

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

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

TUESDAY, AUGUST 16, 2016
8:30 A.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
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A P P E A R A N C E S

COMMITTEE MEMBERS:

Mr. Richard Costigan, Chairperson

Ms. Dana Hollinger, Vice Chairperson

Mr. Richard Gillihan, represented by Mr. Ralph Cobb

Mr. J.J. Jelincic

Mr. Henry Jones

Mr. Bill Slaton

Ms. Betty Yee, represented by Mr. Alan Lofaso

BOARD MEMBERS:

Mr. Rob Feckner, President

Mr. John Chiang, also represented by Mr. Grant Boyken

Ms. Priya Mathur

STAFF:

Mr. Doug Hoffner, Interim Chief Executive Officer

Ms. Cheryl Eason, Chief Financial Officer

Mr. Matthew Jacobs, General Counsel

Ms. Donna Lum, Deputy Executive Officer

Ms. Tanya Black, Committee Secretary

Ms. Kimberly Malm, Chief, Operations Support Services
Division

Ms. Kristin Montgomery, Controller

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

2 CHAIRPERSON COSTIGAN: Alrighty. Good morning,
3 everyone. We are going to get started with the August
4 16th meeting of the Finance and Administration Committee.

5 If we are ready, please call the roll.

6 COMMITTEE SECRETARY BLACK: Richard Costigan?

7 CHAIRPERSON COSTIGAN: Here.

8 COMMITTEE SECRETARY BLACK: Dana Hollinger?

9 VICE CHAIRPERSON HOLLINGER: Here.

10 COMMITTEE SECRETARY BLACK: Ralph Cobb for
11 Richard Gillihan?

12 ACTING COMMITTEE MEMBER COBB: Here.

13 COMMITTEE SECRETARY BLACK: J.J. Jelincic?

14 COMMITTEE MEMBER JELINCIC: Here.

15 COMMITTEE SECRETARY BLACK: Henry Jones?

16 COMMITTEE MEMBER JONES: Here.

17 COMMITTEE SECRETARY BLACK: Bill Slaton?

18 COMMITTEE MEMBER SLATON: Here.

19 COMMITTEE SECRETARY BLACK: Alan Lofaso for Betty
20 Yee?

21 ACTING COMMITTEE MEMBER LOFASO: Here.

22 CHAIRPERSON COSTIGAN: Everybody is present, so
23 thank you.

24 All right. Ms. Eason, good morning. Your
25 Executive Report, please.

1 CHIEF FINANCIAL OFFICER EASON: Thank you. Good
2 morning, Mr. Chair and Committee members. Cheryl Eason,
3 CalPERS staff. Today's meeting focuses on three areas.
4 Our first action item regarding the proposed Board
5 election regulations and public hearing is time certain
6 for 8:45 this morning.

7 You may recall at the March 2016 Finance and
8 Administration Committee meeting, the Committee was
9 presented with proposed Board election regulatory changes
10 to allow on-line and telephone voting, in addition to the
11 current paper ballot voting method. Today's agenda item
12 incorporates the amendments submitted to the Office of
13 Administrative Law for a 45-day comment period, during
14 which correspondence and a request for public hearing was
15 received.

16 The second action item is the Board of
17 Administration contract activity reporting policy with
18 proposed changes to the policy that was actually first
19 brought forward to the Committee in 2012. And lastly, for
20 the third year, the CEM report on the annual customer
21 service Cost Effectiveness Measurement, CEM, update as
22 presented as an information item.

23 The next Finance and Administration Committee
24 meeting is scheduled for September 20th, 2016, and will
25 include the notification of risk mitigation policy, the

1 annual actuarial valuation for the terminated agency pool,
2 public agency valuations, annual review of the funding
3 levels and risk report, and the annual diversity report.

4 Mr. Chair, this concludes my report. I'd be
5 happy to take any questions.

6 CHAIRPERSON COSTIGAN: All right. There are no
7 questions for your report. I have had a request prior to
8 getting to the consent items that we're going to pull 4f.
9 But we're going to take up the other consent items first,
10 and then we will go to 4f. I'm not going to put it at the
11 end. I'm going to go ahead and take it up.

12 So are there any other consent items anybody
13 would like to pull or -- so on the action items, I need a
14 motion, please.

15 COMMITTEE MEMBER JONES: Move approval.

16 CHAIRPERSON COSTIGAN: Moved by Jones.

17 VICE CHAIRPERSON HOLLINGER: Second.

18 CHAIRPERSON COSTIGAN: Seconded by Hollinger.

19 All those in favor?

20 (Ayes.)

21 CHAIRPERSON COSTIGAN: Opposed?

22 Motion carries.

23 All right. The Item 4 are just information
24 items, but we are going to have a discussion on 4f. And
25 just as Ms. Eason said, we will be having the regulatory

1 hearing at 8:45. So I'm going to go through some items
2 until we get to that. Is someone coming up, Ms. Eason, on
3 Treasury -- on the Treasury Analysis and Liquidity.

4 Mr. --

5 COMMITTEE MEMBER JELINCIC: It was me

6 CHAIRPERSON COSTIGAN: All right. I know. Mr.
7 Jelincic, please push your microphone.

8 Yes, Mr. Jelincic.

9 COMMITTEE MEMBER JELINCIC: On 4f, which is our
10 treasury analysis and liquidity. One of the things that
11 you point to is a event in May where the liquidity level
12 fell below the thresholds. And it's because it was an
13 exception, I had indicated I'd thought we ought to at
14 least talk a little bit about it. You know, what
15 happened, how did it actually work, does it suggest a need
16 to change policies?

17 CONTROLLER MONTGOMERY: Kristin Montgomery,
18 CalPERS staff.

19 Yeah, the event that happened, again this is
20 really a point in time. So we are doing the analysis at
21 a -- at the beginning of the month. So when we looked at
22 that, it was below the threshold. Again, it's a threshold
23 of the -- not the crisis but a stressed event. So we look
24 at it to say do we need to worry about meeting the
25 liquidity requirements or the obligation requirements in a

1 normal environment.

2 So we evaluated that. It came right back up, so
3 we felt that our current policies and procedures are
4 working.

5 COMMITTEE MEMBER JELINCIC: And you point that we
6 had raised 2.9 billion for a real estate purchase that was
7 coming. And so you didn't count that 2.9 billion, because
8 it was -- had essentially already been earmarked.

9 When we looked at our cash flow needs, did we
10 also not count the 2.9 billion purchase that we knew was
11 coming, so that it's kind of balanced out.

12 CONTROLLER MONTGOMERY: Yeah, we look at both --
13 both the obligations and the cash. So for real estate, we
14 assume that we can't use it, because it's obligated for
15 that purchase. We see it as cash sitting there, but when
16 we do our evaluation and our calculations, we look at both
17 the incoming and the obligations that are out there.

18 COMMITTEE MEMBER JELINCIC: And for this 2.9,
19 we -- because they were specifically targeted, we kind of
20 ignored it on both sides.

21 CONTROLLER MONTGOMERY: Correct.

22 COMMITTEE MEMBER JELINCIC: Thank you.

23 CONTROLLER MONTGOMERY: You're welcome.

24 CHAIRPERSON COSTIGAN: All right. Any other
25 questions on that item?

1 Thank you, Mr. Jelincic.

2 All right. Ms. Eason, we will now bring up Mr.
3 Hoffner. We've got 10 minutes so I think we can get
4 through this Item, Mr. Hoffner, 5a.

5 Ms. Malm.

6 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
7 Did you want to go over 5a or 5b, Mr. Chair?

8 CHAIRPERSON COSTIGAN: Which would you prefer?

9 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
10 Our time certain is 8:45, and I don't see the --

11 CHAIRPERSON COSTIGAN: Oh, I'm sorry. When I
12 glanced at this, you're right. We'll do 5b.

13 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

14 Okay. Good morning, Mr. Chair, members of the
15 Finance and Administration Committee. Kim Malm, CalPERS
16 staff. 5b is an action item. The contract activity
17 reporting policy was approved by the Committee in April
18 2012, and defines the process for the Semi-annual
19 Contracting Prospective Report. We have revised and
20 updated this policy into the new standardized CalPERS
21 policy template, as you can see in Attachment 1.

22 This policy defines the process and information
23 to be included in the contracting prospective report for
24 all contract activity that will meet or exceed a \$1
25 million threshold. This report is submitted to the

1 Committee for approval semi-annually in April and in
2 December to coincide with the annual and mid-year budget
3 requests.

4 At the time of the original approval in 2012,
5 other contracted related reports were also provided to the
6 Board, and were referenced as additional reports at the
7 bottom of the policy. At that time, there were three
8 additional reports in regards to contracting that we
9 listed below the policy information and the references.
10 Two of those three reports have been removed.

11 The first report was the quarterly contracts and
12 expenditures report, which was a report of expenditures
13 provided to the Finance and Administration Committee as an
14 information item. This report has not been provided since
15 September 2013, and only showed what was spent as of that
16 quarter on existing contracts.

17 The report did not allow for modification to
18 contracts, and is duplicative of the information already
19 provided in the annual consulting and procurement activity
20 report, which remains in the policy. This will continue
21 to be provided to the Committee every September.

