

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, AUGUST 17, 2016

9:01 A.M.

JAMES F. PETERS, CSR  
CERTIFIED SHORTHAND REPORTER  
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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

Ms. Priya Mathur

Mr. Bill Slaton

Ms. Betty Yee, represented by Ms. Lynn Paquin

STAFF:

Mr. Douglas Hoffner, Interim Chief Executive Officer

Ms. Cheryl Eason, Chief Financial Officer

Mr. Ted Eliopoulos, Chief Investment Officer

Mr. Matthew Jacobs, General Counsel

Ms. Donna Lum, Deputy Executive Officer

Mr. Doug McKeever, Deputy Executive Officer

Mr. Alan Milligan, Chief Actuary

Mr. Brad Pacheco, Deputy Executive Officer

Ms. Mary Anne Ashley, Chief, Legislative Affairs Division

Ms. Kara Buchanan, Board Secretary

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

STAFF:

Ms. Kimberly Malm, Chief, Operations Support Services  
Division

ALSO PRESENT:

Ms. Bobbi Estrada, California State Retirees

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: Good morning, everybody.  
3 We'd like to call the Board of Administration meeting to  
4 order. The first order of business will be to call the  
5 roll, please.

6 BOARD SECRETARY BUCHANAN: Good morning  
7 Rob Feckner?

8 PRESIDENT FECKNER: Good morning.

9 BOARD SECRETARY BUCHANAN: Henry Jones?

10 VICE PRESIDENT JONES: Here.

11 BOARD SECRETARY BUCHANAN: Michael Bilbrey?

12 BOARD MEMBER BILBREY: Good morning.

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

15 ACTING BOARD MEMBER BOYKEN: Here.

16 BOARD SECRETARY BUCHANAN: Richard Costigan?

17 BOARD MEMBER COSTIGAN: Here.

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

20 ACTING BOARD MEMBER COBB: Here.

21 BOARD SECRETARY BUCHANAN: Dana Hollinger?

22 BOARD MEMBER HOLLINGER: Here.

23 BOARD SECRETARY BUCHANAN: J.J. Jelincic?

24 BOARD MEMBER JELINCIC: Here.

25 BOARD SECRETARY BUCHANAN: Ron Lind?

1 PRESIDENT FECKNER: Excused.

2 BOARD SECRETARY BUCHANAN: Priya Mathur?

3 BOARD MEMBER MATHUR: Morning.

4 BOARD SECRETARY BUCHANAN: Bill Slaton?

5 BOARD MEMBER SLATON: Here.

6 BOARD SECRETARY BUCHANAN: Theresa Taylor?

7 PRESIDENT FECKNER: Excused.

8 BOARD SECRETARY BUCHANAN: Lynn Paquin for Betty

9 Yee?

10 ACTING BOARD MEMBER PAQUIN: Here.

11 PRESIDENT FECKNER: Thank you.

12 The next order of business will be the Pledge of  
13 Allegiance. I've asked Ralph Cobb to please lead us in  
14 the Pledge. If you could all please rise?

15 (Thereupon the Pledge of Allegiance was  
16 recited in unison.)

17 PRESIDENT FECKNER: Thank you.

18 So Item 3 is the Board President's report.

19 Again, good morning, everyone.

20 It's my pleasure this morning to be introducing  
21 our new Chief Executive Officer, Marcie Frost, who's  
22 joining us from the Washington State Department of  
23 Retirement Systems, where she's been serving as the  
24 Executive Director since 2013.

25 She joined the Washington Fund in 2000 and has

1 held leadership roles in Human Resources, Information  
2 Services, and Operations. She was Deputy Director for the  
3 Retirement System for four years before being appointed  
4 Executive Director. She also serves as an ex officio  
5 member of the Washington State Investment Board.

6 Throughout her career, Marcie has demonstrated  
7 strong leadership and innovation, an emphasis on customer  
8 satisfaction as well as team collaboration. That's why  
9 the Board felt she would be well suited for the CEO role  
10 here at CalPERS.

11 Marcie's official first day with us is October 3,  
12 but she spent yesterday and today observing our Board  
13 meetings and getting to know our executive team and  
14 touring our campus. This afternoon she's also going to  
15 experience her first CalPERS ice cream social.

16 Marcie, we appreciate you joining us today, and  
17 if you would please join me on stage, we'd like to make  
18 sure everyone can hear from you.

19 (Applause.)

20 PRESIDENT FECKNER: Marcie Frost, everyone, our  
21 new CEO.

22 (Applause.)

23 MS. FROST: So good morning. I wanted to first  
24 thank the Board for your trust in me to lead this  
25 wonderful organization that I have gotten an opportunity



1 over the last couple of days at least to spend time with  
2 some of you. I also want to thank the Board and Anne  
3 Stausboll, the former CEO, for assembling a great  
4 executive team, who I've gotten to spend a little more  
5 time with and have found them very capable and highly  
6 engaged in the success of this organization.

7           And I'm really looking forward to working with  
8 them. Again, I start on October 3rd. And the ice cream  
9 social should be another opportunity for me to spend some  
10 time with people here. And every observation that I've  
11 had since I've been here has been wonderful. People are  
12 very welcoming, they're very passionate about the work of  
13 this organization, and they want to be, you know, in a  
14 place where they're serving the members with great  
15 service. So thank you for the welcome, and I look forward  
16 to spending the day with everyone.

17           (Applause.)

18           PRESIDENT FECKNER: Well, thank you, Marcie. And  
19 again, welcome. I did have a Board member lean over to me  
20 yesterday and said, "She did sign the piece of paper,  
21 right, we have it on ink"?

22           (Laughter.)

23           PRESIDENT FECKNER: I said well even better yet,  
24 she's already bought a house. So I think we're in good  
25 shape. So as a reminder to our staff, as well as our

1 Board, we'll be hosting our ice cream social this  
2 afternoon from 1:00 to 2:30 over between the Lincoln Plaza  
3 East and West buildings across the street. This is an  
4 annual tradition sponsored by the Board to thank all of  
5 our employees for their hard work and dedication to  
6 serving our members and employers.

