


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

MINUTES OF MEETING

December 20, 2016



The Finance & Administration Committee met on December 20, 2016, in the Robert F. Carlson Auditorium, Lincoln Plaza Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 1:00 p.m. and the following members were present:

Richard Costigan, Chair
Dana Hollinger, Vice Chair
Richard Gillihan
JJ Jelincic
Henry Jones
Bill Slaton
Betty Yee

Other Board Member(s):

Michael Bilbrey
Steve Juarez for John Chiang
Rob Feckner
Ron Lind
Priya Mathur
Theresa Taylor
Lynn Paquin for Betty Yee

AGENDA ITEM 2 - EXECUTIVE REPORT

Cheryl Eason, Chief Financial Officer, presented the oral report to the Committee as an information item.

AGENDA ITEM 3 – ACTION CONSENT ITEMS

JJ Jelincic pulled Agenda Item 3b, Semi-Annual Contracting Prospective Report and 3c, Contracts Administration: Affirmation of Investment Manager Contracts Without Defined Duration, for discussion.

On **MOTION** by Henry Jones, **SECONDED** and **CARRIED**, the Committee approved the Action Consent Items.

AGENDA ITEM 4 – INFORMATION CONSENT ITEMS

The Committee accepted the Information Consent Items as presented.

AGENDA ITEM 5a – 2016-17 MID-YEAR BUDGET (SECOND READING)

Cheryl Eason, Chief Financial Officer, and Rose McAuliffe, Chief Officer, Financial Planning Policy and Budgeting, presented the second reading of the 2016-17 Mid-Year Budget, as an action item.

On **MOTION** by JJ Jelincic, **SECONDED** and **CARRIED**, the Committee recommended the Board approve the California Public Employees' Retirement System Fiscal Year (FY) 2016-17 Mid-Year Total Budget of \$1,786,873,000 and 2,880 positions.

AGENDA ITEM 6a – BACKUP/RESTORATION & DISASTER RECOVERY AGREEMENT

Doug Hoffner, Deputy Executive Office, Operations and Technology and Ron Hurle, Acting Chief Information Officer, Information Technology Services Branch, presented the Backup/Restoration & Disaster Recovery.

On **MOTION** by Bill Slaton, **SECONDED** and **CARRIED**, the Committee recommended the Board approve the extension of Backup/Restoration & Disaster Recovery (BR/DR) services contract for an additional 12 months through June 30, 2018 at a cost of \$2,200,000.00.

AGENDA ITEM 7a – CALPERS 2017-2022 STRATEGIC PLAN (FIRST READING)

Mr. Hoffner presented the first reading of the CalPERS 2017-2022 Strategic Plan, as an information item.

AGENDA ITEM 8a – ACTUARIAL CONTRIBUTION ALLOCATION POLICY (FIRST READING)

Fritzie Archuleta, Supervising Pension Actuary presented the first reading of the Actuarial Contribution Allocation Policy, as an information item.

AGENDA ITEM 8b – SEMI-ANNUAL SELF-FUNDED HEALTH PLANS REPORT

Gary McCollum, Senior Life Actuary, presented the Semi-Annual Self-Funded Health Plans Report, as an information item.

AGENDA ITEM 8c – LONG-TERM CARE VALUATION REPORT

Fritzie Archuleta, Supervising Pension Actuary, and Flora Hu, Senior Life Actuary, presented the Long-Term Care Valuation Report, as an information item.

At 2:14 p.m. a break was taken.

The Committee reconvened at 2:29 p.m.

AGENDA ITEM 9 – WORKSHOP: SECURING CALPERS FUTURE – MANAGING FUNDING RISKS, STAKEHOLDER OUTREACH AND ENGAGEMENT

Marcie Frost, Chief Executive Officer, Cheryl Eason, Chief Financial Officer, Ted Eliopoulos, Chief Investment Officer, Wylie Tollette, Chief Operating Investment Officer, Brad Pacheco, Deputy Executive Officer, Communications and Stakeholder Relations, Todd Tauzer, Senior Pension Actuary, Andrew Junkin, Wilshire Consulting, and Allan Emkin, Pension Consulting Alliance, LLC, presented the Workshop: Securing CalPERS Future – Managing Funding Risks, Stakeholder Outreach and Engagement. The Committee elected to take action on staff's recommendations following the workshop and discussion.

On **MOTION** by Richard Gillihan, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff recommendations to lower the assumed rate of return over the next three years as follows:

- For fiscal years 2017-18 7.375%
- For fiscal years 2018-19 7.25%
- For fiscal years 2019-20 7.0%

Approve that the change in the School's employer contributions be on the same timeline as the local public agencies which would be effective beginning in 2018-19 and that the State's contribution rates would be impacted beginning in 2017-18.

JJ Jelincic voted NO.

On **MOTION** by Richard Gillihan, **SECONDED** and **CARRIED**, the Committee recommended the Board approve the funding risk mitigation policy be brought back in February to the Board of Administration to reduce the required first excess investment return threshold by 2% and proposed timelines for the funding risk mitigation event.

Staff notes that upon approval of the change in the discount rate, the change in the discount rate for calculating member service credits and optional settlements will be effective immediately. It is also noted that a commensurate change to the discount rates for the affiliate funds will be considered and proposed at the February Board meetings.

Public comment was received from the following:

Eric Stern, CA Department of Finance
Jai Sookprasert, CA School Employees Association
Dennis Meyers, CA School Boards Association
Dr. Ruben Ingram, School Employers Association of CA
Ivan Carrillo, Association of CA School Administrators
Marcia Fritz, CA Foundation for Fiscal Responsibility
Faith Conley, CA State Association of Counties
Dane Hutchings, League of California Cities
Dillon Gibbons, CA Special Districts Association
Phil Wright, City of West Sacramento
Leyne Milstein, City of Sacramento
Sara Lamnin, City of Hayward
Al Darby, Retired Public Employees' Association of California (RPEA)

AGENDA ITEM 10 – SUMMARY OF COMMITTEE DIRECTION

In February, bring back an information item to the Finance and Administration Committee on potential contract implications to CalPERS related to the current Responsible Contractor Program Policy.

In February, bring back to the Finance and Administration Committee additional information on the Long-Term Care Valuation Report.

AGENDA ITEM 11 – PUBLIC COMMENT

There was no public comment.

The meeting of the Finance & Administration Committee was adjourned at 8:35 p.m.

The next Finance & Administration Committee meeting is scheduled for February 14, 2017, in Sacramento, California.

Date: _____

MARLENE TIMERBERLAKE D'ADAMO
INTERIUM CHIEF FINANCIAL OFFICER