BOARD MEMBERS:
Mr. Rob Feckner, President
Mr. Henry Jones, Vice President
Mr. Michael Bilbrey
Mr. John Chiang, represented by Ms. Najia Rosales
Mr. Richard Costigan
Mr. Richard Gillihan
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. Karen Greene-Ross

STAFF:
Ms. Marcie Frost, Chief Executive Officer
Ms. Cheryl Eason, Chief Financial Officer
Mr. Ted Eliopoulos, Chief Investment Officer
Mr. Matthew Jacobs, General Counsel
Mr. Douglas Hoffner, Deputy Executive Officer
Ms. Donna Lum, Deputy Executive Officer
Mr. Doug McKeever, Deputy Executive Officer
Mr. Brad Pacheco, Deputy Executive Officer
APPARENCES CONTINUED

STAFF:
Mr. Scott Terano, Acting Chief Actuary
Ms. Mary Anne Ashley, Chief, Legislative Affairs Division
Ms. Kara Buchanan, Board Secretary

ALSO PRESENT:
Mr. Chirag Shah, Shah and Associates
(via teleconference)
# INDEX

<table>
<thead>
<tr>
<th>PAGE</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Call to Order and Roll Call</td>
</tr>
<tr>
<td>4</td>
<td>Pledge of Allegiance</td>
</tr>
<tr>
<td>2</td>
<td>Board President’s Report</td>
</tr>
<tr>
<td>6</td>
<td>Chief Executive Officer’s Report (Oral)</td>
</tr>
<tr>
<td>19</td>
<td>Chief Investment Officer’s Report (Oral)</td>
</tr>
<tr>
<td>20</td>
<td>Consent Items: Action Consent Items:</td>
</tr>
<tr>
<td></td>
<td>Approval of the September 21, 2016 Board of Administration Meeting Minutes</td>
</tr>
<tr>
<td></td>
<td>Board Travel Approvals</td>
</tr>
<tr>
<td>21</td>
<td>Consent Items: Information Consent Items:</td>
</tr>
<tr>
<td></td>
<td>Board Agenda Item Calendar 2016</td>
</tr>
<tr>
<td></td>
<td>Draft Agenda for the December 21, 2016 Board Administration Meeting</td>
</tr>
<tr>
<td></td>
<td>General Counsel’s Report</td>
</tr>
<tr>
<td></td>
<td>Communications and Stakeholder Relations</td>
</tr>
<tr>
<td>22</td>
<td>Investment Committee (Oral)</td>
</tr>
<tr>
<td>24</td>
<td>Pension &amp; Health Benefits Committee (Oral)</td>
</tr>
<tr>
<td>25</td>
<td>Finance &amp; Administration Committee (Oral)</td>
</tr>
<tr>
<td>29</td>
<td>Performance, Compensation &amp; Talent Management Committee (Oral)</td>
</tr>
<tr>
<td>32</td>
<td>Risk &amp; Audit Committee (Oral)</td>
</tr>
<tr>
<td>35</td>
<td>Board Governance Committee (Oral)</td>
</tr>
<tr>
<td>35</td>
<td>Delinquent Contracting Agencies Matter:</td>
</tr>
<tr>
<td></td>
<td>Niland Sanitary District</td>
</tr>
<tr>
<td></td>
<td>City of Loyalton</td>
</tr>
<tr>
<td></td>
<td>California Fairs Financing Authority</td>
</tr>
<tr>
<td>38</td>
<td>Proposed Decisions of Administrative Law Judges:</td>
</tr>
<tr>
<td></td>
<td>Kristina Chavez</td>
</tr>
<tr>
<td></td>
<td>Darren Gutierrez</td>
</tr>
<tr>
<td></td>
<td>James Towns</td>
</tr>
<tr>
<td></td>
<td>Desi Alvarez</td>
</tr>
<tr>
<td></td>
<td>Nellie E. Rodriguez</td>
</tr>
</tbody>
</table>
INDEX CONTINUED

f. Timothy R. Jones
g. Radu M. Mischiu
h. Joseph Poindexter
i. Joseph Chapa
j. Linda Martinez
k. Michael Swaney
l. Theodore R. Parrish
m. Sonia Garvin
n. Jerri L. Clay
o. Tyrone Sharpe
p. Mauricio Cardenas
q. James Bieg
r. Albert Peterson
s. Gwyndolyn Harshaw
t. Ryann O. Mullen
u. Ann J. Stanfield
v. Alfredo Macias
w. Jeffrey H. Cadwell
x. Marty Gaines
y. Janette E. Cain
z. Marilyn Strasburg-Langford
aa. David Duran
bb. Edward Stuckenschneider
cc. Frederick Orsborn
dd. Susan E. Schmidt

10. Petitions for Reconsideration
   a. Harry Dhesi
   b. Nicole Collins
   c. Cari McCormick

Information Agenda Items

11. State and Federal Legislation Update
12. Summary of Board Direction
13. Public Comment
Adjournment

Reporter's Certificate
P R O C E E D I N G S

PRESIDENT FECKNER: Good morning. We're going to call the Board of Administration meeting to order. The first order of business is to please call the role.

BOARD SECRETARY BUCHANAN: Good morning. 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: Najia Rosales for John Chiang?

ACTING BOARD MEMBER ROSALES: Here.

BOARD SECRETARY BUCHANAN: Richard Costigan?

BOARD MEMBER COSTIGAN: Here.

BOARD SECRETARY BUCHANAN: Richard Gillihan?

BOARD MEMBER GILLIHAN: Here.

BOARD SECRETARY BUCHANAN: Dana Hollinger?