22 The second report in -- the second report is the
23 INVO quarterly spring-fed pool letter of engagement
24 commitment report, and is employed by the Investment
25 Committee to the -- I mean, by the Investment Office to

1 the Investment Committee. This was at the direction of
2 the Chair and will continue to be provided. Those reports
3 do not need to be in policy in order to be provided to the
4 Board.

5 We've removed this report from the updated
6 contract activity policy template, since it had nothing to
7 do with the semi-annual prospective report, and because it
8 does not get reported to the FAC.

9 The third report is the annual contracting
10 procurement activity report, which will still be provided
11 to the FAC and is in the updated contract activity policy
12 template. Some of the information in this report feeds
13 into the semiannual contracting report, and is also under
14 FAC review. This report includes all POs, and also all
15 contracts over \$100,000. You received this report in
16 September, in addition to the small business and DVBE
17 participation report.

18 This concludes my report, Mr. Chair, and I'm
19 happy to answer any questions.

20 CHAIRPERSON COSTIGAN: And so before we go to a
21 few questions, I've got a -- I have some. So when is --
22 considering the size of the organization, and the number
23 of contracts that we enter into, is the million dollar
24 threshold an appropriate amount? Should it be higher? I
25 mean, as our organization continues to grow and we become

1 more sophisticated, which then overlays to this is the
2 production of a report, are there contracts available in
3 another means, whether on the website -- I mean, all these
4 contracts go out. They're all available at some point.

5 So, I mean, what the million -- what this is just
6 a compilation of reports -- or contracts, excuse me, over
7 a million dollars. I'm just wanting to make sure from
8 both the transparency standpoint and a workload
9 standpoint. If the dollar threshold -- I'm sorry, if the
10 dollar threshold should be higher is the discussion to
11 have?

12 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

13 We can certainly look into the numbers of
14 contracts that are more than a million. At the time when
15 we did the evaluation and analysis in 2012, we determined
16 that that was a good cutoff -- the million dollars was a
17 good cutoff. We currently put on your semiannual
18 prospective not just contracts but all RFPs or
19 solicitations. We also put any letters of engagement, all
20 purchase orders, the annual contracts for the Investment
21 Office. So everything that could potentially be more than
22 a million dollars goes on that report. They don't
23 necessarily get more than a million dollars, but if
24 there's a potential, we want to notify the Board and the
25 Committee.

1 CHAIRPERSON COSTIGAN: Mr. Jelincic.

2 COMMITTEE MEMBER JELINCIC: I would like the
3 million dollar report coming, because among other things
4 we're authorizing staff to enter into a contract up to a
5 million -- or in excess of a million dollars.

6 We have in policy that we're going to get
7 quarterly reports. We haven't had it in awhile. So at
8 some point, I'd like you to explain, well, why did we not
9 get it?

10 The -- and -- but the other -- you know, the
11 other issue is, you know, you can do a lot of damage at
12 below a hundred thousand -- or below a million dollars.
13 But the policy on the Investment Committee -- or
14 investment quarterly -- spring-fed pool quarter. You
15 know, this policy is labeled the CalPERS Board of
16 Administration contract activity reporting policy, it's
17 not the OSSD contract policy reporting. So I would like
18 to suggest that we keep that in.

19 It is -- you know, you said it's currently
20 provided at the discretion of the Chair. And I think that
21 it shouldn't be dependent on the Chair. I think it's an
22 appropriate policy. If you look at it, I think a lot of
23 those things, quite frankly, are things that probably
24 should not be contracted out. I think we contract out
25 weigh too much. And so I think getting that report

1 quarterly at least brings it forward, makes people aware
2 of it. So I would move to amend to reestablish that next
3 to last paragraph in the policy.

4 CHAIRPERSON COSTIGAN: Are you on page two of
5 two?

6 COMMITTEE MEMBER JELINCIC: It's page two of two.
7 It's 91 of the iPad.

8 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

9 If I may provide a little historical background
10 on this, Mr. Chair. Those additional reports that
11 were -- it wasn't part of the policy statement at the
12 beginning. It was -- they were added at the bottom just
13 to show reports that were provided -- additional reports
14 that were provided to the Committee. The policy itself
15 was to describe the semi-annual prospective report.
16 That's what the policy was set up to do.

17 And at the time, we wanted to show the Committee
18 and the Board the additional reports you received. When
19 we did this update, we were trying to make it a little
20 more clean, where the Finance and Admin Committee when
21 they received their semi-annual prospective, they do not
22 receive the quarterly investment report. That does go to
23 the Investment Committee. And it's at the direction of
24 the Chair. And so we were trying to make this -- the
25 semi-annual prospective policy clean of what came to FAC.

1 COMMITTEE MEMBER JELINCIC: And I still think
2 that the quarterly report ought to be in policy.

3 CHAIRPERSON COSTIGAN: So, Mr. Jelincic, just so
4 I can understand it better, the reason you want the
5 language reinserted, because is -- the information is
6 still provided on an annual basis, Ms. Malm, is that
7 correct?

8 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
9 The report he's requesting is provided quarterly
10 to the Investment Committee. It's just --

11 CHAIRPERSON COSTIGAN: But it will still be
12 provided on a year --

13 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
14 Yes.

15 CHAIRPERSON COSTIGAN: -- on an annual basis?

16 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
17 It will still be provided on an annual basis,
18 that's correct.

19 CHAIRPERSON COSTIGAN: Okay. So I guess the
20 question, and I'll look to Mr. Jones, who is also Chair of
21 the Investment Committee, is the quarterly -- is the
22 production of the report on a quarterly basis serve a
23 value that we're not going to see an annual basis? I'm
24 just trying to determine from a workload or from a --
25 informational to the Board. Because again, I understand

1 what Mr. Jelincic is talking about. We're actually --
2 we're cutting back a little bit on the reporting. It's
3 still going to be prepared on an annual basis, so I'm just
4 trying to reconcile what's the difference from a
5 quarterly, or what action should we be taking? If it goes
6 to the Investment Committee as well, and we're still
7 seeing it on an annual basis, I guess I don't know what
8 I'm missing?

9 As someone who rates reading lots of reports --
10 (Laughter.)

11 CHAIRPERSON COSTIGAN: -- and as having worked in
12 the legislature, where everybody wanted a report and then
13 you'd find out they were never written. So I know you
14 read everything, Mr. Jelincic. We value that.

15 (Laughter.)

16 CHAIRPERSON COSTIGAN: The question is do we see
17 value? And I'm looking to the rest of the Committee,
18 because while we have a motion, I have not had a second,
19 but...

20 COMMITTEE MEMBER JONES: No, I --

21 CHAIRPERSON COSTIGAN: Oh, Sorry, Mr. Jones.
22 Thank you, Mr. Jelincic.

23 COMMITTEE MEMBER JONES: No, the -- I think the
24 reports are of value, and they're received on a quarterly
25 basis.

1 CHAIRPERSON COSTIGAN: So do you want them on a
2 quarterly basis still?

3 COMMITTEE MEMBER JONES: Yes.

4 CHAIRPERSON COSTIGAN: So you would second Mr.
5 Jelincic's motion?

6 COMMITTEE MEMBER JONES: No, they come to the
7 Investment Committee not in this one.

8 CHAIRPERSON COSTIGAN: And I just want to make
9 sure that's correct. So the Investment Committee will
10 still receive them on a quarterly?

11 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

12 The Investment Committee will still receive them
13 on a quarterly basis at the direction of the Chair.
14 Reports do not have to be in policy in order to be
15 presented to a committee or to the Board.

16 So if the Chair continues to direct that, which
17 he has, then they would still receive that report.

18 CHAIRPERSON COSTIGAN: So, Mr. Jelincic, does
19 that address your issue or --

20 COMMITTEE MEMBER JELINCIC: No. I mean, the
21 Chair has said, you know, that we get it on a quarterly
22 basis. This doesn't say that it comes to this Committee.
23 It just says that the Investment Office will provide. But
24 that spring-fed pool is something that I think we need to
25 keep an eye on.

1 If you look at what is in there, there are people
2 who are actually approaching the million dollar threshold
3 on multiple projects in the spring-fed pool. We are
4 contracting out to monitor contracts in that's spring-fed
5 pool. So having it come forward and be highly visible,
6 and at least give people the opportunity to look at it, I
7 think has real value. We've been told they're going to
8 keep producing it. I would just like to keep it in
9 policy. That increases the likelihood that we will
10 continue to get it.

11 As they point out, the quarterly contract and
12 expenditure report is in policy. We haven't been getting
13 it. But I think it's more likely that we will get this
14 report if it stays in policy, and that's why I would like
15 to leave it in policy.

