

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

ROOM 1140  
LINCOLN PLAZA NORTH  
400 P STREET  
SACRAMENTO, CALIFORNIA

TUESDAY, OCTOBER 20, 2015

3:40 P.M.

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

A P P E A R A N C E S

COMMITTEE MEMBERS:

Mr. Bill Slaton, Chairperson

Mr. Michael Bilbrey

Mr. Rob Feckner

Ms. Dana Hollinger

Mr. Henry Jones

Mr. Ron Lind

BOARD MEMBERS:

Mr. John Chiang, represented by Ms. Christina Elliott

Mr. Richard Gillihan, represented by Ms. Katie Hagen

Mr. J.J. Jelincic

Ms. Priya Mathur

Ms. Theresa Taylor

Ms. Betty Yee, represented by Mr. Alan Lofaso

STAFF:

Ms. Anne Stausboll, Chief Executive Officer

Ms. Cheryl Eason, Chief Financial Officer

Mr. Ted Eliopoulos, Chief Investment Officer

Mr. Douglas Hoffner, Deputy Executive Officer

Ms. Donna Lum, Deputy Executive Officer

Mr. Doug McKeever, Deputy Executive Officer

Mr. Brad Pacheco, Deputy Executive Officer

A P P E A R A N C E S C O N T I N U E D

STAFF:

Mr. Matt Jacobs, General Counsel

Mr. Alan Milligan, Chief Actuary

Ms. Lisa Okamoto, Committee Secretary

Ms. Kim Tarabetz

ALSO PRESENT:

Mr. Eric Douglas, Leading Resources, Inc.

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1 P R O C E E D I N G S

2 CHAIRPERSON SLATON: Well. Good afternoon,  
3 everybody. We'll call the meeting to order. Can we call  
4 the roll, please.

5 COMMITTEE SECRETARY OKAMOTO: Bill Slaton?

6 CHAIRPERSON SLATON: Here.

7 COMMITTEE SECRETARY OKAMOTO: Richard Costigan?

8 CHAIRPERSON SLATON: He's coming but he's going  
9 to be late.

10 COMMITTEE SECRETARY OKAMOTO: Michael Bilbrey?

11 COMMITTEE MEMBER BILBREY: Here.

12 COMMITTEE SECRETARY OKAMOTO: Rob Feckner?

13 COMMITTEE MEMBER FECKNER: Here.

14 COMMITTEE SECRETARY OKAMOTO: Dana Hollinger?

15 COMMITTEE MEMBER HOLLINGER: Here

16 COMMITTEE SECRETARY OKAMOTO: Henry Jones?

17 COMMITTEE MEMBER JONES: Here.

18 COMMITTEE SECRETARY OKAMOTO: Ron Lind?

19 COMMITTEE MEMBER LIND: Here.

20 CHAIRPERSON SLATON: Okay. I'd like to recognize  
21 that there are lots of other Board members and  
22 representatives here and along with the executive staff.  
23 So thank you all for being here, and we'll make sure it's  
24 recorded as to who's here.

25 Next item is the executive report, Matt Jacobs.

1           GENERAL COUNSEL JACOBS: I lost my notes. I had  
2 about a 45-minute prepared talk.

3           (Laughter.)

4           GENERAL COUNSEL JACOBS: But --

5           CHAIRPERSON SLATON: Can we get a new executive  
6 sponsor?

7           (Laughter.)

8           GENERAL COUNSEL JACOBS: I don't think I can  
9 improve on the agenda, so I'll leave it at that.

10          CHAIRPERSON SLATON: Okay. All right. Thank you  
11 very much. By the way, I want to asked everybody to  
12 please move the like microphones, so you can speak into  
13 them, because if you don't -- there are sometimes not as  
14 microphones as people at the table.

15          All right. Now, we'll move to the action consent  
16 approval of the minutes of the last meeting. Do I hear a  
17 motion?

18          COMMITTEE MEMBER BILBREY: Move approval.

19          BOARD MEMBER TAYLOR: Second.

20          CHAIRPERSON SLATON: Somebody moved -- Bilbrey  
21 moved, Taylor seconded.

22          COMMITTEE MEMBER TAYLOR: I can't second.

23          CHAIRPERSON SLATON: Oh, you can't. You're not  
24 on the Committee.

25          COMMITTEE MEMBER HOLLINGER: Second.

1 CHAIRPERSON SLATON: Second from Hollinger.

2 One correction to the minutes, Mr. Jelincic was  
3 not present at the last meeting, and that's reflected in  
4 the minutes. We need to get that change.

5 So maker of the motion accepts the change?

6 Michael?

7 COMMITTEE MEMBER BILBREY: Yes.

8 CHAIRPERSON COSTIGAN: Second accepts it, find.

9 All those in if favor say aye?

10 (Ayes.)

11 CHAIRPERSON SLATON: Opposed?

12 Motion carries.

13 All right. So the annual calendar review. The  
14 only thing I would comment on that it's a consent item,  
15 but we've had indication comments from directors that we  
16 probably need to consider moving up on the calendar into  
17 this year to make sure and talk about frequency of  
18 meetings, because Committee chairs working with staff are  
19 starting to do their planning for 2016, laying out those  
20 calendars. So we'll make sure that gets inserted on the  
21 calendar before the end of the year. That's the only  
22 change to that.

23 So now we'll move to the information agenda  
24 facilitated discussion. Eric Douglas.

25 MR. DOUGLAS: Good afternoon. I understand

1 people have had a very long day, so we will try to make  
2 this as interactive as possible today. There are  
3 hopefully three handouts in your -- on your iPads and your  
4 packets. We have the parking lot.

5           And then we have questions designed to look at  
6 two issues today, the travel policy and the role of the  
7 Board. We're doing something a little different today  
8 obviously. We're in small groups, which is going to be  
9 interesting and fun. And we're also not really looking at  
10 policy language, per se. We're really trying to look at  
11 issues and topics and trying to think about kind of how do  
12 we want to address them as a Board.

13           So quickly looking at the time. It's a quarter  
14 of 4:00 right now. Can we all agree we'll go until 5:00  
15 o'clock, and have a hard stop at 5:00 o'clock. No, I see  
16 heads shaking, no, it's --

17           COMMITTEE MEMBER FECKNER: I'll leave before that  
18 but, you can go ahead.

19           (Laughter.)

20           MR. DOUGLAS: Is it agreeable to everybody that  
21 we try to aim for a 5:00 o'clock stop, so I can just sort  
22 of design the time around that?

23           CHAIRPERSON SLATON: Okay. Good.

24           MR. DOUGLAS: All right. So parking lost has  
25 been updated with the previous topics as well as the new



1 topics we introduced in the last couple of meetings. Any  
2 changes or thoughts about the parking lot before we go  
3 forward?

4 All right. Seeing none. Let's go ahead and look  
5 at the travel policy questions. So the travel policy  
6 questions -- and again in the interests of time today,  
7 because we are a little truncated, my thought is that the  
8 three critical questions are the first three questions  
9 today.

10 So the first three questions are what should be  
11 the criteria for approval or rejection of Board member  
12 travel requests? That's the first question. Should the  
13 Board have a gatekeeper to evaluate travel requests and  
14 revisions to travel requests, and why or why not? And  
15 then if the answer to number two is yes, what would be --  
16 who should make decisions about travel requests, and  
17 revisions, the Board, the President, someone else? What  
18 exactly should be that person's authority?

19 So what we want you to do in your tables is to  
20 talk about these three questions. Again, I'm eliminating  
21 four and five just in the interests of time today. So  
22 we'll have a total of 10 minutes in your tables to talk  
23 about these questions and then we'll report out and  
24 discuss. A total of 10 minutes. So after five minutes,  
25 I'm going to give you a five minute warning. So three

1 questions.

2           Please, have one person who is a Board member at  
3 your table become the spokesperson for your table. So  
4 looking around the room there's either two the three Board  
5 members at each table, so please identify right up front  
6 who the spokesperson for your table is going to be. I  
7 like that. That's good.

8           COMMITTEE MEMBER JONES: Done.

9           (Laughter.)

10          MR. DOUGLAS: And once you do that, if Dana, for  
11 example, is the spokesperson, then please make sure she's  
12 taking notes and is prepared at your table to report out  
13 on your table's conversation.

14          Obviously, I'm going to be looking for areas  
15 where you found agreement at your table, but we don't  
16 necessarily have to come to consensus. We want to  
17 understand the full range of thoughts and opinions about  
18 this topic.