BOARD MEMBER HOLLINGER: Here.

BOARD SECRETARY BUCHANAN: J.J. Jelincic?

PRESIDENT FECKNER: I'm sure he's here somewhere.

BOARD SECRETARY BUCHANAN: Ron Lind?

BOARD MEMBER LIND: Here.
BOARD SECRETARY BUCHANAN: Priya Mathur?
BOARD MEMBER MATHUR: Good morning.
BOARD SECRETARY BUCHANAN: Bill Slaton?
BOARD MEMBER SLATON: Here.
BOARD SECRETARY BUCHANAN: Theresa Taylor?
BOARD MEMBER TAYLOR: Here.
BOARD SECRETARY BUCHANAN: Karen Greene-Ross for Betty Yee.
ACTING BOARD MEMBER GREENE-ROSS: Here.
PRESIDENT FECKNER: Thank you.
So we're going to suspend Item 2 for right now and move onto the Board President's report. First of all, good morning, everyone, those of you that got to go home last night.
I first of all want to apologize for the very late start this morning. It's been a very long week. I want to thank the audience that was here yesterday. I know some of you were here till 9:15 last night, as staff was here past that. So I appreciate your diligence for being with us. We had to have an early start this morning to finish some business that we couldn't even get to by 9:00 o'clock last night.
So again, thank you for those that took the time to be with us, and I apologize for the lateness of both last night and the lateness of starting this morning, but
I do want to reach out and say thank you to the -- to the staff that worked so hard and stayed here yesterday. Some were here before 7:30 yesterday morning to get ready for the breakfast that we had for the stakeholders, and thus were here until almost 10:00 o'clock last night.

So extremely long day and I want to thank all the staff that was involved, and stayed, and really showed why we're a team here and why we have such a great System. So it's all about our staff and them being a good partner with us, so we thank them for that.

So last Friday, our nation celebrated a very venerable and very special day, Veterans Day. Veterans Day is more than just a national holiday. It's a time that Americans can honor all of those who have served or are currently serving in our armed forces, and those that currently serve in reserve status as well.

This morning I want to continue the celebration and honor the veterans who are part of our CalPERS family, and our extended family of members and employers and stakeholders. I'd like to welcome to the dais Ms. Denise Copher who is going to lead us in the Pledge of Allegiance.

Denise is a Retirement Program Specialist in our West Sacramento customer contact center. She was a Sergeant E-5 in the United States Army, and served as
transportation specialist for 9 years.

Denise, please lead us in the pledge.

MS. COPHER: Please place your right hand over your heart. Please repeat after me.

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

MS. COPHER: Thank you.

PRESIDENT FECKNER: Thank you very much, Denise, for honoring us with being here today and presenting for us. Appreciate that very much.

So right now we're going to take a moment of personal privilege. Some of you may remember this from the past. We have a video that we have had for some time now of a prior event that took place, and we'd like to showcase one of our long-time retirees who has recently, passed, but we think it's very apropos that we share this video at this time.

So will you please roll the video.

(Thereupon a video was played of Mr. Gus Lease singing "You're a Grand Old Flag".)

(Applause.)

PRESIDENT FECKNER: For those of you that don't know, that's Gus Lease. Gus is a -- was a retiree, passed away about a month ago. Gus was, I believe, 65 years teaching music, et cetera, down at San Jose State
University. You can tell he could still carry more breath than I can today even in that song.

So we certainly appreciate our staff keeping that video and putting it out for us today.

At this time, I'd like to acknowledge all of the Veterans who work here in the Headquarters building, and those in our regional offices throughout the State. To all veterans that are here today and members, we invite you to please stand to be recognized. Do we have members in the audience that are veterans current or past?

(Applause.)

PRESIDENT FECKNER: Excellent.

Thank you very much for your dedication and your service. We certainly couldn't be here without all of you, so thank you very much.

Mr. Jelincic wanted to make a comment I believe on the video.

BOARD MEMBER JELINCIC: Yeah. When I was at the memorial for Gus, his family asked me to convey to the staff their appreciation. The first meeting he missed, that end chair, second row, they put his coat and the family was just very touched, and asked me to acknowledge that and thank you for the gesture.

PRESIDENT FECKNER: Thank you, Ms. Ortega for doing that.
So I know our CEO is going to be making some comments shortly about our recent Educational Forum, but I'd like to take this opportunity to thank all the members of our Board who participated this year. It was a valuable opportunity for all of us to engage with our employers, and talk with them about the issues that we all face together.

I want to extend a big thank you to our leaders are team employees who put on such a great event. It takes an enormous amount of work to organize that event every year. And I know I speak for all of our Board in thanking all of the staff for your efforts on behalf of our employee partners and employer partners. So thank you very much.

So that brings us to executive -- Item number 4, Executive Reports, the Chief Executive Officer's Report for your first one, Mr. Frost, please.

CHIEF EXECUTIVE OFFICER FROST: Good morning, Mr. President --

PRESIDENT FECKNER: Good morning.

CHIEF EXECUTIVE OFFICER FROST: -- and members of the Board. Thank you, Rob, for recognizing our veterans. I, too, would like to give special thanks to their service. And if I could have just a quick moment of personal privilege as well to acknowledge some respect for
my grandfather who served in World War II and was the recipient of the Bronze Medal for Valor. And he passed a couple years ago, but I think the way to take that service to the level that it needs to be is to continue to tell his story, and to express respect and appreciation for his services as well.

Before I begin my report this morning, I'd like to take just a quick opportunity to thank the Board. I really appreciate all the time you have spent with me sharing your perspectives, your expectations. And what I've noticed already in my 6 weeks of being on board as your new CEO is how truly dedicated you are to serving this mission and serving the public employees of California.