16 CHAIRPERSON COSTIGAN: All right. Thank you, Mr.
17 Jelincic.

18 Mr. Slaton.

19 COMMITTEE MEMBER SLATON: Yeah. Mr. Chair, is
20 there a motion on the floor and is there a second?

21 CHAIRPERSON COSTIGAN: I was just going about to
22 make a decision on that. So I'm going to meet Mr.
23 Jelincic halfway. There has been no second on his motion.
24 What I would like is this calendared for next year, for us
25 to just go back and review the policy --

1 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

2 Okay. We'll do.

3 CHAIRPERSON COSTIGAN: -- see if there has been
4 an issue. So there is no motion.

5 COMMITTEE MEMBER SLATON: Well, it's an action
6 item on the agenda

7 CHAIRPERSON COSTIGAN: Yes. Were you going to --

8 COMMITTEE MEMBER SLATON: Would you like a
9 motion?

10 CHAIRPERSON COSTIGAN: Would like a substitute
11 motion?

12 COMMITTEE MEMBER SLATON: I'd like to move staff
13 recommendation.

14 CHAIRPERSON COSTIGAN: So it has -- we have a
15 substitute motion to move staff recommendation.

16 Is there a second?

17 COMMITTEE MEMBER JONES: Second.

18 CHAIRPERSON COSTIGAN: It's been seconded by
19 Jones.

20 All in favor?

21 (Ayes.)

22 CHAIRPERSON JONES: Please record Mr. Jelincic as
23 a no vote.

24 COMMITTEE MEMBER JELINCIC: Okay. I would
25 like --

1 CHAIRPERSON COSTIGAN: And the item passes.

2 Thank you.

3 COMMITTEE MEMBER JELINCIC: I would have like to
4 discuss it, but it wasn't going to change anything, so...

5 CHAIRPERSON COSTIGAN: Thank you, Mr. Jelincic.

6 All right. It's 8:47, so we are going to move
7 back to Item 5a. Do we have anybody listed to speak yet?

8 All right. Well, I'm going to open this, and
9 then we're going to start it up.

10 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

11 Mr. McRitchie is not here, Mr. Chair.

12 CHAIRPERSON COSTIGAN: I still to have read,
13 don't I?

14 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

15 (Nods head.)

16 CHAIRPERSON COSTIGAN: All right. Good morning.

17 It is now 8:47 a.m. on August 16, 2016. We are located in
18 the auditorium at CalPERS Headquarters, Lincoln Plaza
19 North, Sacramento, California. This is the time and place
20 which has been noticed for a public hearing on the
21 proposed adoption of amendments to Title 2, California
22 Code of Regulations, Article 2, section 554 through
23 section 554.1, and adoption of Section 554.11, which would
24 allow Internet and telephone, in addition to the current
25 paper ballot method, as well as make technical changes to

1 provide more clarity to the Board of Administration
2 election process.

3 This hearing is being transcribed for the
4 administrative record. I'm Richard Costigan, Chair of the
5 CalPERS Finance and Administration Committee.

6 Before the Committee opens the floor to accept
7 public testimony and comments on the proposed regulations,
8 I would like to briefly go over some of the rules
9 governing the rule-making process.

10 The purpose of this public hearing is to allow
11 the public to present testimony regarding the proposed
12 regulatory action. The Committee will listen attentively
13 to any of the testimony which is presented. All comments
14 which are received today, as well as written comments
15 during the public comment period will receive a response
16 from CalPERS in writing as part of the financial
17 rule-making file.

18 The rule-making file is a public record, and is
19 open for public review during the rule-making process.
20 Should you wish to review the rule-making file, you can
21 make an appointment to do so by contacting our regulation
22 coordinator Anthony Martin at (916)795-3038.

23 If you wish to speak at this time and have turned
24 in a speaker form, you will be recognized in the order
25 your forms were received. If you have not submitted a

1 form or would prefer not to, you will be given an
2 opportunity to speak after the last speaker has completed
3 his or her comments.

4 The record of this hearing will close at the
5 completion of the last speaker's presentation. The
6 speakers have three minutes for their presentation. We
7 request that each speaker begin by providing his or her
8 name and affiliation for the record.

9 At this time, is there any person who would like
10 to speak?

11 Mr. Johnson, I see you moving around.

12 I know.

13 All right. Well, since no one wishes to speak on
14 this matter, and there is no further testimony on this
15 matter, the record of this hearing is now closed. This
16 hearing is adjourned and the time is 8:50.

17 Thank you, Ms. Malm.

18 Yes, ma'am.

19 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

20 Mr. Chair, if I may, can I give the Committee an
21 update on the status of the Board election?

22 CHAIRPERSON COSTIGAN: Sure.

23 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

24 I know that there's been some interest, and we
25 have an election coming up. And so we've been traveling

1 down this road for about two years now. And we are almost
2 at the time where we're going to be able to implement
3 these changes. And so I'm really excited that we're going
4 to be able to offer our members a couple more options in
5 voting. And the goal of this is, of course, to increase
6 participation in the voting.

7 We did the RFP. We did the selection of the
8 vendor, and we are currently preparing to sign the
9 contract. The name of the vendor is IVS and Everyone
10 Counts. It's a joint venutre-ship[phonetic]. They will
11 not only provide telephone and on-line voting, but they
12 will also be provide -- and mailed ballots -- that will
13 stay the same -- that they'll also be providing a 24/7
14 call center for any of our members that have any
15 questions.

16 The companies have 20 years of experience, and we
17 feel very comfortable with their security package.
18 They've never had a breach of security, and they have
19 customers such as the Emmys and the City of Los Angeles,
20 department of Neighborhood Empowerment, City of Delmar to
21 name a few.

22 As far as the voting method goes, you will see
23 another regulation package from me in fall, hopefully
24 September or October, on how the voting process will work.
25 But basically, the -- when the votes are received, either

1 by phone, Internet, or mail, the very first one will be
2 tabulated and the member will not be able to vote more
3 than one time.

4 So if they voted by phone or Internet, for
5 example, and they try and do a different one they will --
6 it will not allow them to do that. They will still be, of
7 course, allowed to send in a paper ballot. However, it
8 will not be counted if they've already voted a different
9 way.

10 We toured their facilities, again, and we are
11 planning on a kick-off and design session next week. And
12 this will be in place for the member-at-large 2017
13 election, and then the elections following that.

14 At this time, I'd like to take a minute of
15 personal privilege, Mr. Chair. I'd like to thank the
16 staff that have worked really hard on this over the last
17 couple of years. Anthony Martin, Christina Nutley, Nina
18 Dinsdale, and Dallas Stone from my staff. Also Erin Lopez
19 and Renee Salazar from the Legal Office, and also Public
20 Affairs. We would not have been able to do this without
21 them, in addition to the constituents that have been
22 extremely supportive over the last couple of years. And
23 especially Dave Lowe and Terry Brennand who kind of got
24 this in front of some people -- important people to help
25 us push this forward. So I'd like to say thank you to all

1 of them, in addition, of course, to my Executive, Doug
2 Hoffner and the Board.

3 So I'm happy to answer any questions that you
4 have on the election status. And we will see you with
5 another set of regulations in the next month or two.

6 CHAIRPERSON COSTIGAN: All right. So we do have
7 a few questions.

8 Mr. Jelincic.

9 COMMITTEE MEMBER JELINCIC: There were some minor
10 changes you were going to make in the process.

11 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
12 Thank you.

13 COMMITTEE MEMBER JELINCIC: And I'll let you go
14 through those first, and then there -- there were some
15 that you and I have discussed. Are they likely -- are
16 those at least -- is there at least the ability to pick up
17 those other changes when we do the revised thing for
18 voting?

19 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
20 So there were a couple of minor requests for
21 changes that came forward, that -- some that came from a
22 letter that we received that we are incorporating. And
23 then some other additional ones that we received. We will
24 be making the change -- let me see. There was a question
25 in regards to having a statement scratched -- or crossed

1 out and added back in. And we are leaving that in. That
2 was at the direction of OAL. We -- we'll be adding the
3 "S" to trademark on page two, 554.2. That's -- anything
4 that's a minor change I can go ahead and put through OAL
5 as a minor change. Anything that would be major would
6 have to go through an entire comment period again.

7 And as you know, these regulations were approved
8 by the Committee in March. We'll be adding that "S".
9 There's -- we will be adding the word -- or taking out the
10 words "inherently misleading" that you requested because
11 they're duplicative. We say them twice in the same
12 sentence. We will be adding a sentence on page 14 in
13 regards to that the member has to or -- the member has to
14 sign the ballot or the ballot envelope in order to be
15 consistent. And we will be making the change to and/or on
16 page 15, 554.10, as you requested.

17 Those are all minor technical kind of formatting
18 changes that we're able to make.

19 COMMITTEE MEMBER JELINCIC: Yeah. One of the
20 non-minor issues that I hope we can clean up when we do
21 the supplemental round that's coming, is candidates may
22 not use the CalPERS logo, website, or other trademarks in
23 campaign material. And one of the issues that has been
24 raised is -- I believe it was actually Cathy Hackett's
25 campaign and then I think also Theresa. They reproduced

1 the envelope that was going to come, and said look for
2 this envelope, because this is your ballot.

3 And if we want to encourage people to vote, we
4 ought to encourage them to look for that envelope. Now,
5 that envelope happens to have the CalPERS logo on it. And
6 so I -- it clearly doesn't imply an endorsement, which I
7 think is what we are trying to get to.

8 And so hopefully when we go to the next round, I
9 would again strongly encourage you to change that, so that
10 it's -- they can't use the logo on any of those things, so
11 as to imply an endorsement.

