

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, JUNE 21, 2017

10:13 A.M.

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

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 Ms. Jeree Glasser-Hedrick

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. Lynn Paquin

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Ms. Liana Bailey-Crimmins, Chief Health Director

Mr. Ted Eliopoulos, Chief Investment Officer

Mr. Douglas Hoffner, Deputy Executive Officer

Mr. Matthew Jacobs, General Counsel

Ms. Donna Lum, 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:

Mr. Scott Terando, Chief Actuary

Ms. Marlene Timberlake D'Adamo, Interim Chief Financial Officer

Ms. Mary Anne Ashley, Chief, Legislative Affairs Division

Ms. Kara Buchanan, Board Secretary

ALSO PRESENT:

Mr. Al Darby, Retired Public Employees Association

Mr. Michael Flaherman

Mr. John Healy, Corona Police Officers Association

Mr. Chirag Shah, Shah & Associates  
(via teleconference)

Ms. Donna Snodgrass, Retired Public Employees Association

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

2 PRESIDENT FECKNER: Well, good morning, We're  
3 going to call the Board of Administration meeting to  
4 order. The first order of business will be to call the  
5 roll, please.

6 BOARD SECRETARY BUCHANAN: Good morning again.

7 PRESIDENT FECKNER: Good morning.

8 BOARD SECRETARY BUCHANAN: Rob Feckner?

9 PRESIDENT FECKNER: Good morning.

10 BOARD SECRETARY BUCHANAN: Henry Jones?

11 VICE PRESIDENT JONES: Here.

12 BOARD SECRETARY BUCHANAN: Michael Bilbrey?

13 BOARD MEMBER BILBREY: Good morning.

14 BOARD SECRETARY BUCHANAN: Jeree Glasser-Hedrick  
15 for John Chiang?

16 ACTING BOARD MEMBER GLASSER-HEDRICK: Good  
17 morning.

18 BOARD SECRETARY BUCHANAN: Richard Costigan?

19 BOARD MEMBER COSTIGAN: Here.

20 BOARD SECRETARY BUCHANAN: Richard Gillihan?

21 BOARD MEMBER GILLIHAN: Here.

22 BOARD SECRETARY BUCHANAN: Dana Hollinger?

23 BOARD MEMBER HOLLINGER: Here.

24 BOARD SECRETARY BUCHANAN: J.J. Jelincic?

25 BOARD MEMBER JELINCIC: This time for the

1 duration.

2 BOARD SECRETARY BUCHANAN: Ron Lind?

3 BOARD MEMBER LIND: Here.

4 BOARD SECRETARY BUCHANAN: Priya Mathur?

5 BOARD MEMBER MATHUR: Good morning.

6 BOARD SECRETARY BUCHANAN: Good morning.

7 Bill Slaton?

8 BOARD MEMBER SLATON: Here.

9 BOARD SECRETARY BUCHANAN: Theresa Taylor?

10 BOARD MEMBER TAYLOR: Here.

11 BOARD SECRETARY BUCHANAN: And Lynn Paquin for  
12 Betty Yee?

13 ACTING BOARD MEMBER PAQUIN: Here.

14 PRESIDENT FECKNER: Thank you.

15 Item 2 is the Pledge of Allegiance. I've asked  
16 Mr. Costigan to please lead us in the pledge. If we could  
17 all please rise.

18 BOARD MEMBER COSTIGAN: Hand over heart.

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

21 PRESIDENT FECKNER: Thank you.

22 Brings us to Agenda Item 3, the President's  
23 Report.

24 Good morning, everyone and welcome to our June  
25 Board meeting. I have a few comments I'd like to share

1 about some important items we have coming up. First is  
2 our July off-site. We're preparing for the off-site  
3 meeting in Monterey, which will take place in July 17th  
4 through 19th. One thing we know we can look forward to is  
5 it's going to be a lot cooler in Monterey than it's been  
6 here for the last few days.

7           We have a packed schedule ahead of us and we have  
8 lots to accomplish. On Monday, we'll be focusing on  
9 investment strategies, including a presentation on  
10 leveraging, and a discussion led by our CIO in private  
11 equity business models. We'll spend Tuesday looking at  
12 health, including a look at the development of our Health  
13 Care Beliefs. We also spend time examining our enterprise  
14 performance reporting process to support our strategic  
15 plan. And we'll conclude with an in-depth training on  
16 parliamentary procedures.

17           Now, a little bit about health care. I want to  
18 give a shout-out to all of our Health Branch staff who  
19 worked so hard to deliver us the health care rates that  
20 they have brought before us. The numbers improved quite a  
21 bit. We'll always think the plans can have sharper  
22 pencils, but you all did yeoman's work to get us to where  
23 we are today.

24           Looking farther ahead to the fall, I want to  
25 briefly mention the Board election in September. There



1 are two member-at-large seats on the Board that are up for  
2 election. Voting materials will be mailed on September  
3 1st. And for the first time, members will be able to vote  
4 in one of three ways: By mail, by phone, and on-line, but  
5 just one of those ways, mind you.

6 Voting will end on October 2nd. I encourage all  
7 members to vote, especially since our Board election staff  
8 have worked so hard to make the process even easier this  
9 time around.

10 And finally, I want to speak about last night's  
11 event at the CalPERS Night with the River Cats at Raley  
12 Field. It was great to see so many CalPERS employees  
13 there and fellow board members. Nearly 300 of our  
14 employees and their family members purchased tickets. And  
15 I want to applaud all those who braved the heat and  
16 actually made it to the game and enjoyed the time with  
17 their fellow co-workers.

18 I will say those of you that did not use your  
19 tickets, that the River Cats have a policy that you can  
20 exchange those tickets for a future game. So I encourage  
21 you to do so and on a cooler evening.

22 It's with a lot of pride that we all watched our  
23 own CalPERS chorus also brave the heat and deliver a  
24 spectacular rendition of the National Anthem.

25 That ends my comments.

1 Mr. Jelincic.

2 BOARD MEMBER JELINCIC: Yeah, I would like to  
3 make a point of personal privilege.

4 PRESIDENT FECKNER: Okay.

5 BOARD MEMBER JELINCIC: From the PERS Board  
6 confidentiality policy. "Confidential information that  
7 becomes public is no longer considered confidential  
8 information under this policy".

9 From the May Board meeting, Mr. Feckner said, "I  
10 held a meeting with Mr. Jelincic in his counsel and Mr.  
11 Slaton. I listened intently to all the information  
12 delivered by both sides. I then rendered my decision, and  
13 my decision, one that Mr. Jelincic had violated  
14 confidentiality rules.

15 "Then a month ago I met with Mr. Jelincic on the  
16 issue, and informed him he was going to be receiving  
17 training, additional training in Bagley-Keene and open  
18 meeting laws. And with that, I considered the matter to  
19 be closed.

20 "And the same comment that I made for the media  
21 in the past, I will not disclose the information that was  
22 given, because it was confidential -- a confidential  
23 matter, and by doing so I would be violating the same  
24 issue", unquote.

25 I will not comment on either the integrity or

1 transparency reflected. It is unclear how  
2 non-confidential information per policy regains  
3 confidential status, because it becomes the basis for  
4 discipline. I have yet to find the Joseph McCarthy list  
5 of commies in the State department. I have yet to find  
6 Bill Slaton's charges.

7           On January 19th, 2017, Bill Slaton publicly  
8 called for my resignation, and Mr. Feckner agreed to  
9 agendize the request. On February 14th, Mr. Feckner wrote  
10 about the charges. I do not have them and have not seen  
11 them.

12           On March 21st, Ashley Dunning, the Board's  
13 fiduciary counsel -- and it's not clear to me how she got  
14 involved -- wrote quote, "Please consider that CalPERS  
15 made no -- has not made any charges or even potential  
16 charges against Mr. Jelincic".

17           This could explain why I am having difficulty  
18 finding a copy of the Bill Slaton charges, and why my  
19 research -- my search to date has been fruitless.

20           I will, however, share some information from my  
21 own files. There is a parallel universe. It has a yellow  
22 sky. In that universe sending an email to Bloomberg, the  
23 Wall Street Journal, the LA Times, and the New York Times  
24 constitutes a secret meeting and violates the Bagley-Keene  
25 Open Meeting Act.

