

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

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

TUESDAY, FEBRUARY 18, 2025  
11:23 A.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Malia Cohen, Chairperson

David Miller, Vice Chairperson

Fiona Ma, represented by Patrick Henning

Jose Luis Pacheco

Kevin Palkki

Ramón Rubalcava

Mullissa Willette

BOARD MEMBERS:

Theresa Taylor, President

Michael Detoy (Remote)

Eraina Ortega

Dr. Gail Willis (Remote)

STAFF:

Marcie Frost, Chief Executive Officer

Matthew Jacobs, General Counsel

Kevin Fein, Chief Compliance Officer

Beliz Chappuie, Chief Auditor

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PROCEEDINGS

1  
2 CHAIR MILLER: Okay. And I call the meeting to  
3 order. The is the Risk and Audit Committee. And the  
4 first order of business is the attestation for -- because  
5 we're not all present in the same room --

6 BOARD CLERK ANDERSON: Should we do roll cal?

7 CHAIR MILLER: Oh, first? Okay. Okay. We'll do  
8 the roll call first.

9 BOARD CLERK ANDERSON: David Miller.

10 CHAIR MILLER: Here.

11 BOARD CLERK ANDERSON: Malia Cohen.

12 COMMITTEE MEMBER COHEN: Present.

13 BOARD CLERK ANDERSON: Patrick Henning.

14 ACTING COMMITTEE MEMBER HENNING: Here.

15 BOARD CLERK ANDERSON: Jose Luis Pacheco.

16 COMMITTEE MEMBER PACHECO: Present.

17 BOARD CLERK ANDERSON: Kevin Palkki.

18 COMMITTEE MEMBER PALKKI: Good morning.

19 BOARD CLERK ANDERSON: Ramón Rubalcava.

20 COMMITTEE MEMBER RUBALCAVA: Present.

21 BOARD CLERK ANDERSON: Mullissa Willette.

22 COMMITTEE MEMBER WILLETTE: Here.

23 CHAIR MILLER: Okay. Because we're not all  
24 present in the same room and Board members are  
25 participating from remote locations that are not

1 accessible to the public, Bagley-Keene requires the remote  
2 Board members to make certain disclosures about any other  
3 persons present with them during open session.

4 Accordingly, the Board members participating remotely must  
5 each attest either that they are alone, or if there are  
6 one or more persons present with them who are at least 18  
7 years old, the nature of the Board member's relationship  
8 to each person. At this time, I will ask each remote  
9 Board member to verbally attest accordingly.

10 Please conduct the roll call attestation.

11 BOARD CLERK ANDERSON: Michael Detoy.

12 BOARD MEMBER DETOY: I attest that I am alone.

13 CHAIR MILLER: And is Dr. Wills with us?

14 BOARD CLERK ANDERSON: No.

15 CHAIR MILLER: Okay. Great. So we'll move on  
16 and the first order of business is I will take -- I guess  
17 I will do the nominations. Okay. I'll take nominations  
18 for Chair of the Risk and Audit Committee. Do I have any  
19 nominations?

20 CHAIR MILLER: I'll call on Director Willette.

21 COMMITTEE MEMBER WILLETTE: I would like to  
22 nominate Controller Cohen as Chair.

23 CHAIR MILLER: Okay. Do we have a second for  
24 that nomination.

25 COMMITTEE MEMBER PACHECO: Second.

1 CHAIR MILLER: Seconded by Director Pacheco.

2 Are there any other nominations?

3 Are there any other nominations?

4 Are there any other nominations?

5 No. There are no other nominations, so I have a  
6 motion to approve, seconded for Controller Cohen as Chair,  
7 so let's have a roll call vote.

8 BOARD CLERK ANDERSON: All -- we just -- okay.

9 All in favor?

10 (Ayes.)

11 CHAIR MILLER: Abstain?

12 And motion passes. Congratulations.

13 CHAIR COHEN: Thank you.

14 COMMITTEE MEMBER MILLER: Okay. I will -- now,  
15 we'll switch seats. I'll hand over the gavel. Here's the  
16 little script.

17 CHAIR COHEN: All good afternoon, ladies and  
18 gentlemen. Thank you very much. As -- I will now take  
19 nominations for Vice Chair for the Risk and Audit  
20 Committee.

21 Is there a nomination for Vice Chair?

22 Mr. Palkki.

23 COMMITTEE MEMBER PALKKI: Thank you. I'd like to  
24 nominate David Miller.

25 CHAIR COHEN: Are there any other nominations?

1 COMMITTEE MEMBER WILLETTE: I'll second. I will  
2 second that.

3 CHAIR COHEN: Thank you. A motion has been made  
4 by Mr. Palkki, second by Member Willette.

5 Are there any other nominations?

6 Any other nominations?

7 Any other nominations?

8 All right, I have a motion to approve David  
9 Miller as Vice Chair. Please let's call the roll.

10 Would you like to do it by voice acclamation?

11 ACTING COMMITTEE MEMBER HENNING: Madam Chair.

12 CHAIR COHEN: Yes, sir.

13 ACTING COMMITTEE MEMBER HENNING: When we have a  
14 motion and a second and there is no contested election, do  
15 we need -- still need to have a full vote?