19          Okay. One little detail. When you do your  
20 report outs, we're going to ask you to come up here and  
21 just do your quick report out, just so that the camera  
22 guys don't have the swing the cameras around and try to  
23 jockey for position. So if Dana is reporting out, she can  
24 come up here real quickly and do that.

25          All right. Any questions about the exercise?

1 Because we're going to get -- we're going to do ready,  
2 set, go, okay?

3 It's a quarter of.

4 Quick question.

5 CHIEF EXECUTIVE OFFICER STAUSBOLL: Just a quick  
6 question. I was just going to remind you to comment on  
7 our -- the role of the executives at the table.

8 MR. DOUGLAS: Thank you. Thank you. So this is  
9 really a conversation for Board members. So the executive  
10 team members who are at the tables, we love the fact that  
11 you're here, but this is really a conversation for the  
12 Board members, and we'll try to make sure that as the  
13 Board members want to tap you, they can tag you for any  
14 information they can. But really the design here is to  
15 make sure that we understand from Board members what your  
16 pour perspectives are?

17 Okay. Anne does that address what you wanted me  
18 to do?

19 CHIEF EXECUTIVE OFFICER STAUSBOLL: Thank you.

20 MR. DOUGLAS: Okay. Any other questions or  
21 clarifications before I say go?

22 All right. Go. First three questions.

23 (Off record: 3:46 PM)

24 (Thereupon a discussion occurred off the record.)

25 (On record: 3:51 PM)

1 CHAIRPERSON SLATON: Okay. So time flies. We're  
2 at five minutes, so we have five minutes more.

3 (Off record: 3:51 PM)

4 (Thereupon a discussion occurred off the record.)

5 (On record: 3:55 PM)

6 MR. DOUGLAS: One more minute.

7 (Off record: 3:55 PM)

8 (Thereupon a discussion occurred off the record.)

9 (On record: 3:56 PM)

10 MR. DOUGLAS: All right. So I'm going to have to  
11 call an end to the group discussions, so -- and I'd ask  
12 for a volunteer who is willing to help us address the  
13 first question. I am going to change it up just a little  
14 bit in the interests of time and ask you to speak from  
15 your tables. The guys in the video room assure me that  
16 they can swing the cameras around.

17 So who -- and I want to go question by question.  
18 So I just want the spokespeople of all four tables to  
19 address their answers to the first question, which is what  
20 should be the criteria for approval or rejection of Board  
21 member travel requests?

22 We'll get to the next questions after we do this  
23 round first. So who wants to go first? Who is a brave  
24 volunteer to go first? Christina. Okay. Christina,  
25 please tell us what was answer, your group's thoughts

1 about question one.

2           ACTING BOARD MEMBER ELLIOTT: I apologize. I'm  
3 going against what you're telling me, but what the general  
4 agreement was at the table is that there isn't any concern  
5 with the current policy, just maybe some additional  
6 aspects that could be tweaked.

7           So if travel request is denied, perhaps some sort  
8 of appeal process was one thing that was brought up. And  
9 then speaking for the Treasurer, maybe a more transparent  
10 process around the budget. So a monthly standing agenda  
11 item where the budget is out on the agenda, how much has  
12 been spent so far. Whether we keep the full Board budget  
13 or make it an individual budget per Board member isn't  
14 really -- it doesn't matter to the Treasurer, but that --  
15 those were his thoughts on that. So that's it. Thank  
16 you.

17           MR. DOUGLAS: Great. Thank you. We'll excuse  
18 the violation of my instruction.

19           So yeah, Ron.

20           COMMITTEE MEMBER LIND: Well --

21           MR. DOUGLAS: Yeah, into the mic, please.

22           COMMITTEE MEMBER LIND: Funny, they were  
23 listening to us, because we came to pretty much the same  
24 conclusion. The current policy is fine. The guidelines  
25 outlined in the current policy make sense. And the same

1 thing, we thought of -- right now, the President approves  
2 or disapproves. And we also sort of agreed that if the  
3 current President disapproved, there should be a process  
4 to appeal, whether it's to the Board or the Governance  
5 Committee or some subcommittee. But other than that, we  
6 think it's fine.

7 MR. DOUGLAS: And did you have -- since these  
8 guys talked about budget, I'll ask you, did you talk about  
9 budget at all?

10 COMMITTEE MEMBER LIND: We did not discuss the  
11 budget issue.

12 MR. DOUGLAS: Okay. How about over at this table  
13 here. Priya.

14 BOARD MEMBER MATHUR: So we had some discussion  
15 on criteria that it should be related to executing our  
16 duties, particularly around education, furthering the  
17 Board's agenda in terms of, you know, representing on  
18 other boards that CalPERS is a member of, or speaking  
19 engagements. That there -- you know, we had some  
20 discussion about whether there should be a cost-benefit  
21 analysis that the individual does in their own mind, and  
22 is responsible for not necessarily a report on  
23 cost-benefit analysis, but just keeping fiduciary duty in  
24 mind.

25 We -- there was a question raised about how many

1 Board attendees are reasonable at any one event? But we  
2 didn't really get to any answer there.

3           With respect to gatekeeper, we had a lot of ideas  
4 thrown around, but we didn't actually come to any  
5 consensus at the table. Some of the ideas included  
6 individual Board member budgets, that then within that  
7 budget the travel could be self-determined. There was an  
8 idea that there should be some public session report out  
9 of -- afterwards of what the purpose was, what you did.  
10 So those were some ideas that were thrown around, but  
11 again no real consensus at the table.

12           MR. DOUGLAS: Okay. And did you discuss kind of  
13 transparency around a budget at all as this table did?

14           BOARD MEMBER MATHUR: Not explicitly,

15           MR. DOUGLAS: Cool. Okay. Dana.

16           COMMITTEE MEMBER HOLLINGER: Yeah. Pretty much  
17 we liked the policy, and just as it said in -- I mean it  
18 should be for CalPERS business, which also includes  
19 some -- because of the people on the Board meet with  
20 constituents or speaker represent CalPERS education. We  
21 did discuss budget here. There was a -- but we thought  
22 maybe the travel budget should be for education per Board  
23 member. And that does not include regular meetings or  
24 CalPERS sponsored events.

25           Also, on certain things, because I know it's been

1 talked about in the past, maybe more than two should be  
2 allowed to attend like for C2 or -- but definitely have  
3 consideration of the notice requirements. We definitely  
4 felt there needed to be a coordinator of the travel,  
5 and --

6 MR. DOUGLAS: A coordinator or gatekeeper?

7 COMMITTEE MEMBER HOLLINGER: I don't know. What  
8 do you think.

9 COMMITTEE MEMBER JONES: Gatekeeper.

10 COMMITTEE MEMBER HOLLINGER: Okay. Gatekeeper.

11 MR. DOUGLAS: So somebody who can kind of make  
12 decisions about --

13 BOARD MEMBER JELINCIC: And coordinator.

14 COMMITTEE MEMBER HOLLINGER: Right. Yeah,  
15 that's -- right, right, but -- so getting to the  
16 Treasurer's office, yeah, it might make -- we thought it  
17 might make sense to have a budget.

18 MR. DOUGLAS: Okay. So I'm going to ask Kim,  
19 just to, maybe on one page since everybody was reporting  
20 out at the same time, all of the answers to the questions.

21 So what I hear over here, and actually from both  
22 of these tables, is pretty much a consensus that the  
23 existing policy is fine as is, with the addition of some  
24 kind of an appeals process.

25 So I hear you guys sort of saying that that's



1 maybe something that would work over here as well, right?

2 COMMITTEE MEMBER HOLLINGER: Um-hmm.

3 MR. DOUGLAS: Existing policy is fine with regard  
4 to the decisions about travel with a gatekeeper needing to  
5 be in the process, but with an appeals process that can  
6 be -- to be determined, I guess, from you guys, as well as  
7 over here is kind of what the exact mechanics of that  
8 appeals process might be, whether it's to a Committee. If  
9 it's to a committee, which committee, et cetera?

10 So have I got that right so far?

11 Okay. So on the criteria, you guys didn't really  
12 talk about criteria too much, but this table talked about  
13 criteria and this table talked about criteria. On the  
14 criteria, you talked about -- so this table had quite a  
15 few ideas about criteria in terms of, again, education,  
16 relevance to PERS, sort of --

17 COMMITTEE MEMBER HOLLINGER: Right, speaking or  
18 representing or meeting with constituents.

19 MR. DOUGLAS: Correct. And something around kind  
20 of optics around too many -- you know, what's too many  
21 Board members at the same meeting? So I think you're all  
22 kind of in a agreement that we need to at least give  
23 consideration to that appearance.

