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, SEPTEMBER 21, 2016
9:01 A.M.

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

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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 Ms. Katie Hagen
Ms. Dana Hollinger
Mr. J.J. Jelincic
Mr. Ron Lind
Ms. Priya Mathur
Mr. Bill Slaton
Ms. Theresa Taylor
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. Brad Pacheco, Deputy Executive Officer
A P P E A R A N C E S  C O N T I N U E D

STAFF:
Ms. Mary Anne Ashley, Chief, Legislative Affairs Division
Ms. Kara Buchanan, Board Secretary
Ms. Kimberly Malm, Chief, Operations Support Services Division
Mr. Scott Terando, Interim Chief Actuary

ALSO PRESENT:
Mr. Tim Behrens, California State Retirees
Mr. Chirag Shah, Shah and Associates
(via teleconference)
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Adjournment

Reporter's Certificate
PROCEDINGS

PRESIDENT FECKNER: I'd like to call the Board of Administration meeting to order. The first order of business will be to call the roll, please.

BOARD SECRETARY BUCHANAN: Good morning.

PRESIDENT FECKNER: Good morning.

BOARD SECRETARY BUCHANAN: Rob Feckner?

PRESIDENT FECKNER: Good morning.

BOARD SECRETARY BUCHANAN: Henry Jones?

VICE PRESIDENT JONES: Here.

BOARD SECRETARY BUCHANAN: Michael Bilbrey?

BOARD MEMBER BILBREY: Good morning.

BOARD SECRETARY BUCHANAN: Grant Boyken for John Chiang?

ACTING BOARD MEMBER BOYKEN: Here.

BOARD SECRETARY BUCHANAN: Richard Costigan?

BOARD MEMBER COSTIGAN: Here.

BOARD SECRETARY BUCHANAN: Katie Hagen for Richard Gillihan?

ACTING BOARD MEMBER HAGEN: Here.

BOARD SECRETARY BUCHANAN: Dana Hollinger?

BOARD MEMBER HOLLINGER: Here.

BOARD SECRETARY BUCHANAN: J.J. Jelincic?

BOARD MEMBER JELINCIC: Here.

BOARD SECRETARY BUCHANAN: Ron Lind?
BOARD MEMBER LIND: Here.

BOARD SECRETARY BUCHANAN: Priya Mathur?

BOARD MEMBER MATHUR: Good morning.

BOARD SECRETARY BUCHANAN: Good morning.

Bill Slaton?

BOARD MEMBER SLATON: Here.

BOARD SECRETARY BUCHANAN: Theresa Taylor?

BOARD MEMBER TAYLOR: Here.

BOARD SECRETARY BUCHANAN: Lynn Paquin for Betty Yee?

ACTING BOARD MEMBER PAQUIN: Here.

PRESIDENT FECKNER: Great. Thank you.

The second order of business will be the Pledge of Allegiance. Will you all please rise. I've asked Theresa Taylor to lead us in the pledge, please.

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

PRESIDENT FECKNER: Thank you.

Item 3 is the Board President's report.

Well, good morning, everyone. I'd like to start this morning by taking a moment of personal privilege. Last month I mentioned that one of our long-time retirees Gus Lease who often sat front and center at our meetings fell ill. Unfortunately, we learned recently that Gus passed away. He was a very active retiree and often gave
many of us kind and thoughtful words of wisdom and advice. Most of you might not know that Gus was a music instructor and sang the national anthem at one of our employer education forums. Gus will be missed by all of us and our thoughts and condolences go out to his family.

We also learned of the passing of Barbara LaPlante who left us last month at the age of 89. Barbara will forever be linked to her outstanding participation and leadership for the California State Employees Association Retiree Division. She held numerous elective offices at the local and regional subdivisions of CSEA, which led her to being elected in 1998 as the first statewide director of the CSEA Retiree Division, a position she held for 10 years.

During her tenure, Barbara's list of accomplishments included the establishment of a comprehensive vision care program for State retirees, the extension of a rural health care equity program, and most significantly the creation of the Declaration of Rights for State retirees, a legislative action approved by the Governor and State Legislature in 2001. We also want to extend our sincere wishes to her family as well.

As a reminder to all our stakeholders and members of the public, we will not be holding Board meetings in October. Our focus in October on the other hand will be
our Employer Education Forum, which will be down in Riverside taking place October 24th through the 26th.

And finally, I want to acknowledge Doug Hoffner, who's served as our interim CEO for the past few months. This will be Doug's last meeting in this role, as our new CEO, Marcie Frost, will join us in early October. Doug, you've done an outstanding in keeping this organization focused on our priorities and planning for the future. On behalf of the Board, we appreciate everything you've done and we thank you for keeping us in a good place and moving us forward. Congratulations.

(Appause.)

PRESIDENT FECKNER: That brings us to Item 4. 4a, Interim Executive Officer's report, Mr. Hoffner.