16 GENERAL COUNSEL JACOBS: Yes.

17 ACTING COMMITTEE MEMBER HENNING: Please.

18 GENERAL COUNSEL JACOBS: Matt Jacobs, General  
19 Counsel. Is your question whether we still need to take a  
20 vote?

21 ACTING COMMITTEE MEMBER HENNING: Yes.

22 GENERAL COUNSEL JACOBS: Yes, it is. Yes, we do  
23 still need to take a vote?

24 ACTING COMMITTEE MEMBER HENNING: Even though  
25 there's only one person for the position?

1 GENERAL COUNSEL JACOBS: Yes.

2 ACTING COMMITTEE MEMBER HENNING: Okay.

3 GENERAL COUNSEL JACOBS: Theoretically, you could  
4 have no votes. You could have abstentions.

5 ACTING COMMITTEE MEMBER HENNING: Okay.

6 GENERAL COUNSEL JACOBS: You need a majority  
7 vote.

8 ACTING COMMITTEE MEMBER HENNING: Okay.

9 CHAIR COHEN: All right, thank you, Mr. Jacobs,  
10 for the clarity. We'll do a roll call vote.

11 BOARD CLERK ANDERSON: David Miller?

12 COMMITTEE MEMBER MILLER: Aye.

13 BOARD CLERK ANDERSON: Patrick Henning.

14 ACTING COMMITTEE MEMBER HENNING: Aye.

15 BOARD CLERK ANDERSON: Jose Luis Pacheco?

16 COMMITTEE MEMBER PACHECO: Aye.

17 BOARD CLERK ANDERSON: Kevin Palkki?

18 COMMITTEE MEMBER PALKKI: Aye.

19 BOARD CLERK ANDERSON: Ramón Rubalcava?

20 COMMITTEE MEMBER RUBALCAVA: Aye.

21 BOARD CLERK ANDERSON: Mullissa Willette?

22 COMMITTEE MEMBER WILLETTE: Yes.

23 CHAIR COHEN: All right. Thank you very much.  
24 Motion passes. Congratulations.

25 All right, we'll continue moving with the agenda.



1 The next item of business is the Executive Report.

2 CHIEF COMPLIANCE OFFICER FEIN: Good morning,  
3 Madam Chair, Mr. Vice chair, Committee members. I'm Kevin  
4 Fein, CalPERS team member, and Chief Compliance Officer.

5 First, I'd like to offer my congratulations to  
6 Controller Cohen and Mr. Miller on their election to Chair  
7 and Vice Chair.

8 Today, you'll be asked to approve a revision to  
9 the Office of Audit Services' charter. Also, for the  
10 issuance of a request for proposal for third-party  
11 parallel valuation and certification services related to  
12 our actuarial work. I will also be providing a mid-year  
13 update on the Enterprise Compliance Risk and Governance  
14 Fiscal Year 2024-25 Annual Plan, and Ms. Chappuie will  
15 present the Office of Audit Services Strategic Plan.

16 The next Risk and Audit Committee meeting is  
17 scheduled for June 2025 and will include the fiscal year  
18 2025-26 annual plans for both Enterprise Compliance Risk  
19 and Governance and the Office of Audit Services, and  
20 presentation of the fiscal year 2024-25 annual compliance  
21 report.

22 That concludes my report. I'm happy to take any  
23 questions.

24 CHAIR COHEN: Thank you very much. Are there any  
25 questions colleagues?

1 All right. Seeing no questions, thank you for  
2 the report.

3 We'll on to the next item. All right, next item  
4 is action consent items.

5 COMMITTEE MEMBER PACHECO: Move approval.

6 CHAIR COHEN: I'm sorry?

7 COMMITTEE MEMBER PACHECO: I'll move approval.

8 CHAIR COHEN: All right, motion has been made by  
9 Jose Luis Pacheco.

10 COMMITTEE MEMBER PALKKI: Second.

11 CHAIR COHEN: Second By Kevin Palkki. Do we need  
12 to take a roll call vote or anything.

13 BOARD CLERK ANDERSON: (Shakes head).

14 CHAIR COHEN: All right, all those that are in  
15 favor say aye?

16 (Ayes.)

17 CHAIR COHEN: It sounds unanimous.

18 The next item on the agenda is the consent --  
19 action consent item, which includes the approval of the  
20 November 18th, 2024 Risk and Audit Committee open session  
21 meeting minutes. Please note that they agenda should say  
22 approval of the November 19 -- no, November 19th, 2024  
23 minutes. Do I have a motion for approval?

24 COMMITTEE MEMBER PACHECO: I'll move it.

25 ACTING COMMITTEE MEMBER HENNING: Second

1 CHAIR COHEN: All right, also -- okay. Motion  
2 has been moved by Jose Luis Pacheco Take second by Mr.  
3 Henning.

4 Let's take a -- not a roll call vote, a vote by  
5 acclamation. All those in favor say aye?

6 (Ayes.)