24 COMMITTEE MEMBER HOLLINGER: There may be times  
25 it's okay, but then it has to be noticed. We have to

1 comply with notice requirements.

2 MR. DOUGLAS: And then with regard to budget,  
3 what I heard most tables saying -- certainly these table  
4 said there should be a budget. And I heard you say I  
5 think that there should be a budget for -- you guys said  
6 for a budget for individual Board members, I think.

7 ACTING BOARD MEMBER ELLIOTT: Well, there is a  
8 budget.

9 MR. DOUGLAS: Can you speak in the mic,  
10 Christina.

11 ACTING BOARD MEMBER ELLIOTT: Oh, sorry.

12 We checked with Cheryl, there is a budget, but we  
13 were thinking -- or the Treasurer's office is thinking of  
14 more of -- more regular reporting on where we are within  
15 the framework of that budget. And I mean, you know,  
16 monthly -- I think, it's quarterly reported, but more  
17 often would be the preference.

18 MR. DOUGLAS: And the budget would be a Board  
19 overall budget. I think currently it's an overall Board  
20 budget, but we wouldn't be opposed to an individual Board  
21 member budget, if that were the will of the Board.

22 MR. DOUGLAS: Got it. Okay. And Theresa, you  
23 had your hand up on this one.

24 BOARD MEMBER TAYLOR: So I'm sitting with the  
25 knowledge people over here.

1 (Laughter.)

2 BOARD MEMBER TAYLOR: So I didn't know any of  
3 this. We don't have a budget for travel apparently. So I  
4 just wanted to clarify. We don't have a budgeted amount  
5 that I can see here on this report.

6 MR. DOUGLAS: So let's just get the facts on that  
7 one straight. So either Cheryl or Anne, did you want to  
8 comment on the question about is there a Board travel  
9 budget?

10 CHIEF EXECUTIVE OFFICER STAUSBOLL: There's a  
11 board travel budget set for the Board as a whole each  
12 year. I think it's about 148,000, is that right, Cheryl,  
13 for the current year?

14 CHIEF FINANCIAL OFFICER EASON: (Nods head.)

15 CHIEF EXECUTIVE OFFICER STAUSBOLL: And the board  
16 would see it when it approves the budget.

17 BOARD MEMBER TAYLOR: So what happens when we run  
18 over then, or if we would run over?

19 CHIEF EXECUTIVE OFFICER STAUSBOLL: I'm not aware  
20 of any run over.

21 BOARD MEMBER TAYLOR: Okay.

22 MR. DOUGLAS: So there's a budget. So what's  
23 your view, at this table, with regard to kind of the  
24 regular reporting on the status of the budget to the  
25 Board?

1 BOARD MEMBER TAYLOR: I don't know how often we  
2 do that. I think there is a report. Rob has it. I don't  
3 know if we do it quarterly. I think I read that we were  
4 supposed to do it quarterly or something like that. So --  
5 but there's no single budget for each and every single  
6 individual.

7 MR. DOUGLAS: Correct. Currently. You wouldn't  
8 be opposed to that. You, at this table, wouldn't be  
9 opposed to that.

10 J.J.

11 BOARD MEMBER JELINCIC: Yeah, I wouldn't be  
12 opposed to taking that report Rob passes out and make it a  
13 public document, particularly in light of the fact that we  
14 get PRA requests for it anyhow, and it becomes a public  
15 document. So there's something to be said for doing it  
16 proactively.

17 MR. DOUGLAS: Yeah. Okay. Henry.

18 COMMITTEE MEMBER JONES: This is a question --

19 MR. DOUGLAS: Can you speak into the microphone  
20 there, Henry.

21 COMMITTEE MEMBER JONES: Yeah, this is a  
22 question. Don't we now put on our website the  
23 travel -- the expenses for Board members?

24 DEPUTY EXECUTIVE OFFICER PACHECO: So what we put  
25 on the website right now, Henry, is just the reimbursable

1 expenses that you put on your travel claim. So it doesn't  
2 represent all the expenses, like airfare or car rental  
3 that may be done through the general system. And we note  
4 that on our website when they request that information.

5 COMMITTEE MEMBER JONES: So the data is available  
6 though?

7 DEPUTY EXECUTIVE OFFICER PACHECO: If they did a  
8 public records request, we'd work with the Finance Office  
9 to pull that data. But what's represented on the website  
10 isn't complete, if you will. It's just what's been  
11 reimbursed to you as an individual member on a monthly  
12 basis.

13 MR. DOUGLAS: So I want to try to pin down kind  
14 of any kind any -- the agreements around changes to the  
15 current policy. So I hear most tables -- this table  
16 didn't really talk about the current policy too much, but  
17 most tables saying they like the current policy with the  
18 idea of a gatekeeper, with the idea that there would be an  
19 appeals process.

20 Is there a consensus around that point?

21 Priya, from your table's perspective, is that  
22 consistent with what you heard?

23 BOARD MEMBER MATHUR: I'm not sure I can  
24 represent the entire table. I'm actually comfortable with  
25 the existing policy. I think an appeals process is just

1 fine.

2 MR. DOUGLAS: So I think, Bill, have your hand up  
3 on this one.

4 BOARD MEMBER SLATON: Yeah. Since I've spent the  
5 day doing minority opinions, I'll add another one. I  
6 think the problem with an appeal process is it gets -- it  
7 can get messy, you know. You know, people disagree and  
8 now what would you actually do to have a policy. I just  
9 want to toss out a minority opinion and get reaction to  
10 it, because I'm not sure it got enough discussion, and  
11 that is, what if every Board member had a budget, and that  
12 budget excluded coming to meetings here, because obviously  
13 people live out of town have to travel it. And that  
14 budget were constructed so that everyone, given their  
15 current travel profile, would not exceed that budget.

16 But it's an individual budget, and each Board  
17 member takes on the responsibility for determining where  
18 they're going to go on CalPERS business, and they're  
19 required to submit a justification ahead of time that we  
20 all see, and to report back out when they return what they  
21 learned, what they gained, what information they gained?

22 And so, you know, for each of us to take  
23 ownership of our travel on behalf of CalPERS. I'm not  
24 sure -- this person doesn't understand really why we have  
25 to have a gatekeeper, since we're all equal Board members,

1 and we can each take responsibility for making sure we're  
2 doing the right thing by our agency.

3 MR. DOUGLAS: So is there anybody on the Board  
4 who would second that philosophic notion?

5 COMMITTEE MEMBER HOLLINGER: I would.

6 MR. DOUGLAS: Dana. Anybody else who would sort  
7 of say that they are philosophically in support of that  
8 notion?

9 So we haven't started a ground swell yet, Bill,  
10 for -- we have a minor wave.

11 COMMITTEE MEMBER JONES: You know, there's one  
12 piece of that that I could support, and that's -- one  
13 piece of that I could support, and that's to move all of  
14 the required travel like going to Board meetings, going to  
15 off-site, going to -- representing CalPERS at meetings  
16 that we're on different boards, et cetera, but provide an  
17 education budget for each member. That I can support,  
18 because we should all be seeking education and  
19 improvement. So I could support an education budget. But  
20 when you move beyond education, there's too much  
21 differences among what we do.

22 MR. DOUGLAS: Uh-huh. So a friendly amendment to  
23 your suggestion, Bill, would be to parse out the education  
24 piece of this and make that an individual by individual  
25 Board member budget. And if you were to take that

1 approach, does that gain any further traction among Board  
2 members?

3 BOARD MEMBER TAYLOR: My only question to that  
4 would be, so -- I did. I did, but I'm also turning around  
5 at the same time.

6 My only question to that would be, Henry, what  
7 is -- what's the difference between our Board duties and  
8 education? So like is CII considered education?

9 COMMITTEE MEMBER JONES: I would treat CII  
10 differently, because that's a organization that we are a  
11 signature to, and we have -- in the past, we've had Board  
12 members that were Board members of CII. So it's a little  
13 different than education.