INTERIM CHIEF EXECUTIVE OFFICER HOFFNER: Thank you, Mr. Chair and Members of the Committee -- or the Board. You stole my thunder. So before I got into the general heart of the items this morning, I want to thank all of you. It's been my pleasure to serve in this interim capacity since July. I appreciate the faith and confidence you've shown in me over these last few months. It's been my pleasure to serve in this capacity, and I appreciate the opportunity.

I want to also thank the executive team behind me who are -- have been thoughtful and team players and very
committed to ensuring the successful running of this organization. So I want to acknowledge them. I also want to acknowledge all of the employees of CalPERS for their commitment and dedication to serving those that serve California. And so I appreciate this and that will sort of be my intro to the rest of the day.

As we know, Marcie, as Mr. Feckner just indicated, will be joining us on October 3rd. She has powerfully and strong team ready to lead the organization forward, and we're looking forward to that opportunity. And now, let's kick off the opportunities for discussion today.

As of yesterday, we had a report on the funding and risk levels by Mr. Milligan, his last official act before his official retirement. As you know, we had a discussion about the challenges ahead, and we will continue to discuss the fund sustainability of the organization. I want to recognize the fact that there's a collaborative effort between the Board and the staff, and how we collaborate on this future planning process to help ensure the long-term sustainability.

We're committed to keeping our stakeholders informed along the way, and we'll always keep our focus on the system sustainability and paying the benefits that have been promised to our membership as we move forward.
Talking about strategic planning. We'll have a process for refining our goals and objectives later this afternoon for our 2017 to '22 year strategic plan. We've had several workshops since June of this year, and a lot of discussion. And later today, we'll have an opportunity to hear from you and get your input on those measures, and how we will measure ourselves going forward.

We'll bring back a first reading in November of the plan with Marcie here, and then a final adoption is scheduled for December of this year. So we're looking forward to that. And that will then parlay into the development of the budget and implementation items for next year.

Yesterday, moving on to diversity and inclusion, we released our annual commitment to diversity report for the fiscal year 15-16. There's a copy of which is included in your materials before you today. This report highlights the efforts to integrate diversity and inclusion into all aspects of our business, and focus on 3 core areas, our workforce, our workplace, and the marketplace.

It also shows that nearly 2,500 of our nearly 2,800 employees participated in various diversity and inclusion educational workshops and activities last year, which I think is astounding. It's the most I've seen in
the 4 years that I've been here.

Among the achievements for CalPERS, the Investment Office, as Laurie Weir indicated yesterday in the Finance and Administration Committee, has established its own diversity steering committee, and created a strategic framework to help guide decisions within that portion of CalPERS for engagement over the next 4 or 5 years.

I'm also happy to report that CalPERS diversity and inclusion group was named the nation's top 25 employee resource groups for both government, nonprofits, and corporations. This prestigious award by the ERG Council recognizes our outstanding contributions to the organization, the diversity processes that we've instilled, and demonstrates our results in the workplace, marketplace, and our workforce.

The Commitment for Diversity Report is available on our website, and copies have been provided to the public as well.

Turning to open enrollment, on to health. Last Mondays was open enrollment. It began for the year 2017 health care year and runs through October 7th. As we do every year, the staff has worked very hard over the past few months to make sure our members receive the appropriate information to help make appropriate health
care choices for them and their families.

Because the service and premium changes in the plans for 2017, and we're moving to a new pharmacy benefits manager, it's important that the members carefully review all the material that had been provided to them. Members are able to find more details on our website, and their open enrollment packets have lots of detailed information for them to engage on.

Turning to our Education Employer Forum. Next month between October 24th and 26th we'll be in the Riverside Convention Center for our Annual Educational Forum. As of today, we have 734 participants registered. This puts us on pace for the most of any attendees in the 17 years we've been holding these forums, which I think is a great testament to Brad and his team, and the collaborative work we've been doing to help push out and encourage those that haven't participated prior -- in these prior 17 years to really become engaged and participate at this kind of forum. So I think that's -- we're getting traction there as well.

We're also introducing a smartphone app for all the participants. I know Mr. Costigan looks excited.

(Laughter.)

INTERIM CHIEF EXECUTIVE OFFICER HOFFNER: This will help personalize the conference and provide real-time
information related to the events and activities, help to
customize their schedule for training, et cetera. And I
think it will be something that you'll be seeing us
looking to do in the future with other events as well.

In addition, our attendees will have a chance to
hear from our keynote speaker, Lisa Ling who's an
award-winning journalist and television host and a
Sacramento native.

We'll also be looking forward to meeting with our
employers and discussing our partnership in delivering the
benefits to their employees as we go forward.

Rounding out the year, we talked about the CBEEs
and continue in that same event. Last week, we had our
final CBEE event, both Friday and Saturday. We held that
event in the City of Industry. And over the course of the
year, we've had more than 10,000 members attend these
different events, which I think is outstanding. And we
continue to have more and we'll -- we'll put out the
schedule for the next year on our website in early 2017.

