

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
OPEN SESSION

ROBERT F. CARLSON AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, JUNE 15, 2016

9:02 A.M.

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

A P P E A R A N C E S

BOARD MEMBERS:

Mr. Rob Feckner, President

Mr. Henry Jones, Vice President

Mr. Michael Bilbrey

Mr. John Chiang, represented by Mr. Grant Boyken

Mr. Richard Costigan

Mr. Richard Gillihan, represented by Mr. Ralph Cobb

Ms. Dana Hollinger

Mr. J.J. Jelincic

Mr. Ron Lind

Ms. Priya Mathur

Mr. Bill Slaton

Ms. Betty Yee, represented by Ms. Lynn Paquin

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

Mr. Matthew Jacobs, General Counsel

Ms. Donna Lum, Deputy Executive Officer

Mr. Doug McKeever, 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. Alan Milligan, Chief Actuary

Mr. Brad Pacheco, Deputy Executive Officer

Ms. Mary Anne Ashley, Chief, Legislative Affairs Division

Ms. Kara Buchanan, Board Secretary

ALSO PRESENT:

Mr. Neal Johnson, Service Employees International Union,
Local 1000

Mr. Chirag Shah, Shah and Associates
(via teleconference)

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

2 PRESIDENT FECKNER: I'd like to call the Board of
3 Administration meeting to order. Good morning, everybody.

4 The first order of business will be to call the
5 roll, please.

6 BOARD SECRETARY BUCHANAN: Good morning.

7 PRESIDENT FECKNER: Good morning.

8 BOARD SECRETARY BUCHANAN: Rob Feckner?

9 PRESIDENT FECKNER: Good morning.

10 BOARD SECRETARY BUCHANAN: Henry Jones?

11 VICE PRESIDENT JONES: Here.

12 BOARD SECRETARY BUCHANAN: Michael Bilbrey?

13 BOARD MEMBER BILBREY: Good morning.

14 BOARD SECRETARY BUCHANAN: Grant Boyken for John
15 Chiang?

16 ACTING BOARD MEMBER BOYKEN: Here.

17 BOARD SECRETARY BUCHANAN: Richard Costigan?

18 BOARD MEMBER COSTIGAN: Here.

19 BOARD SECRETARY BUCHANAN: Ralph Cobb for Richard
20 Gillihan?

21 ACTING BOARD MEMBER COBB: Here.

22 BOARD SECRETARY BUCHANAN: Dana Hollinger?

23 BOARD MEMBER HOLLINGER: Here.

24 BOARD SECRETARY BUCHANAN: J.J. Jelincic?

25 BOARD MEMBER JELINCIC: Here.

1 BOARD SECRETARY BUCHANAN: Ron Lind?

2 BOARD MEMBER LIND: Here.

3 BOARD SECRETARY BUCHANAN: Priya Mathur?

4 BOARD MEMBER MATHUR: Here.

5 BOARD SECRETARY BUCHANAN: Bill Slaton?

6 BOARD MEMBER SLATON: Here.

7 BOARD SECRETARY BUCHANAN: Theresa Taylor?

8 PRESIDENT FECKNER: Excused.

9 BOARD SECRETARY BUCHANAN: And Lynn Paquin for
10 Betty Yee?

11 ACTING BOARD MEMBER PAQUIN: Here.

12 PRESIDENT FECKNER: Thank you.

13 The next order of business will be the Pledge of
14 Allegiance. I've asked Anne Stausboll to please lead us
15 in the Pledge.

16 If you could all please rise.

17 (Thereupon the Pledge of Allegiance was
18 recited in unison.)

19 PRESIDENT FECKNER: Now, at this point, before we
20 move further, a point of personal privilege. We're going
21 to ask for a moment of silence for all of the folks in
22 Orlando that have been going through such tragedy in the
23 recent week. So will we please have a moment of silence.

24 (Moment of silence.)

25 PRESIDENT FECKNER: Thank you very much.

1 Item 3, the Board President's report is moving to
2 the end of the agenda after public comment.

3 We've already done the closed session litigation
4 matters. We did that at 8:30 this morning.

5 So we're moving on to Item 4, Executive Reports.
6 4a, the Chief Executive Officer's report. Ms. Stausboll.

7 CHIEF EXECUTIVE OFFICER STAUSBOLL: Good morning,
8 Mr. President and Board members. This morning I'd like to
9 highlight two reports that we released earlier this week,
10 review our current priorities, and take a moment, as
11 always, for staff recognition.

12 Hi, Raul.

13 (Laughter.)

14 CHIEF EXECUTIVE OFFICER STAUSBOLL: On Monday, we
15 released two new reports that described the significant
16 impact that our CalPERS investment portfolio has on the
17 economic health and well-being of our golden State of
18 California. As of June 30th, 2015, we had approximately
19 \$28 billion in invested here in our home State. And over
20 \$1 billion is invested in private companies. These
21 investments support jobs, businesses, and our local
22 communities, and they also create opportunities in some of
23 California's historically underserved markets.

24 The two reports titled, "CalPERS for California",
25 and the, "CalPERS California Initiative", are both

1 available on our website. I encourage everyone to read
2 and share them as they highlight the important role that
3 CalPERS plays in helping our State to grow and prosper.