14 BOARD MEMBER TAYLOR: Then PRI and Ceres, those  
15 are --

16 COMMITTEE MEMBER JONES: Yeah. Those were all  
17 kind of related to our business, and we participate in  
18 those. But education purely like you're going to UCLA for  
19 Board governance, you know, those kinds of things that are  
20 truly educational, as opposed to representing CalPERS --  
21 if you're speaking, then that's not a --

22 BOARD MEMBER TAYLOR: That's different.

23 COMMITTEE MEMBER JONES: That's different.

24 MR. DOUGLAS: Christina.

25 ACTING BOARD MEMBER ELLIOTT: What if -- and I



1 think CalSTRS does this. What if there were a whole list  
2 of events or conferences that, you know, you all were just  
3 listing, and they were pre-approved by the Board as a  
4 whole, and that was something that you could pick and  
5 choose from. And then you had your own budget or a full  
6 Board budget. And then those are already approved and  
7 that would kind of remove the gatekeeper thing. So just a  
8 thought.

9 CHAIRPERSON SLATON: Yeah, I would agree with  
10 that, if that -

11 ACTING BOARD MEMBER HAGEN: Isn't there some  
12 problems with noticing though if there's more than a  
13 couple people there?

14 CHAIRPERSON SLATON: But if you meet a  
15 deadline -- but if you meet your deadline, you could do  
16 the noticing.

17 MR. DOUGLAS: Presumably that's a mechanical  
18 thing that could be worked out, right, with enough  
19 communication. Although I see that the General Counsel  
20 has a view on this.

21 GENERAL COUNSEL JACOBS: Well, I have a view on  
22 the noticing issue, which is that I don't think it's  
23 really an issue. The problem is more one of appearances,  
24 because there's no rule that says you cannot have a quorum  
25 of a Committee or a Board at a particular event without

1 noticing it, but you can't talk about CalPERS business  
2 when you are there. So as long you stay away from that,  
3 you're legally okay, but the issue becomes one of  
4 appearances, because as Rob was saying a moment ago at  
5 this table, you go to a meeting or a conference all the  
6 Cal -- you don't -- the CalPERS people tend to get  
7 together, tend to congregate, because whatever -- for  
8 whatever reason they don't know other people. And all of  
9 a sudden it can appear to others to be something more than  
10 it is, and it's something we'd like to avoid.

11 MR. DOUGLAS: So I'm going to stop you there,  
12 Matt, because I think we -- just because I think we got  
13 the principle there, and this tests something.

14 So over here, Christina suggested this idea of  
15 looking at this pre-approved list of things that would  
16 automatically be, so long as noticing was okay, okay for  
17 Board members to attend, and would be within the bounds  
18 and would require no gatekeeper approval.

19 So I heard -- and I heard some -- several people  
20 say they could -- they liked that idea.

21 So, J.J.

22 BOARD MEMBER JELINCIC: The weakness with that  
23 idea is there are a lot of educational opportunities that  
24 come up over the course of the year, and you really don't  
25 know about them. And several of the Board members --

1 because I've been in the investment business, I'm on lots  
2 of lists. The easiest thing to do is get on list. The  
3 hardest thing is to get off of it.

4 But I have shared that with a number of Board  
5 members who have expressed an interest in it. You know,  
6 but there's no way I could tell you, you know, even six  
7 months in advance that these things are going to happen.  
8 So that's the one downfall I see to that.

9 MR. DOUGLAS: So I'm looking at the clock, and  
10 wanting to move on to the next agenda topic pretty quickly  
11 now. So here's -- so far, I've heard no real consensus  
12 around a significant change in the current policy.

13 I've heard suggestions about the idea of adding  
14 an appeal -- appeals mechanism to it, and I hear -- I  
15 heard a minority voice, you know, raise, I think, an  
16 interesting point about, okay, the mechanic -- the devil  
17 is in the details. How that actually works is important  
18 to figure out.

19 And then I've heard sort of some interesting  
20 ideas about how the budget might get parsed, and how we  
21 might kind of create maybe two buckets and stuff like  
22 that.

23 So I'm not sure there's enough guidance here to  
24 go back and write something. We obviously have the  
25 minutes and the notes from what's happened here today, and

1 we will synopsize that. I'm curious whether the Chair has  
2 an idea about how we might move this forward?

3 CHAIRPERSON SLATON: Well, I defer to Mr. Jones.

4 COMMITTEE MEMBER JONES: Yeah. No, this -- you  
5 know, I -- most of them time when I'm trying to attack a  
6 problem, my first is what's -- what are we trying to solve  
7 here?

8 Is it a -- are there concerns about the approval  
9 process? Are there concerns about how many could attend?  
10 Rather than trying to go and reconstitute the whole  
11 policy, what are the two or three items we're trying to  
12 solve and attack those?

13 MR. DOUGLAS: Well, certainly, in my interviews  
14 with Board members, what I gleaned from that was that the  
15 piece that some people felt was broken was the notion that  
16 there could be rejections of travel requests and wanting  
17 to make sure that those rejections of travel requests were  
18 based on solid grounds, and not seemingly based on  
19 arbitrary decision making. So I think that that really is  
20 the kernel of what people wanted to try to tackle and  
21 repair.

22 I heard today that the answer to that might be an  
23 appeals process. And I hear perhaps one of the ways we  
24 could advance this would be to look at, well, what would  
25 the mechanics of that look like? And perhaps, even look

1 at some other organizations if they've got appeals  
2 processes, and see if there's a model there we can choose  
3 from.

4           The other alternative would be to look at is  
5 there another option we could draft up that would try to  
6 circumvent the issue of a rejection of a travel request by  
7 allocating certain monies and allocating certain travel  
8 types of requests through an automatic approval, thus  
9 rendering less at the discretion of a gatekeeper.

10           So those two policy approaches could be ways to  
11 address what I heard was not perfectly working in some  
12 Board members' minds.

13           CHAIRPERSON SLATON: I've heard another one too,  
14 and that is revisions to travel. And so, you know, should  
15 that be -- can people hear me?

16           Revisions to travel. In other words, you've been  
17 approved to go somewhere, but something has changed such  
18 that you need to make some changes. And obviously, you've  
19 got to follow State guidelines and all those kinds of  
20 things and you're always at risk of not being reimbursed.  
21 But the question is when there's a revision should the  
22 gatekeeper be the one that works on revision or should  
23 that be just the person handles it, because they've  
24 already been authorized to take that particular travel.  
25 And I think that's -- it's a detail, but I think it's --

1 for some people, it's important.

2 MR. DOUGLAS: So just following up on that, do  
3 you think it would be worthwhile to bring back a couple of  
4 options just to kind of look at ways to kind of retool  
5 slightly this existing policy just to take into  
6 consideration what we heard here today?

7 Priya.

8 BOARD MEMBER MATHUR: I guess what I'm hearing  
9 mostly today is that this is not a really big issue. And  
10 that I don't know that this is an area we need to, you  
11 know, dedicate a whole lot of time to. I've heard several  
12 people talk about an appeals process, and maybe that's an  
13 area we want to flesh out a little bit, but I guess I'm  
14 not really hearing strong drive to spend a lot of time on  
15 this issue.

16 MR. DOUGLAS: J.J.

17 BOARD MEMBER JELINCIC: I will raise a couple of  
18 issues that other Board members have raised. The  
19 international travel seems to be limited to a relative  
20 few. I've never had an international travel rejected, so  
21 it's not a personal problem. The other thing that I have  
22 heard Board members talk about is coach seats have gotten  
23 closer, and closer, and closer. Traveling coach on, you  
24 know, 6 hour, 10 hour flights -- and I think that's  
25 something, you know, we ought to take a look at.

1 MR. DOUGLAS: Okay. Well, I'm going to just call  
2 a hard stop to this one, just in the interests of keeping  
3 going.

4 So the next issue on our agenda today, we'll flip  
5 the page, is the role of the Board. You'll see, if you  
6 look at your handouts or look at your iPads that we've  
7 listed four questions here.

8 The first one is how should the Board communicate  
9 its expectations and constraints of management?

10 When a Board member -- two, when a Board member  
11 raises an issue regarding expectations or constraints on  
12 management, what should be our process for determining the  
13 will of the Board?

14 Three, what should be the process for monitoring  
15 whether management is meeting those expectations within  
16 the agreed upon constraints?

17 And then fourth, how often should this monitoring  
18 process occur?

19 So again, 10 minutes, all four questions. Please  
20 appoint a spokesperson. It can be the same spokesperson,  
21 if he or she did an excellent job.

22 (Laughter.)