I'd also like to take a quick moment to thank the CalPERS executive team who is here just right here behind me. They've been a valuable resource again to really understand the issues that are facing CalPERS. Again, I come from another pension system just a couple states to the north, and I wanted to be really careful that I was not making any assumptions based on my 30 years of work experience in that State in coming into California.

And I think between the Board and the executive team and sharing your insight, that has really sent me off on a good pace to get started in my week number 7 coming
As you know, I've also dedicated my first few months on the job to really understanding the needs and the expectations, not only of the Board and the executive team, but as well as our labor and our employer partners. And I know that we have some tough decisions ahead of us. And my commitment to the Board, and my commitment to the team and the stakeholders is that we will, I will, and the team will consistently work with you in helping you to understand the issues that you face, giving you the information that you need to make the tough decisions, but always being available and accessible to understand your perspective as well.

I think some of the common themes that have come up from these meetings are very familiar. They're not issues that are unique to California. These are issues that are being faced across the United States in the public pension space as well as the health care space. And at the top of my list, and I'm sure at the top of yours as well, is ensuring the long-term sustainability of the pension system, and keeping in balance the adequacy of the benefit, the affordability of the System, and the sustainability of the System.

You did hear from our team yesterday about the low return environment that we are expecting over the next
decade, and the vulnerabilities that I think we really do have as a System that is 68 percent funded. It's going to be important again as an organization that we work collaboratively together amongst the CalPERS team, and the Board, but as well as with the employer partners and our member partners, to continue to take these discussions to actions that are necessary, again, to have the sustainability of the system that we all have a common goal to accomplish.

There's also the challenge of trying to minimize the increasing cost of health care, while also ensuring that we keep high quality health care programs available to the members. And I personally want to make sure that we're running a very efficient and effective organization, while also providing our members with the best service that we possibly can do, meeting their needs, meeting their expectations, and having a way of managing those and measuring those on an ongoing basis.

Now, these are just some of the items that we have been discussing. And as I wrap-up these meetings, I'm looking forward to giving you a more full report on everything that I've heard, along with specific actions that I think that I, along with the executive team and support of you, will be coming to talk with you more about.
So to start off today, I know our agenda item on the strategic plan was postponed to December, but I think you know that we are in the steps of finalizing that plan that will take us to the year 2022. And although we postponed that item until December, we are looking forward to getting the feedback that you all have, and then incorporating that into the plan, so that we can begin implementing and executing on that plan. And so we'll bring that back for finalization in December, and again in February.

Now, moving on to health, our open enrollment period ended on October 7th, and it's now complete for the year. I think our team worked very hard over the past few months during open enrollment to assist members with their health care choices. And even though open enrollment has closed officially, the team is still working directly with the membership to understand the choices that they made, along with potential premium changes that went along with that choice.

And as a reminder, we are moving to a new pharmacy benefits manager starting on January 1, so it's very important for our members to really review the material that's been sent to them and understand the changes in the pharmacy benefit plan as well.

Our team is working with that new pharmacy
benefit manager, which is OptumRx, to ensure that the transition is as smooth as possible for the members who are impacted by that change, both for the member and for the dependents. And I had an opportunity to sit in on one of the first meetings that OptumRx had with our retiree groups. And what I was struck by very quickly is that their customer satisfaction attitude is very similar to the one that is happening here at CalPERS. So I have a lot of positive feeling about the relationship moving forward with OptumRx.

And our members, of course, can find more details on their myCalPERS account or through the CalPERS website.

The month of November is also National Diabetes Month. And I'm proud to share some of our recent efforts in promoting diabetes prevention. Beginning in January, we'll begin expanding our current diabetes components of the disease management program to include diabetes prevention programs for all of our members.

And these programs will follow standards by the National Centers for Disease Control and Prevention. And they are designed to slow and prevent Type 2 diabetes for those that have pre-diabetes.

And since many people aren't aware that they may have this condition, this program does help our members to
understand early indicators that can help them be more proactive in their efforts of preventing type 2 from setting in.

Members can also contact their CalPERS health plan to get more information or visit our website to learn more about the programs that will be available to them starting in January.

Searching for our new actuary, just a quick update on that as well, we are in the final rounds of interviews for the Chief Actuary position. And as you know, this is a critical piece of the executive team here at CalPERS in supporting the work you do on the Board.

I am pleased to report that we had interviews completed. And it is our hope to have an offer extended or a candidate by the end of the year.

Rob did talk a bit about the education forum. And I'd also like to make a few comments about my observations at that event.

That event was held at the end of October and it represented the 17th Annual Education Forum that this organization has put on. And, as you know, we did set a record for attendance at just over 800 attendees. It was a very large event, and the convention center was quite full. And that event was held in Riverside, California this year.
So as you know, we work side by side with our employer partners, and that is an extremely important relationship to the members as well. The accuracy of the data coming in and the importance of getting the contributions on time is a critical piece of the pension benefit, once someone decides that it's time to retire.

So this event does offer an opportunity for the exchange of ideas. It offers an opportunity for the Board, the CalPERS team, and CalPERS, in general, to listen and really upped the needs of our employer partners in better serving the membership.

And I think one of the things I noticed in walking through the exhibits that I was very impressed by is that the CalPERS team, who was there interacting with the employer partners, were the people who were working closest to the work, i.e., they could consider all of the technical questions that were coming up from the employers during the exhibits. And that was very impressive to watch.