1           Don't be puzzled, I don't get it either. I  
2 believe that Mr. Slaton, Jacobs, and Feckner inhabit that  
3 parallel universe with its yellow sky. Why do I believe  
4 they inhabit that universe? I can't tell you. The belief  
5 is based on a super duper secret document. If I told you,  
6 I would undoubtedly be going to another training.

7           On the other hand, Bill Slaton could actually  
8 come up with his charges. And if he did so, and chose to  
9 make them public, just like his demand for my resignation,  
10 I would have the ability to offer a public defense. I  
11 think it's called transparency.

12           Thank you.

13           PRESIDENT FECKNER: Item 4, Chief Executive  
14 Officer's report.

15           Ms. Frost, please.

16           CHIEF EXECUTIVE OFFICER FROST: Good morning, Mr.  
17 President, and members of the Board.

18           PRESIDENT FECKNER: Good morning.

19           CHIEF EXECUTIVE OFFICER FROST: This morning, I  
20 do have some important key initiatives to share with you  
21 regarding member health benefits, our asset liability  
22 management program, as well as a report that's been  
23 focused on our investments in California.

24           So let's start with health rates. Those you had  
25 a chance to look at yesterday, and you'll be taking action

1 on those today. And they would become effective in  
2 January. And we do know that some of the plans came in a  
3 little bit higher than what we would have liked or had  
4 expected. So we will continue to look at how we can cut  
5 costs moving forward into our next health plan cycle. And  
6 it really is our goal to keep costs down for both our  
7 members and our employers.

8           While direct negotiations over rates take place  
9 in the spring, preparing for them, as you know, is a  
10 year-long process that begins again almost immediately  
11 after you take action.

12           And as Mr. Feckner indicated, our health teams  
13 have worked really hard this year during negotiations, so  
14 that we can present health plans that maintain our  
15 commitment to quality care, and also our commitment to  
16 affordable health care.

17           We were able to keep the overall premium increase  
18 to just under 2.3 percent. After you make your decision  
19 today, we will turn our attention to preparing for open  
20 enrollment that will begin this fall.

21           On the asset liability management, we're staying  
22 focused there, of course. You heard on Monday the  
23 Investment Committee heard a report about capital market  
24 assumptions. I think we had a very good conversation  
25 about the future impacts of those assumptions, as we

1 continued to build these blocks for our strategic asset  
2 allocation.

3           There's still a lot of work to do leading up to  
4 an important workshop in November on candidate investment  
5 portfolios, where we will have many conversations, I  
6 think, about risk and return. Next month at the off-site  
7 we'll hear a discussion on leverage. And in November,  
8 you'll hear from the actuaries on the most recent  
9 experience study.

10           All of this again is aimed at providing you with  
11 information that you need to take action on the new  
12 strategic asset allocation.

13           The CalPERS for California Report was discussed  
14 on Monday as well, and it does describe the significant  
15 impact that CalPERS investments have on the economic  
16 health and vitality of California. The report details the  
17 27.3 billion we have invested in the State as of June 30th  
18 of 2016, along with the ancillary job creation that  
19 happens as a result of this support.

20           Not only do our California investments make up  
21 9.3 percent of the total fund, the impact again that these  
22 investments have on jobs is considerable. They help  
23 support one million people employed by companies who are  
24 headquartered here in California.

25           This report, I think, clearly demonstrates how

1 our investment does support businesses and local  
2 communities across the State, in addition to creating  
3 those opportunities.

4 In a few weeks we'll also release a report that  
5 showcases our economic impact in California, and how every  
6 dollar we pay in pension benefits helps the California  
7 economy. And many of you know that many of our retirees  
8 remain in California. So these pension dollars are spent  
9 in the communities again in this State.

10 Ms. Lum talked about the CBEEs, which are the  
11 CalPERS Benefit Education Events. The next one will be in  
12 Santa Clara on July 21st and 22nd. And that will be  
13 followed by two more CBEEs to finish out August and  
14 September. The August event will take place in Pasadena  
15 on August 18th and 19th followed in September by our  
16 Garden Grove CBEE on September 15th.

17 And as you know, the CBEE events are really  
18 important to our members. They also represent an ideal  
19 opportunity to put our customers at the center of all we  
20 do on behalf of their retirement security. Currently, we  
21 have more than 1,400 members pre-registered for the Santa  
22 Clara event, and we anticipate that registration number  
23 will grow as we get closer to time.

24 Our educational forum, another very popular  
25 event, I'm happy to report that registration for this

1 year's CalPERS Educational Forum is open. It opened  
2 earlier this month. And we have about 200 registrations  
3 already. This will mark the 18th year of this event that  
4 brings leaders and team members together from public  
5 agencies, schools, and State agencies.

6           The Educational Forum is a great opportunity for  
7 our teams to get to interact with many employers as well  
8 as other representatives of the contracting agency to  
9 understand the long-term retirement needs and health  
10 security for those we serve.

11           We'll keep you posted on our progress in putting  
12 the agenda together. This year's forum will be held  
13 October 23rd through 25th in Rancho Mirage. And I know  
14 many of you have already put that on your schedule and  
15 have planned to be there.

16           And then finally, I am pleased to let you know  
17 that I've been named the Vice Chair of the California Our  
18 Promise Campaign, which is administered by the United Way.  
19 This is obviously something that's very near and dear to  
20 me. It was an area that I spent much time in Washington  
21 State as well. Our Promise works with hundreds of  
22 nonprofit organizations each year to help direct State  
23 employee contributions to the charity or charities of our  
24 team member's choice. And as you may know, there's a  
25 section in the California Government Code that requires



1 each State employee be given this opportunity through  
2 payroll deduction.

3 My role will be to work with agency level leaders  
4 around the State who are responsible for leadership and  
5 engagement of the campaign within their own organizations.  
6 And again, I think a wonderful opportunity for me to get  
7 to know more people here in my new community, and also  
8 support something that I have firm conviction in.

9 It also, I think, supports our own CalPERS team  
10 members who step up every single year to deliver on the  
11 Our Promise campaign. And we have many lively events that  
12 happen around here again to show that support. I'll have  
13 more news to report to you in the fall about the campaign.

14 So thank you, Mr. President, and that does  
15 conclude my remarks, unless there are questions I could  
16 answer.

17 PRESIDENT FECKNER: Thank you.

18 Ms. Taylor.

19 BOARD MEMBER TAYLOR: Yes. Thank you, Ms. Frost.  
20 I wanted to thank you and our Health staff on the work  
21 that they did to bring us some very reasonable health care  
22 rates. I know that we had a lot of discussion around the  
23 rates and it directly impacts the members that I  
24 represent. So getting it to the lowest that it's every  
25 been in 20 years was a major impact for those members.

1 And I'm hoping to work next year to even do further  
2 reduction of rates. And again, thank you very much.  
3 Thank the health care staff for all their hard work.

4 CHIEF EXECUTIVE OFFICER FROST: Thank you, Ms.  
5 Taylor. We will pass that on.

6 PRESIDENT FECKNER: Thank you.

7 Brings us to Agenda Item 4b, Chief investment  
8 Officer's Report. Mr. Eliopoulos.

9 CHIEF INVESTMENT OFFICER ELIOPOULOS: Mr.  
10 Feckner -- President Feckner, members of the Board, I have  
11 a brief report on the performance of the Public Employees  
12 Retirement Fund as of April 30th, 2017. The total fund  
13 performance for the fiscal year to that date is 9.2  
14 percent. As you know, we prefer to look at longer term  
15 periods as we believe those are more meaningful. The  
16 three-year return is 5.4 percent, the five-year return is  
17 8.3 percent, the 10-year return is 4.3 percent, and the  
18 20-year return of the total fund is 6.9 percent.

19 All of those numbers I think you can see reflect  
20 the volatility and risk profile, particularly the equity  
21 risk profile of the fund over those time periods.

22 All asset class allocations are within their  
23 policy ranges. The total fund assets are valued as of  
24 April 30th, 2017 at \$318.9 billion dollars.