23 MR. DOUGLAS: If you want to fire your  
24 spokesperson, feel free. Don't take more than 20 seconds  
25 or that. Yes, one question. Priya.

1           BOARD MEMBER MATHUR: I'm just not entirely clear  
2 on what you mean by expectations and constraints on  
3 management?

4           MR. DOUGLAS: So I think that's a good thing to  
5 talk at your table about, because I think many people  
6 would have different interpretations of that. But my  
7 interpretation of expectations would be anything you --  
8 any result you want from management that the Board needs  
9 to communicate in some ways an expectation.

10           So it could be as lofty as we want to maintain a  
11 high ethical standard at PERS. It could be as detailed as  
12 we want to make sure that every investment we make is  
13 compliant with some specific rule of thumb. So either --  
14 any of those are expectations. The spectrum is very  
15 broad.

16           A constraint, of course, is saying we --  
17 within -- rather than talking about what we want you to  
18 do, we don't want you to do this. And that's a  
19 constraint.

20           BOARD MEMBER MATHUR: Okay. Thank you.

21           COMMITTEE MEMBER HOLLINGER: And I assume this is  
22 like a guideline or a policy for open session?

23           MR. DOUGLAS: This would be a policy or a -- this  
24 would be something -- yes, this would be a guideline or  
25 expectation that you would want to put in place in open



1 session to communicate to the CEO and to staff here's what  
2 we expect of you.

3 COMMITTEE MEMBER HOLLINGER: Got it. Okay.

4 MR. DOUGLAS: So it's expectations from the Board  
5 to staff.

6 Okay. So 10 minutes.

7 CHAIRPERSON SLATON: Staff can participate in  
8 this.

9 MR. DOUGLAS: Staff -- yes, and staff are welcome  
10 to participate in this. We encourage staff participation  
11 in this one. Okay. Ten minutes. Please go.

12 (Off record: 4:20 PM)

13 (Thereupon a discussion occurred off the record.)

14 (On record: 4:26 PM)

15 MR. DOUGLAS: So we have four more minutes.

16 (Off record: 4:27 PM)

17 (Thereupon a discussion occurred off the record.)

18 (On record: 4:29 PM)

19 MR. DOUGLAS: We have one more minute.

20 (Off record: 4:29 PM)

21 (Thereupon a discussion occurred off the record.)

22 (On record: 4:30 PM)

23 MR. DOUGLAS: Okay, folks, we're back. I see  
24 people still furiously scribbling. Everybody done? Dana,  
25 is your group done?

1 COMMITTEE MEMBER HOLLINGER: Yes.

2 MR. DOUGLAS: Bill is your table done?

3 Bill and Priya, is your group done?

4 Bill and Priya, is group ready to go?

5 BOARD MEMBER MATHUR: I guess.

6 MR. DOUGLAS: Okay. This group over here?

7 COMMITTEE MEMBER LIND: Sure.

8 MR. DOUGLAS: And, Christine, your group is --

9 ACTING BOARD MEMBER ELLIOTT: Yes.

10 MR. DOUGLAS: All right. So let's go in a  
11 different order. Let's take, Bill, your table first or  
12 Priya's table first and hear what your thoughts were. And  
13 I'm -- obviously, when I instruct people about how to  
14 answer these questions, I have absolutely no weight in the  
15 room. So just if you want to do all the questions or you  
16 just want to do the first question, it's up to you. I  
17 would prefer we try to take it one at a time.

18 So the first question, how should the Board  
19 communicate its expectations and constraints to  
20 management?

21 BOARD MEMBER MATHUR: Well, considering we really  
22 only dealt with the first question, and maybe a little bit  
23 of the second question, that suits me just fine.

24 (Laughter.)

25 MR. DOUGLAS: Okay.

1           BOARD MEMBER MATHUR: So we talked about sort of  
2 clarifying how the Board indicates to staff what we want  
3 them to achieve, not necessarily just how it -- how things  
4 get achieved, but what is it we actually want them to  
5 achieve -- want the organization to achieve. So the  
6 difference between having strategic measures and having a  
7 business plan was part of our discussion.

8           That the strategic measures were really about  
9 what do -- what are our targets, what do we want you to  
10 achieve? And that there's some desire -- need to have  
11 some that are time based, like we want to get to X place  
12 within some amount of time, but that not all strategic  
13 measures are suited to that structure or can be put in  
14 that construct.

15           MR. DOUGLAS: So just let me -- if I can  
16 interject then. So Priya, was your table saying that it's  
17 through the strategic measures then that the Board should  
18 communicate its expectations and constraints sometimes,  
19 but not all the time?

20           BOARD MEMBER MATHUR: Yes, in part, I guess.  
21 That that's an important component of that. But, you  
22 know, we didn't have quite enough time to have as  
23 extensive of a discussion as we would have liked, I think.

24           MR. DOUGLAS: So let me go to -- Dana, are you  
25 the scribe again? It looks like you are.

1           COMMITTEE MEMBER HOLLINGER: Yeah, I'm the scribe  
2 again. We had a different interpretation, but --

3           MR. DOUGLAS: So for this first question, can you  
4 tell us what your table thought about?

5           COMMITTEE MEMBER HOLLINGER: Yeah, well, we also  
6 thought when you said how should the Board communicate, we  
7 felt that there should be a certain level of decorum and  
8 not make it personal to any individual on staff, no  
9 disparaging remarks, and also for staff the feedback we  
10 got, if they are going to be questioned in open session,  
11 they would be really appreciated -- appreciative if, in  
12 the briefings, that whatever Board members had certain  
13 concerns that we gave them the heads up. Staff refers to  
14 it as flying squirrels, if they wait. They have no idea  
15 where this came from. And just so they could be prepared  
16 and respond.

17           And we also felt that when they do get these  
18 flying squirrels, and also for the Board Chair, that we  
19 felt it was incumbent on the Chair of the Committee if the  
20 conversation goes adrift of the agenda, that they have  
21 discretion to say, you know what, we're going to put that  
22 in a parking lot and then they'll deal with it with staff  
23 off-line.

24           MR. DOUGLAS: Okay. Good. So a couple of good  
25 thoughts there. One is the acknowledgement that these

1 flying squirrels would be good to have some heads up  
2 about.

3 COMMITTEE MEMBER HOLLINGER: Correct.

4 MR. DOUGLAS: And the second, this idea of a  
5 parking lot, so that they can be dealt with in kind of  
6 more rational way off-line --

7 COMMITTEE MEMBER HOLLINGER: When they're  
8 prepared.

9 MR. DOUGLAS: When they're prepared to deal with  
10 it.

11 COMMITTEE MEMBER HOLLINGER: Correct.

12 MR. DOUGLAS: So two good thoughts there. What  
13 about this table over here?

14 ACTING BOARD MEMBER ELLIOTT: So we discussed the  
15 strategic plan and business plan as a means for  
16 communicating priorities to staff. We also kind of  
17 flipped it on ourselves and said that we should have more  
18 focused discussions, and then the role of the Chair. And  
19 then also, Board members themselves taking accountability  
20 for not going adrift in their conversations so that staff  
21 can really understand, you know, what the direction is.  
22 And we also talked about how a good first step is the  
23 summary of direction at the end of the Committee meetings.

24 MR. DOUGLAS: Has that started to happen, by the  
25 way?

1           COMMITTEE MEMBER BILBREY: Yes, this is the first  
2 time.

3           MR. DOUGLAS: Cool. Congratulations.

4           ACTING BOARD MEMBER ELLIOTT: And then one person  
5 brought up the -- looking at potential changes in statute  
6 to enable more closed session discussions. And from the  
7 Treasurer's office perspective, I can't speak on where he  
8 would stand on that. I don't think he'd oppose it, but  
9 we'd have to flesh that out more. But, you know,  
10 definitely open to that and understand the need for, you  
11 know, some more private discussions where, you know, the  
12 flying squirrels maybe wouldn't be as big of a deal, and  
13 we could have more open discussion with staff too.

14           MR. DOUGLAS: Well, I hear you saying something  
15 similar to what this group was saying, which is let's look  
16 at the way we do use the strategic plan and the business  
17 plan and make sure that they are fully capturing the  
18 expectations and constraints we want of management. And I  
19 hear you saying strategic measures again might be one  
20 vehicle as well, and then talking a little bit more about  
21 the role of the Chairs in assuring kind of orderliness  
22 around the discussion, and then lastly this idea about the  
23 closed session.