7 We also went to the West Sac Call Center last  
8 week and served ice cream over there and had a great  
9 reception with the staff and had a really nice time. It  
10 was great to see everybody. So we're looking forward to  
11 seeing you all out there again today.

12 Also, as an early reminder, that we will -- to  
13 the stakeholders and members of the public, we will not be  
14 holding board meetings in October. Instead, our focus for  
15 this October will be our educational forum to be held in  
16 Riverside, October 24th through the 26th. Registration is  
17 open and you can still get an early bird registration if  
18 you get signed up by this Friday.

19 I also want to take a moment of personal  
20 privilege. One of our long-time members who's been here  
21 many times, Gus Lease, is under the weather and we just  
22 want to tell Gus that we're thinking of him, and that we  
23 hope things work out well. But we miss seeing him here  
24 and we wanted to make sure that we acknowledged that.

25 The next thing I have, at this time, I'd like to

1 take another moment of personal privilege to recognize a  
2 very special member of the CalPERS family who's going to  
3 be retiring. After more than 15 years here at CalPERS,  
4 our Chief Actuary, Alan Milligan, will be leaving us this  
5 September to begin the next chapter of his life.

6 Alan joined in 2010 as our Deputy Chief Actuary,  
7 and has served as the Chief Actuary for the past six  
8 years. As I'm certain all of you know, Alan is extremely  
9 knowledgeable in the area of actuarial science, and in his  
10 many applications of the ongoing sustainability of our  
11 system.

12 Among these accomplishments are the changes he  
13 helped implement to our risk management policy, as well as  
14 his many contributions to the development of our asset  
15 liability management process, both of which have helped  
16 improve the financial stability of this system for our  
17 members and our employers. He is incredibly dedicated to  
18 the CalPERS mission and his technical ingenuity has proven  
19 to be important in maintaining our status as an innovative  
20 organization.

21 Alan has always encouraged us to see the big  
22 picture, and to remember that we are not just planning for  
23 tomorrow, but we're planning for decades to come.

24 Alan, please join me on stage.

25 (Applause.)

1           PRESIDENT FECKNER: Alan, we have this resolution  
2 for you signed by all of the Board members outlining your  
3 many contributions to our organization. And we certainly  
4 wish you well on your well-deserved retirement and hope  
5 you and your wife enjoy your -- traveling in your new  
6 Fifth Wheel and enjoy seeing the country, and we certainly  
7 wish you the best.

8           Here you go, sir, and congratulations. Thank you  
9 very much.

10           (Applause.)

11           CHIEF ACTUARY MILLIGAN: I think, first, I would  
12 like to thank the Board of Administration for trusting me  
13 in the role of Chief Actuary, and giving me the  
14 opportunity to serve our members and beneficiaries. I'd  
15 also like to thank and recognize my colleagues within the  
16 executive staff, within the Actuarial Office, and  
17 throughout CalPERS. In the last 16 years, I've gotten  
18 to -- I had the privilege of working with many of you, and  
19 it's been great.

20           And I'd also like to recognize the employers and  
21 other stakeholders of the System. Without you, the System  
22 would not be -- would not function. And I know that the  
23 last six years have been fairly hard times. I think  
24 there's some more hard times coming, and I really do urge  
25 you to continue to support the Board of Administration in

1 its efforts to continue to ensure the ongoing  
2 sustainability of the System.

3 Thank you.

4 (Applause.)

5 (Standing applause.)

6 PRESIDENT FECKNER: All right. Thank you very  
7 much.

8 That brings us to Item 4, Executive Reports. 4a  
9 is the Interim Chief Executive Officer's Report.

10 Mr. Hoffner.

11 INTERIM CHIEF EXECUTIVE OFFICER HOFFNER: Good  
12 morning.

13 PRESIDENT FECKNER: Good morning.

14 INTERIM CHIEF EXECUTIVE OFFICER HOFFNER: Nice  
15 tribute to Alan. I just want to start off the day and  
16 want to reiterate several things. As Rob has indicated,  
17 we want to welcome Marcie to CalPERS and the family we  
18 have here. We spent the last, you know, sort of day and a  
19 half, fully, sort of, integrating her into the  
20 organization in terms of meeting as many staff as possible  
21 in the organization, key leadership, of course, and  
22 meeting with the Board. So we look forward to that  
23 ongoing, and we look for a smooth transition as she begins  
24 on October 3rd.

25 I also want to reiterate what Rob has indicated

1 and talked about, we want to thank Alan for his continued  
2 service in this organization for the last 15 plus years.  
3 He's played a critical role in developing the strategies  
4 to help reduce risk to the System, ensure our financial  
5 sustainability for generations to come. And as a  
6 long-standing member of the leadership team at CalPERS, we  
7 will all miss him. We want to wish him well. And Rob  
8 stole my quote about the Fifth Wheel, but I'm looking  
9 forward to seeing the pictures of the adventures that that  
10 will take, both he and his wife on, in the coming months  
11 and years. And we look to have him back talking to us in  
12 the near future about those adventures.

13 Thank you, Alan. And we want to again thank you  
14 for your contributions to CalPERS, the membership, and the  
15 System.

16 As with the CEO recruitment, we've contracted  
17 with Heidrick & Struggles to do the actuarial search  
18 that's well underway. And I'll hope to have a report back  
19 to you in the September time frame for the next Board  
20 meeting.

21 As we turn to new additions to the organization,  
22 I want to take this time to welcome Bev Augustine, who  
23 some of you have met already, as our new Chief of the  
24 Customer Service and Outreach Division. Bev, could you  
25 please stand up.

1 (Applause.)

