



JASON PEREZ

CANDIDATE STATEMENT

**CalPERS Board of
Administration
2018 Public Agency
Representative
(Candidate)**

Employer: Corona Police
Department

Profession: Patrol, Detective,
Training Sergeant and
current Project Manager on
Major Projects

23 Year Member of CalPERS

President of the Corona Police
Officers' Association

President of Corona
Life Services

STATEMENT:

The CalPERS incumbent was elected to the CalPERS Board 16 years ago, and the unfunded liability has grown to over \$100 BILLION. The Incumbent has failed CalPERS and put our retirement security at risk due in part to environmental, social, and governance investing priorities, regardless of the investment risk.

Members suffered with some of the largest medical insurance premium increases and reduced healthcare benefits during the Incumbent's chairmanship of CalPERS' Health Benefits Committee.

In recent years, several firms that manage CalPERS' money were caught cheating investors. What has CalPERS done to recover your stolen money? Almost nothing.

Bureaucracies resist change – we who work for public agencies, know this. If CalPERS continues business as usual, our retirement security will be at an even greater risk.

As a police officer association president, I understand how important secure pensions are to all of us. As a law enforcement professional, former detective, and current department administrative sergeant, I deal with complex financial issues and make judgments about peoples' trustworthiness every day. I will put these skills to work for you on the CalPERS board.

If we want to save our pensions and protect our retirement security, we must act now to get CalPERS back on the right track. Tomorrow may, literally, be too late.

JasonPerezforCalPERS@gmail.com

www.JasonPerezforCalPERS.com

#ProtectOurPension

(916) 282-9202

CALPERS BOARD OF ADMINISTRATION 2018 PUBLIC AGENCY

Member Representative Candidate Questionnaire

The following questions were given to both candidates for the CalPERS Board of Administration Public Agency representative. Their responses to these questions have not been modified. While the League does not endorse candidates for any elected office, the responses to this questionnaire will be made public on the League's website and distributed through various League of California Cities communication vehicles including its newsletter, social media platforms, distribution lists and other forms of earned media. In addition, the League will share these responses with member cities to distribute to their employees to help inform their voting decisions.

The following are the responses sent to the League of California Cities by Candidate Jason Perez

1. What is your perspective on the long-term sustainability of CalPERS Public Employee Retirement Fund (PERF)? How does this perspective inform your understanding of what that means for current members, local agencies and current/future retirees?

CalPERS is sustainable. However, it requires an investment strategy that over time will return enough to pay benefits while staying within reasonable risk levels and requiring affordable contributions. The focus must be on paying benefits.

The biggest risk is no risk. The current board seems so focused on reducing risk and doing social good that it forgets its main obligations. They cannot just lower the discount rate and require the employers and employees to pay more. As we have seen, if employers stop making contributions, benefits must be reduced.

City and employee contributions are increasing at an unheard-of rate because of the mantra "take less risk." The current objective of avoiding a bad thing from happening 5% of the time is unsustainable. CalPERS' documents show a loss in return even in an up market.

The strategy must change to relieve the agencies' budgets and secure retirements for future and current retirees. We cannot continue to force agencies and employees to pay for the mistakes of the CalPERS board.

2. What is your philosophy on the concept of divestment as well as economic, social and governance (ESG) investment strategies as a means to earn maximum investment returns?

I am assuming that by divestment you mean exiting an investment, industry or country for political purposes. I use political in the large sense of doing it to apply pressure to achieve some supposed good. One can make an investment decision that certain industries do not offer satisfactory risk/return payoffs but that in an investment decision, not a divestment decision.

CalPERS cannot divest and still expect to gain maximum returns. Divestment must be a complete last resort when lives are at stake; such as entire villages being murdered for the oil beneath their soil, or in instances where our money is used to support terrorism.

All legal investments must be considered. Sometimes we make an investment decision to invest in socially unacceptable companies such as firearms and tobacco. We invest in these companies for the expected returns, as a moral judgment. Divesting from the tobacco industry has cost our retirement fund dearly, \$8 billion lost. Recently there was a motion made by a board member to divest from any company manufacturing or selling firearms or accessories. The motion included any firearm accessory, ammunition, magazines, etc. If the motion had been successful, CalPERS would have divested from not only the manufacturers, but also large retail stores such as Walmart, Big 5 Sporting Goods, Cabela's, and Outdoorsman. Thankfully, the Board did not even have a member second the motion due, in large part, to the testimony of more reasonable people. This example clearly shows how CalPERS is being used as a Political Action Committee as opposed to a retirement fund.