24           J.J.

25           BOARD MEMBER JELINCIC: Yeah -- oh, thanks. I

1 kind of started this by saying it was the wrong question.  
2 The Board kind of has to figure out what its expectations  
3 are before we can communicate it. And that was part of  
4 what led to more closed meetings, where we can -- and it  
5 may need some statutory changes, but where we can have  
6 some real honest discussions about what is it we really  
7 want this program or this part of the program to do.

8 MR. DOUGLAS: Yep. Sounds like a precursor to be  
9 able to communicate it.

10 BOARD MEMBER JELINCIC: Yes.

11 MR. DOUGLAS: What about this table back here,  
12 who was the scribe? The scribe remained in place.

13 COMMITTEE MEMBER LIND: Yes. So we really didn't  
14 like the question --

15 (Laughter.)

16 COMMITTEE MEMBER LIND: -- or totally understand  
17 it, but -- and so we sort of discussed one and two  
18 together really, which was just -- we thought what this  
19 was getting at was making it clear that as individuals --  
20 individual Board members, we cannot place expectations or  
21 constraints on management. We have to do it as Board or,  
22 in some cases, as a Committee. And the current structure  
23 allows us to do that through Committee Chair or through  
24 the Board President. And that's very important, and maybe  
25 we need to solidify that process somehow. But, you know,

1 we have to remember that our only authority is as a group,  
2 not as individuals.

3 MR. DOUGLAS: Um-hmm. Good. Okay. So it's  
4 interesting as each of you guys worked this question, you  
5 interpreted it slightly differently. So that's probably  
6 on me to be more clear next time on what exactly we mean  
7 by the question.

8 But let's go to the second question which is when  
9 a Board member raises an issue regarding expectations or  
10 constraints on management, what should be the process for  
11 determining the will of the Board?

12 So was there anything at this table -- Priya, at  
13 your table beyond what you've already reported out that  
14 you said with regard to that question?

15 BOARD MEMBER MATHUR: We sort of said what Ron  
16 just said, that it's collective decision making, not  
17 individual decision making. And that if one member says  
18 something in open session, it's not direction unless the  
19 Chair gives direction or there's a motion that gives  
20 direction to the staff. That's pretty much what we --

21 MR. DOUGLAS: There's a pretty clear  
22 understanding that those would be the two mechanisms.

23 How about this table here?

24 COMMITTEE MEMBER HOLLINGER: We basically said,  
25 because we interpreted that -- that the Chair of the



1 Committee should have the discretion to either liaison  
2 with management, you know, kind of off-line, or the  
3 Committee liaison or, what is it, the Deputy -- or Deputy,  
4 that it's up to the Committee Chair.

5 MR. DOUGLAS: The Committee Chair would liaison  
6 with the Deputy, is that what you're saying?

7 COMMITTEE MEMBER JONES: Whoever the  
8 representative for that Committee from staff is.

9 MR. DOUGLAS: Yes, right. So again, kind of  
10 echoing what this table just said and what Ron's table  
11 just said, that there's an existing mechanism for the  
12 Chair to reflect the will of the Committee or of the  
13 Board -- the Board President in case of the Board, and  
14 that that mechanism is the way in which this happens.

15 So how about over here, did you guys talk about  
16 the mechanism of how to translate?

17 ACTING BOARD MEMBER ELLIOTT: We didn't, but I  
18 think we would all echo what the other two tables said,  
19 but I'll defer to -- yeah.

20 MR. DOUGLAS: Okay.

21 BOARD MEMBER JELINCIC: The one thing that, quite  
22 frankly, we need to figure out is how you make sure the  
23 Chair is not a roadblock.

24 MR. DOUGLAS: Not a roadblock. How do you --  
25 what do you mean exactly by that?

1 BOARD MEMBER JELINCIC: Well, let me use the  
2 example. And, Henry, you get to be the guinea pig.

3 (Laughter.)

4 COMMITTEE MEMBER HOLLINGER: Group therapy now.

5 (Laughter.)

6 BOARD MEMBER JELINCIC: Some time ago, we got a  
7 report from our federal lobbyist about the SEC budget  
8 being in markup. And the question got asked, well, what  
9 is staff and our lobbyist doing about it. And the answer  
10 was nothing, because we don't feel we have sufficient  
11 guidance.

12 And so I had requested that let's put it on the  
13 agenda and give them the guidance. And for whatever  
14 reason, I don't think it was malicious, it just kind of  
15 fell off, and so it never -- you know, he effectively  
16 became a roadblock. And I don't think he -- I'm not  
17 saying he did it deliberately or maliciously. It's just  
18 what happened.

19 MR. DOUGLAS: In the current PERS culture with  
20 regard to placing items on agendas -- this is just  
21 something I don't know -- somebody tell me what the  
22 mechanism is? Can any Board member place an item on any  
23 committee agenda or is it the case that it has to be done  
24 by the Chair of that Committee? What is the protocol?

25 COMMITTEE MEMBER JONES: With Investments --

1 BOARD MEMBER MATHUR: Microphone.

2 COMMITTEE MEMBER JONES: With Investments, it's  
3 the Chair and the CIO that -- and the Vice Chair. We sit  
4 down and we plan an agenda for the whole year.

5 MR. DOUGLAS: Sure.

6 COMMITTEE MEMBER JONES: And there's workstreams  
7 related to that agenda. And so when someone requests  
8 something to be added, it has to be considered what the  
9 workload is going to be. And then that's when if it's --  
10 we go and we talk with the CIO and we say, yes, this is  
11 something we could address now or something we have to  
12 wait until January, that's how it becomes an issue for  
13 committee discussion.

14 MR. DOUGLAS: So what I think I heard you just  
15 say is that based on the discretion of Chair and the  
16 relative -- whoever the relevant Deputy is --

17 COMMITTEE MEMBER JONES: Vice Chair.

18 MR. DOUGLAS: -- Vice Chair, you make decisions  
19 about whether or not something --

20 COMMITTEE MEMBER JONES: Right along with the  
21 representative from staff --

22 MR. DOUGLAS: Goes on the agenda.

23 COMMITTEE MEMBER JONES: Because we could be  
24 imposing a requirement on staff and have not thought about  
25 how much work there's going to be involved in it.

1 MR. DOUGLAS: I see a hand up over here. Priya.

2 BOARD MEMBER MATHUR: I would just add that the  
3 annual calendar is on our consent agenda every month, as  
4 is the next month's agenda. And any Board member can make  
5 a motion to add something to the agenda that could then be  
6 approved or not approved by the rest of the Committee.

7 So it's not that the Chair is a roadblock. It's  
8 that, you know, sometimes the Chair might not agree, but  
9 then the rest of the Committee might agree, in which case  
10 it would still get put on the agenda.

11 MR. DOUGLAS: Cool. So that's helpful. That  
12 would be the mechanism then J.J. has, I assume.

13 So to the next question which is what should be  
14 the process for monitoring whether management is meeting  
15 these expectations within the agreed upon constraints?  
16 Did any of the groups have a chance within the time frame  
17 to get to this question?

18 Dana, did you guys have a chance to get to this  
19 question?

20 COMMITTEE MEMBER HOLLINGER: Yeah. We felt it  
21 should be the direction of the Committee Chair.

22 MR. DOUGLAS: To determine kind of what the  
23 process is for monitoring.

24 COMMITTEE MEMBER HOLLINGER: Um-hmm.

25 MR. DOUGLAS: Okay. What about over here.

1 Christina, did you guys talk about this one?

2 ACTING BOARD MEMBER ELLIOTT: We didn't get to  
3 it.

4 MR. DOUGLAS: Ron, did you have a chance to talk  
5 about this one?

6 COMMITTEE MEMBER LIND: Not this one.

7 MR. DOUGLAS: Did anybody else have thoughts  
8 about this one, what the mechanism should be or the  
9 process for monitoring whether management is meeting these  
10 expectations?

11 Bill.

12 CHAIRPERSON SLATON: I would just say that I  
13 would agree with this table that the Chair, because each  
14 Committee is a little different, a different segment of  
15 CalPERS business. So I think it's the -- it's each  
16 committee's determination as to how often and what that  
17 process should be.

18 MR. DOUGLAS: And so the last question, did you  
19 guys have a chance, Dana, to get to the how often  
20 should -- that monitoring process should occur. And I'm  
21 assuming that --

22 COMMITTEE MEMBER HOLLINGER: No.

23 MR. DOUGLAS: But I'm assuming your answer might  
24 be it would be at the discretion of the Chair, based on  
25 your previous question.