It does take a lot of care and thought to plan and event like that, a very big an important event, not only for the employers, but for us as an organization. So I would like to also take just a moment to say thank you to all of our employees who made that event so successful. And we got very positive remarks from the employers this
And next year's Education Forum will be in Rancho Mirage, and I look forward to again joining everyone there for another great event.

As we head toward the end of the calendar year, we're on to other several important tasks. Our actuaries have completed all of the customized actuarial valuations for our employers, and they have been posted on the website. And again, in the exhibit all at the Education Forum, this was one of the most popular tables. The employers had their valuations in hand, and they were able to talk directly to our actuaries about questions that they had.

That was one of my -- one of the areas that I did some observation with, and went and talked to some of the employers about the importance of having that data in advance of the Education Forum. So that was a congratulations to the actuarial team for having those completed.

Next month, you'll be getting a report and recommendations back from us as it relates to our divestment policy on tobacco investments. And this will also include an analysis of the economics in the tobacco investment sector, as well as the stakeholder outreach that we have conducted, based on your direction.
In addition, we'll be finalizing the CAFR, the comprehensive annual financial report. And that report will also be released publicly and available on the public website.

Our health staff has been working with the Pension and Health Benefits Committee in preparation for the start of health plan negotiations just after the first of the year. And we're very much looking forward to interacting and listening from our health plan providers and partners as we're exploring more innovative and creative ways to reduce costs of health care, while also again maintaining the high quality services that have been come to be expected from CalPERS.

Moving now to some internally and focused -- internally focused activities. Over the last 6 weeks, I've been visiting many of your divisions and branches and teams around the organization, and seeing really the people behind those teams. Open and transparent communication is a very important value for me, and one of the key values that I really expect in the organization.

I do believe that open and transparent communication is paramount to a healthy and high-performing organization. So it was really very good for me to hear how we as leaders can help our employees to be even more successful in meeting customer needs and
expectations.

There has been a lot of ideas an innovation that our employees have about how to make services better, and I think really meet the needs again and the expectations of our membership.

And also what does stand out to me most about our team members is really there is this comradery and this spirit of collaboration within the organization that we understand our mission, and that we are here to serve the member. And that is our only purpose is to make sure that that member has the access to the benefits that they've earned while working in their public service careers.

Keeping with the topic of our employees, which is always enjoyable to talk about, as you know, CalPERS employees participate in a number of charitable fundraising activities. And with the holiday season underway, I think it's especially important to note how generous our team is in giving back to their communities.

We are kicking off our annual California State Employees Food Drive. And as always, our employees are donating their time and setting up donation bins with food to help brighten the season for those individuals who might be in need during this time of year.

As a part of this, we're also collecting frozen turkeys and hams. And I think many of you may have
participated in that event in prior years. But those turkeys and hams can be dropped off at the loading dock on Friday, November 18th. And those donations will go to local food banks.

In addition to this, many of our employees are planning on running as a part of the CalPERS team in the "Run to Feed the Hungry" event that's held every year in Sacramento on Thanksgiving Day. And with over 28,000 participants, this is the largest Thanksgiving Day race in the country. And that was -- I did not know that. And with all of the proceeds donated to the Sacramento Food Bank and family services areas.

Last month, I had an opportunity to participate in a couple of events that were held on-site as a part of the "Our Promise" campaign. The cake auction and the chili cook-off were at the center of those activities, with about $4,000 raised again to give to charitable groups throughout the community.

So I'd like to thank all of our employees for their generosity, not just during the holidays, but for everything they do throughout the year. These are really activities that are happening 12 months out of the year and not just around the holiday season.

On that note, I'd like to close with a special acknowledgement for our team members who work to promote
our California Employees Retirement Benefit Trust Program, also known as CERBT, which is a new acronym for me.

Our CERBT funds provides a way for local, eligible California public agencies to pre-fund their OPEB liabilities. So those would be the other post-employment benefits. We are very proud of this program, because it provides an avenue for public agencies, even those that don't contract directly with us to pre-fund benefits such as health, vision, dental, and life insurance.

And we are proud of the small but mighty team that runs this program. And what they do is they make sure that it is uncomplicated, that it's affordable, and it's compliant with governmental accounting standards. And that is a very difficult balance done by this small, small team.

So I'm also proud to announce that this month the CERBT program reached a significant milestone by signing its 500th participant. And also, as an ironic twist, the program signed its 500th customer at the same time it reached 5.5 billion in assets. So maybe something there with the number 5 with that team.

So if I could also ask the team members from CERBT, who are here today, to stand now and be recognized for their efforts to promote the program.

(Applause.)
CHIEF EXECUTIVE OFFICER FROST: And for supporting our strategic plan goal of educating others on the need for retirement security.

So, in conclusion, I want to wish everyone here in the auditorium and all our employees at CalPERS and the Board a very Happy Thanksgiving next week, and thank you, Mr. President. This does conclude my prepared remarks, but, of course, I am available to answer any questions you may have.

PRESIDENT FECKNER: Great. Thank you very much. Great first report.

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

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

PRESIDENT FECKNER: Good morning.

CHIEF INVESTMENT OFFICER ELIOPOULOS: I have a brief update on the performance of the Public Employees' Retirement Fund as of September 30th, 2016. The total fund performance for this first quarter of the fiscal year is 3.6 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 of the total fund is 6.2 percent, the 5-year return is 9.1 percent, the 10-year return is 5.0 percent, and the 20-year return of the total
fund is 7.1 percent. The total fund assets are valued, as of September 30th, 2016 at $305.2 billion.

Mr. President, that is my report.

PRESIDENT FECKNER: Very good. Thank you.

Seeing no requests.