25 Mr. President, that is my report.

1           PRESIDENT FECKNER: Thank you very much.

2           Bring us to Agenda Item 5, the Action Consent  
3 Items, item 5a and 5b. What's the pleasure of the Board.

4           VICE PRESIDENT JONES: Move it.

5           BOARD MEMBER MATHUR: Second.

6           PRESIDENT FECKNER: Moved by Jones, seconded by  
7 Mathur.

8           All in favor of the motion say aye?

9           (Ayes.)

10          PRESIDENT FECKNER: Opposed, no?

11          Motion carries.

12          Item 6, Information Consent Items. Having no  
13 requests to remove anything, move on to Item 7, the  
14 Committee Reports.

15          Item 7a, Investment Committee. For that, I call  
16 on the Chair, Mr. Jones.

17          VICE PRESIDENT JONES: Thank you, Mr. President.  
18 The Investment Committee met on June 19, 2017.

19          The Committee received reports on the following  
20 topics:

21          Asset Liability Management: Adoption of Capital  
22 Market Assumptions; Investment Manager Engagement  
23 Programs; 2016 CalPERS for California Report; Sustainable  
24 Investment Research Initiative; and Federal Investment  
25 Policy Representative Update.

1           The Chair directed staff to do the following:

2           As part of the asset allocation process:

3           One, provide a graphic or -- graphic of capital  
4 market return assumptions versus actual returns over  
5 varying time frames;

6           Two, provide the Committee with scenario analysis  
7 of the candidate portfolios;

8           And three, provide a review of the constraints  
9 that might apply to private equity and how the number of  
10 external managers might affect the targeted weight to  
11 private equity;

12           And provide the Committee with the Principles of  
13 Responsible Investment quarterly newsletter and the PRI  
14 income inequality discussion paper.

15           The Committee held -- heard public comments on  
16 the following:

17           The Investment Manager Engagement Program update;  
18 support for Senate Bill 185; the CalPERS for California  
19 Report; and labor priorities within the Sustainable  
20 Investment Research Initiative update.

21           At this time, I would like to share some  
22 highlights of what to expect at the August Investment  
23 Committee meeting:

24           The first program review of the Trust Level  
25 Portfolio Management Program; the CalPERS trust level

1 review and consultant report; and a corporate governance  
2 update

3           The next meeting of the Investment Committee is  
4 scheduled for August 14, 2017 in Sacramento, California.

5           And that concludes my report, Mr. President.

6           PRESIDENT FECKNER: Thank you, Mr. Chair.

7           We have one request to speak from the public.

8 Mr. Flaherman, you wish to speak on the topic. Please use  
9 the microphone on my far left. You'll have up to three  
10 minutes for your comments, please. Please state your name  
11 and affiliation for the record.

12           MR. FLAHERMAN: Good morning. I'm Michael  
13 Flaherman a candidate for the Board.

14           On Monday, Mr. Eliopoulos, your Chief Investment  
15 Officer, made a very unusual report to the Board on  
16 private equity, where he complained that, and I quote,  
17 "Over the course of the past two years, and frequently in  
18 these monthly Investment Committee meetings, CalPERS staff  
19 is attacked and denigrated for our decision to invest in  
20 these funds".

21           So look around, presumably somebody in this room  
22 has attacked and denigrated the staff regarding private  
23 equity. Was it Mr. Jelincic? We know that there's a  
24 sorry history of lobbying innuendo at him. But in this  
25 case, we have transcripts and we know that while he's

1 unfailingly inquisitive and at times critical, he is  
2 absolutely civil.

3           And then there's me, your most prolific private  
4 equity commentator. I've addressed you about numerous  
5 issues. Admittedly, I've not been deferential to you, but  
6 have instead attempted to engage you as the California  
7 Constitution presumes you are, which is as prudent  
8 experts. But like Mr. Jelincic, the record shows that I,  
9 too, have always treated you with civility.

10           Now, perhaps we have different definitions of  
11 civility. Last month, your staff made a grossly  
12 inaccurate presentation claiming dramatically exaggerated  
13 private equity cost reductions over time. A slough of  
14 people alerted your staff that the figures were incorrect.

15           The first person I'm aware of, a private equity  
16 trade publication reporter, told me weeks before the  
17 meeting that your staff didn't seem to care that the  
18 numbers were wrong. At the meeting, both Margaret Brown,  
19 another Board candidate, and I respectfully challenged the  
20 accuracy of the numbers. Despite the warnings, right  
21 after the meeting, your staff published both a press  
22 release and a YouTube video bragging about the phony  
23 numbers.

24           Because the Board failed to act, I pursued the  
25 only other available option. I called Dawn Lim, a

1 reporter for the Wall Street Journal, and I alerted her to  
2 the inaccurate press release. She confronted your staff,  
3 and I presume -- and I presume threatened to write a story  
4 that the numbers were a lie. Only then, only then did  
5 your staff do something unprecedented, which was to  
6 retract the inaccurate numbers and issue a new corrected  
7 press release. Mr. Tollette also recorded a new YouTube  
8 video with the correct information.

9           Now, you may be thinking by alerting the Wall  
10 Street Journal, my actions meet Mr. Eliopoulos's  
11 definition of attacking and denigrating CalPERS staff. If  
12 you do, rather than participating in this game of  
13 innuendo, I hope that you'll speak up. Please, in front  
14 of the audience and the cameras, tell me I was uncivil to  
15 seek correction of inaccurate information that your staff  
16 published, rather than it -- having it been a mistake for  
17 your staff to have produced and publicized the wrong  
18 information in the first place.

19           Anybody?

20           I thought so.

21           Thank you.

22           PRESIDENT FECKNER: All right.

23           I'm 7b, Pension and Health Committee. For that,  
24 I call on Ms. Mathur.

25           BOARD MEMBER MATHUR: Thank you, Mr. President.

1           This Pension and Health Benefits Committee, PHBC,  
2 met yesterday on June 20th, 2017.

3           The Committee recommends and I move the Board  
4 approve on Agenda Item 5a the proposed 2018 Health  
5 Maintenance Organization risk-adjusted premium rates for  
6 Anthem Blue Cross, Blue Shield of California, Health Net  
7 of California, Kaiser Permanente, Sharp Health Plan,  
8 UnitedHealthcare, and Western Health Advantage; and the  
9 Medicare Advantage rate for Kaiser Permanente,  
10 UnitedHealthcare, and Anthem HMO traditional as shown in  
11 attachment one.

12           PRESIDENT FECKNER: On motion by Committee.

13           Any discussion on the motion?

14           Mr. Costigan.

15           BOARD MEMBER COSTIGAN: Just please note, as has  
16 been my custom for the last several years, I won't be  
17 voting on this item.

18           PRESIDENT FECKNER: Okay. Well, please not Mr.  
19 Costigan as abstaining.

20           Any other discussion on the motion?

21           Seeing none.

22           All in favor say aye?

23           (Ayes.)

24           PRESIDENT FECKNER: Opposed, no?

25           Motion carries.



1 BOARD MEMBER MATHUR: The Committee further  
2 recommends and I move the Board approve the pro -- on  
3 Agenda Item 5b, the proposed 2018 Preferred Provider  
4 Organization risk-adjusted premium rates for Anthem  
5 Exclusive Provider Organization, PERS Choice, PERS Select,  
6 and PERSCare as shown in attachment two.

7 PRESIDENT FECKNER: On motion by Committee, any  
8 discussion on the motion?

9 Seeing none.

10 All in favor say aye?

11 (Ayes.)

12 PRESIDENT FECKNER: All opposed, no?

13 Motion carries.

14 BOARD MEMBER MATHUR: The Committee further  
15 recommends and I move the Board approve on Agenda Item 6,  
16 the proposed self-funded PPO plans medical and pharmacy  
17 benefit changes for the 2018 plan year. The detailed  
18 benefit changes can be found in the June 20, 2017 Pension  
19 and Health Benefits Committee material.

20 PRESIDENT FECKNER: On motion by Committee.

21 Any discussion on the motion?

22 Mr. Jelincic.

23 BOARD MEMBER JELINCIC: This is not directly  
24 related to the motion, but we did -- but it is, at least  
25 indirectly. We were just given this chart, and I want to

1 thank the staff for it. It identifies the combo plans.  
2 And I just want to make sure that it's been made available  
3 to the public and has been put up on the website?