4 Turning now to our current priorities and what I
5 view as the important things in the coming few months.
6 I'll begin with the health care program. Later this
7 morning, the Board will be voting on the health care
8 premiums that take effect in January. These rates reflect
9 the results of the first year of a multi-year revision to
10 our rate development process. And the average premium
11 increase across all our plans for 2017 is just under 3¼
12 percent.

13 So I want to acknowledge both the health care
14 staff and the legal team for their efforts, especially
15 towards greater transparency, for our stakeholders. The
16 focus on achieving greater accountability and transparency
17 in the rate-setting process will continue in the coming
18 years.

19 And as was mentioned at the Committee meeting
20 yesterday, we're also conducting a review of the risk
21 adjustment process, and we'll be reporting on that later
22 this year. Once the rates for 2017 are finalized, we'll
23 be turning our attention, of course, to the annual open
24 enrollment period in the fall.

25 Turning now to the pension side, on Monday, the

1 Investment Committee reviewed the capital markets outlook.
2 And there was quite a bit of discussion about the
3 predictions that long-term returns will likely be lower
4 than what we've experienced in the past. Ensuring
5 long-term sustainability of the fund continues to be our
6 top priority. And the asset liability management team has
7 already begun preparing for the 17-18 ALM process, during
8 which time you all will review the market assumptions, as
9 well as the strategic asset allocation.

10 And this will be a major focus for staff in
11 Investments, the Actuarial Office, as well as in the
12 Financial Office over the coming 18 months. I feel very
13 fortunate that we have the ALM team in place and that it's
14 been fully institutionalized at this point. And I'm proud
15 to let you know that the team recently received an award
16 from the GFOA for Excellence in Government Finance for the
17 de-risking work accomplished over the last two years. So
18 I just want to show you this and congratulate the team.

19 (Applause.)

20 CHIEF EXECUTIVE OFFICER STAUSBOLL: Finally, our
21 strategic planning work for the cycle beginning with the
22 17-18 fiscal year is well underway. We had a great
23 workshop yesterday. There will be another half-day
24 workshop at the July Board off-site to delve into more
25 detail, and we anticipate final adoption of the plan

1 during your November and December Board meetings in plenty
2 of time for the launch on July 1, 2017.

3 So those are the longer term strategic issues
4 we're focused on. As always, there's a lot of other
5 things taking place. We're currently finalizing the plans
6 for the July off-site. The next CalPERS CBEE, or the
7 CalPERS Benefits Education Event is in Los Angeles on July
8 15 and 16. Hoping that some of you can attend.

9 And, of course, we're preparing for the Annual
10 Employer Education Forum, scheduled for October 24 to 26
11 in Riverside.

12 Before I close I want to take a moment, as
13 always, for some recognition. Over the years, I've used
14 this time in my report to acknowledge an individual or
15 team for a recent accomplishment, but today I would like
16 to acknowledge the entire CalPERS staff, both individually
17 and as a team, an organization.

18 The people who work here are the heart and soul
19 of CalPERS. They are talented, committed, creative, and
20 hard working. And as an organization, they come together
21 with great passion to serve the State of California.
22 Their passion and the mission and their commitment to the
23 mission is remarkable. So today, I want to recognize the
24 entire staff for their service, day in and day out, as
25 well as over the long term.

1 Thank you.

2 (Applause.)

3 CHIEF EXECUTIVE OFFICER STAUSBOLL: And Mr.
4 President, that concludes my marks for this morning.

5 Thank you.

6 PRESIDENT FECKNER: Thank you. I think Raul was
7 going to take the pictures from back here, but there was
8 too much glare, so he moved up front.

9 (Laughter.)

10 PRESIDENT FECKNER: Item 4b, Chief Investment
11 Officer's report. Mr. Eliopoulos, please.

12 CHIEF INVESTMENT OFFICER ELIOPOULOS: On the left
13 side today. Mr. President, members of the Board, good
14 morning. I have a brief update on the performance of the
15 Public Employees' Retirement Fund as of April 30th, 2016.
16 The total fund performance for the fiscal year-to-date is
17 0.1 percent.

18 As you know, we like to look at much longer time
19 periods as they are more meaningful for measuring our
20 performance. The three-year return is 6.1 percent. The
21 five-year return is 6.4 percent. The 10-year return is
22 4.8 percent, and the 20-year return of the total fund is
23 7.1 percent. The total fund assets are valued, as of
24 April 30th, 2016 at \$293.7 billion.

25 And before I conclude my report, Mr. President, I

1 just, on behalf of the Investment Office, would like to
2 express our deep appreciation and respect for Ms.
3 Stausboll and the leadership that she has provided the
4 Investment Office, both from within the Investment Office,
5 and as our Chief Executive Officer. Truly a great,
6 trusted, and respected leader.

7 Thank you, Mr. President. That's my report

8 PRESIDENT FECKNER: Thank you.

9 That brings us to Agenda Item 5, action consent
10 items on the calendar. What's the pleasure of the Board?

11 VICE PRESIDENT JONES: Move approval.

12 BOARD MEMBER MATHUR: Second.

13 PRESIDENT FECKNER: Moved by Jones, seconded by
14 Mathur.

15 Any discussion on the motion?

16 Seeing none.

17 All in favor say aye?

18 (Ayes.)