Move to Item 5, the action consent calendar.

And Mr. Jelincic has a question on Item 5a.

BOARD MEMBER JELINCIC: On -- yeah, on 5a, which is the minutes, attached is a subject vote report. It's on the regs on limiting public comment. And when I look at the page 1 of 2 of that attachment, it lists 10 yes, 0 abstain, 2 noes, and 9 absent. So I think we've got a glitch in the system, because we don't have that many Board members. And then on Table 2 -- or page 2 of it, we can see that they said absence, who were the designees, but one of the other people who was absent was Rob Feckner, and I think he abstained rather than being absent.

So I would like to request that we correct the minutes, and that we look at the program to see how that glitch is coming about.

PRESIDENT FECKNER: Very well. We will do that.

Any other concerns under action Consent Item number 5?

Seeing none.
What's the pleasure of the Board?

BOARD MEMBER LIND: Move approval.

PRESIDENT FECKNER: Moved by Lind.

VICE PRESIDENT JONES: Second.

PRESIDENT FECKNER: Second by Jones.

BOARD MEMBER JELINCIC: As amended.

PRESIDENT FECKNER: As amended.

Any discussion on the motion?

Seeing none.

All in favor say aye?

PRESIDENT FECKNER: Opposed, no?

Motion carries.

Item 6, Information Consent items. I have nothing. Nobody has made a request to remove anything.

Pardon?

BOARD MEMBER JELINCIC: You just did 5a. You didn't do Board travel.

PRESIDENT FECKNER: All right. Well -- all right. I said action items on 5, but we'll do 5b separately.

BOARD MEMBER COSTIGAN: I'll move 5b.

PRESIDENT FECKNER: Pardon?

BOARD MEMBER COSTIGAN: I'll move 5b.

PRESIDENT FECKNER: Mr. Costigan moved 5b.

BOARD MEMBER MATHUR: Second.
PRESIDENT FECKNER: Ms. Mathur seconded 5b.

Seeing no discussion.

All in favor say aye?

PRESIDENT FECKNER: Oppose, no?

Motion carries. Thank you.

Having no requests to move anything off 6, that
brings us to Item 7, Committee Reports. For that -- 7a is
the Investment Committee. For that, I call on the Chair,
Mr. Jones.

VICE PRESIDENT JONES: Yeah. Thank you, Mr.

President.

The Investment Committee met on November the
14th, 2016. The Committee approved the following:

Agenda Item 5a to remove 3 portfolio companies
from the CalPERS list of companies subject to the
California Public Divest from Iran Act. The Chair
directed staff to return with holdings information from
those 3 companies. Staff provided that data at the end of
the meeting.

Agenda Item 6a, to sponsor legislation to expand
the types of collateral allowed within the CalPERS'
security lending transactions.

The Committee received reports on the following
topics:

One, the first reading of the revised legislative
and policy engagement guidelines. The Chair directed senior staff and the federal representatives to continue the discussion of the purpose and structure of the guidelines at the January off-site.

Two, the Public Equity Annual Program review given by staff and Pension Consulting Alliance. The Chair directed staff to continue to report back on progress regarding the capture and disclosure of private equity fees. The Chair also directed staff to explore opportunities to engage with other limited partners and ILPA to encourage further fee disclosure and other limited partner priorities.

And three, the real asset annual program review presented by staff and Pension Consulting Alliance, Wilshire Associates and StepSton.

At this time, I'd like to share some highlights of what to expect at the December Investment Committee meeting. One, a review of tobacco restrictions, the Responsible Contractor Program annual report, an update on CalPERS's governance and sustainability activities, and an update on the Investment Office Roadmap and Target Operating Model.

The next meeting of the Investment Committee is scheduled for December the 19th, 2016 in Sacramento, California. And that concludes my report, Mr. President.
PRESIDENT FECKNER: Thank you.

Brings us to Item 7b, Pension and Health 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, November 15th, 2016.

The Committee recommends and I move that the Board sponsor legislation to make technical and minor policy changes to sections of the Government Code affecting the benefit programs administered by California Public Employees' Retirement System.

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 GILLIHAN: Please record me as abstaining.

PRESIDENT FECKNER: Please record Mr. Gillihan as abstaining.

BOARD MEMBER MATHUR: The Committee also received updates on customer service and support performance, and the pharmacy benefit manager transition.
The Chair directed staff to present the legislative and policy engagement guidelines at the January Board of Administration off-site, and to bring recommendations for final approval to the February 2017 PHBC meeting.

The Committee received public comment from Tim Behrens, California State Retirees regarding the reporting of pharmacy costs. And Dave Bilby, City of Chula Vista regarding adding investment discussions to the CalPERS Benefit Education Events.

Some highlights of what you can expect at the December Pension and Health Benefits Committee meeting include: A Long-Term Care Program solicitation, the population health management dashboard, and further information about the transition of the pharmacy benefit manager.

The next meeting of the Pension and Health Benefits Committee is scheduled for December 20th, 2016 here in Sacramento, California.

That concludes my report, Mr. President.

PRESIDENT FECKNER: Thank you.

Next is Item 7c, Finance and Administration Committee report. For that, I'd like to call on the Chair, Mr. Costigan. Push your button, please, sir.

Thank you.
Mr. Costigan.

BOARD MEMBER COSTIGAN: Thank you, Mr. Feckner.

The Finance and Administration Committee met on November 15th and 16th, 2016.

(Laughter.)

BOARD MEMBER COSTIGAN: The Committee recommends and I move the Board approve the following:

Agenda Item 5a, the 2015-16 basic financial statements and approve the draft CalPERS 2015167 basic financial statements.