1 COMMITTEE MEMBER HOLLINGER: Yeah.

2 MR. DOUGLAS: Or your previous answer.

3 COMMITTEE MEMBER HOLLINGER: Yeah, probably.

4 MR. DOUGLAS: Would that be consistent with  
5 everybody else's basic understanding of how this would  
6 work, is that, you know, we've got something here we --  
7 we've laid it out as an expectation or a constraint. It's  
8 in the business plan. It's in the strategic plan. If  
9 it's within the given jurisdiction of a given committee or  
10 a given Committee Chair, it's up to that chair to  
11 determine both the process and the timetable, or timing  
12 and frequency, for monitoring compliance with that  
13 expectation.

14 BOARD MEMBER JELINCIC: And I don't know the  
15 answer, but I think it would really kind of vary. If it  
16 is a longer strategic plan, then maybe looking at it every  
17 year makes sense. If it's a much shorter plan, then maybe  
18 every month makes sense. I think it's -- I don't think  
19 there is a set rule. It depends on the nature of what it  
20 is you're monitoring.

21 MR. DOUGLAS: It would go back to - at least if I  
22 hear correctly - the Chair's discretion as to kind of what  
23 the appropriate interval and process for doing that would  
24 be.

25 BOARD MEMBER JELINCIC: Well, that's at least our

1 current default. I haven't thought about whether it ought  
2 to be the default.

3 MR. DOUGLAS: So interestingly, what I hear is  
4 that everybody is pretty happy with the way the current  
5 mechanism works, as far as both the mechanism for how the  
6 Board should communicate its expectations and constraints.  
7 Now, what I heard you say is that we want to make sure  
8 we're doing that through the vehicle of the strategic  
9 plan, the strategic measures, and the business plan. So  
10 to the extent that you're aware of what's in there, and  
11 able to communicate those expectations there, that would  
12 be make sense. Am I hearing you correctly?

13 COMMITTEE MEMBER HOLLINGER: The value of this  
14 for me is actually hearing this policy and knowing about  
15 the process to adhere to it, because I have to honestly  
16 say that I was not familiar with it, so this helped me  
17 solidify that. And also even in talking to Henry and  
18 Katie and Donna, also what to do when we throw things at  
19 staff that weren't anticipated in the agenda, and just  
20 having the tools for the Chair to say, and we all agree to  
21 that, that let's put that on the parking lot and -- you  
22 know.

23 MR. DOUGLAS: Yeah. So let me clarify a few  
24 things then, based on what you just said. So does  
25 everybody like this idea of again more -- you know, using

1 this parking lot in committee meetings, making sure that  
2 if something is a flying squirrel, it's new, and it kind  
3 of comes at you unexpectedly, your staff, giving kind of  
4 deference to the Chair to have the discretion to say let's  
5 put this on the parking lot, let's deal with it off-line?  
6 Does anybody object to that practice being a practice of  
7 this Board or these committees?

8 All right. So I'm hearing -- I'm seeing nobody  
9 strenuously objecting. I hear a small voice.

10 BOARD MEMBER JELINCIC: Well, yeah. I mean, if  
11 it's truly a flying squirrel. I mean, there are things  
12 that, you know, staff just doesn't know at the time. And  
13 I think that's eminently fair to say let's put that in the  
14 parking lot.

15 But if it's -- to pick the absurd example. If it  
16 was what was the performance of the fund last month,  
17 that's not something you put on a parking lot. I mean,  
18 that's something you ought to --

19 MR. DOUGLAS: Presumably that's not a flying  
20 squirrel.

21 BOARD MEMBER JELINCIC: Right. So, I mean, to  
22 the extent it's a flying squirrel, I think that makes  
23 sense. But not flying squirrels, I'm not sure it makes so  
24 much sense.

25 MR. DOUGLAS: We'll bag them in a meeting.



1 BOARD MEMBER JELINCIC: And somewhere in between,  
2 you know, is an answer.

3 MR. DOUGLAS: And I also heard this -- Dana, you  
4 said something just then, which I was curious to  
5 investigate a little further, which is you said this  
6 conservation helped clarify the policy for me. And I'm  
7 curious which exactly -- which element of the policy of  
8 this discussion has helped clarify it for you?

9 COMMITTEE MEMBER HOLLINGER: Well, just when  
10 we're in open session just, you know, staying on point,  
11 staying on agenda, knowing that the Chair of committees,  
12 you know, will deal with, I don't know, going off tangent.

13 MR. DOUGLAS: The random stuff.

14 COMMITTEE MEMBER HOLLINGER: Yeah, yeah.

15 MR. DOUGLAS: And what I hear you saying is we  
16 want to empower -- make sure the Chairs feel empowered to  
17 do that so we keep our discussions organized.

18 COMMITTEE MEMBER HOLLINGER: Exactly, so it's not  
19 uncomfortable for them, and that no -- and that it's a  
20 process and it's just not personal to any of us, you know.

21 MR. DOUGLAS: So an action item out of this might  
22 be to go back and look at the current way we describe the  
23 role of the Committee Chairs and make sure that it's  
24 capturing this notion of the discretion that the Committee  
25 Chair needs to exercise and assuring an orderly discussion

1 of issues.

2 Priya.

3 BOARD MEMBER MATHUR: I think what this  
4 highlights is that there's a need for somewhat regular  
5 Chair training of what are the roles and responsibilities  
6 of the Chair, how do you handle different kinds of  
7 situations, you know, some of which have been identified  
8 today.

9 MR. DOUGLAS: Yeah. Good. Thank you.

10 So anybody else with kind of sort of thoughts  
11 about, again, what you just heard yourselves say, and  
12 particular issues that you just heard yourself talk about  
13 that would maybe translate into some next steps or  
14 actions?

15 To this question of the monitoring process, I  
16 remember -- so what we said -- what I heard you all say is  
17 that as it pertains to a particular subject area, that the  
18 Committee Chair will have jurisdiction over determining  
19 how do we monitor the compliance with the expectations and  
20 constraints we placed on management?

21 So I'm just curious whether that's something  
22 that's also called out in the role of the Committee Chair  
23 to where that bears going back and looking at and just  
24 saying that's a role. Again, that would help us then know  
25 how to train the Committee Chairs, because we'd have a

1 consistent set of expectations to train them too.

2           So I was looking around the room, does that make  
3 sense to kind of add that to the pieces of responsibility  
4 that the Committee Chairs have?

5           BOARD MEMBER JELINCIC: I think clearly the Chair  
6 has to have a role in enforcing it and implementing it.  
7 But I -- what I heard you say was it's a Chair decision,  
8 and I think it needs to be a Committee decision and then  
9 the Chair is implementing that.

10           MR. DOUGLAS: Thank you for that clarification.  
11 What I meant to say is that it's the Chair's role to  
12 assure that discussion takes place, and that there's a  
13 decision made about how to monitor that expectation that  
14 constraint.

15           So what else did we just talk about? We talked a  
16 little bit about open and closed meetings over here. And  
17 I'm just curious whether -- if you could just recap for  
18 me, Christina, kind of your thoughts about that, or your  
19 table's thoughts about that? And I know, J.J., you've  
20 thought a little bit about this too. And just hear kind  
21 of other folks' feelings about this. Christina, tell me  
22 again what you guys talked about with regard to that.

23           ACTING BOARD MEMBER ELLIOTT: Well, I haven't  
24 discussed this with the Treasurer, so I don't have a  
25 position on it. But I think that discussing as a Board,

1 you know, looking at maybe more closed session discussions  
2 is fine. I prefer J.J. maybe elaborate on what his  
3 thoughts were.

4 BOARD MEMBER JELINCIC: Yeah. I don't think that  
5 we, as a Board, have enough really candid, open  
6 discussions on where we are going, what it is we expect.  
7 And that's really tough to do in open -- in an open  
8 session where as soon as you say something stupid, that's  
9 what shows up in the press.

10 It also makes it difficult to, in some -- as I  
11 put it earlier, display your own ignorance, and say  
12 something where people can react, and say, well, you're  
13 missing the point. And so, you know, we've -- yes, we're  
14 a public agency, but we are different than most  
15 agencies --

16 MR. DOUGLAS: So let me just --

17 BOARD MEMBER JELINCIC: -- and so we really do  
18 need to create some mechanism that allows the Board to  
19 have really, you know, sort of off-the-record candid  
20 discussions about things.