2 PRESIDENT FECKNER: Thank you.

3 INTERIM CHIEF EXECUTIVE OFFICER HOFFNER: Bev  
4 brings with her a wealth of State government experience,  
5 including 12 years at the executive level. Before joining  
6 CalPERS, she served as the Director of Administration for  
7 Sacramento State University Center for Collaborative  
8 Policy. She was responsible for human resource,  
9 contracting, procurement, finance, information technology,  
10 and facility management. So quite a list of  
11 accomplishments in areas of leadership under her belt.  
12 She's also spent the majority of her career with the State  
13 of California at the Department of Consumer Affairs, where  
14 she began as a graduate student assistant and served all  
15 the way up into executive capacities as the Deputy  
16 Director for Strategic Planning, Organizational  
17 Development, and then Director of Consumer Relations and  
18 Outreach.

19 So please help me in welcoming Bev to the  
20 organization. She's been on board for a month and five  
21 days?

22 CUSTOMER SERVICE AND OUTREACH DIVISION CHIEF  
23 AUGUSTINE: About that.

24 INTERIM CHIEF EXECUTIVE OFFICER HOFFMAN: Okay.  
25 So she was instrumental in the ice cream social activities

1 we had at the contact center last week, and we want to  
2 just reiterate having her on board. She's going to be  
3 fantastic.

4           Turning to employer visits, I just want to bring  
5 you up to speed. Two weeks ago, we had half senior team  
6 met with nine different public agencies in Southern  
7 California and the Riverside and Orange County area. Very  
8 productive visits with good conversations. I will note  
9 we've received very positive feedback from many of them,  
10 in terms our customer service and our employer response  
11 team and activities, again being very responsive to the  
12 needs of our membership on particularly time-sensitive  
13 issues. So that was fantastic.

14           And we're looking to highlight additional  
15 communication work that we've put out since the off-site  
16 in terms our efforts to sustain the generation of the fund  
17 to come, including our videos, tweets, and newspaper op-ed  
18 articles have all helped convey the importance of the work  
19 that both the Board and staff have been doing on behalf of  
20 our membership.

21           Turning to the strategic plan report, I'll  
22 highlight this. There's a document within your binders.  
23 This is our fourth year of our five-year strategic plan.  
24 This is the annual report that we'll be issuing in the  
25 next few days. We give you an advanced copy to see what



1 we've reported out for this last fiscal year.

2           What I want to highlight there is, again, we're  
3 addressing sustainability of the System, and health  
4 benefits of the organization, strengthening CalPERS as an  
5 organization itself, and then the ongoing efforts to  
6 engage state and national discussions on important policy  
7 issues. So this is a further highlight of the good work  
8 we've been doing in the last fiscal year. And I just want  
9 to bring it to your attention. This ill be pushed out  
10 through social media and other channels later this week.

11           As you know, we will also be working on the next  
12 strategic plan, and we'll be bringing back a draft goals  
13 and objectives to you in September as part of the final  
14 workshop before we bring back a final document for your  
15 approval for first reading in the November and then  
16 December time frames.

17           So we're looking forward to that. Moving on to  
18 open enrollment and health. Open enrollment begins  
19 September 12th, so that's right around the corner. And  
20 we've asked our staff who are working very hard on this  
21 the last few months to make sure all of the members  
22 receive the information they need to make the appropriate  
23 health choices for them and their families.

24           Because of service and premium changes in the  
25 plans for 2017, I want to urge all of our members to

1 carefully review the materials they do receive and go  
2 on-line to get, again to make the best choices for them  
3 and their families going forward.

4 Open enrollment runs through October 7th. And  
5 you'll find more information on our website if there's any  
6 questions about that.

7 Turning to the actual valuations in the CAFR.  
8 This is the first time -- the time of the year we begin  
9 preparing our Comprehensive Annual Financial Report that  
10 details our financial health through June 30th of 2016.  
11 We expect to bring the basic financial statements and  
12 independent auditor's report to you in November, and we'll  
13 post the annual actual valuations on our public agencies  
14 next month for them to read and report on.

15 I'm pleased to report that this year we've turned  
16 in those reports two months earlier than previous years.  
17 And that's going to give our membership the opportunity to  
18 have that information well in advance, as they prepare to  
19 make financial decisions going forward related to pension  
20 costs.

21 Employer education. As Rob mentioned, we will  
22 not have a meeting in October, but we'll have an Education  
23 Forum in Riverside in the later weeks of October. As we  
24 finalize those Details, I just want to highlight what is  
25 scheduled in October 24th to 26th, again, back at the

1 Riverside Convention Center.

2           As of Friday, we had over 519 participants  
3 registered. And that's about 150 more than we did last  
4 year. And significantly more than we did in 2014, when we  
5 were back in Riverside at that point. We'll feature  
6 information sessions and educational opportunities for  
7 those attending, as well as exhibits for all of the  
8 attendees.

9           You'll have a chance to hear from our keynote  
10 speaker, Lisa Ling, who's an award winning journalist and  
11 host of CNN. We're all looking forward to meeting with  
12 our employers and discussing the partnership and  
13 developing and delivering Benefits to the employees, and  
14 the members.

15           In addition, we've also got CalPERS continuing  
16 Benefit Education Events coming. As of next week, August  
17 26th through the 27th, we're going to be in Newport Beach.  
18 And the last one for this year will be September 16th  
19 through the 17th in the City of Industry.

20           We're hoping for great participation and turnout  
21 there. And any of the Board members who are able to  
22 attend, that would be fantastic.

23           Now, let turn to recognition and awards. In  
24 closing today, I'm pleased to share with you several of  
25 the innovations that we've been recognized in the last

1 week or two. For that, I want to identify for CalPERS it  
2 was awarded the 2016 Best of California Award for the  
3 Center -- by the Center of Digital Government in the Best  
4 Analytics and Business Intelligence Project Category. We  
5 were recognized for our customer service dashboards, many  
6 of which you've seen and Donna has presented.

7 This is collaboration between the IT Branch and  
8 Donna's area. In addition, we also received the  
9 Outstanding IT Service and Support Award. Jeff Kraemer  
10 with the IT Service Branch, Systems Engineering and  
11 Storage Management Unit was recognized individually by  
12 this organization as well. So we want to highlight that  
13 on behalf of CalPERS.