7 CHAIR COHEN: All right.

8 GENERAL COUNSEL JACOBS: Sorry, Ms. Cohen, but I  
9 would still suggest that you ask for no votes.

10 CHAIR COHEN: Okay. All those that are opposed  
11 with a no vote?

12 Please let the record reflect that there are no  
13 no votes.

14 All right. Next item, information consent item.

15 Is there a presentation?

16 CHIEF EXECUTIVE OFFICER FROST: You can just  
17 check to see if there was anyone who wants to pull an  
18 information consent item, and if not, you can move forward  
19 to Item 6.

20 CHAIR COHEN: Okay. Colleagues, is there an item  
21 that you would like to pull further discussion?

22 No. Seeing that the panel says no, we'll move on  
23 to item number 6. Item number 6 is an action item, Office  
24 of -- Office of Audit Service Carter revision.

25 Welcome to our presenter.

1 CHIEF AUDITOR CHAPPUIE: Good morning Madam  
2 Chair, members of the Committee. Beliz Chappuie, Office  
3 of Audit Services. Agenda Item 6a is an action item.

4 Staff requests the Risk and Audit Committee to  
5 approve Office of Audit Services revised charter. As we  
6 heard at the Board education day, the internal audit  
7 standards are revised to conform with the global internal  
8 audit standards. We updated our charter. The standards  
9 require Office of Audit Services, also known as OFAS, to  
10 have a charter to specify, at a minimum, the purpose of  
11 internal auditing, OFAS's commitment to adhering to the  
12 global internal audit standards, OFAS's mandate, including  
13 the scope and types of services to be provided, as well as  
14 Board's responsibilities and expectations regarding  
15 management's support of the internal audit function, and  
16 OFAS's organizational position and reporting relationship.

17 To conform with the new standards, OFAS used the  
18 Institute of Internal Audits charter template for the  
19 public sector and revised its charter. The revised  
20 charter memorializes many of OFAS's existing practices and  
21 further defines the essential conditions required to  
22 ensure the success of an internal audit function. We  
23 would like to highlight some important additions to the  
24 charter.

25 The new charter outlines the Board's oversight

1 responsibilities, which includes demonstrating its support  
2 of the function, participating in discussions about the  
3 new standards, and participating in the annual enterprise  
4 risk assessment to communicate the Board's perspective on  
5 the organizations strategies, objectives, and risks.

6           It also defines the Chief Auditor's  
7 responsibility to report to the Board and senior  
8 management on items including the internal audit plan and  
9 performance relative to its plan, potential impairments to  
10 independence, and the results of the Quality Assurance and  
11 Improvement Program, and significant risk exposures and  
12 control issues that control -- could interfere with the  
13 achievement of CalPERS's strategic objectives.

14           The proposed charter describes the Chief  
15 Auditor's responsibility to develop and maintain a  
16 comprehensive quality assurance improvement program to  
17 evaluate all aspects of OFAS, ensure conformance with the  
18 standards and performance measurement, assess OFAS's  
19 progress towards achieving its objectives, and promote  
20 continuous improvement.

21           The charter also includes new requirements  
22 related to the qualifications of OFAS's external  
23 assessment team and communication of those results to the  
24 Risk and Audit Committee. The standards require OFAS to  
25 bring the charter to the Risk and Audit Committee

1 periodically. We discussed this with Ms. Frost and agreed  
2 to present the charter for reconsideration and approval at  
3 least every two years. This concludes my presentation,  
4 and I'm happy to answer any questions that you may have.

5 CHAIR COHEN: All right. Thank you very much for  
6 your presentation. We need to take a moment. Dr. Gail  
7 Willis has just joined our meeting and we need to pause to  
8 do the open session attestation.

9 Dr. Willis are you on?

10 BOARD MEMBER WILLIS: Yes, I am.

11 CHAIR COHEN: All right. Thank you for joining  
12 us again. The Chair for each open session -- good  
13 morning, Board members, because we're not all present and  
14 in the same room and Board members are participating from  
15 remote locations that are not accessible to the public,  
16 Bagley-Keene requires the remote Board members to make  
17 certain disclosure about any other persons present with  
18 them during open session. Accordingly, the Board members  
19 participating remotely must each attest either that, one,  
20 they're loan, or two, if they are -- if there are one or  
21 more persons present with them who are at least 18 years  
22 old, the nature of the Board member's relationship to each  
23 person.