21 MR. DOUGLAS: So let me just investigate with  
22 other people that particular topic and hear what other  
23 thoughts might be for how to assure -- because it's  
24 certainly a practice of good boards, that there is a way  
25 to have the discussions you're talking about.

1           Again, I'm not sure that the only alternative is  
2 to have it in closed or open -- closed session, but again,  
3 I'm curious to kind of hear what other people think about  
4 how to assure that this Board has that opportunity to  
5 have, as you say, the candid, frank, open, willing to kind  
6 of put yourself out there discussion that encourages more  
7 of this kind of clarity about expectations, clarity about  
8 what we want.

9           ACTING BOARD MEMBER ELLIOTT: Can I say one more  
10 thing though. I know that there's been a lot of  
11 expectation on staff to be more -- like the private equity  
12 fees is a good example of where the Board is requesting a  
13 lot of, you know, accountability for staff, and there's a  
14 lot of, you know, request for openness. So I think that  
15 the Treasurer would want the Board to have that same type  
16 of openness with staff and the public. So I just want to  
17 say that as well, as we discuss more closed sessions, I  
18 don't -- I just want to make that statement.

19           MR. DOUGLAS: Got it. The Treasurer's position  
20 is clear.

21           But I'm just curious about other thoughts about  
22 how to encourage this. Bill, I see your hand up.

23           CHAIRPERSON SLATON: Well, I guess I am totally  
24 on the opposite side from J.J. on this particular issue.  
25 I think -- you know, I serve on another board that's a

1 public agency, and we discuss very frank topics about  
2 where we're going, where we want to go, what we fear, what  
3 we -- where there are opportunities and threats. And we  
4 do that all in public session.

5 I don't see any reason why we can't have candid  
6 conversations doing the public's business in public.  
7 We're not talking about -- we're talking about the  
8 agency's business, and there's nothing more important than  
9 having those kind of conversations of where do we want  
10 this agency to go, what do we want to achieve, what  
11 constraints do we want to place on management in achieving  
12 those results.

13 Those are -- those go right to the heart of the  
14 mission of this organization. And I think we need to be  
15 able to have frank conversations and do it in a public  
16 setting and not be afraid of that.

17 MR. DOUGLAS: What are other people's views on  
18 this?

19 Katie, do you have a view on this one, just out  
20 of curiosity?

21 ACTING BOARD MEMBER HAGEN: Well, I think that as  
22 a Board member or delegate for a Board member, I would --  
23 I rely heavily -- I refer to the delegations for the  
24 committees as I sit on them quite frequently, to try to  
25 stay focused on what my fiduciary responsibility is, so

1 that I don't go down a road that wastes everybody's time,  
2 and is part of my own education as a Board member. So  
3 I'll leave it at that.

4 MR. DOUGLAS: So Michael, what would be your view  
5 on this question?

6 COMMITTEE MEMBER BILBREY: So I think whether  
7 it's open or closed the idea is that we have time to  
8 actually have discussions. Because so often when we're  
9 getting in committee meetings, we go through agenda items,  
10 and as the day goes on, as you can see here we are up  
11 against, you know, the end of the day, time has run out,  
12 we aren't able to sometimes have the full discussions I  
13 think we want to.

14 So whether it's open or closed, that's another  
15 debate, but just having a really robust discussion  
16 sometimes -- it may start off that way in a committee, but  
17 then as the time and problems and constraints and  
18 something went too long, then it becomes a problem, and  
19 other issues that are of importance may not get that full  
20 conversation and direction for the staff.

21 MR. DOUGLAS: So just looking around for other  
22 Board member voices on kind of how to -- what your  
23 thoughts are, what you may have observed in other  
24 organizations, that would help, if you believe it needs to  
25 be helped.

1 I see your hand, J.J. Just one second.

2 Address this question of that frank candid  
3 discussion. Alan, do you have a view of this from other  
4 experience, other Boards?

5 ACTING BOARD MEMBER LOFASO: Well, I think you've  
6 got two issues on the table. You've got the question of  
7 the nature of discussion, which I think I'd identify with  
8 what Katie said about following the workplan and following  
9 the process methodically in a way that one is prepared,  
10 because that really -- that itself manages time very well.

11 On the transparency question, I'm going to  
12 associate myself with Bill's remarks. I think there is  
13 substantial reputational risk of doing anything in a  
14 non-transparent manner. And the bottom line is it is the  
15 taxpayer's money, and the member's money that we're  
16 dealing with.

17 MR. DOUGLAS: And, Ron, how about you, do you  
18 have view on this one?

19 COMMITTEE MEMBER LIND: Well, in a previous board  
20 that I was on, we did pretty robust annual board  
21 self-evaluations, often facilitated. And we would set  
22 aside a half a day to do that. We started doing them in  
23 closed session, and then we were called out as violating,  
24 in that case not the Bagley-Keene Act, but the Brown Act,  
25 which is pretty much the same.



1           So we started doing them in open session and  
2 found that they were actually more robust, because we got  
3 some stakeholder input into the process, which was helpful  
4 and facilitated further discussion. So, you know, I think  
5 kind of to Michael's point, it's a time issue. And if we  
6 really want to do this, we just need to set aside the time  
7 and have that kind of discussion.

8           MR. DOUGLAS: Theresa, I just ask -- as I'm  
9 trying to call on everybody Board member here, I would  
10 just be curious to hear your thoughts too.

11           BOARD MEMBER TAYLOR: I don't see an issue with  
12 us having a robust open discussion. I think that, again,  
13 we haven't ever had the time to do that. I will have to  
14 agree that I think it would be a mistake for us to try to  
15 do that in closed session. If we can't be frank with each  
16 other in open session in front of the public, then why  
17 would we think we could be frank in a closed session. But  
18 we certainly shouldn't be doing it in closed session  
19 anyway, because of the appearance, is my thinking.

20           MR. DOUGLAS: I promised we'd be done by 5:00, so  
21 is there somebody else with their hand up over here?  
22 Priya, did you have a last --

23           BOARD MEMBER MATHUR: If I could just quickly. I  
24 guess to me it depends on -- a little bit on the subject.  
25 I sometimes feel like we talk a lot about our strategy in

1 open session. And so we sort of preview in the  
2 investments or other areas, you know, what our strategies  
3 or tactics might be. And I think that might harm us in  
4 some ways in the investment marketplace. So there might  
5 be some situations where under the current Bagley-Keene  
6 Act we don't really talk about things in closed session  
7 that perhaps would be useful to have some closed session  
8 discussion about.

9 But as a general rule -- so I guess I'm sort of  
10 somewhere in between. As a general rule, I think we  
11 should do as much in open session and be as transparent as  
12 we can, because we are accountable to the public and to  
13 our members and to the public broadly. So I'm sort of in  
14 between a little bit on those.

15 MR. DOUGLAS: Okay. Well, I think we have some  
16 to-do's from this meeting. We have some to-do's around  
17 looking at the Committee Chair roles and making sure we've  
18 adequately documented kind of what we expect of the  
19 Committee Chairs. So I think that's one thing we want to  
20 talk about.

21 There's a discussion about making sure training  
22 to Committee Chairs is happening. So I think we'd go back  
23 and at least bring that back as a to-do.

24 Are there other -- and again, I'm looking at you,  
25 Bill, just thinking as the Chair, if there's other things

1 you hear from this discussion today, either about travel  
2 or about the role of the Board?

3 CHAIRPERSON SLATON: No, I think you summarized  
4 it. I think that's where we are.

5 MR. DOUGLAS: Okay. Well, I did promise 5:00  
6 o'clock. So I know it's been a long day, so we are  
7 adjourned. Thank you very much.

8 CHAIRPERSON SLATON: No, we're not adjourned.

9 MR. DOUGLAS: Oh, we're not. I'm sorry. You get  
10 to do that.

11 CHAIRPERSON SLATON: You turn it back over to me.

12 Item 8, public comment. Do we have any?

13 Seeing none, this meeting is adjourned.

14 (Thereupon California Public Employees'  
15 Retirement System, Board Governance Committee  
16 meeting adjourned at 5:00 PM)

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C E R T I F I C A T E O F R E P O R T E R

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, Board Governance Committee meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, 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 26th day of October, 2015.

JAMES F. PETERS, CSR  
Certified Shorthand Reporter  
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