19 PRESIDENT FECKNER: Opposed, no?

20 Motion carries.

21 Item 6 is the Board information consent items.
22 Having no requests to remove anything, we move on to Item
23 7, Committee Reports and Actions.

24 Item 7a, Investment Committee report. For that,
25 I call on the Chair, Mr. Jones.

1 VICE PRESIDENT JONES: Yeah. Thank you, Mr.
2 President.

3 The Committee approved the following:

4 We did meet on June 13, 2016.

5 Agenda Item 5a, to maintain the current interim
6 asset allocation targets as approved in 2015 with no
7 changes, and that staff continue the important efforts
8 around transparency, attribution analysis and negotiation
9 of appropriate terms in the private equity industry, and
10 that the Committee exhibits patience and discipline around
11 private equity in particular.

12 Agenda Item 6a, to adopt neutral -- a neutral
13 position on Assembly Bill 2348: CalPERS investments in
14 California infrastructure projects. The Chair directed
15 staff to return to the Committee if the bill comes to
16 fruition for further discussion on potential conflicts
17 with CalPERS's tax-exempt status.

18 Agenda Item 7a, to express support, if amended,
19 by -- for Assembly Bill 2833, Public Retirement
20 Alternative Investment Disclosure.

21 The Committee also received reports on the
22 following topics:

23 Staff's approach to defining key performance
24 indicators for ESG themes within the new sustainable
25 investment strategy. The Chair directed staff to

1 articulate the key performance indicators further based on
2 Committee feedback;

3 An update on the Targeted Investment Programs
4 current initiatives and activities; the CalPERS for
5 California Report for 2015; the first reading of proposed
6 revisions to the Real Asset Program policies; the Chair
7 also directed staff to review the May Investment Committee
8 meeting minutes and return in August with the necessary
9 changes based on Committee direction.

10 The Committee heard public comments on the
11 following four items: CalPERS's investment in private
12 equity, a labor dispute, support for the Emerging Manager
13 Program, and an expression gratitude to Anne Stausboll for
14 her years of service at CalPERS.

15 At this time, I would like to just share some
16 highlights on what to expect at the August Investment
17 Committee meeting. It will be the CalPERS trust level
18 review, and the annual review of the Investment Compliance
19 Program.

20 The next meeting of the Investment Committee is
21 scheduled for August 15, 2016 in Sacramento, California.
22 And that concludes my report, Mr. President.

23 PRESIDENT FECKNER: Thank you.

24 Mr. Jelincic.

25 BOARD MEMBER JELINCIC: We had a closed session,

1 as we usually do. But we actually took a motion at that
2 closed session. And I think we -- Bagley-Keene requires
3 us to report out motions in -- done in closed session, and
4 the related roll call.

5 PRESIDENT FECKNER: Mr. Jacobs.

6 GENERAL COUNSEL JACOBS: Are you talking about
7 this morning's closed session?

8 BOARD MEMBER JELINCIC: No, the Investment
9 Committee closed session.

10 GENERAL COUNSEL JACOBS: Oh.

11 BOARD MEMBER JELINCIC: Were we took a motion --
12 a vote on the Jackson-Kendall[sic] ETI report -- or FTI.

13 GENERAL COUNSEL JACOBS: Let me think about that.

14 VICE PRESIDENT JONES: Yeah, but I don't recall a
15 motion. I thought that was information.

16 BOARD MEMBER JELINCIC: We had a motion and we
17 had a roll call vote. And I think the motion needs to be
18 reported out along with the related roll call.

19 VICE PRESIDENT JONES: Well, it's whether or not
20 to release the report.

21 PRESIDENT FECKNER: Ms. Stausboll.

22 CHIEF EXECUTIVE OFFICER STAUSBOLL: Mr.
23 President, I think General Counsel needs a moment to think
24 about it.

25 GENERAL COUNSEL JACOBS: Well, the other thing, I

1 mean, this is the Board, and the Investment Committee has
2 independent jurisdiction. So to the extent that that
3 should have been done, I would suggest that I give it a
4 chance to review it, and we do it at the next meeting, as
5 opposed to right now where the Board doesn't really have
6 the jurisdiction to do that.

7 PRESIDENT FECKNER: Very good.

8 BOARD MEMBER JELINCIC: I would point out that
9 we're getting a report from the Committee, and I just --
10 it strikes me that it ought to be included. But as long
11 as it gets reported out, at some point, I'm fine.

12 PRESIDENT FECKNER: All right. Very good.

13 Next item is Item 7b, Pension and Health
14 Committee. For that, I call on the Chair, Ms. Mathur.

15 BOARD MEMBER MATHUR: Thank you, Mr. President.

16 The Pension and Health Benefits Committee met
17 yesterday on June 14th, 2016.

18 PRESIDENT FECKNER: Just a second, Ms. Mathur.
19 Mr. Costigan, is it on this issue?

20 BOARD MEMBER COSTIGAN: Yes.

21 PRESIDENT FECKNER: Please go ahead.

22 BOARD MEMBER COSTIGAN: I was just going to say
23 please record me as recusing and not voting on Items 5, 6,
24 and 7. As I say every year, Blue Shield is a client of
25 our firm's.