24 At this time, I will ask each remote Board member  
25 to verbally attest accordingly. Let's call the roll.

1 BOARD CLERK ANDERSON: Dr. Gail Willis?

2 BOARD MEMBER WILLIS: Yes, I attest to the fact  
3 that I am alone. Thank you.

4 CHAIR COHEN: Thank you very much.

5 Okay. We will continue with our business.

6 Thank you very much for your presentation.

7 Colleagues, are there any questions or -- yes, Mr. Ramón  
8 Rubalcava.

9 COMMITTEE MEMBER RUBALCAVA: Thank you.

10 COURT REPORTER: Microphone.

11 CHAIR COHEN: Yep.

12 COMMITTEE MEMBER RUBALCAVA: Thank you. Thank  
13 you for the presentation. My question goes -- last -- at  
14 the last presentation at your last meeting, you sort of  
15 covered it and it's in your background memo, but I wasn't  
16 on the Committee at that point. I didn't think it was  
17 appropriate to ask, but I'll ask now. There's a statement  
18 here that the -- that CalPERS is now -- is going -- that  
19 the Office of Audit Services is using the standards and  
20 they're the IIA, which is the Institute of Internal  
21 Auditors Global Internal Audit Standards versus the --  
22 instead of -- the other option would be the Government  
23 Audit Standards issued by the Controller General of the  
24 United States, known as the Yellow Book. So why are we  
25 going -- why did we choose the IIA versus the Government

1 standards.

2 CHIEF AUDITOR CHAPPUIE: Historically, that has  
3 been our practice, since the Government code allows us to  
4 choose your rights between the two, and CalPERS had opted  
5 for that. That was -- that predates me, but it --

6 COMMITTEE MEMBER RUBALCAVA: Okay. So it was not  
7 a recent decision.

8 CHIEF AUDITOR CHAPPUIE: No. Yeah. Yeah. No.  
9 It -- but it is relevant to the work we do. It's internal  
10 auditing versus the Yellow Book, which I used to practice  
11 at my previous job, the Department of Finance, because we  
12 performed external audits. We were the external entity to  
13 the local governments and departments that we audited. So  
14 we adhere to the Yellow Book the auditing standard.

15 COMMITTEE MEMBER RUBALCAVA: Well, thank you  
16 for --

17 CHIEF AUDITOR CHAPPUIE: Sure.

18 COMMITTEE MEMBER RUBALCAVA: -- explaining that  
19 to me. This is my first day on this Committee, so thank  
20 you. Now, I understand. Thank you very much.

21 CHAIR COHEN: All right, thank you.

22 Colleagues, any other observe questions?

23 All right.

24 COMMITTEE MEMBER PACHECO: Thank you -- thank  
25 you, Chair Cohen and thank you very much for your



1 presentation. I just want to go on the purpose of the  
2 Office of the Audit Services charter. The OFAS -- a  
3 statement regarding the OFAS's independently positioned  
4 with accountability to the Board. Can you elaborate on  
5 that and what is the governance around that? Thank you.

6 CHIEF AUDITOR CHAPPUIE: Yes, the governance  
7 around it. I functionally report to the Risk and Audit  
8 Committee and administratively to the CEO, Ms. Frost.  
9 That means that I am accountable to the Board and I'm  
10 positioned independently in the organization to execute  
11 our responsibilities as required by the standards we  
12 follow.

13 COMMITTEE MEMBER PACHECO: And under these new  
14 standards now the I -- under the --

15 CHIEF AUDITOR CHAPPUIE: No, the -- we have been  
16 following these standards. We have -- it's -- nothing has  
17 changed. And that has been our practice. Functionally, I  
18 have been reporting to the Risk and Audit Committee.

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

21 CHAIR COHEN: Mr. Rubalcava.

22 COMMITTEE MEMBER RUBALCAVA: Yes, Ms. Cohen, I  
23 have another question. I wasn't sure we were going into  
24 the attachments. On the -- I appreciate the need for a  
25 new charter. And it is more detailed than the previous

1 one, but more detailed. And one of those detailed items I  
2 noticed is that we're pro -- the Board is going to  
3 authorize your office to have free and authorized access  
4 to the health plan contractors, including claims  
5 information, but then there's a caveat, subject to  
6 applicable federal and State laws. So in the past, has  
7 your office looked at claims information, because I  
8 thought that was under the juris -- that was handled  
9 elsewhere, but have you looked at claims information or --

10 CHIEF AUDITOR CHAPPUIE: It could have been  
11 within the scope of our audits we perform. I can't  
12 remember off the top of my head. However, the assignments  
13 we performed related to health. Care providers were more  
14 in compliance area and we assess their compliance in  
15 regards to the contract that CalPERS has with them.

16 COMMITTEE MEMBER RUBALCAVA: I see.

17 CHIEF AUDITOR CHAPPUIE: So if that required any  
18 access to it, possibly.

19 COMMITTEE MEMBER RUBALCAVA: I see. Okay. Thank  
20 you for the clarification. I appreciate that. Thank you,  
21 Ms. Cohen. Thank you, Chair.

22 CHAIR COHEN: You're very welcome.

23 Any other questions?

24 All right, thank you very much for your  
25 presentation. Please continue.

1 CHIEF AUDITOR CHAPPUIE: This -- Madam Chair,  
2 this is an action item.

3 COMMITTEE MEMBER PACHECO: I'll move approval.

4 CHAIR COHEN: Yes. So it looks like -- okay.  
5 Thank you very much. I needed a motion and second. So  
6 the question has been --

7 VICE CHAIRPERSON MILLER: Second.

8 CHAIR COHEN: A motion has been made by Jose Luis  
9 Pacheco and a second by Mr. David Miller.

10 All those in favor say aye?

11 (Ayes.)