4 PRESIDENT FECKNER: It has.

5 BOARD MEMBER JELINCIC: Or will be up on the  
6 website shortly?

7 Okay. Thank you.

8 PRESIDENT FECKNER: Any further discussion on the  
9 motion?

10 Seeing none.

11 All in favor say aye?

12 (Ayes.)

13 PRESIDENT FECKNER: Opposed, no?

14 Motion carries.

15 BOARD MEMBER MATHUR: The Committee further  
16 recommends and I move the Board approve on Agenda Item 7,  
17 that after considering the cumulative results for all  
18 bidders that participated in solicitation number  
19 2016-8180, and from such results, that the Board select  
20 the Long Term Care Group, Inc., whose submission response  
21 best demonstrates the ability to offer long-term care  
22 third-party administrative services in terms of customer  
23 service, pricing, and ability to fulfill contractual terms  
24 and conditions for calendar years 2018 through 2022.

25 PRESIDENT FECKNER: On motion by Committee.

1 Any discussion on the motion?

2 Seeing none.

3 All in favor by saying aye?

4 (Ayes.)

5 PRESIDENT FECKNER: Opposed, no?

6 Motion carries.

7 BOARD MEMBER MATHUR: The Committee received  
8 reports on several topics including the 2018 associate  
9 plan rates, as shown in attachment three, and also  
10 reviewed the State annuitant contribution formula, which  
11 was attachment -- which is attachment four.

12 The Committee received updates on the federal  
13 health care and retirement policies, and the transition  
14 care program pilot. The Committee also received  
15 information on the contracting agency member health  
16 benefit contribution spousal surcharge.

17 The Chair directed staff to provide an update to  
18 the Committee on the SilverSneakers program one year from  
19 now, and to provide the CalPERS estimated 85/50 and 80/80  
20 State active contribution amounts, which is included in  
21 the attachment four.

22 So we will meet again in august and the Committee  
23 will review the final pensionable compensation regulations  
24 and the proposed normal retirement age regulations.

25 In addition, the Committee will hear information

1 on Castlight/Harvard and the health strategic plan. I  
2 should also note that at next month's off-site -- CalPERS  
3 Board off-site we'll be discussing the Health Beliefs,  
4 which will be in draft form at that time.

5 The next meeting of the Pension and Health  
6 Benefits Committee is scheduled for August 15th, 2017 in  
7 Sacramento, California.

8 That concludes my report, Mr. President.

9 PRESIDENT FECKNER: Thank you, Ms. Mathur.

10 And before we move on, back to 7a, I clearly  
11 missed Mr. Slaton's button being pushed.

12 Mr. Slaton.

13 BOARD MEMBER SLATON: Thank you, Mr. President.

14 I did want to address the comment that Mr.  
15 Flaherman made. He did use a term, which I think  
16 certainly shows a lack of civility right here today,  
17 because he used the term "lie". Lie implies intent, and I  
18 don't think he has knowledge of intent, so I think this is  
19 an example of a lack of civility on this particular issue.

20 MR. FLAHERMAN: May I respond?

21 PRESIDENT FECKNER: No, your time is up. You can  
22 come back under public comment.

23 MR. FLAHERMAN: I said that the Wall Street  
24 Journal --

25 PRESIDENT FECKNER: You can come back under

1 public comment, Mr. Flaherman.

2 MR. FLAHERMAN: -- not that I --

3 PRESIDENT FECKNER: Item 12, please sir.

4 Thank you.

5 Brings us to Item 7c, Finance and Administration  
6 Committee. For that, I call on the Chair, Mr. Costigan.

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

8 The Finance and Administration Committee met this  
9 morning on June 21st, 2017. The Committee recommends and  
10 I move the Board approve the following:

11 Agenda Item 5a, which is to approve the Cal --  
12 approve CalPERS recognizes the value of labor organizing,  
13 and encourages the entities with which it contracts to  
14 demonstrate that they also value this principle by  
15 encouraging management neutrality with respect to labor  
16 organizing activities.

17 To remain "neutral" means not to take any action  
18 or make any statement that will directly or indirectly  
19 State or imply any support for or opposition to the  
20 selection of the contractor's employees of a collective  
21 bargaining agent - excuse me - or preference or opposition  
22 to particular union as a bargaining agent. Nothing in  
23 this section obligates or prohibits the contractor -- the  
24 contractor from entering into private neutrality, labor  
25 peace, or other lawful agreements with a labor

1 organization seeking to represent or who currently  
2 represent the contractor's employees, excluding investment  
3 contracts.

4 PRESIDENT FECKNER: On motion by Committee.

5 Any discussion on the motion?

6 Mr. Jelincic.

7 BOARD MEMBER JELINCIC: Mr. Costigan, I thought  
8 that the motion adopted in Committee had a provision that  
9 this be -- that that language be added to contracts going  
10 forward, not just that we were approving the language?

11 BOARD MEMBER COSTIGAN: Well, by approving the  
12 language, we're adopting it today to go into the  
13 contracts.

14 BOARD MEMBER JELINCIC: Okay. But this  
15 doesn't -- this doesn't specifically say it's going to go  
16 into the contracts.

17 BOARD MEMBER COSTIGAN: Well, if I recall, the  
18 meeting we had two hours ago - and I was not the maker of  
19 the motion, the Treasurer's Office was - is that this was  
20 the language that was read, and this was what the motion  
21 was based on.

22 BOARD MEMBER JELINCIC: Okay. So your  
23 understanding is that --

24 BOARD MEMBER COSTIGAN: It is my understanding  
25 that should the Board adopt this language, it would go

1 into effect with our contracts, except as was raised is  
2 you can't make a retroactive provision to an existing  
3 contract.

4 BOARD MEMBER JELINCIC: Correct.

5 BOARD MEMBER COSTIGAN: So these would be for  
6 future contracts.

7 BOARD MEMBER JELINCIC: But for future  
8 contracts --

9 BOARD MEMBER COSTIGAN: Yes, that it will be  
10 execute

11 BOARD MEMBER JELINCIC: -- this will be inserted  
12 in the contracts?

13 BOARD MEMBER COSTIGAN: Correct, if the contract  
14 was executed today or going forward, should the Board  
15 adopt this provision.

16 BOARD MEMBER JELINCIC: Okay. I just didn't  
17 think it made explicit that it was going to be inserted.  
18 But if that's the intent of the motion, I will -- okay

19 BOARD MEMBER COSTIGAN: I recall that's how the  
20 motion was made, unless, Mr. Feckner, the Treasurer's  
21 Office would like to clarify.

22 PRESIDENT FECKNER: Mr. Slaton is next.

23 BOARD MEMBER SLATON: I just want to clarify the  
24 motion excludes investment contracts.

25 BOARD MEMBER COSTIGAN: Yes, that was the final

1 part of the motion, excluding investment contracts.

2 PRESIDENT FECKNER: All right. Seeing no other  
3 requests to speak.

4 All in favor of the motion say aye?

5 (Ayes.)

6 PRESIDENT FECKNER: Opposed, no?

7 (Noes.)

8 PRESIDENT FECKNER: Motion carries.

9 BOARD MEMBER COSTIGAN: The Chair directed staff  
10 to: In August bring back a memo for distribution, if  
11 possible, that summarized the updates of the legal cases  
12 raised by the Controller's Office on Agenda Item 5a.

13 The Committee heard public comment on the  
14 following topic: The addition of the provision to  
15 CalPERS' contract encouraging management neutrality and  
16 labor organizing activities.

17 And, at this time, I'd like to share some  
18 highlights of what to expect at the September Finance and  
19 Administration Committee meeting. We will have our annual  
20 report on diversity, actuarial valuations for the  
21 terminated agency pool and customer service cost  
22 effectiveness measurement update. In addition, updates on  
23 participating employers and risk profile review.

24 The next meeting of the Finance and  
25 Administration is scheduled for September 19th, 2017 in



1 Sacramento.

2           And just to clarify, while I did ask staff to  
3 bring back in August, that's -- our next meeting is not  
4 until September, but our goal is to try to get that memo  
5 out to the interest groups by August.