1 Thank you.

2 PRESIDENT FECKNER: Thank you.

3 Ms. Mathur.

4 BOARD MEMBER MATHUR: Thank you. The Committee
5 recommends and I move that the Board approve on Agenda
6 Item 5, the proposed 2017 Health Maintenance Organization
7 HMO rates for Anthem Blue Cross, Blue Shield of
8 California, Health Net of California, Kaiser Permanente,
9 Sharp Health Plan, and UnitedHealthcare, and Medicare
10 Advantage rates for Kaiser Permanente and
11 UnitedHealthcare, as shown in attachment 1.

12 PRESIDENT FECKNER: On motion by Committee.

13 Any discussion on the motion?

14 Seeing none.

15 All in favor say aye?

16 (Ayes.)

17 PRESIDENT FECKNER: Opposed, no?

18 Motion carries.

19 Please show Mr. Costigan as abstaining -- or
20 recusing.

21 BOARD MEMBER MATHUR: The Committee further
22 recommends and I move the Board approve on Agenda Item 6
23 the proposed 2017 rates for the Anthem Exclusive Provider
24 Organization, PERS Choice, PERS Select, and PERSCare
25 Preferred Provider Organization health plans as shown in

1 attachment 2.

2 PRESIDENT FECKNER: On motion by Committee.

3 Any discussion on the motion?

4 Seeing none.

5 All in favor say aye?

6 (Ayes.)

7 PRESIDENT FECKNER: Opposed say no?

8 Motion carries.

9 Again, please show Mr. Costigan as recusing.

10 BOARD MEMBER MATHUR: The Committee further
11 recommends and I move the Board approve on Agenda Item 7a
12 a support position on Senate Bill 1010, because it would
13 provide greater transparency in prescription drug costs,
14 so purchasers can understand its impact on health care
15 affordability and premiums.

16 PRESIDENT FECKNER: On motion by Committee.

17 Any discussion on that motion?

18 Seeing none.

19 All in favor say aye?

20 (Ayes.)

21 PRESIDENT FECKNER: Opposed say no?

22 Motion carries.

23 Again, please show Mr. Costigan as recusing.

24 BOARD MEMBER MATHUR: The Committee also received
25 several reports, including a report on the 2017

1 association plan rates and the State annuitant
2 contribution formula, as well as information on the
3 long-term care third-party administrator procurement
4 strategy, the Drug Price Relief Act, and updates on
5 financial literacy and the Public Employees' Pension
6 Reform Act.

7 The Committee received public comment from Tim
8 Behrens, California State Retirees regarding the pharmacy
9 benefit manager solicitation.

10 At the next -- at the September Pension and
11 Health Benefits Committee meeting, which is the next
12 meeting, the Committee will hear updates on customer
13 services and support performance and the Long-Term Care
14 Program. The next meeting, as I said, of the Pension and
15 Health Benefits Committee is scheduled for September 20,
16 2016 in Sacramento, California.

17 That concludes my report, Mr. President.

18 PRESIDENT FECKNER: Thank you.

19 Item 7c, Finance and Administration, there was no
20 meeting, no report.

21 7d, Performance, Compensation and Talent
22 Management Committee. I call on the Chair, Mr. Bilbrey.

23 BOARD MEMBER BILBREY: Thank you, Mr. President.

24 The Performance, Compensation and Talent
25 Management Committee met on June 14, 2016. The Committee

1 recommends and I move the Board approve the following:

2 Agenda Item 5, Fiscal Year 2016-17 Compensation
3 Review Project Recommendations: First Reading of
4 Performance Metrics. Approve as a first reading the
5 following proposed performance metric concepts: Operating
6 efficiency, using the overhead operating cost model; INVO
7 Cost Effectiveness Measurement; total fund investment
8 returns; Stakeholder Engagement/Customer Service.

9 In addition, approve the performance plan
10 framework concepts for the Chief Executive Officer and the
11 Chief Investment Officer positions for the fiscal year
12 2016-17.

13 PRESIDENT FECKNER: On motion by Committee.

14 Any discussion on the motion?

15 Seeing none.

16 All in favor say aye?

17 PRESIDENT FECKNER: Opposed, no?

18 (No.)

19 PRESIDENT FECKNER: Motion carries.

20 BOARD MEMBER BILBREY: There was no closed
21 session that was held yesterday.

22 The Chair directed staff to bring back additional
23 information for further detail in August to address the
24 requests made by the Committee members during the
25 discussion on Agenda Item 5.

1 The next meeting will be in August of the
2 Performance, Compensation and Talent Management Committee.
3 The Committee will review -- receive further
4 recommendations for the implementation of performance
5 metrics in the fiscal year 2016-17 as a second reading, as
6 well as proposed executive compensation policy amendments
7 based on Committee feedback and direction. And staff will
8 present the second reading of the 2016-17 performance plan
9 of the Chief Investment Officer.

10 The next meeting of the Performance, Compensation
11 and Talent Management Committee is scheduled for August
12 16, 2016 here in Sacramento.

