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July 21, 2025

Marcie Frost, CEO
Stephen Gilmore, CIO
CalPERS
400 Q St.
Sacramento, CA 95811

Dear Ms. Frost and Mr. Gilmore,

I am writing to you in your capacity as a fiduciary for employee benefit funds invested on behalf of AFT members regarding your fund's limited partnership investments with Valor Equity Partners. There are extraordinary circumstances associated with Valor that may affect both your fund and its beneficiaries, which you may wish to consider in evaluating both existing and any future Valor-related investments.

First, Valor's CEO, Antonio Gracias, and several other senior Valor employees have recently taken full-time jobs unrelated to Valor and potentially at odds with the interests of your fund and its beneficiaries.

Gracias, in addition to serving as Valor's chief executive officer, also serves as Valor's chief investment officer, as a director of several Valor portfolio companies and as a member of all of Valor's investment committees.¹ In March 2025, Gracias began a position with the Department of Government Efficiency. Gracias and multiple other Valor employees, including Valor vice president Jon Koval and data engineer Payton Rehling, reportedly have been working for DOGE. The Department of Government Efficiency has advised potential DOGE volunteers that these positions would be "80+ hours per week" obligations.² This commitment raises fundamental questions about the degree to which Gracias and other senior Valor employees are actually engaged in the asset management activities for which your fund is paying them, and raises a variety of issues relating to your fund's fiduciary duty to oversee the asset managers it contracts with.

¹ Valor Equity Partners, "Antonio Gracias," accessed on May 20, 2025, www.valorep.com/team/antonio-gracias.

² Sherin Shibu, "Want to Work for DOGE? Elon Musk Is Looking for 'Super High-IQ' Hires—but There's a Catch," Entrepreneur, November 15, 2024, www.entrepreneur.com/business-news/elon-musks-doge-looks-for-new-hires-to-work-80-hours-a-week/482998.

Specifically, taking on an 80-hour-a-week commitment to the U.S. government may constructively trigger your fund's rights under any key person provisions of your limited partner agreement, potentially entitling your fund to cash payouts. As discussed further below, an entitlement to cash from Valor funds is a significant matter given Valor's track record in making cash payments to its limited partners.

Gracias' Role at DOGE and Its Possible Impact on Plans and Plan Beneficiaries

Most beneficiaries of AFT member benefit funds also depend on the Social Security and Medicare systems to provide them with financial security in retirement. Instability in the Social Security and Medicare systems will harm our funds' beneficiaries directly. Such instability will also affect pension funds in myriad ways—ranging from pension fund staff having to respond to beneficiaries suddenly fearful about the status of these programs, to demands from beneficiaries to increase benefits to compensate for perceived or actual threats to Social Security.

Antonio Gracias began working for DOGE at the Social Security Administration and has transitioned to running DOGE's task force on immigration.³ DOGE has stated that it is working to collect data across the federal government to speed up immigration enforcement and deportations, revoke humanitarian immigration paroles and terminate visas.⁴ Gracias has stated that Social Security benefits incentivize illegal immigration.⁵ As a result of DOGE's involvement in the SSA, the SSA has proposed to reduce 12 percent of its workforce, and DOGE-proposed closures of SSA offices and curtailing of SSA services is under review by the Trump administration.

As part of his work with DOGE at the SSA, Gracias stated in a March 30, 2025, presentation given together with DOGE-head Elon Musk that millions of dead people have received Social Security checks. Following this presentation, the acting Social

³ Sophia Cai, "Inside the DOGE Immigration Task Force," Politico, April 11, 2025, [politico.com/news/2025/04/11/doge-immigration-taskforce-00287327](https://www.politico.com/news/2025/04/11/doge-immigration-taskforce-00287327); and Tyler Pager et al., "A Disillusioned Musk, Distanced from Trump, Says He's Exiting Washington," New York Times, May 28, 2025, [nytimes.com/2025/05/28/us/politics/elon-musk-trump-doge.html](https://www.nytimes.com/2025/05/28/us/politics/elon-musk-trump-doge.html).

⁴ Priscilla Alvarez et al., "DOGE Is Building a Master Database for Immigration Enforcement, Sources Say," CNN, April 25, 2025, [cnn.com/2025/04/25/politics/doge-building-master-database-immigration](https://www.cnn.com/2025/04/25/politics/doge-building-master-database-immigration).

⁵ Justine McDaniel and Lisa Rein, "Musk Floats Falsehoods About Social Security, Immigrants as DOGE Seeks Changes," Washington Post, April 1, 2025, [washingtonpost.com/politics/2025/04/01/elon-musk-social-security-immigrants](https://www.washingtonpost.com/politics/2025/04/01/elon-musk-social-security-immigrants).