6           Thank you, Mr. Feckner. That's my report, sir.

7           PRESIDENT FECKNER: Thank you, Mr. Costigan.

8           On Item -- now we move on to Item 7d,  
9 Performance, Compensation and Talent Management Committee.  
10 For that, I call on the Chair, Mr. Bilbrey.

11           Before you begin, Mr. Jelincic.

12           BOARD MEMBER JELINCIC: Yeah, I will not be  
13 participating in this.

14           PRESIDENT FECKNER: Thank you.

15           Mr. Bilbrey

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

17           The Performance, Compensation and Talent  
18 Management Committee met on June 20th, 2017.

19           The Committee recommends and I move the Board  
20 approve the following items:

21           Agenda Item 5, 2017-18 incentive plans of the  
22 Chief Investment -- Executive Officer and Chief Investment  
23 Officer.

24           PRESIDENT FECKNER: On motion by Committee.

25           Any discussion on the motion?

1           Seeing none.

2           All in favor by saying aye?

3           (Ayes.)

4           PRESIDENT FECKNER: Opposed, no?

5           Motion carries.

6           BOARD MEMBER BILBREY: Agenda Item 6, Biennial  
7 Salary Survey. Approve option 2, as amended by the  
8 Committee, raising the maximum of the salary ranges for  
9 the following classifications by four percent: General  
10 Counsel, Chief Operating Investment Officer, Managing  
11 Investment Director, Investment Director, and Investment  
12 Manager.

13           And I'd like to say that this will put the  
14 framework in place, but we are not approving a salary  
15 increase at this time.

16           PRESIDENT FECKNER: Thank you.

17           On motion by Committee.

18           Any discussion on that motion?

19           Seeing none.

20           All in favor by saying aye?

21           (Ayes.)

22           PRESIDENT FECKNER: Opposed, no?

23           Motion carries.

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

1 meeting. The Committee will receive an information item  
2 regarding the 2016-17 performance metric outcomes in open  
3 session.

4 A closed session meeting will be to conduct the  
5 annual performance reviews of the CEO and CIO, and will  
6 include a summary of appraisal outcomes for all other  
7 positions covered by the Board's Executive Compensation  
8 Policy.

9 The next meeting of the Performance, Compensation  
10 and Talent Management Committee will be September 19th,  
11 2017 here in Sacramento.

12 Thank you, Mr. Chair.

13 PRESIDENT FECKNER: Thank you.

14 Brings us to Agenda Item 7e, Risk and Audit  
15 Committee. For that I call on the Chair, Ms. Hollinger.

16 BOARD MEMBER HOLLINGER: Thank you, Mr. Chair.  
17 The Risk and Audit Committee met on June 20th, 2017.

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

20 Agenda Item 5a, approve the proposed 2017-2018  
21 Enterprise Compliance Plan.

22 PRESIDENT FECKNER: On motion by Committee.

23 Any discussion on the motion?

24 Seeing none.

25 All in favor say aye?

1 (Ayes.)

2 PRESIDENT FECKNER: Opposed, no?

3 Motion carries.

4 BOARD MEMBER HOLLINGER: The Committee recommends  
5 and I move the Board approve the following:

6 Agenda Item 6a, approve the proposed 2017-2018  
7 Enterprise Risk Management Plan.

8 PRESIDENT FECKNER: On motion by Committee.

9 Any discussion on the motion?

10 Seeing none.

11 All in favor say aye?

12 (Ayes.)

13 PRESIDENT FECKNER: Opposed, no?

14 Motion carries.

15 BOARD MEMBER HOLLINGER: The Committee recommends  
16 and I move the Board approve the following:

17 Agenda Item 7a, approve the proposed Office of  
18 Audit Service plan for the fiscal year 2017-2018.

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

21 Seeing none.

22 All in favor say aye?

23 (Ayes.)

24 PRESIDENT FECKNER: Opposed, no?

25 Motion carries.

1 BOARD MEMBER HOLLINGER: The Committee recommends  
2 and I move the Board approve the following:

3 Agenda Item 7b, Accept the Board of  
4 Administration's independent financial statement auditor's  
5 annual audit service plan for the audit of CalPERS  
6 financial statements as of and for the fiscal year-ended  
7 June 30th, 2017.

8 PRESIDENT FECKNER: On motion by Committee.

9 Any discussion on the motion?

10 Seeing none.

11 All in favor say aye?

12 (Ayes.)

13 PRESIDENT FECKNER: Opposed, no?

14 Motion carries.

15 BOARD MEMBER HOLLINGER: The Committee received  
16 reports on the following topics: Semi-annual enterprise  
17 risk reports.

18 The Chair directed staff to: Consider at a  
19 tabletop demonstration to discuss responses to a cyber  
20 event at a future Board off-site would be beneficial.

21 At this time, I would like to share some of the  
22 highlights of what to expect at the September Risk and  
23 Audit Committee meeting:

24 External audit fees; the third-party parallel  
25 valuation and certification of the Judges' Retirement

1 System, Judges's Retirement System II, LEGISLATORS'  
2 Retirement System, 1959 Survivor Benefit Program as of  
3 June 30th, 2016; and the annual compliance report for  
4 2016-2017.

5 The next meeting of the Risk and Audit Committee  
6 is scheduled for November 14th, 2017 in Sacramento,  
7 California.

8 PRESIDENT FECKNER: Thank you.

9 The next item is 7f, Board Governance Committee.  
10 Ms. Taylor, please push your button.

11 Thank you. For that, I call on the Chair, Ms.  
12 Taylor.

13 BOARD MEMBER TAYLOR: Thank you, Mr. Chair.

14 The Committee recommends -- the Board Governance  
15 Committee met on June 19th, 2017. The Committee  
16 recommends and I move the Board approve the following:

17 Agenda Item 5, proposed revisions to Board  
18 Governance Policy regarding Board member email usage and  
19 distribution of articles and CalPERS related items to the  
20 Board. Approve the proposed revisions to the Board  
21 Governance Policy with amended language to clarify that  
22 the procedure for distributing articles and CalPERS  
23 related items is only applicable when a Board member  
24 wishes to send the items to a majority of the members of a  
25 Committee or a majority of the members of the Board.

1           PRESIDENT FECKNER: On motion by Committee.

2           Any discussion on the motion?

3           Mr. Jelincic.

4           BOARD MEMBER JELINCIC: I will oppose this  
5 motion. I will not repeat all the arguments that I made  
6 yesterday. I think the statute is clear.

7           But I do want to point out that our Chief Counsel  
8 read from a Handy Guide to the Bagley-Keene Open Meeting  
9 Act, 2004. And that's a public document. It's up on the  
10 Department of Justice website. And he read the following:  
11 "Operating under the requirements of the Act can sometimes  
12 be frustrating for both board members and staff. The  
13 results from the lack of..." -- this results from a lack  
14 of efficiency built into the Act and the unnatural  
15 communication patterns brought about by compliance with  
16 its rules".

17           Up a -- the paragraph immediately preceding that  
18 talks about how to get copies. The paragraph above that I  
19 would like to read the last sentence, because I think the  
20 law was misrepresented. "Although we believe that this  
21 summary is a helpful roadmap, it is no substitute for  
22 consulting the actual language of the Act and the court  
23 cases and administrative opinions that interpret it".

24           So I think that is actually relevant to the  
25 comment, and I will be voting no.

1           PRESIDENT FECKNER: Thank you.

2           Mr. Bilbrey.

3           BOARD MEMBER BILBREY: Thank you, Mr. Chair. For  
4 reasons I stated yesterday, I'll be abstaining on this  
5 motion.

6           BOARD MEMBER JELINCIC: And I'd like to request a  
7 roll call vote.

8           PRESIDENT FECKNER: We have three requests to  
9 speak from the audience.

10          Mr. Costigan, did you change your mind?

11          BOARD MEMBER COSTIGAN: I'll come back to it.

12          PRESIDENT FECKNER: Okay. I have Al Darby, Donna  
13 Snodgrass and Michael Flaherman. Please come forward.  
14 Your microphones will be turned on the left-hand -- my  
15 left-hand side. Please your name and affiliation for the  
16 record. And you'll have up to three minutes for your  
17 comments.