12 CHAIR COHEN: Thank you.

13 Any opposed?

14 Are there any abstentions?

15 All right, the majority say aye and the majority  
16 motion passes. Thank you.

17 CHIEF AUDITOR CHAPPUIE: Thank you.

18 CHAIR COHEN: Welcome.

19 DEPUTY CHIEF ACTUARY DZIUBEK: Good morning,  
20 Madam Chair, Committee Members. I am Randy Dziubek from  
21 the CalPERS actuarial team.

22 I'd like to spend just a few minutes this morning  
23 talking to you about Item 6b, which is an action item.  
24 And in this item, we're asking you to approve the release  
25 of a request for proposal to qualified actuarial firms to

1 perform reviews and certifications of various products  
2 released by the CalPERS actuarial team. We also refer to  
3 these as parallel valuations, as the contracted firm will  
4 be attempting to actually replicate the results and the  
5 reports that they look at.

6 Now, this is not a new process for CalPERS. This  
7 is something we've done for years. This is just the  
8 beginning of a new cycle and we do think it's an important  
9 thing for us to continue to do.

10 It's not necessarily that we expect to find any  
11 significant, or material errors, or problems with any of  
12 our reports, but it certainly does provide that extra  
13 level of confidence to our stakeholders that a third-party  
14 outside of CalPERS has looked at our results and  
15 determined them to be appropriate.

16 Now, in the item and the attachments, you'll see  
17 a longer description of the services to be provided and  
18 the process to be used to evaluate the proposals.  
19 Generally, the actuarial team expects to evaluate the  
20 proposals from a technical level and also score the fees.  
21 And then members of this Committee would be involved in  
22 finalist interviews, and then ultimately select the firm  
23 that would perform these services.

24 This is about a three- to four-year contract  
25 period. The first three years, this firm would be

1 actively reviewing various valuations, such as the State  
2 and schools reports, public agency reports, and the  
3 reports we do for our judges and legislators. In the  
4 fourth year of that contract period, they would -- they  
5 would provide to you an overall update of their findings.

6 And so with that, I'm happy to take any  
7 questions.

8 CHAIR COHEN: Thank you very much.

9 Mr. Henning.

10 ACTING COMMITTEE MEMBER HENNING: So we're  
11 looking at a four-year term for the contract? I  
12 apologize. I want to make sure I'm correct.

13 DEPUTY CHIEF ACTUARY DZIUBEK: Yes.

14 ACTING COMMITTEE MEMBER HENNING: And I believe  
15 that the standards, and please correct me if I'm wrong,  
16 that we just approved say a general standard is three  
17 years for an audit contractor.

18 DEPUTY CHIEF ACTUARY DZIUBEK: Yeah. So  
19 there's -- for this purpose, there are -- there are groups  
20 that recommend we engage in these types of activities and  
21 speak to how often they should be done. For example, the  
22 Government Finance Officers Association suggests, I  
23 believe, every five years. The California Actuarial  
24 Advisory Panel suggests every three to seven years. So  
25 there's no real consensus regarding how often these things

1 should be done.

2 We believe -- each of our groups of reports,  
3 under this process, is being looked at and replicated  
4 every four years essentially. And we certainly believe  
5 that to be appropriate and satisfactory.

6 ACTING COMMITTEE MEMBER HENNING: And, Madam  
7 Chair, if it pleases, I just had on other question --

8 CHAIR COHEN: Oh, yeah, by all means.

9 ACTING COMMITTEE MEMBER HENNING: -- which was,  
10 after this four years, do we go back again out to  
11 contract? Is this -- is this particular contractor banned  
12 from bidding again, so we don't end up with the same  
13 contractor for another four years?

14 DEPUTY CHIEF ACTUARY DZIUBEK: There's no ban.  
15 We've had the same firm selected twice in a row. You all  
16 will be making that final selection, knowing who the last  
17 firm was that provided these services. But, yes, this --  
18 we're asking you to approve just that we're going to send  
19 out the request for proposal for this four-year contract.  
20 We'll be back to you four years from now to start it  
21 again.

22 ACTING COMMITTEE MEMBER HENNING: Okay.

23 CHAIR COHEN: All right. Thank you. We'll go to  
24 the next member.

25 COMMITTEE MEMBER RUBALCAVA: Thank you, Chair

1 Cohen. Thank you for the presentation. The Board -- the  
2 memo mentions March 19th as the release date for the RFP.  
3 I was ask -- I was wondering about the timeline. When  
4 does -- when would it come to the -- to the Committee or  
5 when -- if you could explain it to the Committee, because  
6 you talk about there could be members participating in the  
7 review and then the final vote, but I didn't see it on the  
8 calendar -- on the master calendar. So when -- what's the  
9 timeline for the selection process?