Security Administrator appointed by President Trump stated that Gracias' and Musk's claims were false.⁶

DOGE's activities within the Social Security Administration may lead to a decline in the quality of service provided to Social Security participants.⁷ Furthermore, experts who have reviewed Musk and Gracias' activity have warned that Social Security appears to be "on a path to privatization," a move which could result in benefit cuts for fund beneficiaries, potentially placing pressure on your fund to make up the difference.⁸

Implications of Gracias' Role in DOGE and Relationship with Musk for Valor's Future Performance and Valor's Billing of Investment Management Expenses to Your Fund

Valor private aviation subsidiary Chim Chim LLC has engaged in extensive private jet travel to and from the Washington, D.C., area since the beginning of March 2025, substantially more D.C.-related travel than in prior years.⁹ According to the firm's ADV brochures, Valor can bill limited partners for business-related travel and lodging. It is unclear whether Valor has included these apparent DOGE-related costs in its expense billings to your fund as a limited partner.

Finally, it appears that many of Valor's more recent funds have not yet made any distributions and have below-median performance on their distributions to paid-in capital (DPI) ratios, according to Preqin Ltd. Please find attached a report from the AFL-CIO with more detail. Part of these liquidity challenges may be related to Valor's large investments in privately held ventures controlled by former DOGE director Elon Musk, ventures whose finances themselves may be in some manner intertwined with Tesla.

Questions You May Wish to Pose to Fund Staff and Outside Professionals Regarding Your Fund's Relationship with Valor Equity Partners:

⁶ True News, "Elon Musk and Antonio Gracias Reveal Shocking Chart of New Non-Citizen Social Security Numbers...", YouTube, March 30, 2025, www.youtube.com/watch?v=kmspEidVe5E.

⁷ Emily Paulin, "With Social Security Customer Service in Crisis, AARP Urges Fixes," AARP, April 8, 2025, www.aarp.org/advocacy/social-security-customer-service-in-crisis-2025.

⁸ Alessandra Malito, "Social Security Is on a Path to Privatization, Experts Warn, Led by Elon Musk's 'DOGE,'" MarketWatch, March 22, 2025, www.marketwatch.com/story/social-security-is-on-the-path-to-privatization-experts-warn-led-by-musks-doge-81b934cc.

⁹ Detailed travel history for this aircraft is available upon request.

- 1) Does your limited partner agreement with Valor include a “key person” provision, ensuring that each key person is required to devote substantially all of their time to the day-to-day management of the fund and its investments?
- 2) Has your fund been notified of any changes in who is serving as Valor’s “key persons” during the apparent absence of these key executives? Has Valor provided any clarification regarding any potential impact to fund performance due to these changes?
- 3) Has this change been approved by the funds’ limited partners, or if not, have limited partners considered placing Valor funds in limited operations mode until “key persons” return to full-time day-to-day management?
- 4) What remedies does your fund have for breach of your partnership agreement’s “key person” provision? Are there liquidity consequences for such a breach?
- 5) Who is fulfilling those “key person” roles managing your invested capital at Valor while Antonio Gracias and other key staff are volunteering in government agencies?
- 6) Has Valor reduced its billing to limited partners to reflect the time Gracias and other key staff are unable to spend managing the capital your fund has entrusted to him?
- 7) Has your fund confirmed with Valor that DOGE-related travel is not being billed to limited partners?
- 8) What illiquidity discount, if any, have you assigned to your investment in Valor funds relative to other alternative assets?
- 9) What valuation methodology does Valor employ when valuing portfolio companies? Are fair value estimations audited?
- 10) In light of a JP Morgan analyst’s finding that Elon Musk’s work with DOGE has resulted in “unprecedented damage” to the Tesla brand, has your fund reviewed its Valor investment to determine if it has been similarly affected

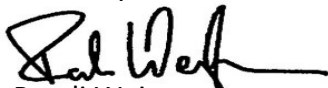
by Gracias' involvement with DOGE?

- 11) Has your fund assessed the threat of collateral harm to your fund and its beneficiaries by Valor's employees' involvement in DOGE's attacks on Social Security under the collateral benefit/collateral harm doctrine in fiduciary law?
- 12) Finally, if you have committed capital to Valor that has not yet been called up, does the triggering of the "key person" clause in your agreement permit you to withdraw or modify your commitments?

If we can be of any further assistance to you in relation to your fund's investment in Valor-related funds, please feel free to contact Melanie Myers at the AFT's Center for Workers' Capital with any questions or concerns at mmyers@aft.org.

Thank you for your attention.

Sincerely,

A handwritten signature in black ink, appearing to read "Randi Weingarten", with a long horizontal flourish extending to the right.

Randi Weingarten
President

RW:dlk opeiu#2 afl-cio