18          MS. SNODGRASS: Do you want us to go in order  
19 that you called our names.

20          PRESIDENT FECKNER: Go right ahead.

21          MS. SNODGRASS: I have a question first. Was  
22 this amended language in Section P that the CEO would  
23 still receive the emails first and then approve or  
24 disseminate?

25          PRESIDENT FECKNER: Ms. Taylor.



1 BOARD MEMBER TAYLOR: The CEO will receive it, if  
2 it's going to go to a majority of the Board or a  
3 Committee. Otherwise, if it's just an email that I'm  
4 sending to another Board member or two other Board  
5 members, it doesn't have to.

6 MS. SNODGRASS: So that's if there's an  
7 attachment or article you're still referring to that?

8 BOARD MEMBER TAYLOR: Even with an attachment or  
9 article --

10 MS. SNODGRASS: Okay.

11 BOARD MEMBER TAYLOR: -- if I'm just sending it  
12 to a couple of Board members.

13 MS. SNODGRASS: Then my comments still apply.  
14 Thank you.

15 And I completely understand the need to conduct  
16 official business within an email system that is subject  
17 to public records requests. However, the new policy  
18 language creates a massive waste of time, or it could, and  
19 turns a valuable, highly paid CEO into an obscenely  
20 overpaid secretary to the Board.

21 This is silly. It misuses the fund's money.  
22 Certainly this can't be responsible fiduciary duty, or the  
23 best use of staff's time. There are other ways to  
24 accomplish the goal to meet the implied restrictions,  
25 Dropbox, your Board books, Google Group just to name a

1 few. These are all file share programs that every member  
2 of this Board can access.

3 If an article is received that needs to be  
4 shared, and let's just assume they all need to be shared  
5 with the entire Board, then use of these programs.

6 It's the responsibility of each and every Board  
7 member themselves to adhere to the set parameters, not  
8 staff. Why do you think you need a babysitter? You need  
9 to be adults and take responsibility for your own actions  
10 or inactions in this applicable rule or law.

11 PRESIDENT FECKNER: Thank you.

12 Mr. Darby

13 MR. DARBY: Al Darby --

14 PRESIDENT FECKNER: Microphone, please.

15 Microphone. Thank you.

16 MR. DARBY: Al Darby, Retired Public Employees  
17 Association, Vice President.

18 While a difference of opinion between legal  
19 interpretations exists, the prevailing view among the  
20 Board members who expressed an opinion during the  
21 Governance Committee meeting was that a strict view of the  
22 Keene Act held by the CalPERS Chief Counsel was too  
23 stringent. Based on comments from Board members on the  
24 Committee, the more liberal view of the law by an attorney  
25 hired by a Board member was the more acceptable view of

1 the law.

2           After public comment, Mr. Jones and Mr. Slaton  
3 reinforced the more liberal interpretation of the law by  
4 stating that this was an overreach that would allow the  
5 CEO to inadvertently or advertently withhold Board  
6 articles or other items and possibly deprive the Board of  
7 important information that might be contained in the  
8 articles or other material that a Board member would like  
9 to share with other Board members.

10           A compromise occurred in the Committee that  
11 resulted in an amendment to the proposed rule that would  
12 allow direct communication between Board members if  
13 addressed to less than a quorum of the Committee or Board  
14 members, thereby avoiding the serial meeting concern.

15           RPEA favors the current system of unfettered  
16 posting of all articles and other items from Board members  
17 to the Board Diligent's Book for all Board members to read  
18 and fully be informed on whatever issues are expressed in  
19 the articles or other material posted.

20           Finally, RPEA supports complete and unfettered  
21 communication that is within the law between Board members  
22 on any matter the Board has before it. Staff should have  
23 no role in censoring information related to Board  
24 business. Thank you.

25           PRESIDENT FECKNER: Thank you.

1 Mr. Flaherman.

2 MR. FLAHERMAN: I think that the problem with  
3 your Governance Policy as it exists now is that there's no  
4 way for a member of the Board to add materials to agenda  
5 items. Only the Committee Chairs or the President of the  
6 Board have that authority. It seems to me it would go  
7 very far towards solving this problem if the governance  
8 documents said any Board member could add any article or  
9 any other materials as an appendix to any agenda item.  
10 That would be completely transparent. I don't think I  
11 ever heard your counsel say that that's not allowed.

12 Similarly, if you want to have the ability to  
13 send things out on a more timely basis, because there's  
14 something time critical about the news article and you  
15 have to go through this kludge with the CEO deciding, why  
16 not then have either all of the articles that the CEO  
17 received and decided to send out or didn't send out  
18 included in your Board materials as an appendix or you  
19 could even just have the ones that the CEO declined to  
20 send out there, so that there's a complete check on  
21 whether things are being hidden.

22 If I were you, I would be very concerned about  
23 not having transparency into what the CEO didn't send out.  
24 You know, I think you have to contemplate the possibility  
25 of a Fred Buenrostro scenario, a CEO who ultimately goes

1 to jail for corruption. If that story starts to break in  
2 the press, no CEO on earth is going to go waiving around  
3 the news articles that talk about how they are stealing.  
4 They're going to try to suppress it.

5           You know, I think that's -- I think -- I think  
6 the way it's written now without any transparency into  
7 what is not being sent out is an invitation to a breach of  
8 fiduciary duty liability. And so -- so I think those are  
9 a few things that you could take that kind of bust out of  
10 this very narrow debate about what can be an email and  
11 what can't, that get you pretty much almost all of the way  
12 there, in terms of the ability to share information in a  
13 way that's very squarely within the four corners of the  
14 Bagley-Keene Act.

15           Thank you.

16           PRESIDENT FECKNER: Thank you.

17           Seeing no other requests to speak, there is a  
18 request for roll call vote. So we will make a electronic  
19 vote, please.

20           (Thereupon an electronic vote was taken.)

21           PRESIDENT FECKNER: All right. Motion carries.

22           I will say Ms. Taylor that I think that there --  
23 while this is a good start, I think there is still room  
24 for future work to be done on this.

25           BOARD MEMBER TAYLOR: I agree.

1           PRESIDENT FECKNER: Thank you.

2           BOARD MEMBER TAYLOR: Thank you.

3           The Committee participated in and facilitated a  
4 discussion on the potential need for sending duplicate  
5 Outlook calendar entries to Board members' private email  
6 addresses.

7           The Committee heard public comment on Agenda Item  
8 5 from Margaret Brown, candidate for CalPERS Board; George  
9 Linn, RPEA; and Al Darby, RPEA.

10           The next meeting of the Board Governance  
11 Committee is tentatively scheduled for August 14th, 2017  
12 in Sacramento, California.

13           That is my report.

14           PRESIDENT FECKNER: Thank you.

15           Brings us to Agenda Item 8, Proposed Decisions of  
16 Administrative Law Judges. I first want to inform the  
17 Board Mr. Chirag Shah, the Board's independent counsel for  
18 administrative law hearings is on the phone.

19           Good morning, Mr. Shah.

20           MR. SHAH: Good morning, Mr. President.

21           PRESIDENT FECKNER: So if any Board members have  
22 any questions, we certainly have Mr. Shah there as our  
23 counsel.

24           And I will call on Mr. Jones, please.

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

1 President. I move to, one, adopt the proposed decisions  
2 at Agenda Items 8a through 8i, 8k through 8n, and 8p  
3 through 8s with the minor modifications argued by staff to  
4 agenda items 8c, 8e, 8h, 8m, and 8q; two, schedule agenda  
5 item 8j for a full Board hearing as argued by staff.

6 PRESIDENT FECKNER: On motion by Committee.

7 Any discussion on the motion?

8 Mr. Jelincic.

9 BOARD MEMBER JELINCIC: I would propose that we  
10 amend it and actually adopt 8o

11 PRESIDENT FECKNER: 8o is being taken up  
12 separately

13 BOARD MEMBER JELINCIC: Oh. I'm sorry. Then I  
14 withdraw that.

15 PRESIDENT FECKNER: Okay. Any further discussion  
16 on the motion as presented?

17 Seeing none.

18 All in favor say aye?

19 (Ayes.)