10 DEPUTY CHIEF ACTUARY DZIUBEK: Yeah. There are a  
11 various ways we can -- we can perform the evaluation and  
12 select the final contracted company. Our proposal for  
13 this cycle is that the finalist interviews are by a  
14 subgroup of this Committee and not part of an RAC  
15 Committee meeting. I don't remember exactly on the  
16 calendar when those are scheduled for, but we'll be  
17 reaching out to you to schedule those.

18 COMMITTEE MEMBER RUBALCAVA: Keep us updated,  
19 please. Thank you.

20 DEPUTY CHIEF ACTUARY DZIUBEK: Sure. Yep.

21 COMMITTEE MEMBER RUBALCAVA: Thank you, Ms. Cohen

22 CHAIR COHEN: All right. No. My pleasure.

23 Any other questions?

24 All right, seeing that there are no other  
25 questions, let's see, this is an action item.

1 COMMITTEE MEMBER PACHECO: I'll move.

2 CHAIR COHEN: All right, a motion has been made  
3 by Jose Luis Pacheco.

4 COMMITTEE MEMBER PALKKI: (Hand raised).

5 CHAIR COHEN: And second by Kevin Palkki.

6 All those that are in favor say aye?

7 (Ayes.)

8 CHAIR COHEN: All those opposed say no?

9 Are there any abstentions?

10 All right, the motion carries unanimously. Thank  
11 you.

12 DEPUTY CHIEF ACTUARY DZIUBEK: Thank you.

13 CHAIR COHEN: All right. Next item is item 7.

14 It's an informational -- informational agenda items.

15 Kevin Fein.

16 (Slide presentation).

17 CHIEF COMPLIANCE OFFICER FEIN: Good morning,

18 again. As I mentioned at the beginning, this is a

19 mid-year update on enterprise compliance risk and

20 governance fiscal year twenty thou -- 2024-25 plan.

21 First slide, please.

22 [SLIDE CHANGE]

23 CHIEF COMPLIANCE OFFICER FEIN: Thank you.

24 Again, a couple of these will look similar,

25 because we're keeping that standard format as we do this





1 services. It is all coordinated at the top, so that we  
2 make sure, and we've been building catalogs of some of the  
3 cases that we've been working on, so that we can assure  
4 going forward consistency in the advice we're providing as  
5 we interpret the rules, help team members across the  
6 enterprise comply with the various programs, et cetera.

7 Next slide, please.

8 [SLIDE CHANGE]

9 CHIEF COMPLIANCE OFFICER FEIN: A number of  
10 process enhancements just in the first six months of this  
11 fiscal year. We have launched an assurance and monitoring  
12 review program. We have just one month ago rolled out two  
13 new soft launch capabilities automating previously again  
14 manual processes, one related to outside business  
15 interests that get reported, and the other on third-party  
16 agreements and doing conflicts checks, again using the new  
17 technology that we have brought aboard.

18 We have changed our onboarding process for new  
19 staff from the bottom to the top, where we are taking an  
20 in-depth review of all of the issues that we need to be  
21 concerned with, helping them make all their proper  
22 disclosures, learning and educating on the requirements,  
23 if they're a covered a person, a form 700 filer. And we  
24 have extended this to individual team members who have  
25 been promoted and are moving into a more senior role. We

1 do a refresher onboarding. As their responsibilities  
2 expand, obviously that brings in more areas that they may  
3 need to be concerned about.

4 Next slide.

5 [SLIDE CHANGE]

6 CHIEF COMPLIANCE OFFICER FEIN: As I said from  
7 technology again, you've seen us launch a few new things  
8 over the last couple years. This year we finished the  
9 full deployment of the gift reporting module. We have, as  
10 I said, just soft launched the outside business  
11 activities, and also third-party conflict monitoring. We  
12 are checking on agreements and training the system. We  
13 have also been loading all of the Form 700 data into the  
14 system. So again, rather than manually searching hard  
15 copy documents, we are letting the power of the system  
16 assist in scanning large volumes of information to  
17 hopefully help us pinpoint where there's the potential for  
18 conflicts of interest. And that is the end of my report.

19 I'm happy to answer any questions.

20 CHAIR COHEN: Okay. Thank you. It looks look  
21 there are no questions.

22 All right. Thank you for your report.

23 (Slide presentation).

24 CHIEF AUDITOR CHAPPUIE: Okay. Great. Good  
25 morning, Madam Chair, members of the Committee. Beliz



1 CHIEF AUDITOR CHAPPUIE: The vision for OFAS is  
2 to be a trusted advisor to the CalPERS Board and  
3 management assisting them in providing a sustainable  
4 retirement system and Health Care Program for those who  
5 serve California. We will continue to do this by  
6 providing the Board and management with independent,  
7 risk-based, objective assurance, insight, and foresight.

8 [SLIDE CHANGE]

9 CHIEF AUDITOR CHAPPUIE: We have three strategic  
10 objectives in the areas of operational excellence,  
11 enhancing standards, performance, and improvement, and  
12 talent and culture.