At the off-site meeting in January 2018, a representative from the United Nations was invited to speak to the board. He was working very hard for an agreement to invest in U.N. issues in all nations. There was never any mention of the rate of return. This is another example of how entities are using our investment strength to leverage their social cause.

Divestments and ESG issues are, often, contrary to the CalPERS Mission Statement and the California Constitution, which is very clear in demanding that the Board of Directors act as fiduciaries of the Fund.

CalPERS has a long history of involvement in corporate governance. The system has long recognized that the problem of agency can lead to conflicts of interests. In fact, CalPERS has been attacked by the Chamber of Commerce and the Business Roundtable for taking the position that the managers of companies have an obligation to the owners of companies (i.e., shareholders). As owners, we have a right to advocate for policies that increase our returns. But we need to focus on policies and practices that impact the growth of our investments.

In short, ESG issues need to be viewed through an investment and risk mitigation and not through a political lens. The focus needs to be on investment decisions and investment returns.

3. Retirement security is the primary goal of every defined benefit plan — however, there are several ways to work towards that goal. What do you believe should be the primary focus of the CalPERS Board of Administration and CalPERS staff to achieve this goal? How have/ would you work with your Board of Administration colleagues and executive staff to achieve this goal?

The California Constitution and the CalPERS Mission Statement clearly states “...administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries.” Meaning, the prime purpose of CalPERS is to maximize their return on investment, so they can keep the promises of all of our contracts. I agree with that statement completely.

I have been attending the Board of Administration meetings for the past year, testifying on topics where I felt compelled to remind the Board of their promise.

I intend to have candid, but substantive conversations with my fellow Board members to try and understand their point of view. I will be respectful, but firm with my beliefs and vote according to the canons of the Mission Statement and Constitution.

While it may not be popular, I will remind the members of the Board that they have both a legal and a moral obligation to make informed, prudent decisions. That means they must educate themselves, ask questions and not just rubber stamp staff recommendations. This is especially true when staff fails to point out and examine alternative courses of action.

4. Are you concerned that rising costs may lead local public agencies to make drastic cuts to public services including layoffs or potential agency insolvency? If so, what are steps that the Board of Administration can take in the short- and long-term to address this vulnerability?

Yes, I am concerned. I have seen firsthand what Corona has been forced to do due to the rising costs. The Corona Police Department went from 194 sworn to 148 sworn officers. I see other cities, special districts and counties struggle with facing the same issues. Some stakeholders have suggested that CalPERS suspend Retiree Cost of Living increases. While I cannot abide by that specific proposal, I am open to other ideas to lessen the burden on cities.

In the short term, we can suspend any actionable items that do not maximize our returns. We can suspend all ESG and Divestiture issues that are not designed specifically to maximize returns and mitigate risk. We can continue to evaluate operating costs within CalPERS.

In the long term, we need to retain our CalPERS Investment Staff. It sounds counter- intuitive when thinking about saving money, but we need to pay our investment staff market wages, with possible bonuses. We need to make CalPERS a destination employer as opposed to the training ground for private sector investment firms. The reason for this action is the need to lessen the number of fees our outside consultants charge us as now we pay more for them than our own staff! Outside vendors will attempt to provide needed results. However, they also will look out for their own purposes. Internal staff will have far fewer conflicts and divided loyalty.

The System must also address the rapid increase in healthcare costs. Medical costs keep going up. We need to look for ways to reduce the cost of medicine in this country.

The United States pays more for medical care than any other country in the developed world. Yet our results are comparable to the developing countries. What we are doing just isn't working. We need to look at ways of reducing costs. Not just premiums, but the total costs to both employers and employees.

5. Understanding that the system is based on a partnership between employers, employees, retirees and CalPERS, what is your philosophy on the most effective strategies to collectively engage these stakeholders?

One of the first things that is needed is real honest communication. CalPERS has a habit of saying everything is OK even when it's not. No one can correct problems if they don't acknowledge them. Some CalPERS' critics claim the sky is falling. It's not. There is a need to focus on the long-term but that doesn't mean we can ignore the short run.

This Administration at CalPERS seems determined not to be communicative with its members. Three months ago, they wanted to do away with the court stenographer in open and closed sessions, and instead, use the Closed Caption from the video as notes.

Due to the diligent attendance and engagement of some members, and their willingness to testify, a majority of the Board was convinced to maintain this important record.

A true commitment to open our doors to the membership, when able, will go a long way in restoring the trust in the system.

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