12 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

13 Thank you.

14 CHAIRPERSON COSTIGAN: Are you -- anything else,
15 Mr. Jelincic?

16 COMMITTEE MEMBER JELINCIC: No, I'll deal with
17 the rest of it through the next round.

18 CHAIRPERSON COSTIGAN: Mr. Jones.

19 COMMITTEE MEMBER JONES: Yeah. Thank you, Mr.
20 Chair.

21 Yeah. Ms. Malm, has made all of the changes that
22 I had suggested, so that's fine. The only thing I would
23 ask Ms. Malm to comment on, and she explained to me why,
24 but I think it's important for members to know, the
25 removal of the form that is required to gather the

1 necessary signatures to qualify for the ballot is being
2 removed from this policy. And I just think it's important
3 enough to comment on it. You did explain to me what
4 happened.

5 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

6 Certainly. So the Board election is the only
7 area within the PERL that has forms. And what we did
8 during this clean up was to remove the actual picture of
9 the form, but we still have a description of what the form
10 is required, and what it's entailed. That way, if there's
11 any minor modifications as rules by OAL, if OA -- if we
12 have a minor modification, and OAL rules that is a very
13 minor modification, we can do that without going through
14 an entire regulation package, which is what everyone else
15 is -- does.

16 COMMITTEE MEMBER JONES: Thank you.

17 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

18 You bet.

19 CHAIRPERSON COSTIGAN: So I just have a couple of
20 questions. One is the expectation here is we're going to
21 see turnout increase.

22 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

23 That's the expectation.

24 CHAIRPERSON COSTIGAN: So where were we last
25 cycle? Was it under 10 percent?

1 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

2 It was 6.8 for the public agency and nine point
3 something for State. You know I have that.

4 CHAIRPERSON COSTIGAN: So does the vendor -- did
5 they project a turnout model? I mean, as they were
6 bidding the contract, they had to have a certain level of
7 participation.

8 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

9 You know we did not ask for that in their
10 proposal. We've asked for a marketing plan. We've asked
11 for an easy way for our members to vote. And I believe
12 that between Public Affairs and the marketing plan that
13 they will assist us with, and the fact that members can
14 either call to vote, or use the Internet to vote, or use
15 their mailed ballots, I think that it -- I'm hoping that
16 it will increase our voter participation.

17 CHAIRPERSON COSTIGAN: No. And that's just the
18 point I just want to make is you and your staff have done
19 a great job. And the goal here is the members need to
20 have a voice and say in what happens in the running of
21 this organization. And I think a 6.8 percent is
22 horrendous participation.

23 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

24 I agree.

25 CHAIRPERSON COSTIGAN: I mean, just --

1 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

2 And if I might add, we are doing a lot more
3 outreach this time also. We'll be attending the CBEEs and
4 having a table there to encourage people to vote. We'll
5 be attending constituent meetings, CSEA, RPEA, whoever
6 will have us, so that we can go in and get the information
7 out there so that we can increase the vote.

8 CHAIRPERSON COSTIGAN: And you guys -- and over
9 the years, you have done a great job of trying to get it
10 out. I mean, it's that old verbiage, you can lead a horse
11 to water but not make them drink. The question is why
12 aren't -- and this might be more of a long-term analysis,
13 is why aren't they voting?

14 I mean, so now you've yet provided a new
15 opportunity. So it will be time to look again in a few
16 years as to what is the issue? I mean, we've increased
17 the social media. Brad and his team have done -- you
18 know, from messaging, it's getting out there.

19 You know, if we don't see a doubling in it,
20 it's -- even if it just mirrors a low turnout primary
21 election, I mean, we're not even anywhere near that. And
22 so it's just -- it's a little disappointing to see folks
23 that are given the right -- the opportunity to vote and
24 have a say in this organization, you get 6.8 percent.

25 Mr. Jelincic.

1 COMMITTEE MEMBER JELINCIC: I have this vague
2 recollection, and I will acknowledge that's what it is,
3 that a form that is not run through the Office of
4 Administrative Law is an underground reg. I'm not
5 confident of that. But since it's sitting there in the
6 back of my head, I thought I would raise it, and you may
7 want to check it.

8 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
9 I'll check into that, sir, but our forms have
10 been approved through OAL at this point.

11 COMMITTEE MEMBER JELINCIC: Except the -- we're
12 going to change them.

13 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
14 Well, if we make minor modifications, I still
15 need their approval.

16 COMMITTEE MEMBER JELINCIC: Okay. I just want to
17 make sure.

18 CHAIRPERSON COSTIGAN: All right. Ms. Malm,
19 anything else?

20 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
21 No. Thank you, sir.

22 CHAIRPERSON COSTIGAN: Okay. So seeing there are
23 no further Committee members -- seeing there are no
24 further Committee members who wish to speak, I need a
25 motion.

1 COMMITTEE MEMBER JONES: Move it.

2 CHAIRPERSON COSTIGAN: It's moved by Jones.

3 COMMITTEE MEMBER SLATON: Second.

4 CHAIRPERSON COSTIGAN: Seconded by Slaton. And
5 that's a motion to adopt the proposed amendments to the
6 regulation as modified.

7 All those in favor?

8 (Ayes.)

9 CHAIRPERSON COSTIGAN: Opposed?

10 Motion carries. Thank you.

11 Alrighty. Moving on to our next item. All
12 right, Ms. Eason and Ms. Lum, Item 6a the annual customer
13 service Cost Effectiveness Measurement update.

14 (Thereupon an overhead presentation was
15 presented as follows.)

16 CHIEF FINANCIAL OFFICER EASON: Thank you, Mr.
17 Chair. Donna Lum, Deputy Executive Officer for Customer
18 Services and Support Branch will -- and I will be
19 discussing the customer service results from CEM.

20 CEM provides performance reporting, cost
21 analysis, quality measurement, management information, and
22 peer comparisons to other pension systems in various areas
23 of pension benefit administration.

24 The CEM report provides CalPERS management with
25 an analysis of how CalPERS compares to its peers and a

1 view of CalPERS performance in key areas within areas of
2 service levels, cost, and volumes using standardized
3 measures.

4 Let me turn the first part of the presentation
5 over to Donna to start the discussion on customer service
6 scores.

7 --o0o--

8 DEPUTY EXECUTIVE OFFICER LUM: Good morning, Mr.
9 Chair, members of the Committee. Donna Lum, CalPERS
10 staff. I'm pleased to be here this morning to share with
11 you the results from our CEM survey along with Ms. Eason.

12 On the slide here, number two, you can see that
13 as part of the CEM global universe there are 72 pension
14 systems that participate. And noted in the color red are
15 the systems that make up, what we call, our peer group and
16 the group that we're benchmarked against. You can see
17 that we have a mixture of U.S. systems, as well as
18 Canadian systems. And just as a way of background, the
19 systems that were selected to be a part of our peer group
20 are those that are most closely -- they most closely
21 operate as we do, and they have similar services as we do.
22 But you'll see as we move along, they are different in
23 terms of their level of complexity.

24 --o0o--

25 DEPUTY EXECUTIVE OFFICER LUM: This slide shows

1 an overview of the number of active members and
2 annuitants. Again, you can see that these are the systems
3 that we were benchmarked against. Certainly, we have the
4 largest number of participants, as well as if you compare
5 it to the peer average, you can see that amongst our peer
6 group we've almost doubled.

7 --o0o--

8 DEPUTY EXECUTIVE OFFICER LUM: But what you'll
9 see in the next slide really that sets us apart from a lot
10 of the systems that -- well, all the systems that we're
11 benchmarked against is our complexity.

12 --o0o--

13 DEPUTY EXECUTIVE OFFICER LUM: So not only are we
14 the most complex system in our peer group, we are
15 considered to be the most complex system of all systems
16 that are benchmarked within the CEM global universe. And
17 certainly, as you've heard in my discussions and
18 presentations in past years, our complexity score is 100.
19 Now, there was a question with regards to the system that
20 appears to show a 0 on this scale. And really that's just
21 relative to the methodology that CEM uses.

22 So, in essence, the system with the lowest
23 complexity score is converted to a 0. Although, in
24 actuality, it's not a 0. It's just a 0 as it relates to
25 the rest of the participants.

1 On this slide, you can see where we are, CalPERS,
2 as compared to our peer averages in a variety of causes,
3 or categories if you want to call it that.

4 And what I'd like to do is just take a couple of
5 moments to talk you through why we are complex, and what
6 adds to that complexity. And then some of the things that
7 we are going to be doing over the next couple of years
8 within our strategic plan that are going to address our
9 complexity score.

10 So you'll see we have a couple of areas that are
11 noted as 100 percent. The total -- the highest score that
12 you can be given in terms of complexity. And in looking
13 at the first one, it's related to customization choices.
14 As you know, we have over 3,000 contracting agencies that
15 we work with, and we have an unlimited amount of
16 customization that employers can have as they are putting
17 together their benefit packages.

18 This item composes 20 percent of CalPERS score --
19 or our complexity score, and certainly is the area that is
20 going to be, we believe, the hardest to be able to change.
21 But it is one of the largest areas of complexity. Another
22 area has to do with contribution rates. Here again, we
23 achieved a score, if you want to call it achieved or
24 assessed a score, of 100 in complexity. And we have over
25 400 -- 4,100 different contribution rates that employers

1 can choose from just by a number -- shear number.