On to our charitable campaign activities. We
just kicked off our annual statewide worker charitable
gift giving campaign. And I want to highlight two
individuals both Carene Carolan has stepped up to become
the chair of this endeavor this year, and Shari Little
who's newly to CalPERS has asked to be, and participate,
as the vice chair. And I just want to acknowledge their work and the efforts of them and their staff and others to help make this campaign successful.

All these individuals, as we know, CalPERS has a big heart, and we tend to do really well in terms of giving back both locally and within our communities. And I'm sure this will be a great event this year.

In conclusion, Mr. President, this basically concludes my remarks, unless you have questions. And if you don't have questions, then we've got a little bit of an all-staff video we want to share with you today.

PRESIDENT FECKNER: Well, let's see the video.

INTERIM CHIEF EXECUTIVE OFFICER HOFFNER: Roll the tape, please.

(Thereupon a video was played.)

PRESIDENT FECKNER: Well done.

(Applause.)

PRESIDENT FECKNER: Anything else, Mr. Hoffner?

INTERIM CHIEF EXECUTIVE OFFICER HOFFNER: No.

PRESIDENT FECKNER: Great. Thank you. Just shows that it's all about balance, play hard so we can work harder. So thank you. Nice video.

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

CHIEF INVESTMENT OFFICER ELIOPOULOS: Great.
Okay. Cue the music.

(Laughter.)

CHIEF INVESTMENT OFFICER ELIOPOULOS: That's really hard --

PRESIDENT FECKNER: The answer is.

CHIEF INVESTMENT OFFICER ELIOPOULOS: It's hard to follow. President Feckner, members of the Board, I have a brief update on the performance of the Public Employees' Retirement Fund as of July 31st, 2016. The total fund performance for the fiscal year-to-date, which it's important to note only reflects the return for the month of July is 2.5 percent. Of course, we like to look at much longer time periods as they are more meaningful for measuring our performance. The 3-year return is 6.7 percent, the 5-year return 7.4 percent, the 10-year return is 5.3 percent, and the 20-year return of the total fund is 7.3 percent. The total fund assets are valued as of July 31st, 2016 at $303.5 billion.

Mr. President, that is my report.

PRESIDENT FECKNER: Very good. Seeing no requests to speak. Thank you.

That brings us to Item 5, the Action Consent Items.

BOARD MEMBER MATHUR: Move the item.

BOARD MEMBER COSTIGAN: Second.
PRESIDENT FECKNER: It's been moved and seconded.
Moved by Mathur seconded by Costigan.

Mr. Jelincic.

BOARD MEMBER JELINCIC: I'm going to vote for this, but I just wanted to point out my travel request that's in here was filed in June. And we have a number of delegations and policies that we are rescinding. And going forward, I think delegations are so important, we really ought to think about whether they properly belong on a consent calendar.

PRESIDENT FECKNER: Thank you.

Seeing no other discussion.

All in favor of the motion say aye?

(Ayes.)

PRESIDENT FECKNER: Opposed, no?

Motion carries.

Item 6, consent information items. Having nothing been pulled off, we move to Item 7, Committee Reports.

Investment Committee, for that I call on the Chair, Mr. Jones.

VICE PRESIDENT JONES: Thank you, Mr. President. The Committee -- Investment Committee met on September the 19th, 2016. The Committee received reports on the following four topics:
One, a report by Wilshire Associates on the comparative performance and risk of the total fund against a peer universe of public pension funds. The Chair directed staff and Wilshire to discuss continuing the comparison report with the Chair and Vice Chair.

Two, the revised enterprise risk managed framework.

Three, staff and consultant's annual review of the global equity and global fixed income programs. And four, recent developments on federal legislative items of interest to CalPERS.

The Chair directed legislative staff to clarify the process and the Board level of involvement in the federal legislative process at the Board Governance Committee at a later date.

The Chair also directed staff to:

Add language to the annual committee calendar for months with no scheduled items; and, create a projected PERF cash flow analysis chart using lower rates of returns of 6 and 6.5 percent.

The Committee heard public comments on the CalPERS investment strategy, CalPERS communication strategy, and labor negotiations.

At this time, I would like to share some highlights of what to expect at the November Investment
Committee meeting: The private markets annual program review, and the annual review of the legislative guidelines related to investments.

The next meeting of the Investment Committee is scheduled for November 14, 2016 in Sacramento, California.

That concludes my report, Mr. President.

PRESIDENT FECKNER: Thank you, Mr. Jones.

Brings us to Agenda Item 7b, Pension and Health Benefits Committee. For that, I call on the Chair, Ms. Mathur.

BOARD MEMBER MATHUR: Thank you, Mr. President.

The Pension and Health Benefits Committee met yesterday on September 20th, 2016.

The Committee recommends and I move the Board approve on Agenda Item 5 the proposed regulations to clarify the rules regarding family enrollments where some family members may enroll only in basic plans, and other members may enroll only in Medicare or supplemental plans. These are otherwise known as combination enrollments.

PRESIDENT FECKNER: On motion by Committee.

Any discussion on the motion?