PRESIDENT FECKNER: On motion by Committee.

Any discussion on the motion?

Seeing none.

All in favor say aye?

(Ayes.)

PRESIDENT FECKNER: Opposed?

Abstain?

BOARD MEMBER COSTIGAN: Agenda Item 5 --

PRESIDENT FECKNER: Motion carries.

BOARD MEMBER COSTIGAN: Sorry.

Agenda Item 5b, the 2016-17 mid-year budgeting, first reading, and approve the first reading of the California Public Employees' Retirement System fiscal year 2016-17 mid-year total budget of $1,787,234,000 and 2,886 positions.
PRESIDENT FECKNER: On motion by Committee.
Any discussion on the motion?
Seeing none.
All in favor say aye?
(Ayes.)
PRESIDENT FECKNER: Opposed say no?
Motion carries.
BOARD MEMBER COSTIGAN: Agenda Item 6a the State legislative proposal, policy and technical amendments to the Public Employees' Retirement Law, and approve sponsored legislation to make technical and minor changes so the sections of the Government Code affecting the benefits of program administered by the California Public Employees' Retirement System.

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 GILLIHAN: Please record me as abstaining.

PRESIDENT FECKNER: Please record Mr. Gillihan as abstaining.
BOARD MEMBER COSTIGAN: The Committee received reports on the following topics:

- Impact of cost of living adjustments, or the COLA, on the fund; the low return environment, changing demographics, the funded status of our plan, a recap of stakeholder outreach and engagement, and U.S. pension plan discount rates, as well as collections and termination process for public agencies.

The Chair directed the staff to do the following:

- Have continued discussions with the stakeholders regarding follow-up questions related to Item -- Agenda Item 7a; and, in December, for staff to bring back further information and a recommendation for action to the Board based upon the timelines, if the Board chooses to take action for the 2017-18 and 2018-19 calendar years.

On Agenda Item 7b, review legislation changes for voluntary termination, improve transparency and reporting of delinquent agencies to the Committee, and work with stakeholder on appropriate notification to members; and, in December to bring back agenda items on the first reading of the CalPERS 2017-22 strategic plan.

The Committee heard public comment from Dave Low of the California School Employees Association, Terry Brennand with SEIU California, Neal Johnson with SEIU 1000, Dan Pellissier a CalPERS retiree, Dane Hutchings
with the League of California Cities, Dillon Gibbons from
the California Special Districts Association, and George
Linn, Retired Public Employees Association.

At this time, I would like to share some
highlights of what to expect at the December Finance and
Administration Committee Meeting. We will take up the
second reading of the 2016-17 mid-year budget, the first
reading of the 2017-22 strategic plan, review the
actual -- actuarial allocation policy, and the annual
reports on the long-term care valuation, as well as the
semiannual self-funded health plan.

The next meeting of the Finance and
Administration Committee is scheduled for December 20th,
2016 in Sacramento, California.

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

PRESIDENT FECKNER: Thank you, Mr. Costigan.

Item 7d, Performance, Compensation and Talent
Management Committee. For that, I call on the Chair Mr.
Bilbrey.

BOARD MEMBER BILBREY: Thank you, Mr. President.

The Performance, Compensation and Talent
Management Committee met on November 15th, 2016.

The Committee recommends and I move the Board
approve the following items reviewed in closed session:

Agenda Item 3, review of the 2015-16 performance
former Chief Executive Officer. For the former chief --
former CEO, approve the fiscal year 2015-16 performance
award of $119,038.

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 GILLIHAN: Will you please record me
as abstaining.
PRESIDENT FECKNER: Please show Mr. Gillihan as
abstaining.
BOARD MEMBER BILBREY: Agenda Item 4, review of
2015-16 performance, Chief Investment Officer. For the
CIO, approve the fiscal year 2015-16 performance award of
$248,026 and a fiscal year 2016-17 base salary of $543,780
PRESIDENT FECKNER: On motion by Committee.
Any discussion on the motion.
Seeing none.
All in favor say aye?
(Ayes.)
PRESIDENT FECKNER: All opposed, no?
Abstaining?
BOARD MEMBER GILLIHAN: Yes.

PRESIDENT FECKNER: Please show Mr. Gillihan as abstaining.

Motion carries.

BOARD MEMBER BILBREY: The Committee recommends and I move the Board approve the following items reviewed in open session:

Agenda Item 5, 2016-17 performance plan of the Chief Executive Officer. Approve the 2016-17 performance plan of the CEO.

PRESIDENT FECKNER: On motion by Committee. Any discussion on the motion? Seeing none. All in favor say aye?

(Ayes.)

PRESIDENT FECKNER: Opposed say no? Motion carries.

GENERAL COUNSEL JACOBS: Excuse me, if I may?

PRESIDENT FECKNER: Yes, sir.

GENERAL COUNSEL JACOBS: May the record reflect that Mr. Jelincic did not vote on Items 3, 4, and 5.

PRESIDENT FECKNER: Correct, he left the room.

GENERAL COUNSEL JACOBS: Thank you.

PRESIDENT FECKNER: Thank you.

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

The Committee received an update on the Organizational Health Index survey, a risk report for the Performance, Compensation and Talent Management Committee, and the workforce strategic plan annual update.

The Committee also heard public comment from Neal Johnson, SEIU Local 1000 on employee development efforts.

At this time, I'll share some highlights of what to expect at the next meeting, which will be in February.

The Committee will receive semiannual status reports on the performance plans of the CEO and CIO and discuss the biennial salary review -- biennial salary survey.

The next meeting of the Performance, Compensation and Talent Management Committee is set for February 14th, 2017 here in Sacramento.