2 We have offerings that many other systems don't
3 have, such as employer-paid contributions -- member
4 contributions, and we also have -- and we have services
5 that are centered around pre- and post-tax contributions.

6 So as we look forward into the future in order to
7 affect the contribution rate score that we have here,
8 those would be some of the areas that would need to be
9 further examined. I think one of the things that's
10 important to note is that in many of these areas where we
11 will do the analysis, it will require legislation to
12 change, because the way that we operate is certainly set
13 in the PERL, as you know.

14 The next large area is variable compensation.
15 This is related to the number of -- large number of
16 special compensation items that can be reported to
17 CalPERS. And you can see in this category we're slightly
18 above the peer median. With these types of compensations,
19 there are a number of opportunities that we have as we're
20 going through and looking at some of the other initiatives
21 that we have to address compensation, and compensation as
22 it's being reported. And again, to affect changes in this
23 area would require legislative changes.

24 And then with regards to divorce rules, here,
25 we're again slightly above our peer group. And the major

1 factor that contributes to this high score is the timing
2 of which member's ex-spouses can initiate their pension
3 benefits.

4 A member's ex-spouse can initiate a pension
5 benefit at a different time than the member. And not only
6 that, many of our peer systems that we are benchmarked
7 against do not allow for this option. So again, it's a
8 process type of thing that as we look at the various
9 elements that contribute to our complexity score, that we
10 would want to further examine.

11 There are some differences -- large differences,
12 as you'll see within the multiple plan types and turn --
13 and overlays. We have a score of 6, our peer average is
14 27. And that has to do with, for example, hybrid systems,
15 DB/DC, which we don't offer. And so certainly, our score
16 there is low.

17 And then at the very bottom of this chart, you'll
18 see defined contribution rules, where we have a score of
19 0, and our peer average is 25. Certainly, primarily
20 because we are a DB plan.

21 So those are just some of the highlights that I
22 wanted to share with you, and the items that contribute to
23 our score. I did want to reference there was a handout
24 that you received, a new chart. We were asked to prepare
25 a chart that shows the complexity score of CalPERS, as

1 well as our peers over the past three years. And what
2 you'll see at the bottom is that our score certainly
3 hasn't changed, and neither has our peer scores over those
4 years.

5 In the 12-13 survey year, you'll see that there's
6 asterisks throughout those columns. And that's simply
7 because we were benchmarked against a different peer group
8 than we were last year and this year. And so we felt it
9 wasn't really relative to put scores that would not be
10 pertinent to the peer group that we're benchmarked
11 against.

12 In that chart, you'll see that there's minimal
13 movement, even though the bottom scores, in terms of
14 complexity, did not change for a couple of systems. There
15 were minor movements of two or three points, but nothing
16 that affected the bottom score.

17 So with that, I do want to say that as part of
18 the work that we've been doing with the Board, and
19 developing our new strategic plan, as you know, there is a
20 goal that we are working through that's centered around
21 reducing complexity across the organization. And as we
22 further develop the objectives and the initiatives under
23 each -- under that goal, you will see that we will be
24 bringing forward items that are specifically related to a
25 number of areas that are referenced in our CEM report, and

1 those areas that we will be further examining to determine
2 whether or not we can affect the complexity score change,
3 what it would take to do that in terms of legislative
4 changes, resource changes, and costs associated with them.

5 --o0o--

6 DEPUTY EXECUTIVE OFFICER LUM: So I'd like to go
7 ahead and move forward to the service score. I'm pleased
8 to share with you that overall, we did increase our
9 service score from a 73 to 77. And if you go back to the
10 2012-13 when we re-engaged with CEM, we've had an overall
11 increase of 11 points.

12 Now, I can't overemphasize -- or underemphasize
13 how significant that is. In order to move the needle,
14 even a fraction of a point, based on the CEM methodology,
15 there is a lot of change that has to occur. And the fact
16 that we've been able to do that over the last three years
17 really is reflective of all of the initiatives that we
18 have undertaken that have been really focused on improving
19 our customer satisfaction and our customer experience.

20 But I'd like to highlight a couple of the areas
21 that contributed to this increase in terms of our score.

22 --o0o--

23 DEPUTY EXECUTIVE OFFICER LUM: We're continuing
24 to see significant increase in our contact center. As you
25 can see from this chart, we were able to move from an

1 average score of 106[sic] seconds in our call wait time to
2 a slightly improved one of 158 seconds. But compared to
3 our peer average, we're certainly able to answer our calls
4 in a much more timely basis.

5 In addition to that, we've seen improvements in
6 our website. And that has to do primarily with the work
7 that we've undertaken to overhaul the website, our Public
8 Affairs Office, over the last year and a half.

9 And then also, pension inceptions. That is an
10 area that's related to the timeliness of payment -- or
11 benefit payments. And as we continue to streamline our
12 processes -- and, in fact, one of the areas that we had a
13 significant improvement on that's reflected in our score
14 this year has to do with disability retirement.

15 We engaged in a project that implemented some
16 Lean Six Sigma methodology. And we were able to reduce
17 our processing time for determinations by 33 percent,
18 thereby reducing the amount of time that it takes to make
19 a disability determination from what was previously
20 averaging 8 months down to about 4½.

21 We still have some additional work underway that
22 we are going to be implementing. But I do point that out
23 as, again, a dedicated effort that the staff engaged in
24 that is definitely showing benefits here in our score.

25 And then, as you know, we provide a variety of

1 customer surveys. And over the past year and a half, two
2 years, we've implemented more than a dozen. And CEM
3 recognizes that CalPERS is very committed and active in
4 obtaining customer feedback and thereby we've gotten a
5 pretty good score in that area as well.

6 --o0o--

7 DEPUTY EXECUTIVE OFFICER LUM: So before we move
8 on to costs, and I think one of the things that I failed
9 to mention earlier, we know that complexity drives cost.
10 And one of the reasons for that is the fact that in order
11 to be able to provide the level of service that our
12 members and employers expect from CalPERS, there is an
13 extraordinary amount of information, training, knowledge,
14 that our staff have to have in order to answer those
15 specialized questions. And so that does take time, it
16 does take resources, and it does add to our customer
17 service score as well

18 But some of the service drivers that, again, are
19 related to both our complexity score and our service score
20 are related to managing complexity, which I shared, the
21 fact that we have over 3,000 contracting employers with an
22 infinite number of customization that can occur, and then
23 just the customization of our benefits and designs. These
24 are what we consider to be some of the service drivers
25 that really impact or influence both our complexity and

1 our score.

2 So with that, I'll pause for a moment before I
3 hand it over to Ms. Eason who will talk to you about the
4 costs, if you have any questions.

5 CHAIRPERSON COSTIGAN: Mr. Slaton.

6 COMMITTEE MEMBER SLATON: Thank you, Mr. Chair.

7 Could you go back for a moment to the CEM chart.
8 I just want to make sure I understand how the math is
9 done. This is the complexity score equals 100. Yeah,
10 that's the one.

11 So the total relative complexity, how are those
12 numbers derived at the bottom? When I -- I can't see how
13 the math works, so can you help me understand that?

14 DEPUTY EXECUTIVE OFFICER LUM: Certainly. So in
15 your resource book in the Board books, there is the CEM
16 report. And there's a section on there that addresses
17 complexity. Within each of these causes, or activity
18 areas, there are a large number of factors underneath each
19 one of these that weighs into the score. Each one of
20 these are also weighted.

21 So depending on the weight that is given to the
22 category and the number, it drives the underlying
23 complex -- relative complexity. So the numbers themselves
24 won't add up --

25 COMMITTEE MEMBER SLATON: Right.

1 DEPUTY EXECUTIVE OFFICER LUM: -- but in the
2 chart -- in the report itself, you be able to see.

3 COMMITTEE MEMBER SLATON: So by the time you've
4 weighted, we end up at 100 --

5 DEPUTY EXECUTIVE OFFICER LUM: Correct.

6 COMMITTEE MEMBER SLATON: -- even though there
7 are categories where we're under 100?

8 DEPUTY EXECUTIVE OFFICER LUM: Correct.

9 COMMITTEE MEMBER SLATON: Okay. All right.

10 And the -- so this -- and I guess, did you -- the
11 chart here has the -- that's back to cost, but on the
12 complexity side, are peers moving in complexity or is
13 everything pretty much static in your peer group?

14 DEPUTY EXECUTIVE OFFICER LUM: So as reflected on
15 the chart, and I apologize we don't have one here for the
16 public to see. What we provided to the Board or Board
17 members here today is a chart that shows the complexity
18 score. It's this format, but it has information for three
19 years.

20 COMMITTEE MEMBER SLATON: This one here, right?

21 DEPUTY EXECUTIVE OFFICER LUM: Yes.

22 COMMITTEE MEMBER SLATON: Okay.

23 DEPUTY EXECUTIVE OFFICER LUM: And So CalPERS'
24 complexity score remained at 100, and our peers also
25 remained at 56. And so what the chart shows us, and it's

1 broken down across each of the years, is that the
2 complexity across peer groups is not changing. There are,
3 I believe, three different cause areas that moved a minor
4 2 or 3 points on the chart that you have, but we're not
5 seeing big shifts in changes within the peer group and
6 within pension systems related to complexity.