13 PRESIDENT FECKNER: Thank you.

14 Item 7e, Risk and Audit Committee. For that, I
15 call on the Chair, Mr. Lind.

16 BOARD MEMBER LIND: The his Risk and Audit
17 Committee met on June 13th, 2016. The Committee
18 recommends and I move the Board approve the following:

19 Approve the proposed 2016-2017 Enterprise
20 Compliance Plan.

21 PRESIDENT FECKNER: On motion by Committee.

22 Any discussion on the motion?

23 Seeing none.

24 All in favor say aye?

25 (Ayes.)

1 PRESIDENT FECKNER: Opposed, no?

2 Motion carries.

3 BOARD MEMBER LIND: Approve the proposed 2016-17
4 Enterprise Risk Management Plan.

5 PRESIDENT FECKNER: On motion by Committee.

6 Any discussion on the motion?

7 Again, seeing none.

8 All in favor say aye?

9 (Ayes.)

10 PRESIDENT FECKNER: Opposed, no?

11 Motion carries.

12 BOARD MEMBER LIND: Accept the Board of
13 Administration's independent financial statement auditor's
14 annual audit service plan for the audit of CalPERS
15 financial statements as of and for the fiscal year-ended
16 June 30th, 2016.

17 PRESIDENT FECKNER: On motion by Committee.

18 Any discussion on the motion?

19 Seeing none.

20 All in favor say aye?

21 (Ayes.)

22 PRESIDENT FECKNER: All opposed, no?

23 Motion carries.

24 BOARD MEMBER LIND: And approve the proposed
25 Office of Audit Services Plan for the fiscal year

1 2016-2017.

2 PRESIDENT FECKNER: On motion by Committee.

3 Any discussion on the motion?

4 Again, seeing none.

5 All in favor say aye?

6 (Ayes.)

7 PRESIDENT FECKNER: Opposed, no?

8 Motion carries.

9 BOARD MEMBER LIND: The Committee received
10 reports on the following topics:

11 Audit Resolution Policy Revision; and Semi-Annual
12 Enterprise Risk Report.

13 A few highlights of what to expect for the
14 September Audit Committee meeting: The finalist selection
15 for the independent financial statement auditor and
16 external audit fees.

17 The next meeting of the Risk and Audit Committee
18 is scheduled for September 20th, 2016 in Sacramento.

19 Thank you.

20 PRESIDENT FECKNER: Thank you.

21 Item 7f, Board Governance Committee. There was
22 no meeting, hence no report.

23 Move to Item 8, Proposed Decisions of
24 Administrative Law Judges. I want to first, for the
25 record, say that the -- Chirag Shah from Shah & Associates

1 law firm, the Board's independent counsel for
2 administrative hearings is on the phone.

3 Good morning, Mr. Shah.

4 MR. SHAH: Good morning, Mr. President.

5 PRESIDENT FECKNER: So if any Board members have
6 any questions or comments Mr. Shah is there prepared to
7 answer them on our behalf.

8 Mr. Jones, please.

9 VICE PRESIDENT JONES: Yeah. Thank you, Mr.
10 President.

11 I move to adopt the proposed decisions at Agenda
12 Items 8a through s as the Board's own decision with the
13 minor modifications to Agenda Items 8c, 8i, 8k, 8l, and 8n
14 as argued by staff.

15 PRESIDENT FECKNER: Is there a second?

16 BOARD MEMBER BOYKEN: Second.

17 PRESIDENT FECKNER: It's been moved by Jones,
18 seconded by Boyken.

19 Thank you

20 Any discussion on the motion?

21 Seeing none.

22 All in favor say aye?

23 (Ayes.)

24 PRESIDENT FECKNER: Opposed say no?

25 Motion carries.

1 Item 9, Petitions for Reconsideration.

2 Mr. Jones.

3 VICE PRESIDENT JONES: I move to deny the
4 petitions for reconsideration at Agenda Item 9a through
5 9e.

6 ACTING BOARD MEMBER BOYKEN: Second.

7 PRESIDENT FECKNER: It's been moved by Jones,
8 seconded by Boyken

9 Any discussion on the motion?

10 Seeing none.

11 All in favor say aye?

12 (Ayes.)

13 PRESIDENT FECKNER: Opposed, no?

14 Motion carries.

15 Item 10. Mr. Jones.

16 VICE PRESIDENT JONES: Yeah. Thank you, Mr.
17 President. I move to designate the decision at Agenda
18 Item 10 as a precedential Board decision.

19 ACTING BOARD MEMBER BOYKEN: Second.

20 PRESIDENT FECKNER: It's been moved by Jones,
21 seconded by Boyken.

22 No discussion on the motion.

23 All in favor say aye?

24 (Ayes.)

25 PRESIDENT FECKNER: Opposed say no?

1 Motion carries.

2 Thank you. Thank you, Mr. Shah.

3 MR. SHAH: Thank you, Mr. President.

4 PRESIDENT FECKNER: That brings us to Agenda Item
5 11, State Legislation Update. Ms. Ashley.

6 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Good
7 morning, Mr. President and members of the Board. Mary
8 Anne Ashley, CalPERS staff.