20 PRESIDENT FECKNER: Opposed, no?

21 Motion carries.

22 Mr. Jones.

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

24 President. I move to remand Agenda Item 8o for the taking  
25 of additional evidence as argued by staff. And by the

1 way, in your folders page seven of the memo has been  
2 revised, and you can see the changes marked in red.

3 PRESIDENT FECKNER: Thank you. Is there a second  
4 to the motion?

5 BOARD MEMBER MATHUR: Second.

6 PRESIDENT FECKNER: It's been moved by Jones,  
7 seconded by Mathur.

8 I would like to offer a substitute amendment to  
9 Item 80, and that is that the Board adopt the proposed  
10 decision in 80 as its own decision in its entirety. And  
11 upon action of that motion, I would make a second motion.

12 Is there a second on the substitute?

13 BOARD MEMBER JELINCIC: Second.

14 PRESIDENT FECKNER: Seconded by Mr. Jelincic.

15 Any discussion on the substitute motion?

16 Seeing none.

17 All in favor say aye?

18 (Ayes.)

19 PRESIDENT FECKNER: Opposed, no?

20 Motion carries.

21 Thank you, Board members.

22 On the second motion, understanding that there is  
23 an appeal process time, I would make a motion to staff to  
24 bring back the proposed decision of Agenda Item 80 at a  
25 future agenda item for a precedential designation at the



1 earliest opportunity after the appeals period has expired  
2 in this case, realizing that I doubt the respondent will  
3 file an appeal. If staff determines that they are not  
4 going to file an appeal, then I would make the motion to  
5 don't it now. But unless you're prepared to make that  
6 decision, then we will wait until the appeal process ends.

7 Mr. Jacobs.

8 GENERAL COUNSEL JACOBS: We're not prepared to  
9 make that decision now.

10 PRESIDENT FECKNER: Thank you.

11 So the motion is to bring it back -- staff bring  
12 back that motion -- that ability for a precedential  
13 decision at its earliest opportunity at the time that the  
14 appeals process ends.

15 Is there a second on that motion?

16 BOARD MEMBER JELINCIC: Second.

17 PRESIDENT FECKNER: Seconded by Mr. Jelincic.

18 Any discussion on this -- on the motion?

19 Seeing none.

20 All in favor say aye?

21 (Ayes.)

22 PRESIDENT FECKNER: Opposed, no?

23 Motion carries.

24 Thank you.

25 Mr. Jones.

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

3           I move to deny -- and we're on Agenda Item 9.

4           PRESIDENT FECKNER: Item 9, correct.

5           VICE PRESIDENT JONES: I move to deny the  
6 petitions of -- for reconsideration at Agenda Item 9a  
7 through 9g.

8           PRESIDENT FECKNER: Motion by Mr. Jones.

9           Is there a second?

10          BOARD MEMBER JELINCIC: Second.

11          PRESIDENT FECKNER: Seconded by Mr. Jelincic.

12          Any discussion on that motion?

13          Seeing none.

14          All in favor say aye?

15          (Ayes.)

16          PRESIDENT FECKNER: Opposed, no?

17          Motion carries. Thank you.

18          That brings us to Item 10, State and Federal  
19 Legislation update. Ms. Ashley.

20          DEPUTY EXECUTIVE OFFICER PACHECO: Good morning,  
21 Mr. President and members of the Board Brad Pacheco  
22 CalPERS team. I'm joined with -- by Mary Anne Ashley who  
23 leads our Legislative Affairs Division. Before I turn  
24 over the floor to Mary Anne to give a report, I just  
25 wanted to make a few comments.

1           Since last month's meeting, we've been working  
2 closely with the legislative offices staff and the  
3 committee consultants to explain CalPERS position on some  
4 of the issues that are before the legislature. And what  
5 we've heard is the legislature and our stakeholders are  
6 asking that CalPERS weigh-in on these issues and engage  
7 early and very often.

8           So in that spirit, you will hear today that we  
9 have taken or communicated positions on a few pieces of  
10 legislation that haven't come before this Board that are  
11 consistent with the Board's policies and our Beliefs.

12           Two of the pieces of legislation have to do with  
13 the divestment, which we've taken opposite positions on, and  
14 one is actually opposed unless amended -- amended, and a  
15 one support position on a piece of legislation that calls  
16 for drug price transparency consistent with our Beliefs in  
17 the health care area.

18           So I wanted to bring that to your attention. In  
19 our analysis, we looked at these and we are very much  
20 aligned with all our stakeholders on these positions.

21           So with that, I'll turn the report over to Mary  
22 Anne.

23           PRESIDENT FECKNER: Thank you.

24           LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Thank  
25 you. Good morning, President Feckner and members of the

1 Board. I will be presenting the federal and State  
2 legislative update. This is an informational item, and  
3 the legislative summary is available in your Board  
4 materials for your reference.

5 We are in the second half of this legislative  
6 year, and things continue to move very quickly. All four  
7 of our sponsored measures have been passed from their  
8 house of origin and are moving through the policy and  
9 fiscal committees of the second house.

10 Two of our bills, AB 590, which is the Right of  
11 Election bill, and AB 1309, which is the reporting fees  
12 bill have both been passed from the Senate PERS Committee,  
13 and are scheduled to be heard in the Senate Appropriations  
14 Committee on Monday, June 26th.

15 AB 679, which is our securities lending  
16 collateral bill. This bill is scheduled to be heard in  
17 the Senate PERS Committee on Monday, June 26th.

18 And our annual housekeeping bill, SB 525, is  
19 scheduled to be heard in the Assembly PERS Committee on  
20 July 6th.

21 July 14th is the last day for policy committees  
22 to hear and report fiscal bills to the fiscal committees.  
23 And July 21st is the last day for the policy committees to  
24 hear and report non-fiscal bills.

25 Upon adjournment on July 21st, the legislature

1 will go on summer recess and they will reconvene on August  
2 21st. In regards to other non-sponsored legislation. For  
3 AB 20, by Assembly Member Kalra, that is the bill dealing  
4 with the Dakota Access Pipeline, we have sent a letter to  
5 the author as well as to members of the Senate PERS  
6 Committee noting that CalPERS is opposed to this measure,  
7 unless it is amended.

8 We just met with the member this week to discuss  
9 our remaining concerns with the bill, and also to review  
10 our proposed amendments. We are very thankful that the  
11 member is willing to continue to work with us and consider  
12 further amendments.

13 On AB 1597 by Assembly Member Nazarian, this  
14 would prohibit certain investments in Turkey. We have  
15 sent a letter to the member, as well as to the members of  
16 the Senate PERS Committee noting that CalPERS is opposed  
17 to this measure. We also have requested to meet with the  
18 member to discuss our concerns.

19 For SB 17 by Senator Hernandez, this is regarding  
20 prescription drug cost transparency, we are sending a  
21 letter to the Senator, as well as to members of Assembly  
22 Health Committee noting that CalPERS is in support of this  
23 measure. This measure is substantially the same as last  
24 year's SB 1010, in which the Board adopted a support  
25 position.

1           And then finally, regarding AB 100, which is the  
2 budget trailer bill that would allow for one-time \$6  
3 billion supplemental payment to the Public Employees'  
4 Retirement Fund, the bill was heard yesterday in the  
5 Senate and Budget Fiscal Review Committee. And after  
6 extensive discussion, the Committee decided to not take a  
7 vote, but rather to hold the item over to a subsequent  
8 meeting and further discussion.

9           On the federal side, our federal representatives  
10 gave very detailed updates on Monday and Tuesday. And the  
11 federal bills that we're monitoring are noted on our  
12 legislative summary.

13           We will continue to monitor legislation, work  
14 with legislative staff, and provide education on -- and  
15 information on active legislation, and we will continue to  
16 keep the Board updated.

17           And thank you. That concludes my update, and I  
18 am happy to take any questions.

19           PRESIDENT FECKNER: Thank you.

20           Mr. Jelincic.

21           BOARD MEMBER JELINCIC: Two questions, and a  
22 comment.

23           On the of 680 -- it's on page 680, the Turkish  
24 divestment bill, according to the report, which had to be  
25 written some time ago, it's at Senate Rules. Is that

1 still its status or has it been assigned?