7 Now, certainly, as I mentioned, as we go through
8 and we look at the various areas that make up our
9 complexity and how they're weighted, and doing the
10 analysis to determine whether or not those are feasible
11 areas that we would want to pursue, in the realm of our
12 peer group, even if we are able to move some of these
13 scores individually, it is likely that when you look at
14 the relative complexity we will still be at 100 percent.

15 The value of us doing that, however, does give us
16 valuable information that will then help us to focus on
17 areas where we will at least have some benchmarking from
18 year to year that we can review and use as a measuring
19 point to determine if our efforts are making a change.
20 But overall, Mr. Slaton, I believe that amongst all the
21 systems, we will still be 100 percent complex.

22 COMMITTEE MEMBER SLATON: Okay. All right.
23 Thank you. We'll talk more later. Thank you.

24 CHAIRPERSON COSTIGAN: Mr. Jones.

25 COMMITTEE MEMBER JONES: Yeah. Thank you, Mr.

1 Chair. Yeah. This is maybe a question for both you, Ms.
2 Lum and Cheryl. I took a peek at the cost sheet that
3 you're going to be talking about, but one of the things
4 that popped out at me is, Donna, you had mentioned that we
5 did not have the 12/13 data because it had changed. But
6 then on the costs, it has the 12/13. So I'm wondering
7 where did the costs come from?

8 DEPUTY EXECUTIVE OFFICER LUM: So I believe the
9 cost that you have there does have the 12/13 data. It
10 does include the peer group that we were benchmarked
11 against. What we did not include in the chart that you
12 have is the 12/13 that shows year to year for complexity.
13 All the charts that I showed previously do have the peer
14 group of 12/13 that was different, but I do believe that
15 the costs that we have includes that group.

16 COMMITTEE MEMBER JONES: Okay.

17 DEPUTY EXECUTIVE OFFICER LUM: So the only
18 significant difference was primarily on that complexity
19 chart that we handed out separately.

20 COMMITTEE MEMBER JONES: Okay. Thank you.

21 CHIEF FINANCIAL OFFICER EASON: We did keep the
22 costs in, although the peer group had changed.

23 --o0o--

24 CHAIRPERSON COSTIGAN: No other questions.

25 Ms. Eason.

1 CHIEF FINANCIAL OFFICER EASON: Great. Thank
2 you, Donna. And let me then talk about the costs
3 associated with -- with the CEM study, and what are some
4 of those drivers.

5 So as you can see, we have a total administrative
6 cost of \$210 per active member and annuitant, which is
7 above the peer average of 121. I just want to point out
8 that we exclude investment costs. Those are reported as a
9 separate CEM study. And non-pension costs, such as Health
10 and Long-Term Care Programs also are extracted from the
11 data that we provide to CEM.

12 I have a number of slides that cover the
13 specifics about the higher cost numbers. But generally,
14 and I think this is what you heard in the service piece of
15 this presentation, is complexity is the driver of cost.
16 Back office, operations, and the relative higher number of
17 employees, as it relates to the peer group are main
18 contributing factors to these costs.

19 --o0o--

20 CHIEF FINANCIAL OFFICER EASON: The next two
21 slides are -- I think are important to note, because it
22 really helps to point out in relationship to the peers,
23 when you look at services versus costs, you can see that,
24 you know, we're really moving in the right direction.
25 What we're seeing here is that we're able to lower those

1 costs, but at the same time not at the expense of service.
2 And so that's what you're seeing here on this slide. And,
3 of course, the target would be to continue to move towards
4 the quality service while still trying to bring those
5 costs down.

6 --o0o--

7 CHIEF FINANCIAL OFFICER EASON: The next relative
8 slide compared to the peers talks about the complexity.
9 And I think, as Donna has pointed out, we haven't seen a
10 strong movement at all in the change and complexity. We
11 still remain very high compared to the peers. But you can
12 see that the costs themselves have shifted over.

13 Two of the handouts that were provided, and I'll
14 get into that a little bit later, does show that as we're
15 bringing our costs down, the actual trending for other
16 peer groups is coming up, so that gap is starting to
17 narrow.

18 CHAIRPERSON COSTIGAN: Mr. Jelincic, question
19 now?

20 COMMITTEE MEMBER JELINCIC: Yeah, please. If I
21 can go back to slide nine, 102 of the iPad. Obviously,
22 they don't tell us who each of those bars are. But do we
23 have any idea what the general description of the people
24 to our right are? Do they tend to be smaller plans or do
25 we even know?

1 DEPUTY EXECUTIVE OFFICER LUM: No, unfortunately,
2 we don't get the specific demographic information about
3 the who are on the larger side. We could probably
4 speculate, but I'm not sure that that would of a lot of
5 value without having that.

6 COMMITTEE MEMBER JELINCIC: Okay. I was just
7 wondering if there was something we could learn that would
8 help guide by those who are obviously higher cost per
9 member. But if not, that's fine. Thank you.

10 --o0o--

11 CHIEF FINANCIAL OFFICER EASON: All right. So as
12 I mentioned, let's talk a little bit about the specific
13 cost breakdowns, when we look at the peer group. And what
14 we've done here, and I'll sort of concentrate more on the
15 total before the State pro rata and major projects. Major
16 project costs tend to fluctuate from year to year. This
17 years, we happen to be under the peer average. Last year,
18 we were above.

19 So the line that I'm really more looking at is
20 the cost before major projects, the 208 for CalPERS versus
21 114 for the peer average, with a difference of 94.

22 And the -- I think this is a good illustration of
23 when you see -- of that \$94 difference, the back office is
24 really the components that contribute the most to that,
25 specifically information technology and support services,

1 and support services specifically. When we look at the
2 data and how CEM compiles it, we're talking Human
3 Resources, Actuarial Office, Audit Services. And, as we
4 mentioned, we've pulled out the State pro rata, which we
5 believe is a unique cost to CalPERS.

6 And I think the message here is really that, as
7 Donna had mentioned on the service side, benchmarking does
8 allow us the opportunity to at least compare to other
9 pension funds, and recognizing that there will be
10 differences in the organization because of just the
11 uniqueness of the situation. But it does allow us to at
12 least narrow into areas where we may be able to see
13 opportunities for improvement, and that really helps our
14 discussions when it comes to business planning and
15 budgeting as well.

16 And the other drivers, as you can see the --
17 making up the \$94 difference in higher costs are the front
18 office of \$20. And we're -- I'm just going to break each
19 one of those down in a moment in the next slide.

20 --o0o--

21 CHIEF FINANCIAL OFFICER EASON: Here we go.

22 So what we've done is we've pulled the pro rata
23 costs out of this cost driver. We have left the major
24 projects in. But I think what's really important when we
25 go through this slide, and this is -- I think really tells

1 the story is another way to look at these cost drivers are
2 the six major areas. And some contribute to costs and
3 some actually reduce costs.

4 So we do know, based on the survey, that CalPERS
5 has 140 percent more members than the peer-weighted
6 average. And therefore, the economies of scale actually
7 are to our advantage. In this case, size matters, and
8 economies of scale do provide a cost advantage. The more
9 transactions per member is really about workload. And the
10 higher transaction volumes per member increase the total
11 cost per member. And that is, as I mentioned, that \$5 is
12 really due to higher workloads. So we know that we have
13 more transactions than our peers.

14 The next line is really saying -- is really about
15 productivity, that there's fewer transactions managed per
16 FTE -- what they call FTE, which is full-time equivalent.
17 But when we look at that, the information from CEM tells
18 us that can be due to several factors. And that's what we
19 have to take into consideration. They look at IT capacity
20 and on-line transactions. So as an organization, how much
21 are you utilizing that or how much are your members
22 utilizing that?

23 Shorter wait times. So as Donna had mentioned,
24 our call times are faster than our peer groups. And just
25 the complexity of the plan rules themselves. So we may be

1 spending more time talking with our members because of
2 those complexities. So it starts to sort of paint that
3 picture of the -- how those all work together and how that
4 influences costs.

5 When we look at the lower costs, we actually have
6 lower costs per FTE for salaries and benefits, building
7 and utilities, HR and IT desktop. And what we've learned
8 from the data is that we have a lower salary than what our
9 peer groups do.

10 But then when you look at -- and that's offset --
11 almost entirely offset by higher other miscellaneous costs
12 in the front office activities. And the one example that
13 CEM gives us on that is that we have costs related to
14 departmental travel. So I think, you know, again, we
15 spend a lot of time with our stakeholders going out and
16 visiting. And that would be considered part of our
17 front-end relationship building that we do with our
18 various members, and many of these seminars and educations
19 that we put on.

20 I think the next section, number 6, is really one
21 that is worth spending a little time on. And when we look
22 at the -- in this case, paying more or less after
23 adjusting for economies of scale and salary, it comes back
24 to the governance and financial controls contributes to
25 the costs. That includes risk management and compliance,

1 Board strategy, policy, government and public relations.
2 That's all included in that \$12.81 higher per member.

3 As I mentioned, our major costs were down
4 comparatively to our peers this year. And then the two
5 areas that make up -- of that \$88 that make up almost \$60
6 per member are the costs associated with IT support. That
7 would include database, applications, network and telecom
8 services, as well as actuarial, legal, and audit.

