internet can be,
4 sarcasm intended. So I ask you to consider those. Thank
5 you.

6 And one other point, I had put in for public
7 comment at the end. That was related to F, which got
8 dropped, so I will not be making that comment.

9 Thank you.

10 CHAIR PALKKI: Thank you, Mr. Jelincic. Next, I
11 have Margaret Brown.

12 MARGARET BROWN: Good morning. Thank you. My
13 name is Margaret Brown. I'm President of the Retired
14 Public Employees Association of California. I have
15 addressed both the CEO, you legal counsel, and this Board
16 regarding our election processes here since 2017 when I
17 was a first-time candidate.

18 I had concerns over the processes and procedures,
19 and some of those got resolved, like signing the ballot,
20 putting your signature actually on where you voted. That
21 got removed. And opening the ballots in Everett,
22 Washington as they came in. There was no oversight at
23 all. They were opened just as they came in over the
24 30-day period. Those were halted.

25 But other items were not halted like the internet

1 and phone voting. The problem with the internet and phone
2 voting is there is no audit trail. There is no way for
3 you to confirm how you voted. So if you wanted to do a
4 recount, there would be no way to figure it out, because
5 it's just your vendor recalculating the numbers they
6 already have, where if you have a paper ballot, it's very
7 easy. They just scan it through the system and they
8 recount them.

9 You know, there was two primary reasons for the
10 Board voting to add internet and phone voting, and that
11 was to increase participation and maybe to eventually save
12 costs so you wouldn't have to actually mail paper ballots
13 to everyone, which is very expensive.

14 By the way, none of these outcomes have been
15 achieved. You still get about the same percentage voting.
16 They just switch from one medium to another. And the fact
17 that CalPERS is not able to eliminate paper ballots
18 because only about 10 percent people vote, it's just --
19 it's not going to happen. And so I just think that you
20 really should consider what you're doing with internet and
21 phone voting. It's not -- it doesn't follow California
22 Election Code. And I will tell you that RPEA, the
23 Legislative Committee, is currently considering
24 legislation to force CalPERS to change the way they do
25 their voting, because it is not safe and it is not

1 auditable. Thank you.

2 CHAIR PALKKI: Thank you.

3 I do not have any public comments on the phone.

4 BOARD CLERK ANDERSON: No.

5 CHAIR PALKKI: With that, can I get a motion to
6 approve the action?

7 COMMITTEE MEMBER WALKER: So moved.

8 COMMITTEE MEMBER TAYLOR: Second.

9 CHAIR PALKKI: I have a motion from Ms. Yvonne
10 Walker and a second from Theresa Taylor. Any other
11 discussion on this?

12 Seeing none, all those in favor say aye?

13 (Ayes.)

14 CHAIR PALKKI: All those opposed?

15 Any abstentions?

16 COMMITTEE MEMBER PACHECO: I abstain.

17 CHAIR PALKKI: I have one abstention from Mr.
18 Pacheco.

19 And the ayes have it.

20 The election -- next up is the information agenda
21 items. Ms. Nix.

22 CHIEF FINANCIAL OFFICER NIX: Chair Palkki, we
23 have no information agenda items to present today. So I
24 think if you want to move on to summary of Committee
25 direction, I'm happy to so.

1 CHAIR PALKKI: Yes. Thank you.

2 CHIEF FINANCIAL OFFICER NIX: I took no
3 direction.

4 (Laughter).

5 CHAIR PALKKI: That was easy. Thank you -- thank
6 you, Ms. Nix. I have had only one public comment for 7b,
7 but that was pulled.

8 So, if there are no other public comments on the
9 phone - no - then I will call this meeting adjourned and
10 our next committee Performance, Compensation and Talent
11 Management will meet in about five minutes.

12 So with that, thank you.

13 (Thereupon the California Public Employees'
14 Retirement System, Board of Administration,
15 Finance & Administration Committee meeting
16 adjourned at 9:16 a.m.)

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CERTIFICATE OF REPORTER

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of February, 2025.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
License No. 10063