2 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: I  
3 believe it's been assigned to Senate PERS Committee

4 BOARD MEMBER JELINCIC: Okay. And the comment I  
5 would like to make, and hopefully the Chair will agree and  
6 give some direction, the -- I think it's appropriate that  
7 we're -- we clearly have a position staff gets involved  
8 early and helps the authors try and stay out of trouble.

9 The one thing I would request and I would hope  
10 the Chair would direct is that you add a new section to  
11 this report that says these are the bills where the Board  
12 has not officially adopted a position but we are taking  
13 action, just so that we know, and if some Board member has  
14 an objection, we can have that discussion.

15 So I'm -- I encourage you to participate early  
16 and often, but I think I'd like to request that you call  
17 it out.

18 PRESIDENT FECKNER: Out of transparency, that's  
19 the direction.

20 BOARD MEMBER JELINCIC: Thank you.

21 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Thank  
22 you.

23 PRESIDENT FECKNER: Thank you.

24 Mr. Costigan.

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

1 I was going to say something similar Mr. Jelincic. First  
2 of all, Mary Anne and Brad. I want to tell you, you guys  
3 are doing a fantastic job from the standpoint that I do  
4 spend some time in the building, so I hear when you all  
5 are out and about, and I see members from time to time in  
6 different settings. And the feedback that they're  
7 getting -- or at least I'm getting on your work is great.

8 I know even on the Dakota Pipeline on the Turkey  
9 Bill, I've talked with both authors in an informal setting  
10 and they've talked about working and understanding. So I  
11 think, as Mr. Jelincic raised, getting out there early --  
12 which brings me, Mr. Feckner, to a point.

13 At some point, I'd like for us to potentially  
14 revisit the ability to do delegated authority. I think  
15 the Texas legislation showed staff knew where we would  
16 land. When we look at the federal -- and now I think it's  
17 four bills that you've taken positions on, based on prior,  
18 I do know it helps staff to have early positions.

19 And I will say this year's calendar, for example,  
20 poses a potential problem for us. We don't have a Board  
21 meeting in July. They go late this year. So we're at  
22 a -- we have no -- no way to give folks direction prior to  
23 the deadline on the 21st. Then they come back for four  
24 weeks in August and September and then we run out till  
25 October this year, which also may end up being a problem,



1 because we won't meet prior to -- or after -- the session  
2 adjourns and by the time some of the bills get to  
3 Governor's desk for a sign or veto.

4           And so I would really like, at some point for us,  
5 Mr. Feckner, how do we go back and look at delegated  
6 authority. Again, I just want to commend you on Texas. I  
7 think weighing in early -- and that was an example of  
8 taking Board policy and translating it into a position on  
9 a piece of legislation.

10           So I agree also with Mr. Jelincic, there are some  
11 positions I may not agree with personally that I'd like to  
12 know, but that's the difference between the Board giving  
13 delegated authority and direction versus my individual  
14 beliefs.

15           And so adding that separate one, you guys I just  
16 think need additional latitude, based upon delegated  
17 authority, but that's just my suggestion, Mr. Feckner.

18           Thank you, sir.

19           PRESIDENT FECKNER: Thank you, Mr. Costigan, and  
20 a good suggestion. Brad, maybe in September you can bring  
21 back an information item where we can explore this topic  
22 more fully?

23           DEPUTY EXECUTIVE OFFICER PACHECO: Yeah, we can  
24 look at some options around that and bring it back to the  
25 Board either in August or September, sure.

1           PRESIDENT FECKNER: Very good. Thank you.

2           Seeing nothing else, that moves us to Agenda Item  
3 11, Summary of Board Direction. Ms. Frost, do you have  
4 anything today?

5           CHIEF EXECUTIVE OFFICER FROST: Thank you, Mr.  
6 President. I do have at least two items. The first one  
7 relates to Agenda Item 80, which is for us to bring back  
8 for a precedential decision at the time the appeals  
9 process ends.

10           The second is the request from Mr. Jelincic  
11 around adding a section to the legislative report where we  
12 would indicate that the CalPERS Board has not taken an  
13 official position on the bill, and have that be available  
14 in the report from this point forward.

15           And then for -- either for the Board or one of  
16 the committees bring back options in August or September  
17 to look at potential delegation of State legislative  
18 matters.

19           PRESIDENT FECKNER: Thank you.

20           Mr. Jelincic, you have something to add?

21           BOARD MEMBER JELINCIC: Yeah. I just want to  
22 make it clear, that I don't -- only the -- the only thing  
23 I'm asking to be pointed out are those where the staff is  
24 working a bill that we have not taken a position. I mean,  
25 there are lots of bills we don't take positions on that we

1 currently get report, but it's to specifically call out if  
2 your are working on it, and we have not taken a formal  
3 position.

4 CHIEF EXECUTIVE OFFICER FROST: Thank you.

5 PRESIDENT FECKNER: Very good. Thank you.

6 Brings us to Agenda Time 12, Public Comment. I  
7 have only one request, Mr. Healy, please come down to the  
8 microphone on my left, identify yourself for the record,  
9 and you'll have up to three minutes for your comments.

10 MR. HEALY: My name is John Healy. I'm the Vice  
11 President for the Corona Police Officer's Association.  
12 Prior to coming up here, I took some time. I looked at a  
13 lot of the different publications that you guys have on  
14 your website. I looked over the 2016-17 business plan,  
15 the 2017 to '22 strategic plan. There's a lot of good  
16 stuff in there.

17 One of the things that stood out is obviously  
18 your mission statement. And I think it's important. And  
19 I do appreciate that it's basically on page four, and it  
20 says, "Provide responsible and efficient stewardship of  
21 the system to deliver promised retirement and health  
22 benefits, while promoting wellness and retirement security  
23 for members and beneficiaries".

24 I think that's great. I think that the Board  
25 here is, I hope, following the mission statement and

1 looking out what is in the best interests of the  
2 membership. I also appreciated the legislative update.

3 Sorry.

4 PRESIDENT FECKNER: Welcome to Sacramento air.

5 (Laughter.)

6 MR. HEALY: I think it was great, I mean, to hear  
7 that, you know, the Board has taken a position on two of  
8 the bills that are in the legislative process right now.  
9 I do know that there is another bill that is asking for  
10 divestment out there. And I hope that the Cal Board -- or  
11 the CalPERS Board looks at that and takes a position, and  
12 the fiduciary responsibility to look at what is in the  
13 best interests of the members.

14 Just going through some other documents. I did  
15 find also the Total Fund Investment Policy, which was  
16 pretty lengthy, but it did talk about divestments in there  
17 too. And one of the things that I really noticed in there  
18 is that when it talked about divestments, it talked about  
19 really -- I'm sorry, I'm going to pull it out real quick.

20 And I'm not going to read it verbatim, but just  
21 to highlight some stuff. It talks about obviously  
22 fiduciary responsibilities and obligations. But in the  
23 end, it says, "In addition, there appears to be  
24 considerable evidence that divesting is an ineffective  
25 strategy for achieving social or political goals, since

1 usually the consequence is often a mere transfer of  
2 ownership of divested assets from one investor to another.  
3 Investors that divest lose their ability as shareowners to  
4 influence the company's responsibilities".

5           So when -- and when I read that I thought it made  
6 a lot of sense. And I hope that the Cal Board -- CalPERS  
7 Board, you know, for future investment doesn't divest from  
8 investments out there. I hope that they continue to  
9 invest in profitable companies, and they take the stance  
10 of investing in those companies to also have a say in what  
11 happens in those companies.

12           So thank you much. I appreciate it. Thank you  
13 for the opportunity to speak.

14           PRESIDENT FECKNER: Thank you for your comments.

15           Seeing no other requests to speak.

16           This meeting is adjourned.

17           (Thereupon the California Public Employees'  
18 Retirement System, Board of Administration  
19 open session meeting adjourned at 11:16 a.m.)

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

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

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California.

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 28th day of June, 2017.

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