Thank you, Mr. President.

PRESIDENT FECKNER: Thank you.

Brings us to Item 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 November 15th, 2016.

The Committee recommends and I move the Board approve the following:
Agenda Item 5a, independent auditor's report for fiscal years 2015-2016, to approve the independent auditor's audit report on the basic financial statements, and the accompanying required communications for the fiscal year ended June 30th, 2016.

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 LIND: Agenda Item 5b, approve the management letter as prepared by Macias, Gini & O'Connell LLP for the fiscal year ended June 30th, 2016.

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

Seeing none.

All in favor say aye?

(Ayes.)

PRESIDENT FECKNER: Opposed say no?

Motion carries.

BOARD MEMBER LIND: Item 5c, finalist interviews for the independent financial statement auditor. Approve the independent financial statement auditor contract be
awarded to Macias, Gini & O'Connell, LLC.

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 LIND: The Committee received reports on the following topics: The semiannual enterprise risk dashboard, risk profiles, and heat map; the independent review of the actuarial valuations of the contracting public agency plans by Buck Consultants, LLC.

The Chair directed staff to work with CalPERS independent financial statement auditor to reach out to the Governmental Accounting Standards Board regarding the wording for private equity fee reporting.

At this time, I'd like to share some highlights of what to expect at the February Risk and Audit Committee meeting. The election of the Risk and Audit Committee Chair and Vice Chair; review of the Risk and Audit Committee delegation; the third-party valuation and certification of the State and schools plans; the external assessment of the office -- the external assessment of the Office of Audit Services Quality Assurance and Improvement
Program.

Our next meeting is scheduled for February 14th, 2017.

Thank you.

PRESIDENT FECKNER: Thank you.

Mr. Jelincic.

BOARD MEMBER JELINCIC: Yeah, I just want --

think that we ought to note that the meeting adjourned at

9:15 p.m..

PRESIDENT FECKNER: Thank you.

Agenda Item 7f, Board Governance Committee.

There was no meeting, no report. Good thing there was no

Committee meeting, because we might had to put cots in

here.

(Laughter.)

PRESIDENT FECKNER: But thank you, Mr. Slaton for

pulling that off this month.

That brings us to Agenda Item 8, delinquency

contracting agency matter.

Ms. Eason, please.

CHIEF FINANCIAL OFFICER EASON: Thank you, Mr.

Char.

Good morning --

PRESIDENT FECKNER: Good morning.

CHIEF FINANCIAL OFFICER EASON: -- Committee
The agenda item before you, -- is to recommend that the Board of Administration declare the City of Loyalton in default of its obligations to the California Public Employees' Retirement System, and reduce the retirement benefits to be paid to Loyalton's employees retirees in accord witness Government Code section 20577. I just wanted to remind the Committee that at the September Finance and Administration Committee, meeting, staff presented an update on contracting agencies significantly delinquent on their payment obligations to CalPERS, that being the California Fairs Financing Authority, or CFFA, the Niland Sanitary District, and the City of Loyalton.

The agenda item includes updates on actions taken by both CFFA and Niland to avoid initiation of involuntary termination proceedings under Government Code section 20572, and therefore we have staff's recommendation to declare Loyalton in default. And reduce retirement benefits under Loyalton's contract in accordance with got code section 20577.

An update to the Loyalton situation is that staff met with several of Loyalton's council members on Monday November 14th, and it was determined that they were not able to pay the liability termination, and that they would
not contest staff's recommendation to the Board at today's Board of Administration meeting to declare the city in default of its obligations, and reduce the member's benefits accordingly.

The city understands its failure to pay its termination liability, and that will -- it will result in approximately 40 percent reduction in the benefits paid to its members.

We were notified last night by City Council of Loyalton that yesterday they voted to pay the members reduction amount of approximately 60 percent directly to the members to ensure the 100 percent benefit payment.

And with that, I ask that the Board accept staff's recommendation to declare the City of Loyalton in default of its obligation and to reduce the retirement benefits.

BOARD MEMBER COSTIGAN: Move staff recommendation.

PRESIDENT FECKNER: Sure.

VICE PRESIDENT JONES: Second.

PRESIDENT FECKNER: Motion by costigan, seconded by Jones.

Any discussion on the motion?

Ms. Mathur.

BOARD MEMBER MATHUR: No, I just want to say this
is a very sad day. This is the first time in my memory, I think maybe in CalPERS history, that something like this has happened, and it's really a shame.

PRESIDENT FECKNER: Thank you.

Mr. Jelincic.

BOARD MEMBER JELINCIC: Yeah. I also want to acknowledge this is a tough one, but I don't know that we have a choice. The employer made the promise. The employer has got an obligation to fund the promise. Our job is to administer it. And if they won't fund it, there isn't much we can do about it.

PRESIDENT FECKNER: Any other comments?

Seeing none.

All in favor say aye?

(Ayes.)

PRESIDENT FECKNER: Opposed, no?

Motion carries.

Anything else, Ms. Eason?

CHIEF FINANCIAL OFFICER EASON: Nothing.

PRESIDENT FECKNER: Very good. Thank you.

That brings us to Agenda Item 9, proposed decisions of administrative law judges. For the record, I want to say that Chirag Shah of Shah & Associates is on the line. He's the Board's independent counsel for administrative law decisions.
Good morning, Mr. Shah.

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

PRESIDENT FECKNER: So, Mr. Jones, please.