13 [SLIDE CHANGE]

14 CHIEF AUDITOR CHAPPUIE: In the area of  
15 operational excellence, OFAS has three strategic  
16 initiatives. We want to highlight the initiatives of  
17 strengthening our relationship with the Board and senior  
18 management. We included this initiative to be more  
19 deliberate in seeking input from the Board and senior  
20 management around risks to the organization and solicit  
21 feedback on whether OFAS is meeting the expectations of  
22 both senior management and the Board. As your auditors,  
23 we request your feedback to ensure we meet the  
24 organization's needs.

25 [SLIDE CHANGE]

1 CHIEF AUDITOR CHAPPUIE: In the area of enhancing  
2 standards, performance, and improvement, OFAS continuously  
3 improves how we perform our audit engagements to improve  
4 our efficiencies. We plan to expand and enhance our  
5 quality assurance and improvement program.

6 A key development in this area -- oops, sorry.  
7 Slide five. Yes, we are. Okay. Perfect.

8 In the area of enhancing standards, performance,  
9 and improvement, OFAS continuously improves how we perform  
10 our audit engagements to improve our efficiencies. We  
11 plan to expand and enhance our quality assurance and  
12 improvement program. A key development in this area is  
13 our recent hire of a senior manager for talent development  
14 and quality assurance. This new position allows us to  
15 provide consistent quality training to our new hires and  
16 have a dedicated team to perform quality assurance reviews  
17 to provide feedback on ways we can improve our internal  
18 processes.

19 [SLIDE CHANGE]

20 CHIEF AUDITOR CHAPPUIE: Lastly, in talent and  
21 culture, we will continue to enhance our recruitment  
22 efforts to improve the competencies of OFAS team members  
23 and focus on fostering a culture of inclusiveness,  
24 recognition and balance. We have had some big wins in  
25 this area recently. Through a partnership with the HR

1 career services team and the Public Affairs Office, OFAS  
2 developed a recruitment website for prospective  
3 candidates. We have participated in career fairs at local  
4 colleges, which dramatically changed our candidate pool.  
5 OFAS is actively working to fill its vacancies. Also  
6 through our new senior manager, we have the talent  
7 development resources to evaluate and increase the  
8 competencies of our team members.

9 Our next steps. OFAS is working on developing  
10 specific KPIs to track our progress on these initiatives  
11 and we'll be reporting our progress to the Risk and Audit  
12 Committee as part of our quarterly reporting. This  
13 concludes my presentation and I'm happy to answer any  
14 questions.

15 CHAIR COHEN: Thank you very much. Colleagues,  
16 are there any questions for the presenter?

17 All right. Mr. Pacheco.

18 COMMITTEE MEMBER PACHECO: Yes. Thank you, Chair  
19 Cohen, and thank you very much for your presentation. I  
20 really enjoyed reading the material on this plan. With  
21 respect to talent and culture, you mentioned recruit,  
22 develop, and retain internal auditors qualified to  
23 successfully perform the assignments and achieve their  
24 internal audit plans. In that area, where do you -- where  
25 do you -- what is your vision in terms of how that would

1 develop out, if you can elaborate?

2 CHIEF AUDITOR CHAPPUIE: Yeah. Thank you. I  
3 appreciate the question. We'd recently experienced high  
4 turnover after the pandemic and our first goal is to staff  
5 our vacant positions and then to continue growing our  
6 talent pool through training and performing assignments  
7 mostly, so that it's going to be -- that's going to take  
8 us awhile, probably a year or two to redevelop that  
9 expertise.

10 And we're also relying on external expertise on  
11 technical areas, such as IT audits and Investment audits.  
12 We're working with Weaver. You had a chance to meet them  
13 at the Board education day. They're helping us develop  
14 risk assessments and coach and mentor our team members in  
15 growing their skills, and knowledge, and abilities in  
16 those technical areas, so collectively we're able to  
17 perform those assignments

18 COMMITTEE MEMBER PACHECO: Excellent. And with  
19 respect to recruitment, are you utilizing the rapid --

20 CHIEF AUDITOR CHAPPUIE: Recruitment.

21 COMMITTEE MEMBER PACHECO: -- recruitment  
22 process? Yes.

23 CHIEF AUDITOR CHAPPUIE: We've gone through three  
24 rounds of rapid recruitment event. But we noticed  
25 recently working with our HR team, having presence on-site



1 at college recruitment fairs really paid off. Our team  
2 members are going there actively talking to the senior and  
3 graduating class candidates and educating them on the  
4 opportunities that we have at CalPERS and on our team,  
5 especially those career -- those majors that don't have  
6 focus and -- or a clear career path, such as the econ  
7 majors, English majors, history majors. What we're  
8 looking for is really the analytical skills and we can  
9 train those grads to become auditors. We have that  
10 training, and skills, and abilities to do that. It's just  
11 like getting the attention of those new grads to apply and  
12 seek opportunities in our organization is the key.