9 Included in your Board materials is an updated
10 summary of the CalPERS sponsored bills and other
11 legislation that would potentially impact CalPERS.

12 Important deadlines for bills to continue moving
13 forward this year have passed. And as you can see in the
14 report, several bills will not be moving forward this
15 year, specifically AB 2650 by Assembly Member Nazarian,
16 which would have required divestment from investment
17 vehicles owned or issued by the government of Turkey was
18 held in the Assembly Appropriations Committee.

19 And Senate Bill 932, by Senator Hernandez, which
20 had to deal with health care mergers and acquisitions,
21 that bill was also held in the Senate Appropriations
22 Committee.

23 Two bills that the Board has adopted positions on
24 have recently been amended. AB 1878 regarding retired
25 State and school member health benefits -- or excuse me,

1 death benefits was amended May 31st. The amendments
2 narrowed the provisions of the bill. The Board adopted a
3 neutral, if amended, position on the measure. And the
4 amendments do appear to have taken CalPERS amendments into
5 consideration.

6 AB 2028, which would restore credit for service
7 and compensation earnable for wrongfully terminated
8 members was amended on June 13th. The Board adopted a
9 support, if amended, position on this bill. And the
10 amendments made June 13th do incorporate the amendments
11 that CalPERS suggested.

12 And then Senate Bill 1353 by Senator Pan, which
13 originally -- as originally introduced was dealing with
14 fiduciary determination for Sudan and thermal coal
15 divestment. That bill was amended and no longer would
16 impact CalPERS.

17 And then finally, our sponsored measures, AB
18 2375, which is our housekeeping bill, and AB 2404, which
19 is the retirement options simplification bill, both those
20 bills are currently in the Senate PERS Committee. They're
21 scheduled to be heard on June 27th. We are continuing to
22 work with the Department of Finance on a couple of
23 provisions that are in our housekeeping bill, and then we
24 have submitted some amendments to address late stakeholder
25 concerns on our retirement options simplification bill.

1 Those amendments should be in print soon.

2 We'll continue to monitor legislation as we move
3 forward this session. It's quickly going to come to a
4 close as we approach upcoming legislative deadlines. July
5 1st is the last day for policy committees to report -- to
6 hear, and meet, and report bills. And then August 12th is
7 the last date for fiscal committees to hear and report
8 bills. The legislature will go on recess July 1st, and
9 then reconvene in August. August 31st is the last day for
10 bills to be passed to the Governor for him to take action.
11 And then the Governor will have until September 30th to
12 sign or veto those bills.

13 And with that, I am happy to answer any
14 questions.

15 PRESIDENT FECKNER: Thank you.

16 Mr. Jelincic.

17 BOARD MEMBER JELINCIC: On 1878, my recollection
18 was that one of the amendments we wanted is that it would
19 cover all State employees as well. Was that incorporated
20 in the bill?

21 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY:

22 Right. We believe the way the bill is currently
23 written it would cover all, because what it did is it took
24 out the provision to increase the death benefit from 2,000
25 to no less than 5,000. And now, it just says that it

1 would provide the Board authorization to adjust the death
2 benefit based on the CPI.

3 BOARD MEMBER JELINCIC: Okay. And then the other
4 question I had is the budget bills. The first item it
5 shows up as 1598. There's a provision to conduct a
6 zero-based budgeting exercise for administrative expenses
7 in the health care. I looked at the bill itself and it
8 doesn't seem to say much more than that. Do we know what
9 it actually means? Does it really mean a zero base?

10 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Thank
11 you.

12 DEPUTY EXECUTIVE OFFICER McKEEVER: Mr. Jelincic,
13 Doug McKeever, CalPERS staff. It's just a review that the
14 Department of Finance wants to work with CalPERS on
15 relative to the Health Care Fund and the Contingency
16 Reserve Fund.

17 BOARD MEMBER JELINCIC: Okay. So it's not really
18 a zero base --

19 DEPUTY EXECUTIVE OFFICER McKEEVER: No, it is --
20 that is not the intent is to do an actual zero-based
21 budgeting exercise.

22 BOARD MEMBER JELINCIC: Okay. Thank you.

23 PRESIDENT FECKNER: All right. Seeing no other
24 requests. Thank you.

25 That brings us to Item 12, Summary of Board

1 Direction. Ms. Stausboll, do you have any summaries for
2 us?

3 CHIEF EXECUTIVE OFFICER STAUSBOLL: Thank you. I
4 would just repeat that our General Counsel will follow up
5 on any reporting out required from the Investment
6 Committee.

7 PRESIDENT FECKNER: Very good. Thank you.

8 That brings us to Agenda Item 13, Public Comment.
9 Is there anyone from the public wish to address the Board
10 at this time? I see one coming down now, it must be Mr.
11 Johnson.

12 Neal Johnson, please come forward.

13 A little clairvoyant today.

14 You have up to three minutes. Please give your
15 name and affiliation for the record.

16 MR. JOHNSON: Neal Johnson, Service Employees
17 International, Local 1000.

18 I want to, on behalf of our 96,000 members and my
19 President Yvonne Walker, I want to thank our departing
20 Chief Executive Officer, Anne Stausboll, for her many
21 years of excellent leadership.