14 Lastly, we've also received a Certificate of  
15 Achievement from the Climate Registry for our reporting  
16 and verification of our 2014 greenhouse gases and  
17 verification of that, being a leader in California in  
18 State government. In 2014, we reduced our greenhouse gas  
19 emissions by 79 percent. And we're one of the few State  
20 agencies to use that third-party verification system.

21 These are all wonderful achievements and I just  
22 want to highlight them for you today.

23 In closing, Mr. President, and members of the  
24 Board, this concludes my remarks. And I'm happy to answer  
25 any questions you may have.

1           PRESIDENT FECKNER: Very good. Thank you.

2           Seeing none.

3           Item 4b, Chief Investment Officer's report, Mr.  
4 Eliopoulos.

5           CHIEF INVESTMENT OFFICER ELIOPOULOS: Good  
6 morning, Mr. President and members of the Board.

7           PRESIDENT FECKNER: Good morning.

8           CHIEF INVESTMENT OFFICER ELIOPOULOS: If I may,  
9 if I could add, from the Investment Office's perspective,  
10 on the retirement of our Chief Actuary, Alan Milligan, our  
11 deep respect and admiration and appreciation for his  
12 strong work in building really a bedrock ALM process. So  
13 as the representative of the A and the L that Alan  
14 represents, and the M that Cheryl Eason represents, it's  
15 been a very strong partnership, and a really innovative  
16 bedrock governing process for this organization with the  
17 Board's support.

18           In addition, I'd be remiss not to add in forging  
19 that partnership Alan and my predecessor, Joe Dear, really  
20 reached across the office space to begin that partnership  
21 and create that sense of team work in this process. And I  
22 know Joe, as he expressed to me personally many times,  
23 would want me to extend his appreciation as well.

24           With that, I have a brief update on the  
25 performance of the PERF as of June 30th, 2016, the end of

1 our fiscal year. The total fund performance for the  
2 fiscal year was 0.06 percent. As you know, we like to  
3 look at much longer time periods to measure our  
4 performance, as they're more meaningful. The three-year  
5 return of the fund is 6.9 percent, the five-year return as  
6 6.8 percent, the 10-year return as 5.1 percent, and the  
7 20-year return of the total fund is 7.0 percent.

8 All asset classes are within their ranges, and  
9 the total fund assets are valued as of June 30th, 2016 at  
10 \$295.1 billion.

11 Mr. President, that is my report.

12 PRESIDENT FECKNER: Thank you very much.

13 Item 5 is the action consent items. Seeing -- I  
14 will say that there is an addition -- an addendum to the  
15 Board travel, and that is adding Mr. Costigan to CII and  
16 Mr. Bilbrey to Singapore. So seeing no requests to move  
17 anything off, what's the pleasure of the Board?

18 BOARD MEMBER COSTIGAN: Move it.

19 BOARD MEMBER MATHUR: Second.

20 PRESIDENT FECKNER: Been moved by Costigan,  
21 seconded by Mathur.

22 Seeing no discussion.

23 All in favor say aye?

24 (Ayes.)

25 PRESIDENT FECKNER: Opposed, no?

1 Motion carries.

2 Item 6 is the Board information consent items.  
3 Having no requests to move anything off, we will move to  
4 Item 7, Committee Reports.

5 For that, I call on the Chair of the Investment  
6 Committee on 7a, Mr. Jones.

7 VICE PRESIDENT JONES: Yeah, thank you --

8 PRESIDENT FECKNER: Hold on.

9 There you go.

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

11 The Committee approved the following from our  
12 meeting of August 15, 2016:

13 Agenda Item 5a, to adopt the global governance  
14 five year strategy with an amendment -- amended timeline  
15 for KPI number 6 reducing the time for 100 percent  
16 adoption of the ILPA reporting template from 20 years to  
17 10. The Committee also acknowledged the resource request  
18 contained in the materials with a request for the Finance  
19 and Administration Committee to consider the request for a  
20 mid-year budget revision. The Chair also directed staff  
21 to return to the Committee with an item to discuss  
22 establishing an ESG subcommittee and hiring an ESG  
23 consultant.

24 Agenda Item 6a, to accept revisions to the Real  
25 Assets Program Policy to bring it into alignment with the

1 new Real Assets Strategic Plan.

2 The Committee also received reports on the  
3 following topics:

4 The performance and risk profiles of the Public  
5 Employees' Retirement Fund and Affiliate Funds as of June  
6 30th, 2016; and an update on investment compliance and  
7 operational risks, current initiatives, and activities.

8 The Committee heard public comments on the  
9 current market environment, the global governance  
10 five-year plan, and feedback regarding the public comment  
11 process.

12 At this time, I would like to share some  
13 highlights on what to expect at the September Investment  
14 Committee meeting. The Public Markets Annual Program  
15 review, and the Public Fund Universe Comparison Reports  
16 from CalPERS investment consultants.

17 The next meeting of the Investment Committee is  
18 scheduled for September the 19th, 2016 in Sacramento,  
19 California. That concludes my report, Mr. President.

20 PRESIDENT FECKNER: Thank you.

21 Item 7b, Pension and Health Benefits.

22 BOARD MEMBER MATHUR: Mr. President, if I might  
23 on --

24 PRESIDENT FECKNER: Ms. Mathur.

25 BOARD MEMBER MATHUR: Thank you. I just wanted



1 to note on Agenda Item 5a, the motion also included added  
2 to the timeline the manager expectation strategic KPIs are  
3 going to come back in December of 2016, and also noted  
4 that additional corporate engagement KPIs would come  
5 before the Board as they -- as the strategy is developed  
6 moving forward. That was included in the original motion.

7 Thank you.

8 VICE PRESIDENT JONES: Okay.

9 PRESIDENT FECKNER: Thank you.

10 Item 7b, Pension and Health Committee. There was  
11 no meeting, no report.

12 That brings us to Item 7C, Finance and  
13 Administration. I call on the Chair, Mr. Costigan.

14 BOARD MEMBER COSTIGAN: Thank you, Mr. Feckner.

15 First, I do want to thank Alan for -- I've really  
16 enjoyed working with you over the years. I really didn't  
17 know an actuarial till I began on Finance and  
18 Administration. And you have taught me a lot, so thank  
19 you very much for your service.