Seeing none.

All in favor say aye?

(Ayes.)

PRESIDENT FECKNER: Opposed, no?
Motion carries.

BOARD MEMBER MATHUR: The Committee received reports from the health care and retirement policy representatives and reviewed the enterprise risk profiles for Health Care and Benefit Administration.

The Committee also received updates on value-based insurance design, pharmacy cost trends, and the Long-Term Care Program.

The Chair directed staff to work with the new administration immediately following the election in November to establish a working relationship, to make a title revision and add more description to the health care risk drivers, and to invite an employer to discuss the value -- their value-based insurance design experience to the December meeting and continued to move forward on value-based design -- insurance design strategies.

The Committee received public comment from Robert Thacker regarding health plan requirements for place of service.

And in November, the Committee will review legislative guidelines and proposals, as well as hear updates on customer services and support performance, and the pharmacy benefit manager transition.

The next meeting of the Pension and Health Benefits Committee is scheduled for November 15th, 2016 in
Sacramento, California.

That concludes my report, Mr. President.

PRESIDENT FECKNER: Thank you, Ms. Mathur.

Brings us to Item 7c, Finance and Administration.

For that, I call on the Chair, Mr. Costigan.

BOARD MEMBER COSTIGAN: Good morning, Mr. President. The Finance and Administration Committee met on September 20th, 2016.

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

Agenda Item 5a, Proposed Board of Administration Election Regulations, and approve the revised proposed regulations with one minor update to remove the word "eligible" to Section 554.5, and submit the final rule-making package to the Office of the Administrative Law, or OAL.

PRESIDENT FECKNER: Thank you. On motion by Committee.

Any discussion on the motion?

Mr. Jelincic.

BOARD MEMBER JELINCIC: I'm going to vote against the motion. I have a number of problems, but the real deal breaker from my viewpoint is the secret ballot. When you require a member to sign the ballot, it is hard to argue it is a secret ballot. With the ballot has a bar
code that identifies that specific member, it is not a secret ballot. And I believe that the secret ballot is important, and so I will be voting against the regulation.

PRESIDENT FECKNER: Mr. Hoffner or I'll ask Mr. Jones, first. Mr. Jones.

VICE PRESIDENT JONES: No. I was just going to ask staff to clarify the comments that Mr. Jelincic made on that -- in that regard.

BOARD MEMBER COSTIGAN: I think we'll have Ms. Malm.

OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

Mr. President, members of the Board of Administration, Kim Malm, CalPERS staff.

As I mentioned yesterday, the capturing of the data on the bar code is for demographic information only. It's for age, gender, and employer, so that you receive your reports at the end of the election. It captures that the member votes. It does not capture how the member votes. And I think that's an important distinction. We have to know that they voted, so that they cannot vote more than one time. But the system is not capturing how they voted, and CalPERS has no access to any of this information. It is by the third-party vendor only.

That third-party vendor, as I mentioned yesterday, is certified by the Secretary of State. In
addition, they do biannual audits of all of their processes and procedures. It is the cornerstone of their business to keep that information -- any information that they receive confidential.

I believe that those items reduce the risk that Mr. Jelincic has raised

PRESIDENT FECKNER: Thank you. And I, too, have used that system before, where you use the bar code to scan you in before you vote. It always works fine without any confidentiality issues. So thank you.

OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM: Thank you.

PRESIDENT FECKNER: All right. Seeing no other requests. Motion being before you.

All in favor say aye?

(Ayes.)

PRESIDENT FECKNER: Opposed, no?

(No.)

PRESIDENT FECKNER: Motion carries.

Mr. Costigan.

BOARD MEMBER COSTIGAN: The Committee received reports on the following topics:

The annual diversity report, the risk profile review, public agency contracts review, annual actuarial valuation of the terminated agency pool, an update of
public agency valuations, the annual review of funding levels and risk report, and notification of the Risk Mitigation Policy.

The Chair directed staff to do the following:

Bring back to the Committee discussion on how to report the annual small business and disabled veterans business enterprise contract participation report; bring back in November an agenda item on the process for public agency contract delinquencies, including use of legal remedies and suggested regulatory changes, for November to bring back the current cost of the COLA rider as a portion of the total contribution and what portion of the unfunded liability goes to covering the current cost of the COLA benefit, and to survey agencies on prefunding their pension liabilities and what other options are they considering.

The Committee heard public comment from the following: Mr. George Linn from the Retired Public Employees Association, and John Cussins of the City of Loyalton.

At this time, I would like to share some highlights of what also to expect at the November Finance and Administration Committee meeting is a draft 2015-16 basic financial statement, the first reading of the 2016-17 mid-year budget revisions, the long-term care
valuation report, Finance and Administration strategic measures, the semiannual self-funded health plans report, the annual cost efficiency report, the review of the actuarial contribution allocation policy, and the first reading of the 2017-22 strategic plan.

The next meeting of the Finance and Administration Committee is schedule for November 15th, 2016 in Sacramento.