9 --o0o--

10 CHIEF FINANCIAL OFFICER EASON: So let's just
11 talk about what the trending looks like, because now that
12 we really understand the differences between where we are
13 today and where our peer groups are, when we look at how
14 we're doing in comparison to ourselves, you can see that
15 we've managed to decrease costs since 2012/13. We have
16 less project costs. We have had an increase in our
17 membership numbers as well, which would suggest that by
18 being able to bring our budget costs down, as well as the
19 increase in the members, what we're being able to do is
20 we're being able to driver services at that level, still
21 be able to meet our membership service levels, while at
22 the same time bringing those costs down.

23 We've only done preliminary work on the 15/16
24 estimate. We're -- staff right now are actually going
25 through doing -- working through those numbers to submit

1 to CEM for their next report, but we're -- all indications
2 are that we may be looking at a flat trend for the next
3 year.

4 --o0o--

5 CHIEF FINANCIAL OFFICER EASON: This is -- so
6 then we thought, well, let's look at what our costs look
7 like. We've given you two data lines here. We've done
8 the cost per member without pro rata and projects, and
9 then one that includes all. And you can see that those
10 lines show that those costs are starting to come down.
11 And as I mentioned earlier, just a slight -- when we look
12 at the estimates, assuming that our membership numbers are
13 the same, we'll just have a flat trend for 2015-16.

14 But when you look at that in relationship to what
15 our peer average has done, both with and without pro rata
16 and projects, you can see that their costs are actually
17 going up. And so that gap between the -- look, I'll just
18 make the comparison of \$210 per member versus 121 actually
19 has come down. And that's illustrated in the two handouts
20 that we provided in your package.

21 The -- in 2012-13 when we looked at the
22 differences on a percentage basis between what our average
23 peer group was, we were 141 percent higher. Now, when we
24 look at those costs for 2014-15, we're 74 percent higher.
25 And that's really the relationship of our costs going

1 down, and the peer group's costs going up.

2 --o0o--

3 CHIEF FINANCIAL OFFICER EASON: And as I
4 mentioned, we do see membership increasing. So it's
5 important to recognize that what the data is showing us is
6 that we're still able to contain costs while still dealing
7 with an increase in our membership.

8 --o0o--

9 CHIEF FINANCIAL OFFICER EASON: So I would just
10 close by saying that benchmarking provides an opportunity
11 to prepare for -- to compare with others. It gives us a
12 deeper dive into opportunities for improvement, as well as
13 help to understand what our unique characteristics are.
14 We're pleased that service scores are expected to improve
15 slightly, that all quality indicators that we have more
16 satisfaction, and our transactions prove to be -- have
17 improved from a timeliness perspective.

18 We've seen costs per member decline over the last
19 three years, and while we may see a flattening of that in
20 our next 2015-16 study. So improvements in services, and
21 decreases in costs are really the main message for today's
22 presentation.

23 And I -- Donna and I would be happy to take any
24 questions you may have.

25 CHAIRPERSON COSTIGAN: All right. Well, thank

1 you very much. Excellent presentation.

2 Mr. Slaton.

3 COMMITTEE MEMBER SLATON: Thank you, Mr. Chair.

4 This is a great report. And you're making
5 wonderful progress. I love, as you know, metrics, and
6 particularly comparison to peer. And actually, I think
7 the best chart in the presentation is page 13 of 17. And
8 I want to come back to that for a moment, because that's
9 the one where you've really gone through and tried to
10 figure out where are the cost drivers, what's driving the
11 expense of the institution?

12 And, in particular, the more -- the economies of
13 scale advantage, as we grow with members, in theory, that
14 should work to our advantage. I guess we're at the -- the
15 end result of this, what I'm looking for, and so I'll pose
16 this question. And it's -- it may be a rhetorical
17 question at moment. But we're at 74 percent of peer. We
18 don't control the -- much of the effort on the complexity
19 side. You know, a lot that is legislative base, and
20 historical base for that. So, you know, we live with the
21 environment we have. Although, around the edges we may be
22 able to make some improvements and changes and
23 recommendations.

24 We want to keep the service level high, so we
25 obviously don't want to decrease that. So the question is

1 can we continue to reduce costs per member at the same
2 time we maintain the service level?

3 And so I see the chart that we've made progress
4 against peer. And so, to me, the question is five years
5 from now instead of 74 percent of peer, where do we want
6 to be?

7 DEPUTY EXECUTIVE OFFICER LUM: That's a great
8 question, Mr. Slaton, and one that I believe we
9 anticipated. Having worked with this Committee, having
10 worked with the Pension and -- the Pension and Health
11 Committee with regards to metrics and customer service, we
12 are continually looking at different ways that we can
13 continue to improve our services.

14 What we are engaged in now, and what we will see
15 coming back to probably the Pension and Health Benefits
16 Committee, is we've taken the gap. There's a chart within
17 our report that identifies the differences between our 77
18 score and what we would have to do to attain 100. And
19 we're going through, and we're looking at them line by
20 line, and we're identifying which of those areas can we
21 influence?

22 For example, one of the areas that we are
23 not -- we currently are not able to attain points, and
24 it's a large sum of points that could move the needle of
25 77, has to do within our contact center. There are 30

1 points - and it's weighted, so I haven't figured out what
2 the 30 points equates to in terms of the service score -
3 that are attributed to whether or not a member reaches a
4 live agent at the point of call when they call in to the
5 contact center.

6 As you know, we've implemented sophisticated
7 technology within our interactive voice response system
8 and the call center that enables us to do skill-based
9 routing. And basically what that means is we take the
10 member through a layer in our menu that identifies what
11 specific area of agents are available with the subject
12 matter expertise to answer the question.

13 And because we have those multiple layers, our
14 ability to achieve those points becomes near impossible.
15 Our current IVR, as I mentioned earlier -- I think I
16 failed to mention earlier, one of the areas that we
17 improved service score in also had to do with the fact
18 that we are now closing 90 percent of all calls coming
19 into the contact center at first point of contact.

20 So what we would then bring to this Committee is
21 an analysis of that. And we would walk through what would
22 it take? If we wanted to eliminate our IVR, what would be
23 the cost and the resources, and is that the right area
24 that we want to spend our time and energy and resources
25 on, as opposed to other areas that may be equally complex,

1 but would be of greater interest.

2 I think a major factor here also is that we do
3 know that there are some parts of the CEM methodology that
4 are not necessarily reflective of what we believe are our
5 member's best interests in terms of service. And so we
6 have to look at that as well, not to say that we have a
7 very unique membership, but we do have a very high demand
8 in terms of expectation. And that's the kind of analysis
9 that we would bring back.

10 Given that information, then I think together, as
11 we have with our strategic measures and others, we can say
12 that in five to seven years our optimal score, based on
13 where we want to place our emphasis and our resources,
14 could be an 82, it could be a 91.

15 So that is the work that is underway. It's part
16 of our current initiative, and it's also part of, again,
17 the strategic initiative that addresses complexity, but
18 part of complexity is service.

19 Sorry for the long-winded response.

20 COMMITTEE MEMBER SLATON: Okay. So let me just
21 drill down a bit. The two numbers that you tossed out,
22 the in five years, 88, those are service level numbers,
23 correct?

24 DEPUTY EXECUTIVE OFFICER LUM: Correct.

25 COMMITTEE MEMBER SLATON: Okay. I'm coming back

1 to -- what I want to talk about is the cost side, because
2 we obviously want -- there's two targets, right? It's
3 service level and cost.

4 DEPUTY EXECUTIVE OFFICER LUM: Right.

5 COMMITTEE MEMBER SLATON: And we don't want to
6 sacrifice one for the other, but both are important. And
7 as we've said in our beliefs, costs matter, right?

8 DEPUTY EXECUTIVE OFFICER LUM: Right.

9 COMMITTEE MEMBER SLATON: So my question is, I
10 understand the service level part. On the cost side, can
11 we have a target in five years against peer that we're
12 trying to get to on the cost side?

13 CHIEF FINANCIAL OFFICER EASON: So I think we
14 can. And I think really what this does is this opens up
15 the opportunity for the dialogue, as Donna has mentioned.
16 And I think you're -- what Donna very nicely pointed out
17 was that it is -- it is looking at both at the same time.
18 It is looking at ways to not only bring forward that
19 quality of service, reducing that complexity, and then
20 what does that do to the cost side.

21 And I think that's really the discipline that we
22 need to bring as part of this discussion and helps inform
23 our strategic planning and our business planning. So, you
24 know, I think that -- and as well as drives -- helps us to
25 understand and drives the costs of our budgeting as well.

1 So I think it's a great informative way for us to look at
2 other things that we do around strategic planning,
3 business planning, and budgeting, while looking at what
4 are opportunities to reduce complexity, while still
5 maintaining service at a lower cost.

6 COMMITTEE MEMBER SLATON: Yeah. I just would
7 comment to the Chair. You know, I think that when it
8 comes to improving service level, which I think we always
9 want to do, that the Pension and Health Committee is a
10 great place that we should be focused on that metric of
11 how we deliver great service, and have a metric associated
12 with it.