20 The Finance and Administration Committee met on  
21 August 16th. The Committee recommends and I move the  
22 Board approve the following:

23 Agenda Item 3b, the review of the Actuarial  
24 Assumptions Policy, second reading. That we approve the  
25 adoption of staff's consolidation of the Actuarial

1 Assumption Policy.

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, no?

8 Motion carries

9 BOARD MEMBER COSTIGAN: Agenda Item 5a, the  
10 proposed board election regulations and public hearing.  
11 Approve the revised proposed regulations with minor  
12 updates for the 15-day comment period, and submit the  
13 financial rule-making package to the Office of  
14 Administrative Law upon conclusion of the comment period.

15 PRESIDENT FECKNER: On motion by Committee.

16 Any discussion on the motion?

17 Seeing none.

18 All in favor say aye?

19 (Ayes.)

20 PRESIDENT FECKNER: Opposed, say no?

21 Motion carries.

22 BOARD MEMBER COSTIGAN: Agenda Item 5b, the Board  
23 of Administration Contract Activity Report Policy. That  
24 we approve the revised Board of Administration Contract  
25 Activity Reporting Policy.

1           PRESIDENT FECKNER: On motion by Committee.

2           Any discussion on the motion?

3           Seeing none.

4           All in favor say aye?

5           (Ayes.)

6           PRESIDENT FECKNER: Opposed, say no?

7           Motion carries.

8           BOARD MEMBER COSTIGAN: The Committee received a  
9 report on the following topics:

10           The annual customer service Cost Effective  
11 Measure, also known as the CEM update. And I directed the  
12 staff to calendar the review of the contract activity  
13 reporting policy for next year.

14           At this time, I would like to share some of the  
15 highlights of what to expect from the -- or at the  
16 September Finance and Administration Committee meeting.  
17 We're going to be reviewing the actuarial valuation for  
18 the terminated agency pool; the public agency contract  
19 review; our annual diversity report; the annual review of  
20 funding levels and risk report, and finally the closeout  
21 report of the CalPERS 2015-17 business plan.

22           Our next meeting will be held in Sacramento on  
23 September 20th, 2016. Thank you, Mr. Chair.

24           PRESIDENT FECKNER: Thank you.

25           Brings us to Item 7d, Performance, Compensation

1 and Talent Management Committee. For that, I call on the  
2 Chair, Mr. Bilbrey.

3 BOARD MEMBER BILBREY: Thank you, Mr. Chair.

4 The Performance, Compensation and Talent  
5 Management Committee met on August 16th, 2016.

6 The Committee recommends and I move the Board  
7 approve the following:

8 Agenda Item 5, fiscal year 2016-17 Compensation  
9 Review Project recommendations, second reading, of  
10 performance metrics. Approve the proposed performance  
11 metrics and policy amendments.

12 PRESIDENT FECKNER: On motion by Committee.

13 Any discussion on the motion?

14 Ms. Paquin.

15 ACTING BOARD MEMBER PAQUIN: Thank you, Mr.  
16 President. The Controller's office will be abstaining on  
17 this item.

18 PRESIDENT FECKNER: Very well. Any other  
19 discussion on the motion?

20 Seeing none.

21 All in favor say aye?

22 (Ayes.)

23 PRESIDENT FECKNER: Opposed, no?

24 (Noes.)

25 PRESIDENT FECKNER: Abstentions?

1           ACTING BOARD MEMBER PAQUIN: Abstain.

2           PRESIDENT FECKNER: All right. The motion  
3 carries. Thank you.

4           Please record Mr. Jelincic and Mr. Cobb as voting  
5 no. Thank you.

6           BOARD MEMBER BILBREY: The Board approve the  
7 following Agenda Item 6, the 2016-17 performance plan for  
8 the Chief Investment Officer.

9           PRESIDENT FECKNER: On motion by Committee.  
10 Any discussion on the motion?

11           Seek none.

12           All in favor say aye?

13           (Ayes.)

14           PRESIDENT FECKNER: All opposed, no?

15           (No.)

16           PRESIDENT FECKNER: That was a pretty weak vote.

17           (Laughter.)

18           PRESIDENT FECKNER: There was only one no, so I'm  
19 saying the motion passed.

20           (Laughter.)

21           PRESIDENT FECKNER: Any abstentions?

22           Seeing none.

23           Mr. Bilbrey.

24           BOARD MEMBER BILBREY: At this time, I'd like to  
25 share some highlights of what to expect at the November

1 Performance, Compensation and Talent Management Committee  
2 meeting. The Committee will receive further  
3 recommendations for refinements to the Executive  
4 Compensation Policy and Program for implementation in  
5 2017-18. Staff will present the Annual Workforce  
6 Strategic Plan Report, and the Committee's Enterprise Risk  
7 Report.

8 And a closed session meeting will be held to  
9 conduct the annual performance reviews of the CIO and  
10 former CEO, including a summary of appraisal outcomes for  
11 all other positions covered by the Board's Executive  
12 Compensation Policy.

13 The next meeting of the Performance, Compensation  
14 and Talent Management Committee is scheduled for November  
15 15th, 2016 in Sacramento.

16 PRESIDENT FECKNER: Thank you. And please note  
17 for the record that Mr. Jelincic voted no on Item 6.

18 That brings us to Agenda Item 7e, Risk and Audit  
19 Committee. There was no meeting, no report.

20 7f, Board Governance. For that, I call on the  
21 Chair, Mr. Slaton.

22 BOARD MEMBER SLATON: Thank you, Mr. President.  
23 The Board Governance Committee met on August  
24 16th.

25 The Committee recommends and I move the Board

1 approve the following:

2           Agenda Item 5, proposed revisions to Board  
3 Governance Policy. Approve the revised Board Governance  
4 Policy as presented in the agenda item.