13 COMMITTEE MEMBER PACHECO: That is -- that is  
14 really wonderful. In terms of recruitment processes with  
15 respect to the universities, are you looking at the  
16 California State Universities, the universities of  
17 California?

18 CHIEF AUDITOR CHAPPUIE: Yes, we've been -- yes,  
19 mostly local, Sac State, San Francisco, Chico. We've been  
20 to the more local ones -- yeah, California universities.

21 COMMITTEE MEMBER PACHECO: Do you plan to expand  
22 further, maybe perhaps Southern California, California  
23 State schools down there or --

24 CHIEF AUDITOR CHAPPUIE: Sure. Possibly. Why  
25 not. We can work with our HR team to assist setting up

1 those events and we'll be happy to participate.

2 COMMITTEE MEMBER PACHECO: I mean, they -- I  
3 would imagine they all have career fairs and so forth --

4 CHIEF AUDITOR CHAPPUIE: Yes.

5 COMMITTEE MEMBER PACHECO: -- and job fairs.

6 CHIEF AUDITOR CHAPPUIE: Yes.

7 COMMITTEE MEMBER PACHECO: So thank you so much  
8 for your efforts and I look forward to more of this robust  
9 information. Thank you.

10 CHIEF AUDITOR CHAPPUIE: Thank you.

11 CHAIR COHEN: Colleagues, are there any other  
12 questions?

13 All right, I see one more down there. Go ahead.

14 COMMITTEE MEMBER PALKKI: Thank you. So honestly  
15 all my questions were just asked right now.

16 (Laughter).

17 COMMITTEE MEMBER PALKKI: But I just want to  
18 encourage you to keep working with the -- our education  
19 system in finding those shining stars. So thank you.

20 CHIEF AUDITOR CHAPPUIE: Yes. Thank you.

21 Appreciate it.

22 CHAIR COHEN: Just a second. All right. Next,  
23 we'll have David Miller.

24 VICE CHAIRPERSON MILLER: Yeah. Not a question,  
25 just a comment. It's kind of anecdotal, but I've heard in

1 passing from a couple of different people who are  
2 candidates for positions in State government, including  
3 here, that -- or are UC Davis graduates, but UC Davis  
4 apparently does not offer an accountancy degree as an  
5 undergrad degree. They really focus their accountancy  
6 program on their graduate programs, but they do offer, if  
7 you want to -- basically, a bachelor's in accounting, you  
8 do what they call managerial economics and it includes all  
9 the accounting tracks and everything. But I've talked to  
10 a number of people who have said when they tried to apply  
11 for like accountant trainee jobs or auditor trainee jobs,  
12 they were rejected for not having an accountancy degree  
13 and not having a bunch of auditing classes already. And  
14 so just something to make sure we don't advertently scare  
15 off some potentially good candidates.

16 CHIEF AUDITOR CHAPPUIE: Oh, no, we don't --  
17 thank you for that comment. We don't eliminate any of  
18 those. We would be thrilled if they were in our pool.

19 VICE CHAIRPERSON MILLER: Okay. Well, I have my  
20 friends reapply then.

21 CHIEF AUDITOR CHAPPUIE: Okay. Perfect.

22 CHAIR COHEN: All right. Thank you. Any other  
23 questions or comments?

24 All right. Thank you. Appreciate you.

25 CHIEF AUDITOR CHAPPUIE: Thank you.

1 CHAIR COHEN: We'll keep moving.

2 Ready?

3 CHIEF COMPLIANCE OFFICER FEIN: Yes.

4 CHAIR COHEN: Okay.

5 CHIEF COMPLIANCE OFFICER FEIN: I think the next  
6 thing is summary of Committee direction. And, Madam  
7 Chairman, I took note of no directions.

8 CHAIR COHEN: Okay. All right. Thank you.  
9 Let's see if there's any questions or comments on that.  
10 Anyone on the Committee?

11 No. All right. Thank you. Appreciate that.

12 We are going to move to public comment. Is there  
13 any member of the public that would like to come and  
14 speak?

15 Are there any comments online?

16 BOARD CLERK ANDERSON: (Shakes head).

17 CHAIR COHEN: No. Seeing none. Seeing that  
18 there is no public comment, thank you.

19 All right, ladies and gentlemen, we are in that  
20 special part in our agenda where we are going to go into  
21 closed session for items 1 through 3 on the closed session  
22 agenda. We'll immediately reconvene in open session after  
23 the closed session.

24 Thank you.

25 (Off record: 12:04 p.m.)

1           (Thereupon the meeting recessed  
2           into closed session.)

3           (Thereupon the meeting reconvened  
4           open session.)

5           (On record: 12:16 p.m.)

6           CHAIR COHEN: All right, we're back in open  
7 session and this adjourns this meeting. Thank you,  
8 everyone.

9           (Thereupon the California Public Employees'  
10 Retirement System, Board of Administration,  
11 Risk & Audit Committee open session  
12 meeting adjourned at 12:16 p.m.)

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