22 Anne has been one who not only cares about the
23 fund, but cares about the people who touches -- who are
24 touched by the fund, and also those employees who work
25 here. While we've had some disputes with Anne and

1 management, as is sort of natural in the function of
2 management-labor relations, overall it has been a good
3 relationship. Anne has been very accessible and has been
4 a real pleasure to work with her.

5 I really hope and truly hope -- or I truly hope
6 that the successor to Anne brings many of those same
7 qualities. Obviously, everyone has different
8 personalities and different traits and skills and
9 abilities, but Anne has really set a high bar. And I
10 really wish her well in her future endeavors.

11 Thank you.

12 PRESIDENT FECKNER: Thank you.

13 Henry, will you push your button.

14 Mr. Jones, please.

15 VICE PRESIDENT JONES: Yeah. Thank you, Mr.
16 President. As Board members know, I'm a member of the
17 Toigo Board. And we had a meeting last week, and we --
18 the Toigo Board invited Anne to attend, because they
19 wanted to recognize her, but they -- she was unable to
20 attend. But they did publish a full page ad thanking Anne
21 for her work, and I'll just read what it says.

22 "The Toigo Foundation is honored to recognize
23 CalPERS CEO, Anne Stausboll, for the role she has played
24 in promoting diversity and inclusion in our industry. We
25 gratefully acknowledge her years of service as a member of

1 the Toigo Advisory Board bringing her thoughtful insights
2 and passion for diversity to the public sector.

3 "We wish her the best upon her retirement and
4 know that her legacy of leadership will remain with those
5 individuals and organizations, like Toigo, she has
6 touched".

7 So thank you very much, Anne. And I have a copy
8 of the book for you, Anne.

9 CHIEF EXECUTIVE OFFICER STAUSBOLL: Thank you.
10 The relationship with Toigo has meant a great deal to me.

11 Thank you.

12 PRESIDENT FECKNER: Thank you.

13 Anyone else in the audience wish to address the
14 Board at this time?

15 Seeing none. We move to the Board President's
16 report. Before we end our day today, I do have a few
17 updates and some special recognition.

18 This afternoon, the full Board will conduct a
19 final round of interviews for the CalPERS Chief Executive
20 Officer position. We have some strong candidates. I'm
21 looking forward to completing process. We will make an
22 announcement just as soon as we can, but as you know
23 hiring a new CEO takes time and there will be some
24 discussion that will have to take place after the
25 selection process.

1 A couple of weeks ago, I had the honor and
2 distinct pleasure of accepting an award on behalf of
3 CalPERS. We received the 2016 Founders Award from the
4 Association of Asian-American Investment Managers for our
5 support of the association and our commitment to diversity
6 and inclusion in the financial markets.

7 The award is a one-time honor being given in
8 celebration of the Association's 10th anniversary.
9 CalPERS is one of the first pension funds to support the
10 organization at its launch. Ten years ago, the
11 Association of Asian-American Investment Managers was
12 founded to address the gap in women and Asian-American
13 American and Pacific Islander representation and
14 leadership in the investment industry. The organization
15 has grown steadily and gained increasing national
16 recognition in the investment industry. I want to thank
17 the Board for its leadership on diversity, and especially
18 our Investment staff. This award speaks volumes about all
19 the good work that we all do.

20 And here's a representation of the nice award
21 that we received, and we'll make sure that it gets a place
22 of distinction in our building here. So congratulations
23 to CalPERS.

24 Last night, I want to thank all that -- those
25 that joined us for the CalPERS game. You came with your

1 family and friends. I actually went with my almost
2 8-month old grandson. He had a good time hanging out with
3 grandpa, so that was a lot of fun. I happened to be doing
4 baseball since I was about six years old. And I must say
5 that I paid more attention to the actual ball last night
6 than any other time.

7 (Laughter.)

8 PRESIDENT FECKNER: My daughter-in-law was
9 watching quite close to make sure I was, but it was really
10 a nice time.

11 We had almost 300 folks join us last night from
12 CalPERS. Our CalPERS choir did a wonderful rendition of
13 the National Anthem. And one of our own Benefits staff
14 members Chika Monago-White was -- threw out the first
15 pitch on behalf of CalPERS and did a great job
16 representing us. And I think it was a lot of fun had by
17 everyone that went. Unfortunately, the River Cats didn't
18 do as well as we would like them have. They lost to
19 Fresno 6 to 3, but it was still a great time to be out
20 with family and friends and have a little downtime away
21 from the office.

22 So those of you that joined us, I'm glad that you
23 did. And those of you didn't, I hope that you will join
24 us again next time.

25 Now, at this time, I'd like to take a moment of

1 person privilege to recognize a very special member of the
2 CalPERS family who is retiring. As many you know, our
3 Chief Executive Officer, Anne Stausboll, is retiring on
4 June 30th. She leaves us with a great legacy of
5 contributions to CalPERS, our members and employers. And
6 has shown exceptional dedication to serving those who
7 serve California.

8 Anne was appointed CEO in January of 2009, and
9 has had to tackle several challenges head on. She
10 heightened internal controls, enacted numerous reforms to
11 improve ethics, accountability, as well as transparency,
12 and implemented several programs and policies to ensure
13 CalPERS long-term sustainability.