5           PRESIDENT FECKNER: On motion by Committee.

6           Any discussion on the motion?

7           Seeing none.

8           All in favor say aye?

9           (Ayes.)

10          PRESIDENT FECKNER: Oppose, no?

11          Motion carries.

12          BOARD MEMBER SLATON: The Chair led discussions  
13 on Board member travel expense transparency, Board member  
14 compensation and reimbursement, and committee meeting  
15 management. And the Committee did pass, what I would  
16 call, a motion of intent, so it's not coming here to the  
17 full Board, on the issue of committee meeting management.  
18 And we covered recommendations, including increased Board  
19 member/staff coordination and planning agendas; reduce the  
20 volume of materials provided to Board members; enforce,  
21 where practical, pre-set time estimates on agenda items;  
22 and provide coaching for Chairs and Vice Chairs, when  
23 appropriate.

24           And the Committee heard public comment from Neal  
25 Johnson with SEIU.

1           The next meeting of the Board Governance  
2 Committee is scheduled for September 20th, 2016 in  
3 Sacramento, California.

4           That completes my report.

5           PRESIDENT FECKNER: Thank you.

6           Brings us to agenda Item 8, Proposed Decisions of  
7 Administrative Law Judges. First, I want to say that the  
8 Board's independent counsels for administrative hearings,  
9 Mr. Chirag Shah, from Shah & Associates is on the phone.  
10 Good morning, Chirag.

11           MR. SHAH: Good morning, Mr. President and  
12 members of the Board.

13           PRESIDENT FECKNER: Anything you need to -- would  
14 like to add before we move forward.

15           MR. SHAH: I think we're good.

16           PRESIDENT FECKNER: Very good. Thank you.

17           Mr. Jones.

18           VICE PRESIDENT JONES: Yeah. Thank you, Mr.  
19 President. I move to adopt the proposed decisions at  
20 Agenda Items 8a through 8g, and Agenda Items 8i through 8t  
21 as the Board's own decisions with minor modifications to  
22 Agenda Item 8g, 8m, and 8s as argued by staff, and minor  
23 modifications to Agenda Item 8i to clarify, one, that this  
24 is a disability retirement application not an industrial  
25 disability retirement application by deleting all



1 references to the word "industrial" in the proposed  
2 decision; and two, that member's appeal is being denied by  
3 deleting the first sentence in the final paragraph on page  
4 26 of the proposed decision caption order.

5 PRESIDENT FECKNER: Moved by Mr. Jones.

6 Is there a second?

7 BOARD MEMBER COSTIGAN: Second.

8 PRESIDENT FECKNER: Seconded by Costigan to  
9 accept the decisions on Item a through g, i through t with  
10 the minor modifications that Mr. Jones lined out.

11 Any discussion on the motion?

12 Seeing none, all in favor say aye?

13 (Ayes.)

14 PRESIDENT FECKNER: Opposed, say no?

15 Motion carries.

16 Mr. Jones.

17 VICE PRESIDENT JONES: Yeah. Thank you, Mr.  
18 President. I move to remand Agenda Item 8h for taking of  
19 additional evidence as argued by member to give member an  
20 opportunity to present medical evidence.

21 PRESIDENT FECKNER: Is there a second?

22 BOARD MEMBER COSTIGAN: I'll second.

23 PRESIDENT FECKNER: It's been moved by Jones,  
24 seconded by Costigan.

25 Seeing no discussion on the motion.

1 All in favor say aye?

2 (Ayes.)

3 PRESIDENT FECKNER: Opposed, say no?

4 Motion carries.

5 Mr. Jones.

6 VICE PRESIDENT JONES: Yeah. Thank you, Mr.  
7 President.

8 I move to deny the petitions for reconsideration  
9 at Agenda Item 9a through 9d.

10 BOARD MEMBER COSTIGAN: Second.

11 PRESIDENT FECKNER: It's been moved by Jones,  
12 seconded by Costigan.

13 Seeing no discussion on the motion.

14 All in favor say aye?

15 (Ayes.)

16 PRESIDENT FECKNER: Opposed, say no?

17 The motion carries. Thank you.

18 That brings us to Agenda Item 10, State  
19 Legislative Update. Ms. Ashley.

20 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Good  
21 morning, Mr. President, members of the Board. I will be  
22 presenting Items 10a and 10b, both of which are  
23 informational items.

24 Beginning with Agenda item 10a, which is the  
25 legislative update. Included in your Board materials is

1 the updated summary of legislation that notes the status  
2 of CalPERS sponsored bills, bills that the Board has taken  
3 a position on, and other bills that we have been tracking  
4 this year. I'm happy to say that we are nearing the  
5 finish line with the upcoming end of this legislative year  
6 and session.

7           From now until the end of session, floor session  
8 will be held, there will be no committee meetings. The  
9 legislature has until August 19th to amend bills. And  
10 they have until August 31st to pass bills on to the  
11 Governor. August 31st, session will end upon adjournment.  
12 And the governor will have until September 30th to veto or  
13 sign bills. And then the statutes will become effective  
14 January 1st, 2017.

15           AB 2375, which is our housekeeping bill is  
16 currently on the Senate floor pending third reading. It  
17 will need to go back to the Assembly for concurrence of  
18 amendments. Our other sponsored measure, AB 2404, which  
19 is the retirement option simplification bill has actually  
20 been enrolled, so it's on its way to the Governor.

21           And then, as I noted, the legislative summary  
22 notes the status of other bills that we've been following  
23 this session. They -- since that report has been  
24 produced, several bills have been amended. And like I  
25 said, the legislature has until August 19th to make

1 further amendments.

2 But Legislative Affairs will continue to monitor  
3 the legislation, and we'll keep the Board updated as we  
4 approach the end of this legislative session.

5 That concludes this item, and I'm happy to answer  
6 any questions.

7 PRESIDENT FECKNER: Seeing none.

8 Thank you.

9 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Thank  
10 you. So agenda Item 10b is also an informational item.  
11 And the purpose of this item is to inform the Board of  
12 options available in consideration of extending or ending  
13 its existing contract with joint venture federal  
14 retirement policy representative, The Lussier Group, and  
15 Williams and Jensen, which is contractually scheduled to  
16 end February 28th of 2017.