VICE PRESIDENT JONES: Yeah. Thank you, Mr. President. I move that the Board, one, adopt the proposed decisions at Agenda Item 9a through 9c and 9e through 9dd as the Board's own decision with the minor modification argued by staff; and 2, schedule Agenda Item 9d for a full board hearing on the limited questions of, A, whether member compensation with the water master was made pursuant to publicly available pay schedules; B, whether member, as an employee, during the time received severance pay; and C, whether the 6 months of severance pay that member received constitutes compensation earnable for purposes of the PERL.

PRESIDENT FECKNER: Motion by Jones.

Is there a second?

BOARD MEMBER LIND: Second.

PRESIDENT FECKNER: Seconded by Lind.

The motion is to adopt the proposed decisions on Item 9a through c, 9e through double d, and also set 9d for a full Board hearing.

Any discussion on the motion?

Seeing none.
All in favor say aye?

(Ayes.)

PRESIDENT FECKNER: Opposed, say no?

Motion carries. Thank you.

That brings us to Item 10, Petitions for Reconsideration.

Mr. Jones.

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

I move to deny the petitions for reconsideration at Agenda Item 10a through 10c.

BOARD MEMBER LIND: Second.

PRESIDENT FECKNER: Motion by Jones, second by Lind.

Any discussion on the motion?

Seeing none.

All in favor say aye?

(Ayes.)

PRESIDENT FECKNER: Opposed say, no?

Motion carries. Thank you.

That brings us to -- thank you, Mr. Shah.

MR. SHAH: Thank you, Mr. President.

PRESIDENT FECKNER: That brings us to Agenda Item 10, State Legislative Update.

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

Agenda Item 11 is an informational item. Included in your Board materials is the summary of legislation that notes the final disposition of both of CalPERS sponsored measures as well as the disposition of bills that the Board has taken a position on, and other legislation that could have potentially impacted CalPERS.

I'm very pleased to report that CalPERS was successful, and that both of our sponsored measures were signed by the Governor. And as I noted, the summary is included in your Board, materials but I'd like to highlight just a couple of bills that have changed since the last Board meeting report.

AB 1878, which the Board ultimately had a neutral position on, and would have authorized the CalPERS Board to adjust the death benefit amount, based on the changes in the all-urban California Consumer Price Index was vetoed by the governor.

The Governor signed AB 2028, which the Board ultimately was in support of, and which requires members who are involuntary terminated, and subsequently reinstated to employment through specified proceedings to receive all retired -- retirement benefits they would have
otherwise accrued had they not been terminated.

AB 2348, which the Board adopted a neutral
position on, and that would have authorized the Department
doing Finance to identify infrastructure projects in
California, for which the Department would have guaranteed
a rate of return on investments made by CalPERS, was
vetoed by the Governor.

And the Governor signed SB 294, which requires
CalPERS to create and use a separate form to be used by
CalPERS members requiring retirement service credit for
active military service, while on leave from CalPERS
covered employment.

And then finally I'd like to mention a bill that
wasn't included in the summary, but was signed by the
Governor, and could potentially have an impact to CalPERS.
It is Assembly Bill 1887. And it prohibits State agencies
from requiring an employee to travel, with certain
exceptions, on State business to any State that has, after
June 15th -- or excuse me, June 26th, 2015, passed any law
that voids or repeals existing State or local protections
against discrimination as specified, or from approving a
request for State funding travel to a State that has
adopted legislation that I just noted.

The Attorney General is to compile a list of
states that meet the criteria, and will post that list on
its website.

In terms of federal legislation, bills in the 114th Congress are still outstanding. And they're noted on the legislative summary report.

Our federal representatives have provided insight and updates on the bills in their reports. And they will continue to monitor and update as appropriate.

And then finally, the California legislature reconvenes next month on December 5th. So we will be providing the Board with a new legislative summary and report as the new session convenes and moves through the legislative process.

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

PRESIDENT FECKNER: Thank you.

Mr. Jelincic.

BOARD MEMBER JELINCIC: On page 5 at the bottom, 1954, will that necessitate any changes in our health benefit program? And you may not know it, but there may be people who do sitting behind you.

LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: We didn't identify any that would be needing additional resources or costs.

BOARD MEMBER JELINCIC: Do we currently allow people to do this without requiring a referral.
LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: I -- that's a good question, and I don't have the answer to that. I don't know if there's anybody from Health Benefits that could answer, but I'd certainly be happy to get that information and bring it back to you.

BOARD MEMBER JELINCIC: Thank you.

LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Thank you.

PRESIDENT FECKNER: Seeing no other requests. Thank you.

The brings us to Item 11, summary of Board Direction.

Mr. Frost, anything jump out at you this morning?

CHIEF EXECUTIVE OFFICER FROST: I think the only direction was the question that was asked by Mr. Jelincic hear at the end that we need to do some follow-up on on data.

PRESIDENT FECKNER: And also the minutes earlier on -- check those.

CHIEF EXECUTIVE OFFICER FROST: The minutes. The corrections, right, to the minutes.

PRESIDENT FECKNER: All right. Very well. Brings us to Agenda Item 13, public comment. Any one from the public wish to address the Board at this time?
Seeing none.

I just want to remind everyone, I say this annually, that we are coming into the holiday time of the season. And it's a tough time for some folks. And we just ask you all to be a little more compassionate, reach out to some folks and maybe brighten their holiday season a little bit. It's pretty easy to offer somebody a slice of turkey at the holiday time. So take that under consideration and try and make it a better year for other people as well.

I hope everyone has an enjoyable Thanksgiving, and we will see you December.

This meeting is adjourned.

(Thereupon the California Public Employees' Retirement System, Board of Administration open session meeting adjourned at 11:24 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 23rd day of November, 2016.

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