13 And in this Committee, it seems to me that the
14 metric of cost is one that this Committee can focus on.
15 And so I encourage both committees to establish a target.
16 You know, having a goal, it's -- even if you don't make
17 it, it's a target to shoot for. And sometimes you make
18 it, and sometimes you don't. But if you don't know -- if
19 you haven't set out where you're trying to get to, then,
20 you know, you're not sure which path to take. So I
21 encourage us to have -- jointly with staff to establish
22 both those metrics of -- in terms of a future goal five
23 years out. Thank you.

24 CHAIRPERSON COSTIGAN: Thank you.

25 Mr. Cobb.

1 ACTING COMMITTEE MEMBER COBB: Yeah. I just
2 wanted to offer kudos and recognize the amount of work
3 that the staff has to perform to pull the data together to
4 make this possible. It looks really easy when you look at
5 this presentation, but there's a tremendous amount of work
6 that goes on behind the scenes to make what we see today
7 possible.

8 And also, kudos to both, you know, Donna and
9 Cheryl for the way your two parts of the organization are
10 working together on this to make something out of the
11 results.

12 CHAIRPERSON COSTIGAN: Thank you, Mr. Cobb.
13 Mr. Jelincic.

14 COMMITTEE MEMBER JELINCIC: Yeah. Bill, I want
15 to somewhat disagree. I think it's important that we
16 focus on providing effective -- cost-effective services,
17 but I'm not sure that relative to our peers is the metric
18 that ought to be used. Unless, we're also going to say
19 that our service levels need to be defined relative to our
20 peers.

21 So I think we need to define the service level,
22 and then say what does it cost to do that, and how can we
23 do it more cost effectively?

24 CHAIRPERSON COSTIGAN: All right. So just a
25 couple comments. Great report. Appreciate it.

1 I still struggle with it. A little bit on -- I
2 mean, I understand Mr. Slaton's points on metrics. I
3 still struggle as to the peers. I guess a couple points
4 on that, is for -- if our members are unhappy, I'd like to
5 know -- it's a little unique in that our members can
6 actually, as Ms. Malm is working on, get the opportunity
7 to have a say in their experience by the way they get to
8 vote. I'm not sure, as we've even look at some of that, I
9 can even see the comparison to some of these other
10 organizations as to how they're structured.

11 I think when we look at the peer grouping, we are
12 a complex organization, and I'm glad CEM recognizes that.
13 I've struggled over the years with this report, because I
14 think CEM is a moving target, because they get to set the
15 target. I think you guys do a fantastic job. I do know,
16 at the end of the day, we're trying to drive down costs.
17 I know what Liana and her team are doing on the complexity
18 of IT. I'm not sure how much this report actually
19 captures all of that.

20 I think it's an interesting report. I think it's
21 good to see the trend lines are down. You know, as Donna
22 and I often talk, I will email her when I'm on hold with
23 Apple, or most recently, the DMV, who, for the record, has
24 sent me a sixth notice of a license plate I no longer
25 have. So from a customer service cost experience, it's

1 been very interesting just watching some of our other
2 peers.

3 So I think, as Mr. Slaton said, metrics are good
4 points. We continue to drill down the data. You guys did
5 a fantastic job taking it down. I just do worry about
6 some of the peers, the cost of this building in -- for
7 example, I'm not sure when you talk about the higher --
8 the cost of the buildings, in Texas for example, I assume
9 our cost takes these two buildings and our facilities
10 throughout the State of California, correct?

11 DEPUTY EXECUTIVE OFFICER LUM: (Nods head.)

12 CHIEF FINANCIAL OFFICER EASON: (Nods head.)

13 CHAIRPERSON COSTIGAN: Okay. So in Texas, for
14 example, how many buildings do they have? I mean, this is
15 where I think this report is lacking and flawed, is you
16 say our costs are higher. Well, we have call centers. We
17 have member services centers in southern California.
18 We're in northern California. I mean, again, it's an
19 interesting snapshot in time.

20 And I think both as Mr. Jelincic and Mr. Slaton
21 raised, they are very good. The trend lines, I think are
22 what -- are most important is the five years. The 10
23 second increase in the number, we can take it down, as
24 we've talked, to one minute -- or to one second, if we
25 want to staff up. So there's this correlation of costs.

1 So again, fantastic work that you guys are doing.
2 And I know that we see it, because I know other members
3 hear from their elected constituencies. When Mr. Jones
4 goes out, or Mr. Jelincic, or Mr. Feckner, I know they're
5 on the front end. They'll hear from the members if
6 they're not happy. So very good experience.

7 All right. Any other public comments on this?

8 So I think we are down to the last point, which
9 is just direction. I believe the only thing we've
10 talked about -- I'm sorry.

11 Oh, you just chimed in late.

12 BOARD MEMBER CHIANG: I did.

13 CHAIRPERSON COSTIGAN: Mr. Treasurer.

14 BOARD MEMBER CHIANG: Thank you very kindly.

15 In regards to building costs, the -- I was just
16 trying to account for the differences. And I wasn't going
17 to necessarily raise the question, but since Richard gave
18 me the opportunity. So our building costs are higher, is
19 that in part because we're just in a more expensive real
20 estate market.

21 CHIEF FINANCIAL OFFICER EASON: This report
22 actually shows that our building costs are lower. So it's
23 a decrease to the cost on a per member basis.

24 BOARD MEMBER CHIANG: Okay. So when I was
25 looking at page 12 of 17, it says building back office,

1 right, it says CalPERS 24 peer average 9.

2 CHIEF FINANCIAL OFFICER EASON: Yes. Some of
3 that has to do with our LEED and sustainability
4 initiatives that we have.

5 BOARD MEMBER CHIANG: Yeah, I was just trying
6 to -- this is just representative. I was trying to
7 isolate California factors in regards to our costs
8 relative to others.

9 CHAIRPERSON COSTIGAN: And that's it -- that was
10 the same point I was trying to make is I'm not sure it
11 captures the higher costs of doing business in California.
12 I mean, the wage costs are different amongst some of our
13 peers. I mean, at some point, even though on the drill
14 down, it would be very interesting to see. For example,
15 even the benefit structure, because that goes into the
16 cost of our employees, what's the benefit structure that's
17 paid to our peers' employees? For example, what does
18 someone that work at the Texas system actually get?

19 I think on the building cost is we have -- you're
20 right, economies of scale. More members, theoretically
21 lower costs, but our base costs on our buildings are
22 higher. I mean, if you have one person but our building
23 costs a million, and you have one person in Texas and
24 their building is 500,000, yeah their costs are going to
25 be lower.

1 That's when I'm just saying sometimes I think
2 this information it's useful. More of this -- and I like
3 data as well. It's the more we can drill down, drill down
4 to it. So when you look at the building costs, for
5 example, 24 over a average of 9, or IT 57 over 32, for
6 example, with a difference of 25, I know some of the stuff
7 that IT has talked to us about just on the phishing
8 experiments and others, we're doing so much. I mean,
9 having more members is going to mean there are more
10 opportunities to have, whether it's an IT breach at the
11 same time, requires more deployment of technology to help
12 with our members. I mean -- again, good report.

13 Mr. Treasure, anything else?

14 BOARD MEMBER CHIANG: No.

15 CHAIRPERSON COSTIGAN: All right.

16 CHIEF FINANCIAL OFFICER EASON: I would just add
17 that, you know, I think one of the benefits that we do get
18 to do is, because we know what the peer group is, to have
19 those conversations and really understand, as you said, a
20 deeper dive as to what those differences are.

21 CHAIRPERSON COSTIGAN: Okay. No public comment?

22 All right. One direction, if I recall correctly,
23 which was to Ms. Malm, to come back a year from now. We
24 want to have a discussion on the quarterly reports versus
25 the yearly for what Mr. Jelincic raised.

1 Ms. Eason, did I miss anything else?

2 CHIEF FINANCIAL OFFICER EASON: No.

3 CHAIRPERSON COSTIGAN: Mr. Jelincic.

4 COMMITTEE MEMBER JELINCIC: Yeah. There were a
5 couple of quarterly reports. One was the expenditure
6 report, and she's convinced we really don't need that.
7 But it's the quarterly spring-fed pool report that
8 Investment is still doing.

9 CHAIRPERSON COSTIGAN: So Ms. Malm has the
10 directions. We calendar that for next -- for 2017.

11 Anything else?

12 All right.

13 Performance and Compensation will meet at 10:05
14 in 15 minutes. Thank you all very much. This meeting is
15 adjourned.

16 (Thereupon the California Public Employees'
17 Retirement System, Board of Administration,
18 Finance & Administration Committee meeting
19 adjourned at 9:49 a.m.)

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

2 I, JAMES F. PETERS, a Certified Shorthand
3 Reporter of the State of California, do hereby certify:

4 That I am a disinterested person herein; that the
5 foregoing California Public Employees' Retirement System,
6 Board of Administration, Finance & Administration
7 Committee meeting was reported in shorthand by me, James
8 F. Peters, a Certified Shorthand Reporter of the State of
9 California;

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

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

16 IN WITNESS WHEREOF, I have hereunto set my hand
17 this 20th day of August, 20

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