17 These Board-approved contracts began March 1st  
18 2015, and as I noted, end on February 28th of 2017. The  
19 terms of the contract allow for an extension for up to two  
20 consecutive one-year periods for a total term of four  
21 years, which would end February 28th, 2019.

22 In addition to the federal retirement policy  
23 representative contract, the Board has additional  
24 contracts with federal representatives for investment  
25 policy and health care policy.

1           The health care policy contract, which began  
2 January 1st, 2015, will end December 31st, 2017, unless it  
3 is extended. And the terms of this contract allow for the  
4 contract to be extended for up to two successive one-year  
5 periods for a total of -- total term of four years, which  
6 would end January 1st, 2019.

7           The investment policy contract began February  
8 1st, 2015 and is scheduled to end 2000 -- or January 21st,  
9 2019, unless it is extended. And the terms of the  
10 contract allow for a one-year extension, which would end  
11 January 31st, 2020 for a total term of five years.

12           So with the coming expiration of the federal  
13 retirement policy representative contract, there's three  
14 options that exist. We could extend the contract for one  
15 year. We could select a vendor from the spring-fed pool  
16 to replace the T -- Tom Lussier and Williams & Jensen  
17 contract, or we could conduct a new RFP selection process.

18           In May, 2016, the Board delegated authority to  
19 staff for oversight of these contracts, and staff believes  
20 that the contract with Tom Lussier and Williams & Jensen  
21 should be extended. Extending the contract for an  
22 additional year will provide CalPERS with continued  
23 service continuity in the federal representative policy  
24 arena. And there would be no extra costs or fiscal  
25 impact.

1           Additionally, extending the contract could allow  
2 for future consideration of aligning all three  
3 representative contracts to end close to the same time.  
4 For this reason -- for these reasons, staff feels an  
5 extension of the Tom Lussier and Williams & Jennings[sic]  
6 contract for another year is the prudent path forward.

7           This concludes this informational item, and I am  
8 happy to answer any questions.

9           PRESIDENT FECKNER: Thank you.

10          Mr. Jelincic.

11          BOARD MEMBER JELINCIC: If I understand you  
12 correctly, if we take no action, then the retirement  
13 policy federal representative will be extended for a year?

14          LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY:

15          That's correct.

16          BOARD MEMBER JELINCIC: Thank you.

17          PRESIDENT FECKNER: Mr. Costigan.

18          BOARD MEMBER COSTIGAN: So this is just an  
19 extension for one year?

20          LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY:

21          That's correct.

22          BOARD MEMBER COSTIGAN: Still with a 30-day out?

23          LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: I'm  
24 sorry?

25          BOARD MEMBER COSTIGAN: There's still -- the

1 contract still provides that the contract can be  
2 terminated with 30 days notice, even if the contract is  
3 extended for one year?

4 DEPUTY EXECUTIVE OFFICER McKEEVER: Mr. Costigan,  
5 Doug McKeever, CalPERS staff. That is correct. There is  
6 a provision in the contract relative to termination.

7 BOARD MEMBER COSTIGAN: I mean, considering that  
8 we have an election coming up in November, is there an  
9 urgency to do it now?

10 DEPUTY EXECUTIVE OFFICER McKEEVER: To do what  
11 now?

12 BOARD MEMBER COSTIGAN: To extend the contract?  
13 Why is there a need to extend it right now? When does the  
14 contract currently expire?

15 DEPUTY EXECUTIVE OFFICER McKEEVER: February of  
16 '17.

17 BOARD MEMBER COSTIGAN: Okay. So we have until  
18 February of '17 to extend the contract. Why is there --  
19 why is there a need to do it right now?

20 DEPUTY EXECUTIVE OFFICER McKEEVER: There's not  
21 an urgency to complete this process today. But certainly  
22 it doesn't behoove us to wait until January of 2017. If  
23 we do -- if the decision is not to extend, it leaves us  
24 absolutely no time whatsoever to select another vendor to  
25 assist us on the policy side back in Washington.

1 BOARD MEMBER COSTIGAN: But at the same time,  
2 until we know the outcome of November, picking the wrong  
3 vendor may not be of interest -- or of value either.  
4 That's just my view.

5 Thank you.

6 PRESIDENT FECKNER: Ms. Hollinger.

7 BOARD MEMBER HOLLINGER: Yeah, I would like to  
8 wait as well until November, because I remember I had  
9 reservations on one of these. I forget. So I would not  
10 like to extend at this point.

11 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: The  
12 RFP process though, just to note, would take a minimum of  
13 six months. So if we waited, then it would be six months  
14 out --

15 PRESIDENT FECKNER: Ms. Mathur.

16 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY:  
17 -- before we could do an RFP.

18 DEPUTY EXECUTIVE OFFICER McKEEVER: Mr.  
19 President, I think that from staff's perspective, we would  
20 end up in the same position in November with staff's  
21 recommendation to extend for one year, if were to wait  
22 till November. But certainly, we can wait, if that's the  
23 pleasure of the Board. There's nothing to preclude us  
24 from waiting until November to make this decision.

25 But I do want to remind the Board, as Mary Anne



1 indicated, the Board did delegate to staff the decision on  
2 being able to make the extensions at the staff level. But  
3 we've also recognized the sensitivity of these contracts,  
4 and that's why we're bringing this item to you for  
5 discussion purposes today.

6 PRESIDENT FECKNER: Ms. Mathur.

7 BOARD MEMBER MATHUR: Yes. Thank you.

8 I think you just -- you just said pretty much  
9 what I was going to say, that the Board did make a  
10 decision that this -- that these contracts should be  
11 managed by the staff, and extended at -- the staff is  
12 the -- you all have the most direct experience and contact  
13 with these federal representatives. If you think that  
14 they are doing an able job, and that extending this  
15 contract makes sense, then I see no reason for the Board  
16 to interfere in your decision making on this.