Thank you, Mr. President.

PRESIDENT FECKNER: Thank you, Mr. Costigan.

Item 7d is the Performance, Compensation and Talent Management Committee. There was no meeting, no report

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

BOARD MEMBER LIND: Thank you.

The Risk and Audit Committee met on September 20th. The Committee recommends and I move that the Board approve staff's recommendation that the firms who have passed the technical proposal evaluation to provide independent financial statement auditing services appear before the Risk and Audit Committee in November 2016 for an oral interview.

PRESIDENT FECKNER: On motion by Committee.

Any discussion on the motion?
Seeing none.

All in favor signify by saying aye?

(Ayes.)

PRESIDENT FECKNER: Opposed, no?

Motion carries.

Mr. Lind.

BOARD MEMBER LIND: The Committee received reports on the following topic: Risk profile review.

For some of the highlights as to what to expect at the November Risk and Audit Committee meeting:

They are the third-party valuation and certification of the contracting public agency plans as of June 30th, 2014; the independent auditor's report - fiscal years 2015-16; review of independent auditor's management letter; and finalist interviews for the independent financial statement auditor.

The Chair directed staff to update the November draft agenda to include the review of independent auditor's management letter.

The next meeting of the Risk and Audit Committee is scheduled for November 15th, 2016 in Sacramento.

Thank you.

PRESIDENT FECKNER: Thank you, Mr. Lind.

Brings us to Agenda Item 7f, Board Governance Committee. For that, I call on the Chair, Mr. Slaton.
BOARD MEMBER SLATON: Thank you, President Feckner.

The Board Governance Committee met on September 20th, 2016. The Committee recommends and I move:

Agenda Item 5, approve staff's recommendation to begin the rule-making process for the draft regulation on public comment as presented by staff with one change to remove the 9 minute cumulative time limit from the regulation.

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

Mr. Jelincic.

BOARD MEMBER JELINCIC: I'd like to request an electronic vote.

PRESIDENT FECKNER: Okay.

Electronic vote has been requested. Any other comments from the Board?

Seeing none, I have one request to speak from the audience. Mr. Tim Behrens. Please come forward to the microphone on your right, and speak your name for the record, please.

MR. BEHRENS: Thank you, Chairman Feckner and Board. My name is Tim Behrens. I'm the President of the California State Retirees.

Speaking in opposition to this recommendation by
the Board Governance Committee. Although 3 minutes may seem like enough time to speak on most issues that come before you, I've been cutoff before in the past on those issues when I was trying to give new information or more information to the Board. I wonder whether or not -- because I'm looking at the clock tick down now as I speak, I'm wondering whether or not the Board would even have the ability to ask me a question if I speak for 3 minutes. At the end of that 3 minutes, could the Board ask me a question of clarification or could the Board ask me for more information or would the Board be limited to that 3 minutes also?

I don't know the answer to that question. I also would point out that even though this comes under public comments, that I consider myself to be a stakeholder, and I represent 36,000 stakeholders in CalPERS. And stakeholders need to have the ability to speak and ask questions about important issues. We have partnered with CalPERS in the past and taken information like the new OptumRx change-over for drugs, and placed a lot of information in our paper to educate our stakeholders, and the stakeholders of CalPERS statewide.

And I would hate to see that relationship between us and the Board be limited to 3 minutes. I think it's important for you to give consideration and maybe answer
some of those questions on behalf of my stakeholders.

    Thank you.

    PRESIDENT FECKNER: Thank you.

Seeing no other requests to speak, please turn on the machine for --

    BOARD MEMBER SLATON: Excuse me.

    PRESIDENT FECKNER: Pardon me.

    BOARD MEMBER SLATON: Just a clarification, and maybe counsel can weigh on this, just the issue that was raised, I believe that we can ask subsequent questions of the speaker, if we choose too either in committee or Board, is that --

    GENERAL COUNSEL JACOBS: You can certainly ask for clarification. As far as expansion of one's comments, that runs into the problem that we discussed yesterday.

    BOARD MEMBER SLATON: Right.

    GENERAL COUNSEL JACOBS: But certainly you could ask for clarification.

    BOARD MEMBER SLATON: But certainly if the Chair or either the Board or the Committee feels that the issue is complex and there's commentary that we need to hear at the start of that particular agenda item, the Chair has the ability to adjust the time. I mean, this is essentially putting into regulation what our practice already is, except we're trying to make sure we have
flexibility for the Chair or the President of the Board to allocate additional time for speakers, if we're facing an issue where we believe we need to hear more.

GENERAL COUNSEL JACOBS: Absolutely.

BOARD MEMBER SLATON: Okay. All right. I just wanted to add that clarification, Mr. President.

PRESIDENT FECKNER: Thank you.

Mr. Costigan.