14 During her tenure, she also led initiatives to
15 increase competition in health care, streamline the
16 investment portfolio, and build a culture of openness and
17 inclusion through efforts like our stakeholder
18 roundtables, webcast meetings, and emerging manager and
19 diversity programs. Anne also established the first ever
20 Chief Financial Officer position and guided one of the
21 largest IT projects in history by launching my|CalPERS,
22 which revolutionized our on-line customer service system.

23 She played an instrumental role in integrating
24 environmental, social, and corporate governance factors
25 within the CalPERS investment portfolio. And she's been a

1 tireless advocate for CalPERS on a State and national
2 level.

3 I'm proud to say she has been duly recognized for
4 her efforts. She was ranked as one of the top 25 non-bank
5 women in finance three years in a row, and was listed as
6 one of the 100 most influential corporate governance
7 professionals in 2011.

8 I also had the distinct honor and pressure a
9 couple of weeks ago to present Anne with an honorary APEX
10 award here at our annual APEX event in front of the -- her
11 CalPERS peers. I actually believe we actually were able
12 to surprise her, which is not an easy task.

13 Before I ask Anne to join me on stage, I wanted
14 to share a video that was prepared recognizing her
15 leadership and contribution to CalPERS.

16 Please roll the video.

17 (Thereupon a video was played.)

18 (Applause.)

19 PRESIDENT FECKNER: Anne please join me on stage.

20 Now, as you've heard, Anne joined us, as CEO, at
21 a pretty difficult time. It was some dark days at CalPERS
22 at that time. And for quite some time, there were some
23 moments when she and I really had nobody else to talk to
24 about some of the issues. So we spent a lot of arduous
25 time together talking over some very tough issues. And

1 Anne, I want to thank you for that time. I'm sure it was
2 very difficult for you as well.

3 But we've come to a much better place. And on
4 behalf of the Board we want to thank you. You've made the
5 Board a better Board. You've made our staff a better
6 staff. You've made our employers and our members better
7 off because of your leadership, your sage advice, and
8 especially your passion for the System.

9 We do have a couple of presentations for you. We
10 have a lovely resolution from the Board signed by
11 everyone. I'm not going to read it all. There's plenty
12 of things on there. But the Board has all signed it, and
13 we mean this very wholeheartedly. We hope that you have a
14 place that you can put this, that you will remember us,
15 and remember your time here.

16 We also have a nice resolution from Honorable
17 Richard Pan, State Senator, who would like to also
18 recognize you for your hard work, and all of the wonderful
19 things you've done for the members of California, and for
20 those who serve California, a wonderful brand that you put
21 in place.

22 And we also have a letter from California
23 Governor Jerry Brown. And it's -- we will be handing it
24 to you shortly. But one of the things he says in his
25 quote is, "Decades from now, the decisions that you made

1 and the policies that you implemented will continue to
2 have major impacts on the lives of Californians". Now, I
3 will take a little editorial advice here and say that I'm
4 sure he meant "good impacts".

5 (Laughter.)

6 PRESIDENT FECKNER: So with that, we certainly
7 want to take the time to thank you for a wonderful tenure
8 here at CalPERS. And we certainly wish you the best in
9 your future endeavors. And we certainly, before we give
10 you the microphone, we'd like to give you a wonderful
11 round of applause.

12 Please join me.

13 (Applause.)

14 (Standing applause.)

15 PRESIDENT FECKNER: Here you go.

16 CHIEF EXECUTIVE OFFICER STAUSBOLL: All right.
17 Thank you, Rob and thank you, everybody. I'm just so
18 grateful that I was able to have the opportunity to have a
19 career in public service, and that so much of it was here
20 at CalPERS, such a wonderful organization with people so
21 committed to the mission, and such a fantastic culture.

22 Thank you to Rob and the Board for the leadership
23 and the guidance over the years. Thank you to the very
24 talented executive team for your vision, for the courage
25 to make tough decisions, and for the comradery, and to the

1 entire CalPERS organization just for the relentless
2 commitment to excellence in serving our members.

3 And I want to say a special thank you to Sarah
4 Maile. Sarah has been my advisor over the last 7½ years.
5 And we've worked together for 17 years, and I cannot
6 imagine a more thoughtful, insightful, and loyal colleague
7 and friend.

8 It's really hard to say goodbye to such a
9 wonderful organization, but it's easier knowing that
10 everyone here is so committed to preserving the System and
11 the culture that we have. I wish you all the very, very
12 best and I will definitely miss you.

13 Thank you.

14 (Applause.)

15 PRESIDENT FECKNER: Well, thank you very much.
16 This concludes our open session for today's meeting.
17 Please join us out in the lobby out here for a nice
18 reception for Anne. Please come up and thank her for her
19 time here at CalPERS. And we will be starting our CEO
20 interviews promptly at 11:00 o'clock. And we look forward
21 to seeing you all at our off-site in Rohnert Park in July.

22 Thank you all for being here.

23 (Thereupon the California Public Employees'
24 Retirement System, Board of Administration
25 open session meeting adjourned at 9:49 a.m.)

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 open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California.

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 21st day of June, 2016.

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