17 PRESIDENT FECKNER: Mr. Slaton.

18 BOARD MEMBER SLATON: Yeah. Two points. First  
19 of all, I think, hopefully, we make lobbyist decisions  
20 based on their skill set irrespective of who's holding a  
21 particular political office. And I think that's very  
22 important. You want people to represent you who can  
23 represent and go to both sides of the aisle.

24 The other thing is that you have the discretion,  
25 I presume, to do other than one year? In other words, if

1 it's a six-month process, and you've seen an indication  
2 that, gee, you'd like to take another -- the Board might  
3 take another look at it in November, you could extend to  
4 June, rather than a one-year extension. So tell me if  
5 that's possible or not possible?

6 DEPUTY EXECUTIVE OFFICER McKEEVER: Mr. Slaton,  
7 I'd have to check with our contract staff to see if the  
8 current contract allows for anything less than one year.

9 Thank you, Kim.

10 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

11 Kim Malm, CalPERS staff. Of course, we can  
12 extend this for a period of time. It does not have to  
13 extend for an entire year.

14 BOARD MEMBER SLATON: Okay. So I just think, you  
15 know, you can listen to what says said, and maybe there's  
16 a middle ground here that could satisfy Board members, and  
17 yet also not end up result with a lapse in coverage.

18 Thank you.

19 PRESIDENT FECKNER: Mr. Jones.

20 VICE PRESIDENT JONES: Yeah. Thank you, Mr.  
21 President. My position is that we've delegated this  
22 action to staff. And unless, there's some compelling  
23 reason to overturn that delegation, then I don't think we  
24 should be modifying it on the run like this.

25 PRESIDENT FECKNER: Thank you.

1 Mr. Costigan.

2 BOARD MEMBER COSTIGAN: All right. So two  
3 things. Mr. Slaton, I agree, pick the right person, but  
4 access is also important. You can have the best person,  
5 but if you can't get in to see someone, it really doesn't  
6 matter. And so I do think part of that is part of the  
7 evaluation.

8 The other is I know that we chose three firms.  
9 What I'd actually be interested in, Mr. Jones, is not so  
10 much that we're doing it on the run, has the new model  
11 been effective? Because I have no way to gauge it,  
12 because before it was a single firm. I don't see much  
13 work product from these folks. So, you know, what I -- I  
14 hear things from folks I know in Washington, so I have a  
15 different opinion at times. So I'm just curious is the  
16 three-firm model working?

17 DEPUTY EXECUTIVE OFFICER McKEEVER: So, Mr.  
18 Costigan, my recommendation would be that we extend this  
19 as staff is indicating today for one year, and that we  
20 come back early in 2017 and provide you all with a report  
21 that would address that particular question.

22 BOARD MEMBER COSTIGAN: Thank you, Mr. President.

23 PRESIDENT FECKNER: Mr. Bilbrey.

24 BOARD MEMBER BILBREY: I just wanted -- thank  
25 you, Mr. President.

1 I wanted to note I know we had some concern with  
2 one of the firms. And it is my understanding that that  
3 firm has performed much better since the process has gone  
4 through and --

5 DEPUTY EXECUTIVE OFFICER McKEEVER: Mr. Bilbrey,  
6 that is correct.

7 BOARD MEMBER BILBREY: Yeah, so I think we -- I  
8 feel safe to go ahead and go for one year.

9 PRESIDENT FECKNER: Thank you. That's the end of  
10 the requests to speak.

11 That brings us to Agenda Item 11, Summary of  
12 Board Direction. Mr. Hoffner, did you pick up any gems  
13 this morning?

14 (Laughter.)

15 INTERIM CHIEF EXECUTIVE OFFICER HOFFNER: I did  
16 not.

17 PRESIDENT FECKNER: Very good. Thank you.

18 Item 12, Public Comment. I only have one request  
19 to speak. Neal Johnson, please come down and introduce  
20 yourself for the record. The microphone will be turned on  
21 for you. Realize you have up to three minutes for your  
22 comments.

23 If anybody else, who did not submit a request to  
24 speak, wishes to address the Board, please come down after  
25 Mr. Johnson.

1 MR. JOHNSON: Neal Johnson, SEIU Local 1000.

2 I want to, on behalf of my organization, and  
3 personally thank Alan Milligan for his time and service to  
4 this organization. While I've not necessarily always  
5 agreed with some of Alan's decisions, and certainly my  
6 members sometimes have regretted some of the outcomes of  
7 those decisions, Alan has brought a very professional  
8 role -- or played a very professional role.

9 He has led the development of a very good staff,  
10 who unfortunately are woefully undercompensated, but  
11 that's another issue and another forum. But I really do  
12 want to thank Alan for his years of service. He has been  
13 open. He has -- and approachable, and I really do think  
14 he has done a very good job in an overall sense, and led  
15 this organization to a better place.

16 You know, I thought when Ron Seeling left, there  
17 was a high bar for the next actuary to meet. Alan has  
18 done that and maybe even lifted it higher. So whoever --  
19 Scott who follows him and whoever proceeds to follow that  
20 one will also have that high threshold to meet. But I  
21 really do thank Alan for his service.

22 PRESIDENT FECKNER: Thank you for your comments.

23 MS. ESTRADA: Good morning. Bobbi Estrada,  
24 California State Retirees. I will pass on your kind words  
25 to Gus Lease and Lois Lease this afternoon, as I have

1 scheduled a call into them this afternoon. So I want to  
2 thank you for your kind words, and I'll pass the message  
3 on. Thank you.

4 PRESIDENT FECKNER: Thank you for doing so.

5 Seeing no other requests, then this open session  
6 is going to be adjourned. We will be moving into closed  
7 session to discuss litigation matters. So we will either  
8 see you at the ice cream social or we will see you in  
9 September. This meeting is adjourned.

10 (Thereupon the California Public Employees'  
11 Retirement System, Board of Administration  
12 open session meeting adjourned at 9:46 a.m.)

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

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

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration 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 22nd day of August, 2016.

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