BOARD MEMBER COSTIGAN: Again, Mr. Jacobs, don't go far. I just want to point a couple things and just ask some questions. One is, it is permissible to create reasonable amounts of times for people to testify. As I that commented yesterday in the Governance Committee, at the State Personnel Board, we do limit the appellants and respondents, because, first of all, as I think Ms. Hagen pointed out, any information can be provided to us. Lengthy testimony can be submitted into the record. Three minutes is an opportunity to talk about other items. It is not your only means of communicating with the Board on any important item. And I think the point that was raised, the Board -- a Board member, if the 3 minutes is up and have questions, that's not acquiescing to every other speaker having the opportunity to have the additional time, but the Board is permitted to ask clarifying questions.
GENERAL COUNSEL JACOBS: That's correct, you're right.

BOARD MEMBER COSTIGAN: If it's a front, you're not going to set up and say speaker number 3 has 5 minutes, while speaker number 1 was one.

But again, the encouragement, back to the record is, all the information can be submitted. Lengthy testimony can be provided. I mean, actually anybody that's been in front of SPB, that's one of our standing. You get 10 minutes. You don't need it. Assume we've read everything. And so this is just a reasonable accommodation that I know the legislature and other boards actually set time limits on folk's opportunity to testify.

Thank you. Thank you, Mr. President.

PRESIDENT FECKNER: Thank you.

Ms. Taylor.

BOARD MEMBER TAYLOR: Yeah. Matt, I just had a quick question. You -- and maybe this goes to the rest of the Board. So once the speaker starts -- if we didn't already propose a extension on time, once the speaker starts, can we extend that time once they've started or is that part of the legislation or did we not define that in the legislation?

GENERAL COUNSEL JACOBS: No, it's really difficult to make that kind of change while in the middle
of the public comment process, because you get into questions about viewpoint neutrality and who you're extending the time limit for, and who you're not extending the time limit for. And so you have to do it on a viewpoint neutral basis. So it really is important to make that decision up front. You can't extend it once you have made that, except insofar as you're asking clarifying questions.

BOARD MEMBER TAYLOR: And is that because we're codifying this in legislation or is that where --

GENERAL COUNSEL JACOBS: No, that's --

BOARD MEMBER TAYLOR: -- we try to stick to that process when -- right now, is that correct?

GENERAL COUNSEL JACOBS: That's Constitutional law.

BOARD MEMBER TAYLOR: That is the Constitutional law.

GENERAL COUNSEL JACOBS: Yes.

BOARD MEMBER TAYLOR: So codifying this in legislation isn't going to cause any undue burden on our stakeholders then?

GENERAL COUNSEL JACOBS: It shouldn't. It shouldn't.

BOARD MEMBER TAYLOR: Okay.

GENERAL COUNSEL JACOBS: It's the same practice
that we've had. In fact, the additional -- I mean, by
making clear that what already existed, that is that there
is flexibility in this rule, it ought to give -- through
that flexibility enable stakeholders to perhaps have more
time than they otherwise had.

BOARD MEMBER TAYLOR: Is there a way or a process
within which the stakeholder can request extra time in the
beginning, with this legislation, from the Chair. And the
Chair can determine whether or not, I assume, to make the
extra time. But can they do that, like at the beginning
of their comments?

PRESIDENT FECKNER: Just a second, Mr. Jacobs.
He already answered that, but by doing that, the Chair
would have to make that time restraint for everyone that's
going to speak that day. So at the beginning of the
meeting, if we say 3 minutes, and somebody says, gee, I'd
like more, and say we go to 5, you have to go to 5 for
everyone in the audience --

BOARD MEMBER TAYLOR: Okay.

PRESIDENT FECKNER: -- before the meeting starts.

BOARD MEMBER SLATON: For that agenda item.

PRESIDENT FECKNER: Correct.

BOARD MEMBER TAYLOR: For that agenda item.

So -- and my curiosity is I have seen us, upon
occasion, and it's not -- it is kind of rare, go ahead and
let somebody finish their comments, so that --

PRESIDENT FECKNER: Correct.

BOARD MEMBER TAYLOR: I'm a little concerned at codifying this in legislation.

BOARD MEMBER MATHUR: Regulation.

BOARD MEMBER TAYLOR: Yeah, putting this in a regulatory form. We have an accepted practice. That's just my concern.

Thank you.

PRESIDENT FECKNER: Ms. Mathur.

BOARD MEMBER MATHUR: Yeah, I might suggest that we develop a process by which -- you know, there's already a form that individuals have to fill out if they want to speak, as part of public comment. We could include, you know, a request to extend the time. And if an individual requests, then we could extend the time for everyone who's speaking on that item, if the Chair deems it appropriate.

And, you know, after seeing all the public commenters who've asked to speak could then make an assessment and make that determination. That might help facilitate in those cases where additional public comment is warranted.

That would be procedural, probably not really embedded in the regulation.

GENERAL COUNSEL JACOBS: Exactly. And I think it's a good idea. And it's something that perhaps the
form says how much time do you think you need, or something of that ilk, and then it can be reviewed by the Chair. Is that your thought?

BOARD MEMBER MATHUR: That's my suggestion, yeah, that if -- yeah, if -- that there be some opportunity for an individual to request additional time in a more formal way.

Okay. Thank you.

PRESIDENT FECKNER: From the Chair's perspective, that seems to be a pretty slippery slope. And sometimes we don't even get the requests until the agenda items are going. So that would be pretty tough to have somebody write in -- I mean, how many people are going to say, geez, I only want one minute? No, they're all going to say they want more.

GENERAL COUNSEL JACOBS: True.

PRESIDENT FECKNER: So if we're going to have a rule, we should have a rule. Just my opinion.

Mr. Slaton, your light is still on?

You don't have anything else.

BOARD MEMBER SLATON: No.

PRESIDENT FECKNER: Okay. All right.

Seeing no other requests to speak.

All in favor of the motion say -- oh, wait, we're on the electronic vote. Pardon me.
(Thereupon an electronic vote was taken.)

PRESIDENT FECKNER: Very well, the motion carries. Thank you.

Mr. Slaton. Hold it. Let me find you again.

There you go.

BOARD MEMBER SLATON: Thank you, Mr. President.

The Committee recommends and I move Agenda Item 6, approve the revised policy for travel expense transparency as presented in the agenda item.

PRESIDENT FECKNER: On motion by Committee.

Any discussion on the motion?

Mr. Jelincic.

BOARD MEMBER JELINCIC: At the Committee yesterday, the motion included, "..and rescind the Form 700 and travel transparency policy". I notice that is not part of what is presented here. Can you clarify?

BOARD MEMBER SLATON: Well, it's as presented in the agenda item. I think -- I did want to add a clarification. This, in no way, is an indication of pulling back on posting Form 700s. Form 700s for appropriate staff and for Board members will continue to be posted. This is more of an administrative process of making sure our policies are in alignment. But this is not intended to eliminate the posting of 700s, and I've been assured by staff that's the case.
PRESIDENT FECKNER: And also, if you look at the language, it's actually going to be more transparent than we've had before. It's going to be an increased level of information.

BOARD MEMBER SLATON: Correct. Correct.

PRESIDENT FECKNER: Mr. Jelincic.

BOARD MEMBER JELINCIC: I'm certainly supportive of the increased information about travel. I am hesitant and will be voting against it, repealing the policy on the existing policy, until we have the new policy in place.

PRESIDENT FECKNER: Okay. On motion by Committee.

Seeing no other requests to speak.

All in favor say aye?

(Ayes.)

PRESIDENT FECKNER: Opposed, no?

(No.)

PRESIDENT FECKNER: Motion carries.

Mr. Slaton.

BOARD MEMBER SLATON: The Committee heard public comment on Agenda item 5 -- oh, one more thing. The Chair directed staff to move Agenda Item 7 to a future Board Governance Committee.

The Committee heard public comment on agenda Item 5 from Michael Flaherman, George Linn, and Larry Woodson.
The next meeting of the Board Governance Committee is tentatively scheduled for November 15th, 2016 in Sacramento, California.

And that concludes my report.

PRESIDENT FECKNER: Thank you.

That brings us to Agenda Item 8, Proposed Decisions of Administrative Law Judges.

Do we have Mr. Shah on the line?

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

PRESIDENT FECKNER: Good morning, Mr. Shah.

This is Chirag Shah, the Board's independent counsel for administrative law matters. He's here to advise the Board if they have -- if Board Members have any questions, feel free to ask.

Mr. Jones, please.

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

I move to adopt the proposed decisions at Agenda Items 8a through 8m, and Agenda Items 8o through 8w, except 8p, which has been withdrawn, as the Board's own decision with the minor modifications argued by staff to Agenda Items 8g, 8k, 8q, and 8u.

PRESIDENT FECKNER: All right. On motion by Committee.
Any discussion on the motion?

Mr. Jelincic.

BOARD MEMBER JELINCIC: I just want to point to L and the respondent's comments on the professionalism of the staff. They didn't get the decision they wanted, but they did acknowledge the professionalism of the staff. And that's a bit extraordinary in terms of what we see. So I just wanted to draw people's attention to that.

PRESIDENT FECKNER: Thank you very much.

Mr. Costigan.

BOARD MEMBER COSTIGAN: I just -- Mr. Jones, did you pull 8q?

PRESIDENT FECKNER: No, N.

VICE PRESIDENT JONES: No, just N.

BOARD MEMBER COSTIGAN: I just would ask that that item be separately pulled. I'm going to recuse. A matter related to that employee came before the State Personnel Board, and I just want to keep the record clean on it. So if I could ask -- amend your motion to just exclude q.

VICE PRESIDENT JONES: Friendly amendment accepted.

PRESIDENT FECKNER: Okay. Seeing no other requests to speak.

We have Item 8a through w, pulling out n and q.
And p was already withdrawn.

All right. Seeing no requests to speak.

All in favor of the motion say aye?

(Ayes.)

PRESIDENT FECKNER:  Opposed, no?

Motion carries.

Mr. Jones.

VICE PRESIDENT JONES:  Yeah. Thank you, Mr. President. I move to remand Agenda Item 8n for the taking of additional evidence regarding the psychological conditions and related limitations asserted by the member.

PRESIDENT FECKNER:  On motion by Committee.

Any discussion on the motion?

Seeing none.

All in favor say aye?

(Ayes.)

PRESIDENT FECKNER:  Opposed, no?

Motion carries.

Mr. Jones.

VICE PRESIDENT JONES:  Yeah. Thank you, Mr. President. I move to deny the petition for reconsideration.

PRESIDENT FECKNER:  Oh, we're on q first.

VICE PRESIDENT JONES:  Oh, but I thought we --

PRESIDENT FECKNER:  Mr. Costigan asked to take
VICE PRESIDENT JONES: Okay. So I move that we adopt the decisions at Agenda Item 8q.

PRESIDENT FECKNER: Thank you. On motion by Committee.

Any discussion on the motion?

Seeing none.

All in favor say aye?

(Ayes.)

PRESIDENT FECKNER: Opposed, no?

Abstain?

BOARD MEMBER COSTIGAN: Richard.

PRESIDENT FECKNER: Please show Mr. Costigan as abstaining from the vote.

Motion passes.

Now, Mr. Jones, number 9.

VICE PRESIDENT JONES: Thank you. Okay, 9. I move to deny the petitions for reconsideration at Agenda Item 9a.

PRESIDENT FECKNER: On motion by committee.

No, it's not by committee.

Is there a second?

BOARD MEMBER MATHUR: Second.

PRESIDENT FECKNER: Seconded by Mathur.

Any further discussion on the motion?
Seeing none.
All in favor say aye?

(Ayes.)
PRESIDENT FECKNER: Opposed say no?
Motion carries
Thank you, Mr. Shah. Anything you need to add.
MR. SHAH: No, we're good. Thank you, Mr. President.
PRESIDENT FECKNER: Thank you very much for your diligence.
That brings us to Item 10, State and Federal Legislation. Ms. Ashley, please.

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

I will be presenting Agenda Item 10, which is an informational item. Included in your Board materials is the updated summary of legislation that notes the status of CalPERS sponsored measures, other bills that the Board has taken a position on, and then other legislation that we have been tracking throughout this legislative session that could potentially impact CalPERS.

I'm pleased to report that the Governor has already signed one of the two CalPERS-sponsored measures. On August 26, the Governor signed AB 2404, which is our
retirement options simplification bill. And the provisions of that measure will become effective January 1st, 2018. Our other sponsored Bill, AB 2375, which is our annual housekeeping bill is still spending Governor's action.

The Governor will have until September 30th to either sign or veto bills. And then statutes will become effective January 1st, 2017, unless otherwise specified.

The legislative highlights section of the summary notes recent changes and actions taken on the bill since our last meeting and my last report. And I would like to just highlight a couple of those changes.

AB 1052, which is the investment contracting procedures bill. CalPERS was finally amended out of that bill. However, the bill ultimately was moved to the inactive file.

The Governor has signed the public retirement alternative investments disclosure bill, which is AB 2833, which is sponsored by the Stated Treasurer and AFSCME.

The Governor has also signed AB 241, which has to do with municipal bankruptcy and specified reporting requirements, and he has signed AB 1627 and AB 1630, both of which are budget bills.

SB 1162, which would have allowed the transfer of specified employer assets for the Mammoth Lakes Fire
District was vetoed.

And then I'd just like to note that SB 1159, the version that actually made it to the Governor's desk was amended, so it's -- now, it's a research and study bill versus a reporting requirements bill.

And then finally, I'd like to point out that we did add a new section to this legislative summary. It's Section F, which is a summary of the federal legislative bills that we have been tracking and engaging on. And yesterday, our federal representatives gave updates on all those bills. So we'll continue to include that in the legislative summary as we move forward in the next legislative session.

And that concludes my update, and I am happy to answer any questions.

PRESIDENT FECKNER: Thank you.

Mr. Jelincic.

BOARD MEMBER JELINCIC: The bill that got vetoed, Mammoth Lakes, what was that bill number?

LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: SB 1162.

BOARD MEMBER JELINCIC: 1162. Thank you.

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

Seeing nothing down here, that brings us to Item
11, Summary of Board Direction.

   Mr. Hoffner, did you get any directions today?

   INTERIM CHIEF EXECUTIVE OFFICER HOFFNER: I didn't hear any.

   PRESIDENT FECKNER: Nor did I. Thank you.

   That brings us to Item 12, Public Comment. I have no requests to speak. Would anybody from the public wish to address the Board at this time?

   Seeing none.

   We're going to go into closed session, so the Board will go into closed session in 10 minutes. I thank everybody. We will see you in November, if not at the Employers Forum.

   This meeting is adjourned.

   (Thereupon the California Public Employees' Retirement System, Board of Administration open session meeting adjourned at 9:45 a.m.)
CERTIFICATE OF REPORTER

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 27th day of September, 2016.

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